

TITLE PAGE

ANALYSIS OF CREDIT FACILITIES TO SMALL SCALE FARMERS.

**(A STUDY OF SMALL-SCALE FARMERS IN BENDE LOCAL
GOVERNMENT AREA OF ABIA STATE)**

BY

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APPROVAL PAGE

This research work has been read and certified as meeting part of the requirement for the award of Bachelor of Science (B.Sc) degree in the department of Economics, Faculty of Management and Social Science, Caritas University, Enugu state, Nigeria.

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DEDICATION

This research project is dedicated to Almighty God, the most gracious and merciful God who in his infinite mercies saw me through the writing of the project.

Also, to my parents Mr. and Mrs. J. U. Ibe for their love, care, understanding and sacrifices they made for me to acquire this certificate.

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ABSTRACT

Inadequate support in terms of credit facilities from government and financial institution has been identified as one of the major problem affecting farming operation particularly that of the small scale farmers in Nigeria. This study analyzed the impact of credit facilities to the operation of small scale farms in Nigeria using BENDE Local Government as a case study. Questionnaires were used to source the data used in carrying out this research. The research design employed for this study was a descriptive survey design, in order to achieve an accurate representation of the entire population. The study makes use of simple random sampling technique as the method of data analysis. However, one strong outcome of this study is that the poor state of credit facilities to small scale farmers in Nigeria has drastically affected farming operation, thus, reduction in agricultural output, leading to importation of Agricultural product. Credit facilities therefore plays a crucial role in the operation of small scale farming, this ensures the derived output which sustain the growth and development of the economy.

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CHAPTER ONE

6 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Agriculture according to Longman Dictionary of Contemporary English (New Edition) is the science or practice of farming.

Agriculture has a key role to play in the economic development of Nigeria, it is a leading sector in any meaningful economic development being carried out by any nation such as ours. Agriculture as its output tends to contribute significantly in the areas like employment opportunities, provision of food to the increasing population, contribution to GDP where the country is able to earn foreign exchange, also the provision of raw materials to our local industries particularly the agro-allied industries for further production.

An overview of Nigerian agricultural sector during 1960's revealed that agricultural sector was the most important to the economy. In fact, the generation of this period can still remember those days when the pyramid of groundnut was the pride to the northern region and cocoa production areas of the west also boosted the foreign earning from cocoa exports. Today, the nation is still not independent in terms of agriculture providing food for its people to feed on.

Credit is an important instrument for improving the welfare of the poor directly through consumption smoothing that reduces their vulnerability to short-term income. It also enhances productive capacity of the poor through financing investment in their human and physical capital. The demand for credit for productive investments usually comes from the poor who are less risk-averse and it enables them to overcome liquidity constraints, making it possible to undertake investments that can boost production, employment and income. Financial intermediaries have not been able to accommodate small-scale farmers because it is risky and a different task associated with high transaction costs. Lack of information prevented large formal leaders who had capacity to serve the small-scale farmers and the poor from doing so. It is undisputable that small-scale farmers have always had a problem of access to credit facilities. To improve the access, improvements need to be made in the provision of financial services. In order to improve financial services, leaders need to consider the preferences and socio-economic condition of clients. This contributes to both regulatory process as well as product development – thus, an understanding of characteristics influencing farmers' decision to use agricultural credit could assist policy formulation that could enhance welfare of the poor or those excluded from access to credit facilities.

The poor performance of Nigerian agriculture and its attendant effect prompted government to seek and reverse the situation which was demonstrated in the policies and practice such as National Accelerated food production programme (NAFPP), Operation Feed the Nation (OFN), Green Revolution Programme (GRP), Accelerated Crops Production Programme Scheme (ACPS) and international organisation like the World Bank. This includes some of the steps taken by the Federal Government of Nigeria to assist farmers to boost agricultural production in the country.

1.2 STATEMENT OF THE PROBLEM

In spite of the remarkable contribution of the agricultural sector to the GDP, findings over the years here shown that government subsidies directed at the agricultural sector have drastically reduced and as such the dwindling fall in agricultural productivities and by extension agricultural development. In Nigeria, as in most developing countries, “lack of credit facilities has been regarded as the major constraint farmers face when they try to improve economic activities and/or living conditions” (Britain, 1986: Biswanger et al, 1993: Agbor, 2004). Even when available, access to credit facilities is difficult to access by farmers in the rural area

despite the fact that it is an essential input in production (FARM, 2006). This could be adduced to lack of information and collateral securities among farmers.

Furthermore, the behaviours of financial institutions set up to finance agriculture revealed that funds necessary to induce agricultural productivity has not been geared toward agricultural sector. Commercial banks in particular are skeptical towards financing agricultural activities and in most cases do not offer friendly interest rate to encourage farmers to acquire loans. This research study shall examine the analysis of credit facilities to small scale farmers in Nigeria.

1.3 OBJECTIVES OF THE STUDY

The specific objectives of the analysis of credit facilities to small scale farmers are:

- i. To analyze the impact of credit facilities to the operation of small scale farmers in Nigeria.
- ii. To identify and analyze the socio-economic characteristics that may influence farmer's decision about whether or not to use credit.
- iii. To examine the probability that non-borrowers can borrow given that socio-economic characteristics are increased.

1.4 STATEMENT OF HYPOTHESIS

Given the nature of this research work there is need to formulate a reasonable hypothesis:

H_0 : credit facilities are not significant in the operation of small scale farmers in Nigeria.

H_1 : Credit facilities are significant in the operation of small scale farmers in Nigeria.

1.5 SCOPE OF THE STUDY

The scope of this study shall cover the role of credit facilities to small scale farmers in Bende L.G.A in Abia state. This study shall encompass the nature, the structure of availability of each facility as well as measurement of relative accessibility to small scale farmers in Nigeria.

1.6 JUSTIFICATION OF STUDY

The concern of credit facilities as a factor input has been amplified by different experts and government itself has the potentials of opening new doors of opportunities in the development of small-scale farming in Nigeria.

There are few studies on the subject of small scale farm credit and how their socio-economic characteristics influence their decision about whether or not to take credit. The development of the sector is not feasible if an avenue of credit facilities is not provided. Therefore, this research work is directed at providing insight into this less studied dimension in agriculture by eliciting and analyzing small scale farmers' socio-economic factors that affect their decision about credit facilities, and also to evaluate the nature, structure and pattern of credit facilities to small scale farmers in Nigeria.

1.7 ORGANISATION OF STUDY

This study is divided into five chapters. Chapter one contains the introduction of the study, chapter two deals with the review of relevant literature and theoretical framework, while chapter three presents the research methodology which embodies specification of estimating techniques. Chapter four reveals the presentation and discussion of results and findings, while summary of findings, conclusion and recommendation are provided in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

Agriculture is a major contributor to Nigeria's GDP and small-scale farmers play a dominant role in this contribution (Rahji and Fakayode 2009), but their productivity and growth are hindered by limited access to credit facilities (Odoemenem and Obinne 2010). Credit institutions can be categorized into three groups:

- a. Formal, such as commercial banks, microfinance banks, the Nigeria Agricultural and co-operative Rural development Bank (NACRDB), and state government-owned credit institution.
- b. Semi-formal, such as non-governmental organizations-micro-finance institutions (NGO-MFIs) and co-operative societies, and
- c. Informal, such as money lenders, and rotating savings and credit associations (ROSCA). Enhancing financial Innovation and Access (EFINA) (2008) notes that 23 percent of the adult population in Nigeria have access to formal financial institutions, 24 percent to informal financial services, while 53 percent are financially excluded.

The role of credit facilities to small scale farmers has been identified as a major ingredient to agricultural development in the present economics. The small scale farmers are often considered as having greater opportunities of increasing production and farm income by adopting new technology, this potential can only be realised if farmers can gain access to funds to finance the additional inputs that are invariably required. All too frequently, small scale farmers have insufficient savings to finance the investment in additional inputs. Under the circumstance the obvious solution for farmers is to borrow, unfortunately, the desire is not available. This is largely because institution lenders are reluctant to advance credit to the agricultural sector. This can be attributed to the dependence of agricultural production on Nature and the high co-variance of risk from adverse weather and incidence of disease in any given location.

The failure to realise the potential increase in agricultural production has forced the Nigerian Government to introduce programmes to address the problem of risk and accessibility of credit to small scale farmers.

2.1 CONCEPTUAL ISSUES

Agricultural productivity in Nigeria was defined by Olayide (1991) as the rate of index of value of agricultural produce to the value of input employed in production. The essential inputs are land, labour, capital, water and management of all inputs listed above, land holds a unique place in the developing countries where the economics are still in the infant stages. Capital formation is always low since savings is a function of income. He mentioned further that production technique is characterized by small holder's using manual technology, and inconsistency in the government agricultural policies account for poor production in Nigeria. Agricultural credit facilities for many developing countries of the world, Nigeria inclusive is not enough and the few facilities are not made available to farmers. This has led to the Nigerian Economy. The decline has for a long time been blamed on unavailability to access credit by small scale farmers in rural areas.

If a small scale farmer is to grow to become a medium and eventually a large scale farmer, he must have among other incentives an assured supply of credit either in medium or long-term.

2.2 OVERVIEW OF CREDIT SCHEME TO FARMERS IN NIGERIA

Agricultural development is a process that involves adoption by farmers (particularly small farmers) of new and better practices (Garba, 1987; Orebiyi,

1999). This is due to the fact that most of the new practices have to be purchased but few farmers have the financial resources to finance it.

Before the introduction of credit schemes to farmers in Nigeria, commercial banks were often skeptical to give credit to farmers. This is because small scale farmers lack acceptable collateral security whereas bankers are interested in collateral securities which are highly liquid and which possess “money value” certainty. It was in recognition of this fact that the federal government at various periods put in place credit policies and established credit institutions and schemes that could facilitate the flow of agricultural credit to farmers (Adegeye and Dittoh, 1985).

2.2.1 THE NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK (NACB)

NACB (now known as the Nigerian Agricultural Co-operative and Rural Development Bank) was established in November, 1972 to grant loans for sources has neither supplied the amount of credit needed, nor has it provided credit on the term required by farmers to modernize their farming method.

According to CBN (1986), other farm credit schemes included;

1. The establishment of rural branches of commercial banks throughout the country following a mandatory Federal Government policy Directive in 1976.

2. The creation of the River Basin Authorities in 1979 throughout the country.
3. The establishment of both enhanced and state-wide Agricultural Development Projects throughout the country between 1972 and 1980 to facilitate among other things the provision of agricultural credit to farmers.
4. The development of state ministry operated and other Government sponsored Agricultural credit programmes in the second half of the 1970's.
5. The development of technical support and agro service establishments that would facilitate the supply of credit to farmers throughout the country between 1976 and 1980.

However, the persistent failure of the above institutions and conventional banks to adequately finance agricultural activities in the mid 1970's was a clear evidence that the country was in need of further financial and institutions reforms that would revitalize the agricultural sector by encouraging the flow of institutional credit into it. Also, the unpredictable and risky nature of agricultural production, the importance of agriculture to our national economy, the urge to provide additional incentives to further enhance the development of agriculture to solve the problem of food insecurity, and the increasing demand by lending institutions for appropriate risk aversion measures in agricultural lending provided justifications for the establishment of the Nigeria in 1977 (Mafimisebi Et al, 2009).

2.2.2 AGRICULTURAL CREDIT GUARANTEE SCHEME FUND (ACGSF)

The agricultural credit guarantee scheme fund was established by the Federal military Government Decrees 2007 1977, but began proper operation on 3rd of April, 1978. It was amended on 13th June, 1988. The main objective was to boost agricultural production and income of small-scale farmers, improve farmer's welfare and standard of living and primarily to create access to bank credit to farmers.

The decrees provided for a fund of ₦100 million subscribed to by the Federal Ministry (60%) and Central Bank of Nigeria (40%). As at December 1982, ₦85.5 million was paid up as maximum liability of the fund 75% subject to ₦50,000 and ₦1 million for a loan to individual and co-operative society respectively. The loan under the decree includes advances, overdraft and facilities to the agricultural sector and should be taken as such whenever it uses those guidelines and other circulars. The interest rate chargeable was fixed from time to time as prescribed by the commissioner for finance.

The fund was enhanced to ₦1 billion on the 8th of December, 1999 and later to the present level of ₦4 billion as at early 2006 (CBN, 2007). All these are aimed at solving the problem of inadequate funding of farm operate by banks and to cushion

these financial institutions against the effects of high risks associated with investments in farm enterprises as well as to raise the productivity and earnings from farm investments so that the incidence of loan repayment default among the farmers will be minimized (CBN, 1977; Ogwuma, 1985; Eyo, 1985; Oguoma, 2002).

ROLE OF THE SCHEME

Various studies have shown that credit plays an important role in enhancing agricultural productivity of the farmer (Okorji and Majeha, 1993; Nneze, 1991; Mafimisebi Et al, 2008). The general purpose of the Nigerian Agricultural Credit Guarantee Scheme fund is to encourage banks to lend to those engaged in agricultural production and agro-processing activities. Thus, the specific objectives of the Scheme is the stimulation of total agricultural production for both domestic consumption and export, and the encouragement of financial Institutions to participate in increasing the productive capacity of agriculture through a capital lending programme.

The scheme is expected to provide guarantee on loans granted by financial institutions to farmers for agricultural production and agro-allied processing. The fund's liability is limited to 75% of the amount in default net of any amount

realized by the lending bank from the sale of the security pledged by the borrower. Since the inception of the scheme, there has been a continuous aggregate increase in the number of loans to agriculture from a paltry 341 loans amounting to ₦11, 28 million in 1978, to 3,571 loans amounting to ₦218, 60 million as at May, 2006. Also, data at the Central Bank of Nigeria show that a total number of 453, 748 loans valued at ₦11.28 billion were guaranteed from the inception of the scheme in 1978 to May, 2006. This translates to an average of 16,205 loans valued at ₦402.86 million per annum.

The agricultural activities that can be guaranteed under the scheme include the;

- a) Establishment and/or management of plantation for the production of rubber, oil palm, cocoa, cotton, coffee, tea and other cash crops.
- b) Cultivation and production of cereals, tubers and root cash crops, fruits of all kinds, beans, groundnuts, peanuts, beniseed, vegetables, pineapples, bananas and plantains.
- c) Animal husbandry that covers poultry, piggery, rabbitry, snail farming, rearing of small ruminants like goats, sheep and large ruminants like rattle.

The scope of C above was expanded in the amendment decree of 1988 to include fish culture, fish captures and storage.

The scheme guarantees loans to farmers from lending institutions up to the tune of 5 million naira for individual farmers and, 10 million Naira for group/co-operative farmers (CBN 2007). In the event of default in loan repayment, the lending bank will serve the guarantor (the CBN), a notice of default. Afterwards the lending bank is expected to make further efforts as it deems fit to recover the amount in default from the borrower. If any balance remains after the above steps and the default persists after 6 months of notice of default, the lending bank could realize the pledged security and thereafter put a claim on the scheme fund so as to realize 75% of the balance outstanding as to the time of application for claim to the bank.

PROBLEMS OF THE SCHEME

In the course of the fund's operations, a number of problems have been identified as militating against its smooth performance. According to Akinleye Et al (2005), some of the problems are:

- a) Increasing incidence of loan default: The rate of loan repayment by AGGs beneficiaries is very low. This view is also held by Njoku (1986) and Ojo (1986). Reasons adduced to this are natural disasters, poor farm management, low product prices, loan diversion, deliberate refusal to pay and the inability of farmers to assess loan requirement properly leading to farmer's receipt of inadequate or excessive loans.

b) Bank related problems: Participatory banks in the ACGs do not cooperate fully in lending to farmers. Because of the high cost of processing loans relative to the actual loans and the high default rate of the farmers, many banks prefer to pay penalty than to risk lending their funds to agriculture. Also, banks fault the farmers for submitting incomplete application forms. In some cases where loans are approved, it rises too late for it to fulfil the purpose for which it was intended.

Another problem that militates against the smooth operation of the scheme is on “personal guarantee” as a security that may be offered to a bank for the purpose of loan. “Personal guarantee” as a condition was not explained in the decree. This therefore, makes it almost nothing as its interpretation rests on the bank officials.

2.2.3 THE GREEN REVOLUTION PROGRAMME (GRP)

With the birth of civilian administration in 1979, the question of food shortage in the country once more received a critical look as a drain in the nation’s foreign reserve and its threat to the economy and existence were realized. Thus, the Green Revolution Programme was launched in 1980 by the then Shagari administration.

It’s objectives are centred on self reliance in food production and diversifications of Nigeria’s sources of foreign exchange. To achieve this, all known constraints to increased production were to be removed.

Under the scheme, new input procurement and distribution system came into operation. Input subsidies and crop pricing policies were streamlined while constructions of rural physical infrastructures were embarked upon via massive federal funds allocation. The programme covers all areas of agricultural production, food and export crops, livestock, fisheries and forestry.

Some measurements of positive results were recorded in increased cultivated land hectares, livestock production, forestry and fishery. But this degrees of achievement was short-lived due to shortage of funds, mismanagement and fraud, poor research and extrusion services, problem of land acquisition, inadequate data, inadequate executive capacity and lack of infrastructural facilities.

2.2.4 OPERATION FEED THE NATION (OFN)

May 1976 witnessed the launching of the Operation Feed the Nation (OFN) scheme by Obasanjo regime mainly to increase food production and eventually to attain self-sufficiency in food supply, other objectives of the programme include encouraging the section of the population which relies on buying food to grow its own food. Under the scheme encouragement and material assistance were given to the people in form of technical advice and the supply of essential farm inputs such as improved seeds, fertilizer, pesticides and other farm implements.

In order to protect farmers against drastic fall in price of food crops following anticipated increase in output, the government announced guaranteed minimum prices per metric ton for the 1976 agricultural season. But it was soon found that the price fixed were less than those obtained in the market.

The programme only succeeded in keeping the nation aware of food shortage and mobilizing its efforts in the fight against the problem. Everybody irrespective of trade took to farming but this did not last long for after a while, interest started waning. Increase in food importation, the land use decree, inadequate human and material resources, faulty campaign shortage and faulty administrative system led to death of it.

In its effort to create the enabling environment for food self-sufficiency, the government through the Ministry of Agriculture and Natural resources has embarked on a number of programmes aimed at promoting sustainable agriculture and rural development.

The programmes and their associates' activities are:

2.2.5 AGRICULTURAL LAND RESOURCE PROGRAMME

The objectives of this programme are to select suitable lands for the production of specific crops through soil fertility management; and ensure the conservation of the fertility of agricultural lands through rehabilitation of degraded lands. A soil survey of the country at a reconnaissance level of 1:650, 000 has been completed. However, this gives only generalized information. A more detailed survey which would yield information necessary for intensive agriculture has been planned since 1994, but could not be implemented due to financial and personnel constraints, monitoring of the fertility status of the country's soil as well as the establishment of practices for special problem areas have equally not progressed due to inadequate fund release. Similarly, effective soil conservation practices and rehabilitation of degraded lands here suffered for lack of adequate capital and necessary field equipment. Although the execution of the project has been constrained for some time, the World Bank Environmental Management Assisted Project (EMP) commenced in 1995 and helped to establish the machinery for monitoring land degradation in the country. Through this project, resource personnel are receiving training while equipment, computers, geographic information system (GIS), etc. have been received for enhanced data acquisition and processing-project which have also been received to increase efficiency of field operation.

2.2.6 NATIONAL SEED SERVICE (NSS) PROGRAMME

The objective of the programme is to produce high quality seeds for Nigerian farmers within a commercial environment of sound certification and quality control and to sell high quality seeds and seedlings of selected arable tree crops, namely; oil palm, rubber, cotton, groundnut, soya beans, gum Arabic etc. over 2,460kg of foundation seeds have produced by the project for research institutes and out growers respectively. The seed certification and quality control programme of NSS tested a total of 2,425 seed samples in 1996. Rehabilitation of seed testing laboratories and seed processing plants at NSS jobs, Ibadan, Zaria and Umudila has been completed. Under the community seed development programme, demonstration plots have been set up to create awareness of modern varieties of maize, cowpea, sorghum, rice and soya bean, and to offer easy access to good seeds produced by the contract grower. There are, however, constraints of low use of foundation seed by Agricultural Development Projects (ADP) and private seed companies, inadequacy mobility for officers to carry out seed industry development activities in the states, and ultimately fund release problems.

2.2.7 THE NATIONAL AGRICULTURAL RESEARCH PROJECT (NARP)

This project was set up to strengthen the country's agricultural research system and ensure availability of food through adequate domestic production. Within the network of Agricultural Research Institutions, five handle food crops; three are for livestock; one (NSPRI) completes research on storage of agricultural and food product; while three handle mechanization research including the design, fabrication and servicing of food processing machines. The impact of the NARP in boosting food production has not been sufficiently realized perhaps due to lack of adequate support and ineffective programme coordination. With recent re-organized and assured funding, NAPP is expected to increase food production during the next decade.

2.2.8 THE STRATEGIC RESERVE SCHEME

The objective of this scheme is to undertake the storage of excess grains during the harvest for release when prices are high in the market. This stabilizes the price and makes grains available all year round, of the 33 medium and large scale silos commissioned for construction, seven have been completed. At present, there is gross under-utilization of these silos due to lack of available grains for storage, only three of the silos contain grain.

Measures have been taken to restore the storage efficiency of the silos for the 1977 season. Steps are also being taken to ensure high production of grains and to minimize illegal export and smuggling across the border. Direct purchase for farmers is expected to bring about an increase in the quantity of grains reaching the silos.

2.2.9 ESTABLISHMENT OF THE NATIONAL AGRICULTURAL AND DEVELOPMENT AUTHORITY (NALDA)

The government's main objective in establishing NALDA is to transform rural peasantry by mobilizing human resources and other support services to open up new lands for increased food production. The authority has embarked on some activities (bush clearing, land preparation, farm infrastructure development, soil conservation and environmental issues, soil survey, evaluation, soil testing and capacity) to provide baseline data for agricultural related activities and advisory services to agricultural land users. The NALDA 1997 work plan proposes to open up more enclave farming communities during the operating season and will focus on land development in co-operation with the Agricultural land Resource, forestry, department of Agriculture, and Agricultural co-operative.

2.2.10 AGRICULTURAL TRANSFORMATION AGENDA

The Federal Ministry of Agriculture and Rural Development, in its avowed commitment to Mr. President's transformation agenda, has embarked on a paradigm shift in the agricultural sector with some primary focus:

- Focusing on agriculture as a business instead of a developmental project.
- Utilizing the transformation of the agricultural sector to create jobs, create wealth and ensure food security.
- Focusing on value chains where Nigeria has comparative advantage
- Sharp focus on youths and women.

2.2.11 GROWTH ENHANCEMENT SUPPORT SCHEME (GESS)

Growth Enhancement Support Scheme (GESS) represents a policy and pragmatic shift within the existing Fertilizer Market stabilization Programme and it puts the resource constrained farmer at its centre through the provision of series of incentives to encourage the critical actors in the fertilizer value chain to work together to improve productivity, household, food, security and income of the farmer.

GOALS OF GESS

- Target five million farmers in each year for four years that will receive GESS in their mobile directly 20 million at the end of four years.
- To provide support directly to farmers to enable them procure agricultural inputs at affordable prices at the right time and place.
- To increase productivity of farmers across the length and breadth of the country through increased use of fertilizer i.e. 50kg/hr from 13kg/hr.
- Change the role of Government from direct procurement and distribution of fertilizer to a facilitator of procurement, regulator of fertilizer quality and catalyst of active private sector participation in the fertilizer value chain.

ACHIEVEMENTS TO DATE

- Series of meetings have been held with the fertilizer suppliers to inform and generate their interest in the scheme.
- 17 fertilizer suppliers have been identified and have shown commitment to participate in the scheme. They will feed about 2,300 agro-dealers (certified by IFDC) and spread across the country. The suppliers will feed another 1,780 agro-dealers that are yet to be certified.
- List of verified agro-dealers have been compiled and forwarded to all participating banks and cellulite.

- Data entry of farmers (census) is on-going and to date about 600,000 farmers have been captured at the data centre.
- 15 states have written to commit their respective states to represent the terms and conditions in participating in the GESS.
- The draft bill on Fertilizer Quality control is presently with the Ministry of Justice for vetting prior to its being forwarded to the National Assembly for consideration.
- Certificate for No objection from BPP has also been obtained for the award of contract to cellulite Nigeria Limited.
- Anticipatory approval for award of contract to cellulite Nigeria limited for the provision of technology platform has been sought and obtained from Mr President.
- Federal Ministry of Finance has signed MOU with banks and Federal Ministry of Agriculture and Rural Development for the provision of guarantee on 70% of the credit provided by banks participating in the scheme.
- Interest draw bank escrow account has been created in CBN.
- Workshop on financing Agricultural input supply scheme-2012 farming season held on 18th December, 2011 with the banks in Eko le' Meridian

Hotel Victoria Island, Lagos to fine-tune implementation strategies viz-a-viz the roles of stakeholders in the scheme.

- Site and crop specific Fertilizer Formulation have been developed for the 36 states and the FCT to ensure that crops express their maximum genetic potential in an enabling soil environment.

NEXT STEPS

- Pilot demonstration of the e-wallet will be carried out by mid-January 2012 to test the technology platform.
- Stock verification of the fertilizer suppliers would be undertaken by mid-January 2012 to determine the total stock of fertilizer available in the country of the scheme.
- Meeting of all stakeholders to agree on structure and modality of implementation of the scheme by the end of January/early February, 2012.

ADVANTAGES OF GESS SYSTEM

- Greater transparency and accountability
- Improved targeting of farmers, to expand share of farmers get subsidized fertilizers from 11% to 90% of farmers.
- Private sector will sell directly to farmers, and build their supply chains to reach farmers in rural areas.

- Private sector will have incentives to build demand and meet the needs of farmers (small size packs, demos, branding e.t.c).
- Reduction in cost of distributing inputs to farmers by 50%,as private sector is more cost efficient than government distribution system.
- Empower farmers to buy from suppliers of their choice
- Achieve clear impacts on food security.

NEW GOVERNMENT FRAMEWORK FOR SEEDS AND FERTILIZERS

- Provide Government Framework for seeds and fertilizers for farmers.
- Provide the support directly to farmers, not via general price subsidy on fertilizers or seeds.
- No more government distribution of fertilizer and seeds.
- Private sector will now sell their inputs directly to farmers and build their supply chains to get to rural areas.
- Government will provide risk sharing guarantee to average loans from banks for seeds and fertilizer companies and agro-dealers.
- Government will buy-back 30% of nay stock at the end of season to reduce risks for the supply companies.
- Government will pay 10% achievement feeds for companies meeting 100% of sales to farmers.

Source: www.fmard.gov.ng.

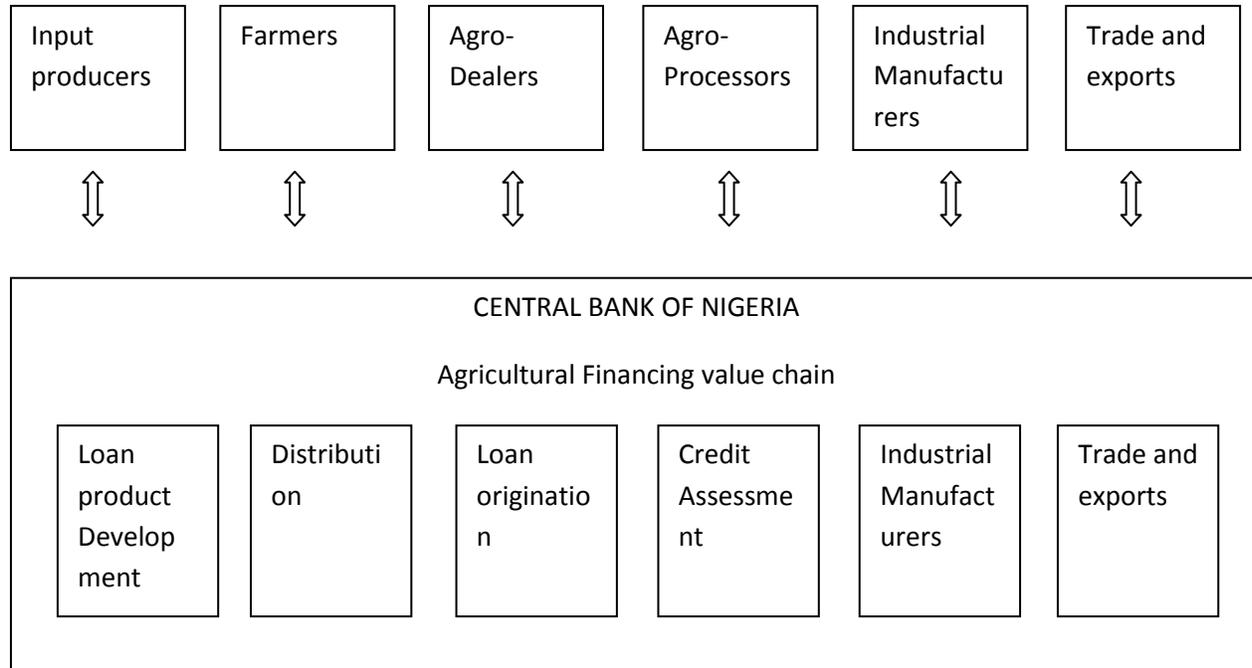
2.2.12 THE NIGERIA INCENTIVE-BASED RISK-SHARING SYSTEM FOR AGRICULTURAL LENDING (NIRSAL)

The Nigeria Incentive-Based Risk-Sharing system for Agricultural Lending (NIRSAL) a new innovative mechanism targeted at de-risking lending to the agricultural sector is designed to provide the singular transformational and one bullet solution to break the seeming jinx in Nigeria Agricultural Lending and Development. The Central Bank of Nigeria (CBN) in August 2010, engaged the Alliance for Green Revolution in Africa (AGRA) to develop the NIRSAL.

NIRSAL is an approach that tackles both the agricultural value chains and agricultural financing value chain. The goal of NIRSAL is to trigger an agricultural industrialization process through increased production and processing of the greater part of what is produced to boost economic across the value chain.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

Agricultural value chain:



NIRSAL breaks with tradition by doing two things simultaneously:

- Fixes the agricultural value chains, so that banks can lend with confidence into cohesive and complete value chains and
- Encourages banks to lend into agricultural chains by offering them strong incentives and technical assistance.

It is based on five pillars that aim to “de-risk” agricultural lending and lower the cost of lending for banks. US\$ 500million is divided across the pillars.

- a. Risk-sharing facility (US\$ 300 million)

To break down banks' perception that agriculture is a high risk sector, NIRSAL will share their losses on agricultural loans.

b. Insurance Facility (US\$ 30 million)

The facility's primary goal is to expand insurance products for agricultural lending from the current coverage to help reduce credit risks and increase lending across the value chain. Both will be by expanding the coverage of existing products provided by the Nigerian Agricultural Insurance Cooperation (NAIC), and piloting and scaling new products, such as weather index insurance, new variants of pest and disease insurance etc.

c. Technical Assistance Facility (US\$ 60 million)

NIRSAL will equip banks to sustainably lend to Agriculture. At the same time, it will equip producers to borrow and use loans more effectively, and produce more and better quality goods for the market.

d. Holistic Bank Rating Mechanism (US\$ 10 million)

This mechanism rates banks based on two factors: the effectiveness of their agricultural lending and its social impact.

e. Bank Incentives Mechanism (US\$ 100 million)

To complement NIRSAL's first three pillars, this mechanism offers banks additional incentives to build their long-term capabilities to lend to agriculture.

UNIQUENESS OF NIRSAI COMPARED TO OTHER CBN SCHEMES

- Previous schemes have encouraged banks to lend but had no clear strategy to fix the agricultural value chains to make lending effective.
- Previous schemes focused on just one size of producers and/or one segment of the value chain.
- NIRSAI will be managed and implemented by a Non-Banking Financial Institution and not the CBN.

MEASURES OF SUCCESS FOR NIRSAI

- It will generate additional US\$ 3 billion of bank lending within 10 years to increase agricultural lending from the current 1.4 to 7 percent of total bank lending.
- It will increase lending to the “pooled” small farmer segment to 50 percent of the total (typically, banks do not reach these producers individually but through “pools” that is aggregating mediators such as MFIs and cooperatives)
- NIRSAI will reach 3.8 million agricultural producers by 2020 through pooling mechanisms such as value chains, MFIs and cooperatives, and
- It will reduce banks break-even interest rate to borrowers from 14 to 7-5-10.5 percent.

At present, the Ministry in collaboration with CBN is working only with states that have given expression of interest and are prepared to work with NIRSAL to resolve key barriers to agricultural productivity e.g. Infrastructure, Extension workers, supply of inputs etc. The scheme has received active expressions of interest from Zamfara, Ekiti, Delta, Plateau, Adamawa, Lagos, Kano, Sokoto, Niger, Nasarawa, and Benue states. The CBN/project Implementation Office is still in active discussion with other states and structured dialogue designed to create a transparent process for attracting investors.

Source: www.fmard.gov.ng

THE ROLE OF MECHANIZATION SERVICES IN THE ATA

The Agricultural Transformation value chain groups identified provision of mechanization services as crucial to complement the implementation strategy of the various crops under the Agenda.

The crops include: Rice, maize, cotton, soybean, oil palm, cassava and many other value crops.

Essentially, the mechanization service is aimed at providing affordable and accessible farm power to enable farmers carryout land preparations such as Transportation, Pumping of water, Lighting and threshing/grinding. The challenge

is to prefer appropriate model that will suit the transformation agenda and by extension, our unquenchable thirst for agricultural mechanization.

The population of Nigeria is estimated to 160 million and by 2050 we would have need to feed over 300 million people. It is of necessity to attain self sufficiency and keep pace with increase in population growth and consumption pattern of the teeming population through Agricultural mechanization.

Agricultural mechanization therefore plays a pivotal role in the task of re-engineering the Nigerian Agriculture to attain higher productivity, improve the product quality, utilization of energy required for various field operations involving crops production, threshing, processing transportation, value addition, storage and the provision of a conducive living and working environment for the agricultural workers, but mechanization level in Nigeria is one of the lowest in the world and indeed sub-Saharan Africa as rated 0.27hp/hectare which is still far from the food and Agricultural organization (FAO) recommendation of 1.5hp/hectare. This obviously explained the dearth of such service to our Nigerian farmers. The thrust of the new model under ATA is to build on securing private sector participation as a key driver to provide mechanization services. It is of interest to note that agricultural development intervention in Nigeria over the past three decades has been designed to raise productivity through expansion of cultivated areas, the benefit of gains from the expansion of the cultivated areas have been

eroded due to high manual labour cost, dwindling labour force, limited capacity of human labour and more importantly non-timeless of field operation. The small holder farmers are particularly vulnerable because of poor resource base, fragmented land holdings/tenure system and absence of enabling environment to create access to farm power.

The new intervention will address the strategic objective of assisting farmers and farmer organization to either own tractor or have access to tractor hiring services strictly as private sector affair in Nigeria. The ultimate objective is to ensure timelines of field operations raise and increase the productivity with a view to increase the farmer's income. Agricultural mechanization therefore offers the investment opportunities in areas of service providers among the established tractor hiring enterprises and other potential entrepreneurs among the graduates and jobless youth, with intention to focus on farmers who are involved in the ATAP on a short term basis. In order to maximize the impact, the intervention will target the cluster areas of ATAP in all the 36 states and FCT using the service providers in states and FCT. The primary beneficiaries are small farmers under ATAP who will be cultivating a minimum of one hectare but cannot afford to own tractors and other sophisticated farm equipment like mobile thresher, harvester etc. The intervention is expected to provide a minimum of 1000 tractors, if further leveraged could give additional 3000 tractors annually to cover a total of 4.1

million hectares of land for preparation nationwide. There are six tractor depots across the country, that is Owerri, Enugu, Ibadan, Zaria, Gombe and Sheda in FCT and they are being sold at 20% on cash and carry basis.

The mechanization through ATA identified factors that may jeopardize effective intervention to include poor communication on the availability of service, issues relating to corruption, frequent changes in the operational guidelines for lending by the Bank, Default arising from regular servicing of the loan, social and political conflict in area of operation, Natural disaster as may further spelt out.

2.2.13 MARKETING CORPORATION

Under the Agricultural Transformation Agenda, the markets for agricultural commodities would be strengthened through the establishments of Commodity Marketing Corporations around each of the commodities. The Federal Government will support the development of private sector driven marketing organizations to grow the agricultural sector. The scrapping of marketing boards during the implementation of Structural Adjustment Programme (SAP) without any institutions to replace them or play their roles left millions farmers in a precarious situation making access to market a very serious challenge. On the effects of this has been price uncertainties and volatilities which left farmers at the mercy of middlemen.

These marketing institutions would be owned by agricultural value-chains and run as private sector led, but government enabled institutions to empower farmers and the value chain actors to generate value. These new institutions, which could be called marketing corporations will co-ordinate production and export of target commodities. They will also attract investment into the sector from Research and Development to infrastructure and processing. They will also stimulate the development of tailored financial services to grow the sector.

ECONOMIC BENEFITS OF THE EFFECTIVE HANDLING OF AGRICULTURAL PRODUCE

The Agricultural Transformation Agenda, coupled with favourable weather conditions, will increase production of food in general, in grain maize, sorghum, millet and rice, in fruits and vegetable-bananas and plantains, mango, papaya, citrus, grapes, onions, lettuce and tomatoes and in tuber-cassava, yam, potatoes and cocoa yam. However, the benefits of the increase in food production have not been very trident partly because of food losses which occur due to lack of reliable and adequate food harvesting, handling and storage knowledge and systems for the marketable surplus. Food availability was thought to be synonymous with food production but as noted by ATA- Nigeria, production per se cannot provide the answer to the quest for self sufficiency since sudden increases in food production

causes strains on existing methods of harvesting, handling and storage and could lead to larger post-harvest losses.

The crop storage unit/post Harvest Handling Technology of the Federal Department of Agricultural had worked in collaboration with other Research Institutes, polytechnics, Universities and college of Agriculture over the years to develop simple methods of storing cereal, grains and pulses by improving on traditional practices found in various ecologies in Nigeria. This is being handled at different stages such as on-farm storage, Buffer stock and strategic food Reserve levels respectively. Traditional structures such as: cribs, mud, rhombus, pit storage concrete and metal silos have been investigated and improved upon. Others are thatched mud rhombus, underground pit storage, bag storage, earthen pots, plastic containers, ceiling storage, modified oil drum, metal bin, indoor brick masonry structure and underground reinforced cement concrete structure. Likewise in fruit, traditional methods of harvesting are still employed using a minimum of mechanical aids, while many of the farmers know their market but do not analyze it, knowledge of maturity indices are often inadequate, in most instances, visual indices are being used.

The farmers need to be aware that there is a re-decision criterion on the type of structure to purchase which depend on capacity of structure vis-a-vis the level of production, comparative price of the structure, efficiency and effectiveness of the

structure, technical feasibility and availability and associated skill development, consumer price, quality conscious and efficient communication link between producers and wholesalers. Peculiar with fruits and vegetables is transport losses which are due to unsuitable transport container, overloading of mixed fruits and vegetables, irresponsible driving, lack of feeder roads leading to highways or collection centres, rough roads, heat accumulation or very poor ventilation within the transport vehicles, virtual absence of refrigerated and insulated trucks. Delays in product procurement after harvesting or at collection centres, despite all these, until farmers are convinced that careful handling and prolong storage will increase profit; it will be difficult to persuade them otherwise.

The Agricultural Transformation Agenda is therefore working hard to create awareness on different harvesting techniques, handlings, storage and processing respectively. This is being pursued through different collaboration with crops value chain which includes rice, maize, cassava, cocoa, tomato and sorghum. The ATA is therefore in the business of establishment of basic knowledge and dissemination that can enhance handling, storage and processing across the crop value chains in the areas of recommended minimum temperature and humidity to increase storage time, different measuring instruments of fruit maturity, reliable agricultural extension information, typical caring houses for roots and tubers, chemical for sprout inhibitors for tubers, conviction that careful handling will increase profits or

added revenue, handling steps, fruit fly management, conditions for caring roots and tubers, maturity index for fruits and vegetables and operations prior to packaging (cleaning, disinfection and artificial waxing).

The Agricultural Engineering, a major partner in the process of harvest, storage and processing is working hard through ATA to sustain information and promotion campaign. The Ministry has in place one metric ton storage metal bin for sales at fertilizer depots, Keffi, Nassarawa state, Food Storage Reserve, (SGR) Gombe, Gombe state, Food Storage Reserve (SGR) Ibadan, Oyo state.

2.2.14 RURAL FINANCE INSTITUTION PROGRAMME

The Rural Finance Institution Building Programme (RUFIN) is a loan agreement of US 27.2 million between the international fund for Agricultural Development (IFAD) and the Federal Government of Nigeria.

The Central objective of the programme is to develop and strengthen Micro-Finance Banks (MFBs) other member based Micro Finance Institutions (MFIs) by enhancing the access of the rural populace to the services of these institutions in order to expand and improve agricultural productivity and micro-small Rural Enterprises. The goal is to alleviate poverty with a particular focus on the rural poor and especially women, youths and the physically challenged.

The programme is being implemented along with four(4) participating institutions namely; the Central Bank of Nigeria (CBN), the National Poverty Eradication

Programme (NAPEP), Nigerian Agricultural cooperative and Rural Development Bank (NACRDB) and the Federal Department of cooperatives (FDC).

Under the programme the following categories of Non-Bank Micro Finance Institutions i.e. cooperative societies, unions and cooperative Finance Agencies (CFAs), and Grass root Informal Finance Institutions would be supported in the needed areas of capacity building and access to loanable funds. This is with a view to establishing appropriate linkages with micro finance banks/institutions and commercial banks for credit delivery to the rural populace.

The FGN and IFAD supported Rural Finance Institution Building Programme (RUFIN) has within one and half years of the implementation impacted on the Central bank of Nigeria (CBN). The programme has been mentoring some selected MFBs, Financial NGOs, Financial HGOs, Financial cooperatives and the informal community credit and savings organisations in the twelve(12) participating states. The programme also developed a training manual for capacity building of MFBs and financial NGOs selected from the outcome of Risk Institutional Assessment of HDIC/CBN and the over 4,000 Community Based Credit and Savings Organizations in the past one and half years has been subjected to vigorous capacity building and provision of necessary hardware and software ICT equipment. In line with the identified gaps from the Risk/Institutional Assessment for MFBs, financial NGOs and financial cooperatives, a tailor made curriculum

was designed to ensure their capacitation. Office equipment such as desktop computers and hardware were distributed to 32 participating MFBs. As part of the capacity building of MFBs, MFIs and RMFIs, which is one of the core mandates of the programme, RUFIN trained 27 MFBs and increased deposit mobilization. Also, 33 MFBs have been trained on risk management while 1,524 staff of RMFIs were trained on Gender learning and Action system, making microfinance work, Enterprise Management and Governance and Entrepreneurial skill Development.

In order to enhance client outreach through establishing linkages between RMFIs and formal Banks 3, 516, Rural, micro-finance Institutions have been linked with formal Banks. A total of ₦ 66,598,865.88 of voluntary savings have been mobilized from 31,149 savers in the 12 participating states. Out of these 44.68% of these savers were women, while 55.32% were men. A further analysis showed that 20.69% were youths while 0.91% are physically challenged. The total wholesale credit amounting to ₦134,756,484 was provided to the village savings and credit associations for onward lending to their members/clients in the participating states.

The programme has formed and strengthened 6,295 village credit and savings groups consisting of 149,990 members in the 12 participating states. In addition, 529 RMFIs with 1413 members were trained on gender learning and action system, making micro-finance work and governance etc. in 11 states consisting of 875 men and 38 women. Access to credit facilities has increased by 122.24% from ₦60,636,

845. 45, in June, 2011 to ₦134,756,484 in February, 2012. Savings mobilization, increased by 226.23% from ₦20,546.189. 43, in December, 2010 to the current value of ₦67,562,505,88 in February, 2012. Source:

An online Report Rendition Workshop conducted in collaboration with other financial Institutions Supervision Department (OFISD) of the central Bank of Nigeria (CBN) for micro-finance Banks in the country. In an effort to facilitate increased wholesale lending and refinance facility for the microfinance institutions, the Bank of Agriculture (BOA) dedicated ₦1 million for the refinancing of MFBs in 2011.

In addition, the two Apex organisations, the National Association of Non-Bank microfinance institution and the National Association of micro finance Banks are being capacitated in the area of capacity building and ICT equipment to enable the two institutions carryout oversight functions on the entire micro finance institutions in Nigeria.

AGRICULTURAL CREDIT SUPPORT SCHEME (ACSS)

The ACSS is an initiative of the federal Government and the Central Bank of Nigeria with the active support and participation of the Banker's committee. The scheme has a prescribed fund of ₦500.00 billion. ACSS was introduced to enable farmers exploit the untapped potential of Nigeria's agricultural sector, to reduce inflation, lower the cost of agricultural production (i.e. food items), generate surplus for export, increase Nigeria's foreign earnings as well as diversify its revenue base. At national level, the scheme operates through a Central Implementation Committee (CIC) while at the federal capital Territory (FCT) and state levels, the scheme operates through state implementation committee (SICs) instituted to ensure that the objectives of the scheme is realized without hindrance.

To access loans under ACSS, applicants (practicing farmers and agro-allied entrepreneurs with means) are encouraged to approach their banks for loan through the respective state chapters of farmers associations and state implementation committees. However, large scale farmers are allowed under the scheme to apply directly to the banks in accordance with the guidelines.

ACSS funds are disbursed to farmers and agro-allied entrepreneurs at a single-digit interest rate of 8.0 percent. At the commencement of the project support, banks will grant loans to qualified applicants at 14.0 percent interest rate. Applicants who pay back their facilities on schedule are to enjoy a rebate of 6.0 percent, thus,

reducing the effective rate of interest to be paid by farmers to 8.0 percent. The implementation Guidelines will be determined administratively as soon as a decision is taken on the proposed fund.

Source: www.cenbank.org.

2.3 EMPIRICAL LITERATURE REVIEW

Financing Agriculture is one of the major ways of improving agricultural production that is necessary for growth and development of the country. This is possible if there is access to credit facilities which can be harnessed through savings and by extension capital which when formed can then be invested in Agriculture.

Formation of capital on Agriculture in Nigeria has been available in one form or the other for many centuries, particularly from the money lenders who are still the chief source of credit to small scale farmers. The reason behind this is that agricultural development is now looked at as one of the major keys to economic development, in the area of improving the welfare of rural farmers, improving their standard of living which has been neglected in terms of effective and efficient system of funding, financing and providing adequate basic infrastructure such as roads, pipe-borne water, only in the farmers interest and benefits. Argument in favour of agricultural finances is that it tends to improve the country's economic

development. Gilbert (1994) contended that at a certain stage in agricultural development, agricultural credit becomes a strong force for future improvement in agricultural production. This can be seen when a man with energy, initiative lacks the resources for more and efficient production.

In the area of financing agricultural development, Dragoslav (1992) stated that the developing economy does not have adequate share of responsibility for decision making, control and noted that government needs to play a crucial role in improving the welfare and quality of life the rural population.

2.4 CONCLUSION

Granting credit to small scale farmers for the cost they incurred on land preparation, weeding and harvesting operation and labour to increase the use of agricultural input will enable them, most importantly to be able to adopt modern farming techniques, so as to increase their agricultural productivity. Farmers' access to credit will enable them use tractors, which will lead to increased output of higher quality, thereby resulting in pre-condition for technology change and agricultural productivity.

As such, the government of Nigeria on their own part has made efforts to establish several Agricultural Programme to assist farmers particularly the small scale farmers who represent a substantial proportion of the total population of farmers

and produce about 90-95 percent of the total Agricultural Credit Guarantee Scheme (ACGSF), the Nigerian Agricultural and Cooperative Banking (NACB), Operation Feed the Nation (OFN) just to mention but a few, have been put in place to assist farmers in this regards. Most of these programmes were poorly articulated and managed thus leading to further decline in the sector.

Therefore, to improve productivity of farmers, there is need for proper co-ordination of policies and programmes of Agriculture to ensure that credit facilities get to the farmers.

Furthermore, there is need for the commercial banks to support farmers. This can be achieved through moral suasion (i.e. gentle appeal from the Central Bank (CBN) to commercial bank to give credit facilities to farmers at low interest rate.

CHAPTER THREE

2.0 RESEARCH METHODOLOGY

2.1 INTRODUCTION

Research methodology refers to the procedure and process of reaching sound, dependable and precise explanations to information acquired in the course of the study. It is achieved through a deliberate and organized collection, examination and interpretation of data. It forms the central part of the study because it concentrates on matter associated with sound and types of data, research population, sampling method of data analysis, data estimation techniques, model specification and significance of variable engaged in analysis.

This study is carried out mainly to analyse the impact of bank credit to small scale farmers in Nigeria.

2.2 RESEARCH DESIGN

The research design is the plan that outlines the procedure adopted and engaged in the research study. It discloses what tools the research will use in achieving stated objective, process of data collection, collection and presentation, operational implication and the analysis of data. It provides specifically the method to be used in gathering and analyzing data. The research design indicates how the research objective will be accomplished and how challenges encountered in the research will be tackled.

Small scale farmers most especially in the rural areas have limited education, as a result simple and precise questions which can easily be comprehended will be asked to determine the impact of credit facilities on their farming operation. The research design to be engaged in this study shall be descriptive survey design using structural interview.

3.3 THE RESEARCH POPULATION

The research population shall comprise small scale farmers whose major farming activities covers both the production of cash and food crop from whom data will be sourced in order to establish the impact of credit facilities and its significant effect on their farming operations. The number of population used by the researcher is 100.

3.9 SAMPLING FRAME AND SAMPLING UNIT

The research work covers all small scale farmers in a selected state in Nigeria that are both engaged in both cash and food crops in production in rural areas because the whole population of rural farmers in Nigeria engaged in the production of both food and cash crops cannot be reached due to time factor and financial constraint, sample must be chosen to be a representative of the entire population.

The study is therefore limited to Bende local government area in Abia state comprising five villages: namely; Item, Igberere, Alayi, Uzuakoli and Umuhu.

3.10 SAMPLING METHOD

The research study shall make use of simple random sampling technique to achieve an accurate representation of the entire population after due consideration of sample frame. This will be done through the administration of questionnaires to individuals that fall within the sample frame. It is expected that there will be absence of biased response in order to achieve a valid response.

3.11 SAMPLE SIZE

This research study will operate on the responses to the questionnaires administered to the respondents that make up the chosen sample frame. The questions will be personally administered to the respondent by the researcher.

METHOD OF DATA COLLECTION

This study will acquire information through the administration of both closed and open ended questions central to achieving already predetermined objectives.

METHOD OF DATA ANALYSIS

CHI-SQUARE (X^2)

Chi-square statistic method shall be used to test the hypothesis in order to ascertain their validity. The hypothesis is usually tested at 5% or 10% of significance. The formula for chi-square is as follows:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where:

X^2 – chi-square calculated

O – observed frequency

E – Expected frequency

To obtain E: $\frac{\text{Row total} \times \text{column total}}{N}$

For the degree of freedom (df). $(r-1)(c-1)$

Where r – row, c – column.

COMPUTATION OF CHI-SQUARE

DECISION RULE:

Where the computed or calculated value is greater than tabulated or table value i.e.

$(x^2_c > x^2_t)$, accept the alternative hypothesis (H_1) and reject the null hypothesis

(H_0). If it shows $(x^2_t > x^2_c)$ accept the null hypothesis and reject alternative

hypothesis.

CHAPTER FOUR

RESULTS AND DISCUSSION OF FINDINGS

4.0 INTRODUCTION

In this chapter, the result of the investigation carried out in this study is presented. It consists of three sections, the first section deals with demographic data, the second section deals with the presentation of the selected variables based on descriptive statistics while the third section reveals the research hypothesis generated.

The results are presented in tables and discussion follows:

4.1 DEMOGRAPHIC DATA

Table 4 – 1: Distribution of respondents by sex

Sex	Frequency	Percentage
Male	80	80
Female	20	20
Total	100	100

Source: Field survey 2013

Table 4:1 above showed that 80% of the respondents sampled were males, 20% of them were females. This is an indication that majority of the respondents sampled were male.

Table 4:2: Distribution of respondents by Age

Age	frequency	percentage
21 – 30 years	15	15
31 – 40 years	25	25
41 years and above	60	60
Total	100	100

Source: field survey 2013

Table 4:2 above showed that 15% of the respondents were between the age brackets 21 – 30 years while 25% were 31 – 40 years and 60% were 41 years and above. This implies that the majority of the respondent were 41 years and above.

Table 4:3: Distribution of respondents by marital status

Marital status	Frequency	percentage
Single	6	6
Married	58	58
Divorced	12	12
Separated	6	6
Widow/widower	18	18
Total	100	100

Source: Field survey 2013

Table 4:3 above showed that 6% of the respondent sampled were single, 58% of them were married, 12% were divorced and 6% were separated while 18% were either widowers/or widow. This is an indication that majority of the respondents were married.

Table 4.4: Distribution of respondents by Religion

Religious status	Frequency	Percentage
Christianity	80	80
Islam	18	12
others	2	2
Total	100	100

Source: field survey 2013

Table 4:4 above showed that 80% of the respondents sample were Christians, 18% were Muslims while 2% of them indicated others. This implies that majority of the respondents were Muslims.

Table 4:5: Distribution of respondent by Educational Qualification.

Educational Qualification	Frequency	Percentage
Primary school certificate	63	63
WASC/GCE/SSCE	20	20
OND/NCE	14	14
HND/B.Sc and above	3	3
Total	100	100

Source: Field survey 2013

Table 4:5 showed that 63% of the respondent sampled had primary school certificate, 20% had WASC (West Africa Secondary Certificate), OND/NCE were 14%, while 3% were HND/Degree certificate holders. This implies that majority of the respondent were primary school certificate holders.

4.2 PRESENTATION OF SELECTED VARIABLE BASED ON DESCRIPTIVE STATISTICS

Table 4.2.6: Respondent cost on farm operation per year.

Cost categories	Number of respondents	Percentage
100,000-200,000	4	4
200,000-400,000	17	17
400,000-600,000	60	60
600,000-800,000	15	15
800,000-1,000,000	3	3
1,000,000-1,200,000	1	1
Total	100	100

Source: field survey 2013

Table 4.2.6 shows the distribution cost on farm operation per year. 60% of the respondents cost on farm operation per year is between ~~₦~~400,000-~~₦~~600,000 and 17% cost between ~~₦~~200,000-~~₦~~400,000 and 1% cost between ~~₦~~1,000,000-~~₦~~1,200,000.

Table 4.2.7: Respondent income received externally to finance farm operation yearly

Received Income in ₦	Number of respondents	Percentage
0	70	70
1,000-20,000	10	10
10,000-20,000	8	8
20,000-30,000	7	7
30,000-40,000	4	4
40,000-50,000	1	1
Total	100	100

Source: field survey 2013

Table 4.2.7 shows that 70% of the respondents do not receive any external income, 10% receive income between 1,000-10,000 naira while 1% of the respondents receive income between 40,000 and 50,000 naira.

Table 4.2.8: Respondent duration to access credit facilities needed to finance farm operation.

Duration in years categories	Number of respondents	Percentage
less than a year	1	1
1-2	3	3
2-3	10	10
3-4	13	13
5 and above	73	73
total	100	100

Source: Field survey 2013

Table 4.2.8 describes that 1% of the respondent were able to access credit within a year, 3% falls between 1-2 years while 73% indicated 5 years and above.

Table 4.2.9: Respondent Assessment of the state of credit facilities of small scale farmers

Assessment categories	Number of Respondents	Percentage
Very good	1	1
Good	4	4
Fair	10	10
Poor	85	85
Total	100	100

Source: field survey 2013

Table 4.2.9 shows that 1% revealed that the state of credit facilities to small scale farmers is very good, 4% indicated good, while 85% signifies poor.

Table 4.2.10: Respondent percentage of interest rate favourable to them

Interest rate categories	Number of Respondents	Percentage
less than 10%	94	94
10% - 15%	3	3
15% - 20%	2	2
20% and above	1	1
total	100	100

Source: Field survey 2013

Table 4.2.10 shows that 94% respondents sample indicated less than 10% interest rate as favourable to them, 3% indicated 10%-15% while 1% indicated 20% and above.

Table 4.2.11: Respondent benefit from subsidies within the past years

Benefit categories	Number of Respondents	Percentage
None	70	70
1-2 times	22	22
3-4 times	5	5
4-5 times	3	3
Total	100	100

Source: Field survey 2013

Table 4.2.12 shows that 7% of the respondents sampled indicated none (never benefitted from subsidies), 22% of the respondents falls between 1-2 times while 3% indicated between 4-5 times.

TESTING OF HYPOTHESIS

The hypothesis raised in the chapter one of this study will now be tested through the use of chi-square statistical method of analysis. The hypothesis shall be tested based on the following questions in the questionnaire i.e. Q7, Q9, Q13, Q16, Q17, Q19.

All hypothesis are tested at 5% or 0.05 significant level and the formula for chi-square is as follows:

$$X^2 = \frac{\sum O - E^2}{E}$$

Where:

X^2 = chi-square calculated

O = observed frequency

E= expected frequency

Recall:

Hypothesis

H_0 : credit facilities is not significant in the operation of small scale farming in Nigeria.

H_1 : Credit facilities is significant in the operation of small scale farming in Nigeria.

4.3 RESEARCH HYPOTHESIS

Research question: is there any impact of credit facilities to small scale farmers.

4.3.1: Response on research question

Response	Q7	Q9	Q13	Q16	Q17	Q19	total
Yes	80	20	30	90	5	82	307
No	20	80	70	10	95	18	293
Total	100	100	100	100	100	100	600

Source: Researcher's computation

The analysis of the table above is presented on a tabular form below. But, the expected frequencies are;

$$\text{Expected (Yes)} = \frac{\sum c \times \sum r}{GT}$$

Where; $\sum c$ = Sum of column

$\sum r$ = sum of row

GT = Grand total

$$\text{Therefore: } \frac{\sum c \times \sum r}{GT} = \frac{307 \times 100}{600} = 48.8 \cong 51$$

$$\text{Expected (No)} = \frac{\sum c \times \sum r}{GT} = \frac{293 \times 100}{600} = 48.9 \cong 49$$

OBSERVED FREQUENCY

Yes	No	(Oy-Ey)	(Oy-Ey) ²	(ON-EN)	(ON-EN) ²	(Oy-Ey) ² / Ey	(ON-EN) ² / EN
80	20	29	841	-29	841	16.5	17.2
20	80	-31	961	31	961	18.8	19.6
30	70	-21	441	21	441	8.6	9
90	10	39	1521	-39	1521	29.8	31
5	95	-46	2116	46	2116	41.5	43.2
82	18	31	961	-31	961	18.8	19.6
					total	134	139.6

Source: Researcher's computation

$$\frac{\sum(Oy - Ey)^2}{\sum y} + \frac{\sum(ON - EN)^2}{\sum N}$$

$$134 + 139.6 = 273.6$$

Therefore, $X^2_{cal} = 273.6$

Degree of freedom (df) = (c-1) (r-1)

$$(df) = (6-1) (2-1)$$

$$df = 5$$

Significant level = 0.05 or 5%

Checking df (5) under significant level (0.05 or 5%), the table value (X^2 tab) = 11.1

That is x^2 cal > x^2 tab i.e. $273.6 > 11.1$

Based on the result, the alternative hypothesis (H_1) is accepted while the null hypothesis (H_0) is rejected. This means that credit facilities have significant impact on the operations of small scale farmers in Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

This study analyzed the impact of credit facility to small scale farmers in Nigeria using Bende Local Government Area of Abia state as a major area of study. The study shows explicitly how credit facilities are crucial in the operation of small scale farmers.

In addition to financial operation incentive awarded to small scale farmers by commercial or agriculturally instituted financial institution acting within the confines of stipulated authority, the government in its own capacity too has succeeded in introducing agricultural schemes to boost agricultural productivity and assist farmers. Agricultural Programmes such as ACGSF, RUFIN, NIRSAL, GESS etc. have been introduced.

Also, this study revealed the credence of credit facilities as essential in the operation of small scale farmers in conformity with well researched journals, articles and texts. Study has shown that most of these agricultural schemes have been poorly articulated and managed, leading to further decline in farming operation of farmers.

5.2 CONCLUSION

Credit facilities play a crucial role in the operation of small scale farmers, this ensures that the derived output will be that which sustains the growth and development of the economy. The agricultural development policies will therefore be more ensured, if the investment on research and human development are given a proper attention in form of improved educational standard of the people to be able to design an appropriate research and in return formulate a sustainable policy programme.

Increase in farming operations particularly that of small scale farmers is a related venture of the government, the various financial institutions, private enterprise and group of individuals.

5.3 RECOMMENDATIONS

Based on the result of the research hypothesis, the alternative hypothesis (H_1) is accepted while the null hypothesis (H_0) is rejected. This means that credit facilities have significant impact on the operations of small scale farmers in Nigeria.

Therefore, from the findings of this research project, the following recommendations are proposed to improve the operation state of small scale farming in Nigeria:

- a) Small scale farmers need to have feasible and accessible credit facilities.

This will help them out of capital inadequacy that is militating against their

farming operation. To make credit more available to farmers, the monetary and banking policies formulated by the Central Bank of Nigeria must be suitable for agricultural development. The agricultural credit fund of the Bank should be more operational and banks should be encouraged to drop the perception of agricultural credit as a highly risky venture.

- b) Government and Private individuals need to work together in order to improve the quality of labour of small farmers by channelling resources to Research and Development (R & D) as it is done in many advanced countries like China, Israel, and America where a farmer can feed about 108 people. There is need for further research into the determinants of access to or exclusion from financial services in Nigeria, as well as the efficiency of policy instrument such as Agricultural Credit Support Scheme (ACSS) and the National Agricultural Research Project (NARP) in improving farmers' access to credit.
- c) Assessing the potential ability of traditional institutions to provide credit in the absence of collateral could help improve access to credit by small scale farmers, this is because an interview with the ACGs fund desk of the SME unit of CBN suggested that small-scale farmers low access to credit institutions is due to the requirement for collateral and the perceived high risk and uncertainty of agricultural production.

Source: www.ifpri.org.

- d) Supporting facilitation of the transfer of credit from formal institutions through MFIs to small-scale farmers could help improve access and repayment rates. Developing awareness of agricultural insurance institutions to carry out their mandates will lower the risk fixed by financial institutions in lending to small-size farmers.
- e) Subsidies and subventions are highly needed by the local farmers because of persistent rise in the local farm produce price due to frequent increase in the price of factor inputs like fertilizer, chemicals, plants and machinery are so expensive that the local farmers in unable to acquire them for effective operation.
- f) Monetary policy which deals with increase in money supply (Expansionary Monetary policy) and has an inverse relationship with interest rate should be pursued. Lending rates and interest rates should be reduced because high interest rate and the short term nature of loans with fixed repayment periods do not suit annual cropping, and thus constitute a hindrance to credit access.

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QUESTIONNAIRE

PLEASE MARK “X” IN THE BOXES FOR THE CORRECT ANSWER.

N.B: THE INFORMATION GIVEN BELOW WILL BE TREATED WITH CONFIDENTIALITY AND USED FOR THE PURPOSE OF THIS RESEARCH ONLY.

SECTION A

BIO-DATA

1. Sex

a. Male ()

b. Female ()

2. Age

a. 22-30 ()

b. 31-40 ()

c. 40 and above ()

3. Marital status

a. Single ()

b. Married ()

c. Divorced ()

d. Separated ()

e. Widowed ()

4. Religion

a. Christianity ()

b. Islam ()

c. Others ()

5. Educational Qualification

a. Primary School Certificate ()

b. GCE/WASSCE ()

c. OND/NCE ()

d. HND/B.Sc and above ()

SECTION B

Analysis of credit facilities to small scale farmers in Nigeria

6. How much do you spend on your farm operation per year?

a. Yes ()

b. No ()

7. Do you experience shortage of capital?

a. Yes ()

b. No ()

8. Does inadequate capital affect your farm operation?

a. Yes ()

b. No ()

9. Is there any source of credit facilities available to you?

a. Yes ()

b. No ()

If yes, which of these sources?

a. Family and friends ()

b. Commercial banks ()

c. Microfinance banks ()

d. Isusu ()

10. How much credit do you receive per annum?

a. 100,000 – 300,000 ()

b. 300,000 – 500,000 ()

c. 500,000 – 1,000,000 ()

d. 1,000,000-above ()

11. Do you wish for more alternative sources of capital in form of credit facilities?

a. Yes ()

b. No ()

12. What is the state of credit facilities to small scale farmers?

a. Very good ()

b. Good ()

c. Fair ()

d. Poor ()

13. Has access to credit been favourable to you?

a. Yes ()

b. No ()

14. How long does it take to access credit facilities needed to finance your farm operation?

15. Do you face the problem of inadequacy collateral securities before obtaining credit facilities?

a. Yes ()

b. No ()

16. Will easy access to credit boost your productivity?

a. Yes ()

b. No ()

17. Do you think government has been supportive in ensuring credit availability?

a. Yes ()

b. No ()

18. Do Agricultural Financial institutions setup by government charge high interest on loan?

a. Yes ()

b. No ()

19. High interest rate affected the availability of credit to you?

a. Yes ()

b. No ()

20. What percentage of interest do you think is favourable to you?

a. Less than 10% ()

b. 10% - 15% ()

c. 15% - 20% ()

d. 20% and above ()

21. How many times have you benefitted from subsidies within the past years?

22. Has it helped to improve the present state of your operation?

a. Yes ()

b. No ()

23. How much do you receive externally other than your personal money income to finance your farm operation yearly?

a. 1,000 – 10,000 ()

b. 10,000 – 20,000 ()

c. 20,000 – 30,000 ()

d. 30,000 – 40,000 ()

e. 40,000 – 50,000 ()