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# Provision of Credit and Loan Facilities by Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) to Farmers: Implications for Extension Services Delivery

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## ABSTRACT

This paper assessed NACRDB'S credit and loan facilities provision for rural farmers, in Nigeria. Data were collected through structured questionnaires, the data were analyzed using frequency counts, percentages and mean scores. Results showed that the micro –Credit/ loan was the most patronized by the rural farmers. The other credit / loan offered such as the ECOWAS, the IFAD project and the ATHP programme were not patronized at all, probably due to the unimportance of the type of projects sponsored by these credit/ loan facilities in the study area. Results showed that, majority of farmers (82.9%) were married and (34.5%) were well educated. Their major and minor occupation was farming and civil service respectively. Problems identified on the part of the beneficiaries included, late release of funds, and short payback period. Other problems included excessive bureaucracy, short grace period, and services not regularly available and high interest rate. Also NACRDB staff indicated their major problems as; lack of awareness by borrowers (30%), Late release of approved funds by headquarters (56.7%) poor funding of field officers (40%), insufficient fund (10%). The study also showed the areas requiring improvement such as; use of extension workers in dissemination of information (60%), computerization of the banks (56.7%), timely release of approved funds (45.7%), increase loan duration (42.9%), more awareness campaigns (41.4%), give attention to individuals than groups (37.1%), give enough to meet needs/ demand (37.1%), give more attention to groups than individuals (37.5%); the study recommended that there should be more awareness campaigns by NACRDB, the bank should strive to approve more funds under the scheme and timeliness in the release of funds especially release of fund for meeting the peak period of farmers demand for credit.

## INTRODUCTION

In Nigeria, like most developing countries, the small holder- farmer constitutes the core of agricultural sector and produce the bulk of the food and fiber used in the country (Ekong 2003). But these farmers are contending with problems and one of such problems is lack of access to investment credit. Government has intervened several times to inject credit into agricultural sector. One of such intervention was the change in 1975 of the Nigeria Agricultural and Cooperative Bank (NACB) Ltd to become the Nigerian Agricultural Cooperative Bank (NACRDB) Ltd to reflect the rural nature of cooperative activities in Nigeria. In the year 2000 the Federal Government domiciled the sum of ₦450 billion with NACRDB Ltd to lend to farmers and cooperatives at concessionary interest rates. Many scholars like (Ugbajah, 2011; Nenna, Ugbajah, and Ugwumba, 2012) opined that the critical factors that affect productivity at the farm level include factors of production such as land, capital, Agricultural research, technology, infrastructure and access to support service such as extension services and credit. Financial innovations aimed at providing such services like credit in a suitable way should be identified, since credit is an important support service for increased agricultural productivity. This is because credit enables producers to procure inputs, hire labour and equipment etc (Ugbajah and Orji 2006). Credit is also important because equity capital is seldom sufficient to meet the expenditure requirements for higher productivity and expand production (Onyeagocha, 2008). The need for credit is more acute in the rural areas because access to local financial resources is restricted by the low productivity and widespread poverty of rural people (CBN 2006). Furthermore, due to the fact that rural people are thought to be too poor to save or receive credits, efforts to mobilized domestic savings and provision of credit have for too long been concentrated in the urban sector (UNDP 2004). The available sources of external funds for agriculture in Africa are development banks like the Nigeria Agricultural Co-operative banks, and the informal credit sources. It is in a bid to strengthen both credit sources to farmers and Nigerian Agricultural Co-operative and Rural Development Bank that government merged it with People Bank of Nigeria (PBN) and risks assets of the family Economic Empowerment Programme ( FEAP ) to become NACRDB. This started when preliminary report on rural financing was released on 27<sup>th</sup> May, 1999. The report stated that Nigerian Agricultural and Co-operative Bank (NACB) were neither effective nor efficient in their operation. Agbo (2000), noted that some socio-economic factors hinder farmers/cooperative proper utilization of development resources included gender, age and the distance they cover to get to the location of the services provider, the level of functional education. In his own study Ambruster, (2001), isolated among others, the system of delivery of the services needed by farmers, the process used to determine and the mode of selection of beneficiaries as the most critical factors affecting use of developmental resources. Poor performance

and duplication of duties are major reasons for their merger. The bank is a registered limited liability company. It is wholly owned and controlled by the federal Government with the share capital fully subscribed by the federal ministry of finance in corporate 60% and the Central Bank of Nigeria 40%. The banks broad mandate encompasses savings mobilization and the timely delivery of affordable credit to meet the funding requirements of the farming Nigerian Population in agricultural and non- agricultural sectors of the national economy.

NACRDB provides all classes of agricultural loans for farming, livestock, poultry, fisheries, etc. under different portfolios. It is also charged with developing the economic base of the low income groups through the provision of loans, accepting savings to facilitate the repayment of such loans together with appropriate interest, encourage the formation of cooperatives, encourage good banking habits amongst Nigerians, especially the target group, encourage capacity building through the training of beneficiaries on proper loan utilization, repayment savings and the formulation of strategies for the profitable marketing of products. The credits are designed to target specific groups of beneficiaries for the execution of projects assigned to each group such as micro and macro credit loan scheme, livestock development project and fish production projects. The significance of those credit loans is that each target specific group of beneficiaries are all aimed at increased agricultural productivity and improvement of farmer's farm income. It was believed that the introduction of the different credit loans in NACRDB would provide solutions to the credit problems of farmers. A recent study of the patterns of disbursement of the ₦50 billion intervention fund showed that more 75% of the fund went to private farmers and other farmers' organizations that are not cooperative societies (Onyeagocha, 2008). Farmers in Nigeria are expected to have benefited from these credit loans, it is the intension of this research to survey the different credit loan (portfolios) of the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) and their influence on agricultural productivity and rural development in Nigeria.

### Objectives of the study

The broad objective of the study was to investigate provision of credit and Loan facilities by the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) to Farmers.

The specific objectives included:

- i examined the socio – economic characteristics of the farmers that affect access to NACRDB credit./loans.
- ii examined the amount of credit obtained; and constraints in obtaining credit and to use the result of the study to make recommendations on how to improve the farmers' access of to the services of NACRDB.

## RESEARCH METHODS

The study was conducted in the whole country, Nigeria. Nigeria is composed of 36 states and the Federal Capital Territory, Abuja. For administrative purposes the states are grouped into zones (6) thus Southeast zone (5 states), South – South zone (6 states), Southwest zone (6 states), Northeast zone (6 states), Northwest zone (7 states), and the North Central zone including the Federal Capital Territory (6 states).

Sample selection was carried out in stages. Stage 1 was random selection of one state from each zone giving a total of six states. Stage 11 was random section of one branch from the six states. Stage 111 was random selection of 20 beneficiaries from the NACRDB field officers. Stage 1V was selection of 30 NACRDB field officers. The beneficiaries were made up 80 respondents and 30 field officers / staff selected from the six zones of Nigeria. This gave a total of 110 respondents used for the study. Structured questionnaires were used to obtain information from the respondents including the farmers and NACRDB

officials. Oral interview was used to back up the information from the respondents.

The structured questionnaires sought to obtain information on beneficiaries of credit schemes, and duration of the loan scheme, farmer's use of NACRDB credits, an effective use of loan provided and problems of NACRDB. Credit and loan facilities from beneficiaries' point of view. Data were collected from the NACRDB Ltd branches in the zones sampled as well as the farmers selected for the study.

## RESULTS AND DISCUSSION

Results of the study are presented in tables, and showed that majority, (100%) of the respondents indicated that the loan is repaid within 1-3 years after its collection, out of the 5 schemes available, micro – credit was mostly patronized by farmers (74.35), the micro-credit scheme performed creditably with (67%), also received the greatest number of patronage (74.3%). This implied that micro – credit schemes should be funded more than the others since the rural farmers easily access them.

**Table 1: Distribution of respondents based on beneficial of credit schemes, and duration of the loan scheme, no = 110.**

Pofolios	Frequency	Amount applied	Total Amount received	Percentage%
Micro-credit scheme	62	Above 25,000.00	Above 25,000.00	77.5
Micro-credit scheme	10	Above 25,000.00	Above 25,000.00	14.3
On-lending Scheme	-	-	-	-
Ecowas fund scheme	-	-	-	-
FAD	-	-	-	-
Livestock Development Project	8	Above 25,000.00	Above 25,000.00	11.4
Total	80			100
Duration of the loans				
Years	Frequency No		Percentage score%	
< 1 year				
1-3 years	80		100	
4-6 years	-		-	
7-9 years	-		-	
Above 10 years	-		-	
Total	80		100	

Source: Field survey 2009

The ECOWAS fund scheme and international fund for agricultural development (IFAD) project meant to target fisher folks, were not patronized because fishing was not a major occupation in those areas where the study was carried out. These schemes IFAD, animal traction and hand tools technology programme can be reviewed to cater for other agricultural productions in these areas to ensure efficient use of the fund. The study showed majority 100% of the respondents

indicated loan was repaid within 1-3 years after collection for each loan provided. This implied that the loan was used for crops that were harvested within 1 – 3years to ensure prompt repayment of loans. The result showed late release of funds thereby implied that the need for timely and early disbursement of funds to the rural farmers. (61.3%) for expansion of their farm, this implied that loan actually influenced agricultural production in the area.

**Table 2: Distribution of respondent's based on farmers use of NACRDB credits and its effective use of loan provided, no = 110.**

Uses	Number of Farmers(No)	Percentage Score (%)
Purchase of farm inputs	5	7.1
Expansion of farm	49	*61.3
Purchase of farm machinery	23	*32.9
Building of house	-	-
Solving pressing family problem	1	1.4
Processing of agric products	2	2.9
Guidelines for effective use of loans provided. No = 80		
	Frequency	Percentage Score
Fellow farmers	7	10.0
Cooperative Society	26	32.5
Extension agents	11	15.7
NACRDB Staff /Officers	36	51.4
	80	100

Source: Field survey 2009

The results showed that (22.9%) were guided by cooperative societies, (15.7%) by extension agents while (51.4%) by NACRDB staff / officers in procuring loans, this implied that extension agents only play a minor role in guiding farmers on effective use of loans. This might lead to farmers diverting the loans / credits to other uses. This showed effectiveness in the management of the credit facilities being offered and thus hasten timely loan repayment.

Table 3 showed that (24.3%) agreed that high interest rate was a problem. Interest rate free loans and credits should be provided to farmers to encourage increased productivity among rural farmers. According Banqual (1993) interest rate attached to rural credit which rose from 7% to 16% in 1983 and 1989 respectively thus has contributed to the decline in rural loan repayment from (52%) in 1983 to 18% in 1989. About (50%) of respondents agreed late release of funds was a problem. This implied that early and timely release of fund is necessary since agricultural production is a seasonal venture. The result also showed that respondents complained that amount

approved was not sufficient. The respondents indicated that the payback period was too short. The payback period should be extended to create enough time for perennial crops that take longer time to mature. Field officer totaling about 30 was asked to identify the problems of the bank as they affect the various loan schemes or portfolios. The field officers indicated late release of the approved funds by headquarters as their major problem. This might result to the diversion of the loan to other things such as solving of their family needs due to lateness in releasing of funds. Table 5 showed that 42.8% of the farmers learnt about the NACRDB facilities through radio. This implied, radio play a prominent role in dissemination of information on the loans. Cooperative societies need to strengthen their members to ensure more awareness on effective use of the loans. Only 11.4% of the respondents learnt about the loan facilities from extension services/agent. This implied that extension had not played prominent role in the dissemination of information.

**Table 3: Distribution of respondents according to problems of NACRDB Credit and loan facilities from beneficiaries' point of view, no =110.**

Problem	Agree Score %		Disagree Score %		Not sure Score %		Mean	Standard Deviation	Total score %	
	17	24.3	43	53.7	20	28.6			80	100
High interest rate	17	24.3	43	53.7	20	28.6	0.96	0.73	80	100
Late release of fund	45	56.3	19	27.1	16	22.9	1.27	0.815	80	100
Amount approved no sufficient	34	42.5	16	22.9	30	37.5	1.06	0.883	80	100
Payback period										
Too short	37	45.7	15	21.4	28	35	1.13	0.883	80	100
Grace period	35	43.8	27	33.8	18	25.7	1.17	0.816	80	100
Too short										
Excessive	35	45.7	25	35.7	20	28.6	1.14	0.839	80	100
Bureaucracy										
Services not Regularly	36	45	22	31.4	22	31.4	1.13	0.867	80	100
Regularly	36	45	22	31.4	22	31.4	1.13	0.867	80	100

Source: Field survey 2009

**Table 4: Distribution of respondents based on problems of NACRDB credit /loan facilities from field staff point of view, no=30.**

Problem	Agree		Disagree		Not sure		Mean	Standard Deviation	Total	
	Score	%	Score	%	Score	%			score	%
Lack of awareness by borrowers	9	30	15	50	6	20	1.10	0.71	30	100
Insufficient staff	3	10	22	73.3	5	16.7	0.93	0.52	30	100
Late release of approved funds										
By head quarters	17	56.7	9	30	4	13.3	1.43	0.73	30	100
Loan diversion	13	43.3	12	40.0	5	16.7	1.27	0.74	30	100
Poor funding of field officers	12	40	12	40	6	20	1.20	0.76	30	100

Source: Field survey 2009

Field officer totaling about 30 was asked to identify the problems of the bank as they affect the various loan schemes or portfolios. The result revealed that 30% of the respondents indicated lack of awareness by borrowers, 10% agreed on insufficient staff; this implied inefficiency of the workers in giving out loan/credit to the farmers for agricultural production while 56.7% of the respondents indicated late release of the approved funds by headquarters as their major problem. This implied that credit facilities were not disbursed to farmers when they need it and this might result to the diversion of the loan to other things such as solving of their family needs due to lateness in

releasing of funds. About 43.3% indicated loan diversion while 40% indicated reduced motivation of the workers. Table 5 showed that 42.8% of the farmers learnt about the NACRDB facilities through television and 35.7% through radio. This implied that radio play a prominent role in dissemination of the loans, more awareness can be done through the use of radio. Cooperative societies need to strengthen their members to ensure more awareness and effective use of the loans. Only 11.4% of the respondents learnt about the loan facilities from extension services/agent. This implied that extension had not played prominent role in the dissemination of information.

**Table 5: Distribution of respondents based on implications for extension service delivery.**

	(No)	Percentage score %
Television	5	7.1
Radio	30	42.8
Extension agents/services	21	26.3
Cooperative societies	8	11.4
Friends/neighbors/fellow		
Farmers/ colleagues	16	22.9
Total	80	100

Source: Field survey 2009

#### **Implications for sustainable loan/credit provision of facilities farmers**

The study has shown that merger of the Nigerian Agricultural cooperative Bank (NACB) Ltd, the people's Bank and family Economic Advancement Programme (FEAP) has led to greater availability of funds to farmers through the new credit facilities created in the bank (NACRDB). The branch network of the bank in the country makes it easier to reach the remotest rural parts of the country provided that adequate logistic is made available to the staff of the bank. The implications of these are that rural farmers must exploit the opportunity of the facilities in their environment to boost their production capacities, generate employment and ensure self-sufficiency in food production and employment. Extension agents must therefore intensify efforts in popularizing benefits

of the credit/loan facilities to the rural farmers. The major constraint in the provision of this credit and loan facilities was late release of funds. This problem should be solved through the timely release of funds especially the popular micro-credit scheme commonly patronized by the rural farmers (beneficiaries). There is therefore need for more awareness campaigns by NACRDB Ltd. to enable farmers become aware of their services. This would be achieved through Radio and television advertisement, Church announcement, public announcements during village and family meetings, use of printed media such as news papers, bulletins etc. More extension and credit experts should be employed and trained for wider and more effective coverage of small- holder farmers in terms of supervision and guiding this will encourage quicker dissemination of information, educating rural farmers' ways to apply improved technologies and records.

Also mandatory deposit scheme should be returned; this will help beneficiaries cultivate the habit of saving and increase ability to repay the loans.

### CONCLUSION AND RECOMMENDATION

The study showed that extension agents are not playing adequate role in creating awareness among the rural farmers. They should encourage the farmers by organizing awareness campaign in the rural areas since most agricultural production are carried out in these areas.. It was evident from the study that merging of the Nigerian Agricultural cooperative Bank (NACB) Ltd., the people's Bank and family Economic Advancement Programme (FEAP) has brought about greater availability of funds to farmers through the new credit facilities in NACRDB. The branch network of the bank appears adequate to reach the remote areas of the country. There should be timely disbursement of funds to farmers to ensure use of loans for agricultural production. The loans should be interest rate free to encourage the farmers to increase the number of farmers who access the funds and thus increase agricultural production in the state.

The result of the study will be beneficial to researchers, government and non governmental bodies for policy formulation to improve agricultural productivity and rural sector development.

### RECOMMENDATIONS

Based on the findings the following recommendations have been made:

Early release of funds should be encouraged to meet up with the peak period of farming. This will motivate and encourage the rural farmers to access the fund. The micro-credit scheme appears to be the most popular among the rural farmers, therefore more funds should be approved under the scheme. Extension agents and cooperative development agencies need to pay enough attention to the rural farmers and cooperative societies.

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