THE IMPACT OF THE NIGERIAN AGRICULTURAL AND COOPERATIVE BANK (NACB) LIMITED ON THE SOCIO-ECONOMIC GROWTH OF NIGERIA: A CASE STUDY OF KADUNA STATE

BY

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DEDICATION

This M.B.A. project is dedicated to the Bamanga family Past, Present and those yet to come.

Ghafi Tahir Bamanga

DECLARATION

I hereby declare that this project/Research work was written by me and that all information not original to this work has come in by way of reference.

CERTIFICATION

This project work titled "The Role of Nigerian Agricultural and Cooperative Bank Limited (NACB) as a Development Finance Institution on the socio-economic growth of Nigeria. A case study of NACB operations in Kaduna State." By Tahir Bamanga Gaji meets the regulations governing the award of the degree of Master of Business Administration (MBA) of the Ahmadu Bello University, Zaria and is approved for its contributions to knowledge and to literary presentation.

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ABSTRACT

The project examined the impact of Nigerian Agricultural and Cooperative Bank (NACB) Limited, on the socio-economic growth of Nigeria with particular reference to Kaduna State vis-a-vis the volume of loans disbursed to farmers as individuals, corporate bodies and to government agencies which had direct influence on agricultural development.

The study was undertaken on Kaduna State in order to determine the actual impact of the NACB on the socio-economic life of its citizens with reference to their disposable income, improved standard of living and general impact on the development of industrial agricultural sector.

For this study or project, I relied solely on primary and secondary sources of data, and the analysis was based on some simple statistical techniques such as measures of dispersion like the Mean, Mode, Median and Standard Deviation. From the research, it was discovered that most farmers still depend on external financing - such as NACB and other sources.

The study on Kaduna State has demonstrated that farmers especially small-scale farmers need credit in order to boost their productivity. Also most credit to farmers are not always timely, and therefore lending becomes a problem when its obtained after the farming season.

It was also discovered that, for a credit program to be effective and successful in making a substantial contribution in increasing productivity, conditions must exist for the small-scale farmer to be able to improve their land; these conditions include the use of modern tools and machines, introduce better methods of land cultivation and general agriculture.

However, it can be concluded by stating that credit financing through institutional sources like NACB has helped in many ways in ameliorating the problems of farmers in Kaduna State, more especially the small-scale farmers.

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DEFINITION OF TERMS

NACB: Nigerian Agricultural and Co-operative Bank

ACGS: Agricultural Credit Guarantee Scheme

FAO: Food and Agricultural Organisation

LCU: Livestock Credit Unit

CHAPTER ONE

1.1 INTRODUCTION

1.1.1 BACKGROUND TO THE STUDY
(Background to Credit and Agricultural Development in Nigeria).

The Term "Agriculture" in its common parlance includes production, Research, Training in fields of crops, Forestry Fishery and Livestock. These can further be segregated into various components. For instance crops can be broken further into soil and water types, crop production, pest control, crop processing and storage, farm mechanization etc. Livestock could also be split into animal health, poultry, small ruminant production and large ruminant production which in common language refers to beef and dairy production. Indeed, Agriculture plays a significant role in the socio-economic development of Nigeria.

At Independence, the agricultural sector of the Nigerian economy was by and large meeting all the country's food needs and offered gainful employment to more than 90% of the production that cultivated less than 10% of the arable lands. The Export of Agricultural commodities was then the main source of revenue for the country,

generating more than 60% of GDP. The situation has since changed dramatically such that on account of diminishing labour, untapped huge natural resources, very little capital injection, negligible improvements in agricultural techniques and infrastructures over the years, a continually leaping shortfall was recorded yearly in domestic food production, thereby resulting in huge food import-bill which rose to an unprecedented ₦1.5 billion in 1979. The country also import the raw material for the needs of the rapidly expanding industrial sector. Thus, it is imparative that agricultural production be substantially increased beyond over 3.5% per annum growth rate of the population in order to enable the country to not only be self reliant in food production but also engender marketable surpluses.

Presently, nearly 70% of the population make out their livelihood and existence from the huge land resources spread over a range of the agro-economical zones in Nigeria. Accordingly, raising the productivity and income of the rural sector a most critical pre-requisite for the over all growth of the national economy.

In essence, the Nigerian agriculture had been and continue to perform the primary role expected of the agricultural sector in any nation, these roles include:-

- Food Production

The supply has engaged the attention of all successive government of Nigeria since 1960 when the country became independent. The need for adeguate food to feed the population

therefore is very important as it touches not only the stability of the nation but also on socio-political and economic independence. This notwithstanding, before independence, government involvement in agriculture was nothing then. Even where government got involved was only on cash crop production such as cocoa, rubber, groundnut, cotton etc. which earned the country foreign exchange.

At independence and a few years there after food production in Nigeria remained plentiful. This trend changed after the 1966-1970 civil war and the emergence of petroleum revenue, this resulted in sharp decline in farming activities from 1973. The share of agriculture in the GPD declined dramatically averaging on 24% between 1970 and 1979. Consequently, Nigeria started to experience food supply deficit and food import bill begun to rise from a level of ₦88.3 million in 1971 representing 8.2% of total imports, food import bill rose to ₦1.8 billion in 1981, representing 14.4% of total imports for that year.

See Table :- 1

Table I

SHARE OF FOOD IN TOTAL IMPORT VALUE: 1971 - 1987

Year	Total Import (₦ million)	Food Import (₦ million)	% Share of Food
1971	1,069.1	88.3	8.2
1972	990.8	95.8	9.7
1973	1,241.1	128.0	10.3
1974	1,737.3	154.8	8.9
1975	3,721.5	297.9	8.0
1976	5,148.5	440.9	8.0
1977	7,093.7	786.4	10.4
1978	8,217.1	1,020.7	12.4
1979	6,169.2	952.4	15.4
1980	6,217.1	1,049.0	12.8
1981	12,602.5	1,820.2	14.4
1982	10,100.2	1,642.2	16.0
1983	6,107.5	1,176.7	19.0
1984	7,178.3	1,052.1	14.7
1985	7,662.6	1,199.8	16.9
1986	5,983.6	803.1	13.4
1987	17,861.7	1,573.7	8.8

SOURCE: CBN Economic and Finance Review (Various Issues)

However, since 1986 there has been sharp decline in food import from 18.4% of total imports in 1986 to 8.8 in 1989.

This decline is attributable directly to the governments agricultural policy under the Structural Adjustment Programme (SAP) which emphasized self sufficiency in food production.

The food import bill in 1987 which rose to ₦7.5 billion was a reflection of the fall in the value of the Naira than of the volume of food imports which actually declined. It is worth noting that the contributions of agriculture to GDP which increased to nearly 40% since 1987 has also been attributable in part to the positive effects of SAP.

As a result of the decline in agricultural activities and consequent rise in food import bill from sometimes in 1970 the government's support for agriculture was accelerated. This effort by the Federal Government resulted in the promotion of agricultural schemes or programmes to tackle the problem of the inadequacy of food. Some of these were:-

a) The Operation Feed The Nation 1976-1979

b) The Green Revolution 1979-1983

c) River Basin Development Authorities

d) Integrated Agricultural Development Programme

e) Nigerian Agricultural Land Development Authority

f) Directorate of Food Road and Rural Infrastructure

ii. Production of raw material for the ever expanding industrial sector.

iii. Earning foreign exchange through exports of cash crops such crops such as g/nuts, cocoa, cotton, palm oil etc.

iv. Provision of market for industrial products such as agricultural machineries and equipments.

v. Servicing of a reliable source of personal income.

vi. Providing employment opportunities for the teeming population.

vii. Sustenance of modern industrialization.

Agriculture has become in recent times a heavily capitalized industry and now that the capital requirement of farmers are great, their credit requirements have expanded. Quite naturally conditions attached to the grant of big credits are more stringent than for small advances, Indeed, funds are needed to buy machinery, fertilizers, pesticides, etc; and to provide working capital especially to pay wages and other expenses. However, using the international standard of classification more that 90% of the farm holding in Nigeria are small scaled (Olayiole et at 1980).

Many of these farmers are caught in a vicious circle from which it is very difficult to escape without outside financial assistance. In addition, facilities for small holders are very poor because among other reasons they are unable to offer adequate collateral demanded by commercial banks. This largely accounts for the poor performance of commercial banks as regards agricultural lending. For instance, total bank loans and advances to agriculture stood at only ₦9.3 million at the end of 1971 and this constituted only 1.9% of total Bank loans and advances to 11 sectors of the economy.

As a result of this, it was suggested that specific incentives should be given to commercial banks to lend more to agriculture and consequently the creation of the Agricultural Credit Guarantee Scheme (ACGS) in 1978 by the Central Bank of Nigeria (CBN) with the main objective of reducing the risk of lending to agriculture by commercial banks and hence increase the flow of credit to agriculture with the

ultimate aim of increasing output in the sector. Also the Nigerian Agricultural and Co-operative Bank were establised in order to liberalize credit to small scale farmers and thus increase agricultural productivity.

1.1.2 CHARACTERISTICS/STRUCTURE OF AGRICULTURAL PRODUCTION IN NIGERIA

Nigeria still manifests the typical symptoms of a peasant agriculture. The farms are dominated by small scale farmers who are responsible for about 95% of the total production. The livestock is in the hands of nomadic herdsmen, the poultry is still essentially the backyard type, although a few commercial units are coming up. The fishing sector is also predominantly artisanal, very few motorized canoes are in use not to talk of fishing crawlers which are still rare otherwise by foreign industrial fishermen.

The result of this rather easy going attitude towards agriculture is low productivity in virtually all the subsectors. In absolute terms however, Nigeria is producing more food, meatand fish than she did ten years ago, although when matched with population growth, the per capita income share of locally produced food is lower and hence the sharp increases in food imports (Refer to Table 1).

1.1.3 CONSTRAINTS TO INCREASED AGRICULTURAL PRODUCTION IN NIGERIA

The constraints to increased output in Nigeria can be conviniently categorized under four broad headings namely - technological, marketing, governmental and credit.

Technological

Virtually every writer on the theory of economic development since Kharl marx has incorporated into his system the basic idea that technological progress is, by the same token the main function of the enterprenuer. Hence the view that the capacity to develop technology consistent with enviromental and economic conditions is the single most important variable which explains the growth of agricultural productivity of nations. Infact, it has been proved that the high agricultural productivity of the developed countries is based on:

a - development of non-agricultural sector capable of tansmitting increased productivity to agriculture in the form of cheaper source of power and plant nutrients.

b - the capacity of society to generate a continous sequence of technical innovations in agriculture which increases the demand for the inputs supplied by the industrial sector.

Thus, a continous stream of new technical knowledge and a flow of industrial inputs in which the new knowledge is embodied represents a necessary condition for modern agricultural development. As a result current levels of production by farmers in Nigeria are far below potential levels, the potential for significant increase nontheless exist. Technical scientists have identified low plant populations, insufficient fertilizers use, poor control of weeds and non-availability of suitable varieties as the major technical causes for the low productivity on traditional yields. See overleaf:

Table 2

FIELD PERFORMANCE OF MAJOR FOOD CROPS AT THREE LEVELS OF TECHNOLOGY UNDER SOLE CROPPING

CROPS	FARMERS PRACTISE	FARMERS PRACTISES		RESEARCH STATION	
	TRADITIONAL TECH.	IMPROVED TECH.		IMPROVED TECH.	
	YIELD/HA/KG	YIELD/HA/KG	% INCR.	YIELD/HA/KG	% INCR.
Sorghum	785	1,680	114	3,920	399
Millet	740	2,344	85	2,800	278
Maize	1,046	3,000	187	7,840	650
Rice	940	1,445	54	3,360	650
Wheat	1,750	n. a	n.a	4,500	257
Cassava	5,570	11,263	102	22,580	157
G/Nuts	587	1,120	91	2,240	305

Source H. M. Hays and D. W. Norman - Food production prospects in Northern Nigerian, Mimeographed paper, Department of Agricultural Economics and Rural Sociology, A.B.U. Samaru Zaria 1992.

Furthermore, it has been stressed that a common basis for success in achieving rapid growth in agricultural productivity is the capacity to generate an ecologically viable agricultural technology in each country. This centres on the topical issue of appropriate technology. Tractors, ploughs, and other imported modern farm equipments used by plantations, farm institutes and settlements are found to be beyond the reach of an average Nigerian farmer. Moreover alot of these equipments have been

found unsuitable for the ecological and adaphic conditions of Nigerian agriculture. According to Schultz "Economic growth from the agricultural sector of a poor country depends predominantly upon the availability of and price of modern (nontraditional) agricultural implements. The principal source of high productivity in modern agriculture are reproduceable sources. They consist of material inputs and of skills and other capabilities required to use such inputs successfully. But these modern material inputs are seldom ready made. They can rarely be taken over and introduced into farming in a typically poor community in their present form. There are very few produceable agricultural factors in technical communities. In general, what is available is a body of useful knowledge which has made it possible for the advanced countries to form their own, use factors that are technically superior to those employed elsewhere. This body of knowledge can be used to develop similar and as a rule, superior, new factors appropriate to the biological and other conditions that are specific to the agriculture of poor communities. As a result several attempts to transfer technology from developed countries to Nigeria have been largely unsuccessful.

Marketing

Dissemination of improved farm technology without improved organisation of the market may result in very low prices or even disposed surpluses which may disillusion the farmers that they refuse to plan for increased production. This change

in the organisation of marketing may be necessary if changes in production were to be realized.

At present in Nigeria there is alot of westage of our agricultural products consequent upon the non availability of adequate storage facilities. Considerable quantities of food crop harvest are lost each year through poor storage. The need for storage facilities to protect agricultural products against deterioration after harvest and to hold them until needed by consumers and other buyers are clear.

The place of transportation in marketing development is fairly straight forward. The primary requirement of an efficient transport system is not only that the cost to the user be lowest, but also that goods be moved quickly with little delay as possible. It was however estimated that in supplying stapple food crops from the north to the south, the transport cost alone account for about 25 per cent of the total marketing margins. Also in many cases transport charges are not fixed. They vary with the condition of the roads, type of produce, season and prospects of return load.

Marketing in Nigeria is also characterized by lack of market information. As a result contract between producers and the market is impossible or at least kept below optimum. Also, a truely national market is difficult to create rather the economy is sub-divided into a series of local markets.

Finally, rural indebtedness is another great impediment to an efficient marketing system. Indebtedness occurs as a result of seasonality in income of farmers.

Government

The successful development and widespread application of improved technology presupposes reciprocal services of a whole network of large and specialized organisations. There are alot that could be done by progressive government to facilitate the smooth and efficient rendering of such services. Not least among these is the provision of social overhead services like roads, schools, credit facilities and power installations which people cannot provide for themselves, but which they must have for developing and using their capabilities as fully as possible. However, apart from the fact that social services when provided by Nigerian governments are inefficiently run as there are a host of malfunctioning and outdated social institutions that are crying loud for reforms. Rather than address themselves squarely to task governments at various levels in Nigeria, chased the shadows while avoiding completely the substance. In some cases rather than identify causes of private sectors failures, governments both at federal and the state levels have attempted to encourage private investors by embarking on schemes of direct production which more often than not have resulted in complete failure, such as the Mokwa Cattle Ranch project, operation feed the nation, green revolution,DFRRI; etc.

Financial Constraints

Given the availability of inputs needed to improve technology, how rapidly farmers will adopt the improved technology depends upon additional factors. Efficient sources of production credit may be important in enabling more rapid adoption by farmers

of new technology that require purchased inputs. The importance of efficient and well organised credit to orderly marketing cannot be over emphasized. Apart from the directly productive credit needs of farmers, there are various forms of consumptive credit needs. Farmers in Nigeria express need for credit to tidy them over seasonal shortages in food to meet expenses of wedding of sons and daughters and burial ceremonies, celebrating chieftancies and meeting litigation costs as well as paying children's school fees. Although these credit needs are not directly productive, they could be socially compelling enough for farmers to draw on his working capital with attendant consequences for productivity. Thus meeting such credit needs are socially desireable.

1.1.4 THE NEED FOR AGRICULTURAL CREDIT AND ITS SOURCES

Credit in this context refers to the provision of money or goods, inputs and/or services in respect of which payment will be made at a later date. This later payment or repayment is a very important element. This agricultural credit is not a non-reimburseable subsidy.

Abe (1981) defined agricultural credit as that which encompasses all loans and advances granted to borrowers whether beneficiaries of agricultural reforms or some other one to finance and service production activities relating to agriculture, fisheries, and forestry and also for processing, marketing, storage and distribution of products resulting from these activities".

Over the years there has been an increase in the demand

for farm credit in Nigeria and this has risen from a number of causes, namely:-

i. The rapidly growing urbanisation, population and income which have resulted in increased demand for food.

ii. The successive governments have actively pursued the goal of self sufficiency in food production

iii. The gradual shift to market economy has tended to increase the incentive to invest in agriculture.

iv. The development of export crops with offer of attraction prices.

v. The need for intensive rather than extensive farming.

vi. The continued upward trends in the prices of farm products has tended to create the incentive to invest borrowed capital in agriculture.

There are basically two distinct sources of funds/credit facilities available to Nigerian farmers of different categories. Miller (1963) categorized these sources as the formal and informal types of credit. The predominant sources of informal credit include personal savings, loans from friends and relatives, thrift societies, money lenders and merchants.

These two distinct sources of funds to farmers are also known as internal and external sources. The external credit arise from Net cashflow from farm operations i.e the difference between cash receipts from farm operations and operating expenses.

External funds are required from

a) Net flow of loanable funds

b) Net scale of real Estate

c) Equity introduced by new proprietors

Reliance on internal credit/funds has some limitations. By the nature of farming per se with the pronounced seasonality trait, it is quite in practicable to depend on internal generation of funds, not indeed when the farmers take farming as commercial business and not just as hobby. Makings (1967) supports this contention when he said that "It is difficult for an African farmer to save enought to provide adequate working capital out of his small surpluses; capital formation can scarcity begin until the farmer can increase his output. Whereas any sustained increased output must call for working capital".

With regards to external financing, equity has meaning to large corporate farmers and even in such cases it cannot sustain the requirements of the farms. Not only is equity financing expensive, it also requires sophisticated management skills to process and control. Such categories of farmers are far too few in Nigeria for the present since it is also not a regular future or practise in Nigerian farming business to engage in scale of estate as a constant source of funds or credit to farmers.

From the foregoing, the need for agricultural credit becomes apperant if peasant productivity is to be increased and sustained. Injection of new technology and agricultural services are not the only pre-requisite for modernizing rural farming. "Financing credit is the most universal and flexible transferable form of economic resouces" says Donald (1976). Dell Amore (1973)

further obseved that "since the volume of farm savings isstill negligible, the necessary funds have to be borrowed and consequently agricultural credit has been assuming growing importance throughout the African economy".

Also, Hallaway (1961) notes that "adequate credit for agriculture is important because it is an increasingly important source of new capital and it allows farm families to obtain any capital gains that may accrue to the owners of agricultural resources".

1.2 STATEMENT OF PROBLEM

The level of farming in many parts of the country has gone beyond the susbsistence level ie mainly for personal consumption and usually on a small scale. The lot of an average farmer has but improved only marginally.

In the first place entry into agriculture for an individual farmer without family assistance or support from other sources is a difficult task. As aptly described by Dell Amore (1973) when he observed that "the size of the farm is generally fairly small and their methods technically primitive". Everywhere farmers were short of capital of their own and had to rely to an undue extent on credit from banks and other sources not only for financing investment with a view to durable productivity gains but even for covering current operating expenses.

Kaduna state being one of the oldest colonial set-ups in the country which have served as regional headquarters for decades, and considering the fact that it lies on the most favourable climatic belts of the country, with a very fertile

soil capable of growing almost 80% of crops grown across the country; and according to food and agricultural organisation (FAO) Kaduna state is known as "Green Belt".

Kaduna State having been the regional administrative headquarters of Northern Nigeria for some decades have been enjoying alot of government social insfrastructural facilities which include availability of banks and financial institutions among others, which have been extending credit facilities to the state government and its agencies and to various individuals and other corporate entities and to farmers in general in order to boost their agricultural productivity.

Consequently, the establishment of the Nigerian Agricultural and Co-operative Bank (NACB) in 1973 with the Head Office situated in Kaduna (capital of Kaduna State) have in many ways emiliorated the sufferings of Kaduna state farmers finance problems by promptly granting loans to the farmers, more than any state in the federation because of the farmers proximity to the Head Office. And with the decentralization policy of the banks operation two branch offices were established in Kaduna and Kafanchan in 1978. This have made more farmers benefit from the NACB's credit facilities. However, in recent times despite the establishment of two additional branch ofices in Zaria (1992) and Birnin Gwari (1994), yet the bank is faced with institutional problems in terms of disbursement and repayment. This have greatly affected the banks' expected level of performance in granting loans/credit to agricultural sector of the State.

See Kaduna State Map. Hence, inadequate availability of credit facilities to farmers which accounted for the still low level of agricultural performance in Kaduna State and the country at large.

1.3 AIM/OBJECTIVE OF STUDY

The funding of agricultural development is an important measure of the contribution aimed at raising the level of agricultural performance in Kaduna State and the Country in general because it dictates the pace at which agricultural performance can be enhanced. As a result the major aim of this study is how to improve agricultural financing in Nigeria and in Kaduna State in particular, with specific reference to the Nigerian Agricultural and Co-operative Bank Limited (NACB) . However, other specific objectives of the study include:-

a) To critically examine the current literature on agricultural financing and gain insight into its roles in terms of improving the incomes of farmers, rural development, food availability and the gross domestic product (GDP) in general; functions; operations and problems.

b) The sources available to finance agriculture.

c) Identify problems encountered by farmers in acquiring loans, disbursements and repayments of agricultural credit by the farmers.

d) Identification and appraisal of the NACB in providing credit to finance agriculture.

e) The role of external financing.

f) To suggest for improved agricultural finance policy and strategy in the 21st century.

Finally, to generally assess the impact of NACB operations in the economy is by assessing its operations in Kaduna State.

1.4 SCOPE OF STUDY

Being a case study research work, the study is carried out only in Kaduna State and covered quite a number of the local government areas. Since there is a uniformity of operation of NACB loan schemes in all its branch offices all over the country, to reduce cost and duplication of work, the study is therefore restricted to Kaduna state. (See map of Kaduna State).

All the project type financed by the bank under these schemes within the State are adequately represented. The study covers ten year period 1985 - 1994 of the Bank's loan schemes operation in the study.

1.5 RESEARCH METHODOLOGY

The production of this research work is based on two (2) sources of data. These include primary and secondary sources of data.

Primary Sources of data:-

This involves the administering of two types of questionnaires to the Management and Staff and farmers; and also by conducting face interviews with the farmers, as well as the key personnel of NACB Branch Offices and representatives Offices spread throughout the State.

The data obtained from this source are to complement data that is obtained from the Secondary sources.

Secondary Sources of data:-

Under this source the data obtainable are those from the Administrative Department records which include annual reports, conference papers, various books, journals, News bulletins and other relevant publications.

1.6 LIMITATIONS OF STUDY

It will be naive to assume that a study such as this one does not have its problems and/limitations. The major limitations headings.

i) *Spatial limitation*

ii) Time limitation

iii) Limited resources

Spatial Limitation:

By this it means that because emphasis has been placed on small scale farmers as they contribute almost 90% of agricultural output generally, hence it was not possible to reach every farm village, the research was limited to some few local government areas, namely: Kaduna North and South, Zaria Kauru, Kafanchan and Birnin Gwari.

Time limitation:

Because one was working within a time constraint, it was difficult to make the research as exhaustive as it should have

been. Nevertheless, the necessary required data were gotten within the time given. Hence, this research report.

Limited resources

The resources available to the researcher was limited and therefore have caused a serious obstacle to the study. Because of the insufficient funds it was not possible to engage and train field assistants to travel to all the farming villages and adminster the questionnaires to more farmers.

All these limitations have not in any way affected the final result of the study. Therefore, users of this research report in their decision making may wish to recognise the existence of some of these limitations and plan to minimise them in other future research studies.

1.7 SIGNIFICANCE OF STUDY

The continues slow rate of agricultural production in the State, the alarming increase in the dependence on the state government to supply the citizenry of the State with food and other agricultural products which Kaduna state could have been self sufficient and the growing number of citizens who have neither land to grow food nor income to purchase food all point to making of crisis in agricultural sector in the State. The governments' concern for this potentially dangerous state of affairs has led to numerous efforts to identify the causes of the decline in performance of the agricultural sector in the state and to find possible solutions to them. Therefore this study is aimed to identify such problems and to suggest solutions to improve the performance of the agricultural sector in general in Nigeria.

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CHAPTER TWO

LITERATURE REVIEW

2.1 THE ROLE OF NACB IN THE NIGERIAN ECONOMY IN THE LAST TEN (10) YEARS 1985 - 1994

2.11 The Role of NACB in Financing Agricultural Development in Nigeria

The Nigeria Agricultural and Co-operative Bank (NACB) was incorporated in 1972, as a development finance institution charged with the primary responsibility of providing concessionary credit facilities for Agricultural and rural development in the country.

The agricultural credit facilities of NACB are extended to individual farmers (including small, medium and large scale operators), cooperative organisations, limited liability companies, government parastatals, as well as State and local governments.

The Bank finances all aspects of agricultural and agro based ventures including arable and tree crops production, horticulture, poultry, piggery, cattle raising, rabbitry, fishery, forest exploitation and generation.

In addition, NACB finances agricultural processing and marketing as well as such services as tractor hiring, production and marketing of improved farm inputs (including livestock feeds, agrochemicals, seeds and fertilizer formulation).

With regards to operational schemes, it is on record that NACB has over the years not only evolved, but also assidiously implemented "on-target" credit programmes on a continous basis.

Among the credit programmes that are being currently executed by the Bank are the small-holder, on-lending and investment loan schemes. These are discussed here under in details.

2.1.2 SMALL-HOLDER (DIRECT) LOAN SCHEME

This perhaps, is the most popular of all NACB credit programmes as it solely caters for the funding requirements of the resource-poor, small scale farmers who constitute the corner stone of Nigerian agricultural development policy. This scheme was introduced in 1982 in order to meet the credit needs of the innumerable small holder farmers who do not often possess the collaterals required by the conventional banks and other financing institutions for granting loans.

Under the small holder scheme which is meant to provide affordable credit facilities to NACB's innumerable small-scale farmers without any collateral requirement, the bank has approved loans totalling ₦320.4 million for the implementation of well over 100,000 projects beneficiaries between 1985 and 1994. Also between the same period a total of ₦1.8 billion has been approved for the implementation of over 4000 projects/beneficiaries under the investment/large scale loan scheme. For the execution of NACB's on-lending programme (whereby NACB provides loanable funds to the various state governments for onward transmission to the farming population), the bank has approved a total of ₦447 million for the implementation of ₦140 projects.

The main attraction of NACB's loan is that not only are the beneficiaries not required to provide the ususal collaterals

frequently demanded by other financial institutions, but they also do not need to have any definite title to land, in order to become eligible to benefit from this facility. At present the interest rate charged under the scheme is 16 percent, while the upper limit of this loan scheme is now ₦25,000.00.

ON-LENDING SCHEME

As the same implies, this scheme involves lending to farmers through established and recognised intitutions known as the on-lending agencies. Some on-lending institutions working with NACB in this regard include the various stage governments, cooperatives societies, state agricultural development projects (ADP's) and River Basin and Rural Development Authorities etc.

DIRECT LENDING (INVESTMENT) LOAN

This loan scheme is specifically desgined to meet the credit needs of the medium and large scale farmers under this scheme, the bank deals with individual farmers and organisations, without going through an on-lending intermediary.

The loan volume under this scheme is ₦25,000 and above, while our interest rates range from 18-21 per cent, depending on the type of enterprise. However, it is important to stress here that, unlike the SHS a proper and thorough loan appraisals is usually carried out before the approval of this facility while an adequate collateral is also required.

2.1.3 NACB'S NETWORK AND DISBURSEMENTS

In order to achieve the bank's objectives of transforming the Nigerian economy to a greater height, NACB operates retail outlets

with over seventy (70) branch offices located in all the state capitals and the Federal Capital Territory - Abuja, as well as in the major agricultural producing areas in Nigeria. Besides the branch offices, the bank is also in touch with farmers at the grass-root level through a network of over 300 representative offices located in almost all the local government areas in the country. It is therefore, remarkable that between the period of commencement of its operations in 1973 and 1974. NACB has approved loans worth ₦5.6 billion for the implementation of about 291,301 project/beneficiaries nationwide covering virtually all types of agricultural enterprises (See Table 4).

It is evident therefore that such an extensive network of branch and representative offices has enable NACB to bring its services to the doorsteps of the teaming farming population in Nigeria.

2.1.4 ESTIMATED OUTPUT FROM NACB'S FUNDED PROJECTS

Based on the findings of this research, the assesment of the impact of NACB'S operations between 1985 and 1994 (as the only data available at period of making this research) shows that, it has been firmly establihsed that NACB has made significant contributions to the country's food and fibre production in particular and her rural development thrust in general. As shown in Table 3. For example the estimated production from NACB's funded projects for the period 1985-1994 for essential crops such as cassava, yam and maize were 613,773; 139;513; and 90,540 metric tonnes respectively. Other crops analysed are rice, guinea corn, millet;

with production output of 63,262; 33,519; 10,705; metric tonnes

respectively.

With regards to livestock subsector the estimated total production from NACB's funded projects for the period 1973 to 1992 showed a total egg output of over 30 million dozens, while the figure culled layers was estimated at over 1.5 million birds. Further details of the significance of the contributions of NACB to the transformation of Nigerians economy is available in Tables 3 and 4.

EMPLOYMENT

With regards to employment generation this study have shown that the cummulative employment opportunities generated through NACB's financed agricultural projects include 4,468 management positions; 5,583 technical posts and well over 300,000 other positions. The high amount of the latter is obviously due to the impact of the banks small holder loan scheme (SHS) which is specifically designed to meet the credit needs of the uncountable small scale, peasant farmers in Nigeria.

It is therefore, no doubt that NACB stands out as a leader amongst the other development institutions in Nigeria, in terms of improving the GDP and the overall transformation of the Nigerian economy over the years.

As a development bank, the performance of NACB should not be measured only in terms of the volume of loans made and amount of loans repaid. The developmental impact of the bank in terms of its contributions to the revenue generation of the country, the amount of new jobs created through its lending operations, the development of rural infrastuctures and other socio economic

Table 3

ANALYSIS OF PRODUCTION ACRUING FROM NACB PROJECTS 1985 - 1994

TYPE OF PROJECT	UNITS	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
A. CROP PRODUCTION	Tonnes										
1. Arable											
a) Maize	"	8767	13132	14085	21883	18291	5580	8802	9301	9603	9781
b) G/Corn	"	2962	5725	5997	5717	2592	891	9632	9503	900	9980
c) Millet	"	626	-	2318	1894	1524	1170	3173	5610	7000	7941
d) Rice	"	6980	2866	10167	23084	3719	4224	2222	2611	3681	4103
e) Cowpea	"	707	144	688	410	1070	-	1394	1399	1375	1413
f) G/Nuts	"	398	1468	433	348	609	313	160	270	430	470
g) Soya beans	"	-	755	498	598	-	550	1100	1300	1588	1589
h) Wheat	"	-	-	50	968	45147	-	-	-	750	690
i) Cassava	"	4818	42577	80642	315280	1818	36954	64267	69200	77207	7920
j) Yam	"	1202	1747	50989	68113	-	4834	7194	7340	8340	8940
k) Potato	"	-	-	-	-	-	-	-	-	-	-
l) Melon	"	-	267	-	-	-	-	-	-	-	-
2. TREE CROPS & VEGETABLE											
a) Cocoa	"	-	-								
b) Citrus	"	-	-	7540	142	-	39	2000	2380	2780	2803
c) Plantain	"	244	248	2920	-	-	-	-	-	3000	3403
d) Pineapple	"	-	-	8586	112	1277	2300	561	780	920	950
e) Onion	"	-	-	3192	61159	-	-	39	28	51	53
f) Tomato	"	-	-	-		211	-	369	401	500	601
g) Pepper	"	-	-	-	-	-	-	80	90	97	99

	Units	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
3. PALM PRODUCTS	Tonnes										
a) Palm oil	"	-	-	4256	19549	931	357	346	366	411	403
b) Kernel extract	"	-	-	2057	5014	20053	2505	672	2340	2561	2507
4. FIBRE AND LEAF											
a) Cotton	"	-	-	-	1159	-	348	1354	1374	4235	4374
b) Tobacco	"	-	-	-	-	112	-	-	112	115	116
B LIVESTOCK PROD.											
1. Poultry											
a) Eggs	(000) dzs	47	1465	602	94	3630	-	12	80	915	1100
b) Culled	No	-	5590	4009	-	1315	2678	4965	4890	5001	5113
c) Broiler	No	32689	50654	35584	15751	-	5697	54808	61808	7304	7607
2. CATTLE	Heads	-	3176	21070	14085	8870	9770	11894	13111	1516	1567
a) Sheep & goats	No	1731	-	2480	6356	5393	6572	8993	91130	81430	97300
b) Rabbits	No	-	-	-	-	-	-	438	-	500	417
c) Pigs	No	-	1920	499	9713	4237	18304	417	818	619	735
C OTHERS											
1. Fish	Tonnes	4815	5	4862	61	7	11719	417	483	503	553
D PROCESSING											
1. Flour	"	-	-	-	-	17125	-	-	-	19032	20913
2. Milled Rice	"	-	-	-	-	681952	-	-	-	-	-
3. Vegetable oil	Litres	-	-	-	-	-	-	-	-	-	-
4. Palm kernel cakes	Tonnes	-	-	-	-	-	16	94	98	-	-
5. Gari	Tonnes	-	-	-	-	672	2852	-	-	3101	-

SOURCE: MANFU INTERNATIONAL LIMITED (1995)

TABLE 4

THE SHARE OF AGRICULTURE IN THE GDP
(AT 1984 FACTOR COST) FOR THE PERIOD 1984 - 1994
PERCENTAGE SHARE IN TOTAL GDP

ACTIVITY SUB SECTOR	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Agriculture (Crops)	n.a	23.53	24.69	30.18	31.93	31.24	30.10	30.08	29.90	29.68	30.74
Livestock	n.a	7.87	8.12	5.94	6.39	6.07	58	5.6	5.46	5.33	5.86
Forestry	n.a	3.08	3.14	1.82	1.89	1.33	1.3	1.4	1.28	1.28	1.31
Fishery	n.a	1.80	1.71	2.26	1.29	1.91	1.9	1.9	1.87	1.81	1.11
SUB-TOTAL FOR AGRIC		36.28	37.66	40.2	41.5	40.55	39.1	38.98	38.51	38.1	39.02
CRUDE PETROLEUM	17.4	15.64	14.97	12.85	12.33	13.22	12.8	12.4	12.90	12.66	11.84
Minning & Quarrying	1.5	0.39	0.27	0.52	0.31	0.30	0.3	0.3	0.28	0.29	0.31
Manufacturing	11.5	5.68	5.80	9.66	8.65	8.20	8.2	8.3	8.63	8.50	6.90
Others	43.7	42.01	41.3	36.77	37.21	37.73	39.6	40.2	39.68	41.29	42.63

SOURCE Central Bank of Nigeria: Annual Report and statement of Accounts (various issues)

development opportunities should be assessed.

2.1.5 ASSESSMENT OF THE IMPACT OF THE NACB ON THE NIGERIAN ECONOMY

As a development bank, the performance of NACB should not be measured only in terms of the volume of loans made and the amount of loans repaid. The developmental impact of the activities of the Bank in terms of its contributions to the revenue generation of the country, the anount of new jobs created through its lending operations, the development of rural infrastructures and other socio-economic development opportunities should be assessed. This chapter concentrates on these parameters as indices for the assessment of the performance of the Nigerian Agricultural and Cooperative Bank Limited.

The data for this assessment are obtained from the records of the bank both at the Head office, zonal and branch offices. With the huge number of beneficiaries of the bank. It was practically impossible for this research study to cover all the project document of NACB. Accordingly projects were selected randomly and information were gathered from the following documents at the branch offices.

a) Individual project files

b) Quarterly reports on projects

c) Project implementation file

d) Supervision reports

e) Small holder project files

and general statistics obtained from the research and Development Directorate and operations Department. The prices used in the computation of the value of farm output are essentially from the

records of the branch offices and the records of the federal office of statistics.

DEVELOPMENT OF INFRASTRUCTURAL FACILITIES

The impact of the NACB lending activities could also be assessed from the infrastructural facilities that were developed by the loan facilities granted by the bank. The physical assets to be discussed are the processing plants and agricultural equipments.

The processing plant:

Table..3. gives thorough NACB loan facilities. The table indicates that five rice mills with an average capacity of 2.0 tonnes/hr and seven maize shellers with an average capacity of 2.3 tonnes/hr were acquired by NACB funded projects for the period under review.

From the analysis in this chapter it can be inferred that the NACB has made a significant contribution to the national economy during the period under review. Many employment positions were treated during the period and a considerable revenue was generated. The estimated total revenue that accrued from the various projects was ₦2.9 billion. The shift was from the use of wholesale market to reach the small farm operators to the direct funding of the small farmers has considerably increased the number of beneficiaries of NACB lending activities. While the number of beneficiaries

of the bank's loan beneficiaries from inception to 1984 stood as 9665, the number rose to the current period under study to 203,648. The most logical conclusion from this increases is that the number of modern agricultural enterprises increased. Equally true is the fact that the number of modern agricultural enterprises have increased as well as the development of agricultural enterprenuership.

2.2 AGRICULTURAL CREDIT/FINANCING IN NIGERIA

(TYPES AND SOURCES)

There is a general consensus in the literature that agricultural credit can be divided into three types. According to Vasthoff (1968) individual small holders need financing of various kinds in order to develop their farms. These are usually divided into three categories.

1. Short-Term Finance

   This is required to cover seasonal peaks or demands in working capital needed for growing crops, wages, purchase of feeders and other short term assets that are completely used during production.

2. Medium-Term Finance:

   This consist of funds tied up from one to about five years in medium-term assets that are eventually used up in the production process. These assets are partly fixed capital items like vehicles, tractors implements, medium term improvements and brreding of livestock.

3. Long-Term Finance

   There is no generally accepted definition of how long term

is. Normally it runs for periods exceeding ten years and is used to buy long term assets like land that are not used up during production.

The above categorization and similar one of agricultural credit are based on the duration and usage of the credit.

However, makings (1967) while accepting the three categorization of agricultural credit based his own on the type of farmer using the loan. According to him there are three distinct categories of need in agriculture for which is required. These are:

i) Emergent farmer credit

ii) Commercial farmer credit

iii) Group development credit

Emmergent farmers are those land users little more than subsistence producers seeking to establish a foothold or footprints in the marketing economy. This group constitute of a major part of the farming population. On the other hand the commercial farmers are the important but much smaller class of those who are market economy. Lastly, this is an essential category of need for development credit for use at the group or community level and this can take the appropriate heading of group development credit.

Abe (1981) asserts that the type of finance required by a farmer are conditioned by certain factors.

These factors include:

a) Identification of and accessibility to financiers.

b) Availability of loanable funds from the identified sources.

c) Satisfaction by the borrowing farmers of the lenders criteria which are rooted in sound principles of lending.

d) Accommodation of such credit within the laws of the land and in accordance with the economic, political monetary and fiscal and social policies of the government.

2.2.1 Sources of Agricultural Credit

In trying to acquire funds/credit, the Nigerian farmer is left with raising of laon as a predominant source of funds or credit for production. This is mainly because the two other external sources and internal sources are not too viable and for most farmers meaningless. However, in raising loans there are two sources available to farmers i.e - institutional and non-institutional sources.

The non-institutional sources include relations, friends, merchant, money lenders. Loans from such sources are usually made directly to the borrower by lender and are prevelant in areas where individuals are quite familiar with and share confidence in one another. It means that, the lender knows the borrowing farmer and can reasonaly vouch safe for his borrowers integrity. The main adevantage of this is that there is relative ease of obtaining such loans which are devoid of administrative delays. According to Ijose (1972) private credit still dominate the small holder credit enviroment consisting about 86% of total credit received by farmers. Also in his study of western kwara and the recast state of Nigeria, Miller (1975) shows that the credit corporation provided only 2.9% of the credit used by 302 farmers in 1973, while

in 1973, while friends and relations supplied 47-48%; money lenders and merchants provided 14.9%. Commercial banks did not provide loans to these farmers. This trend is also true in other developing countries. See table below:

Table 5

Sources of Agricultural Credit in some selected countries (developing Countries)

	Amount/Percentage of loans given out				
Country	A	B	C	D	E
Sri-lanka	150	20	0	45	35
Colombia	433	27	69	3	1
India	8000	26	4	51	19
Philipines	1245	16	26	51	7
Costa Rica	157	70	0	20	10
Thailand	912	7	1	36	56

KEY:

A = Total loans to farmers (US $ million)

B = Loans from Public institution (%)

C = Loans from Private Institution such as Commerical banks (%)

D = Loans from Commercial lenders such as landlords, shop keepers, money, money lenders (%)

E = Loans from non-commercial lenders eg friends and relatives, neighbours (%).

Source: Agricultural Credit, World Bank (1974) in Johnson D.T. (1982) Page 69.

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Private sources of credit are usually criticized because of generally high interest rates (some 20% - 100%) per annum. In some cases it is part of the agreement that the farmers will sell their products to the lender. But despite the high interest rate charged, many a small farmer prefers to borrow from private lenders; farmers are of the opinion that private credit source have the advantage of being quicker, more personal, disbursements are made at the time of need; above all, can be obtained next door without unnecessary bureaucracy. The following reasons have therefore been advanced for the success of non-institutional sources viz:

(i) Lower risk premium

Lenders and borrowers live together. This proximity affords lenders to have full details about the farmers in the area, in terms of character, credit worthiness, farming activities, degree of interprenual ability etc; this gives the lenders comparative advantage over formal institutions with regard to this differential access to information. These lenders are therefore able to choose for themselves the low-risk farmers. Acquisition of information would be very costly for an urban institutional lender.

(ii) Lower collection costs:

With the non-institutional lenders collection of outstanding loans is usually not difficult. The lenders know the true financial condition of the borrowers, where he could be found who his relatives are; etc. The lender could apply pressure through local authorities in case the borrower defaults in repayment. This brings to the fact that there is lower cost

of repayment collection.

Lower Transaction Cost:

The informal lenders do not have to invest in putting up structures like buildings, and other infrastructures needed for the successful operation of the institutional sources. Also fixed and variable costs are typically lower for the non-institutional lenders i.e the lender does not have to employ staff etc.

Disadvantages/Limitations

The non-institutional source is not without its own problems. Paramount among them include high interest rate as stated above, absence or total lack of supervision of the agricultural activities for which the loan is sought and also the money lenders do not have the technical agricultural know-how and therefore cannot provide professional advice as the case may be in the institutional sources.

2.2.2 INSTITUTIONAL SOURCES

Institutional sources can further be categorized into

a) Domestic b) Foreign source.

A. Domestic source

Such as "Esusu" or commonly known as asusu in Hausa speaking areas. This includes credit cooperatives including traditional credit groups such as those contributing for the Esusu, friendly societies etc, were originally the institutional agencies for credit supply to Nigerian farmers. And in the last military regimes and of course the present one brought

about the "Better life for rural women" and the family support programmes. These two were established in order to better the life of the rural women folk and the members of the family in general. Recently the family support programme (FSP) have incorporated the idea of providing loans to women in all the local government area of the country in order to encourage them enter into agricultural enterprenuership.

However, while the traditional credit still persists and indeed reigns supreme in large parts of the rural areas of the country, the emmergence of banks, credit and the direct intervention of the federal and state governments in agricultural financing have brought about a significant shift of emphasis to meaningful improvement and expansion of farming. The co-operatives are organised as an apex institution and are depositories of on-lent funds from banks and other agencies for ultimate utilization by farmers.

Thus, in an attempt to help the farmers to over come some of the problems and inadequacies of the private lenders, many governments of developing countries have developed agricultural credit systems. And as observed by Johnson (1982) "Government sponsored credit is often the only type available to small holders in developed countries". A number of successful stories have been recorded (Vasthall in Kenya and Uganda). Adegeye et al (1982) also (GCDB) in the disbursement of funds from Ghana Agricultural Development Board (GADB) to farmers and the repayment of the loans is a very good example of how a development project agency can be very useful

in the provision of agricultural credit to small scale farmers. On the other hand quite a number of failures have also been recorded - this may not be unconnected with the fact that farmers were not used to institutional credit as well as the administrative bottle necks inherent in it. Others include delays in the credit delivery, provision of collateral etc.

In a survey conducted by the Food and Agricultural Organisation (FAO) 1965 to study the possibilities of strengthening the provision of credit to agriculture in developing countries, it was observed that farmers were better off, as credit institutions complete with non-institutional sources of credit. This was found to be due to the fact that a good number of agricultural banks took it for granted that a much lower rates of interest charged by their institutions would attract farmers away from the non-institutional sources and so they overlooked the impersonal character of institutional credit and all that resulted from it.

Also in Nisbet (1971) in a survey of attitudes among farmers in columbia found that despite the high interest rates, farmers preffered to borrow from money lenders than from banks. Their complaints were that institutional programmes involved too much red-tap and were said to be too slow, too rigid as regards repayments.

Adeleye et al (1982) contended that two prerequisites are normally required for suppliers of credit to agriculture to be willing to supply credit to farmers. First, the cost of credit to agriculture should not be higher than for other

purposes and secondly, the system must make it possible for farmers to pay back. These two pre-requisites hardly prevail as far as formal insitutional credit organisations are concerned. They however prevail to a large extent with respect to the informal (non-institutional) credit.

Under normal circumstances, an agricultural credit institution needs specialists to be efficient in distributing loans according to the needs of different farmers. In supporting this view Dell Amore (1973) contended that specialisation was most efficient in a system for agricultural credit which every government should work towards an ultimate aim. Alongside specialization, a second pre-requisite of a good agricultural credit system is wide geographical coverage through permanent or intermittent offices at all major rural centres. This way an agricultural credit institution can maintain continued contact with its clients and arrive at less superficial judgements of credit needs and earning capability of individual farmers.

In Nigeria today, there are four (4) categories of banks involved in and indeed directly or indirectly in providing credit to farmers. These banks are :-

i) The Central Bank of Nigeria (CBN) which by its peculiarities form a class by itself, being also the apex of the Nigerian banking system.

ii) The Commercial banks who presently supply the largest portion total agricultural credit in the economy especially for short-term purposes.

iii) The merchant Banks who are positively required to provide

medium to long term credits to Nigerian farmers.

iv) The Development banks which are required to play a very significant developmental roles by their ability to provide all the three categories of financing of agro allied industries. One of such banks:- The Nigerian Agricultural and Cooperative Bank Limited (NACB) is entirely required to finance farmers directly or through their representative bodies throughout the country.

B) FOREIGN INSTITUTIONAL SOURCES

Notable among those foreign institutional bodies are the international banks for re-construction and development (IBRD) otherwise known as world bank. Its mode of operation is to extend lines of credit to national governments for the purpose of financing developmental projects, thus sparing the task of dealing directly with numerous individual investors.

In this way the bank has made substantial loans to the federal and state governments for agricultural development projects in which a large number of the Nigerian rural dwellers are actively engaged.

Also in addition IBRD above, of recent another institution known as African Development Bank (ADB) have been found to be playing a very significant role in the development of agriculture, particularly in its main catchment areas - the African Continent as a whole because its African in Origin and its activities are directed towards African member countries only. Other bodies that provide foreign loans to the development of agriculture in Nigeria include ECOWAS fund, International fund for Agricultural Development

(IFAD), International Labour Organisation (ILO) and European Investment Bank (IEB) among others.

2.2.3 THE ROLE OF CREDIT

The role of credit to developmental projects cannot be over emphasized, one reason for the importance frequently attached to small form credit as a whole for rural development in developing countries like Nigeria is the belief that, the lack of access by small farmers to institutional lending constitutes a critical constraint in the adoption of improved inputs of modern production techniques which can lead to increased output with the resultant increase in income which consequently enhances rural welfare. In this regard if farmers are to adopt improved farming methods, such as the use of improved seeds pesticides and insecticides, etc; they will require credit especially the short-term type of credit to assist them purchase these inputs.

Mosher (1971) states that "most methods of increasing farm productivity involve the use of purchased inputs and these farms near the subsistence end users continue or grow into commercial usage, produce little cash income of which inputs can be bought". The FOA (1965) asserts agricultural credit "can make a substantial contribution to the increase in agricultural production and ultimately to raising the standard of living of the rural population in as much as it provides the farmer with a means of improving his land, use modern tools and machinery and introducing better methods of cultivation.

One can then summerize the assumptions behind the conventional credit programmes as being:-

1) The farmers need credit to adopt new technology.

2) That they cannot get credit economically (If at all from un-schedulled private sources outside the programme.

3) That the provision of credit to break the most important constraint of small farmers progress (vicious cycle of proverty).

As already pointed out small farmers constitute the majority of farmers and consequently much more will be proportionately achieved if their contribution to agricultural production is improved. But today lack of capital is the major constraint inhibiting the small farmers from increasing their productivity. Many research have indicated the potential effect of increased level of capital in agricultural production. Ogunfowara (1972) pointed out that when increased capital base is combined with improved technology, greater opportunity exist for a larger volume of production and higher levels of farm income.

The purpose of agricultural credit is to enable the farmer to purchase productive equipments and supplies. These supplies aid in accelerating the agricultural productivity.

FAO (1965) confirmed that for Agricultural credit to perform its functional role of raising farm productivity, it has to be properly utilized and this is dependent on the provision of certain pre-conditions among which are extension services, technology, education and training. FAO (1965) therefore summarizes the pre-requisites necessary for successful implementation of Agricultural credit as follows:-

1) The existence of adequate and efficient socio-economic planning and the desire of all parties concerned to implement it.

Effective planning presupposes the existence of adequate statistical material and effective administration at all levels.

2) An adequate rural infrastructure (roads, rail roads, storage facilities etc)
3) An efficient system for stabilizing fluctuations in prices for agricultural products.
4) Proper system of land tenure.
5) Adequate and effective arrangements for marketing and supply.
6) A well organised and well operated extension services.
7) Continuity in government policies.

However, the rationale for the promotion of formalized agricultural lending is based on the concrete recognition of the exploitative nature of the informal credit sources as well as their inability to cope with the ever-increasing demands for affordable credit facilities by the teeming farming population in Nigeria.

Formal sources of Agricultural finance include the commercial banks, cooperative societies, development and finance corporations as well as the merchant development bank. According to Oludimu and Fabiyi (1984), the most ideal sources of credit for agricultural growth and development is the formal and institutionalized type.

2.3 PERFORMANCE/ACHIEVEMENT

NACB as at today carries out its operations from its Headquarters in Kaduna with its seven Zonal offices and about seventy branch offices and with over 300 representative offices has made it possible to take the services of the bank to the door steps of Nigerian farmers.

NACB has performed relatively well compared to similar institutions in Africa. In the eye of the African Development Bank, (ADB) which is the apex development bank in Africa, NACB has been rated the best in agricultural development. The disbursement and recovery rates in both small-holder loan scheme and the investment loans have been very good, and NACB seemed to be most successful.

The cummulative loan approvals indicate about ₦5.2 billion has been approved, out of which ₦3.9 billion has be disbursed of the ₦3.0 billion due for repayment, about ₦2.7 billion has been recovered. The beneficiaries include over 250,000 direct small-holder farmers and more than 180,000 small scale farmers who benefited through the on-lending loans to various state government agencies and co-operatives.

Report has shown that from inception to mid-eighties NACB assisted projects were for example produced 2,198,950 tons of sugarcane, 24-4 million dozen eggs, 1,528,590 spent layers, 573,463 broilers, 266,535 tons of Rice, 59,909 heads of cattle etc.

In the provision of employment, report shows that NACB-funded projects assisted in the employment generation nationwide. In this wise, direct cummulative employment opportunities from inception (1973-1985) given the available records, created 606 posts, 1029 technical posts and 99292 other positions.

The books of account of the bank also shows that it has been doing quite well in terms of sustaining the tempo of its operation. NACB also played a very important role in the Development of Federal government projects such as the Riveer Basin Development Authority

Table 6 -

ANALYSIS OF SOME INFRASTRUCTURAL FACILITIES DEVELOPED THROUGH NACB FUNDING

TYPE	CAPACITY UNIT	1986 No.	Av Cp.	1987 No.	Av. Cp.	1988 No.	Av. Cp.	1989 No.	Av. Cp.	1990 No.	Av Cp.	1991 No.	Av. Cp.	1992 No.	Av. Cp.	1993 No.	Av. Cp.	1994 No.	Av Cp.
PROCESSING AND OTHER PLANTS																			
Rice mills	Ton/Hr							3	2.0	2	20							5	2.0
Maize sheller	"							5	2.5	2	2.5							7	2.5
Cowpea/G/Nut sheller	"	1		4	1.0	2	2.0	3	1.5									6	1.0
Feedmill	"	8	1.5	5	1.75	5	100	-	-	2	1.0							20	1.85
Generating plant	"		50							9	2.5	3	50	2	50	25		64	
Other mills	"									7	70	3	1.0	5	1.0	7		1.25	
AGRICULTURAL EQUIPMENT																			
Tractor																			
Plough	H.p	8	70	12	65	77	71	99	65	185	76	58	70	178	70	617		70	
Harrow	Furrow	10	3	13	3	80	1	120	3	96	2		89	215	3	623		3	
Trailers	Ton.	12	3.75	12	-	75		-	98	-	135	-	110	3	187	629		-	
Riggers	Row	12	4.00	7	3.75	46	3.5	60	3.5	111	3	35	3.5	87		358		3.5	
Fertilizers								71	4	132		41		127	4	448		4	
Sprayers		-	-	-	-	-	-	-	-										
incubators	Eggs	6		4	10000	8	2	78	200	45	185	2		3		23			
Cages & Nests	Birds	30	1000	60	200	85	-	-	-	-	-	-		-		-		-	
Brooders	Chicks	70		2	500	56		800	156	210	90			125		523			
Cold Rooms				60		45						148	150	33	750	2		10000	
Fishing boats	No			1		3		500				10				764		469	
Water pumps	No.	50	3"	75		42		156	3"	260	3"	85		148	3"	816		3"	

Table 7

RIVER BASIN DEVELOPMENT AUTHORITY (RBDA)

Statement of Balances of Operation as at 31st Dec. 1994

S/NO	NAME OF CREDITOR	LOAN AMOUNT (₦)	TOTAL(₦) DISBURSEMENT	TOTAL REPAYMENT	PRINCIPAL REPAYMENT	INTEREST REPAYM'T	PRINCIPAL BALANCE	INTEREST BALANCE	TOTAL O/STANDING
1.	Hadejia Jama'are	5000,000	5000,000	1,605,000	373,775	1,231,224	4,626,224	4,095,139	8,721,364
2.	Cross River RBDA	5000,000	5000,000	1,876,478	1000,000	876,438	4000,000	3,783,059	7,783,059
3.	Upper Benue	5000,000	5000,000	1,448,630	427,808	1,020,821	4,752,191	4,322,649	8,894,841
4.	Niger Delta "	5000,000	5000,000	250,000	-	250,000	5000,000	5,343,187	10,343,187
5.	Anambra-Imo "	5000,000	5000,000	989,243	282,059	707,184	4,717,940	5,146,303	9,864,243
6.	Benin Owva "	5000,000	5000,000	-	-	-	5000,000	5,546,338	10,546,338
7.	Chad Basin "	5000,000	5000,000	665,000	64,999	600,000	4,935,000	4,891,955	9,826,955
8.	Ogun-Osun "	5000,000	5000,000	62,228	-	62,228	5000,000	5,478,351	10,478,351
9.	Lower Benue "	5000,000	5000,000	989,941	-	989,941	5000,000	4,514,990	9,514,990
10.	Sokoto Rima "	5000,000	5000,000	2,953,788	1,830,627	1,123,160	3,169,372	208,233	5,977,605
11.	Niger Basin "	5000,000	5000,000	1,477,865	462,226	1,015,638	4,537,773	4,033,711	8,571,484
		55,000,000	55,000,000	12,316,123	4,441,497	7,878,637	50,558,502	49,963,920	100,522,422

Source: SHS NACB

Research Development Dept.

Table 8

NACB SUMMARY OF PERFORMANCE OPERATION FOR THE PERIOD 1985 - 1994

PERIOD (YEARS)	LOAN NO.	APPROVAL AMOUNT(₦)	DISBURSEMENT (₦)	REPAYMENT (₦)
1985	9665	668477563	478080071	160554436
1986	9453	51242111	42413837	24346387
1987	8402	148656402	66250461	52803112
1988	47470	407164639	262216056	101168529
1989	52058	560003000	445769226	127002469
1990	36897	494912000	358905302	195414959
1991	20801	429638852	165856935	197884628
1992	28566	919077530	626661067	545491727
1993	38720	858604960	895875098	658441840
1994	39269	1096919608	601600215	699178109
Total	291,301	5,634,696,665	3,943,628,268	2,762,286,198

(A) SHS and SLDP Loan Scheme 1981 - 1991

Table 9

Years	Number of Approvals	Amount Approved (₦)	Disbursement (₦)	Amount Repaid (₦)
1981	463	1086507	819171	120160
1982	423	1060152	1027119	193352
1983	1474	3123756	2492407	460194
1984	641	1590384	1323884	907537
1985	5739	11966764	9901400	1216193
1986	9234	18086111	15119657	3587343
1987	7756	14124402	12217461	6087565
1988	46154	95257959	76781734	10460588
1989	49575	119861235	98697114	29359017
1990	41550	83250526	76993962	52007419
1991	17154	5133153	41679968	59524870
	169,163	354,540,949	337,053,968	163,930,244

Table 10

INVESTMENT/LARGE SCALE LOANS APPROVED BY BRANCH OFFICES IN KADUNA STATE 1985 - 1994

BRANC OFFICE	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	₦000	₦000	₦000	₦000	₦000	₦000	₦000	₦000	₦000	₦000
FUNTUA	43756	4174	9646	5512	2493	1475	1602	2176	3140	3380
KATSINA	-	-	-	4891	1074	356	1730	560	2190	2240
KADUNA	-	-	-	7530	3425	475	1911	2695	3710	3911
KAFANCHAN	-	-	-	2073	1218	714	110	50	1940	2210

INVESTMENT LOANS DISBURSED BY NACB IN KADUNA STATE 1985 - 1994

BRANCH OFFICE	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
	₦000	₦000	₦000	₦000	₦000	₦000	₦000	₦000	₦000	₦000
FUNTUA	45120	3153	16448	4961	1747	1051	1691	1113	-	-
KATSINA	-	-	-	4358	756	291	794	488	-	-
KADUNA	-	-	-	6212	2822	1565	863	1709	-	-
KAFANCHAN	-	-	-	1598	948	910	351	232	-	-

TOTAL LOAN REPAYMENT TO NACB BRANCH OFFICES IN KADUNA STATE 1985 - 1994

FUNTUA	-	1119	-	3497	4842	3806	5734	7896	-	-
KATSINA	-	-	-	-	-	623	5190	6185	-	-
KADUNA	-	-	-	-	873	2748	5905	7234	-	-
KAFANCHAN	-	451	-	1010	419	3247	2384	2841	-	-

The NACB as incorporated in 1972 and commenced business in 1973 from the Head Office in Kaduna. The main objectives of the bank were to deliver credit to the agricultural sector of the economy, to improve the income and welfare of the Nigerian farming population, rural development and engender the overall development in the country.

As a result of this siting of the NACB Head Office in Kaduna the capital of Kaduna State, the bank have extended it services to all segments of the society in the State. At inception of operations NACB services were delivered directly from the Head Office until when its operations were decentralized to some few Branch Offices. To this end four (4) branch Offices were established in 1987/88 in the then kaduna State namely Kaduna, Kafanchan, Funtua and Katsina branch offices respectively.

In the same 1987 Katsina State was created out of Kaduna State and two branch offices were curved out of the four. Viz Katsina and Funtua Branch Offices leaving only Kaduna and Kafanchan for Kaduna State. These two branch offices became grossly inadequate to cater for the farmers in the new Kaduna State.

Prior to the creation of Katsina State the Kaduna State zone is being referred to as"Green Belt" by the Food and Agricultural Organisation (FAO) because virtually all the crops grown across the country grows favourably in the state.

Because of the inadequacy of the two branch offices left for the new Kaduna State there was mounting pressure on the two branch offices in terms of loan administration. It was for this reason that the Board of Directors of the Bank met and decided to open

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two additional branch offices so as to replace those taken over by Katsina State. These two additional branch offices are Zaria and Birnin Gwari established in 1992 and 1994 respectively.

From inception to dat NACB caters for Kaduna State Corporate bodies and certain individual clients in the State from the Head Office directly as well; individual big-time farmers whose loan volumes cannot be contained in the branch offices.

NACB at 23 years have come of age in terms of meeting the demands of its numerous clientele in the areas of loan disbursements to boost agricultural productivity/recovery, increase farmers income, improved welfare and awareness in the areas of agricultural technology.

This research work in table 11 summarizes the overall performance of NACB in Kaduna State from inception to 1994 more especially with the creation of branch offices in Kaduna State.

Table 11

ACTIVITIES OF NACB IN KADUNA STATE BOTH FROM THE HEAD OFFICE AND BRANCH OFFICES FROM INCEPTION TO 1994

1. Kaduna State Government and its agencies

Amount Approved:	₦70,698,100.00
Amount Disbursed:	₦65,112,402.00
Amount Recovered:	₦25,558,369.00
Amount Outstanding:	₦41,555,756.00

2. To Individuals and Corporate Bodies in Kaduna State (Investment/Large scale loans)

Amount Approved:	₦39,463,000.00
Disbursed:	₦20,922,887.00
Amount Recovered:	₦46,843,439.00

3. Small Holder Loan Scheme

Amount Approved:	₦23,521,883.00
Amount Disbursed:	₦22,914,509.00
Repayments:	₦17,442,514.00
Outstanding:	₦81,062,304.00

4. Totals

Amount Approved:	₦133,682,983.00
Amount Disbursed:	₦108,949,798.00
Amount Recovered:	₦89,844,322.00
Amount O/Standing:	₦122,618,060.00

The data availabe for Zaria and Birnin Gwari Branch offices established in 1992 and 1994 for the different loan heads are as follows:

Investment (large scale) projects

Branch Office:Zaria branch Office

Amount Approved	Amount Disbursed	Amount Rep'd	Amount O/Standing
₦5,233,000.00	₦3,582,486.00	₦9,305,201.00	₦9,646,831.00

Small Holder Loan Scheme (SHS)	Second Livestock Dept. Projects (SLDP)

Zaria Branch Office

Loan Approved	Amount Disbursed	Amount Repayed	Amount O/Standing
₦6,065,500.00	₦5,170,374.00	₦4,361,711.00	₦12,113,621.00

Birnin Gwari Branch Office

Loan Approved	Amount Disbursed	Amount Repayed	Amount O/Standing
₦3,390,000.00	₦192,368.00	₦314,468.00	₦4,511,170.00

FOOT NOTES ON CHAPTER TWO

1. F.A.O. (1965) agricultural credit through Cooperatives and other institutions U.N.O. Rome Pg 68

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17. NACB Digest: By U. B. Mohammed (1992)

18. Statistics Division of NACB

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KADUNA STATE



CHAPTER 3

BACKGROUND INFORMATION

Historical Development of NACB:

The Nigerian Agricultural and Cooperative Bank Limited is a specialized development bank established by the Federal Government for the purpose of extending loans for the financing of agricultural projects. The Nigerian Agricultural Bank was incorporated as a private limited liability company on the 24th March November 1972, with a paid up capital (share) of ₦1,000,000.00. This capital was raised to ₦2,000,000.00 in 1975. The bank was officially opened for operations at the Nigerian Institute of International affairs, Lagos, by the then Head of State on the 6th of March, 1973. This singular involvement of the Head of State in the official opening of the bank demonstrated the importance which the government attached to the role the bank was expected to play in the revitalizastion of the much neglected agricultural industry.

The government policy statement remains the sole reference point in assessing the impact of the Nigerian Agricultural and Cooperative Bank Limited on the Nigerian Economy.

Prior to the establishment of the bank, the financing of the agricultural sector was handled mostly by some public institution. Some of these included the Nigerian Local Development Board which operated between 1946 and 1949; the Regional Local Development Boards which took over from the former, the Western Nigerian Finance Corporation, which administered farm loans in the Western Region

between 1955 to 1965. The Western Nigerian Agricultural Credit Corporation which took over all agricultural loan operations from the Western Finance Corporation, the Northern Nigerian Development Corporation, and Eastern Nigerian Development Corporation which commenced operations in 1962/63 and the fund for Agricultural and Industrial Development of the former Eastern Regional Government.

Most of the studies carried out in the sixties showed that most of the pioneer agricultural and industial credit institutions were not successful in the delivery of credit to the required sectors.

The main reasons for the failures include:-

- low coverage of farming population
- in adequate funding
- adoption of excessively rigid and time consuming procedures for processing loan applications
- political interfearances
- infrequent project identification, preparation and appraisal
- inadequate project implementation and supervision
- untimely loan disbursements
- low loan recovery

All the earlier efforts towards the establishment of agricultural credit institutions were mainly regional based; and it was not until the Federal government accepted the stoneham report of 1969 and the eventual inauguration of the Nigerian agricultural and Cooperative Bank Limited that the first national approach was brought to bear on the administration of agricultural credits.

As at today the Nigerian Agricultural and Cooperative Bank Limited is an apex development. Like any other development bank, the specific objectives of the bank as conceived by the founding fathers are as follows:-

i) promotion of agricultural production

ii) promotion of rural development

The main activities through which the bank sought to attain these objectives include the following:

a) Granting of loans for agricultural production (including horticulture, poultry farming, pig breeding, fisheries, forestry and timber production, animal husbandry and any other type of farming) and for purposes of storage, distribution and marketing connected with such production to any State or any State institution for on-lending to a farmer, a group of farmers or any corporate body, subject to the State or State institution guaranteeing repayment of the loan.

b) Granting of direct loans to individual farmers Corporate societies or other bodies (Corporate or unincorporate) in appropriate cases, provided that the bank is satisfied that the schemes for which the loans requested are viable and there is adquate security to cover such loans.

With the expanding scope of operations of the bank, the aims and objectives of the bank have been expanded to encompass the following:

i) The promotion of improved productivity and aggregate food production in the farm sector through the mitigation of the adverse effects of the astronomic increases in the cost of

arm inputs sequel to the implementation of the Structural Adjustment Programme (SAP).

ii) Provide necessary support to the efforts of government aimed at the restructuring and diversification of the productive base of the national economy through the design and promotion of agro based, non-oil export production programmes.

iii) To address the immense distortions inpinging on the national domestic agricultural produce marketing system following the dissolution of the commodity boards

iv) To design effective programmes for the provision of adequate credit facilities to the nation's crucial target population (viz innumerable resource-poor, small holder farmers and their families) at concessionary interest rates.

v) To provide sucour to retrenched workers in both the public and private sectors through the provision of credit facilities to those of them interested in opting for farming, agro-processing and marketing of agricultural produce as alternative fields of human endeavour.

vi) To finance direct investment in the equity capital base of major agro-allied industrial ventures and also provide requisite guarantees to enable such viable ventures source extra funds at both the domestic and international capital markets.

The challenges posed by the lofty aims and objectives of the bank as enumerated above call for its implementation.

3.1 FORMATION OF NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK

Sequel to the world bank recommendation the Federal government established the Nigerian Agricultural Bank (NAB). The bank was incorporated March 24th, 1972 as a limited liability company with a paid up share capital of five hundred thousand thousand pounds made up of 500,000 shares of £1.00 each. The share capital was raised to ₦2,000,00.00 in 1975.

In March 1978 the name of the bank was changed to Nigerian Agricultural and Co-operative Bank Limited because the government found it necessary to incorporate other bodies such as the Cooperative Societies so that the bank could reach individual farmers through organised societies - The cooperatives. As a result of this change and the widening of the bank operations the bank must as a matter of necessity have a broader capital base to meet the Cooperative Societie, State government agencies, and agro-based industries in Nigeria. A proposal to restructure the share capital of the Bank was approved by the Federal government in April 1979. Consequently the share capital was increased to ₦150,000,000 and simoulteneously the ownership structure of the bank changed. The Federal Ministry of Finance took 60% Or ₦90 million of the capital while the Central Bank of Nigeria took the remaining ₦60 million or 40%. And as the operation and scope of the bank widened the share capital of the bank was increased again to ₦500 million in order to meet its obligations. Since this increase, the bank's activities have diversified and the management of the bank have a plan presently to increase the share capital from ₦500,000,000 to ₦1 billion.

3.2 OBJECTIVES OF THE BANK

In general, the objectives of the bank are to increase agricultural production and promote the welfare of the rural population by generating gainful employment in agriculture; the bank's activities cover all agricultural subsectors including livestock and crop production, fishery, forestry and timber production as well as storage and marketing connected with such production in Nigeria.

The details of the specific objectives include among others:

1) To grant loans for agricultural production (including horticulture, poultry, arable-cropping, pig breeding, fisheries, forestry and timber production, Animal husbandry and any type of farming) and for purposes connected with such production to any state, group of states or any state institution for on-lending to farmers, group of farmers, provided the loans are guaranteed by the relevant state government.

2) To grant direct loans to individual farmers, cooperative societies or other bodies (co-operate or unincorporated) in appropriate cases, provided that the bank is satisfied that the scheme for which the loans are requested for are viable and there is adequate security to cover such loans.

3) To charge interest on loans to meet the full cost of management including debt servicing, allowing adequate sums to be set aside for general and bad debts reserves before paying an individual.

4) To lend money or give credit upon the security of real or

personal property of every description and generally on a project by project basis subject to such terms and conditions as to payment of interest, inspection of the work-in-progress in field.

5) To invest and deal with the monies of the company not immediately required in shares or upon such securities and in such manners as may from time to time be determined by the company.

6) To enter into contract; concept and acquire securities make, draw and accept negotiable instruments.

7) To buy, take or lease, exchange or acquire, sell, turn to account, deal in and dispose of lands, buildings and heriditament, whether tenure, easement, concessions, claims, timber rights, water rights, real or personal property of every description.

8) To borrow or raise money in such manner as the company shall think/deem fit such as issue of debentures or stock (perpetual or otherwise) and to secure the repayment with any part of the comapny's property or assests (whether present or future) including its uncalled capital, also by similar mortgage, charge or lien to secure and guarantee the performance by the company of any obligation or liability it may undertake.

9) To carry on the business of assisting enterprises in agriculture, agro-based enterprises in agriculture, agro based industry and commerce for exploitation of forest and other agriculturally related resources in Nigeria by:-

a - assisting in creation, expansion and modernization of

services auxillary to agriculture, agro-based industry and commerce.

b - assisting in the creation, encouraging, sponsoring and fascilitating acquisition or ownership investments, shares and securities.

c - guaranteeing loans and obligations.

d - providing finance in the form of short-term medium and long-term loans.

10) To carry out consultancy and other technical and professional services for commercial agricultural, industrial and individual establishments on moderate fees and to monitor and update them as and when the need arises.

In summary therefore, the foregoing objectives are derived from the bank in two fold targets. Firstly, to assist in promoting agricultural production and rural development. Secondly, to assist in improving the incomes and quality of life consistent with the World banks' recommendation.

The key activities through which the bank seeks to attain its objectives are to find or generate bankable projects and implement them successfully. The main methods used by the bank is its financial assistance, partly by granting loans at highly susidized interest rates to all interested in agricultural financing by the bank, be it individuals, cooperative societies or large scale farmers. The banks' activities are entirely supportive of Federal government's policy on:-

- ensuring food supply in adequate quantity and quality

- provision of industrial raw material

- improving the welfare and standard of living of the rural populace

- enhancing rural employment opportunities in the country by promoting income generating activities thereby creating a more effective demand for services in the rural areas.

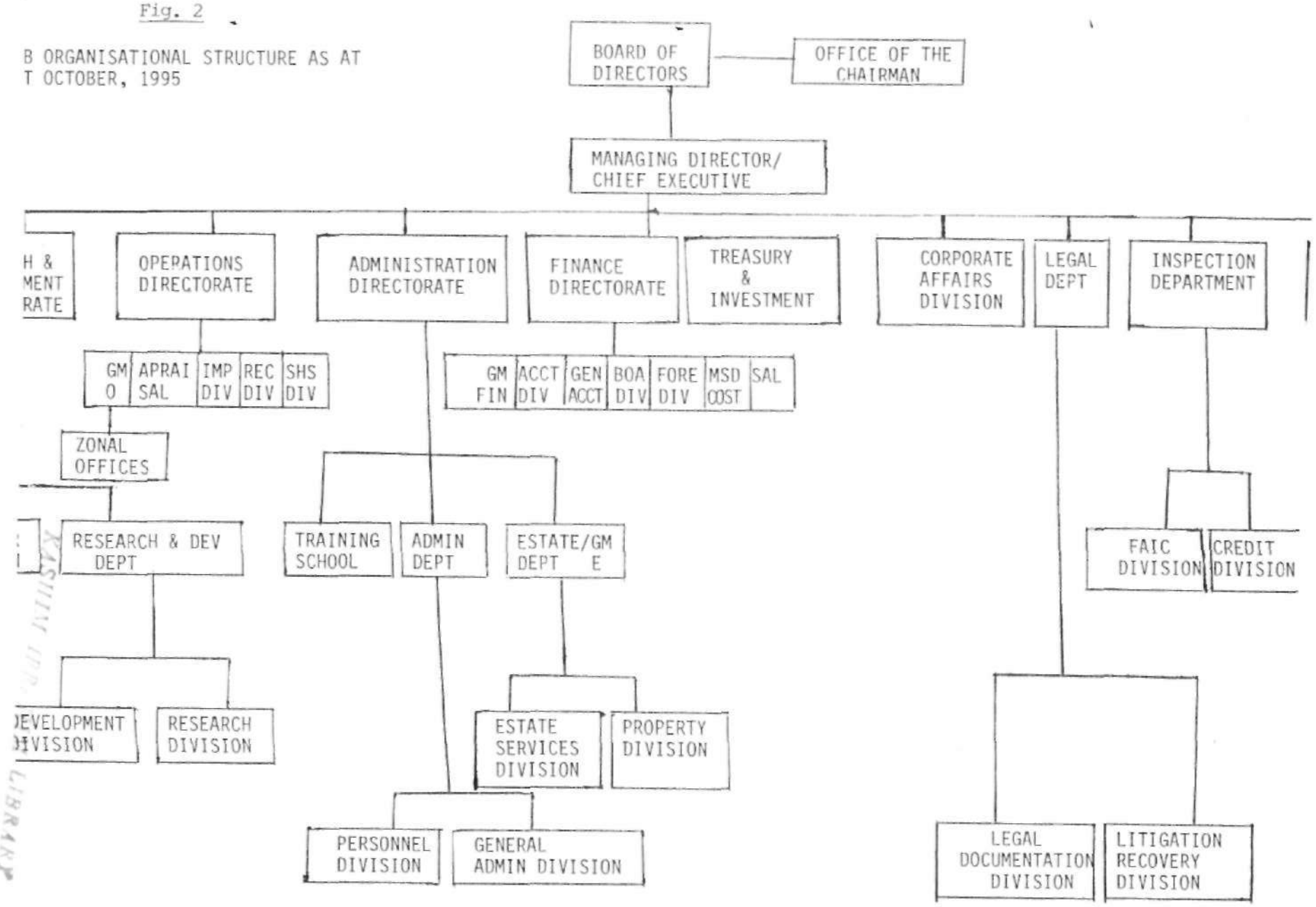
3.3 ORGANISATIONAL STRUCTURE AND OPERATION

Organisationally, the bank has witnessed a tremendous growth in its 22 years of existence. Starting operations only from its Head Office in Kaduna with just three departments - projects, operations, administration and finance in 1973, Nigerian Agricultural and Co-operative Bank Limited now has nine departments. These are Finance, Administration, Legal, Estate, Inspection, Research and Development, Operations, Investment and Treasury and Company Secretariat.

There are also seven (7) Zonal Offices manned by Zonal Controllers who are DGMs by rank. NACB Limited has also spread its tentacles to all nooks and corners of Nigeria through the establishment of the Zonal Offices, Over 70 branch offices and about 300 representative offices nationwide. Accordingly, more power has been given to these offices on various aspects of the bank's operations in order to eliminate unnecessary constraints which could militate against efficient and effective delivery services. At present the bank is being managed by a management team comprising of the Managing Director and Chief Executive of the Bank is being managed by a management team comprising of the Managing Director and Chief Executive of the Bank, four Executive

Fig. 2

B ORGANISATIONAL STRUCTURE AS AT
T OCTOBER, 1995



Directors and nine General Managers and three Deputy General Managers. The above management team is under the supervision and control of the Board of Directors of the bank. It also decides on executive matters that the management team cannot finalize within confines of its power. The management of the bank is headed by the Managing Director and Chief Executive assisted by the Executive Director Administration, Finance, Operation and Research and Development.

The administration of all the departments in the directorates are carried out by their respective General Managers, except for the Research and Development directorate which is being manned by an Assistant General Manager, while the divisions in each of the departments are being headed by Senior managers and managers respectively. In other words all the GMs report the Directors so also AGMs, Senior managers and Managers report to their various GMs who happen to be the head of department.

The staff strength of the bank as at 31/12/95 (according to our personnel records) stand to be 2,595. This includes both senior and junior staff at the Head Office and branch offices spread country wide. See Organisation structure.

3.4 NACB OPERATIONS

NACB has curved out a solid nitch for itself in the area of agricultural projects financing and today it is the acclaimed leader in the field in Nigeria. The bank operates a supervised credit delivery system through the following schemes.

a) On - lending:

Under this scheme lending is made to established institutions

against repayment guarantees for on-lending institutions which include state governments, cooperative societies, agricultural development projects and River basins and Rural development authorities.

b) Direct - lending

This loan scheme is specifically designed to meet the credit needs of the medium and large-scale farmers. Under this scheme the bank deals directly with individual farmers and farmers organisations, without going through an on-lending intermediary.

c) Small holder loan scheme

This loan scheme was first introduced in this country by NACB and it is designed to directly reach small farmers who produce the bulk of our food. This step was taken in order to meet the increasing credit demand of small holder scale farmers who produce over 90% of the food fibre requirements of the country. The security requirements such as certificate of occupancy (C of O) of project land and other security requirements applicable to the direct lending are waived for borrowers under small holder loan scheme. What is required is only that the farmer satisfies operational staff that he is largely full time farmer with a farm land belonging to his or her family. That he/she is resident in the locality where the farm land is situated. He is also required to produce two guarantors to guarantee the loan within his/her locality.

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d) Special small holder loan scheme

As the name indicates this is a special lending scheme designed to reach the small scale farmers. The disbursement is supervised by the State Ministries of Agriculture and directly controlled by the offices of the State Governors. The tenure of the loan under this scheme is one year. One of the differences between this scheme and the on-lending is that, further loan will not be made to a state government until the previous one is fully repaid.

e) Workers scheme:

Moved by the plight of the retrenched workers, the bank has created an avenue for them to earn extra-income as well as contribute their own quota towards the growth of agricultural output of the nation. To this end ₦500,000.00 agricultural revolving loan is allocated to each state branch in the Federation. The only adequate standing.

f) Marketing loans:

In order to reduce problems poised to peasant farmers by poor transportation and inadequate marketing facilities, the bank resuscitated the granting of marketing loans to clients to enable them purchase excess crops during harvest seasons. It is evisaged that this will eliminate wastage and serve as incentive to farmers to produce more.

g) Agro-industrial service:

As a way of contributing to the rural inputs availability pool and show the way in product standard (e.g feeds), the bank has venture into the areas of inputs in order to alleviate

the present problems in this vital sub-sector. For example, NACB now supports through joint venture projects in the production of:-

a) Agricultural chemicals

b) Day-old-chicks with parent stock-outfits

c) Livestock feeds

h) Consultancy service:

The bank has now a subsidiary - a consultancy company named NACB Consultancy and Finance Company Limited (NACB-CFC). The comapny's consultancy service of this subsidiary is among the best in the country.

i) Livestock credit unit (LCU):

Is a unit of the operations Department of NACB to implement the credit components of the second livestock development project (SLDP) which is a world bank assisted project (in the northern part of Nigeria).

However, to attract the NACB funding of the above projects they must be economically viable and desireable. That is, it must show clear evidence of developmental value to the nation as a whole. The projects must be capable of showing satisfactory returns on investment and must not conflict with any federal government policies or existing decrees. More importantly the project must be capable of generating adequate funds to repay the loan in full, in accordance with stipulated and agreed terms and conditions. Further more, the applicant/prospective client should prove his/her ability to manage a project in a sound and commercial way, posses

a good business reputation and financial standing and have a genuine and clear title to the land on which he is cultivating. In addition loan beneficiaries of NACB are prohibited from borrowing elsewher except with the permission of the Bank. The repayment period is determined in relation to the gestation period of the project and the return on investment. See table of summary of NACB operations in 1985 to 1994.

Between the periods 1986 and 1987 the loan approvals put together is relatively low but characterized with relatively low disbursement and repayments.

For the period 1988 and 1989 the number of loan approvals increase the loan volume was also raised as well as the repayments. By this it means that during that two growing seasons the farmers witnessed pumper harvest and there were markets for their products and therefore the farmers were able to repay their loans as demanded of them.

In 1991 the loan approval was reduced but the recovery was also high, this may not be unconnected with the recovery of the loans that were not repaid the previous years.

In 1994 the loan approved was raised but the disbursement reduced compared to that of 1993 but recovery was good as outstanding loans were seen to form part of the recovery in 1994.

Generally, over ₦5.00 billion loans were approved and about ₦4 billion was disbursed and only about ₦3 billion was repaid; this constitute more than 55% of the total loans disbursed and about 45% still outstanding with the farmers over the past ten years of agricultural funding by the NACB to about 291,677 beneficiaries.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

This chapter is concerned with the research methodology being used in the research work. It is concerned with the methods employed in gathering information and analyzing them. The chapter starts with the identification of the hypothesis of the study. It then proceeds to discuss the sources of data which were mainly primary and secondary. The techniques of data analysis and the empherical results constitute the remaining parts of the chapter.

4.2 Hypotheses

The hypotheses will serve the dual function of guiding data collection as well as they way the data will be organized most effectively in the analysis. The hypotheses of the study are therefore stated as follows:

Hypothesis one:

"Farmers in Nigeria depend on external source(s) of credit from Agricultural development financial institutions in order to boost agricultural production"

This hypotheses postulates that the Nigerian agriculture is characterized by small holdings, low level income and therefore low level

production. As a result they can hardly generate sufficient savings either individually or collectively. Their inability to rely on internal sources to expand their operations makes them highly pre-emptive to external sources of funds to enable them carry out their farm business operations. Thus, the amount of external financing required by a farmer is dependent upon:

(i) the farm holding

(ii) internal funds available

Therefore, the variables to be examined are the holdings of the farmer, the farmer's propensity to save and his frequency of obtaining loans.

Hypotheses two:

"Farmers credit Institutions enhance the success of credit programmes". This statement is based on the assumption that the credit is supervised credit, describes a system on credit provision that aims at increasing productivity through proper co-ordination of credit provision and availability of effective extension services. Thus the success of the credit programme will be measured by the extent to which credit is given to farmers as well as the level of loan repayment. In order to determine how effective the institutions give credit to deserving farmers we shall examine the under-mentioned variables:

a) Loan disbursements

b) Loan repayments

c) Cooperatives

d) Administrative costs

Hypotheses three:

"The effect of TIME on the release of inputs and finance to farmers and how this affects loan repayments and the credit programme as a whole.

The implementation of any agricultural programme is not always without some organizational and operational problems. This also applies to the NACB. These problems could be categorized into:

i) Those faced by the farmers in Kaduna State and the Nigerian farmers in general

ii) Those faced by NACB

A number of these problems may be identified and discussed under each category. But of special interest here are the problems of untimely release of loans and the farmers poor attitude to loan repayment and how these affects the success of NACB's credit programme. Late release of loan will affect attainment of crop target and this will result in poor repayment. Information to test these will be obtained from responses to certain questions raised in the questionnaires administered as well as personal interviews conducted.

4.3 METHODOLOGY

The findings of this research work is based on two main sources of data. These are:-

i) primary data

ii) secondary data

Primary data are those unprocessed data collected by the researcher from the field for the purpose of evaluating the research work. Examples of primary data are those obtained from the farmers directly through personal interviews and questionnaires - in other words primary data are referred to as first - hand information (data).

Secondary data refers to the already processed data which in turn is to be used by another researcher. Examples of secondary data Annual reports, research publications, magazines etc.

Primary Source

For the purpose of this research work two sets of questionnaires were used in addition to interviews held with the farmers as well as some personnel of the NACB. The questionnaires were served in September through November when farmers were still busy harvesting and getting set for the on coming farming season. It took quite sometime to gather the information required. Data obtained from this source are those to complement the ones

from the Secondary source.

Secondary Source

The study made extensive use of secondary data. The main sources of information were the administrative department records, various books, journals, annual reports, bulletins and other publications.

Data Collection

For the purpose of this research work the main method of data collection is the primary source. This include the use of interviews to farmers right on the farms and at home and market places. Questionnaires were also administered.

Data Analysis

In data analysis, simple statistical computations were used. A statistical method used at arriving at averages and percentages were also used in analysis and interpretation of data.
- thus the analysis is devoid of complex mathematical analysis.

The data collected were through the help of random sampling of respondents.

Techniques of Data Analysis

A total of one hundred and fifty questionnaires were served to farmers in the whole part of the State with each questionnaire carrying questions with a multiple choice answers and space

for further comments. Random sampling technique was used in serving the questionnaires to farmers. To allow for equal representation and spread, fifteen farmers were served with the questionnaires in the areas of Maigana, Kaura, Pambeguwa, Kafachan, Zaria and Birnin Gwari; others are Kachia, Zango and Saminaka. These areas were selected due to spatial limitations as well as their proximity to NACB.

EMPIRICAL RESULTS

The results were categorized under the need for agricultural credit as well as sources and operations of agricultural credit institutions.

Need for Agricultural Credit

As stated earlier, this need arises due to the nature of modern agriculture which is becoming more capital intensive because of application of new methods and techniques of production, thereby posing lot of financial problems. Funds are needed to buy production inputs as well as to provide working capital. Indeed, the absence of regular income sale and an irregular outflow of payments for production cost makes the need for financial credit imperative. The funds however, could be available through any of the following ways:

i) internal financing

ii) external financing

Accordingly all farmers in the survey were asked

to respond to their sources of credit.

Table 11

Source	No. of savings	Borrowings	Both	Total
No. of Response	10	110	30	150
Percentage	7	73	20	100

Table 12

Frequency of taking loans

No. of times loan was taken	No. of Respondent	Percentage
1 - 2	17	11.30
up to 4 times	30	20.00
up to 6 times	39	26.00
up to 8 times	44	29.30
up to 10 times	20	13.40
TOTAL	150	100%

The external sources can be further divided into institutional and non-institutional sources. The non-institutional sources include friends, money lenders etc; while institutional sources (which is more emphasized) comprises of banks, cooperatives and agencies like women commission, family support programme FSP, international labour organization (ILO) ECOWAS FUND, World Bank, ADB etc.

Which sources do farmers prefer?

Table 13 Sources of Finance to Farmers

Sources of credit	No of farmers Borrowing	Percentage
Money lenders	10	7
Friends & Relatives	20	13
Through-Cooperatives and other govt. agencies	40	27
Directly from Banks	80	53
Total	150	100%

The empirical study enables the researcher to know the extent to which the people and organizations actually benefit from such services of the Bank and also the extent to which the combine effect enhances economic growth in Kaduna State. See Table

CHAPTER FIVE

DATA ANALYSIS AND PRESENTATION

5.1 DISCUSSION ON RESEARCH FINDINGS

From the research it was found that most farmers still depend on external financing. This dependence on external financing is further confirmed by the fact that 99 respondents (66%) saved ₦0-2000 from their income while 15 or (10%) saved ₦2000 and above. This low propensity to save among farmers is partly accounted for by their Small holdings and consequently low income. Until 1987, the average holding per farmer has been 3-5 hectares and an average return of ₦600 per hectare. This amount is hardly enough to sustain the farmer and his family and still save some amount for the coming season. A total of between 75% to 85% of the respondents are characterized by holdings between one hectare and two hectares of land respectively. However, as a result of improved practices as well as price increases both the yield and return per hectare have gone up. And both return per hectare and per farmer as at 1988 were ₦2,500 and ₦1,800 with an average holding of .7 hectare. Despite this apparent improvement in the return per farmer,

farmers still save little and depend on external borrowing as shown by the number of times a farmer has taken loan fro the past ten (10) years. More than 29% of the total number of respondents had taken loan up to 8 times. This poor capital base has led to a poor capital formation in agricultural sector. this is so since capital formation to be adequate should cover:

a) the purchase of all new machinery, equipment and other physical durable assets.

b) the replacement of equity surrendered by discontinuing proprietors.

c) the acquisition of inputs which are required to produce crops, livestock and other

inventories of the farmer. Furthermore, capital once formed will be sustained through

- contributions of the owner of the farm.
- retained earnings ploughed back into the business
- depreciation methods on fixed assets.

As a result of increasing number of farmers applying for loans, agricultural banks like NACB have not been able to cope with such demands. So far, the NACB has been able to provide loans to about 58% of the total number of farmers that apply for loan. The Commercial banks are not helping the situation as they are always not

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willing to provide credit to farmers. In 1985, only 9% of loans given out went to farmers. Indeed, in the future small scale farmers will still doubt rely increasingly on the use of borrowed funds to finance their operations except the vicious circle is broken. It is also important to note that a major factor in capital formation through borrowing is of course the interest rate. While in the advanced countries, the interest rate structure is responsive to swings of economic forces and is therefore elastic, the same cannot exactly be said of Nigerian situation and Kaduna State in particular.

5.2 SOURCES OF AGRICULTURAL CREDIT IN NIGERIA (FINANCING BY NACB)

As revealed by survey, two major sources of funds are available to the farmer, i.e. the non-institutional and institutional sources. The research revealed that the informal sources (non-institutional) is still important to farmers as they account for over 50% of the total credit. However, this shows a significant drop from what Ijose's (1972) findings revealed. Where the sources accounted for about 80-85% of total credit received by farmers. Also Miller (1975) in his study of 302 rice farmers of Western Kwara showed that informal sources dominated the credit of

these farmers constituting about 97% while credit corporations provided only 3%. Some of the reasons advanced for the drop in non-institutional sources include the excessive interest rate charged. In some cases the farmer may be required to make a down payment if he is negotiating to purchase a farm business. The problem with this type of transaction is that higher the down payment, the more difficult it is to obtain sufficient funds to run a farm business, the lower the down payment the more difficult it is to make the instalmental repayments after the business has been purchased. However, some of the reasons why farmers prefer the private sources are discussed below.

Indeed, there is endemic problem with most of the peasant farmers concerning their lack of knowledge of even the sources of credit or terms of loans. Owing to the low literacy level among the preponderance of the full time farmers and also due to inadequate communication facilities in the country, most of the farmers are not in a position to indicate or understand the names, location and types of existing credit sources much less of the import of interest rates which apply to farm loans. However, only respondents that know about the existence of such agricultural

institutions as NACB were interviewed.

Certain credit institutions notably the banks would want to be satisfied with the quality of the Management of any venture into which they are being called upon to invest. But unfortunately very few farmers in Nigeria possess the necessary managerial skills or the technical knowledge which would adequately meet the standard expected by these credit institutions. A survey carried out in 1978 by the agricultural finance department of Central Bank of Nigeria revealed that more completion of loan application forms are being considered by many farmers as an impediment to their efforts to procure loans. In the case of NACB, apart from filling the application forms, the farmer needs two guarantors to help fill some forms as additional security for the Bank (see appendix)

Nigerian farmers irrespective of the scale of their operations generally complain about the insistence of credit institutions on the provision of collateral. The traditional Land Tenure System in most parts of the country does not allow for the types of fitness a typical credit institution looks up to, regarding identification of unit farm boundary, documentation of land ownership claim and availability of some data or statistics to

assess the value of the land. Even the Land Use Act which came into operation years ago has helped the situation significantly. Indeed, the effect of the Act on farm holdings has hardly been noticed. If anything banks in particular finds themselves bewildered by the long delay it takes the authorities to issue certificates of occupancy in respect of farm land over which the Bank holds a lien. It is on this question of collateral that banks are being urged to demonstrate some flexibility. Few Nigerian farmers can produce security which would satisfy a typical bankers criteria as to the adequacy of value vis-a-vis the loan and the marketability of the collateral provided and the cost of executing the mortgage deed r transferring the title to the credit granting institutions. Under the NACB Small Holder Scheme the issue of collateral has been waived for the farmer.

Most farmers also encounter difficulty in complying with the Banks' demand for feasibility reports on the projects for which credit is required. It is a sound principle of lending for both borrower and lender to ascertain the viability and profitability of proposed project especially one requiring a large financial out lay. What bothers the farmers is the huge cost of

procuring the feasibility report and the attendant delay involved in its operation.

As a result of the above therefore farmers say they prefer the private sources because they are quicker, less cumbersome, more personal and informed and above all can be obtained next door without unnecessary formalities.

5.3 OPERATIONS OF NACB LTD KADUNA STATE

5.3.1 Loan Disbursement(as strategy for improved performance in Kaduna State

A principal feature of the operations of the NACB is that all its loans have so far, been approved for indigenous persons and enterprise. The number of projects approved for assistance rose steadily from 539 in 1986 to 36,683 in 1989 but went down drastically to 21272 in 1994 allegedly due to lack of funds. The cost of projects sanctioned in 1986 amounted to ₦5,101,370 million rising to ₦38,165,125 in 1986 amounted to ₦38,167,612 in 1993. Disbursements dropped short of total approval in all the years except in 1995. However, disbursements increased from ₦7.7 million in 1988 to ₦30 million in 1988, and ₦43 million in 1995. All

the disbursements went to co-operative farmers in 1985 for marketing purposes.

From the survey and research conducted it was found that a number of projects were financed in Kaduna State through NACB Credit Financing from inception to 1995. Amongst the projects so financed are the cattle fattening, goats and sheep nearing, poultry marketing of Agricultural produce and by produces, Arable farming among others. The Arable is further sub-grouped into SHS/SLDP and also investment projects respectively.

The amount approved and those disbursed from 1973 to 1985 were compressed and 1985 was taken as a base year for computerization purposes. The amount approved, disbursed and repaid could be seen in table 12.

The beneficiaries of such loans from 1985 to 1995 have been individual farmers corporate entities, state government agencies and cooperative societies.

The trend of activities for the period under consideration in Kaduna

State is that more and more farmers, government agencies, cooperative societies, companies and individuals (Small Scale Farmers) have benefited from NACB Credit Financing. From the foregone it can be observed there has been steady growth in both the disbursement and repayment which means that more and more projects have been financed and more and more farmers have benefited tremendously from the agricultural financing by the NACB figure summerises such activities 81.5% of the total loan approved from 1985 - 1995 have been repaid which means that the performance of NACB in Kaduna State have been very encouraging.

Another aspect of disbursement is Timing Agricultural Credit be it in kind or in cash must be timely. If provided too early or too late if leads to diversion or loss. How timely are the loans being enjoyed by farmers is pertinent question to ask here. The NACB Staff contended that timing depends on the time a farmer applies for a loan. A maximum of two weeks was given for

approval and disbursement of a loan that was applied for before beginning of a season say around may. They assented that at that time they had meetings frequently and decisions were taken instantaneously.

5.3.2 Loan Repayment

Credit normally is used synonymously with borrowing and both terms imply that the transfer of funds from the lender to the borrower is temporary. Loan repayment is assumed. Small farmers consistently have deliquency problems which means they can repay the loan but do not want to or they are unable to repay the loan when it becomes due without placing themselves in a worse condition compared with their status before the loan was obtained.

Informal lenders do not have much difficulty in collecting their payments as they can apply religious, social or traditional legal pressures; the loan can also be repaid either in cash or kind.

Credit institutions face major

problems in debt collection . In an ideal situation, a government credit programme for small farmers should function as follows: the Government or Central Bank loans money to a credit institutions which in turn lends the funds either directly or thrcugh cooperatives to small farmers. The farmer uses the funds to purchase productive inputs which are combined with family labour to produce more output. The additional output is sold and the proceeds are sufficient to repay the loan and leave the farmer better off. The payments received from the farmers by the institutions are sufficient enough to regenerate lending capacity to cover administrative costs and repay the interest on the government loans such a programme consumes no resources; the money committed simply constitutes a revolving loan.

However, between the model and reality something often goes wrong. There may be no increase in agricultural production following the credit programme in many cases. And also there is the direct lending made by the NACB to Small Scale Farmers. Therefore, because of a high rate of default the funds pledged by government to agricultural credit do not regenerate themselves. Johnson (1982) notes that the average repayments rate for institutional lending in tropics varies widely from 18% in Jordan to 98% on the Lilongwe Land Development Programme Seasonal Credit Scheme in Malawi. In the case of NACB, out of 174.7 thousand total due, 130.90 was actually repaid constituting about 74% of the total dues.

The high incidence of default raises a number of questions concerning:

i) the economic criterion used in granting the loans

ii) the accuracy with which farm plans and budgets

the corner stone of supervised credit program

iii) the timing and procedure of debt collection

iv) farmers ability to produce and their attitude to repayment of debts to government agencies.

However, the following factors can be identified as some of causes of deliquency (and eventual default).

a) Capacity and will to repay by over lending

b) Inadequate technical assistance

c) Political influence

d) Natural disaster

Capacity and Will to Repay

Tinnermeier and Finn (1975) observed in their study of the plant costa programme in peru, they observed that farmers cultivating a relatively small area (less than 3.3 ha) showed high deliquency rates than farmers cultivating larger farm holdings (3.5 - 30 ha). The poorer repayment performances of small farmers is undoubtedly related to their higher subsistence needs relative to farm income. Because of the size of their holdings, only small amounts of loans will invariably be granted them as was demonstrated by Jose and Abaelu (1973) that almost 90% of loans granted by the Western Nigeria agricultural credit corporation (WNACC) to small farmers were less than ₦80. Marginal return of such loans may not be able to supplement the farmers subsistence needs and still leave them with enough to repay both capital and interest.

In some cases, farmers tend to regard government loar hand out of their own "cuts" of national cake. Some wou beneficiaries/applicants even suggest the appropriate of distribution - equally among local government are

TABLE 12

KADUNA STATE OPERATIONS FROM 1986 - 1995

	APPROVAL		DISBURSEMENT	
YEAR	NO	AMOUNT (₦)	AMOUNT (₦)	REPAYMENT AMOUNT (₦)
1986	539	5,101,370	4,075,095.80	3,913,008
1987	472	10,683,719	7,758,025.59	3,496,919
1988	845	38,165,124.35	30,647,498.36	3,245,317
1989	36,683	24,637,980	26,810,695.36	4,065,044
1990	5,541	16,044,736	20,958,873.18	15,491,318
1991	4,656	23,951,423	20,618,025.83	23,306,752
1992	5,600	23,921,568	22,978,463.74	22,207,887
1993	3,167	38,167,612	27,960,815.40	40,270,670
1994	2,272	27,997,973	24,290,606.00	28,843,889
1995	1,668	15,467,030	43,220,102.00	42,141,756
TOTAL	69,019	241,138,535	229,318,197	186,982,560

regards to prudent banking practices and norms. They therefore tend to develop an attitude of non-repayment particularly when they discover that the more influential members of their community have not paid back their loans.

Inadequate Technical Assistance

Adequate technology has been stressed as one of the vital conditions of the success of credit programme. Donald (1975) showed that only a few projects provided profitable new technology and these were programmes with high levels of loans repayment.

Much as one would accept the principle of repayment, its chances are increased if the credit leads to increased output. In other words, if the loan beneficiary is helped, with improved technical assistance to increase his output and income the persons ability to repay became enhanced. In the case of FAID as reported by Ugoh (1973) it would appear that once the bank got an acceptable security, they did not care whether the credit led to an increase in the beneficiary output or not.

Political Interference

Where political influence is allowed to interfere with the granting of agricultural credit the institutions are often faced with difficult repayment problems. In Nigeria Osuntogun (1973) indicates that some loans were made without any technical analysis of borrowers farming operations and even without clear cut identification of such borrowers as farmers. In some cases many so-called farming loans went to Board members, petty traders and non

farmers. in a few cases loans were even applied for and granted to dead persons. In such circumstances, there cab be no follow-up and could result in losses of reasonable amount of money.

Natural Disaster

The natural environment and general standards of farming are still susceptible to natural disasters. In the tropics, the rainfall season sets a great limitation on farming. Draught (minor and major) occur from time to time and yields are affected to a greater or lesser degree depending on the degree of severity of the draught. with little or no crop and livestock diseases and ill-health or even death of the farmer or member of his family (source of labour supply) are yet another source of objective risks. with poor disease control, one could accept that, once in a while an illness could seriously deplete the farmers repayment capacity.

5.3.3 Cost To Credit Institutions

The cost of providing credit is measured by the interest rate charged.

When one lends out money, one expects a reward for denying oneself the use of that money for current consumption or for investment in other ventures. The reward for lending meney should also take care of any inflation which will make the money buy less when it is repaid as well cover any costs incurred in the process of lending out and collecting back the money. In other words, for a successful credit programme with respect to credit institutions, it is important that the interest rate charged should be able to cover the opportunity cost and administrative costs. Adegeye et-al (1982) contend that the "cost of providing credit which is measured by the interest rate therefore not only basic opportunity cost of capital i.e. the next best use of meney but also the cost of supervising the loan (administrative charge) and a risk premium for the possibility of default in repayment as well as charge for possible inflation". Some of such costs to consider include:-

i) Opportunity cost of resources loaned

The prevalence of alternative development programme in developing countries make the opportunity cost small farmers credit very high. Institutional lenders usually receiver funds at a rate which is already subsidized either from internatioanl agencies. As a result small scale farmers who are more prone to risks have very low interest rates on their loans which has been pegged by the Central Bank of Nigeria. In the study small scale farmers who are likely to have risk of about 705 higher than medium and large scale farmers had their interest rate recently increased from 15% to 17%

while the larger farmers had their own increased from 18% to 22% respectively.

ii) Administrative Costs

These are the expenses related to the process of granting, supervising and collecting the loans. These expenses usually take the form of wages, salaries, purchase of supplies, material and equipments and transportation. The staff of NACB complained that it was easier to administer large loans which they said was in the order of 0.3% to 0.5% of the cost of the loans, such cost rose to a range of 2.6% to 2.7% when lending to small enterprises. This they say is caused by the amount of paper work and time spent in processing the loan by many small borrowers as well as the expensive visit to the farms which are small and scattered all over the place.

iii) Costs resulting from losses due to deliquency and defaults

The risk that every lender has to consider include:

a) Objective risks: deriving from events that might make it impossible for the farmer to pay back the loan and which are not within his control e.g. flood, draught or death. Statistics have shown that about 15% of the default rate on NACB loan was caused by such risks.

b) Personal risks: which depend on the farmers ability to produce income - his enterprenual capacity - as well as on his character and attitude towards repayment. Definitely if all due consideration were to be given to the costs involved in administering loans, the rate of interest would be pitched too high. However, with a very low interest rate, many

applicants now resort to borrowing under the small holder loan scheme to the exclusion of the real small holder farmers. Banks now have to deal with emergency, farmers who obviously know how to borrow from banks but turn out to be unsuccessful except to continously request for extension of dates enhancement of loans etc.

5.3.4 Operation of Co-operatives

As mentioned earlier, institutional or formal lending organisations are faced with a number of problems. Because of the difficulties of reaching the small scale farmers in the villages, and the high administrative costs of making and supervising small loans have been tried in developing countries. Indeed from the research work about 53% of respondents get their credit through group loans - cooperatives. Furthermore, findings indicate that a total of ₦404,598.00 has so far been approved for cooperative projects. The approval for cooperatives was about 28% of the cummulative approvals as at 1988. This looks apparently impressive. The second table provided i.e. Table 2.3 shows the trend of the number and amount approved for cooperative loans by the NACB from 1980 to 1987. An analysis of the trend reveals an encouraging state of both the number and amount of loans channelled through the cooperatives of late.

Some of the reasons for this state of affairs include the following:

a) Most of the existing registered cooperatives are presently disorganised

and hence are unable to articulate proposals that can attract credit.

b) The claim in some quarters of over Interference by government officials in the management of the affairs of the Cooperative Societies in the State.

c) Leadership tussle and lack of unit in some Cooperative Societies in the State.

d) The inability of the Cooperative Societies to secure guarantee from the sponsoring ministries on government agencies or to provide reality for securing loans.

e) The lack of enthusiasm on the part of the relevant ministries in the States to promote the establishment of new and viable Cooperative Societies.

e) The unreliability of the records of most of the Societies that makes it difficult for them to attract credit at the appropriate time.

The application of these is that the Cooperative are poorly manageed. With poor financial management and low prudence and unsatisfactory level of accountability, capital build-up is hampered.

There is an accompanying laissez-faire attitude on the part of the members towards the affairs of the Society and the members have not yet embraced the fact that modern Cooperatives have to be business oriented else they cannot compete for the limited loanable funds available. The end result of these is that Cooperatives are unable to attract loan funds with ease.

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CHAPTER SIX

6.1 SUMMARY

A vicious circle of low level output, low level income, low level savings and low level investments resulting again in low level output is characteristic of small scale farmers.
Small scale farmers are poor because they cultivate small areas from which they produce little output and hence sell only a small amount which in turn cannot help in expanding the farm or acquiring new technology and consequently the cycle continues. Thus the establishment of Nigerian Agricultural and Cooperative Bank (NACB) and the Agricultural Credit Guarantee Scheme (ACGS) by the Federal Government and the setting up of Cooperative Banks by various State Governments are some of the concrete steps taken to grant credit to small farmers which will help in breaking this cycle.

The study in Kaduna State has demonstrated that farmers especially small scale farmers need credit in order to boost productivity. But credit per say will not lead to improved productivity and profitability if not well utilized. Agricultural credit is a problem when it cannot be obtained or if obtained in such a form that it does more harm

than good to the borrower. For a credit programme to be successful in making a substantial contribution in increasing productivity, conditions must exist for the small farmers to be able to improve their land, use modern tools and machine and also introduce better methods of cultivation. Such a credit programme must be backed by markets that can supply the necessary inputs and absorb the output. Thus, just providing credit alone turns a poor farmer into a good one. Credit misused can be (and often is) a serious lability to the small farmer such that instead of being seen as a crutch to help farmers raise their productivity and leaving standard it becomes a financial cross upon which they (farmers) will eventually be nailed. Thus, an integrated credit programme of supervised credit which is fully backed up by efficient extension services will enhance the success of the programme. A supervised credit scheme will supply the required funds and to some extent partly help in acquisition of and ensuring the proper application of appropriate technology.

Agricultural credit in Nigeria has been characterized by reluctance by credit institutions to provide adequate loans to small scale farmers. The reluctance by the commercial banks especially,

is due to the high administrative and operating costs usually associated with small farmers credit and the even greater problem of getting repayments later. Agricultural credit is usually the least and often the most dispersed of all institutional lending to the various sectors of the economy. This explains why informal lending organizations still thrive among small scale farmers despite the high interest rates charged by them. (informal lenders).

Thus, it can be concluded that although credit financing through institutional sources like the NACB has helped in ameliorating the problem of farmers especially small scale farmers, the problem of agricultural finance still bothers on finding adequate fund for agricultural development, identifying the right farmers who would benefit from such fund, extending such fund to these right farmers on acceptable terms - acceptable that is, to both funding agent and the receiving farmers.

6.2 RECOMMENDATIONS

This work will be incomplete if some recommendations are not given. Consequently, recommendations are proffered her on.

1) Problems of agricultural credit delivery more especially (the small scale credit) as small

scale farmers form the larger part of the farmers.

2) Pre-conditions for a successful agricultural credit programme.

3) Criteria for success in the operation of an efficient credit institution.

Problems of Small Credit Delivery

Delivery of credit to small farmers is characterized with problems. A resume of these problems is given and suggestions made:

(a) Difficulty in reaching farmers

Small farmers are scattered and characterized by isolated small holding in remote areas. They can only be reached at high administrative costs. To rectify this this problem some strutted changes in the rural set up is necessary. It is recommended that farmers should come closer, form larger communities and organise themselves into cooperatives. Here, divided cooperative farming is highly recommended. Divided cooperative farm (Block farms) is where a sizeable plot of land (up to 10 ha) owned by general farmers is declared a cooperative farm and certain production functions are explicitly assigned to the cooperative (such functions include the supply of

inputs, hiring of machines, marketing etc), while the actual cropping is left to the individual farmers. Cooperative farms make supervision and mechanization of farming operations easy and also creates an environment of healthy rivalry among the farmers working on the block farm.

(b) Means of channelling the credit

As mentioned earlier, the cost of small credit and general agricultural credit administration is excessive. The result is that banking institutions find it unprofitable to provide small loans to a large number of farmers. More often then no they prefer to lend to manufacturing and other profitable sectors of the economy while neglecting agriculture. When agriculture is eventually considered, preference is given to large scale farmers. Cooperative institutions being grass-root oriented organization are appropriate organs through which credit to small scale farmers can be channelled. They can link credit with marketing and repayment collection machinery can be built into system easily. In other words, cooperative societies may be used as agents for the credit institutions to give and receive money on its behalf.

(c) Staffing

Credit institutions need specialists to run efficient credit programmes. Thus for any agricultural credit programme to be successfully run, it requires staff with technical competence in both Agriculture and Credit. Therefore, the need to have and train a high calibre of staff to carry out the programme cannot be over-emphasized. Such a staff will not only supervise the issuing and use of credit but also provide technical advice on the use of new technology.

(d) Loan repayment is always one of the problems of small farmer credit and no credit programme can succeed if loans are not repaid. Therefore in planning a credit programme a system has to be devised so as to make credit facilities available to a large number of small farmers without increasing unreasonably the incidence of default. Strict requirement of collateral will limit the number of beneficiaries. The following recommendation could help ameliorate this problem:-

(i) promote the formation of cooperative

societies as media for channelling of loans and collection of repayments.

(ii) integrate marketing of produce and repayment collection.

(iii) Embark on a serious education to change attitudes of farmers towards repayments, the objective being to make farmers see credit as loans to be paid back and not part of their share of the "national cake".

PRE-CONDITIONS FOR A SUCCESSFUL AGRICULTURAL CREDIT PROGRAMME

It has been shown that credit is an important factor in raising farm production. But the major important question is whether credit per se can be used as a tool to initiate development or whether certain actions should precede it. FAO (1975) has shown that credit can seldom be used to initiate more productive methods. There are however, some basic pre-conditions for the effective and profitable utilization of farm credit. These are aptly summarized by Donald (1976) when he says that "for the success of credit programme more than money is needed.

There must be a new technology and market that can supply additional inputs and aborts additional outputs, institutions willing to lend to small farmers on terms, the farmers consider attractive and perhaps most importantly farmers willingness to borrow, invest and repay. Thus, just providing credit to farmers is not sufficient to increase his output. There must be the desire to invest more capital into the venture. Such a desire arises among small farmers from the realization that there are profitable investments which are not attainable with their present capital holding. Some of these pre-conditions are discussed below:-

6.3 CONCLUSION

viability Of Farming Input

Farming itself is an economic venture and from that perspective it is important that the farmer whether big or small has to balance his total costs against total returns. His decision to invest would therefore depend on the security of his expectations regarding costs and returns. A viable credit programme is only feasible if at least in the long run the return exceed costs so

that both principal and interest can be repaid with some profit margin.

The importance of the viability of the farming unit, be it an individual farmer or a group of farmers to whom credit is being extended cannot be over-emphasized. As Johnson (1982) has rightly stated that "Credit alone cannot change a poor farmer into a good one. Even at low interest rates, credit will not automatically raise output or the incomes of the rural farmers. He went ahead to summarise the criteria for selection of viable farming units as follows:-

> "Small Holder borrower should be chosen on their credit worthiness like any other borrower, but the assessment of credit worthiness differ.... important factors are the status of the applicant in the local society, technical feasibility of the proposed enterprise on his farm and the cash flow expected from the investment".

What is assumed profitable is infact less as far as the small farmer is concerned. Oduwasani and Alao (1964) in the study concluded that farm credit schemes in Nigeria are operated without due regards to the earning capabilities of the

innovations being financed. Thus the need for adequate feasibility study and adequate investment appraisal is imperative of the success of the credit programme which depends on the success of the individual farmer is envisaged.

TECHNOLOGY

Agricultural credit will be ineffective without a technology that is profitable to the other farmer.

Technology in farming is simply the way things are done. A given technology implies a given set of inputs of factors of production (mosher, 1966). Thus, "traditional technology" means the particular way the traditional inputs of land, labour, seeds, organic fertilizers, hand implements etc are combines and used. On the other hand "new technology or Modern Technology" refers to a new set of inputs or factors of production which are different and often better than the traditional set.

Some studies (miller 1966, Meyer et-al 1973) have concluded that it is not profitable to further expand the use of traditional technology through credit. This is primarily due to the very low production. Functions that exist for traditional practices. It is thus argued that for that expansion of the traditional technology will not increase the small farmers not commensurate with

the added costs and risks involved in borrowing capital to finance such an expansion. Thus emphasis is on expansion of new technology. It is presumptuous to say that new technology is available or can be readily available if desired. Even when it is available, it may not be profitable to the Small Holder farmer because it has not been tested and adopted under conditions simpler to those faced by the small farmer.

Tinnermeir (1974) has cited examples of profitable new innovations in Zambia, Rhodesia, Mexico, Ethiopia and Columbia. He has also cited examples of some areas like India and the Philippines where results were less than adequate. Also makings (1967) has shown that field mechanization which has been a potent force in recent agricultural progress in advanced countries has not yielded the same results when adopted by developing African countries. This he attributed to the general unsuitability of the farming structures for field mechanization at the level of the Small farmer.

Therefore it should not be surprising to find slower rate of adoption of new techniques when additional risks are involved or when the technique is less profitable. Another cause for non-adoption could be the unavailability of

technical and economic information as was the case when nitrogenous fertilizers were first introduced in the early 1960s in Nigeria (Bauman, et al 1966).

Thus to assume profitable technology is readily available to the small farmers is questionable. A small farmer not always assured a profit above that found using traditional methods and/or varieties. Being a risk averted, he would prefer to stick to his old methods. The factors which determine profitability are many. These include relative prices of inputs and products, land tenure arrangements, knowledge and skill of the farmer, risk, transportation and marketing systems. The type of new technology required must among other things aim of increasing output or cost saving or both.

In conclusion, one can say that when a new technology is available and has been understood by farmers, perceived appropriate and most importantly proved profitable in their situation, then credit requirement assumes importance. In this circumstance, the lack of capital and credit would pose a serious limitation to the adaptation of the new technology practices.

Extension Services

Extension is impossible to define in a short

concise phrase or sentence. Any attempt to define it properly involves a lengthy explanation of several principles. However, according to William (1981), he tries to define extension as "service which assist the farmers through educational procedures in improving their farming methods and income and improving their levels of living". In a nutshell, extension is to help rural people or farmers solve their own problems through the application of scientific knowledge in a voluntary out of school educational programme. According to Savile (1965), the aim of agricultural extension is to teach rural people how to raise their standard of living with the minimum assistance from the government and by their own efforts using their own resources. It encourages progressive growth through local leadership, self-help and civic pride. The scope of extension is therefore very broad indeed. It is not only a matter of just giving the farmers knowledge from research and technology to help raise their efficiency. It also helped them to learn about change, the reasons for it, the process by which change is brought about and the uncertainties inherent in it (Leagan 1971). It is concerned with three basic educational tasks in agriculture.

a) Discrimination of useful and practical

information related to agriculture. Practical application of such knowledge to help farmers analyse their problems and bring improvements in a systematic way through carefully planned organized programmes. These programmes must start in the villages and tackle the problems the farmers see and want to do something about, and assistance to farmers in using the technical knowledge gained to better solve their problems. Its effectiveness is measured by its ability to change a static situation into a dynamic one.

b) Research: Research means systematic investigation aimed at the discovery of facts and principles needed for the solution of some identified problems. Systematic research is the base upon which a modern agriculture is built. Through research, productivity of existing resources is increased and even more important, it becomes impossible to utilize an increased quantity of new and traditional resources at higher levels of productivity and profitability than previously.

Agricultural research consists of investigations of the farm business and the growth processes of plants and animals so as

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to facilitate development of inputs of materials and management practices which maximizes production and give greater control over the environment (Okigbo, 1975).

Research process according to Mellor (1970) can be broken into four descretic sections namely:

a) Basic research

b) Development research

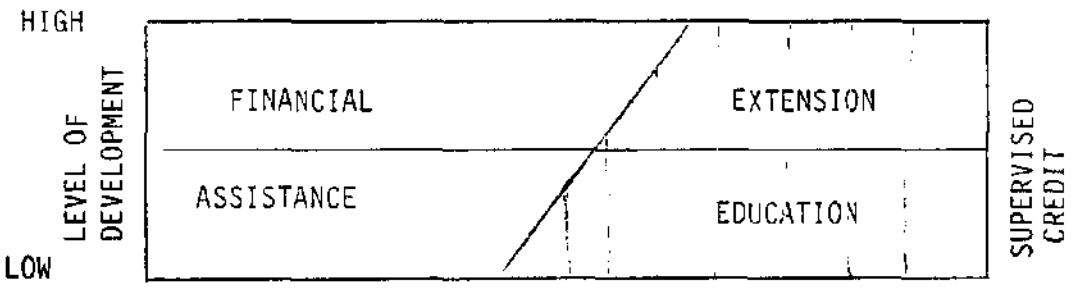
c) Adaptive research

d) Test demonstrations

C. Rural Development

Rural Development includes generation of employment opportunities, equitable access to land and distribution of income; widespread improvement in health, Nutrition and housing, opportunities for saving credit and investment. FAO (1965) believes that to have an adequate impact on agricultural production, the provision of credit should be accompanied by, and co-ordinated with, a sufficient amount of technical advice. Particularly in the early stages of agricultural development, supervised credit, to be understood here in the sense of a well balanced mixture of credit proper and extension education, should consist of the greater part of extension education.

Stressing the importance of the complementary role of extension services to agricultural credit, Johnson (1982) states that "no agricultural credit programme can be effective unless it is combined with satisfactory extension services and other forms of support. Production credit given together with technical advice and help is called supervised credit". Yere (1990) depicts the relationship of credit and extension education in credit programme for developing and developed areas by a diagram (see diagram below)



Relationship of Credit and Extension Education in credit programme for developing areas.

Other pre-conditions however exist which were not discussed above. They include input supply and marketing facilities. But suffice say that unless these pre-conditions for successful use of credit exist, or are being created, extending credit to small farmers may be a disservice to them. They may become burdened with debt obligation with little, if any, increase in their incomes for which to repay, while the lenders are

faced with difficulty of collection.

CRITERIA FOR ACHIEVING

1. CRITERIA FOR ACHIEVING SUCCESS

   Perhaps one of the first requirements for an efficient credit institution is that its goals, produces and evaluation criteria are specific and understood. According to Blake (1973) the clarity of objectives is one of the reasons why project type credit seems to have been relatively successful. With the project approach, development objectives of the projects are generally clear. The same print is probably accountable for why government agency credit is so often not successful, that is unclarity of objectives causes the failure of the credit programmes. The government personnel may see their primary objectives as one of getting funds into the rural areas without proper arrangements for collection or payment.

2. It is necessary to separate the Welfare Purpose from the credit purpose. A credit institution expects repayment while a welfare agency does not. Thus, any attempt to include both in a single credit agency may well destroy the institutions ability to perform the credit function successfully.

3. There must be potential borrower benefits from the use of credit for a Small Farmer Credit Institution to thrive. Simply providing credit to small farmers is not sufficient to build a viable credit institution. Greater production leading to increased return is probably the main benefit of credit to farmers.

4. The culture and society must be receptive to the credit concepts. Credit institution's cannot be effective in a culture that perceives government or its agencies as part of the extended family system because non-payment of debts will be taken as a norm. Thus, for success, sanctions against defaulters must be enunciated in the programme. Therefore, if a credit institution must survive and thrive, it must be able to specify its objectives, ensure a continuous inflow of capital both for repayments and by adopting policies and developing facilities that will help them increase their income and hence attract savings and make funds available to the farmers at the right time of more concern to the farmers than the interest changed, his ability to get credit promptly, without

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5

complex procedures and with convenient repayment conditions (Johnson 1982).

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QUESTIONNAIRE FOR FARMERS

1. Local Government Area .....

2. What is your main occupation (please tick)

. (i) Farming (ii) Craft (iii) Trading (iv) others

3. How big is your farm?

(i) less than 1 hectare (ii) 1 - 2 hectares

(ii) 2 - 3 hectares (iv) Over 5 hectares

4. What are your sources of labour on your farm?

(i) Hired labour (ii) Family labour (iii) both (i) & (ii)

5. How much income do you make from farming in a year

(i) less than ₦1000.00 (ii) ₦1000 - 2000.00

(iii) ₦2000 - ₦3000 (iv) 3000 - ₦4000

(iv) Over ₦4000

6. How much do you save from your farm to invest in the next season

(i) 0 - ₦99.00 (ii) ₦100 - ₦299 (iii)₦300 - 499

(iv) over ₦500

7. How did you get the funds for your operations?

(i) personal savings (ii) borrowing (iii) both

(i) and (ii)

8. If by borrowing, what are the sources of your loans?

(i) money lenders (ii) friends and relations

(iii) bank through Cooperatives

(iv) Direct from bank

9. Have you taken a loan in the past 10 years i.e. 1985 -1994

(i) yes (ii) No

10. If yess, how many times ?

(i) every year (ii) 1-2 times (iii) 3-4 times

(iv) 5-6 times (v) 7-8 times (vi) 9-10 times

11. What type of credit financing have you received for your farming

(i) on-lending (ii) Direct lending (iii) small holder loan scheme

12. Are you satisfied with the credit terms and procedures for applications and disbursements of credit

(i) yes (ii) No

(13) If no clearly state the reason(s)

(14) In wahta ways has credit helped you as farmer?

(please rank 1-4 in order of importance)

(i) increased scale of operation and farm output only

(ii) Buy new farming equipments only

(iii) Implement new methods and ideas only

(iv) Meet other social obligations only

(v) (i) and (ii), (iv) and (1) & (ii) and (iii)

15. To what extent has acquisition of credit through NACB contributed to effective utilization of credit,

attainment of production targets and loan repayments.

(i) very much (ii) much (iii) fair

(iv) little (v) very little

16. If credit is given direct to farmers would there be any difference in loan utilization, attainment of production targets and loan repayments?

(i) yes (ii) No

17. If yes state clearly the difference(s)

18. What special problems do you encounter with the organisation providing the credit?

(i) Hostile attitude of staff

(ii) Lack of technical advice and supervision

(iii) Untimely release of funds and/or materials

(iv) (i) and (ii)

(v) all (i), (ii) and (iii)

19. How do you make your loan repayments?

(i) Direct cash repayment after sales

(ii) Deduction from sales through your society

(iii) Both (i) and (ii)

20. How do you rate NACB services

(i) very good (ii) good (iii) fair

(iv) poor (v) very poor

21. State any suggestion(s) you would like to make as regards improving the supply of agricultural credit and supply of agricultural inputs to farmers.

QUESTIONNAIRE FOR NACB STAFF AND MANAGEMENT

1. Name of Organisation

2. Which of the following activities is your organisation involved?

   i) Provision of Agricultural Credit
   ii) Agricultural Extension Services
   iii) Others (please specify)

3. What types of farmers are financed by your organisation?

   i) Individual Farmers (Small Holder, Medium & Large)
   ii) Co-operative Farmers Socities
   iii) Others (specify)

4. How do you finance the credit needs of farmers?

   i) Supply of production inputs
   ii) Provision of Operational loans
   iii) Provision of Capital loans
   iv) All of the above.

5. How long does it take to approve an application for loan to a farmer from date of submission?

   i) Less than 3 weeks
   ii) 3 to 6 weeks
   iii) 7 to 9 weeks
   iv) Above 9 weeks.

6. How long does it take to complete documentation after approval.

7. How long does it take to disburse the amount approved.

8. Do you specify how loan is to be used (i) Yes (ii) No

9. Do you Supervise loan utilization?

10. How do you prevent diversion of loans?

    i) By giving loans in Kind
    ii) By giving Cash in instalements
    iii) By maintaining close continous contact with the Borrower/Clients
    iv) Others (specify please).

11. In the Space provided below, please state the steps you normally take to recover your loans.

_____

_____

_____

_____

_____

12. *How do you rate your loan recovery?*

i) Excellent
ii) Very Good
iii) Good
iv) Fair

13. In the Space provided below,please indicate the major obstacles confronting your financing of farmers.

_____

_____

_____

_____

14 What organisational and operational changes would you recommend to enhance the effectiveness of your Credit Scheme.

15. How do you provide extension services to your farmers if any.

i) Using Extension Staff (ASCs)
ii) Radio and Television
iii) Rent Media
iv) News Prints
v) Others (please specify(
vi) Not provided at all.

16. How many Extenstion staff do you have in each Branch Office.

17. Would you say the Scheme has been a great success so far?

Thank you.

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NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK LIMITED

KADUNA BRANCH OFFICE

Name and Address of Applicant/Guarantor

_____

_____

_____

Name and Address of Employers

_____

_____

_____

Dear Sir/Madam

IRREVOCABLE AUTHORITY TO EFFECT DEDUCTIONS FROM MY SALARIES, BENEFITS AND OTHER MONETARY ENTITLEMENTS AND TO PAY TO NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK LIMITED (NACB)

I have for a loan of N ..... (amount in words) .....

.....) only from the Nigerian Agricultural and Co-operative Bank Limited (NACB).

I am guaranteeing a loan of N: ..... (amount in words) .....

.....) only to be granted by the Nigerian Agricultural and Co-operative Bank Limited to Mr/Mrs/Miss: .....

By this letter I have given you my irrevocable authority to deduct from my salaries, benefits and other entitlements any sum(s) of money which the said NACB shall at any time notify you being the amount by which the said loan is in default and pay all the money(s) monies so deducted to the NACB at such time and in such manner as it shall specify.

For the avoidance of doubt, this authority shall remain in force until such time the NACB shall inform you in writing of the full discharge of my liabilities under the Agreement I have entered into with them in respect of the loan.

Thank you.

Yours faithfully,

Signature: _____

Name: _____

NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK LIMITED

KADUNA BRANCH OFFICE

INFORMATION AND UNDERTAKING ON EMPLOYER APPLICANTS

BY THEIR HEADS OF DEPARTMENTS ONLY:

I hereby confirm that:

---Mr/Mrs/Miss: ..... is a bonafide employee of this organisation.

-- His/Her length of service in the organisation is ----------

-- His/her rank as .....

-- His/her annual salary is: .....

UNDERTAKING:

I hereby declare that this Department/Organisation undertakes on receipt of notice of default from the NACB Limited, to enforce repayment of the loan of N: ..... or any other sum which may be extended by the Bank to Mr/Mrs./Miss: ..... together with the accrued interest.

Name of Department/Organisation:

Name of Head:

Rank: Official stamp

Signature:

Date:

To: Head of Department/Organisation:

Please complete in Duplicate and retain copy for your record.