Dissertation

By

EZE, Benjamin Sunday

DEPARTMBPT OF AGRICULTURAL ECONOMICS UEIVERSITY OF NIGERIA NSUKKA.

Factors affecting default rate in the informal financial institution in Nsukka agricultural zone of Enugu State

MAY 1993

FACTORS AFFECTING DEFAULT RATE IN THE INFORMAL FINANCIAL INSTITUTIONS IN NSUKKA AGRICULTURAL ZONE OF ENUGU STATE.

BY

EZE, BENJAMIN S.
PG/M.Sc/89/8380.

DEPARTMENT OF AGRICULTURAL
ECONOMICS UNIVERSITY OF NIGERIA,
NSUKKA

MAY 1993

FACTORS AFFECTING DEFAULT RATE IN THE INFORMAL FINANCIAL INSTITUTIONS IN NSUKKA AGRICULTURAL ZONE OF ENUGU STATE

A PROJECT REPORT SUBMITTED TO
THE DEPARTMENT OF AGRICULTURAL
ECONOMICS, UNIVERSITY OF NIGERIA,
NSUKKA IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE AWARD
OF MASTER OF SCIENCE IN
AGRICULTURAL ECONOMICS

BY

EZE, BENJAMIN S.
PG/M.Sc/89/8380

B. AGRIC (HONS) AGRICULTURAL EXTENSION
UNIVERSITY OF NIGERIA,
NSUKKA.

CERTIFICATION

Eze Benjamin S. PG/M.Sc./89/8380 has satisfactorily completed the requirements for the course and research work for the Degree of Master of Science in Agricultural Economics.

The work embodied in this thesis is original and has not been submitted in part or full for any other diploma or degree of this University or any other University.

Prof. M.O. Ijere
Supervisor

DATE: 3/5/93

Dr. S.A.N.D. Chidebelu
Head of Department

DATE: ---------------

10-7-93

External Examiner

DEDICATION

This work is dedicated to my late Mother, Madam Maria Eze. May her soul rest in peace.

ACKNOWLEDGEMENT

I am particularly indebted to COUNCIL FOR THE DEVELOPMENT ECONOMIC AND SOCIAL RESEARCH IN AFRICA (CODESRIA) who solely onsored this research for the post graduate work.

It is my great pleasure to state categorically clear that e sponsoreship did not only facilitate my research studies but so helped in a more in-dept findings of the work. Without is award, it should have been very difficult for me to finish time especially as I was handicapped financially.

Morever are the speciall books sent to me for this work ich could not easily be found in Nigerian Markets. I shall er remain grateful and willing to carry out more research enever such award is extended to me.

I also wish to express my appreciation to Prof. M.O. Ijere o suppervised this work.

I wish CODESRIA long live and hope that such gesture will ontinue so that more researchers will exploit other areas.

EZE, B.S.

MAY 1993

ABSTRACT

The need for this work was to analyse the different factors that contributed to the default rate in the Informal Financial Organizations. The main objectives were to examine the structure and operations of the institutions; conditions for obtaining these loans; various factors responsible and determine default rate; and assess how methods of financing, influence borrowing and repayment as well as recovering measures employed by the institutions.

Nsukka agricultural zone of Enugu State was studied. The sample included ten officers of the informal lenders and 72 beneficiaries. Data were collected using questionnaires.

The results showed that majority of the beneficiaries were males who were middle aged between 40-59 years. Most of them were married and educated. The default rate cut accross all the institutions. The findings also showed the informal institutions as an important sources of credit, however, there were default in repayment. It also showed that the farmers had positive attitudes towards loan repayment especially as they did not want to be dropped out of the institutions.

There were high level of repayments among the informal lenders. Method of financing did not determine borrowing and repayment.

The farmers were of the opinion that the causes of default is poor management potential, and requested for better training and increase in loan size and duration. The work also showed that these informal financial organization could be instruments for agricultural and rural development as a result of their inherent capabilities to build up the savings potential of the people.

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTD)

CHAPTER THREE:

TABLE OF CONTENTS (CONTD)

TABLE OF CONTENTS (CONTD)

LIST OF TABLES

LIST OF TABLES (CONTD)

CHAPTER ONE

INTRODUCTION

Background Information

Agricultural development is one of the topical issues being discussed in Nigeria in recent times. This is because of the importance of agriculture in any national economy. This importance becomes more manifested in an economy undergoing a structural adjustment like the Nigerian economy. Agriculture provides food, raw materials for industries, materials for shelter, employment for the people and market for industrial goods.

Despite its importance, agriculture in Nigeria is characterised by low farm incomes, low level of capacity to satisfy the food and fibre need of the country. It manifests the typical symptoms of a peasant agriculture. The production technologies are still primitive. The farms are dominated by small scale farmers who are responsible for about 90% of total production (Olatunbode, 1990). These farmers in an attempt to improve their production capacities resort to adopting new technology such as improved seeds. They equally take agricultural loan. Such credit involves obtaining control over the use of money, goods and inputs hoping to pay back in a future date.

In Nigeria, credit has been playing an important role in the development of agriculture. Agricultural credit helps to improve farm output and economic well being of the farmers. Small farmers hold the key to Nigeria's agricultural development, but they usually operate under serious credit constraints. These loans are usually classified into short term, long term and medium term.

Agricultural credit in Nigeria can be categorised into two, viz formal and informal sources. The formal sources include co-operatives societies, Agricultural credit banks, Commercial banks and credit corporations established by law. The informal sources include family members, friends, merchants, money lenders and esusu clubs (Fanoriyo, 1979).

The formal credit systems have been unsuitable to suit the particular need of the farmer in his socio-economic set-up. The form-filling and the need for bank officials to visit their farms, coupled with the fact that the loan is not normally forthcoming until after most of the works on the farm would have been done, discouraging small farmers (Adeyeye and Dittor 1985).

A great majority of the rural dwellers, the illiterates and the low income earners, who constitute 60-80% of the population of this developing country have virtually no access to the services rendered by the formalised financial institutions. It then follows that a scenario whereby efforts are concentrated on studies of the formalised institutions that cater only for 20-40% of the population at the expense of the informal institution is not satisfactory (Udogu, 1988).

The informal financial institutions which is also called the traditional financial institutions or the informal capital market plays a vital role in the credit and saving mobilization efforts among the small holder farmers in our society. Of recent, various formal lending institutions have been spending some sizeable amounts on agricultural developments, however, it is obvious that they cannot alone, provide the funds that can sufficiently transform the rural agriculture. As a result, alternative sources could be found in informal lending organizations. Most of these informal lending sources are located in the rural areas. They could be a formidable force in the financing of agriculture. According to Ukwu (1983) informal sources accounted for 80% (from relations) and 12% (from friends/

money lenders) while the banking system and the co-operative contributed a mere 8% in financing rural agriculture. These informal lending institutions are usually formed among friends, co-workers, age grades, traders, farmers, relations and other identifiable groups who can easily come together to make regular contributions. Occasionally, these informal institutions exist without specific names.

In these informal institutions, a fixed sum is usually contributed by each members at agreed interval for an agreed period and the total contributions for each period is loaned to members in an agreed order. Sometimes, it may be an individual lender who possessing excess loanable funds or with access to the same is willing to lend them to needy persons at a fee.

The loans from the above non-institutional sector are usually made directly to the borrower by the lender and are prevelent in areas where individuals are quite familiar with the share confidence in one another. In other words, the lender knows the borrowing farmers and can reasonably vouch safe for the borrower's integrity.

The relative ease of obtaining loans devoid of administrative delays, non-insistance by the lenders on collateral from the borrower and the flexibility built into repayment programmes have made the non-institutional sources notwithstanding their exhorbitant interest charges, extremely popular among the small-holder farmers, who incidentally form over 70% of the farming population (Abe, 1991). From the foregoing, there seems reasons to believe that indigenous credit association could be an invaluable instrument for agricultural and rural development (Nweze, 1985).

In spite of this unique services, loan beneficiaries from informal sources default in repayment due to natural hazards as well as health problems. These among others, constitute the greatest impediment to repayment, thereby increasing farm loan delinquency (Osuntogun and Oludimu 1983). This problem is further aggravated by the difficulties facing the farmers themselves. These according to Asabia (1981) include crop failure as a result of poor weather, death of livestock resulting from epidemics, inconsistent government agricultural policies which often affect production equipment. Atimes problems may be created by the lenders themselves who do not select credit worthy farmers thus default in repayment. In Lafia, Chidebelu and Ezike (1985) showed repayment rates of 65% and 85% for loans obtained from relations, and friends respectively, which implied default.

However, evidence has shown that those formalised financial institutions, inspite of all emphasis, are grossly inadequate to meet the financial needs of the generality of the peoples in the various world economics, particularly in the developing countries, where the services are not only inaccessible but also not sufficiently available to those who have access to them. Therefore, the need arises to direct attentions to the informal institutions that cater for the more populous small-holder farmers.

Problem Statement

There have been series of reports on farmers' inability to repay loans borrowed from informal sources. It occurs even when the farmers organise such lending informal institutions among themselves especially the savings and credit groups. In spite of the stringent sanctions imposed by most informal lending institutions such as the confisication of the borrower's properties and its subsequent sale to other members of the public who could afford the payment as well as oath taking.

There still exist reports of loan defaulting among informal lending organisations. This default has led to failures or even ceasation of most informal lending groups thereby hampering their operations. This situation not only retards the progress of a farmer member, but also affects his standard of living, hence this study, which investigated the factors affecting default rate in the informal financial institutions in Nsukka agricultural zone of Enugu State.

Significance of the Study

There has been reported increase in the default rate by loan beneficiaries and this has badly affected many informal lending institutions. The effects of this default is that the lenders net returns are reduced because of loan arrears. This hinders the institutional activities especially in agriculture as the objectives can no longer be achieved:

Many factors have been found to be contributing to the low recovery rate. The aims and objectives of the informal financial organizations to improve the welfare of the poor rural farmers, can only be achived if these factors are curtailed or entirely removed. Such actions will increase more funds in circulation as loan and more farmers will benefit.

This study therefore has provided valuable information for the informal lenders, with the view to improving loan repayment conditions amongs them, by identifying and eliminating all these factors that work against the operations of the organizations. This will help improve the borrowers and lender's relationship as more people will benefit. Moreover, the study will help borrowers who are not aware of the existence of these informal lending institutions to benefit and improve on their repayment abilities. It will equally help any researcher who may be doing similar study in the area. For policy makers and the formalized financial institutions, they may recognize them as contributors to agricultural credit mobilization and it will help them in planning and modification of agricultural credit programmes in Nigeria.

Definition of Terms:

(1) Factor: Meaning the reasons why farmers fail to repay their loans when due. They are the agents which farmer considered very important in their negative responses to loan repayment.

(2) Default: Meaning the failure to properly account for money or properly entrusted to one's care (Oxford 1955). A farmer is defaulting if he delays or fails in honouring his repayment obligation to the lender when due.

(3) Informal Financial Organization: Meaning voluntarily formed groups or individuals, who formed for the purpose of engaging in some kind of mutual-aid scheme through savings mobilization. This implies absence of coercion or compulsion; general lack of any kind of sophisticated organization structure; and use of free-will and self determination in one's decision to associate for the purpose of savings and/or lending.

(4) Thrift: This according to strickland means the avoidance of extravangance and the practice of wise spending (Strickland 1934). In this study, thrift also means the art of refraining from current consumption now, in order to have more to spend in future. It does not mean being stingy.

(5) Fund: This means a sum of money made available (or set aside) for a defined purpose. In other words, it is a pool of money specifically made available for a known objective.

Objectives of the Study:

The over-all purpose of the study is to investigate the various factors that contribute to default among loan beneficiaries in informal credit institutions in

Nsukka Agricultural zone.

The specific objectives are to:

(1) examine the typologies, organisations and operations of the informal credit institutions in the study area;

(2) investigate the conditions for obtaining these loans;

(3) investigate the factors affecting loan default and hence determine the default rate among beneficiaries;

(4) assess how the methods of financing influence borrowing and repayment of loan; and ascertain the recovering measures employed by these institutions.

(5) make recommendations based on the findings.

METHODOLOGY OF STUDY

SAMPLING PROCEDURE

The field survey covered five local government areas that make up Nsukka agricultural zone as at the time of the study, namely: Nsukka, Isi-Uzo, Igbo-Eze, Igbo-Etiti and Uzo-Uwani, which were chosen purposively.

A total of 100, and 10 questionnaires were distributed to the small scale farmers and the officials of the informal lenders respectively. Ten communities were selected at random from the five local government areas at two per each. Also 8 farmers and one official were selected at random in each of the organizations. The farmers comprised those who borrowed and those who did not borrow. A list of informal organization which were involved in lending collected during the pretest was used in the selection. Only properly completed questionnaires were used for the study. The improperly completed ones, including those from farmers whose loans were not due for repayment, were discarded. It comprised of those farmers who had fully repaid the principal and interest, partially repaid and not repaid at all but whose loans were due for repayment.

Data Collection

Primary data were collected from both the officers of the informal lending organizations and the farmers with the use of structured and precoded questionnaires.

Data from secondary sources came from journals, research reports, texts, seminar papers and account records of the informal institutions.

Analytical Techniques Used:

This research was purely descriptive. Use were made of simple averages; frequency distribution by number and percentages of respondents where necessary.

Also chi-square (X^2) was used to measure the discrepancy which existed between the observed and the expected frequencies. The chi-square could be written using the notation.

$$X^2 \quad \frac{(0 - e)^2}{e}$$

where

0 = observed frequency

e = expected frequency.

LIMITATIONS OF THE STUDY

The research work, just like any man's endeavour was not without its constraints in terms of limiting factors. Some of them were as follows:

Finance: This imposed a lot of problem to the researcher especially as it involved a field work. Frequent calls made on the selected institutions meant a lot of money on transports and sometimes circumstantial patronages particularly in the meeting places. Due to this financial involvement the scope of the study was narrowed to a particular zone.

Time: During the study, the researcher was engaging in other activities to enable him sustain himself in the school. This imposed problems as the researcher had to serve two masters at a time.

Lack of Co-operation: This was yet another of such constraints encountered. In the field of study one had to meet with very unco-operative elements. Sometimes, one identified somebody who indicated being in the informal financial organisation but would decline outright to fill one's questionnaire or give one any audience for interview. Also, some collected questionnaires and kept them only to give it back after many point of call, when the search for another potential respondent begins once more.

Paucity of Literature: The topic of research had this problem to an extent. Enough work has not been done on informal financial organisation thus not much for the literature review.

Bias: This equally created some problems as the respondents sometimes tended to answer the way they feel the researcher wanted them to answer the questions. Moreso, there might have been some ambiguities in the way the questions were framed and that might have affected the answers.

PLAN OF REPORT

This report is made up of five chapters. The first introduced the subject matter (problem statement), the objectives of the study, study area and methodology adopted. The second reviewed some related literature.

Chapter three examined the types of informal financial institutions, structures and operations while chapter four examined the characteristics of the farmers and results of findings. The last chapter contained summary of work done, policy implication, recommendation and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Origin, Aims, Organization And Management of Informal Financial Institutions

The history of Agricultural finance in Nigeria is as old as agriculture itself. Indigenous self-help organisations were discovered as early as 1930s in Nigeria as a basis for cooperation and mutual assistance (Green, 1964). Seibel and Marx (1985) reported that in some areas, these savings organisations were a recent development, example are the Tivs in Benue State, but in others, they existed at least since 200 years, example are the Yorubas. The presence of these organizations were not felt earlier enough because the colonial administration failed to see the place of indigenous savings and credit institutions in the Nigeria economy, describing them as fraudulent, improvident and lacking any redeeming features (Strickland, 1934).

In Cameroon, Bomnsa (1990) found that within the period 1937 - 1959, indigenous Insurance societies, later known as African Social Insurance Societies, were formed by members to sponsor their agricultural activities. These societies carried out popular activities but were short lived as officials crippled them through malpractices. He further stated that since 1963, other formal and informal savings and loan societies came into being through private initiative and played the role of mobilising and granting agricultural credit to farmers. These societies include the Co-operative Credit Unions which started through the initiation of Missionary bodies and the reinforcement of Mutual Aid Societies (njangis), a form of rotating credit and savings associations formed on ethnic, age or on other basis of common bonds among members.

Hossain, (1984) in his study highlighted that in Asia indigenous credit organisations have long existed and there is indication of the existence of a relationship between formal and informal financial institutions in credit administration. In support of this ascertion, FAA/APRACA (1981) reported that commercial banks in the Asian and Pacific region have already integrated traditional financial institutions in their financial intermediation.

According to Nwa-Ame (1987), the earliest attempt geared towards providing credit to the agricultural sector could be traced to different forms of non-institutional (sector) bodies such as traditional money lenders, middle men, landlords and processors. The need arises in the rural societies of developing countries due to inadequate services by institutional bodies for example for the mobilization of savings for the needs of farmers and for the utilization of such saving productive ventures in the rural areas. This gave rise to the Traditional African societies that existed and were found in many spheres of human endeavour before the arrival of modern forms of cooperative societies (Ifeyori, 1988).

Ijere (1988), observed that these associations are self-help groups or organizations in their own right and are the people's device for collectively tackling their socio-economic problems since they are need-oriented and posses simultaneous reward and sanctions. Anderson (1965) maintained that in India, the informal financial institution not only provides capital in a traditional society, but also functions in a moral or technical order as school for participating in a more developed economy. Also in Bantu in South Africa, Kuper and Kaplin (1944) reported that the aims of these organizations are to make contributions, create saving and small-scale capital- which are used in their productive ventures. Fei and Chang (1948) stated that this enhances group solidarity in an ordinary business relationship.

Due to the informal nature of the organization, there is no sophisticated organisation or management structure for them. There may or may not be permanent leaders (Ono, 1980). "In situation where leaders exist, all indigenous credit institutions are headed by a committee consisting a chairman, a secretary and a treasurer who are most often elected during end of year meetings. They are not paid or remunerated except for a few gifts (Nweze, 1985). These organisations are usually very simplified sometimes requiring just coming together of a few people to make the usual contribution. The contribution as found by Seibel and Marx (1934), and Ezike (1984) is used to build up a fund for loan which is then loaned to willing members by rotation or according to demand. Where it involves an individual money-lender, the sources may be from personal savings or money borrowed from banks (Obeta, 1982).

In some arrangements, there are no formal meetings, a designated collector merely goes round at the appointed time and applies the proceeds as mutually agreed upon by members. Where meetings are to be held, such meetings are usually rotated among members and the member who hosts a meeting automatically becomes the chairman of the day (Udogu, 1988).

As found by Seibel and Marx (1984) in a study of Igala tribe of Benue State, the number of members may range between 10-300. In small societies, members come from one village or from one clan, in larger ones, they may come from different villages. Each society is organized in its own pattern and having its own pattern and having its own credit schemes. The accounting record concerning contributions, levies, fines, credit and interest charges are kept by the elected treasurer.

There is no written laws, rules or regulations to guide the operations of the older financial units. The conventions, are however known by members who keep to them and respect them like any written laws.

The frequency of meeting, the day, time and place as well as the amount to be paid by each member are usually determined by general consesus or by the inner leaders, where they exist (Ono, 1980).

The more recent organisation of the traditional organisation, however, now have written guiding constitutions, a complete set of principal officers and even maintain bank accounts, for example, the social clubs, the Ajo or daily contribution which is a variant of the "isusu", and in fact almost all others. This may be due to the improving standard of education and the rise in literacy role. In the case of an individual leader who runs the informal financial institution, he takes all decisions independently on issues concerning the enterprise ranging from interest rate, to amount loaned among other things.

The nature of these organisations are such that requires little financial management, even with their new orientation.

Conformity to the laid down rules and regulations as well as the general convention is ensured through the use of sanctions. Any member, for example, who defaults in regular contributions is sanctioned, and such a person really finds it difficult to gain acceptance into any such informal group.

2.2 Sources of Agricultural Credit.

Farmers can obtain credit from many sources. This however, depends on the credibility of the farmer borrower. It could be from the unorganized sector and the organized sector. The unorganised credit lending sources include the village shopkeepers, the land owners, the village money lenders, traders, relatives and friends. While the organised sector includes Co-operative, Development Banks and Commercial Banks (Adegeye and Ditto 1985).

According to Ijere and Aloka (1988) the best source will depend upon the type of credit disired and the individual farmer's circumstances. They further classified the sources into institutions such as banks and individuals and relations. However, it was indicated that a relative or friend is only willing to loan for short periods of time, although they are relatively less important in the short term lending field. From the other sources include the loan companies which flourish in most communities. These loan companies they argued may not be a satisfactory sources of credit for farmers. Often they attract higher risk and customers suffer more losses. Their interest rates and loan costs usually reflect this fact.

Chidebelu and Ezike (1985) in the study of Lafia ADP, support this ascertion that Farmers obtain loans from many informal sources. Such as relations, friends, money lenders, others include village heads and unguan heads.

Nwalie (1987) in his contribution argued that there is a hinderance, however, to farmers' accessibility to bank loans and credit. This is rooted in the problem of poverty. Most of the farmers are so poor that they cannot provide necessary collaterals and securities which enable them obtain loans especially from banks. In order to alleviate the problem, these farmers, through the encouragement of government, organise themselves into cooperatives as cooperative farmers. In this way, they are able to pool their resources and contribute fund for subsequent lending to needy members. But the unfortunate thing is that a greater number of these farmers are poor such that their aggregate contributions rarely meet the financial requirements of members.

Obiechina (1985) asserted that traditional sources of credit such as village money lenders, "esusu" clubs and loans from friends/relatives have been found inadequate in scope and form. Village money lender, he maintained, have been described as "loan sharks" who apply unwritten terms and regulations to extort exorbitant interest rates from their clients. "Esusu" clubs and loans from friends/relatives have been used as humane and less exacting alternatives to obtain informal credit. However, he stated that the problem with the "esusu" clubs is that they are organised to provide credit only to members on a rotational basis, and they are constrained like the other sources of informal credit by the level of available loanable fund at each time period. On the other hand he explained that the formal credit for agriculture and commercial banks provide the answer to the short comings of the traditional or informal credit system. But requirements for credit approvals, ineffective measures to distribute and monitor the uses and recovery of loan funds have militated against the mass adoption of this form of credit.

Murty (1988) expressed a similar view that although the Federal Government has decided to increase the share of the commercial banks' loans and advances to the agricultural sector from 12 to 15 percent, the procedure for obtaining this loan has too many formalities which a small peasant cannot fulfil. He further stated that the banks are not interested in giving the loans to small farmers as they are interested to ensure the repayment of the loan. In a survey recently carried out by the Central Bank of Nigeria and World Bank, (1986), in four different states reported that the farmers were constrained to obtain credit from institutional organisations and even those who currently obtained the loans were not fully satisfied. Of the number surveyed, only 14.3 percent obtained loans from formal institutional credit, showing the low percentage of credit given to the needy small farmers.

Aneke (1981) and Miller, (1975) in argueing for the informal financial institution's role reported that the informal sources constitute an important source of credit for farmers in rural Nigeria, accounting for over 35 percent by value of loans in rural areas.

Among other contributors Ijere (1981) indicated that the amount from "isusu" contributions used for agriculture varies according to the cooperative demands of the non-agricultural sector; personal needs and the level of agricultural production. He reported that 30% in Nsu Clan while 25% was reported in Ukanatu Local Government Area of Cross River State (Udo, 1980).

2.3 The Role of Credit in Agricultural Development.

The importance of credit in Nigeria cannot be over-emphasized, especially as greater percentage of the farmers are small holders. Agricultural credit is used to promote economic development and to increase output and improve the economic well being of the rural people (Belshaw, 1975). This is necessary especially as there cannot be viable agricultural programme without adequate finance. More finance enables the farmer pay for more inputs, acquire modern technologies and thus expand his farm. Moreover, if there should be meaningful attempt to transform rural farming, change in traditional techniques and organisation alone should not be brought into focus rather the farmers growing capital outlays and increasing demand for credit should be taken into consideration (Oluwasanmi and Alao, 1964).

Credit makes it possible for farmers to take advantage of new machines, good seed, fertilizer, livestock and labour, which enable the farmer to organize and operate his farm in a more profitable basis (Murray and Nelson, 1961). Agubuzo (1985) reported that credit is a vital element in agricultural transformation without which the farmer can hardly do anything on the farm. It contributes to farmers social welfare, enhances production, helps in capital formation and continuity of income. For the agricultural sector to be revitalised, the author accepts that the farmer needs money to pay for hired labour, buy implements, purchase fertilizer/pesticides, procure improved seedlings and hire tractors, in conjunction with others. Still on welfare, Singh and Ramanna (1981) opined that the credit improves the overall welfare of the farmer especially in technology thus increasing income and employment on small and large farms in Western region of Hyderabad district of India.

Olayide (1980) assessed the importance of credit from slightly different perspective. He saw the role of credit as it affected the pattern of distribution of agricultural income and expenditure and the seasonal nature of farming. He pointed out that farmers' incomes and expenditures were seasonal and that expenditures were incurred during the growing season while most farm incomes were received during sales of output usually once or twice annually. He contended that since most of the farmers were poor, that they could meet their production expenses only by means of credit. He recommended that, as a production incentive, the short-term production credit for less than 12 months was the most important for small farmers.

Adegeye and Ditto (1985) made an additional contribution that the agricultural credit to small farmers can help in breaking poverty cycle. Credit as they recorganised is required to purchase improved technology which is vital for increased output and overall expansion of the farm. The improved technology to be purchased includes improved seeds, fertilizer, herbicides and pesticides, as well as agricultural machinery and equipment, as farm expansion takes place. They argued - that the role of agricultural credit is not restricted only to agricultural production; consumption credit, especially to small farmers is necessary if only because it helps to make farmers more productive in terms of their labour input. However, the authors warned that credit to small farmers in the absence of the knowledge and use capability of technology can even prove harmful since the farmers can become heavily indebted and be unable to pay back.

Discussing the role of credit as it influences farm expenditure in the Republic of Germany, Ringer (1988) infered that it increases the volume of agricultural inputs, rise in terms of feedstuff, fertilizer, pesticide and insecticides.

2.4 Types of Informal Financial Organisation

It is not easy to completely identify all the various types of the informal financial organisations. For one thing, as the name implies, these organisations are informal in nature and there are no laws laid-down to guide their formation and operation (Arderner 1953, Reining, 1959). As a result, when one, two or more people are capable of coming together for the common purpose of mutually aiding each other in financial terms or for the purpose of entending credit to outsiders, through some periodic contributions, an informal financial organisation emerges. Ono (1980) identified 12 of such system in his work as follows:

1. Isusu (esusu, Osusu, susu) group.
2. Finance through slavery, human labour, child and marriage.
3. Age Grade Associations.
4. Village Administration Contributions.
5. Village Rural Development Schemes.
6. Men's Revolving Loan Associations.

7. Married Women's Associations
8. Family Fund Pools.
9. Extended Family Cooperative Fund.
10. Town Unions.
11. Local Money Lenders and
12. Social Clubs.

Each of these groups has its variations and the number of such variations vary from locality to locality.

Of these 12 types given above, the most popular and most widespread of traditional institution prevalent in almost all the nooks and corners of the world particularly in the developing countries are those engaged in savings, loan and mutual scheme. As concluded by the author, these schemes are integrated in a system referred to in local parlance as isusu in Igboland.

2.5 The Role of External Factors

2.5.1 Risk and Uncertainty in Agriculture

The farmer normally faces two eventualities whose outcomes affect his production and marketing decisions. These are risks and uncertainties. Risk refers to situation, where the probability of occurence of outcomes is either known or can be estimated while uncertainty deals with situations where the probability of occurence of an outcome is neither known nor can be estimated. Agricultural production is subject to large variations due to factors completely beyond the control of the farmer: lack of rainfall, pest invasion, floods and other natural phonomena which are capable of rducing output to a level well below that planned by farmers, while exceptionally favourable conditions can cause production to be well above the planned level (Onyenwaku, 1986). The author categorized the risk and uncertainty to include production/technical uncertainty that is the use of certain combination of input which will always result in a fixed and known quantity of output. Price or market uncertainty, that is both the inputs which the farmer uses and the output which he produces are both subject to wide fluctuations in prices. Government Institutional uncertainty which involves changes in government policies, programmes, rules and regulation. Individual-generated uncertainty which is individuals and their changeable nature.

These result to the primary consideration of commercial banks as well as of all informal lenders in the risk involved in making loan. Olie (1980) observed that commercial banks just like the lenders perceive the agricultural sector as laden with risks, largely as a result of inherent nature of agricultural production. The risks outlined include crop failure, insect and pest attack, outbreak of diseases, etc. often beyond the immediate control of the farmer clouds the prospects for repayment. Lenders make only loans they feel are sure to be repaid, however, the certainty of repayment varies. Some loans are practically riskless, some involve a small amount of risk and some are moderately risky (Johnson, 1982).

This assertion has been supported and classified into three broad categories by Ray (1981) as follows: natural risks which include drought, flood, weed, thunderstorm, erosion, diseases, and pests; social risks which include hazards such as thefts, wars, change in social structure, technology, fire outbreak. Finally, economic risks which involve fluctuations in prices due to demand and supply of product over period of time and unexpected depreciation of investment.

Warren et al (1989) has a different view that risk is partly as a result of other business risks, such as production, price, health, obsolescence and innovation risks. He advised that lenders should check risk bearing ability measure whether the farm operation can withstand financial losses without being forced into liquidations or insolvency before approving loan.

In United Kingdom, Coward (1987) noted that agriculture faces significant risks related to weather and disease. These risks and uncertainties according to him greatly influence the credit repayment of many loan beneficiaries.

2.5.2 The Nature of Agriculture

The nature of agricultural production among Nigerian rural farmers makes it rather difficult for external financing. Obo (1981) stated that they are characterized by small and fragmented holding which in most cases are not economically viable. Farmers often produce enough food to feed the family with a little left for the market and their method of farming which has not gone much beyond the traditional stage. Mechanization he said is not practised on a large scale and improved varieties of crops and livestock are not widely used.

Contributing to the same problem, Belshaw (1965) opined that the characteristics of peasant farming which affect credit repayment was that the farming enterprise was more of a social unit and less of a business than in developed countries and often a considerable proportion of production are for subsistence. All these do not make provision for commercial agriculture and therefore farmers who go on credit often default in repayment.

Ruozi and Erzegouesi (1987) expressed a different view when they analysed the fluctuations in yield as it affects prices in America. They concluded that the unsteady nature of agriculture has put many farmers and cooperatives into serious financial crisis resulting into bankruptcy. This lead to decrease in agricultural produce which makes farmers unable to service their debts.

2.6 The Role of Client.

The client whether the farmer loan recipient or the credit institution sometimes contribute to loan default through one or a combination of the following factors: loan diversion, late approval and disbursement, poor coordination of credit with other agricultural services, poor loan size, low return from credit use, and general attitude of farmers to credit.

2.6.1 Loan Diversion/Non Productive Use of Credit

Production credit is concerned with the way money is employed by the borrower to result in an increase in his net income. When credit is used in this way the borrower will have funds to repay the loan when it is due and still have a margin left over to improve his standard of living. Credit could also be use to meet the usual family living expenses and emergencies. However, such use of credit for consumption purpose makes loan repayment difficult since the money is not used to increase the family income.

In Nigeria loan diversion to non-productive uses is very widespread among farmers, resulting in high rate of loan deliquency and defaults (Onyenwaku 1986).

2.6.2 Late Approval and Disbursement of Loans

Sometimes credit institutions may fail to approve loans in time and as a result, the proceeds in cash or in kind may reach the farmer too late for their specified use. This results in loan diversion to other uses. Besides, shortage of loanable funds result in long delays in loan disbursement even after loan approval. The late approval and disbursement of loan to farmers as reported by Onyenwaku (1986) may be due to the rigid and time consuming procedure for processing loan applications coupled with a shortage of well trained credit personnel.

According to research findings in Oyo State in South Western Nigeria by Fabiyi (1982), 58 percent of the farmers applied for loan between September and December of the year preceding the planting season and disbursement was made in May/June to 52 percent of the applicants while the rest received payment in April. This shows that the period of application to provision of fund ranges between four to nine months. Though the loan was needed for early maize, the period of planting passed before the loan was made available to the farmers. They further showed that 87 percent preferred January and 13 percent preferred February for disbursing loans. This is to ensure timeliness, thereby to enable them to utilize the loan for various cultural practices necessary before the commencement of rain.

2.6.3 Poor Coordination of Credit with Other Agricultural Services.

Agricultural credit among other things is involved in increasing agricultural production. Therefore, in providing credit to farmers, it is necessary to consider other services needed by the farmer. As Onyenwaku (1986) maintained that for credit to be effective it must be accompanied by and coordinated with a minimum of other services such as, agricultural extension services to teach farmers how to use the credit profitably, a farm supply system that ensures that other farm inputs are available to the farmer at the right time, in the required amount and of the proper quality and a marketing organisation which provides a convenient, stable and profitable outlet for the farmer's products. With proper coordination and management, the loan beneficiaries will realise reasonable prices and be able to repay the borrowed fund.

2.6.4 Loan Size in Relation to Need Indicated by Farmers.

Determining the right amount of credit to be given to a farmer-borrower is a problem to the credit institutions because granting too little or too much credit may do a farmer more harm than good. Loans which exceed the farmers capacity for repayment might put him into debt while insufficient credit does not allow him to employ improved practices to make rational use of his resources.

Osuntogan and Oludimu (1981) reported a case where farmers are given inadequate loan because the amount was calculated based on the hectares which the farmer or group want to cultivate. This method is beneficial in cost consideration as well as in providing some means of evaluating farmers, but in most cases, farmers receive considerably less than the amount expected, if they are given any thing at all.

Fabiyi (1982) in the reported research, above, showed that from 1976 to 1980 farmers in Oyo State applied for a total loan of ₦536,250.00 and were given ₦56,170.00 which represents 10.5 percent of the loan expected. Ijere et al (1987) reported that out of the respondents who received loan in Orba, 60 percent had up to ₦80, 13.3 percent had between ₦51 and ₦100, 16.2 percent had between ₦101 and ₦150 while only one respondent received about ₦200 as loan from esusu society. This low ratio percentages of loans granted to the percentage of loan application expected Fabiyi et al complained have serious implications for the agricultural financing operation and has greatly reduced its effectiveness over the years.

When a borrower receives credit below his needs, the loan becomes a problem rather than a blessing. Such a loan programmes are volunerable to high rates of default which is a significant hinderance to a credit institution's survival and a major constraint towards attaining an efficient scheme.

2.6.5 Low Return From the Use of Credit.

In making use of any credit facilities, the economic benefit from the use of a loan may not be enough to pay for the principal and the accrued interest on a loan due to several factors. Some contributors like Adegeye et al (1985), and, Onyenwaku (1986) outlined, lack of profitable technology which the farmer can use, lack of knowledge, skill and energy to put the loan to good use, poor market conditions for farmer's output and poor weather and other natural causes over which the farmer has little or no control. All these reduce profit, worsen the farmer's financial position and increase default.

2.6.6 General Attitude of Farmers to Credit.

The attitudes of Nigerian farmers to credit have been described as highly discouraging by many authors. Asabia (1981) saw their attitudes as a most serious problem facing agricultural lending, which result to the high rate of loan deliquency, arising largely from delibrate refusal to payback loans. This he said may even occured when the farmer has a good net return.

Gillette and Uphoff (1973) see it from a different perspective by saying that a typical Nigerian farmer is a member of an extended family which influences his behaviour and decision making. The clan, tribe, society, government and religion all influence the behavioural pattern which is reflected in the decision making process of individual farmers. These have effect on his attitude towards work and division of labour, towards time and thrift, towards credit and indebtedness, towards government in general are all critical factors influencing the farmer's use of credit and his willingness to repay. Discussing this attitude to credit, Bauman et al (1966) understood their poor behaviour from cultural point of view. He pointed out that when these farmers obtain loans especially through one of the government institutions, the farmers regard the loan more as a gift than loan and repayment of the loan was a little or no concern to him.

2.6.7. Condition for Borrowing Among Lenders

Loan conditions among lenders have been described by many writers as contributing factor to default rate in the Nigerian Agricultural Financing. Ruozi and Erzegouesi (1987) James (1988) showed that in order to make loans, lenders require security that will reduce their risk or loss. With security, lenders have two sources of loan payment, the cash flow ability of the borrower to service the debt and if that source fails for some reason, the collateral value of the security. These collaterals include, houses, farms, machines and trees, crops while some request for gaurantors. These rules James (1988) said creat loopholes for defaulters as some prefer loosing these collateral than paying back the loans.

Coward (1985) observed that security requirements provides yet another obstacle. He reported that loans amounts based on the value of security are unrealisable in case of small farmers.

One other important condition which creates problem is the high interest rate charge by the lenders. Chidebelu and Ezike (1985) reported 6 percent to 100 percent among indigenous credit sources, Seibel and Marx (1985) report 60-100 percent and Eze (1990) stated that high interest rate tended to consume up the farmers profit leaving him with very little or marginal profit, if any. Such a high rate of interest tends to aggrevate or encourage high rate of loan delinquency.

Owan (1982) in his paper saw high interest rate at 75% as not a limiting factor for taking loan as many still go for the loan. He believes that there are other factors outweighing the advantages of low interest rate that push farmers to these informal sources. The reasons he gave are: accessibility and short distance, simple procedures, no problem with security as the money lender is prepared to accept what the borrower prefers, usually land or farm crop. Others are minimum overhead cost in numerous visit to lender, entertainment of credit supervisors and payment of sureties.

Onyenwaku (1981) also made an important contribution when he wrote that the money lenders generally charge exhorbitant rate of interest because of the risks involved, and in some cases the farmers who pledge their crops, land or houses have lost them due to their inability to pay the high rates of interest. He however, pointed out that the merchants and produce buying agents generally make loans available to selected farmers but these are on conditions which limit the farmers' freedom of selling and buying in a market of their own choice and at the time most opportune to them. It is also a precondition of loan that the farmer either buys from or sells his products to the merchants sometimes at a predetermined but in variably lower prices.

2.6.8 Forms of Loan Disbursement and Repayment

The forms which lenders provide loans and forms borrowers make repayment whether cash, kind or both have some effect on the use and recovery of these loans. Many credit institutions in Nigeria provide credit in cash form perhaps because it is more convenient and cheaper. This cash payment contributes to the mis-management of loans. To elaborate this Fabiyi et al (1982) opined that if cash is released at a time when the planting date and time for various cultural operations have passed, it encourages conversion of production credit into consumption credit which the farmers find difficult to repay. He suggested that provision of credit in kind to minimize diversion of funds, would make the farmers not to convert the credit into other none agricultural ventures.

However, Ogunronbi (1974), in a study carried out in Western Nigeria, observed that farmers resale inputs supplied in kind on credit to obtain cash. He therefore, supported loan in form of cash arguing that providing in-kind credit involved purchasing and distribution of the input and if there is any laxity, the inputs get to the beneficiaries late or not at all and thus a lot of harm done to the farmers and the credit agency and the result of such credit is inability to repay the loan.

Berko (1986) focused attention on the terms of repayment and showed that loan default was quite low during the Norwegian Church Agricultural Project (NORCAP) involved in Agricultural development in Ikwo.

He reported that loan default was because loans were repaid partly through yams, rice and partly through cash. In this way, credit was linked with marketing and this facilitated not only the granting of loans but also their repayment. Hence, out of the short-term loans of about ₦25,000.00 given in kind and cash, about 90 percent of these were recovered at the end of every season. This left about 10 percent default rate.

2.6.9 Loan Management

In every developing country where the level of education and skill are low, credit management has always been a problem. F.A.O. (1964) examined the need for credit management and noted that new approach to agricultural credit should consist of supervised credit combined with agricultural enterprise and cooperatives. Such guidance will open opportunity to small farmers without tangible assets for security needed by credit policies. At a close cooperation, the lenders will be more eager to issue credit. This could result in the achievement of much needed agricultural development of any nation. It further noted that supplying of capital to farmers without showing them how to effectively use it often result in an over indebtedness of farmers and large losses for the credit institutions.

Earl and Horald (1954) advised on a better way of managing credit. They complained that when a loan falls due before the most profitable time of sale, income is lowered either by marketing an inferior product or by the cost of refinancing the loan. Their comment is that the due date of a loan must not force premature sale of a product. For this reason, the farmer should allow for some margin of safety when arranging the length of the loan to parallel the time it takes to recover the borrowed capital investment.

Further contribution by Johnson (1982) showed that most farmers can easily pay the interest on borrowed capital but they often find it hard to pay the principal. He suggested that good financial management improves repayment capacity and uses as much credit as is profitable thus raising net income. He maintained that to improve repayment capacity, planning repayment to coincide with income, extending repayment time, planning and running the business to minimise overhead cost thus raise net income and stressing enterprise with quick turnover is important. While emphasising on the importance of good credit management, Igben(1972) found that the non-existence of individual enterprise with the knowledge, skill and energy to put the loan to good use appears to be one of the major causes of poor loan repayment.

This is the case because without good returns, such enterprise cannot realise enough income to affect the principal and the accrued interest.

Among other contributors are King (1976) Okorie (1983) and Nwoke (1986) who complained that the major problems with loan management is the diversion of loan funds to non-productive uses as well as from illiteracy which is highly prevalent among farmers.

CHAPTER THREE

3.1 TYPOLOGY OF INFORMAL FINANCIAL ORGANIZATION.

There are many different types of informal financial organizations in Nigeria and Nsukka zone in particular. One thing to be noted about these typologies of mutual contribution and credit institutions is that there is no clear-cut line of demarcation among them. These organizations have no standardized rules and regulations guiding their structures, organizations and operations. All involved one kind of financial contribution or the other. As a result, opinions have continued to vary among various authorities on the best way to classify the informal financial institution. For example while the FAO (1964) took a purely traditional view point in identifying basically two types of credit societies namely: "rural thrift and credit society". Adegeye (1978) adopted entirely different approach by lumping, generally, credits and thrifts seperately and calling them - "co-credit" and "Co-thrifts".

Irrespective of the approach adopted in classifying them, the fact remains that there exists different types of thrifts and credit associations in the traditional societies who organise one kind of financial mutual aid scheme or the other to mobilize savings. The study therefore, was centered on ten viable informal lenders only.

3.1.1 Man's Family Meeting or Association

This group is am association of male folks with blood relationship. They live within a geographical area and meet on regular basis mostly every month to discuss the welfare of every member and the entire family. Such meetings serve a lot of purpose, including financial aids, settle family squabbles among relatives. Many of them engage in various socio-economic activities to improve their welfare. They are common in several areas of Igboland, especially among Ohaozaka people in Imo State. (Nweze 1986). In Nsukka agricultural zone many exist and have achieved a lot such as sponsoring relations in different institutions and granting loans to members when needed.

3.1.2 Isusu (Revolving Contribution)

This is an informal financial organisation found to be very common among the farmers in the various communities and is the most wide spread. It is an association of people for the purpose of contributing fixed sum of money at regular internals to meet the members" various needs. Such members have trust and confidence in themselves, and mostly living in the same locality. One person is usually nominated by the group as the Co-ordinator.

This type of informal financial arrangement differs from others in the following ways:

(i) The contributions revolve among members. That is, where there are six members contributing fifty Naira (₦50) each per month, after each months contribution, one of the members takes it. This goes in rotation until all have benefitted from the contributions. A more general name such as savings and credit associations seems more acceptable since it covers both the rotating and non-rotating types (Seibel and Marx, 1984).

(ii) Membership in the ones surveyed is relatively very small ranging between 4-30 persons. Each member chooses when he/she wishes to receive the money depending on his or her farming programmes.

3.1.3 Christmas Thrift Fund

This is the informal financial organisation found to be very common among the rural farmers and other allied workers. As the name indicates, this type of savings scheme has as its primary objectives, saving towards Christmas festivities.

Christmas thrift fund among the persons surveyed usually starts in January of every year with the first round of contribution, while the last contribution of the year comes up in October. This is to enable members get their money back in November for all the necessary purchases for the Christmas Celebration before prices of items begin to rise. Also in the November meeting all money loaned out are returned with their interest.

3.1.4 Farmers' Association

This association comprises farmers within a locality. It is found among farmers of different crops and animal productions. The formation cut across all age groups of farmers who can meet the financial obligations.

They usually hold their meetings monthly. Farmers who make up the membership have no special relationship except that their farming activities are centered in an area. Such association give loans to members both in kind and cash. Atimes they do rotatory farming among their members, and membership is open to any interested farmer.

3.1.5 Town Union.

Town unions are organisations formed by persons from the same town, community, clan or local government area who reside in a place far away from their home place.

It may be in urban or rural areas and usuallly meet on regular basis to discuss issues about general welfare of members and home. They equally mediate among quarelling members and bring to order any deviating member. Since they operate in Urban areas far away from home, town unions have their 'parent' or national body at home which coordinate the activities of the union branches scattered in the urban areas. It embraces all ages, sexes, and profession provided from the defined area.

3.1.6 Social Clubs:

Social Clubs are post-civil war phenomenon in Igboland. They arose as a means to hasten the resuscitation of social life which was lost during the civil war. This search for renewed social life was expected because the Igbos, like his Yoruba counterpart and other ethnic groups in Nigeria cherish social life very much.

They serve as a traditional form of insurance which provides financial compensation or support to members when the need arises. Members are usually of diverse interests, sex, ages, status, and faith.

3.1.7 Married Women Association.

The group is made up of women who are married within a specific geographical location. It is the only organisation that membership is mandatory to all married women within the scope of coverage. Their aims are to participate in the community development, give financial assistance to their members and maintain strictly the norms of the people. Every married women is qualified to be a member. They exist from generation to generation and have officers that coordinate their activities. The eldest woman automatically becomes the chairperson.

3.1.8 Village Administration Constitution.

As the name implies, it is an association comprising males of mature age within a community or locality. The administration is entirely for every member except for very few decision that can be taken by the officers, especially in the studied area.

They engage in various big projects like village halls and roads. Their sources of finance are through levies, fines and interest that accrue from their loan scheme. Such associations have no time limit as the administration is always handed over to subsequent generations. They are common in many communities with developmental orientation.

3.1.9 Age-Grades

Age grade is a voluntary social organisation made up of individuals, men and women, born in a space of one to four years and united by their common will to protect and preserve the traditions of their community and to promote the development of the community according to the needs of the people (Ndukwe, 1971). In the study area, age-grade is a very progressive association that has participate greatly in community development. They form the bulk of the associations in the study area.

They are found in many parts of Igboland including Njikoka, Idemili in Anambra State and Ehalumona in Nsukka Local Government Area of Enugu State. Most of their projects are implementated through levies. This institution equally grant loans to members who need financial assistance at little or no interest.

3.1.10 Money Lender

Money lenders are individuals, who, possessing excess loanable funds or with access to the same, are willing to lend them to needy persons at a fee (Ijere, 1986). They grant loans to any interested person who can be guaranteed except that their activities are confined to few known localities and persons.

They do not discriminate against any sex, age, tribe or profession. Moreover, their loan is characterised by timeliness, regularity and ease of delivery in the place and amount desired. Their transaction is based on credibility and ability to repay. They give the highest loan per individual among the informal lenders' as found in the study area.

3.2 Organizations and Operations of the Informal Lending Organisations.

The organization suggest a division of responsiblities and functions. Informal institutions otherwise called self-help organization are designed to suit their respective functions and peculiar circumstances. Each of the organization formed has a defined aims and objectives even though there are similarities among many of these informal organizations.

The men's family meeting usually has the oldest member of the extended family as the leader or head of the group. Other functionaries such as treasurer, and secretary could be elected or appointed as the case may be. In certain situations, the oldest man could assume the roles of a chairman and the treasurer. Membership is life-long and qualification is attainment of adulthood, which goes simultanously with the initiation.

The isusu/thrift groups are normally headed by a committee consisting of a chairman or president, a secretary and a treasurer who are normally elected at the beginning of each session. Normally their money is put in a safe or box with the treasurer keeping the box/safe while a co-treasurer keeps the key to the safe/box.

The elected treasurer keeps records relating to contributions, levies and fines, credit and interest charges while the chairman presides over meetings. These officers may or may not be remunerated depending on the arrangement. This form of informal financial arrangement is so typical of the traditional financial organizations. The arrangement is so informal that non-members hardly recognize their existence. It is often kept as a top secret among the members unlike the other informal groups, which are well known by non-members.

Christmas thrift funds normally, have three elected key officers comprising the Chairman, the Secretary and the Treasurer. Meetings are held monthly presided over by the Chairman.

These groups are guided by written constitution which provided for the activities carried out in the current year. The members agree upon the minimum and maximum amount to be contributed each time they attended the monthly meetings. Between these lower and upper limits any member can decide on how much to contribute. Attendance is compulsory for every member while absentee from the meetings attract fines. The fines ranged between One Naira and Five Naira depending on membership.

For the farmers' groups, the offices of the Chairman, Secretary and Treasurer are through election. They usually hold monthly meetings presided over by the chairman. The association is open to both sexes except that only males show interest and registered with them. They are guided by the unwritten constitution initiated by the members to suit them. The term of office is indeterminate. However, it depends on the trust members have on the executives. The primary interest of this group is to assist membe both in kind and cash as their need arises.

Town Unions and Social Clubs are more sophisticated than family meetings, isusu, christmas fund and farmers associations. However, social clubs are required to register with the State governments through the Social Welfare offices in the local government areas which come under the Ministry of Social Welfare, Youths, Sports and Cultures. The criteria used in admitting members into Town Unions and Social Clubs include marital status, place of origin, sex and socio-economic characteristics of the individuals. Their organizational set-up are such that the general assembly stands above all other arms of the group. They elect officers to run the affairs of the organisations and conduct monthly meetings. Officers include the Chairman, Vice-Chairman, Secretary-General, Financial Secretary, Treasurer and Publicity Secretary. Within the hiararchy of each club or union, committees such as finance, projects, burials, ceremonies etc. are set up and charged with the execution of the various functions of the club (Onumonu, 1980). The house also appoint Patrons who over-see the activities of group and act as the 'father' of the club. Such appointments is life-long except where the person opts out or the association may decide to drop such a person for none performance.

The married women groups and the village administration constitution are closely related in their aims and objectives except in sex. They all engage in community development, maintain the norms of the society. Officers of these groups are normally nominated with the oldest person as the chairman or chairperson. However, most of their activities are decided by the general assembly. Other offices are Secretary, Public Relation Officers otherwise called the town criers. The post of the Treasurers may or may not be different from the Chairman, as much of their funds are either loaned or entrusted to the Chairman. Their difference from the family meeting is that membership are people without any blood relationship.

The organization of age grades falls in line with the general pattern of most traditional self-help organizations. Officers are elected annually. They are usually those who must be trusted indigens and capable of coordinating the activities of the group. Other qualities usually considered in electing officers or leaders include good character, dedication to duty and socio-economic status. A distinguishing characteristic of age grade organization is the division of community into a number of age grades. They execute many project in the community such as the village hall, and rural electrification.

Money lenders are individualistic in nature in the sense that the propretor is the sole organizer and takes decision alone on the organization and management of the institution. Atimes the manager employs the service of relatives or few workers who help in the collection of loaned money.

5.3 Contributions and Funds Management.

The contribution arrangement among the organizations studied vary from one place to the other. This, however, depend on the type and functions being performed. In every organization except money lenders contributions are made weekly or monthly depending on the decision of members. Amount contributed may depend on the income level and target of the group. Funds are built through levies, regular contributions, fines, interest from loaned monies, and investments. At the end of the cycle, the contributions are shared equitably among members, in the case of savings clubs. In rotating clubs, the total amount collected during the meeting is handed out to one members according to an agreed order. Others contribute money and save it for executing project and the smooth running of the groups especially the age grades. Sometimes the money is loaned to needy members provided such loans meet the approval of all at a fee. The over-all activities of these organizations are guided by the bye-laws as may be decided by the general assembly.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF RESULTS

4.1 Farmers' Characteristics.

The farmers' background information are necessary because they influence the management of loans. Thus, the sex composition, age distribution, marital status, level of education and farming experience are shown in table 1. Among the 80 respondents 65 (81.25%) are males while 15 (18.75%) are females. Some organizations are homogenous either males or females completely. This is because of the nature of such organization. In farmers association, family fund pool, village administration constitution, money lender and age grades, males dominate because men are better at organising them. The married women association has only women as members.

The ages of the respondents ranged between 20 and 69 years. The highest proportion of respondents had the ages between 40 and 59 years (65%) while those with ages between 20 and 39 years were about 28.75%. Those with ages of 60 years and above had the least proportion.

The greater number of the respondents 71 (88.75%) were married while nine (11.25%) were single, seperated, divorced or widowed. The situation is attributed to the conditions for membership of most organisations.

Only very small proportion (18.75%) had no formal education. While, 33.75%, 35% and 12.5% of the respondents had primary, secondary and post secondary education. This was as a result of the type of organizations surveyed especially the relatively young age grade associations whose members were educated.

A good proportion of the respondents 34 (42.5%) had farming experience of between 11 and 20 years while 32 (40%) had above 20 years. About 18% had less than 10 years farming experience.

Table I — **Distribution of Respondents according to their Background Characteristics Among the Informal Financial Organizations Surveyed**

Characterisation	Classification	Isusu	Xmas Fund	Social Club	Farmers Assoc.	Church Organization	Family Fund Pool	Married Women's Assoc.	Village Admin Const	Money Lender	Age Grade	Sub Total	Grand Total
Sex Composition	Male	6 (7.5)	7 (8.75)	7 (8.75)	8 (10)	5 (6.25	8 (10)	- (0)	8 (10)	8 (10)	8 (10)	65 (81.25)	80
	Female	2 (2.5)	1 (1.25)	1 (1.25)	- (0)	3 (3.75)	- (0)	8 (10)	- (0)	- (0)	- (0)	15 (18.75)	(100)
Age Range (Years)	20-39	1 (1.25)	2 (2.5)	1 (1.25)	- (0)	3 (3.75)	4 (5)	5 (6.25)	- (0)	1 (1.25)	6 (7.5)	23 (28.75)	80
	40-59	7 (8.75)	6 (7.5)	7 (8.75)	7 (8.75)	3 (3.75)	3 (3.75)	3 (3.75)	7 (8.75)	5 (6.25)	2 (2.5)	52 (65)	(100)
	60 & above	- (0)	- (0)	- (0)	1 (1.25)	- (0)	1 (1.25)	- (0)	1 (1.25)	2 (2.5)	- (0)	5 (6.25)	
Marital Status	Single	3 (3.75)	1 (1.25)	- (0)	- (0)	2 (2.5)	2 (2.5)	- (0)	- (0)	1 (1.25)	- (0)	9 (11.25)	80
	Married	5 (6.25)	7 (8.75)	8 (10)	8 (10)	6 (7.5)	6 (7.5)	8 (10)	8 (10)	7 (8.75)	8 (0)	71 (88.75)	(100)
Formal Educational Level	None	- (0)	- (0)	- (0)	4 (5)	1 (1.25)	2 (2.5)	4 (5)	3 (3.75)	1 (2.75)	- (0)	15 (18.75)	80
	Primary	3 (3.75	- (0)	1 (1.25)	4 (5)	4 (5)	2 (2.5)	1 (1.25)	5 (6.25)	5 (6.25)	2 (2.5)	27 (33.75)	(100)
	Secondary	2 (2.5)	6 (7.5)	5 (6.25)	- (0)	2 (2.5)	3 (3.75)	3 (3.75)	- (0)	2 (2.5)	5 (6.25)	28 (35.00)	-
	Post Secondary	3 (3.75)	2 (2.5)	2 (2.5)	- (0)	1 (1.25)	1 (1.25)	- (0)	- (0)	-	1 (1.25	10 (12.5	
Farming Experience (years)	Less than 10	1 (1.25)	- (0)	2 (2.5)	1 (1.25)	2 (1.25)	- (0)	2 (2.5)	4 (5)	2 (2.25)	- (0)	14 (17.5)	80
	11-20	- 0	3 (3.75)	2 (2.5)	5 (6.25)	5 (6.25)	7 (8.75)	3 (3.75)	4 (5)	4 (5)	1 (1.25)	34 (42.5)	(100)
	More than 20	7 (8.75)	5 (6.25)	4 (5)	2 (2.5)	1 (1.25)	1 (1.25)	3 (3.75)	- (0)	2 (2.5)	7 (8.75)	32 (40)	

4.2 Annual Income of Respondents

The respondents sources of income included farm and none farm which made up the annual income as shown in table 2.

Table 2 shows that about 9% of the farmers had farm income of below ₦1000.00. About 53% which constituted the majority of the farmers had farm incomes between ₦1000.00 and ₦2999.00. Also 26.25% had between ₦3000.00 and ₦4999.00 while those ranging from ₦5000.00 and above were 11.25%.

For the none-farm incomes 6.25% of the respondence had less than ₦1000.00 while about 22.5% had between ₦1000.00 and ₦2999.00. About 52.5% had between ₦3000.00 and ₦4999.00. The none-farm incomes indicated by the respondents are from trading 58% artisans 31% and civil service 9%.

In general only 1.25% had less than ₦1000.00 as total annual income, while about 8.75% had between ₦1000.00 and ₦2999.00. Others were 55% who indicated between ₦3000.00 and ₦4999.00 and 35% had ₦5000.00 and above.

Table 2: Percentage Distribution of Respondents According to their Farm, None-farm and Annual Income.

	Farm Income		None-Farm Income		Total Amount Income	
Income Range (₦)	Frequency	%	Frequency	%	Frequency	%
00-499	1	1.25	1	1.25	-	-
500-999	6	7.5	4	5	1	1.25
1000-1999	25	31.25	6	7.5	3	3.75
2000-2999	18	22.5	12	15	4	5
3000-3999	12	15.00	16	20	15	18.75
4000-4999	9	11.25	26	32.5	29	36.25
5000-5999	7	8.75	5	6.25	15	18.75
6000 and above	2	2.5	10	12.5	13	16.25
Total	80	100	80	100	80	100

4.3 The Farmers' Farm Sizes.

A total of 203.32 ha of farm land was put into use by the informal loan beneficiaries - with a mean of 2.65ha per respondent during the 1990/91 cropping season. This result agreed with the findings of Mellor (1966), Nwoke (1986) and Diehl (1982). They independently reported farm size range of 0.4-2.5 ha among small holder farmers in Southern Nigeria.

Table 3: Distribution of Respondents According to farm Sizes During the Survey Period

Farm Size Range(ha)	Number of Respondents	Percentage(%)
0.1 - 1.0	7	8.75
1.1 - 2.0	22	27.5
2.1 - 3.0	26	32.5
3.1 - 4.0	12	15.00
4.1 - 5.0	9	11.25
5.1 - 6.0	4	5
Total	80	100

Some Field data 1991

From table 3 we could deduce that most of the farmers farmed on farm size range of between 1ha - 3.0ha. (60%). This would not only encourage them to invest but would induce better enterprise combinations and hence be in position to offset whatever debt incurred during production.

4.4 Nature of Farming Activities.

Table 4 shows the types of farming practiced by the respondents in the studied area.

Table 4: Distribution of the Farmers According to Their Types of Farming.

Type of Farming	No	%
Mixed Farming	35	43.75
Food Crops Farming only	29	36.25
Food and tree Crops Farming	16	20.00
Total	80	100.00

Source Field data 1991

Mixed farming 43.75% is more common in the area. According to the respondents, some keep goats, pigs, sheep and cattle (West African dwarf) while others have backyard poultry at subsistence level and these practices help a lot. Farmers sell these animals during farming season and money realised is used to hire labour, buy seedlings and other inputs. Also manure collected are used as subsistitute to compound fertilizer. Next is food crops farming 36.25% which the farmers admitted help in feeding the family while 20% engage in food and tree crops.

4.5 Farmers Reasons for not Borrowing From Informal Financial Organisation.

Only 8 respondents or 10% of the 80 respondents indicated that they had no loans from the informal organisations within the period under study. Table 5 shows reasons admitted for not borrowing. Multiple reasons were given for not benefitting from such loans. About 63% of the 8 non-beneficiaries indicated that they had no need for the loan. Others including 50% considered the amount too small for their needs and 37.5% indicated fear of misuse, About 25% each gave reasons of afraid of crop failure and high interest rates while 12.5% each represented farmers who had no willing lender and did not belong to any lending organisation.

Table 5: Distribution of Respondents According to their Reasons for not Borrowing from the Informal Organisations

Reasons		Frequency	%
(1)	No need for the loan	5	62.5
(2)	Fear of Misuse	3	37.5
(3)	Afraid of Crop Failure	2	25
(4)	High Interest Rates	2	25
(5)	No lender was willing	1	12.5
(6)	Not a member of any informal organisation.	1	12.5
(7)	Amount is too small for any business	4	50

*Multiple responses were recorded.

Source - Field data 1991.

4.6 Conditions Fulfilled Before Obtaining Loans From Informal Financial Organisation.

As presented in table 6 below, 22.2% provided collaterals before they were granted loans. Such collaterals indicated by the farmers included, tree crops, farm implements, household and electrical appliances, and land. Others are 55.6% who indicated providing guarantors only, 1.4% indicated oath taking. According to the respondent, he was asked to collect the money from a shrine, after appealing to the oracle as directed by the Chief priest. However, 20.8% had their loans based on goodwill.

For those who induced the officers either by gift in cash or kind before loans were granted to them none gave anything, thus 100% offered nothing to obtain loans.

On feasibility studies as condition for obtaining loans 5.6% indicated they presented, while the majority 94.4% did not present any. The feasibility studies were required where the borrower's allocation of loan was based on his/her need. Such included the things the borrower wanted to buy, the cost and what he/she expected to realise. For example a man who borrowed from his age grade to produce soya beans was asked by the officers to present how possible he could grow it in their area. This was because they were in doubt whether he could get money to pay back the loan collected both in cash and kind.

Table 6: Distribution of Borrowers according to Conditions Fultilled Before Obtaining Loans

	Provided inducement of officers						Provided Feasibility studies			
	Yes		NO				Yes		No	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Provided Collaterials	16	22.2	-	-	16	22.2	-	-	16	22.2
Provided guarantors	40	55.6	-	-	40	55.6	3	4.16	37	51.4
Oath taking	1	1.4	-	-	1	1.4	-	-	1	1.4
Others (goodwill)	15	20.8	-	-	15	20.8	1	1.4	14	19.4
Total	72*	100	0	0	72*	100	4	5.6	68*	94.4

Source: Field Survey 1991.

4.7 Time Taken for Obtaining Loan by the Farmers

The length of time spent between the date of application and disbursement of loan in important to a farmer. This is because farmers demand the loans for specific uses. In table 7, 69.4% of the respondents spent between 1 day and 7 days, 5.6% spent between 8 days and 14 days (2 weeks). Other categories are 2.8% which spent 15 to 21 days (3 weeks) while 22.2% spent 22 to 28 days (4 weeks). Most respondents fall into the 1 - 7 days lending period because of the time of their meetings. They hold their meeting either weekly or four market days or even those who hold their monthly normally ask loan beneficiaries to meet the treasurer at his spare time to collect the money.

Table 7: Distribution of Farmer According to Time they Spent to Obtain Loans.

Time (days)	Frequency	%
1 - 7	50	69.4
8 - 14	4	5.6
15- 21	2	2.8
22- 28	16	22.2
Total	72	100

Table 8: Months of the Year Loans were Made and were due Among the Informal Organisations.

Time of Year	No of Loans Made Each Period	% of Loan Made Each Period	No of Loans Due Each Period	% of Loans due each period
Jan-Feb	11	15.3	5	6.9
Mar-Apr	23	31.9	10	13.9
May-June	10	13.9	7	9.7
July-Aug.	14	19.4	9	12.5
Sept-Oct.	12	16.7	8	11.1
Nov.-Dec.	2	2.8	33	45.9
Total	72	100%	72	100%

Source: Field Survey, 1991.

About 61% of the loans were received during the months of January to June which correspond with the cropping season in the study area. As expected too, the "due" dates for 57% of the loans came after the peak harvest period of September to December when cash is available from sales of most crops.

Repayment of the entire loan along with the interest when the loan is due was provided for in 60 loans or 83.3% of the total while in 12 others, interest payments on loans were collected at different times.

4.8 Classification of According to the Types of Loan Obtained.

Table 9 shows that 70 farmers (97.2%) of the respondents have short term loans while 2.8% indicate medium term and none has above 5 years. This may indicate that most borrowers use the loan for projects that have life span of 1 - 2 years. This has its implication in both agriculture and the farmers income. For instance, the none involvement of the farmers in tree crop production would lead to decrease in the production of such cash crops as oil palm, cocoa, rubber etc. that are essential for industrial development.

Table 9: Distribution of Farmers According to the Terms of Loans Obtained

Type of Loan	Frequency	%
Short term (1 - 2 years)	70	97.2
Medium term (2 - 5)	2	2.8
Long term (above 5)	-	-
Total	72	100

Source: Field data 1991.

4.9 Distribution of Organizations Surveyed According to Their Interest Rate Ranges.

Seventy percent of the informal organizations studied charge interest rate of between 1% and 10%. This rate is not only cheap, but it is also assumed to be within the reach of most members. Yet borrowers do not repay in time and this tend to affect the operations of the organisations.

Table 10: Shows the Interest Rates Charges of the Organizations According to Interest Ranges.

Ranges (% per month)	Frequency	%
1 - 5	3	30
5.1 - 10	4	40
10.1 - 15	2	20
15.1 and above	1	10
Total	10	100

4.10 Borrower's Views About the Various Interest Rate

Table 11 shows the borrowers views as they feel about the interest rates. This is important in the study area because borrowers preferred to pay less interest. Most of the respondents 54% considered the interest rate charged as moderate. These are farmers who obtain loans from the organization they belong. However borrowers from money lenders considered their charges very high as well as those who obtained loans from organizations other than theirs.

Table 11: Shows the Respondents According to the Interest Charged by the Lending Institutions

Farmers Response	Frequency	%
Very High	10	13.9
High	17	23.6
Moderate	39	54.2
Low	6	8.3
Total	72	100

Source: Field data 1991.

4.11 Purposes of Borrowing

Farmers who borrowed from the informal lending organizations used credit for a wide range of farm and non-farm purposes as shown in table 12. The uses to which these loans are put might have contributed to the level of repayment among the borrowers.

About 35% used the loan in paying for hired labour and this constituted the largest single use of credit judged by the number of borrowers using credit for the purpose. The amount of funds respondents used for this purpose is also an indication of farmers' priorities for the use of such loans. This proportion of credit used for labour related purposes is attributed to labour shortage which could have resulted from widespread expansion of labour intensive food crop production. Also movement of able-bodied men and women affect labour availability in the study area.

Other farm uses of credit were for the purchase of fertilizer and seeds which constituted 8.4% of the total responses. Altogether, a total of 31 borrowers or 43.1% of all loans were used for agricultural purposes, while the remaining which constituted the majority was used for other non-farm purposes.

It follows therefore, from the above that these informal lending organisations fill the gap created by the insufficiency or outright non-existence in some cases, of formal financial institutions.

Table 12: Distribution of Respondents who Borrowed from Informal Financial Organizations for Different Purposes.

Item/Use	Frequency	Total Response(%)
Hire Labours	25	34.7
Buying Fertilizers and Seeds	6	8.4
Pay School Fees	11	15.3
Trade	5	6.9
Settlement of Medical bill	7	9.7
Build/repairs houses	1	1.4
Social Obligations	10	13.9
Purchase of houlshold goods	4	5.6
Settlement of previous debt	3	4.1
Total	72	100

4.12 Borrowers Performance and Produce Utilization

Assertaining performances in terms of production and income became necessary because they can determine whether the borrower can repay the loan or not. About 51.4% constituting the majority indicated good production and 65% indicated having received higher income. However, 5.5% indicated that they had excellent production while 8.4% indicated low production. These performances must have resulted from the borrower's external environment such as weather, cost of labour and management abilities. For the borrowers who had excellent performence 75% had higher incomes.

Table 13: Distribution of Borrowers According to their Production and Income Performance

Production Performance			Income Performance					
			Higher		No Change		Lower	
Response	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Excellent	4	5.5	3	75	1	25	-	-
Good	37	51.4	23	62.1	13	35.1	1	2.7
Fair	27	34.7	6	22.2	20	74	1	3.7
Poor	4	8.4	-	-	-	-	4	100
Total	72	100	32	44.5	34	47.2	6	8.3

Source: Field Survey 1991.

The farmers had various uses into which they put their products. In table 14 are the uses indicated by them. The importance of this utilization is to know whether the farmers realized enough income for the repayment of the loan. About 88.9% or 64 respondents accepted that they consumed part as food, while 80.6% or 58 respondents said they sold part to get some money. Others included 65.3% who stored for future use and 34.7 who were generous and gave out some as gifts to friends and relatives. Only 12.5% accepted they sold all they produced to get money while 6.9% indicated they consumed all produced as food in the family. Farmers who indicated they sold all to get money were those who sold their crops in land before harvesting.

Table 14: Distribution of Respondents According to Produce Utilization.

Utilization Method	*Frequency	*%
Consumed all as food	5	6.9
Consumed part as food	64	88.9
Sold all	9	12.5
Sold part	58	80.6
Gave some out as gift	25	34.7
Store for Future use	47	65.3

*Multiple responses were recorded.

Source: Field data 1991.

Table 14 indicates that most of the respondents have consumption and commercial motives of production though the former tends to dominate. This situation not only affects their repayment ability, but also affects their living standards.

4.13 Concepts of Borrowers on Repayment Arrangement.

Table 15 shows the farmers feelings about the repayment arrangement which about 9.7% considered excellent while 45.8% considered good. Borrowers who indicated the repayment arrangement above were members of the organisations. They benefit both by obtaining loan and share of the interest that accrued to the organization. These categories who considered them fair and poor borrowed from money lenders and the institution which they are not members. Further more their loans were due for repayment when their form produce were not ready for harvest and subsequent sales.

Table 15: Distribution of Farmers Views on Repayment Arrangements.

Farmers Response	Frequency	%
Excellent	7	9.7
Good	33	45.8
Fair	17	23.4
Poor	15	20.8
Total	72	100

4.14 Loan Distribution and Repayment Level Among the Informal Lenders.

Table 16 shows number of the loan beneficiaries, the amount given and the repayment level in the ten informal lending organisations surveyed. Also in the table are the percentages for total loan given by each organisation and the average amount per borrower, from 1987 to 1990. The number of beneficiaries ranged between 61 farmers from town union that had the least and 223 farmers from social clubs that had the largest number. A grand total of 1166 farmers benefited from the institutions within the period reviewed.

On the average amount granted per borrower, the Money Lender had the highest of about ₦733 and Christmas Fund had ₦364.3 while Men's Family Meeting and (isusu) Thrift Group had as low as ₦95.5 and ₦130.3 respectively.

Others were the recovery rates recorded by the various institutions. Town Union recorded the highest of about 95.8%, Money Lenders, Christmas

Fund and Men's Family Meeting had 93.7%, 92.3% and 90.3% respectively. However, the Village Administration Constitution otherwise called the Community Development Committee (CDC) and Age Grade had 68.5% and 76.8% respectively. Even though these institutions were seen to have had different recovery measures, what mattered most was the seriousness of the member in implementing them. Those who had low recovery claimed that the officials did not invoke the constitution as at when required.

Table 16: Loan Distribution and Repayment of Informal Lenders From 1987 to 1990

Informal Lending Organisation	Total Number of Loan Given	Total Amount of Loan Disbursed(₦)	Percentage of Total Loan(%)	Average amount per borrower (₦)	Total Amoung of Loan Due for repay (₦)	Total amount of Loan repaid (₦)	Repayment level(%)
Men's Family Meeting	212	20,240	7.14	95.5	17360	15680	90.3
Isusu/Thrift Group	145	18,890	6.66	130.3	16400	14084	85.9
Christmas Fund	106	38620	13.62	364.3	32751	30235	92.3
Farmers Association	84	17960	6.33	213.8	15200	12440	81.8
Town Union	61	13710	4.83	224.8	12330	11805	95.8
Social Club	223	58364	20.58	261.7	51895	45388	87.46
Married Women Association	67	10255	3.61	152	9249	8272	89.4
Village Administration Constitution	101	14722	5.19	145.8	10842	7431	68.5
Age Grade	75	23450	8.27	312.7	17437	13396	76.8
Money Lender	92	67435	23.77	733	60215	56445	93.7
Grand Total	1166	283646	100	263.39	243679	215176	86.1

Source: Field data 1991.

4.15 Loan Repayment

Presented in table 17 is the loan repayment performance of the respondents. About 8.3% of the loan beneficiaries did not repay their loans at all, 23.6% made partial repayment while the majority of 68.1% had full repayment.

Table 17: Distribution of Borrowers According to their Level of Repayment.

Repayment Level	Frequency	%
Zero repayment	6	8.3
Partial repayment	17	23.6
Full repayment	49	68.1
Total	72	100.00

Source: Field Survey 1991.

A further investigations for reasons why there were variations in repayment revealed as follows:

4.15.1 Reasons for Full Repayment.

Of the 49 respondents that fully repaid their loans, 34.7% (17) repaid to enable them obtain another loan, 20.4% indicated fear of being called debtor, and 18.4% indicated did not want to face any embarassment. Others represening 12.2% wanted to maintain their social status, 8.2% felt it was due for repayment while 6.1% indicated that they loaned out the money to other people and collected at maturity and used same to repay to the parent lender.

Table 18: Represents . Reasons by Borrowers for their Full Repayment.

Reasons	Frequency	%
To enable me obtain another loan	17	34.7
I Fear being called a debtor	10	20.4
I did not want to face any embarrass-ment	9	18.4
To maintain my social status.	6	12.2
I felt it was due for repay.	4	8.2
I reloaned it to another person and collected at maturity to repay.	3	6.1
Total	49	100.00

4.15.2 Reasons for Zero/Partial Repayment.

According to the borrowers 39.1% (9) accepted that their reason was because of financial problems in the family, 21.8% (5) said production failure due to weather, pest, disease and poor storage and 17.4% (4) indicated they had poor market resulting from low price. Also 13% (3) indicated poor disbursement and repayment arrangement while 8.7% (2) indicated they had no major reason except that they belong to the organisation and therefore could take the loan as their own share of the money. These result to arrears of loans thereby hindering the operations of the organization.

Table 19: Represents Reasons Borrowers Gave for Zero/Partial Repayment

Reasons	Frequency	%
(a) Financial problem in the family	9	39.1
(b) Production failure due to weather, pest disease and poor storage.	5	21.8
(c) Poor market resulting from low Price.	4	17.4
(d) Poor disbursement and repayment Arrangement	3	13
(e) No reasons but regard the loan as my share of the organization which I belong.	2	8.7
Total	23	100.00

4.16 Methods of Financing and Repayment Level

There were different kinds of loans obtained by the borrowers as presented in table 20. These methods had no significant effect on the repayment levels of the loans obtained. Of the 75% who obtained their loans in cash 87% had repaid, and 13% had not repaid. However, 2.8% who obtained loan in kind 50% had repaid and 50% did not repay while out of 22.2% obtained loans both in cash and kind, out of which 87.5% had repaid and 12.5% had not repaid. These showed that farmers divert their loans to other unproductive uses and sell out loans obtained in kind as believed by many people.

Table 20: Distribution of Borrowers According to the Kind of Loan Obtained and Repayment Level

Kinds of Loan Obtained			Repayment		Level	
			Yes		No	
	Frequency	%	Frequency	%	Frequency	%
Cash	54	75	47	87	7	13
Kind	2	2.8	1	80	1	50
Cash/Kind	16	22.2	14	87.5	2	12.5
Total	72	100	62	86.1	10	13.9

Source: Field Survey 1991

4.17 Recovery Measures Employed by the Lending Institutions:

Despite all the strict measures and sanctions imposed by lenders, many borrowers still defaulted. Some of these measures seemed to be more effective than others while some were employed at extreme cases where the defaulter prolonged his indebtedness.

Presented in table 21 are such measure, adopted by the surveyed organisations. About 80% of the lenders ask guarantors to pay back 70%, 60% and 30% inpound properties, charge double interest and take over the collateral respectively.

Also, 10% indicated that such defaulters were sued to the Igwes. These measures applied to both members and none-members of the organisations. Moreover, these measures were implemented at various stages as discovered during the studies. However, for the money lender who claimed he had no time, accepted that his only measure was taking over the collateral offered, which ranged from household properties, important documents, tree crops, land and machines.

Table 21: Distribution of Recovery Measures by Informal Lenders.

Measures	Frequency	*%
Ask guarantor to pay	8	80
Sieze properties	7	70
Charge double interest	6	60
Takeover the collateral offered	3	30
Sue to Igwe's Cabinent	1	10

Source: Field Survey 1991.

*Multiple responses were recorded.

4.18 Farmer's Views on Factors Associated with Loan Default

Table 22 is a comparative analysis of farmers' level of agreement over various factors that contribute to loan delinquencies. The majority of the farmers representing 86% agreed that they should be notified when the loan was due. Fifty eight percent indicated poor storage and 75% short duration of loan as responsible for low productivities and hence loan delinquencies. Others who agreed were about 73.6% both family financial problems and poor farm income, 62.5% high interest rate especially among those who borrowed from money lenders, 68% poor savings and 90.2% subsistence production.

On the other hand, some 90% disagreed that why they did not repay is because it was not necessary or because they belonged to the institutions. Others who disagreed were 58.3%, 88.9%, 87.5% and 55.6%, that repaid when they had money, institution did not demand it, no action was taken against earlier defaulters and collaterals can repay respectively.

Therefore the failure of the farmers to repay their loans may be attributed to so many factors both internal and external, that act collectively to prevent such repayment.

Table 22: Farmers' Views on Factors Associated with Default

Factors Associated with Default.	Agree	Neither Agree no Disagree	Disagree
Not Necessary	4 (5.6)	3 (4.2)	68 (90.2)
I repaid when I had money	22 (70.6)	8 (11.1)	42 (58.3)
Institution had not demanded it	6 (8.3)	2 (2.8)	64 (88.9)
I should be notified when due	62 (86.1	4 (4.6)	6 (8.3)
Lenders should accept farm produce	30 (41.7)	18 (25)	24 (33.3)
No action on earlier defaulters	3 (4.2)	6 (8.3)	63 (87.5)
I belong to the institution	4 (5.6)	3 (4.2)	65 (90.2)
Nation disaster (disease)	18 (25)	27 (37.5)	27 (37.5)
Stealing in the farm	16 (22.2)	20 (27.8)	36 (80)
Family financial problems	53 (73.6)	12 (16.7)	7 (9.7)
Poor Storage	42 (58.3)	20 (27.8)	10 (13.9)
Late receipt of loan	32 (44.4)	18 (25)	22 (30.6)
Short duration of loan	54 (75)	10 (13.9)	8 (11.1)
Poor farm income	53 (73.6)	11 (15.3)	8 (11.1)
High interest rates	45 (62.5)	1 (1.4)	26 (36.1)
Poor Savings	49 (68)	16 (22.2)	7 (9.7)
The collateral can repay	5 (6.9)	27 (37.5)	40 (55.6)
Used the loan outside farming	34 (47.2)	12 (16.7)	26 (36.1)
Subsistence Production.	65 (90.2)	1 (1.4)	6 (8.3)

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Summary And Conclusion

The consistent failure of farmers to repay the loans obtained from informal financial institutions create problems both for the borrowers and the informal lenders. As a result of this, there is the need to investigate the causes of such problem loans, hence the study of the "Factors Affecting Default Rates in the Informal Financial Institutions in Nsukka Agricultural Zone".

The study looked into the following objectives; namely to:

(1) examine the types of organizations and their operations in the study area;

(2) investigate the conditions as required by the informal lenders before approving loans;

(3) investigate the various factors affecting loan default and also determine the default rates;

(4) assess how the method of financing influence borrowing and repayment of loan and ascertain the recovery measures employed by the institutions;

(5) make recommendations based on the findings.

In order to achieve the stated objectives, data were collected from both primary and secondary sources. The primary sources included the two sets of questionnaires administered to the farmers and the organizations in the area of study. While the secondary sources were from the organization's record books and publications. To achieve a better result these questionnaires were administered through personal contact with the persons concerned. This approach was useful as more information were given by the farmers.

To analyse the data collected in the Field, descriptive statistics and Chi-square were used.

A total of 80 respondents were sampled at random among the Farmers for this study. The ages of the farmers were between 20 and 69 years. About 89% of the respondents were married while 11.25% were single. For the educational attainment, 18.75% never had any formal education and the remaining 81.25% had formal education between primary and post secondary institutions. Also about 17.5% had less than 10 years farming experience while 82.5% had above ten years.

The respondents had two major sources of income which included farms and none-farm income. The non-farm incomes were mainly from trading and civil service jobs.

For the farmers, they were all small scale holder farmers with their average farm sizes of 2.5 hectares. Mixed farming is predominant in the area with 43.75% of the total respondents and the rest in food and tree crops.

Eight (10%) of the respondents had no loans out of which majority 62.5% of the members gave their reasons that they had no need for the loans while the rest gave various reasons such as fear of misusing the money.

The informal financial organizations are organised in line with the pattern of income streams of the savers. More the names are given according to the purpose they serve. The meetings are held either weekly, monthly or in four market days.

Of all the informal financial organizations surveyed the type which is organised in such a way that a respected and trustworthy member keeps contribution from all member was found to be very common among the farmers. These monies are left in the custody of the chosen honest person until the agreed time when the amounts are distributed to individuals according to how they were agreed on the sharing arrangement or used for other purposes, as may be wished by members. Most of them are open to any person who wishes to join except few who are stratified based on blood relationship, sex and age. The services rendered are almost similar ranging from encouragement of saving down to extending credit to both member and non-members at interest rates.

The performances of these informal financial organizations were found to be relatively satisfactory though there are some problems hindering their smooth operations. Some of the farmers belong to many of the organizations and because of their poor resources find it difficult to meet the financial obligations of these organizations. However, the rotatory credit associations were found to be helpful in the savings mobilizations efforts of members. The arrangement has immensely aided members (who would, otherwise, have not been able to secure loans from the bank) obtain the needed funds for their various needs.

As for the conditions fof getting the loans, majority of loans 51.4% were through the provision of guarantors while 22.2%, 19.4% and 1.4% provided collaterals, others (goodwill)and oath taking respectively.

Time spent in obtaining these loans are relatively short as most of the loans are made on the spot demand or scheduled for the next meeting day. For instance, about

69.4% of the loans are made between 1 day and 7 days of approval.

Also March to April has the highest number of loans made per month while November to December number of loans due for repayment. This is attributed to the period when farmers need loans for planting and later in the year when they sell their produce. Majority of the farmers representing 97.2% obtain their loans on short term bases while 2.8% has medium term and none has long term loans. This shows that most of the loans from informal sources are short term and for short duration projects.

On the interest rates, it ranged from 1 to 20% per month within the area. About 70% of the organization gave loans at interest rate of between 1 - 10%. The farmers view on the interest rate charged was accepted by majority 54.2% as moderate and 23.6% complained of high interest rate. Members of this organizations do not see the interest rate high as they participate in fixing it and equally benefit from the interest rate that may accrue from it.

The purposes for which the respondents borrowed comprised both farm and non-farm uses. Only 43.1% of the total loan was used in hiring labour and farm inputs. Others were used for the respondents' needs outside farming, 15.3% for paying school fees, 13.9% for social obligations which comprised burial, naming and marriage ceremonies. The remaining representing 6.9% used it for trading according to the borrowers, to keep them busy when the peak of farming season was over. While others used it to satisfy other financial needs.

On the borrower performance and produce utilization 5.5% performed excellently, out of which, 75% and 25% had higher and no change of income respectively. About 51.4% had good performance. Others representing 34.7% had fair production while 8.4% had poor production performances.

Despite the performances of the borrowers in terms of production and income, all of them did not utilize the produce properly. About 89% consumed part of their products of food 80.6% sold part and 65.3% stored some for future use. Other uses were 34.7%, 12.5%, 6.9% who gave some out as gift, sold all and consumed all as food respectively. The utilization of these produce would go a long way to determine the repayment of the loans as those who sold all would have more money to repay their loans.

Loan repayments were completely in cash. About 55% considered such arrangement good while the rest feel that repayment in kind may be helpful.

The amount of loans given varied according to the organization especially many made use of their money only at the end of the year. Social clubs gave out more loans than other organization studied, for instance about 223 members benefited between 1988 to 1990 though this did not imply that they gave out the highest amount of loan. The study however, revealed that money lender who was the sole enterpremuer gave out the highest amount of ₦733 per borrower.

Among these organizations, loan repayment level varied as each borrower gave reasons for either full repayment or zero/partial repayment. Farmers who had full repayment only did so because they considered such repayment primary to other financial problems.

Method of financing agriculture among the informal financial institutions included cash 75%, kind 2.8% and cash/kind 22.2%. Those who had cash and kind loans were seen to have equal level of repayment. Therefore what matters in repayment is not method of financing but borrowers willingness and ability to repay.

Of all the recovery measures adopted by the organizations, repayment by the suretees was most effective (80%). These guarantors repaid quickly in order not to be associated with debt or any sanctions, especially as such penalties meant for the defaulters equally applied to the guarantors. The repayment level among the loan beneficiaries was high as up to 86.1%. Those who repaid had various reasons such as to qualify for another loan or to feel free, with the organization while the remaining who did not repay gave such reasons as family financial problems and failures in their production. Because of these difference in repayment caused by various factors, farmers views on the factors that cause these defaults varied. Someffactors that are considered important by one farmer may not be a necessary factor to another.

CONCLUSION

In conclusion therefore, there were many defaulters among the farmers who benefited from the informal financial institutions. This may be attributed to many factors which may be caused by the farmer himself or any other external factors, such as weather, market fluctuations, and government policies. Eventhough interest rates, repayment arrangement and amount of loans may have effect on the default rate, the farmers attitude towards such loans greatly determine the repayment level.

5.2 Policy Implications and Recommendations

Defaults among loan beneficiaries of the informal financial institutions have continued to create problems for the organizations. It reduces the lender net returns, thereby terminating such organizations earlier than scheduled, or since the organizations can no longer achieve their objectives. The results of this study have exposed some of the major causes of these loan problems and the implications they have in financing agriculture. These include:

(1) Some farmers belong to this mainly to benefit from their loan scheme and not that they have the interest of such organization at least. Moreover, these financial resources are not enough to meet the financial requirements or demands of these organizations. The implications are that such farmers borrowed and never paid back, and since they cannot meet up they continued defaulting. Therefore it becomes necessary that farmers should peg the number of organizations they belong to, their financial capabilities.

(2) The Provision of Credit - This is based on the availability of capital and not on the need of the farmer. It did not give room for proper utilization of fund. Some of these funds received were too small that the farmers cannot use it in any reasonable or viable project. The implication is that the farmer used the money in any other thing probably not profitable. Therefore it become necessary that

government should register their organization and give them yearly capital allocation for on-lending to their members. This will make it easier for the farmers to borrow large amount as well as increase production among them.

(3) Since many of these beneficiaries default, it becomes necessary that government should assist these organizations in recoverying these loans by giving them legal backings especially as many farmers fear court action they will always prefer to pay back their loans, than face the court action.

(4) Due to the vital roles of the informal organizations, it becomes necessary that government should recognize them as co-financier and integrate them with the formalized financial organization. Organizing leadership training for the officers will help for better management of the organization and economic development in general.

(5) The conditions fulfilled before obtaining the loan as well as the repayment arrangement as demanded by these organizations are not to the best wishes of the farmers. A situation where a farmer was required to provide guarantor or collateral made the farmer relax their efforts since they considered that the guarantor or collateral can repay. Also the farmers should be allowed to repay their loans with the farm

produce rather than cash only. This will help the farmers produce at any time of the year and at any quantity, since he is not affraid of price failure.

5.3 Suggestions for Further Studies

This study surveyed only ten informal financial institutions and therefore cannot claim to have exhausted all organizations, and their operations. Because of that a lot of other information needed about the organization may not have been exploited especially in the study area. Therefore there is need to further studies on:

(1) Other organization that may be found in and outside this area and compare their activities.

(2) The performances and viabilities of these organizations in financing other projects.

(3) The actual determinants of the savings amount of members of the informal financial sector.

(4) The workabilities of financing agriculture through the informal lenders by the formalised institutions.

(5) Find a lasting solutions to some of the problems that hinder the progress of the informal lenders.

BIBLIOGRAPHY

Abe, S.I. (1981), "Nigerian Farmers and their Finance Problems." National Seminar on Agricultural Credit and Finance. Ibadan pp. 107-122.

Adegeye, A.T. and J.S. Ditto (19885), Essentials of Agricultural Economics. Impact Publishers Nig. Ltd. pp. 156-161.

Adeyeye, S.O. (1970), "Cooperative Development Through Institutional Adaptations a Nigerian Experience" Cooperative Information (SLO), 46/2 pp. 13-18.

__________ . . (1970), "Cooperative Development Through Institutional Adaptations: The Nigerian Experience". Cooperative Information, ILO 46/2: 15-17.

Agubuzo, L.O.C. (1985), "Opening Address by the Anambra State Commissioner for Local Government, Rural Dev. and Chieftaincy Matters". Paper presented in Seminar on "National Conferences on Village Adoption Scheme" CRDC. U.N.N. p. 1.

Anderson, R.I. (1966), "Rotating Credit Association in India". Economic Development and Cultural Change, Vol. 14, 1965-1966, pp. 334-339.

Aneke, S.O. (1981), "Sources Uses and Problem of Small-Scale Farmers in Nkanu and Udi Local Government Areas of Anambra State". B.Sc. Research Project, Department of Agricultural Economics, University of Ibadan.

Arderner, S.G. (1953), "The Social and Economic Significance of the Contribution Club Among a Section of the Southern Ibo". Annual Conference, West African Institute of Social and Economic Research, Sociology Section, March 1953, Ibadan, pp. 128-142.

Asabia, S.O. (1981), Financial Institution and Agricultural Finance: Role of Commercial Bank, In Agricultural Credit and Finance in Nigeria: Problems and Prospects. Lagos, Nigeria: Central Bank, Oct. pp. 400-408.

Baumann, H.C., Connolly and J. Whitney (1966), "A Situation Report of Agricultural Credit in Nigeria". Consortum for the Study of Nigerian Rural Development (CSNRD) No. 3 J.S.A. pp. 34-35.

Belshaw, A. (1965), "Agricultural Credit in Economically Underdeveloped Countries" F.A.O. Agricultural Studie s. V15 N. 46 p. 22.

__________ (1975), Agricultural Credit in Economically Underdeveloped Countries Rome. F.A.O. 1975 p.15.

Berko, S.Y. (1986), International Organisations Involvement in Agricultural Development in Nigeria, Lesson from the Norwagian Church Agricultural Project (NORCAP). In Nigerian Agricultural Outlook. Okorie A. and Ijere M.O. (eds). A National Association of Agricultural Economist Publication, pp. 135-146.

Bomnsa, T.I. (1990), "Supervised Agricultural Credit Through the Cooperatives: An Evaluation of the Coompmifocc Programme" of the North-West Province of Cameroon. Unpublished PGD Thesis, Department of Agricultural Economics University of Nigeria, Nsukka, pp. 32-33.

Chidebelu, S.A.N.D. and K.N.N. Ezike (1985), "The Agricultural Development Project Approach to Smallholder credit. The case of the Lafia Agricultural Development Project (LADP)" Paper presented at the National Conference on Village Adoption Scheme (VAS) C.R.D.C., University of Nigeria, Nsukka, CRDC June 1985.

Coward, N. (1987), Agricultural Lending by Non-specialised Banks Confederation Internationals du Credit Agricule (CICA) Vol. 37 No. 78 Zarica-Suisse p.42.

Diehl, L. (1982), Smallholder Farming Systems with yam in Southern Savannah of Nigeria Published Technical Committee on Agricultural Development pp. 1-39.

Earl, O.H. and R.I. Harold (1954), Farm Management Economics printed in U.S.A. p. 598.

Ezike, E.C. (1984), "Rotating Saving Societies Organisation, Financing, Investment, Accounting and Auditing" Paper presented for Training Course on Management of Rural Cooperatives, Self-Help Organisation and Small-Holder Agriculture. 12-25 August, University of Nigeria, Nsukka.

Eze, E.A. (1990), The Factors responsible for High Default rate in repayment of Supervised Agricultural Credit Scheme (SACS) loan by Small-holder Farmers in Abakalike and Izzi Local Government Areas of Anambra State. Unpublished PGD Thesis Dept. of Agric. Econs. University of Nigeria, Nsukka. p. 10.

Fabiyi, Y.L., A. Adeyemo and O.L. Oladium (1982), Extending Credit to Farmers in Nigeria, A Case Study of the Agricultural Credit Corporation of the Investment and Credit Corporation of Oyo State (ICCOS) Nigeria. Nigerian Journal of Development Studies Vol. 2, No. 2 pp.130-140.

FAO (1964), New Approach to Agricultural Credit. Rome p. 7.

FAC/APRACA: "Agricultural Credit and Banking Training Courses and Facilities in the Asian and Pacific Region". APRACA Publication, No. 7, Nov. 1981.

Fanoriyo, S. (1979), "Improved Agricultural Credit in Nigeria" Agricultural Administration Vol. 7. No. 1, pp.250-266.

Fei, H.T. and C.I. Chang (1948), Earthbound China, in Arderner (1964), (op. cit).

Gillette, C. and N. Uphoff, (1973), "The Credit Connection; cultural and soil factors affecting small farmer participation in Credit Programme" AID spring Review of Small Farmer Credit. Vol. 19 No. 119 pp. 1-35.

Green, M.M. (1964), Ibo Village Affairs. New York Praeger.

Hossain, M. (1984), Credit for the Rural Poor: The Experience of the Grameen Bank in Bangladesh, Dhaka, 1984.

Ifeyori, I.I. (1988), Cooperative Economics. A Concise Analysis in Theory and Applications. Published by Unilorin Press. University of Ilorin, Nigeria, pp. 27-28.

Igben, M.S. (1972), Agricultural Credit Practice of Major Lenders in the Western State of Nigeria, Unpublished M.Sc. Thesis Department of Agricultural Economics, University of Ibadan, Nigeria. p. 39.

Ijere, M.O. (1981), Economic Development in Nsu, PAMCO (Nig) Limited, Enugu, p. 27.

__________ (1984), "Credit Infusion as Small Farmer Development Strategy: The NTC Nsukka Project Institute of Developing Economics, Tokyo, Japan pp. 72-84: and Q.B.O. Anthonio and M.O. Ijere, Uboma Development Project, 1964-72. An Appraisal of a Technical Assistance Programme for Rural Development in Nigeria Shell International 1973).

__________ (1986), New Perspective in Financing Nigeria Agriculture, Fourth Dimension Publisher Enugu, Nigeria, pp. 65-66.

__________ (1987), Agricultural Loan Repayment Problems and Prospects. Paper Presented at the 3rd NAFCAT. Workshop, CRDC, University of Nigeria, Nsukka.

Ijere, M.O. and L.C. Aloka (1988), "Rural Development Through Village Adoption Scheme" Paper Presented in A2-Day Workshop held in Owerri March 3-4 1988 Published by C.R.D.C. University of Nigeria, Nsukka, May 1989, pp. 3-6.

James, C.V. (1988), Financial Management and Policy, 7th Edition New Delhi, India p. 516.

Johnson D.T. (1982), The Business of Farming: A Guide to Farm Business Management in the Tropic. The Macmillan Press Limited, London, pp. 44-76.

King, R. (1976), "Capital Credit and Savings in Northern Nigeria Agriculture; Questioning Conventional Wisdom" Samaru Agricultural Newsletter, Vol. 18, No. 1 pp. 17-21.

Kuper, H. and S. Kaplin (1944), "Voluntary Associations in an Urban Township". African Studies, 3, p. 176.

Mellor, J.N. (1966), The Economics of Agricultural Development, Cormel University Press Ithaca N.Y. pp. 133-136.

Miller, L.F. (1975), "Present and Potential Use of Credit by Small Maize and Rice Farmers in Western and Kwara States of Nigeria". Technical Report AFTR/73.3. Department of Agricultural Economics/Extension, University of Ibadan, March 1975.

Murray, W.G. and A.G. Nelson (1961), Agricultural, Finance - The Iowa State University Press, Ames, Iowa.

Murty, D.K. (1988) "Constraints in Agricultural Productivity of Small Farmers in Nigeria" in C.R.D.C. Guest Lecture, Vol. 1. Ijere M.O. (ed) University of Nigeria, Nsukka, May p. 4.

Ndukwe, O. (1971): "The Age-Groups in Ibo land" in Contributions to the Study of Ibo Society and Culture in Nigeria. University of Cologne, 17th November, Prague.

Nwa-Ame, O.C. (1987), Rural Banking Programme and Agricultural Finance in Anambra State: A Case Study of Nsukka Agric. Zone. Unpublished B. Agric. Thesis Dept. of Agric. Econs. University of Nigeria, Nsukka pp. 4-28.

Nwalie, C. O. (1987), Debt and Loan Repayment Capacity of Cooperative Farmers in Anambra State. A Case Study of Nsukka Local Government Area. Unpublished M.Sc. Thesis, Department of Agricultural Economics, University of Nigeria, Nsukka. p.

Nweze, N.J. (1985), The Structure, Functioning and Potentials of Indigenous Cooperative Credit Institutions. Paper Presented at Nat. Conf. on Village Adoption Scheme (VAS) CRDC. UNN pp.2-4.

Nweze, J.N. and A. Okorie (1986) "Traditional Self-help Organizations (SHOS) in Agricultural Development in Nigeria". In Nigerian Journal of Rural Development and Cooperative Studies, (CRDC) University of Nigeria, Nsukka Vol. 1 No. 3, pp. 81-99.

Nwoke, N.A. (1986), "Factors associated with the high default incidence of the NACB direct lending Scheme in Imo State a Comparative Study of the Small-holders. Unpublished M.Sc. Thesis Department of Agricultural Economics, University of Nigeria, Nsukka, p.

Obeta, M.E. (1982), "The Money-lender and the Provision of Credit in Nigeria Agriculture: An Empirical Study of Nsukka Local Government Area, Anambra State, Department of Agricultural Economics, p. 46.

Obiechina C.C.B. (1985), "Credit Distribution System in the Small holder Oil Palm Management Projects of Imo and River State of Nigeria". Paper presented at the National Conference on Village Adoption Scheme (VAS) C.R.D.C. University of Nigeria, Nsukka. June p. 1.

Ogunronbi, C. (1974) Agricultural Credit Peasant Agriculture and Economic Development: Insights and Implications for Western Nigeria, Unpublished Ph.D. Thesis, University of Wisconsin p. 32.

Okafor, F.C. (1983), Investment Decisions Evaluation of Project and Securities, Cassell Limited, London.

Okorie, A.F. (1983), "Role of Commercial Banks in funding Agriculture in Nigeria (1960-1984)" in Readings in Agricultural Finance. Okorie, A.F. and Ijere M.O. (eds) pp. 95-119.

Olatunbode, A.A. (1990), Financing Nigerian Agriculture. Challenges of the 1990s. A Journal of the Nigerian Agriculture and Cooperative Bank Limited, Vol. 2. No. 13 August p. 8.

Olayide, S.O. (1980), Nigerian Small Farmers, University of Ibadan, p. 23.

Olieh, C.N.E. (1980), "Financing Agricultural Development: Issues and Problems". The Bullion, July - September, 1980. Central Bank of Nigeria, Lagos, pp. 16-20.

Ollor, W.G. and E.O. Okoye, (1983), "Appraisal of the Agricultural Credit Performance of Nigerian Commercial Banks 1970-1980" Agricultural Administration 31 pp. 137-151.

Oluwansami, H.O. and J.A. Aloa (1964), "The Role of Credit in the Transformation of Traditional Agriculture The Nigerian Experience" Bulletin of Rural Economics and Sociology Vol. 1 No. 1 Ibadan p. 31.

Ono, J.K. (1980), The Foundation of Nigeria's Financial Infrastructure. Croom Helen Limited, London pp. 15-22.

Onumonu, I. O. (1980), The Socio-economic Importance of Nigerian Social Club. A Case Study of Anambra State". Unpublished B. Agric. Thesis, Department of Agric. Econs., University of Nigeria, Nsukka.

Onyenwaku, C. (1981), "Financing Agriculture: Problems and Prospects". Paper Presented at First Bank Silver Jubillee, First Bank of Nigeria Limited, Headquaters, Lagos, pp. 1-13.

__________ (1986), "Causes of Loan default: The role of external factors, Project Management and Client" Paper presented at the Nigerian Agric. and Co-operative Bank Ltd. Seminar on Agric. Loan default Management at Owerri, 17th - 21st Nov. pp. 1-10.

Osuntogun, A. and O. Oludimu (1981), "Extending Agricultural Credit Through Public Institutions in Nigeria" A Comparative Study of the Ondo State Agric. Credit Corporation and the Ogun State Agric. Development Corporation. Oxford Agrarian Studies, Vol. X pp. 85-97.

Owan, B.J. (1982), Structure and Operation of Interest Rates in Saving, Mobilisation and Extension of Credit in the Cross River State. Unpublished M.Sc. Thesis, Department of Agricultural Economics, University of Nigeria, Nsukka, p. 70.

Rammanna, R. and S.K. Singh (1981), "The Role of credit and Technology in Increasing Income and employment on small and large farms in Western region of Hyderabad district Andhra Pradesh" Indian Journal of Agricultural Economics, India 36(3) July 1981 pp. 41-51.

Ray, P.K. (1981), Agricultural Insurance: Theory and Practic e and Application Developing Countries 2nd (ed) Pergamon Press Ltd. UK.

Reining, C.C. (1959), "The Role of Money in the Azande Economy" American Anthropologist. Vol. XI pp. 445-477.

Ringer, K. (1988), "The Structure and Structural Changes of Agriculture in the Federal Republic of Germany" in CRDC Guest Lecture Vol. 61 Ijere M.O. (ed) Published by CRDC. University of Nigeria, Nsukka. p. 7.

Ruozi, R. and L. Erzegouesi (1987), The Situation in the USA "Confederation Internationle du Credit Agricole CICA Vol. 37, No. 78, Zurich Suiez (ed) Italy. P. 8.

Safianu, F.K. (1984), Repayment Problems of Agricultural Loans: The Experience of Private Institutional Lenders" The Private Sector and Nigeria's Agricultural Development. ARMTI Publication Ilorin, pp. 251-261.

Seibel, H.D. and T. Marx (1984), "Mobilization of Saving in Self-Help Organizations-Comparing Cooperatives and Indigenous Savings - and Credit Associations". Paper presented at Training Course on Management of Rural Cooperative, S.H.O.S. and small Holder Agriculture, Nsukka 12-25 August.

__________ (1985), Linking formal and Informal Financial Institutions: A Saving and Credit Scheme for Small Producers" in <u>CRDC National Conference on Village Adoption Scheme</u>. University of Nigeria, Nsukka p. 1.

Strickland, F.C. (1934), <u>Introduction of Cooperative Societies into Nigeria</u>. Government Printer Lagos.

Udo, N.J. (1980), Rural Liquidity in Nigeria: A Case Study of Ukanaiu Local Government Area. B. Agric. Thesis, Dept. of Agric. Econs; University of Nigeria, Nsukka p. 46.

Udogu, C.E. (1988), Incidence of Informal Financial Organisations in Some Selected Institutions In Enugu, Anambra State, MBA Thesis, Dept. of Finance, University of Nigeria, Enugu pp. 1-75.

Ukwu, I. U. (1983), Planning and Rural Development: The Nigerian Experience in <u>Nigerian Journal of Development Studies</u>, Vol. 3, Nos 1 and 2 April.

Warren F.L., D,B. Michael, G.N. Aaron and W.G. Murray, (1989), <u>Agricultural Finance</u>. The Iowa State University Press AMES, pp. 112-350.

William, L., and H.W. Fowler, and J. Coulson The Oxford Universal Dictionary on Historical Principles. Onions C.T. (ed) 3rd Edition U.S.A. p. 469.

APPENDIX I

UNIVERSITY OF NIGERIA, NSUKKA
FACULTY OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Dear Officers of Informal Organization,

I am a postgraduate student of the above named department. I am currently engaged in studying the factors affecting default rate in the informal financial institutions in Nsukka Agricultural Zone of Enugu State.

Could you please help by completing the attached questionnaire relevant to the completion of the study.

The data provided would be handled with the strictest confidence and will be used solely for research purposes. Please note that you are not required to write your name.

Thanks for co-operation.

Eze, B. S.
Research Student.

QUESTIONNAIRE

Please fill in the blank spaces or tick as appropriate.

(1) What is the name of your organisation? ....

....

(2) What is the name of your Community and Local Government Area? ....

(3) What type of post do you have? ....

(4) How do they get the post? by

(i) election (ii) Volunteer (iii) nomination (iv) Others (specify).

(5) Who are the members of your organization? ....

....

(6) Does your organization give loan for agricultural operations? (i) Yes (ii) No

(7) If yes how much can an individual obtain at a time?

....

(8) What determines the amount of loan approved for an individual? ....

(9) What are the forms you disburse the loan?

(i) in cash (ii) in kind (iii) both cash and kind.

(10) How long does the loan last before it is repaid?

....

(11) What measures do you adopt in recovering your money if the beneficiaries fail to pay back when the loan is due? ....

(12) Which of the measures prove to be the most effective?

....

(13) In what forms do the farmers repay their loans?

(i) in cash (ii) in kind (iii) both cash and kind.

(14) What is your interest rate per Naira? ....

(15) What is the total amount of loan disbursed from 1987 to 1990? ....

(16) What is the total amount of loan repaid so far?

....

(17) What are the other activities of your organization?

....

APPENDIX II

UNIVERSITY OF NIGERIA, NSUKKA
FACULTY OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Dear Sir/Madam,

I am a postgraduate student of the above named department. I am currently engaged in studying the factors affecting default rate in the informal financial institutions in Nsukka Agricultural Zone of Enugu State.

Could you please help by completing the attached questionnaire relevant to the completion of the study.

The data provided would be handled with the strictest confidence and will be used solely for research purposes. Please note that you are not required to write your name.

Thanks for co-operation.

Eze, B.S.
Research Student.

Please fill in the blank spaces or tick where appropriate.

(1) Community: ....

(2) Local Government Area: ....

(3) Sex: Male ( ) Female ( )

(4) What is your age? (i) Less than 20 ( )
(ii) 20-30 ( ), (iii) 30-39 ( ) (iv) 40-49 ( )
(v) 50-59 ( ), (vi) 60 and above ( ).

(5) How many years did you spend in formal school? ....

(6) Marital Status: (i) Single ( ) (ii) Married ( )

(7) How long have you been farming? ....

(8) What type of farming do you engage in?
(i) Crops (specify)
(ii) Animals/Livestock (specify).
(iii) Mixed farming (a and b) specify) .

(9) What is the size of your farm in hectare/number of animals?
....

(10) How do you utilize the farm produce?
Give percentages according to useage.

Crops	Proportion Consumption	Used Sell	For. Store for planting	Gift	Others
Yam					
Cassava					
Maize					
Rice					
Oil palm					
Pigs					
Chickens					
goat					
Others					

(11) Which associations do you belong to? Name them ....

....

(12) Have you ever taken loan from the organisation?
(i) Yes ( ) (ii) No ( )

(13) How much did you obtain as loan in naira and at what interest rate? ....

(14) How much did you pay back at the end of the month?

....

(15) How long did it take you to obtain the loan? ....

(16) What month of the year did you obtain the loan?

....

(17) When is the loan due for repayment? ....

(18) If number 12 is No why did you not apply? Give reasons

....

....

(19) What are your other sources of loan and the interest rate? ....

(20) What type of loan do you have?
(i) Short term (ii) medium term (iii) long term.

(21) What are the things you pledged before you obtained the loan?
(i) providing collateral only (specify)
(ii) providing shortees only
(iii) oath taking.
(iv) others.

(22) Is there any inducement to the officials before you obtain the loan?
(i) Yes ( ) (ii) No ( )

(23) If yes what are the inducements, state amount?

....

(24) Did you present any feasibility studies before the loan was granted?

(i) Yes ( ) (ii) No ( )

(25) How was the loan disbursed to you.

(i) Cash only

(ii) Kind only (specify)

(iii) Cash and Kind.

(26) Do you consider the amount approved for you?

(i) Sufficient. (ii) Insufficient.

(iii) Just enough for your farm operation.

(27) To what extent has your overall performance in terms of production output improved since you obtained the loan?

(i) excellent. (ii) good (iii) fair

(iv) poor (v) very poor.

(28) What is your farm income position since you obtained the loan?

(i) excellent (ii) good (iii) Fair

(iv) Poor.

(29) Do you have any other source of income different from farming? (i) Yes ( ) (ii) No ( )

(30) Estimate your annual income.

(i) Farm income

(ii) Non-Farm income.

(31) How do you assess the interest rate charged by the lending organisation?

(i) very high (ii) high (iii) moderate

(iv) low (v) too low.

(32) How do you repay the loan? in

(i) kind only (ii) cash only (iii) both cash and kind.

(iv) Others (specify).

(33) When the loan repayment period matures, how do you intend to repay the loan?

(i) Sell your farm produce.

(ii) Find money from any other source.

(iii) Others (specify).

(34) Have you fully repaid the loan?

(i) Yes ( ) (ii) No ( )

(35) If yes give reasons why you repaid.

....

....

(36) If No give reasons why you have not fully repaid.

....

....

(37) Did you utilize the loan on farming only?

(i) Yes ( ) (ii) No ( )

(38) If no how did you utilize the loan for the non-farm purposes?

....

....

(39) How do you assess the repayment arrangement of the organization?

(i) Excellent (ii) Good (iii) Fair

(iv) Poor.

Indicate your degree of agreement with the following statements.		Strongly Agree	Agree	Niether Agr. or Disagree	Disagree	Strongly Disagree
1.	I do not consider it too necessary repaying the loan.					
2.	I repay when ever I have money.					
3.	The lending institution had not demanded it.					
4.	The institution should notify me when the loan is due for repayment.					
5.	The lender should accept farm produce for the repayment.					
6.	I have not repaid because balance no action has been taken against the earlier defaultors.					
7.	I belong to the lending institution so no need to repay.					
8.	Low rate of repayment is due to national disaster.					
9.	Low rate of repayment is due to stealing in the farm.					
10.	Low rate of repayment is due to family problems.					
11.	Low rate of repayment is due to no storage facilities.					
12.	Low rate of repayment is due to late receipt of the loan.					
13.	Low rate of repayment is due to short duration of the loan.					

	Strongly Agree	Agree	Niether Agree or Disagree	Disagree	Strongly Disagree
14. Low rate of repayment is due to poor returns from farm produce.					
15. Low rate of repayment is due to high interest rate.					
16. Low rate of repayment is due to poor saving.					
17. Low rate of repayment is due to the fact that my collateral can pay for the loan.					
18. I used the money in other enterprise outside farming.					
19. Low rate of repayment is due to subsistence production.					