FINANCING AGRICULTURAL PROJECTS IN NIGERIA: A STUDY OF THE NIGERIAN AGRICULTURAL AND COOPERATIVE BANK LIMITED

BY

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DECLARATION

I hereby declare that this write-up is original and a product of my research findings. All articles used have been acknowledged accordingly in the footnotes and bibliography.

To my parents

A C K N O W L E D G E M E N T S

I wish to express my sincere gratitude to all the people who assisted me in various ways in carrying out this study.

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A B S T R A C T

Financing agricultural projects has been extremely difficult in Nigeria. Most banks particularly commercial banks have shown a, persistent reluctance to give financial assistance ;to farmers for numerous reasons. Tho various governments of Nigeria have long recognised the fact that the absence of a national agricultural credit institution is one of the major impediments to agricultural developing in the country. The Nigerian Agricultural and Cooperative Bank Limited (N.A.C.B.) was thus established in 1973 to provide the much needed finance to farmers in order to increase their production. .

This study attempts to appraise the performance of the N.A.C.B. in relation to its stated objectives. It attempts to identify the problems faced by the institution in providing agricultural loans to farmers and the problems faced by farmers in obtaining loans from the N.A.C.B. It also attempts to suggest solutions where possible to the problems identified as being encountered by both the fnrrners and the institution.

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CHAPTER ONE

INTRODUCTORY CHAPTER

1.1 INTRODUCTION

Agriculture plays an important role in the economic development of developing countries like Nigeria. It can provide the necessary raw materials for industries thus promoting rapid industrialization of the economy. Through the exportation of agricultural products, foreign exchange can be obtained to finance development projects. It could be a source of capital for economic development and provide revenue for government expenditures. Most importantly, it should satisfy the food requirements of the country.

Agriculture is a very important sector in the Nigerian economy. Before independence, Nigeria was predominantly an agricultural country. In 1960, the agricultural sector contributed about 64.1% of the Gross Domestic Product (GDP) of the country[1]. The exportation of agricultural products generated revenue and foreign exchange earnings which were used to finance post independence development plans. The contribution of this sector to the GDP however declined to 55% in 1966 and 28.1% in 1975.[2] This sharp decline in the seventies was as a result of the so-called oil boom which brought about an impressive growth to the country thus the agricultural sector lost its role as the number one foreign exchange earner to the petroleum industry.

Today, the country's economy is dominated by the oil sector which accounts for 90% of export earnings, 80% of government revenue and 30% of the GDP.[3] The agricultural

sector however is still the leading non-oil sector. The sector provides about 62% of non-oil exports, about 4.5% of total exports, 23% of GDP and support approximately 65% of the population directly.[4] The importance of agriculture in the economy of Nigeria therefore cannot be overemphasized as Nigeria is primarily an agricultural country in spite of the rapid growth in the industrial sector and in spite of changes brought about by the boom in the petroleum industry.

Unfortunately, the agricultural sector of Nigeria is plagued with a lot of problems. The performance of this sector during the past two decades has been below expectations. The sector has been unable to provide enough food to meet the demands of the growing Nigerian population hence the country is spending a sizeable proportion of its foreign exchange earnings on food imports. The manufacturing sector obtains only a very small and insignificant proportion of its raw material requirements from domestic sources. .Agricultural exports are no longer important foreign exchange earners. Several reasons could be given to explain the poor state of the Nigerian agricultural sector. One of the key reasons is that of finance.

Agricultural financing in Nigeria before independence was geared towards the promotion of the cultivation of export cash crops like cocoa, palm oil, rubber and groundnuts for the benefit of the economy of the British government. It was not until after the independence of the country in 1960 that the financing of agriculture in Nigeria became purposeful.

Agriculture has thus been accorded priority in the various development plans embarked by the various governments since independence because these plans always have substantial allocations and various schemes for financing agriculture. Among these schemes are the establishment of the Agricultural Credit Guarantee Scheme and the establishment of development banks like the Nigerian Agricultural and Cooperative Bank which was established to liberalise credit to Nigerian farmers so as to enhance the quality and level of agricultural production in Nigeria.

1.2 THE PROBLEM

Nigeria's agricultural sector is dominated by the peasant system of agriculture which is characterised by primitive techniques of farming thereby resulting in low productivity. There is thus a preponderance of small-scale or peasant farmers, about 90%, in the sector[5] who have very little capital and who use antiquated farming techniques. These small-scale farmers produce nothing less, than 80% of Nigeria's total agricultural output each year.[6] For a large number of these farmers, farming is done at a subsistence level; food production being aimed at directly satisfying the food requirements of the farmer.

One of the goals of the various governments of Nigeria in the development of the agricultural sector is to increase

agricultural production. There is therefore the pressing need to increase the level of production above levels attainable under the peasant system of production. Medium and large scale farmers are the viable instruments of modern agriculture that can make production possible on the long run to sustain the growing Nigerian population. Unfortunately, medium and large scale farmers are at present very few.

A small-scale farmer that wants to grow to become medium-scale and eventually large scale so as to increase production and raise his level of income needs agricultural credit to purchase improved inputs, pay for labour and buy additional crops among other things. There are however no efficient and well organised credit facilities in Nigeria. Commercial banks shy away from issuing agricultural loans. Moreoever peasant farmers can hardly meet the requirements of the commercial banks. Some of the state agricultural credit corporations are inactive because of shortage of funds and other problems.

Because of the lack of interest of commercial banks in farmers, the Federal Government has set up specialized institutions to meet farmers' credit needs. One of the latest programmes of the Federal Government dealing with agricultural credit and finance is the Nigerian Agricultural and Cooperative Bank (N.A.C.B.) whose objectives lay emphasis on the small farmers. Being fairly new, it may be rather early to predict its success or failure but important signals emerging from the performance of the institution warrant a

study into its role, problems and prospects because the bulk of peasant farmers who comprise the majority of the farming population do not seem to be benefitting sufficiently from this credit institution. Because of the importance of the small farmers in Nigeria's agricultural sector it is necessary to give them the attention which they deserve.

1.3. OBJECTIVES OF THE STUDY

The central theme of this study is the problems of financing agricultural projects in Nigeria. Agricultural credit to farmers is important in bringing about agricultural development. Developing the agricultural sector is one of the goals of the government because it is a crucial requirement for economic development of the country.

The specific objectives of the study can be summarised as follows:

1. to examine the available literature on the N.A.C.B. and gain an insight into its functions, operations, growth, problems and role in providing agricultural credit to farmers.

2. to examine the extent to which the N.A.C.B. has achieved the goals for which it was established

3. to identify the problems faced by the institution in providing agricultural credit to farmers.

4. to identify the problems encountered by farmers in acquiring agricultural loans from the agricultural bank.

v. to suggest solutions where possible to some of the problems faced by both the institution and the farmers.

1.4. SCOPE OF THE STUDY

Because the topic could be quite broad it is important to delineate the areas of coverage. The study covers mainly the area of providing agricultural credit to farmers by the N.A.C.B. It is concerned with the extent to which the N.A.C.B. has been able to alleviate the sufferings of Nigerian farmers in attaining agricultural credit from commercial banks and other loan agencies.

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CHAPTER TWO

A REVIEW OF RELATED LITERATURE AND STUDIES

Financing agriculture in Nigeria has been very difficult. Most banks particularly the commercial banks have shown a persistent reluctance to give financial assistance to farmers because of the high elements of risks involved coupled with the high administrative costs of servicing small loans to farmers in scatteredand remote locations. Moreover most farmers usually lack the necessary collateral to back their demands for credit. Thus credit from the commercial banking system for production development on small scale private farms is virtually unobtainable.[1]

There are two district sources of funds available to farmers; these are internal and external sources.[2] Internal funds could be generated from net cash flow from farm operations. Relying on this source of funds however has its own severe limitation because of the seasonal nature of farming. External funds could be obtained from i. loans ii. net sale of real estate iii. equity financing. Equity financing has meaning only for large corporate farmers and they are very few in Nigeria. It is also not a common practice in Nigeria to engage in sale of estate to raise funds so obtaining loans is a dominant source of finance for farmers.

Farmers can obtain credit from two main sources namely non-institutional and institutional.[3] The non-institutional sources which include friends, relations and money lenders are very popular among the peasant farmers because loans are easily obtained without administrative delays and without the need for security and collateral. However, Miller (1977)[4] asserts

that this source has "not supplied the amount of credit needed nor has it provided credit needed on the terms required by farmers to modernize their farming methods." Institutional sources include credit cooperatives like the traditional credit groups such as Esusu and commercial, merchant and development banks which provide short, medium and long term agricultural credit to Nigerian farmers.

Abe (1981)[5] defines agricultural credit as that which "encompasses all loans and advances granted to borrowers whether beneficiaries of agricultural reform or some other one to finance and service production activities relating to agriculture, fisheries and forestry and also for the processing, marketing, storage and distribution of products resulting from these activities." Agricultural credit is not a non-reimbursable subsidy; it takes the form of loans which have to be repaid sooner or later.[6] Loan repayment depends on the borrowers' present or future earning capacity. Usually three types of credit are required by farmers. These are:-

1. short-term credit which is used to finance the current crop year operations, farm expenses, purchase of seeds and fertilizers.
2. medium-term credit which is longer than one year but less than three years is required for the acquisition of breeding stock and inexpensive equipment.
3. Long-term credit which is necessary to acquire major machines and carry out major improvements on the farm.

Agricultural credit is a powerful instrument in bringing about a change in agricultural practices and productivity especially if it is supplied in sufficient quantity and used efficiently. Jekayinfa (1981)[7] asserts that even in highly developed countries, agricultural credit has been an important instrument for fostering agricultural development and for improving efficiency and expanding production. In supporting this assertion, Galbraith (1952)[8] contends that at a certain stage of agricultural development, agricultural credit clearly does become a strong force for further improvements when a man with energy and initiative who lacks only the resources for more and efficient production is enabled by the use of credit to eliminate the one block on his path to improvement.

The paramount aim of any agricultural credit system is to make the best use of capital resources of various origin with a view to maximizing the contribution to the general economic development of the country. According to Wells (1974)[9] "credit is essential to the working and growth of any economic sector involving substantial private enterprise and the development of effective institutions for mobilizing and allocating loanable funds is a crucial element - perhaps the most crucial element - in promoting economic growth.[11] The problems of agricultural development everywhere is mirrored in the difficulties of creating means to channel capital funds into the agricultural sector and to ensure that they are employed effectively. One of the key reasons why so many projects aimed at strengthening an agricultural credit structure have yielded inadequate results is the tendency to overlook a number of preconditions in the economic, social, political,

psychological and cultural field. Some of the prerequisites for a successful agricultural development policy are:[10]

1. the existence of adequate and efficient socio-economic planning coupled with the desire to implement the plan.
2. an adequate rural infrastructure
3. an efficient system for minimizing price fluctuations for agricultural produce.
4. an adequate system of land tenure
5. adequate and effective arrangements for marketing and supply.
6. a well-organised and effective extension services.
7. continuity in government policies.

No agricultural credit programme is successful unless these prerequisities are adequately developed or unless those which are inadequate are improved simultateously with the implementation of the program. Agricultural credit cannot be considered in isolation; it must be considered in relation to the agricultural development policy as a whole. It should be noted however that agricultural credit is only one of the many factors playing an important part in the complicated process of stepping up agricultural production.

In most developing countries like Nigeria, credit for agricultural development programmes is provided by government controlled credit institutions which are usually very few and far between. These institutions usually insist on tangible assets as security for loans. Jekayinfa (1981)[11] pointed out that under these circumstances, credit tend to be rationed not according to the needs or prospective net increase in the

production of the farmer but in terms of the availa
security required by ordinary banking practices. T
have adequate collateral has been a major constraint to the provision of loans to most farmers. Osuntogun (1973)[12] held the view that unless production credit was made available in suitable terms the majority of small farmers will be seriously handicapped in adopting a profitable technology. Adams and Nelson (1978)[13] supported this view by noting that formal lenders in many low income countries do a poor job of carrying out the role of intermediary between households with surplus liquid resources and households and enterprises which lack sufficient liquidity to capitalize on economic opportunities.

Nigeria has had a long experience with attempts on the part of the government to provide additional sources of credit to aid small farmers in making even modest changes in their techniques of production, unfortunately this experience has been characterised more by failure than by success.[13] The government's provision of credit dates to the initation of small loans for the establishment of mixed farming in Northern Nigeria in 1930. The creation of the Nigerian Local Development Board in 1946 created a nationwide institution for the purpose of providing loans to small farmers and businesses. The various regional development boards and credit corporations which succeeded it continued this practice. Although only a few studies have been carried out on agricultural credit institutions in Nigeria, most of them point out the inability of these institutions to meet a large percentage of the credit requirements of the peasant farmers. Osuntogun (1981)[14] pointed out the institutions

were handicapped by inadequate financial resources so that only a tiny percentage of total loans applied for by farmers were met. Ibru (1981)[15], Famoriyo and Nwagbo (1981)[16] observed that financial institutions particularly agricultural credit institutions have failed to make a great impact on the operational areas of agriculture so they suggested that these institutions re-orientate their operations to the needs of the small farmers. Jones et al (1966)[17] enumerated the short comings of credit programs in Nigeria as follows:

1. failure to establish eligibility of borrower and or to ensure eligibility standards.
2. excessively rigid and time-consuming procedures for processing loan applications
3. inadequate consideration of borrower's repayment ability.
4. ineffective follow up on use of loan proceeds
5. ineffective supervision of loans made on the assumption of close supervision.
6. lack of continuity of personnel of committees responsible for credit decisions.
7. inadequate or complete absence of financial projections and planning
8. failure to establish line of demarcation between policy making and management function within the credit organisation.
9. division of responsibility for loan making and for loan servicing
10. failure to recognise the importance of having adequately trained personnel and the degree to which the factor limits the rate of sound expansion

of any credit program.

The apparent inability of credit institutions, and any other financial institution for that matter, to give agricultural credit to most farmers is not only as a result of the inherent weaknesses in the operations of these institutions. Problems of agricultural financing may be associated with agriculture itself or they may be created by the farmers. Problems inherent in agricultural production include high rate of perishability of agricultural produce, natural hazards like drought, poor and inadequate facilities in the rural areas. Some of the problems created by farmers are exaggeration of loans, unviable agricultural projects, mismanagement of funds and diversion of loans to other purposes. In a survey carried out by Galleti et al (1951)[18] in the cocoa growing areas of the Western Region of Nigeria, it was found that 26% of the loans obtained by farmers were used for non-productive purposes, 43% was used for obligatory purposes while about 30% roughly was used for investment. According to Galleti et al, the motives for borrowing include the desire for prestige, the ambition to build a fine house and get married and the hope of increasing income through farming. Larger loans were taken to meet funeral, marriage and festival expenses. In another survey carried out by Oyatoye (1975)[19] in Ife and Ondo to investigate the availability of farm labour, it was established that only about 30% of loans taken were used for agricultural purposes while approximately 70% were used for consumption purposes.

In developing countries, the small and medium size farmers often fall into the temptation of using loans intended clearly for productive purpose for consumptive aims such as meeting the cost of marriage, funerals etc.[20] This statement is true in Nigeria where development has not yet reached the stage where the average small and medium scale farmer makes a proper use of the credit facilities extended to him due to his traditional approach to socio-economic problems and the conditions in which he lives. The complex obligations of the traditional society (weddings, funerals etc) create an obvious need for lending mechanisms which abound in traditional Nigerian culture. Because of the tendency of traditional credit to finance consumption requirements, this practice has been carried into modern loans. Infact it is often suggested that traditional forms of credit together with the patterns of land tenure create difficulties in the establishment of modern institutions providing loans to individuals for purely productive reasons. As long as subsistence farming prevailing in developing countries including Nigeria has not been replaced by a full-fledged market production, all credit to small and medium size farmers is bound to have both a consumptive and productive element.[21] Belshaw (1959)[22] arrived at similar conclusions when he stated that a large proportion of the demand for credit was for working expenses out of which a large proportion was to meet living expenses. He further stated that in the initial stage of agricultural development, part of the credit extended to farmers must be for purposes of consumption.

Generally speaking, institutional agricultural credit in rural Africa has grown in importance since the 1960s and these have been reflected in increased government activity and large resource transfer from abroad to support these national priorities. Von Pischke and Rouse (1981)[23] observed that this situation had given rise to its own problems, two of which were the growing inequality in income between the truly poor farmers and the rich farmers who tend to derive more benefits from such schemes and the loan repayment problems. Due to lack of data, they contended that it was difficult to assess the real impact of these credit schemes but they were of the opinion that institutional lending to farmers has not significantly helped in mobilizing resources for investment. They concluded in their paper that viable credit institutions can be created when appropriate financial technologies are devised for small holders.

In a survey carried out by the Food and Agriculture Organisation (FAO)[24] to study the possibilities of strengthening the provision of credit to agriculture in developing countries, it was observed that attempts by credit institutions to compete with non-institutional sources of credit had yielded generally very moderate results. This was found to be due to the fact that a good number of agricultural banks took it for granted that the much lower rates of interest charged by their institutions would result in the non-institutional sources being ousted so they overlooked the impersonal character of institutional credit and all that resulted from it. The survey also revealed that the approach of many credit institutions to the problem

of agricultural credit was rather passive and traditional and this prevented them from adopting modern and dynamic methods and policies. Some of the problems enumerated in the survey include the dogmatic approach of these institutions to credit needs; that is that,all borrowings for non-productive purposes should be banned and that all loans should be issued in kind. Other problems include the tendency of agricultural credit insitutions to issue credit only to large landowners and lucrative commercial businesses because of fear of risks attached to the issue of loans to small farmers and severe competition from non-institutional sources.

Ideally an agricultural credit institution needs to be specialized to be efficient in distributing loans according to the needs of the different farmers. Belshaw (1959)[25] was of the opinion that it was advantageous to have specialised institutions for different types of agricultural credit. However he went on further to say that where a country is too small for this type of specialization then the different types of credit may be combined in one institution so that there would be seperate departments for short, medium and long term credits with seperate sources of finance. In supporting this view, Dell'Amore (1973)[26] asserted that specialization was the most efficient system for agricultural credit which every government should work towards as an ultimate aim. Along side specialization, a second prerequisite of a good agricultural credit system is wide geographical coverage through permanent or intermittent offices at all major rural centres,[27] This

way an agricultural credit institution can maintain continual contacts with its clients arrive at less superficial judgements of the credit requirements and earning capacity of individual farmers. The creation of a centralized or national agricultural institution minimizes differentials in the interest rates charged on loans and it imports unity of purpose to technical assistance which farmers need everywhere. According to Dell'Amore,[28] such a national or central agricultural credit institution should perform the following functions:

1. organize close collaboration among all the banks which go in for agricultural credit.
2. act as a clearing house for these banks
3. control the actual use made of loans
4. facilitate the application of uniform borrowing and lending rates.
5. collaborate in financing land consolidation schemes.
6. spread the benefits of productivity gains as widely as possible among different regions and sectors.
7. act as the official channel for flow of state and central bank funds to agriculture and as the distributor of interest subsidies
8. as a channel of international aid, it offers the best possible guarantee that loan granted to the country are effectively used for the economic and social betterment of the rural population.

In the following paragraphs, selected credit prog... of some countries are reviewed.

Caisse Nationale de Credit Agricole (CNCA) Morocco was established in 1962 as a government owned agricultural bank. It has two types of branch offices at the regional level which serve district borrower clienteles. Caisse Regionale de Credit Agricole (CRCA) offices lend to large farmers, cooperatives and other groups while caisse locale de Credit Agricole (CLCA) offices lend to small farmers. Each branch can approve loans up to a certain value without confirmation from the headquarters. In contrast to the more complex CRCA lending procedures, CLCA small farmer loan appraisals are very simple and based primarily on desk reviews. CLCA clients may borrow any amount based on an assessment of their annual taxable income. Each year, farmers declare for tax purposes the amount of land and number of animals and fruit frees they have. When taking a CLCA loan, a farmer must have the personal guarantee of another farmer in the area or a government official as a consignor and must pledge all his assets to CLCA. Failure to repay the loan without reasonable cause results in expropriation through administrative rather than legal action. CLCA obtains ultimate recovery rates which approaches 100%. The CNCA has thus become a relatively efficient lender to small farmers through the use of organisational innovations which tend to overcome many financial and administrative disadvantages associated with specialized credit institutions. In 1977, 67% of the CNCA borrowers were small farmers.

financial and technical assistance, the decentralization of operations, and utilisation of group approach for lending. Some of the weaknesses of the Chilean credit programs were scarcity of trained personnel, inadequate follow-up evaluation, lack of integration of credit schemes with marketing services, and inadequate provision of social services.

Small farmers constitute an overwhelming majority of the agricultural sector of the Philippines. This situation has prompted the government of the country to focus more closely on this segment of the population. The small farmer credit programme of the Philippines is a programme of supervised credit under which loans can be granted without the usual collateral but with a stipulation on how the loan should be utilized. This is spelt out in a farm plan and budget which is supposed to be prepared by the farmer and farm management technician. More recent small farmer credit schemes now centre on the improvement of the socio-economic conditions of the farmers. Under these schemes, the small farmer is viewed not merely as a production unit who must be provided with credit so that he can be a vehicle to increase national production but as an object of development whose needs for improvement should be addressed in totality. These needs include an efficient input supply system, essential infrastructure, technical advice on farming, marketing outlets and credit requirements for all production and even consumptive activities when necessary.

In Cameroun, a pilot programe was initiated to test the feasibility of lending to small farmers. The program suggests that credit unions can effectively mobilise small scale rural savings and provide appropriately scaled credit services to small farmers. The unions traditionally place emphasis on mobilizing members' savings. Since the first credit union was founded in 1963, credit unions have maintained a strong rural membership base and had become 222 in number by 1978. Credit unions have grown rapidly because they meet saving needs and satisfy demands for financial services and because they share certain similarities with traditional rural financial institutions. Farm loans are normally short term in amounts up to twice the borrower's savings balances at an interest of 12% per annum and they are disbursed in cash for purchasing seeds, fertilizers, insecticides, animal and labor services. Delinquency rates have been less than 10%.

The five programmes reviewed have from certain perspectives successfully provided financial services to small-holders but none is completely satisfactory in all respects. They were reviewed to show factors that suggest that under certain specific circumstances, viable institutions could be created when appropriate financial technologies are devised.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1. PRIMARY DATA

Two sets of questionnaires were designed and administered for the study. One set of questionnaires was administered to farmers (Appendix A) in three Northern States namely Kano, Sokoto and Kaduna States. This sample of farmers was randomly selected in these three states to allow for broad generalizations to be made in the study. The questions asked were mainly for obtaining information about the farmers' opinions of the N.A.C.B. Ltd. and the problems they encounter in obtaining loans from the Bank. The questionnaires were either filled on the spot or were collected at a later date. As a greater percentage of the farmers were illiterates, the researcher had to enlist the help of an interpreter who asked the farmers the questions in the Hausa language and filled up the questionnaires with the answers provided by the farmers. In all, sixty farmers completed this set of questionnaires. The data obtained were not subjected to complex statistical tools of analysis. The data is tabulated and percentages are calculated. The analysis of this data is presented in the fifth chapter.

The other set of questionnaires was administered to the N.A.C.B. Ltd. officials (Appendix B). The questions asked sought to obtain information mainly on the Bank's policies and the problems it faces, as the only national agricultural credit institution in Nigeria, in giving out loans to Nigerian farmers. The data obtained is used to supplement information on the Bank obtained from secondary sources of information. This is also

presented in the fifth chapter. The questions asked in both sets of questionnaires were close ended ones in which the possible answers were supplied. This is to ensure that reliable responses were obtained. The questions were a combination of dichotomous questions and multiple choice questions.

To supplement the data obtained from the administered questionnaires, interviews were held with officials of the N.A.C.B. Ltd. especially in the branch offices to abtain more reliable information on their operations and problems. These interviews provided information that proved useful to the study.

3.2. SECONDARY DATA

The researcher made extensive use of secondary data in the study. The major source of information was the N.A.C.B. Ltd. records which included annual statements, statement of accounts, unpublished lectures and Guide to Applicants. Other sources were published proceedings of seminars organised by the Central Bank of Nigeria, Journals, periodicals, magazines and newspapers.

Simple statistical computations were made on some of the data obtained from the N.A.C.B. Ltd. records as tools of analysis. The growth rate of loans approved by the Bank from 1973 - 1983 was computed, it was calculated from the following formula:

$$A = P(1 + R)^n$$

Where A = value of project at current period

P = initial value approved

R =compound annual rate of growth in value of

project.

n = number of years under review.

The coefficient of variation, which is a relative measure expressed as a percentage, was also calculated to compare the variability of loans approved by the Bank on project basis and on the basis of geographical distribution. This was calculated from this formula.

$$\text{coefficient of variation} = \frac{\text{standard deviation}}{\text{mean}} \times 100\%$$

The standard deviation (σ) is obtained from the following formula

$$\sigma = \sqrt{\frac{\Sigma(x - \bar{x})^2}{n}}$$

where σ = standard deviation

x = individual items of the series

$\bar{x}$ = their mean

n = total number of items in the series

3.3. LIMITATIONS OF THE STUDY

This study is limited to the financing of agricultural projects in Nigeria by the N.A.C.B. Ltd. It does not include the role played by other commercial, merchant or development banks in financing agricultural projects. The study covers a period of ten years from when the N.A.C.B. Ltd. was established in 1973 to December 1983.

The coverage of the study is limited to the three Northern States in which the study was carried out. However attempts are made to generalise for the whole of the Northern part of Nigeria.

As a larger percentage of farmers questioned were illiterates, the researcher had to enlist the help of an interpreter to ask the questions in Hausa. This proved to be a very long and tedious process thus it was very difficult for the researcher to make the Research as exhaustive as it should be due to constraints of time and finance.

CHAPTER FOUR

THE NIGERIAN AGRICULTURAL AND COOPERATIVE BANK LIMITED (N.A.C.B.)

4.1. HISTORICAL BACKGROUND

Developing the agricultural sector has been the priority of the various governments of Nigeria. Everywhere in the world, the problems of agricultural development are usually mirrored in the difficulty of creating effective means of channeling capital funds into the agricultural sector. Nigeria has had a long experience with attempts on the part of the government to provide credit to the agricultural sector. Government's provision of credit dates back to the 1930s when the Native Advance System was established in the former Northern Nigeria to encourage mixed farming. This was followed by the establishment of series of development boards which continued the practice of granting agricultural loans to farmers. The experiences of these agencies has been generally characterised more by failure than success owing largely to their low finance base.

Following decades of dissatisfaction with the system of agricultural credit and financing in the country, an attempt was made by the government to correct the situation by providing ₦6 million in the 1962-1968 National Development Plan for the establishment of an agricultural credit bank. The first feasibility study was carried out in 1968 by a joint team of the International Bank for Reconstruction and Development (World Bank) and the U.S.A.I.D. experts. This project however could not be implemented due to the civil war in the country. In 1969, a second attempt was made by the World Bank on the

request of the Federal Government. A fresh study was carried out resulting in the Stoneham Report which contained a recommendation for the establishment of the Nigerian Agricultural Bank (N.A.B.). This recommendation was accepted and included in the 1970-74 National Development Plan for implementation.

The N.A.B. was inaugurated on 6 March, 1973 and it started effective operations in August, 1973. The ensuring structure, policy and machinery of the Bank followed precisely the recommendations of the Stoneham Report which noted the inadequate infrastructures and other necessary conditions for successful agricultural lending in Nigeria. In 1976, the Federal Government set up a committee to review the financial system of the country. In the report submitted by this committee to the Federal Government, some recommendations on the N.A.B. were made. Among the recommendations made were the following:[1]

a. The bank should review its lending policies with a view to relating its requirements for security, personal stake, proof of title to land etc. to Nigerian circumstances.

b. A personal stake of not less than ten percent but not more than twenty percent should be required by the bank.

c. The bank's board should give priority to its plans to open state offices with sufficient delegation of functions in terms of project appraisal, approvals and fund disbursement.

All these recommendations were accepted by the Federal government in 1977 and implemented in the bank's policies. In 1978 the bank was renamed the Nigerian Agricultural and Cooperative Bank (N.A.C.B.) to embrace cooperative activity. The N.A.C.B. thus was the government's response to the much felt need for a national credit institution for financing agriculture in Nigeria.

The N.A.C.B. Ltd. which was incorporated as a private limited liability company was registered on 24, November 1972 under the companies Decree 1968. The bank was fully owned and financed by the Federal Government since its inception in 1973 until 1979 when the Central Bank became a joint owner in the ratio of sixty to forty percent. At inception it had ₦12 million from the Federal Government: it had a paid-up share capital of ₦1,000,000 made up of 500,000 shares of ₦2.00 each and ₦11,000,000 in loan funds. In 1978 when the bank was renamed, a decision was taken to increase the share capital of the bank substantially to ₦50 million. The bank is allowed to raise funds from the financial market.

4.2. OBJECTIVES OF N.A.C.B. LTD.

The N.A.C.B. is a development bank whose role is to contribute to the overall growth and development of the Nigerian economy specifically in the field of agriculture. It is not involved in directly productive activities but it finances agricultural development aimed at contributing effectively towards making the nation self-sufficient in food production.

The specific objectives for which the bank was established are two-fold:

1. to promote agricultural production and rural development.
2. to improve the incomes and quality of life of Nigeria's rural population.[2]

To attain these objectives, the bank does the following:

i. grants loans to states or state institutions for on-lending to individual farmers, groups of farmers or corporate bodies subject to the states or state institutions guaranteeing repayment of the loans.

2. grants loans directly to individual farmers, cooperative societies and other bodies, which are corporate or incorporated, provided there is adequate security to cover the loan and that the bank is satisfied that the projects for which the loans are required are viable. Thus the objectives of the bank are to finance agricultural production and development which when interpreted include horticulture, poultry farming, pig breeding, fisheries, forestry and timber production, arable crops, tree crops, animal husbandry and agro-allied activities like storage, distribution and marketing connected with such production.

4.3. FIELDS OF OPERATIONS

In fulfilling the aforementioned objectives, the bank has devised the following lending procedures.

1. On-lending

The Bank lends to intermediaries like established institutions against repayment guarantee for on-lending to third parties. Such institutions include cooperative and governmental bodies and companies that have credit facilities with the N.A.C.B. The ultimate beneficiaries do not have direct contract with the bank.

2. Direct lending

This is a lending procedure in which the bank deals directly with individual farmers and farmers' organisation without going through an intermediary or agency. Beneficiaries are in direct contact with the N.A.C.B. Individual farmers could be granted production loan up to a ceiling of ₦200,000 while cooperative bodies as well as incorporated bodies could be granted loans up to and in excess of ₦200,000.

3. Small-holder direct loan scheme

This is a newly established scheme where bank loan is given directly to small farmers. This scheme is handled exclusively by the branch offices.

The loan beneficiaries of the bank are individual farmers, cooperative organisations, limited liability companies, financial institutions, government owned agricultural corporations and other government bodies.

4.4. SOURCES OF FINANCE

Initially at inception, N.A.C.B.'s sources of finance were mainly government subscribed equity capital and statutory allocations from the Federal Government. However with time, the government had been compelled to expand the scope of the bank's finance accordingly. The bank's approved sources of finance now include:

a. loans and advances from the government
b. loans from the World Bank which are granted on specific projects through negotiations with the Central Bank of Nigeria. An example of such a loan is the one granted to the Federal Livestock Department.
c. Shortfalls from the Agricultural Credit Guarantee Scheme Fund.
d. Loans from domestic money markets.

4.5. ORGANISATION OF THE N.A.C.B.

The bank is governed by a Board of Directors appointed by the Federal Government in exercise of its discretional statutory right as the sole subscriber to the funds of the bank. The head office of the Bank is located in Kaduna, the capital of Kaduna State and branch offices have been set up in all the states of the Federation.

The bank has seven departments which are:

1. Managing Director s Department

- this department is headed by the Chief Executive of N.A.C.B. Attached to this department are the following divisions.

a. Research and Planning Division

b. Public Relations Division

c. Internal Audit Division

The Managing Director is supported by three executive Directors. They are:

a. Executive Director (Services) - Coordinates the work of legal and Administration Departments

b. Executive Director (Finance) coordinates the work of Investment and Accounts Departments.

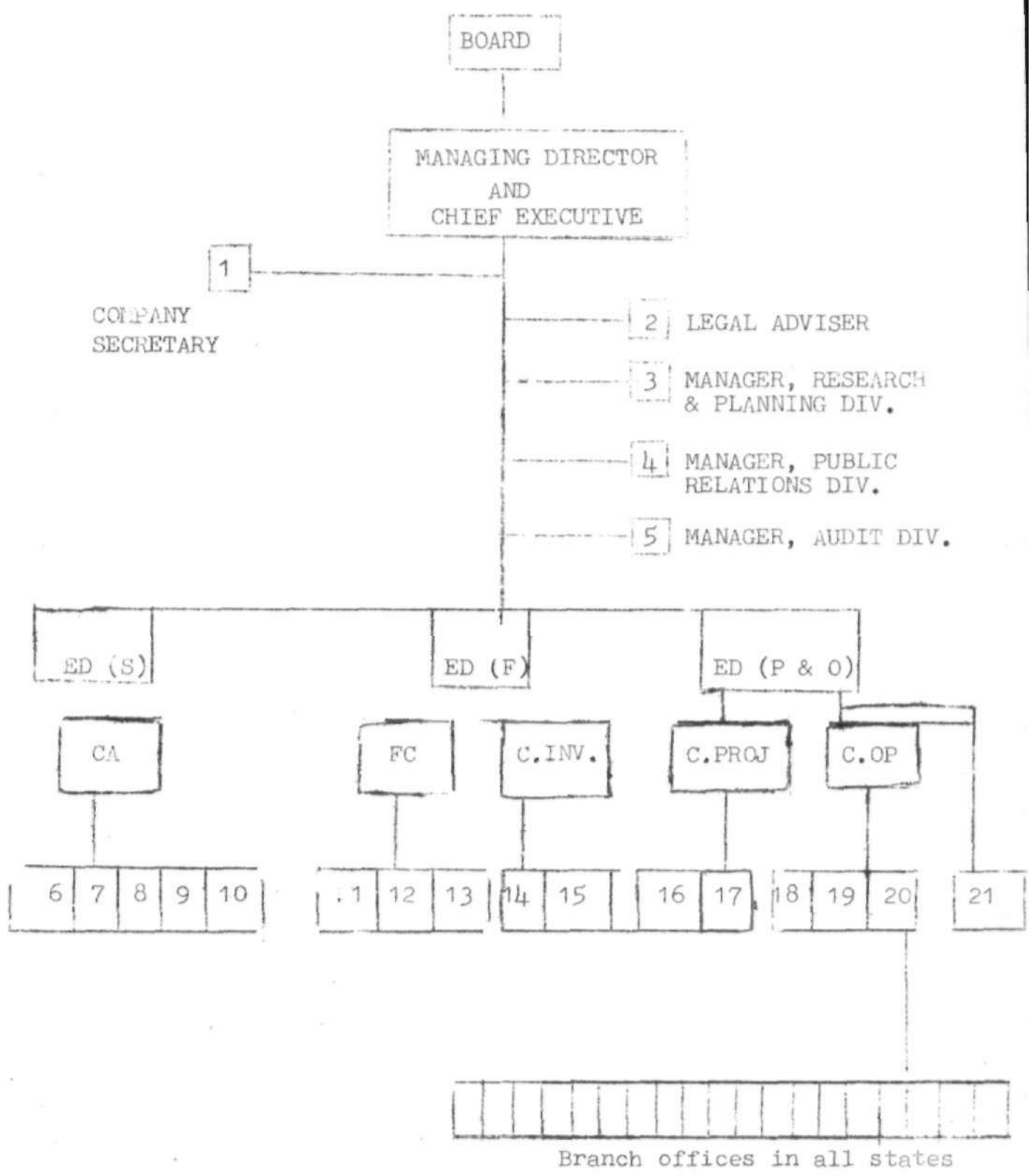
c. Executive Director (Projects and Operations) coordinates the work of Projects and Operations Department.

Other departments in the bank are:-

2. Administration Department
3. Legal Department
4. Accounts Department
5. Investments Department
6. Projects Department
7. Operations Department

The total staff strength of the organization comes to about 658 with 376 members of staff at the headquarters in Kaduna and 282 in the branch offices scattered throughout the Federation.

N.A.C.B. ORGANIZATIONAL CHART



SOURCE: RESEARCH AND PLANNING DIVISION, N.A.C.B. LTD. KADUNA

KEY

6. Manager, General Administration Division
7. Manager, Personnel Division
8. Manager, Maintenance and Property Division
9. Manager, Manpower and Training Division
10. Librarian, Library Services
11. Manager, Finance Division
12. Manager, Management Services Division
13. Manager, Loans Division
14. Manager, Loans Recovery Division
15. Manager, Inputs and Inventory Division
16. Manager, Agriculture Division
17. Manager, Cooperative Division
18. Manager, On-lending Division
19. Manager, Direct Lending Division.
20. Manager, Branch Offices Division
21. Manager, Consultancy Services

ED(S) - Executive Director (Services)

ED(F) - Executive Director (Finance)

ED.P&O) - Executive Director (Projects and Operations)

CA - Controller, Administration

FC - Financial Controller

C.INV - Controller, Investment

C.PROJ. - Controller, projects

C.OP. - Controller, operations.

4.6. LOAN TERMS AND CONDITIONS OF BORROWING

The duration of loans are of three categories:-

1. Short-term loans

These loans are mostly granted to marketing boards, cooperative societies and farmers organisations which engage in the seasonal purchases and production of agricultural goods. They are usually granted for seasonal and occassional purchases of agricultural inputs at the beginning of planting seasons. Loan beneficiaries are usually expected to pay back within two years.

2. Medium-term loans

These loans are granted for quicker maturing crops and livestock production such as poultry and pig production. They are repayable within two and five years.

3. Long-term Loans

These loans are granted for crops with long gestation periods such as cocoa and palm and also for beef production. They are granted for periods of more than 5 years. Due to the long term nature of these loans, they are as much as possible made in kind to minimize. risks.

The loan period runs from the date the first disbursement

is made to the date the final instalment of the loan is paid. This loan period includes what is called the "grace period" during which the client pays interest without paying the principal. Present interest dates are 6% on production loan and 11% on marketing loan, this is very low as opposed to the comparable market rate which is 9 - 12%. The interest rates of the N.A.C.B. can be changed at any time by the bank without prior notice The bank usually reserves the right to appoint a representative on the board of the borrowing company but this does not apply to individual borrowers.

The standard conditions for borrowing are:-

a. The project should be sound. By this it means that the project for which the loan is sought should not conflict with any Federal or state policies or acts, be commercially viable and capable of showing satisfactory returns on investment and be economically desirable.

b. The applicant has to have a proven ability to manage the project in a competent manner, have agriculture as its main object if the applicant is a company, have a good business reputation and in the case of companies., the Memorandum and Articles of Association should satisfy the bank. Applicants also have to keep within the framework of their financial capacities when applying for a loan.

c. The client has to have land available before he applies for a loan. Legal title to such a land must not be in doubt.

d. the client would also have to make a contribution of a minimum of 10% of the total cost of the project in cash and or in kind.

e. client has to provide securities such as first legal mortagages of project land, real property, endowment insurance policies, stocks and bonds of reputable companies, and government guarantees acceptable to the N.A.C.B.

When applying for a loan, applicants are required to submit the following:

a. Two copies of the feasibility study of the project. When the total cost of feasibility studies prepared by the bank is in excess of N200,000, the applicant is required to pay some fees.

b. Tax clearance certificate for the last three years.

c. Survey plans signed by a licensed surveyor or registered certificate of occupancy covering farm land.

d. Detailed curriculum vitae as well as diplomas of the proposed farm manager.

e. A copy of the valuation report on each of the properties offered as securities

Applications are to be made at least six months before the envisaged take off date of the project. Borrowers are required to keep proper books of account which could be inspected by bank officials at anytime, prepare and forward progress report in a form acceptable to the bank, insure the organization or farm assets with a reputable company and take an endowment insurance

policy acceptable to the N.A.C.B. with the bank as first beneficiary in case borrowers are individual farmers.

The standard conditions of borrowing required by the bank such as details of project, suitable proof of title to land, collateral and promoter's counterpart funds, which must be satisfied before loans are granted, are too rigorous and may inhibit borrowing by farmers. Proof of title to agricultural land can be a source of difficulty to most farmers. The traditional land tenure system in most parts of the country does not allow for the kind of finesse the N.A.C.B. needs regarding identifying the boundary of a farmland, documenting land ownership claim and availability of statistics for assessing value of land. Even the land use act which came into operation a few years, ago, as idealistic as it was, has not significantly helped the situation because it was concieved without careful examination of the fundamental issues involved. The endless waiting for certificate of occupancy has a frustrating effect on genuine farmers. It seems unreasonable to reject the loan application of a farmer because he has no clear title to a land he has been farming on for years. The most important criterion for approving or rejecting loan application should be repayment capacity of the borrower. There are a lot of disadvantages in a credit policy which considers security of land as the only reliable basis for granting loans.

On the issues of collateral, the Bank has to demonstrate some flexibility. The 100% security cover required by the Bank is unreasonable and inimical to the agricultural development of the country. Liberalising the security requirements of the Bank would definitely facilitate agricultural financing because

few Nigerian farmers can produce securities which would satisfy the Bank's criteria as to the adequacy of value vis-a-vis the loan. Most farmers also encounter difficulty in complying with the Bank's demand for feasibility studies on the projects for which credit is required. Although it is necessary for both a borrower and a lender to ascertain the viability and profitability of a proposed project which involves a large financial outlay but there is the issue of the huge cost for procuring such a report which the farmer incurs and there is the issue of the attendant delay in the preparation of this report which can upset the timetable of the farmer.

When the bank was established in 1973, one of the conditions for borrowing was that farmers had to provide 25% of the investment as the promoter's counterpart funds. This was too high a contribution to require of farmers. The Okigbo Financial System Review Committee recommended in 1976 that the personal stake be reduced to between 10% and 20%. The Federal Government accepted the recommendation that the personal stake of promoters should not be less than 10% but rejected the 20% upper limit because it argued that over time it is expected that such personal stakes will be increased to 100% so as to free funds for expansion of financing.[3] This argument is highly illogical because a promoter that can put up 100% of the investment would not need finance from the N.A.C.B. At present 10% equity participation is required as contribution from farmers and this amount is fair enough.

It is however possible to justify some of the conditions which the bank requires to be satisfied before granting loans to farmers especially that of security. The resources of the bank are not unlimited neither is the bank free from policies and restrictions mandatorily imposed by monetary authorities. Agricultural lending also is a risky business so the bank needs some protection against its borrowers some of whom are irresponsible and against the natural hazards associated with agriculture. Without this security, the bank would be short-lived. There would not have been any need for the government to establish the N.A.C.B. as a development bank if its primary purpose were to give grants to farmers and without adequate security the N.A.C.B. will die early by drowning in a sea of bad debt. Despite these facts however, the important point is still that the security requirement of this Bank has to be relaxed to achieve the government's goal of self-sufficiency in agriculture. There is no risk-free way to achieve major success. The government through the Bank must be willing to undertake more risks arising from lending to Nigerian farmers. On the issue of obtaining the certificate of of occupancy for land, there is very little the Bank can do to reduce this difficulty because without the certificate it is impossible for the Bank to lay effective claim on the land.

4.7. SMALL-HOLDER DIRECT LOAN SCHEME

Since the inception of the bank in 1973, loans had been extended to small farmers using the on-lending procedure. Under this scheme, the Bank lends to intermediaries such as state government agencies and cooperative societies who then combine credit with rural education, extension services and marketing in a package as services to farmers. To supplement this effort the Bank has implemented the small-holders direct loan scheme. This programme represents a new dimension in agricultural financing. The centre-piece of this scheme is the small-scale farmers who produce the bulk of the food requirements of the country.

Under this scheme, most of the Bank's fundamental requirements are waived. The key features of the scheme are:

a. Applicants must be full-time farmers or be willing to take on farming on full-time basis
b. Applicants must be willing to avail themselves of the use of modern inputs which include improved seeds, fertilizers and plant protection measures.
c. The 10% equity participation requirement is completely waived.
d. Requirement for security is also waived
e. The provision of credit worthy guarantors is accepted as sufficient security for loan.
f. Emphasis is laid only on viability of project and availability of good management as against collaterals.
g. The approval limit per farmer is ₦5,000
h. Loan granting, processing and approval have

been completed decentralised to the branch offices located in all the states of the Federation.

This scheme has recently been launched (1981) and it is yet to be fully implemented. The scheme is now in operation in all the states of the Federation. The Bank's experience with the scheme will determine how much of its resources will be allocated to it in future. The scheme has great potentials. This is because most of the fundamental conditions of the bank which tend to inhibit farmers, particularly small farmers, from borrowing have been waived.

Moreover, by the decentralisation of the operations of this scheme to the branch offices in the state the Bank would be able to overcome many administrative disadvantages that are associated with such an institution and it would be able to deal directly with thousands of small farmers highly dispersed in remote areas.

4.8. N.A.C.B.'S ACHIEVEMENTS

The performance of the bank is remarkable. Since the inception of the Bank in 1973 to December 1983, it has approved a total of ₦563,037,000 for 2,840 projects. Total amount disbursed came to ₦394,738,000 out of which ₦130,946,000 has been repaid.

The breakdown of the annual volume of operations from 1973-1983 are shown in Table 4.8.1.

In 1973, the Bank approved ₦3,752,000 and by 1983 the amount approved had grown to ₦15,606,000. The compound annual rate of growth of loan approvals from 1973 to 1983 was computed to be about 15%.[4] If, the Bank wants to achieve the government's goal of self-sufficiency in agriculture by promoting agricultural production, through its activities, it would have to improve on this.

TABLE 4:8:1

ANNUAL VOLUME OF OPERATIONS 1973 - 1983
AMOUNT IN ₦'000

YEAR	NUMBER OF PROJECTS	GROSS APPROVALS	NET APPROVALS	DISBURSEMENTS	REPAYMENTS
		(₦)	(₦)	(₦)	(₦)
1973/74	1	3,752	3,752	3,752	-
1974/75	47	46,831	48,491	7,713	4,083
1975/76	55	52,392	49,989	19,982	5,720
1976/77	67	139,850	106,090	40,507	13,293
1977/78	7	20,253	18,146	52,452	24,799
1978/79	38	48,848	45,979	44,588	25,131
1979/80	44	22,855	22,605	29,658	25,512
1980	66	46,841	44,796	28,816	9,124
1981	138	105,021	105,021	75,717	10,984
1982	970	60,540	60,540	68,177	6,479
1983	1,407	15,948	15,606	23,356	5,821
	2,840	563,037	515,015	394,738	130,946

NOTE: (1) Net approval is gross approval less un-utilised loan volume and cancelled loans of ₦48,022 million at December 31, 1983.

(2) Number of projects includes 2,252 small holder loan scheme beneficiaries

SOURCE: RESEARCH AND PLANNING DIVISION, N.A.C.B. LTD. KADUNA.

The largest amount of loans was approved in 1976/77. This amount, ₦139,850,000 accounts for 24.8% of the total amount of loans the bank had approved since its inception. The largest number of projects was financed in 1983 - about 49.5% of the total number of projects the bank has financed in ten years.

The breakdown of loans on projects basis are shown in Table 4:8:2

TABLE 4:8:2

CUMULATIVE VOLUME OF OPERATIONS AS AT 31 DECEMBER, 1983 ON PROJECT BASIS

TYPE OF PROJECT	NUMBER	AMOUNT APPROVED (₦)	AMOUNT DISBURSED (₦)	AMOUNT REPAID (₦)
ON-LENDING				
Marketing	49	163,253	113,181,180,00	89,077
Tree Crop	1	196	-	-
Arable Crop	32	102,424	15,896,631.30	31,547
Integrated Project	8	20,396	13,351,675.00	5,215
River Basin Development Authority	11	55,000	55,000,000.00	-
Sub-Total (A)	101	341,269	257,429,486.30	125,839
DIRECT LENDING				
Tree Crop	20	52,601	45,557,000.00	26
Mixed farming	41	15,989	12,717,000.00	1,070
Feedmill	5	2,237	1,961,000.00	69
Arable Crop	116	42,057	16,917,000.00	1,190
Poultry	222	37,507	24,756,000.00	1,637
Rabbitry	2	199	196,000.00	-
Cattle	61	16,350	12,610,000.00	372
Horticulture	2	74	73,000.00	45
Forestry	2	6,824	3,224,000.00	8
Fishery	8	41,789	14,623,000.00	76
Piggery	4	717	600,000.00	29
Oil Palm	4	428	21,000.00	-
Small Holder Loan Scheme	2252	4,996	4,054,000.00	585
Sub-Total (B)	2739	221,768	137,309,000.00	5,107
GRAND TOTAL (A&B)	2840	563,037	394,738,000.00	130,946

SOURCE: RESEARCH AND PLANNING DIVISION, N.A.C.B. KADUNA.

After a decade of operations, ₦341,269,000 had been approved for 101 projects under the on-lending scheme. This comes to 60.6% of the total amount of loans approved over the period of ten years that the Bank had been in operation. This shows that the Bank seems to prefer the on-lending scheme to the other scheme. Under the direct-lending scheme, 3,739 projects have been financed by the Bank. 82% of this number (2,252 projects) were financed under the small-holders direct loan scheme. The amount accounts for about 79% of the total number of projects financed over the same period. Next in line is Poultry; 22 (7.8% of total) poultry projects were financed by the bank which involved a total sum of about ₦37.5 million. This project seems to be the most active of N.A.C.B.'s portfolio for the livestock sub-sector. This is probably because it is usually the most successful of the various types of livestock enterprise embarked on.

₦5 million was granted to each of the eleven River Basin Authorities in the country to assist them in fulfilling their obligations. The loans were to be used to develop small farms at the grassroots. The loan of ₦55 million given to these River Basin Authorities is yet to be repaid. In the period under review, the largest amount of loan was approved for marketing. The amount ₦163,253,000 accounts for 29% of the total amount of loans approved during the same period. This is followed by ₦103,424,000 (18%) for arable crops under the on-lending scheme. Under the direct lending scheme, a total of ₦42,057,000 was approved for 116 arable crop projects. Altogether, a total of ₦144,481,000 was approved for 48 arable crop projects in ten years.

This is fair enough. Financing arable crop projects should be one of the priorities of the N.A.C.B. mainly to supplement the efforts of farmers in providing food and fiber for the country.

The breakdown of the Bank's operations from 1973-1981 when looked at the state level is presented in Table 4:8:3.

ch.3

TABLE 4:8:3

GEOGRAPHICAL DISTRIBUTION OF CUMULATIVE LOAN OPERATIONS AS AT DECEMBER 31 1983

STATE	NO. OF PROJECTS	AMOUNT APPROVED (₦)	% OF TOTAL	AMOUNT DISBURSED (₦)	% OF TOTAL	AMOUNT REPAID (₦)	% OF TOTAL
Anambra	97	29,739	5.28	28138324.26	7.13	4105	3.13
Bauchi	187	29,949	5.32	16674977.11	4.22	11060	8.45
Bendel	197	38,185	6.78	35783779.16	9.07	446	0.34
Benue	222	21,293	3.78	15721468.22	3.98	2554	1.95
Borno	199	41,848	7.43	33112652.16	8.39	14060	10.74
C/River	109	23,057	4.10	20858871.09	5.28	1127	0.86
Gongola	290	51,283	9.11	27249693.83	6.90	8236	6.29
Imo	141	21,871	3.88	18728281.83	4.67	4436	3.39
Kaduna	179	49,791	8.84	36581017.76	9.27	26257	20.05
Kano	144	20,736	3.68	13316313.37	3.37	2244	1.71
Kwara	125	22,720	4.04	15286055.99	3.87	1693	1.29
Lagos	142	42,443	7.54	4018033.08	1.02	223	0.17
Niger	66	12,990	2.31	12022464.99	3.05	4755	3.63
Ogun	88	13,036	2.32	10758006.63	2.73	38	0.03
Ondo	116	53,439	9.49	38187172.11	9.67	22942	17.52
Oyo	86	29,991	5.33	20244139.99	5.13	11737	8.96
Plateau	95	7,907	1.40	6162615.16	1.56	1445	1.10
Rivers	80	19,084	3,39	15459530.50	3.92	182	0.14
Sokoto	279	33,675	5.98	26734660.12	6.77	13406	10.24
	2840	563,037	100	3947338057.36	100	130946	100

SOURCE: RESEARCH AND PLANNING DIVISION, N.A.C.B. LTD. KADUNA.

The largest number of projects financed by the Bank between 1973 and 1983 was 290 (10.2%) in Gongola State. This was followed by 279 projects (9.8%) in Sokoto State and 222 projects (7.8%) in Benue State. However during this period, the largest amount of loan approved was ₦53,439,000 (9.49%) in Ondo State. Gongola

state came second with ₦51,283,000 (9.11%) and third was Kaduna with ₦49,791,000 (8.84%). The least amount of loan approved was ₦7.907,000 (1.4%) in Plateau State.

Out of the total amount disbursed during the period under review, Ondo State got the largest which was ₦38,187,172.11 (9.67%), then Kaduna State which had ₦36,581,017.76 (9.27%). This was followed by Bendel State to which ₦35,783, 779.16 (9.07%) was disbursed. A total of ₦130,946,000 has been repaid by all the nineteen states of the federation out of the total amount repaid, Kaduna State repaid ₦26,257,000 (20%), Ondo State repaid ₦22,942,000 (17.52%) and Benue State repaid ₦14,060,000 (10.74%).

Table 4:8:4 shows the breakdown of total loan repayments according to the different loan terms.

TABLE 4:8:4

CUMULATIVE LOAN REPAYMENTS FROM 1973 - DECEMBER 31, 1983
(AMOUNT IN ₦ MILLION)

TERM OF LOAN	REPAYMENTS		
	TOTAL DUES	ACTUAL REPAYMENT	REPAYMENT AS % OF TOTAL DUE
Short Term	99.4	97.3	55.7
Medium Term	49.8	26.7	15.28
Long term	25.5	6.9	3.95
Total	174.7	130.9	74.93

SOURCE: RESEARCH AND PLANNING DIVISION, N.A.C.B. Ltd. KADUNA.

A total of ₦174.7 million is due for repayment by borrowers; ₦99.4 million (57% of total dues) are short-term loans. Medium loans and long term loans account for 28.50% and 14.50% of the total dues respectively. 55.7% of the short-term loans that

are due have been repaid, 15.28% of due medium term loans have also been repaid while just 3.95% of due long term loans have been repaid. All together 74.90% of loans that are due have been repaid. This figure looks encouraging because it shows that borrowers, particularly of short term loans, pay back their loans promptly at the scheduled period. It seems farmers that borrow long-term loans default more in repaying their loans than borrowers of medium and short-term loans. However if a comparison is made between the total amount repaid and the total amount the Bank has disbursed in ten years, the figure obtained which is 33.17%, does not look good; only about 33% of the total amount disbursed by the bank has been recovered. The repayment experience of the N.A.C.B. Ltd. can thus be said to be unsuccessful.

In further analysis of the cumulative volume of operations of the N.A.C.B. from 1973 - December 1983, a comparision of the variability of total amount of loans approved during this period on project basis and on state basis was made. This comparision which is made with the use of the coefficient of variation is presented in Table 4:8:5.

TABLE 4: 8 : 5

COMPARISION OF THE VARIABILITY OF TOTAL LOAN APPROVALS ON PROJECT BASIS AND ON BASIS OF STATE BETWEEN 1973 AND 1983

	Mean	Standard deviation	Coeffient of variation
(a) Loan approvals on project basis	31279.833	41673.697	133
(b) Loan approvals on state basis	29633.526	13140.043	44

From the table, it can be seen that the coefficient of variation of loans approved on project basis is very high (133%), much higher than that of loans approved on the basis of state (44%). This means that the relative dispersion around the arithmetic mean is greater for loans approved on project basis than those approved on state basis. In other words, loans approved on state basis are more concentrated around the mean loan approved thus they exhibit much less relative variations than loans approved on the basis of projects. The high coefficient of variation of loans approved on project basis indicate differences in project identification while the comparatively lower coefficient of variation of loans approved on the basis of state indicate homegeneity or non-differentials of state which is really a failure in policy. The Bank should realise that the different states are endowed with different resources and loan approvals should as much as possible be made to reflect these differences.