
ANALYSIS OF CREDIT USE BY THE BENEFICIARIES OF BANK OF AGRICULTURE IN ONITSHA AGRICULTURAL ZONE OF ANAMBRA STATE, NIGERIA

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Abstract: The studies evaluate the credit use by the beneficiaries of Bank of Agriculture in Onitsha Agricultural Zone of Anambra State, Nigeria. it specifically examine the socio-economic characteristics of the small-scale farmers that benefited from B.O.A. credit facilities; identify other sources of credit available to the farmers and utilization of credit; determine amount requested, amount approved amount disbursed and amount repaid by the beneficiaries during the study period; compare the relationship between amount requested, approved, disbursed and repaid; identify constraints to credit provision and utilization by the bank and farmers respectively and derive policy implication base on finding. Sampling procedure will involve multistage random sampling method where stage one will be selection of five L.G.A. Out of thirteen L.G.As. Stage two will involve random selection one community from each of five selected L.G.As. They include Omor, Aguleri, Umunya, Nkpor, and Atani communities. Finally at stage three, 10 farmers will be selected by random method from each of the five selected communities making it 50 respondents. Data collected was analyzed by means of descriptive statistics tools such as means frequency distribution, percentages and paired sample T-test. The result of the study showed that 52% of the respondents collected credit from B.O.A. the loan volume requested is ₦97, 4 billion amount approved was ₦82, 2 billion repaid, amount due was ₦73, 8 billion and amount outstanding was ₦18.6 billion. The constraints are difficulty of providing acceptance guarantor, cumbersome bureaucratic problem, high interest rate and untimely loan.

Keywords: Credit, Credit Utilization Bank of Agriculture, Credit Repayment.

INTRODUCTION

Agriculture is a major contributor to the Nigeria's Gross Domestic Product (G.D.P) and small farmers play a dominant role in this contribution (Rahji and Fakoujode, 2001) but their productivity and growth are hindered by limited access to credit facilities (Odoemenem and Obinna, 2010). Agriculture contributes immensely to the Nigerian economy in various ways, namely in the provision of food for the increasing population; supply of adequate raw materials and labour input to a growing industrial sector; a major source of employment; generation of foreign exchange earning; and provision of a market for the products of the industrial sector (World bank, 1998; Winter, Janvry, Sadoulet and Stamoulis, 2006, Okumadewa, 1997). Credit (capital) is viewed as more than just another resource such as labour, equipment and raw materials (Rahji, 2000). The recognition of credit as a powerful instrument for the reduction of poverty in the developing countries had led to a multitude of programmes on agricultural credit, cooperation and integrated rural development in the past few decades (Yasmeen, 1993). Making funds available to farmers through appropriate agricultural credit facilities is important not only because it enable them to expand their scope of operation and adopt new farm production technologies, but also because it enable them market their produce in a more orderly manners through the adoption of new technologies for processing and storage, as well as generating high bargaining power associated with greater liquidity (Okorie, 1998).

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Nigeria government is aware of the special role of agricultural credit in contributing to the overall growth and development of agriculture. However, the history of agricultural credit administration in many parts of Nigeria has not been impressive when evaluated on the basis of their repayment performance (Anene, 2002). The provision of appropriate macro economic policies and enabling institutional finance for agricultural development is capable of facilitating agricultural development with a view to enhancing the contribution of the sectors in the generation of employment, income and foreign exchange (Olomola, 1997). Making fund available through credit is important because it help to expand the scope of production, adapt new technology, enable farmers market their product (Okorie, 1998). Because agriculture competes for fund with other commercial enterprises and is disadvantaged, the Nigerian Agricultural Bank (N.A.B) was established in March 4, 1973 but was renamed Nigeria Agricultural Co-operative Bank. Subsequently in 2000, the Nigeria Agricultural Co-operative Bank was merged with other Agricultural production facilitating bank like the People Bank of Nigeria (PBN) and took over the risk and assets of the family Economic Advancement Programme (F.E.A.P) to become an integrated banking system called the Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB). A plan to reposition the bank into an effective and sustainable national agricultural and rural development finance institution in 2010 led to a further name changes to Bank of Agriculture Limited (B.O.A). This is to ensure for effective delivery of agricultural and rural finance services. (Santuaraki, 2010)

OBJECTIVES OF THE STUDIES

The study broadly evaluates the credit use by the beneficiaries of Bank of Agriculture in Onitsha Agricultural zone of Anambra State, Nigeria. The specific objectives are to:

- i. examine the socio-economic characteristics of the small-scale farmers that benefited from B.O.A credit facilities;
- ii. identify other sources of credit available to the farmers and utilization of the credit;
- iii. determine amount requested, amount approval, amount disbursed and amount repaid by the beneficiaries;
- iv. compare the relationship between amounts requested, approval, disbursed and repaid;
- v. identify constraints to credit provision and utilization by the bank and farmers respectively; and
- vi. derive policy implication base on finding.

STUDY HYPOTHESIS

There is no statistically significant relationship between mean levels of amount of loan requested by the farmers and approval by the bank and amount of loan disbursed by the bank and repaid by the farmers.

METHODOLOGY

THE STUDY AREA

This study will be carried out in Onitsha Agricultural zone of Anambra State. It is bounded on the North by Awka-Anambra State capital territory, on the West by Asaba in Delta State, on the East by Odeka/Obelle axis of Kogi State and on the South by Mgbidi, Imo State. It comprises of thirteen Local Government Areas (L.G.As): Anambra East, Anambra West, Onitsha North, Onitsha South, Idemili South, Ogbaru, Idemili north, Ekwusigo and Ihiala.

The zone is endowed with vast rich agricultural land which made it to be tagged the food basket of Anambra State (Ukeako, 2001). The people are predominantly farmers and fishermen

because of presence Anambra River. The presence of Anambra River Basin Development Authority at Aguleri and Omor also make this area peculiar. The area has average temperature of 30°C and average annual rainfall of 2000mm (Awofisoye, 2004).

POPULATION AND SAMPLING PROCEDURE

The study population is all farmers who have benefited from B.O.A credit facilities and staff of the bank. Sampling procedure will involve multistage random sampling method where stage one will be selection of five L.G.A. out of the thirteen L.G.As. Stage two will involve random selection of one community from each of the five selected L.G.As. They include Omor, Aguleri, Umunya, Nkpor, and Atani communities. Finally at stage three, 10 farmers will be selected by random method from each of the five selected communities. This gives a total sample size of 50. In addition, 10 staff of the bank will be randomly sampled and interviewed to collect information on activities of the bank.

METHODS OF DATA COLLECTION

Data will be collected from primary and secondary sources. Primary data will be collected through the use of two sets of questionnaires, one for farmers and the other for the bank official. Secondary sources of data such as - journals, conference proceedings, workshop and seminar papers, magazines, project works, textbooks, thesis and dissertation and others will be used.

MEASUREMENT OF VARIABLES

Most of the variables to be deployed for this study are socio-economic variables. These variables such as genders, farmer's age, education level, family size, farming experience, size of farm land, occupation and farming activities will be measured.

METHOD OF DATA ANALYSIS

Data collected for the study will be analyzed by means of descriptive statistical tools such as means, frequency distribution, percentages and paired - samples T-test.

RESULTS AND DISCUSSIONS

The results will be discussed under the sub-heading; socio-economic characteristics of the respondents; source of credit and credit utilization; amount of credit requested, approval, disbursed and repair by the beneficiaries; relationship between amount requested, approved, disbursed and repaid; and constraints to credit provision and utilization by the bank and farmers.

Socio-Economic Characteristics of the Respondents

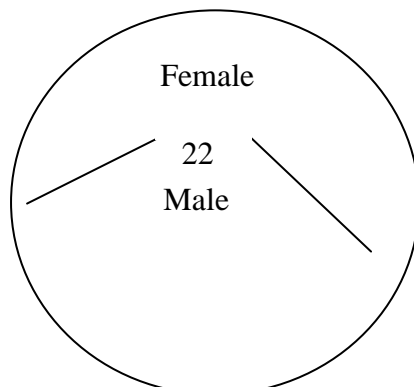
The gender, age, educational level, family size, farming experience, farming activities, size of farmland and occupation are discussed.

Gender of the Respondents

The distribution of the respondents according to gender shows that out of the 50 respondents, 22 are male while 28 are female as shown in diagram I.

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Diagram 1: Distribution of Respondents According to Gender.



Source: Field Survey, 2012.

AGE OF THE RESPONDENTS

Diagram 2 shows that the majorities (44%) of the beneficiaries were 40 to 59 years, an age range which is considered highly productive and active to undertake the strenuous task associated with farm work.

Diagram 2: Distribution of Respondents According to Age

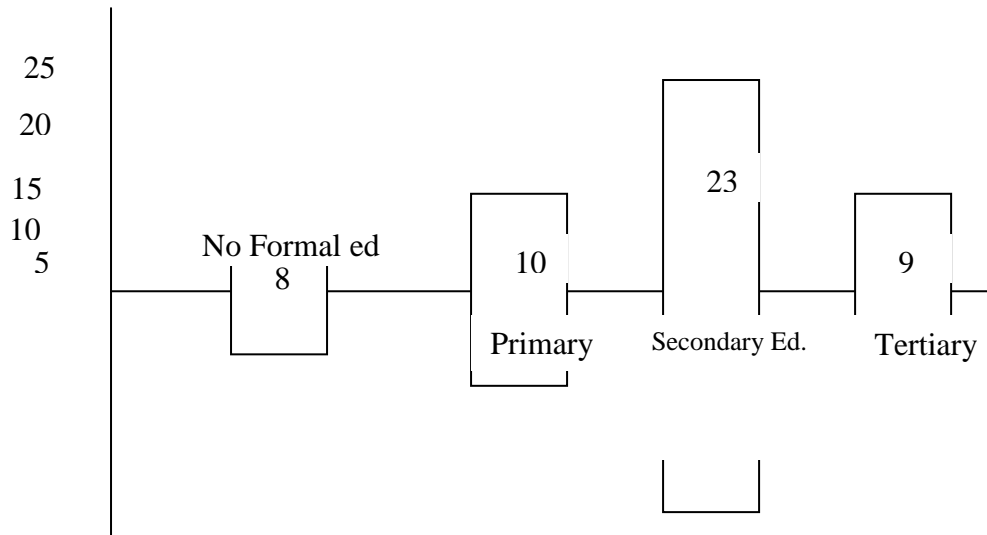
Age	Frequency	Percentage
20-29	3	6
30-39	8	16
40-49	9	18
50-59	13	26
60 and above	17	34
Total	50	100

Source: Field Survey, 2012.

Educational Attainment of Respondents

Diagrams 3 showed that 18% (9 respondents) of the respondents attended tertiary institution, 46% (23 respondents) attended secondary school, 20% (10 respondents) attended primary school. In all, about 84% of the respondents have a formal education. The high level of formal education achieved by the respondents had obvious implication in the demand for loan in the bank. This is because a literate applicant stands a better chance of understanding the requirements involved in obtaining and repayment of loan.

Diagram 3: Educational Attainment of Respondents



Source: Field Survey, 2012.

Family Size of the Respondents

Table 1: shows that 22% of the respondents had household of 1-3 persons; 34% household size of 3-6 persons, while 44% had household size of 6-10 persons. The burden imposed by a large family size would have reduced agricultural resources from which loan could be repaid. The implication of this is that borrowers with lower number of household members would meets their repayment obligations better than those with high member of household members

Table 1: Distribution of Respondents According to Family Size

Family Size	Frequency	Percentage
1-3	11	22
3-6	17	34
6-10	22	44
Total	50	100

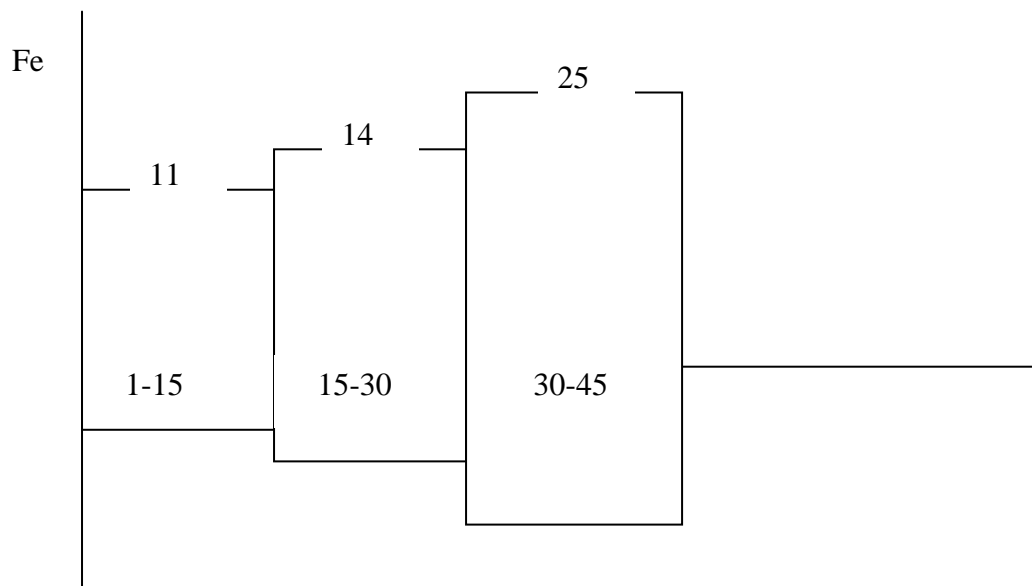
Source: Field Survey, 2012.

Farming Experience of the Respondents

Distribution of the respondents by farming experience is shown in diagram. The result indicated that 11 respondents (22%) had 1-15 years experience; 14 respondents (14%) had 15-30 years farming experience and (50%) of them had 30–40 years farming experience. Farmers can cope with the risk and stress associated with farming if they have greater and longer experiences.

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Diagram 4: Distribution of Respondents According to Years of Farming Experience

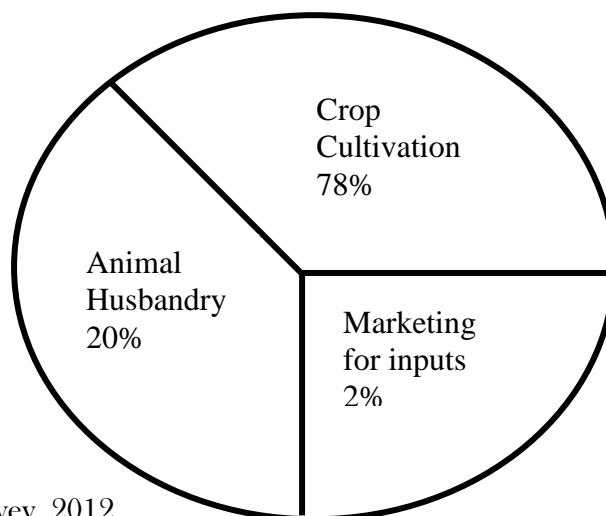


Source: Field Survey, 2012.

FARMING ACTIVITIES OF THE RESPONDENTS

The distribution of farming activities is shown in diagram 5. The result showed that 78% of the respondents specialized on crop cultivation, 20% on animal’s husbandry and 2% on marketing farm inputs. This means that most of the farmers utilize their loans on crop production.

Diagrams 5: Distribution of the Respondents by Major Agricultural Enterprises



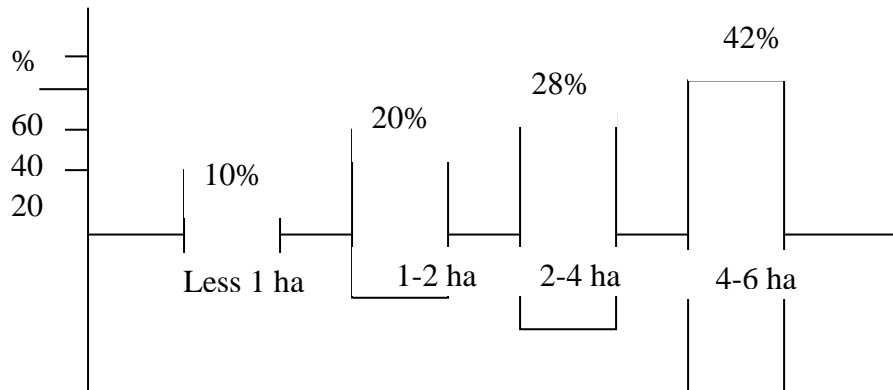
Source: Field Survey, 2012.

Distribution of the Respondents According to Farm Size

Diagram 6 shows the distribution of the farmers according to farm size. It shows that 10% of the farmers had less than 1 hectare, 20% had 1-2 hectares and 28% had 2-4 hectares while 42% had 4-6 hectares. The implication is that as sizes of framers’ farm holding increase, they become more inclusive toward commercialization and more likely to adopt improved

technologies and farm management practices. The effects are the increase in level of efficiency and profitability and by extension capacity to repay the borrowed fund.

Diagram 6: Distribution of the Respondents According to Farm Size



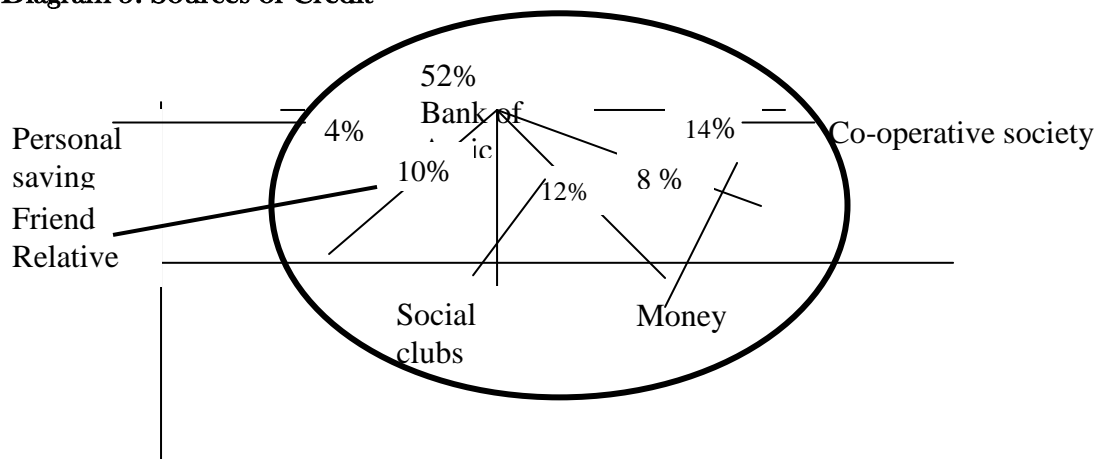
Source: Field Survey, 2012.

Source of Credit and Credit Utilization

Source of Credit

Diagram 7 shows that 4% of the respondents used their personal savings for farming, 10% borrowed from friends and relative, 12% borrowed from social clubs, 8% borrowed from money from co-operative societies while 52% borrowed from Bank of Agriculture. This indicated that most of the farmers were able to access credit from the bank probably because they found it cheaper.

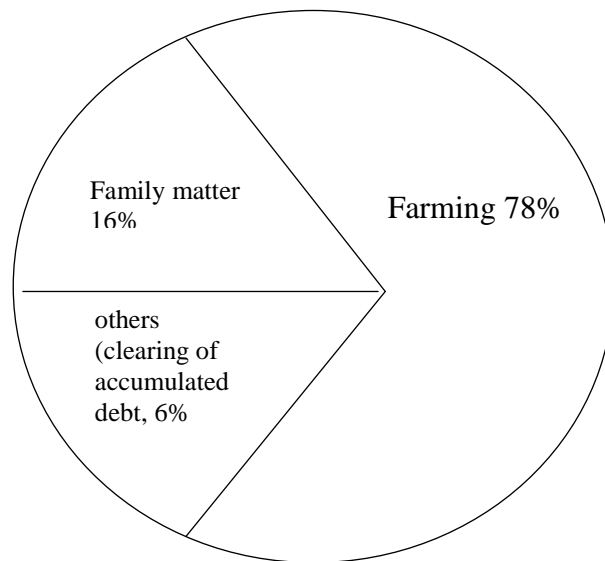
Diagram 5: Sources of Credit



The study showed that the respondents about 78% utilized the credit for farming, 16% spent the loan to solve family problems while 6% used the loan to clear accumulated debts which may not necessarily be related to family. This is shown in diagram 7. This means that the respondents utilized most of the accessed loan for the primary purpose (farming activities).

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Diagram 8: Distribution of Respondents According to Utilization of Credit



Source: Field Survey, 2012.

Determine Amount of Credit Requested, Approved, Disbursed and Repaid by the Beneficiaries

Results of the analysis of amount of credit requested, approved, disbursed, and repaid (table 3) indicated that majority (76%) of the respondents requested for credit between ₦70,000 - ₦200,000; 50% got the amounts approval and some 50% of them got the amount (₦ 70,000- ₦200,000) disbursed to them, about 10% of the respondents applied for amount below ₦70,000; 38% of the 10% got approvals while only 44% of the 38% were disbursed; full repayment were 38%, half repayments 24%, less then half 18% while 20% of the repayment defaulted totally.

Relationship Between Amounts Requested AND Approved, Amount Disbursed and Repaid

Test of hypothesis about the equality of means of amounts requested and approved, and amounts disbursed and repaid by the farmers. The hypothesis, mean levels of amounts of loan requested by the farmers and approved by the bank; and amounts disbursed by the bank and repaid by the farmers are the same, were tested by means of two sample T-Test. The result is shown in table 2. The result indicated the existence of significance differences between mean levels of amounts of loan requested by the farmers and approved by the bank of 5% probability levels. This implied that approvals by the bank significantly fell short of requests from the farmers. A reason that negatively affected productivity and consequently inability of the farmers to fully repay accessed amounts. This development was confirmed by the significant difference between mean levels of the amount repaid by the farmers against mean level of what was disbursed of them at 5% level.

Table 2: Output of the Two Samples T-Test

Sample Pairs	Mean Level of AMR and AMA AMD and AMR	Differences between group means	T ratio	P	DF
AMR	141220				
AMA	101360	39860	1.84**	0.071	68
AMD	92292				93
AMR	68668	23625	1.88**	0.064	

DF = Degree of Frequency

Note: AMR = Amount requested or repaid, AMD = Amount disbursed, AMA = Amount approved, P= probability, ** = significant at 5% DF = Degree of frequency.

Source: Field Survey, 2012.

Small-Holder Annual and Cumulative Volume of Operation

Table 4 shows that out of ₦52 291 169 billion disbursed for the past five years (2007 -2011), ₦55, 210, 186b was recovered from the borrowed amount leaving behind a total of N18, 633, 656 billion in the hand of defaulters. 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 supervision and adopts more efficient methods of credit supervision, their will be serious erosion of capital.

Table 3: Amount of Credit Requested, Approved and Disbursed

Amount of Credit Requested	Frequency	Percentage
Below 70,000	5	10
70,000 – 140,000	35	70
141,000-200,000	3	6
Above 200,000	7	14
Total	50	100
Amount approval		
Below 70,000	19	38
70,000-140,000	21	42
141,000-200,000	4	8
Above 200,000	6	12
Total	50	100
Amount disbursed		
Below 70,000	22	44
70,000-140,000	50	40
141,000-200,000	5	10
Above 200,00	3	6
Total	50	100
Amount repaid		
Half payment	12	24
Full payment	19	38
Less payment	9	18
No payment	10	20
Total	50	100

Source: Field Survey, 2012.

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Table 4: Small-Holder Annual and Cumulative Volume of Operation

Year	Loan Vol. Requested	Amount Approval	Amount Disbursed	Amount Repaid	Amount Due	Amount Outstanding
2007	8,804,414	5,808,600	2,080,415	970, 341	2,593, 281	1,622,940
2008	12,733, 640	12,103,150	6,702,420	3,820,702	9,159,897	5,339,195
2009	16,120,898	10,508,620	6,077,033	3,221,706	12,450,859	9,229,153
2010	30,941,731	28,360,850	17,220,898	20,484,834	22,413,475	1,928,641
2011	28,816,372	27,213,378	20,210,403	26.712,603	27,226,330	513,727
Total	97,417,055	83,994,594,	52,291,169	55,210,186	73,843,842	18,633,6565

Source: Field Survey, 2012.

Achievement Levels by the Bank And Repayment Rates by the Farmers

Table 5 indicated that the average repayment rate by the farmers has 58.90%. A closer look shows that there is improvement in repayment rate from 37.42% in 2007 to 98.11% in 2011. This is a commendable development on the part of the beneficiaries.

Table 5: Average Repayment by the Farmers

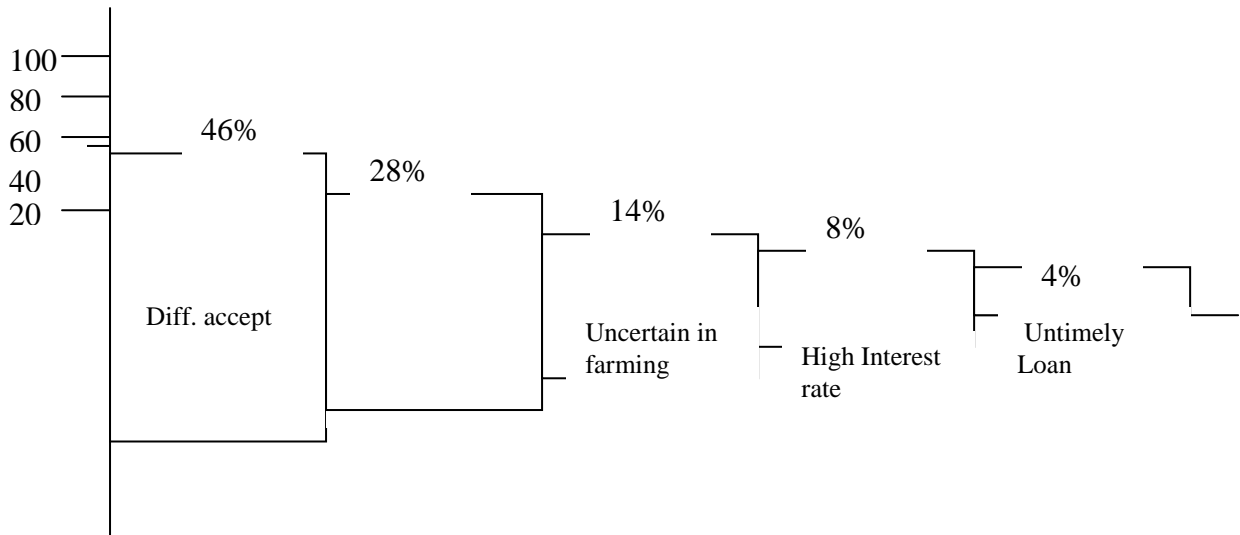
Year	Loan Disbursement as Percentage of Loan Approval (Achievement Level)	Repayment (%)
2007	35.82	37.42
2008	55.38	41.71
2009	57.83	25.88
2010	60.72	91.40
2011	74.27	98.11
Total	56.80	58.90

Source: Field Survey, 2012

Constraints to Credit Provision and Utilization by the Bank and Farmers

Diagram 9 Indicated that majority (46%) of the respondents had difficulty in providing acceptance guarantors to the bank, followed by 28% of them have cumbersome bureaucratic process, 14% risk and uncertainty in farming, 8% high interest rate and untimely loan disbursement 4%.

Diagram 9: Problems Encountered by Small Farmers



Source: Field Survey, 2012.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The broad objective of this work was to examine credit use of the beneficiaries of B.O.A in Onitsha Agricultural zone of Anambra State, Nigeria. The study identified socio-economic characteristics of the small scale farmers that benefited, identified sources of credit available to the farmers and utilization of credit; determined amounts requested, approved, disbursed and repaid by the beneficiaries and identified constraints to credit provision and utilization by the bank and farmers respectively. Data was collected and record obtained from bank. The collected data were analyzed by mean of descriptive statistical tools such as means, frequency distribution, percentages and two-sample T-Test. Findings indicated that 56% of the farmers were female, majority of them (44%) were in the active age range of 40-59 years, about 44% had family size of 6-10 persons, 84% had one form of education or the other, 50% gained farming experience ranging from 30-45 years, 62% had farming as their main occupation, 42% had farm size of 4-6 and 52% utilized bank loan.

Result of the test of hypothesis about the equality of amounts requested and approved and amount disbursed and repaid implied that approvals by the bank significantly fell short of requests from the farmers which negatively affected productivity and inability of the farmers to repay accessed fund. Again, the B.O.A has through the operation of the small holders scheme from 2007-2011 approved a total soft loan of ₦83,994,598 billion, disbursed a total of ₦52,291,169 billion and recovered ₦55,210,186 billion leaving behind an outstanding balance of ₦18, 633, 656 billion in the hands of defaulters. Problems encountered by framers are cumbersome bureaucratic process, risk and uncertainties in farming etc.

CONCLUSION

The success of the small holder loan scheme of the Bank of Agriculture in the study area based on high rate of patronage (56.80%) and repayment rate (58.90%) has eroded the popularity of the informal sources of credit.

RECOMMENDATIONS

The following recommendations are made based on the study findings.

1. Credit delivery to farmers must be timely to avoid diversion and wastage of agricultural funds

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2. There should be adequate loan supervision and monitoring in order to ensure the success of approved projects, repayment and sustenance of the bank.
3. B.O.A should employ better strategy to recover outstanding debts.

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