DOI: http://dx.doi.org/10.4314/gjass.v12i1.13

GLOBAL JOURNAL OF AGRICULTURAL SCIENCES VOL. 12, 2013: 109-115
 ISSN 1596-2903
www.globaljournalseries.com, Email: info@globaljournalseries.com

EVALUATION OF THE OPERATIONAL PERFORMANCE OF THE NIGERIAN AGRICULTURAL COOPERATIVES AND RURAL DEVELOPMENT BANK (NACRDB) IN CROSS RIVER STATE

E. A. AJAH, S. B OHEN, I. A. ASUQUO AND G. F. ELEMI

ABSTRACT

This study examined the performance of farmers in Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), in terms of repayment in Cross River State. Specifically the study analyzed lending and loan characteristics, constraints to repayment, repayment performance and compare repayment between crop and poultry farmers. Purposive and random sampling procedures were used to select 270 respondents using both primary and secondary data to accomplish the objectives. Data analyses included the use of mean, frequencies, percentages and the t-test. The study showed that the institution considered was characterized by untimely delivery of loan owing to complicated, cumbersome and time consuming procedures in loan processing/ approval decision and amount of loan disbursed. The comparison between crop and poultry producers revealed that crop producers repaid their loan more than their poultry counterparts. The study recommended that timely disbursement policies that increase the accessibility of farmers to loan should be adopted and this would be an effective measure to aid flow of funds into the agricultural sector.

INTRODUCTION

The history of NACRDB can be traced to 1972 when the first Nigerian Agricultural Bank (NAB) was incorporated in March 1973. The bank commenced operation in August 1973, under a management, that was provided through IBRD/UNDP technical assistance. In 1977, the management of the Bank was fully Nigerianized and in 1978 its name was changed to Nigerian Agricultural and Cooperative Bank Limited (NACB). The bank is a registered limited liability company that is wholly owned by the government of the Federal Republic of Nigeria with the share capital fully subscribed by the Federal Ministry of Finance owning 60% and the Central Bank of Nigeria 40%.

Thus, NACRRDB is dedicated primarily to agricultural financing of small and medium scale enterprises. The bank's broad mandate encompasses savings mobilization and delivery of affordable credit to meet the funding requirements of the teeming Nigerian population in the agricultural and non-agricultural sectors of the national economy. It was to grant loans for agricultural production, for the purpose of storage, distribution and marketing connected with such production to any state, group of states or any institution for on-lending to farmers, groups of farmers or cooperate bodies subject to the states or group of state institutions guaranteeing repayment of the loan (Olagunju and Adeyemo, 2007; Akande *et al*, 2008). The objectives for which the bank was established included the promotion of agricultural production and rural development and improvement in income and quality of life of the Nigerian rural population. In carrying out these objectives, the bank finances mainly direct agricultural production, marketing and agro-allied products.

The Bankoffers the following services: Credit to micro, small and medium scale agricultural facilities, for financing projects such as, arable crop production, fisheries, horticulture, agro-processing, poultry production, agricultural produce marketing and tree crop production. For the purpose of expanding outreach of services, the bank also lend to state governments, local governments, government agencies and cooperative groups, for onward lending to the rural people. The bank engaged in collaborative ventures with international agencies, local agencies, governments and non-governmental organizations (NGOs).

The bank allocates its credit to micro and macro (small and medium scale enterprises) in the ratio of 7:3 respectively (NACRDB 2010). The bank mobilizes savings from individuals and groups in the form of Fixed Deposit and Call Accounts. In November 2010, the name was changed to Bank of Agriculture (BOA).

The major problem however facing these agricultural creditprogrammes, irrespective of the institutional channel, are low credit recovery rate. It appears that if the obstacles relating to loan repayment are eliminated, the resolve of the government to encourage massive participation of small scale farmers in credit programmes is apt to yield desirable results (Armah and park, 1998). The issues of loan repayment that has a direct and indirect bearing on the default or

E. A. Ajah, Department of Agricultural Economic and Extension University of Calabar, Calabar.
S. B. Ohen, Department of Agricultural Economic and Extension University of Calabar, Calabar.
I. A. Asuquo, Department of Agricultural Economic and Extension University of Calabar, Calabar.
G. F. Elem, Department of Agricultural Economic and Extension University of Calabar, Calabar.

recovery rates should be well handled to avoid distress and shaky foundation for the establishment of the financial institutions. This problem ofnon repayment of agricultural loans has been observed as one of the problems against the development of the agricultural sector in Nigeria, as it dampens the willingness of the financial systems to increase lending to the sector. It is therefore a matter of serious concern that the financial institutions must among other things, ensure repayment of their loans bearing in mind the need to operate in an economic environment that emphasizedself survival (Oboh, 1981 and Olagunju and Adeyemo 2007). Hence the need to look in to the lending and loan characteristics, loan repayment performances of loan beneficiaries in relation to volume of loan due and recovered by the credit institutions over a period of time as well as constraints to repayment is very crucial.

THEORETICAL ISSUES

The classical economists view the relationship between interest rates, the supply of credit by banks and economic growth as is rooted in the financial intermediation theory. The theory postulates that the demand for credit is assumed to be a declining function of interest rate while the supply by banks is an increasing function (McKinnon, 1973). There is therefore an equilibrium interest rate at which the demand for credit by firms is exactly equal to the supply by banks and other financial institutions and the market is cleared. Thus it is expected that as interest rates on loans fall, the demand for credit should rise proportionately.

According to Gurley and Shaw (1960), financial intermediation played a significant role in the economy by providing a mechanism to draw financial flows from financially exceeding agents to those who have financial need. The financial intermediation theory is at the heart of the theories explaining the role of bank credit in the economy.

Financial intermediation involves the "matching" of lenders with savings to borrowers who need money by an agent or party, such as a bank. If this matching is successful, the lender obtains a positive rate of return for making the successful match. If the borrower's speculative play with the depositor's funds does not pay off, the depositors funds are safe because the bank bears the risk and in the United State of America for instance, deposits are insured against loss of the savings borrowed by the borrower as the bank can face significant losses on its loan portfolio (Allen and Santomero, 1925).

MATERIAL AND METHODS

Purposive and random sampling techniques were used in this study. All the Four branches of the NACRDB in the state were studied. These branches are located in Calabar Municipality, Akamkpa, Obubra and Ogoja Local Government Areas. In each branch a list of all the farmer borrowers were obtained. After collecting information from the bank, the borrowers were located. Farmers whose loans were due were then selected. Fifty percent of the farmer borrowers whose loans were due, were randomly selected (through the lottery method) from each location to give a total number of two hundred and seventy respondents used in the study (table 1). Out of the two hundred and seventy respondents, one hundred and fifty (150) were crop producers, while one hundred and twenty (120) were poultry producers.

TABLE 1

Distribution of respondents by bank location in the study areas

LOCATION	TOTAL NUMBER OF DUE LOANS	50% OF DUE LOANS
CALABAR	300	150
AKAMKPA	70	35
OBUBRA	80	40
OGOJA	90	45
Total	540	270

Source: NACRDB, 2010

Structured questionnaire was used to elicit information from the respondents. Secondary data were obtained from NACRDB. Data analysis involved the use of descriptive statistics, such as mean frequencies and percentages as well as the t- test. The t-test was used to test if there is no significant difference between the mean repayments of both enterprises (crop and poultry).

RESULTS AND DISCUSSION

Lending and loan characteristics of the respondents

Loans procedures: From the survey it was gathered that the respondents went through the following procedures before obtaining the loan.

(1) Loan application i.e. filling the loan application forms and paying five hundred naira as form charge.

(2) Opening of savings account: each of the respondents opened a savings account which contained money equivalent to 10% of the loan amount.
(3) Guarantors: It was a requirement for each of the respondents to bring two guarantors who must sign on the loan application form as well as witnesses to the guarantors. These guarantors must be civil servants or reputable persons in the society.
(4) Insurance: - 2% of the loan amount must be paid by the applicant as insurance
(5) Purchase of stamps and seal, (fifty naira each).

From the field survey it was gathered that the loan procedures were the same for all the respondents. Results from the field survey showed that loan duration was eighteen months and interest rate was 8% per annum for all the respondents.

Disbursement lag is the period between application for a loan and disbursement of the loan. During this period the loan applications are processed. It may also involve waiting for the next meeting of the loan approving committee or there may be a statutory gestation period required for loan applications. The period varied for most of the respondents.

Table 2 Showed that 6.7% of the respondents had a disbursement lag of 1-6 months while 80% and 13.3% of the respondents had a disbursement lag of 7-12 months and above 12 months respectively. Mean disbursement lag was 9.1 months. For crop enterprise, 86.7% of the respondents had a disbursement lag of 7-12 months, while 13.3% of the respondents had a disbursement lag of 1-6 months. For poultry enterprise,

TABLE 2

Distribution of respondents by disbursement lags

	Crop		Poultry		Total	
Disbursement lag in months	Frequency	%	Frequency	%	Frequency	%
1-6	20	13.3	16	13.3	36	13.3
7-12	130	86.7	86	71.7	216	80
Above 12	-	-	18	15	18	6.7
Total	150	100	120	100	270	100
Mean	8.7		9.6		9.1	

Source: Field survey, 2010

13.3% of the respondents had a disbursement lag of 1-6 months, while 71.7% and 15% of the respondents had a disbursement lag ranging from 7-12 months and above 12 months respectively. From the result, it can be seen that the disbursement lag for Poultry was longer than that of crop. The mean disbursement lags were 8.7 and 9.6 for crop and Poultry respectively.

The distance between home and source of credit affects repayment in the sense that the further away the borrower's home is from the source of credit, the more likely he/she will not be able to pay as at when due. Long distances from the bank can therefore hinder repayment (Olagunju and Adeyemo 2007). From Table 3 the results of field survey showed that 37.8% of the respondents had distances ranging from 4-6km from home to source of loan while 21.9% and 35.9% of the respondents had distances ranging from 1-3km and 7-10 km respectively only about 4.4% of the respondents had distances above 10km. The mean distance was 5.9km. For crop producers, 36% of the respondents had distances ranging from 4-6km from home to source of loan, while 23.3% and 37.3% of the respondents had distances ranging from 1-3km and 7-10km respectively. Only 3.4% of the respondents had distances above 10km. For poultry producers, 40% of the respondents had distances ranging from 4-6km from home to source of loan, while 20% and 34.2% of the respondents had distances ranging from 1-3km and 7-10km respectively.

TABLE 3

Distribution of respondents by distance between home and source of loan

	Crop		Poultry		Total	
Distance in Km	Frequency	%	Frequency	%	Frequency	%
1-3	35	23.3	24	20	59	21.9
4-6	54	36	48	40	102	37.8
7-10	56	37.3	41	34.2	97	35.9
Above 10	5	3.4	7	5.8	12	4.4
Total	150	100	120	100	270	100
Mean	5.8		6.0		5.9	

Source: Field survey, 2010.

Only 5.8% of the respondents had distances above 10km. The mean distances were 5.8 and 6.0 for crop and Poultry respectively.

Table 4 Showed that majority of the respondents (74.5%) received loan ranging from 100,000-300,000 Naira while 17.0% and 8.5% received loan ranging from 301,000-500,000 Naira and 500,000-800,000 Naira respectively. The overall mean loan amount was 272,500 Naira, while they were 298,500 and 241,000 for crop and poultry enterprises respectively.

Majority of the respondents complained that the loan amounts received were less than what they applied for. Table 5 showed that 37% of the respondents got the amount they requested for while 63% got less than what they requested for. For crop enterprise, 40% of the respondents got the amount they requested for while 60% got less than what they requested for. For poultry enterprise, 33.3% got the amount they requested for while 66.7% got less than what they requested for.

Loan supervision is the number of times the farmers were supervised by loan agents of NACRDB.This was very important, because the lack of supervision could lead to loan diversion thereby making the loan fungible. When loans are supervised it encourages the borrower to repay the loan. Proper monitoring is essential so as to keep the borrower in check.

TABLE 4

Amount of loan received by respondents

	Crop		Poultry		Total	
Loan amount in thousand naira	Frequency	%	Frequency	%	Frequency	%
100-300	105	70	96	80	201	74.5
301-500	22	14.7	24	20	46	17.0
501-800	23	15.3	-	-	23	8.5
Total	150	100	120	100	270	100
Mean	298.5		240.1		272.5	

Source: Field survey, 2010

TABLE 5

Beneficiaries' perception of volume of loan obtained

	Crop		Poultry		Total	
Loan applied for	Frequency	%	Frequency	%	Frequency	%
As Applied for	60	40	40	33.3	100	37.0%
Less Than	90	60	80	66.7	170	63.0%
Total	150	100	120	100	270	100

Source: Field survey, 2010

TABLE 6

Distribution of respondent by loan supervision

	Crop		Poultry		Total	
Visit	Frequency	%	Frequency	%	Frequency	%
1-3	25	16.7	39	32.5	64	23.7
Above 3	125	83.3	81	67.5	206	76.3
Total	150	100	120	100	270	100
Mean	4.5		4.0		4.3	

Source: Field survey, 2010

From Table 6, 23.7% of the respondents were supervised between 1-3 times while 76.3% were supervised above 3 times. The mean loan supervision was 4.3. For crop producers, 16.7% of the respondents were supervised between 1-3 times while 83.3% were supervised above 3 times. For poultry producers 32.5% of the respondents were supervised between 1-3 times while 67.5% were supervised above 3 times. The mean loan supervisions were 4.5 and 4.0 for crop and poultry respectively.

LOAN REPAYMENT PERFORMANCE BETWEEN ENTERPRISES

Time series data from the bank were used to assess loan repayment between enterprises from 2003 to 2010,(table 7).Over the years, the amount repaid had been lower than the amount due for repayment except for 2005 during which there was a 100% repayment. From the table, it was revealed that repayment from crop producers were higher than repayment from poultry producers.

Table 7: VOLUME OF LOAN DISBURSEMENTS AND REPAYMENTS BY ENTERPRISES

Crop (Arable)		Poultry (broilers andlayers)				
Year	Amount due	Amount repaid	Repayment %	Amount due	Amount repaid	Repayment
2003	657700	550000	83.6	788000	590000	74.9
2004	2714131.36	2200000	81.1	1305401.22	650000	49.8
2005	568084.72	568084.72	100	127119.83	127119.83	100
2006	2793000	2203677	78.9	120608.87	700000	58.03
2007	13,359,140.61	11,119,328	83.2	5073750.45	3451625.25	68.0
2008	5643856.25	3034805.26	53.8	1005000	500000	49.8
2009	5148996.26	3035000	58.9	1237422.78	700000	56.6
2010	3562636.16	3106372.4	87.2	1300000	1057000	81.3

SOURCE: NACRDB CROSS RIVER STATE

On the other hand the t- test results revealed that there was a significant difference between the mean repayment percentages for crop and poultry producers. Mean repayment percentage of crop producers was found to be higher than that of poultry producers, at 1 % level of significance, (table 8).

Table 8: Comparison of mean repayment percentage between crop and poultry producers

	Test value=0					
					95% confidence internal of the difference	
	T	df	Sig. (2 tailed)	Mean difference	Lower	Upper
Crops	14.716	7	.000	78.33750	65.7495	90.9255
Poultry	10.896	7	.000	67.30375	52.6983	81.9092

Source: Data analysis 2011

CONSTRAINTS TO LOAN REPAYMENT PRFORMANCE

Respondents mentioned some problems which they believe were constraints to their loan repayment performance. Table 9 showed that 29.0% of the respondents complained of cumbersome nature of the loan procedure, while 21.1% complained that the loan was not sufficient. In terms of timeliness 25.6% of the respondents complained that loan was not timely (late loan disbursement), 2.2% complained that it was both untimely and insufficient whereas 4.8% and 4.4% of the total respondents complained that it was untimely/cumbersome and cumbersome/ insufficient respectively. Only about 4.4% of total respondents complained about the three i.e. that the loans were untimely, insufficient and cumbersome procedure. The result above showed that 8.5% of the total respondents did not encounter any problems whatsoever. For crop producers, 30.7% of the respondents complained of cumbersome nature of loan procedure, while. 20% complained that loan was not sufficient. In terms of timeliness, 26% of the respondents complained that loan was not timely (late disbursement). For poultry producers, 26.7% of the respondents complained of cumbersome nature of loan procedure, while 22.5% complained that loan was not sufficient. In terms of timeliness, 25% of the respondents complained that loan was not timely (late disbursement). The major problems according to majority of the respondents were cumbersome process and late disbursement of loan.

TABLE 9

Distribution of respondent based on problems/constraints of NACRDB loan

	Crop		Poultry		Total	
Type of problem	Frequency	%	Frequency	%	Frequency	%
Cumbersome process	46	30.7	32	26.7	78	29.0
Insufficient	30	20	27	22.5	57	21.1
Not timely (late disbursement)	39	26	30	25	69	25.6
None	13	8.7	10	8.3	23	8.5
Untimely and insufficient	4	2.7	2	1.7	6	2.2
Untimely and cumbersome	8	5.3	5	4.2	13	4.8
Cumbersome and insufficient	5	3.3	7	5.8	12	4.4
All 3 reasons	5	3.3	7	5.8	12	4.4
Total	150	100	120	100	270	100

Source: Field survey, 2010

RECCOMENDATIONS

The study recommends that adequate visitation policy should be encouraged, since it's has great potentials for improving the loan repayment performance and loan capacity of the beneficiaries.

The study also recommends that there should be timely release of capital allocation bearing in mind that agricultural activities are exceedingly time specific. Also the bureaucratic procedures and stringent conditions for fulfillment prior to disbursement must be eliminated to allow the credit market function effectively. In order to reduce the time lag between loan application and the release of funds, it is recommended that power be delegated to Zonal officers to grant credit to small farmers directly and huge amount need be referred to the headquarters.

An enabling environment should be created for improved loan recovery like a legal unit in the NACRDB (under an autonomous setting) to prosecute loan defaulters.

REFERENCES

Abdulai, A. and Delgado, C. L., 1999. Determinants of nonfarm earnings of farm based husbands and wives in Northern Ghana American Journal of Agricultural Economics, *81*(1), 117-130.

Akande, O. R., Soma, J. T.andNasmen, A. A., 2008. An investigation into the complementaries between post harvest and production credit under the NACRDB agricultural credit programme in Markurdi zone of Benue State.FAMAN 22 annual conference pp 102 – 166.

Akande, S. O., 1998. Public policy in Nigerian agriculture.In O. L. Oludimu and P. B. Imodu (Eds.), Institutional reforms for agricultural development. Ibadan: Triumph Books Publishers, 20-54.

Armah, B. & Parker, T. A., 1998. Agricultural bank, efficiency and the role of managerial risk preference. Paper presented at the American Agricultural Economics Association annual meeting, Salt Lake City, Utah, August 2 – 5.

Fraser, S., 2004.Finance for small and medium-sized enterprises: A report on the 2004 UK survey of SME finances. London: Macmillan, 112-120.

Friedman, B. M., 1987. Capital credit and money markets. In J. Eatwell, M. Milgate and P. Newman (Eds.), The new dictionary of economics. London: Macmillan, 320 – 326.

Gujarati, N. D andSangeetha., 2007. *Basic econometrics*. New York: McGraw Hill, 512-550.
Gurley, W. & Shaw, A. (1960).Money, banking and economic development. London: John Hopkins University Press, 116-200.

Humphrey, M., 1980.Money, interest and banking in economic development. Baltimore: John Hopkins University Press, 45-78

Igben, M. Sand Eyo, E. O., 2002.Agricultural economics: An introduction to basic concepts and principles.Uyo: Business Press, 61-78.

Mckinnon, R. I., 1973. Money and capital in economic development. Washington, D.C.: The Bookings Institution, 121-143.

Nigeria Agricultural and Rural Development Bank (NACRDB)., 1990. Nigeria Agricultural and Rural Development Bank manual. Abuja: NACRDB, 1-56.

Nigeria Agricultural and Rural Development Bank (NACRDB) 2009. NACRDB annual report: Cross River State. Abuja: NACRDB, 102-134.

Nigeria Agricultural and Rural Development Bank (NACRDB) 2008. *NACRDB* annual report: Cross River *State*. Abuja: NACRDB, 321-367.

Nigeria Agricultural and Rural Development Bank (NACRDB), 2010. NACRDB annual report: Cross River State. Abuja: NACRDB, 87-124.l research. Ibadan: Heinemann, 65-78.

Nwaru, J. C., 2004. Rural credit market and resource use in arable crop productivity in Imo State Nigeria. Unpublished Ph.D thesis, Michael Okpara University of Agriculture, Nigeria 67-80.

Oboh, V. U. andEkpebu, I. D., 2011. Determinants of formal agricultural credit allocation to the farm sector by arable crop farmers in Benue State, Nigeria. American Journal of Agricultural Research, l6 (1), 181-185.

Oboh, V. U. andKushuaha, S., 2009. Socio economic determinant of farmers loan size in Benue state Nigeria. Journal of Applied Sciences Research, 5 (4), 354 – 358.

Oboh V. U., Nagarajan, L. andEkpebu, I. D., 2011.A maginal analysis of agricultural credit allocation by arable crop farmers in Benue State, Nigeria. Current Research Journal in Social Sciences, 3 (2), 81-86.

Oboh, Y., 1981. The role of Central Bank of Nigeira in relation to banking and insurance industries. Central Bank of Nigeria Bullion,*15*, 2 – 6.

Olagunjiu, F. I. and Adeyemo, R., 2007. Determinants of repayment decision among small holder farmers in south western Nigeria.Pakistan Journal of Social Science, 4 (5), 677 – 686.

Olagunju F. I. &Adeyemo, R., 2007. Agricultural credit and production efficiency of small-scale farmers in south-eastern Nigeria *Agricultural Journal, 2* (3), 426 – 433.

Yasmeen, M., 1993. Credit worthiness of poor women: A comparison of some minimalist credit programmes in Asia - a preliminary analysis. Pakistan Development Review, 32, 1199 – 1209.

Yazdani, S., 1995.Production function analysis as a method of measuring credit impact.Savings and Developments,*3* (xix), 315 – 331.

Young, K. D. and Shumway, C. R., 1991. Cow-calf producers' perceived profit maximization objective: A logit analysis. Southern Journal of Agricultural Economics Association, 2, 121-145.

Zeller, M. & Sharma, M., 1998.Rural financial services for poverty alleviation.In A. Perpinstrup and R. Pandyalorch (Eds.), The role of public policy in the unfinished agenda. New York: IFPRI Publication, 30-42.