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Measuring Farmers Constraints in Accessing Bank Credit through the Agricultural Credit Guarantee Scheme Fund in Nigeria

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Abstract

Lending financial institutions are noted for almost over relying on collateral for lending and to reduce the problems of farmers and the SMEs the ACGSF was established. The objective of a guarantee scheme is to enable capital constrained but viable projects with inadequate or unacceptable collateral enjoy loan facilities from the banks. Over the years the scheme has not proved effective leading to the establishment of other guarantee schemes such as the Small and Medium, Enterprises Credit Guarantee Scheme to improve finance inclusion for the vast majority of farmers and SMEs who lack collateral security. Guarantees are designed to remedy situations in which borrowers with an equal probability of default have an unequal probability of obtaining credit due to insufficient collateral. Despite government efforts at promoting and enhancing the competitiveness of agricultural production under the broad umbrella of micro, small and medium enterprises banks still fail to lend sufficiently to the sector due to several constraints. Prominent among the constraints are the matters of security and the lack of financial identity which are key risk management tools in financial inclusion schemes like credit guarantees. Again, because of the low literacy levels of farmers and SMEs, operators and lack of acceptable methods of accessing credit they are excluded from obtaining credit for their businesses. To this extent, banks fail to even meet the lending targets set by themselves for the agricultural sector. This situation has led to the very poor contribution of the sector to the GDP, which steadily crashed from 3.0 percent in 2007, through 2.8 percent, in 2008, 2.5 percent in 2009, 2.4 percent in 2010, 2.3 percent in 2011, to 1.6 percent in 2012. The study adopted the survey method and it was found that farmers and SMEs have difficulty in accessing credit from banks due to several constraints.

Keywords

Financial Inclusion, Guarantee Scheme, Equal Probability of Default, Insufficient Collateral, Literacy Levels

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1. Introduction

Credit is recognized the world over as an essential tool for the promotion of economic development. In Nigeria the agricultural sector encompassing the small and medium enterprises (SMEs) constitutes about the largest of businesses and also provides the largest percentage of employment. The Federal Government of Nigeria (FGN) in realization of the fact that for sustainable growth and development to take place, the financial empowerment of the predominantly poor in the society who are farmers and SMEs in particular is critical. This reality led to the introduction of the Agricultural Credit Guarantee Scheme Fund (ACGSF) policy in 1977, to positively augment the potentials of traditional farmers and

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of SMEs in an attempt to enhance their standards for higher productivity. (Agbada, 2010). Credit guarantee schemes are among the choices used as collateral alternative to promote and facilitate financing to the agricultural sector. Two independent conditions must exist before a credit guarantee scheme becomes imperative. Firstly, a business must be assessed to be profitable and socially desirable but the promoter lacks adequate capital to fund it, and secondly, the promoter lacks adequate collateral to pledge as security for loan. According to Mohammed (2007) the conditions for establishing credit guarantees in developing countries require a certain level of security. For example, Kilby (1988) observes that while European banks generally require about 100 percent to 120 percent security, the figure lies between 180 percent and 300 percent in Latin America and Africa. This implies that many potential borrowers in emerging economies are driven out of the market for credit. This is more so that the assets they possess do not satisfy the marketability criterion of collateral and can thus not be pledged. He opines that reputation is often seen as a substitute for collateral. However, small firms lack of collateral prevents them from establishing a reputation since the initial credit cannot be attained. Encouraging the financial intermediaries to support the agricultural sector therefore requires appropriate collateral policy like the ACGSF. Obtaining credit for agricultural business is not always simple or easy, even for active farmers. Agricultural loan applications in Nigeria can be cumbersome often requiring detailed business plans or cash flows and other activity details. Proof of land or farm ownership, documents of personal identification, personal guarantees, account relationships and other documents are usually required by commercial banks to process agricultural loan applications. However, traditional farmers often lack the capacity to produce these requirements with the implication that they are crowded out of credit. Agricultural loan terns are typically short and inflexible, making it difficult for the farmer to borrow for larger, longer term, than 12 – 24 months. High interest charges pose a serious challenge because often margins from agricultural business are tin and unable to service loan and interest elements. Inability to show proof of land or farm ownership and produce acceptable security poses a constraint for farmers. Again, ratios of collateral to loans values in Nigeria are as high as between 100 and 150 percent. Due to many of these constraints, the farmer often operates on a low scale, mostly using family members as labour with little or no paid employees. The overall picture is one of penniless active farmer, small in scale, unskilled and with little or no capital (Iwuora, 2001, World Bank, 2009)

1.1. Statement of the Problem

Before export of crude oil began to generate substantial foreign exchange for the Nigerian economy, the profile of the economy was such that it was agrarian as proceeds from export of agricultural products helped to fund the first wave of development in the country after her independence in 1960. But funding in the agricultural sector despite the introduction of the ACGSF has declined in the last decades. The contribution of the sector to the Gross Domestic Product (GDP) has crashed from about 40 percent in recent years to a meager 0.2 percent in 2012 (Okafor, 2014). The constraints experienced by farmers and the apparent inability of the commercial banks to meet their target allocations to the agricultural sector through ACGSF lies behind government introduction of the N200billion Commercial Agriculture Credit Scheme (CACS) and N600billion Nigeria Incentive – based Risk Sharing System for Agricultural Lending (NIRSAL) to enhance access to agricultural finance by famers and SMEs in Nigeria (Ogbonna, 2013).

1.2. Objective of the Study

The study was designed to measure the impact of the constraints of farmers in accessing credit under ACGSF.

1.3. Scope of the Study

The study was delimited Ekeakpara area of Osisioma Ngwa LGA in Aba Zone, Abia State where the inhabitants are predominantly farmers.

1.4. Limitations of the Study

The study was constrained by fund and bad roads that did not allow the investigators to penetrate into most remote areas.

1.5. Hypotheses

Based on the objective of the study two hypotheses were formulated and tested at 0.5 level of significance.

Ho: Farmers in Nigeria are not constrained by conditionalities to access funds under ACGSF.

Hi: Farmers in Nigeria are constrained by conditionalities to access funds under ACGSF.

2. Literature Review

All economic units need liquidity for its operations thus bank finance is a major source of liquidity for financing agricultural production and running the economy. An important objective of the ACGSF is the alleviation of farmer constraints towards accessing bank credit but several reports show that this objective is yet to be attained. For example, available ACGSF reports for the year 2000 states that only 1,309 representing about 0.5% of the total loans granted by banks under the ACGSF was channeled to medium and long gestation agricultural projects. This leads to the conclusion that the scheme had failed to improve the terms of lending by way of granting loans of longer durations as to encourage investments in fixed assets. The ACGSF is meant to enable capital constrained but viable agricultural projects with inadequate or unacceptable collateral enjoy loan facilities from formal financial institutions. Over the years, the modus operandi of the ACGSF has been distorted to impose high security requirements under the ACGSF that has become so serious that banks normally are compelled to provide additional clause on their applications for guarantee that "the security pledged by the borrower is adequate and realizable". This requirement clearly negates the essence of the ACGSF since a project that is adjudged viable and adequately secured need not require additional guarantee from a formal authority. The ACGSF is meant to alleviate the credit challenges of farmers including SMEs in agro-allied business which are known to be mostly based in remote and virgin areas with large populations. Credit guarantees are conceptually designed to attract or entice reluctant lenders to advance funds to the collaterally disadvantaged sector like the SMEs (Mohammed, 2007, Ugoani, 2013). To reduce the problems of farmers and SMEs some banks enter into agreements with relevant associations in furtherance of the ACGSF imperatives in making funds available to the agricultural sector. For example, according to Onasanya (2012). First Bank of Nigeria Plc and the Nigerian Association of Small Scale Industrialists (NASSI) signed a Memorandum of Understanding (MoU) that would enable the bank give loans to farmers and SMEs through different channels under the auspices of the ACGSF. According to Poyi (2000[a]) commercial banks are only expected to lend against deposits held. Incidentally, the deposit structure of banks show a skewed distribution in favour of very short maturities. This presents a challenge in funding agricultural projects with gestations stretching beyond 24 months. According to Poyi (2000[b]) the loan made by First Bank of Nigeria Plc declined from N6.1bn in 1998 to N3.8bn in 1999. Earlier in 1986 the sum of N100m was set aside to support ACGSF through its community Farming Scheme, but only N31million was disbursed to 8.818 farmers. Banks continue to shun agricultural lending due to stringent conditionalities. For example, Osibodu (2011) states that Union Bank of Nigeria Plc set aside N10bn under the global limit and another N10bn under the non-obligor limit in 2010. She states that as at March 31, 2011 the bank disbursed only the sum of N3.04bn to individual farmers and N3.563bn to SMEs under the non-global limit. Worried by the problem of credit, Muhammad (2011) wants financial institutions responsible for disbursing agricultural loans to farmers to reduce the high interest and stringent conditionalities for small scale farmers to access loan. Although guarantees are designed to remedy situations in which borrowers with an equal probability of default have an un-equal probability of obtaining credit due to insufficient collateral the Central Bank of Nigeria (CBN) has not achieved this central objective through the commercial banks due to constraints imposed on borrowers. In order to ameliorate the problems of access to loans for agricultural activities under the auspices of the ACGSF, other financial intermediates like the Nigeria Export – Import Bank (NEXIM) intervenes highly in the agricultural sector financing. According Orya (2014) between 1991 and 2003 NEXIM funded the agricultural sector to the tune of N27.2bn representing about 28.6 percent of their total credit port-folio. And from August 2009 to 2014 NEXIM Bank's intervention in the agricultural sector stands at N7.4bn. Farmers have too little access to bank credit due to stringent bank conditionalities. For example, only about N10.6b loan was guaranteed under the ACGSF from 1978 to December 2005. This translates into an average of N0.3bn per annum. Farmers find it difficult to access reasonable loan amounts because of the limits set by the ACGSF. The maximum amount that could be guaranteed for individuals under the scheme was initially N100000 while upper limit for limited liability companies and co-operative societies was N1m. This upper limit was gradually enhanced to the present limits of N1m and N10m for individuals and corporate bodies respectively. Agricultural projects are capital intensive and with such amounts farmers who are able to access them find it difficult to breakeven. When banks under lend such exposures are "locked in" and often become irrecoverable. This explains the high rate of default as described in table 3. Whether an agricultural project is conducted at the individual level, partnership, SME, or a legally incorporated entity, the major traditional problem has always been how to access bank credit for its activities, not only in Nigeria but also in other countries. For example, the steady progress made by the credit co-operative in India in their achievement of a substantial increase in rural credit was greatly assisted by government sponsorship, concessionary and liberal concessional re-finance and technical guidance from the country's Central Bank (Alabi, 1988). To mitigate the problems of access to credit directly, First Bank introduced the Micro Credit Scheme for Agricultural Development (MISCAD). The product was developed in collaboration with the SHELL Petroleum Development Corporation (SPDC) for agrarian communities in the Niger Delta Area. It involves the collaboration of the CBN through the ACGSF window, SPDC, and the Bank. The SPDC provides cash guarantee of 25 percent of the credit exposure to beneficiaries who themselves would have made an initial deposit of 25 percent of their credit requirements in savings accounts. The CBN on its part guarantees the remaining uncovered margin up to 75 percent in case of default (Poyi 2000[a]). Despite these modalities and other programmes their impacts remain restricted mainly due to low target coverage and unsustainable operational mechanisms. It is believed that not more than 50 percent of aggregate effective demand for investment loans in the agricultural sector are met. This, among other reasons, gave rise to the establishment of other guarantee schemes like the Agricultural Credit Support Scheme (ACSS) and the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) to enhance the Micro, Small and Medium Enterprises (MSMEs) subsector (Okafor, 2014). Since the achievement of financial inclusion goals requires the participation of institutions which service micro, small, medium and large scale agricultural enterprises, the FGN continues to explore competent avenues to finance the agricultural sector. According to Aganga (2012) the Ministry of Trade and Investment is executing Programmes for SMEs in collaboration with the states to remove the bottle necks associated with securing collateral and make it easier for SMEs to have access to loans to start or expand their businesses. In view of the problem of the MSMEs to access funds, under the ACGSF the FGN through the Bank of Industry (BOI) has generated a funding pool of N9bn for MSMEs across the country to actualize the National Enterprises Development Programme (NEDP). On the low loan amount by commercial banks under ACGSF, Shell, Diamond Bank and others floated US$30m Fund to serve as a catalyst for the development and growth of SMEs. The Fund enables credible SMEs operators to access medium term comparatively priced financial and business development finance ranging between N6m and N125 that would enable them to achieve their growth aspirations (Eriye, 2014). According to Udunze (2014) the Nigerian Export/Import Bank (NEXIM) has also provided N300bn as funding in support of credible non-oil export in Nigeria, in view of the poor budgetary allocation of 3 percent to the agricultural sector as against 10 percent in other countries. Providing an alternative Guarantee Scheme is now suggested due to the lapses in the ACGSF. For example, the Institute of Credit Administration (ICA) has called for the establishment of a National Credit Guarantee Corporation (NCGC). The NCGC would be vested with powers to provide irrevocable guarantee to the legally incorporated SMEs in the country which due to lack of inability to provide any security or collateral are unable to access loans from lending institutions (Agbota, 2014). Significant others in the Nigerian project like the Lagos Chamber of Commerce and Industry wants the government to establish a collateral registry to make access to credit by SMEs faster. Such an agency will also reduce credit risks undertaken by banks with expected reduction in banks non-performing loans (Adekoya, 2014, Udunze, 2014).

3. Methodology

The study adopted the survey research design and made use of questionnaire, interviews and observations to generate primary data. Secondary data were generated from banks, journals, government publications among others. These methods of data collection were used so as to complement, supplement and validate data through each other. The data collection instrument was validated by experts in the areas of management and social sciences, and its reliability was checked through Test-Rested technique. The sample was based on across section of the population in Osisioma Ngwa Local Government Area (LGA) of Abia State, Nigeria. The sample size was determined using the Yamane's formula. To ensure consistency and accuracy, data generated were pooled, coded and classified before they were analyzed. Data were analyzed through descriptive and Chi-square statistical methods. The Chi-square formula used was:

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

Where O = Observed frequency, E = Expected frequency

The X^2 calculated value was compared with the table value at 0.05 level of significance with 4 degrees of freedom.

4. Presentation of Data and Results

The analysis in table 1 showed in paragraphs one and two that about 81.67 percent and 76.67 percent of farmers neither owned farmlands nor their own farms. Effective ownership of farm land or renting one is a foundation to agricultural enterprise, because banks attach high importance to it in loan appraisal. A high level of deficiency in collateral is a significant constraint to access to loan under ACGSF in Nigeria. Banks often hide under the legal provisions disallowing them from granting any loans without adequate security to insist that farmers provide acceptable security before loan approval (Ugoani, 1998). The interest rate regimes in most cases frighten farmers because profit margins in agricultural ventures are not always high. Even though the gestation period for agricultural projects like palm plantation can stretch over 12-24 months, banks prefer to lend for mostly a period of 12 months thereby denying a majority of farmers access to productive agricultural activities of their choice. Because of high illiteracy levels farmers find it difficult to provide necessary activity plans, belong to credible professional associations or even keep records of their daily activities. Production of business plans are among critical requirements for loan approval. Unfortunately most farmers cannot afford them. In most developing countries like Nigeria, account relationships is pivotal for loan approval and disbursal. In our case where about 90 percent of eligible loan applicants do not have account relationships poses a major constraint to access to finance under the ACGSF.

Table 1. Analysis of farmer constraints by type.

S/N	FARMER CONSTRAINTS	SEX				Total	% of total
		Male		Female			
		No	%	No	%		
	Land Ownership						
1	Farmers who own farm lands	35	17.5	20	20	55	18.33
	Those who do not	165	82.5	80	80	245	81.67
	Total	200	100	100	100	300	100
	Farm Ownership						
2.	Farmers who own farms	45	22.5	25	25	70	23.33
	Farmers who rent farms	155	77.5	75	75	230	76.67
	Total	200	100	100	100	300	100
	Collateral						
3.	Farmer who can provide collateral	15	7.5	10	100	25	8.33
	Those who cannot	185	5	90	90	275	91.67
	Total	200	100	100	100	300	100
	Interest rate						
4.	Farmers who consider landing rates to e high	180	90	95	95	275	91.67
	Farmers who can not determine	20	10	5	5	25	8.33
	Total	200	100	100	100	300	100
	Loan tenure						
5.	ACGSF loan tenure is not favourable by farmers	195	97.5	98	98	293	97.67
	ACGSF loan tenure is okay by farmers	5	2.5	2	2	7	2.33
	Total	200	100	100	100	300	100
	Literacy levels						
6.	Fairly educated farmers	65	32.5	35	35	100	33.33
	Illiterate farmers	135	67.5	65	65	200	66.67
	Total	200	100	100	100	300	100
	Farmer Association of Nigeria etc						
7	Those who are members of any farmers, group	18	9	6	6	24	8
	Those who are not	182	91	94	94	276	92
	Total	200	100	100	100	300	100
	Book-keeping						
8	Farmers who keep records	30	15	25	25	55	18.33
	Those who do not	17	85	75	75	245	81.67
	Total	200	100	100	100	300	100
	Business plan						
9	Farmers who can provide business plans	25	12.5	15	15	40	13.33
	Farmers who cannot	175	87.5	85	85	260	86.67
	Account relationship with banks						
10	Farmers who maintain active accounts	20	10	10	10	30	10
	Farmers who do not have active bank accounts	180	90	90	90	270	90
	Total	200	100	100	100	300	100

Source: Author Field Work, 2014.

Table 2. Loans granted by First Bank under ACGSF between 1995 – 1999.

Details	1995	1996	1997	1998	1999
Loan granted	6872	7614	8054	8593	7916
Value	N3.5bn	N3.9B	N2.8b	N6.1b	N3.8b
Total repayment	N0.1bn	N0.3bn	N0.5bn	N0.5bn	N1.2bn

Source: Poyi (2000) FBN Monthly Business & Economic Report, pp:14.

Figures in table 2 confirm fears that lending to farmers under the ACGSF has not been adequate, because First Bank is the oldest Bank in Nigeria and among the banks that show interest in agricultural finance under the ACGSF since 1978.

Table 3. Loans Granted under CACS by type & amount as at July, 2014.

S/N	Type of loans	No of loans	Amount of loans (₦'M)	Percentage of total loans
1	Livestock	578	167.99	8.69
2	Fisheries	151	72.25	2.27
3	Mixed crops	456	86.02	6.86
4	Food crops	5291	760.25	79.53
5	Cash crops	113	20.17	1.70
6	Others	63	37.64	0.95
7	Total	6652	N1.144bn	100

Source: Field work 2015

Table 3 showed the total amount of loans granted under the CACS in support of the activities of the ACGSF. Despite the effort, the contribution of the agricultural sector to the GDP remains very low.

Table 4 showed the abysmal contribution of agriculture to the GDP in recent years due to poor lending to the sector by banks.

Table 4. Contribution of the agricultural sector to GDP (2007 – 2012).

2007	2008	2009	2010	2011	2012
3.0	2.8	2.5	2.4	2.3	1.6

Source: Field Work, 2014

Table 5. Analysis of responses.

Respondents	Agreed		Disagreed		Strongly agreed		Strongly disagreed		Neural		Total	Calculated value	Total valve	Land of significance	d/f
	No	%	No	%	No	%	No	%	No	%					
Male	80	26.5%	30	10	35	11.8	45	15	10	3.3	200				
Female	15	5	20	6.7	15	5	30	10	20	6.7	10			0.05	
Total	95	31.5	50	16.7	50	16.8	75	25	30	10	300	30.91	9.48	0.05	4

Source: Author X^2 test, 2014.

4.1. Discussion of Result

The result from the X^2 test in table 5 showed that the calculated value of 30.91 was significantly greater than the table value of 9.48 at 0.05 level of significance with 4 degrees of freedom. What this technically means is that farmers find it difficult to access finance through the ACGSF due to many constraints. The result agrees with the popular opinion in Nigeria that farmers hardly have access to bank finance due to hard conditionalities of the banks (Alabi, 1988). The result also substantiates the views of Poyi (2000[a]) that: "Commercial banks are only expected to lend against deposits held. Incidentally, the deposit structure of the banks shows a skewed distribution in favour of very short maturities. This has presented a challenge in funding agricultural projects with gestations stretching beyond 24 months". In his view on constraints to agricultural finance, Muhammad (2011) wants financial institutions responsible for disbursing agricultural loans to farmers to reduce the high interest rate and stringent conditionality for small scale farmers to access loans. The present study provides empirical evidence that Federal Government's direct intervene in the agricultural sector through ACGSF and the associated programmes like the Agricultural Credit Support Scheme (ACSS), the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) has not made access to credit by farmers under the umbrella of Micro, Small and Medium Enterprises (MSMEs) easy in Nigeria. In this regard the government development banks, concerned commercial banks and multinational organizations like Shell Petroleum Development Corporation (SPDC) are collaborating in such manners as to promote the access to credit by credible farmers in Nigeria. In furtherance of its efforts at repositioning and guiding the MSMEs sector as the major driver of inclusive economic growth through partnership, the government has generated N9bn for MSMEs so as to actualize the National Enterprises Development Programme (NEDP) and job creation. Development of the agricultural sector through the MSMEs is urgent in a place where about 67m youths are unemployed (Osehobo 2012). In 2013 Small and Medium Enterprises Development Agency (SMEDAN) processed over 10000 business plans by MSMEs co-operatives for funding that would create employment opportunities (Aganga, 2013). The objective of intervention in bank credit and other services is to redress financial exclusion for low income groups like rural farmers and small scale businesses. Financial exclusion exists where such vulnerable groups experience serious difficulties in accessing credit and other financial services from the formal financial sector. Financial inclusive which is the objective of government intervention programmes often fail because banks hide under ambiguous legal conditions in minimizing exposure to the MSMEs in Nigeria. Financial identity is a key risk management strategy for banks in financial inclusion programmes like the ACGSF. However, due to the low literacy levels of most farmers and poor people, and absolute lack of techniques for registration and recognition, financial identity presents a serious hurdle to financial inclusion. While large transaction clients might provide means for their identification like National Identity Cards, International Passports, D/L, etc, this does not apply to the poor farmers. Financial literacy is therefore an important component of inclusion strategy that would support better delivery of financial services to those who need them. Against the backdrop of abysmal performance since 1977, the ACGSF hit an all time record high of N78.543billion, in 901,606 loan deals. According to Nelson, (2014) Central Bank of Nigeria (CBN) in its July, 2014, Report of the activities involving the ACGSF showed that 66652 loans valued at N1.14billion was granted by three Deposit Money Banks (DMBs) and 46 microfinance banks, compared to 8251 loans, valued at N1.47billion guaranteed in June, 2014. This showed a decrease of 1599 or 19.38 percent and N328million, representing 22.28 percent in number and value respectively. Niger state had the highest number of guarantee with 905, representing 13.60 percent of the total, valued at N46.6 million, followed by Adamawa State, with 902 loans, 13.56

percent, valued at N140.31 million, while Delta State came third with 690 loans, representing 10.37 percent, valued N145.19million. According to the Report, also, the commercial agricultural credit scheme, meant to complement the activities of the ACGSF and being administered at a single digit rate of 9 percent to beneficiaries for the period of seven years made no disbursement during the period under review. However, the sum of N236,969 billion has so far been released to the economy by the CBN under the CACS in respect of 313 projects through 20 banks made up of N199,831 billion from CACS Receivable Account for 273 projects and N37.138billion from CACS Repayment Account for 40 new project and 18 enhancements. Specifically, N2,684 billion was released from the CACS Repayment Account to five participating banks for six new projects in July 2014. The first formal credit guarantee scheme to be established in Nigeria through a Decree was the ACGSF. The scheme was established by Decree No 20 of 1977 that provides for a fund of N100 million subscribed to by the Federal Government of Nigeria and the CBN in the ratio of 60:40. The fund was latter enhanced to N1billion in 1999 and again to N3billion. The Fund provides 75 percent guarantee in respect of loans granted by banks for approved agricultural purposes with the aim of increasing the level of bank credit to the agricultural sector. But due to its inability to sufficiently meet the needs of Nigerian farmers and other agro-related projects, other scheme such as the CACS were established to support the access of bank credit to the agricultural sector of the economy. The CBN report states that as at July, 2014, 313 beneficiaries made up of 282 private promoters and 31 states governments agricultural projects have been sponsored under the CACS, while N43billion has been accessed by 30 state governments and the Federal Capital Territory Abuja. A breakdown showed that livestock business gulped 578 loans valued at N167.99 million. Fisheries, 151 loans, valued at N72.35million mixed crops, 456 loans, valued at N86.02 million Food crops, 5291 loans valued at N760.25million, cash crops, 113 loans, valued at N20.17million, and others 63loans, valued at N37.64 million. The CBN report states that about 3538 loans valued at N553.891 million was fully repaid under the CACS in July 2014 as against 3665 loans valued at N490.860 million that was repaid in June, 2014. Also N457.7million was repaid by three banks in respect of seven projects during the month of July, 2014, bringing the total value of repaid loans from inception to July 2014 to 674, 095, valued at N53.040 billion

4.2. Recommendations

i. After the inception of the ACGSF in 1977 other guarantee schemes have been launched without any meaningful sign of addressing the problems of farmers access to credit. Government should take decisive steps towards finding a credible solution in view of the importance of agriculture to the economy.

ii. All the guarantee schemes are managed by either the CBN or other government ministries or departments. Since they are unable to find appropriate solutions to the associated issues, independent authorities should be put in place to manage such schemes.

iii. Commercial banks often hid under the canopy of certain aspects of the law to minimize lending to the agricultural sector. Government should shape legal requirements on lending as it affects the priority areas like agriculture and the entire MESMEs.

iv. Account relationship is pivotal to loan processing and disbursal. Farmers should endeavour to patronize banks to help them have easier access to credit.

v. Loan amounts prescribed under the ACGSF is no longer adequate for meaningful agricultural activities. The CBN should revisit the matter to remedy deficiencies.

4.3. Scope for Further Study

Further study should examine the potency of the Micro Small Medium Enterprises, Act (2006) with regard to easy access to credit by MSM Es.

5. Conclusion

Farmers under the board category of MSMEs fail to access bank credit due in part to lack of tangible security to pledge, lack of land ownership, high interest rate regime, inability to provide documents such as business plans, among others. Because of these constraints typically under the ACGSF, the FGN in recent years has evolved other guarantee schemes meant to address the situation. The inherent deficiencies in ACGSF framework have made other banks and multinational corporations like SPDC to intervene in efforts to make access to credit by MSMEs easier. Because of low loan limits and stringent conditionality lending banks never disbursed fully the amounts set aside by themselves for the agricultural sector under the ACGSF. This has made development banks like NEXIM bank to be intervening to boast credit to agricultural projects in Nigeria. In view of the plight of MSMEs under the ACGSF, proposals have been made for the establishment of a National Credit Guarantee Corporation (NCGC) that will be vested with powers to provide irrevocable guarantees to the legally incorporated farmers or SMEs which due to lack of the ability to provide any security are unable to access loans from lending institutions. Despite the work of earlier researchers in this area, the present study attempted to identify the critical constraints on farmers and SMEs in accessing credit under the ACGSF. Through descriptive and X^2 statistical methods, this study found that farmers in Nigeria find it difficult to access bank credit under the ACGSF. This is the crux of the study.

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