

Assessment of the impact of Nigerian Agricultural and Cooperative Bank's Credit Facilities on Small Scale farmers in Ibarapa East LGA of Oyo State

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ABSTRACT

Agricultural credit has long been identified as a major input in the development of agriculture and a major contribution to the national economy. However, despite this acknowledged significant role, there has been paucity of agricultural credit institutions to effectively alleviate the problem of access to credit by peasant farmers. In line with the current thinking of privatization, this study examined the impact of Nigerian Agricultural Cooperative Bank (NACB) on beneficiaries with the view to position the credit bank very well in the unfolding circumstance. Precisely, 182 beneficiaries (50%) of small-scale credit scheme in Ibarapa East local Government Area of Oyo state were randomly selected from the list of beneficiaries of the loan scheme. Analysis of data obtained from primary source through questionnaire administration indicates that majority of the beneficiaries are male (69.2%), mostly farmers (83.5%) and low-income earners (40.6%) earning N10, 000 – 50,000 per annum. Attitudinal disposition of majority of beneficiaries is positive (63.7%) and they benefited from NACB loan as farmers' socio economic status (SES) soars from 14.4% SES before loan to 50.5% after loan procurement. The result of the inferential statistical analysis reveals that there exist a significant difference between farmers' livestock production before ($X = 9.1$) and after ($X = 12.6$) and crop production before ($X = 11.7$) and after the loan procurement ($X = 21.2$). There is also a significant difference between farmers SES before and after loan procurement ($t = 7.45$; $p < 0.001$). It is therefore recommended that NACB should be reinvigorated and empowered to facilitate its discharge of statutory roles as well as collaborate with agricultural based NGOs for enhanced performance in line with the principle of privatization and deregulation of Nigeria's economy.

1.0 INTRODUCTION

Background information and problem statement

Agricultural credit has long been recognized as a major input in the development of agricultural sector of any economy. The absence of adequate credit facilities for financing agricultural activities in Nigeria has equally been established as one of the major impediments facing agricultural development. Infact, one of the reasons for the downward trend in the contribution of agriculture to overall development of Nigeria's economy since the discovery of oil has been the lack of a formal national policy and paucity of credit institutions which can be of assistance to farmers. The importance of credit or loanable fund as more than just another resource such as labour, land, equipment and raw materials cannot be overemphasized. In the opinion of Uduk and Adetola (1991), the perpetual need for capital in any form such as credit by small scale farmers which led to farmers pledging their produce for small loan or the sale of immature crops for pittance underscores the significance of loanable fund as not just another resource. It is a common knowledge that farmers often resort to informal sources of credit at high interest rates or worst still practice agriculture without credit that consequently affect productivity level of peasant and subsistence farmers.

An appraisal of the Nigerian Agricultural and Cooperative Bank (NACB) now Agricultural and Rural Development Bank (NARDB) credit facilities presents a pitiable situation that cannot be totally blamed on a single stakeholder (beneficiaries nor government). The problem of agricultural credit administration has been a complex issue where most farmers are faced with the problem of processing credit facilities in financial institutions. The stringent measures and restrictions (collaterals) placed on loans by these financial

institutions are designed to guarantee and secure the credit from misuse by hitherto ignorant farmers who have all kinds of misconceptions about the fund. It is a common occurrence to see beneficiaries divert loans into non – agricultural projects and sometimes painfully to non – productive uses. There is also the misconception that credit facilities are their own share of the national cake instead of depositors' fund, particularly NACB fund and credit that are believed to be granted to secure political scores. While the blame is not entirely that of a single stakeholder, the timing of most agricultural policies like all other policies (political, economic and social) are always ill – timed and short – sighted, sometimes for a new government to gain legitimacy or to cushion the devastating effects of unpopular or poorly rated government policies.

In spite of all these misgivings, the credit facilities by NACB over the years have impacted significantly on the lives of some farmers who had used the fund wisely. Available records from NACB (1991) indicate that over 400,000 small- scale farmers have benefited from the scheme since inception. In line with current thinking of deregulation wherein some government parastatals and establishments are offered for outright sale or their share sold to independent private institutions that agriculture could benefit most significantly from are being articulated. In the past, Agricultural Credit Guarantee Scheme by the Central Bank of Nigeria (CBN), which came into being through Decree 20 of 1977, guarantees credit supply for agricultural project. The NACB which is an off – shoot of this CBN initiative ensures introduction of refinancing and discounting facilities for non – oil sectors with attendant consequences on the availability of agricultural commodities.

It is to put the impact of NACB into proper perspectives in view of the current deregulation policy of the federal government and to properly position it for suitable roles that will facilitate subsistence farmers' survival in the heat of current economic policies that this study assessed the impact of NACB credit facilities on small scale farmers in Ibarapa East Local Government Area of Oyo state. The study specifically investigated farmers' attitudes towards NACB credit facilities, the impact of credit provided by NACB on the socio – economic status of beneficiaries, constraints to procurement of NACB loans and farmers' production level before and after loan procurement.

2.0 METHODOLOGY

Area of Study

Ibarapa East local government is located in the southern part of Oyo State. It is bounded in the north by Iseyin, in the east by Iddo, in the west by Ibarapa central LGA and in the south by Ogun State. The major occupation of the people of this area is farming though at subsistence level with vocations like food vending, petty trading, livestock keeping and hair dressing. The climate is marked by distinct dry and wet seasons that support cultivation of major crops such as maize, cassava, and yam and sparsely support tree crops such as rubber, cocoa and oil palm.

Sampling procedure and sample size

This was achieved using the list of beneficiaries that have procured loan from NACB credit facilities in Ibarapa East LGA. Random sampling was used to select 50% of the beneficiaries from the sampling frame of 365 farmers who have benefited from the NACB small holders loan scheme between 1991 – 2000. In all, a total of 182 beneficiaries were successfully interviewed.

Measurement of Variables

Attitudes of farmers towards NACB credit facilities

This was measured by providing the farmers with 25 attitudinal statements and were requested to state agreement or disagreement with the statements in a three point rating scale of Agreed, Undecided and Disagreed. All positive statements were scored 3, 2 and 1 for agreement; neutrality and disagreement respectively while negative statements were scored in reverse order. Respondents' attitudinal dispositions were then dichotomized into 2 categories where those who scored 25 – 50 points were considered to have unfavourable attitudes and those who scored 51 – 75 points are considered to have favourable attitudes towards NACB credit facilities.

Impact of NACB loan

A list of 15 indicators or indices of socio – economic status (SES) was provided and farmers indicated the number they possessed before and after securing and use of NACB loan. A score of 2 was awarded for possession and zero for non – possession. Respondents were then classified into three categories based on the summation of their scores on all the items as follows:

1 – 10 points = Low socio – economic status

11 – 19 points = Medium socio – economic status

20 – 30 points = High socio economic status

Constraints to procurement of NACB loan

Respondents were requested to list all the constraints faced during processing of NACB loan and frequency counts were done for all the constraints. Therefore, each respondent identified the commonest bottlenecks and a total picture of the constraints obtained for all.

Farmers' production level

Production levels attained before and after NACB loan procurement were measured in terms of quantity harvested (in sacks for crop and number of animals for livestock) before and after loan procurement.

3.0 RESULTS AND DISCUSSIONS

Table 1 shows that majority of NACB loan beneficiaries are male (69.2%). This is further complimented by majority of the beneficiaries been in age brackets of between 41 –50 (58.3%) and 25 – 40 (27.5%). This indicates that perhaps, more male and active segments of the population are able to go through the stringent conditions of collateral placed by the NACB authority. High proportion of the respondents (41.7%) and (47.3%) have dependants of between 1-5 and 6-10 respectively. Also a higher proportion of the respondents (47.3%) have no formal education and only 22% have either secondary or tertiary education. The importance of these two variables cannot be overemphasized as they play significant roles either in loan management and ability to repay the loan. The table also reveals that majority of the beneficiaries are basically farmers with 72.5% actively engaged in crop production and 11% in livestock rearing. Data on table 1 further reveals that significant proportions of respondents' annual income fall in two major categories with incomes ranging from 10,000 – 50,000(40.6%) and 51,000 – 120,000(39.5%). Only 19.9% earned between 121,000 – 500,000 per annum. This finding suggests that beneficiaries were better off considering the income profile of majority of Nigerians.

Table 1: Personal characteristics of respondents

Variables	Frequency / %
Sex:	
Male	126(69.2)*
Female	56(30.8)
Age:	
25-40	50(27.5)
41-50	106(58.3)
51-60	13(7.1)
Above 60	13(7.1)
Number of dependants:	
1-5	76(41.7)
5-10	86(47.3)
Above 10	20(11.0)

Educational attainment:	
No formal education	86(47.3)
Primary school	56(30.7)
Secondary education	20(11.0)
Tertiary education	20(11.0)
Primary occupation:	
Crop production	132(72.5)
Livestock rearing	20(11.0)
Trading	10(5.5)
Civil servants	12(6.5)
Transporters	8(4.65)
Estimated annual income	
10,000 – 50,000	74(40.6)
51,000 – 120,000	72(39.5)
121,000 – 500,000	36(19.9)

*Figures in parentheses are percentages

Data available in table 2 combine attitudinal disposition of beneficiaries to NACB loan and their socio – economic status (SES) before and after loan procurement. Majority of the beneficiaries (63.7%) are favourably disposed to the NACB loan. While only 14.4% are in high SES before NACB procurement. More farmers (50.5%) are found in high SES and another 38.5% in medium class after loan procurement. This implies that the NACB loan in a way impacted positively on the beneficiaries. Further investigation in this direction is further corroborated in table 3.

Table 2: Attitudinal disposition and socio economic status of beneficiaries before and after loan procurement

Variables	Before	After
Attitudinal dispositions	Positive/favourable disposition	Negative/unfavourable disposition
	116(63.7)*	66(36.3)
Socio – Economic Status (SES)		Before
High	26(14.4)	92(50.5)
Medium	80(43.9)	70(38.5)
Low	76(41.4)	20(11.0)

*Figures in parentheses are percentages

To effectively measure the impact of this loan on respondents, their level of production before and after NACB loan procurement were further investigated. Hence, data in table 3 indicates that before the loan procurement, 86.1% of the beneficiaries fall within low level of production in crop and 61.2% at the low level in livestock production. The trend however changed after loan procurement as only 58.9% (crop production) and 35.8% (livestock) are in the low level of production. Also the percentage of beneficiaries in the high production level increased from 5.6% to 11% (crop category) and 19.9% to 37.3% in livestock category. The appreciation of production levels of both crop and livestock farmers could be attributable to access to NACB loan. This is corroborated by Ani (1992) who asserted that Small Scale Direct Loan Scheme has had some effects on small – scale farmers. To achieve this, farmers must put into use the purpose for which the loans were taken. Others could have directed the loan to other uses with attendant negative consequences.

Table 3: Production level of beneficiaries' before and after loan procurement

Variables	Before (%)	After (%)
Crop production level		
1-20 sacks (low)	131(86.1)*	90(58.9)
21-60 sacks (medium)	13(8.3)	46(30.9)
>60 sacks (high)	8(5.6)	18(11.0)
Livestock production		
1-10 animals (low)	93(61.2)	54(35.8)
11-20 animals (medium)	29(18.9)	41(26.9)
> 20 animals (high)	30(19.9)	51(37.3)

*Figures in parentheses are percentages

The result of the t – test analysis on table 4 shows the status of beneficiaries in terms of livestock and crop production before and after the loan. Results indicate that there exist a significant difference between farmers' production level before loan ($X = 11.7$) and after loan ($X = 21.2$) as well as livestock production level before ($X = 9.1$) and after loan ($X = 12.6$). The t – value of 4.45 at $p < 0.01$ (crop production before and after) and t – value of 3.8 at $p < 0.01$ (livestock production before and after) further shows the statistical difference between farmers' livestock and crop production before and after loan procurement. The plausible implication of this result remains the fact that the NACB loans have impacted positively on farmers' crop and livestock productions. The result of the t- test analysis of SES of beneficiaries before and after loan procurement further corroborates the position of this result as shown in table 5.

Table 4: T test analysis of farmers' production level before and after loan procurement

Variables	Before NACB	After NACB	T - value	Level of Sig.
Crop production	11.7	21.2	4.45	0.001*
Livestock production	9.1	12.6	3.8	0.004*

* Significant, $P < 0.001$

The data in table 5 shows that there is a significant difference between farmers' socio – economic status before and after loan procurement ($t = 7.45$, $p < 0.001$). It therefore implies that beneficiaries benefited immensely from access to and procurement of NACB loan.

Table 5: T - test analysis of farmers' SES before and after loan procurement

Variables	Mean	T - value	Level of sig.
SES before loan	19.4	7.45	0.001*
SES after loan	24.8		

*Significant, $P < 0.001$

Despite the positive impact assessment of the NACB loans by the beneficiaries, the loan is perceived as bedeviled with many constraints. Administrative bottlenecks (67.0%), finding guarantors or referees (58.2%) and late disbursement (69.2%) were proffered by beneficiaries as constraints. The high incidences of constraints that have to do with administration of the loan (administrative bottlenecks and late disbursement) leave much to be desired. This confirms the result of earlier findings by Indabawa *et al* (1995) that reported amongst other constraints bureaucratic bottlenecks and untimely loan disbursement as impediment to farmers' access to NACB loan. Therefore, when beneficiaries go through all these stumbling blocks or conditions required in loan procurement, the ineptitudes of administration of NACB loan could further complicate their situation.

Table 6: Constraints to NACB loans procurement

Variables	Frequency/%
Constraints	
Administrative bottlenecks	122(67.0)*
Guarantors/ Referees	106(58.2)
Late disbursement	126(69.2)
Low investment	85(46.7)

*Figures in parentheses are percentages

4.0 CONCLUSION AND RECOMMENDATIONS

From information available from data that arise from this study, it is evident that majority of the NACB loan beneficiaries are male, mostly farmers and low-income earners. Beneficiaries are favourably disposed to NACB loans, though are faced with lots of constraints ranging from administrative bottlenecks and late disbursement of the loan to beneficiaries. The loans have also impacted positively on beneficiaries as their level of crop and animal productions soar after loan procurement, which consequently tremendously change the SES of beneficiaries in a positive and desirable direction. It is therefore recommended that; NACB should be reinvigorated and empowered to facilitate its discharging of its primary responsibility and statutory roles effectively and efficiently through appropriate legislations.

Administration of NACB loan should be boosted by removing all impediments to loan procurement to enable more farmers' access to the loan.

Collaboration with agricultural based non – governmental organizations like Farmers Development Union (FADU) to bring private efficiency to NACB's management procedure and to encourage private and public institutions' cooperation in line with the spirit of the on going deregulation policy of the federal government is imperative.

The pattern of collaboration between NGOs, donor agencies and governmental institutions should be established in Nigeria for sustainability and desirable result.

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