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THEEFFECTOFAGRICULTURALCREDITGUARANTEESCHEMEFUNDACGSFONPRODUCTIONEFFICIENCYOFRURALFARMERSINBENUESTATENIGER IA

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The Effect of Agricultural Credit Guarantee Scheme Fund (ACGSF) on Production Efficiency of Rural Farmers in Benue State, Nigeria

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Abstract-This research work examined the effect of ACGSF on income generation and poverty alleviation among rural farmers in Benue state. Results of the Stochastic frontier and the inefficiency model showed that the variance parameters for 22 and y were 0.2237 and 0.5209 which was significant at 1 percent level. The sigma squared indicated the goodness of fit and correctness of the distributional form assumed for the composite error term while the gamma Y indicates that the systematic influences that are unexplained by the Production Function and the dominant sources of random errors. This showed that the inefficiency effects makes significant contribution to the technical inefficiencies of ACGSF beneficiaries. The central recommendation made as a way of ensuring production efficiency and poverty alleviation was that farmers should form cooperative societies so that they easily obtain inputs at a lower cost and without conditions, also getting information on production practices.

Keywords: agricultural credit guarantee scheme fund, public private partnership, agricultural protection, production efficiency, agricultural credit, poverty reduction, income generation, resource use efficiency, input/output relationship, technical efficiency.

I. INTRODUCTION

gricultural Credit Guarantee Scheme Fund is one of the laudable programmes put in place by the Federal Government of Nigeria to boost agricultural production, generate revenue for the farmers, alleviate poverty and earn foreign exchange for the country. It is also aimed at ensuring food security, rural transportation and improved nutritional health profile of the citizens (ACGSF manual, 2005).

In addition to the Agricultural Credit Guarantee Scheme Fund which is a Federal government initiative to boost agriculture and rural development, the Benue State Government has evolved her own initiative towards boosting agricultural development programmes to ensure food production amongst other objectives. Poverty is a global phenomenon which threatens the survival of the human population. This informed the United Nations declaration of 1996 as the International Year for the Eradication of poverty (CBN economic and Financial Review, 1996).

It is also important to note that the major goal of any country is to have a society that efficiently harnesses its scare resources such that nobody suffers from basic human needs. Studies on poverty in Nigeria indicated that more than 70% of Nigerians are poor (NEEDS, 2004). Further studies have also shown that about 25% of Benue population are extremely poor, 39% are moderately poor and only a small fraction of 36% are able to meet basic human needs (SEEDS,2004). Also vast majority of the poor live in rural areas and most of them are subsistent farmers.

Though various poverty alleviation programmes and agricultural development policies have been put in place but the twin problems of poverty and absence of food security is still lingering. Even in the urban centres, imported rice and other can foods tend to dominate the market. That this occurs in a country which possesses varying agro-ecological and other natural resources in abundance which is suitable for increased production cannot but be worrisome, hence the establishment of ACGSF to curb the menace.

It is in realization of this economic and social status of the Nigeria rural population and Benue state rural farmers in particular that has necessitated this study with particular focus of ACGSF, which is one of the longest surviving policy strategies towards reducing poverty and improving agricultural output among rural farmers in Nigeria.

a) Objectives of the study

The broad objective of this study is to examine the effect of ACGSF on income generation and poverty alleviation among rural farmers in Benue state. The specific objectives are to:

- Assess the socio-economic characteristics of beneficiaries of ACGSF in Benue state
- Determine the input/output relationship of beneficiaries
- Analyse the resource use efficiency of beneficiaries
- Determine the effect of the Scheme on poverty alleviation

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Determine the effect of the Scheme on income generation.

Theoretical Framework Π.

This study is noted in the new classical theory of production which is hinged on efficiency. The idea of the neo-classical theory of efficiency is also based on production function which gives the maximum possible output of a given quantity of input. Alimi (2002) stated that resources must be available and efficiently used in order to achieve optimum production level. Hence, the mission of increasing agricultural productivity to sustain food requirement could be facilitated through efficient management of productive resources. The crucial role of efficiency in increasing agricultural output has been widely recognized by researchers and policy makers. It has also remained an important research both in developed and developing countries. This is particular in developing countries where resources are measured and opportunities for developing and adapting better technology are dwindling.

Research Methodology III.

a) Study Area

Benue state is the study area and it is situated in the middle -belt (north - central) region of Nigeria. The state was created in 1976 out of the then Benue -Plateau State. The state which has its capital in Makurdi has a total land area of 30,955 square kilometer. This is located between latitudes 60 251 and 80 81 North and longitude 70471 and 10000 East, Benue State Ministry of Finance and Economic planning (1980). The state is surrounded by five other states, namely, Nassarawa to the North, Taraba to the North East, Cross River to the South, Enugu to the South west and Kogi to the West. There is a short international boundary between the State and the Republic of Camaroon to the South East. The state has a total population of 4.2 million people. About 70% of these people live in rural areas and engage in agriculture, NPC (2006).

The state also has 23 Local Government Councils and it is heterogeneous in terms of ethnic composition. There are three major groups in the state,

namely, Tiv, Idoma and Igede. Out of the 23 Local Government Areas (LGAs), the Tivs have 14, Idoma 7, and Igedes 2. Population of the state by ethnic grouping is 60.9%, 30.4% and 8.7% respectively.

Benue State has lime stone and coal as its mineral resources. Its agricultural resources include yam, Soya beans, groundnuts, beniseed, melon, cassava, cashew nut, pepper, guinea corn, Barbara nut etc. This is perhaps why the state goes by the appellation "Food Basket of the Nation". The major occupation of the people in the state is farming. Those who are not in the farming occupation are either in the civil service or in some menial business.

b) Sample and Sampling Technique

Multi Stage Random Sampling was used to select 450 farmers who served as respondents of the study. In stage 1, 3 LGAs were randomly selected from each of the three senatorial zones in the State giving a total of 9 LGAs. These nine LGAs according to their zones are: Zone A: Kwande, Vandeikya and Logo, Zone B: Makurdi, Gwer West and Tarka and Zone C: Otukpo, Ogbadibo and Obi. In the second stage, five wards were selected from each of the 9 LGAs. In the final stage, 10 households were systematically selected from each of the 45 wards giving us a total of 450 farmers used as sample size.

A total of 450 farmers were selected from nine LGAs out of the 23 LGAs in the State. Each tenth beneficiary is selected and interviewed. Based on this method, 45 ACGSF beneficiaries were considered from each of 45 selected wards, given a total of 450 respondents for the study.

c) Analytical Technique

The study made use of descriptive statistics and inferential statistics. The descriptive statistics include frequency distribution, tables, simple percentages and budgetary analysis

Model Specification: Stochastic Frontier Model d)

The stochastic frontier production function adopted in this study is specified by the Cobb-Douglas functional form defined thus:

$$Log Yi = b_0 + b_1 \log X_1 i + b_2 \log X_2 i + b_3 \log X_3 i + b_4 \log X_4 i + b_5 \log X_5 i + Vi - Ui$$

Where: Yi

 X_1

Χ2

βo

=

Output of the ith farmer (kg) Farm size (ha) =

Labour (man days) =

Fertilization (dummy: 1 = use fertilizer, X₃ = 0 = not use fertilizer)

X4 = Planting materials (kg)

Pesticides (in litres) X_5 =

> Intercept =

Vector of Production function βı = Parameters to be estimated;

i	=	1, 2, 3	nth farmer

1, 2, 3...nth input Ì. =

Vi = Random error that is assumed to be normally distributed with zero mean and constant variance (δ v2) and μ i is technical inefficiency effect independent of vi, and have half normal distribution with mean equal to zero (x = 0) and constant variance.

Following Battese and Coelli (1995), the mean of farm – specific technical inefficiency μ i is defined as:

$$i = 0 + 1Z_1 + 2Z_2 + 3Z_3 + 4Z_4$$

Where:

- i = Technical Inefficiency Effect of the ith farm
- Z_1 = educational level of farmers
- Z_2 = household size
- Z_3 = experience of farmers
- Z_4 = age of farmers in years
 - = parameters to be estimated

Output is expected to be influenced positively by farm size, labour, fertilizer used, agro chemical and quantity of seed planted. Outputs of farmers are expected to have a negative effect on the technical inefficiency effect. This is so because as farmers switch from planting a particular variety of input to another, effective utilization of inputs would be achieved which in turn, increases the technical efficiency of the farming operation.

Age of farmers is expected to have a negative effect on technical inefficiency effects. This is because older farmers may be less energetic and may have developed inefficient production routines and practices, leading to a negative impact of age on efficiency. Educational level of farmer is also expected to have a negative effect on technical inefficiency. This is because the ability to read could increase the capacity of farmers to understand the implication of the use of some farm inputs and wrong utilization of loans. The result of this would be effective utilization of inputs, which in turn, increases the technical efficiency of the farming operation.

Household size is expected to have negative effect on technical inefficiency and is proxy for family labour. The larger the household size, the more family labour. And the more labour the more the utilization of input.

Farming experience of farmer is expected to have negative effects on technical inefficiency. This is because farming experience determines the rate of adoption of improved techniques. The more the farming experience, the higher the rate of adoption of improved techniques. This would further lead to effective utilization of inputs which in turn increases the technical efficiency of the farming operation.

Availability of credit is also expected to have a negative effect on technical inefficiency. This is because the more the availability of credit, the more the farming activity that will be engaged. Thus this will lead to diversification of fund to both agricultural and nonagricultural activities which will further lead to increase in technical efficiency of the farming activities.

IV. Results and Discussion

a) Socio-economic characteristics of respondents

Socio-Economics	Frequency	Percentage (%)	
Age			
20-25	06	1.3	
26-35	38	8.4	
36-45	217	48.3	
46-55	180	40	
60	09	2	
Total	450	100	
	Marital Status		
Married	3.7	70.4	
Single	38	8.4	
Divorced	53	11.8	
Widow	37	8.3	
Widower	5	1.1	
Total	450	100	
Education Background			
No formal Education	73	16.3	
Primary Education	278	61.8	
Secondary	86	19.1	
Tertian/Education	13	20	
	450	2.9	
TULA	400 Conder	100	
Molo		61	
Iviale	201	04	

Table 1 : Age, Marital Status, Education and Gender of Respondents

Total 450 100	
100	
Female 163 36	

Source: Field survey, 2013.

Table 1 shows that more than half of the farmers (88.3%) were found to be within the age bracket of 36 to 55 years. This is contrary to the findings of past studies which reported the farming population to be ageing (Idown, 1988).

The study further showed that the marital status of the respondents who are married is 70.4%. This may perhaps be a reason why the beneficiaries of the scheme may be doing well with the credit obtained because there will be combined efforts in carrying out their economic activities. The table further showed that 8.4% of the respondents are single and 11.7% are divorce this could have negative effect on the beneficiaries as they will need to employ extra hands to carry out their farming activities. The table in addition shows that 8.3% and 1.1% of the respondents are widows and widowers respectively. This also reveals that there are more widows than widowers.

On educational background of respondents, 16.3% are without formal education while those with only primary education are 61.7%. This further means that

farming at the grassroots is done by people who are not too learned. Those with secondary and tertiary education are 19.1% and 2.9% respectively. This is perhaps another factor militating against the judicious utilization of fund (credit) obtained. Those with tertiary education who could be receptive to changes and innovations are so infinitesimal to effect any meaning change. It is significant to note that education influences productivity by affecting farmer's ability to comprehend the production system and complicated information relating to modern technology, and their ability to adjust guickly to farm management practices (Isah, 1995). This means that education is a socio-economic factor that influences farmers' awareness, perception, reception and adoption of modern production practice (Salamatu, 2005).

From gender perspective, the male were found to make up the bulk of ACGSF farming population in the study area representing 64%. About 36% of the sampled beneficiaries of ACGSF are women. This confirms several studies have indicated that women constitute up to 40% of African agricultural work force.

b) Contact with Extension workers and Farming Experience

Table 2 : Distribution of farmers based on Contact with Extension workers, Farming Experience

	Frequency	Percentage (%)	
Contact with Extension workers			
Yes	173	38	
No	277	62	
Total	450	100	
Years of Experience			
0-10	73	16.3	
11-20	86	19.1	
21-30	278	61.8	
31-above	13	2.9	
Total	450	100	

Source: Field survey, 2013.

Contact with extension farmers is expected to give farmers a good opportunity to get information on better managerial practices, new technology and other auxiliary services. Table 2 showed that only 38% of the beneficiaries of the scheme have contact with extension agents. This indicates that large number of farmers has no opportunity of getting information about new and modern production practices from the extension agents. Table 2 reveals further that 71.8% of the respondents have more years of farming experience ranging from 20 to 30 years and 35.4% of the respondents have years of farming experience ranging from 0 to less than 20. 2.9% of the farmers have years of experience of 30 years and above. Some authors have suggested that farmers with more years of experience are likely to be more efficient in production.

c) Agricultural Activities undertaken by the beneficiaries

Table 3 : Distribution of respondents based on type of agricultural activities

Type of Agricultural Activity	Frequency	Percentage
Rice production	76	16.9
Guinea corn (sorghum) production	79	17.6

Maize production	19	4.2
Cocoa production	00	00
Fish production	00	00
Yam production	155	34.4
Groundnut production	08	1.8
Pepper production	15	3.3
Poultry production	5	1.1
Cassava production	93	20.7
Total	450	100

Source: Field survey, 2013.

Table 3 shows the nature of agricultural enterprise undertaken by the beneficiaries of ACGSF in the studied area. The table further shows that most of the farmers engaged in yam production with a total of 155 of the beneficiaries representing 34.4% of the respondents. This is followed by cassava production which is 20.7 of the respondents and Guinea corn (sorghum) production which is 17.6% of the total

respondents. This explains that yam, cassava and sorghum is produced more in the studied area. However, other Crops like rice, maize, pepper and groundnut are also produced but not as much as yam, sorghum, cassava and rice. The table further reveals that livestock production is not practiced much in the studied area.

d) Cost and Returns

Table 4 : Annual Cost Returns to Beneficiaries of ACGSF

Item	Average cost (naira) (mean value of AC)	Percentage
Land preparation	12,000.00	17.39
Planting	15,000.00	21.74
Fertilizer application	6,800.00	9.86
Weeding	7,200.00	10.43
Harvesting	7,733.00	11.21
Seeds/cuttings	20,270.00	29.38
Total variable cost (TVC)	69,003.30	100.00
Total Revenue (TR)	136,666.67	-
Gross Margin (TR- TVC)	67,663.37	

Source: Field survey, 2013.

Beneficiaries of ACGSF may not be producing for the purpose of meeting subsistence needs alone. The farmers may be interested in selling their outputs to raise income. For this reason, efforts were made to determine the cost associated with rural farming and also revenue that accrues to the farmers efforts. In this regard, only the variable cost of production was considered while the profitability was measured as gross margin.

Summarily, labour related activities (land preparation, planting and fertilizer application) and other input making up the short run cost of production is put at 69,003.30 naira to cultivate a hectare of farmer in the study area. Also an average of 136,666.67 naira accrues to a farmer as revenue and 67,663.37 naira is gotten as the gross margin. This translates to approximately 5000.00 naira/per month as income to the farmer. This

amount is less than the 18,000.00 naira minimum wage in Nigeria as at the time of this study. It is thus evident that farming is not profitable enough except with improved input so that farmers can work on hectares of land thereby reducing cost of production and increasing marginal revenue.

e) Stochastic Frontier Function Analysis

Table 5 : Maximum likelihood Estimates of the Stochastic Frontier Function and Technical Efficiency

		Coefficient	Standard- error	t-ratio
Constant	βΟ	0.6444***	0.1005	0.3219
Labour	β1	0.8999**	0.1079	0.4585
ACGSF Fund	β2	0.7780**	0.1077	0.6006
Farm size	βЗ	0.5499***	0.1143	0.3517
Farming experience	β4	0.6665***	0.1008	0.4932
Planting materials	β5	0.7780***	0.1	0.4932
Pesticides	β6	0.4510***	0.101	0.3912
Constant	δ0	0.7011	0.1002	0.2011
Education	δ1	-0.8494	-0.1314	-0.2045
Household size	δ2	-0.7009	-0.1055	-0.4211
Age	δ3	-0.5987	-0.1102	-0.2131
Farm experience	δ4	-0.6912	-0.1048	-0.4125
Farmers income	δ5	-0.5487	-0.1165	-0.3121
Variance Parameters				
Sigma squared	(δ2)	0.2237		
Gamma	γ	0.5209		
Log Likelihood Function		-0.5331		
LR TEST	0.4569			

** = significant at 5% level, *** = significant at 1% level

Stochastic frontier and the inefficiency model which show that the variance parameters for 2 and y are 0.2237 and 0.5209. They are significant at 1 percent level. The sigma squared 2 indicates the goodness of fit and correctness of the distribution to the technical inefficiencies of ACGSF beneficiaries. Thus, the hypothesis that the coefficient of $\beta = 0$ is rejected. The result shows that inefficiency effects were present and significant. The variance parameters for and Y are 0.2237 and 0.5209. They are significant at the 1 percent level. The sigma squared indicates the goodness of fit and correctness of the distributional form assumed for the composite error term while the gamma Y indicates that the systematic influences that are unexplained by the Production Function and the dominant sources of random errors. This means that the inefficiency effects the make significant contribution to technical inefficiencies of ACGSF beneficiaries. Thus, the

hypothesis that the coefficient of $\beta=0$ is rejected. The result shows that the inefficiency effects were present and significant.

Labour (β 1). The coefficient of labour (0.999) was significant and had a positive sign. This shows the importance of labour in rural farming in the study area. Several other studies (Okike, 2000; Awoyemi, 2000) have shown the importance of labour in farming, particularly in developing countries where mechanization is only common in big commercial farms. In the study area, farming is still at the subsistence level generally. This involves the use of traditional farming implements such as hoe and machete. Human power plays crucial role in virtually all farming activities. This situation has variously been attributed to small and scattered land holding, poverty of the farmers and lack of affordable equipment (Umoh & Yusuf, 2000). It appears that labour will continue to play important role in agriculture,

affecting its efficiency, until those factors constraining mechanization are addressed.

ACGSF Credit (β 2). The production elasticity of output with respect to the amount of loan granted to farmers is 0.7780. By increasing the amount of loan granted to farmers by 10%, output level will improve by a margin of 7.780%. The estimated coefficient is highly statistically significant at 1% level.

Farm size (B3). The coefficient of farm size (0.5485) was found to be positive and significant at 1% level. This result is in line with the findings from Okike's (2000) study of farmers in the savanna zone of Nigeria reported farm size to be significant and positive for the low-population-high-market domain. The result could mean that it is possible to expand farming activity in the study area. It may be possible that competition between infrastructures development and crops for land is not yet keen enough to jeopardize the expansion of crops production. Statistically, the magnitude of the coefficient of farm size shows that output is inelastic to land or farm size. If the farm size is increased by 10%, output level will improve by less than proportionate (by a margin of 5.485%). This means that there is still some scope for increasing output per plot by expanding farmland.

Fertilization (β 4). The production elasticity of output with respect to quantity of fertilizer is 0.1796. By increasing the quantity of fertilizer by 10%, output level will improve by a margin of 1.796%. The estimated coefficient is highly statistically significant at 1% level. The finding is at variant with the report by Winrock (1992), which shows non-significant contribution of livestock manure and crop residues in semi-arid sub-Saharan. Though not ascertained, it may be possible that none separation of fertilizer, in to their different forms (e.g. crop residue, livestock manure, inorganic fertilizer, etc) account for the differences in the findings of this study and that reported by Winrock.

Planting materials (β 5). The coefficient of planting materials (0.5209) was positive and significantly different from zero. This implies that planting materials are important in crop production in the study area.

Inefficiency Effects (Z1 - Z4). The contribution of farmers' personal characteristics-level of education, age, household size and framers income to farm inefficiency was also studied. The coefficients of all variables are negative. In addition, none of the variable is significant; they do not deserve further discussion.

f) Technical Efficiency Analysis

Efficiency indices	Frequency of farms	Percentage
0.10 - 0.19	7	2
0.20 - 0.29	3	1
0.30 - 0.39	14	3
0.40 - 0.49	33	7
0.50 - 0.59	169	38
0.60 - 0.69	149	33
0.70 - 0.79	45	10
0.80 - 0.89	30	7
0.90 - 1.00	-	-
Total	450	100
Mean efficiency	0.59	
Minimum	0.11	
Maximum value	0.89	
Mode	0.7	

Table 6 : Distribution of Technical Efficiency ratings among beneficiaries of ACGSF in the study area

Source: computed from MLE

Individual farm technical efficiency scores. In line with the parameters already presented and discussed, the technical efficiency score of each respondent was also estimated. This is presented in Table 6 where more than 65% of the respondents were found to be more than 50% technically efficient. About

13% of the respondents were found to be less than 50%. The most efficient ACGSF beneficiaries operated at 89% efficiency while the least efficient ACGSF beneficiaries were found to operate at 11% efficiency level. ACGSF beneficiaries performed at an average technical efficiency of 59% while the most frequently occurring efficiency score was 70%. From the results obtained, although ACGSF beneficiaries were generally relatively efficient. However, by increasing the efficiency in their farming activities would bridge the gap of the remaining 30% and attainment of the 100% optimum would be achieved.

V. CONCLUSION

The results of the research indicated that ACGSF loans were not adequate for farmers to increase output in the study area. Farming system and practices are characterized by the use of crude implements. These are pedestals on which low yield and poor financial returns are perpetrated. Also agricultural inputs are not within reach, infrastructural facilities are grossly inadequate, illiteracy of household head, lack of farming experience and increased dependency ratio are on the increase and this could boost the tempo of poverty and low production of agricultural commodities.

VI. Recommendation

- As a way of ensuring production efficiency and poverty alleviation among rural farmers, farmers should form cooperative societies so that they easily obtain inputs at a lower cost and without conditions, also getting information on production practices and even providing distribution channels for farmers produce.
- A sustainable macro-economic framework need to be put in place in order to attract Foreign Direct Investment (FDI), which can be an important source of needed credit as well as bringing access to markets, modern management and technology. Macroeconomic stability strengthens confidence and predictability for producers and facilitates risk assessment for lenders.
- The agriculture banking sector must seek ways to diversify instead of reliance on the State to provide credit. A public-private partnership is the hub upon which sustainable agriculture capable of maintaining production efficiency and alleviating poverty can be achieved.
- A good synergy of public-private partnership policy in the provision of education should be evolved so that basic challenges with respect to innovations and changes would be tackled. This would enable farmers make better technical decision and also help in allocating their production input effectively.

• Enabling environment should be created for improved loan recovery like a legal unit under an autonomous condition to prosecute loan defaulters so as to enhance the viability of the institution and prevent it from collapse under pressure of defaulters.

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