THE EFFECT OF MANAGERIAL PERFORMANCE ON SHAREHOLDERS' WEALTH MAXIMIZATION OF CONGLOMERATE FIRMS IN NIGERIA

BY

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BEING A THESIS SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF M.Sc DEGREE IN ACCOUNTING AND FINANCE

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DECLARATION

I hereby declare that this study entitled "The effect of Managerial Performance on Shareholders' Wealth Maximization of Conglomerate Firms in Nigeria" is written by Abdulmalik Yusuf under the supervision of Dr. Salisu Mamman. To the best of my knowledge it has never been presented anywhere for the award of any Degree in any institution. All materials consulted in the course of the study have been duly acknowledged by means of references. I take the sole responsibility of all errors there in.

.....……

Yusuf, A

CERTIFICATION

This is to certify that this study entitled "The effect of Managerial Performance on Shareholders' Wealth Maximization of Conglomerate Firms in Nigeria" by YUSUF, Abdulmalik meets the regulations governing the award of Master of Science (M Sc.) degree in Accounting and Finance of Ahmadu Bello University Zaria, for its contributions to knowledge and literary presentation.

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DEDICATION

This study is dedicated to the remembrance of my late father Mal. Yusuf Umar Diso and my late sister Aishatu Yusuf (Jimmala). May their soul rest in perfect peace. Amin.

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Abstract

Firms are mostly owned by thousands of shareholders. The complex nature of firms serves as an impetus for owners to appoint qualified personnel to manage their affairs in order to achieve organizational goals. Thus, this study assesses the effect of Managerial Performance on Shareholders' Wealth Maximization of Conglomerate Firms in Nigeria. Data are collected through secondary sources from the annual reports and accounts of the firms, for the period of eight years (2001 to 2008). The study adopts ex post factor research design, Economic Value Added (EVA) Model, Compounded Annual Growth Rate Model and Multiple Regression technique for data analysis. The study finds that Managerial Performance measure by EVA Model has significant effect on Shareholders' Wealth. It also establishes that Shareholders' Wealth is affected by Accounting Performance Measure in Nigeria. The study recommends shareholders to consider EVA Model as Modern Managerial Performance Measure for wealth maximization decision. Research work is encouraged on the wide application and acceptance of Economic Value Added (EVA) Model, as modern managerial performance measure in Nigeria.

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CHAPTER ONE:

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Prior to 1980 in Nigeria as well as in many developing countries, successive governments have implemented various agricultural and rural development policies, all in an effort to address perceived shortfall in rural credit, stimulate rural employment and enhance agricultural productivity. Under these rural credit schemes, institutional resources, programme efforts and government agencies – based top – bottom interventions, to implement mostly supply-led financial development strategies. That is the channeling of government funds to rural entrepreneurs and small farmers to enhance the contribution of agriculture to economic development (Yaron, 1992).

The above aim prompted the government in Nigeria to establish the defunct Agricultural and Co-operative Bank (NACB). The objective of NACB is to finances agricultural project through loans to farmers. Others like the Nigeria Bank for Commerce and Industry (NBCI), People Banks for Nigeria (PBN) as well as

Special Banks for Local Areas – Communities banks (CBs) were also established for similar objective and purpose. Government also made it mandatory for commercial banks and merchant banks to finance agricultural sector through loans. There was also the rural banking scheme of the Central Bank, the Nigeria Agricultural Guarantee Scheme, National Agricultural Scheme, National Agricultural Land Development Authorities, the Family Economic Advancement Programme (FEAP) and the National Economic Empowerment Development Strategies (NEEDS), which they were all form in lieu of promoting agricultural and rural development.

The Nigeria's Vision 2020 is to be a developed nation by the year 2020. Although, manufacturing and the service sectors are set up as a driving force of the economy but the agriculture sector will still remain an important contributor, especially in the food production. The percentage contribution of agriculture to gross domestic product (GDP) is declining, in terms of absolute value, perhaps the amount is increasing geometrically. The agriculture sector has contributed significantly to the growth of the Nigerian economy and for it to continue significantly contribute to the national economy; it has to be globally

competitive. The Third National Agricultural Policy, which covers the period 1998 to 2010, provides the policy framework for the future growth of the agricultural sector in the next decade.

The future of the rural and agricultural finance institutions in Nigeria including Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), rest on its ability to meet the challenges for the purpose in which it was established to as well as to remain a sustainable development and competitive in the global financial institution. With the liberalization of the world trade including the financial sector through the World Trade Organization (WTO) agreements, the trade competition will be stiff amongst existing players and new competitors from within and outside the nation. NACRDB must find ways to strengthen its existence by having enough capital, improving its operation, expanding its scope of business and operating normal banking business.

The bedrock of agriculture and agricultural development in developing countries of sub-Saharan Africa is rural development, without which all efforts towards agricultural development will be futile. A large majority of the farmers

operate at the subsistence, (smallholder level), while intensive agriculture being uncommon. A characteristic feature of the agricultural production system in such countries, Nigeria inclusive, is that a disproportionately large fraction of the agricultural output is in the hands of these smallholder farmers whose average holding is about 1.0-3.0 hectares, (Yaron, 1992). Also, there is very limited access to modern improved technologies and their general circumstance does not always merit tangible investments in capital, inputs and labour.

Household food and nutrition quality relies heavily on rural food production and this contributes substantially to poverty alleviation. Consequently, the first pillar of food security is sustainable production of food. Parkin, (1998), noted that in the early 1980s, while the population grew rapidly, food production and agricultural incomes declined in many African countries including Nigeria. In most of the countries the diminishing capacity of agriculture to provide for household subsistence increased the workload shouldered by populace as investment by the financial institution withdrew their service from agriculture.

Evidently, development, food security and poverty alleviation will not be truly achieved without rapid agricultural growth. Assisting the rural poor to enhance their livelihoods and food security in a sustainable manner is therefore a great challenge. Broadly put, increases in agricultural productivity are central to growth, income distribution, improved food security and alleviation of poverty in rural Africa.

In spite of efforts of the government less is achieved in the agricultural productions. This is partly because the institution were not designed to function as “true” financial intermediaries that mobilize deposits to make loans, they lack the obligation to operate under financial constraints, nor were they driven by commercial financial performance criteria.

It is based on this premises that this study is undertaking to assess the contribution of development banks to the development of Nigeria economy using Nigeria Agricultural and Cooperative and Rural Development Bank as a domain of the study.

1.2 STATEMENT OF THE PROBLEM

The mandate given to NACRDB is to develop and modernize the agricultural sector through easy access of agricultural credit. This is in line with the government's aspiration and policies to provide food security for all Nigerians such as the National Agricultural Policy, National Development Policy and the Second Industrial Master plan.

The livelihood of rural population comprising of farmers, fishermen and livestock producers need to be improved and modernized. At the early stage, NACRDB credit activities only encompass the special credit scheme to farmers engaged in planting paddy in the double cropping areas. NACRDB's financing were then expanded and various schemes were implemented to include the other sub-sectors of agriculture such as other crops, fisheries and livestock. The scope of activities eligible for NACRDB's financing covers all upstream and downstream agriculture and agriculture related activities.

NACRDB adopts and practices two-prong approach in extending its loan and credit facilities to its customers. One is to assist smallholders, farmers, fishermen and livestock producers by financing their projects through special government interest schemes with favorable terms and conditions such as with low concessionary interest rate. The other is to provide loans to agriculture

entrepreneurs and the private sector that are keen and interested to invest in agriculture projects at competitive commercial interest rates.

The special government interest schemes are usually realized, implemented and financed through funds allocated by the government to NACRDB to carry out certain specific development tasks. While financing of the commercially viable agriculture projects at the competitive commercial interest rates are funded by the deposits mobilized by NACRDB itself. This to ensure that such huge and financial gulf project reaches its logical conclusion.

The NACRDB launched in 1999 provides the policy framework for the growth of the agricultural sector up to the year 2010. The sector's targeted to achieve a growth of 2.1% per annum with a total investment of USD 8.4 billion and an estimated contribution of USD 5.5 billion from the private sector. NACRDB has been directed to enhance its operation and play a more effective role in providing credit to the agriculture sector. NACRDB will be the anchor bank for financing agriculture projects.

The government efforts to revitalize the agriculture sector as the engine of growth has witnessed an increase allocation of USD0.39 billion in 2005 to the

Ministry of Agriculture and Agro-based Industry, aimed at transforming and modernizing the agriculture sector. As one of the agencies under the Ministry, NACRDB will play an active role in financing projects implemented under the Ministry of Agriculture Incorporated concept. In the light of the current development and in line with the current government policy, NACRDB's focus would not only be in the primary production, but would be greater in the downstream activities.

Inspite this effort, there is little or nothing to write home about as per the contribution of development bank to the economic development of Nigeria. This problem of poor performance was attributed to poor funding as asserted by Lawal (2004). According to Parkin, (1998), the nation needs to develop and improve agricultural sector, particularly in pursuit of government's food security objectives. Lawal (2004), also noted that the sector is vital to employment creation, yet the agro-allied industries have been a major victim of the decline in the growth of agricultural industries in the country. The few agro-allied industries, which have managed to survive the harsh operating environment, are operating below capacity.

It is based on this fact that this study is carried out to assess the extent of the contribution of development bank to the economic development of Nigeria.

1.3 OBJECTIVE O F THE STUDY

The main objective of the study is to assess the contribution of development banks to the economic development of Nigeria.

Other objectives are:

i. To ascertain the contribution of NACRDB to agricultural development in Nigeria

ii. To ascertain the contribution of NACRDB to corporative and rural development in Nigeria.

1.4 RESEARCH QUESTIONS

i. How has NACRDB contributed to agricultural development in Nigeria?

ii. How has NACRDB contributed to economic development in Nigeria?

iii. How has NACRDB contributed to corporative and rural development in Nigeria?

1.5 RESEARCH HYPOTHESES

For the purpose of this study, the following hypotheses are formulated in null form:

Ho: NACRDB has not significantly contributed to agricultural development in Nigeria

Ho: NACRDB has not significantly contributed to economic development in Nigeria.

Ho: NACRDB has not significantly contributed to corporative and rural development in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

NACRDB was established by an Act of Parliament. As a statutory body, the Bank is responsible to arrange, provide, supervise and co-ordinate credit for agricultural purposes in Nigeria. The idea for an agricultural bank is directly a result of the government's decision to embark on the massive agricultural production that ensures food security for her populace. Hence, this study will be of great importance to the followings:

Government at all level will benefit immensely as the study revealed to the extent the NACRDB have aided the rural agricultural practice across the country and to know if the desire objective of establishing the banks has been achieved.

In addition, the study will help to evaluate and reposition of Agricultural Development Bank in rural areas as it brings to the attention of policy makers and other regulatory bodies for the need for its funding.

Rural agricultural producer will equally find the study interesting as it abrades them the opportunity available for them to explore as a way loan through the bank in order to expand the level of production.

The study will equally of great important to other researchers, scholars and student as it add to the already existing literature and other literary work.

1.5 SCOPE OF THE STUDY

The study is designed to cover a period of five (5) years i.e. 2004 - 2008 and is restricted to NACRDB as the major player in the economic development. This period chosen is sufficient enough to lead this to logical findings.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 INTRODUCTION

This chapter covers an extensive and critical review of the literature relevant to the development banks and banking system as relates to their contribution to economic development of Nigeria. In this chapter, ideas, concepts, theories, among others were assessed and criticized were necessary. This chapter also provides necessary intellectual foundation for building the blocks for the study. It is the objective of the researcher that this review will foster a better understanding of the various contribution of development bank to the economic development of Nigeria in general. This chapter therefore, traced the historical development of development bank in Nigeria and its classification.

2.2 HISTORICAL DEVELOPMENT OF BANKING IN NIGERIA

Banking business is the business of raising deposits or current account, savings account or other related account, paying or collecting cheques drawn by

or paid in by customers, provision of finance or such other business as the governor (CBN) may be order published in the gazette – section 61 BOFIA 1991. Therefore any organize or entity that carryout the above is referred to as a bank.

The history of banking in Nigeria cannot be completely divorced from the historical development of the subject matter in England. This is due to the economic and political influence of the British Colonial Maters on the Nigerian economy prior to 1960 – year of independence. Antecedent to this, in Nigeria, before 1863, a system of thrift collection was known to the natives and people of what later became Nigeria in 1914 – Agom (2000) Among the Ibos, Yorubas and Hausas, the traditional thrift institutions were known and practiced by the natives. The bore some semblance to modern banking but no doubt different.

Banking n Nigeria started as early as 1892 in Lagos with the opening of the first branch of the American Banking Corporation (ABC). Messers Elder Dempster and Co. a shipping firm which is based in Liverpool, England behind its formation. However, its interest was transferred to Elder Dempster and Co. in 1893 which led to the formation of the British Bank for West Africa (BBWA) in 1813, which

became the Standard Bank Nigeria Limited and subsequently, First Bank of Nigeria Plc as it is known and called today. Actually, the year 1892 can be regarded as the year banking activities started in Nigeria, the ABC was saddled essentially with the responsibility of distributing Bank of England's notes for the British Treasury in Nigeria – Ajayi and Ojo (1979:7). At this time, there was no Banking Legislation or any regulatory body for banking activities/business in Nigeria.

Brown (1966:9) explained that, in 1912, the West African Currency Board (WACB) was established to issue legal tender for the Wes African sub-region. The board set up four currency centers in Lagos, Accra, Freetown and Barthust (Gambia). The board retained the Bank of British Wets Africa (BBWA) as its currency distribution agent in 1917 the BBWA was joined by the colonial banks, which became part of Barclays, DCO (Dominion Colonial and Overseas) in 1925, now Union Bank of Nigeria Plc.

As of 1949, expatriate bank dominates the Nigerian commercial banking. This is evidence by the establishment of the British and French Bank now (United Bank for Africa) and the liquidation of established indigenous banks.

The Central Bank of Nigeria (CBN) was established in July, 1958, under the Central Bank Ordinance Cap 30, because of its importance at that time for the supervision and regulation of banking activities in Nigeria.

1986 saw the deregulation and liberalization of the Banking Industry and thus, private participants came into the industry and more banks were established. As at the end of 1991 the total banks rose to 120 from 26 in 1981. As at March 2003, CBN reported that there are 95 banks licensed, 80 commercial banks (some of which are universal banks), 11 Merchant Banks (most of which are subsidiaries of some universal banks) and 6 development banks.

In line with Central Bank of Nigeria (CBN) directives of July, 6th, 2004 on bank capitalization and consolidation, now the number of banks in Nigeria reduced to twenty four (24), many offering services that exceed every expectation of their customers.

The banking industry in Nigeria is one of the ever growing and expanding industries in the economy, it is therefore, necessary to develop financial reporting analysis in response to this growth.

2.3 NIGERIAN BANKING SYSTEM

According to Central Bank of Nigeria (CBN) brief (1997) series, the Nigeria banking system comprises the regulatory/supervisory authorities as well as banks and non-banking institutions. Therefore, a banking system can simply mean a conglomerate or various institutions, market and operators that interact with each other in a economy to provide financial services. Such services may include resources mobilization and allocation, financial intermediaries, facilitation of foreign trade, among others. The banking system thus, plays important roles in the process of economic growth and development of a country.

The banking system in any market oriented economy like Nigeria as seen by Agom (2000), is influenced by two basic classes of forces – the economic and legal forces, the economic forces are reflected by the demand for banking products and services and the activities of the operators in the banking sub-sector of the financial system of the economy. The legal forces reflect how law has been able to

keep abreast with these demands by giving sanctions at maintaining economic policies. Therefore, this demand for banking products and services has remarkable changes in terms of ownership structure, the numbers of institutions established and the regulatory framework within which they operate (Parkin, 1998).

2.3.1 Classification Of Nigeria Banking System

The Nigerian banking system is generally classified into two – the regular banks and the specialized banks section 9 and 61 of BOFIA, 1991 falling this purview are other classes of banks/banking. Banks are classified into commercial and merchant banks; while the former is into retail banking, the latter is more concerned with wholesale and investment banking – Mohammed (2002). The major classifications of banking in Nigeria are:

2.3.1.1 Central Banking

Central banking is a common feature in the financial system of all economies. It is the fulcrum on which other forms of banking stand. The need for

central bank of Nigeria was to serve as a banking, is a special branch of banking (the Apex of all) distinct from commercial, merchant or any other form. It operates with its won rules, regulations and practices. It is essentially an institution called upon to keep the financial structure of an economy on an even keel. It also helped the government to carry out its monetary policy with the power of discretionary control of the banking system. The laws establishing the CBN set act vividly its statutory objectives as follows. Adekanye (1986).

(a) Issuing a legal tender currency.

(b) Maintenance of external reserves to safeguards the value of the local currency.

(c) Promotion of monetary stability and good financial structure.

(d) Acting as banker and financial adviser to the government.

(e) Acting as the bankers' bank.

Despite these statutory objectives, the Central bank of Nigeria (CBN) performs other non-statutory functions such as:

(a) Foreign exchange management.

(b) Banking supervision.

(c) Performance of banking and agency services for the state.

(d) Regulation of currency in accordance with the requirement of business in the Nigeria economy.

2.3.1.2 Commercial Banking

Commercial banking is a business of receiving deposits on current, savings or other accounts, paying or collecting cheques drawn or paid in by customers. They are the commonest type of bank. Commercial bank perform major role of financial intermediaries in the economy and facilitation of the payments system within the modern exchange economy. The first commercial bank to carry out banking operation in Nigeria, is the Bank of British West Africa (now First Bank of Nigeria Plc.) which was established in 1894.

With the amendment of BOFIA in 1997, the minimum capital requirement has been increased from fifty million naira (N50,000,000) was raised to one billion naira (N1,000,000,000) in 2000, and raised to Twenty five Billion Naira (25,000,000,000) in 2004. Commercial banks have no doubt continued to dominate the banking sector accounting for the number of commercial banks

rose from 64 in 1996 to 80 in 2003, and in July 6th, 2004 the banks were consolidated and reduced to 24 in order to make them more effective and efficient in their banking services to customers.

The functions of commercial banking listed below are in no way exhaustive but they cover the essential services which most of them provides:

(a) Acceptance of deposits facilities.

(b) Provision of service like short-term loan and operation of the payment and settlement mechanism.

(c) Management of customer's portfolio of investment and provision of investment advice in case of need.

2.3.1.3 Merchant Banks

This is another category of banking business in Nigeria. Merchant banking themselves are specialist financial institutions that provides among other services wholesale banking, investment management and management of unit trust. The first merchant bank in Nigeria is the Nigeria Acceptance Limited (NAL). It started

operations in 1960. Merchant banking are wholesale banking which takes deposit and cater for the needs of corporate and institutional customers. The functions of merchant banking in Nigeria among others include;

(a) Provision of long term and medium financing by engaging in activities such as equipment leasing, loan syndication, debt financing and project financing.

(b) Merchant bank also operate in the capital market by acting as issuing house and advisers for client sourcing fund in the market.

(c) Provision of foreign exchange services and management of investment portfolio.

2.3.1.4 Development Banking

Development banks are specialized banks or Development Finance Institution (DFI) established to contribute to the development of specific sector of the economy. In the amendment of the CBN Act of 24th of 1991, all the development banks are now under the supervisory control of the CBN and are expected to render their operational returns to the CBN. The banks are set up to

act as a catalyst for such developmental process by Federal Government of Nigeria includes;

(a) **Nigeria Industrial Development Bank (NIDB):-** Operating towards the development of the manufacturing/industrial sector and established in 1964 following the structuring of the investment company of Nigeria (ICON) which was established in 1959. The NIDB sources funds from banks, the CBN, Federal Government and International Finance Corporation (IFC).

(b) **Nigeria bank for Commerce and Industry (NBCI):**- **This** bank operate towards the development of small scale enterprises and established in 1973 (same year with NACRDB). It was established by the decree 22 of 1973, to develop indigenous small and medium scale enterprises. The bank sources funds from subventions from Federal Government and the CBN through penalties imposed on commercial and merchant banks for credit short falls on loan to small and medium scale enterprises.

(c) **Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB):-** This bank operates towards the development of the agricultural sector of the economy and established in 1973. NACRDB

finances agricultural development project and allied industrial at small, medium and large scale depending on the economic justification of the projects. The bank sources of funds are; Government subventions, credit shortfall on agricultural loans to commercial and merchant banks through the CBN and loans from international financial institutions such as International Bank of Reconstruction and Development (IBRD) among others.

(d) **Federal Mortgage Bank of Nigeria Ltd (FMBN):-** Operating to encourage the development of the mortgage or property sector and established in 1977 under the Federal Mortgage Bank Act No. 7 of 1977. Specifically the function of those specialized banks is to ensure and enhance through the provision of requisite funds and advisory services to the development of he sector of the economy.

2.3.1.5 Community Banking

In Nigeria context a community bank is defined as a self sustained financial institution owned and managed by a community or group of communities to provide financial services to the members of the community Gashinbaki (2000:25) founded under decree No. 24 1991, community banking in Nigeria, is a unit banking structure i.e. a banking system with only one branch.

Example of community bank in Nigeria is the "Municipal Community Bank Limited", Federal Housing Authority Estate Abuja, Nigeria. Basically, the most important reason for establishment of community bank is to make banking services to be closer, affordable and community based in nature to Nigerians.

Community banking provide the following functions:

(a) Acceptance of deposit in form of savings, time deposits and current account from members of the public.

(b) Provision of credit facilities to individuals and medium scale enterprises in the community.

(c) Provision of equipment leasing facilities and technical assistance in the area of marketing agricultural products.

2.3.1.6 Rural Banking

This kind of banking fall within the purview of commercial banking in Nigeria. The rural banking scheme in Nigeria was introduced by the Federal Government in 1977 due to reluctance of banks to extend banking services to rural areas. The scheme set out to achieve the following objectives.

(a) Development of agriculture and agro-allied industries in the rural areas with a vies to achieve the national objective of self sufficient in food production (as at then);

(b) Mobilization of savings from the rural areas for the purpose of channeling such savings to profitable ventures in Nigeria.

(c) Cultivation of banking habits amongst rural dwellers in Nigeria.

The classification of Nigeria banking system combines all the functions, activities and benefits of the various banking system which have hitherto existed.

2.3.2 Regulatory Framework of Nigeria Banking System

Unlike general business that is regulated by the Company and Allied Matters Act (CAMA) 1990, the activities of baking companies is regulated by

various laws and authorities. These are classified into – regulatory and legal supervisory framework.

(i) **Regulatory Authorities**

The regulatory authorities are very crucial for the function and orderly development of the Nigeria banking system. Then, it is instructive to get major highlights of the rules of the various regulatory authorities of banks activities and financial reporting.

(a) **Central Bank of Nigeria (CBN:-** The Central Bank of Nigeria (CBN) is the apex regulatory authority of banking system. The promulgation of two decrees after 32 years of the establishment of CBN give it more flexible in regulating and supervising the banking sector and licensing finance companies, which hitherto operated outside any regulatory framework. They are the CBN decree of 1991 and the banks and other financial institution Decree No. 5 of 1991. The two decrees are primarily regarded as the basic foundation for modern banking in Nigeria.

(b) **Federal Ministry of Finance (FMF):-** The federal ministry of finance advises the federal government on its fiscal operations and co-operate

with the CBN on monetary matters. The responsibility for the regulations, supervision and licensing of banks were shared between the CBN and the FMF.

(c) **Corporate Affairs Commission (CAC):-** The function of this commission is to administer the regulation and supervision of the formation, incorporation, registration, management and winding up of companies. This commission was vested with responsibility of arranging or conducting an investigation into the affairs of any company where the interests of the share holders and the public so demands.

(d) **Nigeria Accounting Standard Board (NASB):-** This board was established to regulate and control information to be disclosed by a company or a corporate body. This board intended to notify reporting firm of prescribed practices, which should be adopted in particular accounting situations, thereby bringing about a greater uniformity or practices.

(e) **Nigeria Deposit Insurance Corporation (NDIC):-** The NDIC complements the regulatory and supervisory roles of the CBN. It was established by decree No. 32 of 1998. The NDIC is empowered to examine the books and affairs of insured banks and other deposit taking

financial institutions. For now, licensed banks are mandated to pay 15/16 of 1 percent of their total deposit liabilities as insurance premium to the NDIC. Meanwhile, a depositor's claims is limited to a maximum of N50,000 in the event of a bank failure (liquidation).

Principally, the NDIC was set up to provide deposit insurance and related services to the banking sector. It undertakes activities aimed at promoting confidence in the banking industry and collaborated with CBN in handling the liquidation of failed banks.

(ii) **Legal/Supervisory Framework**

Aside from provision in section 4(2), item 6, part 1 schedule 2 of the 1999 constitution, there are law or decree regulating business and financial reporting in Nigeria. These include:

(a) **Companies and allied matters act (CAMA) 1900:-** This law regulates the incorporation, management and liquidation of companies in Nigeria registered under the Act.

(b) **Central Bank of Nigeria (CBN) Decree 1991:-** As amended (CBN Decree 1991) this replaced the CBN Act of 1958. It confers upon CBN the process

of carry out its assigned function as it regulates to domestic economic and external sectors.

(c) **CBN Prudential Guidelines 1990:-** This guidelines is issued to licensed banks and auditors to comply with internal banking practice. It is aimed at addressing requirement of financial reporting as regards to assets classification and disclosures provisioning interest, accruals and off balance sheet engagements.

(d) **Securities and Exchange Commission Decree:-** This decree provide the powers given to the commission to examined records, calling for any information from any company when offering its shares for sales or subscription.

(e) **Banks and Other Financial Institution Act (BOFIA) 1991:-** This law centralized the functions by bank licensed, regulation and supervision in the CBN and defines authority appropriate action to ensure efficiency and prudence.

(f) **Statement of Accounting Standard (SAS):-** The statement is issued by the Nigeria Accounting Standard Board to provide a guide for accounting policies and methods that should be followed by companies (Banks) in

the preparation of financial statement relate to income recognition, balance sheet classification among others.

However, the banks supervisory/legal framework are not exhausted, others include:

- National Deposit Insurance Corporation (NDIC) Decree 1988.
- Money Laundering Decree 1995.
- Failed Banks (Recovery of Debts) and Financial Malpractices in Bank Decree.
- Central Bank of Nigeria (CBN) Monetary and Credit Policy Guidelines among others.

2.4 CONCEPT OF DEVELOPMENT BANK IN NIGERIA

Agricultural and Rural Development Banks occupy a significant place in the economy of every nation. Policy makers, economists and monetary authorities recognize the ability of development banks to achieve the desired result and to continue to play the role earmarked for the depend not only on the existence of the enabling (regulatory) environment but more importantly on their impact in economic development (Njijong, 2001).

Nigerian Agricultural Corporative and Rural Development Bank is a development financial institution wholly owned y the Federal Government. It is one of the specialized wholly owned by the Federal Government project. NACRDB was incorporated in 2000 following the merger of defunct Nigeria Agricultural and Corporative Bank, People's Bank and Family Economic Advancement Programme (FEAP).

According to Nwankwo (1980), first attempt was made in the 1930s' in Northern Nigeria with mixed farming loans extended by native authorities and subsequently taken over the Northern Region's Ministry of Agriculture. The loans were initially for the purchase of draught oxen agricultural inputs, horticulture and fisheries (Nwankwo, 1980).

Following the failure of the first nationwide credit institution, the Nigerian Local Development Board is 1946 to pay adequate attention to farm credit, the Patton Commission of Inquiry was requested among other things to examine the possibility of creating an agricultural bank and or corporative bank. In 1969, a

fresh study was carried out by the World Bank at the request of the Federal Government.

Lweis (1955), described the process of development as one of the transforming a country from being a low saver for industrial and agro-allied industries. Kasimu (1998), observes that banks have play an important role in the nation building and rural mobilization of funds for investment purpose. The contribution of Agricultural Development Banks to promotion of economic development can review in terms of job creation, encouraging indigenous enterprise etc.

Kuznets (1961), describe the concept of economic development as a function of development bank. These assertions include Agricultural and Rural Development Banks.

In Nigeria, industrialization has since independence constituted a major policy objective of the state. Government's concern and desire to achieve industrial growth and development have been articulated in many ways, including

direct participation, alone or jointly with private sector interest groups, provision of industrial incentives and adequate finance.

Prior to independence in 1960, the Nigerian economy was mainly agrarian, both in production for domestic consumption and exports. Industrialization was not part of the colonial economic policy, which has anchored on making the colonies producers of primary raw materials for foreign industries importers of manufacturers.

NIBD provides financial assistance to small, medium and large-scale enterprises, which by their size can make significant contributions to the Nigerian Economy. The bank finances projects located in any part of the country and encourage dispersal of industries away from the more industrialized centers, NIDB (1999).

The scope of investment is limited to manufacturing, non-petroleum mining and tourism, which include hotels of international standards. The projects should be economically desirable, that is, show promise of raisin living standards,

providing employment, or conserving foreign exchange. It should be technically feasible, that is, the technical processes involved should be capable of being carried out under existing conditions of availability of raw materials, modern machinery and equipment, essential services, technical and managerial personnel and labour. It should be commercially viable i.e. capable of making a satisfactory profit taking into account the cost of production and sales proceeds, the surplus being sufficient to repay loans, to build up reserves and to pay reasonable dividends.

The NACB's lending performance can be characterized by the relatively lack lending between 1972 and 1992, and relatively aggressive lending between 1993 and 2000.

In 1998, the bank significantly increased its lending activity and sanctioned a total loan amount of about 3.758 billion. From this a total of 3.680 billion was disbursed to various projects in the areas of agricultural production, processing, agro-allied industries, agro-service and agricultural produce marketing.

The increase in loans reflects the introduction of new products that is, the two-artesian fishers' schemes and disbursements of government agencies that largely benefited the rural people.

Rural development is a challenge of most developing economies like Nigeria. The rural sector in Nigeria is defined in a broad sense as consisting of all economic activities outside the urban economy. In the Nigerian context, agriculture (including livestock, forestry and fishing) forms the bulk of economic activity of the rural population, in contrast, all other activities like crafts, (weaving, dyeing and pottery etc), processing and other cottage or family unit industries and trade forms a lie of activity second to agriculture, (Nwankwo, 1983).

2.4.1 Development of Nigerian Agricultural Corporative and Rural Development Bank

The birth of the Nigeria Agricultural, Corporative and Rural Development (NACRDB) Limited as the single largest development finance institution in Nigeria followed the successful merger of the former People's Bank of Nigeria (PBN), the defunct Nigeria Agricultural and Co-operative Bank (NACB) Ltd. And the risk assets

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

The NACRDB is structured to accept deposits and offer loans/advances in which the interest rates graduated according to the purpose for the loan to Nigerians and their business. The bank also offers a number of financial products including target savings; start – up as well as smallholders loan schemes.

2.5 ISSUES ON ECONOMIC DEVELOPMENT

Economic development is the most topical issues of the present century. It has evolved over than fifty years. According to Jumare (2007), every nation strives after economic development. It used to be seen as synonymous with economic growth. Certainly, it includes growth but it should lead to a significant and continuing improvement in the quality of life of people, particularly the poor. It is essentially a process whereby the real per capita income increases over time (Shaffer, 1998).

According to Shaffer (1998), Economic development, generally speaking, is a process of change that is focused on the betterment of the community, state, and/or nation. Defining economic development can be difficult. The first term in this phrase—"economic"—refers to an accepted paradigm for organizing the business and financial and even to some extent the governmental sectors of a nation. Economics is viewed as the foundation for building a prosperous society. However, it is the second term—"development"—over which there is considerable debate. People's perceptions of development vary. For some, development has the appearance of successful commercial enterprise; for others, the face of development is one of economic equality (Thomas, 1999). Nevertheless, the concept of "economic development" has the attention of government, the business

sector, and the citizenry. We pursue economic development as one of the goals of a successful country, state, or city. It captures the attention of the news media and impacts, as well as is impacted by, political objectives.

Measurement of Economic Development

As noted by Okonjo (1991), economic development in a community can take many forms. However, before we can discuss the process of economic development, we must first understand how economic development has been measured, particularly at the national level. It is within this framework that communities have pursued their goal of improving the local economic environment. In fact, standardized measures of economic development are being used throughout the world, not just in the Nigeria (Rahman & Alamu, 2003).

Standardized measures of economic development are used to identify the status of one's country, state, or local community. We use these measures for a number of different purposes, including identifying trends and understanding patterns of economic development in communities that face different resource opportunities and constraints (Damisa et al, 2007).

Abdullahi (2006) observed that one of the most common methods of measuring economic growth is by calculating the gross national product of a country. Gross national product (GNP) is the value of goods and services produced *by* an economy's factors in a given period of time (e.g. is the value of goods and services produced *in* an economy in a given period of time.. When these measures are adjusted for inflation, we correct for any changes in the GNP or GDP that are due simply to increases in the price level in the economy. Real GDP, for example, is the value of goods and services produced in an economy adjusted for changes in the price level (Afolabi, 2008). This is particularly important when comparing across different economies because changes in price levels will not necessarily be uniform from one country to the next.

Auta et al, (2000), pointed out that the general purpose of using measures such as real GNP or real GDP is to collect and analyze information related to a country's economic transactions. Real GNP or real GDP provides analysts with an indication of how quickly the business sector of the economy is growing in a country. It also serves as a guidepost for local communities as they address economic development issues at a local level.

Trends in national economic development reflect changes occurring at the state and local levels and can impact local economic development planning. For instance, if the real GD of a country has increased, then we conclude that the country has experienced economic growth and the economy has improved. This information sends a signal to local economies suggesting that the national economy is in the growth phase of the business cycle. Communities can use this information to identify their position relative to the current trend and to plan future economic development. If, however, real GNP has declined, then the economy is thought to have experienced an economic downturn and a community can use this information to anticipate the impact of future economic downturns (Meek, 2001).

2.6 AN APPRIASAL OF POLICY MEASURES FOR THE DEELOPMENT OF AGRICULTURAL AND AGRO-BASED INDUSTRY IN NIGERIA

According to Ukeje (1993), agricultural and agro-based industrial development policies, strategies and programmes in Nigeria have undergone many changes since independence. These changes were, in the main, a reflection of changes in government philosophy on the best approach to economic development, while the philosophical changes were in themselves often brought about by changes in government and the economic fortunes of the nation. For

instance, by the mid- 1970s, emboldened by considerably increased revenue from petroleum, the Federal Government assumed increasing responsibilities for agricultural development, Ukeje et al (1993). There was widespread intervention of government in agricultural production, input supply and marketing. In addition, government also adopted credit controls and other allocative policies in favour of agriculture (Green, 2001). Development institutions, special programmes and projects were launched during this period. By the mid – 1980s, owing to dwindling oil revenues, a new government philosophy emerged with the introduction of the Structural Adjustment Programme (SAP), (Afelumo et al, 1993). This involves minimal administrative control of economic activities, wider scope for private sector and greater emphasis on economic self-sufficiency and self-reliance. Emphasis shifted to market determination of agricultural prices, (with selective use if subsidies on farm inputs). A more effective provision of extension services and technology transfer was accorded greater importance.

Other policy instruments introduced according to Afelumo et al, (1993) include the use o tariffs to promote agricultural exports and discourage non-essential imports (particularly raw materials that can be sourced locally); more

faourable fiscal and monetary policy instruments such as tax relief and credit guidelines or the agricultural and industrial sectors and general improvement in the investment climate in Nigeria to attract foreign investors.

2.7 NIGERIAN WOMEN IN AGRICULTURE AND ECONOMIC DEVELOPMENT

According to Todaro (1994), pointed out that the Nigerian woman has proved to be more than a mere “bench-warming” spectator, even in the midst of the male-dominated professional congregation. If given the opportunity, women can effectively participate in policy-making and governance. They can hold their own in very difficult and stressful circumstances and can do as well, if not better, than men. The steady advancement of women in contributing to the nation’s economic development and their progressive prominence in the national scheme of affairs have, to a large extent, impacted on the Federal government and government has responded positively in diverse ways.

On the basis of available evidence and statistics, the role of women in agricultural production in Nigeria cannot be trivialized. They perform crucial roles

in the domestic and economic life of the society. Rural and national development can hardly be achieved with the neglect of this important and substantial segment of the society (Melamed, 1996). In recognition of the importance of women in national building, the Nigerian government, more than ever before, is keen on rural poverty alleviation as a way of improving the economy. Focus is on planned and desirable change in the rural societies in the form of agricultural development. The success of these planned change programmes is hinged largely on the rational decision making process of the women. A lot of literature has shown that the various contributions of women to agricultural production in Nigeria. The role of women in decision-making process in agriculture has however not been widely explored (Arifalo & Goyega, 2003).

Damisa and Yohanna, using Zaria in Kaduna State of Nigeria as their study area, examined the level of participation of rural women in the decision-making in different areas of agriculture and studied factors influencing their participation in the decision-making process in farm management (Ogundipe, 1998). They found that women's participation in decision making was quite minimal in each of the farm operations, less than 20% of the women were consulted, except in the sourcing of farm credit, where about 28% were consulted; about 13% or less of

the women had their opinion considered in each of the farm operations. However, only between 1.0 and 2.5% took the final decision in all of the farm operations. Women's participation according to Olagbaju & Fololа, (1996), observed that, in farm management decision-making process is said to increase with age, older women participating more in decision-making in the different areas of agriculture than their younger age group counterparts. The high level of knowledge and experience about improved farm practices acquired by the educated women farmer had positive influence in that regard. Wealth status of women is also another major determinant of the role of the women in farm management decision-making; richer women being more involved than their poorer counterparts (Olagunju 1996).

Women in Anambra State of Nigeria contribute more than the men in terms of labour input in farming and are solely responsible for household management duties. In studies elsewhere in Nigeria, involving the *Jukun* people and the nomadic *Fulfude* women and *Kulka* women farmers, between 70 and 80% of agricultural labour force is represented by women.

A survey of peasant agricultural women in northern Nigeria also revealed that rural women take part in income-generating activities, particularly in the processing of agricultural produce. In a related survey of food processing and cottage industries by Simmons in three Zaria villages, he observed that 90% of the women were involved in at least one food processing activity or the other.

2.8 AGRICULTURAL SECTOR AND NIGERIA'S DEVELOPMENT

The study of economic history provides us with ample evidence that an agricultural revolution is a fundamental pre-condition for economic development (Eicher and Witt, 1964; Oluwasanmi, 1966; Jones and Woolf, 1969). The agricultural sector has the potential to be the industrial and economic springboard from which a country's development can take off. Indeed, more often than not, agricultural activities are usually concentrated in the less-developed rural areas where there is a critical need for rural transformation, redistribution, poverty alleviation and socio-economic development (Stewart, 2000). The central hypothesis of this work, therefore, is that a productive

agricultural sector lies at the root of the stupendous economic advancement of Nigeria.

The Nigerian experience is, of course, a striking example of how agriculture can advance beyond its primary function of supplying food and fibre. The agricultural sector has the potential to shape the landscape, provide environmental benefits such as land conservation, guarantee the sustainable management of renewable natural resources preserves biodiversity and contribute to the viability of many rural areas (Humbert, 2000). In fact, through its different spheres of activities at both the macro and micro levels, the agricultural sector is strategically positioned to have a high multiplier effect on any nation's quests for socio-economic and industrial development. Interestingly, the Nigerian economy, during the first decade after independence could reasonably be described as an agricultural economy because agriculture served as the engine of growth of the overall economy (Ogen, 2003). From the standpoint of occupational distribution and contribution to the GDP, agriculture was the leading sector. During this period Nigeria was the world’s second largest producer of cocoa, largest exporter of palm kernel and largest producer and exporter of palm oil.

Nigeria was also a leading exporter of other major commodities such as cotton, groundnut, rubber and hides and skins (Alkali, 1997). The agricultural sector contributed over 60% of the GDP in the 1960s and despite the reliance of Nigerian peasant farmers on traditional tools and indigenous farming methods, these farmers produced 70% of Nigeria's exports and 95% of its food needs (Lawal, 1997).

However, the agricultural sector suffered neglect during the hey-days of the oil boom in the 1970s. Ever since then Nigeria has been witnessing extreme poverty and the insufficiency of basic food items. Historically, the roots of the crisis in the Nigerian economy lie in the neglect of agriculture and the increased dependence on a mono-cultural economy based on oil. The agricultural sector now accounts for less than 5% of Nigeria's GDP (Olagbaju and Falola, 1996).

Current State of Nigerian Agriculture

The neglect of the agricultural sector and the dependence of Nigeria on a mono-cultural, crude oil-based economy have not augured well for the well-being of the Nigerian economy. In a bid to address this drift, the Nigerian government as from 1975 became directly involved in the commercial production of food

crops. Several large scale agricultural projects specializing in the production of grains, livestock, dairies and animal feeds, to mention but a few were established (Fasipe, 1990). Sugar factories were also established at Numan, Lafiagi and Sunti (Lawal, 1997). The Nigerian Agricultural and Co-operative Bank (NACB) was established in 1973 as part of government's effort to inject oil wealth into the agricultural sector through the provision of credit facilities to support agriculture and agro-allied businesses (Olagunju, 2000).

In spite of these efforts, it is heartrending to note that as from the mid 70s, Nigeria became a net importer of various agricultural products. In 1982 alone, Nigeria imported 153,000mt tons of palm oil at the cost of 92 million USD and 55,000mt tons of cotton valued at 92 million USD (Alkali, 1997). Between 1973 and 1980, a total of 7.07 million tons of wheat, 1.62 million tons of rice and 431,000 tons of maize were imported. Thus, from N47.8 million in the 60s, the cost of food imports in Nigeria rose to N88.2 million in 1970 and N1, 027.0 million in 1988 (Alkali, 1997). Since the 1990s and until the recent ban on rice importation, Nigeria has been spending an average of 60 million USD on the

importation of rice annually. Indeed, in 1994, the agricultural sector performed below the projected 7.2 per cent of budgetary output (Lawal, 1997).

Between 1995 and 1998 the government further embarked on the reformation of the lending policies of the Agricultural Credit Guarantee Scheme (ACGS) for easier access to agricultural credit schemes. It also established the Calabar Export Processing Zone (EPZ) and initiated the Enugu, Kaduna, Jos, and Lagos EPZs with each specializing in specific food and export crops. In fact, the National Rolling Plan for 1996-1998 assumed that by year 2000, Nigeria would have been able to feed its population, develop the capacity to process agricultural raw materials both for local industries and for export and significantly increase the contributions of the agricultural sector to the GDP (Lawal, 1997:198). These lofty objectives have turned out to be a mirage mainly because of official corruption and lack of commitment on the part of those saddled with the responsibility of implementing the government's agricultural policies. In order to get out of this doldrums, Nigerian policy makers need to be wary of development economists who assign a relatively minor role to agriculture in economic development and fervently believe that industrialization is synonymous with economic development (Ogen, 2002; Ogundipe, 1998).

2.9 CONTRIBUTIONS OF DEVELOPMENT BANKS TO THE ECONOMIC DEVELOPMENT OF NIGERIA – NACRBD

The bank witnessed a tremendous organizational growth over the last 28 years. The bank initially operated with a head office in Kaduna with only three departments (Projects, Operations and Administration). From these small beginnings, the bank expanded to four directorates with a total of seven departments (Operations, Finance, Administration, Research and Development, Inspection, Legal Adviser/Company Secretary, Investment and Recovery), Ike (2002:45).

NACB also grew in geographical context and has six zoned offices (Abuja, Enugu, Bauchi, Funtua, Kano and Akure), sixty-seven branch offices and 206 representative offices. Throughout this nationwide network, the bank employs

about 1,600 personnel. The bank developed a range of products and services for the provision for finance to all forms of agricultural and agro-allied project, Ike (2002:45).

The bank delivers credit through the following schemes:

a. **On-Lending Loan Scheme:** Lending is made to established institutions with repayment guarantees for an on-lending to small-scale farmers. The on-lending institutions include state government, co-operative projects (ADPs), non-government organizations (NGOs) and rural development authorities.
b. **Direct Smallholder scheme (SHS): Introduced** in 1981, the SHS is designed to directly reach the small farmer group that produces over 90% of Nigeria's food supplies. This step was taken in order to meet the increasing credit demand of these small-scale farmers. Under this scheme, traditional security requirements (i.e. certificate of occupancy of project, land, other collateral) are waived for borrowers. The only requirement is that a farmer proves to the operational staff that the farmer I largely a full time farmer owing the farmland or having permission to use it. In addition, the

borrower must be a resident of the village where the farm is located and must provide two (2) guarantors to guarantee the loan.

c. Special project schemes:

i. **NACB/IFAD Artesian Fisheries Project:** The scheme is for artesian fisheries development in certain states of Nigeria that is Rivers, Cross-Rivers and Akwa-Ibom States. IFAD and United Nation Development Programme (UNDP) advanced the loans and grants to the NACB, who in turn disbursed them or artesian fisher folk. To be eligible for the loans, the group must at least save 15% of the project cost in a Commercial Bank. A guarantee is required as security

ii. **NACB Rural Women Credit Scheme:** In 1992, the NACB recognized the vital role of rural women in agricultural production and instituted a revolving loan fund for any income generating activity. The initial institutional backers of this scheme included the International Labour Organization (ILO) and the Federal Ministry of Health but currently it is funded only by the NACB. To qualify for the loan, the application must be a woman of 18 years or older and must be a member of a women's association in her community. The applicant is also required to save up

to 10% the required loan amount with a Commercial Bank. The loan is for individuals or groups.

iii. **Artesian Fisheries ECOWAS Fund Scheme:** This scheme was formed in 1992 in collaboration with the ECOWAS to provide loans to artesian fishers folk in Ondo, Edo, Delta, Sokoto and Kebbi State. The scheme is for group of fisher folk (both men and women), and the groups have to contribute 25% of the total project cost. A guarantee is required as security.

iv. **Linkage Banking for self-help Groups (SHS):** In this scheme, informal and formal groups with about 25 members are advanced loans. The group must be autonomous with regards to its internal affairs and must have written by-laws. Additional requirements for such loans include regular saving and involvement in agro-based enterprises for at least a year. The savings act as security and the loans are linked to the savings at an agreed ratio. Loan obtain by SHG can be on lend to individual members or utilized collectively. The groups can either be registered co-operative groups or self-help groups.

d. **Second Livestock Development Project:** In collaboration with the World Bank and National Livestock Production Department of the Federal Ministry

of Agriculture (NLPD), the NACB provides loans to livestock farmers, while NLPD for inputs. The scheme is for livestock farmers with credit needs less than N30,000 (about US $300.00) and they are only required to provide a personal guarantee (same as SHS).

e. **Direct investment loan scheme:** This product involves the provision of credit directly for small, medium and large scale agricultural projects (that is, arable farming, agro-processing, agro-allied and input supply projects). Complying with the NACB's mandate, this scheme places emphasis on projects in rural areas and the loan could be for individual or corporate bodies (loan limit is N25,000 to N500,000 for individuals and above N500,000 for corporate bodies).

f. **Marketing loan scheme:** The high rate of post harvest spoilage was identified as a major factor in the gap between total farm output and quantity available for marketing. In an attempt to minimize wastage in the distribution link, the NACB introduced the marketing loan scheme. Special loans are provided for agricultural produce marketers to improve produce handling through modern post harvest processing methods and efficient distribution networks. The loan amounts and the security requirements are similar to that of the investment loan scheme.

2.9 PROBLEMS OF DEVELOPMENT BANKS IN NIGERIA- NACRDB

In recent years, the financial performance of development banks has deteriorated sharply. The NACB's indifferent lending performance is a reflection of a number of external and internal factors that have plaque the institutions.

First, since inception the NACB has been mandated to promote the formation and funding of viable agricultural projects through policies that have been numerous instances of external interference especially in loan sanctioning and recoveries. Since interference hampered the bank's operational efficiency. Furthermore, the government also dictates areas of investment, loan portfolio and interest rates to be charged.

Coupled to the direct interference are the government's unstable agricultural policies. The frequent changes in the political leadership and subsequent changes in agricultural policies have given rise to inconsistent policy objectives. For instance, changing polices on the importation of rice, wheat,

vegetable oil, inputs and input subsides made investments in agriculture risky. Thus the bank's scope of operations has been constrained by not only political objectives but also hanging political regimes.

Secondly, the bank has been constrained by a lack of funds. The Federal Government was able to provide soft loans to meet NACB's growing demands for affordable credit facilities by the large Nigerian farming population. The bank was and currently is experiencing immense difficulties in sourcing cheap funds to meet its primary objectives of delivery timely an affordable credit facilities to the farming population. Today, he bank is limited to recycling recoveries and is unable to satisfy the demand for credit.

Third, the devaluation of the Naira has placed an increased burden on the bank to repay internationally sourced funds. At the time of taking these loans, the exchange rate varied between N4.00 and N8.00 to one US Dollar. The currency's depreciation to about N120.000 to US$1 Has placed the bank under considerable financial pressure. The problem rests with the f act that the exchange risk cannot be borne by tie farmer because even with if interest rates are increased to 100% high rates and thus funds need to be found elsewhere.

The low interest rates charged by the NACB, on instruction form the government, exacerbates this problem. These rates a re hardly adequate to cover the cost of funds, let alone the high cost of credit administration, especially to small-scale, peasant farmers and their families, residing in remote rural areas.

Fourth, the NACB has high loan delivery costs and this has contributed to much of its financial problems and lackluster lending performance. For instance, the NACB's experience in implementing the popular small holder loan scheme illustrated the high costs of administering credit facilities directly to the numerous and scattered small-scale farmers in Nigeria.

Fifth, the NACB has been plagued by low loan recovery rates. The root of this problem is the attitude of the average Nigerian farmer, who regards NACB as an agency for them to get their share of the "National Cake". In fact, the negative effect t of this attitude is such that even where the banks clients are known to have the means to repay the loans as and when due they are frequently unwilling or highly reluctant to do so.

Other possible reasons for low repayment levels include:

- Poor prices for agricultural produce;
- Project failure due to unstable macro economy policy; and
- High cost of inputs and poor extension services

It is indisputable that the comparatively low recovery rate and the high cost of credit administration to the crucial farming population in Nigeria are two of the most important reasons why conventional (both commercial and merchant) bank have continued to shy away from agricultural lending.

CHAPTER THREE

RESEARCH MEDOLOGY

3.1 INTRODUCTION

The purpose of this chapter is to highlight on the methodology of the study. Thus, for the purpose of simplicity and good understanding, let us first and foremost know what “methodology” is all about. Jankowicz (1991), defined methodology in respect to research as ‘the analysis of, and rational for, the particular method or methods used in general”. Given the above definition, we can simply say methodology of the study is all about the procedures employed in a particular investigation.

It is very important for every researcher to spell out the procedures of his investigation. In this regard, Osuala (1987) observed that procedure gives the reader of any research report the background against which he or she could evaluate the findings and conclusions of the report. He further added that the

provision of detailed procedures employed in a study could enable another researcher to duplicate the study in another situation.

Against the above backdrop, we find it very imperative to highlight on the nature of the research design, population of the study, sampling techniques, data used in the study, methods of data collection, and tools for data analysis and justification for the tools used in the other part of this chapter.

3.2 RESEARCH DESIGN

This study is descriptive in nature. In other words, it is a descriptive research. Ndaji (1999) defined descriptive research as a study that 'is concerned with the collection of data for the purpose of describing and interpreting existing conditions, prevailing practices, beliefs, attitudes, on-going process". This definition implies that descriptive research tries to establish the underlying facts about a given phenomenon.

In line with the above definition, this examination is concerned with the collection of relevant data for the purpose of describing and interpreting the effect of inflation on the quality of financial report of manufacturing companies in Nigeria. Furthermore, the type of descriptive research that this study falls into is sample survey study. What we mean by sample survey study is that, we only use a sample of Nigerian firms, which we believe are sufficient to enable the generalization of our findings.

3.3 POPULATION AND SAMPLING TECHNIQUE

With particular reference to population in research Asika (1999) defined population, as “a census of all the elements or subjects of interest, which may either be finite or infinite”. In other words, population in research refers to the collection of elements or subjects of interest that an investigator wants to find out some underlying facts about. The population is finite if it has a fixed number of elements or subjects. In other words a research population is finite if the researcher knows the number of elements or subject that he wants to investigate about. Infinite population, on the other hand is the exact opposite of finite

population. That is to say, if the research population were infinite, the researcher would not know the number of the elements or subjects that constitute the population.

The population of this study consists of all the development Banks in Nigerian that are in existence as at 2008. There are four (4) development banks in the country.

Based on literature, there are six types of sampling methods. These includes: random sampling, stratified sampling, systematic sampling, multi-stage sampling, cluster sampling and quota sampling.

For the purpose of this study, we would make use of random sampling technique. A random sampling method extends the ideas of simple random sample to ensure that a homogenous population has its defined pattern that ensure that all the sampling is given equal chances. Hence, the sample for this study was Nigeria Agricultural Cooperative and Rural Development Bank and this represent 25% of the population under study.

3.4 METHODS OF DATA COLLECTION

Research problems could be solved only on the basis of data collected. Therefore, a researcher's responsibility is to make sure that the research design is capable of providing the necessary data to the solution of the stated problem(s). In the conduct of this research work, data was collected from both sources of data collection i.e. primary sources and secondary sources of data. This is to facilitate an easy comprehension of the work/report.

Primary Sources of Data

The primary sources of data were accessed through the use of personal interviews, observation and questionnaires. The personal interview and questionnaires are similar in nature and purpose. In fact the two methods do supplements or complement each other depending on the nature of the assignment at hand.

Secondary Sources of Data

A great deal of data collection was from the secondary sources of data. The data collected were used to supplement those obtained from the primary

sources. The secondary sources of data employed is this research includes available textbooks, journals, newspapers, magazines, workshop materials, seminars papers, past researchers, websites related to the topic under study among others. However, the sources of data must be used with caution as it may contain errors and false statement.

3.5 METHODS OF DATA ANALYSIS

As the objective of this study is to empirically examine the impact of external debt relief on sustainable Economic growth and Development : to achieve the said objective the study employs quantitative data analysis approach.

The analytical techniques used in the study is OLS regression analysis, which estimates the relationships that exist between the dependent variable as against the independent variables and the statistical reliability of the data used in the analysis. For the estimation the following model was used.

Model Specification

The model in this study has been designed using the ordinary least squares (OSL) method. The model uses a single dependent variable- GDP.

Model 1

$$GDP = \alpha + \beta_1 ABC + \beta_2 TRC + \beta_3 HTC + \beta_4 MXF + \beta_5 LST + \beta_6 FIS + \beta_7 PTR + \beta_8 DM + \mu_i$$

Where;

GDP = Gross domestic Product

ABC = Arable Crop

TRC = Tree Crop

HTC = Horticulture

MXFT = Mixed Farming

LST = livestock

FIS = Fishery

PTR = Poultry

DM= Dummy variable represented by 0 pre introduction of NARCDB and 1 otherwise.

μ = error term

Model 2

$$GDP = \alpha + \beta_1 SDP + \beta_2 INP + \beta_3 AGS + \beta_4 AGA + \beta_5 IRR + \beta_6 FRT + \beta DM_7 + \mu i$$

Where:

GDP = Gross domestic Product.

SDP = Second Development Programme

INP = Integrated Programme

AGS = Agro Allied Service

AGA = Agro Allied

IRR = Irrigation

FRT = Forestry

DM= Dummy variable represented by 0 pre introduction of NARCDB and 1 otherwise.

Model 3

$$GDP = \alpha + \beta_1 OLD + \beta_2 DRM + \beta_3 RBD + \beta_4 SMS + \beta_5 DM + \mu i$$

Where:

GDP = Gross Domestic Product

OLD = On lending

DRM = Direct Marketing

RBD = River Basin Development

SMS = Small Holding Scheme

DM= Dummy variable represented by 0 pre introduction of NARCDB and 1 otherwise.

ROBUSTNESS TEST AND DECISION CRITERION

The following will be used to test the relationship between the dependent and independent variables

1. The R- Square (R)

—

2. The adjustment or R^2- square (R^2)

3. F- ratio or F- statistics

4. T- statistic (t-Test)

5. Durbin-watson statistic (D.w)

The Multiple Correlation Coefficient, R^2

This can be defined as the proportion of variation in Y that is explained by the regression, which is a measure or the goodness of fit. Its equality shows how well model explain the data. The range of values lie between zero and one ($0< R^2 > 1$) and can be calculated thus:

$$\underline{R^2 \; y \; x_1 \; x_2 = b_1 + £y \; x_1 + b_2 \; £y \; x_2 + b_3 \; £y x_3 + \ldots}$$
$$£y^2$$

if the R^2 is closer to zero, it indicates a bad fit, but if it is closer to one it shows a good fit, since the R^2 does not takes into account reduction in degrees of freedom as additional variables are added, we then introduce the adjusted R^2 or (R^2)

$$R^2 = 1 - (1-R^2) \; \underline{n - 1}$$
$$n - k$$

n =number of observation

k = number of parameter estimates

F – Statistics

This is used to test the hypothesis that all the regression coefficient except the intercept are equal zero, which makes it a test of the overall significance of the regression it is expressed as :

$$F = \frac{R^2 / (K-1)}{(1- R^2) / (N-K)}$$

Where

K = number of parameter estimates

N = number of observation in the sample.

Decision Rule

If F* (F- Ratio) > (Theoretical F) at 0.005

Level of significance, we accept the proposition that the regression is significant. If F* < F at 0.05 level of significance, we reject the proposition that the regression is not significant.

T - Statistics

The t- statistic measures the degree of confidence and aids the decision on how significant the estimates are.

The t- test is given as:

$$t^* \quad \frac{b_1}{s(b_1)}$$

where b_1 = co-efficient of independent variables

i = 1, 2, ---------- n

(b_1) = standard error of the b's if $t^* > t_{0.005}$

we reject the null hypothesis i.e. we accept that the coefficient is statistically significant.

If $F^* < t_{0.005}$, we accept the null hypothesis i.e. we accept the coefficient is not statistically significant.

3.6 JUSTIFICATION FOR METHODS USED IN THIS STUDY

Simple random sampling technique is the sampling method used in this study. The rationale for the choice of this sampling method is that the population of this study is a homogeneous. We used tables in this study because if data are appropriately tabulated, it facilitates easy understanding and comparisons involved could easily be done. The use of frequency and percentage enabled us to do such comparison.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter present and analyze the data collected through our source of data collection. The chapter takes an extensive presentation and analysis of data collected in a clear term that will aid logical conclusion of the study. Issues specifically addressed in this chapter include presentation and analysis of secondary and primary data. Test of the stated hypotheses and discussion of research findings as well as summary of the chapter.

4.2 DATA PRESENTATION AND ANALYSIS

This section of this chapter present, analyze and interpret the data obtained through our source data collection. The data are presented and analyzed as follows:

Table 4.1: Loan granted for Agricultural Activities (N Million)

Year	Arable crop	Tree crop	Horticulture	Mixed farming	Livestock	Fishery	Poultry
2004	84961450	20716850	219100	8685250	767550	16755900	17291050
2005	157785550	38474150	406900	16129750	1425450	31118100	32119500
2006	13907000	318000	697000	10291630	3836000	7805000	91497000
2007	10876058	9097440	250000	25780730	3676126	6498351	8085019
2008	5874810	-	-	874000	210000	1100000	3049500
Total	872804808	66606440	1573000	61761260	9921120	6327735	70034519

Source: Compiled by the Researcher, 2010

Table 4.1 shows the trend of loan and credits advances by NACRDB for agricultural production within the period under consideration. A closer looked at the analysis shows that there is a gross irregularity in the amount of roan and advances granted by the development bank. The arable crops, mixed farming, poultry and fishery received high loans in that other. This could be possibly the intentions of the bank to fulfill its primary objective and to encourage and assist food production within the country.

Table 4.2: Loan granted for Agricultural Input (N Million)

Year	SAP	Int Prog.	Agro. S.	Agro. A.	Irrigation	Forestry
2004	-	8052450	663600	2707390	-	1260000
2005	-	14954550	12324000	5028010	-	2340000
2006	1608000	-	70342000	23068000	76000000	-
2007	26464680	-	188678912	44061450	75459705	-
2008	1120360	-	40000000	17327900	-	-
Total	29193040	23007000	300916912	91715350	151459705	3600000

Source: Compiled by the Researcher, 2010

Table 4.2 above revealed the loan and credits granted for the purpose of agricultural input by NACRDB between 2004 – 2008. it was observed that some farm input do not received any loans and credits for farm input within the period

under consideration. However, it could be possibly reasoned that loans and advance may be made out to cover the missing years.

Table 4.1: Loan granted for Corporate and Rural Development (N Million)

Year	On lending	Direct market	River Basin	Small Holder	GDP
2004	8330000	84093100	19250000	15607200	11411066.90
2005	15470000	156172900	3575000	28984800	14572239.10
2006	11783000	77968000	-	93150000	18564594.70
2007	6000000	6516759	-	134129929	20657317.70
2008	8476000	6210200	-	41959427	19559000.14
Total	50059000	389606959	55000000	313830556	

Source: Compiled by the Researcher, 2010

Table 4.3 indicates the loans and credit for corporate and rural development projects. Apart from rural basin authority that do not have loan granted for 2006, 2007 and 2008, all other cooperative and rural development variables received advances.

4.3 DATA ANALYSIS

4.4 ANALYSIS OF QUESTIONNAIRE RESPONSES

In the course of this work, 120 questionnaires were administered to the targeted respondents. Those that constitute the respondents include: managers, shareholders, farmers and customers of the bank.

The questionnaires were administered in the following orders as presented in the table 4.8.1 below.

Table 4.4.1: ANALYSIS OF QUESTIONNAIRE ADMINISTERED TO THE MANAGERS AND SHAREHOLDERS OF THE BANK

RESPONDENTS	ADMINISTERED	RETURNED	ANALYZED
Manager	20	18	18
Shareholders	30	29	25
Total	50	47	43

Source: Questionnaire Administered, 2008.

Table 4.4.2: ANALYSIS OF QUESTIONNAIRE ADMINISTERED TO THE FARMERS AND CUSTOMERS THE BANK

RESPONDENTS	ADMINISTERED	RETURNED	ANALYZED
Farmers	20	18	18
Customers	50	48	45
Total	70	66	63

Source: Questionnaire Administered, 2008.

Table 4.4.1 and 4.4.2 above shows that 120 questionnaires were collectively administered. Of this number, 113 were filled and returned. While 106 were correctly filled. This number filled correctly form 88% of the total questionnaire administered which we used for the analysis of this study. By our opinion, this number is sufficient to lead us to desire result.

Table 4.4.3: ANALYSIS OF RESPONSES TO MANAGERS AND SHAREHOLDERS

s/n	**QUESTIONS**	**RESPONSES**			
		Yes	%	No	%
1.	Do you think that NACRDB have contributed to the economic development in Nigeria?	23	53	21	47
2.	Do you belief that the NACRDB is performing its developmental role?	16	37	27	63
3.	Does the bank engage in her lending activity to the target group?	30	70	13	30

4.	Do the bank usually specified how on how the loan should be spend?	28	65	15	35
5.	Does your bank provide incentives for loan recovery?	27	63	16	37
6.	Do you think the bank has granted loan to the priority sector?	32	74	11	26
7.	Do you think that both short and medium term loan are open to the customers?	27	63	16	37
8.	Do you think that the quality of loan granted to the customers is sufficient to drive agricultural sector to desire direction?	20	47	23	53
9.	Does your bank mobilize sufficient savings that will enhance credit facilities to the targeted group?	18	42	25	58
10	Does your assessment of performance in the development of Nigeria economy satisfactory?	17	40	26	60
	Total responses	238	55	193	45

Source: Questionnaire Administered, 2008

Table 4.4.3 above shows the respondents responses for the various questions asked in favour of this study. From the above responses, we gathered 238 responses on aggregate were in favour of the questions raise which is about 55% of the responses. 193 responses also on aggregate has contrary opinion in

respect to the questions raise which is about 45%. These responses suggest that substantial answer to the questions raised were in agreement to all the issues. These responses does not suggest that there are no gray areas that need to be addressed by the banks and her management crew as well equally record a good number of responses that are contrary to the issues. Based on our opinion, looking at individual responses to the questions, we could note that NACRDB is in its embryonic transformation of economic development of Nigeria. The needs to expedite actions to accelerate the contributions of important sub-sector need not to be underestimated. Although the responses in favour of all the questions raised outweigh those that had contrary opinion, the magnitude of these contrary opinion is monumental that called for source of concern. This called became necessary as our agricultural and agro-allied development is still at low ebb.

In a related development, if the country really wants to ensure food security, efforts are needed to put agricultural production at the heart of youths. A scientific, mechanizes, modernizes and subsidized system of farming practices need to be instilled. Production of foods and rearing of animal animals needs to be encouraged through loan advances with little or no stiff collaterals.

Again, women have proved to be very instrumental in agricultural practices and other related farm activities. Studies have shown that involvement of women in agricultural practices is quite substantial. They need the support of government through the activity of NACRDB. Government needs to promote gender equality in the course discharging its developmental role in the loan disbursement through the NACEDB. The need for biasness should not occur if the essence of the establishment of the bank to be achieved.

Similarly, as noted in the above table 4.3.3, the quality of loan and advances granted to the target groups should be watched closely. One of the cardinal activity of NACRDB is to ensure poverty eradication particularly in the rural areas as well as reducing rural-urban drift. This can only be achieved if the bank watches the nature of loan and advances granted to these recipients.

Table 4.4.4: ANALYSIS OF RESPONSES TO THE FAMERS AND CUSTOMERS

s/n	QUESTIONS	RESPONSES			
		Yes	%	No	%
1.	Have you received either short or medium term loan form NACRDB for financing your agricultural practice?	22	35	41	65
2.	Do you think that the conditions under which you received the loan are welcome?	33	52	30	48
3.	Do you think the extent the NACRDBs' financial capacity stimulate the private sector investment?	28	44	35	56
4.	Do you think that the birth of NACRDB is a way out of food insecurity in Nigeria?	38	60	25	40
5.	Were you requested to provide collateral security and guarantors before being granted loan?	37	59	26	41
6.	Does obtaining loan depend on whom you know or how influential you are?	23	37	40	63
7.	Are you satisfied with the term and conditions of loan granted to you?	27	42	36	58
8.	Do you think that the granted loan have helped you to improve individual farmers productivity?	43	68	20	32
9.	Do you think government attitude towards the aims and objective of setting up NACRDB is achieved?	26	41	37	59
10	Are there any ways you can suggest improvement in the performance of NACRDB?	42	67	21	33
	Total	319	51	311	49

Source: Questionnaire Administered, 2008

Table 4.4.4 above shows that a total 319 responses representing 51% were in affirmative of the all the questions raised concern the issue in question. While, 311 responses representing 49% held contrary view in regards to all the questions raised concern the issue in question. A close look at the above information, one can deduced that customers and farmers are less satisfactory on the performance of NACRDB. This assertion was made based on the level of responses that held contrary opinion. Although, 51% in favour of the questions seems not satisfactory when we take a look at the difference (2%) between the two opinions. This percentage appeared insignificant that could justify the performance of NACRDB to the targeted group i.e. the customers and farmers.

The major concern on this responses is that majority of the targeted group of NACRDB are yet to benefit from the package from the bank. Attempt was made to ask some of the farmers the main constrain that hindered from the benefiting the NACRDB packages. Most of the responses were centered on the stiff

conditions and procedures involve in acquiring loan and advances as specified by the bank.

Also source of concern was instability in the monetary policies that reduced the value of naira as compared to its dollar equivalent. Inflation was also noted in our discussion with the several respondents. The purchase power of naira continued to depreciate. This again was not in favour of the farmers and customers to opt for substantial loan from the bank. Most of our respondents equally entertain the fear of weather and climatic condition that fluctuate. Farm practice and its product depend largely on the weather condition and since there are uncertainty in predicting what the changing weather hold for the future of agricultural product, most of the farmers seems to be reluctant in applying for loan and advances from the NACRDB. Added to this was the interest rate charge. The interest rate in the Nigeria banking system is yet to encourage most farmers in applying for loans from the bank as the interest rate charged by the NACRDB is still on the high side.

Couple with the above mention challenges, technical knowhow of the farm practitioners also does not help matter. There is still high level of low or poor technical knowhow in practicing mechanize and scientific farming system. Skill acquisition as to how to embark on large scale farming practices posse threat to farmers. Even where the fund is available, management of this fund to achieve the desired goal and objective is still at embryonic stage among the Nigeria farmers.

4.5 SUMMARY

The chapter clearly presented the data collected from the sources utilized using the model formulated. Reponses to questions asked in questionnaires were shown in a tabular form and also hypothesis was tested using our model specification. From this, we can deduce that development banks contribute a lot to the development of the Nigerian economy.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This research work focused on assessing the contributions of development banks to the economic development of Nigeria. The Nigerian Agricultural cooperative and Rural Development Bank was used as the case study of the work.

At the beginning, a general overview of the study was clearly outlined with its objectives. The review of related literature followed. Related data were collected, tested and analyzed. Development banks accomplishment can be seen primarily in the growth of their portfolios. Many have rapidly expanded the volume of their commitments, but however, disbursements nearly always lagged behind commitments.

Development banks have also tried to introduce the technique of project formulation and appraisal. The idea that investment proposals should be spelt out in considerable detail (engineering blue prints, production schedules, and financial productions) was a new one in many business communities. However,

very few development banks have played an entrepreneurial role by promoting new enterprises.

We are all aware of the various re-engineering efforts going on in the banking industry today. Even corporate organizations that are known to have been existing for years, are currently refocusing. Thus, it is to be expected that as a new mega development finance institutions, NACRDB has no alternative than to properly position itself since it cannot afford to do business as usual either as if it is the former NACB or the defunct PBN. Rather, the new Bank must not only curve a niche for itself, but more importantly, should be vary to build only the strength (and not the weaknesses) of the merged organizations.

The rural sector is generally seen as very central to Nigerian's development strategy, while agriculture continues to play a key role in rural growth. This has been proved beyond reasonable doubt in test and analysis of relevant data. However, financial markets in Nigeria have continued to be too fragmented and urban biased, thereby being inadequate to meet the rural demands for its services.

NACRDB is, therefore, a deposit talking credit delivery mega development finance institution dedicated to agricultural financing at both micro and macro levels for individuals, cooperatives as week as corporate bodies, for all classes of agricultural projects and micro-credits only for small and medium scale business predominantly owned and operated by the rural and urban poor.

5.2 LIMITATIONS OF THE STUDY

This study was conducted to establish the role of development banks in developing the Nigerian economy. To achieve this aim, the research took only one bank NACRDB as a case study, in order to obtain maximum results. Even with this restriction of a case study, a number of hindrances were encountered in the course of the research.

These limitations include the following:

The busy nature of banks: While gathering data, the management were helpful but were out of town most of the time. A lot more would have been

achieved if the researcher had access to more materials especially current information regarding the study.

Time factor: There was a limited amount of time within which the study had to be completed. This limited the study because the researcher had other academic commitment apart from the pursuit of gathering data for the research.

As regards to questionnaire administered, not all were returned and some respondents failed to answer some of the question asked. This also affected the result of the findings.

Finance: The researcher had to limit the study within the confines of her financial capability.

5.3 CONCLUSION

Government should create and continuously upgrade an enabling environment in which development financing can thrive. Elements of that enabling environment include policy consistency, macro economic and political stability, improvement in the supply and distribution of infrastructure facilities

and energy, budget discipline and generation of adequate national savings, conductive legal environment, security of the and property, removal administrative delays and constraints on investment and appropriate investment promotional incentives.

NACRDB, with its corporate vision is already focusing on the introduction of BEST PRACTICE in agricultural and rural finance revolution the world over. These Best practices include, but are not limited to:

a. Self-Reliance: mobilizing own resources
b. Viability" Covering from operational income
c. Sustainability: Being profitable, while preserving the value of re sources
d. Outreach: Providing financial services to the poor as savers and borrowers.
e. Impact: Helping the poor help themselves.

The new institutions should be given the mandate to operate as a commercial/development bank. This will provide it the opportunity to improve its profitability and be less dependent on government contributions. Not stopping

here, the government should give the Board of Directors a free hand to operate under the guidelines of the mandate and there should be interference of any kind.

In presenting data collected, questionnaire was administered from which responses were analyzed using the chi-square method. From the findings, contributions of development bank to the development of the Nigeria economy are clearly evident.

5.4 RECOMMENDATIONS

The following are suggestions that are important to the topic researched from the findings of the study.

Development banks must recruit, train and deploy staff of engineering, financial analysis and other professionals.

Development banks should re-examine and redefine their objectives, policies and operational strategies, seek new market niches in non-traditional activities and fight for larger market shares.

Mobilization of rural savings through deposit taking: with the merger of PBN and NACB, people's Bank of Nigeria should now mobilize savings alongside NACB. This will provide additional sources of funds to on lend to borrowers.

Charging market determined interest rates: Over the years the NACB has been constrained by having to provide credit facilities to farmers at rates far lower than market rates. Unless the shareholders are willing to bear the cost of subsides credit to agriculture, the newly merged institution (NACRDB) may have no choice other than to consider the charging of prevailing market determined interest rates ¾ if it is to remain in business.

Diversification of operations: To date, NACB has limited its operations to the delivery of supervised agricultural credit. At this juncture, the timing is right for the bank to enter the development and commercial banking sectors.

Political interference and stable agricultural policies: There is a need for the bank to be allowed to operate without undue political interference. Government agricultural policies should also be allowed to run a full course and changes should be restricted to a minimum. Frequent changes to key policies such as importation regulations and subsidies will affect the bank's survival.

Absorption or writing-off foreign exchange equalization loss: It is evident that NACB was compelled to rely extensively on offshore credit lines because of the funds from domestic sources. In view of the severe burden imposed on the bank with regard to the servicing of these offshore facilities under highly volatile exchange rate regimes, the Federal Government should assist in writing off the losses.

Therefore it is strongly suggested that the NACRDB is placed on the annual budgetary allocation of the Federal Government. This will assist in reducing (if not totally) eliminating the bank's dependence on external funding sources and thus foreign exchange risk.

Sourcing loan funds through capital markets. The NACB has investigated additional sources of funds, as it is evident that subsidized funds from traditional sources (that is federal Government and multilateral agencies) have continued to decline over the years. Capital markets are one such alternative and more dependable source of funds for agricultural lending.

Thus, it is suggested that the new bank, NACRBD, should explore the possibility of accessing long-term funds the sales of shares through public offers. In particular, special attention should be given to the interplay between cost of funds and interest rates charged and perhaps funds source capital markets will service particular segments of the credit markets.

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APPENDIX

STAFF OF THE BANK

1. Do you think that NACRDB have contributed to the economic development in Nigeria? Yes [ ] No [ ]

2. Do you belief that the NACRDB is performing its developmental role? Yes [ ] No [ ]

3. Does the bank engage in her lending activity to the target group?

Yes [ ] No [ ]

4. Do the bank usually specified how on how the loan should be spend? Yes [ ] No [ ]

5. Does your bank provide incentives for loan recovery?

Yes [ ] No [ ]

6. Do you think the bank has granted loan to the priority sector?

Yes [ ] No [ ]

7. Do you think that both short and medium term loan are open to the customers? Yes [ ] No [ ]

8. Do you think that the quality of loan granted to the customers is sufficient to drive agricultural sector to desire direction?

Yes [ ] No [ ]

9. Does your bank mobilize sufficient savings that will enhance credit facilities to the targeted group? Yes [ ]No [ ]

10. Does your assessment of performance in the development of Nigeria economy satisfactory? Yes [ ] No [ ]

FARMERS AND CUSTOMERS

1. Have you received either short or medium term loan form NACRDB for financing your agricultural practice? Yes [ ] No [ ]

2. Do you think that the conditions under which you received the loan are welcome? Yes [ ] No [ ]

3. Do you think the extent the NACRDBs' financial capacity stimulate the private sector investment? Yes [ ] No [ ]

4. Do you think that the birth of NACRDB is a way out of food insecurity in Nigeria? Yes [ ] No [ ]

5. Were you requested to provide collateral security and guarantors before being granted loan? Yes [ ] No [ ]

6. Does obtaining loan depend on whom you know or how influential you are?

   Yes [ ] No [ ]

7. Are you satisfied with the term and conditions of loan granted to you? Yes [ ] No [ ]

8. Do you think that the granted loan have helped you to improve individual farmers productivity? Yes [ ] No [ ]

9. Do you think government attitude towards the aims and objective of setting up NACRDB is achieved? Yes [ ] No [ ]

10. Are there any ways you can suggest improvement in the performance of NACRDB? Yes [ ] No [ ]