PEASANT AGRICULTURAL FINANCING IN NIGERIA
A CASE STUDY OF THE OPERATIONS OF AGRICULTURAL CREDIT GUARANTEE SCHEME FUND (ACGSF) IN THE IDAH LOCAL GOVERNMENT AREA OF BENUE STATE

BY

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THESIS APPROVAL

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DEDICATION

TO MY WIFE REGINA AND CHILDREN.

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ABSTRACT

Nigeria has over the years instituted policies and scheme aimed at making credit available to the peasant farmers. One of such policies is the directive to Commercial Banks to give a specified percentage of their loans to Agriculture. The Commercial Banks in carrying out this directive often not only fall short of Government prescribed percentage, but also deny the peasant farmers access to their credit due to their inability to meet up with the banks' demands especially the colateral requirement. It was to assist the peasants in obtaining loans from the commercial banks that the government thought it was necessary to establish special scheme which can give some relief to the commercial banks by guaranteeing a part of the loans given by the banks. One of such schemes is the Agricultural Credit Guarantee scheme (ACGS).

This study was designed to find out the operations of the ACGSF in Idah Local Government Area of Kogi State.

Two seperate questionnaires for the farmers and the Commercial Banks were designed and administered in the Local Government. The following findings were made;

i) Informal Financial sources of Credit still dominate the rural credit environment despite the operations of the Scheme in the Area.

ii) The Commercial Banks do not meet up with the required loon percentage to the farmers despite the government guarantee level,

iii) Even where the banks granted loans under the scheme, the peasants for who the scheme was designed never benefited much.

Some factors were discovered to be responsible for the apparent failure of the scheme in the area. The peasant farmer do not repay loans promptly; the commercial banks, on their own part, fail to extend adequate credit to the peasants due to some reasons. Reasons which include none provision of acceptable securities by the peasant farmers.

Finally, the Central Bank default in paying claims by the Commercial Banks also contributes to the malfunctoning of the scheme. Proper functioning of the different parties in the scheme was recommended by the study for the successful implementation of the scheme for the benefit of the peasants and the nation as a whole.

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CHAPTER ONE

INTRODUCTION

1.1 Statement of the Problem

The problems confronting peasant agriculture in Nigeria which do not allow for its development can be classified into technological, institutional and financial. Of all these problems, lack of adequate finance seems to be the most important. This is because with enough finance, most of the other problems could be solved.

The technological problems emanate from inadequate mechanisation in farming due to high cost of modern technology. The institutional problems include among others lack of adequate infrastructures in the rural areas.

Finance is believed to be the pivot upon which the other problems revolve because there are already enough of intermediate technology to remove the back-breaking traditional method of farming. The available technologies include ploughs used for clearing and ridging farm land; drills employed for planting seeds in rows and simple tools for harvesting and threshing crops. The use of these implements in combination with high-yielding seedlings and fertilizers enable farmers to bring under cultivation relatively larger hecters of farm land and a consequent rise in productivity and output. The knowledge of various improved techniques cannot be implemented by peasant farmers unless they have access to finance that would enable them to adopt these techniques. The amount of finance available to the peasant farmer to adopt these techniques is limited due to his low income. He therefore needs extra finance from other

sources to avail himself of the use of these new improved methods of agriculture. This extra finance can only come from credit facilities. The peasant farmer does not however have easy access to credit due to the high risk associated with his occupation which discourages creditors in the formal credit institutions from extending credit to him.

All over the world governments have realised the financial handicap faced by peasant farmers and have therefore attempted to establish financial credit institutions specifically targetted on peasants.

1.2 The Need for Credit and the Problems of Obtaining Credit by the Peasant Farmer

The word, Credit or Loan refers to the process of borrowing money, goods, and services from a lender to a borrower with the intention of paying at some future date. Willer defines Credit as the process of obtaining control over the use of money, goods and services in the present in exchange for a promise to repay at some future date."[1] It can also refer to the transfer of purchasing power to the enterpreneur for development purposes.[2] Indeed credit is the backbone of modern business.

Agricultural credit comprises of all loans and advances granted to borrowers to finance and service production activities related to agriculture, fisheries, and forestry and also for the processing, marketing storage and distribution of products resulting from these activities.

Credit can be classified according to its purpose, type, source and terms. There are two categories of credit when classified by purpose. These are production and consumption credit is obtained for the purpose of production of goods

and services. When credit is obtained to finance the essential needs in a house-hold then it is consumption credit. The later involves house-holds and individuals while the former has the firms, business organisations, governments, and individuals as the actors. Credit in the Nigeria agricultural sector is mainly obtained for consumption purposes. Even when it is obtained for production purposes, a high percentage of it goes for consumption. As rightly observed by Miller[3] in his survey on the use of credit by farmers in Kwara and Western States, 48.5% of the credit went to farm use while 5% was spent on non-farming activities of which consumption carried the highest percentage.

Credit could also be classified by type; it could be in cash or kind. It is in cash when liquid money is given to the borrower. While credit for consumption purposes could either be in cash or kind, credit given in kind for production purposes is preferable as it can hardly be directed to other uses as opposed to that given in cash which can easily be utilised for other purposes.

Another classification of credit is according to their source. Its source could be formal i.e. institutional or informal, i.e. non-institutional distinguishable by the process of organisation and operation. It is non-institutional when it involves the transfer of cash, goods and services among friends and relatives, rural money lenders, merchants and traders and village credit associations. On the other hand, it is institutional when it involves cooperative societies, commercial banks, and some specified government banks and schemes, often guided by laws.

Credit can be classed by its terms, thus it could be of short term which is less than twelve months duration. It is medium term when it is less than thirty-six months, and long term when it is over thirty-six months.

In the agricultural sector, short term credit are usually utilised for crop farming involving clearing, planting and harvesting within a period of one year. Medium term credit are utilised for tree crops that can mature within three years and also for poultry farming, while long term credit are usually given for tree crops that have longer gestation periods and for live stock production.

1.3 Rational for Credit to Agriculture

The rationale for credit for agricultural development is to provide cash for necessary farm imputs such as improved seedlings, fertilizers, chemicals, tractors, harvesters etc. to poor farmers.[4]

Cheap credit is also believed to be a vital part of a package of imputs needed to stimulate change in agricultural production and also believed to be an effective way of offsetting the adverse effects of some economic policies that may paralyse the agricultural sector such as price control. It is also thought to be a convenient way to treat rural poverty.[5]

It is also believed that only outside source of capital can bail the peasant farmer out of the vicious circle of poverty by way of facilitating his development on the farm.[6]

It is also argued that credit can assist income distribution in favour of the peasant farmers and lead to increase in production.[7]

There is also an assertion that increased employment, improved income and expanded food production can be achieved by small farmers if the resources including additional finance are made available to them.[8]

Governments can also use agricultural credit as an instrument of agricultural policy - to encourage diversification into a particular crop or to promote social policies.[9]

There are two broad categories of credit available to the peasant farmer in Nigeria, namely, non-institutional and institutional. The non-institutional credit are those given by friends and relatives, merchants, village credit associations, rural money lenders etc. The loans are usually made directly to borrowers. This is prevailent where individuals are familiar and confident with each other. The lender knows the borrower and can vouch-safe for his integrity. The size of credit from this source is however very limited and cannot meet all the credit needs of the peasant farmer. The interest rates are normally high and exploitative, ranging from nothing to up to 200% per annum. But the ease in obtaining it, non-insistence on colateral, non-administrative bottlenecks and flexibility in repayment make this source of credit very popular among peasant farmers in the rural economy. The institutional sources consist of the commercial and merchant banks, cooperative societies, state agricultural cooperative societies, Nigerian Agricultural and Cooperative Bank (NACB). Credit from institutional sources are often larger, the interest rates are fixed, known and infact much lower than those charged by the non-institutional sources. Despite these seemingly favourable conditions, its coverage has

been traditionally very limited. This is due to the stringent conditions governing the granting of these loans which are usually beyond the reach of the peasant farmer. An example is the colateral. The high risk associated with farming occupation also discourages creditors from extending credit to it.

It is in an attempt to bring the institutional credit within the reach of the peasant farmer that the Federal Government has over the years pursued various credit policies. Some of these policies include the establishment of the Nigerian Agricultural and Cooperative Bank (NACB), the issuance of credit guidelines to the commercial and merchant banks as to what percentage of their loan facilities should be set aside for the agricultural sector. There is also the encouragement of the formation of cooperative societies which would assist the farmers in meeting collectively some of the requirements of the banks in granting loans. There is also the institution of the rural banking programme to be executed in three phases aimed at bringing banking services nearer to the farmers. The Agricultural Credit Guarantee Scheme Fund (ACGSF) was also established in 1978, and is aimed at facilitating the flow of credit to farmers by reducing the risk of lending to the sector by commercial and merchant banks. This scheme is the subject of this study.

Prior to the establishment of the ACGSF, the performance of the commercial and merchant banks with regards to agricultural lending especially to peasant farmers was nothing to write home about despite the fact that they are mandated by the CBN to advance a specified percentage of their loans and advances to the sector. In practice they had not always been ready to

grant credit to farmers for many reasons. Because they are profit making organisations, most of their lending activities are concentrated in non-farming investments where there is relatively less risk default, farmer uncertainties, and where returns on capital appear to be higher. The majority of the farmers had no acceptable securities and most of the factors controlling the farm enterprise are largely beyond the control of the farmer himself. Banks in Nigeria therefore look on agricultural business as a shaky and unpredictable venture and are not generally interested in granting loans for ventures in which they are not sure of getting back their principal and interest.

This luckwarm attitude makes the commercial banks unable to meet the targetted percentages set for them by the central bank of their total loans and advances to the agricultural sector while they exceeded the targets set for them in other sectors of the economy.

It was therefore thought that special incentive could be given to commercial and merchant banks to lend more to agriculture with ultimate aim of increasing output in the sector.

1.4 Brief Introduction to Agricultural Credit Guarantee Scheme Fund

The Agricultural Credit Guarantee Scheme Fund was established by Decree 20 of March 1977[10] with the ACGSF Act (No. 26)[11] providing the frame work for the operation. The ACGSF was meant to provide a protection against some of the risks that lending to agriculture involved. As at the time it was launched, it was hoped that a basis had been layed for stimulating

increased flow of bank credit to the agricultural sector and in particular to small peasant farmers. The main objectives of the scheme are to assist the credit institutions in cussioning the credit defaults and offer solutions to the problem of inadequate colateral often pledged by farmers. This would facilitate the flow of bank credit to rural farmers. Under the scheme loans and advances by commercial and merchant banks to agriculture are guaranteed up to (75%) by the Federal Government and the Central Bank of Nigeria (CBN). It then means that the loan beneficiary would provide the guarantee for the remaining (25%) in form of colateral. The sum of One hundred million Naira (₦100m) was subscribed to the fund by both the Federal Government and the CBN on 60% and 40% basis respectively. The agricultural ventures which can qualify for this loan are direct agricultural production such as plantation agriculture, crop production and animal husbandary. Banks were specifically instructed not to insist on colateral on small loans of ₦5,000 and below.

1.5 Aims and Objectives of the Study

This study seeks to assess the contributions of the ACGSF to the development of peasant agriculture by way of facilitating the flow of credit from commercial and merchant banks to the peasant farmers. It also analyses the major constraints on its operations generally and in particular to Idah Local Government Area of Kogi State.

It probes the following:

i) Sources of Agricultural credit to farmers in the study area.

ii) ACGSF contributions to the credit needs of the farmers in terms of how many of each categories of farmers benefited from the scheme since its inception in the study area.

iii) Contribution in terms of how much altogether has gone to each category of farmers.

iv) Contribution in terms of how much has gone to each sector of agriculture.

v) The repayment rates of each credit granted.

vi) The rate of satisfaction of CBN directive to the commercial and merchant banks under the scheme on the percentage of the commercial and merchant banks loan facilities that should go to the agricultural sector.

vii) The problems militating against the effective implementation of the scheme in the study area.

viii) Offer solutions to the problems identified.

1.6 Justification

This study is justifiable from the perceived role formal credit facilities can play in the development of agriculture. The situation is such that in the present setting of formal credit facilities only the large farmers stand to benefit. It has made little or no impact on the peasant farmers. In other words, the mere existence of formal credit facilities in the country does not necessarily guarantee accessibility of credit to the peasant farmer. Infact this is the case in Nigeria where after several years of implementing the agricultural credit guarantee scheme fund (ACGSF), the peasant agriculture is yet to improve. It therefore becomes desirable to investigate those

conditions within the system that hinder the achievement of the desired objectives.

This research is also born out of the need to increase the literature on the agricultural credit in Nigeria especially with respect to the Agricultural Credit Guarantee Scheme Fund (ACGSF).

FOOT NOTES

1. L.F. Miller: Agricultural Credit in Africa Rockerfeller Foundations, New York, 1977, P.6.

2. See P.S. Aku, Problems in Financing Agriculture through the ACGSF in Kaduna State Agricultural Administration. Vol.12 (1983) 1-65 P.21.

3. L.F. Miller Op. Cit. P.21.

4. G.L. Denning "An Australia Assisted Credit Scheme for small holder upland crop Production in Southern Philippines." Agricultural Administration Vol.10 (1982) 123-143.

5. W.A. Dale and Douglas H.G.: "Agritique of Traditional Agric Projects and Policies." Journal of Development Economies Vol.8 No.3 (1981) Pp.342-366.

6. D.A. Penny "Favour Credit policy in the Early States of Agric. Development. Australia Journal of Agricultural Economies Vol.12(1) June 1968 Pp.32-45.

7. Ibid Pp.50-53

8. S.K.T. Williams Agricultural Credit and Finance in Nigeria: Problems and Prospects
Proceedings of Seminar Organised by CBN 1981 Pp.50-58

9. Sole Roger E. Successful Rural Credit Projects in Latin America Development Digest
Vol. 16(3) 1978 Pp.23-35

10. Ibid Pp.40-43.

11. Central Bank of Nigeria 1981.
Agricultural Credit Guarantee Scheme Fund Fourth Annual Report and Statement of Account.

12. The ACGSF Act (No.26) Central Bank of Nigeria, 1977.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The concept of peasantry, the need for credit by the peasant farmer, the performance of the already existing credit schemes, the discrimination against him by institutional sources of credit especially the commercial banks in the disbursement of their loans and the need for a special credit scheme to cater for the peasant farmer have attracted considerable attention in the development literature. In this chapter we review the existing literature in this area.

2.2 Concept of Peasantry

Third World Agriculture has long been described as dominated by the peasantry defined as a structure of petty property and its dependants:- part of which is becoming endless, part transformed into an agricultural proletariat, while a part has made transition to capitalist and quasi-capitalist states. In political terms the peasantry is a sabalton class[1] in that sense that it is a social class subordinated to capitalist interests, intrinsically weak and having limited strength.

The peasant agricultural economy is distinguished by several features:

Firstly, it is dominated by small-scale independent cultivators who either own their own farm plots or have rights to use of land through leasing, share-cropping, renting etc.

Secondly, the family or household is the major source of farm labour, though outside labour may be procured either through communal pooling of labour or hiring or both. Thirdly, the major objective of peasant production is direct satisfaction of household needs, though this does not suggest that there is no links with the market. Fourthly, the village provides the macro social setting within which peasant production operates, providing the market for disposal of surplus where and when the later occurs, and procurement of imputs.

There are controversies surrounding the use of the concept of "peasantry". To some writers, Hill[2] for instance the concept is strongly associated with analysis in 'Class terms'. But African Society, for instance, in the view of this group is yet not sufficiently structured to allow for class analysis.

There are yet others who dispute the empirical relevance of the concept of peasantry pointing out that a significant number of (African) peasant producers have made a transition to capitalist and quasi-capitalist status, while others reproduce themselves within the capitalist market by selling their labour power as agricultural wage workers.

Even with the ranks of those who admit the relevance of the concept, there are arguments surrounding fragmentations, sub-divisions and fractions within the peasantry. Within the ranks of the peasantry, there is said to exist some three fractions: poor, middle, and rich peasants. Alavi and Wolf for instance, argue in separate studies that the middle peasantry is a class of independent small-holders who own land which they cultivate themselves; the rich peasants are mainly employers of

poor peasants as share-cropers or wage labourers beside acting as money lenders and men of influence within the village setting.[4]

Further to the above, it is pointed out that peasants become differentiated regionally or geopolitically: Peasants in export crop zones differ from those in food-crop zones in Africa, the former became commercialised earliest following contact with the world market. Even within the territory of a simple agricultural region, the rate of commercialisation of peasant product is far from uniform. In the extreme case, self-sufficient subsistence crop farmers and live-stock farmers (pastoralists), specialised cash cropers and several shades in between may be found side-by-side. Cash crop producers seem better off than predominantly subsistence cropers.

Our working definition in this study of peasant farmer in Nigeria is based on a combination of some of the above views. A peasant farmer within the Nigerian context is one for whom farming is an occupation, but whose average farm holding is about six to ten hecters. His principal tools are hoes, cutlasses, axes, and knives. He depends on his family labour for his farm work and uses little or no capital. He has no access to modern farm equipments like tractors, harvesters, fertilizers, insecticides, high yielding seedlings and storage facilities. The livestock is in the hands of the normadic herdsmen and poultry is still essentially the back-yard type. The fishing sector is predominantly artisan. Natural forestry is simply exploited as the bounties of nature over the years without any concious effort to regenerate them. The peasant farmer is also characterised by low production, low farm income, low savings and low capacity to satisfy the food and fibre needs of the country.

He is caught in the vicious circle of poverty. They are scattered all over the country especially in the rural areas. He is finally a tattered, hungry, ageing, and dying man with negative psychology against farming. Even with these traditional tools of farming, the peasant farmer in Nigeria produces over 90% of the country's food output both for subsistence, local and international markets. It is this kind of farmer rather than large scale farmer that has contributed substaintially to the country's economic growth and development over the years especially when measured in terms of employment and the number of people that depend on the sector for their survival.

2.3 Agricultural Financing: The Need for Credit

Most researchers and analysts find out that the peasant farmer needs additional finance in order to carry out an effective farming activity by adapting the new and improved methods of farming. Due to his low income, the peasant farmer cannot save for this additional finance and therefore can only depend on external source in form of credit.

Agricultural Credit has been considered not only timely but also urgent in order to arrest the prevailing food slot, and reduction of poverty among the rural farmers in the developing countries. Warren[5] in stressing the above view also noted that the margin between food production and its requirements has been on the increase especially in the less developed countries (LDC). He sees the need for additional food production which he says can only come from the Less Developed Countries (LDC) and the small holders in particular who make up most of the farm population.

He also believes that the rural areas in the Less Developed Countries have the potentials for increased agricultural output. These potentials can only be harnessed with enough and adequate technology and infrastructure. All these need money which can only be got through credit, credit is required to be able to adapt the required technology. Furthermore, the technology has to be brought within reach of the small farmers, he continued. He concluded that in societies where production cannot be increased through the use of existing resources, especially in LDC new technology must be introduced together with measures to stimulate its use. But in more advanced countries where agriculture is partly commercial, credit is needed to sustain technological change.

It is also believed that the peasant farmer needs some credit to close the gap between his level of expenditure on the farm and his income. In a survey conducted by Zukama[6] he discovered that the farmers annual expenditure on the farm always exceeded their income by up to 10% to 30% while saving was close to zero.

Credit is also regarded as an indispensable part of agricultural development scheme due to an assumption of little savings capacity among small farmers. Their ability to adapt new technology is therefore restricted to only the large farmers. It is further observed that the existing credit system is inadequate either in volume, terms, or breath of accessibility to the small farmer to meet the additional credit needs. These were the conclusions of Peter[7] from a survey he carried out on the determinants of personal incomes among farmers in Northern part of Nigeria.

Agricultural credit is believed to be able to rescue the farmers from the vicious circle of poverty by enabling them to use improved methods of farming that will increase their productivity and income. This view was expressed by Adeyemo[8] in his discussion on agricultural credit for small scale farmers in Nigeria. He noted that capital plays an important role in agricultural development but due to low savings most farmers cannot accumulate capital for investment in the farm. Lack of investment leads to low farm income. They are therefore caught in the vicious circle of poverty and only outside financial assistance can help many farmers escape. He also noted that the idea behind government sponsored agricultural credit is to help farmers use improved farm imputs which will increase their productivity and income.

Agricultural credit is seen as a vehicle of agricultural transformation which is necessary if agriculture is to perform its role in a meaningful way.
Famoriyo[9] in making this observation further recommended the encouragement of credit institutions in granting credit to the sector.

In a developing country like Nigeria, credit is regarded as a vehicle for agricultural development. In his analysis of the problems of agriculture, an analysis of some institutions in Kwara State, Ihimodu[10] noted that credit is needed to acquire seedlings, equipments, fertilizers etc. He also noted that small farmers require more credit allocations as they cannot utilise the present credit facilities in their present set up.

In order to offset policies that might otherwise paralyse agriculture, policy makers feel that cheap credit is vital. This was the view expressed by Adams et al[11] in writing on A Critique of Traditional Agriculture Credit Projects and Policies in Low Income Countries. They further discovered that credit is a vital part of a package of imputs needed to stimulate change in agriculture and a convenient way to treat rural poverty.

On the other hand, there are some contrasting views held by some analysts on the need for credit by the peasant farmer. They maintain that peasant farmers need no outside credit but need only to be made to develop what they already have. They also maintain that under the present set up of most credit institutions the peasant farmer cannot have access to credit for he cannot meet the credit requirements, especially the colateral requirement. It is only the wealthy farmers, they claim who can fulfil the requirements that often benefit. This results in the distribution of income in favour of the rich. House[12], for example does not believe that the peasant farmer needs any credit, he expressed this view while analysing development in agriculture without credit. He maintained that agricultural development can take place without credit although he was not totally opposed to agricultural credit. He says that what the peasant farmer needs is an education to be able to make use of the resources already available to him to develop and increase his farm income. He pointed out that credit to small farmers leads to unnecessary debt and losses to the credit institutions in form of defaults and administrative costs. House's view is ridiculous because nobody can be taught or educated to make use of what he does not have nor

has the means of obtaining them as is the case with the Nigeria peasant farmer and the improved farming techniques.

It has also been noted in literature that institutional credit tends to get biased in favour of rich farmers and distribute income in their favour.

Donaldson[13] in his research in Kenya discovered that only those that are already well off benefit from agricultural credit because they are the only people that can meet the demands of the credit institutions. Credit will therefore increase their access to more productive resources and increase their income the more thereby distributing income in their favour. This is exactly what is obtainable in most developing countries and Nigeria in particular. Most of the credit schemes favour the rich farmers and even non-farmers who have the resources and the connections to obtain the credit. But rather then discourage or stop agricultural credit facilities, what is required is to identify those problems that prevent its accessibility to the peasant farmer for necessary rectification.

Despite some few objections to credit facilities especially to the peasant farmer, the concensus is that the peasant farmer actually needs additional capital in form of credit so as to be able to obtain the required improved farm imputs. This is because his income is too low to allow for any saving for farm investment. There is however the need to exploit the peasant farmers savings capacity rather than outright conclusion that he cannot save.

2.4 The Performance of Already Existing Credit Schemes And the Need for a Special Credit Scheme for Peasants

Most researchers and analysts have discovered that most credit schemes the world over and Nigeria in particular have not favoured the peasant farmer in their credit disbursement. The peasant farmer is always priced out of the credit market by the stringent conditions governing these loans which he cannot meet. An example is the colateral requirements.

There is the need for a special arrangement in credit schemes which will not only ensure the accessibility of the credit to the rural farmers but also guarantee a very high repayment rate. These special features include an overall package approach where not only credit is provided but also other supporting infrastructures, decolaterisation and a sort of co-operative approach by farmers.

In a study he conducted on an Australian assisted upland crop production in the Southern Philippines, Denning[14] discovered that it is only when credit schemes have special features and approach that small farmers can benefit and very high repayment rate can be recorded. The special features and approach of this Australian assisted scheme included an overall package approach where not only credit was provided, but also all the other necessary infrastructures like roads, water and other services. Another interesting feature of the scheme is that it is decolaterised under special programmes. This was first tried on informal sources of credit and later extended to banks. In this programme, status was accepted as a genuine colateral. However farmers must have to belong to a joint liability group called "Selders" consisting of about five to fifteen farmers.

In this group, if a member failed to pay the other members have to take the responsibility. In the first and second phases of the scheme four hundred and eighty loans were granted and repayment rates of up to 89.3% and 96% for the first and second phases respectively were recorded.

It has been discovered that the role played by non-institutional credit is more than that played by the institutional credit sources in granting credit to rural farmers. Even where the loan is granted by institutional sources especially the commercial banks, they were directed more to large scale farmers. This was the finding of a survey carried out in rural India on the role of credit in rural agriculture with the objective of ascertaining the nature and performance of different credit agencies by Reserve Bank of India in 1957[15]. The dominance of the non-institutional sources of credit in India in Credit Disbursement is as a result of the inability of the Small Farmer to fulfil the requirements for obtaining credit from the institutional sources.

In conquering the problems encountered by peasant farmers in securing formal credit, it has been suggested that group farming could offer the solution.

In their study on agricultural credit for farmer groups, experiments in Honduras, Loren et al[16] observed that due to the problems small farmers face on individual basis to obtain credit, the group lending approach is recommendable. It has the advantage of lower administrative and borrower costs, has improved repayment rate through joint liability, has a wider covrage, requires less colateral requirement and illiterate

farmers gain from literate farmers. The group farmers experiment in Hondural recorded some success. A group contained ten to twenty participants. Additional reasons other than for credit should exist in other to maintain group solidarity. The credit policies are also flexible to accommodate the diversity in personality and credit needs of each group.

Surveys and studies carried out in Nigeria also confirm that small scale farmers are discriminated against in the loan disbursement of credit institutions and schemes. The cause of this has been attributed to some factors including the risk associated with lending to agriculture and the prohibitive credit conditions.

Osuntogun[17], in a research he conducted on the managerial efficiency in the Nigerian Agriculture Bank discovered that the conditions governing the granting of credit to farmers cannot be met by small scale farmers who constitute the majority of the farming population in Nigeria. He also discovered that while the share of the banks credit to small scale farmers has been decreasing over the years, that to the large scale farmers has continued to be on the increase. He identified the orthodox conservative security-oriented approach adapted by NACB as not being in line with the objectives described for development banks in the Second Development Decade. Osuntogun's discoveries reveal that even in an agricultural bank where all types of farmers are supposed to be adequately taken care of, the small scale farmer still suffers the same neglect in loan disbursement.

In a study conducted by Essang[18] among Cocoa Farmers in Western States of Nigeria on the incidence of loan taken among households, he discovered that those with higher income have

more access to farmers credit institutions that charge less interest than those on low income who only have access to informal sources that charge relatively higher interest rates. This results in placing higher income earners in a more advantaged position to cover larger hecters than the low income earners who are not so advantaged. The problem of the small scale farmers in obtaining formal credit has also been revealed by Essang's study. Their only alternative is the informal sources which is limited in quantity and charge high interest rates. This does not allow them to avail themselves of the use of modern farming techniques that would have enhanced their income.

Banks are also known to face some problems in advancing credit to the small scale farmers in Nigeria. This was observed by Famoriyo[19] in analysing the problems in advancing credit to the small farmers.

He enumerated some of these which include, lack of contact, lack of information, and uncertainty in the supervision and repayment of loans. Others include inadequacy of funds, lack of adequate and healthy interaction and co-ordination and political influence. He also identified other problems to be inadequate executive capacity especially in NACB, locational distribution of farmers which limits the number of farmers that can be reached by the already inadequate staff, environment of poor infrastructures which discourage farmers to stay in the rural areas and low level of technology in traditional farming. Other problems identified were those of inability to provide the colateral by the peasant farmers. He recommended the formation of farmers cooperative society as the best approach in bringing credit to the small farmer. Government should therefore encourage the formation and

smooth running of cooperative societies. Famoriyo, has also acknowledged the inadequacy of credit to the small scale farmer and has therefore recommended the formation of cooperative societies as a means of surmounting some of the problems that inhibit the flow of credit to the peasant farmers.

Despite the establishment of special institutional agricultural institutions and schemes like NACB and ACGSF, the accessibility of the small scale farmer to the loans granted by these institutions and schemes has been very minimal due to their inability to satisfy the set conditions. Adekanye[20] noted that the average farmer has no savings and so depends on credit especially non-institutional sources that charge high interest rates for all his farm credit requirements. Such loans are often diverted due to lack of formality. But they however continue to function due to the inaccessibility of institutional sources of credit, he concluded. He recommended group loan approach as an appropriate solution.

Writing on his findings on problems of formal small holder credit in South-Eastern Nigeria, Chidebelu[21] revealed that the commercial banks are only marginal suppliers of credit to this class of farmers. He concluded that the small farmer has not been better off anywhere in Nigeria in terms of institutional loans disbursement due to the incredible loan conditions and recommended coersion as the best approach to make the commercial banks abide by the CBN directives. Chidebelu, in agreeing on this non-accessibility of institutional loans to small farmers said that it was nation wide practice by commercial banks and

noted that only force can make the commercial banks to observe the Central Bank of Nigeria (CBN) directive on loan disbursement to the sector.

The ACGSF which is the subject of this study has been appraised by various people in various places in Nigeria especially in its early years of operation.

It was discovered in the early years of the scheme that despite the establishment of a special agricultural scheme like the ACGSF, the peasant farmer has continued to lack access to credit. This is attributable to the provisions inherent in the scheme itself which keep off the small farmers.

Aku[22] carried out a research on the problems confronting the ACGSF in Kaduna State and came out with the following findings; that the loan conditions especially the colateral requirement were too stringent for the small farmers. This made credit available only to the large farmers who contributed only a tiny percentage of food needs in that state for they could meet the colateral requirements. He also discovered that the bank locations were inadequate to cater for the numerous villagers. Other problems she identified include timing of loans, insufficient loan, and illiteracy of farmers. She recommended the formation of cooperative societies by farmers and the decolaterisation of the scheme as the only means to tackle most of their problems as individuals.

In appraising the ACGSF, in its first year of operation in Nigeria Nwoko[23] came out with these findings, that most of the legal instrument in the scheme discriminate against the small scale peasant farmer who cannot fulfil the required conditions under the scheme. By implication, he went on, the scheme aims at

reorganising the agricultural sector in favour of large farmers. In agreeing on the inability of the scheme to meet the credit needs of the small farmer, Nwoko also alerted that the scheme will end up reorganising the agricultural sector whereby the small scale farmer will disappear. He blamed this on the legal instruments of the scheme itself.

Ojo and Akanyi[24], in their preliminary assessment of the ACGSF in its first five years of operation in Nigeria also discovered that the scheme has not succeeded in making credit available to the peasant farmer anyway. They noted that the average farmer might not have benefited from the loan during this period because of the stringent conditions. They based their assessment of the success of the scheme on the number and value of loans granted, their distribution in terms of sectors and states, and loan recovery rate and problems, encountered by the scheme. Among others, they discovered the dominance of the livestock sector especially poultry in the loan granted in monetary terms. This is an area the peasant farmer is not often found.

The ACGSF was also evaluated by Eyo[25]. He found out that the scheme has not brought about a substantial increase in bank lending to agriculture. He also noted that while the bulk of the number of the loans has gone to the small farmer, the amount of loan to them compared to what has gone to the large farmers is out of proportion to the contribution of the small farmer to the bulk of the nations agricultural production. He also identified the loan conditions and concentionary interest rate, among others to be responsible for this. Eyo's findings not

only reveal the inadequacy of credit to the small scale farmers in the scheme in terms of amount, but also that the agricultural sector as a whole has not received enough credit under the scheme.

There is a concensus in the studies and analysis reviewed so far that the institutional credit institutions and schemes have not been fair to the small scale peasant farmer in their loan disbursement. This they attribute to some problems formost of which is the inability of the small farmers to meet the colateral requirements of these institutions and schemes.

The findings of the studies on the issue of credit to the peasant farmer as reviewed in this chapter can now be summarized as follows: that the peasant farmer needs additional credit in order to meet up with their farm requirements. They also show that the already existing farm credit institutions and schemes discriminate against the peasant farmer in their loan disbursement.

2.5 Framework for Analysis

1. Lack of, or inadequacy of credit facilities is a major constraint on expansion of agricultural growth in less developed countries (LDCs). Peasants save little out of their low incomes. To purchase modern farm imputs, they need external finance.
2. Most Governments recognise this problem; most have intervened to remedy this credit gap in rural agriculture by establishing specialised banks, credit guidelines, preferential interest rates etc. for the agricultural sector. However, certain institutional structures within the banking institutions themselves as well as within the peasant economy itself limit the impact of government

interventionist credit strategies on peasant agriculture. On the one side, the high risk associated with lending to agriculture prevent the commercial banks from expanding credit to agriculture. On the other hand, strict colateral requirements prevent peasant farmers from participating in the formal capital market. The bulk of available credit goes to commercial farmers and rich peasants.

3. The Nigerian Federal Government established the ACGSF in an attempt to increase the amount of agricultural credit flowing into the peasant sector. The ACGSF has however so far failed to meet expectations.

2.6 Hypothesis

This study is based on the hypothesis that the ACGSF as an agricultural credit scheme has failed to achieve its main objective of facilitating the granting of enough credit by the credit institutions - commercial and merchant banks - to the agricultural sector especially the peasant farmers in Idah Local Government Area.

The inability of the scheme to achieve its main objective may be attributable to the adverse functions of some or all of the parties concerned in the execution of the scheme.

1. The Central Bank may not have lived up to its responsibilities of considering guarantee applications with the required despatch or could have not settled default claims from credit institutions early enough which is bound to affect the credit institutions willingness and ability to grant more loans.
2. It could also be that the Central Bank of Nigeria (CBN) does not inflict enough disciplinary action on credit defaulters and credit institutions.

TABLE 4.5

Commercial Bank Loans and Advances (1974 - 1986) By sectors. As at 31 December,

Year	AGRICULTURE			MANUFACTURING			GENERAL COMMERCE			OTHERS			TOTAL
	$m	As % of Total	% Change	$m	As % of Total	% Change	$m	As % of Total	% Change	$m	As % of Total	% Change	$m
1974	27.[illegible]	[illegible]	-	256.5	27.5	-	270.9	28.9	-	381.5	40.6	-	938
1975	37.3	2.4	37.1	410.7	26.7	58.8	475.5	30.[illegible]	75.[illegible]	613.8	39.9	60.9	1537
1976	79.[illegible]	3.7	113.4	609.0	28.7	48.3	507.2	23.9	6.7	927.1	43.6	51.0	2122
1977	139.1	4.5	74.7	837.8	27.2	37.6	688.2	22.[illegible]	35.7	1409.5	45.9	[illegible].0	3074
1978	224.[illegible]	[illegible].1	61.0	1138.0	27.7	35.8	828.9	20.1	20.4	1926.8	46.8	36.6	4109
1979	329.[illegible]	7.1	47.1	1357.3	29.3	19.3	790.1	17.[illegible]	-4.[illegible]	2147.4	46.4	11.4	7624
1980	462.2	7.2	40.3	1956.8	30.8	44.2	1182.7	18.[illegible]	49.7	2747.4	43.3	27.9	6349
1981	590.6	6.9	27.8	2659.8	31.0	35.9	1475.0	17.2	24.7	3857.5	44.9	30.[illegible]	8582
1982	786.[illegible]	7.6	33.2	3037.6	29.5	14.2	1826.5	17.8	23.8	4624.6	45.0	19.9	10275
1983	840.[illegible]	8.5	19.5	3053.1	27.5	0.5	1727.2	15.[illegible]	-5.4	5378.3	48.4	16.3	11099
1984[a]	944.3	8.4	0.4	3103.6	27.8	1.6	1697.0	15.2	-1.7	5403.5	48.4	0.5	11148
1985	n.a	-	-	n.a	-	-	2051.3	16.8	20.9	n.a	-	-	12175
1986[b]	n.a	-	-	n.a	-	-	2847.1	22.6	38.8	n.a	-	-	12588

Notes: a = March figures only
b = April figures only

1974-84 AARG: Agric. 45.4
Man. 29.6

(Also subject)

3. The credit institutions on their own part may have failed to grant adequate credit to the farmer especially the small scale in the required number, amount and on time. This may be attributable to the risks involved, the unattractive interest and guarantee rates, high default rates, lack of funds, inadequate staff and bank branches and imprompt settlement of default claims.

4. It could be that the farmers due to ignorance and illiteracy are not aware of the existence of the scheme and may not be able to obtain and complete the application forms. They may not also have been able to provide the required securities or may have misused the loans or encountered adverse weather which may lead to their inability to repay the loan.

To operate a credit scheme successfully, especially a guarantee scheme, the guarantee level, the interest rate, loan repayment, settlement of default claims and the resources of the banks should all be adequate. Also the enforcement of credit guidelines of the scheme, the ease and timelines of borrowing, availability of enough bank offices to serve the rural areas, the improvement of agricultural climate which makes it attractive and profitable, and the mobilisation of rural saving should all be in adequate and acceptable condition.

2.7 Methodology

The title of this study is the peasant agricultural financing in Nigeria using the operations of the ACGSF in Idah Local Government as a case study.

In order to substantiate or otherwise the hypothesis objectively, that is to find out the effect on the farmers of

the operation of the ACGSF scheme, the case study and survey method was applied for empirical results.

The choice of the two methods was due to their significance, According to Okeke, C.C.S. "The case study method tends to reveal the truth about a particular individual or group of individuals[33]. As already known, it is a collection of analysis of facts or information relating to real event, situation, or development in which a problem requiring solution exists. According to Hunt C.L. and Horton P.B., a case study may be "a life history of a person, a complete account of event or a detailed study of an organisation"[34]. It was further pointed out that, "perhaps the greatest value of the case study is the suggestion of hypothesis which can then be tested by other methods.

Survey Method

This is another method that was used in this research. It involves the use of data from direct observation, questionnaires or extraction of relevant information from relevant sources.

Primary and secondary data was used, which according to Longe, J.O. are "the data collected at the first time for that purpose, while secondary data is the data collected by other sources"[35].

(a) Questionnaire Technique

The major tool of investigation in this study was the questionnaire which was administered to the appropriate respondents - farmers and commercial banks - collected and properly analysed.

(b) Secondary Technique

Through the use of this technique, the relevant documents such as the central bank quarterly, and yearly publications were used in this study.

(c) Stratified Sampling

Idah Local Government Area is made of Five districts and Six commercial banks. In the light of this, stratified sampling was used for the purposes of this study. The bank locations were the basis of the stratification. Each stratification on bank locations was further stratified into small, medium and large scale farmers. The random sampling technique was employed in sampling from each stratum of categories of farmers to allow for unbiassedness.

(d) Data Analysis

The Data collected in this study was processed and analysed statistically (statistical analysis) and descriptively. The villages selected for the study are based on the availability of commercial banks in the Nearby villages to these selected ones however, benefit from the ACGSF executed by these banks and were also sampled and grouped with the selected ones. Idah town has Two Commercial Banks. They are Union Bank and United Bank for Africa Plc. Ugwolawo has Union Bank at her service and that of other nearby villages. Ejule has Lobi Bank at her service and other nearby villages. The First Bank serves Itobe and environs. Akpanya has the First Bank at her service and that of the nearby villages also grouped under it.

2.8 Selection of Farmers

Both literate and illiterate farmers were selected and interviewed with emphasis on illiterate farmers. The literate farmers are mostly employees of various government parastatals and ministries in the study area and retired civil servants and

military officers who are mostly part-time farmers. Thirty percent (30%) of the questionnaires were administered on them. Illiterate farmers who are in the majority and are full time farmers had 70%. The educated farmers live in the main villages and were easily accessible for the administration of the questionnaire. On the other hand the illiterate farmers are not accessible by any means of transport due to bad roads especially the riverine villages of Ibaji. This made the coverage very limited.

2.9 Administration of the Questionnaire

Three hundred questionnaires were designed for the research. Sixty questionnaires each were shared to each of the five villages under study in the Local Government Area with their surrounding villages. This means that sixty farmers were interviewed in each village with 18 as literates and 42 illiterates. Personal interview method of data collection was adapted for the illiterate farmers while the literate farmers were allowed to complete the questionnaires by themselves. Questionnaires were initially prepared in English and later translated into Igala which is the common language of the people. The answers to the questions were recorded as the interview proceeded.

The Banks interviewed were:

1. Union Bank of Nigeria Plc., Idah
2. United Bank for Africa Nig. Plc., Idah
3. Union Bank of Nig. Plc., Ugwolawo
4. Lobi Bank Nigeria Plc., Ejule
5. First Bank Nigeria Plc, Itobe
6. First Bank Nigeria Plc., Akpanya.

2.10 Limitation of the Study

This study focuses attention only on the performance of the ACGSF in facilitating the flow of credit from the commercial and merchant banks to the peasant farmer in the study area since its inception in 1978 to 1988. There are however, other sources of finance to the agricultural sector, in the study area like the NACB and even other non-institutional sources which may have significant impact on the sector. There is also the usual phenomenon of lack of adequate data and the uncooperative attitudes of banks and farmers in response to interviews especially when it concerns finance. There is therefore the possibility of the findings in the study area to be affected by these shortcomings.

2.11 Outline of Chapters

Chapter one is the introduction, chapter two reviews the already existing literature on the financing of peasant agriculture including the ACGSF and the study area. Chapter three traces the financing of agriculture in perspective, Chapter four contains the presentation and analysis of the research findings in the study area from the banks and the farmers. The summary, conclusion and recommendations are presented in Chapter five.

2.12 Theoritical Framework for Peasant Agricultural Financing

A basic feature of the agricultural sector of almost all underdeveloped countries is that access to factors of production especially capital is much easier for some groups than others.

That is that factor markets are highly imperfect and consequently market prices diverge from social opportunity costs[28]. In many instances there is a multiplicity of markets within a locality for a single factor of production, for example credit. In these instances there may be no such things as 'the' price of an input. Different groups may pay different prices for the same input. Thus the rural areas of underdeveloped countries are characterised by abundance of small fragmented markets. This market structure affects the allocation of resources within agriculture, the method of production and adapted by farmers, the readiness to innovate and the distribution of income.

There are many explanations to the high degree of market imperfections in rural areas. The two most important being government policies which are systematically in favour of certain groups and the monopoly power possessed by the relatively wealthy and prosperous members of the farming community[29]. These two phenomena tend to reinforce each other. Wealth, particularly landed wealth is often accompanied by political influence and this in turn may be strengthened by the inherited status that accompanies a tribal chief, the village headman or the landed gentry. In other words, status, political influence and economic power are often joint attributes of an individual or family and this can be used to ensure privileged access to the scarce means of production.[30]

Imperfections in the rural capital market are very much pronounced. Landlords are more liquid than small peasants. The former has idle cash balances upon which they can draw to finance

purchases of material inputs and make wage payments. Moreover they can obtain capital easily on the organised credit markets. They have ready access to commercial banks outside the farming locality and can obtain loans at preferential interest rates since their wealth, income, and status make the risk of lending to them minimal. Furthermore, the larger farmers were able to use their political influence to ensure that government credit programmes cater to their needs, to the neglect of the needs of less powerful and influential cultivators. The small peasant in contrast has little working capital and restricted access to credit. Often his land title is disputed and his tenancy arrangement is insecure and as a result he may not be eligible to borrow on the organised credit market, instead, he turns to informal market, the village money lender, a local shopkeeper or a large land owner etc. Rates of interests in this market tend to be very high in part because of monopoly elements but more importantly because of the high risk of defaults, the lack of colateral and the large over head costs of small loans. The cost of capital to the peasant is so high not just because he is exploited by money lenders and middle men but because land tenure institutions are defective and the political system is biased against him. Thus the capital market is fragmented. The big landlords tend to pay less than the social opportunity cost of capital, while small peasants often pay substantially more[31].

Agricultural credit is almost universally recognised as a key component in efforts to mobilise peasant agriculture in developing countries. The provision of agricultural credit not only removes a financial constraint but may also promote

the adoption of new technology and the commercialisation of the rural economy.

Commercial financial institutions have shunned lending to peasant farmers in less developed countries (LDCs) because of the high costs and risks embodied in these loans. The general consensus among economic development specialists is that some form of government leadership in agricultural credit is necessary if such credit is to be made available to the peasant[32]. Thus pressures were placed on governments to provide alternative sources of financing especially to the peasants. The passivity of the agricultural sector suggested a supply - leading financial approach.

In other to force the financial institutions to lend to the agricultural sector, the government adopted some measures which included central bank discount mechanism, loan portfolio requirements and loan guarantees[33].

Almost without exception, all the government agricultural credit programmes in LDCs incorporated the concentionary interest rate and the guarantee facilities, because from an economic stand point it provided elements deemed appropriate to the conditions of LDCs[34].

It is obvious from the foregoing discussions that the institution of a special credit scheme to take care of the peasant farmers is predicated on the fact that the peasants are less privileged in terms of ownership of factors of production as opposed to the bigger and wealthier farmers. Their disadvantaged position also makes it more difficult for them to obtain credit

from formal credit institutions. They lack the economic and political power to secure the loans. Their only alternative which is the informal sources charge prohibitive rates of interest. It is believed that it is more costly and riskier to lend to the peasant farmer and hence the intervention of the government in LDCs is advocated if the peasants have to have any reasonable access to formal credit. This can be done by introducing policies that can reduce the risk involved in lending to this category of farmers so as to make lending to them more attractive to the formal financial institutions especially the commercial banks.

This is the theory behind the establishment by government in LDCs of special credit schemes to cater specifically for the peasant farmer who if left to obtain loan from the commercial banks in their present setting cannot secure any loan.

2.13 Study Area

2.13.1 Location and Population Structure

The area to be covered by this study is Idah Local Government Area of Benue State, is situated in the middle belt stretching along the transit belt between the forest and savana vegetation. Benue State has a land area of about 69,740 sq.km and projected population of about five million people[38]. The state is surrounded by six states; Anambra and Cross River States lie to the South east, Gongola is to the North coast, Plateau to the North and Kwara and Bendel to the West with the River Niger separating the state from the two states. The state has a tropical climate with two clearly marked seasons; Rainy and Dry. The rainy season is from March to November and the Dry season starts from November to March. There is harmattan from November to January.

The state can justifiably be called the food basket of the country for it is noted for the production of a variety of agricultural products and feeds a substantial part of Nigeria with Yams, Cassava, Soya beans, Rice, Fish, and Oranges, Cashew, Pawpaw, Mangoes to mention a few.

Idah Local Government Area which is the study area lies to the West of Benue State, separating the state from both Kwara and Bendel States, (see fig. 1). It has a land area of about 6,094 sq. km. and a projected population of about 540,250 people [39]. The local government is made up of five districts namely Idah, Igalamela, Ibaji, Aloma, Ugwolawo and Odolu Districts. Three occupational structures of the local government can be identified; these are farmers, traders and civil servants. The distribution of the population among these three occupations are rather not uniform in the local government as a whole, and vary even more from district to district. Farmers for example, dominate the population in all the districts providing on the average of about 90% of the population. This is followed by the trading sector with about 6% and civil servants providing 4%. Idah has a more concentration of civil servants and traders as it is more urbanised than the other districts while Ibaji has the greatest concentration of farmers. The traders are the petty types and the civil servants are mostly local government staff who are mostly teachers, state government employees and a few federal government staff.

2.13.2 Agricultural Cultivation
Types of Crops and Distribution of Production

Like the state, the local government also has two seasons - wet and dry - and cultivates almost all the crops cultivated in the state. Two seasonal cropings are made possible by the two seasons, the rainy season croping and the dry season croping. The major crops cultivated in the wet season are yam, rice, maize, cassava, guinea corn, millet, beans and pegeon pea. The dry season crops include tomatoes, late maize, cassava, sweet potatoes and fish harvesting. Citruse crops like oranges, cashew, pawpaw and apples are grown around homes. Domestic animals like goat, sheep etc. are kept. The only Agricultural project in the area is the Alloma Oil Palm Project owned by the state government.

Some of these crops are grown more in some of the districts than in others. For instance the Ibaji district is known for the production of yams and fish and is believed to be the supplier of yams eaten in Idah as this area is not very much known for yam production. However, Idah is only second to Ibaji in fish production while none of the other districts produce fish in any reasonable quantity. This is due to lack of big rivers in these other areas. All other crops apart from the fish which is dependent on the availability of rivers are well cultivated on commercial quantities in the other districts. For instance Odolu district produces the bulk of food stuffs consumed by the Anambra boarder towns of Ibagwa, Enugu Ezike, Unadu and Itchi.

2.13.3 Nature of Tenure and System of Production

Most of the farmers are peasants and are land owners who farm on farm lands inherited from their forefathers. The farm lands are highly fragmented and holdings are small as the land has experienced alot of sharing and resharing by male folks of the family. Each of the holdings is a little over two hecters in most cases. There are also some few non land owners who rent land or are share cropers. Most of these people are farmers who migrated from the nearby states especially Anambra. They obtain land from the land owners on rent and give yearly tribute to the landlords. There are however some few large land holdings belonging to some families who may not have many male offsprings or who may belong to royal families with large holdings acquired by virture of their domineering position in the society.

Most of the farmers adapt the traditional methods of agriculture in the farming activities by using hoes, cutlasses etc. Some of them are aware of the improved mechanised methods of production but cannot adapt it due to their inability to afford the required finance for the purchase. Most of the farmers depend on their family labour for their farming activities except during on-seasons when some of them who can afford it employ additional hands. An insignificant number of the farmers have access to mechanised methods of farming. These are the people that can afford the required finance or the required colateral for bank loans. Output has therefore consistently been on the decline over the years due to loss of fertility over time and the use of outdated methods and seedlings and little coverage.

Farming on a large scale is hardly present anywhere in the local government due to the acute shortage of capital to adapt the available improved methods. The tractor hiring unit of the local government is nothing to write home about as the tractors do not serve upto five people in a year before they are all broken down.

Lack of good roads is another great handicap to the growth of agricultural production in the area. There are no motorable roads linking the local government with both Bendel and Anambra States which are potential markets for greater agricultural output. Infact two great unbridged rivers separate the local government from the two states.

Agricultural extension workers are hardly found in a significant number to make for an effective dissemination of mechanised methods of farming. Even where they are found the farmers can hardly put to practice the instructions of the agricultural assistants. This is because alot of capital is often required and the farmers cannot always provide it.

Only recently that the cooperative movements have started gainful influence on the farmers. This, when adequately established is expected to ease the problem of obtaining loans from the banks as they would be in a better position to pull their resources together and offer the required colateral.

In summary, the farmers in the local government can rightly be described as peasant farmers who practice farming with the old methods of farming. This therefore leads to their low yield and low standard of living. They cannot adapt the

mechanised methods due to the lack of resources to do so and their inability to obtain bank loans as they lack the required colateral. They however have prospects for improvement if only they can be more exposed to bank credits.

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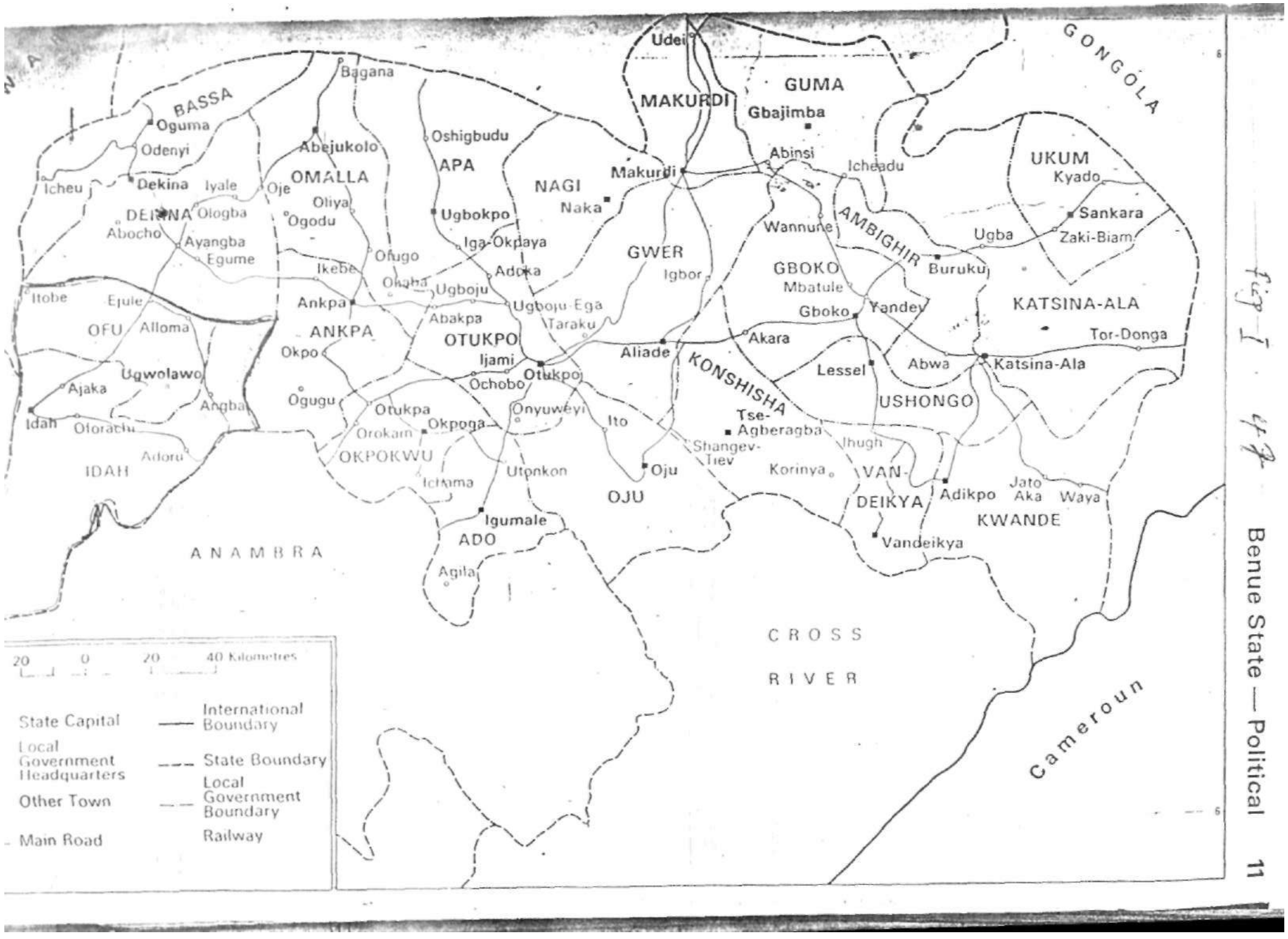


Fig. 1.4

Benue State — Political 11

CHAPTER THREE

DEVELOPMENT OF AGRICULTURAL CREDIT IN NIGERIA

This chapter provides an historical review of the development of Agricultural credit facilities in Nigeria. The satisfaction of the credit needs of the farmer in Nigeria in perspective can better be discussed under two periods. The first period covers the period before 1970 and the second covers the post 1970 years. The major agricultural credit institutions were established in the post 1970 period.

3.1 The Period Before 1970

Various governments in Nigeria at various times have set up credit institutions charged with the responsibility of granting credit to farmers. The first statutory body charged with the provision of credit to farmers was the Nigerian local Development Board which was established in 1946[1] to deal with loan application from all over Nigeria. In 1949[2] the Regional Development Boards took over the above responsibility. These boards were charged with the responsibility of financing development projects. Credit to farmers however was about one tenth of the loan volumn.

In the then Western Region of Nigeria the Regional development Board[3] was responsible for agricultural credit until 1955 when the Western Region Finance Corporation took over the responsibility of financing agriculture. In 1964 the Agricultural credit corporation of Western Nigeria[4] was established to give credit to both medium and small scale farmers, Cooperative banks were responsible for the disbursement of the loan to small scale farmers on behalf of the Agricultural Credit Corporation of Western Nigeria. Only Cooperative Society members benefited from the loan. This encouraged the formation of cooperative societies.

In 1963 the cooperative bank of western Nigeria was set up.[5] The objective was to place adequate credit facility within the reach of the farmers on a productive capacity basis as determined by well prepared farm plan and not on colateral basis. It was also to assist farmers to select and obtain farm impliments, seeds and other imputs at the most reasonable price.

In the North the Regional Development Board was called Northern Region Development Corporation and was responsible for fostering economic development through the cooperative societies in the North.[6] The Northern Region Ministry of Agriculture also administered mixed farming loan such as fishing loan, Horticultural, Tractor Hiring, Fertilizer services through the Native Authority who was a guarantor. Only 15% of the loan was given for agriculture.[7]

The Eastern Nigeria Development Corporation was established in 1955 and was responsible for granting loans to farmers through cooperative societies to large farmers.[8] The cooperative Bank of Eastern Nigeria was established in 1954 and was to give credit to farmers through cooperative societies.[9] The Ministry of Agriculture also had a supervised credit branch which was also charged with the responsibility of granting credit to farmers.

The Midwest Nigeria Agricultural credit coporation[10] was established in 1964 and later renamed Midwest Nigeria Cooperative Federation Limited in 1965.[11] It was charged with the responsibility of granting credit to farmers on cooperative society basis. An agent of the federation was a cooperative division of the Ministry of Trade and Industry. There was also the Midwest Region Finance Corporation whose activities was not originally to grant

agricultural credit but later incorporated it.[12]

The operation of these institutions were grossly unsatisfactory due to high incidence of default, poor management, poor timing of funds release, lack of accurate information, inadequate research facilities, poor extension and farm support services, inadequate credit to the vast majority of rural dwellers, lack of sufficient qualified staff, poor co-ordination and above all there were alot of political influence in their activities.

Even in the development plans of Nigeria she has shown alot of concern in the development of agriculture by allocating substantial amounts of money to the sector. For instance during the 1946 - 56 ten year Development plans and welfare for Nigeria about 7 million naira was earmarked for agricultural development amounting to 6.5% of total plan budget.[13] The second National Development Plan allocated N332 million naira representing 13% of the total plan budget to the agricultural sector.[14] The third Development plan of 1975 - 80 allocated N2302 million naira which represented 11% of total plan budget to the sector.[15] In the fourth plan 1981-85 N6 million Naira representing 15% of total plan budget was allocated to agriculture.[16]

Before 1970 the functions of the commercial banks in the development of agriculture was just the promotion of trade between Nigeria and the colonial master-Britain. This they did by financing the foreign firms which were responsible for this trade. These firms included, John Holt, CFAO, GBO, PZ, UAC etc. and marketing Boards. These foreign firms were pre-occupied with buying and exporting of agricultural products which served as a source of raw material to the British industries.[17] These Agricultural

products which were regarded as cash crops included cocoa, rubber, cotton, groundnuts, palm oil and kernnels and timber. Farmers were encouraged to expand their farm productions of cash crops through the provision of new seeds and imputs such as fertilizer pesticides and herbicides. This was done in order to exploit maximum raw materials from the Nigeria farmers to feed the metropolitan industries. The role which commercial banks played this time was the financing of these companies for the purchasing, storage and export of commodities through various middle men who buy direct from farmers.

The West African Cocoa Commodity Board was established in 1939 and was later replaced by West African Produce Commodity Board in 1942. This board took over from the multinationals the control and marketing of the cash crops.[18] This board was also replaced by the commodity board in 1947.

The regional marketing board were established in 1954 to replace the commodity boards and charged with the responsibility of fixing and controlling the price to be paid to export producers during the buying season.[19]

The functions of the commercial banks to agriculture was still the provision of funds to the marketing boards for the purchase and export of agricultural products. The marketing boards through which the commercial banks claimed to have indirectly financed agricultural sector, ended up exploiting the labour and income of the farmers. Among the goals for the setting up of the boards was to stabilise the prices of cash crops and income of farmers but the boards became agents of taxation and exploitation from the agricultural sector.

For instance from 1947 to 1954 the Nigeria Commodity Boards accummulated trade surpluses to the tone of £110,914,700.[20] The bulk of this funds were kept in the British securities which is tantamount to financing capitalist development.

One can then draw the conclusion that prior to 1970 the commercial banks, did not engage themselves in financing peasant farmers who are the main producers of agricultural products directly but indirectly through the multinational firms and marketing boards who were responsible for buying and selling of cash crops to the world market. Although the marketing boards succeeded in encouraging farmers to expand their production through stable prices, it ended exploiting the peasant labour and income through the accumulating of their trade surpluses. Thus the commercial banks played very little role in terms of provision of funds for the development of agriculture during this period.

Past unfavourable experience with regards to regional credit agencies suggested that a national institution might have more freedom from political intervention and achieve a better operational efficiency. To achieve this noble objective, in the 1962-68 National Development plan, the Federal Government provided £2m for the establishment of an agricultural credit bank[21]. She approached the World Bank on the matter and by 1966 a feasibility study had been carried out by a team of world bank experts[22]. However, the project could not be implemented due to the outbreak of the civil war in the country at this time.

3.2 The Post 1970 Period

The hangover of the Nigerian civil war was still very heavy on Nigerians in the early 70s. There was an increased demand for

food due partly to the neglect of agriculture during the war years especially in the war affected areas and also due to increased urbanisation due to higher income from oil and the search for white colar jobs in the cities to share from the suddenly increased National income. This resulted in increased importation of food crops and the soaring of import bills. This development caused the federal government alot of concern and she came out with different agricultural development policies. Some of these policies included the establishment of Operation Feed the Nation (OFN), National Accelerated Food Production Programme (NAFPP), River Basin Development Authority (RBDA), Agricultural Development project (ADP) and Green Revolution (GR).

The federal government also realised the credit needs of this sector and came out with appropriate policies which included the establishment of agricultural credit bank. There was also during this period a directive from the Central Bank of Nigeria to the commercial banks to set aside a certain percentage of their loan facilities to the agricultural sector. In the first half of 1970s this was 4%[23].

Shortly after the civil war a fresh study was conducted by the world bank at the request of the federal military government on the issue of a national agricultural credit bank. The resulting "storehan report" contained recommendations for the establishment of Nigerian Agricultural Bank Ltd. (NAB).[24] The recommendation was acc ted and included in the 1970-74 National Development plan for implementation. The NAB was registered as a limited liability company by November 1972 under the company decree of 1968 and was officially inaugurated on 5th March 1975[25].

In 1978 the NAB was renamed NACB - Nigerian Agricultural and Cooperative Bank Ltd and remained wholly owned by the Federal Government until 1979 when the paid up capital was increased from ₦50m to ₦150m. The Central Bank of Nigeria subscribed 40% while the Federal government had 60%.[26]

The NACB is now fully established throughout the country with offices in each state shile the Kaduna office remains as the headquarters. The branch offices are authorised to approve and grant small scale loans to farmers while the head office has the authority to grant large scale loans. The main objectives of the bank are:

1. To enhance the level of agricultural production as well as storage, distribution and marketing connected with such production.
2. To grant loan to any state, group of states or any state institutions for an on-lending to any farmer, group of farmers or body corperated subject to the state or group of states or states institutions guaranteeing repayment of loans.
3. To grant direct loan to individual cooperated societies or other bodies (corporated or incorporated).
4. To lend or advance money or give credit upon the security of real personal property of every description.[27]

Another credit institution in Nigeria is the co-operative bank. The cooperative society ordinance was passed in Nigeria in 1935[23] and thence forth, state recognition and financial assistance depended on registration. The cooperative movement in Nigeria appeared in agricultural production in form of group farming

societies and concentrated on providing labour on the farms. The cooperative movement was also extended to cover banking. The first cooperative bank in Nigeria was established in Western Nigeria in 1953 with an initial capital of ₦1m.[29] The second was the Eastern Nigeria Co-operative Bank[30], Their primary function was to provide a some of capital to cooperative societies members with adequate colateral security.

It was however, during the second half of 1970s that direct credit facilities to both small peasant farmers and large scale farmers got a boost. The loan and advances to this sector from the commercial banks was increased to 6% in 1976 and 8% in 1980 and then 15% in 1988[31]. The boost was however made possible by the introduction of the ACGSF in 1977 and the rural banking programme of 1976 by the Federal Government.

3.3 Background to the Agricultural Credit Guarantee Scheme Fund (ACGSF)

In an attempt to hasten the pace of agricultural development government in the last decade embarked on several capital investment projects aimed at increased productivity. A significant proportion of public financial resources was channeled into agriculture through some specified institutions. However, public institutions for agricultural credit administration were generally handicapped and gave little or no relief to the average farmer.

On the other hand, the performance of commercial banks as regards agricultural lending was anything but encouraging. For instance total bank loans and advances to agriculture stood at only ₦9.3 million at the end of 1971, and constituted 1.9% of

total bank loans and advances to all sectors of the economy. But in the same year bank loans and advances to "other production" "commerce", "services" and "others stood at ₦157.1, ₦221.8, ₦35.4, and ₦67.4 million respectively or 31.9, 45.2, 7.2, and 13.7, percent of total bank bans and advances to all sectors (see Table A). In the early '70s Central Bank Credit Guidelines for Commercial Bank Credit operations were generally formulated in favour of agriculture and other more productive sectors and these induced a fairly large growth in credit to agriculture. Between 1971 and 1977 Bank Loans and Advances to agriculture recorded a growth rate of 61.7 per cent a year, compared with 47.2 percent for "other" production, 22.4% for "commerce", 43.5% for "services" and 37.4% for "others" (see Table A).

Inspite of the achievement recorded in respect of bank lending to agriculture between 1971, it could be claimed that there had been no fundamental change in the traditional attitude of commercial banks which had not favoured that area of operation. For instance at the end of 1977 total bank loans and advances to agriculture was 4.5% of total loans to all sectors, compared with 50.0, 23.2, 9.1 and 13.2 percent for "other production", commerce and services respectively.

Within the same period actual lending of the commercial banks to the agricultural sector had continued to lag behind the CBN stipulated percentages. For instance, between 1973 and 1975, the actual commercial bank lending to agriculture ranged between 2.4 to 2.9 percent out of the 4 percent minimum stipulated by law for the period. Between 1976 to 1978 the actual percentage lending to the sector ranged between 3.7 to 5.5 percent out of 6 percent minimum set for the period.

This unfair distribution of commercial banks loans and advances among agriculture and other sectors of the economy is attributed to many factors. The commercial banks have not always been ready to grant loans to farmers due to some reasons. Because they are profit making organisations, most of their lending activities are concentrated in non-farming investments where there is relatively less risk and fewer uncertainties and where returns on capital appear to be higher. Besides farmers are often scattered over wide and inaccessible rural areas and commercial banks are understandably unwilling to employ touring staff to maintain constant contact with farmers, whereas the banks can easily assertain the credit worthiness of a non-farmer investor who by the nature of his business keeps a bank account and lives in an urban area where his activities are well known to the members of the business community including the bank officials. Banks in Nigeria look on agricultural business as a shaky and unpredictable venture because most of the factors controlling the farm enterprise are largely beyond the control of the farmer himself. Weather for instance is beyong the farmers control and unfavourable weather, outbreak of pests and other natural hazzards can lead to poor agricultural yield. This coupled with ignorance of farmers on the use of modern imputs such as machinery and chemicals can make the farmer unable to repay the loan given. This leads to loan defaults which discourage the commercial banks from advancing more loans. Inability to provide an accepted security also makes agricultural

loan inaccessible to the small scale farmers. Land which constitutes one of the most important assets of the peasant farmers is not an acceptable security because of the customary land tenure system and the land use decree which vests the ownership of land in the government. Banks are not generally interested in granting loans for ventures on which they are not sure of claiming back their capital and interest. Infact a primary consideration of commercial banks as well as all lenders is the risk involved in making a loan. Lenders make only those loans which they feel are sure to be repaid with interest.

It was therefore thought that specific incentives could be given to commercial banks to induce them to lend more to agriculture. Towards this goal, the agricultural credit guarantee scheme fund (ACGSF) was set up in April 1978.

3.4 The Agricultural Credit Guarantee Scheme Fund (ACGSF)

The ACGSF was to provide a protection against some of the risk that lending to agriculture involved. As at the time it was launched, it was hoped that a basis had been laid for stimulating increased flow of bank credit to the agricultural sector and in particular to small peasant farmers directly or indirectly through farmers cooperative bodies. The basic objective of the scheme is therefore to reduce the risk of lending to agriculture by commercial banks and hence induce them to increase the flow of their credit to agriculture with the ultimate aim of increasing output in the sector.

The scheme was established by Decree 20 of March 1977. The ACGSF Act (No.26) of 1977 provided the frame work for the

operation of the ACGSF. The Act also provides for the setting up of ACGSF Board of six members to be appointed from the public and private sector. Under the Act a managing agent to be appointed by the Minister of Finance is to administer the fund on a routine basis. The CBN was named as the first Managing agent and currently administersthe fund on a daily basis through its agricultural finance department in the head office, branches, and currency centres of the bank. In order to avoid delay much of the work of guaranteeing loans under the scheme is done at the CBN branch in the state of application.

Under the scheme loans and advances by commercial and merchant banks to agriculture are guaranteed up to 75 percent by the fund. It then means that the loan beneficiary would provide the guarantee for the remaining 25 percent inform of colateral. Towards this end a sum of ₦1 million was subscribed to the fund of which 60% was subscribed to by the Federal Government while CBN subscribed 40%. As at December 1985, ₦85.5 million naira of the fund had been paid up and interest from the fund had boosted it to ₦131 million.

The purpose for which loans can be granted under the scheme centered mainly on direct agricultural production such as:

1. The establishment or management of plantation for the production of rubber, oil palm, cocoa, cotton, tea and similar crops.
2. The cultivation or production of creals crops, tubers, fruits of all kinds, cotton, beans, groundnuts, sheanuts beaniseed, pinaples, bananas and plantains.

3. Animals husbandary that is to say poultry, cattle rearing and the like and fish farming.

The securities which may be offered to a bank for the purpose of any loan under the scheme includes any or a combination of the following:

(1) A charge on land which the borrower holds a legal interest or a right to farm or a charge on asset on the land including fixed assets, crops or livestock.

(2) A charge on the property of a borrower

(3) A life assurance policy, promisory notes or other negotiable securities.

(4) Stocks and shares

(5) A personal guarantee

(6) Any other security acceptable to the bank.

The interest rate chargeable is 8% to individuals and 7% to institutions like cooperative societies for on-lending to members.

Individual loans cannot exceed ₦50,000 while group loans maximum is ₦1 million. In addition to the guarantee promise of the fund the government also extends a graduated tax free allowance to commercial banks on interests earned from loans.

As at now the commercial and Merchant Banks are required to grant 15 and 10 percent of their loans and advances respectively to the agricultural sector. Any shortfall is to be deposited with the CBN at no interest and made available to the co-operative banks for on-lending to the farmers.

Under the scheme, a client is presented with an application form to be completed in triplicate and forwarded to the branch of the bank from which the facility is required. The bank processes

these application forms and then forwards these applications that satisfy it to the CBN for approval. It is only after this that the CBN will issue a certificate of guarantee to the bank to guarantee the amount released to the individual farmers whose applications are accepted and guaranteed by the CBN. It is necessary to note that contrary to peoples thought, the CBN guarantee is not automatic.

3.5 Impact of the Scheme on Bank Lending to Agriculture

The objective of the scheme is to facilitate an increase in bank lending to agriculture. The impact of the scheme on bank lending can be judged through the analysis of the break down of the loans by sectors, categories of farmers, by states and percentage of minimum CBN requirements.

There has been some improvement in the share of agriculture in total bank lending since the scheme came into operation. For instance from 1973 to 1978, the agricultural share averaged 3.6% compared with an average share of 7.5% between 1979 and 1984. This is however regarded as insignificant when compared with the share of other sectors of the economy like manufacturing which had 30%, real estate and construction recorded 22% general commerce had 15% and services had 11%.[35]

The extent to which banks have achieved the minimum percentage set for them by CBN on agricultural loan since the inception of the scheme is not encouraging either. Inspite of the scheme banks have continued to fall short of the targets in their lending to agriculture. For instance out of the set minimum of 8% in 1980, only 6.8%

was met and out of 12% set for 1985, only 10.0% was met by the lending institutions. It was only in 1979 that the banks exceeded their target of 6% by 0.5%.[36]

3.5.1 Lending by Purpose

From the inception of the scheme in 1978 to December 1987, a total of 32486 loans valued at ₦265.5m had been granted to farmers under the scheme by the commercial banks to all the sub-sectors of agriculture. A breakdown of the loans by each subsector shows that the food crop subsector got the largest share of 23865 loans valued at ₦163.7m. The livestock subsector got the second largest share of 4,845 loans valued at ₦54.7m while the cash crop subsector got the least allocation of 3,785 loans valued at ₦47.5m.[37]

3.5.2 Lending by Categories of Farmers

Loans to three categories of farmers namely, small scale farmers who got ₦5000 and below, medium scale farmers who got above 5,000 but less than ₦10,000 and large scale farmers who got ₦10,000 and above show that in terms of number 95.8% of the loans went to small scale farmers while 0.5% and 3.7% went to medium and large scale farmers respectively. However, in terms of amount, the large farmers got the lion share of 58.1% while small and medium scale farmers got 40% and 1.9% respective.[38] While the number of loans that went to small farmers is commendable, the amount that went to them appears out of proportion to their contribution to agricultural output and very much out of proportion to the 46 million farmers in Nigeria.

There is some evidence of an excess of loan demand over supply under the scheme, for instance 57.5, 51.3 and 26.0 percent of loan applications under the scheme were not granted by banks in 1980, 1981 and 1982 respectively.[39] Presumably, the bulk of these rejected applications were in respect of small farmers.

3.5.3 Lending by Category of Borrowers

There are three categories of borrowers under the scheme, namely, individual farmers, cooperative societies and companies. About 94% of the loans in terms of number went to individual farmers while about 1.0 and 5.0% went to cooperative societies and companies respectively. But in terms of amount, companies excelled by accounting for 55% of the amount. 44.6% went to individual farmers. Cooperative societies fared poorly. She got 2.4% in terms of amount.[40] Cooperative banks whose main objective is to make loans available to cooperative societies also made a very small proportion of their loans to cooperative societies. It had been hoped by the founding fathers of the scheme that cooperative societies would be the main avenue for the transmission of loans to small farmers. This must have prompted the inclusion of measures in the scheme guidelines in favour or co-operative societies, viz, a lower interest rate and higher level of loans to them. This shortcoming may be due to poor organisation of co-operative societies.

3.5.4 Lending by Type of Bank

The bulk of the loans were provided by commercial banks. They provided 89.0% of the loans, merchant banks provided 2.7% while co-operative banks accounted for 8.3%[41] within this period. The dominance of the commercial banks in the lending is due to their greater number and wider geographical coverage.

3.5.5 Lending by States

There has been considerable disparity in the distribution of loans geographically, both in terms of number and amount. Five states dominated the loan in terms of number from 1978 to 1987 accounting for 58.8%. They are Kaduna, with 17%, Bauchi 13.8%, Sokoto 10.9%, Kano 8.0%, all in the northern part of the country and Anambra with 7.7% in the East.[42] The reason for the dominance of the northern states in the number of loans is that loans to these states were mainly for individual farmers who dominated the loan in terms of number. In terms of amount, six states dominated, receiving 55.1%. They are Lagos, Oyo, Bendel, Ogun all in the southern part of the country and Kaduna and Kano in the North.[43] The southern states dominated the amounts loaned as the loans to them were largely for large scale farmers and poultry which dominated the loans in terms of amount.

In terms of number, Ogun, Ondo, Benue, Lagos and Rivers all in the south fared badly receiving an average of 1.7% of the loans. In terms of amount, Benue, Borno, and Niger, all in the North fared exceptionally badly accounting for an average of 1.3% of the loan.[44] Lagos though not an agricultural state accounts for the highest amount of loans as a result of the predominance of the few large poultry farmers in the state.

A number of reasons can be aduced for the geographical disparity in the distribution of loans. These are, variations in the number of bank branches, agricultural and general economic activity, farmers attitude towards debt and lack of awareness. These conditions are more favourable and pronounced in some states than in others.

3.5.6 Lending by Maturity of Loans

In terms of number, loans maturing within one year accounted for 71.8% of the total loans, 12.9% were made up of loans maturing in two years. Loans of three years maturity accounted for 7.6%, four-years-5.8%, 1.6% for five years and 0.3% for six to eight years. In terms of amount however, loans maturing within one year accounted for 18.4%, two years accounted for 9.9%, three years, 14½.1%, four years - 31.6%, 19.0% for five years and 7.2% for six to eight years.[45]

3.5.7 Loan Defaults

Default cases have been on the increase since the inception of the scheme. For instance a total of 595 default claims valued at ₦16.4m were filed by banks up to June 1985. For the first half of 1988 a total of 94 default claims valued at ₦5.1m were submitted by lending banks to Central Bank of Nigeria.[46] Although, not all the claims were genuine the increase in claims since 1982 is disappointing as a continuation of the trend could have serious consequencies for the scheme.

3.5.3 Settlement of Default Claims

There has been a lot of delay in the settlement of default claims. The delay is of great consequence to the scheme as it deprives the banks of funds to grant more loans. Out of the 595 default claims filed by 1985, only 89[47] were approved and the rest referred back to the banks partly for further investigations and partly because banks did not comply with the procedure for filing claims. These were however later resubmitted and re-examined and disposed of.

The following summary of findings have so far emerged from the loan distribution of the scheme so far analysed.

First the scheme has not brought about a substantial increase in bank lending to agriculture. Second, while the bulk of the number of the loans has gone to the small farmers, the amount of loan to them compared to what has gone to the large farmers is out of proportion to the contribution of the small farmers to the bulk of agricultural production. Third, a disproportionate large share of the loans has gone to poultry production to the relative neglect of other agricultural subsectors, particularly cash crops. Fourth, there has been considerable disparity in the distribution of loans geographically. Fifth, cooperative banks and merchant banks have not participated actively in the scheme thus leaving the bulk of the lending to commercial banks. Sixth, the bulk of loans in terms of number has been on short-term maturity. Seventh, loan defaults have been on the increase over the years while the settlement of default claims by CBN has not been done with the required dispatch.

3.6 Rural Banking Programme

Another laudable programme introduced by the Federal Government to bring banking services especially their credit facilities to the door steps of the peasant farmers is the introduction of the rural banking programme in 1976. This has gone a long way to assist the ACGSF in its operations. For the extension of banking facilities to the rural populace, effective mobilisation of rural savings and proper implementation of ACGSF, rural banking programme was established in 1976 forcing all commercial banks to open up more of their offices in every nook and corner of the country.[48]

The programme was planned in three phases. The first phase started in July 1977 and ended in June 1980. 200 bank branches were to be opened under the phase. By the end of the first phase, 188 bank branches were already opened. The second phase came up in August 1980 and ended in December 1983. 266 bank offices were scheduled to be opened all over the country. The total number of bank offices to be opened under the second phase were yet to be completed when phase three came up by 31st August 1985. With the expansion of bank offices under this scheme, the total number of bank branches in the country rose from 450 in 1976 just before the introduction of the programme to 1305 in 1986, ten years after the programme.

One can then conclude that the rural banking programme has really gone a long way in opening up of more bank offices in the rural areas, at least bringing the rural populace to the nearness of the banking services especially their credit facilities and therefore has gone a long way to assist the ACGSF in realising its objectives.

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34. Central Bank of Nigeria Publication Agricultural Credit Guarantee Scheme Fund: Fourth Annual Report and Statement of Account.

35. Ibid p.8

36. Ibid p.9

37. Ibid p.10

38. Ibid p.11

39. Ibid p.13

40. Ibid p.15

41. ACGSF Fifth Annual Report and Statement of Account.

42. Ibid p.5

43. Ibid p.7

44. Ibid p.9

45. Ibid p.12

46. Ibid p.13

47. Ibid p.15

CHAPTER FOUR

ANALYSIS OF THE RESEARCH FINDINGS

4.0 The main purpose of this investigation is to appraise the ACGSF in terms of its contribution to the development of the peasant agriculture by way of facilitating the flow of credit from the banks to the peasant farmers in Idah Local Government Area of Benue State. Data for this study were collected through a survey in the Local Government Areas.

The analysis of data attempts to provide answers to the following research questions. (1) What are the sources of credit to the peasant farmers in the LGA. (2) What is the magnitude of bank loans under the scheme to the peasant farmers in terms of number and amount. (3) The number and amount of loans allocated to each category of farmers. (4) The amount allocated to each agricultural subsector. (5) What is the default or recovery rate. (6) How many default claims have been so far settled.

The answers to these questions which will be provided by the research findings will enable the study to know whether the ACGSF has actually succeeded in developing the peasant farmer by way of facilitating the flow of enough credit from the banks to him. If it has not, the findings will provide reasons for this.

The research findings is going to be descriptive with analytical reliance primarily on tabular and graphic presentation.

4.1 Response of the Farmers to the Questionnaires

Out of the 300 questionnaires administered, 230 responded, representing 76%. 70 questionnaires were unrecovered. Out of this, 45 refused to respond claiming that it was an indirect tax

assessment exercise or a way of tracking them down for prosecution because of their loan default under the scheme. 10 farmers claimed that their farming and that of their forefathers had nothing to do with filling a form or any form of education and therefore threw them back to me uncompleted. 35 were not recovered at all despite repeated efforts. The farmers disappeared to their farm settlements immediately they collected the questionnaires and they only reappear after the farming season. Their farm settlements are inaccessible due to their riverine nature except only during dry season. 184 or 80% of the farmers who responded to the questionnaires were full time farmers and 46 or 20% were part-time farmers. (They engaged in other activities like trading, teaching, contracting, crafting work, etc.). 200 out of the 230 farmers who responded engaged in crop farming, 20 farmers engaged in livestock production, and 10 farmers engaged in poultry farming.

4.2 Sources and Value of Credit to Farmers

The sources of credit in the research area are institutional sources which include, commercial banks and non-institutional sources which include friends and relatives, money lenders, farmers societies etc.

We found that credit from non-institutional sources was more significant than that from institutional sources. Credit in this area is being used for payment of hired labour, tractor hiring and purchase of other simple farm equipment like chemicals, hoes and cutlasses.

Out of the 230 questionnaires completed and returned, only 92 or 40% sought for agricultural loan from commercial banks and only 46 or 20% actuall got the loan. 100 or 43% had sought and obtained loans from non-institutional sources. 38 or 17% did not ask for any sought of agricultural loan. 46 or 20% asked but failed to obtain credit from banks because they could not provide the required colateral. Some of those that neither asked nor obtained agricultural credit explained that they were not aware of such facilities while the rest claimed that they had enough finance to carry out their farming activities without credit. Their farming activities are however on a very small scale in most of the cases. (see table 1)

Table 1: Sources of Credit and number

Sources of Credit	No. of Farmers	%
Institutional	46	20
Non-Institutional	100	43
Self Funding	84	37
Total	230	100

Source: Derived from responses to the research questionnaire

4.3 Size of Credit in Relation to Source of Credit

Out of the 46 or 20% of the farmers who benefited from the institutional sources of credit 20 or 43% got credit between ₦500 to ₦1,000, 14 or 31% got credit between ₦1001 and ₦5,000 while only 2 or 4.1% got above ₦50,000.

Credit from non-institutional sources were bigger in number but smaller in amount. 80% or so of credit from this source was below ₦500, 20 or 20% was above ₦500 but never up to ₦5,000.

Table 2 below shows that none of the loans granted by the institutional source was below ₦100. 20 or 43% or the loans from this source lay within ₦500 and ₦1,000. Credit from the non-institutional source on the other hand was more concentrated within the range of ₦101 to ₦500. Only 5 or 5% was above ₦500. (see table 2)

Table 2: Size of Credit in Relation to Sources of Credit

Amount (₦)	Institutional No.	%	Non-Institutional No.	%
Below ₦100	-	-	20	20
101 - ₦500	10	22	60	60
501 - ₦1000	20	43	15	15
1001 - ₦5000	14	31	5	5
5001 & above	2	4.1	-	-
Total	46	100	100	100

Source: Derived from research questionnaires.

4.4 Categories of Farmers in Relation to their Sources of Credit

In the research area farmers were categorised according to the size of their farm land. The analysis of the loan according to categories of the farmers and their source of credit is aimed at ascertaining what categories of farmers benefit more from the institutional sources.

Three categories of farmers are normally identified in agriculture. Small scale, medium scale and large scale farmers. Small scale farmers as defined by Arokoyo[1] refer to farmers with few cultivated hecters (less than 10 hecters) of land who depend on their family labour and produce little above his subsistence needs. While large scale farmers are those who own and cultivate large hecters (more than 50 hecters) of land, hire labour to do

their farm work and employ the use of farm equipment. Small scale farmers as defined by Ukpabia[2] are those farmers who grow food crops for their own home consumption with only incidental and occasional marketable surplus and regard farming as a means of livelihood. Ukpabia on the other hand defined large scale farmers as those farmers that produce food crops for the need of the family but in limited amount relative to cash crops. They are commercially oriented, striving to make as much profit as possible.

These three categories of farmers were identified in the study area. The small scale farmers have farm holdings less than 10 hecters on the average; depend on their family labour, produce a little above subsistence, spend little money in doing farm work such as purchase of chemicals, hiring tractors, etc. and realise little income from their farm produce.

The medium scale farmers in the area cultivate between 10 to 50 hecters, hire a little labour to augment family labour, and hire or purchase farm imputs like machinery and chemicals. The large scale farmers in the area depend entirely on hired labour and purchase most of the farm equipment including tractors. Their farm holdings are over 50 hecters. They spend a lot of money on their farm work and realise high income.

Out of the 230 farmers that responded to the questionnaires, 150 or 65% were small scale farmers, 60 or 26% were medium scale farmers while 20 or 8.1% were large scale farmers. Out of the 150 small scale farmers, only 10 or 6.7% were able to obtain credit from institutional sources while 60 or 40% could only obtain credit from non-institutional sources. 80 or 53.3 of them were self funding.

Out of the 60 medium scale farmers 18 or 30% received loans from banks, 12 or 20% got loans from non-institutional sources while 30 or 50% were self funding. 18 or 90% of the large scale farmers got loan from the banks, while 1 or 5% obtained loan from non-institutional sources. Only 1 or 5% was self funding (see table 3)

It could be observed from the above that, while 80 or 53.3% were self funding amongst small scale farmers, only 1 or 5% of large scale farmers were self funding. As many as 19 or 95% of large scale farmers receive credit from both institutional and non-institutional sources, only 70 or 46.7% of small scale farmers obtained credit from the two sources.

If we look at the concentration of the farmers that were given credit by both institutional and non-institutional sources, it will be seen that banks concentrated their credit on medium and large scale farmers. Table 3 also shows that while 18 or 90% of bank credit went to each of the medium and large scale farmers, only 10 or 6.7% of bank credit went to small scale farmers. On the other hand, the non-institutional credit facilities went mostly to the small scale farmers. As many as 60 or 40% of the non-institutional loans went to the small scale farmers while only 12 or 20% and 1 or 5% of the loans went to the medium and large scale farmers respectively. (see table 3)

Table 3: Categories of Farmers in Relation to their Source of Credit

Source	Small Scale No.	%	Medium Scale No.	%	Large Scale No.	%
Institutional	10	6.7	18	30	18	90
Non-Institutional	60	40	12	20	1	5
Self Funding	80	53.3	30	50	1	5
Total	150	100	60	100	20	100

Source: Derived from responses to research questionnaires

4.5 Distribution of Credit by Maturity: Terms of Credit

Terms of credit refer to conditions for granting credit. The terms of credit under the ACGSF are provided for by the ACGSF decree. This refers to the conditions for granting credit, types of colateral required, the disbursement pattern of credit, repayment schedule, interest rate and penalties attached to the non-repayment of credit.

In the research area, the non-institutional sources of credit had no securities requirement attached to them but only guarantee by a village head or a prominent personality in the society and sometimes on personal merit. Bank credit in the area required any of the following; a personal surety of applicant by bank workers, certificate of farm land ownership and certificate of fixed assets like buildings. These are however not easy to comeby by the peasant farmers in the area and hence the poor patronage of the formal institution - only 46 farmers got loans out of 92 applications and out of this only 10 were small scale farmers. The peasant farmers in the area are therefore forced to depend on non-institutional credit for their credit needs.

This finding is similar to that of Osuntogun[3] on "The Nigerian Agricultural Bank" where he observed that the demand of tangible security by banks are not within the reach of the small scale farmers who constitute the majority of the Nigerian farming population.

With respect to the interest rate charged, credit from non-institutional sources especially, from money lenders attract higher interest rates than those from institutional sources. Those from friends and relatives attract no interest at all but tokens of gratitude in kind which are made up of farm produce are often taken to such friends and relatives after harvest. The estimates of such token are not easy because they often vary. As much as 20%, that is on each ₦100 are often charged on loans from money lenders.

The interest rate charged by the banks is fixed by the ACGSF Act. This is 8% in the research area. This is by far below that of the non-institutional sources and also below the market rate of interest.

It is the type of credit that determine the terms of credit repayment. This varies from short, medium to long terms. Short term credit covers only a period of one year and is used mainly for crop farming. The terms of credit must be fully repaid within 12 - 36 months. This is mainly for poultry farming. The loan must be repaid within this period. Long term credit is for a period beyond 36 months. It is often used for livestock production.

The greater proportion of the credit granted to farmers by banks in the study area in terms of numbers is of a short term duration. Indicating that crop farming dominated the credit and

should be repaid within one year. For instance, out of the 46 loans granted by banks in the study area 40 or 87% are for short term duration while 6 or 13% were for medium term. None was for long term. (see table 4).

Table 4: Distribution of Credit by Maturity: Terms of Credit

Types of Credit	No.	%
Short Term	40	87
Medium Term	6	13
Long Term	-	-
Total	46	100

Source: Derived from responses to research questionnaires.

In response to the question on the problems they encounter in obtaining bank loan, the farmers in the research area enumerated their problems to include the following. They claimed that the types of colateral demanded by banks were beyond their reach. They also complained about the banks inability to process applications promptly, the inadequate amount of loans, irregular disbursement of approved loans and shortness of the grace period which has adverse effect on repayment. In explaining why they sometimes fail to repay loans, they blamed it on crop failures that may result from adverse weather and diseases and pests attack in some years. They also mentioned some unfavourable government economic policies. For example the ban on importation of maize adversely affected the poultry farmers by the scarcty of feeds that followed the ban. The land use Decree also makes it very difficult for them to obtain the certificate of occupancy (cof o) which they can tender as security for loans from banks, they

added - Ownership of Land is now vested in the government - Inadequate bank offices makes it difficult to obtain services from the banks as they would need to travel long distances to reach the nearest bank office. They claimed that they do not have the resources to meet the costs of such travels. The supervision from the banks they claimed was inadequate as at most only one visit is paid especially at the credit assessement stage. Throughout the croping period the farmers are left to grope with series of farm problems which they often lacked the technicality to tackle. This often leads to poor harvest.

4.6 Analysis of Research Finding from Commercial Banks

Benue State with a population of 5 million has 70 bank offices as at 1988. Idah Local Government Area which is the study area is one of the 13 Local Government Areas of Benue State. It has a population of 340,250 and has 6 bank offices.[4]

Before the introduction of the Rural banking programme in 1976, Idah had only one bank office. There is no merchant or cooperative banks in the local government area.

One of the objectives of the study is to know the amount and the number of farmers that have benefited from the ACGSF credit as granted by the 6 commercial banks in the L.G.A. The banks in the LGA follow the guidelines of the ACGSF in granting their credit. They demand for tangible colateral and charge 8% interest rate. They grant short term credit for crop farming and medium term credit for poultry farming while long term credit is granted for live stock farming.

An application for credit is made on a prescribed form in the bank where an applicant wants to obtain the loan and where he has an account too.

If the application is approved by the commercial bank the form is referred to the agricultural officer in the bank's headquarters who is expected to make a thorough investigation of the farmer and his croping and inspect the farm land. The agricultural officer produces his findings in three copies. One copy is sent to CBN, one to the banks main branch office in the state headquarters and the third retained by the Agricultural Officer.

A proper supervision is to be given by any bank that grants the credit and the CBN that manages the scheme. This is necessary to avoid credit diversion by farmers.

The credit for crop farming is disbursed in three stages which is supposed to coincide with three stages of supervision. The first is given at the beginning of the farming season. This is meant for the payment of hired labour and tractor that do the clearing, ploughing, ridging of farm land and planting of crops. The agricultural officer carries out the first supervision at this stage. This is to ensure that the credit is strictly used for the above purposes. At the end of this, the second stage comes in with the disbursement of the second instalment which is meant for the purchase of chemicals and for the payment of hired labour for the weeding of the farm land. The second supervision also comes at this stage. The third and last part of the credit is disbursed to the farmer during the time of harvest. This is used to pay hired labour for harvesting, storage and transportation of the products.

For credit granted for the purchase of tractors, a farmer is asked to provide an invoice from the company selling the tractor.

A bank draft is issued in the name of the company and in the company of the agricultural officer, the bank draft is taken to the company. Important documents of the tractor are taken to the bank that granted the credit.

In case of any default, the CBN repays 75% while the commercial bank loses 25%. The commercial bank makes a report of the defaulter to the CBN who is expected to charge him to court.

The distribution of the banks credit to farmers in the research area can better be analysed according to the contribution made by each of the banks.

4.6.1 Union Bank of Nigeria Plc, Idah

The Union Bank situated at Idah town was established in 1976 just before the first phase of the Rural Banking Programme. It is the oldest bank in the LGA. The bank gave a total of 13 agricultural loans valued at ₦123,700 over the period under study. Year by year breakdown of the loan shows that between 1978 and 1985 the bank did not grant any agricultural credit. In 1986 a total of 2 credits valued at ₦31,500 were granted, out of this one credit valued at ₦2,500 was for small scale farming while one medium scale farming loan valued at ₦29,000 was also granted. There was no large scale loan granted for this year. (see table 5(a)). In the same year crop farming had one loan valued at ₦2,500, while animal husbandry had one loan valued at ₦29,000. Also for this year there was no loan for plantation agriculture. (see table 5(b)).

In 1987 small scale farmers had five loans valued at ₦21,000 while medium scale farmers had two loans valued at ₦43,000. There was no loans for large scale farmers. This gave a total of seven loans valued at ₦64,000 (see table 5(a).

Of this crop farming had five loans valued at ₦38,000 and animal husbandry had a total of two loans valued at ₦43,220. Also for this year there was no loan for plantation agriculture (see table 5(b)

For the year 1988, a total of 6 loans valued at ₦28,000 were granted by the bank. Out of this, small scale farming had 4 loans valued at ₦14,000 and medium scale farmers had a total of 2 loans valued at ₦14,000 (see table 5(a). All the loans for this year was for crop farming (see table 5(b).

All the loans granted by the bank throughout the period were of short term duration.

The response of the farmers in repaying the credit was just average at the end of the loan period. However farmers continued to repay the loans years after and eventually liquidated the loans. (see table 5(b).

The bank was very far from meeting the CBN credit guideline for agricultural sector. From the inception of the bank to 1985 the bank granted no agricultural credit at all, meaning that it met a zero percent of the CBN guideline over this period. Even for the three years it granted agricultural credit, there was no year it met up to 50% of the required rate. (see table 5(b)).

Table 5(a): Distribution of Loan by Categories

Union Bank of Nigeria, Idah Branch

	1978-83		1984		1985		1986		1987		1988	
	No.	₦	No.	₦	No.	₦	No.	₦	No.	₦	No.	₦
Small Scale	-	-	-	-	-	-	1	2500	3	21000	4	14800
Medium Scale	-	-	-	-	-	-	1	29000	2	43000	2	14000
Large Scale	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	2	31500	7	64000	6	28000

Table 5(b): Distribution of Loan by Sectors

Crop	-	-	-	-	-	-	1	29000	5	38000	6	28000
Animal	-	-	-	-	-	-	1	2500	2	4322	-	-
Plantation	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	2	31500	7	64220	6	28000
% Recovered	-	-	-	-	-	-	30%		30%		40%	
% of CBN Directive met	-	-	-	-	-	-	5%		8%		3%	

Source: Derived from responses to research questionnaires.

4.6.2 First Bank Nigeria Plc, Akpanya

The First Bank at Akpanya was established in 1987 following the third phase of the Rural Banking Programme. It did not give any agricultural credit until 1988 probably because of teething problems. In 1988 it granted 5 credits valued at ₦20,000. The whole loan went to medium scale farmers who were mainly crop farmers. All the loan were of short term duration. The recovery rate was above average - 60%. It was able to meet 10% of the CBN credit guideline for Agricultural Sector. (see tables 6(a) and 6(b)).

Table 6(a): Distribution of Loan by Categories

First Bank - Akpanya

Categories	1978-83	1984	1985	1986	1987	1988 No.	1988 ₦
Small Scale	-	-	-	-	-	-	-
Medium Scale	-	-	-	-	-	5	30,000
Large Scale	-	-	-	-	-	-	-
Total	-	-	-	-	-	5	30,000

Table 6(b): Distribution of Loan by Sectors

Crop	-	-	-	-	-	5	30,000
Animal	-	-	-	-	-	-	-
Plantation	-	-	-	-	-	-	-
Total	-	-	-	-	-	5	30,000
% Recovery	-	-	-	-	-	-	60%
% of CBN Directive	-	-	-	-	-	-	20%

Source: Derived from response to research questionnaire

4.6.3 First Bank Nigeria Plc. Itobe

The First Bank located at Itobe was established in 1986. It was until 1987 that it gave out her first agricultural credit. A total of 8 loans valued at ₦87,000 were granted for the two years of 1987 and 1988. In 1987 a total of 2 loans valued at ₦15,000 were granted to medium scale farmers for crop production. For 1988 4 small scale loans valued at ₦20,000 were granted and 2 medium scale loans valued at ₦52,000 were granted. All the loans were for crop farming and for short term maturity. The recovery rate was impressive - 65% for 1987 and 40% in 1988.

As a percentage of CBN credit guideline the bank met only 3% in 1987 and 5% in 1988. (see table 7(a & b).

Table 7(a): Distribution of Loan by Categories

First Bank Nigeria Plc, Itobe

Categories	1973-83	1984	1985	1986	1987 No.	1987 ₦	1988 No.	1988 ₦
Small Scale	-	-	-	-	-	-	4	20,000
Medium Scale	-	-	-	-	2	15000	2	52,000
Large Scale	-	-	-	-	-	-	-	-
Total	-	-	-	-	2	15000	6	72,000

Table 7(b): Distribution of Loans by Sectors

Crop	-	-	-	-	2	15000	6	72,000
Animal	-	-	-	-	-	-	-	-
Plantation	-	-	-	-	-	-	-	-
Total	-	-	-	-	2	15000	6	72,000
% Recovery	-	-	-	-	65%		40%	
% of CBN Directive	-	-	-	-	3%		5%	

Source: Derived from responses to research questionnaire.

4.6.4 Lobi Bank Nigeria Plc, Ejule

Lobi Bank, the Benue State owned bank was established at Ejule in 1987. It has granted credit to agriculture for only one year which is 1988. A total of 8 loans valued at ₦56,000 were granted. All the loans were for crops farming. 6 small scale farmers and 2 medium scale farmer got the loan. All the loans were of short term duration.

The loan repayment was 60% while it met 10% of CBN directive. (See table 8(a) and (b)).

Table 8(a): Distribution of Loans by Categories

Lobi Bank Nigeria Plc, Ejule

Categories	1978-83	1984	1985	1986	1987	1988 No.	1988 ₦
Small Scale	-	-	-	-	-	6	18,000
Medium Scale	-	-	-	-	-	2	38,000
Large Scale	-	-	-	-	-	-	-
Total	-	-	-	-	-	8	56,000

Table 8(b): Distribution of Loans by Sectors

Crop	-	-	-	-	-	8	56,000
Animal	-	-	-	-	-	-	-
Plantation	-	-	-	-	-	-	-
Total	-	-	-	-	-	8	56,000
% Recovery	-	-	-	-	-	60%	
% of CBN Directive	-	-	-	-	-	10%	

Source: Derived from responses to research questionnaire.

4.6.5 Union Bank Nigeria Plc, Ugwolawo

Union Bank at Ugwolawo was established in 1987 as an agency of Idah branch. It operates only twice in a week. Tuesdays and Thursdays. It had no authority to grant agricultural loan. It directed all loan applications to the main branch at Idah which considered such loans along side her own applicants. There is however no separate record about the Ugwolawo loan applicants in Idah branch.

4.6.6 United Bank for Africa Plc, Idah Branch

UBA was established at Idah in 1983 and started giving agricultural credit in 1984. In 1984 one loan valued at ₦35,000 was given

to a medium scale farmer for crop farming. This represented only 10% of Central Bank of Nigeria guideline. 20% of the loan was recovered at the end of the year. In 1985, a total of 4 loans valued at ₦40,000 were given to medium scale farmers, 3 were for crop farming and one for animal husbandry. 50% of the loans were recovered at the end of the year. Only 2.5% of the CBN credit guideline was met and all the loans were for short term duration. In 1986 a total of 17 loans valued at ₦92,400 were granted, 6 were to small scale farmers while 2 were for medium scale farming and one for large scale farming. 12 of the loans were for crop farming and 5 for animal husbandry. There was no loan for plantation agriculture. 45% of the total loans were recovered at the end of the year. The total loans represented only 5% of CBN credit guideline. All the loans were on short term basis.

For 1987 a total of ₦189,200 was granted as loans to 72 farmers. Out of this 2 were medium scale farmers while 10 were small scale farmers and 2 for large scale. All the loans were on short term basis. ₦92,200 was for crop farming while animal husbandry had ₦92,00. 40% of the loans were recovered at the end of the period. The total loan represented about 50% of CBN directive. In 1988, a total of 18 loans valued at ₦251,400 were granted. 2 farmers were large scale, 5 were medium scale while 30 were small scale farmers. The loans were all for short term duration. Crop farming and animal husbandry farming got the loans while plantation agriculture had none. 45% of the loans were recovered at the end of the first year. This loan represented 45% of the CBN directive for that year. (see table 9(a) and (b)).

Table 9(a): Distribution of Loans by Categories

United Bank for Africa (UBA), Idah Branch

Categories	1978-83	1984		1985		1986		1987		1988	
		No	₦	No	₦	No	₦	No	₦	No	₦
Small Scale	-	-	-	-	-	6	32000	10	50000	30	150000
Medium Scale	-	1	35000	4	40000	2	12400	2	39200	5	139400
Large Scale	-	-	-	-	-	1	59000	2	10000	2	100000
Total	-	1	35000	4	40000	17	92400	72	189200	37	251400

Table 9(b): Distribution of Loans by Sectors

Crop	-	1	35000	3	30000	12	62000	60	97200	30	200000
Animal	-	-	-	1	10000	5	30000	12	92000	7	51000
Plantation	-	-	-	-	-	-	-	-	-	-	-
Total	-	1	35000	4	40000	17	92400	72	189200	37	251400

Source: Derived from responses to research questionnaires.

In the final analysis therefore 112 loans valued at ₦608,000 were granted in the study area by UBA in the scheme so far.

Note: The five banks granted a total of 148 loans valued at ₦904,700. Out of this, 60 loans valued at ₦162,500 were small scale loans while 30 loans valued at ₦480,000 were medium scale loans. Large scale farmers got 5 loans valued at ₦250,000.

Banks were also asked what problems they encounter in the execution of the programme in the study area. They enumerated some problems which include; (1) The interest rate which they claimed was far below the rate obtainable in other sectors of the economy. (2) The guarantee rate was too low to allow them take the risk of granting credit to the sector. (3) The default rate which they complained has been on the increase.

(4) Inadequacy of securities from farmers (5) Insincerity of some farmers resulting in wrong information and credit diversion, (6) Slow pace in the settlement of default claims. This makes less funds available for credit granting.

The CBN in explaining the purported delay, complained about the failure of the banks to file the required returns on loan with the fund and comply with the procedure for filing claims as prescribed in the scheme guidelines. Banks have been known in many cases to rush to file claims upon experiencing some deliquency without making enough efforts if any, to recover the loans and disposing of the securities and claiming the balance from the fund. The defaulters have been known to resume payment in some of the cases filed on account of claims already made.

4.7 Summary and Conclusion from Findings

The following conclusion and summary are drawn from the findings so far presented:

(1) It was discovered from the survey that non-institutional credit sources which comprise friends/relatives, money lenders, in form of farmers societies dominated the rural credit environment. For example it constituted 43% of the total credit granted to farmers while institutional sources comprising of commercial banks constitute only 20%.

(2) It was also indicated in the survey that credit from banks went to medium and large scale farmers with only very few small scale farmers benefitting. For instance while only 10 or 6.7% small scale farmers benefitted from bank loans, 18 each of medium and large scale farmers respectively benefitted representing 30% and 90% respectively.

(3) It was also observed that the small scale farmers depended more on their income for their farm work than both the medium and large scale farmers. For example 80 or 53.3% of small scale farmers were self funding while only 30 or 70% medium scale farmers and 1 or 5% large scale farmers were self funding.

(4) The amount of credit granted by the banks to farmers are larger in size than the one granted by the non-institutional sources. While 20 or 43% of the credit from banks lie between 501 - 1,000 and 14 or 31% between 1001 - 5,000 that of non-institutional sources were 15 or 15% and 5 or 5% for the same ranges respectively. This is an indication that the banks have greater potentiality in granting larger amount of credit than the non-institutional sources.

(5) The survey indicated that there are more small scale farmers in the study area than both medium and large scale farmers combined. For example, 150 or 55% were small scale farmers while 45% were medium and large scale farmers combined. The implication of this is that the bulk of the food needs of the area is provided by the small scale farmers and all agricultural credit policies should be directed towards them.

(6) Majority of the loan applications to the commercial banks were unsuccessful. For instance only 46 out of 92 applicants were successful representing 50%.

(7) Interest rates charged by non-institutional sources where they existed were higher than that on bank loans. For instance it was estimated at 20% for non-institutional sources while it is 8% for bank loans. This would have served as an incentive to farmers to borrow from banks but the colateral requirements scare them.

(8) It was discovered from the study area that all the loans from the banks were of short term duration. This compelled the farmers to concentrate on crop farming which matures in one year so that they can use the proceeds to repay loans within the stipulated time.

(9) It was discovered that most of the farmers in the study area were not able to obtain loans from the banks easily and could not make prompt repayments due to the following problems; the required security was not easy to comeby by the small scale farmers especially the certificate of occupancy and lack of cooperative societies to allow for group action. The banks also are accused of delays in loan approval and disbursement is often late and irregular when credit is eventually granted. They also had to travel very long distance to reach the nearest bank office. This wasted time and money as several trips were often made to obtain a loan. For example there are only 6 bank offices for 340,250 people.

The unpredicable weather and disease and pests infestation are instrumental to the farmers inability to repay loans. They also complained about lack of adequate supervision and expert advice from the lending banks as adversely affecting their productivity.

(10) Out of the six commercial banks in the area, none of them granted agricultural credit earlier than 1984, despite the fact that some of them existed before the introduction of ACCSF. This implies that the scheme had only operated in the area for five years, out of eleven years of its existence. The farmers had therefore lost ample opportunities to develop which their counterparts in other areas had been enjoying for many years.

(11) The number of bank offices in the research area is so few compared to the population and the need for bank services by the populace. Only six bank offices to a population of 340,250 and with one as just an agency. This amounts to 56,709 persons per bank. This means that only very few will be served leaving the majority of the peasants ignorant of the existence of such services.

(12) The magnitude of the loans granted by the commercial banks in number and amount was too small compared to the population and land area. For instance 148 loans valued at ₦904,700 were granted for the five years to a population of 340,350 of which 85% of them are farmers and a land area of 6,094 sq.km of which ¾ of it is arable. This inadequacy has gone a long way to perpetrate the financial constraint of the farmers in the area.

(13) The banks regarded the concensional interest rate and the guarantee rate as inadequate to lure them into active participation in the scheme. They remarked that they could earn more in other sectors that are even less risky.

(14) Most of the banks did not have adequate and appropriate staff e.g. agricultural officers to handle agricultural credit adequately.

(15) The banks also complained about inadequate funds and this limits their scope of participation in the scheme.

(16) The banks recorded some defaults and this went a long way to limit their capability to give more loans. It serves as a disincentive to agricultural financing.

(17) They also complained about the CBN's delay in the settlement of their default claims which leaves them with limited finance to advance more credit.

(18) It was also observed from the survey that none of the five banks met up to half of the CBN credit guideline on their loan disbursement to the agricultural sector. This is gross disobedience despite the not-too-low recovery rate for the area.

(19) The CBN on her own part explained delay in the payment of default claims as due to the uncooperative attitude of the commercial banks in fulfilling their own part of the requirement especially filling the returns promptly and adequately.

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CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATION

5.1 Summary of Study

The peasant farmers face financial constraint in their effort to develop and increase their productivity in order to meet the increasing need of food in Nigeria. While their income is too low to meet their financial needs in the farm, the non-institutional sources of credit have not been able to meet this requirement due to their smallness in amount. The institutional sources especially the commercial banks that would have been able to provide the needed additional finance adequately have denied the peasant farmers their loan facilities due to their inability to meet their demands of tangible securities. Commercial banks are more interested in other sectors of the economy like transportation, construction, mining, housing etc. where development are more rapid, have higher yields and with less uncertainty.

The Federal Government had no option other than to apply adequate measures that would ensure adequate finance from commercial banks to the peasant farmers. One of such measures is the regulation that requires the commercial banks to set aside certain minimum percentage of their loans and advances to the agricultural sector. Also in order to minimise the commercial banks risk rates in granting credit to the agricultural sector, the government established the ACGSF.

The purpose of this study was to appraise the performance of this ACGSF in the development of peasant agriculture by way of facilitating the flow of credit from the commercial banks to the farmers especially the peasant farmers with particular reference to Idah Local Government Area.

This development appraisal was assessed in terms of number and amount of banks credit that went to how many peasant farmers and each agricultural subsectors in the area as a result of the introduction of the scheme. It was also intended to identify its problems and offer useful suggestions for improving its functioning.

The methodology adopted for the study was the case study and survey method. Questionnaires were drafted for about 300 randomly selected farmers in Idah LGA and six commercial banks operating in the area. Data used in this study were those collected from the responses to these questionnaires and those from the secondary sources like the CBN publications.

5.2 Summary of Findings of the Study

The typical Idah LGA peasant farmers classified as small scale farmers make very little expenses on their farms and earn very little for income. They produce for subsistence and very little for sale. They use their family labour and adopt traditional tools for farming. They do not spend much on tractor hiring and other yield improving imputs like farm chemicals.

They depend on their little income or on non-institutional sources of credit for their agricultural development. Finance from these two sources are so small that they cannot cover most of their farm expenditure. They cannot cover large acres of land, hire enough labour and tractor services, and cannot purchase enough chemicals. They therefore end up with low productivity and low income. They have no adequate access to bank credit. The non-institutional sources of credit are more popular among the peasant farmers in the area than the institutional sources of credit like the banks.

The small scale farmer did not benefit much from bank loans, only the medium and large scale farmers got most of the loans in terms of amount.

Most of the applications in the study area were unsuccessful over the period despite the fact that none of the banks granted agricultural credit earlier than 1984. Even when granted it was for short term duration. Compared to the population of farmers and the land area, the magnitude of the credit from the commercial bank is grossly inadequate for any effective farming development over the period.

The number of bank officers is also grossly inadequate to allow for an effective coverage of the peasantry.

On the factors that were responsible for ineffective performance of the scheme in the study area, all the parties involved in the execution of the programme were identified to have contributed in one way or the other. The peasant farmers were not repaying loans promptly due to several handicaps confronting them in their farming activities such as inaccessible expert advice, adverse weather, disease and pests attacks, irregular disbursement of loans and short term nature of credits. The commercial banks on their own part failed to extend enough credits to the farmers especially the small scale due to a number of reasons which included lack of acceptable colateral from the farmers, inadequate funds, low interest and guarantee rates, imprompt payment of loans, high default rates and delay in the settlement of default claims by the CBN. The CBN however blamed the commercial banks for the delay as they submit inappropriate default claims.

The number of bank offices was also found to be inadequate for an effective coverage of the populace.

5.3 Conclusion

The research findings in the study area enables us to conclude that various efforts made by the Federal Government to revive agricultural sector by way of credit facilities are not based on the conditions of production of the peasant farmers who form the bulk of the population that constitute the farming sector as Abalu and Famoriyo earlier found,[1]. but on large scale farmers. Banks have been left to give agricultural credit to large farmers who could forward securities required by the banks while majority of the small scale farmers who could not forward the banks required security, but for whose purpose ACGSF was established did not benefit from the credit facilities. This narrows down to the improper implementation of the scheme by the Federal Government. For Nigeria to boast of agricultural development and be self-reliant in food production, earn more foreign exchange and provide enough raw material for the increasing industries, modern agricultural incentives must be at the reach of the peasant farmers to raise their productivity. This can only be assured if they have a steady and adequate supply of credit for short, medium and long term, among other incentives. Only credit from the institutional sources especially banks can be big and cheap enough to meet the credit needs of the peasant farmers if only it can be made accessible to them.

For the ACGSF to be more effective in realising its set objective, the anomalies so far identified in the execution of the programme have to be rectified. Suggestions are advanced along this line.

5.4 Recommendation

With respect to the findings made so far on the operations of the scheme in the study area, we make the following recommendations which could contribute to the improvement of the scheme in the area.

There is the need to narrow the gap between the ACGSF interest rate and other lending rates of the bank. In view of the adverse effects of concentionary interest rate on bank lending to agriculture there is the need to raise the interest rate above the current level of 8% to a level not less than two percent points below the maximum on other loans. This will attract the banks to lend more the sector. The argument that a higher interest rate may scare the farmers from obtaining bank credit may not hold because farmers even borrow at a higher interest rates from non-institutional sources.

Different guarantee percentages should be adopted for small and large farmers. The guarantee should remain at 75% for the large farmers but a higher level say, 80% should be adopted for the small farmers, cooperative societies and other on-lending bodies. The banks should also be made to observe the directive from the CBN to ignore the tangible securities requirements on small loans, e.g. ₦5000 and below. The advantage of discriminatory guarantee percentage in favour of loans to small farmers is that it will induce the banks to grant more loans to the small farmers.

Steps should be taken to eliminate or reduce to the barest minimum the increasing incidence of defaults. The measures that could be taken include judicial procedure to recover loans.

The fund should prosecute defaulters as provided for in section 15 of the ACGSF Act, and publishing defaulters names in the press. Further more the lending banks should prosecute defaulters for recovery of loans as nothing stops them from doing so. Under the scheme, the fund has never prosecuted defaulters nor has it any explicit sanctions against defaulters apart from possible denial of further loans to defaulters and exercising foreclosures on securities.

Apart from prosecution of defaulters defaults can be reduced through a number of preventive measures such as prompt and timely approval and disbursement of adequate loans, supervision and monitoring of the use of the loans and rendering the necessary advice to farmers by the banks or government extension officers. Factual feasibility reports should be prepared for large loans and establishing the credit worthiness of farmers especially large ones.

Steps should be taken to settle default claims by commercial banks within the shortest possible time in order to increase and sustain the confidence of banks in the scheme.

Sanction should be instituted against those banks who fail to submit appropriate returns on the operation of the scheme promptly in view of the adverse effects such non-submission of returns has on the operations of the scheme especially payment of default claims.

Steps should be taken to reduce the transaction costs of both the lender and the borrower in the scheme. The lenders transaction costs include administrative costs and default risks. These costs are usually higher on small and new borrowers than on large and established borrowers. Transaction costs can be reduced through

simplification and expedition of the lending process, decentralising decision making and reduction in red-tape among others. In particular, by removing or minimising delays in processing, approving and disbursing loans can reduce farmers travel expenses and number of visits to banks by farmers.

Borrowers transaction costs comprise loan costs to the borrower beyond interest payments such as gifts and bribes, in some cases to influence lending, borrowers time and travel expenses incurred to negotiate and pursue loan applications, make withdrawals and repayment. Group lending and mobile banking are some of the ways borrowers costs could be reduced. Through group lending, loans and repayments are made the responsibility of the group rather than individuals. For group lending to be successful, however, the group should have a history that predates the introduction of a credit programme thereby inducing a feeling of social solidarity and trust as well as allowing economic homogeniety to be built up among the members.

It had been envisaged that lending through cooperative societies would be the main channel through which loans under the scheme would reach the small farmers. Unfortunately these cooperative societies have not played this role effectively. Steps should therefore be taken to re-organise, strengthen and develop them in order to get the cooperatives play the role envisaged for them under the scheme.

Delays in issuing certificates of occupancy should be removed or reduced to the barest minimum. The delay in issuing it has prevented many farmers from benefiting from lending under the scheme.

Also instructions to banks to waive the tendering of these certificates, collaterals and feasibility reports for farmers borrowing small amounts should be reinforced.

Banks should be made more accessible to the rural populace by opening of more branches in the rural areas. This may be difficult because of the high cost of establishing in these areas due to inadequate infrastructural facilities. Banks should therefore be given inducements and commissions like the raising of interest rate on lending to the agricultural sector as has already been recommended. The establishment of bank branches in the rural areas is pivotal to the success of the scheme in increasing deposits and enhancing agricultural credit.

The CBN should offer rediscounting facilities to banks up to 15% on long term loans granted to the sector. This is to induce banks to give long term loans to farmers. Rediscounting should however be based strictly on proven and established liquidity problems in order to forstall its abuse by some banks.

Banks personnel charged with the implementation of the scheme should be strengthened and trained to cope with it. More hands in the area of project evaluation and analysis are needed. This could be done in conjunction with CBN under a special manpower development programme.

The possibility of a quick pre-assessment of applications by CBN and a vigorous pursuit of a dynamic rural development strategy for the whole country should be explored. This would reduce the delay in granting loans and make available the necessary rural infrastructures for an effective farming.

Storage facilities should be made available and within the reach of the peasant farmers. This would reduce the waste of crops

at the harvest season and consequent risk of loan default.

There is the need to review and evaluate the impact of ACGSF periodically. This enables the early detection of possible bottle-necks before they cause irreparable harm to the scheme.

It is necessary to study the profile of both rejected and other prospective applicants for loans under the scheme. This is necessary for policy review purposes. There is enough justification for creating a special monitoring and evaluation unit that can compile and analyse the required data and information within the fund. Such decentralisation of activities would reduce inefficiencies in application assessment.

Contrary to the belief by some economists that private savings capacity is non-existent or limited in developing countries, evidence abounds of private savings potentials in these countries and that considerable saving could be mobilised given the right policies and incentives which include the availability and accessibility of savings institutions and attractive interest rates on deposits. In Nigeria it is generally believed that substantial savings capacities exist, judging by the lavish spending on ceremonies and the quantum of cash brought out from homes during currency exchange exercise. This could be deposited in banks and other financial institutions and used for development through lending. This will also go a long way to solve the commercial banks problems of enough funds to lend under the ACGSF. If these institutions are accessible to the populace, attractive interest rates are paid on deposits and the populace are educated on the benefits and necessity of saving in financial institutions, the economy must have been highly monetised.

More publicity should be given to the recently introduced agricultural insurance scheme to cover more farmers especially the peasantry. This will go a long way to reduce the default rate due to crop failures as the insurance schemes would take care of that.

The above recommendations have to be backed by a sound and effective monetary policy which provides for stable price levels and sustainable economic growth if they are to be effective in increasing bank lending to agriculture under the scheme, especially to small scale peasants.

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PART A

DEPARTMENT OF ECONOMICS
AHMADU BELLO UNIVERSITY
ZARIA

THE IMPACT OF THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND (ACGSF) ON THE DEVELOPMENT OF THE PEASANT AGRICULTURE

A CASE OF STUDY OF IDAH LOCAL GOVERNMENT AREA OF BENUE STATE

QUESTIONNIARE DESIGNED FOR FARMERS IN THE RESEARCH AREA

TICK (/) WHERE APPROPRIATE.

1. Village/Town .....
2. Sex .....
3. Age .....
4. Level of Education Attended:
   a) Primary ☐
   b) Secondary ☐
   c) Post Secondary ☐
   d) No formal education ☐
5. What is your occupation?
   i) Full time farming ☐
   ii) Part time farming ☐
6. What type of farming do you practice?
   a) Crop ☐)
   b) Livestock ☐) Rank in order of importance
   c) Poultry ☐) with a, b, c.

*(7) (Please see No.7 at the bottom of next page)

8. Have you ever applied for Agric Loan? under ACGSF
   Yess ☐ No ☐
9. Has the loan ever been given you?
   Yes ☐ No ☐
10. If Yes what is the source of the loan?
    i) Banks ☐
    ii) Money lenders ☐
    iii) Farmers Cooperative Societies ☐

iv) Friends and Relations /___7

v) Others /___7 (Please specify) .....

11. How much was the loan?

Below: ₦100 /___7

₦100 - 500 /___7

₦500 - 1000 /___7

₦1000 - 5000 /___7

₦5000 and above /___7

12. In what form was the loan give?

a) Cash /___7

b) Kind /___7

c) Both Cash and Kind /___7

13. In what form do you prefer the loan?

Cash /___7 Kind /___7 Both Cash and Kind /___7

State why .....

14. State what you use the loan for by ranking with 1, 2, 3, ... according to the amount spent on each area.

1) Hired labour /___7

2) Purchase of farm seedlings (both crops and animals) /___7

3) Purchasing farm implements including animal husbandary equipments /___7

4) Hired machinery (tractors, Harvesters etc) /___7

5) Purchase of inputs such as fertilizers, pesticides, vaccines etc) /___7

6) Others /___7 (please specify) .....

15. What was the duration of the loan? i.e. length of time for repayment?

a) Less than 12 months /___7 (short term)

b) 12 to 36 months /___7 (medium term)

c) More than 36 months /___7 (long term)

16. Method of payment of loan (i.e. when you pay):

a) At one time at the end of loan period /___7

b) On instalmental basis /___7

c) At the end of the harvest /___7

d) Others /___7 (Specify please) .....

17. Do you pay interest on the loan.

i) Yes /___7 (ii) No /___7

18. If Yes how much is it, if it is in Cash or its equivalent In Cash if it is paid in kind ₦.....

•7 If Livestock or animal husbandary, what type of animal husbandary?

Poultry /___7 Cattle rearing /___7

Sheep and Goat rearing /___7 Piggry /___7

Others /___7 (Please specify) .....

19. Any colateral required before the loan is given (i.e. Security offered before loan was given?)

Yes /___7 No /___7

(b) If Yes what is the nature of the colateral?

i) Certificate of occupancy of a plot of land /___7

ii) Ownership of house /___7

iii) Guaranteed by customer of the bank /___7

iv) Guaranteed by village head /___7

v) Others /___7 (Please specify) .....

20. If you applied for loan but you were not given what was the reason given?

a) No colateral /___7 (b) No guarantor /___7

c) Others /___7 (Please specify) .....

21. How do you acquire your land for farming?

i) Through inheritance /___7

ii) By purchasing /___7

iii) By hiring /___7

iv) Others /___7 (Please specify) .....

22. What is the size of your farm?

a) Small holdings /___7 (Below 10 Acres)

b) Medium holdings /___7 (Below 10 to 50 Acres)

c) Large holdings /___7 (Above 50 acres)

23. Out of the farm implements listed below which ones do you own or hire?

	Own	Hire
a) Hoes	/___7	/___7
b) Cutlasses	/___7	/___7
c) Maize sheders	/___7	/___7
d) Spraying pumps	/___7	/___7
e) Wheel barrows	/___7	/___7
f) Tractors	/___7	/___7
g) Harvesters	/___7	/___7
h) Others	/___7	/___7

24. How much do you spend in a year in either purchasing or hiring these inputs in a year?

Below ₦50 ☐
₦50 - ₦100 ☐
₦100 - ₦500 ☐
₦500 - ₦1000 ☐
₦1000 and above

25. What was the amount of money spent on the purchase of:

a) Chicken ☐ (b) Sheep and goat ☐
c) Pigs ☐ (d) Others ☐

26. What is the source of your labour in the farm?

a) Family labour ☐ (b) Hired labour ☐
c) Others ☐ (Please specify) .....

27. If you use hired labour, how much do you spend in a year in hiring them?

Below ₦100 ☐
₦100 - 1000 ☐
₦1000 and above ☐

28. Which of these chemicals do you use in your farm?

i) Fertilizers ☐
ii) Pesticides ☐
iii) Herbicides ☐
iv) Vaccines ☐
v) Others ☐ (Please specify) .....

29. How much do you spend in purchasing chemicals in a year?

Below ₦100 ☐
₦100 - 500 ☐
₦500 - 1000 ☐
₦1000 and above ☐

30. In a year how much altogether do you spend in doing your farm work?

Below ₦500 ☐
₦500 - 1000 ☐
₦1000 and above ☐

31. Any supervision from the credit Institution?

Yes ☐ No ☐

32. What is the nature of help these supervisors offer to you?

.....

33. What is the level of your output before obtaining bank loan? N .....

34. What is the level of your output after the loan? N .....

35. General comments .....

.....

PART B

DEPARTMENT OF ECONOMICS
AHMADU BELLO UNIVERSITY
ZARIA

THE APPRAISAL OF THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND (ACGSF) ON THE DEVELOPMENT OF THE PEASANT AGRICULTURE

A CASE STUDY OF IDAH LOCAL GOVERNMENT AREA OF BENUE STATE

Questionniare Designed for Banks in the Research Area.

Tick (_/) where appropriate.

1. Name of Bank .....
2. Location .....
3. Date established in Town .....
4. Number of people using Bank services provided by you:
   (a) Savings Account holders /___7
   (b) Current Account holders /___7
   c) Others /___7 (Specify please .....)

Analysis of Loans to the Agricultural Sector:

5. Total Agricultural Credit Guarantee Scheme Fund Loan given so far No. _____
6. Total Agricultural Credit Guarantee Scheme Fund (ACGSF) Agric Loan given so far ₦ _____
7. What type of farmers do you give loans:
   (i) Large /___7 (ii) Medium /___7 (iii) Small /___7
8. What is the minimum and maximum for each category:

	₦ Min.	₦ Max.
(i) Large	/___7	/___7
(ii) Medium	/___7	/___7
(iii) Small	/___7	/___7

9. What is the terms of the loan?
   i) Short /___7 (ii) Medium /___7 (iii) Long /___7
10. What is the interest charged? /___7
11. Do you insist on colateral?
    Yes /___7 No /___7
12. If Yes what is the nature .....

13. Do you supervise the use of the loan you give to farmers?

Yes ☐ No ☐

14. If Yes what type of supervision? .....

15. What form is the loan?

Cash ☐ Kind ☐ Both ☐

16. Which of the types of loans has the minimum rate of default?

Cash ☐ Kind ☐

17. What is the rate of loan recovered?

Low ☐ Moderate ☐ High ☐

18. What is the rate of loan default?

Low ☐ Moderate ☐ High ☐

19. What action do you take against defaulters .....

.....

20. What are the general problems you encounter in giving loan to farmers especially small scale farmers in the rural areas under the Agricultural Credit Guarantee Scheme Fund?

.....

21. Suggest ways of minimising or eliminating such problems.

.....

22. What is your view about the Agricultural Credit Guarantee Scheme Fund operation so far?

.....

23. With respect to the Central Bank of Nigeria guideline in respect of loan to farmers, have you been meeting the requirements?

....

24. If not why? .....

25. General comments: .....

.....

PART B

COMPLETE THE TABLE

ANALYSIS OF LOANS TO THE AGRICULTURAL SECTOR UNDER THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND FROM 1978 - 1988

		Total Loans				Small Scale				Large Scheme					
Year	Sector	No.	% of Total	₦	% of total	No.	% of total	₦	% of total	No.	% of total	₦	% of total	% of total agric loan to total bank loan	Percentage Recovered
1978	Crop														
	Animal														
	Plantation														
	Total														
1979	Crop														
	Animal														
	Plantation														
	Total														
1980	Crop														
	Animal														
	Plantation														
	Total														
1981	Crop														
	Animal														
	Plantation														
	Total														
1982	Crop														
	Animal														
	Plantation														
	Total														

		Total Loans				Small Scale				Large Scheme					
Year	Sector	No	% of total	,,	% of total	No	% of total	,,	% of total	No.	% of total	,,	% of total	% of total agric loan to total bank loan	Percentage Recovered
1983	Crop														
	Animal														
	Plantation														
	Total														
1984	Crop														
	Animal														
	Plantation														
	Total														
1985	Crop														
	Animal														
	Plantation														
	Total														
1986	Crop														
	Animal														
	Plantation														
	Total														
1987	Crop														
	Animal														
	Plantation														
	Total														
1988	Crop														
	Animal														
	Plantation														
	Total														