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Financial Outreach and Performance of Central Bank of Nigeria's (CBN) Agri-Based Micro-Credit Scheme

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ABSTRACT
The study ascertained the financial outreach and performance of different CBN Agribased microcredit schemes. The study specifically looked at the different CBN Agribased micro-credit schemes; determined the financial outreach of the different CBN Agribased micro-credit schemes; determined the performance of the different CBN Agribased micro-credit schemes; determined the sustainability of the different CBN Agribased micro-credit schemes. Secondary data were used in this study, particularly published data from the Central Bank of Nigeria's Annual Report 2017 and NPC Annual Report. This study covered a point of 2016-2017. Data were analysed using simple descriptive statistics, such as percentages and means. The study found that there was a 29.39% decline in outreach of micro credit by CBN between 2016 and 2017, and that when compared with potential users, there was low density of outreaches. Furthermore, 98.3% of the outreach of microcredit by CBN were targeted at individuals under ACGS. In addition, the results showed that micro credit released under CACS by value-chain in 2017 were for production, agricultural infrastructure, input and processing with implementation level of 37.4%, 34.3%, 15.5% and 12.8% respectively. Also, the result showed that the client outreach for micro, small and medium enterprises development fund increased by 25.1% between 2016 and 2017. Finally, the loan repayment rate of 2700% for ABP between 2017 and 2016 showed that ABP was sustainable. The study therefore recommended that CBN should provide adequate funding to the various agribased microcredit schemes. This measure will enhance effective credit delivery (outreach) to credit users. More so, operators of the various CBN schemes should release the necessary credits to the participating financial institutions in order to service credit users early enough. This would ensure effective utilization of credit among credit users. Furthermore, operators of the various CBN schemes should deploy more time to credit recovery. This measure would promote the sustainability of the various schemes.
Key Words: Financial Outreach, Performance, Central Bank of Nigeria, Agri-based Micro-Credit Scheme

INTRODUCTION

Since Nigeria became independent, most government policies have been directed towards accelerating economic development with the ultimate aim of transforming the economy into an industrialized one, as well as raising the welfare of the population. The foregoing has been the underpinning factor propelling most government policies. One of the sectors expected to act as a catalyst towards the realization of this goal is agriculture. The traditional role of agriculture in economic development provides the foundation for this position. The role includes product contribution, market contribution, factor contribution and foreign exchange contribution (John and Mellor, 1961). No doubt, it has continued to play a very important role in the economic development of the country.

Development of the private sector holds the key to future agricultural and overall economic growth in many world economies. Unfortunately, in Africa private sector lacks capacity because it is relatively young and constrained by the weak economies. The investment climate is unpredictable due to lack of the necessary public and institutional infrastructure, weaknesses in the legal and regulatory environment, and the dominance of the public sector. This has crowded out private sector activity and discouraged the use of domestic savings for domestic investment, especially in agriculture (ADB, 2000).

The agriculture sector is very capital intensive with low return on investment necessitating long term financing. The sector is a highly knowledge-based sector; rural based with slowly improving poor physical infrastructure. Even the introduction of new technology and new techniques is slow, coupled with lack of attention to financial literacy and to good business management. Its adaptation to changing market conditions on the supply side is also slow (Beck, Demirgiic, Laeven, & Maksimovic, 2006).

The main objective of the study was to ascertain the financial outreach and performance of the different CBN Agri-based micro credit schemes. The specific objectives included; to determine the different CBN Agri-based micro-credit schemes; financial outreach of the different CBN Agri-based micro-credit schemes; performance of the different CBN Agribased micro-credit schemes and sustainability of the different CBN Agribased micro-credit schemes. The study hypothesized that there was no significant difference in the repayment under the different CBN agri-based micro-credit scheme for 2016 and 2017.

METHODOLOGY

The study made use of data mainly from secondary sources, particularly published data from Central Bank of Nigeria Annual Report 2017. Data were equally obtained from NPC Annual Reports. The study covered a period of 2016-2017. Data were analysed using simple descriptive statistics such as percentages and means, Outreach density index (Actual Outreach/Potential Outreach) and Analysis of Variance (ANOVA). In order to measure level of impact, a qualitative and dichotomous measure was adopted. That is , the impact of the various CBN Agri-based microcredit schemes was either High or Low. Any programme/scheme that met at least two third (2/3) of the impact measures which were; number of beneficiaries, spread and awareness of the scheme /programme in the nation and number of years of establishment (which should not be less than 5 years) were used to classify a scheme as high while those with less impact measure were classified as low.

RESULTS AND DISCUSSION

Different Central Bank of Nigeria Agri-based Microcredit Schemes

Different Central Bank of Nigeria's agri-based microcredit schemes is presented in Table 1. Table 1 shows that Central Bank of Nigeria has different agri-based microcredit schemes presently in operations in Nigeria. CBN established these microcredit schemes with a focus on job creation, entrepreneurship development and financial inclusion, to promote inclusive growth (CBN, 2017). In this regard, it continued the implementation of existing initiatives and introduced new ones to further boost the flow of finance to the real sector (CBN, 2017). The flow of finance to the real sector by CBN was especially in 2017 as a result of the inabilities of the existing microcredit facilities in

Nigeria serving less than 1milllion people out of 40million potential people that need the service (CBN, 2005). And this account for about 0.2 percent of GDP and less than one percent of total credit to the economy another year.

Table 1: Different Central Bank of Nigeria Agri-based Microcredit Schemes

Agri-based microcredit schemes	Year of establishment	Level of impact
Agricultural Credit Guarantee Scheme (ACGS)	1977	High
Anchor Borrowers Scheme (ABS)	2015	Low
Commercial Agri-credit scheme (CACS)	2017	Low
The Paddy Aggregation Scheme (PAS)	2017	Low
The Agri-business/Small and Medium Enterprises Investment Scheme (AGSMEIS)	2017	Low
The Accelerated Agriculture Development Scheme (AADS)	2017	Low
The non-oil export stimulation facility and the export development facility		
The Micro-Small and Medium Enterprises Development Fund (MSMEDF)	2013	High

Source: CBN Annual Report, 2017.

According to Anyanwu (2004), most of the microcredit available before the initiatives of CBN in recent times (2015 till date), go to the commercial sector to the detriment of the more vital economic activities, especially agriculture and manufacturing sectors which provide the foundation for sustainable growth and development.

Agricultural Credit Guarantee Scheme and the Micro, Small and Medium Enterprises Development Fund (MSMEDF) are the two major schemes that are categorized as schemes with high impact. This could be associated to their years of establishment/number of beneficiaries (outreach) and their implementation in the 36 states of Nigeria.

Outreach of the different CBN agri-based microcredit schemes

1. Outreach of Agricultural Credit Guarantee Scheme (ACGS) credit schemes

Outreach of ACGS between 2016 and is presented in Table 2. Table 2 shows that actual outreach for 2017 and 2016 were 41,341 and 58,548 respectively. The Table shows that there was a decline of 29.39% on the actual outreach in 2017 over the actual outreach of 2016. The decline could be due to the over financial performance of the economy as at 2017.However, when compared with the potential users of microcredit in Nigeria (40,000,000) the microcredit scheme was able to reach 1 credit user in every one thousand persons otherwise in every 100,000 potential credit users, the ACGS was only able to reach 103 persons (credit users). This therefore means that the density was low.

Table 2: Outreach of ACGS credit schemes

ACGS	2017	2016
Actual outreach	41,341	58,548
Potential outreach	40,000,000	40,000,000
Outreach density	0.00103	0.00146

Source: CBN Annual Report, 2017

2. Outreach of Commercial Agri-credit Scheme (CACS)

Outreach of CACS between 2016 and 2017 is presented in Table 3. Table 3 shows that CACS carried out 52 and 64 projects in Nigeria for 2017 and 2016 respectively. The table shows a decrease of 18.25% in the total number of projects executed in the year 2017. The reduction in the number of projects could be unpleasant results got from previous projects. In addition, the reduction in projects in 2017, could be due to adoption of proper projects identification, evaluation, implementation and

evaluation which could adequately position the agri-based enterprises for wealth creation and greater impact making (contribution) on the GDP.

Table 3: Outreach of CACS credit schemes

CACS	2017	2016
Actual outreach (projects)	**52**	**64**
Potential outreach	**NA**	**NA**

Source: CBN Annual Report, 2017 Note: N.A Not Available

3. Outreach of Anchor Borrowers Credit Scheme (ABCS)

Outreach of ABCS between 2016 and 2017 is presented in Table 4. Table 4 shows that 129,709 and 126,596 clients were reached for 2017 and 2016. There is a 2.47% increase in the number of clients reached in 2017 over those reached in 2016. However, the client/outreach density for 2017 and 2016 was 0.0105 and 0.0103 indicating that 1 client was reached in 2017 and 2016 respectively in every one hundred persons. Otherwise in every 10,000 persons, 105 clients and 103 were reached in 2017 and 2016 respectively. This indicate a low client outreach/density for anchor borrowers credit scheme.

Table 4: Outreach of ABS credit schemes

ABP outreach	2017	2016
Actual outreach	129,709	126,596
Potential outreach	12,293,000	12,293,000
Outreach density	0.0105	0.0103

Source: CBN Annual Report, 2017

4. Outreach of Micro-Small and Medium Enterprises Development Fund (MSMEDF) Scheme

Outreach of MSMEDF scheme between 2016 and 2017 is presented in Table 5. Table 5 shows that 11,578 clients have been reached with MSMEDF for 2017. This figure represents clients from Niger State who have benefitted for 2017. The client outreach/density of 0.000312 indicates that in every 1,000,000 persons only 312 clients are reached. This indicates a low client outreach or density for the scheme. The low client outreach could be due to secrecy and poor handling of the scheme's activities/operations.

Table 5: Outreach of MSMEDF schemes

MSMEDF	2017	2016
Actual outreach	11,578	NA
Potential outreach	37,067,416	37,067,416
Client density	0.000312	-

Source: CBN Annual Report, 2017

Performance of the different CBN agri-based microcredit schemes

Performance of the different CBN agri-based microcredit schemes is presented in Table 6.

Table 6: Performance of the different CBN agri-based microcredit schemes

ACGS	2017	2016	Performance (%)
Total amount disbursed (Billion naira)	5.85	8.1	-27.7

Source: CBN, 2017

Table 6 shows that N5.85 and N8.1 billion was disbursed to clients in 2017 and 2016 respectively. The table further shows that there is a decrease of 27.7% in the amount disbursed to clients in 2017 when compared with that of 2016. This indicates a low financial performance of the scheme. The low financial performance could be attributed to poor financial administration/management.

Table 7 shows that the scheme disbursed ₦393.5 billion for project execution in 2016 while in 2017, ₦116.7 billion was disbursed for project execution. The table also shows that there is a decreased of

70.3% in the amount disbursed in 2017. The percentage reduction in the amount released could be due to the low implementation of budget and low performance of previous projects executed.

Table 7: ACGS Disbursement for 2016 and 2017 Project Execution

ACGS	**2017**	**2016**	**Performance (%)**
Total amount disbursed	116.7	393.5	-70.3

Source: CBN, 2017

A further breakdown as presented in Table 8 was carried out on the performance of fund disbursed under CACS by value chain activity for 2017.

Table 8: Funds disbursement under CACS by value chain activity (2017)

Category	**Value ₦' billion**	**Performance (%)**
Input supplies	18.0	15.5
Production	43.7	37.4
Processing	15.0	12.8
Marketing	0.0	0.0
Storage	0.0	0.0
Agricultural infrastructure	40.0	34.3

Source: CBN, 2017

Table 8 shows that ₦43.7, ₦40.0, ₦18 and ₦15 billion which represented 37.4%, 34.3%, 15.5% and 12.8% was released for project execution for 2017. The performance of CACS for production and agricultural infrastructure could be due to the relevance of food security to the nation.

Table 9: CACS Performance of Disbursement 2016 and 2017

ABP	**2017**	**2016**	**Performance (%)**
Total amount (B' Naira) disbursed	27.5	28	-1.7

Source: CBN, 2017

Table 9 shows N27.5 billion and N28 billion was released to clients in the year 2017 and 2016 respectively. There is a decrease in the value of fund released in the year 2017 that represent 1.7% reduction in what was released in 2016. The reduction could be said to be marginal and insignificant. This scheme could be said to be performing highly. Additionally, Table 4.11 shows funds disbursement under the ABP by sector (2015-2017).

Table 10: Anchor Borrower Disbursement Performance State and Private

Anchors	**Total disbursement (₦' billion)**	**Performance (%)**
State governments	26.6	47.9
Private	28.9	52.1
Total	**55.5**	**100**

Source: CBN, 2017

Table 10 shows that 47.9% and 52.1% which represents N26.6 and 28.9 billion as total funds disbursed to clients (farmers) by state government and private Participating Financial Institutions (PFIs). This also shows that the private participating financial institutions had moderate performance with respect to disbursement funds to clients.

Table 11: MSMEDF disbursement and Performance for 2016 and 2017

MSMEDF	**2017**	**2016**	**Performance (%)**
Total amount (₦' billion) disbursed	4.3	23.0	81.3

Source: CBN, 2017

Table 11 shows that ₦4.3 and 23.0 was disbursed to clients the 2017 and 2016 respectively. However, the percentage was 81.3% which is a reduction in total disbursement in 2017. This implies that the performance level was low. The low level of performance in total disbursement for 2017 could be due to low loan performance (recovery for the clients in previous years).

Sustainability of CBN agri-based microcredit schemes

In order to determine the sustainability of CBN agri-based microcredit schemes, the repayment of the various schemes was used for the period under review (2016-2017).

Table 12: Sustainability Analysis of the Different Credit Schemes

Schemes	**2017**	**2016**	**Difference**	**%**
ACGS (₦' Billion)	5.95	9.6	-3.65	38.0
CACS	48.6	48	0.6	1.25
ABP	11.2	0.4	10.8	2700
MSMEDF	7.5	4.8	2.7	56.3
Total	**73.25**	**62.8**		

Source: CBN, 2017

Table 12 shows that Anchor borrowers programme recovered ₦11.2 billion and ₦0.4 billion in 2017 and 2016 respectively. The difference in the recovered loan was ₦10.8 billion indicating 2700% difference. The positive difference could mean that the management of the scheme are pragmatic in their efforts at loan recovery. This also means that there is a high level of sustainability for the scheme. In addition, all other schemes apart from ACGS are all sustainable. The non-sustainability of ACGS could be the over involvement of government in the management of the scheme.

Test of Hypotheses

Ho_1: There is no significant difference in the repayment under the different CBN agri-based microcredit schemes for 2017 and 2018.

Paired T-test analysis was used in carrying the test. The result is presented in Table 13

Table 13: Significant difference in repayment under the different CBN agri-based microcredit schemes for 2017 and 2016.

Variable	**Ind. Mean**	**Pooled mean**	**Std deviation**	**T Cal.**	**T Tab.**
ACGS 2017	1.9833	1.2166	1.4338	1.470	2.920
ACGS 2016	3.2000				
CACS 2017	13.5333	2.4667	8.8692	0.482	2.920
CACS 2016	16.0000				
ABP 2017	3.7333	3.6000	1.4107	4.420	2.920
ABP 2016	0.1333				
MSMEDF 2017	2.5000	0.9000	2.0952	0.744	2.920
MSMEDF 2016	1.6000				

Source: Field survey, 2018 Decision rule: If Tcal > Ttab, reject Ho and accept H_A otherwise accept H_o.

Table 13 shows that T-Cal. for ACGS (1.470), CACS (0.482), and MSMEDF (0.744) between 2017 and 2016 is less than T-Tab. (2.920) while the T-Cal for ABP (4.420) under the same period was greater than the T-Tab (2.920). This means that repayment under the ACGS, CACS and MSMEDF between 2017 and 2016 were not different from each other. However, the case is not the same with ABP where the T-Cal. (4.420) was greater than the T-Tab. (2.920). The means that there is a significant difference in repayment between the two years under review. The implication is that the operators of CBN agribased microcredit scheme could have introduced effective measures targeted at beneficiaries on loan recovery for 2017 and 2016.

CONCLUSION AND RECOMMENDATIONS

The study was carried out to ascertain the financial outreach and performance of different CBN Agribased microcredit schemes between 2016 and 2017. Only Agricultural Credit Guarantee Scheme and the Micro Small and Medium Enterprises Development Fund (MCMEDF) were the only schemes that mainly supported the real sector since it had high impact. Central Bank of Nigeria under review had about 70% financial outreach to sectors other than potential users. More so, CBN financial outreach under CACS by value chain showed a higher outreach to production and agricultural infrastructure. Finally, the percentage difference of 2700 in loan recovered between 2017 and 2016 showed that Achor Borrowers Scheme is sustainable. This shows that the management of the scheme were pragmatic in their efforts at recovering loans. The study therefore recommended that Government should develop better and effective policies that will enhance the performance of agribased microcredit schemes. Government should provide adequate funding to the various CBN agribased microcredit schemes. This measure will enhance effective credit delivery (outreach) to credit users. In addition, operators of the various CBN schemes should release the necessary credits to the participating financial institutions in order to service credit users early enough. This would ensure effective utilization of credit among credit users. Furthermore, Operators of the various CBN schemes should deploy more time to credit recovery. This measure would promote the sustainability of the various schemes. Finally, Government should remove any bottlenecks that will reduce the outreach of financial services to individuals since they are the engine house of every economy.

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