

## An Evaluation of The Major Constraints Hampering the Effective Functioning of the Nigerian Agricultural Cooperative and Rural Development Bank in Kogi State, Nigeria

Adofu, I<sup>1</sup>., Orebiyi, J. S<sup>2</sup> and Otitolaiye, J. O<sup>2</sup>

<sup>1</sup>Department of Economics Kogi State University, Anyigba, Nigeria

<sup>2</sup>Department of Agricultural Economics and Extension Kogi State University, Anyigba, Nigeria

The study evaluated the major constraints hampering the effective functioning of the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) in Kogi State, Nigeria. Using the food crop farmers as a case study, a multi-stage random sampling technique was used to select three agricultural zone in Kogi State (zone A, B, and C). Primary data were collected through the use of structured questionnaire which were administered to farmers who are clients of NACRDB. The major tool of analysis is the Likert scale of analysis. The study find out that, while unfavourable organization policy, insufficient funding, poor group cohesiveness, poor spread of network of branches, politics in allocation of credit, inadequate competent staff and lack of information are seen as major constraints hampering the effective functioning of NACRDB in Kogi State, high interest rate, misappropriation of fund and inadequate personnel training and development is not a major constraint hampering the effective functioning of NACRDB in Kogi State. [Adofu et al. *An Evaluation of The Major Constraints Hampering the Effective Functioning of the Nigerian Agricultural Cooperative and Rural Development Bank in Kogi State, Nigeria. A Case Study of Food Crop Farmers Loan Beneficiaries. International Journal of Agricultural Science, Research and Technology*, 2012; 2(2):49-53].

**Key words:** Constraints, Agricultural, Cooperative, Food Crop, Hampering, Farmers

### 1. Introduction

The discrimination against agriculture in granting of credit and the high rate of interest coupled with stringent conditions like the issue of collateral and the short term nature of credit granted by the formal financial institutions like the First Bank, Union Bank, United Bank for Africa and Mainstreet was one of the factor that led the government into adopting a policy measure that was expected to ensure easy flow of credit and financial services to the agricultural sector and hence the birth of NACB, Peoples Bank and other Micro-finance agencies.

The Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) started with the name Nigerian Agricultural Bank (NAB), in 1973. It was renamed in 1978 as Nigerian Agricultural and Cooperative Bank (NACB). With the merger with the Peoples Bank and Family Economic Advancement Programme (FEAP), it became Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) in 2001. The bank serves the nation through a four-tier structure at the apex of which is the head office in Kaduna State. Under the head office, there are six Zonal Offices in Abuja (North Central), Bauchi (North East), Enugu (South East), Port Harcourt (South - South), Ibadan (South West) and Kano (North West) which

coordinate 195 representative offices (NACRDB, 2010).

Nigeria is endowed with huge expanse of fertile agricultural land, as well as a large active population that can sustain a highly productive, and profitable agricultural sector. This enormous resource base if well managed could support a vibrant agricultural sector capable of ensuring self-sufficiency in food crop production and raw materials for the industrial sector as well as, providing gainful employment for the teeming population and generating foreign exchange through export. The issue of agricultural finance could easily be said to be the most critical of the constraints in achieving this position, as it is vital to the development and procurement of appropriate technology, design and construction of necessary infrastructure, development and maintenance of adequate marketing system, as well as modernization of the land tenure system. Agricultural financing in its broadest sense, involves pre-project planning and feasibility evaluation, taking investment decisions, actual investment and funding of projects, profitable management of project and post project evaluation. This broad concept of agricultural financing ensures that funds channeled to agriculture are profitably used for its development, with a concomitant spillover and multiplier effect to



Abstract

Received: 28 June 2012,  
Reviewed: 10 September 2012,  
Revised: 14 September 2012,  
Accepted: 25 September 2012

the other sectors of the economy (Adofu, Abula and Audu, 2010).

The NACRDB since inception have been able to provide the specialized services of agricultural financing with the aid of its network of branches throughout the country in reaching out to the small scale farmers. As Adeolu and Taiwo (2004) noted, NACRDB is not alone in providing specialized services to farmers and non-farmers alike, but other formal financial institutions especially the reformed Micro finance banks had helped in this direction. Apart from increasing the volume of credit from institutional (formal) sources, as opined by Williams and Ogunniyi (2007), government policy, especially that which established the NACRDB, has consciously made the terms of borrowing for farm production relatively more liberal than for other sectors of the economy compared to what was operational before the advent of the specialized agricultural finance institution. These terms include concessional interest rate on agricultural loans, relatively long period of moratorium and relaxation of conditions relating to collateral securities.

Extending the view of Adeolu and Taiwo (2004) to the entire agricultural sector and with increased access of farmers to credit through NACRDB and other formal financial institutions including the reformed Micro finance banks, financial services would be available to farmers to invest in innovations and modern technology that will guarantee agricultural growth and development, and in a more restrictive sense, an increase in food crop production in Nigeria and Kogi State in particular.

Agricultural lending has become a vital function in financial operations as it facilitates the economic growth, agricultural development and improves efficiency. For a farmer to derive benefits from any institutional credit, the size of the loan, the process of granting such loans, timeliness in disbursement and repayment are very important (Nweze, 1991), apart from level of education, marital status and family size (Ibeawuchi, 2002). Unfortunately, financial lending institutions in Nigeria, often shy away from giving loans to farmers because of high cost of administering such loans and high default rate among farmers as asserted by Adegbite (2009) as well as Kodieche (2007). The government recognition of the difficulties in attracting credit to the agricultural sector, established the Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) to help channel fund to the agricultural sector of the economy. Another notable effort at financing agriculture was the creation of the Community Banks which help in the mobilization of rural savings for investment. These community banks which were formally established

by Decree No. 46 of 1992 has since transformed into micro finance banks in Nigeria.

The aim of agricultural financing is to prop up farmers to make substantial investment in agriculture and stimulate increased productivity. Since traditional agriculture cannot sustain any capital formation, the capital required for investment in agriculture must necessarily be injected from outside. Thus, an agricultural credit scheme is considered an important component of the Nigerian agricultural development programme, if productivity must increase. It is also asserted that, the increasing recognition of the need for agricultural financing stems from the desirability to enhance the position of on-farm capitalization in Nigeria agriculture and the fact that the farmers own saving are normally inadequate to finance the various farming activities. Thus, capital injection into the agricultural sector is imperative in view of the unfavourable terms of trade facing agriculture, declining productivity, low level of adoption of improved technologies and the fact that many investors are in favour of low cost quick returns and less risky business ventures compared to agriculture (Oni and Olomola, 1989).

Based on the above scenario, this research seek to evaluate the major constraints hampering the effective functioning of NACRDB in Kogi State, Nigeria.

## 2. Materials and methods

**Study Area.** Kogi state is one of Nigeria's 36 states, a quintessential Nigeria with three dominant ethnic groups Igala, Igbira, Yoruba and several minorities. Located within the heart of Nigeria, or what is historically referred to as the middle belt of the country, but described in a new political lexicon in the country as belonging to the North Central geopolitical zone.

The state is located between Latitude  $7^{\circ}30'$  North and Longitude  $6^{\circ}42'$  East and occupies an area of 29,833 square kilometers. It is bounded by the Federal Capital Territory (FCT), Niger and Nassarawa States on the North; Anambra and Benue States on the East, and Ondo, Kwara, Ekiti, Edo and Enugu on the West. The state comprises three senatorial districts; East, West and Central. In the East it is dominated by the Igalas, but with other minority groups like the Bassa Kwomu and Bassa Nge. The central is predominantly Ebira, but with a minority group known as Ebira Koto, and the western predominantly Okun, but with other minorities, especially the Oworo, Ogori and Nupe people.

The population of the state is put at 3,595,789 million according to the 2006 Population Census figure. About 75 percent of the population lives in rural areas. Kogi state is blessed with fertile

arable land because of its location in forest savannah which supports extensive agriculture. Tropical climate in the state is marked by two distinct seasons, the dry season (September – March) and the wet season (April – October). Average temperature ranges from 28°C to 40°C (Adofu, I., E. Antai and O. Alabi, 2010). Agriculture is the mainstay of the economy. The state produces cash crops like coffee, cocoa and food crops such as palm oil, peanuts, maize, cassava, yam, rice and sorghum. The state is blessed with a lot of mineral resources like coal, limestone, iron, petroleum and tin. The state is home to the largest iron and steel industry in Africa known as Ajaokuta Steel Company Limited as well as one of the largest cement factories in Africa, the Obajana Cement Factory, a subsidiary of Dangote Group of Companies.

### Sample Selection

A multi-stage random sampling procedure was used in this study. The multi-stage random sampling procedure was chosen because it allows for effective and equal representation of all the units within the study area. The sampling procedure is in stages, and the peculiarities of characteristics are taken into consideration at all the sampling stages for equal representation. The Kogi State Agricultural Development Programme has classified the state into four agricultural zones based on the peculiar agricultural activities. They are; Zone A with headquarters at Aiyetoro, Zone B at Anyigba, Zone C at Koton-Karfe and Zone D at Aloma. This will form the basic stratification segments in stage 1

In stage 2, only three (3) of these zones have NACRDB branch offices and they are: Zones A, B and C. This account for the reason for purposive sampling of these zones. A sampling frame of NACRDB loan beneficiaries was obtained from the NACRDB zonal office in Abuja. In stage 3 two Local Governments were selected from each of the zones as shown below:

#### Zones LGA's Sampled

- A Kabba/Bunu and Ijumu
- B Dekina and Ankpa
- C Lokoja, and Ajaokuta

In stage 4, five farm settlements were selected at random from each of the six local governments. In stage 5, a random sampling of 30 farmers – loan beneficiaries was drawn from each of the 6 Local Governments giving a total of 180 samples or respondents. The farmer – loan beneficiaries in this study are those food crop farmers that cultivate any or combination of the following food crops: Yam, Cassava, Maize and Sorghum

#### Sources and Types of Data Collected

This research work relies on both primary and secondary data. The primary data were collected

through the use of structured questionnaire, which was administered to the food crop farmers who have benefited from the credit facilities of NACRDB in the three sampled zones.

### Analytical Tools

Likert scale of analysis is used to identify the major constraints hampering the effective functioning of the NACRDB in the state. This is informed by Okerenta (2005), and Malcolm (2005). This is analyzed using the mean score method. The mean response to each constraint was calculated using the formula:

$$\bar{X} = \frac{\sum F_i(A_i)}{N}$$

Where;  $\bar{X}$  = means response

$\sum$  = summation sign.

$F_i$  = number of respondents choosing a particular scale point

$A_i$  = numerical scale of the scale point.

$N$  = sample size.

The mean response to each constraint was interpreted using the concept of real limits of numbers. The numerical value of the scale points (response mode) and their respective real limits are as follows:

Strongly agree= 5 points with real limits of 4.50 – 5.49

Agree= 4 points with real limits of 3.50 – 4.49

Undecided= 3 points with real limits of 2.50 – 3.49

Disagree= 2 points with real limits of 1.50 – 2.49

Strongly disagree= 1 point with real limits of 0.5 – 1.4

### 3. Results and discussion

Table 1 present mean scores for respondents rating of constraints hampering the effective functioning of NACRDB in Kogi State. From the result presented in Table 1, the most serious constraint identified is unfavourable organization policy with mean of 4.46. To the food crop farmers NACRDB loan beneficiaries unfavourable organization policy was ranked as the number one constraint hampering the effective functioning of NACRDB in Kogi State. Insufficient funding with a mean of 4.33 was ranked second. Poor group cohesiveness was ranked third with a mean of 4.28. Poor spread of network of branches with mean of 4.25 was ranked fourth. Politics in allocation of credit was ranked fifth with mean score of 4.23. Inadequate competent staff and lack of information was ranked sixth and seventh with mean of 4.11 and 3.63 respectively. The respondent agreed with items statement ranked first – seventh but disagreed with items statement ranked eight – tenth. High interest rate, misappropriation of fund and inadequate personnel training and development were ranked

eighth, ninth and tenth with mean of 2.97, 2.94 and 2.67 respectively.

From the table, it follows that while unfavourable organization policy, insufficient funding, poor group cohesiveness, poor spread of network of branches, politics in allocation of credit, inadequate competent staff and lack of information are seen as major constraints hampering the effective functioning of NACRDB in Kogi State, high interest rate, misappropriation of fund and inadequate personnel training and development is not a major constraint hampering the effective functioning of NACRDB in Kogi State.

#### 4. Conclusion and Recommendations

##### Conclusion

The finding of this research is that the most serious constraints hampering the effective functioning of NACRDB is unfavorable organization policy. Based this, the NACRDB and the government have great challenges in providing a sustainable and successful service to the food crop farmers. Government aim for establishing a specialized Agricultural bank is to make the terms and policy of borrowing easy and attractive to farmers. With increased access of farmers to credit through NACRDB, financial services would be available to farmers to invest in innovations and modern technology that will guarantee agricultural growth and development, an in more restrictive sense, an increase in food crop production in Nigeria and Kogi State in particular.

##### Recommendation

The following implications are drawn and recommendations are made for a sustained and

successful NACRDB service delivery to farmers in Kogi State and Nigeria at large from the findings of this study.

There is the need for the NACRDB to reorganize their policy stand to be more farmers friendly so that the aim of establishing an Agricultural specialized bank to cater for unfavourable policy of conventional banks will not be defeated.

The government and other funding agencies of NACRDB should step up fund supply to the bank to enable the bank meets her loan obligations to farmers.

The branch network of NACRDB is so poor. In the study area for instance there are just four branches of the bank to cater for a population of over 3 million people with about 70% farmers. There is the need to expand the network of branches to bring the services closer to the farmers there are to serve.

Laid down procedure for granting of loan should be followed in giving loan to farmers to avoid loans diversion and reduce delinquent borrowers from having access to the loan. Politics in the granting of loan should be discouraged at all cost.

There is the need for the bank to engage the services of competent and specialized staff who can help translate the vision of the bank to reality. More also, farmers are not aware of the services of NACRDB. There is also a need to publicize the services of the bank to enable the farmers know of the product and services, and patronize them for improved agricultural output to help solve the food security question.

Table 1: Distribution of respondents according to their perception of major constraint hampering the effective functioning of NACRDB in Kogi State

Problems/Constraints	1	2	3	4	5	Mean	Ranking	Remark
Inadequate personnel training and development	40	40	0	30	70	2.67	10	Disagreement
Inadequate competent staff	70	60	40	10	0	4.11	6	Agreement
Poor group cohesiveness	55	55	60	10	0	4.28	3	Agreement
Politics in allocation of credit	100	50	11	10	9	4.23	5	Agreement
Insufficient funding	80	90	3	4	3	4.33	2	Agreement
High interest rate	37	41	23	38	41	2.97	8	Disagreement
Misappropriation of fund	35	42	24	35	44	2.94	9	Disagreement
Unfavourable organization policy	97	73	7	1	2	4.46	1	Agreement
Poor spread of network branches	80	70	0	22	8	4.25	4	Agreement
Lack of information	61	47	33	23	16	3.63	7	Agreement
Grand mean						3.79		

- Any mean score  $\leq 3.00$  suggest disagreement with the item statement. - Any mean score  $>3.00$  suggest agreement with item statement

\*strongly agreed =5 Agree=4 undecided =3 Disagree=2 strongly disagree=1

## References

1. Adeolu, B. A and Taiwo, A. (2004). Micro Financing as a Poverty Alleviation Measure: A Gender analysis. Kamla –Raj J. Social Sciences 9(2). 111 -117.
2. Adofu, I., Antai, E and Alabi, O. (2010). Informal Savings Mobilization and Investment: A Case Study of Rotating Savings and Credit Association (ROSCA) in Kogi State Nigeria. Continental Journal of Social Sciences Vol. 3, 7-17.
3. Ibeawuchi, J. C. (2002). Attitude and constraints Affecting farmers Patronage of Financial Institutions in Ikwano Local Government Area of Abia State. A Seminar paper Presented at the Departmental Seminar Series, Department of Agricultural Economics and Extension Abia State University, Uturu, Nigeria.
4. Kodiechi, K. C. (2007). Analysis of Loan repayment among the Farmers: A case study of ACGSF in Enugu State, Unpublished B.Sc Project, Department of Cooperative and Rural Development Enugu State University of Science and Technology, Enugu, Nigeria.
5. Adegbite D. A. (2009). Repayment Performance of Beneficiaries of Ogun State Agricultural and Multi- Purpose Credit Agency in Ogun State, Nigeria (2004 – 2007). American – Eurasian Journal of Sustainable Agriculture, 3 (1): 117-125.
6. Nweze, N. J. (1991). The Role of Women Traditional Savings and Credit Cooperative in Small Farm Development. Oguta C. A. (Ed) Issues In Africa Rural Development, pp: 234 – 236.
7. Okerenta, S. I. (2005). Evaluation of the Performance of Microfinance Programmes in the Niger Delta Region of Nigeria. Unpublished Ph.D Thesis. Department of Agricultural Economics Federal University of Technology, Owerri Nigeria (FUTO).
8. Oni, S. A and Olomola, A. S. (1989). Technique of Attracting Credit for Agricultural Development in Africa. Unpublished Paper delivered at the Symposium held in Abuja, Nigeria on Financing and Agricultural Development in Africa, November.
9. Williams, S. B., Ajao, A. O and Ogunniyi, L.T. (2007). The Impact of Micro-credit on Food Crop Production in Osun State, Nigeria. Medwell Agricultural Journal 2(2); 319 – 323.

*www.ijasrt.com*