THE IMPACT OF AGRICULTURAL LOAN SCHEME TOWARDS THE NATIONAL ECONOMIC GROWTH

A CASE STUDY OF NIGERIAN AGRICULTURAL COORPERATIVE AND RURAL DEVELOPMENT BANK LTD. ZARIA BRANCH.

BY

HALLIRU, Fatima Musa
MBA/ADMIN/40094/2004-2005
(G04/BAMF/7050)

BEING A PROJECT SUBMITED TO THE POST GRADUATE SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA) OF AHMADU BELLO UNIVERSITY, ZARIA.

**DEPARTMENT OF BUSINESS ADMINISTRATION,
FACULTY OF ADMINISTRATION,
AHMADU BELLO UNIVERSITY.**

OCTOBER 2005.

CERTIFICATION

This is to certify that this project titled "The Impact of Agricultural Loan Scheme towards the National Economic Growth (A case study of Nigerian Agricultural cooperation and Rural Development Bank)" by HALLIRU, Fatima Musa meets the regulations governing the award of the degree of Masters of Business Administration (MBA) OF Ahmadu Bello University, Zaria and it is therefore approved for its contributions to knowledge and literacy presentation

_____	_____	_____
Mal. Abdullahi Yusuf	**Signature**	**Date**
Chairman Supervisory Committee.		
_____	_____	_____
Dr. M. N. Maiturare	**Signature**	**Date**
Head of Department		
_____	_____	_____
External Examiner	**Signature**	**Date**
_____	_____	_____
Dean, Postgraduate School	**Signature**	**Date**

ACKNOWLEDEGEMENT

Praise be to Almighty Allah, “He who taught by the pen, taught man that which he knew not” (Quran 96 verse 4-5), for guiding me through out my stay in this University and to those individuals that have contributed immensely to the success of my career.

My unreserved appreciation to “raregems” my parents; Alhaji Musa Halliru and Hajia Aisha Musa Halliru for their love, care, support, encouragement and especially for always believing in me.

To my siblings, who make up the bundle of joy. Hence my love goes to Hadiza, Farida, Ibrahim, and Halliru (Abba).

To my grandparents, paternal and maternal, my love goes to them for being supportive and prayerful for my success.

I am particularly indebted to my project supervisor Mallam Abdullahi Yusuf, a role model and a rare gem in the citadel for intellectualism for his careful supervision without which the project would have been a mere illusion.

To Mallam Hamisu Saulawa, I say a big thank you for always being there and for giving me inspiring encouragement through out this research work.

My most sincere and unalloyed appreciation go to my lecturers Dr. M.N. Maiturare, Dr. Sani Abdullahi, Mal. Bashir Kurfi, Mallam Sabo and the departmental librarian, Mal. Inuwa Abdullahi (Shadow), for they imparted knowledge and also assisted me in all aspects of acquisition of knowledge.

To the Manager and staff of NACRDB, Zaria branch office. I say a very big thank you for the co-operation and documentation of necessary information gotten from the branch

Lastly, my appreciation goes to all my friends and well-wishers, may the Almighty Allah grant you all with success in life for your support, love and understanding.

DECLARATION

I hereby declare that this project titled "The Impact of Agricultural Loan Scheme towards the National Economic Growth (A case study of Nigeria Agricultural Cooperative and Rural Development Bank Limited Zaria Branch)" for the award of Masters of Business Administration of the Ahmadu Bello University Zaria, is the product of my research work.

All sources of information used for this write up and where applicable other writer's views have been duly acknowledged by means of references and bibliography.

Sign & Date: _____

Name of Student: **HALLIRU, Fatima Musa**

DEDICATION

With reverence to the Almighty Allah for His steadfast love over me that never ceases and for giving me the wisdom to attain this status in life

This project is dedicated to my dear parents Alhaji Musa Halliru and Hajia Aisha Musa Halliru, whose patience and understanding made this (MBA) programme a reality, also my siblings; Hadiza, Farida, Ibrahim, and Halliru (Abba) who gave me strength and encouragement through prayers!

ABSTRACT

Financing Agriculture has been a disturbing phenomenon for a long period in the Nigerian economy. Various measures were taken by governments of the Federation to help fill the wide gap of the need of financing and the availability of the finance through credit.

One of the known bold efforts was the establishment of Nigerian Agricultural and Co-operative Bank (NACB), in November, 24th 1972 which was inaugurated and started operations in March, 6th 1973.

A further step towards this financing is the transformation of the Nigerian Agricultural and Co-operative Bank (NACB), into Nigerian Agricultural, Co-operative and Rural Development Bank (NACRDB).

This was after merging the former Peoples Bank of Nigeria (PBN), the risk assets of the Family Economic Advancement Programme (FEAP). This is said to be the biggest development finance institution in Nigeria, fully owned and subscribed to for its shares by Federal Ministry of Finance incorporated 60%, and the Central Bank of Nigeria, 40%.

The merger that brought about the emergence of the new outfit, brought about ex branch network expansion and by the year 2002, the Zaria branch of the bank was established.

The objective of this study therefore is to find out the impact of the gamut of financing scheme meant for the agricultural industry with particular reference to the branch's area of coverage, in Zaria.

TABLE OF CONTENTS

TITLE PAGE - - - - - - - - i

CERTIFICATION - - - - - - - - ii

ACKNOWLEDGEMENT - - - - - - - - iii

DECLARATION - - - - - - - - v

DEDICATION - - - - - - - - vi

ABSTRACT - - - - - - - - viii

TABLE OF CONTENTS - - - - - - - - ix

CHAPTER ONE

1.1) INTRODUCTION - - - - - - - - 1

1.2) STATEMENT OF THE PROBLEM - - - - - - 2

1.3) OBJECTIVES OF THE STUDY - - - - - - 3

1.4) SIGNIFICANCE OF THE STUDY - - - - - - 4

1.5) SCOPE OF THE STUDY - - - - - - 4

1.6) LIMITATION OF THE STUDY - - - - - - 5

1.6) DEFINITION OF RELEVANT TERMS - - - - - 5

1.7) SUMMARY - - - - - - 7

REFERENCES. - - - - - - 8

CHAPTER TWO

LITERATURE REVIEW - - - - - - - - 9

2.1) A BRIEF LOOK INTO THE NIGERIAN ECONOMY - - - 9

2.2) CONTRIBUTIONS OF AGRICULTURAL SECTOR IN THE NIGERIAN ECONOMIC GROWTH AND DEVELOPMENT - - - - 12

2.3) PROBLEMS AND PROSPECTS OF NIGERIA'S AGRICULTURE - 14

2.4) THE JOURNEY OF NIGERIA'S AGRICULTURAL FINANCING - 20

2.5) THE ESTABLISHMENT OF NIGERIAN AGRICULTURAL CO-OPERATIVE AND RURAL DEVELOPMENT BANK LTD - - 22

2.6) THE ESTABLISHMENT OF NIGERIAN AGRICULTURAL CO-OPERATIVE AND RURAL DEVELOPMENT BANK LTD, ZARIA BRANCH - - 23

2.7) SUMMARY - - - - - - - - 43
REFERENCES - - - - - - - - 45

CHAPTER THREE

RESEARCH METHODOLOGY - - - - - - - 46
3.1) INTRODUCTION - - - - - - - - 46
3.2) RESTATEMENT OF THE RESEARCH QUESTIONS - - - 46
3.3) METHODS OF STUDY - - - - - - - 47
3.4) SOURCES OF DATA - - - - - - - 48
3.5) POPULATION AND SAMPLE SIZE - - - - - 49
3.6) RESEARCH INSTRUMENTS - - - - - - 50
3.7) TECHNIQUES OF DATA ANALYSIS - - - - - 52
REFERENCES - - - - - - - - - 53

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA - - - - - 54
4.1) INTRODUCTION - - - - - - - - 54
4.2) STRUCTURE OF QUESTIONNAIRE AND INTERVIEW - - - 54
4.3) QUESTIONNAIRE AND INTERVIEW ANALYSIS - - - 55

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS - - - 62
5.1) SUMMARY - - - - - - - - - 62
5.2) CONCLUSIONS - - - - - - - - 63
5.3) RECOMMENDATIONS - - - - - - - 64
APPENDIXES - - - - - - - - - 66
BIBLIOGRAPHY - - - - - - - - - 72

CHAPTER ONE

INTRODUCTION

1.1) BACKGROUND OF THE STUDY

In Nigeria, like any other country of the world, the agricultural sector plays a very important role in the economy. The sector provides massive employments; it generates basic raw materials to the economy, it provides food to the populace, it generates foreign exchange and largely provides security and stability in the polity.

However, the main stakeholders in the sector, that is to say the farmers are faced with many problems among them are poor pricing, high cost of fertilizers/ insecticides, low education and the most important being lack of adequate capital that would enable them tackle these problems for their benefits and for the benefit of the society generally. One way to do this is for the farmers to get a window of financial palliative. Many attempts had been put in place to make financing available to the farmers one of which was the establishment of Nigerian Agricultural and Cooperative Bank (N.A.C.B) in November 24th, 1972, which commenced operations March 6th, 1973. The Nigeria Agricultural and Cooperative Bank (N.A.C.B) has now been transformed into Nigerian

Agricultural Cooperative and Rural Development Bank (N.A.C.R.D) in October 2000.

The aims and objectives of Nigerian Agricultural Cooperative and Rural Development Bank, and its predecessor, Nigerian Agricultural and Cooperative Bank seem to be the same. If that is the case what has been its impact in Agricultural financing?

1.2) STATEMENT OF THE PROBLEM

Zaria is a renowned city with long tradition of farming. It was estimated that every family in Zaria and its environs is involved in one aspect of agricultural activity or the other, and since lack of adequate agricultural financing is certain to affect the farmers in Zaria, this explains the reason why the Nigerian Agricultural and Cooperative Bank now Nigerian Agricultural Cooperative and Rural Development Bank had to open its Branch in Zaria in the year 2002 to close this financing gap.

The researcher is aware of this fact and wants to find out what has been the impact of the Bank in Zaria. Has the bank been able to assist the Zaria farmers in closing or reducing the multiple financing problems that they face like their other

counter parts all over the country? If yes, how were they able to do it? If no, why and where did they fail? What can be done to make them do it more effectively?

Lawan, 2001 p.2 opined however that agricultural financing has "**not been a very successful story because of the problems of loan recovery, some view it as their own national cake".** She further said that "**sometimes it is not easy obtaining a loan from the Bank due to undue procedures by the Bank which…….the farmers must go through".** Then, what is the impact of the Bank in Zaria?

1.3) OBJECTIVES OF THE STUDY

The objectives of the study therefore are:

i) To find out why the Nigerian Agricultural cooperative and Rural Development Bank was established in Zaria.

ii) To identify the quantum of loan given out to farmers by the Bank.

iii) To find out if the loans given by the Bank have made any impact on agriculture in the area of coverage of the Branch.

iv) To find out the requirements of obtaining loan from the Bank generally and Zaria Bank in particular.

v) To find out if the Bank also encounter any problems with the farmers before loan is granted and even after granting the loan.

vi) To suggest solutions to the problem identified so that the Zaria Branch can make more positive impact in its area of coverage.

1.4) SIGNIFICANCE OF THE STUDY

It is a known fact that agriculture is important in any economy but that of Nigeria seems to be witnessing a dismal growth due mainly to lack of adequate financing. Fadeke (1999) observed that **"the level of capital involvement in agricultural production processes is a clear index of the magnitude of its growth and development"** the significance of this study is mainly to find out the relevance of this assertion with particular reference to the Zaria Branch of Nigeria Agricultural cooperative and Rural Development Bank, so that at the end both the farmers and the Bank can benefit.

Finally, the study intends to also elicit further study by other researchers to contribute to knowledge on the subject.

1.5) SCOPE OF THE STUDY

This study is only trying to find out the Impact of Agricultural loan scheme towards National Economic Growth, but with particular reference to what

Nigeria Agricultural cooperative and Rural Development Bank, is doing or has done in Zaria Branch since it was established in May, 2002 only.

1.6) LIMITATIONS OF THE STUDY

This study like others before it is limited due to many factors; the biggest limiting factor is the shortage of relevant data. Time is another limiting factor, because the study can't be on indefinitely. Further more, the researcher was engaged in other things when the research was going on. Financing the project is also another limiting factor to pay for what is considered necessary for the project.

Another limiting factor is the authority of management of the branch to provide relevant and available data to the researcher, which they claimed must be sanctioned by their Head office.

1.6) DEFINITION OF RELEVANT TERMS

i) AGRICULTURE: It is the art of cultivating the land and rearing of animals to provide food and shelter for the growing population.

ii) AGRICULTURAL FINANCING: It is the provision of money (fund) for agricultural purposes.

iii) FARMERS: Those who engage in farming.

iv) ADVANCE: Loan and overdraft to farmers.

v) COLLATERAL: Personal or real property pledged as security for an obligation (loan).

vi) LOAN: A credit business transaction between the legal entities, whereby one party is known as the "**lender"** agrees to **"lend"** fund to the second party known as the "**borrower"** payable with interest either on short, medium or long duration.

vii) N.A.C.B: Nigeria Agricultural Cooperative Bank.

viii) N.A.C.R.D.B: Nigeria Agricultural Cooperative and Rural Development Bank.

ix) NON-RECOVERY: Loan that cannot be recovered from the farmers or beneficiaries.

x) ON LENDING: As the name implies, this scheme involves lending to farmers through established and recognized institutions known as **on lending agencies.**

xi) DEVELOPMENT: The act or action of developing or the state of gradual unfolding.

xii) ZARIA BRANCH: The area of coverage of N.A.C.R.D.B of Zaria L.G.A, Makarfi L.G.A, Sabon Gari L.G.A, Giwa L.G.A, Soba L.G.A, and Kudan L.G.A.

xiii) C.B.N: Central Bank of Nigeria.

1.7) SUMMARY

Financing agriculture is very important if farmers are to produce on a scale that will improve their lot. It will also facilitate increased agricultural output and help towards poverty alleviation.

The Nigerian Agricultural Cooperative and Rural Development Bank (N.A.C.R.D.B) Ltd, has a major task of ensuring the placement of funds into profitable and development activities that will not only guarantee their recovery, but also some adequate returns for owners of the funds.

Since agriculture is a sector of economic activity which provides the community with some of its most basic needs, financing it is a major concern to the farmers and the government. And that is why the Nigerian Agricultural Cooperative and Rural Development Bank (N.A.C.R.D.B) Ltd, was established in October 2000, by the federal government solely for the purpose of providing loan to farmers.

REFERENCES:

i) Asabe Lawan, *Financing Small Scale Farming By Nigerian Agricultural and Co-operative Bank Ltd,* (A.B.U Zaria: Published M.B.A Thesis, 2001), pp. 2-4.

ii) Oni M. Fadeke, *The Impact of Development Bank Credit Scheme in Agricultural Financing,* (A.B.U Zaria: Published M.B.A Thesis, 1999), pp 7-8

iii) Nnamdi Asika, *Research Methodology in the Behavioral Sciences,* (Lagos: Longman Nig. Ltd, 1991), pp 158-164.

CHAPTER TWO

LITERATURE REVIEW

2.1) A BRIEF LOOK INTO THE NIGERIAN ECONOMY.

Nigeria is by any standard a country of immense economic opportunities and potentials. It is one of the largest in size in sub-Saharan Africa, occupying an estimated land area of about 923,769 sq km with a coast line of about 960 km bordering the Atlantic Ocean. Ecologically the country cuts across three main vegetational zones; **Sahel/Sudan Savannah to the North; Guinea/Derived Savannah in the Middle belt region; and Rainforest/Mangrove Swamp in the South.** In terms of climate conditions average annual rainfall in the country during 1960-1992, ranged from a minimum of 679 mm in Sokoto to a maximum of 3211 mm in Port Harcourt. Average minimum temperature during the same period ranged from as low as 10°C in Jos to as high a 26.2°C in Lagos. While maximum temperatures ranged from 31.4°C in Lagos to 41.1°C in Maiduguri. The population of Nigeria based on the most recent (1991) census is provisionally put at about 88.5 million, while the annual population growth rate is estimated at 2.1 percent. About 50 percent of the total populations are under 20 years of age. A significant proportion (about 65 percent) of the population live in the rural areas, while the rest live in urban areas, indicating a high urban population density.

Nigeria is essentially an agrarian economy with the climate and vegetation lending themselves to a wide range of agricultural activities. The country is also endowed with important mineral resources. Apart from crude petroleum, there are other important mineral resources such as iron ore, limestone, coal, cassiterite and marble. Industrialization has progressed steadily on the basis of the country's natural factor endowments, but a significant proportion of local industries consist of component assemblies, which depend to a large extent on imported raw materials. The Gross Domestic Product (GDP), at 1984 factor cost, increased from an annual average of 58.2billion Naira during 1970-1974, to 73.7billion Naira during 1975-1979. After experiencing a slump in the early 1980s, it picked up again 1986, averaging 91.7billion Naira a year between 1989 and 1992. Average per capita income increased from under 100 Naira during 1970-74 to 474.4 Naira in 1975-79 and 1,969.7 Naira in 1989-92. In terms of the component shares of GDP, agriculture, crude oil and manufacturing are the largest economic sectors, accounting for a combined total of 53.1, 59.5 and 60.6 percent of total out put in each of the three periods, 1970-74, 1975-79, and 1989-92 respectively. Of the remaining sectors, wholesale and retail trade, finance and insurance and producers of government services are the major components.

In terms of economic development strategy Nigeria has, since independence sought to achieve some broad economic objectives such as rapid growth and development as well as more equitable income distribution through the implementation of successive National Development plans. Before the adaptation of the SAP in 1986, four National Development Plans had been launched for the following periods.

i) First plan: 1962-1968

ii) Second plan: 1970-1974

iii) Third plan: 1975-1980

iv) Fourth plan: 1980-1985

Generally, while the National Development Plan provided the basic policy frame work planning as a tool of long term development tended not to attach much importance to the role of the private sector in economic policy decision making and implementation. Among the various features of planning up to 1980 were the dominant role assigned to government in bringing about growth and development of the economy, the reliance on commodity export surpluses for development capital, the relative neglect of the role of private savings in the financing of development, and the inadequate emphasis given to the key role of economic infrastructure in the development process. However, when the fourth plan was launched past, experiences had brought a greater sense of objectivity in the

choice of objectives and priorities. Thus, in the plan the private sector rather than government was accepted as the prime mover in agriculture and industry. But the actual movement away from a development strategy centered on import substitution and characterized by pervasive government controls and regulations of various markets did not start until there was an economic crisis.

From 1999, when the current democratic dispensation ensued, Nigeria witnessed some major economic changes, which were intended to achieve an economic reform for further development.

Some of the policies being pursued are privatization, withdrawal of petroleum and other subsides, deregulation, banking sector recapitalization, and a seeming wholesale adaptation of capitalization among others.

In the agricultural sector, the government is trying to revive the production of major cash crop like cassava, cotton and cocoa so that the country can significantly move away from the present 90% dependence on foreign exchange on oil. Already exportation of cassava had started and it is expected to generate billions of Naira to the country.

2.2) CONTRIBUTIONS OF AGRICULTURAL SECTOR IN THE NIGERIAN ECONOMIC GROWTH AND DEVELOPMENT.

i) CAPITAL

Agriculture provides the capital required for 'overhead' investment in industries and infrastructures. For example, the University of Nigeria Nsukka was established with revenue accumulated by the marketing boards in the then Eastern and western Regions of Nigeria.

ii) EMPLOYMENT

Agriculture offers employment to many Nigerians who would otherwise be jobless.

iii) FOOD

Agriculture provides humankind with food and increased food may mean increased well-being. In Nigeria, food production has always been increasing, but at a rate lower than the population growth rate. This has accounted for the decline in the general well being of the people. Agriculture also provides food for export and the manufacturing industries.

iv) INCOME

Agriculture provides revenue for farmers and the agricultural sector generates a sizeable part of the national income. Before the discovery of crude oil, revenue from palm produce, cocoa, benniseed, cotton and groundnuts provided Nigeria with the foreign exchange needed for economic development.

v) MARKET FOR MANUFACTURING INDUSTRIES

Agriculture provides a market for industrial output. Farmers purchase industrial goods for domestic use and as agricultural implements for more efficient production.

vi) RAW MATERIALS

The industrial sector depends on agriculture for some of its raw materials. For example, sugar cane, palm produce, timber, cotton, and rubber are some of the products that provide raw materials for some of the food processing and manufacturing industries in Nigeria.

2.3) PROBLEMS AND PROSPECTS OF NIGERIA'S AGRICULTURE

2.3.1) PROBLEMS OF AGRICULTURE IN NIGERIA.

In advance countries, farmers may not own large farms, but they are able to produce efficiently to feed the growing populations of their countries and still have surplus for export. In Nigeria, as in the other West African countries, about 85 to 90 per cent of the working populations are employed in agriculture and yet the nation is unable to raise enough food for home consumption. The following reasons account for the poor agricultural performance of Nigeria.

i) TRADITIONAL FARMING METHODS

The peasant agricultural system dominates Nigerian agricultural practice. Farm holdings are small and scattered, and the usual implements are the hoe and the matchet. As parents retire, succeeding children either divide the strips of the land into smaller pieces, or more people find employment on the land until the marginal productivity of labour falls to zero or become negative. Also, over-cropping reduces the fertility of the soil. All these lead to low agricultural productivity and small output.

ii) LAND TENURE SYSTEM

Pieces of land are owned by landlords who are the heads of families. In some parts of Nigeria, land is owned by the community. In both cases, land passes from one family to another only through hiring it out for a short period, pledging it temporarily against a sum borrowed or making an outright sale of it. In all such cases, it is difficult to obtain land for development.

Modern agriculture, however, requires heavy investment on land. Those who have the means to develop the land are usually not the land owners. Therefore, large-scale modern agriculture is difficult under the existing land tenure system, which makes transfer of ownership of land extremely difficult.

ii) INFRASTRUCTURE AND ACCESSIBILITY OF FARM LAND

Many farm lands are outside the motorable routes. It is difficult to take input to the farms and even more difficult to bring agricultural products out to the

markets. Thus, as transportation of farm products has not developed beyond the system of head carriers, the scale of production has remained small.

iii) LACK OF PRESERVATION AND STORAGE FACILITIES

Many agricultural products are seasonal. They are harvested at the same time, a feature which tends to give the impression of abundance or surplus. However, within a short time, they are used up through consumption, or wasted away through decay. When the draught comes, they are scanty or non-existent. This is chiefly because processing, preservation and storage facilities are not well developed in this part of the world. We are still close to nature, and we are always in want of what we have produced in plenty.

iv) LIMITED FUNDING BY LAND OWNERS

Those who own land are often not those who have the capital to devote to agriculture. Those who have the expertise, training and ability are quite a different group. Very often, it is not easy to harmonize ownership with easy credit, and this ownership-credit gap makes development of agriculture difficult.

v) SOIL DEVASTATION

Increasing population has brought pieces of land under intensive cultivation and greatly reduced the fertility of the soil. This is aggravated by the devastation of forest and grass land areas which has resulted in the washing away of the topsoil. Sometimes, in heavy rainfall, serious soil erosion and landslides reduce cultivable land, and flood waters wash away planted crops.

v) NEGLECT OF AGRICULTURE

Both the peoples and the governments of West African countries have paid very little attention to agriculture. Many now depend on importation and trade for their existence, exchanging any little money obtained from the sale of mineral deposits for food produced in advanced countries.

Before independence, Nigeria depended on the exportation of palm produce, cocoa, rubber, cotton and groundnut for its development. Today, Nigeria imports practically all these. This demonstrates the lukewarm attitude of the Nation towards agriculture.

vi) RURAL-URBAN DRIFT

The imbalance in urban-rural economy has lead to rural-urban drift. Agriculture has thus being losing its vital labour force without replacing it with mechanization. Aged parents now farm the fields, and coverage and production are, of course, small.

vii) LOW PRICES OF AGRICULTURE PRODUTS

Many farmers obtain very little income from their farm output. Their money incomes, compared with those in trade and the service industry, are unattractive. The reason is that agricultural products are seasonal and perishable, and are all disposed of at the same time because of the lack of storage facilities. Within the period of bountiful harvest, most agricultural products becomes price-elastic, and

income arising from agriculture becomes less than those engaged in commerce and the provision of services. As a result, since agriculture is often not subsidized in this part of the world, the income gap between agricultural producers and those in other occupations act as a disincentive to the development of agriculture.

2.3.2) AGRICULTURAL POLICIES AND PROSPECTS IN NIGERIA.

West African governments have taken various measures since independence to upgrade agricultural production. As a result, they have devoted several chapters in their national development plans, explaining the different policies to achieve higher production in agriculture. Some of these policy measures have been implemented, but most of them have remained paper theories, especially in periods of political instability.

The following are some of the proposals:

i) The government encourages farmers by offering them reasonable prices for their agricultural products. The increased income arising from the attractive prices induces them to produce more.

This was the main reason for establishing marketing boards in Nigeria. They help regulate prices and ensure that farmers and protected, especially against

international price fluctuation. Cash crops usually come under this group, for example; cocoa, palm produce, rubber, cotton and groundnut.

ii) In Nigeria, various state government established agricultural co-operations during the term of the Third National Development Plan. Examples are; The Agricultural Development Co-operation and The Agricultural Development Programmes established in twelve states of the Nigerian Federation. These were meant to help in food production.

iii) In the Fourth National Development Plan of Nigeria, government policy shifted from encouraging private enterprise to encouraging large-scale farming. This encouragement took the form of;

a) income tax relief for pioneer enterprises,
b) duty-free importation of farm machinery, and
c) promotion of foreign investment in agriculture. For instance, Schedule II of the Nigerian Enterprises Promotion Act allows foreigners to own up to 60% equity in agricultural enterprises.

iv) A major government policy during the Fourth National Development Plan was the provision of easy short- and medium- term credit to farmers. As a result, the Nigerian Agricultural and Co-operative Bank and Agricultural Credit Scheme

were established to finance agricultural enterprises. In practice, however, credit-lending schemes tended to favour corporate, large-scale farms and farmers who possessed adequate collaterals.

v) Another agricultural policy of the government was to provide input at subsidized prices. Fertilizers, pesticides and improved seeds were to be sold to farmers at prices very much below the market rates.

vi) The government created centers for seed multiplication schemes, animal and fish production programmes and improved breeding of livestock and poultry.

vii) The government was to acquire better and adaptable simple agricultural implements and make them available to farmers.

viii) Extension services policy aimed at training workers at a target ratio of 1:800 farmers was envisaged.

ix) The government encouraged farmers' co-operatives to act as a viable medium for introducing new inputs, ideas and new farming systems.

2.4) THE JOURNEY OF NIGERIA'S AGRICULTURAL FINANCING.

Since 1969, the central Bank of Nigeria, CBN has been issuing out guidelines that assisted or compelled agricultural financing through circulars on monetary policies. Ojo, e'tal (1983) said that "the CBN has consistently given preferential treatment to agriculture which was included in the broad sector referred to as production." According to them, "this preferential treatment covers both the volume of loan allocated to the sector and the rate of interest chargeable on the loans."

It was discovered that it was the CBN that determines the volume of loans to the sector, at present it is 10%, and the rate of interest is now 8%. This against the 32% chargeable by commercial banks on other commercial loans.

In order to encourage banks to meet the target set-out for them on agric loans, Ojo, e'tal said that "in 1977, the Agricultural Guarantee Scheme Fund was established. This fund granted loans up to 75%. The legal basis for the fund was the Agricultural Credit Guarantee Scheme Fund Act. The Act provided for a fund of 100 million Naira subscribed by the Federal Government (60%) and Central Bank of Nigeria 40%.

The working of the fund was reviewed during the Shagari administration when Green Revolution was established. This made the CBN on the orders of the

Federal Government to strengthen the operation of Nigerian Agricultural Co-operative Bank.

The Nigerian Agricultural Co-operative Bank was a higher level financier of agriculture in all aspects of the agricultural activities, which Ojo, e'tal said included "horticulture, poultry farming, pig breeding, fisheries, forestry and timber production, e.t.c."

The Nigerian Agricultural Co-operative Bank was providing medium and long term financing on Agriculture. This was necessary because as Ojo, e'tal put it; the commercial banks were "reluctant" to provide the type of financing required by the sector.

2.5) THE ESTABLISHEMENT OF NIGERIAN AGRICULTURAL CO-OPERATIVE AND RURAL DEVELOPMENT BANK (NACRDB) LTD.

The birth of Nigerian Agricultural, Co-operative and Rural Development Bank (NACRDB) Limited as the single largest development finance institution in Nigeria followed the successful merger of the former Peoples Bank of Nigeria (PBN), the defunct Nigerian Agricultural and Co-operative Bank (NACB) Ltd, and the risk assets of the Family Economic Advancement Programme (FEAP) in

October, 2000. Thus, NACRDB is dedicated primarily to agricultural financing at both the micro and macro levels, as well as micro financing of small and medium scale enterprises. The Bank is a registered limited liability company that is wholly owned by the Government of the Federal Republic of Nigeria with the share capital fully subscribed by the Federal Ministry of Finance Incorporated 60% and the Central Bank of Nigeria 40%. The Bank's broad mandate encompasses savings mobilization and the timely delivery of affordable credit to meet the funding requirements of the teeming Nigerian population in the agricultural and non-agricultural sectors of the national economy.

2.6) THE ESTABLISHEMENT OF NIGERIAN AGRICULTURAL CO-OPERATIVE AND RURAL DEVELOPMENT BANK (NACRDB) LTD. ZARIA BRANCH.

The Agricultural Cooperative and Rural Development Bank Zaria Branch, was established in May, 2002 when the defunct Nigerian Agricultural and Cooperative Bank Zaria Branch was merged with the former Peoples Bank of Nigeria. The bank started its first disbursement of loan in December 2002, approving about 90% of loans that were applied for. N.A.C.R.D.B Zaria Branch covers some areas within and out side Zaria locality, and some of these areas are:

i) Zaria Local Government Area

ii) Sabon Gari Local Government Area

iii) Makarfi Local Government Area

iv) Giwa Local Government Area

v) Soba Local Government Area

vi) Kudan Local Government Area

2.6.1) ***OBJECTIVES OF N.A.C.R.D.B LTD.***

i) Purveyance of affordable credit facilities to the less privileged segments of the less privileged segments of the Nigerian society who cannot readily access the services of conventional banks;

ii) Acceptance of savings deposit from customers and the repayment of same with accrued interest, as and when due;

iii) Provision of opportunities for self-employment in the rural areas, thereby reducing rural-urban migration;

iv) Augmentation of Government efforts in the diversification of the productive base of the national economy;

v) Inculcation of banking habits at the grass-roots level of the Nigerian society;

vi) Promotion of capacity building through the provision of relevant training and advisory services;

vii) Fostering an accelerated growth and development of the agricultural and rural economy;

viii) Encouraging the formation of co-operative societies at all levels.

2.6.2) N.A.C.R.D.B OPERATIONAL SERVICES

(I) SAVINGS

- Savings Account (Individuals)
- Call and Fixed Deposit Accounts
- Group Savings (Adashe/Esusul/Ajo)

ACCOUNT OPENING REQUIREMENT

(i) ***INDIVIDUAL ACCOUNT***

a) All micro clients/customers are required to open and maintain accounts with the Bank.

b) The customer presents him/herself to the savings officer(s) with three passport photograph. The customer completes mandate and account opening forms and is assigned an account number.

c) The minimum account opening balance for an individual is N500.00 only. While Co-operatives and Self Help Groups (**SHGS),** the amount is N500.00 multiplied by the number of the group's membership.

(ii) ***JOINT ACCOUNT***

Where the savings account is to be operated as a joint account or partnership, club/association, and companies accounts, a clear mandate governing all the operations must be obtained as follows:

a. Letter from the customers giving a clear mandate or the signatory to the account either one person or several.

b. In case of death of any of the signatories, a clear mandate should be obtained as to the continuity or otherwise of the account.

c. Three passport photographs of each of the signatories.

A. Clubs/Groups:

i. Copy of the resolution to open account.

ii. A copy of the group's constitution.

iii Three passport photographs of each of the signatories.

B. Partnership:

i. Deed of Partnership.

ii Copy of resolution to open account with the Bank.

iii Three passport photographs of each of the signatories.

C. Co-operatives:

i. Certificate of registration.

ii Copy of resolution to open account with N.A.C.R.D.B Ltd.

iii Bye-law.

iv. Three passport photographs of each of the signatories.

D. Company Accounts:

i. Letter of resolution to open an account.

ii. Certificate of Incorporation.

iii. Three passport photographs of each of the signatories.

iv. Memorandum and Articles of Association for Limited Liability.

For proper identification of signatory, his/her driving license or International passport must be sighted.

The documentation requirements for limited liability companies and high net-worth large individuals include but are not limited to:

i) Certificate of Incorporation

ii) Tax clearance certificate

iii) Audited statements of accounts for at least 3 years.

iv) Certificate of occupancy with attested survey plan for any property to be offered as collateral.

vi) A feasibility study report.

(II) INTEREST RATE REGIME

The bank's interest rate regime on loans is generally concessionary and discriminatory in favour of small farmers and traders to whom the bank's bulk loan able funds are directed:

i) Micro credits – 8% per annum

ii) Macro credits:

- Agric production – 16.5% (except cotton production) per annum
- Agro-processing – 17.5% per annum
- Marketing – 18.5% per annum
- Cotton production – 7% per annum

iii) Special projects – As prescribed and negotiated with Donor agencies and Stakeholders.

- Interest on micro credits shall be calculated on simple basis, while compound basis applies to macro loans.
- The listed interest rates are subjected to change from time to time.

(III) LOAN COLLATERAL

In addition to all collaterals listed the bank may also require/accept:

i. The personal, unconditional guarantees of directors of any incorporated body desirous of macro loans.

ii. Only landed properties located in state capitals or areas where such assets can be easily realized in addition to farmland, equipment etc. are acceptable security for agricultural macro loans.

iii. Shares of quoted companies discounted by a minimum of 30% on the highest market value subsisting no more than 3 months before loan application date.

iv. Cross guarantee of members of co-operative societies and joint liability group.

v. Insurance with endorsement to the bank for all primary agricultural production loans.

(IV) ***CONDITIONS FOR BORROWING***

(i) ***Micro-Credit: Non-Collateralized***

b) Mandatory minimum savings deposit amounts and period for eligibility for the loan scheme.

c) Track record and confirmation of status of prospective client.

d) Provision of reputable guarantors.

e) Feasible/viable proposals for prospective clients.

(ii) ***Macro-Credit***

The bank's mandate covers proposals, which are financially viable with demonstrated level of success backed by a realistic vision management strategy and experience. The bank demands collaterals such as:

a) Legal Mortgages.

b) Real property.

c) Endowment insurance policies.

d) Government guarantees/personal

e) Stock and Bonds.

The documents requirements for limited liability companies and large individual loans include but are not limited to:

a. Certificate of Incorporation

b. Tax Clearance certificate.

c. Audited Statements of Accounts for at least 3 years.

d. Certificate of Occupancy with attested survey plan for any property to be offered as collateral.

e. A feasibility study report.

(V) ***LENDING***

All the bank's loans are structured as Term Loan of short, medium or long durations. They are meant to **finance** specific well-defined purposes/projects that are consistent with the bank's mandate. Repayment is periodic with or without moratorium on interest/principal repayment.

(i) ***Micro-Credit***

Target market:

Rural and Urban Poor low income earners, small holder farmer, artisan, petty traders.

Formal and informal groups. This is for loans not exceeding N250,000.

(ii) ***Macro Loans***

Target market:

Small, medium and large-scale agricultural projects promoted or owned by individuals, cooperatives or Self Help Groups. This ranges from N250, 000 and above.

(iii) ***On-Lending***

These are loans funded by N.A.C.R.D.B and made through reputable viable co-operartive societies, co-operative financing agencies, joint liability groups, community bank and informal groups. Details of eligibility and requirements are obtainable for the participating bodies.

(iv) ***Special Project Loans***

These are loans funded by Donor and other Agencies. The beneficiaries and other requirements are defined and negotiated by the Donor Agencies and stakeholders.

N.A.C.R.D.B, is currently handling four (4) special projects in collaboration with Federal Ministry of Agriculture:

a) ECOWAS fund Accelerated fish production project.
b) International fund for Agricultural Development (IFAD).
c) Livestock Development Project (LDP)
d) Animal Traction and Hand tool Development (ATHP)

A) ECOWAS FUND ACCELERATED FISH PRODUCTION PROJECT.

The implementation of the Accelerated Artisan Fish Production Project (AAFPP) started in 1992. The project was designed to create conditions that can guarantee access of artisan fishermen and women to formal credit. The project aims at boosting fish production and improving the socio-economic status of Artisan fishermen.

The purpose of the loan is to finance assets acquisition and provide working capital needs of artisan fishermen and women who are engaged in direct fish production which captures fisheries only. Assets to be disbursed in kind include

outboard engines (OBE), fishing canoes/boats, fishing nets and accessories. Working capital loans are disbursed for fuelling OBEs, repairs of fishing nets.

TARGET MARKET

The target markets for the Accelerated Artisan Fish Production Project are artisan fishermen and women engaged in fish production (capture fisheries) as individuals,

co-operative or informal groups.

a) LOAN ELIGIBILITY

i) Beneficiaries must be well-known fishermen and women in the fishing community.

ii) Beneficiaries must provide evidence (documentary or oral) to support their fishing activities in the past;

iii) Beneficiaries must indicate probable areas of fishing and landing sites;

iv) Co-operative societies or other apex organization recognized and fully registered must have been in existence for at least six (6) months prior to loan request;

v) Prospective applicants are expected to open an account with the bank at any implementing branch of their choice;

vi) The minimum accounts opening balance for individuals is N500.00 (Five hundred Naira only);

vii) Each customer must have operated the accounts for a minimum of 60 days prior to loan application;

viii) Balances in account should be a minimum of N250, 000 per single applicant or member of a group.

b) LOAN TERMS

Interest Rate – 16.5% per annum or as advised from time to time.

Grace Period – Maximum 1 month.

Maximum Loan Period – 18 months inclusive of the grace period.

Interest Payment – Accumulated interests are payable at the expiration of

the grace period. Subsequent monthly interest and principal installments should be paid according to the Repayment Schedule.

Loan Collateral – Clients are to provide two guarantors to guarantee the loans when approved.

All items procured with the proceeds of the loans must be insured with Reputable Insurance Company acceptable to the bank.

Savings account should continue to grow during the loan period. Loan shall be called in if a zero growth is observed 30 days after loan is disbursed.

B) INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) PROJECT.

The implementation of the International Fund for Agricultural Development (IFAD) PROJECT started in 1992. The project is being financed with the proceeds of about **US** $8.7million line of credit from International Fund for Agricultural Development to the Federal Government of Nigeria. The project was designed to create conditions that can guarantee access of artisanal fisher folk to formal credit. The project aims at boosting artisanal fisheries development and improving the social-economic status in the fishing communities.

The project would provide all types of loans required by the fishing communities, provided they serve genuine economic interests and not for consumption purposes. The project is expected to advance loans for:

Purchase of canoes outboard motors, fishing gear, repairs to the engines and working capital for fishing operations;

Fisherwoman to improve processing facilities by construction of improved smoking kilns and to support the processing and marketing activities;

Trained mechanics to establish workshops and spare parts stores at the village level; School leavers in the village to procure and operate transport boats or create new fishing units;

Transport operators to purchase boats; Individuals or associations to establish fuel storage tanks and; Petty trades.

TARGET MARKET

The target markets for the credit programme are artisan fishermen and women engage in fish production; full time fisher folk; poor fishermen who do not have access to equipments and unemployed youths who want to start a productive and income generating activities as individual or informal groups.

a) LOAN ELIGIBILITY

i. Individual clients should be well known by the credit assistant of FDUs within the fishing communities.

ii. Members of a group apart from fulfilling condition (i) above shall be adults (men and women), and the group shall consist of 5-25 members. In addition:

a) Persons well known to each other and not formed just for taking loans from the project should have formed the group. The repayment of the total loan shall be the responsibility of the group leader.

b) The group should have been in existence for one year with its core members and should be cohesive in terms of consistency of interaction between members.

c) The groups are expected to open an account with the bank at any of the implementing branch nearest to them.

d) The group should be willing to cooperate with the FDU team in pursuing the income generating activities with the loan.

iii. The minimum account opening balance for each member of the group or individual is N500.00 (Five hundred Naira only) or as may be determined from time to time.

iv. The group or individual must have operated the account for a minimum of six weeks prior to loan application.

v. Balance in account should be a minimum of 10% of loan account needed at the time of lodgment of application.

vi. Beneficiaries must not be a defaulter of a loan taken earlier.

vii. Credit limit shall be a maximum of N250,000 per single applicant or member of a group.

b) LOAN TERM

i. Interest Rate – 16.5% per annum or as may be advised from time to time.

ii. Grace Period – Maximum of 2 months.

iii. Maximum loan Period –

a) Two years for outboard motors canoe, fishing gear and smoking kiln.

b) 3 years for transport boat.

c) One year for marketing of fish and repairs of motors.

iv. Interest Payment – Accumulated interest is payable at the expiration of the grace period. Subsequent monthly interest and principal installments should be paid according to the repayment schedule.

v. Loan Collateral – Guarantee of two (2) persons acceptable to the bank.

All items procured with the proceeds of the loans must be issued with Nigerian Agricultural Insurance Corporation (NAIC). Savings account should continue to grow during the loan period. Loan should be called in if it is discovered that sales proceeds are being diverted.

C) *LIVESTOCK DEVELOPMENT PROJECT (LDP)*

The implementation of the Livestock Development Project (LDP) became effective in April 1987 as a follow-up to First Livestock Development Project (FLDP), which was executed from December 1974 to July 1983. The project was financed with a loan from the international Bank for Reconstruction and Development to the Federal Government of Nigeria. The original loan amount of US $81 million was reduced to US $67 million as a result of two cancellations of US $10 million and US $4 million on June 29, 1993 and December 13, 1993 respectively. The project was designed to create a favorable environment for livestock producers and mixed farmers to increase output, through provision of Micro-credit and technical advisory services. Its main objective was to increase nation's livestock production and consequently farmers' income. The SLDP was jointly executed by NLDP and defunct NACB. The National Livestock Projects Division (NLDP) provided the technical expertise to the scheme while the defunct NACB provided the financial management.

TARGET MARKET

The target beneficiaries for the scheme are Small Scale livestock and poultry producers in all states of the Federation.

a) ***LOAN ELIGIBILITY***

i. Prospective applicants are expected to open an account with the bank at any branch nearest to them.

ii. The minimum accounts opening balance for individual is five hundred Naira (N500.00) only.

iii. Each customer must operate the account for a minimum of six weeks before loan application.

iv. Balance in the accounts should be a minimum of 10% of loan amount requested/applied for.

b) ***CREDIT LIMITS AND LOAN TERMS***

i. The credit limits and the loan terms are given below or as may be advised from time to time.

ii. Credit limits shall be a maximum of N250, 000.00 per single applicant or member of a group.

iii. Interest rate – 8% per annum.

iv. Grace period – Grace period of three (3) months shall be given for each model after which demand notice shall be issued monthly.

v. Maximum loan period – The loan period of different models shall be:-

   a. Cattle Fattening: - 6 months, Exclusive of the grace period.
   b. Ram Fattening: - 6 months, Exclusive of the grace period.
   c. Pig Fattening: - 6 months, Exclusive of the grace period.
   d. Poultry (Broiler production) – 12 months, Inclusive of the grace period.
   e. Poultry (Layer production) – 18 months, Inclusive of the grace period.

vi. Interest Payment – Accumulated interest are payable at the expiration of the grace period. Subsequent monthly interest and principal in installments should be paid according to the repayment schedule.

vii. Loan Collateral – Clients are to provide guarantees of two guarantors acceptable to the bank.

All the birds/animals procured with the proceeds of the loans must be incurred with the Nigerian Agricultural Insurance Corporation (NAIC). Savings account

should continue to be active during the loan period. Loan shall be called in if it is observed that sales proceeds are being diverted. A beneficiary shall be qualified to renew his loan upon full repayment on schedule of his previous loan. The value of such renewal shall depend on the assessment of the candidate by the agricultural Project Committee.

C) *ANIMAL TRACTION AND HANDTOOLS TECHNOLOGY*

The Animal Traction and Hand tools project was designed to provide credit to small-scale farmers to acquire small farming technology such as animal traction and hand tools. It was introduced to bridge the gap created by high cost of tractors. The credit is disbursed by high cost of tractors. The credit is disbursed in-kind in form of hand tools, ox-drawn ridgers, and carts. While cash is disbursed to farmers to purchase work bulls, feeds and medication.

The project is aimed at relieving farmers of the drudgery associated with the use of traditional tools and lack of access to tractors and other farm implements. The projects are being implemented in all the states where work bulls are presently utilized or can be introduced. The animal traction component is restricted to those states where animal traction is already being widely practiced, while the hand tools component is targeted to farmer in those states where animal traction may not be feasible.

FUNDING

The project by design is being funded by the Federal, State and Local Governments in the proportion of 50%, 30% and 20% respectively. NACRDB is the implementing bank. Under the project, small-scale farmers have access to a maximum of N50, 000.00 as small-scale loan with duration of 3 years at 10% interest rate per annum. The bank maintains separate accounts for the project in each of the participating branches.

LOAN PURPOSE

The purpose of the loan is to finance assets acquisition and provide working capital needs of farmers. Assets to be financed and disbursed in kind include ox-drawn ridgers, carts bulls and hand tools such as cutlasses, hoes.

TARGET MARKET

Core States: The animal traction component of the project shall be restricted to those states where animal traction is already being practiced. These are referred to as:

Core States: Clients in these states have access to Animal Traction Credits only. The states are Adamawa, Bauchi, Borno, Gombe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Niger, Sokoto, Taraba, and Zamfara States.

a) LOAN ELIGIBILITY

All Animal Traction and hand tools customers shall henceforth be required to open and maintain accounts with the bank. The minimum account opening balance for individuals is N500.00 (Five hundred Naira only). Each customer must have operated the accounts for a minimum of 30 days prior to loan application.

b) CREDIT

Credit Limit shall be as follows:

i) Animal Traction component entails a maximum of N50,000.00

ii) The hand tools component entails a maximum of N20,000.00

2.7) SUMMARY

This chapter looks into the Nigerian economy, its climate conditions, its vegetation zones and its population. The chapter also deals with the contribution of agricultural sector in the Nigerian economic growth and development, and then problems and prospects of agriculture.

The chapter also talks about the objectives of establishing the bank, i.e. to grant loan to small and large-scale farmers in order to boost agricultural production. It deals with the NACRDB operational scheme and also the micro credit, macro credit and on-lending loan scheme. The chapter also talks about the projects under

these scheme, and ranges of amount and interest under these schemes and their gestation or maturity period. Procedures and conditions for borrowing under the micro credit.

2.8) REFERENCES

i) *Nigerian Agricultural, Co-operative and Rural Development Bank Limited Brochure,* (Kaduna: The Co-operate Affairs Department, NACRDB Ltd, 2000), pp 1-16.

ii) Ewa Udu and G.A. Agu, *New System Economics,* (Onitsha: Africana-FEP Publishers Ltd, 1989), pp 214-218.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1) *INTRODUCTION*

A study of this magnitude is incomplete if the methods of collecting the required and relevant data are not stated. For the purpose of clarity and simplicity, simple methods of data collection will be used.

3.2) *RESTATEMENT OF THE RESEARCH QUESTIONS*

It should be remembered that in chapter 1.2, the research questions were proposed as:

i) What is the impact of N.A.C.R.D.B in agricultural financing?

ii) What has been the impact of N.A.C.R.D.B in Zaria?

iii) Has it been able to assist the Zaria farmers in closing or reducing multivariate financing problem that they face like their other counterparts all over the country? If yes how were they able to do it? If no, why and where did they fail?

iv) What can be done to make than do it more effectively?

3.3) *METHODS OF STUDY*

DEFINITION OF RESEARCH

Ezejelue and Ogwo (1990) defined research as "A scholarly or scientific as well as diligent investigation or enquiry in seeking facts or principle. It is a systematic approach for providing answers to questions".

Roger Bennett (1987) also sees research as "a systematic careful enquiry or examination to discover new knowledge for some specified purpose". The specified purpose is usually a problem which may be known to the researcher.

From the definitions above, research can be seen as a systematic process of discovery, enquiry and using knowledge. The research methods used are:

i) Historical Method

ii) Descriptive Method.

i) HISTORICAL METHOD

The historical method of research is concerned with being able to understand and explain the present and predict the future through an evaluation of records and past events. The historical data used for this study originates from two main sources, the Primary and Secondary data. The primary data includes the questionnaire and interview. While the secondary data techniques include

organizations journal, business newspapers, and to a large extent research works conducted by the Research and Development Department of the Bank and the statistics division.

iii) DESCRIPTIVE METHOD

Attempt has been made to describe the characteristics or functions of the study. The descriptive study is precise and systematic and the design strictly controls sources of information and procedures for information and procedures for gathering.

3.4) SOURCES OF DATA

The sources of data used for this project are:

i) Primary Data

ii) Secondary Data

i) PRIMARY DATA: According to W.J. Stanton, "Primary data are those data collected or gathered specially from the project at hand". Primary data is the collection of facts and figures relating to the population in the census. The tools adopted for collection of primary data in this study are the questionnaire and personal interview.

The first set of questionnaire cover the introduction letter and the questionnaire for beneficiary while the other set of questionnaire covers the questionnaire for bank staff executives.

ii) SECONDARY DATA: W.J. Stanton sees secondary data as "Those data which are already available, originally having been collected for other purposes. It is the statistical material which is not originated by the investigator but which is obtained from someone else's word".

Also secondary data can be seen as information already gathered for another purpose but which is important to the researcher, especially in the theoretical work construction. Such data sources include: Text books, Journals, newspapers. The secondary data mainly used in this study include NACRDB journals, statistics bulletin and Brochure.

3.5) POPULATION AND SAMPLE SIZE

The population for this research work is the overall Zaria community. The sample for this study was based on NACRDB Zaria Branch office. In the course of this research work, twenty questionnaires were administered to the staff of NACRDB Zaria branch. While fifty questionnaires were administered to the beneficiaries of NACRDB Zaria branch.

The researcher choose to work on these two areas, that is the beneficiaries and management staff so as to get a real picture of the impact of agricultural loan scheme towards the national economic growth in the area of study.

3.6) RESEARCH INSTRUMENTS

Research instrument used for this project are:

i) Questionnaire.

ii) Interview.

iii) Documentary sources.

i) QUESTIONNAIRE

The questionnaire is a device for obtaining answers to relevant research questions from a sample of respondents by using a form which the respondent fills him/herself. In the questionnaire, questions are presented with exactly the same wordings and in the same order to all respondents. The aim is to ensure that all respondents reply to the same questions and this helps to get the same type of information from a large number of respondents.

Questions in the questionnaire may be open-ended or close-ended.

a) OPEN-ENDED QUESTIONS:- These are questions that allow the respondent to offer his response with no restrictions as to the extent

of the response. They give the respondent an opportunity to include all that he considers necessary in his answer to the question.

b) CLOSED-ENDED QUESTIONS:- These are questions that limit the respondents to stated alternatives. These alternatives may be Yes or No.

In this research work, the open-ended questions and closed-ended questions are used. The researcher prepared standard forms to record the information. The interviewer used identical data-gathering forms so that comparable data can be recorded, tabulated and analyzed faster.

ii) INTERVIEW

Interview as a form of data collection technique, is a meeting in which the researcher directs questions at the subject and records the obtained responses. These are often face to face interactions, although they can as well take place on the phone. Unlike the questionnaire, the researcher asks the questions and records the answers.

Generally, a successful interview could be predicted on:

i) Accessibility

ii) Cognition and

iii) Motivation.

Interviews as data collection tools give the following advantages:-

i) Allow for quicker collection of information.

ii) Interviews permit greater flexibility in the process of questioning.

iii) Questions can be easily clarified for the interviewee to understand.

iv) Illiterates and subjects with reading deficiencies can be interviewed successfully without difficulty, unlike with a questionnaire whereby they wouldn't be able to understand what is written.

iii) DOCUMENTARY

Documents both published and unpublished are a vital source of data for a researcher. Though we have a poor attitude towards record keeping and retrieval of information in Nigeria. An example of documentary sources used is the NACRDB brochure and NACRDB digest. This instrument also provides an excellent source of information to this study.

3.7) TECHNIQUES OF DATA ANALYSIS

The use of simple percentages was adopted for the purpose of data presentation and analysis in this study.

It is often suitable to use simple means of presentation so as to make data interpretation much easier for users. It is a method where reliability of the result can be measured with mathematical exactness.

REFERENCES

i) Nnamdi Asika, *Research Methodology in the Behavioral Sciences,* (Lagos: Longman Nig. Ltd, 1991), pp 75-87.

ii) Oni M. Fadeke, *The Impact of Development Bank Credit Scheme in Agricultural Financing,* (A.B.U Zaria: Published M.B.A Thesis, 1999), pp 41-45.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

This chapter is centered on the systematic presentation and analysis of data collected through questionnaires administered. Opinions of the respondents are collected, tabulated, analysed and interpreted, using percentage system.

The data interpretation and analysis are in conformity with respondents views on various questions. The analysis of this data will be based on two parts:

i. Primary Date and

ii. Secondary Data

4.2 STRUCTURE OF QUESTIONNAIRE AND INTERVIEW

There are twenty four (24) questions with other sub-headings and open ended spaces for additional views or comments by the respondents.

Some of the open-ended questions were also used as basis for interviews to further clarify and collaborate the opinion expressed, where respondents

were unwilling to answer the questionnaire, interviews were rather substituted.

Twenty copies of the questionnaires comprising of 10 questions were administered on the staff of NACRDB Zaria branch. Out of twenty (20) copies of the questionnaires distributed, fifteen (15) copies were returned by the respondents and this represents 75% of the number of questionnaires distributed, while fifty (50) copies of the questionnaires comprising of (14) questions were administered on the beneficiaries of NACRDB Agricultural loan scheme, in which forty three (43) copies of the questionnaires were returned by the respondents and this represents 86% of the number of questionnaires distributed.

4.3 QUESTIONNAIRE AND INTERVIEW ANALYSIS

PRIMARY DATA

The question in the questionnaire were analysed individually, using tabular form tables of comparative variables and percentages of each of the population.

PART A (QUESTIONNAIRE ADMINISTERED ON THE BENEFICIARIES OF NACRDB – A AGRICULTURAL LOAN SCHEME).

Table 1:

Size of the farm of the beneficiaries

Hectare	**Frequency**	**No. of Respondents expressed in %**
1 – 2	26	60.5
3 – 4	10	23.3
Above 5	7	16.3
Total	43	100

Source: NACRDB

The questionnaires in table 1 shows that 26 representing 60.5% of the respondents have between 1-2 hectares of land. 10 representing 23.3% have between 3-4 hectares of land, while 7 representing 16.3% have above 5 hectares of land.

From this, we c an deduce that the percentage of farmers with 1-2 hectares are greater which is 60.5%. this shows that very many farmers have not got enough land for agricultural production.

Table 2:

Type of credit financing received for farming:

Types	**No. of Respondents**	**No. of Respondents expressed in %**
On lending	12	27.9
Direct-lending	22	51.2

Micro-lending	9	20.9
Total	43	100

Source: NACRDB

The questionnaire in table 2 shows that 12 representing 279% of the respondents have benefited from on-loading scheme, while 22 representing 51.2 to have benefited from direct lending scheme and a credit loan scheme, had the lowest percentage of 20.9%. it means very few small holder farmers, rural and urban poor income earners benefit from this scheme.

Table 3:

The contribution of NACRDB to the effective utilization of credit attainment of production target and loan payment.

Evaluation	**Frequency**	**Percentages**
Much	8	18.6
Very much	5	11.6
Little	10	23.3
Very little	17	39.5
Not at all	3	6.9

Source: NACRDB

The questionnaire in table 3 above shows that 18.6% of the respondents evaluation reflect on much. 11.6% of the respondents shows very much, 23.3%

reflect on little, while 39.5% which is the highest percentage reflects on very little and 6.9% shows no effect at all.

In a nutshell, this table shows that the contribution of NACRDB to the effective utilization of credit is still very minute and improvement must be made base on this.

PART B: (QUESTIONNAIRES ADMINISTERED ON STAFF OF NACRDB ZARIA BRANCH)

Table 4:

The bank operational scope:

Operational scope	**No. of respondents**	**Percentages**
All Agricultural activities	12	80
All Agricultural related activities	3	20
Non-Agricultural activities	-	-
Total	15	100

Source: NACRDB

The questionnaire from table four above, shows that 12, respondents representing 80% indicated that the bank performed all agricultural activities, while 3 representing 20% of the staff indicated that the bank performed all agricultural activities, it was null.

From the table, we can deduce that most of its operations are based on agricultural related activities.

Table 5:

The Problems faced by beneficiaries

Problems	**No. of Respondents**	**Percentages**
Late disbursement of loan	10	66.6%
Inadequate funding	5	33.3%
Harshness of workers	-	-
Total	15	100

Source: NACRDB

The questionnaire table 5 shows 10 respondents representing 66.6% of the number of staff, believe that late disbursement of loan constitute the largest problem, while 5 respondents representing 33.3% receive inadequate funding is one of the problems faced by the beneficiaries.

From the above analysis, we can deduce that the major problem faced by beneficiaries of the agricultural loan scheme is ht late disbursement of loan.

B. Secondary Data

As mentioned in the previous chapter under the historical perspective of the bank NACRDB came into existence as a result of the need to finance agricultural activity in Nigeria this discussions in the area therefore centered in all the loans approved and disbursed after the merger from 2002 to 2005.

Looking carefully, through the performance of the bank, as indicated in table 6, it could be seen that the bank is having problems with payment of loans disbursement. From the table we can see that from 2002 to 2004 a total loan of N79,066,000 was approved for 575 projects, out of which only N72,321,000 was disbursed which is 91.5% of the total loan approved.

The repayment for was not encouraging since only N37,290,713 was repaid making 51.6% of the loan repaid. In 2004, a total of 100 projects gulped an approved loan of N51,631,000 out of which N49,191,000 was disbursed.

Comparing the bank's activities between 2002 to 2005, more loan funds were approved between 2004 to 2005 and disbursed, with less number of beneficiaries. Loan approved in 2004 was the largest sum of N51,631,000 making 49.9% of the total loan approved for the period of 2002 to 2005.

VI. Table 6:

Nigerian Agricultural Co-operative and Rural Development Bank Limited, Operations Data, 2002 to 2005.

Year	**No. of Beneficiaries**	**Loan Approved**	**Loan Disbursed**	**Loan Repaid**	**Loan Outstanding**	**Loan Repaid**	**%**
2002	275	10,586,000	8,762,000	-	9,462,960	-	-
2003	200	16,849,000	14,368,000	9,347,363.10	6,170,076.9	55.5	36.6
2004	100	51631,000	49,191,000	27,943,349.90	25,182,930.10	54.1	48.7
2005	111	24,350,000	22,669,274.50	34,525,507.33	-	-	-

Source: Micro credit and statistical division NACRDB Zaria Branch 2005.

From table 6 above as discussed before, the major problem the bank is having is being able to get bank loan or rather recovery of loan from the beneficiary.

C. INTERVIEW ANALYSIS

Twelve (12) farmers as beneficiaries of the NACRDB were interviewed on question eight (8) of the questionnaires, which is, what special problem do you encounter with the organization providing the loan? The problems stated by the beneficiaries are:

i. *Illiteracy:* Majority of those interviewed agreed that their major problem in securing loan from NACRDB is their inability to read and write.

ii. *Payment Period:* Eighty percent of the farmers interviewed, stated clearly that the payment period for the loan given to them is always too short and that it should be extended.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

Agriculture is an important sector in the Nigerian economy. The importance of agriculture cannot be over emphasized. It serves as a source of food for the growing population. NACRDB has played a tremendous role in this sector, one of its function is that it provides finance for Agriculture production.

Chapter on this project work has dealt with the introduction as to the historical background of the study, the research statement of the problem, objectives of the study, significance of the study. It also covers the scope and limitation of the study and definition of some relevant terms.

Chapter two dealt with the literature review of the research work. The review was based on a brief look into the Nigerian economy contributions of Agricultural sector in the Nigerian economy growth and development, problems and prospects of Nigerian's Agriculture, the journey of Nigeria's Agriculture financing, the historical development of NACRDB Ltd and the historical development of NACRDB Ltd Zaria branch .

Chapter three of this study dealt with the research methodology. The research used different methods of collecting data obtain information needed to achieve the objectives of the study.

Chapter four dealt with the presentation and analysis of data. These have helped, the researcher immensely in obtaining very important information like the problems that the NACRDB encounter which hinder its effectiveness and also the problems faced by the beneficiaries in obtaining loan from the bank.

In a nutshell, we have discussed different types of Agricultural loan that can be given by NACRDB to help improve the National Economic growth and can improve the standard of living of the Nation.

5.2 CONCLUSION

From the study, NACRDB can be said to have justified in its preference, as an agricultural development bank. In view of the importance of farming to the economy of any nation and on to the world at large, it has, therefore become necessary for the financing of Agricultural credit be given the attention it deserves.

5.3 RECOMMENDATIONS

In view of the numerous problems affecting National economic growth, recommendations are given to embrace Agricultural production by using resources provided by NACRDB to improve the standard of living in Nigeria. These are some of the recommendations proffered:-

1. The bank should effect loans disbursement to those that really need it at the right time to enable beneficiaries maximize the utilization of funds to enhance better harvest.

2. The loan should be given in full amount as the beneficiaries requested and the bank should find a way to insure the Agricultural products not by taking a percentage out of the amount given to the beneficiaries.

3. Farmers should be educated to change their attitude towards government loans as the financial institutions will not survive unless the credit is wisely used and repaid.

4. Government should make adequate provision of hectares of land for Agriculture so that these plot of land can be lease out to farmers.

5. Clients projects have to be properly monitored to prevent diversion of loan's to other uses which borrowers lead to high rate of default as borrowers fall short of the ability to repay

6. NACRDB should extend its branches to rural areas in order to bring its service at the doorstep or rural farmers.

7. There should be strict adherence to promptness in the processing of application forms and the release of funds.

8. Farmers should be mobilized and organized to form cooperative societies so as to benefit from agricultural credit facilities.

9. Farmers should be taught how to read and write through adult literacy classes, this will enable farmers to read literatures on agriculture in their languages so as to acquaint themselves with recent discoveries in agriculture.

10. The federal government should undertake the construction of rural feeder roads, bridges, culverts to allow free movement of goods and people all year round.

11. Agro-allied industries if established will absorb mass production in the nation, thus avoiding spoilage during harvesting seasons.

12. Agricultural fairs should be organized annually in the state, to acquaint farmers with new farming techniques by the extension workers

APPENDIX I

Department of Business Administration,
Ahmadu Bello University,
Kongo Campus,
Zaria.

Dear Sir/Madam,

LETTER OF INTRODUCTION

I am a full-time student of the above named institution, carrying out a research study on the topic "THE IMPACT OF AGRICULTURAL LOAN SCHEME TOWARDS THE NATIONAL ECONIMIC GROWTH – A CASE STUDY OF NIGERIAN AGRICUTURAL COOPERATIVE AND RURAL DEVELOPMENT BANK LTD ZARIA BRANCH". This research study is purely academic and will enable me obtain the requirement and award of a degree (M.B.A) by the above named Institution. In this regard, I hereby attached my questionnaire for your response which will be treated in confidence. Kindly acknowledge to the best of your ability.

Thank you

Yours faithfully

HALLIRU FATIMA MUSA

APPENDIX II

QUESTIONNAIRE FOR THE FARMERS (BENEFICIARIES)

This research work is strictly for academic purpose, your cooperation required in completing this questionnaire as full and honestly as possible.

Please be assured that the information given will be used for the study and in strict confidence.

Please tick the appropriate box and complete where necessary.

1. How big is the size of your farm?
   a. 1-2 Hectares ( )
   b. 3-4 Hectares ( )
   c. Over 5 Hectares ( )
2. What kind of credit financing do you receive for your farming?
   a. On Lending ( )
   b. Direct Lending ( )
   c. Micro- credit ( )
3. What kind of security did you offer for the loan?
   a. Land ( )
   b. Guarantor ( )
   c. Micro-credit ( )
4. Are you satisfied with the credit term and procedures for applications and disbursement for credit?
   a. Yes ( )
   b. No ( )
   c. If No, Why? ( )

5. What are the ways in which the agricultural credit financing by NACRDB has assisted you as a farmer?

   a. _____

   b. _____

   c. _____

6. What are the main source of labour in your farm?

   a. Hired labour ( )

   b. Family labour ( )

   c. all of the above ( )

7. To what extent has the provision of agricultural loan scheme through the NACRDB contributed to the effective utilization of credit attainment of production target and loan repayment?

   a. Much ( )

   b. Very Much ( )

   c. Little ( )

   d. Very Little ( )

   e. Not at all ( )

8. What special problem do you encounter with the organization providing the credit?

   a. _____

   b. _____

   c. _____

   d. _____

9. How do you make your Loan payment?

   a. _____

   b. _____

   c. _____

10. In your opinion, what possible suggestion (s) would you like to make as regards improving the supply of agricultural loan by NACRDB for the growth of the nation?

    a. _____

    b. _____

    c. _____

    d. _____

11. How much did you collect last from the bank?

12. How has been the yield of your farm?

    a. Before the Loan _____

    _____

    b. After the Loan _____

    _____

13. Does the bank monitor you during the course of the loan? Yes /No

14. How does the bank monitor you?

    a. _____

    b. _____

    c. _____

APPENDIX III

QUESTIONNAIRE ADMINISTERED ON STAFF OF NACRDB LTD

This researcher is a student of the department of Business Administration, Ahmadu Bello University Zaria. This questionnaire is designed to help the researcher in collecting necessary information related to the topic "The Impact of Agricultural Loan Scheme towards the National Economic Growth: A Case study of Nigeria Agricultural cooperative and Rural Development Bank Ltd Zaria Branch."

The researcher therefore request for accurate information from you. Any information received will be used only for academic purpose.

Please check the appropriate box and complete where necessary.

1. What are the basic objectives for the establishment of NACRDB?
   a. _____
   b. _____
   c. _____
   d. _____
2. The banks operational scope embraces the following?
   a. All agricultural activities ( )
   b. All agricultural related activities ( )
   c. Non – agricultural activities ( )
3. Approved loans are usually disbursed to beneficiaries in form of?
   a. Cash ( )
   b. Kind ( )
   c. A/B depending on the nature of the project ( )

4. When assessing an applicants ability to repay, which sources of information do you usually use?

   a. Application forma ( )

   b. Personnel ( )

   c. Others (Specify) ( )

5. From inception to date what volume of loan has it approved so far?

   _____

6. What are the acceptable collateral security by your bank?

   a. _____

   b. _____

   c. _____

7. Do you surprise loan utilization? Yes ( ) No ( )

8. To what category of farmers do you grant most of the loans?

   a. Small scale ( )

   b. Medium scale ( )

   c. Large scale ( )

   d. All of the above ( )

9. In view of the impact of Agricultural loan scheme towards the national economic growth, what are the contribution it has made to agricultural financing?

   a. _____

   b. _____

   c. _____

10. What types of assistance does your bank require to make its service more efficient and effective, particularly with regards to agricultural financing?

    a. _____

b. _____

c. _____

BIBLIOGRAPHY

A) BOOKS

1. Adekanye, Femi (1983); *The Elements of Banking in Nigeria*, Lagos: F&A Publishers. Pp 72-80
2. Asika, Nnamdi (1991); *Research Methodology in the Behavioral Sciences*, Lagos: Longman Nigeria Limited. Pp 158-`64
3. Cox, David (1979); *Success in Elements of Banking*, 2nd Ed. London: John Munay (Publishers) Limited. Pp 31-35
4. Ewa, Udu and G.A. Agu, (1989); *New System Economics*, Onitsha: Africana-FEP Publishers Limited. Pp 214-218
5. Fadeke, Oni M (1999); *The Impact of Development Bank Credit Scheme in Agricultural Financing*, A.B.U Zaria: Published M.B.A Thesis. Pp 78
6. Freund, J.E. and William, J.F.(1998); *Modern Business Statistics*, 2nd Ed. London: Pitman International Text. Pp 90-98
7. Lucey, T. (2002); *Quantitative Techniques*, 6th Ed. London: Book Power. Pp 36-40
8. Nwankwo, G.O. (1980); *The Nigerian Financial System*, London: Macmillan Press Limited. Pp 68-70
9. Robert, C. Appleby (1994); *Modern Business Administration*, 6th Ed. London: Pitman Publishing. Pp 236-255

B) JOURNALS

1. Abe S.I (1981); 'Nigerian Farmers and their Financial Problems' Proceedings of the Conference organized by CBN.
2. Adegeye J.A. and Ditto J.S. (1982); 'Essential of Agricultural Economics' Centre for Agricultural and Rural Development (CARD), 166.

3. Egbe A.B. (1981); 'Financial Institutions and Agriculture: The Role of CBN in Agricultural Credit and Finance in Nigeria Problems and Prospects'.

C) MAGAZINES, PERIODICALS AND NEWSPAPERS

1. Adebiyi, S.O. (1989) ; 'The Contribution of the CBN Towards an advanced Credit Supply for Agriculture' Vol.13 CBN Bullion.
2. Al-Shami, H. (2000); 'Nigeria need 5.4bn to Develop Agriculture' FAO No.11157, pp. 24. New Nigeria October 27, 2000.
3. Perspective of Economic Policy Reforms in Nigeria, (1993) Lagos: Page Publishers Services Limited.
4. Bashir, M.D. (1992); 'Lending Operations in NACB' NACB Annual Report and Accounts.
5. Ukpong, G.E. (1990); 'Federal Government Policies in Respect of Agricultural Finance' (June 1990) Vol. 5 CBN Bullion.

D) OTHER PUBLICATIONS

1. Ajakaiye, M.B. (1990); 'The Role of NACB in Agricultural Development' A Paper presented at the National Conference held at the ASCON Badagry, Lagos, 14-16.
2. Nigerian Agricultural, Co-operative and Rural Development Bank Limited Brochure, (2000); Kaduna: The Corporate Affairs Dept, NACRDB Ltd.