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**AGRI-BUSINESS  
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**Prof. Peter 'Bola Okuneye  
& Mrs Grace O. Evbuomwan**

## Chapter 18

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# The Role of Financial Institutions in the Financing of Agriculture in Nigeria

by

**Polycarp I.M<sup>1</sup>., Jirgi A.J<sup>2</sup>., and Dikwal M.M<sup>3</sup>.**

### **Abstract**

*Financial institutions play fundamental roles in the development and growth of all sectors of the Nigerian economy including agriculture. In this regard, the need of agricultural sector financing becomes imperative if agricultural development is to be achieved. However, the Nigerian agricultural sector (an important source of income, employment, raw materials, foreign exchange and markets) is dominated by peasant farmers, who operate under small-scale systems with meager capital outlay, hence its stagnated growth. This therefore, calls for an intervention by financial institutions to resuscitate the dwindling agricultural sector. This paper therefore, identifies the key financial institutions that participate in agricultural financing delving further into their operations and constraints in the Nigerian economy.*

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1. Polycarp I.M. is of the Faculty of Agriculture, Adamawa State University, Mubi, Adamawa State
  2. Jirgi A. J. is of the College of Agriculture, Zuru Kebbi State
  3. Dikwal M. M. is of the Plateau State Ministry of Agriculture, Jos, Plateau State..

## **INTRODUCTION**

Agriculture is Nigeria's most important sector from the standpoint of rural employment, provision of family food and export earnings despite the discovery of oil (Jama'are 2000). The above assertion is based on the fact that at independence in 1960, little was known of petroleum as a source of revenue for the Nigerian economy. There was sustained emphasis on agriculture to the extent that Nigeria was a major exporter of agricultural products like palm produce, cocoa, groundnut, cotton and rubber. In addition to these cash crops, the national agricultural economy was able to produce enough food that there was no need for food importation. At that time, agriculture accounted for over 60% of the nation's GDP (ibid).

With the advent of the oil boom in the 1970's, petroleum became the country's major foreign exchange earner and agriculture was grossly neglected. As a result, the contribution of agriculture to the GDP fell to 20% in the early 1980's, thus forcing the country to embark on massive importation of major food items (FMA, 1988). By 1990, the contribution of agriculture to the GDP stood at 39.05% (CBN, 2001), while in the year 2003 it was 34.6% (CBN, 2003).

Following the economic depression which occurred in the wake of the truncating world oil market and the mis-direction of priorities from crude oil earnings, the emergent import-dependent structure from export became inadequate to pay for the alarmingly growing import bills on food and industrial raw materials. Worse still Federal Government's Capital Expenditure on agriculture had been on the decline from ₦57,879,000,000.00 in 2001 to ₦32,364,300,000.00 in 2002 and ₦8,510,900,000.00 in 2003 (CBN, 2003). Consequently, the urgent and genuine need to improve agriculture (which is chiefly practiced by peasant farmers who are small-scale operators) cannot be overemphasized. As a means of injecting financial resources into agriculture to resuscitate it, the role of financial institutions in financing agriculture in Nigeria becomes an issue of incontrovertible importance which is the cardinal focus of this paper.

## **METHODOLOGY**

The objective of this paper is to review the role of financial institutions in the financing of agriculture in Nigeria. In this regard, descriptive statistics

(frequencies and percentages) were used to classify agricultural loans issued/guaranteed and repaid by farmers. Furthermore, the trends of agricultural loans issued, guaranteed/repaid by farmers by year, purpose, bank and sector are presented with the use of graphs and bar charts.

## **OVERVIEW OF THE NIGERIAN FINANCIAL SYSTEM AS IT AFFECTS FINANCING OF AGRICULTURE**

The financial system is a critical component of any economy as it plays a crucial role in the process of financial intermediation for economic growth and development. A financial system is a conglomerate of various institutions, markets, instruments, and operators that interact within an economy to provide financial services. These services, among others, include resource mobilization and allocation; financial intermediation; and facilitation of foreign exchange transactions to boost international trade (Olorunsho, 2004). The most important function of the financial system is intermediation which facilitates the mobilization of resources from those who have (surplus units) and their transfer to those who do not have (deficit units), thus influencing savings and investment and facilitating the achievement of the growth objective of economic policy (Onyido, 2004).

In Nigeria, the financial system comprises the gamut of financial instruments and financial markets that is the regulatory/supervisory authorities, banks and non-bank financial institutions. Over the years, the country's financial system as it affects financing of agriculture has undergone remarkable changes in terms of number of institutions involved and the regulatory framework within which the system operates. The chief financial institutions that are involved in financing of agriculture include the Central Bank of Nigeria, The Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), Community and Commercial Banks, the Nigerian Agricultural Insurance Company (NAIC) etc. These and their specific roles in the financing of agriculture are discussed in turn.

### **THE CENTRAL BANK OF NIGERIA (CBN)**

The Central Bank is the apex regulatory authority of the Nigerian financial sector. It was established by the Central Bank Act of 1958 and commenced operations on 1<sup>st</sup> July, 1959. Among its primary functions, the Bank promotes

and maintains monetary stability and a sound and efficient financial system in Nigeria. It issues legal tender currency notes and coins in Nigeria and maintains Nigeria's external reserves to safeguard the national value of the legal tender. The Bank is a banker and financial adviser to the federal government as well as lender of last resort to banks. It also has the responsibility of formulating and implementing the monetary and Exchange Rate Policies for Nigeria.

### **CBN and Agricultural Financing in Nigeria**

The role of the CBN in agricultural financing in Nigeria involves both as a regulator of the system as well as a guarantor. As a regulator, the CBN executed the launching of the Rural Banking Scheme (inaugurated in 1977) under which designated commercial banks were required to open specified number of rural branches in different parts of the country and with at least 40% of the total deposit in these rural banks lent to borrowers within those rural areas. By 1989, about 12 years of the life of the scheme, a total of 756 new rural bank branches had been opened with total deposits in all the rural branches amounting to about N5.7 billion. This averaged about N7.5 million per branch (Nnanna, 2003).

The CBN acts as a guarantor under the Agricultural Credit Guarantee Scheme (launched in 1977) to reduce the risk borne by commercial banks in extending credit to farmers. Under this scheme, the Central Bank of Nigeria guaranteed up to about 75% of the value of the principal and interest on loans granted to farmers by any commercial bank up to a maximum of N50,000.00 for individual loans and N1.0 million for loan to cooperatives and corporate bodies. The decree that established the scheme provided for a fund of N100 million subscribed by the federal government (60%) and the Central Bank of Nigeria (40%). In 2001, the capital base of the fund was increased to N3.0 billion in order to enhance its coverage and performance (Nnanna, 2003).

The farming enterprises which the Scheme covers include the production of all crops, fish farming, fish captures, animal husbandry, storage, farm machinery and hire services and integrated agricultural projects incorporating production and processing, provided the primary production elements accounts for less than 50% of the raw materials required by the industry (CBN, 1993). The Agricultural Credit Guarantee Scheme has made some impact on the extension of credit to the agricultural sector as the introduction

of the scheme in 1978 increased the percentage of commercial banks' loans to the agricultural sector. The scheme has granted over N3.3 billion to beneficiaries since inception (Nnanna, 2003).

A summary of the distribution of loans guaranteed, fully repaid and outstanding (1996-2000) are given on table 1 while the trend of loans guaranteed, fully repaid and outstanding (1996-2000) are presented graphically on figures 1,2 and 3 respectively. Furthermore, the distribution by sector of ACGSF loans for the year 2003 are given on table 2, where it is shown that the food crops sub-sector carries the highest value of N1,015,196,600 or 87.2% and distantly followed by the livestock sub-sector with N106,868,800 or 9.2% of the total. Others include fisheries (1.1%), mixed farming (0.7%) and cash crops (0.9%).

### **Performance of Banks under the Agricultural Credit Guarantee Scheme**

Only about 5 banks are active in the Agricultural Credit Guarantee Scheme Fund (ACGSF). The five active Banks as given on table 1, are Union Bank of Nigeria Plc, First Bank of Nigeria plc, Bank of the North Ltd, Habib Nigeria Bank and Afribank Nigeria plc (CBN 2000). From these, as given on table 1, Union Bank of Nigeria plc maintains the lead by granting N254.1 million or 70.3 of the total in 2000. It was followed by Bank of the North Ltd with N78.5 million or 21.7% of the total, First Bank of Nigeria Plc with N22.5 million or 6.2% of the total, Habib Nigeria Bank with N3.3 million (0.9%), Co'operative Development Bank, 2.0 million (0.6%) and Afribank Nigeria Plc with 1.1 million or 0.3% of the total (CBN, 2000).

Among the participating banks, only 2 namely Union Bank of Nigeria plc and First Bank of Nigeria plc extended coverage to more than 90% of the states in Nigeria including the FCT. Union Bank of Nigeria plc gave loans in 35 states while First Bank of Nigeria plc gave loans in 36 states. Bank of the North Ltd on the other hand recorded loan disbursement in 16 states, while Habib Nigeria Bank and Afribank Nigeria plc registered their presence in 7 and 15 states respectively. The spread of the loans tends to reflect the branch network of the participating banks (CBN, 1998).

## **THE NIGERIAN AGRICULTURAL COOPERATIVE AND RURAL DEVELOPMENT BANK (NACRDB)**

This resulted from the merger of the former Nigerian Agricultural Credit and Cooperative Bank (NACB), People's Bank and the Family Economic Advancement Programme (FEAP) in October 2000. The defunct Nigerian Agricultural Credit and Cooperative Bank (NACB) was established as a national credit institution on November 24, 1972 and went into operation on March 6, 1973. Incidentally, the bank started off as the Nigerian Agricultural Bank Limited (NAB), and actually got its new name in 1978 at the instance of the Nigerian government. This change, in the government's view, was to reflect more vividly, its commitment to agricultural development through the promotion and financing of cooperatives. As a development finance institution, the NACRDB was established to deliver credit to the agricultural sector of the Nigerian economy and having the following specific objectives as its central focus; promotion of agricultural production and rural development; improvement of the incomes and quality of life of the Nigerian rural population which are predominantly farmers; contribution to the overall growth and development of the Nigerian economy.

Specifically, the functions of the bank include the provision of loans to individual farmers, cooperative societies, limited liability companies, state and federal government agencies; financing direct investment in the equity capital of major agricultural and agro-allied industrial ventures; providing guarantees for viable agricultural and agro-allied ventures to enable them raise financing either locally or from abroad; provision of finance for the marketing of produce for both the domestic and international markets; financing of agro-allied projects including tractor hiring operations and agro-processing. (Ajakaiye, 1990).

In the year 2004 alone, NACRDB has so far granted about N1.6 billion loan of which N693 million is for micro credit. Also since the year 2002 the bank has approved the sum of N4.6 billion of which 2.5 billion went to some states for on-lending purposes (NACRDB, 2004)..

### **Financial Services of the NACRDB**

The Bank operates the following credit schemes:

- (a) **On-Lending:** under this scheme, lending is made to established institutions against repayment guarantees for on-lending to small-

scale farmers. The on-lending institutions include State governments, cooperative organizations, state agricultural credit corporations, agricultural development projects and river basin and rural development authorities.

- (b) Direct lending: under this scheme, the bank deals directly with individual farmers, farmer organizations, limited liability companies etc without going through an on-lending intermediary.
- (c) Small holder loan scheme: This scheme is designed to reach small farmers who produce the bulk of food in Nigeria. Under this scheme, security requirements prescribed for the direct lending investments loans are waived for borrowers.
- (d) Special small holder loan scheme: this is a special on-lending scheme designed to reach the small scale farmers. It is operated through the state ministries of agriculture on a revolving basis. The major feature of this scheme is that no loans are granted until the previous one has been liquidated.
- (e) Workers scheme: this scheme is meant for people still in employment and for retrenched or retired workers. It is operated as direct small holder scheme and attracts a revolving annual allocation of funds.
- (f) Marketing loans: to reduce problems posed to peasant farmers by poor transportation and marketing, the bank grants marketing loans to clients to enable them purchase excess crops during harvest seasons. This scheme helps to eliminate wastage and serves as an incentive to help farmers produce more.

### **Conditions for Borrowing from NACRDB**

#### **(i) *Viability of project***

The project for which a loan is sought should

- not be in conflict with any stated Federal or State policies or acts
- be commercially viable and capable of showing satisfactory returns on investments made;
- be economically desirable, i.e. show a clear development value to the nation;
- generate adequate funds to repay the loan in full and in accordance with stipulated and agreed terms and conditions.

(ii) *Status of applicant*

The applicant or management of the project must satisfy the Bank of his or its ability to manage the project in a sound and competent manner over a minimum period which must equal the period of the loan. Also, agricultural production, processing and marketing should be the main objective of the applicant. In addition, the applicant must satisfy the Bank that he or it (it is a corporate organization) is of good character and reputation.

(iii) *No proxy*

The consideration of loan can only be entertained when the application comes from the intending client himself. NACRDB does not deal with applicants through intermediaries in Direct Investment Loans.

(iv) *Borrowing powers and ability to repay loans*

A client should keep within the framework of their capacities when applying for a loan e.g. a limited liability company can only borrow within the provisions of its memorandum and Articles of Association. An individual's ability to repay the loan will be determined by his income after operating and living expenses are met.

### **Security Requirements**

While loans are granted against a minimum security cover based on the scope of the project, the main emphasis is on the creation of repayment capacity of the borrower as a result of a technically and economically sound use of investment funds provided. Types of securities required are first legal mortgages of the project land, real property, endowment insurance policies, government guarantees, stocks and bonds of reputable companies and other guarantees acceptable to NACRDB management. The breakdown of the security requirement is as follows:

- loan volume between N1 to N10,000.00-guarantors are acceptable
- N10,000.00. to N250,000.00- security worth 60% outside the project land demanded;
- N250,000.00 to N1.00 million- security worth 80% outside the project land demanded;
- Above N1.00 million-100% security cover required;
- Tractor hire service loans-100% security cover required;
- Marketing loans-100% security cover required;

### **Loan Period**

NACRDB lending activities are diversified according to purpose and cater for all types of farming activities for short term (under two years), medium term (two-five years) and long term (more than five years). Furthermore, the grace period and loan period of each project is treated on its own merit. Interest rates and other fees

### **5.5 Interest Rates**

The interest rate of NACRDB on loans is generally concessionary and discriminatory in favour of small farmers and traders to whom the bank's bulk of loanable funds are directed. The rates for the various portfolios are as follows:

- (a) Micro credits – 8%
- (b) Macro credits
  - (i) Agricultural production – 16.5% (except cotton production) per annum
  - (ii) Agro-processing – 17.5% per annum
  - (iii) Marketing – 18.5%
  - (iv) Cotton production – 7%

Interest on micro credits is calculated on simple interest basis while compound interest applies to macro loans.

## **COMMERCIAL BANKS AND THE FINANCING OF AGRICULTURE**

A Commercial bank is a financial institution licensed by the Central Bank of Nigeria under the appropriate laws to carry on banking business in Nigeria. Such laws include The CBN Act Number 24 of 1991 as amended by Act Number 41 of 1999 and the Banking and other Financial Institutions Act Number 25 of 1991 (BOFIA) as amended by Act Number 40 of 1999 (Akinola, 2004).

The role of commercial banks in the financing of agriculture could be traced to the designation of the agricultural sector as a "preferred sector" such that the Central Bank of Nigeria stipulated that a minimum of 6% of commercial bank loans should go to the agricultural sector, this was subsequently increased to 12% (Olayemi and Dittoh, 1995). In addition, the

launching of the Rural Banking Scheme in 1977 under which designated commercial banks were required to open specified numbers of rural branches in different parts of the country and with at least 40% of the total deposit in these rural banks lent to borrowers within those rural areas. Currently agricultural financing is still being undertaken by these commercial banks but to a low proportion due to high rate of default on the part of the farmers. As matter of fact, only agricultural financing through the Agricultural Credit Guarantee Scheme is flourishing, due to the fact that the Central Bank of Nigeria is the guarantor of 75% of loans collected under the scheme.

### **COMMUNITY BANKS AND AGRICULTURAL FINANCE**

The role of community banks in financing agriculture cannot be overemphasized owing to the fact that they are closest to the peasant farmers at the community/village level. The establishment and development of the community banks was facilitated by the Central Bank of Nigeria. This began with the inauguration of the National Board for Community Banks in 1991, charged with the responsibility of setting up community Banks in the Country (Nnanna, 2003).

Community Banks in Nigeria are self-sustaining financial institutions owned and managed by local communities such as community development associations, towns unions, co 'operative societies, farmers groups and individuals to provide financial services to their communities.

The objectives of the community banks include: the promotion of rural development by providing financial and banking services to communities inadequately supplied with such services. Currently many farmers are enjoying agricultural credits through the activities of community banks scattered all over the country. However, the problem of low capital base has hampered the effective performance of community banks in financing agriculture in Nigeria. The total assets of the Community Banks grew from N981.0 million in 1992 to N15,463.5 million in 2002. The number of Community Banks which was 66 in 1991, peaked at 1355 in 1995 but fell drastically to 770 in 2002 (Bamisile, 2004).

A sectoral distribution of the loans and advances given out by Community Banks in the year 2003 is given on table 4, where it is depicted that Agriculture with and Forestry with N625 million (6.3%), trailed behind commerce which had N3733.1 million (27.5%), Transport and communication

which had 1727.9 million (17.4%) and Manufacturing which had 809.2 (8.1%).

## **THE NATIONAL AGRICULTURAL INSURANCE COMPANY (NAIC)**

The National Agricultural Insurance Company was established in 1987 to operate and administer the Nigerian Agricultural insurance scheme. The idea of the scheme was first mooted in 1984 as strategy for tackling the problem of small farmers' inability to satisfy the collateral requirements of banks when asking for loans. It was then argued that an insurance scheme would serve a number of complementary purposes- it would enhance the confidence of commercial banks in giving loans to small farmers, the insurance certificate would serve as collateral and funds mobilized from the insurance scheme would be utilized for agricultural investment.

### **The Impact Of NAIC on Agricultural Production**

It is a known fact that every Nigerian farmer is expected to have a optimum cultivation or growing environment so as to enable him obtain good harvest but this has not been the case Hence, the insurance cover against the unexpected has made great impact on the overall agricultural production in the country. NAIC has impacted on the Nigerian agricultural sector in the following areas.

- a. **Financial and Social Security:** Any Nigerian farmer that takes NAIC's insurance policy is guaranteed of all his cost of production from land clearing to maturity or for the period when the cover remains effective. Financial security has gone a long way in curbing losses borne by farmers. The mandatory cover has encouraged banks to give more loans to farmers so that the farmer can have enough money to invest in agriculture. Lending institution are assured of easier recovery in cases when natural hazards could have caused default. Because loans are easier to come by, small scale farmers are more encouraged to get involved in agricultural production. Farmers that suffer genuine losses are adequately compensated to enable them remain in farming business.
- b. **Increased Agricultural Production:** Farm inspection/monitoring visits which are often carried out by various experts help educate farmers (insureds) on improved agricultural practices. This has made farmers to

witness enhanced productivity and improved yield. Increase in NAIC's scope of cover is meant to take care of all categories of farmers, thereby mobilizing them to go into agricultural production.

c. **Reduction of Overdependence on Government:** Government has over the years Come to the aid of farmers in cases of agricultural disasters. Such aids in most cases are either too small or do not come to them in good time to allow for early re-establishment. However, this incidence of relieving farmers by government is gradually fading out. This is because, NAIC compensates all its insured, in this regard a speedy recovery of all incurred losses is guaranteed. As a result, overdependence on government is reduced which indirectly reduces public expenditure on such ad-hoc assistance.

### **Problems of NAIC**

- i. Non participation of many banks in the insurance-credit linkage.
- ii. Under insurance: this is a situation where the approved loan is lower than the sum insured.
- iii. Untimely disbursement of agricultural loans
- iv. Late disbursement of loans or non-remittance of deducted premium
- v. Delays in reporting claims
- vi. Problems associated with public awareness/perception of insurance services and publicity.
- vii. Logistics problems

### **CONSTRAINTS OF FINANCIAL INSTITUTIONS IN NIGERIA AND HOW THEY AFFECT THE FINANCING OF AGRICULTURE**

The Nigerian financial institutions are bedeviled by several constraints which affect the adequate financing of agriculture directly or indirectly. These factors are;

1. **Weak Infrastructural Base:** Infrastructure like roads, clean water, electricity and communications, especially in the rural areas, are grossly inadequate. This has hampered the activities of both the operators of the financial sector as well as their clientele.
2. **Low Patronage:** Arising largely from poverty, illiteracy and lack of awareness, most farmers in Nigeria are poor and lack collaterals. This makes it difficult for them to obtain agricultural loans especially from

- commercial banks. This grossly lowers the number of participants/beneficiaries of agricultural financing by financial institutions.
3. **General Insecurity to lives and property:** The business environment, particularly in most of the urban centers in the country are plagued with high incidence of insecurity to lives and property. The recent renewed wave of armed robbery attacks on certain financial institutions especially banks were serious dis-incentive to investment and a source of major concern.
  4. **Weak Exchange Rate:** The exchange rate of the Naira is weak and very volatile. This has been a source of intense superlative activities and abuses in the banking industry as well as much headache for the financial regulators over the years.
  5. **Distress in the Sector:** The incidence of financial sector distress became pronounced from the late 1980's. Generally, distress has been traced to two broad categories of causes, namely, internal and external causes. Internal causes are those factors that are within the control of the operators and include weak management, inadequate capital base, fraudulent and corrupt practices of owners as well as poor management of assets and liabilities. On the other hand, the external causes include those factors that arising from the socio-political and economic environment in which the institutions operate. The Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) in the last few years have taken several steps to contain the distress situation through stricter enforcement of penalties on institutions and officials who contributed to the distress situation. These efforts have improved somewhat the health of the banking system, but a number of financial institutions are still distressed and official resolution are being pursued (Olorunshola, 2004).
  6. **Adverse Ownership Influence:** Another deep-rooted constraint of the financial sector in Nigeria is ownership influences in the affairs of financial institutions. Nigeria's experience shows that both government and the private sector owners meddle in the affairs of the institutions in the appointment of key officers and administration of credit with adverse consequences. For instance, the poor quality of the loan portfolio of government owned banks demonstrates that political consideration rank very high in the decisions to approve or reject a loan application.

7. High case of loan default: This problem has made many financial institutions to be skeptical about given loans to farmers. As profit oriented organizations, financial institutions often blame the farmers for defaults in repayments of loans given for agricultural loans. In a related development, Maurice and Tashikalma (2000) found a weak correlation to exist between loans given and repaid by the NACRDB, which confirms the position of Banks on non-repayment of loans by farmers. Furthermore, on table 3, it can be seen that from a total of N2,574,517,900.00 worth of loans issued by the ACGSF from 1978 to date, N1,420,715,500.00 has been repaid, which implies that N1,153,802,400.00 is still outstanding

## **CONCLUSION AND POLICY IMPLICATION**

Financial institutions in Nigeria, in pursuance of their traditional roles have been involved in financing agriculture. This becomes necessary in order for the dwindling agricultural sector to be resuscitated on a sustainable basis. However, much still needs to be done by all stake holders in both the financial and agricultural sectors of the Nigerian economy. Based on this, the following key issues are essential for the development of agriculture in the Nigerian economy, through adequate financing by financial institutions.

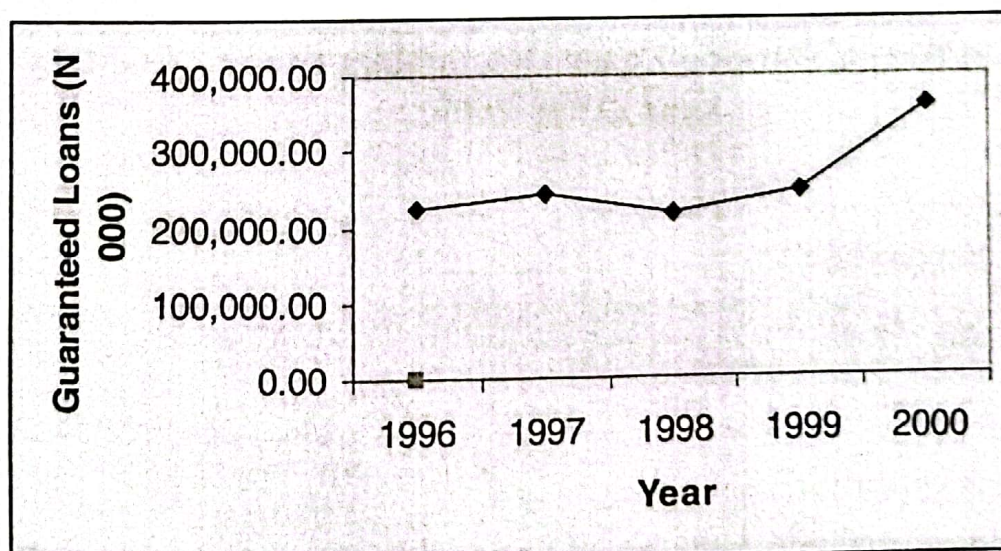
- (i) Banks and other financial institutions should not overemphasize on short-term (non-productive) crediting to the detriment of a productive sector like agriculture.
- (ii) Awareness campaigns by extension agencies should be intensified to educate farmers on how to obtain and rightly utilize agricultural loans.
- (iii) Interest rate regimes on agricultural loans should be relaxed so as to lower the cost of borrowing for agricultural purposes.
- (iv) The business environment should be sanitized and law enforcement agencies should ensure social security and political stability.
- (v) State and Local Government Areas should actively participate in Agricultural financing through the trust fund model of the Central Bank of Nigeria, by liaising with commercial banks

**Table 1: Loans Guaranteed and Fully Repaid Under the ACGSF (1996-2000).**

	Amount Guaranteed (N)	Amount Fully Repaid (N)	Amount Outstanding (N)	Percentage Amount Repaid	Percentage of Amount Outstanding
1966	225,502.50	132,979.40	92,523.10	58.97	41.03
1977	242,038.20	131,244.40	110,793.80	52.22	47.78
1998	215,697.20	145,529.90	70,167.30	67.47	32.53
1999	246,082.50	180,454.60	65,627.90	73.33	26.67
2000	361,405.00	210,891.40	150,513.6	58.35	41.65
Total	1,290,725.40	801,099.70	489,625.70	62.07	37.93

Source: Central Bank of Nigeria (2003). Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2003

**Figure 1: Graph Showing Loans Guaranteed by Year (1996-2000)**



Source: Plotted using data from Central Bank of Nigeria (2000). ACGSF Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2000

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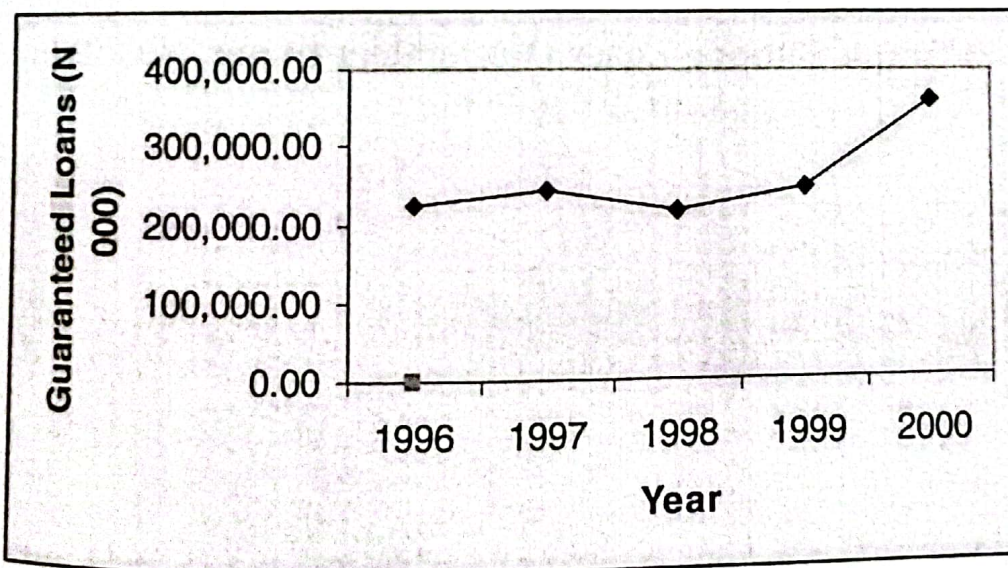
- (i) Banks and other financial institutions should not overemphasize on short- term (non-productive) crediting to the detriment of a productive sector like agriculture.
- (ii) Awareness campaigns by extension agencies should be intensified to educate farmers on how to obtain and rightly utilize agricultural loans.
- (iii) Interest rate regimes on agricultural loans should be relaxed so as to lower the cost of borrowing for agricultural purposes.
- (iv) The business environment should be sanitized and law enforcement agencies should ensure social security and political stability.
- (v) State and Local Government Areas should actively participate in Agricultural financing through the trust fund model of the Central Bank of Nigeria, by liaising with commercial banks

**Table 1: Loans Guaranteed and Fully Repaid Under the ACGSF (1996-2000).**

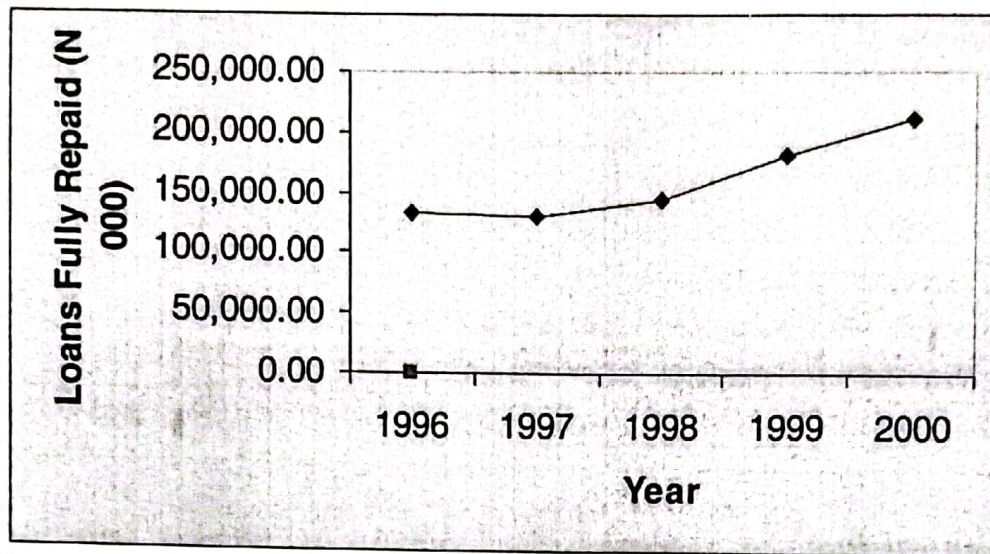
	Amount Guaranteed (N)	Amount Fully Repaid (N)	Amount Outstanding (N)	Percentage Amount Repaid	Percentage of Amount Outstanding
1966	225,502.50	132,979.40	92,523.10	58.97	41.03
1977	242,038.20	131,244.40	110,793.80	52.22	47.78
1998	215,697.20	145,529.90	70,167.30	67.47	32.53
1999	246,082.50	180,454.60	65,627.90	73.33	26.67
2000	361,405.00	210,891.40	150,513.6	58.35	41.65
Total	1,290,725.40	801,099.70	489,625.70	62.07	37.93

Source: Central Bank of Nigeria (2003). Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2003

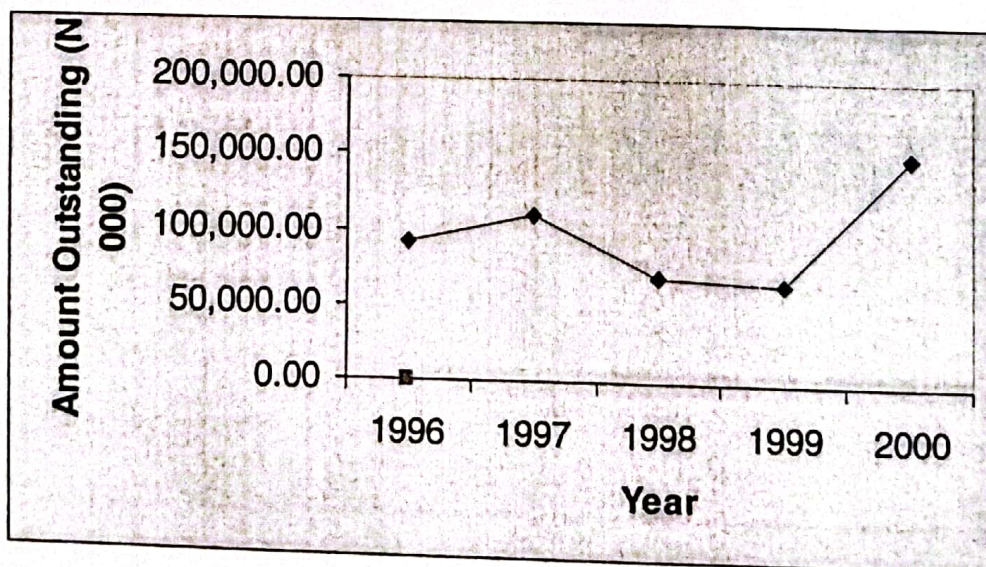
**Figure 1: Graph Showing Loans Guaranteed by Year (1996-2000)**



Source: Plotted using data from Central Bank of Nigeria (2000). ACGSF Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2000

**Figure 2: Graph Showing Loans Fully Repaid by Year (1996-2000)**

Source: Plotted using data from Central Bank of Nigeria (2000). ACGSF Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2000

**Figure 3: Graph Showing Loans Outstanding Under ACGSF by Year (1996-2000)**

Source: Plotted using data from Central Bank of Nigeria (2000). ACGSF Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2000

**Table 2: Number and Value of Loans Guaranteed By the ACGSF by Purpose (January-December 2003)**

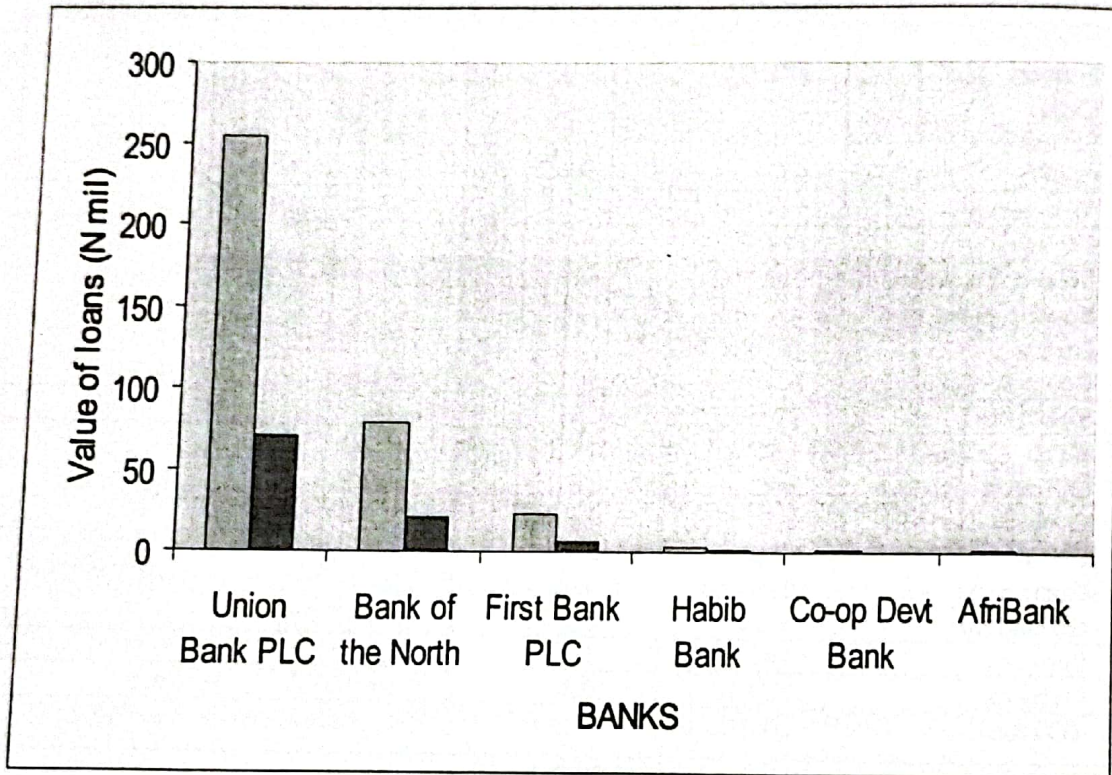
	Number of Loans		Value of Loans	
	Number	% of total	Value('000)	% of total
<b>Livestock</b>				
Poultry	985.0	4.1	94,972.8	8.2
Cattle	103.0	0.4	4,480.0	0.4
Sheep/Goat	27.0	0.1	1,970.0	0.2
Others	63.0	0.3	5,446.0	0.5
<b>Sub-total</b>	<b>1,178.0</b>	<b>4.8</b>	<b>106,868.8</b>	<b>9.2</b>
<b>Fisheries</b>	134.0	0.6	13,050.0	1.1
<b>Mixed Farming</b>	101.0	0.4	8,333.0	0.7
<b>Food Crops</b>				
Grains	16,081.0	66.2	663,507.1	57.0
Roots & Tubers	6,439.0	26.5	351,687.5	30.2
<b>Sub-total</b>	<b>22,520.0</b>	<b>92.7</b>	<b>1,015,196.6</b>	<b>87.2</b>
<b>Cash Crops</b>				
Oil palm	44	0.2	3,380.0	0.3
Rubber	8.0	0.0	940.0	0.1
Cocoa	15.0	0.1	1,971.0	0.2
Cotton	21.0	0.1	1,640.0	0.1
Groundnut	53.0	0.2	3,030.5	0.3
<b>Sub-total</b>	<b>141.0</b>	<b>0.6</b>	<b>10,961.5</b>	<b>0.9</b>
<b>Others</b>	<b>229.0</b>	<b>0.9</b>	<b>10,053.0</b>	<b>0.9</b>
<b>TOTAL</b>	<b>24,303.0</b>	<b>100.0</b>	<b>1,164,460.9</b>	<b>100.0</b>

*Source: Central Bank of Nigeria (2003). Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2003*

**Table 3: Number and Value of Agricultural Loans Guaranteed By Banks in the Year 2000**

Bank	Value of loans (₦ Mil)	Percentage
Union Bank PLC	254.10	70.3
Bank of the North	78.50	21.7
First Bank PLC	22.50	6.2
Habib Bank	3.30	0.9
Co-op Devt Bank	2.00	0.6
AfriBank	1.10	0.3
<b>Total</b>	<b>361.50</b>	<b>100</b>

*Source: Central Bank of Nigeria (2000). Agricultural Credit Guarantee Scheme Fund: Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2000.*

**Figure 4: Chart Showing Number and Value of Agricultural Loans Guaranteed By Banks in the Year 2000**

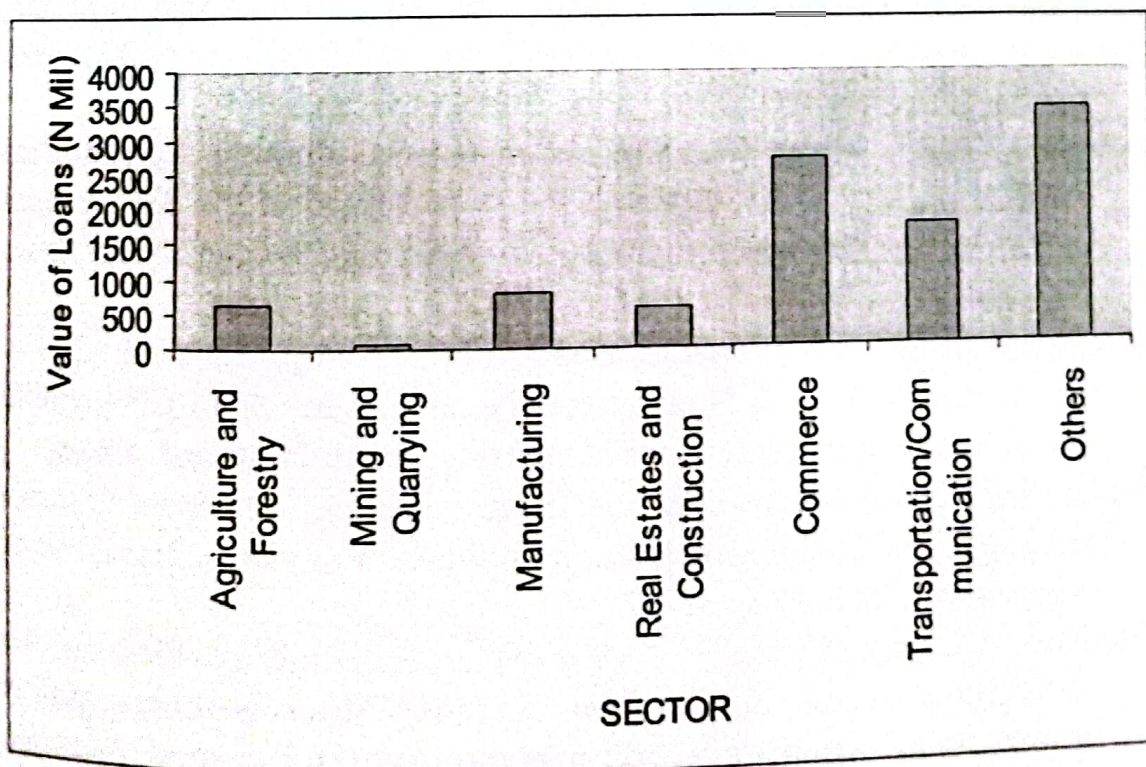
*Source: Plotted using data from Central Bank of Nigeria (2000).  
ACGSF Annual Report and Statement of Accounts for the year  
ended 31<sup>st</sup> December, 2000*

**Table 4: Sectoral Distribution of Loans and Advances by Community Banks in the year 2003**

Sector	Value of loans (₦ Mil)	Percentage
Agriculture and Forestry	625.0	6.3
Mining and Quarrying	59.5	0.6
Manufacturing	809.2	8.1
Real Estates and Construction	574.1	5.7
Commerce	2733.1	27.5
Transportation/Communication	1727.9	17.4
Others	3425.8	34.4
<b>Total</b>	<b>9954.6</b>	<b>100</b>

*Source: Central Bank of Nigeria (2003). Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2003.*

**Table 4: Sectoral Distribution of Loans and Advances by Community Banks in the year 2003.**



*Source: Plotted using data from Central Bank of Nigeria (2003). Annual Report and Statement of Accounts for the year ended 31<sup>st</sup> December, 2003*

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