THE IMPACT OF BANKS' CREDIT SCHEME ON SMALL-SCALE FARMERS IN KEFFI LOCAL GOVERNMENT AREA OF NASARAWA STATE.

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BY

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DECLARATION

I, Eggon Henry Ahmed, do hereby declare that this thesis has been written by me and that it is a record of my own research work. It has not been presented in any previous application for a higher degree. All quotations are indicated and the sources of information used in the review or in support of my arguments are specifically acknowledged by means of references.

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CERTIFICATION

The Thesis entitled "The impact of Banks' credit scheme on small - scale Farmers in Keffi Local Government Area of Nasarawa State"written by Eggon A.Henry meets the requirement governing the award of the degree of master of science in Economics of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This thesis is dedicated to my late Father, Mr. Eggon Ombugadu, who unfortunately did not live long to witness the growing to fruition of the tree he laboured hard to nurture all the day and night.

The thesis is also dedicated to my Mother, Mrs. Ashelo Eggon, for her unflinching support.

Lastly, the thesis is also dedicated to my elder brother, Mr. Eggon Julius Ojo (HND NNA, AMIMC) for his moral and financial support given to me during the course of writing the work.

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ABSTRACT

This paper study the Impact of Banks' Credit Scheme on Small-scale farmers in Keffi Local Government Area of Nasarawa State. The rational for the study is to determine whether the rural banking scheme have benefitted the small-scale farmers because of the commercial banks' operational philosophy of liquidty and profitability which emphasises short-term lending as against long-term funding requirement of agriculture.

The study recognised that it was because of the inadequacies (mode of operation, structure) of commercial banks that the non-institutional credit sources played a major role in the supply of rural farm credit despite exhorbitant rate of interest charged.

The study showed that farmers' access to credit is significantly related to the level of agricultural output and adoption of modern technique and inputs particularly in the economies where majority of small-scale farmers are poor and cannot privately saved.

The study also used an econometric method of analysis to determine the relationship between loans and output in the area. The overall results showed that these loan have a postive impact. Based on the results, we propose a reinforcement of the rural bank shceme's credit and selective

transformation and restructuring of commercial banks to practice universal banking.

CHAPTER ONE

1.0 INTRODUCTION

Rural branch banks evolved because of the unsuitability of commercial banks and other orthodox financial institutions credit programme for poor rural farmers. Not only do these institutions require collaterals, high interest rates from the rural farmers, but also the conditions stipulated, present considerable difficulties to them. Due to these problems, the rural farmers resorted to non-bank financial institutions. Though charging very high rate of interest and exploiting the peculiar position of the rural farmer, the largest volume of credit often comes in time and in the required amount from non-institutional lenders.

Recognising the inadequacies and poor performance of various instituted financial institutions and the continued poor state of rural economy, government has made several efforts at accelerating trade, standard of living and improving the access of these target group (rural farmers) to bank finances. This led to the promulgation of an edict in 1976 to establish Rural Branch Bank (RBB).

This project, therefore, analyses and presents the main findings of the impact of Rural Banking Credit Scheme's on Agricultural Productivity in Keffi Local Government area of

Nasarawa State. This is a state with basic infrastructures, fertile land, adequate distribution of Rural Branch Banks and traditional money lenders. The twin problems confronting this area is low agricultural productivity and high illiteracy rate. To find a solution to the problems, there exist a need to review the performance of various financial schemes instituted by various governments in the field of rural credit. It is assumed that a diversion of savings of the economically weaker class for the benefit of the economically better-placed class in the society takes place. The dismal performance of these banks in improving living standards and agricultural productivity, inspite of increased rural savings as a result of expansion in community banks and rural branch banks became a cause for concern. This suggests that a great deal of small-scale farmers and entrepreneurs may have been by-passed by the scheme. On the priority grounds they form the target group and are the appropriate vehicles for rural and agricultural development.

Rural banks are a rare success in the history of rural credit experiment for small-scale producers in the developing countries, especially among policy makers who would like to view credit as anti-poverty programme through an increase in agricultural productivity. A thorough evaluation of the impact of Rural Banking schemes credit for agriculture may thus be useful at this stage. Such an evaluation aims at

studying and examining the impact of rural banking scheme on agricultural productivity.

Collateral as a credit negating factor is also studied to ascertain its effects on credit and agricultural transformation.

1.1. Statement of the Problem

One of the obstacles to agricultural development in Nigeria relates to the inadequacy of credit. The lack of credit facilities is one of the factors that makes it difficult for farmers to innovate. Obviously, the innovations which farmers might wish to carry out may not be possible if access to financial resources is restricted or not in existence. It is necessary to emphasis that for the expected transformation to take place in the rural area, the technology and the techniques of agricultural cultivation, the quality of seed planted etc. must be improved. To enable such improvement to take place, financial resources through rural credit, among other factors, must be adequate.

It is obvious that most peasant farmers do not possess enough animal or tractor-drawn ploughs, spraying equipment or the ability to hire farm workers. Therefore, their individual efforts must be supplemented by credit from other sources

before any progress can be made in the agrarian sector.

Credit to the agricultural sector may be of different types: short, medium or long-term. For the cultivation of food crops, the required credit is obviously short or medium term loans, while improvement in permanent crops will require long term loans. Agricultural credit could also be used to purchase fertilizers and seeds, and could be utilized for paying farm workers during harvesting or planting seasons.

In Nigeria, there are two main sources from which agricultural credit can be obtained. The organised sector and the unorganised sector. In the later, the sources of funds are largely non-institutional financial methods. Under later system the money lenders, land-lords, shop-keepers etc. are more important than institutional banks. Funds could be obtained from the organised market comprising such institutions as co-operative societies, development and financial corporations or other specialized agencies set up by the government. The conditions and terms of credit in this sector are standardized, while interest rate are controlled. Inspite of the attractiveness of the organised market, a recent study has found that the unorganised sector is the main source of credit for the agricultural sector in the rural area in Nigeria.[1] We must emphasise as well that in the organised market, relatively rich farm cultivating mainly export crops

as well as those with collateral, are likely to receive preferential credit because of their being in a better position to satisfy the conditions laid down for obtaining credit.

Another important organised source of credit is the co-operative societies. These societies usually extend credit facilities to their members and most of the loans are quite small and mainly short-terms. Although, their activities may be important to their members, their overall impact as a source of credit for improving the agrarian sector has not been all that impressive.

Government participation in the provision of rural credit has been through such institutions as development and financial corporation or other specialized agencies. Loans have been given by these agencies for various agricultural undertakings, particularly to small-scale farmers. However, due to the problem of administration and shortage of funds, these loans have not much effect in transforming the rural sector. It is perhaps the recognition of this that led to the establishment of Nigerian Agricultural and Co-operative Bank (NACB) in 1972.

Credit to agricultural sector could be obtained from the commercial banks.[2] However, the banks are not an effective

source of credit because of the concentration of their activities in urban areas where they finance mainly industries and commerce.

The banks are reluctant to support the agricultural sector because of greater risks involved. Furthermore, the farmer are not always able to provide the necessary collateral or to articulate their needs through feasibility studies effectively. The support which the banks have given to agriculture has not benefitted small-scale farmers. In view of an observer (Ekukinam E.A., 1971):

> There was very little agricultural credit in the sense of the farmer receiving loans and advances for the purchase of seeds, planting, harvesting and for holding stocks. Loans from banks appeared at the point where licensed buying agents met farmers and bankers met marketing boards in olden days. At these point, and with loans fully secured with boards assets and later by central banks guarantees and sales contracts, banks incurred negligible risks.[3]

In the light of the above discussion, we can see that the organised financial sector has not been important sector, inspite of the fact that they are best placed to assist

agriculture. Also, the organised financial sector, inspite of its popularity, has not made an appreciable impact in the area of credit to agricultural community.

This research is aimed at evaluating the impact of Rural Banking Scheme with special emphasis on credit for small-scale farmers.

In this regards, relevant questions which arise are:

- Why has Rural Banking Scheme been unable to transform agricultural productivity in the country.?
- Is there any need for further policy change to speed the credit availability to the rural areas in order to transform the agricultural community?

1.2. Objective of the Study

The research objective derive directly from the research problem.

The objectives of the study include:

(i) To find out why Rural banks did not meet government obligation as regards to loans - deposit ratio in rural areas.

(ii) To explore the reasons why the establishment of banks in rural areas has not contributed significantly to agricultural transformation in Nigeria.

(iii) To determine the impact of Rural banking scheme's credit on agricultural output or productivity.

(iv) To advance policies based on the research findings.

1.3. Research Hypothesis

The study will attempt to test this hypotheses:-

H_0: $\beta = 1$: that there is relationship between credit and agricultural productivity in the country.

H_A: $\beta \neq 1$: that there is no relationship between credit and agricultural productivity in the country.

1.4. Scope and Limitation of the Study

The primary objective of the study is to evaluate the impact of rural banking credit scheme on small-scale farmers in Keffi local government area of Nasarawa state of Nigeria.

The area is chosen because it has basic infrastructures, fertile land, adequate distribution of Rural branch banks like Keffi Community Bank Limited, Bank of the North Limited, Tripod Savings and Loan Mortgage Bank Limited and Nigerian Agricultural and Co-operative Bank Limited. The area also has the traditional money lenders such as Adashi or Esusu, shop-keepers, land-lords that specialized in giving loans to small-scale farmers.

migrants to the area.

The present population of the area has been estimated to be about 276,435. Like other part of Nigeria, the population of the area is growing at a rate 2.5 percent in the sixties and 3.3 percent per annum in the Nineties.

The study area has a vast fertile land scattered around the villages in the local government area. The major crops cultivated in the area include:- yam, maize, guinea corn, beans, cassava, potatoes etc.

The major occupation of the area is farming, although other occupations like tailoring, civil service, trading also thrive along side.

The area has four banks namely:- bank of the North limited, Keffi Community Bank Limited, Tripod Savings and Mortgage Bank Limited and the Nigerian Agriculture and Co-operative Bank Limited.

(ii) **SOURCES OF DATA**

In the study, both secondary and primary data would be used. The secondary data shall be collected from Nasarawa State Agricultural and Development Programme (NADP), Keffi

zonal centre, Federal Office of Statistic, Keffi branch. Other sources of Secondary data include magazines, journals etc.

(iii) **SAMPLE TECHNIQUE**

An exhaustive questionnaire was prepared and administered to a large number of randomly selected farmers. Interviews was also conducted to augment the questionnaire information. The objective of this method was to draw out qualitative and quantitative information on long-term issues. The questionnaire was administered to two hundred (200) randomly selected farmers.

In accepting or rejecting our hypothesis descriptive statistics such as percentage and chi-square analysis would be used.

(iv) **MODEL SPECIFICATION**

Saving mobilization for investment and growth is very important for agricultural productivity.

Inspite of the shortcoming of the rural branch banks attitude to rural agricultural farmers productivity, they must have contributed immensely to investment in rural sector of

Nigeria (specifically, Keffi local government area of Nasarawa State). To prove this last point, we decided to run a simple regression on some available data.

The model regression is based on a number of factors, namely, that:

- Rural branch banks ability to give credit is based on their ability to mobilize savings.
- Loans and advances to agricultural sector increases production and incomes in the rural sector.

Given these conditions, we hypothesize that commercial banks' rural branch's credit to rural sector leads to increase in total agricultural output.

AGP = f(CL RS)

where AGP = total agricultural output

CLRS = credit to rural sectors.

$Y = \alpha + \beta X + \mu$ 1

where Y = AGP

x = CLRS

μ = error term

α, β are coefficients to be estimated. α, $\beta > 0$.

v. MODEL ESTIMATION TECHNIQUES

The predicted equation was estimated using ordinary least

squares (OLS).

In addition, descriptive tools was also used. It consists of tables, percentage and chi-square.

1.6. Organisation of the Study

The study shall consists of five chapters.

Chapter one, comprises of the introduction, statement of the problem, objective of the study, research hypothesis, methodology etc.

Chapter two will discuss the literature review of the study.

Chapter three evoluted the Rural Banking Scheme in Nigeria.

Chapter four presented the analysis of the data and their interpretation.

Chapter five summarises and concludes the study. Recommendations are then made based on the findings of the research work.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

The Banking and investment must of necessity revolve around the link between savings and investment or more appropriately, within the Keynesian concept, between income-saving and investment-growth. If we have to go through the Harrod-Domer route, we need not talk directly about the influence of money on growth since according to them, the ratio of savings to capital-output ratio determines economic growth. The equation is given as:

$$g = \frac{S}{V}$$

Where S = Saving rate which implicitly depends on income, V refers to incremental capital output ratio, and g is economic growth. Growth can be achieved by increasing savings rate with constant capital-output ratio or lowering the later with the former remaining constant.

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Although Solow (1956) improved on the work of Harrod-Domer by bringing in labour explicitly, it was Tobin (1965), that introduced money into the growth model through the effects of real disposal income on consumption and investment or capital formation. Consumption and savings are two most

important macro-economic variables in any economy. The linkage between the two is clear. Whether on a simple economic setting or a complex one, income earned is either spent on consumer goods or saved. If consumption level falls or alternatively stated, if demand falls to a very low level, production would have to fall to avoid cost of stock piling inventory. With time, the government will be forced to introduce policies that must lead to effective demand. If the savings level is low or falls continuously, investment level also falls as loanable funds become scarce. This is more so if the fall in savings results from continuing fall in income.

The effects of domestic savings on the rate of capital accumulation, labour productivity and its impact on a nation's dependency on foreign capital and foreign ownership of domestic assets cannot be overemphasized. The neoclassical economic theory indicates savings rate is a necessary condition for capital accumulation and economic growth in the short-run, as it has no effect on the long run growth rate. An increase in savings increases the ratio of the capital stock to the given labour supply and initially raises the growth rate of output per capita. The multiplier effects of mobilization and utilization of savings in rural area could increase production in rural areas tremendously.

2.2. Review on Agricultural Policies

Literature on the role of agriculture in economic transformation and productivity abounds. From the basic notion of subsistence, agriculture has contributed to the overall development of most economies through the provision of raw materials and a major foreign exchange earner in the 1970s. It provides about seventy five percent (75%) of food consumed in the country. In the late 1960s, it accounted for about eighty percent (80%) share of the gross domestic product (GDP) and sustained a high level of foreign exchange. This contribution led to the pronouncement by the World Bank Mission that despite the growing importance and contribution to gross domestic (G.D.P) by other sectors, particularly the oil and manufacturing, agriculture did and will still remain a key factor in economic development and most effective anti-poverty programme.

However, the contribution of agriculture to gross domestic product (GDP) falls drastically in most developing nations. For instance, in Nigeria, the economy has come to rely on the exportation of natural resources (oil) for its survival. It has neglected the agricultural sector and even imported its major supply of food. The export of oil increases from 17.5 percent contribution of gross domestic product (G.D.P) in 1968 to a whopping 92 percent in 1974.

Thus, the contribution of agriculture declined gradually resulting in falling rural earnings, perennial food shortage, soaring inflation, rising rural to urban drift and high importation of food items to satisfy the demand in order to cut down on soaring prices. (CBN Annual reports and Statement of Accounts, 1960-1994 as indicated in Table 1 below).

Table 1: Oil And Agriculture Contribution to Exports: 1960-1994

Year	₦ million oil	₦ million Agric.	% oil	% Agric.
1960	8.8	282.4	2.7	83.21
1961	23.1	283.0	6.7	81.51
1962	33.5	260.0	10.0	77.15
1963	40.4	286.0	10.9	75.38
1964	64.1	304.0	14.9	70.80
1965	136.2	327.4	25.4	61.01
1966	189.9	292.6	32.4	51.50
1967	144.8	264.6	29.9	49.0
1968	74.0	269.7	17.5	57.75
1969	261.9	278.2	41.2	40.73
1970	510.0	280.8	57.6	32.38
1971	953.0	265.5	73.7	20.73
1972	1176.2	190.2	82.0	13.54
1973	1893.5	288.7	83.1	12.67
1974	5365.7	307.7	92.6	5.31
1975	4563.1	256.5	92.6	5.21
1976	6321.6	261.5	93.6	3.87
1977	7969.7	437.7	91.6	3.74
1978	5400.6	444.2	88.0	7.32
1979	10166.8	498.5	93.5	4.60
1980	13523.0	340.5	96.0	2.40
1981	10280.3	178.4	96.9	1.62
1982	9509.6	92.0	98.6	1.05
1983	7661.6	274.9	96.0	3.61
1984	8840.6	247.4	97.3	2.07
1985	10890.6	324.2	97.1	2.09
1986	8273.0	240.0	97.2	2.08
1987	28208.6	1588.5	92.6	5.02
1988	28435.2	1794.5	91.2	5.07
1989	55016.8	1739.1	94.9	3.00
1990	106626.5	2429.3	97.0	2.20
1991	116856.5	3425.0	96.2	2.80
1992	201383.9	3054.9	97.9	1.50
1993	213778.8	3437.3	97.7	1.60
1994	200936.1	3818.8	97.4	1.90

Source: Various Issues of Central Bank of Nigeria, Annual Reports and Statement of Accounts for the Year Ended 31, December, 1960 - 1994.

This turbulent socio-economic era has witnessed a minimal contribution of agriculture to gross domestic product (G.D.P) of 4.37 percent, 4.48 percent and 4.95 percent respectively for 1990, 1991 and 1992. Within this period, successive governments in Nigeria have come to appreciate the importance and deteriorating state of agriculture, and put in place several measures to boost agricultural production in the country. Most notably among these efforts were the Rural Branch Bank Scheme (RBB) which started in July, 1976, National Accelerated Food Production Programme (NAFPP) which started in 1977, Operation Feed the Nation (OFN) in 1978, the Green Revolution Programme (GRP) that was launched in 1980 and the Directorate for Food, Road and Rural Infrastructures (DFFRI) established in 1988.

Irrespective of these government efforts or policies and programmes towards agriculture, the sector is still in the doldrums, characterised by a sluggish rate of growth and in some instances outright stagnation, as indicated in the National Rolling Plan, 1991 - 1993, Volume 1, page 14. Our ability to feed the nation deteriorated in the late 1970s and persists till date. We have resorted to the high importation of once banned agricultural produce (for example, grains and vegetable oil which we are told we imported). This unsavoury situation has led certain scholars to identify and examine closely the factors responsible for the decline in

agricultural transformation, productivity and output.[4]

In summary, the constraints are traceable to two related major factors namely:-

(i) Government ad-hoc, stop-gap unco-ordinated policies towards agriculture.

(ii) Inadequate capital and credit facilities provided to farmers.

The later, has been identified as a major factor in accelerating increased food production. A major policy directive by the government to counter-act credit and capital constraint on agriculture was the directive that commercial banks should open branches in rural areas for the mobilization of savings and lending out some percentage of such savings for use by members of such community. Thus, commercial banks were charged with the responsibility of actively facilitating the transformation of the rural environment and agriculture by the rapid expansion of banking habits in the rural areas.

2.3. **Empirical Literature Review**

The role of financial institutions in the accumulation of savings and provision of credits for investment through their intermediation processes is widely documented and acknowledged (Patrick: 1966 and Porter, 1966). These institutions mobilize

funds from surplus areas and channel them to deficit units, thereby allocating the funds effectively for investment purpose. Mlambo and Elhiraika (1997) posit that pooling of funds by financial intermediaries makes it possible for relatively indivisible large projects to be undertaken and consequently make funds available to entrepreneurs, whose talents would otherwise remain unused and who have to pay competitive interest rates for use of funds.

Empirically, the effects of financial liberalization and interest rate deregulation on savings seem inconclusive. Some results on a number of African and Latin American countries show that such policies have very little effects on improving the size and allocation of savings (Schemidt-Hebbel and Serven 1996; Warman and Thirlwail, 1994), while other results showed the contrary (Tella and Okosun 1993; Mlambo and Elhiraika, 1997).

In the last ten (10) years, the Nigerian government had intervened in rural development both through the provision of financial muscle and physical infrastructures. The programmes carried out include rural banking, community banking, Directorate of Food, Roads and Rural Infrastructures (DFFRI) and Better Life for Rural Women now Family Support Programme (FSP).

Both the rural and community banking programmes were initiated to mobilize savings within the rural community and channel them to the desired areas for the economic transformation of the communities. This objective is linked to the belief that mobilization of savings is the best means of inculcating banking habits into the people and developing their communities. More importantly, it is also linked to the belief that shortage of small credit constrains the growth of agriculture and rural integration into market economy. The most frequent form of intervention in financial matters have been in the areas of administrative allocation of funds through selective credit controls, administration of interest rates; and the establishment of specialized rural financial institutions.

Braverman and Huppi (1991) argued that government has to interfere in the financial market in the rural areas because commercial banks consider lending to farmers problematic due to:

(i) substantial unit costs in processing and administering small loans to numerous farmers;

(ii) the farmers' inability to provide collaterals.

(iii) the attendant of unjustified fear of the risk associated with small-scale farming.

(iv) the fact that the seasonal nature of agricultural operations results in non synchronization of cash flows and cash needs of rural producers which invariably

affects the personal funds that farmers would have injected into their farming activities.

The twin considerations of commercial banks namely, liquidity and profitability, often prevent them from playing major role in development, particularly rural development. These prime considerations imply that for the banks to satisfy their numerous consumers' requests for payment and shareholders' demand for increasing dividends annually, they cannot lend on long-term basis. Economic development on the other hand, requires long-term funding. The Nigerian commercial banks philosophy is not different. Lambo (1986) provides in support of profit maximization motives of the commercial banks. He concludes that even to obey the directives of the Central Bank on asset portfolio management, they will not do that rigidly if it will be at the total expense of their profits. Soyibo (1994) also confirms this position.

Sayad (1979), uses descriptive statistics to relates credit to the performance of farmers within a general framework of "with" and "without" credit situation. In evaluating this approach, Sayad et als. (1980) and Schaefer-Kehaet (1982), concluded that the results would be inconclusive as its suffers from "attribution" problem, which stems mainly from the fact that several other factors exist

which may explain differences in "with" or "without" credit situation. These include differences in yield, price uncertainty, differences in product and inputs prices and finally differences in household financial constraint on savings. This view was corroborated by the findings of Graham and Bourne (1980) in their study, "Agricultural Credit and Rural Progress in Jamaica". In that study, agriculture registered an impressive growth rate of three (3) percent in 1973 - 1978 (period of depression) when all other sectors such as manufacturing, construction and commerce suffered economic declines of about 7, 10 and 8 percent respectively due to contraction in savings and credit.

Obioma (1983) on the definition of credit institutions as an organised financial market that administered and provides credit with defined conditions and procedures to its clients. Credit is provided on the condition that the loan will be repaid as and when due. In reviewing the evolution of financial markets in Asia, Latin America and Africa, Dale (1979) asserts that new financial facilities are largely needed to extend financial coverage to farmers especially in Africa.

Galbraith (1962) support Dale's findings, arguing that at a certain stage in agricultural development, credit clearly become a necessary and a sufficient condition for

transformation. On the contrary, however, Wilde (1977 and others, argued that credit can be dis-incentive or an opportunity for the farmer to work harder.

Nzirimo and Eteng (1982) after recognizing the important role of credit on agriculture, believed that credit can also be a means of improverishing the rural farmers. Credit to them is a break in agricultural development through high interest rate that undermines the progress of the farmer. From the view of research conclusion in Nigeria, it provides glaringly negative influence on the pattern of agricultural development and does affect agricultural practices in economies where majority of the farmers are poor and cannot privately save in order to invest in more productive activities. Most studies reviewed note that there exist a positive correlation between farmers' access to credit and the level of agricultural output and adoption of modern techniques and inputs (Vasthoff 1968, Baker 1965, Rish 1971, Ojo 1976, Nwanko 1980, Famoriyoi and Nwagbo 1981 and Okigbo 1983).

The informal institutions tailored their programme to individual farmers' needs being flexible to satisfy the demands of their clients but with a very high interest rate. Hence the introduction of government sponsored agricultural credit programmes and the establishment of Rural branch banking scheme to reduce the dependence of rural farmers on

the monopolistic money lenders and also to meet the pressing needs of the agricultural sector. The question is, has it work or will it work?

Miller (1975) in his survey of two villages in then western states, showed that almost 80 percent of the rural needs of the farmers came from the informal sector not because of their easy accessibility, but due to their mode of operation which are considered more "convenient". Convenient here might mean less intimidating, simple organisation and more understandable mode of operation.

CHAPTER THREE

3.0 EVOLUTION OF RURAL BANKING PROGRAMME IN NIGERIA

One of the major innovation undertaken by the Central Bank of Nigeria in 1970's was the introduction of the Rural Banking Programme (RBP). The Rural Banking Programme (RBP) was undertaken against the background of widespread complaints about the unwillingness of Commercial banks to move into the rural areas and thus makes available banking services to rural dwellers. Specifically, the Central Bank of Nigeria was not happy with the lopsided branch development in favour of the big cities, the dominance of the banking branch network by a few large banks and the concentration of such branches in a few state capitals. Of the 474 Commercial bank branches in operation at the end of 1976, only 13 were in the rural areas. This has to be viewed against the background that about 75 percent of the total population lived in the rural areas giving a population per bank office of about 4,421,307 persons in the urban areas. In a survey conducted by Central Bank of Nigeria prior to the commencement of the programme in 1977, state governments were requested to supply information in respect of the existing bank offices within each local government area.[5]

One of the major revelation from the analysis of the

survey results was the fact that there were at least 14 settlements with population above 100,000 without a bank office, and about 112 settlements with population between 30,000 and 100,000 with a bank office (Olashore, 1983). more disturbing was the fact that of the 477 bank offices in operation in 1977, 200 were in the then Federal capital, Lagos and its immediate environment leaving the remaining 19 states to share 277 bank offices which were in most cases located in the State's capitals. It was felt that access to banking facilities was being denied to a disproportionate percentage of the population engaged in such occupation as agriculture, rural handcraft and other basic small-scale enterprises (Olashore, 1983). Also, there was a fear that the stock of money in their hands kept out of the banking system (estimated at about 50.4 percent in 1976) could be a major setback to the implementation of the effective monetary policy by the Central Bank of Nigeria. See below Table 2, for state-wise distribution of commercial bank branches as at 30th April, 1977.

Table 2: State-wise Distribution of Commercial Banks Branches as at 30th April, 1977.

States	No of Banks	% of total	Population	% of population	Person per bank
Anambra	36	7.55	3,596,618	6.46	99,906
Bauchi	9	1.89	2,431,296	4.37	270,144
Bendel	48	10.06	2,523,092	4.53	52,564
Benue	10	2.10	2,427,017	4.36	242,702
Borno	13	2.73	2,997,492	5.38	230,577
Cross River	17	3.56	3,515,589	6.32	206,799
Gongola	6	1.26	2,605,263	4.68	434,211
Imo	31	6.50	3,695,263	6.64	119,202
Kaduna	27	5.66	4,098,306	7.36	151,789
Kano	22	4.61	5,774,840	10.37	262,493
Kwarra	15	3.14	1,714,485	3.08	114,299
Lagos	100	20.96	1,443,568	2.59	114,299
Niger	7	1.47	1,194,508	2.15	170,644
Ogun	15	3.14	1,550,966	2.79	103,398
Ondo	24	5.03	2,727,676	4.90	113,656
Oyo	48	10.06	5,208,884	9.36	108,518
Plateau	12	2.52	2,026,567	3.64	168,888
Rivers	23	4.82	1,601,742	2.88	69,641
Sokoto	14	2.94	4,538,787	8.15	324,200
Total	477	100	55,670,005	100	116,709

Source: Nwankwo, G.O. (1980). Nigerian Financial System, Macmillan Press: London. Page 65.

The above table revealed that Lagos State has the highest distribution of Commercial bank branches (100) and Gongola has the lowest (6).

These were some of the considerations that led to the start of the rural banking programme in 1977. Specifically, some of the objectives of the programme included the mobilization of rural savings, allocation of credit to productive activities, linkage of money markets in the rural areas within the capital market and serving as a back-up institution for some government development programmes such as the "Green Revolution" and "Operation Feed the Nation".[6]

To achieve these stated objectives of the programme, the Central Bank of Nigeria originally attempted to copy the Indian model by breaking the country into zones. As such, Nigeria was divided into three (3) zones and three (3) biggest foreign dominated banks and the three (3) major indigenous banks were to be paired and act as lead bank for the development of banking services in each zone's rural areas. But, this plan was abandoned according to Olashore (1983 p.52) for the following reasons: The inadequacies of the banking services in the rural sectors are not uniform nor of equal intensity in the three (3) zones, and as such the burden would not be shared equally among the leading banks. Secondly, other banks might not feel obliged to participate in the rural

banking programme, and might continue to restrict their operations to the more profitable urban centres without undertaking any sacrifice for social and economic development of the country. Thirdly, a fresh imbalance might be created as banks may rush to operate in a certain zone. Above all, the zoning model provides banks much option like the previous method of persuasion which the banks might not comply with, and thus jeopardizing the objectives of the whole programme.

To avoid these obstacles, the Central Bank of Nigeria formulated another method which relates each bank's rural branches to its total branch network throughout the country. This ensures equitable distribution of rural branches in the country as well as fairly sharing among the banks, the burden of rural expansion.

To make this method work, branch allocations were made in the following pattern: where there was a rural town of 50,000 population, in the headquarter of a local government area, where there were suitable institutions available, and at the directive of the Central Bank of Nigeria as Banking Decree of 1969 gave much power to it (Central Bank of Nigeria) to ask any bank to open a branch in any location (1969 Nigerian Federal Republic Official Gazette 56, p. A4).

Since according to the Central Bank of Nigeria rural

banking survey, there were as many as 1,126 centres needing banking services, the bank decided to execute and control the Rural Banking Programme in phases:

The first phase of the programme which was to last for three (3) years started in June, 1977 with 200 identified centres to open rural bank. The analysis for phase one (1) branch allocation to various Commercial banks is shown in Table 3 below.

The second phase of the programme identified 266 centres which were to be provided with bank offices between 1980 and 1983. This is also shown in table 4 below.

Table 3: Rural Banking Programme: Phase 1 Branch allocation and Completion Dates.

S/No	Banks	Allocation	Completion June 1980	Completion December, 1980
1	African Continental Bank	16	16	16
2	Allied Bank of Nigeria	6	6	6
3	Bank of Credit and Commerce International	-	-	-
4	Bank of the North	6	6	6
5	Co-operative Bank Ltd	5	3	5
6	Co-operative and Commerce Bank	7	4	4
7	First Bank Ltd.	40	39	39
8	International Bank for W/A	11	10	10
9	Kaduna Co-operative Bank	3	3	3
10	Kano Co-operative Bank	6	4	6
11	Merchantile Bank of Nig.	3	3	3
12	National Bank of Nigeria	15	15	15
13	New Nigerian Bank	4	4	4
14	Nigeria-Arab Bank	7	5	7
15	Pan Africa Bank	5	5	5
16	Savannah Bank of Nigeria	7	7	7
17	Societal General Bank of Nig.	-	-	-
18	Union Bank of Nigeria	27	27	27
19	United Bank for Africa	27	27	27
20	Wema Bank	5	4	4
	Total	200	188	194

Source: CBN, Annual Reports and Statement of Account for the year ended 31 December, 1980, p. 38.

Table 4: Rural Banking Programme: Phase II Branch Allocation and Performance as at December, 1983 and 1984.

S/No	Banks	Allocation	Completion June 1980	Completion December, 1980
1	African Continental Bank	19	15	16
2	Allied Bank of Nigeria	7	7	7
3	Bank of Credit and Commerce International	6	4	6
4	Bank of the North	19	8	19
5	Co-operative Bank Ltd	8	6	6
6	Co-operative and Commerce Bank	8	4	4
7	First Bank Ltd.	37	35	37
8	International Bank for W/A	13	7	13
9	Kaduna Co-operative Bank	6	1	3
10	Kano Co-operative Bank	6	3	3
11	Merchantile Bank of Nig.	6	4	6
12	National Bank of Nigeria	19	5	6
13	New Nigerian Bank	9	2	4
14	Nigeria-Arab Bank	6	4	5
15	Pan Africa Bank	6	1	3
16	Savannah Bank of Nigeria	11	11	11
17	Societal General Bank of Nig.	6	6	6
18	Union Bank of Nigeria	36	30	36
19	United Bank for Africa	32	24	32
20	Wema Bank	6	4	6
	Total	266	181	229

Source: Extracted from 1985/1986 Nigeria Banking Almanac, p. 255.

The third and final phase started in 1985 and ended in 1989 with 300 branches allocated to banks. Banks were also directed to invest at least 40 percent of mobilized deposits in their locality of operation. This was to forestall the possibility of deposits being channelled solely to finance the requirements of urban offices which will negate the philosophy of Rural branch programme.

If success is to be measured by the degree of compliance, then the Rural Banking Programme in Nigeria has been a huge success. As of December, 1991, the 766 branches targeted under the Rural branch programme were fully in operation (Central Bank of Nigeria, Annual Reports, 1991). One of the ways of measuring the success of a programme is to measure it against its stated objectives. The programme succeeded in narrowing the gap between the urban bank and the rural bank concentrations. The population per bank office in the rural areas now stands at about 98,837 persons as against 4,421,307 in 1976. Every local government headquarters, including some of those created in 1996, now have a bank office.

Table 5 summarises some of the statistics which could assist in accessing the impact of Rural banking programme from the point of view of mobilizing savings and loans for used in the agricultural sector in the rural areas in Nigeria.

Table 5: Deposit Rate, Branches and Total Deposits in Nigeria

Year	Branches		Deposits (₦M)		Rural/Total Deposit (%) (5)	Aggregate Loan Earn		Rural Total Loan (%) (8)
	Urban (1)	Rural (2)	Total (3)	Rural (4)		Total (6)	Rural (7)	
1980	565	168	10009.1	-	-	9006	-	-
1981	622	240	10676.9	-	-	10770	-	-
1982	576	308	12018.9	111.7	0.9	13424	35	0.2
1983	694	407	13251.9	131.2	1.0	16587	44	0.2
1984	810	432	14908.5	276.6	1.8	20425	58	0.2
1985	839	451	16776.1	311.4	1.8	22415	115	0.5
1986	879	481	17771.1	873.5	4.9	20309	373	1.8
1987	947	529	20422.3	1229.2	6.0	25871	493	1.9
1988	1057	602	29065.1	1378.4	4.7	29285	660	2.2
1989	1093	756	27164.9	5722.0	21.0	32525	3721	11.4
1990	1169	765	38777.3	8360.1	27.1	33401	4730	4.1
1991	1253	765	52408.7	10580.7	20.0	37646	5962	15.8
1992	1495	774	76073.5	14612.2	19.2	44906	8950	19.9

Source: Compiled from Central Bank of Nigeria Statistical Bulletin, Volume 4, Number 2, December, 1993

From the table 5, we can observe the rate of deposits mobilized by rural branches of banks. Computed as a percentage of total commercial banks' deposits, this increased from 0.9 percent in 1982 to about 19.2 percent in 1992. More remarkable still is the increase in the contribution of rural branches to total commercial banks' credit to the economy. This rose from 0.2 percent in 1982 to about 15.8 percent in 1991. Remarkably, loans made by rural branches of commercial banks, as a percentage of their deposits, have risen from 32.1

percent to about 56.5 percent with the same period. If strictly adherence to Central Bank of Nigeria guidelines is assumed, it would be safe to conclude that this percentage finances investment in rural areas.

The Rural Banking Programme has not been an unambiguous success. Commercial banks showed reluctance in complying, especially during the third phase of the programme when it seemed that all bankable centres had been exhausted. Banks' resentment at the continuation of the programme focused on such issues as the low level of infrastructural facilities in the rural areas, the over extension of their available manpower, the reluctance of their employees to move to rural areas, and the fear that some rural branches might be operating at a loss. Inspite of these complaints, none of the branches opened under the programme has subsequently been shut. No doubt a fuller analysis of the performance of the programme needs to be done before one could establish whether the objectives for the Rural banking programme scheme in Nigeria was set up has been achieved. It is on the realisation of this that the studies intended to find out.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

The present rural banking scheme have not achieved appreciable success in launching the agricultural sector and the rural areas into sustained growth. The present institutional financial arrangements need to be thoroughly recast if the rural agriculture is to be transformed. The institutional design of Rural Bank Branch (RBB) does not explicitly take in cognizance the conflict of interest among various economic classes and that of the production and exchange system. The loan scheme is biased against the target group (poor farmers). It is designed to protect large-scale farmers and the rich people in the economy. In practical terms, the loan scheme is a class conscious, using collateral as a discriminating factor to divert rural saving to the urban areas as observed by study results. Osuntogun and Oludimu (1980) for instance, "assert that the stage of agriculture is constrained by the effectiveness of credit institutions" operation in rural areas especially on small-scale farmers. They attributed most of the shortcomings in institutional credit in Nigeria (specifically Keffi) to: the size of the loan, the timing of the loan release and repayment, inadequate manpower and complete absence of financial projections and planning. They postulated that the correction of all these anomalies are essential if farmers are to derive maximum

benefit from the institutional credits.

To satisfy the condition of equity distribution of rural savings, government required banks must loan out 45 percent of rural deposits collected as credit to rural areas or dwellers. This will be one of the tests of efficiency for the operation of the scheme. Government assumed that this credit loan scheme can help the poor farmer to accumulate capital for adoption of new farm technologies. The study shows that credit is hardly available to the poor farmer at reasonable rate of interest or without collaterals. Commercial banks on their part see poor farmers as a risk investment. Therefore, they do not want to cater for their credit needs as stipulated by government's directive that 45 percent of rural savings must be retained as loans in the rural areas. The real issue is that banks prefer to handle large loans rather than the petty loans that the poor farmers need.

A close review of rural banking institutions' performance in rural areas as per government directive in terms of deposit-loan ratio in the rural communities is not met. Table 6 illustrates that in 1987, 1989 and 1993, only 36 percent, 40 percent and 43 percent respectively of rural deposits as against 45 percent was to retained in the rural areas as loan. This loan-deposit ratio is far below government directive or expectation.

It is evident from table 6 that there has been a progressive rise in loan and advances but the rates are less than the rate given to rural banks by government. The increase in loans can be attributed to two factors. First, there was an increase in deposits (as a result of government edict empowering commercial banks branch banking expansion) which necessitated an increase in credits. Secondly, there was also an increase in awareness on the part of the farmers that such schemes existed and on the need for credits to improve on adoption of innovations in agriculture.

Credit-deposit ratio has been regarded as an indicator of banks' performance in the deployment of credit in the rural areas. The credit-deposit ratio of the rural branches of commercial bank on the average 40.3 percent. This implies a transfer of rural savings or resources to the urban areas. In other words, a diversion of savings of the economically weaker sections for the benefit of the economically better-placed in the society (for more detailed discussion see table 6).

Table 6: Deposits and Loans/Advances to Rural Farmers in Keffi Local Government of Nasarawa State, 1985-1994.

Year	Deposit (₦)	Loans/Advances (₦s)	Percentage
1987	1,003,500	351,200	35
1988	1,201,000	385,500	32
1989	1,306,566	469,666	36
1990	1,158,655	455,600	39
1991	1,351,266	548,000	41
1992	1,283,333	511,555	40
1993	1,407,800	578,800	41
1994	2,101,500	895,677	42
1995	3,158,666	1,345,688	43
1996	3,506,000	1,505,066	43
Total	17,478,266	7,046,722	40.3

Source: CBN Jos, Federal Office of Statistics, Keffi and Jos.

4.1. Credit and Agricultural Productivity

In economic literature, credit has been assigned a docile role but plays an important role of being the lubricant of rural transformation, self-employment and capital accumulation. It is a facilitator and also a powerful weapon of economic and agricultural transformation. Thus, the aspect of this sub-section is to ascertain the impact of bank loans on change in productivity levels. Change in productivity levels is based on the adequacy of credit to farmers using Vasthoff (1968) criteria. In measuring productivity of farmers, the part played by weather and fertility of soil, were kept in view. Even after such consideration the fact remains that bank financing plays a decisive role in raising the productivity of sample farmers.

We made use of chi-square test in order to measure statistically the impact of bank loans on farm productivity. Credit granted to farmers for inputs were taken as dependent variable, while total deposits generated in the bank and effective demand for loans are taken as independent variable. The result of the chi-square equation is presented in Table 7.

Table 7. Result of Statistical Analysis Relating Rural Banks, Loan and Farm-Size Productivity

Farm Size	Adequate	%	Fairly Adequate	%	Not Adequate	%	Total	% Total
Small	10	5.0	50	22.73	85	142.5	145	72.5
Large	5	2.5	20	10.0	30	15	55	27.5
Total	15	75	70	35.0	115	57.5	200	100.0

$X^2 = 5.99$

dF = K-1 = 3-2 = 2

P = 0.05

C = 0.43

Where C = calculated Chi square

Source: Survey of 200 Farmers.

The Chi-square coefficients are highly significant. This implies that credit is a major constraint to agricultural development in Keffi local government area of Nasarawa State. Implied in this conclusion is that credit is required for the purchase of seeds, fertilizers, pesticides and insecticides and for capital accumulation. This result indicates that the current minimal rise in rural farm production can be attributed to weather, fertility of soil and non-institutional credits, since institutional credit is inadequate. About forty-three (43) percent of small scale farmers indicated inadequacy of loans, while only fifteen (15) of large-scale farmers said the same.

4.2. Rural Banks and Agricultural Productivity

Loan application is regarded as a satisfactory basis for assessing the impact of bank loan on agriculture. Since raw materials obtained on credit are not generally regarded as loans, the sample borrowers covered were asked to report the size of the working capital received as loan from the formal institutions and how these loans have enabled them improve agricultural output. The effect of the bank loan can be better assessed from Table 8 which presents the findings of the survey conducted in the study. Majority of those sample showed that they received the loan below one thousand naira (₦1000) for the year 1994 to 1996 which they indicated was not adequate to purchase farm inputs. However, farmers who achieved increased agricultural output were the more educated and big time rural farmers who were able to receive large amounts of credit. The finding is very important and interesting as education is now a determinant of output and ability to get bank loan.

Furthermore, Table 8 shows loan size against improved agricultural output. About fifty-five percent of farmers that received bank loans indicated that the loan did not improve their output while only forty-five (45) percent of farmer indicated the contrary. The table also depicts the dependence of the small-scale farmers on institutional loans as agent of

improved output. The dependence was lower compared to large-scale farmers.

Table 8: Result of Statistical Analysis Relating Loan Size to Agricultural Productivity.

Farm Size	Yes	%	No	%	Total	Total %
Small	62	31	91	45.5	153	76.5
Large	28	14	19	9.5	47	23.5
Total	90	45	110	55.0	200	100.0

$X^2 = 3.84$

dF = K-1 = 2-1 = 1

P = 0.05

C = 5.38

Source: Survey of 200 farmers.

The Chi-square coefficients are not significant. This shows that the establishment of rural banks has not contributed much to agricultural productivity in Keffi local government area of Nasarawa State as anticipated by the government. Possible reasons have been proffered earlier in this subsection. The survey data depicts that loan sizes make no major contribution to agricultural productivity particularly to the small-scale farmers.

The effect of collateral on rural credit market can be

better assessed from Table 9. About forty-three (43) percent of the farmer reported that collateral requirements limited their ability to obtain loan. While about twenty-five (25) percent of the sample attributed their inability to obtain credit from the formal institutions to informal institutions such as Adashi or Esusu. Never heard of bank and didn't like to borrow from the bank accounted for eleven (11) and fourteen (14) percent respectively.

Table 9: Economic and Non-Economic Factors Impacting Credit

Factors	number	Percentage
Never Heard of Bank	22	11
Didn't like to borrow	28	14
Complex procedure to borrow	15	7.5
No collateral	86	43
Prefer Informal Institutions like Adashi, Esusu etc.	49	24.5
Total	200	100

Source: Survey of 200 Farmers.

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This result supporting other studies (Vasthoff (1968) and Osutugun (1986)) concluded that collateral should not be a condition for bank to give loans to rural small-scale farmers. Bank should be able to move their services to rural areas rather than rural clients coming to them. Finally, the study supports the importance of credit on agricultural productivity

and indicates that collateral generates a negative feed back effect on agricultural productivity through credit constraints.

Table 10: Estimation of Rural Bank's Credits on Agricultural output (Linear).

Dependent Variable Agricultural Output (Y)	Constant	Coefficient of Independent Variable Loans (X)	R^2
	7118295.93	0.1931	0.2132

The exercise on table 10 involves the determination of the impact of rural banking scheme's credit on output in the study area. The ordinary least squares (OLS) method was employed. In the result, we expect positive relationship between the agricultural output and loans.

The result shows a bad fit between the dependent variable and independent variable. This is because the correlation of determination is 0.21 that is R^2 is 0.21.

Notwithstanding the value of the coefficient, we can on the basis of the significance of the coefficient, affirm that Rural banking scheme's policy have potential to influence agricultural output in the local government of Keffi.

The large size of the constant term indicate naturally that there are other factors determining the agricultural

output in the local government area.

The overall result in Table 10 shows that Rural banks do invest little in the agricultural sector in the area. Infact, the size of coefficient of agricultural output indicated that the Rural banks extended little long-term credit to agriculture in the local government.

CHAPTER FIVE

5.0 SUMMARY AND CONCLUSION

The study examines the impact of rural banks on agricultural output or productivity. Rural banks have contributed to the monetization of the rural areas. But they have failed to provide adequate credit for the rural farmers to buy the needed implements, seeds and to accumulate capital. The credit-deposit ratio in commercial bank branches is far below government directive (see Table 1). Therefore, this study concludes that funds have been flowing largely from rural areas to urban areas. The Rural Branch Banking has not excessively utilized the share of rural savings obtained in the rural communities for agricultural transformation.

Credit was identified as a significant factor for agricultural productivity. The paper did not find a significant relationship between agricultural productivity and credit probably as a result of the present system, mode of operation, and attitude of the rural branch banks. Finally, the study showed that mere expansion or opening more bank branches as suggest by Central Bank does not offer a plausible solution to the problem of rural poverty rather a proto-type of Grameen bank in Bangladesh or non-Institutional organisation with relaxed rate of interest are likely to be a

more efficient type of credit institutions suitable for the rural environment. All factors considered, we submit that agricultural under-productivity is as much a result of inadequate credit facilities as that of the banks' mode of operation, as well as collateral requirements which discriminate against and alienate the rural small-scale farmers.

5.1. **Recommendations**

Having identified the constraints to agricultural productivity, we propose possible solutions that will assist in alleviating the constraints:

Firstly, a new banking mode and organisation with the responsibility to become an integral part of the development process of a defined territory. This bank will help generate income, create new economic activities, provide capital assistance to the rural poor farmers, extricating them from the bondage of the money lender.

Secondly, that collateral which is a negating agent to rural credits is a discriminatory factor used by banks as a "screening device" to segment individuals into low and high risk customers. In its place banks should develop a new tailor-made system to replace the present cumbersome and

increase agricultural productivity.

Finally, we want to posit here that it would be sufficient for Central Bank of Nigeria, at their initial stage of financial liberalization, to remove selective credit control and interest rates regulation from its tool for controlling the commercial banks while at the same time insisting the continuation of the rural banking scheme in the rural areas. This position is informed by our belief that the rural branch banks of Commercial banks, inspite of their concentrated lending on short-term and despite the negative assertion by Onimode (1986), would contribute immensely to rural agricultural productivity in the country.

discriminating system.

Thirdly, information on the operation, location and accessibility of banks should be provided to clients. Banks should carry their services to their client rather than clients going to the bank.

Furthermore, the government should provide farm inputs such as fertilizers, improved seeds and agricultural research results to farmers through the Community Development Chairmen in respect of rural areas at subsidized rates.

In addition to that, the banks main objective should be to eliminate poverty and not just to provide credits. Bank should provide assistance to the economically poor farmers through rurally mobilized savings and by supplying project or farm supervisors that regularly visit the farmers on their farms.

There is also the need to allow the commercial banks, particularly those with huge assets and long banking experience, to transform and restructure into universal banking so that they could allocate their resources in a more efficient manner by providing short-, medium- and long-term funds to a variety of customers and projects. This, will no doubt enhance investment opportunities in rural activities and

increase agricultural productivity.

Finally, we want to posit here that it would be sufficient for Central Bank of Nigeria, at their initial stage of financial liberalization, to remove selective credit control and interest rates regulation from its tool for controlling the commercial banks while at the same time insisting the continuation of the rural banking scheme in the rural areas. This position is informed by our belief that the rural branch banks of Commercial banks, inspite of their concentrated lending on short-term and despite the negative assertion by Onimode (1986), would contribute immensely to rural agricultural productivity in the country.

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APPENDIX 1

QUESTIONNAIRE ON THE IMPACT OF RURAL BANKING SCHEME'S CREDIT ON SMALL-SCALE FARMERS IN KEFFI LOCAL GOVERNMENT OF NASARAWA STATE

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Dear Sir,

The aim of this study is to find out the impact of Rural Banking Scheme's credit on Small-scale farmers in Keffi local government of Nasarawa State.

Please feel free to provide answers to all questions raised.

All the information provided will be for academic work only and hence will be strictly confidentials.

Thank you.

Yours sincerely,

Eggon, Henry Ahmed.
M.Sc. (Economics) Student

1. Name of farmer: .....

2. Age of farmer: .....

3. Village of farmer: .....

4. Educational qualifications: .....

a. B.Sc/B.A. degree ( )

b. H.N.D. ( )

c. O.N.D. ( )

d. WASC/G.C.E./Grade II ( )

e. Primary Seven ( )

f. Others specified ( )

5. Number of people in household .....

a. Number of Wives .....

b. Number of Children .....

6. What other activities do you perform or engage apart from farming .....

.....

7. State the income received per year from non-farming activities.....

8. State the assets possess by the farmer

Assets	Approximate value (₦)
a. Real Estate/Field assets	
b. Livestock	
c. Others specified	

9. Do your local government have adequate spread of rural banking? a. Yes ( ) b. No ( )

10. If yes, state the names of the banks

a. .....

b.....

c. .....

d.....

11. Have you ever borrowed money from the banks named in question 10?

a. Yes ( ) b. No. ( )

If No, go to question 21.

12. Write the year you borrowed the money in a table below:

Year	Amount of Loan
1995	.....
1996	.....
1997	.....

13. If you received the loan in 1997, when did you actually received the loan?

    a. Before the wet season ( )

    b. Durng the dry season ( )

    c. Between wet and dry season ( )

14. In how many instalments, did you received the total amount of the loan? .....

    .....

15. Do you went through difficulties before receiving the loan? a. Yes ( ) b. No ( )

16. Were you supervised by the bank after collecting the loan

    a. Yes ( ) b. No. ( )

17. If yes, from what department of the bank and how frequent you were supervised? .....

    .....

18. In how many instalment were you required to pay the loan?

.....

19. How much interest rate were charge by the bank? .....

.....

20. Was the loan received by you are:-

a. Very adequate ( ) b. Adequate ( )

c. Fairly adequate ( ) d. Manageable adequate ( )

e. Not adequate ( ).

21. What are your reasons for not borrowing from banks in your locality?

a. Never heard of bank ( )

b. Don't like to borrow ( )

c. Complex procedure for borrowing ( )

d. No collaterals ( )

e. Prefer informal institutions - Adashi, money lender etc. ( )

22. Was the interest rate charge on loan:-

a. Very high ( )

b. High ( )

c. Moderate ( )

d. Too low ( )

23. List the number and size of field you actually cultivated after collecting the loan by banks in 1997.

Number	Hectare
Small-scale Large-scale	

If the size of the farm is small-scale was the loan

a. Adequate ( )

b. Fairly adequate ( )

c. Not adequate ( )

25. If the size fo the farm is large-scale, was the loan

a. Adequate ( )

b. Fairly adequate ( )

c. Not adequate ( )

26. Was the loan collected by you used to expend your farm

a. Yes ( ) b. No. ( )

27. If No, what was the loan used for?.....

.....

28. What are the means of transport of your farm produce to house or market?

a. On head ( ) b. Motor-cycle ( )

c. Bicycle ( ) d. Lorry ( )

e. Other specified ( ).....

.....

29. How much money was spent out of the amount borrowed used on farming?

.....

30. In what ways does credit remove constraints on farming (Tick)

a. Does credit affect the output of farm Yes or No.

b. Does credit enable you to transport your output to market where to get a better price for your poroduce Yes or No.

c. Which other way will you suggest in order to boost agricultural production in your locality.

.....

.....

.....

APPENDIX II

Year	Agricultural Output (₦)	Loans (X) ₦
1987	87,755,250	351,200
1988	92,821,285	385,500
1989	131,054,500	469,666
1990	67,712,350	455,600
1991	90,524,245	548,000
1992	250,761,249	511,555
1993	93,101,950	578,800
1994	193,711,750	895,677
1995	95,842,213	1,345,688
1996	274,617,814	1,505,066

Source: Compilled and Computed from NADP, FOS Keffi data.