`EFFECTIVENESS OF LOAN DELINQUENCY MANAGEMENT STRATEGIES OF FORMAL LENDERS AMONG FARMERS IN AKWA IBOM STATE, NIGERIA

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ABSTRACT

This paper analyses the effectiveness of loan delinquency management strategies used on farmers in Akwa Ibom State, Nigeria. The specific objectives are to; assess the management strategies aimed at reducing loan delinquency; compare the extent of loan default among lending institutions and analyse the impact of some variables in reduction of existing loan repayment problems, under the existing regime of loan delinquency management strategies. The multistage sampling technique was used in selecting the banks and farmers while the questionnaire was the primary tool of data collection. Data analyses utilized descriptive statistics and the logit model. The results show that loan delinquency reducing strategies used were not satisfactory, with a mean management quality score of 82. The loan default rate was still high despite these delinquency reducing strategies. In fact, as many as 82% of loan beneficiaries were found to be delinquent and the mean amount in default was largest in the agricultural bank. However, the mean delinquency rate was highest in the microfinance banks [27%] and lowest in the commercial banks [11%]. The findings in this research confirm that the loan delinquency reducing strategies were not judiciously implemented by the lenders. Also, the behavior of selected variables under the going delinquency management regime suggest that age of the farmers, duration of loan, farmers education, duration of farm existence, visits by financiers, and disbursement lag are some of the variables that need to be manipulated to achieve the desired level of loan repayment. Invariably, proper implementation of the existing loan delinquency management strategies and proper manipulation of factors that support loan repayment would be invaluable in enhancing the effectiveness of the existing loan delinquency management strategies in Akwa Ibom State, Nigeria.

KEY WORDS; Loan delinquency, Formal lenders, Farmers, Akwa Ibom State.

1. INTRODUCTION

One problem faced by formal financial institutions lending to the agricultural sector in Nigeria is loan delinquency and several efforts have been made by lenders and policy makers to deal with the situation.

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In Nigeria, agricultural financing has a long history and efforts to ensure sustainable financial services have been fraught with the problem of loan delinquency, [Osuntogun, 1980; Akinwumi, 1988]. Strategic default on loan is quite widespread among farmers [Jacklen and Rhyne, 1991; Rotimi 1991]. In particular, high co-variant risk of agriculture production and low level of commercialization in farming business add to the propensity of defaulting among farmers of these credit sources [Besley and Coate, 1995]. On the part of lending institutions, there is the problem of asymmetry information which make formal lenders unable to properly screen; monitoring use of loans to ensure satisfactory levels of loan repayment, among other[besley and Coate 1995, Yaron et al 1997; Ghatak and Guinane, 1999].

Loan recovery is one of the critical determinants of profitability and viability and crucial to the health of a credit institution [Diagne et. Al.,2000; Doucha,1999; Diagne 1998]. Poor recovery hampers the institutions' capability to recycle funds and adversely affect the effective management of its resources and ultimately its profitability. The incidence of over dues in the agricultural credit system has been increasing over the years and has turned out to be the single most important factor responsible for steady erosion of the financial soundness and fitness of the financial institution. The persistence of over dues has chocked the credit line of most financial institutions and restricted the recycling of funds. Unless the over dues are substantially brought down, the impact of various measures to improve viability of banks would not be visible. This makes loan delinquency management central to the viability of formal lending schemes and programmes.

Proper loan delinquency management begins with a good default Prevention Plans that provide farmers with a unique, long-term solution to the problem of loan default. A properly developed and executed default Prevention Plan will identify the unique root causes of default by farmers and lay out, in accountable, objective and measurable ways, the steps which financial institution and farmers will take to address the identified problems.

Lending institutions have a great deal of data about farmers. There is no gainsaying, that resources such as financial statements and the business office will maintain data which may be important in identifying factors which are contributing to the rate of delinquency and default at an institution. If a farmer fails to make payments on a direct loan from bank or fails to comply with other terms of the loan agreement, the bank may accelerate the loan account after fulfilling certain procedural requirements. Banks may take step to repossess and sell the collateral used to secure the loan. Before banks accelerate a defaulting borrowers loan account, it is required by law to give the farmer an opportunity to request loan servicing, this is a process by which farmers facing default or financial distress who meet certain eligibility requirement may have their debt modified or even reduced to allow continuation of the farming operation. Such modifications may be by Loan re-amortization and re-scheduling, Loan Consolidation, ,Interest rate reduction, loan reorganization and adjustment, Loan Cancellation/Charge off, [Lawrence et al, 1995].

Existing literature confirm that proper loan delinquency management can make a delinquent farmer to recuperate and seize from being a credit risk. For instance, systematic, persistent and coordinated

use of collection policy and tool are critical in loan management but having an effective loan servicing and collection system depend to a large extent on the capability to generate and disseminate timely and accurate report on loan portfolio status, and past due payments, [Mill, 1993]. More so, delinquency rates are important in rights both as a measure of the incidence of farmer's distress and as a warning of the danger of more serious type of distress such as repossession, foreclosure or bankruptcy. Beyond this, delinquency rate is of interest for their broader implications for such fundamental elements of general economic activity as farmers spending decisions and credit policy of lending institutions [Olomola, 1991]. In view of these, financial institutions that lend to the agricultural sector of the economy have over time utilsed a number of delinquency management strategies. The question is how effective are these strategies.

This paper assesses the effectiveness of loan delinquency management strategies used for farmers in Akwa Ibom State, Nigeria. The specific objectives are: to assess the management strategies aimed at reducing loan delinquency, compare the extent of loan default among lending institutions in the face of the on-going delinquency management strategies and analyse the impact of selected variables on their ability to reduce loan repayment problems under the existing regime of loan delinquency management strategies.

1.1 Literature Review;

Existing literature, agree that loan delinquency, particularly among farmers can be minimized. There is however divergent views concerning those variables that reduce repayment problems in the Nigerian agricultural sector or best management practices that lenders can adopt to reduce loan delinquency among farmers. While, Arene (1993) observed that income of the farmers, farm size, age of the farmers, farming experience and the level of formal education of the farmers are key factors in loan repayment, Njoku and Odii (1991) as well as Onyenucheya and Ukoha(2007) are of the opinion that amount borrowed, major occupation of the farmers, house hold size, loan duration, value of output, interest on loans, value of farm assets, distance to loan source, loan source were other variables influencing loan delinquency.

More so, Ajetomobi and Binuomote (2007) identified delays in loan disbursement, prolonged drought and unexpected family expenses as principal reasons why farmers in Nigeria default; and Obamuyi (2007) attributes non performance of loans to poor credit worthiness and lack of collateral security on the part of the farmers. There is no gainsaying the fact that playing with these variables that are known to affect loan default behavior of farmers would be invaluable in minimizing agricultural loans delinquency in Nigeria. Unfortunately, the level of success achieved depends in part on the financial institution, and the delinquency management strategies used. However, Ejike et al (2013) suggests that supervision, viability of farm, acceptable collateral, appropriate sanctions, proper farm appraisal and insurance are important default management techniques employed by banks in lending to agriculture. In particular, Besley and Coate (1995) agree that sanctions are particularly important in eliciting the willingness of individuals to repay loans. We agree with Macaver and Elimare (2011) that

lending agencies should establish a sound and competent credit risk management units to carry out proper loan appraisals and follow ups as well as strict enforcement of loan repayments.

2. METHODOLOGY

2.1 STUDY AREA: Akwa Ibom state is in the Niger Delta area of Nigeria. It is located between Cross River, Abia and Rivers states. It is boarded on the South by the Atlantic Ocean and lies between latitude 40 32' and 50 53' North and longitudes 70 25' and 80 25' East. It covers a total land area of 8,412km^2 encompassing the Qua Iboe river basin, the western part of the lower cross river basin and the eastern part of Imo river basin. With an ocean forest, which spans a distance of 129 kilometers, Akwa Ibom state presents a picture of captivating coastal mangrove forest and beautiful sandy resorts. The state is generally humid. The mean annual temperature of the state lies between 26^{oC} and 29^{oC} and average sunshine culminate to 1450 hours per year while mean annual rainfall range from 2100mm to 3000mm. Agriculture is an important economic activity in the state.

2.2 SAMPLE SIZE: The multistage sampling method was used to select 92 agricultural loan beneficiaries of eight banks used for the study. The lenders were those who are active in lending to the agricultural sector namely the Gufax Micro finance, Akwa Savings & Loans limited, the Diamond bank plc, the Fidelity Bank plc, the First Bank plc, the Oceanic Bank plc, United bank for Africa, and the Nigerian Agricultural Cooperative and Rural Development Bank. Separate questionnaires were administered, one for the financial institution (lender) and the other for the farmers (borrowers).

2.3 DATA ANALYSES

Data collected were analyzed using simple statistical tool, the past due age analysis, the delinquency management score and the logit model. The delinquency management score was generated by asking management related questions with three options for the lenders to respond. The responses were scored, 3, 2, and 1 in order of merit. The total score was converted to percentages.

The resulting logit function is represented below:

$$Li = \ln (P_i/1-P_i) = Z_i = \beta_1 + \beta_2 Xi$$

Where

L_i is the logit score, the β's are the weighting coefficient and the

X's are the standard values of the logit variables used in analysis

This equation is known as the cumulative logit distribution function. Here β1 ranges from -∞ to +∞; L_i ranges between 0 and 1; L_i is non-linearly related to X_1, thus satisfying the two conditions required for a probability model.

The model can be represented explicitly by

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \ldots\ldots\ldots + \beta_{13} X_{13} + e$$

Where

Y = A dichotomous variable with value reflecting status of repayment problem [1= loans without repayment problem and 0 = loans with repayment problem].

a = intercept

e= error term

X1 = age of beneficiary in years

X2 = sex of beneficiary [Male = 1, Female = 0]

X3 = household size i.e. no of people living with beneficiary

X4 = education index

X5 = primary occupation of beneficiary [Farming=1, Otherwise=0]

X6 = years of existence of the farm

X7 = farm size of beneficiary in hectares.

X8 = borrowing experience i.e. years of previous borrowing

X9 = Loan size in Naira

X10 =use of loan [multipurpose = 1, others = 0]

X11 = duration of loan to the beneficiary

X12 = visit of loan officials [dummy: Yes = 1 , Otherwise = O]

X13 = time lag between loan application and disbursement [days]

3. RESULT AND DISCUSSIONS

3.1 GENERAL CHARACTERISTICS OF RESPONDENTS: This study included eight formal financial institutions, namely; Gufax Micro finance, Akwa Savings & Loans limited, the Diamond bank plc, the Fidelity Bank plc, the First Bank plc, the Oceanic Bank plc, United bank for Africa, and the Nigerian Agricultural Cooperative and Rural Development Bank and 92 loan beneficiaries. Table1.0 shows the socio economic characteristics of the loan beneficiaries. According to this table, 60% of the respondents were male while 40% were female. The mean age of the respondents was 40 years, and most of the respondents [80%] are within the age of 31 – 50 years.

TABLE 1.0: - Farmers' Personal Data

S/No	CHARACTERISTICS	Frequency [N=92]	Percentage
1	SEX		
	Male	60	65.22
	Female	32	34.78
2.	AGE IN YEARS[mean = 40]		
	21 - 30	4	4.35
	31 - 40	47	51.09
	41 - 50	33	35.87
	51 - 60	7	7.61
	61 and more s	1	1.09
3	MARITAL STATUS		
	SINGLE	19	20.65
	MARRIED	66	71.74
	DIVORCED	3	3.26
	WIDOWED	2	2.17
	SEPARATED	2	2.17
4	EDUCATION		
	No Formal Education	12	13.04
	SSCE/WASC	32	34.78
	NCE/OND	22	23.91
	HND	12	13.04
	BSc.	8	8.70
	Post Graduate	6	6.52
5	HOUSEHOLD SIZE [mean = 8 persons]		
	1 – 5	20	21.74
	6 – 10	43	46.73
	11 – 15	20	21.74
	16 – 20	5	5.43
	21 – 25	1	1.09
	Above 25	3	3.26
6	OCCUPATION		
	Major – Farming	67	72.83
	Minor – Others	25	27.17
7	EXPERIENCE IN YEARS[[mean = 8]		
	1 – 5	31	33.70
	6 – 10	37	40.22
	11 – 15	16	17.39
	16 – 20	8	8.70
8	LOAN SIZE [N'000]		
	500 and below	79	85.87
	501 – N1000	10	10.87
	1001 and above	3	3.26
9	LOAN DURATION [Months]		
	3 - 12 [short term]	42	45.65
	13 – 60 [medium term]	50	54.35
10	Loan Repayment		
	Monthly	44	47.83
	Quarterly	39	42.39
	Annualy	9	9.78

Source: Field survey 2010

A good number of the farmers were married and have been educated at the secondary school level. However, the mean household size is 8 persons and the mean years of farming experience of the farmers is 8 years. The distribution of loan obtained by the respondents indicate that 86% of the respondents obtained loan within N500,000 and below, 11% had between N500,0001 – N1,000,000, 3% had between N1,000,001 and above. However, 46%, 35% and 19% of the loans received were short, medium and loan term respectively. This research reveals that about 48% of the loans beneficiaries repaid on monthly basis, 42% repaid on quarterly basis and only 9.78% repay annually

3.2 .**LOAN DEFAULT MANAGEMENT STRATEGIES**

The loan default management strategies used by the financial institutions, are presented in table, 2.0. According to this table, all the financial institutions interviewed agreed that they always put in place appropriate loan disbursement strategies, carried out loan review independent of the loan officers, and adhere to the bank's credit policy to make sure that loans are repaid.

However, 87.5% of the banks always visit the farmers before loan disbursement, 62.5% of the financial institutions always visits the farmers after loan disbursement and only 50% of the lenders accept security that are comparable to loan value, ensure legal documents are perfected before loan disbursement, contact loan beneficiaries by phone, contact loan beneficiaries by letter writing, promptly release fund to beneficiaries, and provide loan packages they considered adequate for the farmers. Other delinquency management strategies always practiced include, charging interest that is comparable to loan risk, which is carried out by only 37.5% of the lenders, offering of post loan services which is carried out by only 25% of the lenders and training and updating loan beneficiaries which only 12.5% of the banks utilised. However, none of these financial institutions gave loans to defaulting farmers to help their businesses recuperate. On the other hand, 87.5% of the lending institutions agree they sometimes train to update farmers, 50% of the lenders accepted that they sometimes contact farmers by letters; gave additional loans as loan recovery strategy, accepted securities that are comparable to loan value, released loan fund on time, and sometimes provided adequate loan packages to farmers.

TABLE 2.0: Default Management Strategies

Serial No	Default management Strategies	Lenders practicing [%]
1	Loan disbursement strategy	100
2	Loan review independent of loan officer	100
3	Adherence to credit policy	100
4	Visit before loan disbursement	87.5
5	Visit after loan disbursement	62.5
6	Comparability of security to loan purpose	50.0
7	Perfection of document before disbursement	50.0
8	Contacts by phone	50.0
9	Contact by letter	50.0
10	Regular/timely release of funds	50.0
11	Adequate/sufficient loan package	50.0
12	Interest rate charged is related to loan risk	37.5
13	Post loan services	25.0
14	Training and update of farmers	12.5
15	Additional credit as recovery strategy	0.0

Source: Field survey 2010

An assessment of the loan default reducing strategies indicates that the loan delinquency management ability of the lenders is not satisfactory, with a mean management quality score of 82. Table 3.0, shows the distribution of the lenders by their management quality score.

According to this table, all the lenders had a mean management score of between 75 and 92. However, 50% of the lenders had a management score of between 75 and 80, while 25% each had a management score of 81 – 86 and 87 – 92.

Table 3.0; Management quality score

S/No	Management quality score[mean = 82]	Frequency	Percentage
1.	**75 – 80**	**4**	**50.00**
2.	**81 – 86**	**2**	**25.00**
3.	**87 – 92**	**2**	**25.00**

Source: Field survey 2010

3.3 COMPARISON OF LOAN DEFAULT IN LENDING INSTITUTIONS

An assessment of the loan default situation at these financial institutions reveals that, 82% of loan beneficiaries are defaulters and the mean amount in default was highest in the agricultural bank with N2.482m in default; closely followed by the microfinance banks with N1.729m and commercial banks with N0.909m in default.

Table 4.0: Loan default comparison

Category	Financial institutions	Percentage of total category loans	Amount in default	Past due [< 90 Days]	Past due [>90 Days]	Past due [>180 Days]	Delinquency rate
A. MICROFINANCE BANKS							
	AKWA SAVINGS	[29.45]	2.3M[29.0]	[24]	[4]	[1]	[44.0]
	GUFAX	[70.54]	1.2M[23.0]	[15]	[3]	[5]	[9.3]
MEAN VALUE			1.7M[26.0]	[19.5]	[3.5]	[3]	[27]
B. COMMERCIAL BANKS							
	DIAMOND BANK Plc	[14.10]	0.74M[17.0]	[15]	[2]	[0]	[14.9]
	FIDELITY BANK Plc	[14.80]	0.66M[14.0]	[11]	[3]	[0]	[12.7]
	FIRST BANK Plc	[24.20]	1.13M[15.0]	[7]	[3]	[5]	[13.0]
	OCEANIC BANK Plc	[17.90]	0.69M[12.0]	[10]	[2]	[0]	[0.01]
	UNITED BANK FOR AFRICA Plc	[28.70]	1.33M[15.0]	[7]	[5]	[3]	[13.2]
MEAN VALUE			0.91m[14.6]	[10]	[13]	[1.6]	[11]
C. AGRICULTURAL BANK							
	NACRDB	[100]	2.5m[18.0]	[3]	[2]	[3]	[14.9]
Mean value		[100]	2.5m[18]	[3]	[2]	[3]	[14.9]

- Figures in parenthesis are percentages

SOURCE; Field survey 2010

Table 4 shows the distribution of the financial institutions by loan default status. According to this table, the micro finance banks had the highest mean percentage default of 26%, the agricultural bank

had a mean percentage default of 18% while the commercial banks had a mean percentage default of 14.6%. The past due age analyses reveals that of the amount of loans in default, 19.55% had a mean past due of less than 90 days for the microfinance banks, 13.0% had a mean past due of less than 90 days in the agricultural banks and only 10% had the same past due period in the commercial banks. Debts that were due after 90 days but not beyond 180 days was only 2.0% in the agricultural banks, 3.0% in the commercial banks and 3.5% in the microfinance banks. However, bad debts were smallest in the commercial banks with a mean of 1.6% and only 3.0% in agricultural and microfinance banks, respectively [see table 4.0].

3.4 EFFECTIVENESS OF LOAN DELINQUENCY MANAGEMENT STRATEGIES

Table 5.0 shows the logit model estimates on how the selected variables reduce or increase agricultural loan repayment problems under the existing loan delinquency management strategies.

According to this table, the likelihood ratio statistics is 22.36 with a p- value of 0.05, which is very small thus confirming that all the regressors have significant impact on reduction or otherwise of loan repayment problems. Consequently, age of the farmer, household size, educational level, number of years of farm existence, farm size, loan size, loan use, loan duration, number of times banks' officials visited borrowers and time lag between loan application and disbursement are positively related to borrowers loan repayment ability; whereas, sex, primary occupation of beneficiaries, and borrowing experience are negatively related. However, the B-coefficient for age of the respondents is 0.056, implying that if age increases by a unit, the logit increases by 0.056 units giving a percentage of odds ratio of 5.8. Invariably, one unit increase in age will lead to the likelihood of reducing loan repayment problem by 5.8 percent. This agrees with studies conducted by Oladele et al (2005) and Onyenucheya and Ukoha (2007) who accepted that age contributed positively to loan repayment and credit worthiness of loan beneficiaries. Sex takes the values of 1 or 0 for male or female. The B coefficient for sex is -.775 implying that if sex is female the logit increases by 0.775 unit giving a percentage of odds ratio of 53. Based on the percentage of odds ratio, a unit decrease in sex [i.e. as one moves from male to female] is likely to reduce loan repayment problem by 53%. The B-coefficient for household size confirms that a unit increase in household size will increase the estimated logit by 0.115 units while the percentage of odds ratio suggests that loan repayment problem will reduce by only 12.2%. Existing literature show divergent results. Whereas work by

Onyenucheya and Ukoha (2007) and Udoh (2008) agree that there is a direct relationship between household size and loan repayment, Arene [1992] as well as Okorji and Mejeka [1993] in their study found out that house hold size were negatively related to loan repayment.

TABLE 5.0; Factors of loan repayment problems

Variable	Coefficient (B)	S.E	Z – statistics	Odds Ratio	% of odd Ratio	Calculated P - values	Sig
X_1 - AGE	0.056	0.09	0.615	1.058	5.8	0.5140	.536
X_2 - SEX	-. 755	1.116	-0.677	.470	-53	0.3197	.499
X_3 - HHS	.115	.065	1.769	1.122	12.2	0.5287	.079
X_4 – EDU	.325	.424	0.767	1.384	38.4	0.5805	.444
X_5 – POC	-18.938	12067.982	-0.002	.000	0.00	0.00	.999
X_6 – EXIS	.135	.333	0.405	1.144	14.4	0.5335	.685
X_7 – F.SIZE	.37	.061	0.607	1.038	3.8	0.5093	.538
X_8 – BOE	-.190	.414	-0.459	.827	-17.3	0.4526	.645
X_9 – LOAN SIZE	.000	.000	0.000	1.000	0.00	0.00	.031
X_{10} – LOAN USE	17.652	12067.982	0.002	0.00	0.00	0.00	.999
X_{11} – DOL	.040	.065	0.615	1.041	4.1	0.00	.541
X_{12} - VISITS	18.204	9737.362	0.002	0.00	0.00	0.00	.999
X_{13} - DISLAG	.101	.196	0.515	1.106	10.6	0.5251	.607
Constant	-20.767	9737.364	-0.002	000			.998

Nagelkerke R^2 = 0528, LR Statistics = 22.362

Source; Field survey 2010

The B- coefficient for education is 0.325. This implies that a one unit increase in education index will lead to a 0.325 unit increase in the logit. However, the percentage of odds ratio suggests that increasing farmers' education is likely to result in a 38.4 percent reduction in loan repayment problems. Work by Rahji and Fakayode [2011], Nwankwo [2004], Njoku and Odii [1991], Okorie [1986], Arene, [2004] support this finding.

The B – coefficient for primary occupation is – 18.94 implying that as the primary occupation moves away from farming there is the likelihood that the repayment problems reduce. However, the percentage of odds ratio shows that variation in primary occupation does not reduce existing loan repayment problems.

The B – coefficient for duration of farm existence is 0.135. This implies that a unit increase in year existence of the farm business is likely to reduce loan repayment problem. Interestingly, the percentage of odds ratio shows that the repayment problem will reduce by 14.4 percent with every added year of farm existence.

The B – coefficient for farm size is 0.037. This implies that a unit increase in a farm size will increase the estimated logit by .037. However, the percentage of the odds ratio indicate that increases in farm size can only reduce repayment problems by 3.8 percent. Earlier work by Eyo and Asuquo [2011], Arene [1993] and Eze [1993] support this claim.

The B – coefficient for borrowing experience is – 0.190, implying that repayment problem increases as borrowing experience increases. However, the percentage of odds ratio suggests that, a unit increase in borrowing experience results in a 17% increase in repayment problems.

The B- coefficient for loan size is zero, so also is the percentage of the odds ratio. This implies that a unit increase in loan size reduce or increase the existing loan repayment problems. However, the B – Coefficient for loan use is 17.65 while the percentage of odds ratio is zero. Invariably, using loan for a variety of purposes relates positively with reduction in loan repayment problems, but the percentage of odds ratio shows that in this study such multiple use of loans had zero impact in reducing the existing loan repayment problems.

The B-coefficient for duration of loan is 0.04 and the percentage of odds ratio is 4.1. This implies that as the duration of loans increases, repayment problems reduces, but by only 4.1%. This is in line with findings of Njoku and Odii [1991].

The number of visits paid by banks officials had a B – coefficient of 18.2 and a zero percentage of odds ratio. Consequently, even though the number of visits has the potential of reducing loan default, but going by the percentage of odds ratio, the visits had no effect on the reduction of loan repayment problem. Findings by Olomola [1998] however, showed that repayment rate may be low notwithstanding the frequency of visits by bank officials, if farmers are unwilling to repay, and not because they are not properly monitored.

The duration between the time loan are applied for and eventually disbursed plays a role in reducing loan repayment problems. This lag gives a coefficient of .101 with a percentage of odds ratio of 10.6.

Given this percentage of odds ratio, it follows that, shorter time lag is synonymous with increases repayment problems, increasing it by as much as 10.6%. This agrees with studies by Okorie [1986]. On the whole, the more borrowing experience a farmer has the more the likelihood of increase in borrowing problems. Similarly, increase in age, fostering women in lending problems, increase in household size, more education of farmers, increase in farming experience and increase in farm size reduce loan repayment problems. On the other hand, the number of visits of bank officials, and the loan size have the potential of reducing loan repayment problems but these potentials are not realized in this study. Also loan repayment problems reduce when loans are used for agricultural and non – agricultural activities, and when the primary occupation of the farmers in not farming. This points to the fact that loan repayment problem continues to be a problem among the operators of the agricultural sector. The result of this study also suggests that loan repayment problems increase with shorter time lag between loan application and disbursement. Of special significance is the zero B – coefficient for loan size, which suggests that the sizes of loan given to the farmers are too small to make any contribution to the reduction of existing loan repayment problems.

4. CONCLUSION

The Nigerian financial market is still in search of a satisfactory level of loan recovery, to make the financial market vibrant. As a result of this quest, a number of loan default reducing strategies have been put in place. Unfortunately, this study reveals that of the fifteen management strategies identified only three was implemented by all the lenders included in this study. The other measures were either partly implemented or not implemented at all. The inability to thoroughly implement the loan delinquency management strategies as evident in the mean percentage default, was more severe in the microfinance banks, and least severe in the commercial banks. On the whole, farmers education, fostering of women in credit programs, farming experience, age of the farmers and farm size are some of the variables that must be tinkered with in order to achieve satisfactory reduction in agricultural loan repayment problems.

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