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FINANCING AGRICULTURAL DEVELOPMENT IN NIGERIA : AN APPRAISAL - DON N. IKE

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Financing Agricultural Development In Nigeria: An Appraisal

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Several agricultural financing programmes and institutions have been sponsored by Nigerian governments. They include the Nigerian Agricultural and Cooperative Bank Ltd., the Agricultural Credit Guarantee Scheme Fund, the Rural Banking Programme, the World Bank Agricultural Development Projects and the River Basin and Rural Development Authorities. These programmes and institutions, and some related schemes, are surveyed in this paper and their potential in facilitating agricultural development in Nigeria is appraised. Distortions which necessitated government intervention for correction have been highlighted. Measures for effective and efficient loan administration for agricultural development in the rural agricultural sector of Nigeria are recommended.

I
PROBLEMS OF FINANCING AGRICULTURE IN NIGERIA

It is estimated that 70%[1] of Nigerians are currently engaged in agriculture and 90% of these are small-scale farmers.[2] Small-scale farmers are known to cultivate scattered and unviable holdings with obsolete equipment. As a result both output and productivity are low and incomes in the agricultural sector correspondingly low. Economists speak of a vicious cycle of poverty resulting from low income, low capital, low productivity giving rise again to low income as a characteristic of this sector in developing economies. According to the 'big push' proponents, a high quantum of investments must be made to propel the poor peasants from the constraining vicious cycle that consigns them to perpetual poverty. Without this 'critical minimum effort' no development would be possible.

This appropriately describes the Nigerian agricultural situation. According to Professor Ajakaiye, the farmers, "employ very little capital for their production. Unfortunately, factors like low level of technology, lack of clear title to farm holdings, illiteracy and ignorance, etc. make it difficult for small farmers to have access to the services of financial institutions. The typical bank nurses the fear that these characteristics will hinder the small farmers from repaying their loans".[3] Reduced lending means reduced investments and the constraining vicious cycle of poverty persists.

The high risk of lending to farmers involves government intervention without which direct loans to agriculture or underwriting part of the risk, would not be forthcoming and agricultural development would stagnate further. The scattered unviable farm holdings increase the cost of loan administration; since the number of potential beneficiaries are many and the cost of administration and effective supervision escalates. Innovative strategies have therefore to be formulated in order to reduce costs and channel the required funds to maximum effect. Group lending through cooperatives is being increasingly emphasised to deal with this particular problem but the co-operative organisation is still in an inchoate stage, organised mainly for retail sale of essential commodities to consumers.[4] For instance, according to Ijoma[5], nine cooperative organisations participated in the Agricultural Credit Guarantee Scheme Fund of the Central Bank of Nigeria in 1984, in 1983 only three borrowed and in 1982 there were none.

Further, studies on agricultural loan administration show that farmers may be afraid of the rigorous conditions and bureaucratic delay of formal credit sources and may, in consequence, show

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a preference for village money-lenders and other informal sources.[6] Without government intervention in removing the source of these deficiencies in agricultural financing, the problems in agriculture could persist.

II
DIFFERENT AGRICULTURAL FINANCING SCHEMES IN NIGERIA

Nigerian governments have assisted agricultural financing through the following institutional innovations:

(i) The establishment of the Nigerian Agricultural and Cooperative Bank Ltd which concentrates on financing agriculture;
(ii) The creation of the Agricultural Credit Guarantee Scheme Fund;
(iii) The Rural Banking Programme which started in 1977;
(iv) The World Bank Agricultural Development Projects and related schemes;
(v) The Village Adoption Scheme being pioneered by the Indo-Nigerian Merchant Bank;
(vi) Other institutional innovations, including the River Basin and Rural Development Authorities.

Although this is not an exhaustive list of institutions and programmes set up by different Nigerian governments to finance agricultural development, it is necessary to discuss these schemes, their objectives and achievements before appraising their impact.

The Nigerian Agricultural and Cooperative Bank (NACB): The Nigerian Agricultural and Cooperative Bank was created in 1973 as an agricultural development bank to contribute to the growth and development of agriculture through extension of credit. The specific objectives of the Bank are "to assist in promoting agricultural production and rural development, as well as improving the quality of life of Nigeria's rural population and make the nation self-sufficient in food production" [7]

Through its investment loans and small-scale farmers credit schemes, the Bank has channelled more than ₦586 million to different agricultural projects from its inception until September 1984. Of this amount, ₦433 million has been disbursed and ₦134 million repaid by the beneficiaries. The aggregate recovery ratio of about 1:3 is high compared to ratios attained in bank lending to agriculture.

The NACB devised an on-lending scheme which is a market strategy to achieve the following:[8]

(i) To give maximum impact to NACB funds by reaching a large number of farmers, especially those who could have been excluded due to the small size of their holdings; and
(ii) To combine credit component with extension services, input procurement, proper project formulation and supervision.

The Bank lends to government bodies and cooperatives which in turn, on-lend to the ultimate beneficiaries. The on-lending institutions prepare aggregate project packages, forward them for approval and financing by the Bank. At the time of recovery they are held responsible for recovering the dues from beneficiaries. The on-lending schemes account for 63% of NACB disbursements, while investment loans to medium and large-scale farmers account for the balance 37%.

The Agricultural Credit Guarantee Scheme Fund (ACGSF): The Agricultural Credit Guarantee Scheme Fund was established in 1978 with an authorised capital of ₦100 million subscribed by the Federal Government (60%) and by the Central Bank of Nigeria (40%). Under the Scheme, "loans and advances granted by commercial and merchant banks for agricultural production are guaranteed up to 75% of the amount in default net of any amount realised by the lending bank from the security pledged by the borrower subject, in the case of a loan to an individual, to a maximum of ₦50,000 and in the case of a loan to a cooperative society or corporate body to a maximum of ₦1 million." The purpose of the Scheme is to reduce the risk attendant to bank lending by guaranteeing a very significant proportion of loans against default by the beneficiaries. Concessionary rates of interest of 8% for cooperatives and 9% for individuals are chargeable. The maximum lending rate in Nigeria is 13% at present.

The Scheme has been shown to be biased in favour of small-scale farmers. In 1984, 97% of the borrowers were small-scale farmers and, in 1983 and 1982, 95.3% and 95% of the borrowers, respectively, were of the small-scale variety. However, in terms of value this position is reversed; for instance the 3% large-scale borrowers in 1984 accounted for ₦13.2 million or 53.4% of the amount loaned out in the year.

Although cooperatives have not participated as expected in the Scheme, many experiments in group lending have been accommodated under the Scheme. For instance, in Plateau state, the United Bank for Africa (UBA) selected a village from which a number of farmers formed a group for the purpose of borrowing. The loan is guaranteed by the group. In Bauchi state, a District Head organised young farmers' clubs and these clubs get their loans from the Bank of the North. The Union Bank uses District Heads to lend to large groups of farmers in Bauchi state. Also the Village Adoption Scheme ot the Indo-Nigerian Merchant Bank is one of such group lending schemes accommodated within the Agricultural Credit Guarantee Scheme Fund.

The Rural Banking Programme: Following the recommendations of the Okigbo Financial Review Commission of 1976, the Rural Banking Programme came into being in July 1977. The objectives of the Programme include cultivation of banking habits in rural areas, mobilisation of savings and their use for profitable ventures in rural areas, development of agriculture and agro-based industries, reduction of the drift of young men to the cities and achievement of the national objective of self-sufficiency in food production.

The Programme has run through two phases during which banks were directed to open branches in rural areas. Thirty per cent, later raised to 40%, of funds mobilised were to be retained in investments in rural areas. In the first phase, 1977 to 1980, 200 bank branches were opened in the rural areas and in the second phase, 1980-1983, 266 branches were allocated to different commercial banks for development and commissioning in the rural areas. The first phase has been completed but the second phase has not been fully implemented. As at March 11, 1985, only 229 of the 266 allocated rural branches were opened.[9] The nation is already gearing up for the third phase during which more bank branches would be established in the rural centres. Today, Nigeria has a total of 1132 bank branches which works out to a ratio of one bank branch to eighty thousand inhabitants as against a ratio of 1:170,000 at the beginning of the Rural Banking Programme in 1977.

World Bank Agricultural Development Projects (ADP): This is an attempt at comprehensive integrated development of rural areas, not necessarily a financing scheme like the programmes already discussed. The first set of the ADPs started in 1975 and involved Funtua, Gusau and Gombe projects. They were referred to as 'enclave ADPs' because they embraced several local government areas to distinquish them from 'state wide' projects. By 1985, six enclave ADPs (Lafia, Ayangba, Bida, Ilorin, Oyo, Ekiti/Akoko) and four state wide projects—Bauchi, Kano, Sokoto and Kaduna were operational.[10]

It is intended that the ADPs would cover all 19 states of the Federation and additional state wide projects were appraised in 1984 for Anambra, Bendel, Benue, Imo, Cross River, Plateau, Ogun and Rivers states so that they could be launched between October and November 1985.

When these new ADPs take off in 1985, all states except Lagos will be covered. The projects were developed as a new strategy for enhanced fibre and food production with the small-scale farmer as the pivot. The success of these experimental projects, as a result of the introduction of inputs like fertilisers, pesticides, improved seeds and crop varieties and modern techniques of farming, has encouraged further government participation.

According to Okorie[11] the existing enclave and state wide projects cover 2.5 million farming families domiciled in 92 local government areas circumscribed within 3.5 million square kilometres. Its total cost, estimated at ₦1.327 billion with a foreign exchange component of $784.5 million, was financed by a loan from the International Bank for Reconstruction and Development (IBRD).

The ADPs involve the following activities:

(i) Construct extensive network of feeder roads in the agriculturally productive rural areas to facilitate the evacuation of farm produce and timely delivery of farm inputs such as treated seeds, pesticides and fertilisers;

(ii) Construct and establish farm service centres which will be storage and distribution centres of farm inputs. These are intended to ensure that farmers travel a maximum of 5 to 6 kilometres to purchase farm inputs, obtain credit or seek requisite extension advice;

(iii) Provide effective extension services and train farmers in on-the-farm adaptive research utilisation and modern techniques of farming; and

(iv) Establish a project monitoring and evaluation system.

The Village Adoption Scheme: The Village Adoption Scheme is not a government-financed project but comes under the umbrella of the Agricultural Credit Guarantee Scheme Fund discussed earlier. Under this Scheme, a village or a group of villages are selected and their eligible farmers (as individuals or cooperatives) assisted. This takes care of land survey, soil texture, availability of water, seeds, fertilisers, etc. for a homogenous group of small farmers working as a small community. Extension services are provided at intervals for imparting necessary knowledge about modern methods of farming. The bank becomes a coordinator, providing adequate credit for farming operations and bringing together all those agencies that contribute to agricultural productivity and enhancement of incomes of the rural farmers.

The village or group of villages are adopted in the same way as children are adopted. "When the Bank adopts a village, it is conscious that it will have to mobilise enough resources, both financial and human, to make the village self-reliant and prosperous. The Bank has to act as a catalyst and it has to plan for the integrated development of the adopted village with the support of the villagers."[12]

The farmers under the Scheme are educated to appreciate that a loan is not a cash gift but an assistance that must be repaid. Farmers who lack collaterals by virtue of low income and lack of titles to land are provided group guarantee. A loan to one farmer is guaranteed by three other farmers. The farmers thus keep surveillance on each other and ensure that loans are repaid. Additional security is provided by the Agricultural Credit Guarantee Scheme Fund which provides cover to the extent of 75% of the loan amount.

The Indo-Nigerian Merchant Bank (INMB) has adopted two villages in the Ikorodu Division of Lagos state and the performance has been salutory. The idea of village adoption was borrowed from the parent foreign partner of the INMB-the State Bank of India (SBI), the largest commercial bank in the Indian subcontinent. The SBI, which has more than 6600 branches (the largest in the world), has adopted 49,525 villages, established 431 specially designed and structured Agricultural Development Branches and provided direct finance to cover 4 million farmers.

III
APPRAISAL OF THE AGRICULTURAL FINANCING SCHEMES

Unlike the Village Adoption Scheme in India, these projects are disjointed and uncoordinated efforts which has diminished there impact effect in alleviating the problems of the rural farmers. They do not amount to a comprehensive and integrated effort at rural development. For instance, of what use is agricultural productivity in a remote village if there are no roads to take its produce to buying centres? The impact of these schemes would have been greater if they were pooled through a single agency geared towards comprehensive development of the rural areas.

We now turn to the different schemes to assess their relative performance.

The NACB: Until September 1984, the NACB had approved assistance amounting to ₦586,668,969, of which ₦367,329,525 or 63% comprised loans to small-scale farmers and ₦219,339,444 or 37% formed loans to medium and large-scale farmers. Since the objective is to accommodate small-scale farmers and help achieve self-reliance in food production, the emphasis of small-scale farmers in the loan portfolio is well directed.

Out of the aggregate amount approved, only ₦421,626,312.15 were disbursed. Aggregatively 3479 projects were financed. The cumulative amount repaid was ₦133,642,584.58, giving a repayment ratio of 1:3.[13] The corresponding ratio for the ACGSF Scheme is about 1:15.[14] Thus the repayment ratio for the NACB loans is high and, to this extent, it is a successful programme.

The problem is with the low coverage. Only 3479 loans were approved in the twelve years of its operations (1973-1985). Seen against the perspective of rural dwellers of almost 70 million, it looks like a drop in the ocean. According to Professor Ajakaiye, the expense in running the Scheme is high and the number of applicants overwhelmingly large. The on-lending scheme through the state governments has not been successful because of inadequate screening and identification of farmers to ensure that only genuine farmers get the loan. Another setback is inadequate supervision to ensure correct usage of inputs. It is hoped that an injection of more funds by government into the NACB would help extend facilities to a larger number and range of farmers and, therefore, help realise the objectives of the Bank more expeditiously.

The ACGSF: Total loans granted under the Scheme between 1978 and December 1983 amounted to ₦179.5 million to 6095 projects in

Table 1

Cumulative Loans Guaranteed by Purpose:1978 – Dec. 1983

Purpose	No. of Loans	% of Total	Value of Loans '000	% of Total
Poultry	1397	22.9	106,436.3	59.3
Cattle	233	3.8	5,562.7	3.1
Fisheries	12	0.2	1,614.6	0.9
Others	56	0.9	5,321.4	3.0
Total Livestock	1698	27.8	118,935.0	66.3
Grains	2304	37.8	29,596.1	16.5
Tuber and Rootcrops	771	12.6	7,257.8	4.0
Mixed Farming	129	2.1	8,499.5	4.7
Oil Palm	27	0.4	786.6	0.4
Rubber	2	0.03	63.7	0.04
Cocoa	22	0.36	292.5	0.2
Cotton	154	2.5	1,333.9	0.7
Groundnuts	194	3.2	1,173.7	0.7
Others		13.0	11,601.7	6.5
Grand Total	6095	100	179,539.9	100

Source: Central Bank of Nigeria, *Annual Report and Statement of Accounts*, December 1983, p. 111.
Note: N1 = $1.1341, April 1985.

the 19 states of the Federation. The cumulative number of loans guaranteed through the various state offices of the Fund, shows Kaduna state as the highest beneficiary with 1008 loans amounting to ₦13.8 million followed by Bauchi state with 774 loans valued at ₦8.15 million. At the lowest rung is Ondo state with 75 projects valued at ₦5.365 million followed by River state with 90 loans valued at ₦9.571 million. Anambra state had 524 loans amounting to ₦9.3414 million and Imo state had 265 loans amounting to ₦8.5987 million.[15]

Again, as in the case of the NACB, the coverage of the Scheme is still not adequate. Since inception only 6095 projects have been financed. The ACGSF loans as a percentage of total loans to agriculture since 1978 have ranged from a low figure of 4.9% to a high figure of 18.8%. Thus the Scheme is still a small though significant portion of agricultural financing in Nigeria. In order to substantially reduce the risk in agricultural financing the Scheme should increase to cover a more significant proportion of agricultural lending.[16]

Loans to be guaranteed by the Funds are also classified according to purpose. According to this classification, livestock and food crops accounted for a very high proportion of the loans guaranteed annually. Poultry production accounted for 59.3% of all loans guaranteed from 1978 to 1983 and total loans to the livestock sub-sector formed 66.3%. Food production accounted for a little over 20%. (See Table 1). But studies of rates of return in the scheme show that return on investments for food grains is significantly higher than for livestock (350% as against 37.4%). As a result, reallocation of loan resources in favour of the grains sub-sector is likely to benefit the economy more than the present investment arrangement. Optimal investment decision should lead to increased allocation to the grain sub-sector.[17]

As mentioned earlier, the default rate is very high. As shown in Table 2, the loans guarantee-repayment ratio was about 18:1 for 1981 and 14.3:1 for 1982.

The Scheme is a failure when seen from the point of view of the high default rate. According to Professor M.R.K. Swamy, it is a colossal failure, since loan default destroys credit and constitutes a leakage in the chain of money creation in the system.[18] A break-up of the default cases show that 85.9% of the cases were in respect of loans to individuals and 14.1% were in respect of loans to co-operatives and corporate farm groups. Thus individuals are more likely to default compared to corporate groups; this shows the superiority of group lending through cooperatives in agricultural financing.[19]

Table 2

Loan Default in ACGSF Scheme

in ₦ million

	1981	1982
ACGSF Cumulative Loans Guaranteed	111.5	143.2
Loans repaid	6.3	10.0
Loans outstanding	105.2	133.2
Loans guaranteed-repayment ratio	17.7:1	14.3:1

Source: *Nigerian Journal of Financial Management*, Vol 3, No 2, December 1984, p. xiii.

Table 3

Rural Branches as a Proportion of Total Branches of Commercial Banks: 1977-1983

Year	Total	Rural Branches Established in the year	% of Total	Total Rural Branches	Rural as % of Total Branches
1977	507	8	1.6	8	1.6
1978	621	68	10.9	76	12.2
1979	696	43	6.2	119	17.1
1980	779	54	6.9	173	22.2
1981	880	66	7.5	239	27.1
1982	1,012	82	8.1	321	31.7
1983	1,100	54	4.9	375	34.1

Source: Central Bank of Nigeria.

A study conducted among participating banks in the Scheme in Anambra state shows that the outstanding serious problem areas in respect of the Scheme are: illiteracy of farmers (100% of respondents) high default rate (83% of respondents) and lack of security (100%). Other problem areas are: low interest rate (50% of respondents) and small size of farm operations (50% of respondents).[20]

The Rural Banking Programme: As stated earlier, the first phase of the programme had been completed while the second phase had achieved 86% completion by March 1985. The non-completion of the second phase was due to problems of inadequate infrastructure, lack of suitable accommodation, high cost of renting properties, poor access roads and absence of police protection and security encountered in implementing the programme.[21]

From the returns rendered as at September 30, 1983 by 15 out of the 20 banks that participated in the Programme, it was shown that the rural branches accounted for ₦350,863,863 or 3% of the ₦13,475,600,000 deposits generated within the banking system. They also accounted for ₦110,029,650 or 1.0% of the total loans and advances of ₦9,877,241,521 granted by the banks. Over 31% of the deposits generated at rural centres were given out as loans and advances to projects in rural centres. This is seen as an improvement over the 19.2% granted at the end of the first phase in 1980. The minimum requirement is 30%.[22]

Since, in number, rural branches now form 35% of all branches (389 against 1,132) their deposit and loan capacity is still minuscule. Thus 35% of the banks accounted for 3% of deposits generated in 1983 and 1% of total loans advanced in the same year. The Rural Banking Programme thus has a long way to go in mobilising savings in the rural agricultural sector and channelling them into asset creation. The mandatory 30% loans and advances to the rural sector from rural bank deposits was overshot for 1983 showing the relative success of the Programme.

In the 1985 Budget, the Head of State announced an increase of the minimum credit to rural areas from the deposits collected from such areas to 40%. Thus 40% of the funds generated from the rural areas would be on-lent for the specific benefit of the area. This it is hoped, will greatly aid agricultural development since farming is the major occupation of rural dwellers.

There is evidence that the Rural Banking Programme is achieving the desired results. There is an increased awareness on the part of the public regarding the Programme. Applications are received by the Central Bank daily from rural centres requesting for a rural bank. Two state governments are reported to have submitted lists of centres to be taken up in the third phase. The Rural Banking Programme has led to improved rural banking habits, provision of credit for small-scale ventures and increased rural employment opportunities.[23]

Further, the banks population ratio in Nigeria has been brought down to 1:80,000 as against 1:170,000 at the beginning of the Rural Banking Programme in 1977. This does not as yet compare favourably with the developed countries. For instance, Britain has a ratio of 1:4,000; USA 1:6,000 and India 1:30,000. Thus Nigeria is still relatively under-banked.

The World Bank Agricultural Development Project (ADP): The projects are reported to have performed well in their operational areas. The ADPs are based primarily on investment in physical and institutional infrastructure. Physical infrastructure comprise rural feeder roads, dams, ponds, wells, buildings and soil conservation embankments and institutional infrastructure includes farm service centres. The Funtua, Gusau and Gombe projects scored 100% in terms of institutional infrastructure and performed well in terms of staff houses and fairly well in terms of earth dams.[24]

In terms of provision of farm inputs, the Funtua and Gusau projects sampled over-achieved their targets and scored 119.7% and 400%, respectively. Further, the achievement indices for major crops in Funtua, Gusau, Gombe and Ayangba were seen to be high.[25]

A survey of the credit delivery system in the Lafia Agricultural Development Project (LADP) was undertaken by S.A.N.D. Chidebelu and K.N.U. Ezike.[26] Of the total amount borrowed which was put at ₦21,396, the LADP accounted for 9.2%. Informal sources of credit through moneylenders, adeshi *(isusu),* landlords and friends and relations thus predominated.

While the interest rates charged by the informal credit sources ranged from 6% to 100%, the LADP charged only 7%. The repayment rates for the LADP were, ironically, the lowest (51%) while the repayment rates for cooperative societies, landlords and church were 100% each, and the repayment rates for other informal sources ranged from 57.9% to 84.9%. Thus, the farmer repays the costlier credit faster and interest rates do not constitute a significant factor in rural credit. The repayment rates are still significantly higher than those attained for the NACB and the ACGSF.

These achievements notwithstanding, the Agricultural Development Projects have an expatriate-biased project management. They have concentrated on small-scale farmers for the production of the food and fibre requirements of the nation in spite of the fact that small-scale farmers have a limited capacity for output expansion since scale economies are absent.

The Village Adoption Scheme: This pioneering effort by the Indo-Nigerian Merchant Bank is still at an infant stage. Only two villages have been adopted, Oke-Igbo Egun and Oshorun villages, both in Lagos state of Nigeria. The farmers are taught that loans must be repaid and it is emphasised that villagers have a collective responsibility that all loans must be repaid. Loans under this Scheme have had no default rate.

The Bank satisfies itself that the finance made available will be used for production purposes and that it would enable the villager to increase his level of production. Also, the Bank is satisfied that the villager would be able to repay the loan out of the sale proceeds of his produce. In order to reduce loan diversion and profligate spending, the Bank carefully works out the needs of each villager for productive purposes and gives him exactly the amount worked out. The loans, as far as practicable, are given in kind by the Bank paying for purchases of seeds, chemical fertilisers, pesticides, etc. Security is by group guarantee—a loan to one farmer is guaranteed by three other farmers. The farmers, by keeping a watch on one another, ensure that the loan is repaid. The experience of the INMB in the Village Adoption Scheme has been satisfactory. Most of the crop loans granted for purchase of inputs and for clearing land have been repaid out of the sale proceeds of crops. Once the farmer knows that repayment guarantees further loans, he is induced to repay on time. The Scheme is successful; although its scope has remained limited so far it has potential for inducing agricultural development, if widely adopted.

Other Financing Schemes In Nigerian Agriculture: Other schemes through which governments in Nigeria have financed agricultural development include the River Basin and Rural Development Authorities (RBDA), the Small-Holder Oil-Palm Management units, and the School to Land Programme in Rivers state.

The RBDAs have been plagued with widespread financial mismanagement resulting in frequent management changes. Capital release was thus slowed down and consequently performance was poor. Other problems included scarcity of essential farm inputs and hostility of rural farmers against the acquisition of their land. The RBDAs tended to displace the rural farmers instead of working through them as under the other Schemes.

Between 1982 and 1983 the total area developed and irrigated by the RBDAs fell by 34.9% and 47.2%, respectively. The number of dams built and length of roads constructed also declined. The number of farmers resettled, on the other hand, increased. Grains production, poultry and fish production dropped by 16.8%, 32% and 122.8%, respectively. It is believed that there would have been marked improvement in the performance of RBDAs if the authorities had concentrated on land reclamation/irrigation and on allocating such lands to local farmers for more effective use in agricultural production.[26]

The Small-holder Oil-Palm Management Units (SMU) is a World Bank assisted project in Imo, Rivers and Ondo states for involving farmers in planting high yielding oil-palm seedlings on 30,000 hectares. The project is financed jointly by the Federal Government, the State Governments and the World Bank on an agreed ratio. The contribution of the small-holder is the value of land and labour resources applied in establishing the farm. The Scheme has had an achievement ratio of 61.1% in Imo state and 15.8% in Rivers state over its operational life between 1976 and 1982, although the amount disbursed was 52% of the budgeted figure for Imo state and 40.3% for Rivers state.[27] Aggregatively ₦13.2 million was disbursed in Imo state between 1976 to 1982 and ₦3.757 million in Rivers state for the same period.

The School to Land Programme is an experimental project in Rivers state in which young school leavers are settled on farms and given material and equipment to cultivate. Hundreds of acres of land have been acquired and each young farmer is ultimately guaranteed four hectares of land. The Programme, which has been started recently, should be given some time before an appraisal can be made.

IV
RECOMMENDATIONS AND CONCLUSION

Government should work relentlessly towards providing rural infrastructure, access roads and bridges to facilitate marketing of agricultural surplus. Increased productivity would come to nought if the output does not reach the consuming centres. Food perishability rates would be reduced by easier vehicular communication with the rural hinterland.

Cooperative societies should be organised possibly with the support of the different levels of government. The non-availability of such organisations has created a gap in the funding of the rural agricultural sector. Cooperative societies are supposed to play a primary function in on-lending funds to unit farmers whose scattered holdings and large numbers increase costs of loan administration. It has been shown that group lending reduces the cost of loan administration as well as default rates as evidenced in the Village Adoption Scheme and the lowered default by cooperatives and corporate groups in all financing schemes, especially the ACGSF. Governments—Federal, state and local should play an immediate role in organising cooperatives to facilitate loan transmission and hence agricultural development in the rural farm sector.

The emphasis on concessionary lending in agriculture should be stopped, especially in the ACGSF Scheme. Various studies show that the rural farmer is indifferent to interest costs. In the LADP study, the default rate in the high interest loans tended towards zero while the low interest formal institutional loans were substantially defaulted. In the study by Seibel and Marx,[28] interest rates of 60%-120% per annum were the operating rates in the relevant informal indigenous credit institutions and none of the farmers complained that these high rates constituted a problem.

Since banks loathe lending at concessionary rates—lower than the cost of their funds—it is recommended that the applicable market lending rates be extended to all agricultural credits. This rate, which is 13%, at present, is much lower than the applicable rates in the informal indigenous credit institutions. Removal of concessionary rates would encourage bank fulfilment of quotas assigned to agriculture.

The various lending schemes by government institutions should be beefed up for wider coverage. Cooperative societies and government bodies should be increasingly used as on-lending agencies and should also be held accountable for timely loan collection. The on-lending agencies should be subsidised on interest costs to accommodate the cost of loan administration and supervision.

Government should stress timely loan collection, especially in the case of NACB and ACGSF which have experienced fairly high default rates. High default rates destroy credit and conspire against further credit expansion as the cycle of money creation and expansion is halted. Strong emphasis on repayment should be made taking our cue from the practice of the Indo-Nigerian Merchant Bank in their Village Adoption Scheme. It is revealing to note that in the Second Republic (1979-1983) some political leaders encouraged loan beneficiaries not to repay the loans. This increased the default rate in agricultural finance.

The Village Adoption Scheme is recommended for government acceptance and widespread use in Nigeria. Banks should be assigned number of villages for adoption and for comprehensive support like Indo-Nigerian Merchant Bank experience in the Ikorodu Division of Lagos state. The amount spent on adopting villages should go towards meeting the banks sectoral quotas for agriculture. The success of the Scheme in India and its success in the pilot projects at Oke-Igbo Egun and Oshorun villages of Lagos state recommends its adoption in Nigeria.

In conclusion, it is necessary to re-emphasise the importance of government intervention to help solve the distortions in the agricultural sector. Providing increased infrastructure support which is a government activity and rural credit which is directed by government, would go a long way in developing the rural farm sector of Nigeria.

NOTES

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2. Ajakaiye, M.B., "Credit Delivery of the Small Farmer: The Experience of the Nigerian Agricultural and Co-operative Bank Limited", Paper presented at the Conference on Village Adoption Scheme, Centre for Rural Development and Cooperatives, University of Nigeria, Nsukka, June 4, 1985, p.1.
3. *Ibid.*
4. See Obiechina C.O.B., "Credit Distribution System in the Small-Holder-Oil-Palm Management Projects of Imo and Rivers State of Nigeria", Paper presented at the National Conference on Village Adoption Scheme, Centre for Rural Development and Cooperatives, U.N.N., January 5, 1985, p.13.
5. Ijoma, S. I., "Rural Development through Small Farmer Credit System: The Agricultural Credit Guarantee Scheme Fund System", Paper presented at the National Conference on Village Adoption Scheme, U.N.N., June 4, 1985, p.4.
6. Studies by Ijere, M.O., S. Chidebelu, Nweze, Owan and Orakwue point to this possibility. See Obiechina C.O.B., *op cit,* pp.1 and 2.
7. Ajakaiye, M. B., *op cit,* p.3.
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