

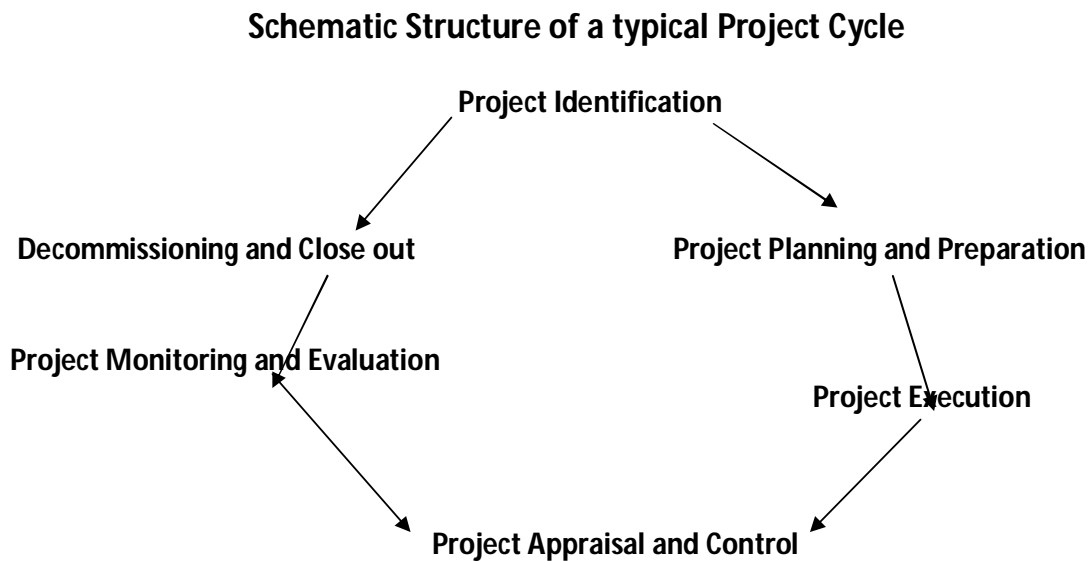
7.0 Project Cycle

Preamble

Whether it is an investment or servicing project, every project is expected to take off with initiation of ideas and creation of such to achieve realizable goals. A number of overlapping phases organized in sequential order to achieve the goals can be regarded as a project cycle. These phases are:

- (i) Identification as a result of initiation of ideas or observation of the environment ;
- (ii) Project planning and preparation;
- (iv) Project Appraisal and control
- (v) Close out or project commissioning and hand over.

A simple schematic structure of a typical project cycle is as presented below



8.0 Effective Demand for Agricultural Credits

*Demand for agricultural credit is the willingness and ability of farmers to access existing sources of funds to meet farm investment needs .

*Effective demand for agricultural credit can be defined as the minimum volume of credit that would yield a minimum incremental growth in the profitability of agricultural production units which may be greater or equal to the cost of credit.

*It is the demand that is backed up by sufficient ability to repay with zero default risk.

Note that demand for credit goes beyond a desire to have a loan because it is available or because livelihood strategies are constrained to a desire to use the loan to initiate farm business or improve existing commercial farm business.

*Repayment ability of the borrower is therefore crucial to effective demand for agricultural credit.

To seek social optimum growth and equity, effective demand must be stimulated by a set of growth-inducing inputs in the production environment.

Based on the need for credits, farmers' decision to borrow and not to borrow will depend on some indicators of demand which could be assessed through four dimensions of the borrowers' activities. These are:

- (i) Financial impact
- (ii) Economic impact
- (iii) Technological impact and
- (iv) Social impact

On the ***Borrowers' side***, effective demand for credit requires that farmers make a choice between investing in one agricultural activity or the other or investing in an alternative non-agricultural project. It may also require decision to choose between consumption and production in order to achieve a social optimum of generating income for repayment or returns to institutional cost of the credit programme.

From the ***policy formulation and implementation*** point of view, promoting effective demand requires the consideration of factors and a balanced judgement on whether to invest on institutional cost of credit delivery programme or to invest on some alternative development-enhancing programmes whose outputs could be inputs into farmers' production.

On the ***supply side***, for credit to induce an overall development, it is important to consider the extent to which new entrants into farming business can be included in the credit programmes as they may likely have no repayment ability.

There is also a need to consider how liberalized credit markets and growth-inducing credit facilities can affect the agricultural investments to be established to promote effective demand for credit to the benefits of both the lenders and the borrowers.

Problems of Effective Demand for Credit in Nigeria

- (i) Availability of finance to back up the demands for credit
- (ii) Borrowers' willingness and abilities to access existing credit delivery programmes
- (iii) Socio-economic and cultural issues (Demand side)
- (iv) Capacity of the existing credit sources to meet up with demands

- (v) Policy environment under which credit options are provided
- (vi) Rigidity of the formal lending sources
- (vii) Unpredictable profits
- (viii) No secured tenure to land and other assets
- (ix) Illiteracy of majority of the farmers
- (x) Target groups are not always farmers
- (xi) Cumbersome procedure of application for the credit
- (xii) High level of centralized administration which restricts awareness and access to credit
- (xiii) Problems associated with infrastructures
- (xiv) Poor repayment culture of most farmers. etc