

STRATEGIES FOR IMPROVING AGRICULTURAL CREDIT IN NIGERIA

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1. Introduction

Capital plays an important role in agricultural developments, but owing to the low margin of savings most farmers are unable to accumulate capital. This is true especially of peasant farmers whose lack of capital seems to be a crucial factor affecting their level of income.

Credit facilities for small-holder are very poor and limited because among other things, they are unable to offer acceptable marketable security. Consequently, the peasant producers are caught in a vicious circle; a low level of income leads to a low rate of savings which leads to a low rate of capital investment which leads to a low level of agricultural productivity which in turn leads to a low level of income⁷. This is a vicious circle from which many farmers can not escape without some outside financial assistance. Thus the idea behind government sponsored agricultural credit schemes is to make it possible for the farmers to use improved farm inputs which is hoped, would enable them to increase their productivity and hence their level of income.

In spite of the importance of credit as an instrument for improving a nation's agriculture, it must be noted that its role is complementary to other development factors. The benefits of credit to farmers will be maximized if there are adequate transportation and communication systems available especially in the rural areas together with adequate storage facilities, insect and plant disease control measures, availability of improved inputs, efficient marketing systems for farm product, research for the development of good quality and low-yielding varieties of seeds and livestock, suitable land tenure arrangement and efficient extension services. Inadequate attention in the past to these other factors for agricultural improvements has led to the little impact that government credit efforts have made in agriculture in Nigeria⁵.

The objectives of this paper are to analyse the performance of Agricultural Credit Bank and Credit Guarantee Scheme operations and then formulate possible strategies for improving agricultural credit in Nigeria.

2. Examination of Past Financial Institutions

In the last few years institutional credit has become very important and has generated a lot of controversy as regards the mode of operations of the various agencies. The oldest credit institutions in the country are the commercial banks. Since all the

commercial banks are operating specifically for profit, most of their lending activities are concentrated in non-farm investment opportunities where the rate of returns on capital are highest. Most of farmers have no access to the commercial banks because of inadequate and unacceptable security. The potential borrowers are scattered over wide and often inaccessible rural areas and banks are not ready to have touring staff necessary to maintain a constant contact with the borrowers. Although, Cooperative Banks grant loans to small farmers through the cooperative societies but because of small percentage of farmers who are members of cooperative societies, Cooperative Banks could not serve all farmers².

At attempts to overcome some of the problems and inadequacies of either private or commercial banks led to the establishment of financial institutions which are charged with specific objectives of making loans available to farmers.

The credit institutions background has been well documented by Oluwasanmi, Bauman and Ogunfowora, hence only a brief examination of these institutions will be presented.

In 1949 Western Nigeria Development Board took over responsibility for farm credit supply in Western Nigeria and also in 1955 the Western Region Finance Corporation took over the administration of credit to farmers. According to Oluwasanmi, the Corporation enlarged its area of operation by establishing 209 local loans boards, but despite the size, volume of lending to agriculture, a high proportion of the loans went into commercial and other ventures. In 1964, the Western Nigeria Credit Corporation was established to further reform agricultural credit institutions. Loans were granted through cooperative societies on the basis of farm plans and financial budget and prospective repayment capacity was substituted for adequate collateral. As reported by Ijose and Abaelu, the repayment percentage of 49 percent for individual loans was recorded while 64 percent was recorded for cooperatives, suggesting the desirability of lending through the Cooperative⁴.

In the former Eastern Nigeria, credit was provided from the Fund for Agriculture and Industrial Development (FAID). Established in 1954, FAID was to be a source of credit for both small scale agricultural and industrial activities.

In the Northern Nigeria, agricultural credit was administered by the Registrar of cooperative under which the government guarantees loans from Barclays Bank, to cover pre-season loans. Also Ministry of Agriculture operated a credit programme through the native authorities for mixed cropping and other farming activities.

In Mid-western (Bendel) Agricultural Credit Corporation was established in 1964 with power to make all kinds of agricultural loan but after few years of operation, no loans were made because no funds were made available. It is important to note that most of the financial institutions in the past have not been successful. Some of the major causes of their failure are discussed here.

One of the major reasons for the failure is the repayment problem. It is reported that the Northern Nigeria Development Corporation gradually reduced its loans to the primary agricultural sector and increased its loans activities in the manufacturing sector because it experienced a low rate of repayment in the farmer sector. Also, Western Nigeria Agricultural Credit Corporation reported low rate of return in its loan. In 1965, a total of N152,855 was made through cooperative only N56,198 was repaid.

Another problem of most institutions in Nigeria is that they have complicated cumbersome and time-consuming procedures which result in delays in approval and in loans not being made available when required. This is due primarily to over-centralization and dependence on government ministries for the processing of loans applications in most institutions. For example, of the total loan of 145,148 that were approved for agricultural production by the Fund for Agricultural and Industrial Development only N35,481 were issued after three years of their approval⁷.

Bribery and corruption, political interference and favoritism are other major problems, for instance, in a few cases, loans were applied for and granted to dead persons. Oluwasanmi and Alao also reported that some farmers complained that they applied to the local loans boards for farm loans without success in spite of the fact that they had spent between N10 and N15 in buying loan forms and in bribing members of the board⁶.

3. Analysis of Agricultural Credit Bank and Credit Guarantee Scheme

The direction of financial institutions in the '70s changed because of dissatisfaction with the progress of the past credit institutions and recognising the crucial role of credit in the process of agricultural development. The emphasis has shifted from « production credit » in favour of « development credit ». In spite of the importance of credit as an instrument for improving a nation's agriculture, it must be noted that its role is complementary to other developmental process.

In 1973, a National Agricultural Credit Bank was established by the Federal Gover-

nment. The broad objective of the bank is to provide loans for the development of the Nigeria Agriculture. Specifically, the bank is expected to

- (a) grant direct loans for agricultural production and for purposes of storage, distribution and marketing connected with such production.
- (b) grant direct loans to individual farmers, Cooperative societies or other bodies provided that the bank is satisfied that the schemes for which the loans are requested are viable and there is adequate security to cover such loans.
- (c) charge interest on loans to meet the full cost of management including debt servicing.
- (d) borrow or raise money in such manner as the company shall think fit and in particular by the issue of debentures or debenture stock and secure the payment of any money borrowed.
- (e) purchase or otherwise acquire and undertake all or any of the business, property rights and liabilities of any person, firm or Company.
- (f) amalgamate, enter into partnership or into any arrangement for sharing profits with union of interest, corporation of international organization directly or indirectly to benefit the company³. The bank has a centralised control but with decentralised field of operation to ensure the maintenance of sound credit resources to various subsectors of agriculture.

According to the study conducted by Osuntogun and Akinbode it was revealed that at the end of March 1976, 103 projects were approved as shown in Table 1. Direct lending projects accounted for 58.2 percent of the total funds for projects in process while the on-lending projects accounted for 41.8 percent. The sectoral distribution of the loans shows that arable crops had the highest share of 27.1 percent which is as a result of recent development in the country to boost food production. This include 17.6 percent for the direct lending projects. Tree crop sector got 25.2. percent while integrated rural development projects accounted for 18.4 percent. Marketing loans had 13.9 percent while fishery and forestry accounted for 3.6 percent each.

Also, in the same study as given in table II, loan repayments collected by the Nigerian Agricultural Bank from 1973 to 1976 is presented. Out of the total of N10,211, 752 loaned out and that was due for repayment during the period, N10,160,000 was collected. This is 88.5 recovery rate. This is outstanding compared with the other public agricultural credit institutions that the country has had prior to 1970s.

It was surprising to note that, the collection of both principal and interest payments for on-lending projects, that are designed for the small and medium-sized farmers, did not

Table 1
COMPOSITION OF APPROVED LOANS OF NIGERIAN AGRICULTURAL BANK MARCH 1976

| (A) | Projects in Process | No. | Amount N'000 | Percentage (%) |
|-----|-------------------------------|-----|-----------------|----------------|
| I. | On-Lending Projects | | | |
| | Arable Crop Production | 4 | 8,618 | 9.5 |
| | Marketing | 4 | 12,593 | 13.9 |
| | Integrated Projects | 6 | 16,619 | 18.4 |
| | Sub-total | 14 | 37,830 | 41.8 |
| II. | Direct Lending Projects | | | |
| | Poultry | 29 | 3,204 | 3.5 |
| | Piggery | 4 | 717 | 0.8 |
| | Cattle | 2 | 717 | 0.8 |
| | Arable Crops | 20 | 15,918 | 17.6 |
| | Tree Crops | 13 | 22,800 | 25.2 |
| | Horticulture | 2 | 74 | 0.1 |
| | Fishery | 4 | 3,259 | 3.6 |
| | Forestry | 1 | 3,224 | 3.6 |
| | Mixed Farming | 7 | 2,662 | 2.9 |
| | Sub-total | 82 | 90,405 | 58.2 |
| | Total Projects in process | 96 | 990,405 | 100.0 |
| (B) | Closed Projects | | | |
| I. | On-Lending Projects | | | |
| | Arable Crop Production | 1 | 250 | |
| | Marketing | 4 | 12,066 | |
| | Sub-total | 5 | 12,316 | |
| II. | Direct Lending Projects | | | |
| | Arable Crop Production | 1 | 108 | |
| | Tree Crop Production | 1 | 146 | |
| | Sub-total | 2 | 254 | |
| | Total Closed Projects | 7 | 12,570 | |
| | Grand Total of Approved loans | 103 | 102,975 | |

Source: Osuntogun A and Akinbode A: *Managerial Efficiency in the Public Sector*, University of Ife press, 1980.

constitute any problem. The Bank had 100 percent recovery rate on both the repayment of principal and interest of the on-lending scheme. The collection of principal showed a 40 percent overdue while interest repayments for direct lending projects gave 57 percent overdue. From all these, 44 percent of the repayment on principal and 63 percent of interest repayment were more than 60 days in arrears⁸.

Table 2
LOAN REPAYMENT OF NIGERIAN AGRICULTURAL BANKS 1973-1976

| | On-Lending N | Direct Lending N | Total N |
|---------------------------------------|-----------------|------------------------|------------|
| Due for repayment during the period | 10,081,456 | 130,296 | 10,211,752 |
| Paid during the period | 10,081,456 | 78,544 | 10,160,000 |
| Balance during the period | — | 51,752 | 51,752 |
| Of which more than 60 days in arrears | — | 22,669 | 22,669 |
| Interest: | | | |
| Due for payment during the period | 226,217 | 54,924 | 281,141 |
| Amount during the period | 116,217 | 23,783 | 250,000 |
| Balance during the period | — | 31,141 | 31,141 |
| Of which more than 60 days in arrears | — | 19,760 | 19,760 |

Source: Osuntogun A and Akinbode A, *Managerial Efficiency in the Public Sector*. University of Ife Press 1980.

It was further stated in the analysis of the financial data of the Nigerian Agricultural Bank that between 1973-74 to 1975-76 total capital employed increased from N5 million to N43.6 million (772 percent) while capital disbursed on loans increased by N9.035 million (70.6 percent) during the same period. The analysis of income showed income on loans increased from N31,552 to N293,125. The annual yield of loans increased from 0.84 percent to 2.29 percent. The net operating profits as percentage of equity capital and the disbursed loan amounts increased by 22.73 percent and 0.53 percent respectively between 1974/75 and 1975/76.

In the latter part of '70s., the Agricultural Credit Guarantee Scheme Fund Decree (Decree No. 20) was promulgated. The decree provides for a fund of N100 million subscribed to by the Federal Military Government (60 percent) and the Central Bank of Nigeria (40 percent). The scheme came into operation on the 3rd of April in 1978. The purpose of the fund is to provide guarantee in respect of loans granted by commercial and merchant banks for agricultural purposes with the aim of increasing the level of the bank credit to the agricultural sector¹.

In order to safeguard loans granted from being misused the decree provides that where such loans are to be used to purchase livestock, machinery or farming equipment, the loan should not be paid to borrower but to the supplier who could furnish the

bank with a document in evidence of the delivery of the livestock, machinery or equipment to the borrower. It is therefore an offence under the decree to apply any loan granted under the scheme for purposes other than those of which they are granted.

The annual report and statement of accounts of Agricultural Credit Guarantee Scheme Fund showed that credit to the agricultural sector of the economy increased in 1978 compared with 1977. At the end of December 1978, the total amount of loans outstanding to the sector was N230.5 million compared with N146.2 million at the end of December 1977. Also, in 1979 loans and advances provided to the agricultural sector by merchant and commercial banks were 271.6 million — An increase of N41.1 million or 17.8 percent over the 1978 level. There has been steady increase in bank credit to the sector, it was N139.1 million in 1977 and rose to N24.0 million in 1978 and N265.2 million in 1979.

It is noted that the ratio of commercial bank loans to agriculture to their total loans increased from 4.0 percent at the end of 1978 to 6.6. percent at the end of 1979.

The agricultural credit guarantee scheme has made some impacts on the granting of loans to the agricultural sector since its inception. As shown in Table 3 a total of 341 agricultural loans amounting to about N11.3 million in 1978 has been increased to 1105 amounting to 33.6 million guaranteed by the fund. Loans are granted by the banks under the scheme and guaranteed by the fund in all the nineteen states in the country. Bendel state recorded the highest with 6.7 million followed by Oyo with 4.0 million, Kano and Kaduna with 3.2. million and 3.1. million respectively.

Analysis on Table 4 showed that in both years (1978 & 1979), livestock accounted for the largest percentage of loans (63.7 percent) with a total of N21.4 million. Majority of the loans was for poultry which accounted for N19.9 million or 93.0 percent. Loans for food crops (which consist of grains, and tuber and root crops) amounted to N7.5 million 22.2 percent of the total loan. Loans guaranteed for other crops jumped from 53 in 1978 to 349 in 1979. However, the number of loans guaranteed for mixed farming declined from 32 to 27 in 1978 and 1979 respectively.

According to the first annual report of the scheme, board members visited some of the state capitals, where they were informed about some of the problems experienced in the implementation of the scheme both by the farmers and the banks.

One of the problems farmers experienced was delay in having their applications processed by the banks. It was further stated that delay was due to lack of officers in the banks who could appraise agricultural projects. Another problem centered on the land

Table 3
LOANS GUARANTEED BY THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND BY STATE: 1978 AND 1979

| State | No of Loans | | Amount N'000 | | Percentage in Total Loan Amount | |
|-------------|-------------|-------|--------------|----------|---------------------------------|-------|
| | 1978 | 1979 | 1978 | 1979 | 1978 | 1979 |
| Anambra | 16 | 50 | 247.4 | 1,283.1 | 2.2 | 3.8 |
| Bauchi | 15 | 132 | 1,271.2 | 1,543.3 | 11.3 | 4.6 |
| Bendel | 18 | 96 | 558.2 | 6,701.3 | 4.9 | 19.9 |
| Benue | 3 | 5 | 290.5 | 140.5 | 2.6 | 0.4 |
| Borno | 12 | 21 | 178.4 | 739.2 | 1.6 | 2.2 |
| Cross River | 13 | 13 | 483.5 | 288.8 | 4.3 | 0.9 |
| Gongola | — | 15 | — | 501.5 | — | 1.5 |
| Imo | 26 | 88 | 605.3 | 1,704.4 | 5.4 | 5.1 |
| Kaduna | 77 | 170 | 985.6 | 3,138.6 | 8.7 | 9.3 |
| Kano | 22 | 229 | 627.8 | 3,185.4 | 5.6 | 8.5 |
| Kwara | 44 | 38 | 2,043.1 | 814.8 | 18.1 | 2.4 |
| Lagos | 5 | 16 | 300.0 | 3,203.1 | 2.7 | 0.6 |
| Niger | 3 | 12 | 83.0 | 202.6 | 0.7 | 0.6 |
| Ogun | 15 | 22 | 772.8 | 2,291.0 | 6.8 | 6.8 |
| Ondo | 1 | 14 | 25.0 | 358.9 | 0.2 | 1.1 |
| Oyo | 22 | 84 | 1,013.6 | 3,976.9 | 9.0 | 11.8 |
| Plateau | 8 | 11 | 688.7 | 854.3 | 6.1 | 2.5 |
| Rivers | 16 | 18 | 434.6 | 2,036.0 | 3.9 | 6.1 |
| Sokoto | 25 | 41 | 657.7 | 633.0 | 6.0 | 1.9 |
| Total | 341 | 1,106 | 11,284.4 | 33,596.7 | 100.0 | 100.0 |

Source: Agricultural Credit Guarantee Scheme Fund Annual Report 1978 and 1979.

use decree. This resulted from the fact that certificates of occupancy were not being issued in many areas. Also, the decree had diminished the value of farmers' land which could be pledged as security since the land was no longer freely transferable.

Although the problems mentioned have not affected the banks adversely, most of the banks appeared to have firmly established the machinery for the operation of the Scheme in the right direction.

4. Strategies for Improving Credit in Nigeria

The strategies discussed in this section are derived from observation and analysis of the data presented in this paper. They are to be executed by both the government and all present and future agricultural credit institutions in the country.

Table 4

LOANS GUARANTEED BY THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND BY PURPOSE 1978 AND 1979

| Purpose | No of loans | | Amount in N'000 | | Percentage in total loan Amount | |
|--------------------|-------------|-------|-----------------|----------|---------------------------------|-------|
| | 1978 | 1979 | 1978 | 1979 | 1978 | 1979 |
| Livestock | 137 | 339 | 6,040.0 | 21,442.5 | 53.5 | 63.8 |
| Poultry | 109 | 285 | 5,680.0 | 19,904.6 | 50.3 | 59.2 |
| Cattle | 22 | 40 | 347.0 | 536.9 | 3.1 | 1.6 |
| Other Livestock | 6 | 14 | 13.0 | 1,001.0 | 0.1 | 3.0 |
| Food Crops | 116 | 391 | 2,868.2 | 7,456.1 | 25.4 | 22.0 |
| Grains | 79 | 306 | 2,277.7 | 6,707.6 | 20.2 | 20.0 |
| Tuber & Root Crops | 37 | 85 | 590.5 | 748.5 | 5.2 | 2.2 |
| Mixed Farming | 35 | 27 | 1,555.5 | 2,220.0 | 13.8 | 6.6 |
| Other Crops | 53 | 349 | 820.7 | 2,477.8 | 7.3 | 7.4 |
| Total | 341 | 1,105 | 11,284.4 | 33,596.7 | 100.0 | 100.0 |

Source: Agricultural Credit Guarantee Scheme Fund Annual Report, 1978 and 1979.

In Nigeria, experience has shown that most of the farmer credit institutions failed because of centralization. It is therefore suggested that the agricultural bank and existing credit institutions should decentralize its control. Bank should give priority to the development of district and village level branches throughout the country. By so doing it would make itself readily accessible to the small farmers. Now, that the government recognised this issue of decentralization, a decree was made through the Rural Banking Scheme - Phase II that 20 commercial banks are required to open 260 branches in specified countryside locations within 40 months starting from August 1980. This would call for mass recruitment and training of staff. These staff would have to go from house to house so as to make people know that benefits are derived from using the bank. All these should lead to an effective credit delivery system that would enable it to cater for more for the small-holders that constitute the bulk of the Nigeria farming community.

As practised by Nigerian Agricultural Bank, financial institutions should make loans available to the small farmers, through cooperatives societies. By operating through the cooperative, banks can reduce the cost of processing and supervision since group lenders and cooperative officers could assist in preparing the loan application and farm planning. However, for this system to be effective, there would be need for wider coverage of the farm population by the cooperative movements. Fortunately, most state governments seemed to have realised the importance of cooperatives organization in

agricultural development and some of the state government have taken steps to encourage the development of cooperative movements. Evidently, this is one of the easiest ways of mobilizing rural savings for capital investment in agriculture.

From past experience, farmers were not involved in the operation of the financial institutions. For instance in the study done by Osuntogun and Akinbode in 1977 the Composition of Board of Directors of Nigerian Agricultural Bank did not include any farming Community, which the bank is specially designed to serve⁸. It is therefore recommended that, effort should be made so that farming communities are represented. This would give them sense of belonging and much of their suggestions would be helpful to the management.

Maximization of loan repayment would call for supervision of the use of rural credit. This had helped the Nigerian Agricultural Bank and the success of the loan schemes. In addition, educational programme is needed for the farmers to use credit for productive purposes and even invest on capital improvement, bonds, shares and other claims that could be used as security for other loans.

There has been much emphasis on extending credit to farmers, with little recognition of the vital need to promote savings by small holders. Existing and future financial institutions should combine saving scheme for farmers with its credit programme. Such a scheme would provide further means for financing the bank and create a closer attachment of the farmers to the bank. This should involve ease of deposit and withdrawal and attractive interest rates should be paid.

The federal government as well as state government should provide funds for the establishment of research and experimental station units for banks and various institutions. Staff from these stations could advise rural workers and farmers about investment, financial planning and other technical details that may be necessary. Academics, especially those in Agricultural Economics, Extension Education, Accounting, Economics and Rural Sociology should also be involved in financial services especially rural credit via research, teaching and consulting.

5. Conclusion

This paper formulated possible strategies for improving agricultural credit in Nigeria. The section 2 dealt with an examination of past financial institutions and causes of their failure. Also, background information on credit institutions in different parts of the

country were given. Problem stemming from non-repayment of loans, cumbersome and time-consuming procedures to bribery and corruption caused their failure.

Section 3 was devoted to the analysis of Agricultural Credit Bank and Credit Guarantee Scheme Operation. Analysis of the data showed that credit operation by these financial institutions is by far better than those previous institutions examined in the first section of this paper. It was discovered that board members maintained personal contacts with officers of the bank, officials from ministries and farmers. These contacts helped the institutions in knowing the problems confronting farmers and bankers.

Strategies for improving credit operation in Nigeria were focused upon in section 4 of this paper. These strategies include decentralization and channelling of loans through cooperative societies. Other strategies include the need to promote savings by small holders, involvement of farming community in the operation of the bank and establishment of research and experimental station units for banks and various institutions.

In conclusion, the adoption of the strategies suggested would aid the improvement of financial institutions, because these institutions do have a challenging future in the expanding demand of credit for agricultural development, a demand that will exist as far as I can see into the future. The strategies recommended will not come easily, it won't be cheap. Financial institutions can't do it overnight. But, it must be done if financial institutions are to serve tomorrow's producers and consumer efficiently.

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LES STRATEGIES POUR L'AMELIORATION DU CREDIT AGRICOLE DANS LA NIGERIA

RESUME

L'Auteur essaie de formuler des stratégies qui pourraient amener à une amélioration du crédit agricole dans la Nigéria.

Il passe en revue les institutions financières établies dans le passé dans les différentes régions du pays et analyse les causes de leur faillite. Ces institutions devaient faire face aux problèmes relevant des défaillances, des procédures techniques longues et complexes et de la corruption.

L'analyse des données indique qu'actuellement la gestion du crédit dans les institutions financières est bien meilleure qu'avant les années 1970. L'article, donc, propose des stratégies qui pourraient encore plus améliorer la gestion du crédit dans la Nigéria. Ces stratégies concernent la décentralisation et la canalisation des prêts à travers les coopératives, la promotion de l'épargne chez les petits épargneurs, la participation des communautés rurales à la gestion de la banque et la création de stations de recherche et de stations expérimentales pour les banques et d'autres institutions.

L'Auteur souligne que l'adoption des stratégies suggérées aiderait au développement des institutions financières.

Book reviews

Revue bibliographique

GIUSEPPE G. SANTORSOLA, **La politica dei tassi di interesse nelle aziende di credito (The interest rate policy in credit institutions)**, Giuffrè, Milan, 1981.

This research was completed in 1980 and deals with the experience of interest rates management in Italy during the 70's. However, it contains many interesting comments and a framework of analysis which can be usefully applied both elsewhere and in these turbulent early 80's.

The object of the research is interest rate policy in particular in credit institutions.

In the 70's the need for credit intermediation has no doubt increased in many countries. The growing rate of inflation favoured the creation of larger nominal volumes of financial savings and, on the other hand, increased financial needs in the business and government sectors. Thus, banks found themselves in a position of operational predominance, especially in countries where the degree of economic development did not yet justify more specialized financial intermediaries and markets.

The author underlines that, to study interest rates policies followed by credit institutions, in particular by banks, it is first necessary to distinguish between interest rates outside the influence of these institutions, interest rates determined by banks but on which they have an influence, and interest rates on traditional financial contracts stipulated by banks. In periods of accentuated dynamics and of strong intervention by the monetary authorities on financial markets, interest rates tend to be more constrained in their overall fluctuations. Also the practice of banking firms cannot be investigated individually and interest rates recorded in available statistics can hide wide differentiation both among banks and within a given institution for different classes of customers. Especially important for evaluating in practice a given interest rate policy is the related policy concerning value dates and fees and commissions on services offered jointly.

The research tries, on one hand, to test the relationship between theoretical hypothesis and available data on interest rates; and, on the other hand, to identify the relationships between interest rates fluctuations and other relevant economic variables.

Theoretical assumptions are examined, in particular with reference to bank rates, according to the so called classical, monetarist and neo-classical perspectives. Special attention is also devoted to theories concerning the term structure of interest rates. Then, general conditions in banking and financial markets are examined, especially those concerning monetary policy and the relative position of credit institutions in their specific markets. Interest rates are also placed within the more general policy framework concerning prices applied by banks.

Finally, the empirical investigation follows, with an in depth analysis of time series available for interest rates in Italy, also by geographic areas, economic sectors and sub sectors, types of loans and deposits, sizes of operations. Special attention is devoted to testing « real », as against nominal rates behaviour.

Of interest is one of the conclusions concerning the emphasis drawn on interest spread management by the increasingly heavy pressure brought on bank management by constraints imposed by monetary authorities. These constraints have greatly reduced the area available to Italian bankers for entrepreneurial exercise.

Ermenegildo Valerio

News from Finafrica

Nouvelles de Finafrica

The Centre for Financial Assistance to African Countries was dedicated to late prof. Dell'Amore with a moving ceremony which was held at the Centre on January 11th in the presence of a number of personalities of the political, economic, financial and academic community, among whom prof. A. Confalonieri, prof. Reno Ferrara and Dr. Ernesto Ugolini of Cariplo. Finafrica Chairman, Dr. Camillo Ferrari, has commemorated the first Chairman and founder of Finafrica. Earlier the same day, a Technical Committee had met, under the chairmanship of Guido Carli, to review 1981 programmes and the activity envisaged for the current year.

Prof. Arnaldo Mauri attended the 18th meeting of the Development Aid Committee which was held at Seville (Spain) in January.

The 8th Advanced Course in the Economics of Banking for English-speaking countries started on January 14th. Finafrica, the Italian Ministry of Foreign Affairs and the EEC European Development Fund awarded 28 scholarships to candidates coming from Egypt, Ethiopia, Gambia, Ghana, Jamaica, Kenya, Liberia, Mauritius, Nigeria, Seychelles, Somalia, Sudan, Swaziland, Tanzania and Uganda. For the first time, Finafrica welcomed a trainee from Seychelles. The course focuses on four main topics: Evaluation of short-term credit, Project analysis, Savings mobilization and foreign operations, and will last till the end of April.

An *ad hoc* course on International Trade for officials of the Ugandan Ministries of Foreign Trade and Foreign Affairs was organized for the months of March and April. The course is geared on three main subjects — the international economic framework, international marketing, and settlements and financing of foreign trade — and a dozen specialized seminars and is attended by 20 participants.

Dr. Giuseppe Villa, Finafrica Managing Director, and Dr. Felice Tambussi attended the seminar on Agricultural Development in Africa which was held in Rabat (Morocco) from 1 to 6 March. The seminar organized by the Association Africaine de Financement du Développement was also attended by experts from Tu-

Le Centre pour l'assistance financière aux pays africains a été dédié au feu prof. Giordano Dell'Amore au cours d'une cérémonie organisée au Centre le 11 janvier dernier en la présence de personnalités du monde politique, économique et financier, et académique, parmi lesquels le prof. A. Confalonieri, le prof. R. Ferrara et le Dr. E. Ugolini de Cariplo. Le Président de Finafrica, M. Camillo Ferrari, a commémoré le premier Président et fondateur de Finafrica. Ce même jour, il y a eu la réunion du Comité Technique qui, sous la présidence de M. Guido Carli, a examiné l'activité de la Fondation en 1981 et ses programmes pour cette année.

Le prof. Arnaldo Mauri a participé au 18ème meeting du Comité d'Aide au Développement qui a eu lieu à Seville (Espagne) le 21 et 22 janvier.

Le VIIIème Cours Supérieur d'Economie Bancaire pour les pays anglophone a débuté le 14 janvier. Finafrica, le Ministère des Affaires Etrangères italien et le Fond Européen de Développement ont octroyé 28 bourses d'étude aux stagiaires venant de l'Egypte, de l'Ethiopie, du Gambia, du Ghana, de la Jamaïque, du Kenya, de la Libéria, de l'île Maurice, de la Nigéria, des îles Seychelles, de la Somalie, du Soudan, du Swaziland, de la Tanzanie et de l'Ouganda. Pour la première fois, on a eu le plaisir de donner la bienvenue à un stagiaire des îles Seychelles. Le cours prévoit quatre sujets principaux: l'estimation des crédits à court terme, l'analyse des projets, la mobilisation de l'épargne et les opérations avec l'étranger, et va durer jusqu'à la fin d'avril.

Un Cours *ad hoc* pour un groupe de 20 fonctionnaires des Ministères du Commerce Extérieur et des Affaires Etrangères de l'Ouganda pour le mois de mars et d'avril. Le cours prévoit trois sujets qui seront traités en quinze séances — le milieu économique international, le marketing international et les paiements et le financement du commerce extérieur — et une dizaine de séminaires sur des sujets spécifiques.

M. Giuseppe Villa, Directeur de Finafrica, et M. Felice Tambussi ont participé au séminaire sur le Financement du Développement Agricole en Afrique, organisé à Rabat par l'Association Africaine de Finance-

nia, Benin, Senegal, Rwanda, Congo, Morocco and Niger.

Dr. Giuseppe Villa, Finafrica Managing Director, and prof. Arnaldo Mauri attended the Second International Symposium on the Mobilization of personal saving in Developing Countries organised by the United Nations in Kuala Lumpur on March 15th-20th. Prof. Mauri presented a study on « Securities Markets » and was asked to join the Symposium Drafting Committee.

ment du Developpement du 1er au 6 mars, auquel ont aussi participé des experts Tunisiens, Beninois, Sénégalais, Rwandais, Congolais, Marocains et Nigériens.

M. Giuseppe Villa, Directeur de Finafrica, et le prof. Arnaldo Mauri ont participé au 11ème Symposium sur la Mobilisation de l'Epargne personnel dans les PVD organisé par les Nations Unies a Kuala Lumpur du 15 au 20 mars. Le prof. Mauri a présenté une étude de Finafrica sur « Le marchés mobiliers » et a été invité à faire parti du Drafting Committee du Symposium.

FINAFRICA and CARIPLO

SERIES OF MONOGRAPHS ON THE CREDIT MARKETS OF AFRICA:

- 1 - *Banking Systems in Africa*
- 2 - Sergio Bortolani, *The Banking System of Niger*
- 3 - *The Mobilization of Savings in African Countries*
- 4 - Paolo Mottura, *The Banking System of Tunisia*
- 5 - Bruno Rossignoli, *The Banking System of Algeria*
- 6 - Lorenzo Frediani, *The Banking System of Gabon and the Central Bank of Equatorial Africa and Cameroon*
- 7 - Adalberto Alberici and Maurizio Baravelli, eds., *Savings Banks and Savings Facilities in Africa Countries*
- 8 - Giordano Dell'Amore, *Agricultural Credit in African Countries*
- 9 - Marco Onado and Antonio Porteri, *The Banking System and the Formation of Savings in Lesotho*
- 10 - Clara Caselli, *The Banking System of Tanzania*
- 11 - Sergio Bortolani, *Central Banking in Africa*
- 12 - Lorenzo Frediani, *The Liquidity Policy of Deposit Banks in Kenya*
- 13 - *Agricultural Credit for Development*
- 14 - Arnaldo Mauri, ed., *Mobilization of Household Savings: A Tool for Development*
- 15 - Alwin B. Taylor, *Money and Banking in Sierra Leone*

SERIES ON MONOGRAPHS ON DEVELOPMENT

- 1 - *Europe's Role in World Development*

FINAFRICA ET CARIPLO

MONOGRAPHIES SUR LES MARCHÉS DU CRÉDIT DES PAYS D'AFRIQUE

- 1 - *Les systèmes bancaires des Pays d'Afrique*
- 2 - Sergio Bortolani, *Le système bancaire du Niger*
- 3 - *La mobilisation de l'épargne dans les Pays africains*
- 4 - Paolo Mottura, *Le système bancaire de la Tunisie, 1956-1970*
- 5 - Bruno Rossignoli, *Le système bancaire de l'Algérie*
- 6 - Lorenzo Frediani, *Le système bancaire du Gabon et la Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun*
- 7 - *L'épargne et les Caisses d'épargne d'Afrique*
- 8 - Giordano Dell'Amore, *Le crédit agricole dans les Pays d'Afrique*
- 9 - Marco Onado et Antonio Porteri, *Le système bancaire et la formation de l'épargne au Lesotho*
- 10 - Clara Caselli, *Le système bancaire de la Tanzanie*
- 11 - Sergio Bortolani, *Rôle de la banque centrale en Afrique*
- 12 - Lorenzo Frediani, *La politique de liquidité des banques de dépôt au Kenya*
- 13 - *Le crédit agricole en faveur du développement*
- 14 - Arnaldo Mauri, *La mobilisation de l'épargne des ménages: un instrument de développement*
- 15 - Alwin B. Taylor, *Monnaie et banque en Sierra Leone*

MONOGRAPHIES SUR LE DEVELOPPEMENT

- 1 - *Le rôle de l'Europe dans le développement mondial*

saving national financial resources **Roncaglia OPR mill plant**

manufactured in Modena, Italy

MILLING HAS made great advances in the last thirty years in the area of increased productivity.

Systems have come and gone, changed and been remodelled. But all the systems have been remodelled on the same basis and principle, that is the traditional system.

However, the House of Roncaglia have broken away from this tradition and have advanced milling technology by the use of pneumatics for sieving. This advanced technological advancement has enabled the House of Roncaglia to perfect a milling system the net result of which is the magical, modular RONCAGLIA OPR Flour Mill.

Using air in the sieving system whereby the product to be sieved is air-lifted and passed through durable nylon mesh has completely eliminated the use of elevators and traditional plan-sifters.

As a direct result of this marvellous invention the size of the mill building has been reduced from the 6 storey building necessary for the traditional mills to a single block only 5 metres high. This on its own has reduced building capital requirement in monetary value by at least 70 per cent, unlike in the traditional system where the bigger the capacity, the higher the building.

The RONCAGLIA OPR needs only a single block 5 metres high, regardless of the capacity, be it 10 or 1.000 tons.

By virtue of the fact that only a block is required to house the plant, the RONCAGLIA OPR Flour Mill can be sited any where regardless of the prevalent or geological and seismic conditions. Such is the versatility of the RONCAGLIA OPR that it can be sited anywhere, where it will give the miller optimum convenience and hence drastic savings in bringing in of raw materials and bringing out of finished products.

As a result of the entire plant being sited in one floor, it is possible to operate and run the RONCAGLIA OPR efficiently with a minimum labour force. This has afforded the miller considerable savings in labour overheads.

Hygiene

The pneumatic technique of the RONCAGLIA OPR assures a very hygienic product that is second of none.

As over 97 per cent of the moving and lifting process is conducted by the air currents the possibility of flour contamination with residual worms, insects and cobwebs is non-existent.

The flour quality of the RONCAGLIA OPR has been acclaimed as among the very best.

The flour proteins do not suffer from any damage as the heat produced in the grinding process is constantly cooled by the ever present air currents. It therefore goes without saying that the ash content in the flour is very low and the product vastly improved from the homogeneity and quality point of view.



A building capable of housing a Roncaglia OPR milling plant of any capacity.

MANUFACTURE

The RONCAGLIA OPR Mill is manufactured from the finest quality material. It consists entirely of precast blocks. The high quality steel used in the manufacture of the RONCAGLIA OPR is machined to precision automatically in RONCAGLIA's fully-equipped factories.

Every single part put out is subjected to a very strict quality control before making part of a RONCAGLIA OPR MILL SYSTEM.

No wonder the House of Roncaglia gives a 10 years' guarantee as compared to 6 to 12 months by its traditional competitors.

The modular RONCAGLIA OPR has for the first time in milling history made possible re-location and re-siting of the plant from one location to another, without losing even a single bolt.

Each mill is manufactured first taking into account the customer's requirements. Customer's exact requirement is the starting point for beginning the design of the plant. A systematic analysis of customer's requirement together with RONCAGLIA's extensive knowledge and resources in pneumatic milling enable the House of Roncaglia to supply a uniquely modern and dependable plant.

Process know-how coupled with Roncaglia milling experience and manufacturing capability as well as Roncaglia installation expertise form the basis of Roncaglia Service to Roncaglia clients.

Only a versatile modular RONCAGLIA OPR can ensure complete satisfaction in customer's mind.

No matter what the capacity, from 10 tons up to an infinite capacity, the House of Roncaglia is able to supply modular OPR Plants in which height never exceeds 4 metres. For flour production the width is only 2.5 metres and when production of semolina, grits etc, is required, the width is height never exceeds 4 metres. For flour production the width is only 2.5 metres and when production of semolina, grits etc, is required, the width is 4 metres.

The modular RONCAGLIA OPR plant can be designed to be installed as a series, each line independent from the other. This enables continued production when some machines are undergoing maintenance.

The erection time of the modular RONCAGLIA OPR is only 10 to 30 days as compared to 6 to 9 months in the traditional system. Reduction of installation downtime results in increased profits.

Supplied with the plant are instruction booklets, a spare part catalogue, technical operational advice and service manuals. Technical training is also given to client's personnel both in Italy and abroad. So the RONCAGLIA OPR is supplied on a turn key basis.

As buyers' complete satisfaction is Roncaglia's utmost concern, Roncaglia commitment does not end with the supply of the plant.

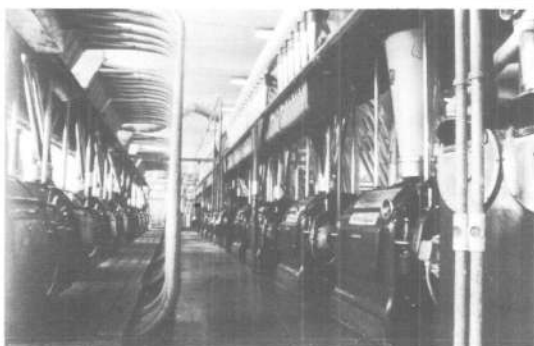
The House of Roncaglia guarantees the best after-sale service both technical and spare parts wise.

Roncaglia's large clientele who span the world over, from Europe to America, from Asia to Africa and from Central America to Oceania is testimony of its successful advanced technology.

The House of Roncaglia is able to supply plants and prepare full layout plans for the complete satisfaction of its clients at very short notice. This fast service enables governments and their associated departments to fulfil their agroindustry commitments without any further delay.

Get in touch with the House of Roncaglia at the following address:

Officine Roncaglia S.p.A. - Engineering Works - 41100 Modena, Italy - Viale Reiter 51/2 Box 519
Telephone (59) 241052 - 218551 - Telex - 213384 - 216089 - 510169 Roncal I



A Roncaglia OPR, capacity 300 tons of wheat per 24 hours

Cariplo: the bank that powers the performance of Italy's most prosperous region



One of the 280 Giuliettas produced each day at the Alfa Romeo factory at Arese. Alfa Romeo is a Cariplo customer.

Alfa Romeo sells its cars as fast as it can make them—217,000 last year, of which 85,000 were exported.

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There are over 235,000 companies in Lombardy, which form the driving force behind the region's economy.

Like Alfa, a good many of them bank with Cariplo. In fact our part in their success has helped raise our assets to about US\$ 29 billion.

Lombardy provides us with a strong, dynamic base from which to expand our international operations. If you would like to get in touch, contact our Head Office, Via Monte di Pietà 8, 20121 Milan; or our representatives' offices

in London, Brussels, Frankfurt and New York; or one of our 460 agencies all over Italy.

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