

## **Factors Affecting Households' Decision to Allocate Credit for Livestock Production: Evidence from Ethiopia**

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**Abstract :** Access to credit is often viewed as a key to transform semi-subsistence smallholders into market oriented producers. However, only a few studies have examined factors that affect farmers' decision to allocate credit on farm activities in general and livestock production in particular. A trivariate probit model with double selection is employed to identify factors that affect farmers' decision to allocate credit on livestock production using data collected from smallholder farmers in Ethiopia. After controlling for two sample selection bias - taking credit for the production season and decision to allocate credit on farm activities - land ownership and access to a livestock centered extension service are found to have a significant ( $p < 0.001$ ) effect on farmers decision to use credit for livestock production. The result showed farmers with large land holding, and access to a livestock centered extension services are more likely to utilize credit for livestock production. However since the effect of land ownership squared is negative the effect of land ownership for those who own a large plot of land lessens. The study highlights the fact that improving access to credit does not automatically translate into more productive households. Improving farmers' access to credit should be followed by a focused extension services.

**Keywords :** livestock production, credit access, credit allocation, household decision, double sample selection

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