



## Impact of Loan on Agriculture Artisan and Fisheries Business

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### ABSTRACT

Accelerating economic growth in developing countries is empowered by investment in sectors such as agriculture, which becomes profitable with adequate financial backup. Loan is an important financial service which comes into consideration when savings is made difficult as a result of low income made by artisans. Access to loan or credit facilities is considered an effective strategy in increasing the productivity of small scale agricultural businesses and alleviating poverty. The ability of agricultural artisans and fishermen to access a loan may impact on increasing their risk coping ability and enable them take on modern and riskier strategies that will result in higher productivity. In other words, the limitation or inaccessibility to needed loan would make it difficult for artisans to acquire necessary tools and skills to enhance their production output. This study investigated the impact of loan on agriculture artisan and fisheries business. In this paper questionnaire was used for data collection and the data collected were analyzed using descriptive statistics. 150 agricultureartisans including fishermen participated in the study. The result of this study indicated that identified various sources of finance available to agricultural artisans including bank, non-bank financial institution, families and friends, personal savings, and retained profit. The result of the study further identify some challenges faced by artisans in accessing loan facilities among which are interest rate, inadequate experience, high collateral, lack of information flow, among others. Also the result from this study revealed that loan has on agriculture artisans and fisheries business. Finally, the result indicated the poor access to loan affect artisans' operations in Nigeria. Based on these findings conclusions were drawn and recommendation made.

**Keywords:** Agriculture, Artisan, Fishery Business, Loan.

### 1 Introduction

Artisans and small businesses play important roles in every community and nation regardless of location. Artisans are key drivers in a nation's economic growth, as they contribute to job creation, cultural preservation, income generation and skills development. By their works, they are able to diversify and stimulate local economy, thus enabling families and communities thrive. In spite of the significance of artisans to the economy, they are largely confronted by access to finances which hinders their creativity and productivity (Sagbo, 2019). Agriculture artisan of which fishery is a subset serves as a source of income, employment generator and growth stimulator; and are characterized by their manual means of operation. This implies that they need to access credit or loans to enable them properly invest in their operations and function effectively in every area of their trade to be more productive (Nazir, Chauhan, Khati & Arya, 2018).

Accelerating economic growth in developing countries is empowered by investment in sectors such as agriculture, which becomes profitable with adequate financial backup. Loan is an important financial service which comes into consideration when savings is made difficult as a result of low income made by artisans. Access to loan or credit facilities is considered an effective strategy in increasing the productivity of small scale agricultural businesses and alleviating poverty (Chandio, Jiang, Wei & Guangshun, 2018). The ability of agricultural artisans and fishermen to access a loan may impact on increasing their risk coping ability and enable them take on modern and riskier strategies that will result in higher productivity (Martinson, Yuansheng & Monica, 2019). In other words, the limitation or inaccessibility to needed loan would make it difficult for artisans to acquire necessary tools and skills to enhance their production output.

Okyere, Coleman and Amoateng (2016) explained that the inability of agricultural artisans to access loans was a result of several factors often demanded by financial institutions such as high interest rate, lack of adequate collateral, tedious loan application process and delays in disbursement time. Added to this is the conception that granting credit facilities to artisans come with a high risk. Given these factors, agricultural

and fishery artisans are constantly challenged by their inability to acquire skills and tools that might enhance their productivity (Ankrah, Jiang, Osei, Chandio & Korankye, 2020).

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## 2 Statement of research problem

The inability of small scale businesses in the agricultural sector otherwise referred to as artisans to access needed loan is a restrictive problem to their productivity level (Ogidi, 2019). In the bid to raise funds, these artisans often turn to family and friends which most times prove ineffective and inadequate for their investments. Approaching private lenders appears even worse as they seem more interested in the interest rate charged on loans and acquiring the property of a defaulting debtor. Thus, the microcredit institutions are considered as the institution that conveniently offer artisans loans and reasonable interest charged.

Emmanuel, Abdullahi and Iliya (2020) pointed out that the inadequate implementation of modern technology by Nigerian agricultural artisans has led to Agricultural operations being largely primitive and not being productive enough. Agricultural artisans in Nigeria constantly grapple with financing which can be used in expansion and investment in productive assets, and the lack of it inhibit their effectiveness and production output. To this end, this paper seeks to assess the impact of loan on agriculture artisan and fisheries business.

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## 3 Research objectives

1. To identify the sources of finance available to agricultural artisans.
2. To assess the challenges faced by artisans in accessing loan facilities.
3. To determine the impact of loan on agriculture artisans and fisheries business.
4. To determine the extent to which poor access to loan affect artisans' operations.

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## 4 Research questions

1. What are the sources of finance for agricultural artisans?
2. What are the challenges faced by artisans in accessing loan facilities?
3. What is the impact of loan on agriculture artisans and fisheries business?
4. To what extent has poor access to loan affected artisans?

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## 5 Hypothesis

There is no significant impact of loan on agriculture artisans and fisheries business.

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## 6 Literature review

Fisheries are entities engaged in harvesting fish and may involve the capture of wild fish or raising fish through farming or aquaculture. In Nigeria, two main sources are responsible for meeting the demand for fish which are domestic production and importation from foreign countries are largely done by the artisanal sector and the major areas of production are the coastal and the brackish water constitutes, followed by the inland rivers and lakes (Chilokwu et al., 2019). Artisanal fisheries accounts for about 85% of total fish production and due to the insufficiency of domestic production of fish, importation of fish and fish products accounts for more than half of fish supply in the country (Olaoye et al., 2017). Artisan agriculture is an approach to agriculture and farming that is designed to significantly profit from the presence of a large adjacent population.

A loan can be defined as a type of credit vehicle in which an amount of money is lent to another party in exchange for future repayment of the value or principal amount. In many cases, the lender also adds interest to the principal amount which must be repaid in addition to the principal balance. Loan provides access to funds for agriculture artisans and fishery businesses to get the assets they need to improve production (Adebayo, Nageri & Akolo, 2017). Loans help agriculture artisans and fisheries purchase new inputs for the businesses to achieve productivity; Refinance an older loan i.e. taking a newer lower interest loan to pay off an older higher interest one; Cover marketing costs so as to improve visibility; Help farmers and fishery owners to be better equipped for a crises as the loans can cover the cost of operations that occur from damages.

Over the years, the government in Nigeria has expedited agricultural production through the delivery of agricultural loans and insurance. The government's interest in agricultural insurance stems from maintaining production for the economy and protection of the rural community wellbeing. In a bid to provide agricultural insurance to Nigerian co-operative farmers, the government in 1987 established the Nigeria Agricultural Insurance Scheme which evolved into a corporation entirely owned by the Federal Government known as the Nigeria Agricultural Insurance Corporation (NAIC) in 1988. NAIC's objectives include promoting agricultural production, increasing the flow of agricultural credit, providing financial support and minimizing the need for emergency assistance to farmers in periods of natural hazards (Chilokwu et al., 2019).

Some sources of loans in Nigeria according to Iderawumi&Ademola (2015) include:

**Agricultural Bank:** a governmental institution that specializes in grant loans for farmers such as the Nigeria Agricultural and Cooperative Bank (N. A. C. B.) which was established in 1973 and has been changed to Nigeria Agricultural and Rural Development Bank (NARDB). Only farmers can borrow money from the bank.

**Government grants:** All tiers of government often make grants accessible for the aim of financing Agriculture

**Community Banks:** this type of bank is a self-sustaining financial or group of communities with the aim of providing credit, banking, deposit and other financial services to its customers, mainly on their self-recognition and credit worthiness basis. They provide micro credit finance services to the rural communities as well as farmers and micro enterprises in the urban center.

**Farmers' Cooperative society:** this is a non-governmental micro-credit finance institution whose mode of operations varies from state to state. Generally, loans are disbursed through the several cooperatives societies or through agricultural cooperative banks for distribution among members of the society.

**Credit and Thrift Cooperative Society:** is a non-governmental organization formed by some individuals with the purpose of either saving money together or making it possible to give out micro credit to the members of the society or to borrow from banks. The society makes it easier for low income earners like farmers to save money.

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## 7 Empirical review

Iderawumi and Ademola (2015) studied the impact of microcredit financing on agricultural production. Findings revealed that farmers in rural areas appreciate micro finance credit, but effect on farming operations can be discouraging as the high interest rate can be a limitation. They also do not have access to other micro credit finance institutions other than cooperative societies as they do not have assets that will serve as collateral securities.

Friday, Chris &Ikechukwu (2016) examined the impact of the credit supply and several commercial bank loan schemes on agricultural sector production in Nigeria. The study adopted vector autoregressive (VAR) approach for data analysis and time series data was obtained from Central Bank of Nigeria Statistical Bulletin spanning from 1981-2013. The study concluded that commercial banks loans to agricultural sector had a significant impact on agricultural production.

Sagbo (2019) examined the effects of agricultural loans in developing countries using Benin as a case study. The study employed a cluster analysis technique to create reliable comparable groups. A descriptive analysis of the impact of loan on farmers' labour input choices shows that past loans have residual effects on both hired and family labor use. Farm loans, particularly those taken for farm machinery significantly reduce outflow on hired labour though more family labor is employed while other loan categories reduced the use of family labour.

A study was carried out by Zuberu et al., (2019) to investigate effect of agriculture financing on agricultural productivity in Nigeria. The research designs employed were archival and documentary research strategy associated with the deduction approach involving secondary collection of data in which secondary data on cumulative annuals expenditure on agricultural finance, agricultural productivity indicator and export earnings were employed and findings revealed that agricultural financing has a significant impact on technological improvement of mechanized farming and production output.

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## 8 Theoretical framework

The Pecking Order Theory is adopted in this study and it proposes that borrowers or firms have an order of priorities in selecting among alternate forms of finance as firms first, prefer using internal finance generated by operating cash flows. Second, they would rather borrow when internal sources are depleted and third, they consider selling new shares almost as a last recourse (Nyang'aya&Onyango, 2016). Farmers and artisanal fishermen would rather use their internally generated funds rather than borrowed funds as a result of difficulties in accessing external financing as

explained by this theory. Since internal financing is regarded as the cheapest source of finance and the theory gives the order of preference starting with internally generated funds and implies that financing is a function of costs. An increase in financing indicates decrease in costs and this can be explained using the following mathematical model:

$$F = f(C) \text{ and } F = 1/C$$

Where F is the amount of funds accessed by the fishermen and C denotes costs of financing.

## 9 Methodology

Descriptive research survey was adopted in conducting this study. The population for the study comprised of agriculture and fishery artisans located around Epe local government area of Lagos state. This location was chosen for the study because of the high population of artisan fishers and farmers located within the community. The study therefore adopted the random sampling method in selecting 100 respondents comprising of 50 fishermen and fifty farmers for the study. The fishermen were selected from among those who were working but onshore as at the time of the study, while the farmers were randomly selected from various farms and poultry scattered around the community. Data for the study was obtained by primary means using questionnaires structured on a four point likert scale format. Given the fact that most of these respondents were mainly semi-literates and illiterates, the researcher enlisted the services of research assistants in distributing the questionnaires, which was carefully explained to them, translated and filled based on their responses. The data collated was descriptively analyzed using means and standard deviation. Acceptance level for the mean is  $\geq 2.5$ . Chi Square was adopted in testing the hypothesis at 5% level of significant.

### Data presentation, analysis and discussion

#### 1. What are the sources of finance for agricultural artisans?

**Table 1: The sources of finance for agricultural artisans**

What are the sources of finance for agricultural artisans?	$\bar{x}$	$\sigma^2$	Decision $\bar{x} \geq 2.5$ , Accept
Banks	4.13	0.78	Accept
Non-bank financial institution	4.76	1.04	Accept
Families and friends	4.66	0.82	Accept
Personal savings	4.77	0.97	Accept
Retained profit	4.03	0.98	Accept
<b>Average</b>	<b>4.47</b>	<b>0.92</b>	

The result as presented in table 1 above revealed the sources of finance for agricultural artisans with average mean ( $\bar{x}$ ) of 4.47 and standard deviation ( $\sigma^2$ ) of 0.92. This indicates that all the items in the table are above the benchmark of  $\geq 2.5$  implying that all the items are accepted as sources of finance for agricultural artisans. As indicated in the Table, most of these artisans get their financial sources such as: Banks ( $\bar{x}=4.13$ ;  $\sigma^2=0.78$ ); Non-bank financial institution ( $\bar{x}=4.76$ ;  $\sigma^2=1.04$ ); Families and friends ( $\bar{x}=4.66$ ;  $\sigma^2=0.82$ ); Personal savings ( $\bar{x}=4.77$ ;  $\sigma^2=0.97$ ); Retained profit ( $\bar{x}=4.03$ ;  $\sigma^2=0.98$ ). This result is consistent with Olukosi and Alamu (2013), Wisniwski (1999), and Seibel (1999) who in their respective studies identified one or more of the sources mentioned in this study.

#### 2. What are the challenges faced by artisans in accessing loan facilities?

**Table 2: The challenges faced by artisans in accessing loan facilities**

What are the challenges faced by artisans in accessing loan facilities?	$\bar{x}$	$\sigma^2$	Decision $\bar{x} \geq 2.5$ , Accept
Inadequate experience	3.50	0.47	Accept
High interest on bank loans	3.71	0.57	Accept
High collateral	3.63	0.31	Accept
Lack of information flow	3.64	0.63	Accept
Complex application procedure	3.50	0.55	Accept
Unprofitable business	4.77	0.97	Accept
<b>Average</b>	<b>3.79</b>	<b>0.58</b>	

Table 2 above identified some of the challenges confronting artisans in accessing loan facilities. The overall report as presented in the Table indicates an average mean of 3.79 with 0.58 standard deviation. This shows that all the items in the table are within the benchmark that determines their acceptance. Essentially, the result revealed with a mean score 3.50 and standard deviation of 0.47 that one of the problems that limits agricultural artisans from obtaining loan is inadequate experience. Other limiting factors are: High interest on bank loans ( $\bar{x}=3.71$ ;  $\sigma^2=0.57$ ); High collateral ( $\bar{x}=3.63$ ;  $\sigma^2=0.31$ ); Lack of information flow ( $\bar{x}=3.64$ ;  $\sigma^2=0.63$ ); Complex application procedure ( $\bar{x}=3.50$ ;  $\sigma^2=0.55$ ); Unprofitable business ( $\bar{x}=4.77$ ;  $\sigma^2=0.97$ ). This result is in agreement with Moahid, and Maharjan (2020) whose study identified some of the aforementioned challenges in Ghana; Cofie (2012) and Torgbor (2014) also identified similar challenges in Ghanaian context; while Richardson et al.(2004) and Saleh et al.(2008) confirmed that a similar challenges occurs in foreign countries. This shows that the financial challenges affecting agricultural artisans from acquiring loan are similar to other countries as well.

### 3. What is the impact of loan on agriculture artisans and fisheries business?

**Table 3: The impact of loan on agriculture artisans and fisheries business**

What is the impact of loan on agriculture artisans and fisheries business?	$\bar{x}$	$\sigma^2$	Decision $\bar{x}=2.5$ , Accept
Reduces the pressure on food demand	4.57	0.73	<b>Accept</b>
Enhances the preservation of agricultural produce	3.77	0.83	<b>Accept</b>
Improves living conditions of artisans	3.73	1.17	<b>Accept</b>
Improvement of timeliness and efficiency of various agricultural operations	4.43	1.09	<b>Accept</b>
Increases production output	3.56	0.68	<b>Accept</b>
Helps boost mechanized farming	4.83	0.55	<b>Accept</b>
<b>Average</b>	<b>4.15</b>	<b>0.72</b>	

Table 3 above reveals the impact of loan on agriculture artisans and fisheries business in which the average mean is 4.15 and a standard deviation is 0.55 indicating all the items in the table were accepted. According to this result, granting loan to agricultural artisans will: reduce the pressure on food demand ( $\bar{x}=4.57$ ;  $\sigma^2=0.73$ ); Enhance the preservation of agricultural produce ( $\bar{x}=3.77$ ;  $\sigma^2=0.83$ ); Improve living conditions of artisans ( $\bar{x}=3.73$ ;  $\sigma^2=1.17$ ); Improvement of timeliness and efficiency of various agricultural operations ( $\bar{x}=4.43$ ;  $\sigma^2=1.09$ ); Increase production output ( $\bar{x}=3.56$ ;  $\sigma^2=0.68$ ); and Help boost mechanized farming ( $\bar{x}=4.83$ ;  $\sigma^2=0.55$ ). The result of this study supports that of Moahid, and Maharjan (2020); Iderawumi and Ademola (2015), Chris and Ikechukwu (2016) and Sagbo (2019) who also identified the impact of loan to artisan farmers among which are high productivity and output.

### 4. To what extent has poor access to loan affected artisans?

**Table 4: The extent to which poor access to loan affected artisans**

To what extent has poor access to loan affected artisans?	$\bar{x}$	$\sigma^2$	Decision $\bar{x}=2.5$ , Accept
Inability to mobilize cash to purchase modern equipment	4.19	0.63	<b>Accept</b>
Delays in receiving payment for goods and services rendered	4.21	0.79	<b>Accept</b>
Limited growth and expansion	4.13	0.78	<b>Accept</b>
<b>Average</b>	<b>4.18</b>	<b>0.73</b>	

Finally, the study examined the extent of the effect of poor access to loan on agricultural artisan. The result as shown in Table 4 indicates that poor access to loan leads to: inability to mobilize cash to purchase modern equipment ( $\bar{x}=4.19$ ;  $\sigma^2=0.63$ ); Delays in receiving payment for goods and services rendered ( $\bar{x}=4.21$ ;  $\sigma^2=0.79$ ); and Limited growth and expansion ( $\bar{x}=4.13$ ;  $\sigma^2=0.78$ ). This result agrees with previous studies such as Moahid, and Maharjan (2020); Sagbo (2019), Chris and Ikechukwu (2016) and Iderawumi and Ademola (2015); Olukosi and Alamu (2013), respectively.

### Hypothesis

There is no significant impact of loan on agriculture artisans and fisheries business performance.

**Table 4.3.4 Chi-Square test result from SPSS**

	Loan	agriculture artisans and fisheries business performance
Chi-Square	30.41	5.29 <sup>b</sup>
Df	125	5
Asym. Sig.	5.29	0.000

**The chi-square is significant at 0.05 level of significant. a. o cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency 15.8.**

The Chi-Square test is 30.41 with P. value of 0.000. The P. value is below the 5% level of significance for this study. Therefore, the study rejects the null hypothesis that there is no significant impact of loan on agriculture artisans and fisheries business performance. The study therefore concludes that loan has significant impact on agriculture artisans and fisheries business performance. This implies that more access to loan will lead to a corresponding increase in the performance of agriculture artisans and fisheries business. Thus, we reject the null hypothesis. The outcome of this study confirm those of other studies such as Moahid, and Maharjan (2020); Sagbo (2019), Chris and Ikechukwu (2016), Iderawumi and Ademola (2015), and Olukosi and Alamu (2013) respectively.

## 10 Conclusion and Recommendation

The result from this study along other earlier studies has proven that finance is essential in agriculture regardless of the scale. However, many artisan farmers are limited by inadequate access to loan given that they lack loan facilities, limited knowledge about loan acquisition and maintenance, among others. Although microfinance made it possible for agricultural artisan to acquire loans, the loan usually has short terms and with interest rate. In such situation, it is unsuitable for agriculture since agriculture needs a long term loan for their investment to materialize. It is important to note that agriculture artisan which fishery is a subset play essential role in income generation, improved income, as well as growth stimulator require great fund for its growth and sustainability. By implication, access to credit or loans is a prerequisite for its operations and to enhance productive (Nazir, Chauhan, Khati&Arya, 2018). Given the limited resources of or funding options available for agriculture artisans and the high interest attached to loans or the short term nature of bank loans, this study recommends public and private sector partnership in providing finances for agricultural artisans.

Secondly, government should make available a credit scheme with zero interest and for long term in order to enable the agricultural artisan to obtain loans and flexible payment plan according to their individual strengths.

Finally, the study recommends that the federal and state government should organize free training on loan acquisition and maintenance to bring to date agricultural artisans on the loan options available to them as well as how to manage this loans for their growth and sustainability.

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**Appendix****IMPACT OF LOAN ON AGRICULTURE ARTISAN AND FISHERIES BUSINESS REQUEST FOR INFORMATION**

Dear Respondent,

I am carrying out a study on “impact of loan on agriculture artisan and fisheries business, and you have been chosen to be part of the study. This questionnaire is only for academic purposes. Kindly select the response which applies to you and all information will be kept confidential

Instructions: Please tick (√) as appropriate where

SA = Strongly Agree (SA), A = Agree, Undecided (Un), D = Disagree (D), SD = Strongly Disagree (SD)

**Key: Strongly agree (5) agree (4), Undecided (3), Disagree (2), and strongly disagree (1).**

S/N	ITEMS	SA	A	UN	D	SD
<b>RQ1</b>	<b>What are the sources of finance for agricultural artisans?</b>					
1	Banks					
2	Non-bank financial institution					
3	Families and friends					
4	Personal savings					
5	Retained profit					
<b>RQ1</b>	<b>What are the challenges faced by artisans in accessing loan facilities?</b>					
6	Inadequate experience					
7	High interest on bank loans					
8	High collateral					
9	Lack of information flow					
10	Complex application procedure					
11	Unprofitable business					
<b>RQ2</b>	<b>What is the impact of loan on agriculture artisans and fisheries business?</b>					
12	Reduces the pressure on food demand					
13	Enhances the preservation of agricultural produce					
14	Improves living conditions of artisans					
15	Improvement of timeliness and efficiency of various agricultural operations					
16	Increases production output					
17	Helps boost mechanized farming					
<b>RQ4</b>	<b>To what extent has poor access to loan affected artisans?</b>					
18	Inability to mobilise cash to purchase modern equipment					
19	Delays in receiving payment for goods and services rendered					
20	Limited growth and expansion					