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# LOAN DELINQUENCY AMONG SMALL FARMERS IN DEVELOPING COUNTRIES: A CASE STUDY OF THE SMALL-FARMER CREDIT PROGRAMME IN LAGOS STATE OF NIGERIA\*\*

by E. D. Balogun\* & Adekunle Alimi\*

## Abstract

Loan delinquency has often plagued small-farmer credit programmes. This paper discusses the extent and nature of loan delinquency, as well as its causes and consequences using the small-farmer credit programme of Lagos State as a case study. Empirical evidence from the study showed that high default rates in the region of 55 to 90 per cent crippled the programme. Among the major causes of default are loan supply shortages, delay in time of loan delivery, poor supervision, non-profitability of farm enterprises, misallocation of funds, poor farmers' attitudes towards repayment, and undue government intervention with the operations of credit programmes. The concluding remark stresses the need to review and reform policy approach to small-farmer credit programmes. This can be done through correcting fundamental deficiencies in agrarian structure, formulating and implementing policies to deal with crop failures, strengthening farm management techniques and credit responsibility; integration of savings scheme into rural credit programmes; improvement in the management ability of credit disbursing agencies; reduction in the level of government interference and accurate knowledge of the existing conditions on the farms by lending agencies.

## Introduction

Cheap and abundant credit is often regarded as essential for rural development. This assumption has often led governments in developing countries to aggressively promote loans to farmers in order to increase agricultural production. And in most cases specialised lending agencies and/or small-farmer credit programmes have been established as part of a more general strategy of supply-leading finance. The premise

generally is that the establishment of such institutions and credit programmes will lead to effective supply of financial services in advance of demand for them by the farm sector and consequently induce the desired process of real growth through financial intermediation.

The experience with these specialised lending agencies in most developing countries have not been very encouraging. Two broad reasons are generally adduced for their poor performance: Firstly, the specialised lending institutions and their credit programmes were often set-up based on faulty assumptions and consequently have major defects in design and operations. Secondly, some have attributed their weakness to the poor response of farmers to such financial impetus. The resultant effect is that the desired demand-following financial response becomes critically hampered by financial misbehaviours such as loan delinquency among beneficiaries. In our view, the inability of specialised lending institutions to induce the desired demand-following financial response deserve to be examined in greater detail. In particular, the nature of financial misbehaviour which hampers the performance of the operations of these institutions and their credit programmes deserve special attention. This paper therefore, seeks to determine the extent and nature of loans default among small-farmers, the factors responsible and the consequences and make recommendations for policy considerations.

The paper is divided into four parts: Part I presents a background information on the operation of the credit programme studied. Part II focuses on the conceptual and analytical framework for measuring loan delinquency. Part III discusses the empirical evidence of loan delinquency in small-farmer credit programme while Part IV presents the concluding remarks and policy recommendations.

## PART I

### THE LAGOS STATE SMALL-FARMER CREDIT PROGRAMME

The small-farmer credit programme studied is an on-lending facility from the Nigerian Agricultural and Co-operative Bank (NACB). The NACB is a specialised agricultural lending institution set up in 1973 by the Federal Government of Nigeria. The institution which has distinctive liability structures, supplies credit to farmers either directly or through on-lending programmes of cooperatives and state governments. The on-lending schemes were introduced as part of a programme to reach small farmers whose credit needs do not exceed ₦5,000.00. Generally, the state governments and co-operatives that operate small-farmer credit programmes are expected to propose and acquire these loans on behalf of these farmers who usually do not have any tangible collateral security.

The Lagos State Government small-farmer credit programme was started in 1985. A total of ₦2.0 million was obtained by the Lagos State Government from the NACB to commence operations. The farm credit programme was unique in several ways. Firstly, it is strictly a lending operation, and has no facilities for savings mobilisation.

Thus, the managing institution, the Lagos State Ministry of Agriculture, is a financial intermediary in the very strict sense of converting borrowed funds into rural loans. Replenishment of loanable funds depends strictly on long-term finance from the NACB, occasional subventions from the state government and repayments received. Secondly, the interest rates charged on loans were concessional. The rates were often determined in line with the provisions of the Central Bank of Nigeria's Credit Guidelines. Thirdly, the State Government guarantees repayment to the lending

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\*\* The views expressed here are strictly those of the authors.

institution while the farmer is only expected to provide intangible security (such as identification and testimony to the farmers character by the village head or a third party guarantee) to the State government. Fourthly, credit is supervised by government extension workers whose main duties are to provide general extension services to the farmers. The extension officer evaluates the capacity of the farmers to repay and generally restrict loans to "viable" ones who in his opinion would have adequate surplus to repay such loans. The judgement is often based on very vague ideas about the farmers' standing with respect to farm

size, costs, yields, other family expenses and credit worthiness.

The operation results of the credit programme showed that 803 and 185 farmers benefitted from total loans amounting to ₦779,500 and ₦208,600 in 1985 and 1986 respectively. Average loan per farmer was ₦1,004.90 and ₦1,229.00 in 1985 and 1986 respectively (see Table 1). Of the five Divisions of Lagos State, most of the farm credit beneficiaries were from Ikorodu, Badagry, Epe and Ikeja. The farming activities for which loans were obtained were food crops (grains), poultry and fishing.

## PART II ANALYTICAL FRAMEWORK FOR MEASURING LOAN DELINQUENCY

### Conceptual Framework

Loan default can be defined as the inability of a borrower to fulfil his or her loan obligation as and when due. An overdue loan obligation usually includes that part of the principal (unpaid) and accrued interest payments stipulated in the loan agreement schedules which were entered into during loan negotiations.

Generally, defaults have been known to contribute to failure of small farmer credit programmes. In fact, with the exception of Japan, the Republic of Korea and Taiwan where default rates were found to be less than 5 per cent, majority of small-farmer credit programmes in Africa, the Middle East and Latin America have commonly experienced high rates of default ranging between 50 to 90 per cent (Sanderatne, 1978). High default rates are however not peculiar to small-farmer credit programmes alone. The World Bank, for example, has cited Bangladesh, Bolivia, Colombia, Costa Rica and Ethiopia as some countries where large-scale farmers have poorer repayment records.

High default rates in small-farmer credit programmes should be of major concern to policy makers in developing countries, because of its unintended negative impact on agricultural financing and output. According to Von Pischke (1980), some of the impact generally associated with default include: the inability to recycle funds to other borrowers; determent of other financial intermediaries from serving the needs of farmers, and the creation of distrust.

Various factors have been identified as major determinants of loan delinquency. Empirical evidence from Okorie (1986), showed that the nature, time of disbursement, supervision and profitability of enterprises which benefitted from small holder loan scheme in Ondo State, contributed to the repayment ability and consequently high default rates. Sacay (1985), identified some mutually related factors which influence loan delinquency in small farmers credit programmes to include low income, due to poor production and low prices, which might in turn be related to misuse of loan proceeds, lack of technical supervision, inefficient government policies and small farm size. In particular, Sacay identified sheer poverty due to poor farm incomes as being the primary root of delinquency and that the level of indebtedness, misallocation of loans, low sales proceeds, low educational attainment and tenurial status might be associated with the low level of incomes. Sacay's study also showed that about 30 per cent of farmers surveyed admitted using the loans for family expenses and only 41 per cent of the 71 per cent of those who reported applying the

loans for production actually used them for farm expenses.

### Measuring and Assessing Loan Delinquency

The extent and nature of loan repayment problems are sometimes difficult to ascertain. According to many studies, (Sacay 1985, Von Pischke 1984), institutions and programme implementators vary in their measures of loans arrears (defaults) and the problems associated with it. Sacay (1985) in his study used mainly Repayment Rates and Past Due Ratios, while Sanderatne (1978) suggested the use of Collection Ratios (same as Repayment Rates) for the accounting period, the percentage of portfolio in arrears, the proportion of borrowers who repay and the Repayment Index. The results from these approaches only serve to indicate the magnitude of the problems. The true story of loan defaults could not emerge due to various practices such as rolling over loans (rescheduling) and payment of past loans from the proceeds of current/new loans etc. Despite these shortcomings, these broad magnitudes serve very useful purpose in determining the extent of loan default.

For this study, a combination of these approaches will be adopted. These can be defined as follows:

$$LRR = \frac{LC_i}{LO_i} \times 100 \dots \dots \dots (1)$$

$$PDR = \left(1 - \frac{LC_i}{LO_i}\right) \times 100 \dots \dots \dots (2)$$

$$LRR + PDR = 100 \dots \dots \dots (3)$$

$$LPA = \frac{LA_i}{TLP_i} \times 100 \dots \dots \dots (4)$$

$$LA_i = LO_i - LC_i \dots \dots \dots (5)$$

$$BRR = \frac{BNR_f}{NB} + w_1 \frac{BNR_p}{NB} \times 100 \dots \dots \dots (6)$$

$$w_1 = \frac{VRC_p}{TVLO_p} \dots \dots \dots (7)$$

$$LRI = \frac{BVR_f}{VB} + w_2 \frac{BVR_p}{VB} \times 100 \dots \dots \dots (8)$$

$$w_2 = \frac{NRC_p}{TNLO_p} \dots \dots \dots (9)$$

$$BRR + BDR = 100 \dots \dots \dots (10)$$

$$LRI + LDI = 100 \dots \dots \dots (11)$$

where these symbols are defined as:

LRR	=	Loan Repayment Rates in period i
LCi	=	Value of Loan Repayments Collected in period i
LOi	=	Total value of Loans Outstanding for the period i
PDR	=	Past Due Ratio
LPA	=	Percentage of Loans Portfolio in Arrears
LAI	=	Loan portfolio in arrears
TLPi	=	Total Loans Portfolio in period i
BRR	=	Borrowers Repayment Ratio
BNRf	=	Number of Borrowers who made Repayment fully
BNRp	=	Number of Borrowers who made Partial Repayment
NB	=	Total Number of Loan Beneficiaries for the period
w <sub>1</sub>	=	Weight used in the calculation of the Borrowers Repayment Ratio
LRI	=	Loan Repayment Index
BVRf	=	Value of Loans collected by those who made Full Repayments
VB = LOi	=	Total Value of Loans Outstanding for the period
BVRp	=	Value of Loans collected from those who made Partial Repayment
w <sub>2</sub>	=	Weight used in the calculation of the Loan Repayment Index
BRD	=	Borrowers Default Rate

LDI = Loan Default Index.

Empirical estimation of the determinants of loan delinquency will be done through the use of descriptive statistics. Emphasis will be on relating some identified factors (based on the theoretical postulates) to loan delinquencies. Among the factors that will be considered are the loan supply shortages (defined as the ratio of loan supplied to the initial demand by farmers), adequacy of time of delivery, availability of other sources of credit and profitability of enterprises which benefitted from the credit programme. These factors are by no means exhaustive and discussions of the determinants of loan default will include problems created by policy gaps especially, those that are prevalent in most developing countries but for which empirical evidence cannot be adduced.

#### Data Sources, Adjustments and Limitations

The study made use of secondary data obtained from the Lagos State Ministry of Agriculture's Extension Division. Primary data were collected through the assistance of the Extension Officers of the Ministry through a survey. 185 farmers that benefitted from the programme in 1986 were administered with questionnaires which solicited for information on the causes of defaults. However, a response rate of 31.9 per cent was realised. In our opinion, this sample is considered representative enough for the purpose of this study. However, given the enormity of data problems in the country, caution should be taken in the interpretation of the outcome of the study.

### PART III EMPIRICAL ANALYSIS

#### 1. Nature and the Incidence of Defaults

The various measures of loan delinquency used in the study indicated high default rates in the small-farmer credit programme of the Lagos State Government.

The *Loan Repayment Rates* (LRR) and Past Due Ratio (PDR) showed that loan repayment rates under the small farmer-credit programme in Lagos State were 53.6 and 26.9 per cent for 1985 and 1986 respectively, giving an average of 40.1 per cent. At this rate, total overdues in default were estimated at 59.9 per cent of total loan obligations during the period (see Table 2). The experience generally was that loan delinquency increased significantly after the first year of operation. The uptrend in PDR was prevalent in Badagry Division of the state. It rose substantially from 51.6 per cent in 1985 to about 92.0 per cent in 1986 giving a Loan Repayment Rate (LRR) of only 8.0 per cent. This was followed closely by beneficiaries in Ikorodu Division which recorded an average Past Due Ratio (PDR) of 61.7 per cent. However, LRR for Ikeja Division were generally high giving PDR of 32.4 per cent during the period.

In general, it is our belief that LRR and PDR as calculated above tended to under-estimate default rates because of their inherent aggregation bias. For a single loan operation, the indicators would be sufficient. But for a credit programme for several farmers the lumpsum approach will tend to mask the grave nature of the problem as the number of beneficiaries who repay or defaulted is not taken into

consideration.

A similar but somewhat different index is the Loan Portfolio Arrears (LPA). The LPA was about 61.6 per cent (see Table 3), that is the lending institution was not able to recover a significant proportion of funds under its farm credit portfolio. Again, this reveals little or nothing about the structure of defaults.

Another measure of default rate calculated is the Borrowers Repayment Ratio (BRR). The BRR was calculated at 44.8 and 9.9 per cent for 1985 and 1986 respectively. As indicated by other default rates measure, Badagry Division's BRR deteriorated sharply from about 52.9 per cent in 1985 to about 7.6 in 1986 (see Table 4).

The results obtained from the computation of the Loan Repayment Index (LRI) were similar to those derived from the BRR. These two indices were adjudged to provide the best estimates of default rates as they use all the available information for the computation. The LRI was 44.7 and 11.9 per cent for 1985 and 1986 respectively, giving very high Loan Default Index (LDI) of 53.3 and 88.1 per cent in 1985 and 1986 respectively (see Table 4).

From the available indicators so far, it can be concluded that loan default rates in the Lagos State small-farmer credit programme in 1985 and 1986 ranged from 55 per cent to about 90 per cent. This estimate compares well with Okorie's (1986) estimate of between 20 to 90 per cent default rates in small-farmer credit programme in Ondo

State, and Sanderatne (1978) estimates of between 50 per cent to 80 or 95 per cent in Africa, Middle East and Latin American countries.

## 2. Causes of Loan Delinquency

The highlights of selected major institutional level causes of loan delinquency in small-farmer credit programme in Lagos State are as follows:

i) **Loan Supply Shortages:** One major defect in the credit programme was the inability of the organisation to meet all or a significant proportion of the credit needs of the farmers. Most farmers sampled got less than 50 per cent of their credit requirement. Further analysis from the 59 respondents indicated that 62.7 per cent were absolute defaulters who made no repayment, out of which 83.8 per cent were those farmers who got less than 50 per cent of their credit demand (see Table 5). Even a significant proportion of partial defaulters (87.5 per cent) fall in the class of those who got less than 50 per cent of their credit requirements. The data suggests that the inability of the credit programme to meet a significant proportion of the farmers' credit needs was partly responsible for the high default rates. This calls to question the arbitrary manner in which amounts applied for were cut and approved by lending institutions without thorough assessment and appraisal of the implications of such actions on the cash flow position and subsequent viability of the project.

ii) **Delay in time of Loan Delivery:** Timeliness of loan disbursement is very vital in farming, since most farm operations are seasonal and time specific (such as planting, weeding, harvesting), labour and inputs have to be paid for promptly. Available data showed that 54.1 per cent of absolute defaulters were those who got their loans after 120 days of application, while 66.7 per cent of those who fully repaid the loans were those who got their loans within 60 to 90 days of application. This suggests that timeliness of loans delivery may facilitate proper utilisation and thus enhance repayment ability of farmers.

iii) **Poor supervision of Loans:** Available evidence showed that the credit programme was supervised by extension workers of the Lagos State Ministry of Agriculture whose primary assignment was to introduce innovations to farmers. And in most cases, the ability of the officers to monitor, supervise, and evaluate credit programme was not given adequate emphasis. The survey data indicate that there was lack of interest, poor supervision and unsatisfactory record keeping of the detailed information on loan beneficiaries. For example, the survey returns indicate that 51.4 per cent (19 out of 37) of absolute defaulters did not return borrowed funds because they never thought they were required to do so.

The extension workers are not entirely to be blamed. Lack of funds and inadequate facilities which have become prevalent in recent times, have tended to constrain effective and efficient performance of essential extension service duties.

The farm level causes include:

iv) **Profitability of Enterprises:** The survey data disclosed that significant proportion of absolute defaulter (64.9 per

cent) were to be found among farmers whose farm enterprises were not profitable. The adverse production situation encountered in terms of poor yields, non-viable small farm units, lack of agricultural inputs and supportive services which existed without the loan, persisted with the loan, and as such the fortunes and profitability of the farm enterprises were not influenced much by the credit. The data also revealed that a significant proportion of partial defaulters (62.5 per cent) were those who incurred losses in their farm enterprise operations. The implication is that except a small farmer credit programme is operated at a profitable project level by the farmer, it would continue to be characterised by high rates of default.

v) **Existence of Other Non-Institutional Debt Service Burdens:** The survey data disclosed that 54.1 per cent of the absolute defaulters were those who enjoyed other sources of loans (especially from informal lenders), and whose debt service obligations took precedent over that of the institutional creditor. In most of the cases, credit from informal lenders was often obtained to meet consumption needs and other urgent contingencies of the farm family. Such informal lenders include Esusu groups, and individuals whose interest rate are exorbitant. But 95.0 per cent of those who patronised them ranked them first in their repayment priority. According to the respondents, this is because informal lenders could be approached personally any time whereas the formal credit programme is often characterised by delays, impersonal approach with unaccommodating and unusually cumbersome procedures.

vi) **Misallocation:** The study also found that about 44.8 per cent of absolute defaulters could not give adequate account of the agricultural investment venture to which the credit was put. Their expectation was that repayment could be made out of their existing level of investment, while diverting the loans to meet other non-farm expenditures. Further investigation revealed that most had committed the funds to unforeseen expenses connected with marriage, births, deaths, illness, legal and ceremonial expenditures or other activities which were not profitable or illiquid.

vii) **Farmers' Attitudes:** Although an assessment of the farmers attitude towards the problem of high default rates was difficult to ascertain, indirect evidence pointed to the fact that most defaulters felt no obligation to repay. 88.0 per cent of absolute defaulters opined that the government could easily write off the loans as bad debts. Others argued that farmers have been toiling for a long time to provide food to feed the teeming population of this country without compensation. And as such they see the small-farmer credit as grant or compensation which they should not be asked to refund.

The government induced cause of loan delinquency is the result of defects in the design of most credit programmes. These include: the policy of partial intermediation in rural financial markets; bias which arose from the controls and regulation of rural financial markets; and the element of *political compensation often associated with government intervention.*

viii) **Partial Intervention in Rural Financial Markets:** As mentioned earlier, the credit programmes depended mostly

on funds either provided by the government or enjoyed government guarantee, and it is strictly a lending operation. The policy is such that the rural credit channel has no provision for *rural savings*. The credit institution is therefore unable to act as a financial intermediary between rural savers and borrowers, but merely as a one-way link between government and the farming sector. Under these circumstances, credit programme implementors hardly see the need for adequate information on developments in the financial markets to guide them in taking lending decisions. Instead, other criteria such as availability of funds from government, social and political considerations and the rule of thumb are used to determine loan approvals. The repercussion is generally high loan default rates and the crippling of such programmes. Perhaps, loan defaulters could have been more reasonable and rational if they realised that it was a fellow rural saver's fund that they refused to repay.

**ix) Distortionary Effects of Macropolicies:** The credit programme studied was in operation at a time when government had in place a policy of regulating interest rates for agricultural credit below the market rates in an attempt to promote agricultural production and subsidize farmers. But this had serious implications for lending agencies. Lending operations to the agricultural sector was comparatively unviable, especially for genuine financial intermediaries who have to raise funds at cost for lending operations. The experience generally was that the interest rate margin was not adequate enough to support the costs of loans administration and this tended to discourage agricultural lending in commercially-oriented organisations.

In the case of this programme, it was reported that the Lagos State Government took funds at 9 per cent and on-lent at cost (9 per cent) to farmers.

There was no operating margin and the cost of loans administration has to be borne entirely by the Agricultural Extension Service budget. Budgetary constraints which had limited the efficiency of state government agricultural extension services manifested itself in the weak supervision

which characterised the credit programme and high loan delinquency was the result.

### 3. Consequences of Loan Default

The consequences of loan delinquency on lenders and borrowers were tremendous. On the lenders, the inability to recover a substantial part of the first year loans and feed the funds back into the credit system endangered the viability of the programme. In fact, available funds for 1986 credit operation were substantially lower than that of 1985. The loan portfolio shrank by 73.2 per cent from ₦779,500 to ₦208,600. Arrearages which have continued to attract debt service charges was ₦1,481,895 as at 1986. By 1987, there was no evidence to show that the credit programme was still in operation.

There was also increasing evidence that the lenders continued to incur extra costs in an attempt to explore further possibility of collecting overdue loans. For example, there were cases of litigation (defaulters were taken to court to compel them to service their debts.)

Given the fact that the on-lending programme was by government, the impact of arrearages goes beyond the lending agencies. For example, there were moves to deduct at source for onward repayment to NACB by the Federal Government, such arrearages from the subvention of state governments who engaged in the on-lending credit programme of the NACB. This represented a wasteful charge on government funds which otherwise would have been used to meet essential commitments.

The consequence of loan delinquency on the farmer was evident in the number of farmer-beneficiaries in 1986. The number of farmer-beneficiaries fell drastically from 803 in 1985 to 185 in 1986. By 1987, there was evidence that institutional lenders were not willing to grant credit to small farmers, and as it seemed, the Ministry of Agriculture appeared quite reluctant to continue to assist new farmers through the credit programme. The delinquent borrowers were aware of this reluctance, and most of them resorted to informal lenders for loans to support subsequent farming operations. This further raised their level of indebtedness.

## PART IV CONCLUDING REMARKS

While the results of the analysis appear disheartening, the situation is however not hopeless. As it seemed, the incidence, causes and consequences of loan delinquency are interrelated and numerous, but not sufficient to condemn the small-farmer credit programme approach to agricultural lending. This is because of the fact that given the peculiar circumstances of small farmers and the vital role they play in the provision of food and fibre for the well-being of the nations, continuous effort must be made to put the farming sector on the path of growth. For as long as rural farmers continue to be poor and do not have enough funds to support their farming activities, external sources of funds, especially from rural financial markets must continued to be sought for as financial leverage for the farming enterprise.

As such, high level of loan delinquency should not be seen to under-estimate the need for formal and informal intermediation in rural financial markets. What is needed under the prevailing circumstances would be to adopt an integrated

approach in resolving the problems of loan delinquency in small-farmer programmes.

This calls for an imaginative review of the policy approach to small-farmer credit, and in particular, reform in the design and operations, and the need to enhance farmers income through provision of rural infrastructures and efficient extension services. Some measures or actions that can be taken are:

**i) Remedy Fundamental Deficiencies in Agrarian Structure:**

Efforts should be made to enhance the farms' performance through the provision of appropriate technology, rural infrastructures and extension service. This way, farmers' output and income could be enhanced thereby facilitating their ability to service debt burdens.

**ii) The Need to put in Place Policies Designed to Deal with Fortuitous and Seasonal Crop Failures:**

This will include provision of guarantee, adjustment of

repayment conditions, or the design of formal and informal crop insurance.

**iii) Strengthen Farmers Farm Management and Credit Responsibility:**

Farmers should be given formal and informal training on the need to adopt sound management practices, and desist from frivolous illiquid expenditures. They must also be educated on the need to see farm credit as an essential input in the production process that has to be recouped and not as a windfall gain from government or lending institutions. This will go a long way in reducing the incidence of misuse and misallocation of loans.

**iv) Integrate Savings Scheme into Small-Farmer Credit Programme:**

The design of credit programmes should include, as a matter of policy, the objective of inculcating savings habits in small farmers. Such savings will serve a dual purpose: firstly, the collectively-owned savings under such programme will constitute a fund from which farmers can borrow and secondly, the security for the loans is the savings of the borrower plus those of two or more members of such credit and savings programme acting as guarantors. Under this system, default rates will be substantially reduced. While savers will be expecting some interest as profit, borrowers will continue to have access to funds at reasonable rates. Integrated rural savings and credit programme have been successful in Bangladesh (the Grameen Bank) (Fuglesang, 1982), Latin America and the Caribbean.

**v) Strengthen Credit-Disbursing Organisation's Management Ability:**

Efforts should be made to strengthen the management ability of the credit-disbursing organisation. The kind of improvements needed will include better management which would stress timely and adequate disbursement of funds, better compensation for staffs of the organisation, the evolution of effective system of savings and credit supervision and the development of a strong data base on borrowers and the financial sector for proper accounting purposes.

**vi) Reduced Undue Government Interference:**

While the financial support often provided by the government in the setting up of the rural savings and credit programme is desirable, efforts should be made to reduce the level of undue political interference in the administration of it. Political considerations should in most cases be played down, and the government should take a clear and unambiguous position that loans defaulters will be not pardoned.

Table 1

MAJOR FEATURES OF THE SMALL FARMERS LOAN SCHEME										
DIVISIONS	1985					1986				
	Number of Beneficiaries	Total amount collected by beneficiaries (N)	Total amount due with interest (N)	Total amount repaid (N)	Total amount outstanding (N)	Number of Beneficiaries	Total amount collected by beneficiaries (N)	Total amount due with interest (N)	Total amount repaid (N)	Total amount outstanding (N)
Badagry	152	134,000	146,060	70,665	75,395	21	28,000	30,520	2,440	28,080
Epe	111	111,000	119,900	65,175	54,725	35	45,000	49,050	14,700	34,270
Lekki	-	-	-	-	-	-	-	-	-	-
Ikeja	77	72,500	79,025	58,450	20,575	23	32,600	35,534	21,780	13,754
Ikorodu	466	46,500	506,850	262,600	24,425	106	103,000	112,270	22,215	90,055
<b>TOTAL</b>	<b>806</b>	<b>782,500</b>	<b>851,835</b>	<b>456,890</b>	<b>394,945</b>	<b>185</b>	<b>208,600</b>	<b>227,374</b>	<b>61,215</b>	<b>166,159</b>

Source: Lagos State Ministry of Agriculture and Cooperatives, Ikeja.

Table 2

#### ANALYSIS OF LOAN REPAYMENT RATES AND PAST DUE RATES

DIVISIONS	Loan Repayment Rates (Percentage)			Past Due Rates (Percentage)		
	1985	1986	Average	1985	1986	Average
Badagry	48.4	8.0	28.2	51.6	92.0	71.8
Epe	54.4	30.0	42.3	45.6	69.9	57.8
Lekki	-	-	-	-	-	-
Ikeja	74.0	61.3	67.6	26.0	38.7	32.4
Ikorodu	56.8	19.8	38.3	4.8	80.2	61.7
<b>TOTAL</b>	<b>53.6</b>	<b>26.9</b>	<b>41.8</b>	<b>43.4</b>	<b>73.1</b>	<b>58.2</b>

Source: Derived from Statistics from Lagos State Ministry of Agric. and Cooperatives, Ikeja

Table 3

#### ANALYSIS OF LOAN PORTFOLIO ARREARS (Percentage)

DIVISIONS	1985	1986	Average
Badagry	56.2	100.0	78.3
Epe	49.3	76.2	62.8
Lekki	-	-	-
Ikeja	28.7	42.2	35.5
Ikorodu	43.2	80.2	61.7
<b>TOTAL</b>	<b>43.4</b>	<b>79.7</b>	<b>61.6</b>



Table 4

## LOAN REPAYMENT INDICES

DIVISIONS	Loan Repayment Indices		Loan Default Indices		Borrowers Repayment Ratio		Borrowers Default Rates	
	1985	1986	1985	1986	1985	1986	1985	1986
Badagry	53.7	7.8	46.3	92.2	52.9	7.6	47.1	92.4
Epe	44.1	12.0	55.9	78.0	43.0	9.1	57.0	90.9
Lekki	—	—	—	—	—	—	—	—
Ikorodu	60.1	14.1	39.9	85.9	60.1	43.1	39.9	56.9
Ikeja	43.5	9.8	56.5	90.2	43.5	9.8	56.5	90.2
<b>TOTAL</b>	<b>44.7</b>	<b>11.9</b>	<b>55.3</b>	<b>88.1</b>	<b>44.8</b>	<b>9.9</b>	<b>55.2</b>	<b>90.1</b>

Source: Derived from Data collected from Lagos State Ministry of Agriculture and Cooperatives, Ikeja.

Table 5

**DISTRIBUTION AND AVERAGE REPAYMENT RATES OF SAMPLED BORROWERS  
BY LOANS SUPPLY SHORTAGES, TIMELINESS OF DELIVERY, PROFITABILITY  
OF ENTERPRISE AND AVAILABILITY OF OTHER CREDIT**

	Repayment Rates (Percentage)			
	Zero	Partial	Full	Total
<b>Loan granted as % of amount applied for:</b>				
0 – 50	83.8	87.5	50	81.4
51 – 100	16.2	12.5	50	18.6
<b>Time of Delivery:</b>				
60 – 120 days of application	45.9	31.3	66.7	44.1
>120 days of application	54.1	68.7	33.3	65.9
<b>Profitability of Farm:</b>				
Profitable	64.9	37.5	50	59.3
Not Profitable	35.1	62.5	50	44.7
<b>Enjoy loan from other source(s).</b>				
Yes	54.1	43.8	50	50.8
No	45.9	56.2	50	49.2

Based on 1986 lending.

Source: Derived from the primary survey returns.

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