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# Loan Repayment and Diversion among Anchor Borrower Programme's Beneficiaries in Niger State, Nigeria

1<sup>st</sup> Mohammed Kudu Musa<sup>1</sup>, 2<sup>nd</sup> Raufu Olusola Sanusi<sup>2</sup>, 3<sup>rd</sup> Usman Aliyu<sup>3</sup> 4<sup>th</sup> Aliyu Aminu Maru<sup>4</sup>

1. National Cereals Research Institute Badeggi Nigeria, Research Operations Department
2. Phoenix University Agwada Nigeria, Agriculture Department
3. National Cereals Research Institute Badeggi Nigeria, Agric. Engineering Department
4. College of Agricultural Technology Bakura Nigeria, Agric. Technology Department

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### Corresponding author:

Name: Mohammed Kudu Musa  
Affiliation : National Cereals  
Research Institute Badeggi  
Nigeria  
Email: [kudumusam@gmail.com](mailto:kudumusam@gmail.com)

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## ABSTRACT

The Anchor Borrower Programme (ABP) involves the provision of farm inputs in kind and cash to small-holder farmers to boost production of targeted commodities. This study assessed loan repayment among ABP beneficiaries as well as to examine its diversion. A total of 138 farmers were randomly selected. Data was analysed using descriptive statistics. Results showed that majority (75.4%) of the beneficiaries were men with average age of 40 years with an average farm size of 1.7 hectares. Majority (85.5%) of the beneficiaries defaulted in repayment of the given loan. Although 43.5% and 14.5% of them made a partial and complete loan repayment respectively. Also, 28.3% of them payback with produce and cash while 18.1% and 16.7% of them payback with produce and cash only respectively. Furthermore, personal/family needs (62%) topped the reasons for loan diversion. Also, <20% diverted the loan to serve other purposes. It was concluded that without proper management, the scheme would die. The study recommends that the scheme should be given better management in order to prevent diversion of funds as well as to ensure prompt repayment.



## **Introduction**

Agriculture is the mainstay of Nigerian economy before the discovery of oil in 1958; Nigeria was an exporter of agricultural produce such as groundnuts, cocoa, rubber cassava, and yam to other parts of the world. In Nigeria, agriculture dominates the economy. It has been established that about 70% of Nigeria population is engaged in agriculture while 90% of its total food production comes from small farms and 60% of the population earn their living from these small farms (Alufohai, 2009; Awotide et al., 2011)

The establishment of the Anchor Borrowers Programme (ABP) in 2015 was made necessary by the need to address the issues plaguing the agriculture industry and assist Nigeria in emerging from the recession brought on by an over reliance on oil money. Small-holder farmers (SHF) are given cash and in-kind farm supplies in exchange for labor to increase the production of specific commodities as part of the ABP. After harvest, the SHF gives the agro-processor (known as Anchor) his or her produce, and Anchor pays the farmers the equivalent in cash (CBN). The productivity challenges faced by the farmers necessitated the Central Bank of Nigeria in line with its developmental function to establish the Anchor Borrowers' Programme (ABP). The Programme which was launched on November 17, 2015 is intended to create a linkage between anchor companies involved in the processing of crops and small- holder farmers (SHFs) involved in the production of the required key agricultural commodities such as rice, palm-oil, and wheat etc. The thrust of the ABP is provision of farm inputs in kind and cash (for farm labor) to small-holder farmers to boost production of agricultural commodities, stabilize inputs supply to agro processors and address the country's negative balance of payments on food (CBN, 2018; Umeh and Adejo, 2019).

To evaluate the efficiency of the scheme, pilot projects were carried out in some States namely Kebbi, Anambra, Niger etc. The rice pilot project that was implemented in those States has been incredibly successful. The scheme, which used integrated rice millers as purchasers to ensure that there was a ready market for the produce, benefited roughly 78,000 rural farmers in Kebbi State. Farmers achieved yields of up to 7.5 to 8.0 tons per hectare, in contrast to the prior yield of less than 2.0 tons per hectare in the State. According to Nigeria Incentive-Based Risk Sharing System for Agricultural Lending, over 526 Small-holders farmers in Imo state benefited from Agricultural input supply under ABP (NIRSAL, 2018).

However, Niger State which is noted predominantly as an agrarian State whose major activities is in the area of rice farming (Niger state ADP zone A) with resultant low yield per hectare largely because inputs such as quality seeds, chemicals and machineries which brings about high yield and guarantee food security of the rain fed rice farmers are not readily available or accessible to non-commercial farmers. However, CBN (2018) posited that Niger State is benefitting from the ABP. The source stressed that not less than 36,000 farmers joined the scheme in the previous farming season, while others joined later. The CBN said that the involvement of the 36,000 The favorable outcome in rice production that the State has attained is the consequence of farmers. Regarding the anchor borrower's scheme, the CBN gave Niger State an extremely high rating out of the 36 States in the federation and the FCT. The Central Bank said that the Governors' dedication and political resolve were the reasons behind the State's agricultural success.

According to the Rice Farmers Association of Nigeria (RIFAN), about 24,933 farmers were expected to benefit from the CBN's ABP in the year 2018 alone in Niger State. CBN reiterated that the loan scheme in the State has been of tremendous help to rice farmers, but regretted the default in payment by beneficiaries. The project was

expected to benefit about 24,933 rice farmers from across the State in the year 2019. The objectives of the study are to describe the socio-economic characteristics of the rice farmers, examine the level of loan repayment among the ABP beneficiaries as well as to examine the diversion of the loan in the study area (CBN,2018; Coker et al. 2018).

## **Methodology**

The population for the study was smallholder rice farmers in the Agricultural Zone 'A' of Niger State viz: Gbako, Lavun and Bida. Multi-stage sampling technique was used to select rice farmers for the study. In the first stage, three Local Governments Areas were purposively selected from the 7 rice producing areas in the LGAs. These are Gbako, Lavun and Bida.

At the second stage, two villages were purposively selected from each of the chosen LGAs.

While the third stage involved random selection of WHAT? Number of the rice farmers from each village. This was based on the list of smallholder rice farmers under the Anchor Borrowers Programme (Sample Frame) obtained from the extension officers in the areas. In all a total of 200 rice farmers were sampled for the study, however during the analysis some of the interviewed

schedule were not analyzable due to ambiguity and the sample size dropped to 138 respondents.

**Table 1.0** Sample Outlay of The respondents in the study Area

Categories	Local Governments	Town/ villages	Sampling frame	Sample size
Zone A	Bida	Bangaie	300	30
		Nasarafu	300	30
			600	60
	Gbako	Edozhigi	300	30
		Batagi	300	30
			600	60
Lavun	Doko	400	40	
		Dabban	400	40
		800	80	
Total			2000	200

**Source;** Niger State Agricultural Development Project Bida Zonal Office (ABP2017 and2018)

### Method of Data Collection Capitalise each word

Data for the study were obtained using an Interview schedule administered to the respondents by researcher and trained enumerators. While the secondary information were obtain from journals, technical reports, projects, dissertations thesis newspapers, textbooks and other relevant materials. Primary data was collected on socio-economic characteristics, sources of information on ABP, income, output, and constraints faced by the beneficiaries ABP

### Results and Discussion

The age distribution of the farmers is as shown in Table 1. Among the ABP beneficiaries, most (69.6%) were in the age bracket 26—45years, 26.1% were ≥46years, while 4.3% fall into ≤25years. The mean age of the respondents was 45years. Age distribution is important to farmers because agriculture especially in the rural areas relies heavily on the use of human power and younger people are better able to cope due to the strength that goes with youthfulness (Atagher *et al.* 2015).

According to Ekong (2003), among the ABP beneficiaries, majority (96.4%) was married while the remaining 3.6% were single (Table 1). It suggests that the respondents were responsible and accountable. The high percentage of marriage suggests that marriage is viewed as very important among rural Nigerians. And it is a strong factor encouraging success in programmes/projects intervention in rural Nigeria.

Furthermore, analysis of the educational levels of respondents in the study area showed that 26.8% of the ABP beneficiaries had quranic education. Also, 25% of them obtained National Diploma (ND)/National Certificate in Education (NCE), 23.9% had secondary education, 8.7% had Higher National Diploma/Degree while 2.2% of them at

one time or the other obtained Adult education. Education is investment in human capital which helps to raise the quality of farmers’ farming skills, increase their information and farming efficiency. This helps the farmers to improve their productivity and production efficiency which eventually translates into high standard of living or welfare (Atagher, 2015).

In addition, Table 1 reveals that most (67.3%) of the respondents 1-5 persons per household, while 32.6% had 6-10 persons per household. The average household was 5 persons. This implies that the respondents in the study area had moderate household size. An average household size of four persons is few considering traditional African setting that takes pride in larger household size. On the other hand large household has predisposition towards technology adoption which count on availability of labour force for farming. This supports by Mignouna *et al.* (2011) who reported that adopters of maize technologies had larger households than non-adopters in Western Kenya. Furthermore, the result in Table 1 reveals that 40.1%of the respondents’ farm size was ≤1 hectare, 30.0% of them operated on 1.1—2 hectares. The mean farm size was 1.7 hectares. This implies that the respondents were small scale farmers. Smallness of farm size could be attributed in large part to the absence of sophisticated water control or mechanization as well as land tenure system as it is mostly in Africa. This finding is in line with that of Lanjouw *et al.* (2001) who asserted that most empirical studies of African agriculture find no significant economy of scale beyond a very small farm size.

Also, Table 1 shows that 47.2% of the respondents had 11-15 years farming experience, 30.5% had 6-10 years, and 6.4% had ≤5 years, while the remaining minority (3.6%) had ≥21 years’ experience. The average farming experience was 12 years. This implies that the respondents were experienced farmers. Year of experience in a particular endeavor is a determinant in accessing financial aids in forms of loan or credit (Ibrahim *et al.*, 2015).

Also, Table 1 shows that majority (87.7%) of the respondents belong to a farmer’s group while remaining 12.3% did not belong. In most situations, farmers’ resort to these social networks for cash and other needs. They provide a source of ready cash and other input needs. They may also represent a source of transfer of information about production and current affairs relevant to farmer’s needs. Membership of farmers’ associations shows the level of organization among farmers (Giz, 2016).

Moreover, majority (94.2%) of the farmers did not know the name or the type of rice they cultivated. It implies that they were more concerned about their

productivity rather than rice nomenclature. However, 5.1% among the farmers could say categorically that they cultivated local variety, while 0.7% cultivated Faro-44.

**Table 1.** Distribution of respondents according to the socioeconomic characteristics (n=138)

Variables	Frequency	Percentage	Mean
<i>Age (years)</i>			
≤25	6	4.3	40
26—45	96	69.6	
≥46	36	26.1	
<i>Married</i>			
Married	133	96.4	
Single	5	3.6	
<i>Education</i>			
Quranic	37	26.8	
<i>Adult education</i>			
Primary	3	2.2	
Secondary	13	9.4	
ND / NCE	33	23.9	
HND/Degree	35	25.4	
<i>Association membership</i>			
Member	12	8.7	
Non-member	17	12.3	
<i>Household size</i>			
1—5	93	67.3	5
6—10	45	32.6	
<i>Farm size (ha)</i>			
≤1	50	40.1	1.7
1.1—2	45	30.0	
2.1—3	22	14.4	
3.1—4	18	13.0	
≥4.0	3	1.4	
<i>Farming experience (yrs)</i>			
≤5	12	6.4	1.2
6- 10	39	30.5	
11—15	56	47.2	
16—20	26	12.0	
≥21	5	3.6	
<i>Land ownership type</i>			
Family land	30	21.7	
Inheritance	53	38.4	
Leased	31	22.5	
Purchased	21	15.2	
<i>Rice varieties cultivated</i>			
Faro 44	1	0.7	
Local variety	7	5.1	
Unknown	130	94.2	

Source: Field survey data analysis

**Loan repayment among the beneficiaries of ABP**

The results in Table 2 reveals that 43.5% of the respondents made a partial repayment, while 23.2% are yet to commence the repayment. It was only 14.5% of the beneficiaries who made a complete repayment of the loan given to them. Considering that it is from the repayment that other farmers will subsequently benefit, it implies that this aids (financial and inputs) would not be made available to other potential beneficiaries. According to Umeh *et al.*, (2019), this phenomenon could invariably truncate the scheme. Repayment of loan is the

process of returning financial aid given to an individual farmer for a specific purpose. Sometimes it attracts interest, and at other times it does not, depending on the terms and conditions under which it was given.

Also, 28.3% of the beneficiaries paid back with cash and produce, 18.1% paid with produce only, while 16.7% paid back with cash only. It shows that the easiest means of repayment among the beneficiaries is the combination of cash and produce.

Characteristics	Frequency	Percentage
<i>Repayment</i>		
No payment	32	23.2
Partial payment	60	43.5
Complete payment	20	14.5
<i>Methods of repayment</i>		
Produce only	25	18.1
Cash only	23	16.7
Produce and cash	39	28.3

Source: Field survey data analysis

**Loan Diversion**

The result in Table 3 shows that majority (81.2%) of the respondents made judicious use of the resources allotted to them under the ABP. However, less than 20% diverted the loan to other uses. The implication of loan diversion is that the objectives for which it was granted will not be achieved. This is in line with the finding of Khaleque (2010) who reported that diversion of loan from its purpose to other non-productive sector, especially to consumption hinders the objectives and at the same time causes a threat to the microfinance institutions.

**Table 3.** Distribution according to loan diversion (n=138)

Characteristics	Frequency	Percentage
Judicious use of loan	112	81.2
Loan diversion	26	18.8

Moreover, personal/family needs (62%) were the topmost reasons for the diversion of the loan (Table 4). It implies that without personal discipline and determination, with focus on the terms and conditions of the given loan, diversion and or abuse is inevitable in the presence of biting personal/family needs (Coker *et al.* 2018).

**Table 4.** Distribution of respondents according to reasons for loan diversion (n=26)

Reasons for diversion	Frequency	Percentage
Personal/family needs	16	62
Sickness	9	35
Others	1	3

Source: Field survey data analysis

## Conclusion

The study concludes that there is a causal relationship between farming experience, farm size, credit accessibility and farmers' productivity. Also, extension agents and radio as a means of information dissemination remains favorably good. Default in loan repayment remains a challenge that continues to hinder the progress and the possibility of the (ABP) scheme to continue and benefit more citizens and farmers. Based on the foregoing, it is therefore recommended that the scheme should be given better management in order to prevent diversion of funds. This will ensure that the fund gets to the target beneficiaries. Also, there should be a better supervision to ensure that the loans are repaid in time.

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