

AGRICULTURAL FINANCING IN NIGERIA:
AN ANALYTICAL STUDY OF THE PLATEAU STATE
AGRICULTURAL LOAN SCHEME SINCE INCEPTION.

BY

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C E R T I F I C A T I O N

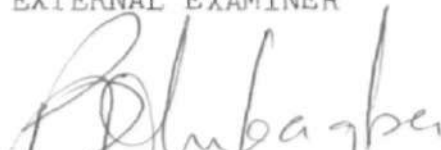
This project entitled: "AGRICULTURAL FINANCING IN NIGERIA: AN ANALYTICAL STUDY OF THE PLATEAU STATE AGRICULTURAL LOAN SCHEME SINCE INCEPTION" By ZUNGUM, ABDULLAHI ALHASSAN meets the regulations for the award of MASTER OF BUSINESS ADMINISTRATION of Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.


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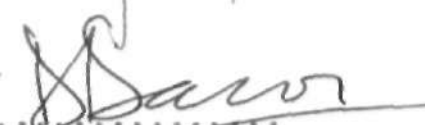

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DECLARATION

I hereby declare that the findings of this project work is original and borne out of research done by me. Acknowledgement of used data has been made where appropriate and appear as reference at the end of the chapter.

A. A. ZUNGUM

DEDICATION

TO TABAWA

ACKNOWLEDGEMENTS

I wish to extend my gratitude to the various persons who, in one way or the other, contributed to the success of this project. Particularly, I am indebted to my Supervisor, Mr. I. A. DANKANO for his immeasurable help.

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A. A. ZUNCUM

A B S T R A C T

Nigeria's agricultural sector is dominated by the peasant system of agriculture which is characterised by the use of primitive techniques of farming resulting in low productivity. To increase the country's agriculture output, there is the need for these small scale farmers to be given credit. This special problem led. to the establishment of the Plateau State Agricultural Loan Scheme in 1977. Since inception, the scheme has been granting loans to these farmers without an empirical study to determine its contribution to the development, of agriculture in the state and to determine problems affecting the performance of the scheme in the attainment of its stated objectives and offer suggestions where necessary, This study attempts to determine how well the scheme has performed, to identify problems faced by the scheme in providing credit to farmers.

It was found that the scheme obtains loans from Commercial Banks for onward lending to farmers and that during the period under study, it has disbursed the sum of N10,022,467.12 to 6888 farmers and 58 Co-operative Societies in the State. The beneficiaries however, complained of late disbursement, inadequacy of loans and short repayment periods.

The scheme on its part, is faced with certain operational problems which include shortage of staff, insufficiency of inputs, low repayment rates from farmers and shortage of funds.

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CHAPTER ONE

I N T R O D U C T I O N

1.1 Background Information

Long before the discovery of oil in Nigeria, agriculture played a major role in the country's economy. Nigeria's economy has for decades, been sustained by agriculture; the role of agriculture in providing food is yet to be challenged by any enterprise; all foods, whether raw, processed or synthetic, owe their existence to the fact that the need for food will only end when there are no human beings in the country. The need for agriculture therefore, is not questionable.

In addition to the provision of food and raw materials for industries, agriculture used to provide the bulk of government revenue for development. The majority of the people live in rural areas and derive their livelihood from agriculture.

Agriculture, which includes livestock production, forestry and fisheries, is the sector from which the nation expects so much in terms of the provision of employment opportunities, self-reliance in basic food production, foreign exchange earnings and industrial raw materials.

However, viewed in the context of rising food prices, growing food import bill, decline of the traditional export crops, and rural-urban migration,

these expectations have not been realised. Although the sector employs about 70 percent of the nation's labour force, its contribution to the Gross Domestic product has steadily declined from 70 percent in 1960 to 30 percent in 1970, reaching an all time low of 19.86 percent in 1980 from where it began increasing slowly to 26 percent in 1985.¹

The deteriorating conditions of Nigeria's agricultural sector could be attributed to the substantial increase in oil export revenue in the early 1970s and are exemplified by:-

- a. The marked failure of the sector to achieve growth rates that correspond either to growth in consumer demand or to the potential of available technology;
- b. A decline in the productive capacity that is attributable to the quality and in some cases, the wasting of the natural elements of agricultural production particularly the soils;
- c. The change in Nigeria's position from that of a significant net exporter of agricultural commodities to that of an importer whose domestic consumption depends

1. Ojo M.O., et al (1981) "Agricultural Credit and Finance": Problems and Prospects. Lagos.

- increasingly on external sources of supply;
- d. The continuing and substantial rural-urban migration which among other effects, places an increasing strain on available food supplies at the same time that it robs the farm economy of its most productive workers; and,
 - e. The impact of inflationary pressures on food budgets and the standard of living of the low income majority of Nigerians.

Beyond these elements is the apparent deterioration in the general regard of Nigerians for agriculture both as a vocation and a way of life.²

Thus, although the agricultural sector has major potentials, these are not being exploited in the large and expanding domestic and foreign markets for agricultural products, abundance of land and human resources, and availability of improved technology, it suffers from major constraints in key areas such as inadequate supply of farm inputs, inadequate extension services, inadequate supporting physical infrastructure such as feeder roads, water shortage, marketing facilities, inadequate agricultural credit and debilitating land tenure system.

2. OGWUMA P.A. (1985) "Financing Farmers in Nigeria" Journal of the Association of Senior Staff of Banks, and Financial Institutions Vol.4 Oct/Nov. 1985

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The past several years have seen several assessments of the potentials and problems affecting the development of the country's agricultural and rural sectors. These include the current and previous five-year development plans, special purpose programmes such as the Operation Feed The Nation, Green Revolution, World Bank's Agricultural Sector Surveys, special studies of major projects such as the appraisal reports for the several Agricultural Development Projects, and an astonishing richness of ideas in papers and research carried out in the country.

Despite these attempts, the agricultural sector has remained an 'underdog' in the country's priority listing. Federal recurrent expenditure on agriculture for example, fell significantly between 1974 and 1983. So also, the cumulative private sector investment in agriculture. The essential point of emphasis here is the limited commitment of financial resources, capital and operation to agriculture in recent and past years.

The failure to improve agricultural and rural development and equitable resource allocation processes to any meaningful degree means that now, the country must shift attention towards the development of the rural areas. For instance, agricultural financing in Nigeria before independence was geared towards the promotion of the cultivation of cash crops such as cocoa, rubber, palm oil and groundnuts to name a few. After independence however, agricultural financing

became more purposeful with agriculture being given priority in the various development plans embarked upon.

In this respect, substantial allocations and various schemes for financing agriculture were incorporated in these plans. Among these schemes are the establishment of the Nigerian agricultural and co-operative bank (N.A.C.B.) in 1973 for the development of agriculture, the agricultural credit guarantee scheme (1977) under which the Federal Government guarantees 75 percent of loans to farmers, the establishment of the various River Basin and Rural Development Authorities all over the country, and so on, for the purpose of liberalising credit to Nigerian farmers so as to enhance the quality and quantity of agricultural production in the country.

In pursuance of the agricultural revitalisation policy, the Plateau State Government through the Federal Government, approached the Food and Agricultural Organisation (FAO) of the United Nations for advice on ways to improve agriculture in the state. After extensive surveys, the Food and Agricultural Organisation recommended the establishment of an agricultural credit scheme in Plateau State. This recommendation was accepted by the state government which then led to the establishment of the Plateau State Agricultural Loan Scheme in the Ministry of Agriculture

and Natural Resources in 1977. The scheme among other things, has the following objectives:-

- a. To ensure efficient credit organisation and methods adjusted to local circumstances.
- b. To provide means by which farmers who are working to increase production have easy access to the necessary input supplies either in kind or cash and against appropriate credit conditions.
- c. To encourage the establishment of agro-service centres by appropriate government Ministries as a means of providing integrated services to farmers and thus, enhancing the prospects of a successful state credit operation.
- d. To ensure a more even distribution of income of agricultural small-holders in particular.
- e. To contribute to the attainment of self-sufficiency in food production by realising the existing agricultural development potential, to be accomplished by increasing food crop production through the expansion of farm acreage and use of improved farm inputs, and,
- f. To lay foundations of a permanent co-operative organisation directly linked to the local level credit demand, and which would

eventually take over the function of the intermediate special credit unit; this would be realised by the introduction of credit courses for officials of the co-operative organisation, agricultural government personnel and members of local co-operative farmers' societies and the establishment of a state co-operative bank.

Since establishment in 1977, the Plateau State Agricultural Loan Scheme has been granting loans to small holder farmers in Plateau State.

1.2 The Research Problem

Nigeria's agricultural sector is dominated by the peasant system of agriculture which is characterised by the use of primitive techniques of farming, resulting in low productivity. There is therefore, a preponderance of small scale peasant farmers; about 90 percent in the sector who produce about 80 percent of Nigeria's agricultural output each year.

To increase the country's agricultural output, there is the need for these small scale farmers to purchase improved seeds, and other inputs necessary for increased agricultural productivity. Most of these farmers however, can hardly meet the requirements of

commercial banks for credit. This special problem led to the establishment of the Plateau State Agricultural Loan Scheme under which most of the fundamental requirements for granting loans are waived.

Since the inception of the scheme however, no empirical study has been carried out to assess its performance as against the objectives for which it was established. It is of paramount importance that the performance of the scheme be assessed with a view to effecting improvements where necessary to avoid repeating past mistakes. This becomes even more important considering that previous government agricultural credit schemes in Plateau State had failed woefully with the state government having to write off these debts.

1.3 Research Objectives.

This study has the central theme of ascertaining the contribution of the Plateau State Agricultural Loan Scheme in financing small holder farmers in the state specifically however, the study has the following objectives:-

- i. To examine the extent to which the Plateau State Agricultural Loan Scheme has achieved the goals for which it was established.

- ii. To identify the problems-faced by the scheme in providing agricultural credit to farmers in the state.
- iii. To suggest solutions to the identified problems where possible.

The achievement of these objectives will provide information on the activities of the Plateau State Agricultural Loan Scheme in its attempts to increase agricultural productivity in Plateau State.

1.4 Scope of the Study

The study covers mainly the operations of the Plateau State Agricultural Loan Scheme in providing agricultural credit to small holder farmers in Plateau State from inception 1978/79 to 1986/87 farming seasons.

1.5 The Research Procedure

The research is divided into five chapters. Chapter one introduces the study, states the research problem, objectives and procedure.

In chapter two, literature relevant to the financing of agriculture in developing countries in general and Nigeria in particular, is reviewed. Materials and methods of the research are presented in chapter three while in chapter four, the major and minor findings of the research are presented. Finally, the summary, conclusion and recommendations are presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.1 Background Information

In the field of agricultural financing in Nigeria, so far, very little empirical research has been undertaken. However, the available literature will give a representative picture of opinions of different researchers on the themes studied by them. This review suggests valuable hypotheses to guide the present work. In this review, the attention is on the availability and utilisation of loans to small holder farmers as a means of increasing agricultural productivity.

Agricultural financing in Nigeria has been difficult with most banks particularly, the commercial banks showing a persistence reluctance to give financial assistance to farmers because of the high elements of risk involved together with the high administrative costs of servicing loans to small farmers in scattered locations. Besides, most farmers usually lack the necessary collateral to support their demand for credit. Therefore, credit from commercial banks for production — development on small scale private farms is virtually unobtainable.³

3. Oluwasanmi and Alao J.A., (1965) "The Role of Credit in the Transformation of traditional Agriculture: The Western Nigerian Experience". *Nigerian Journal of Economic and Social Studies*, Vol.7, No.2, March, 1965 Pp. 34.

2.2 Definition Of Agricultural Finance

Adegeye and Dittoh believe that agricultural finance refers to the "Economic study of the acquisition and use of capital in agriculture" while agricultural credit refers to "The process of obtaining control over the use of money in the present in exchange for a promise to repay at a future date. To them, the two terms can however, be used interchangeably.⁴ On the other hand, Abe defines agricultural credit as that which "emcompasses all loans ~~and advances granted to borrowers whether beneficiaries~~ of agricultural reform or some other one to finance and service production activities relating to agriculture, fisheries and forestry and also for the processing, marketing, storage and distribution of products resulting from these activities."⁵ In the same vein, Dell'Amore maintains that agricultural credit is not a non-reimbursable subsidy but a form of loans which have to be repaid sooner or later with loan repayment depending on the borrowers' present or future earnings.⁶

Usually, Farmers require three types of credit namely:-

- a. Short-term credit which is used to finance the current crop year operations, farm expenses, purchase of seeds and fertilizers.

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4. ADEGEYE A.J. and DITTOH J.S. (1982) "Essentials of Agricultural Economics." University of Ibadan 1982.
 5. ABE S.I. (1981) "Nigerian Farmers and their Finance Problems". Paper presented at a Seminar on Agricultural Credit and Finance in Nigeria, Organised by the Central Bank of Nigeria, 1981. Pp.111
 6. DELL'AMORE G. (1973) "Agricultural Credit in African Countries". Milan Cassa Di Risparmio Delle Province Pp.11

- b. Medium-term credit which is longer than one year but less than three years is required for the acquisition of breeding stock and inexpensive equipment.
- c. Long-term credit which is necessary for acquiring major machines and carrying out major farm improvements.

2.3 Role of Credit In Agricultural Development

On the role of credit in agricultural development, Adegeye and Dittoh (1982) remark that "A vicious cycle of low level income, low level savings and low investments resulting again in low level output is characteristic of most developing economies and is even more characteristic of farming communities of these economies. To break this vicious cycle, credit is clearly needed by these farmers."⁷

Stephen (1979) writing on the strategy for increased agricultural productivity, remarks that "credit availability has been recognised as one of the necessary prerequisites for the development of agriculture."⁸

Expressing the same view, Darks and Mapp (1981) are of the opinion that "the rising cost of agricultural inputs and farmers' limited funds make successful credit extension service essential to small farm ownership and operation in the developing world."⁹ According to them, credit is

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- 7. ADEGEYE and DITTOH (1982) "Essentials of Agricultural Economics" University of Ibadan Press, 1982.
 - 8. STEPHEN N. M. (1979) "Agricultural and Industrial Economics for 'A' Level Students." Gaskiya Corporation, Zaria, 1979.
 - 9. JOURNAL of the United States Agency For International Development (A.I.D.) Vol 9 Pn. 31 and 32

necessary to increase the productivity of the rural farmers and rural development.

Asserting the same view, Akinyosoje (1976) observes that "new inputs being introduced such as fertilizers, animal feeds, pesticides, sprays and farm implements are non-traditional factors which have to be purchased. Since farmers are generally poor, they need a form of credit for the purchase of these commodities."¹⁰

Also, WELLS (1974) maintains that "credit is essential to the working and growth of any economic sector involving substantial private enterprise and the development of effective institutions for mobilizing and allocating loanable funds is a crucial element - perhaps, the most crucial element - in promoting economic growth."¹¹

2.4 Availability Of Agricultural Credit In Nigeria.

While recognising the importance of credit to agricultural development, few studies have been carried out to determine the availability of credit in Nigeria especially, from public agricultural credit institutions in the country. For instance, Akinwolemiwa (1965), Osuntoḡun (1973) Ijere (1975) point to "the need for

10. AKINYOSOYE V.O. (1976) "Senior Tropical Agriculture For International Development (A.I.D.) Vol. 9 Pp.34 and 38.

11. WELLS J.C. (1974) "Agricultural Policy and Economic Growth in Nigeria 1962-68" Ibadan Oxford University Press Pp.319.

raising the volume of loan resources available to the credit institutions so as to permit raising the level of lending to individual borrowers."^{12, 13, 14}

Ogunfowora et al (1972) writing on the availability of agricultural credit in Nigeria, attribute most of the shortcomings in the institutional credit to factors such as "insufficiency of funds, ineffective supervision, political interference, cumbersome and time-consuming loan processing procedures and inadequate or complete absence of financial projections and planning."¹⁵

Miller (1979) on his part, is of the opinion that of the two capital markets (institutional and non-institutional) available to the rural producers, the rural source is the more extensive supplier of credit in Nigeria. Yet, this source has "not supplied the amount of credit needed nor has it provided credit on the terms required by farmers to modernize their farming methods."¹⁶

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12. AKINWOLEMIWA J.O. (1965) "The Value of Supervised Credit in the Western Nigerian Credit Corporation" Lecture delivered at the Western Nigerian Public Service Forum. Ibadan, 1965.
 13. OSUNTOGUN A. (1973) "Agricultural Credit Strategies for Nigerian Farmers." A.I.E. Vol.IV No. SR 106.
 14. IJERE M. O. (1975) "The Lessons of State Credit Institutions In Developing Countries: The Nigerian Experience." Agricultural Administration 2, 1975.
 15. OGUNFOWORA et al (1972) "Capital and Credit in Nigerian Agricultural Development" Rural Development Paper No.6, 1972.
 16. MILLER L.P. (1979) "Agricultural Credit and Finance in Africa." Rockefeller Foundation.

Osuntogun (1973) holds the view that "unless production credit is made available on suitable terms, the majority of small scale farmers will be seriously handicapped in adopting new and profitable technology."¹⁷

2.5 An Evaluation Of The Methods of Providing Agricultural Credit In Nigeria.

Recognising the need for credit by farmers in order to increase the productivity of these farmers, many methods of providing agricultural credit to them have been advocated. One such method is the provision of loans directly to the individual farmers. In an overview of this method, Ojo and Palmer (1981) observe that "such method has only been able to reach very few farmers. Moreover, there is the problem of the high cost of administering loans to ^{farmers} individually because of difficulties in ensuring the productive use of such loans, difficulties in repayment and absence of collateral security from most farmers."¹⁸

Due to these reasons, another method has been devised. Such method is the granting of agricultural credit through co-operative Societies. The Seminar on Agricultural Credit and Finance in Nigeria (1981) notes among other things, that co-operatives and group farming

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17. OSUNTOGUN A. (1973) "Some Policy Considerations in The Execution of Public Agricultural Credit Schemes in West Africa." West African Journal of Agricultural Economics Vol.II No.1., 1973.
 18. OJO M and PALMER E. (1981) "An Appraisal of The Role of Public Sector in Agricultural Finance in Nigeria." Paper presented at a Seminar On Agric Credit and Finance in Nigeria, 1981.

minimize the problems created by the complex land tenure systems operating in the country, that co-operators enjoy special treatment in the co-operative banks over the financing of agricultural activities, that co-operatives serve as an instrument for mobilising savings, reduce cost of administering loans to farmers. However, the seminar notes also, that "co-operative banks and societies are inadequately funded."¹⁹

On the suitability of co-operatives as a means of channelling loans to farmers, Dewilde (1953) reports that "it is desirable to channel credit through co-operatives as they have been used successfully as a means of financing agriculture in Kenya; the main problem being that the size of such co-operative societies be kept small so that their members can be expected to know each other well enough to know the risk they are taking."²⁰

The problem of agricultural development everywhere is minored in the difficulties of creating means to channel capital funds into the agricultural sector and to ensure that they are employed effectively. The apparent inability of credit institutions to give agricultural credit to most farmers is not only as a result of the inherent weaknesses in these systems;

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19. THE FEDERAL GOVERNMENT OF NIGERIA (1981) " AGRICULTURAL CREDIT AND FINANCE IN NIGERIA: Problems and Prospects." Proceedings of a Seminar on Agricultural Credit and Finance in Nigeria, Ibadan, 1981.
 20. DEWILDE J. C. (1953) "Experiences with Agricultural Development in Tropical Africa." Vol. I. The John Hopkins Press, Baltimore, Maryland.

problems inherent in agricultural production include high rate of perishability of agricultural produce, natural hazards, poor and inadequate facilities in the rural areas and problems created by the farmers such as exaggeration of loan requirements, unviable agricultural projects, mismanagement of funds and the diversion of such loans to other uses. In developing countries, small and medium-term farmers often fall into the temptation of using loans intended for productive purposes for consumptive purposes such as marrying additional wives or meeting the cost of funerals.

Jones et al (1966) enumerated the shortcomings of agricultural credit programmes in Nigeria as follows:-

- a. Failure to establish eligibility of borrowers and to ensure eligibility standards.
- b. Excessively rigid and time-consuming procedures for processing loan applications
- c. Inadequate consideration of the borrower's repayment ability.
- d. Ineffective follow up on the use of loan proceeds.
- e. Ineffective supervision of loans.
- f. Lack of continuity of personnel or committees responsible for credit decisions.
- g. Inadequate or complete absence of financial projections and planning.

- h. Failure to establish a line of demarcation between policy making and management function within the credit organisation.
- i. Division of responsibility for loan making and loan servicing.
- j. Failure to recognise the importance of having adequately trained personnel and the degree to which the factor limits the rate of sound expansion of any credit programme. ²¹

To this end, the creation of a centralised or national agricultural institution which minimizes differentials in the interest rates charged on loans and which imports unity of purpose to technical assistance is seen as a right step in the right direction. According to DELL'AMORE (1973), "such a national or central agricultural credit institution should perform the following functions:-

- a. Organise close collaboration among all the banks which go in for agricultural credit.
- b. Act as a clearing house for these banks.
- c. Control the actual use made of the loans.
- d. Facilitate the application of uniform borrowing and lending rates.
- e. Collaborate in financing land consolidation schemes

21. JONES et al (1966) "A Proposed Agricultural Credit Scheme for Nigeria." Consortium For Study Of Nigerian Rural Development (CSNR) No. 4 East Lansing, Michigan University.

- f. Spread the benefits of productivity gains as widely as possible among the different regions and sectors.
- g. Act as the official channel for the flow of state funds to agriculture and as a distributor of interest subsidies
- h. As a channel of international aid, it offers the best possible guarantee that loan granted to the country are effectively used for the economic and social betterment of the rural population.

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An attempt is now made at reviewing selected credit programmes of some countries with a view to showing how they have fared in their attempt to improve agriculture.

Chile which has similar characteristics of under development to the Nigerian rural sector, is considered just. About ninety percent of the country's agricultural population is made up of small farmers who took in a traditional low income agricultural sector. Most of the farmers have little or no education, and engage in subsistence agriculture.

A supervised agricultural credit system was established in Chile in 1959 with a marked social

orientation towards small farmers as its agricultural policy objective. Under this scheme, loans are disbursed with thoroughly supervised plans of investment being a precondition and these loans are granted in allotments both in cash and kind to ensure proper use of the loans in accordance with investment plans. This scheme has achieved remarkable success which can be attributed to the adoption of a package approach involving financial and technical assistance, decentralisation of operations, and the utilisation of group approach to lending. This system is however, not devoid of weaknesses. Some of which are scarcity of trained personnel, inadequate follow-up evaluation, lack of integration of credit schemes with marketing services and inadequate provision of social infrastructures.

In Cameroun, a pilot agricultural lending programme was initiated to test the feasibility of lending to small farmers. Such agricultural programmes or Unions traditionally, place emphasis on mobilizing members' savings. Since the credit unions were found in 1963, these unions have maintained a strong rural membership base and rapidly increasing in number to 222 by 1978. The rapid growth in trade unions could be attributed to their meeting and satisfying the demands for financial services and because they share certain similarities with traditional rural agricultural financing systems. Under this scheme, farm loans are normally short-term earning in amount up to twice the

balances of the borrower at an interest rate of 12 percent per annum and these loans are disbursed in cash for purchasing seeds, fertilizers, insecticides, animal and labour services. Under this scheme, delinquency rates have been less than 10 percent.

In Phillipines where small scale farmers constitute an overwhelming majority of the agricultural sector, a small farmer agricultural credit programme was established to focus more closely on these farmers. It is a programme of supervised credit under which loans are granted to small scale farmers without the usual collateral requirement but which has a stipulation on how the loan should be utilised. This is clearly spelt out in a farm plan and budget prepared by the farmer and a farm management technician. Now however, there are more recent small farmer credit schemes which center on the improvement of the socio-economic conditions of the farmers. Under these schemes, the small farmer is viewed not merely as a production unit who must be provided with credit in order to increase national production, but as object of development whose needs for development should be addressed in totality. These needs include an efficient input supply system, essential infrastructure, technical advice on farming, marketing outlets and credit requirements for all production and consumptive activities where necessary.

The Caisse Nationale de Credit Agricole (CNCA) was established in Morocco as a government owned agricultural bank. Loans under this scheme are based on desk review and clients may borrow any amount based on an assessment of their annual taxable income. Each year, farmers declare for tax purposes the amount of land and number of animals and fruit-trees they own. When taking the loan, a farmer must have the personal guarantee of another farmer in the area or a government official as a consignor who must pledge all his assets to the bank. Failure to repay the loan without reasonable causes results in expropriation through administrative rather than legal action. For this reason, loan recovery rates are very high, almost approaching 100 percent. The CNCA has thus become a relatively efficient lender to small farmers through the use of organisational innovations which tend to overcome many financial and administrative disadvantages associated with specialised credit institutions.

Another successful agricultural credit scheme is the one in Malawi which was established primarily to lower the costs of providing short term loans to small scale farmers by forming groups of 10 - 30 farmers along the traditional kinship pattern to maintain loyalty and discipline. Each group elects officers who are then trained in credit disbursement, repayment procedures and record keeping by staff of the country's agricultural development project. Interest on group loans is 5 percent compared to 10 percent charged on loans to

individuals. Each group member is held jointly and severally responsible for his group's loan repayment.

This scheme it has been reported, has been highly successful because small farmer coverage has increased at a reduced cost with high repayment performance.

Results of the performance of these agricultural lending institutions reviewed show that though none is completely satisfactory in all respects, they suggest that under certain circumstances, viable agricultural credit institutions could be created and be successful.

CHAPTER THREE

MATERIALS AND METHODS

3.1 Sources Of Information For The Study

Information for the research was collected from the Plateau State Agricultural Loan Scheme headquarters, Ministry of Agriculture and Natural Resources, Jos, and beneficiaries of the scheme's loans in each of the twelve Local Government Areas served by the scheme in the state. At the scheme's headquarters, interviews were conducted with officials of the scheme. Ten Farmers were interviewed from each Local Government.

3.2 Methodology

The nature of the research necessitated the use of several research methods in a deliberate attempt to arrive at a reasonably accurate data to represent the position of things with regard to the granting of agricultural credit to small-scale farmers in Plateau State by the Plateau State Agricultural Loan Scheme. The scheme represents just one out of the several sources of agricultural credit to this category of farmers in Plateau State.

In this study one of the most important methods used was the survey method; with the help of a standardised schedule which was pretested for its adequacy in collecting the relevant data, a set of questionnaires was used for collecting data from the beneficiaries of the Plateau State Agricultural loan

scheme. In an attempt to secure true and adequate data, respondents were provided with some fixed choice questions that softly compelled them to crystallise their thoughts on matters and issues that might otherwise raise new anxieties and thoughts. Open ended questions were also asked in the questionnaire to allow respondents recall additional information or draw potentially disturbing conclusions.

Failure or reluctance to return questionnaires were promptly followed up and collected in an attempt to secure the desired information. At the scheme's headquarters, where secondary data were collected which were extensively used in the study, verbal interviews were conducted with officials directly in charge of the scheme.

3.3 Method Of Data Analysis

Tabular analysis was used for data obtained. In the analysis, available data was tabulated from which certain averages and percentages were drawn up and used in the discussion. From the analysis, references and conclusion were derived based on these percentages.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

This chapter highlights the activities of the Plateau State Agricultural Loan Scheme; its organisation, lending policies, sources of funds and its impact on small scale farmers in Plateau State hence, its impact on agricultural development in the State. The chapter also, highlights the problems faced by the scheme in granting agricultural credit to this group of farmers.

4.1 Organisation Of The Plateau State Agricultural Loan Scheme.

Interviews with officials of the Plateau State Ministry of Agriculture and Natural Resources, the supervising ministry, as well as those of the Plateau State Agricultural Loan Scheme revealed that the organisation has a project headquarters in Jos and credit field staff in each of the Local Government Areas of the state with the exception of Awe and Lafia which are serviced by the Lafia Agricultural Development Project - a World Bank Project.

At the apex of the scheme is the Committee in charge of Loans which is headed by the permanent Secretary in charge of the State Ministry of Trade, Industries and Co-operatives. Then, there are divisional Sub-Committees in each of the Local Government Areas which are headed by the Secretary to the Local Government Council and which are answerable to the state Loans Committee. There is also, a management committee of administrative

regulations and procedures which is charged with the day-to-day running of the scheme.

The composition and responsibilities of each of these subcommittees is as shown below:-

4.1.1. Plateau State Agricultural Loan Committee.

Composition

- | | |
|---|---------------|
| a. Permanent Secretary,
Ministry of Trade, Industries
and Co-operatives. | Chairman |
| b. Registrar of Co-operatives | Vice-Chairman |
| c. Chief Agricultural Officer | |
| d. Permanent Secretary,
Ministry of Finance. | |
| e. Permanent Secretary,
Department of Economic Planning. | |
| f. Permanent Secretary,
Ministry of Local Government
and Community Development. | |
| g. President, Farmers' Co-operative
Federation. | |
| h. Chief Loans Officer | |
| i. Representative,
Nigerian Agricultural and
Co-operative Bank (N.A.C.B.) | |
| j. Senior Loans Officer | Secretary. |

B. Responsibilities Of The State Agricultural Loans Committee.

The Committee is responsible to the State Governor for:-

- i. policy approval of all agricultural loans to farmers.
- ii. An adequate and effectively supervised programme for the provision of loans to farmers.
- iii. Granting agricultural loans to farmers or to persons including bodies corporate or incorporate.
- iv. Arranging with any bank for the provision of funds to the Committee to be used for loans to farmers and members of co-operative societies.
- v. Stimulating agricultural incentives and encouraging the participation of farmers in approved projects.
- vi. Providing adequate and appropriate guidance and supervision for the agricultural activities of farmers.
- vii. Delegating responsibility to its members or agents for the carrying out its functions and the provision of its services and facilities.
- viii. Disbursing loans to borrowers in cash or kind in co-operation with the subcommittees.

- ix. Determining the rate of interest to be paid by borrowers.
- x. Postponing upon such terms and conditions as the subcommittee may deem fit, the payment of any such sum due for principal or interest for any term not exceeding one year.
- xi. Writing off bad debts.
- xii. Delegation of power to the Chief Loans Officer as necessary in order to hasten the execution of the Loan Scheme.

4.1.2 Divisional Sub-Committee

A Composition

- a. Secretary to the Local Government Council. Chairman
- b. Government Agricultural Officer for the Local Government.
- c. President of the Co-operative Union for the Local Government
- d. Government Co-operative Officer for the Local Government.
- e. Supervisory Councillor for Agriculture for the Local Government Area.
- f. One Nominated Farmer
- g. Government Loans Officer for the Local Government Secretary

B. Responsibilities of the Divisional Sub-Committee.

- i. The Sub-Committees are subordinate to the State Loans Committee and shall take or receive Instructions, directives or orders from it.
- ii. The Sub-Committees shall consider and recommend to the State Loans Committee, any application from within the local government area in which it is established.
- iii. The Sub-Committee shall perform or carry out such duties or functions as may be assigned to it from time to time by the state loans committee.
- iv. The sub-committee may only consider loan applications in writing on official forms prescribed by the state loans committee and approved by the Government draftsman.
- v. The sub-committee shall recover the loans from the borrowers on behalf of the state loans committee.
- vi. The Sub-Committee shall recover the Loans from the borrowers on behalf of the state Loans Committee.

4.1.3 Committee Of Administrative Regulations
and Procedures.

This Committee is charged with the responsibility by the State Loans Committee for the day-to-day running of the Plateau State Agricultural Loan Scheme. Weekly meetings are held to initiate credit policy, determine work programmes, evaluate the previous week's programmes and resolve problems if any.

A. Composition

- | | |
|-------------------------------|---------------|
| a. Chief Loans Officer | Chairman |
| b. Senior Loans Officer | Member |
| c. Chief Agricultural Officer | Vice-Chairman |

B. Responsibilities

- a. The committee will meet as often as business requires but not less than four times a year.
- b. The Chief Agricultural Officer shall be the Permanent Vice-Chairman and no meeting may proceed unless either the Chairman or Vice-Chairman is present.
- c. The Chairman may exercise a casting vote and may have no Veto power.
- d. The State Loans Committee may co-opt a member for any meeting. Such members will have no voting power.
- e. Five members will constitute a quorum.

- f. The Secretary will be directed by the Chairman on the convening of meetings.
- g. Permanent Secretary members and Chief Registrar of Co-operatives may send representatives but if so, they should appoint permanent representatives.
- h. All memoranda for discussion at meetings must be circulated to members in sufficient time before the meeting to enable them consider the contents.

4.2 The Scheme's Sources Of Funds

The scheme obtains loans from commercial banks for onward disbursement to small holder farmers and co-operative society members in the state. Since inception, the scheme has been obtaining loans from the Nigerian Agricultural and Co-operative Bank (N.A.C.B.) which is a development bank established with the sole aim of developing agriculture in the country, and the Bank Of The North Limited (B.O.N). During the period under study the scheme had obtained a total of Nine Million, Five Hundred and Fourty-Seven Thousand, Nine Hundred and Fifteen Naira, Fourty Kobo from these sources. Table 4.1 below shows the scheme's sources of funds between 1978 and 1986.

Table 4.1

Plateau State Agricultural Loan Scheme's Sources
Of Funds : 1978/79 To 1986/87

Year	Source	Amount (N)*
1978/79	N.A.C.B.	276,330.93
1979/80	N.A.C.B.	550,640.57
1980/81	B.O.N.	825,559.90
1981/82	Nil	Nil
1982/83	N.A.C.B.	1,895,383.00
1983/84	Nil	Nil
1984/85	N.A.C.B.	1,000,000.00
1985/86	B.O.N.	2,000,000.00
1986/87	N.A.C.B.	3,000,000.00
TOTAL		9,547,915.40

SOURCE: PLATEAU STATE AGRICULTURAL
LOAN SCHEME HEADQUARTERS,
JOS.

*The amounts shown include interest charged by these banks at the rate shown by Table 4.2 below:-

Table 4.2

Interest Rates Charged By Commercial Banks On Loans.
To The Plateau State Agricultural Loan Scheme 1976
To 1986.

Year	Source	Interest Rate
1978/79	N.A.C.B.	5%
1979/80	N.A.C.B.	5%
1980/81	B.O.N.	7%
1981/82	-	-
1982/83	N.A.C.B.	7%
1983/84	-	-
1984/85	N.A.C.B.	9%
1985/86	B.O.N.	11%
1986/87	N.A.C.B.	13%

Source: Plateau State Agricultural
 Loan Scheme Headquarters,
 Jos.

4.3 The Lending Policy Of The Plateau State Agricultural Loan Scheme 1978 to 1986.

The lending policy of the Plateau State Agricultural Loan Scheme is based on the urgent need to increase production of food crops, and so, reduce the drain on foreign exchange requirement to cover the shortfall. Assistance is therefore, being

chanelled to the small farmer sector in the form of seasonal credit in cash and kind for the growing of food crops. To provide necessary incentives to farmers to increase their areas under cultivation, the scheme provides farmers with input packages for a defined hectarage leaving them to finance their existing hectarage from their own financial sources.

4.3.1 Loan Selection Criteria.

The scheme uses the following criteria for selecting beneficiaries:-

- i. The applicant must be a full-time farmer.
- ii. The applicant must have demonstrated that he is adopting improved farming methods and co-operates with the extension service of the State Ministry of Agriculture.
Co-operative Society Members must additionally, have demonstrated their support for their co-operative society committee.
- iii. The applicant should, wherever possible, be applying for credit for a consolidated area of land rather than a fragmented area so as to reduce the problem of inspection before and after the loan is granted.
- iv. The applicant must have access to adequate labour sources.

- v. The land must be suitable for the crop for which a loan is being requested and should not be subject to uncontrolled flooding.
- vi. The applicant should possess adequate security to protect the bank's interests or to provide a reliable guarantor or both.
- vii. The applicant should have access to not more than fifty-hectares of cleared or uncleared land.
- viii. The applicant must be known as honest and hardworking and should understand that loans have to be repaid according to a signed agreement.

Seasonal credit disbursement would not normally, be conditional on the borrower having provided security and/or a reliable guarantor.

4.3.2. Loan Approval Limitations

The objective of the scheme is to provide assistance to small farmers and limitations are imposed on the amount of loan which a farmer may be granted. Disbursement is limited to the amounts per hectare shown by table 4.3 below:-

4.3.3. Service Charge, Interest Rates And Final Repayment Dates For Beneficiaries Of Plateau State Agricultural Loan Scheme 1978/79 to 1986/87.

To reduce interest calculation at field level, a service charge is applied and is based on an interest rate of seven (7) percent per annum until the loan is repayed in full. Final repayment dates take into account a holding period after harvest so that the most favourable market prices for produce grown with the loan are obtained. Table 4.5 below gives information on the schedule for repayment of the scheme's loans.

Table 4.5

Service Charge, Interest Rates And Final Repayment Dates For Beneficiaries Of The Plateau State Agricultural Loan Scheme.

Crop	Repayment Date	Service Charge (Percentage)	Loan Period (Months)
Maize	31st March	6.0	10
Sorghum	31st March	6.0	10
Irish Potatoes	28th February	5.5	9
Yam	31st March (Following Year)	10.5	18
Upland Rice	31st March	6.0	10
Swamp Rice	31st March	6.0	10

SOURCE: Plateau State Agricultural Loan Scheme Headquarters, Jos.

4.3.4. Credit For Co-operative Society Members.

Eighty (80) percent of the maximum hectareage of crops for which loans are granted in each Local Government Area are disbursed to paid-up members of Co-operative Societies. Loans are granted to the Committee, of Societies for on-lending to members whose names and requirements have been submitted on the prescribed loan application form completed by Society Committees. The Committee is responsible for the disbursement and recovery of the loan and is assisted in the administration of these activities by credit co-operative staff of the Ministry of Agriculture and Natural Resources. Society Committees are only permitted to apply for credit on behalf of members whose applications have been recommended by the extension service of the State Ministry of Agriculture and Natural Resources to the Society Committee. Even then, the prescribed selection criteria apply.

4.3.5. Timing Of Credit Disbursement.

Disbursement is directed towards early planting that is, April - May, for Maize, Sorghum and Irish Potatoes, May-June for rice and November for Yams.

4.4 Procedures For Initiating And Processing Credit

Based on the total amount of loan agreed upon for seasonal credit per season, loan application forms are issued to credit staff in each Local Government Headquarters. The forms are in turn, distributed to staff of the extension service of the Ministry of Agriculture, who, are responsible for selecting individual beneficiaries. where loans to Co-operative members are concerned the Co-operative Officer at the Local Government level decides in conjunction with the Co-operative Union Committee, which societies should be selected. The extension staff then select from the society membership and present completed applications forms to the Committee. Completed application forms from ~~the~~ society are then considered by the credit sub-committee at the Local Government level. The credit member of staff is the Secretary of the Committee. Recommendations are made by the Committee and applications forwarded to the Chief Loans Officer at the scheme's headquarters who appraises the applications and inserts his recommendations. A schedule of all loans, suggesting approval or rejection, is prepared and a meeting of the State Loan Committee convened.

The Committee studies all applications and a decision on approval or rejection is taken. Applicants are informed by letter whether their

applications have been accepted or not. For all approvals, details of the hectarage and all inputs approved are included in the letter. Applicants whose loan applications have been approved, signify their acceptance or rejection in writing.

Applicants who accept the offer complete formal agreements as do their guarantors. Disbursement of the loan commences with borrowers signing payment vouchers for cash components and authorisation orders for components in cash.

4.5 Cummulative Volume Of Loans Granted By The Plateau State Agricultural Loan Scheme 1978/79 to 1986/87.

During the period under study, the Plateau State Agricultural Loan Scheme granted loans totalling Ten Million, Twenty-Two Thousand, Four Hundred and Sixty-Seven Naira, Twelve Kobo (interest inclusive) to small-scale farmers in Plateau State.

A summary of the Loans disbursed by the scheme during the period under study is shown by Table 4.6 below:-

Table 4.6Summary Of Loans From The Plateau State Agricultural
Loan Scheme 1978/79 to 1986/87.

Year	Amount *(N)
1978/79	308,638.34
1979/80	497,909.44
1980/81	797,162.29
1981/82	Nil
1982/83	1,934,732.57
1983/84	Nil
1984/85	1,034,023.98
1985/86	2,108,000.00
1986/87	3,270,000.00
Total	10,022,467.12

SOURCE: Plateau State Agricultural
Loan Scheme Headquarters,
Jos.

* Figures include interest charged by
the scheme on loans disbursed.

The loans are usually, geographically disbursed.
Appendix 1 attached shows the geographical
disbursement of the scheme's loans.

4.6 Impact Of The Scheme On Small Scale Farmers in Plateau State 1978/79 To 1986/87.

From the results of the questionnaires, it is obvious that this category of farmers to an appreciable degree, depend on loans from the Plateau State Agricultural Loan Scheme due to inavailability of loans from financial institutions to them and where such loans are available, the conditions set are such that these farmers can hardly meet them.

During the period under study, this category of farmers was granted loans totalling ₦8,756,243.70 (capital only) to 6,888 farmers and 58 Co-operative Societies from all over the state.

A cursory look at the distribution of the loans shows that they were disbursed to small scale farmers engaged in crop production to the detriment of those engaged in other aspects of agriculture such as forestry, livestock, fisheries and poultry production.

On the impact of these loans on the beneficiaries, the respondents complained that the loans always reached them late citing examples of when they had to receive such loans 3 to 4 months behind schedule.

However, some of the farmers reported improvements despite these shortcomings. The improvements are as shown below:-

4.6.1 Increase In Cultivated Farm Sizes.

The major aim of providing credit to small-scale farmers is to increase their productivity as represented by increase in the beneficiaries' income and food production. From the response of sampled beneficiaries, 63 percent of the responds are of the opinion that the loans did not lead to an increase in their farm sizes while 35 percent said the loans helped in increasing their farm sizes with the remaining 2 percent being indifferent.

Lack of increase in farm size according to the respondents, could be attributed to lack of land for expansion.

4.6.2 Effects Of Loans On Farm Incomes

On the effect of the scheme's loans on small-scale farmers, the respondents are of the opinion that the loans greatly helped in raising their farm income.

Table 4.7 below shows the income level of the Farmers before benefitting from the scheme's loans.

Table 4.7

Income Level of Beneficiaries Of The Scheme's Loans
Before Benefitting From The Scheme.

Income Level	No. of Farmers	Percentage
Less than ₦100.00	40	33.33%
₦100 - 500.00	70	58.33%
₦500 - ₦1000.00	10	8.33%
₦1000 and above	-	0

SOURCE: Field Survey 1988.

After benefitting from the scheme general income increases were reported by the respondents. The greatest increase was reported by farmers whose income levels were less than ₦100.00 per annum. The position of these farmers after the benefitting from the scheme's loans is as shown by Table 4.8 below:-

Table 4.8

Income Position Of The Farmers After Benefitting
From The Scheme.

Income Level	No. of Farmers	Percentage
Less Than ₦100	12	10%
₦100 - ₦500.00	80	66%
₦500 - ₦1000.00	23	19.16%
₦1000 and above	5	4.16%

SOURCE: Field Survey 1988.

It is apparent from the two tables that the scheme has actually led to an increase in their farm income.

4.7 The Plateau State Agricultural Loan Scheme's Problems In Financing Small Scale Farmers In Plateau State.

Despite the achievements of the scheme reported, it is faced with certain operational problems which include:-

4.7.1 Loan Recovery

Poor loan recovery from the beneficiaries is a major problem facing the Plateau State Agricultural Loan Scheme in performing its functions. Since the scheme borrows from banks for onward lending to these farmers, delays in repayment by the beneficiaries has an effect on the scheme's repayment to these banks. This unfortunate situation is shown by table 4.9 below:

Table 4.9

Loan Repayment Rates By Beneficiaries Of The Plateau State Agricultural Loan Scheme 1978 To 1986.

Year	Loan(N)	Amount Repaid	Amount Outstanding (N)	
1978/79	308,634.34	263,248.5	45,390.54	7%
1979/80	497,909.44	291,690.93	206,218.55	
1980/81	797,162.29	459,690.09	337,472.20	
1981/82	Nil	Nil	Nil	
1982/83	1,934,732.57	539,139.48	1,395,592.09	
1983/84	Nil	Nil	Nil	
1984/85	1,034,023.98	859,477.77	278,546.21	
1985/86	2,180,000.00	1750,000.00	430,000.00	
1986/87	3,270,000.00	450,000.00	2820,000.00	
<u>Total</u>	<u>10,922,440.14</u>	<u>5409,220.55</u>	<u>5,513,219.59</u>	

Source: Plateau State Agricultural Loan Scheme Headquarters, Jos.

From the table, only about 49.52% of the total amount of loans granted to these farmers have been repaid.

4.7.2 Shortage Of Funds

Another major constraint facing the scheme is shortage of funds. Since the scheme obtains loans from Commercial Banks, its impact is restricted to the amounts it can borrow from these sources.

4.7.3 Staffing Problems

Staff were assigned to the Agricultural loan scheme from the state Ministry of Agriculture and Natural Resources to start credit operations without the necessary aptitude tests with the result that some are unable to cope with the work. Others prefer to continue their career as agriculturalists; the uncertainty of their future prospects caused by their transfer to the scheme is further aggravating the situation.

4.7.4 Input Problems

Although requirements for the input components of the loan are requested well in advance of disbursement dates by the scheme, it has not been possible to supply all loan beneficiaries with the required types and amount of inputs. These inputs which are in the form of fertilizers, tractor hiring services, improved seeds,

chemicals, and fungicides, are in short supply due to the country's inability to produce or import them in the required quantities and at the required time.

4.7.5 Lack of Autonomy

The scheme is not autonomous hence, decisions taken are normally delayed due to bureaucracy of the Ministry. The scheme takes directives from individuals who have little or no knowledge of agricultural finance such that sound proposals made by the staff of the scheme are normally rejected by those in charge of decision making.

4.8 Problems Facing Small-Scale Farmers Benefitting From The Scheme.

Major problems facing farmers benefitting from the scheme are:-

- a. Late disbursement of loans
- b. Insufficiency of Farm inputs
- c. Lack of Supervision
- d. Repayment period
- e. Poor produce prices.
- f. Loan size.
- g. Politicisation of loan.

4.8.1. Late Disbursement Of Loans.

76 percent of the beneficiaries complained of the late disbursement of the scheme's loans. They cited examples of time they had to receive such loans 3 to 4 months after planting besides, instalmental instalment does not fit the schedule of cultivation of the crops for which the loans were granted.

4.8.2 Insufficiency Of Farm Inputs.

About 70 percent of the respondents reported that they were not provided with farm inputs while 28 percent were provided with insufficient inputs. The respondents also complained of difficulties encountered in buying inputs at the selling centres.

4.8.3 Lack of Supervision.

Beneficiaries of the scheme's loans are under the arrangement, supposed to be supervised however, beneficiaries have complained that there was no technical advice given to them by those supposed to supervised them. The educational background of the farmers is poor with about 90 percent being illiterate hence the need to educate them on the use of modern farming gechniques.

4.8.4 Repayment Period

All borrowers interviewed said the repayment period of one year is too short. They maintained that since loans were granted late, demanding for

repayment in January is unjustifiable.

4.8.5 Poor Produce Prices

Produce of the beneficiaries is not normally purchased by the scheme hence, the farmers are exposed to fluctuating market prices with the result that they don't get favourable prices for their produce.

4.8.6 Loan Size

80 percent of the respondents said the loans granted by the scheme are inadequate. They maintain that the loan is not even enough to meet labour costs. There is the need therefore, for the scheme to increase the amount of disbursable loans.

4.8.7 Politicisation Of Loans

Some of the respondents complained that loans were not usually granted to genuine farmers maintaining that some of the beneficiaries had either government official backing or are strong party supporters.

CHAPTER FIVESUMMARY, CONCLUSIONS AND RECOMMENDATIONS5.1 Summary

This study has analysed the contribution of the Plateau State Agricultural Loan Scheme to the development of agriculture in Plateau State by financing small-scale farmers.

The first chapter of the study discussed the research problem, objectives and the scope of the study. It showed how agriculture which had for many years, been the preoccupation of this country, has been allowed to fall to a deplorable position in its contribution to the Gross Domestic Product (GDP) of the country. This was attributed partly to the neglect of the rural economy which had, lacked various developmental and socio-economic infrastructure to make life more meaningful for rural dwellers who produce the bulk of the country's agricultural produce. It showed that the agricultural sector of the country's economy is plagued by many problems mainly those of raising the level of productivity in all its subsectors and financing which have become extremely difficult and complex because the constant factor is the peasant farmer at the production level.

The main features of the country's agriculture are the small-scale nature of operations, little

application of modern technology, poor management practices of farmers and little capital investment all of which have resulted in low productivity. An important reason mentioned as contributing to low productivity is the non-availability of production credit on favourable terms to these peasant farmers. Agricultural production credit is essential in increasing agricultural output and in raising the level of income of these farmers. As a result, attempts have been made to emphasize the provision of credit to farmers. The Plateau State government in pursuance of the agricultural revitalisation policy, approached the food and Agricultural Organisation of the United Nations through the Federal Government of Nigeria. The organisation after extensive surveys, recommended the establishment of this scheme. Since the establishment of the scheme in 1977, it has been granting loans to small scale farmers in Plateau State however, no empirical study has been conducted to assess its performance. This problem necessitated the research coupled with the fact that past agricultural credit schemes in Plateau State have failed with the debts having to be written off by the state government, this study is justified. The study was therefore, an attempt to appriase the performance of the Plateau State Agricultural Loan Scheme in relation to its stated objectives. The study aimed at examining the role of the scheme in financing small-scale farmers

In Plateau State, its operation, ~~organisation~~ and problems and subsequently, offer suggestions where necessary to make it more effective in the achievements of its stated objectives.

In Chapter Two, related literature and studies on agricultural finance or credit were examined. From these, it was observed that due the vicious cycle of poverty affecting farmers in Nigeria as in most developing countries, the provision of agricultural credit is a prerequisite to increased agricultural productivity. The financing of agricultural projects in Nigeria has however, been difficult due to the nature of agricultural production in the country. For many years, governments in Nigeria have been making attempts to provide agricultural credit to all categories of farmers. Unfortunately, such attempts have not been able to meet more than a tiny percentage of the credit requirements of farmers.

The early institutions established for granting loans for agricultural purposes did not perform well due to several reasons and most of such loans had to be written off as bad debts. In the review, a number of prerequisites for a successful agricultural credit programme were mentioned. Some of these prerequisites are adequate land tenure system, rural infrastructure, and continuity in government policies. Specialisation of operations and wide geographical

coverage were said to be important factors in efficient agricultural credit institution. The chapter ended with suggestions for improved agricultural financing.

In chapter three, the method of data collection and analysis were presented. Information used for the study were gathered from primary and secondary sources that is, from personal interviews, questionnaires and from official records of the Plateau State Agricultural Loan Scheme.

From these pieces of information, it was found that the scheme had within the past nine years of operation, been able to secure loans from two financial institutions namely, the Nigerian Agricultural and Co-operative Bank and the Bank of the North Limited totalling ₦8,756,243.70 (capital only) for onward lending to small-scale farmers in Plateau State. These sources it was gathered, are the only sources of funds for the scheme. The study showed how the lending policy of the scheme has affected the development of agriculture in Plateau State by favouring crop production and marketing while neglecting other sub-sectors of agriculture such as livestock and poultry production, fisheries, and forestry.

The study highlights the following problems as the major constraints to the achievement of the scheme's aim of developing agriculture in Plateau State by

chanelling credit to small scale farmers in the state.

- a. Poor Loan recovery rates of 46.03 percent have reduced the scheme's ability to repay its creditors.
- b. The scheme is handicapped by inadequate funds so that its impact is limited to the amount of loans it is able to secure from the two sources; the Nigerian Agricultural and Co-operative Bank and the Bank of the North Limited.
- c. Staffing problems; staff were assigned to the scheme from the State Ministry of Agriculture and Natural Resources without the necessary aptitude tests hence, they find it difficult to cope up with the work.
- d. Input problems; inputs which form an integral part of the loan cannot be obtained early enough and in large enough quantities for disbursement to the beneficiaries of the scheme due to the country's inability to produce or import them in the required quantities and at the required time.

5.2 Conclusions

The effectiveness of any agricultural credit institution is judged by the extent to which it makes its impact felt by the farmers. It cannot therefore, be judged purely in financial terms that is, in terms of the amounts approved, disbursed and approved. It has also, to be judged by additional criteria such as physical improvement in productivity as a result of the establishment of the institution.

In the case of the Plateau State Agricultural Loan Scheme, from establishment to date, it has been able to provide loans to small holder farmers which in turn, has helped increase the agricultural productivity of the beneficiaries. Thus, it can be said to have helped in the development of agriculture in the state.

From the problems identified however, it is clear that a lot has to be done if the scheme is to achieve the objectives for which it was established and if it is not to go down in history as one of those white elephant projects that have failed.

5.3 Limitations Of the Study

The research has not been as extensive as the researcher would have wanted to due to the following limitations:-

- a. The absence of record keeping by the farmers thus, information collected from the respondents depended on the ability of the farmers to recall the past thereby, resulting in either over or underestimation of facts.
- b. The refusal of some respondents to give certain information.
- c. Lack of funds, transportation on the part of the researcher limited the number of respondents the researcher could interview.

These limitations notwithstanding, the data collected is adequate to allow an understanding of the contribution, problems and prospects of the Plateau State Agricultural Loan Scheme.

5.4 Recommendations

In the light of the findings of the research, the researcher makes the following recommendations which concern not only the project concept of agricultural credit but other necessary components of agricultural development that are deficient in the state. Unless measures are introduced to improve integrated services to farmers, credit will contribute little to the present depressed state of agriculture in the state. An agricultural credit programme cannot operate successfully

in isolation as it is merely a component of a package of services which collectively provide farmers with the necessary incentives for agricultural development.

The recommendations are:-

- a. To be effective, a credit unit must be developed as a specialised unit with specialised staff. The scheme should therefore, be transformed into an autonomous agricultural credit unit with strong links with the Ministries of Agriculture, and trade, Industries and Co-operatives. The credit unit when developed, should be an impartial organisation basing loan approvals on technical considerations only.
- b. The present unsatisfactory input situation cannot give adequate support to a credit service as such, efforts should be made to make the availability of these inputs at the required time and quantities to the beneficiaries by ordering for them earlier and that Loans should only be disbursed when all inputs are available and where adequate extension support is available.
- c. Payment of cash components of loans to borrowers and loan repayments should be future, be operated through local bank accounts.

- d. As an antedote to the problem of inadequate finance, the scheme should be strengthened in terms of financial support to enable it meet with the greater demands for loans and to reduce hardship to farmers in years when the scheme is unable to secure loans from its sources. It should seek assistance from additional financial institutions for an increase both in the amounts and sources of loans.
- e. As to the issue of tractor hire service, it is recommended that the organised private sector be encouraged to provide Tractor hire services and should in addition, be requested to provide servicing facilities against a guarantee to purchase an agreed number of Tractor Units over a given period. Thereafter, minimum standard regulations and costs should be introduced for specific operations to safeguard the interest of farmers.
- f. With regards to the lending policy of the scheme, it should be restructured to include other subsectors of the agricultural sector.
- g. On the problem of low repayment rates, it is hereby recommended that firmer ways of handling defaulters be evolved which would reduce the high level of loan defaults.

- h. The scheme should employ and train more staff in the field of agricultural finance and credit management who should additionally, be provided with adequate transport facilities for going round to supervise loan beneficiaries.
- i. Loans for agricultural purposes should be timely to ensure proper utilisation for the purposes for which they were sought and obtained.
- j. The scheme should, through the extension service of the state Ministry of Agriculture and Natural Resources, provide literature in local languages on its activities for the benefit of the rural farmers.
Finally,
- k. The scheme should understand that agricultural production can best be improved through Co-operative Societies. The scheme should therefore, intensify efforts towards the formation of these societies in the state and using them to provide credit to their members.

These recommendations it is hoped, will go a long way in improving the performance of the Plateau State Agricultural Loans Scheme.

APPENDIX I
PLATEAU STATE AGRICULTURAL LOAN SCHEME: LOAN DISBURSEMENT BY YEAR AND LOCAL
GOVERNMENT AREA.

LOCAL GOVERNMENT AREA	1978/79	1980/81	1985/86	1986/87
KANAM	24,661.00	63,700.20	71,500.00	113,420.00
SHENDAM	24,498.53	75,476.25	71,500.00	116,630.00
WASE	20,536.50	31,162.80	52,500.00	97,370.00
LANGTANG	30,071.70	63,700.20	71,500.00	102,720.00
NASSARAWA	29,292.40	75,476.25	67,000.00	95,230.00
MANGU	17,968.16	64,456.20	64,500.00	87,740.00
KEFFI	22,735.67	71,763.75	71,500.00	116,630.00
PANKSHIN	16,910.88	63,700.20	71,500.00	98,440.00
BARKIN LADI	26,230.00	64,456.20	71,500.00	108,070.00
AKWANGA	28,599.61	75,476.25	71,500.00	102,720.00
JOS	19,283.48	31,162.80	71,500.00	115,560.00
BASSA	19,283.48	31,162.80	71,500.00	108,070.00

SOURCE: Plateau State Agricultural Loan Scheme Headquarters, JOS.

APPENDIX 2.RESEARCH QUESTIONNAIRE

INTRODUCTION:

This questionnaire is designed to help the researcher who is an M.B.A. II student of the Ahmadu Bello University, Zaria, in assessing the contribution of the Plateau State Agricultural Loan Scheme of the State Ministry of Agriculture and Natural Resources to the development of agriculture in Plateau State. Kindly fill it correctly and return it (Answer all questions please).

You are hereby assured that all information you give will be used confidentially.

PART A.

Please, Tick () where appropriate.

1. Name of Respondent.....
2. Respondents Local Government Area.....
3. Activity engaged in by respondent
 - (a) Agricultural.....
 - (b) Non-Agricultural.....
 - (c) Both Agricultural and non agricultural.....
4. If agricultural, specify activity engaged in
 - (a) Livestock production.....
 - (b) Livestock marketing.....
 - (c) Crop production.....
 - (d) Both crop and livestock production.....
 - (e) Others (specify).....

5. If crop production, what is the size of your farm?
- (a) Less than 5 hectares.....
 - (b) 5 to 10 hectares.....
 - (c) above 10 hectares.....
6. What crops do you normally grow?
- (a) Maize.....
 - (b) Rice.....
 - (c) Beans.....
 - (d) Groundnuts.....
 - (e) Yams.....
 - (f) Irish Potatoes.....
 - (g) Others (specify).....
7. After harvest, do you
- (a) Sell the crops.....
 - (b) Process the crops....
 - (c) Consume the crops....
 - (d) Others (specify).....
8. What is the estimated value of your yearly harvest?
- (a) less than ₦100.00.....
 - (b) ₦100.00 to ₦500.00.....
 - (c) ₦500.00 to ₦1000.00.....
 - (d) ₦1000.00 and above.....

9. If you engage in livestock production, specify the number and types of animals you have.
-
-
-
-
10. What is your source of finance for the projects you undertake?
- (a) Friends and Relatives.....
- (b) Money lenders.....
- (c) Commercial banks.....
- (d) Other agricultural loan schemes.....
11. Do you know of the existence of the Plateau State Agricultural Loan Scheme?
- (a) Yes.....
- (b) No.....
12. If 'Yes', from what source did you hear about the scheme?
- (a) Friends and Relatives.....
- (b) Newspapers.....
- (c) Village Heads.....
- (d) Others (specify).....
13. Have you ever benefitted from the scheme?
- (a) Yes.....
- (b) No.....

14. If 'Yes', what's the amounts you obtained between 1978 and 1986 from the scheme?

Year	Amount (₦)
1978/79	
1979/80	
1980/81	
1981/82	
1982/83	
1983/84	
1984/85	
1985/86	
1986/87	

15. Have these loans been repaid?
- (a) Yes.....
- (b) No.....
16. If 'No' State reasons for failure to repay
- (a) Crop failure.....
- (b) Livestock failure.....
- (c) Others (specify).....
17. For what purpose were the loans obtained?
- (a) Production purposes.....
- (b) Marketing purposes.....
- (c) Others (specify).....
18. Were Loans from the scheme timely?
- (a) Yes.....
- (b) No.....

19. Were the loans given in bulk or Instalmentally?

(a) In bulk.....

(b) Instalmentally.....

20. Is the repayment schedule suitable to your income?

(a) Yes.....

(b) No.....

21. Were the loans from the scheme supervised?

(a) Yes.....

(b) No.....

22. If 'Yes' how often were you supervised per farming season?

.....

23. What is your assessment of the performance of the scheme?

(a) Very good.....

(b) Good.....

(c) No comment.....

(d) Bad.....

24. Will you like to further obtain Loans from the scheme?

(a) Yes.....

(b) No.....

25. What problems do you encounter with the scheme when seeking loans?

(a)

(b).....

(c).....

(d).....

(e).....

Thank you very much for sparing your time
to fill the questionnaire.

ABDULLAHI A. ZUNGUM.

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