

# **An Evaluation of the Possible Strategies for a Sustainable and Successful Bank of Agriculture (BOA) Service Delivery to Farmers in Nigeria: A Case Study of Food Crop Farmers in Kogi State.**

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## **Abstract**

*The study evaluated the possible strategies for a sustainable and successful Bank of Agriculture (BOA) service delivery to farmers in Kogi State, Nigeria. Using the food crop farmers as a case study, a multi-stage random sampling technique was used to select three agricultural zone in Kogi State ( zone A, B, and C). Primary data were collected through the use of structured questionnaire which were administered to farmers who are clients of NACRDB. The major tool of analysis is the Likert scale of analysis. The study find out that, strengthening of the group for better performance was seen by respondents as the most important strategy with mean score of 81.53 per cent. Establishing mechanism to protect the farmers from undue competition for fund in BOA was ranked second with a mean score of 80.28. Establishing mechanism to check diversion of fund in BOA with a mean score of 79.86 was ranked third. Privatization of BOA and BOA establishing farms instead of giving credit was ranked the least The study therefore recommends that The government and BOA should strategize for sustainable and successful BOA service delivery to farmers by strengthening the group for better performance and establishing mechanism to protect farmers from undue competition for fund as this was seen as some of the possible strategies for BOA service delivery to farmers in Nigeria.*

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Key words: Strategies, Agricultural, Service, Food Crop, Possible, Farmers

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## **Introduction**

The Bank of Agriculture (BOA) started with the name, Nigerian Agricultural Bank (NAB), in 1973. It was renamed in 1978 as Nigerian Agricultural and Cooperative Bank

(NACB). With the merger with the Peoples Bank and Family Economic Advancement Programme (FEAP), it became Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) in 2001. In October 2010, the name changed again to the

Bank of Agriculture (BOA). The bank serves the nation through a four-tier structure at the apex of which is the head office in Kaduna State. Under the head office, there are six Zonal Offices in Abuja (North Central), Bauchi (North East), Enugu (South East), Port Harcourt (South - South), Ibadan (South West) and Kano (North West) which coordinate 195 representative offices (BOA,2011).

Nigeria is endowed with huge expanse of fertile agricultural land, as well as a large active population that can sustain a highly productive, and profitable agricultural sector. This enormous resource base if well managed could support a vibrant agricultural sector capable of ensuring self-sufficiency in food crop production and raw materials for the industrial sector as well as, providing gainful employment for the teeming population and generating foreign exchange through export. The issue of agricultural finance could easily be said to be the most critical of the constraints in achieving this position, as it is vital to the

development and procurement of appropriate technology, design and construction of necessary infrastructure, development and maintenance of adequate marketing system, as well as modernization of the land tenure system. Agricultural financing in its broadest sense, involves pre-project planning and feasibility evaluation, taking investment decisions, actual investment and funding of projects, profitable management of project and post project evaluation. This broad concept of agricultural financing ensures that funds channeled to agriculture are profitably used for its development, with a concomitant spillover and multiplier effect to the other sectors of the economy. Adofu, I., M. Abula and S. I. Audu, (2010)

The BOA since inception have been able to provide the specialized services of agricultural financing with the aid of its network of branches throughout the country in reaching out to the small scale farmers. As Adeolu and Taiwo (2004) noted, BOA is not

alone in providing specialized services to farmers and non-farmers alike, but other formal financial institutions especially the reformed Micro finance banks had helped in this direction. Apart from increasing the volume of credit from institutional (formal) sources, as opined by Williams and Ogunniyi (2007), government policy, especially that which established the BOA, has consciously made the terms of borrowing for farm production relatively more liberal than for other sectors of the economy compared to what was operational before the advent of the specialized agricultural finance institution. These terms include concessional interest rate on agricultural loans, relatively long period of moratorium and relaxation of conditions relating to collateral securities.

Extending the view of Adeolu and Taiwo (2004) to the entire agricultural sector and with increased access of farmers to credit through BOA and other formal financial institutions including the reformed Micro

finance banks, financial services would be available to farmers to invest in innovations and modern technology that will guarantee agricultural growth and development, and in a more restrictive sense, an increase in food crop production in Nigeria and Kogi State in particular.

Agricultural lending has become a vital function in financial operations as it facilitates the economic growth, agricultural development and improves efficiency. For a farmer to derive benefits from any institutional credit, the size of the loan, the process of granting such loans, timeliness in disbursement and repayment are very important (Nweze, 1991), apart from level of education, marital status and family size (Ibeawuchi, 2002). Unfortunately, financial lending institutions in Nigeria, often shy away from giving loans to farmers because of high cost of administering such loans and high default rate among farmers as asserted by Nweke and Onyia (2001) as well as Kodieche (2007). The government recognition of the

difficulties in attracting credit to the agricultural sector, established BOA to help channel fund to the agricultural sector of the economy. Another notable effort at financing agriculture was the creation of the Community Banks which help in the mobilization of rural savings for investment. These community banks which were formally established by Decree No. 46 of 1992 has since transformed into micro finance banks in Nigeria.

The aim of agricultural financing is to prop up farmers to make substantial investment in agriculture and stimulate increased productivity. Since traditional agriculture cannot sustain any capital formation, the capital required for investment in agriculture must necessarily be injected from outside. Thus, an agricultural credit scheme is considered an important component of the Nigerian agricultural development programme, if productivity must increase. It is also asserted that, the increasing recognition of the need for agricultural financing stems from the

desirability to enhance the position of on-farm capitalization in Nigeria agriculture and the fact that the farmers own saving are normally inadequate to finance the various farming activities. Thus, capital injection into the agricultural sector is imperative in view of the unfavourable terms of trade facing agriculture, declining productivity, low level of adoption of improved technologies and the fact that many investors are in favour of low cost quick returns and less risky business ventures compared to agriculture (Oni and Olomola, 1989).

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

services to the agricultural sector and hence the birth of BOA.

Based on the above scenario, this research seeks to evaluate the possible strategies for a sustainable and successful BOA service delivery to farmers in Kogi State, Nigeria.

## **Materials and Method**

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

The state is located between Latitude 7<sup>0</sup>30' North and Longitude 6<sup>0</sup>42' East and occupies an area of 29,833 square kilometers. It is bounded by the Federal Capital Territory (FCT), Niger and Nassarawa States on the North; Anambra and Benue States on the East,

and Ondo, Kwara, Ekiti, Edo and Enugu on the West. The state comprises three senatorial districts; East, West and Central. In the East it is dominated by the Igalas, but with other minority groups like the Bassa Kwomu and Bassa Nge. The central is predominantly Ebira, but with a minority group known as Ebira Koto, and the western predominantly Okun, but with other minorities, especially the Oworo, Ogori and Nupe people.

The population of the state is put at 3,595,789 million according to the 2006 Population Census figure. About 75 percent of the population lives in rural areas. Kogi state is blessed with fertile arable land because of its location in forest savannah which supports extensive agriculture. Tropical climate in the state is marked by two distinct seasons, the dry season (September – March) and the wet season (April – October). Average temperature ranges from 28<sup>0</sup>C to 40<sup>0</sup>C (Adofu, I., E. Antai and O. Alabi, 2010.).

Agriculture is the mainstay of the economy. The state produces cash crops like coffee, cocoa and food crops such as palm oil, peanuts, maize, cassava, yam, rice and sorghum. The state is blessed with a lot of mineral resources like coal, limestone, iron, petroleum and tin. The state is home to the largest iron and steel industry in Africa known as Ajaokuta Steel Company Limited as well as one of the largest cement factories in Africa, the Obajana Cement Factory, a subsidiary of Dangote Group of Companies.

**Sample Selection**

A multi-stage random sampling procedure was used in this study. The multi-stage random sampling procedure was chosen because it allows for effective and equal representation of all the units within the study area. The sampling procedure is in stages, and the peculiarities of characteristics are taken into consideration at all the sampling stages for equal representation. The Kogi State Agricultural Development Programme has

classified the state into four agricultural zones based on the peculiar agricultural activities. They are; Zone A with headquarters at Aiyetoro, Zone B at Anyigba, Zone C at Koton-Karfe and Zone D at Aloma. This will form the basic stratification segments in stage 1. In stage 2, only three (3) of these zones have BOA branch offices and they are: Zones A, B and C. This account for the reason for purposive sampling of these zones. A sampling frame of BOA loan beneficiaries was obtained from the BOA zonal office in Abuja. In stage 3 two Local Governments were selected from each of the zones as shown below:

<b>Zones</b>	<b>LGA’s Sampled</b>
A	Kabba/Bunu and Ijumu
B	Dekina and Ankpa
C	Lokoja, and Ajaokuta

In stage 4, five farm settlements were selected at random from each of the six local governments.

In stage 5, a random sampling of 30 farmers – loan beneficiaries was drawn from each of the

6 Local Governments giving a total of 180 samples or respondents. The farmer – loan beneficiaries in this study are those food crop farmers that cultivate any or combination of the following food crops: Yam, Cassava, Maize and Sorghum

**Sources and Types of Data Collected**

This research work relies on both primary and secondary data. The primary data were collected through the use of structured questionnaire, which was administered to the food crop farmers who have benefited from the credit facilities of BOA in the three sampled zones.

**Analytical Tools**

Likert scale of analysis is used to identify the possible strategies for a sustainable and successful BOA in the state. This is informed by Okerenta (2005). Also the pooled percentages were used to achieve the possible strategies for a sustainable and successful BOA service delivery to the farmers in the state. These were calculated using the formula:

$$PP = \frac{\sum F_i(A_i)}{N(5 - 1)} - N \times \frac{100\%}{1} \dots\dots\dots 3.19$$

Where;

PP= pooled percentage

∑ = summation sign.

F<sub>i</sub> = number of respondents choosing a particular scale point.

A<sub>i</sub> = numerical scale of the scale point.

N = sample size.

**Results and Discussion**

Table 1 shows means scores of possible strategies for a sustainable and successful BOA service delivering to the food crop farmers in Kogi State. From the results of the findings, majority of the respondents view all the statements as positive (favourable) strategies for a sustainable and successful BOA service delivery to food crop farmers in Kogi State. Strengthening of the group for better performance was seen by respondents as most important strategy with mean score of 81.53 per cent. Establishing mechanism to protect the

farmers from undue competition for fund in BOA was ranked second with a mean score of 80.28. Establishing mechanism to check diversion of fund in BOA with a mean score of 79.86 was ranked third. The fourth ranking was, establishing mechanism for monitoring of the progress and effects of BOA service delivery to farmers, while enlightenment of farmers especially in the rural area on the products and services of BOA with a mean score of 76.81 was ranked fifth. Building political support for BOA service delivery policy with mean score of 76.39, training and re-training of BOA staff with mean score of 59.58 and motivation of staff of BOA with mean score of 58.47 were ranked sixth, seventh and eight respectively. Privatization of BOA and BOA establishing farms instead of giving credit was ranked ninth and tenth with mean score of 19.72 and 17.08 respectively, which suggest negative strategies.

From table 4.1 all the food crop farmers' loan beneficiaries agreed that the

statement ranked first to eight are positive strategies for a sustainable and successful BOA service delivery to the farmers. Item statement ranked ninth and tenth was seen as negative strategies and should be discouraged. The implication of this is that, the Government policy on privatization will not achieve result in the case of BOA, since the aim of establishing the specialized Bank was to provide loan at concessionary interest rate to farmers.



**Table 4.18: Distribution of Respondents According to their Perception of Possible Strategy for a Sustainable and Successful BOA Service Delivery to the Farmers.**

S/No	Possible strategy	Frequency of 0	Frequency of 25%	Frequency of 50%	Frequency of 75%	Frequency of 100%	Mean (%)	Ranking	Remark
1.	Building political support for BOA service delivery policy	6	11	27	59	77	76.39	6	Positive
2.	Establishing mechanism for monitoring of the progress and effects of BOA service delivery to farmers	0	13	28	61	78	78.33	4	Positive
3.	Establishing mechanism to protect the farmers from undue competition for fund in BOA	0	11	23	63	82	80.28	2	Positive
4.	Privatization of BOA	78	63	38	1	0	19.72	9	Negative
5.	Strengthening of the group for better performance	3	14	26	67	80	81.53	1	Positive
6.	Motivation of staff of BOA	9	23	76	42	30	58.47	8	Positive
7.	Training and re-training of BOA staff	5	27	73	44	31	59.58	7	Positive
8.	Enlightenment of farmers, especially in the rural area on the products and services of BOA	0	9	31	58	77	76.81	5	Positive
9.	BOA establishing farms to make use of fund instead of giving credit to farmers	80	77	23	0	0	17.08	10	Negative
10.	Establishing mechanism to check diversion of fund in BOA	0	7	27	70	76	79.86	3	Positive

Source: Computed from Field Survey Data, 2011

- Any mean score  $\leq$  50% suggest negative (unfavourable) strategy item statement
- Any mean score  $>$  50% suggest positive (favourable) strategy item statement

## **Conclusion and Recommendation**

The finding of this research is that all the item statement are seen as possible strategy for a sustainable and successful BOA service delivery to farmers in Nigeria with strengthening of the group for better performance seen by most respondent as most important strategy. Based on this, BOA and the government have great challenges in providing a sustainable and successful service delivery to the food crop farmers. Government aim for establishing a specialized Agricultural bank is to make the terms and policy of borrowing easy and attractive to farmers. With increased access of farmers to credit through BOA, financial services would be available to farmers to invest in innovations and modern technology that will guarantee agricultural growth and development, an in more restrictive sense, an increase in food crop production in Nigeria and Kogi State in particular.

The following implications are drawn and recommendations are made for a sustained and successful BOA service

delivery to farmers in Nigeria at large from the findings of this study.

1. The government and the BOA should strategize for sustainable and successful BOA service delivery to farmers by strengthening of the group for better performance.
2. BOA should establish mechanism to protect farmers from undue competition for fund as this was seen as one of the possible strategies for BOA service delivery to farmers in Nigeria.
3. Establishing mechanism for monitoring of the progress and effects of BOA service delivery to farmers should be taken seriously in designing BOA programs and projects.
4. Enlightenment of farmers, especially in the rural area on the products and services of BOA should be made a cardinal operation point of BOA activity.
5. Other recommended strategies includes: building political support for BOA service delivery policy and motivation of staff of BOA.

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

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