

THE ROLE OF THE NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK IN THE DEVELOPMENT OF AGRICULTURAL EXTENSION SERVICES IN NORTH-EAST ZONE OF NIGERIA

A. A. U. JONGUR

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ABSTRACT

This paper examines the roles of the Nigerian Agricultural Co-operative and Rural Development Bank in the Development of Agricultural Extension Services in Nigeria. It was established in this paper that a necessary linkage of activities on loan approval and disbursements in the North East zone of Nigeria has an impact on agricultural productivity, even though it has some constraints including: lack of adequate funds for its clients/farmers, poor repayments abilities etc, among others. Some remedies were suggested for its improvements including provision of hybrid seeds, livestock studs, pesticides and fungicides at affordable prices to farmers.

KEY WORDS: NACRDB, Development, Extension Services, Loan, Disbursements, Repayments.

INTRODUCTION

Extension education is essentially a process of communication, that it, communication of improved farm practices, skills, methods, techniques and knowledge to the farmers and all those who can benefit from such messages (Ogunbameru, 2001). The main objective of an extension work is to teach people or farmers how to raise their standard of living by their own efforts, using their own resources and manpower and materials with the minimum assistance from the government (Williams, 1978; AERLS, 1983 and Ogunbameru, 2001). Essentially the Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) roles on agricultural extension services are on the improvements in farming activities through credit delivery to acquire new technologies, so as to raise their standard of living and income. This will eventually lead to the general socio-economic improvement of the community, and increased foreign exchange earning capacity of the agricultural sector in Nigeria.

The competence of extension services or agents of the NACRDB therefore, determines, to a large extent, the success or failure of its organization in Nigeria's agricultural production. This study examines the roles of NACRDB in the development of extension services in Nigeria.

The Agricultural extension services can be enhanced by the activities of agro-industries by way of helping farmers adopt relevant innovations of modern technology. For example, African Cotton (Afcott), Vegetable and Fruits (Vegfru) at Ngurore -Yola and Jauro-Garga near Biu, Borno State respectively, promoted extension activities, thus helping the boosting of the production of cotton, tomatoes, pepper and mangoes. Generally, their modes of operation are similar such as using contract growers, supply of essential farmer inputs and provision of ready markets for bulk purchase (Jongur, et al, 1994). In addition, however, Afcott and Vegfru by their generation of income assist the farmers in obtaining loanable funds and inputs from the NACRDB and in lending proportionate amount to some farmers among them.

The various approaches adopted by Afcott and Vegfru have tremendously enhanced the delivery of extension services to farmers within the North East region of Nigeria. This has not only promoted the popularity of their chosen crop (cotton, maize, sorghum, fruits and vegetable) amongst the farmers, but has led to the general increase in production and thus higher incomes to NACRDB and farmers alike.

METHODOLOGY

This paper reviews the objectives, performance, constraint and the remedies of the Nigerian Agricultural Co-operatives and Rural Development Bank in the development of extension services in the North East Zone of Nigeria.

RESULTS AND DISCUSSIONS

The result of the study reviews the performances of NACRDB in the development of extension services in the North East Zone for small farmers.

The Case of NACRDB

The Nigerian Agricultural Bank (NAB) was established in 1973 under General Gowon's Military regime. Five years later that is, in 1978, it metamorphosed into the Nigeria Agricultural and Co-operative Bank (NACB) under the Obasanjo's Military regime and now Nigeria Agricultural Co-operative and Rural Development Bank (NACRDB) under Obasanjo's civilian regime. It is an apex public agricultural financing organization, having the Federal Government and Central Bank of Nigeria (CBN) as the only two share holders.

The role of the NACRDB Vis-a-vis agricultural finance in boosting the Development of agricultural extension and by implication, productivity stems from the widely accepted notion that conducting agricultural research without a sound agricultural extension base to effectively communicate such research findings to the farmers in the language they understand is meaningless, and that since these desirable inputs of modern technology are not necessarily given to the farmers free of charge, the extension itself becomes ineffective if the farmers lack the purchasing power to buy these inputs. This is where the crucial issue of agricultural finance in both the extension aspect of innovation adoption as well as in actual production manifests itself clearly.

Understandably, the establishment of NACRDB was aimed, broadly speaking, at addressing the problem of farmers purchasing power of vital agricultural inputs to widen their production base. Hence the declared mandate of the operation of NACRDB is to enhance credit delivery to the agricultural sector with the ultimate objective of boosting production to the point of national self-sufficiency and even beyond. Among other factors, this objective can only be achieved if the bank's loans get to the actual producers in time and the funds are judiciously used by the beneficiaries for agricultural purposes.

In an attempt to operationalise her services nation wide, the bank, with head office in Kaduna, maintains five zonal offices at Abuja, Akure, Bauchi, Enugu and Funtua. In addition to these, there are 38 branch offices in all the State capitals and some major towns in the country.

The NACRDB operates various categories of loan scheme, but the one that has a direct bearing on the development of agricultural extension which is the theme of this paper is the Small Holder Loan Scheme (SHLS), introduced in 1981. The SHLS is deliberately designed to permit low income farmers draw loan funds to the tune of (N50,000.00 to N100,000) as against the N50,000 in 1981 without presenting any collateral securities to the bank. The scheme is based on the basic principle of revolving loan capital. Due to the high inflationary trends that have weakened the purchasing power of the Naira (N) in recent times, government, in 1988, reviewed the ceiling of the SHLS from N5,000.00 to N10,000.00 to

enable beneficiary farmers cope with escalating costs of production (NACRDB, 1989).

Under all categories of agricultural enterprises, the NACRDB considers and disburses loan funds to beneficiaries in either of two ways, namely:-

- a. On lending package and/or
- b. Direct lending Package

By on lending, bulk loan funds are released by the bank to willing institutions, parastatals; firms, as second party, too, in turn, on lend proportionate amounts to identified farmers as third party. Hence, the beneficiaries may neither produce collateral securities nor present a guarantor to the Bank.

In the case of direct lending however, the bank releases funds directly to the beneficiary farmers as second party who may be required to present a guarantor for the loan. The cumulative volume of operations of the bank under the two categories is hereby summarized in Table 1.

Table 1: Cumulative volume of operations as at December, 31st 1988

Project Basis	No of Applications Approved	Amount Approved (N)	Amount Disbursed (N)	Amount Repaid (N)
On-lending	154.00	511,604,176.00	338,363,010.42	220,138,135.89
Direct-lending	63,378.00	688,347,294.17	514,249,407.17	126,034,835.00
Grand Total	63,532.00	1,199,951,490.17	852,612,417.59	346,172,970.89

Source: NACRDB (1989) Records.

A careful analysis of the entries in Table 1 confirms two divergent points of high relevance:

- i. The superiority of the direct-lending package over the on-lending package in terms of having a much higher number of beneficiaries and,
- ii. The superiority of the on-lending approach (65%) over the direct lending (25%) approach in terms of recording a much higher percentage of loan repayment.

Interestingly, these two issues no doubt impinge on the policy objectives of the NACRDB. While the first issues tends to satisfy the bank's desire to reach as many farmers as possible with her services, the second issue on the other hand, also tends to satisfy the bank's desire to maintain some form of revolving loan capital and this requires higher loan recovery percentage. As at 31st December, 1989, about 122, 598 farmers had benefited from the SHLS, representing 44.84% of the total applications received during the period, 1981-1989 (NACRDB, 1990).

Performance of Nigeria Agricultural Co-operative Rural Development Bank (NACRDB) Limited on Small Holder Direct Loan Scheme

To highlight the dismal performance of NACRDB, Jongur (1993) showed that from 1981 to 1990, there were about 28,032 small holder farmers who applied for loan scheme of NCRDB in Gongola State (now Adamawa and Taraba States) and only about 13,725 small holder farmers were successful for the loan at the period under reference (Table 2). Also N29,258.50 were disbursed to small holder farmers and N13,969,744.86 were repaid (i.e principal plus interest rate) by direct small holder scheme

Some observations are discernible from this picture of performance (Table 1). There were about 70,688 small holder farmers who applied for the direct loan scheme of NACRDB in the North East Region of Nigeria (comprising Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe States) and only about 34,650 were successful with a disbursement of N68,082,992 and a repayment of N31,978,398

Table 2: Nigeria Agricultural Co-operatives and Rural Development Bank (NACRDB) Limited Small Holder Direct Loan Scheme, North East Zone Statistics (1981-1990)

NACRDB	No. of Application Received	Loan Applied	No. of Loans Approved (N)	Loan Amount Approved ((N))	Amount Disbursed ((N))	Amount Repaid (Principal +Interest Rate) ((N))
Bauchi	17,315	41,057,780	19,875	14,104,059	18,217,756	6,442,89
Ganye	576	1,364	841	2,867,100	3,096,489	1,890,891
Gombe	2,622	9,226,500	1,777	5,077,871	4,538,596	3,884,44
Jalingo	1,689	13,323,000	648	2,155,200	2,722,201	2,334,630
Maiduguri	21,396	21,775,455	6,912	17,740,065	12,997,440	5,736,740
Potiskum	1,323	3,525,560	1,361	3,163,555	3,070,696	1,944,755
Yola	25,767	48,899,251	12,236	22,844,871	23,439,814	9,754,825
TOTAL	70,688	136,171,546	34,650	67,955,721	68,082,992	31,978,398

Source NACRDB Records (1991)

- i. Recovery rate calculated against amount due to about 60-70%. This index is 94% in the livestock loans.
- ii. Amount disbursed is not due because of the gestation period of project concerned.

Table 3 shows the amount of loans and advances granted by NACRDB to agriculture and indicates that the amount disbursed (1,808,700) is more than the amount approved (1,171,543) between the period of 1985 and 1989. This does not in any way suggest an indication of successful operations (Ladan and Tenebe, 1999). The Study also reveals

the total number of loans guaranteed (11,594) to states by some selected banks shows UBN (29), Afribank (20) and BON (Unity Bank) respectively recording the highest participation from the benefiting states with the total amount guaranteed being ₦55,946 in 1993 (Table 4).

Table 5 of the study reveals that the federation's capital expenditure to agriculture was insignificant when

compared to the total disbursement for the periods of 1985-1989, because the amount disbursed shows a fluctuating trend, for example, the percentage of agricultural capital expenditure to the total federation capital expenditure rose from 1.4 to 3.4 in 1987 and 1988 respectively, which was more than double (2.43). Also this figure drops to 1.2, 0.9 and later increases to 2.0 respectively (Table 5).

Table 3 Loan and Advances by NACRDB to Agriculture 1985-1989 (N' Million)

Year	No. of Projects	Amount Approved	Amount Disbursed
1985	9,230	943,530 *	318,700.00
1986	9,536	-	327,000.00
1987	28,153	-	320,000.00
1988	31,109	119,895	431,000.00
1989	31,068	108,117	412,000.00
Total	109,096	1,171,543	1,808,700

Cumulative for 3 years (1985-1987)

Source: Compiled from CBN (1990).

Table 4 No. of loans Guaranteed according to some selected Banks in Nigeria (Jan-Dec, 1993).

Banks	Total No. Guaranteed	Amount Guaranteed Million (N)	No. of States Benefiting
BON (Unity)	2654	9,077.0	13
Co-op Dev.	1	2.0	1
Habib Nig	884	4,529.2	8
Afribank	1,165	5,146.6	29
Nig Arab	27	81.0	1
Inland	48	299.5	1
UBN	6791	35,333.8	29
Savannah	4	1,477.0	2
Total	11,574	55,946.1	75

Source: Compiled from CBN (1994)

Table 5 Federal Government Agric-Capital Expenditure budget (1987-1991) (N' Million).

Year	Agric-Capital (a)	Expenditure Total	Federal Expenditure (b)	Capital (c)	(a) as a % of (b) = (c)
1987	232.4	16,458.0			1.4
1988	213.0	6,179.7			3.4
1989	173.2	15,034.1			1.2
1990	117.1	13,452.1			0.9
1991	267.1	13,085.4			2.0
Total	1002.8	64,209.3			8.9

Source: Compiled from Bullion, CBN (1994).

CONSTRAINTS

Universities, Research Institutes and Agro-industries have different constraints that tend to hinder the realization of their contributory roles towards the development of extension services in Nigeria. These constraints emanate from many sources, such as government agricultural policy, technology and science policy and some from the clients or farmers and Management policy of NACRDB themselves. Therefore, this paper reviewed the unique constraints of NACRDB as follows:

- Inadequate geographical spread of the Network of the bank's services which hardly reach most of the hinterland or rural farmers.
- Insufficient capital funds to meet the enormous credit demands of her numerous customers.
- The bank's interest rate of about 15% or so is the lowest in the country's banking industry. In most cases, these low returns are not enough to even cover the costs of administering the credit to farmers. Thus, this is a serious limitations bordering on its operational capability. Hence the number of loan beneficiaries is thus limited. For instance, between 1981 and 1989, only 44.84% of the demand for the small holder loan scheme was met (NACRDB, 1990).
- The with the recent withdrawal of direct government funding, the bank now faces the

challenges of competing for funds from the local and international capital markets such as World Bank, the European Economic Community (EEC), the African Development Bank, the European Economic Community (EEC), the African Development Bank (ADB) etc. The uncertainty to surrounding securing funds from these sources places a serious limitation on the bank's activities.

- The incidence of high loan repayment default rate poses serious limitation to the revolving loan capital to enable new clients benefit from the Bank's services.
- Inaccessibility of the rural areas due to near absence of good rural road network.
- Complete absence of telecommunication network in the rural areas to help speed up banking operations.
- High illiteracy rate among small scale farmers.
- The Bank's management suffers from undue top level political interferences which in most instances, are unhealthy to the bank's development.

REMEDIES

The following are suggested as remedies for effective performance such as:-

- i. The Federal Government should continue to fund NACRDB for prompt release of funds to farmers.
- ii. The current interest rate charge by NACRDB can be maintained so as to monitor and co-ordinate the function of its management.
- iii. The NACRDB can readily make fertilizers, insecticides, fungicides spray and other farm inputs available and sell at affordable prices to farmers.
- iv. Livestock rearers and Fadama users can also be encouraged with loanable facilities.
- v. Furthermore, insurance should be encouraged to take part in the activities of buying excess of farmers product and marketing of livestock products.
- vi. Universities and Research Institutes and centres on extension should disseminate information about hybrid seeds studs and improved livestock. It is therefore, pertinent to call the attention of the government extension workers to patronize NACRDB loan packages for onward dissemination to farmers through agricultural co-operatives, union and societies.

CONCLUSION

The role of Nigerian Agricultural Co-operative and Rural Development Bank in disseminating improved crops and livestock studs in the area of credit administration cannot be over emphasized. NACRDB has an extension arm for monitoring and evaluating loan advances and repayments of small, medium and large scale farmers. In the light of this, the extension services department should be developed to an appreciable level and re-structured in such a manner that it can effectively play its role in the agricultural development process in Nigeria.

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