EVALUATION OF LOAN DISBURSEMENT AND REPAYMENT OF SUPERVISED CREDIT SCHEME OF NIGERIA AGRICULTURAL COOPERATIVE AND RURAL DEVELOPMENT BANK(NACRBD) IN ZARIA AND KADUNA NORTH LOCAL GOVERNMENT AREAS OF KADUNA STATE, NIGERIA

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ABSTRACT
The study examined the activities of NACRBD with a view to determine the amount of loan disbursed compared to amount of loan applied for, the nature of loan repayment performance of beneficiaries of NACRDB credit loan, lapses associated with loan to disbursement and repayment schedules and impact of proper supervision on loan recovery. Data for the study were collected through questionnaires, a total number of fifty (50) beneficiaries of NACRDB credit scheme were selected randomly from the study areas . Data collected were analysed using simple descriptive statistical tools, such as mean, percentage and frequency table in order to achieve the stated objectives. From the evaluation of loan schemes, it was found that there were short fall when comparing the amount of loan applied for, to the actual amount disbursed to beneficiaries, loan were not timely granted some sincere seekers were unable to benefit from credit scheme partially due to lack of adequate financing of NACRDB by the apex bank; the efficiency of methods employed by the bank as regard to loan supervision was scored low as a result of low rate of loan recovery, which will not augur well, if the bank's contribution to the development agricultural sector of the economy was to be sustained. It was recommended that loans should be disbursed on time to farmers as at when due so that they can make use of it for agricultural production, NACRBD should employ better strategy to recover outstanding debts and reduce interest charge on loans.

Key words: loans disbursement and repayment evaluation

INTRODUCTION
Agricultural Production in Nigeria is progressively on the decline in terms of its contribution to the Gross Domestic Product (GDP) as well as satisfying the country's food requirement , despite the fact that about 70 per cent of the population engage in agriculture, thus Nigeria agricultural sector is unable to fulfil its most basic and traditional role of being the source of food for the nation, therefore the food import has continued to rise (Odigbo,2000). There is a growing recognition by the Nigerian farmers of the effect of improved inputs and new technologies on agricultural yield. The use of these inputs and the adoption of high yielding techniques have given rise to an increased need for agricultural credit since majority of Nigerian farmers are small-scale farmers and are often limited by unfavourable economic, social, cultural and institutional conditions (Olubiyo and Hill ,2000). Insufficiency of capital has been a major constraints to agricultural development (Agu,1998) in order to improve agricultural production modern farm inputs such as fertilizers , improved seed, feeds and plant protection chemicals and agricultural machineries are needed over the hoe and machete technology. Most of these

technologies have to be purchased, yet very few farmers have the financial resources to finance such purchases**.**

Micro-finance is assuming increasing importance in many parts of the world in responses to the credit needs of less privileged entrepreneurs with limited capital base. Operators of small-scale enterprises and cottage industries do not often have easy access to formal credit. Odedokun (2003). And in view of limited loan able funds and high transaction costs, they are not usually favoured by lenders they ration out the available funds.

Accordingly, government established specialised credit institutions for agriculture. These include rural banking programme, which compels commercial banks to establish branches in the rural areas and to provide credit facilities to rural farmers , the agricultural credit guaranteed scheme fund, which provides guarantee to commercial banks for loans made for agricultural purpose , the credit guidelines which mandated banks to ensure that at least 8 percent of its loans and advances go to agriculture and the establishment of Nigerian agriculture and Cooperative Banks (NACB) now known as Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) .

Main activities and products
There are three main types of loan schemes operated by the Bank:
Smallholder Loan Scheme: subsidized credit scheme for small-scale resource poor farmers; no collateral is required
Large-Scale or Investment Loan Scheme: designed for medium and large-scale farmers; requires collateral and a proper investment appraisal by the farmer's side
On-lending Scheme: involves provision of wholesale credit to other on-lending agents (apex credit bodies, cooperatives, government institutions).

The major concern of any business investment is to be viable and make profit. It is against this background that this study sets out to evaluate the loan disbursement and repayment of NACRBD. The general objectives of the study is to appraise loan disbursement and repayment of supervised credit scheme of Nigeria agricultural cooperative and rural development bank in the study are, the specific objectives are to:

- Determine the amount of loan disbursement as compared to amount of loan applied for
- Ascertain the amount of loan repayment performance and reason for default.
- Determine the aspect associated with loan disbursement and repayment in the study area.
- Determine impact of proper supervision on loan repayment and efficient of the credit scheme in study area.

METHODOLOGY
The study was conducted in Kaduna State and precisely in Kaduna North and Zaria Local Government Areas . The choice was guided by high concentration of farmers in these areas and location of NCRBD branches. The state has a population of 6,066,562 people (Census 2006) Kaduna North Local Government Area is located between latitude $10^035^\wedge$N and 10^040N, and longitudes of 7^029"E and 7^036""E. it is bounded in the North and East by Igabi Local Government Area and in the South and West by Kaduna South Local Government Areas, with an average annual rainfall between 508mm to 1,399mm and average annual temperature of about 24^0C and 27^0C. While, Zaria Local Government Area is located between longitude 17^03"N and 7^042"E and possessing a tropical continental climate with average rainfall of about 11,00mm. The rainy season extends from late April to early October with a mean maximum temperature ranging from 27^0C in the rainy season to 25^0C in the dry season. The soils are mixture of fine sand and clay, which has been described as sandy loam

in texture. The bulk of agricultural production is the local government areas are mostly undertaken by small-scale farmers whose labour and management originated from the household. The cropping pattern is mixed with sole cropping still being practised by few farmers. Major crop grown in this area are mainly grains e.g. maize, millet, cowpea, sorghum, rice and cotton, yam and coco yam are cultivated in the Fadama, where they are planted o the ridges with rice in the furrow. Livestock such as sheep, cattle, goats, pigs and poultry are also kept.

Primary and secondary data were collected between April and June 2007 from farmers and NACRBD officials respectively. Primary data collected include parameter socio-economic characteristics of the borrower like, amount requested, amount granted, interest charged etc. Secondary data collected include type of credit scheme operated, amount requested, amount approved, amount disbursed, amount recovered etc. The data were analysed using descriptive statistics.

RESULTS AND DISCUSSION
Socio-economic Characteristics.

The result indicates that the mean age of farmers is 44 years. The mean house hold size is 6. A typical farmer sampled had 22 years farming experience. About 54 percent of the farmers belong to a cooperative society, while27 per cent are not members of any organized farm group. About 94 percent of the respondents have acquired one form of formal education or the other. The result also indicates that 22 per cent of the farmers had access to credit. The average farm size was 4.39 hectares.

Table 1. Distribution of Respondents according to the age group.

Age Group (years)	Frequency	Percentage (%)
20-29	5	10
30-39	12	24
40-49	20	40
50-59	7	14
60 and above	6	12
Total	50	100

Source: field survey, 2007.

Location from NACRDB branch offices
In order to know the distance between the beneficiaries and NACRDB branches offices, and how these distances have affected effective loan supervision by bank's staff. Table 2 shows that about 16% of the respondents live less than 5km from NACRDB branch office, 18% live between 5-10km, 26% lives between 10-20km, while the remaining 40% live over 20km, from NACRDB branch office from the findings it can be seen that a greater percentage of the beneficiaries of NACRDB loan live over 20km from the branch which also affect proper loans supervision.

Table 2: Distribution of respondents according to location from NACRDB branch offices.

Location from the Bank	Frequency	Percentage (%)
Less than 5km	8	16
From 5-10km	9	18
From 10-20km	13	26
Over 20km	20	40
Total	50	100

Source: Field survey 2007
Loan collected and the percentage paid back.
Table 3   shows that only few beneficiaries had fully pay back their loan, less than 45% of the loan borrowed had paid half amount borrowed. This high rate of loan default can be attributed to improper loan supervision by the banks staff.

Table 3: Distribution of respondents according to location from NACRDB branch offices.

Location from Frequency	Frequency	Percentage (%)
Less than 5km	8	16
From 5-10km	9	18
From 10-20km	13	26
Over 20km	20	40
Total	50	100

Source: Field survey 2007

Evaluation of percentage of loan applied for and granted.
This study shows that none of the beneficiaries got above what they applied for in 2007. A few respondents got the exact amount they applied for, while majority got below the amounts they applied for (2004--2006) the year 2007 was not considered because most of the respondents are still waiting for the approval of the loans applied for, and this is why loans are diverted to other uses when the loan is not gotten as at when due and for the purchase of inputs and agricultural production. Table 4 shows the percentage of the respondents that fall within the percentage ranges for the year under consideration.

Table 4: Distribution of respondents according to the percentage of loan applied / granted.

Percentage of amount granted	Frequency			Percentage (%)		
	2004	2005	2006	2004	2005	2006
10-30	5	6	4	10	12	8
31-50	8	7	6	16	14	12
51-70	7	8	9	14	16	18
71-90	9	10	12	18	20	24
100	16	13	15	32	26	30
No respond	5	6	4	10	12	8
Total	50	50	50	100	100	100

Source: Field survey 2007.

Loan collected and the percentage paid back.
 The performance of the beneficiaries in paying back their loan shows that only few beneficiaries had fully paid back their loan, less than 45% of the loan borrowed was paid back. This high rate of loan default can be attributed to improper loan supervision by the banks staff.

Table 5: Distribution of respondents based on the loan collected and the percentage paid back.

Percentage paid back	Frequency			Percentage (%)		
	2004	2005	2006	2004	2005	2006
10-45	27	25	28	54	50	56
46-80	16	19	15	32	38	30
Over 81	3	3	2	6	6	4
No response	4	3	5	8	6	10
Total	50	50	50	100	100	100

Source: field survey 2007

Assessment Of NACRDB Operation
The respondents were asked to assess operation of the bank based on its performance as regards to credit operation. 72% of the respondents rate the bank good', 18% rated it average, while 4% rated it weak and 6% of them did not respond.

Table 6: respondent's assessment of the bank.

Assessment of NACRDB	Frequency	Percentage (%)
Good	36	72
Average	9	18
Weak	2	4
Poor	-	-
No response	3	6
Total	50	100

Source: Field survey, 2007

Problems encountered with NACRDB
To find out the problems encountered by beneficiaries in obtaining loans from NACRDB credit schemes, the survey shows that 24% of the respondents have problems of late disbursement of loan, 34% has problems of inadequacy of loan, 26% complained of both late disbursement and inadequacy of loan, while 16% did not respond.

Table 7.: Distribution of respondents based on nature of problems encountered with NACRDB credit schemes.

Nature of problems	Frequency	Percentage (%)
High interest rate	-	-
Late disbursement of loan	12	24
Inadequacy of loan	17	34
1 and 2 above	-	-
2 and 3 above	13	26
1 and 3 above	-	-
No response.	8	16

Loan collected ad the percentage paid back.
The study was carried out to know the performance of the beneficiaries in paying back their loan in the year under review. From the analysis, it shows that only few beneficiaries had fully pay back their loan, less than 45% of the loan borrowed had paid half amount borrowed. This high rate of loan default can be attributed to improper loan supervision by the banks staff.

Table 8 : Distribution of respondents based on the loan collected and the percentage paid back

Percentage paid back	Frequency			Percentage (%)		
	2004	2005	2006	2004	2005	2006
10-45	27	25	28	54	50	56
46-80	16	19	15	32	38	30
Over 81	3	3	2	6	6	4
No response	4	3	5	8	6	10
Total	50	50	50	100	100	100

Source: field survey 2007

Type Of Collateral Offered For Loan
The beneficiaries were asked the type of security offered before they were granted loans. This is to ascertain the chances of risk opened to the bank in the event of any of default. For the years under review, majority of the respondents, use guarantors as collaterals. This is understandable because of the poor financial position of majority of the farmers in the study area, while few other offered properties like buildings as collateral Table 9:

Table 9. Respondent's collaterals for loans.

Types of collaterals	Frequency			Percentage (%)		
	2004	2005	2006	2004	2005	2006
Cash in bank	-	-	-	-	-	-
Buildings	4	6	5	8	12	10
Farm products	3	2	3	6	4	6
Guarantor	32	30	33	64	60	66
Others	4	2	3	8	4	6
No response	7	10	6	14	20	12
Total	50	50	50	100	100	100

Source: Field survey, 2007

Loan recovery data from NACRDB broadcasting road branch Kaduna
The figure obtained, shows that out of ₦88,798.000.00, disbursed for the past three years under review only ₦ 26,317,024:90 were recovered from the borrowers living behind the total of 73,865,108:74 plus interest outstanding in the hand of defaulters. This shows that less than 30% of the total amounts lent out were recovered. This shows that the methods used for loan supervision are inefficient due to low recovery rate. Except the bank improved and change their methods of loans supervision and adopts more efficient methods of credit supervision, there will be serious erosion of capital.

Table 10: Total loan disbursement repaid, outstanding from NACRDB Kaduna and Zaria Branches

Loan	Amount ₦ Kaduna	Amount ₦, Zaria
Amount approved	88,789,000.00	75,346,000.00
Amount disbursed	88,789,000.00	75,346,000.00
Amount recovered	26,317,024.90.00	28,239,972.88
Outstanding balance	77,508,350.00	46,004,026.78

The Need For Adequate Credit Supervision
Credit supervision can be defined as the act of keeping a close watch on a loan granted to a borrower to ensure its usage as planned. Supervision is therefore; one of the methods of control that banks apply to ensure that a borrower does not divert the funds granted and makes a judicious use of it. The bank agreed that here is provision for supervising the credit granted to borrowers. According to them, all operations the credit is before the first disbursement. After the first disbursement the bank officials go for verification, is to ensure that the loan is being used for the project meant for, before the second disbursement is made. If during the verification it was discovered that there is loan diversion, the entire loan is stopped and the first is recalled.

Major Causes of loan default: NACRDB view
Response from NACRBD officials shows that reasons for loan default by farmers was as a result of many factors including, frequent displacement of people as a result of religion conflict; According to NACRDB staffs in Kaduna main branch, that some of their clients lost most of their investment during the religion riot in Kaduna town, those who fell victim of the riot are yet to repay their loan. Other reasons given are lack of proper supervision as a result of shady deals by some of their corrupt staffs mostly the bank field officials who only supervise field operations without actually checking the documents of inputs purchased with the loan. Proper procedures of loan supervision are often not adhered to during field supervision because they had received bribe from borrowers.

    While some borrowers deliberately default. These group of borrowers approach the banks with false information to obtain loan. They view the loan as their own share of the national cake. Diversion of loan to other private uses other than the purpose that it was meant for e.g. according to the staffs some borrowers used the loan for marriage. While other engage in money laundering, by paying the collected loan into a fixed account in commercial banks for high interest rate. Thereby preventing others access to NACRDB loan.

    Granting of loan to borrowers who do not meet the bank's lending condition due to corruption of some of NACRDB staffs is another reason for loan default. While, the longer loan repayment period usually allowed for livestock projects increases the risk of default. The dwindling market for the end products like beef, mutton and eggs due to the hard economic situation in the country increases the risk of loan default.

CONCLUSION
The study shows that no matter the number of agricultural credit schemes introduced by any government, there is the need for adequate and timely supervision of loans by the lending institutions. Much of the success of agricultural credit will depend not only on the ways in which farmers can gain access to the loan but also on the degree of the supervision of his use of the credit. The loan application and its assessment, the range of details, the assessment should cover, the securities offered and their cover ratio, the repayment prospects and improvements on approach based on experience are some of the tasks facing the credit

institutions as NACRDB. The need of supervision is therefore imperative to render successful agricultural credit service to individual farmers and cooperative in Nigeria as whole.

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