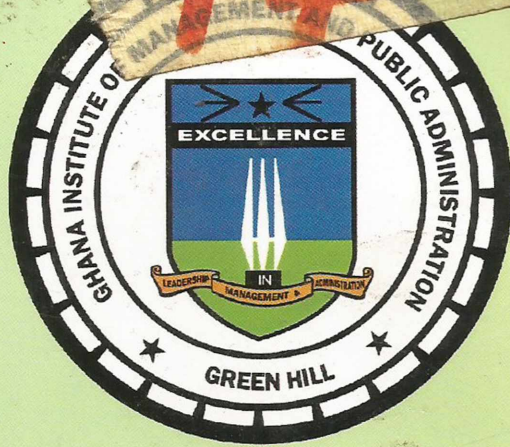




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FINANCIAL MANAGEMENT OF SMALL AND MEDIUM AGRO ALLIED ENTERPRISES IN NIGERIA: THE WAY FORWARD

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Abstract

The inability of Small and Medium Agro allied enterprises in Nigeria to obtain sufficient credit for their operation has become a major albatross for their existence. This paper examines the credit administration and delivery system in the informal financial sector of the Nigerian economy and observes that it precludes the effective performance of Small-scale Agro allied industries; which served as the main source of food security and employment generation to the nation. In applying Correlation coefficient, Binary Logit and ANOVA Statistical techniques for data analysis, the paper revealed that the current level of credit availability from the informal financial sector to the small scale Agro allied enterprises in the country is grossly inadequate and need to be expanded. Also, there is lack of government support for people's Empowerment and Self employment. The study therefore, recommends for increased in both formal and informal financing of agro allied enterprises in the country. This requires putting in place effective regulatory reforms, institutional arrangements and capital investments that will result in synergistic effect on development of Agro allied enterprises in Nigeria.

KEY WORDS: Agro allied, financial management, small scale enterprises, Nigeria, food security.

INTRODUCTION

The economic environment of Nigeria is one of the most favourable among the developing countries of the world. The country with a population of about 160 million people and richly blessed with its abundant human and natural resources provides conducive climate for both local and foreign investors. Over the years,

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the country has continually put in places policies and measures that will place it competitively in the global market. There is no economy that can exist in isolation without interacting economically, socially and otherwise with other countries of the world. The central role which foreign capital are expected to perform led to the open door liberal policy which Nigeria operates. Foreign investors who intend to establish business concerns in Nigeria were encouraged to do so (Sanda, 1982). Local entrepreneurs were also encouraged and assisted to participate and contribute their quota also in the economy.

These economic strategies, over the years have failed to move the Nigerian economy forward. The partnership agreement / joint venture between the Nigerian governments with foreign companies ensured complete elimination of the Nigerian government from having solitary control of, and policy making in the joint ventures (Sanda, 1982).

Decisive efforts were therefore taken with a view to developing large-scale industries that would guarantee employment; put the production of export crops in order, earn more foreign exchange (Adeoti, 1988) and return Nigeria to its past glory. These industries created were only able to carry out routine activities but incapable of revolutionizing their process and inputs. Nigeria continued integration and trade in the global market have not resulted into any meaningful result. This has been attributed to the country entering the global market prematurely (Okoh, 2004, Adejumobi, 2002). Towards this end, this paper therefore seeks to examine the credit system availability and its efficacy to the development of Small and Medium Scale (Agro allied) enterprises in Nigeria.

MATERIALS AND METHODS

Agro allied/based enterprises are those enterprises that depend largely on Agricultural products for sustainability (Maisamari, 2001). The Agro - allied Industries are structured in to three categories: The Micro - Allied: this category represents about 65.5% of the total Agro Allied Industries in Nigeria with 5 - 9 workers; The Medium Scale which represents about 32.0% with 10 - 99 workers and the Large scale representing 2.5 % with more than 100 workers (CBN,2000). There are about 650 major agro allied industries in Nigeria as at 1995 (Nigeria

Economic Summit Report, 1995). This includes: textile industries; cotton ginneries; flour mills; feed mills; leather and leather goods industries; tanneries; paper mills, breweries; soft drinks, fruit juice; rice mills; confectioneries; tomato processing; rubber; sugar; cement; agricultural metal fabricating industries; petro – chemical, Cassava Processing, Fish Smoking, Adi Making, Black soap, Saw-milling, Weaving and timber industries (Maisamari,2001).

Business organizations have to make decisions on which asset to buy and how they will be able to raise fund for its payment. These decisions are very crucial in Financial Management. The investment decision is about which assets to buy while the financial decision is making the choice of how to pay for such Investments. There are tangible assets such as machinery, factories, motor vehicles, offices and furniture; while intangible assets are technical expertise, goodwill, trademarks and patents (Brealey et al., 2001).

Agro allied enterprises like other Small and Medium scale businesses are also required to make these decisions to be able to maximize returns to the stakeholders. In taking financial decision the organization not only acquire assets but make payments for such expenses like raw materials, rent, electricity, salary, motor repairs and others miscellaneous expenses for successful day to day running of the business. Financial decision therefore involves the raising of funds to meet these expenses.

The Financial System of any Economy is poised to grow with the primary responsibility of financial intermediation. Financial intermediation has the responsibility of serving as the linking chord between the surplus and the deficit spending unit with a view of generating funds that are channeled into the most productive segments of the economy. The need for sound financial intermediation system cannot be underestimated in any country that truly wants to develop. An economy's financial system, simply put, is the whole marmot of financial institutions, financial instruments and financial markets, with primary responsibility for financial intermediation (Onyido 1998). These institutions use various financial instruments to obtain surplus funds from those that forgo current consumption for the future and make them available to the deficit spending unit (borrowers) for investment purposes.

African financial system has historically divided into dualistic markets with little connection between formal banks and informal agents (World Bank Group 1996). According to Onyido (1998) "Apart from the Central Bank (The Apex institution), Deposit Insurance Corporation and Securities and Exchange Commission who are regulatory organs, most countries have five main classes of financial institution: viz: Deposit institutions (Commercial Banks), Contractual Savings institutions, Collective Investment Institution, Security Markets and Informal enterprises".

According to Gibson and Tsakalotos (1994) "first through the financial intermediation functions of the financial institutions savers and borrowers are linked up with a view of reducing transactions and search costs. Second, they create liquidity in the economy by borrowing short-term and lending long-term. Third, they reduce information costs, provide risk management services and reduce risks involved in financial transactions. Fourth, the intermediaries bring the benefits of assets diversification to the economy. Fifth, there are mobilized savings from atomized individuals for investment, thereby solving the problem of indivisibility in the financial transactions. Finally, mobilized savings are invested in the most productive ventures irrespective of the source of savings".

INFORMAL SOURCES OF BUSINESS FINANCE

The concepts of Informal Financial enterprises are legal businesses that however take place outside the regulatory authorities of the government. They have wide range of scopes and exhibit different characteristics; while some are group or community based, others relate to individual basis. Its origin has been viewed from the Financial Repression and Structuralist school of thought. The Financial Repression school as championed by Mc Kinnon and Shaw (Akanji, 1998); was an offshoot of multiple and unstable regulations of the formal financial system. These regulations and institutional rigidities do result into administrative sluggishness, high management costs, payment delays, high interest rates and structural rigidities. The promotion and development of informal financial institutions was to checkmate these inefficiencies that were observed in the formal financial institutions. The Structuralist on the other hand views the genesis of informal finance as products of forces other than Economic (Hugon, 1990). They concur that informal financial system was aimed at serving social goals rather than profit maximization.

The informal financial sector succeeds through information based on personal and social networks. They use bilateral, character-based relationships to achieve high repayment rates. There are two kinds of informal finance: the commercial and the non-commercial motivated informal financial enterprises. The near absence of commercial incentives from loans and financial assistance from families, friends and relatives has threatened these sources of business finance. Often, no interest is charged and no collateral required before the fund is made available to the trader. This makes it hard to access the multiplier effects of these sources of business finance in the economy. Similarly the source is inherited capital from family members. The commercially motivated informal finance on the other hand can be grouped into three (World Bank Group 1996). The first category specializes in the credit side of the market. They provide fund even when the traders have no previous savings with them. The moneylenders and traditional mortgagers operate in this side of the market. Loans are usually given out to the trader at a predetermined rate of interest and to be repaid at a specified time period. Unlike the money lenders, the traditional mortgagers provide loans that are interest free, no time bound for the repayment of the loan, but the trader is expected to mortgage either human being or his property; wife, children or farm land etc. to be used freely as collateral and his own profit until the entrepreneur offsets the loan. The short fall of this form of credit are that funds available are often limited in relation to the demand for it, hence very little intermediation in terms of mobilization of funds from other source (banks inclusive) in case there is shortfall of fund (excess demand). The second categories are those that operate from the savings side. Savings collectors (Ajo) or Ato are common in this side of the market. A trader can only participate in this source of business finance based on the financial relationship earlier established. These savings collectors take regular deposits (daily or weekly) of an amount determined by each trader and return the accumulated sum at the end of a stipulated period less 1 day's contribution which serves as commission to the collector. Ordinarily, credits are not extended to the clients, they only get as much as the amount saved. The short fall of this form of finance is that the amount to be saved is often predetermined from onset. It does not give room for fluctuations in the economy. In some situations there may be problem where sales dropped and the trader find it difficult to meet up with the agreed sum.

The third category mobilizes and lends funds to the general public. They are sometimes registered as a Cooperative society or the savings and credit arm of a Cooperative formed for other purposes. All recipients under this category but the last receive the pooled sum sooner than they had saved the same amount individually. Unlike the Ajo, Esusu traders pay a predetermined sum of money at regular intervals into a common pool. These funds are often made available to each in turn. According to the World Bank Group (1986), at least 80% of informal agents in Ghana and Nigeria reported no delinquent borrowers, and all expected virtually 100% repayment within three months of the date due. This makes this form of finance safe and applicable to the Nigerian economy.

METHODOLOGY

This study adopted basically the primary source of data collection method. Questionnaires were distributed to respondents through simple random sampling with a total of three hundred questionnaires administered on Agro allied SMEs identified in Ilorin metropolis during the two weeks period of study (24th October to 7th November, 2011). Only Two hundred and seventy five (275) questionnaires were returned. This represents a response rate of 82 percent. The Agro allied enterprises are located in Oja Oba, Oja Titun, Yoruba Road, Adewole Market as well as Ita Nmo Market all in Ilorin West. Also, in Ilorin East, we have the Agro allied enterprises selected for the study located in Oja Gboro, Maraba Market and Kulende markets. The Agro - allied Enterprises considered for the study in Ilorin South were at Ago and Oko Olowo Markets. The questionnaires were specifically designed to elicit information on the Entrepreneurs' sources of credit and major problems facing the Agro allied enterprises. The respondents include the Entrepreneurs and Employees of Agro - allied enterprises. Correlation coefficient method, Binary Logit and ANOVA techniques were adopted for the study. The Correlation method was adopted with a view to measuring the relationships that exists between small-scale firms and their sources of credit; ANOVA technique was employed to determine the significance of informal credit availability to Agro – allied enterprises in the Study Area and Binary Logit Regression was used to determined if inadequate financing have significant effect on types of Agro Allied Enterprises.

3.0 DISCUSSION AND RESULTS

The Survey for this study revealed that 79% of the respondents were Male while 21% were female. This indicated that there were more Male involved in Small and Medium Agro allied Enterprises than the Female. There were about 68% of the respondents below 45 years old age bracket while only 32% were 45 years old and above. This indicated that those involved in Small and Medium Agro allied Enterprises are young and likely to be productive individuals. It was shown in the study that 4% of the Agro allied Entrepreneurs were uneducated, while 96% were educated and this includes: Secondary school certificate holders (39%), Primary school certificate holders (28%), First degree holders (24%), Post graduate degree holder (3%) and holders of Professional qualification (1%). The study therefore, revealed that most of the Agro allied Entrepreneurs are educated. In fact, education helps the entrepreneurs to have access to more business information through the Internet, Print and Electronic Media. This information was of immense benefits to the Agro Allied Entrepreneurs. There were more Moslem (54%) than Christians (46%); while 58% of the respondents were Yoruba, 30% were Ibo and 12% were Hausa Tribe. This justifies the predominance of Islam over Christianity in the study area during the period of study. The result further revealed a fair representation of the three major tribes in Nigeria. The Ibos are industrious and enterprising among the tribes; they are engaged in commerce and trade beyond their geographical frontiers and hence are found all over the different parts of the country.

The breakdown of respondent's marital status showed that 67% were married; 24% were single; 5% were widow; 3% were widower; and 1% was separated. A greater proportion of the Agro allied Entrepreneurs (76%) are therefore married Single Parent or Separated. This indicated that most of those involved in Agro allied Enterprises are doing so for living or to fend for their family. Out of the total respondents, 57% were self employed while 43% were employees in those Agro allied Enterprises selected for the study. There are 65% of the respondents who relied on Informal type of financing; 28% used both methods of Financing and 7% used Formal financing. The use of Informal Financing for the Agro allied enterprises had therefore become a popular method of financing by the Agro allied Entrepreneurs. The survey also reported that 78% of the respondents agreed that the Informal type of Financing was inadequate while only 22% agreed that this

type of financing was adequate. A greater proportion (70%) of those who agreed that the Informal type of Financing was adequate were the Micro Agro allied Entrepreneurs. The two forms of Agro allied Enterprises identified in the Survey are Service Providing Enterprises (46%) and Agricultural Processing Enterprises (54%). The Agricultural Processing Enterprises were mostly Agricultural food/ Gari Processing Industries (46%), followed by Local brewing enterprises (15%), Kuli kuli producing Enterprises (13%), Local leather works (10%). Bricks making Enterprises (6%), Palm oil Producing Enterprises (4%); Fruit juice (3%) and Cloth weaving Enterprises (3%).

The major types of Agricultural Providing Services Enterprises identified in the study include: Catering (31%); Tools fabricating/ Black Smith Industry (21%); Casual labour (14%); Saw Mill Industry (11%); Feed Mills Industry (10%); Fishing (5%); Hand Crafts/ Pottery (5%) and Agricultural Products Merchandising (3%). This result showed that Agricultural food / Gari Processing, Catering and Tools fabricating Enterprises were the predominant forms of Agro Allied Enterprises in the study area; during the period of study. Personal saving (51%) serves as the most important source of Informal financing to the Agro allied Entrepreneurs, followed by Inherited wealth (26%), Cooperative Societies (12.4%), Donations or Gifts from Individuals (4%), Friends (3.6%) and Donations from Non Governmental Organisations (3%). The survey therefore, revealed that most of the Agro allied Entrepreneur relied on Income from their personal saving for their business while donations from Non Governmental Organizations (NGOs), individuals and friends constitute smaller proportion of their source of business financing. The loan from Cooperatives Societies and Inherited wealth also form significant source of Informal financing to Small and Medium Agro allied Enterprises. The Agro allied Entrepreneurs that inherited their business from their parents augment the income from this business with their Personal Saving. In the study it was also revealed that the major source of formal financing available to Agro allied Enterprises are from Specialised Banks (38%), followed by Micro Finance Institutions (33%), Donations from Government (18%) and Commercial Bank (11%). Agro allied Entrepreneur that used both method of financing therefore relied mostly on Specialised Banks and Micro – finance Institutions as sources of Formal financing. The Government through the Self Employment Scheme empowers some of the unemployed youths

and Small Business Owners by providing them the startup capital. The Commercial Banks through Agricultural loan Scheme also offer loan to Agricultural Small Scale Entrepreneur, though the amount through this source is not significant. Out of 275 Small and Agro allied Enterprises considered for the study, 54% were Micro Agro allied, 42% were Medium Agro allied and 4% were Large Scale Agro allied Enterprises. This result further indicated that the Micro Agro allied Enterprises are the most prevalent types of Agro allied Enterprises, followed by the Medium Agro allied Enterprises while there are few Large Scale Agro allied which are now becoming prominent. This may be due to the change in focus towards Mechanised farming by the few rich individuals who now realize the benefit of investing in large scale farming. There is increasing growth of these large farms in Nigeria; they produced both for Local and Export Markets.

Office and Factories expansion (33%) are the major type of investment decisions undertaken by the Agro allied Entrepreneurs. This was followed by the Purchase of Raw Materials (30%), Wages and Salaries (13%), Furniture (9%), Machinery (8%), Motor Vehicle (5%) and Loan (2%). The Agro allied Entrepreneurs are therefore involved more in Capital Investment (58%) during the period under study, while one third of the funds are used to purchase raw materials and less than one sixth for salary and wages. In the study, the following are some of the identified major problems of obtaining fund for Informal financing: Inadequate financing (52%), Lack of mutual trust (24%), high poverty level (14.6%), Lack of Managerial Acumen (14.3%) and Mismanagement of fund (4.7%). The result therefore, presents inadequate financing and lack of mutual trust as the major problem confronting Agro allied Entrepreneurs in obtaining fund from Informal financial Sector. There is generally inadequate finance due to low level of income, poor standard of living and continuous increase in the level of poverty amongst the people. This resulted into few funds available for entrepreneurial development. There is lack of managerial acumen which led to short business life span of these enterprises. This problem is further complicated due to mismanagement of fund. The mismanagement of fund may be in form of fraud, embezzlement and outright use of funds for less profitable ventures. A larger proportion of these Entrepreneurs employed their relations and family friends who did not possess the relevant skill and knowledge to manage the enterprises. In the Formal financial sector, the major

problem identified as confronting source of fund includes: Collateral problem (47%), Neglect of Agriculture Sector (22%), High default rate (10%), Government policy (8%), Corruption (6%), Poor Harvest (5%) and Lack of Economies of Scale (2%). This revealed that collateral problem, neglect of Agricultural Sector and High default rate served as major problems confronting source of fund from the Formal financial sector. Most Banks refused to give loan to customers due to their inability to provide security for the loan. There is negligence for Agriculture Sector due to the monocultural nature of the economy since the discovery of crude oil about six decades ago in Nigeria. The country depends mainly on revenue from the crude oil to the detriment of other sectors such as manufacturing and mining sector. There is also diversion of funds for other uses by some of these customers who obtain loan from the Banks. This resulted to high rate of default and in most cases led to increase bad debts for the Banks. Government policy towards agriculture; if not for the recent time has not been very encouraging; and this has resulted to low level of productivity from this sector. The high level of corruption by Government Agents and Bank officials in the distribution of funds and loans to the people further worsen the situation. There is problem of poor harvest which occurred as a result of drought and climatic problem. This resulted in poor farm yield and productivity. There are no economies of scale due to the prevalent of Small and Medium Scale Agro allied Enterprises. This consequently is reflected in the high prices of these Agricultural products in the Markets. The following are some of the merit of Small and Medium Scale Agro allied Enterprises identified in the study: Cheap labour (32%), Source of Employment (29%), low level of risk (27%), Easy to establish and manage (8%) and Small Capital required (4%). The employees of most of these Agro allied Enterprises are relations or friends of the owners. They are paid low wages and sometimes are not paid. The Small Scale Agro allied enterprises provide employments to the unemployed youths thus assist in reducing the level of unemployment in Nigeria. They are very easy to establish and manage due to Small Capital required to start the business. There is no need to employ Specialist to manage the business and this make the Small Scale Agro Allied Enterprises easy to operate and run efficiently.

Test of Hypotheses

There are three hypotheses that would be tested in the study and they are:

H1: There is no correlation between Small Agro allied Enterprises and sources of financing available to the Enterprises.

H2: The sources of Informal financing have significant effects on types of Agro allied Enterprises.

H3: Inadequate financing has significant effect on types of Agro allied Enterprises.

Hypotheses 1 with Correlation Analysis

Three types of financing were identified in the study: Informal financing; formal financing and both types of financing. The types of Agro allied Enterprises considered for the study is Service Providing Enterprises and Agricultural Processing Enterprises. An attempt was made to examine the kind of relationship existing between the Agro allied Enterprises and the types of Financing available to these Enterprises. Table 1 presents the Cross Tabulation for types of financing and Agro allied Enterprises. It was revealed that those who preferred Informal financing are 48% for Agro Service Enterprises and 52% for Agricultural Processing Enterprises; those who preferred both types of financing are 55% for Agro Service Enterprises and 45% for Agric Processing Enterprises while for Formal financing all the respondents are for Agricultural Processing Enterprises and no financing for Agro Service Enterprises.

Table 1: Cross tabulation for Types of Financing and Agro Allied Enterprises.

Types of Financing	Nature of Agro Allied Enterprises		Total
	Service Providing Agro Allied	Agric Processing Agro Allied	
Informal financing	85	92	177
Formal financing	0	21	21
Both	42	35	77
Total	127	148	275

Source: *Authors' Field work 2012.*

The Table 2 below revealed that a moderate correlation (0.528) exist between the Small Agro Allied Enterprises and types of Financing available to the Enterprises.

Table 2: Correlation between Types of Financing and Agro Allied Enterprises

		Types of financing	Agro Allied Enterprises
Types of Financing	Correlation	1	0.528**
	Sum of Squares and Cross Products	217.636	76.636
	Covariance	0.794	0.280
	N	275	275

Note: ** Correlation is Significant at the 0.01 level (2 tailed).

Source: Computer Printout 2012.

This indicates that the types of financing available to the Enterprises have strong positive correlation with Agro Allied Enterprises. Therefore, we reject the Null hypothesis that there was no Correlation and accept alternative hypothesis that a moderate correlation exists between types of Agro Allied Enterprises and financing available to the Enterprises.

Hypothesis 2 with Analysis of Variance (ANOVA)

This hypothesis examines the various sources of Informal financing available to Agro Allied Enterprises and determine if they have significant influence on types of Small and Medium Agro Allied Enterprises selected for the study.

Table 3: Cross tabulation for Sources of Informal financing and SM Agro Allied Enterprises.

Major sources of Informal Financing	Types of SM Agro Allied Enterprises			Total
	Micro Agro Allied	Medium Agro Allied	Large Scale Agro Allied	
Inheritance	71	0	0	71
Personal Saving	76	63	0	169
Cooperative Societies	0	34	0	34
Friends	0	5	5	10
Donations/ Gift from Individuals	0	12	0	12
Donations from NGOs	0	0	9	9
Total	147	114	14	275

Source: Computer Printout, 2012

Table 3 above gave the Cross tabulation for Sources of Informal financing and types of Small and Medium Agro Allied Enterprises. It was shown that Micro Agro Allied are financed by Inherited wealth and Personal Savings; Medium Agro Allied Enterprises are financed by Personal Savings, Cooperative Societies, friends and donations from individuals while Large Scale Agro Allied Enterprises are financed by Friends and donations from Non Governmental Organisations. The result for Micro and Medium Agro Allied Enterprises seemed to be logical to certain extent while that of Large Scale Agro Allied Enterprises seemed to be strange. This is because it is expected that in addition to the two sources of financing, Personal Savings and Cooperative Societies should have been part of the sources of financing for the Large Scale Agro Allied Enterprises. The Analysis of Variance (ANOVA) technique was employed at 99% Confidence level to test if Sources of Informal finance has significant effect on types of Agro Allied Enterprises. It was shown that there was a significant effect at 99% Confidence level. The ANOVA Table is shown in Table 4 below. Therefore, we accept the Null hypothesis and reject the Alternative hypothesis of no effect.

Table 4: ANOVA for Informal Financing and SM Agro Allied Enterprises

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	230.576	2	115.288	201.759	0.000
Within Groups	155.424	272	0.571		
Total	386.000	274			

Source: *Computer Printout, 2012.*

Hypothesis 3 with Binary Logistic Regression

In Table 5 below is given the Cross Tabulation for Adequacy of financing and types of Agro Allied Enterprises. It was earlier indicated that more respondents supported Informal financing despite the fact that they agreed that there was inadequate financing of Small and Medium Agro Allied Enterprises. The results of our analysis in Table 5 revealed that 61 respondents agreed that the type of financing was adequate while 214 respondents affirmed that it was inadequate. The Binary Logistic Regression was used to examine if the inadequate financing has significant effect on type of Agro Allied Enterprises.

Table 5: Cross tabulation for adequacy of financing and Agro Allied Enterprises

Financing	Nature of Agro Allied Enterprises		Total
	Service Providing Enterprises	Agric Processing Enterprises	
Adequate	39	22	61
Not Adequate	88	126	214
Total	127	148	275

Source: *Computer Printout, 2012.*

The dependent variable is Adequacy of financing while the Independent variable is

types of Agro Allied Enterprises. The Estimated Model is shown in Table 6 below.

Table 6: Binary Logistic Regression for Adequacy of Financing and Agro Allied Enterprises

		B	SE	Wald	df	Sig	Exp(B)
Step	Natagroallied (1)	-0.931	0.301	9.598	1	0.002	0.394
1(a)	Constant	1.745	0.231	57.048	1	0.000	5.727

Source: *Computer Printout, 2012.*

Logit (Inadequate financing) = $1.745 - 0.931 \text{ Natagroallied } 1$.

We have Adequate financing = 0, 1 = Inadequate financing.

Logit (INADEFIN) = $1.745 - 0.931 \text{ Agro Service Providing Enterprises}$.

The Coefficient of Agro Service Enterprises is significant ($0.002 < 0.05$). This means that inadequate financing has significant effects on Small and Agro Allied Enterprises. The Exp (B) column shows the relative odds and indicates that Agro Service Enterprises are 0.394 as likely to have inadequate financing as Agric Processing Enterprises. We therefore, accept the Null hypothesis that inadequate financing has significant effect on type of Agro Allied Enterprises.

4.0 CONCLUSION AND POLICY RECOMMENDATIONS

The central question addressed in this study concerns the relevance or influence of financing on Small scale Agro Allied industry. Self-sufficiency implies the substitution of foreign products with domestic production. Therefore a major constraint towards achieving this end was finance (Credit). It was found that there was lack of appropriate tools; institutional bottlenecks and structural rigidifies to effectively manage the financial needs of the Agro Allied Small-scale industry. It is evident from the results obtained that there exist a moderate positive relationship between the Small-scale industries and their source of financing.

Besides Inheritance and personal savings, which accounts for the higher percentages, Corporative societies equally show a promising result as a good source of credit. Government and formal financial Institutions (Banks) were however found not to be significant. Measures put in place by the government were not felt as expected at the level where they are particularly relevant. This could be attributed to the level of corruption prevalent in the society. Sometimes government may put in place

necessary measures based on genuine interest but policy makers may belittle the efforts.

The first policy recommendation is that despite the insignificant contribution of the government to Small-scale industries, the provision of social amenities such as roads, electricity, and water; together with conducive atmosphere, and telecommunication would go a long way in discouraging rural-urban migration.

The unemployed youths could only be encouraged to stay back in the rural area to learn both the theoretical and practical skills needed to sustain the Agro-allied industry if they are only motivated to do so. Second, the formal financial institutions should domesticate their operations in order to encourage the active participation of the local Small-scale Agro allied farmers. The institutional bottlenecks need be reduced or out-rightly eliminated so as to give these small-scale investor accesses to credit at very low interest rate.

Third, the economic importance of the Cooperative societies need to be harnessed as predicated on the trust and confidence those members have on their leaders. Hence, there is the urgent need to checkmate the activities of these Cooperatives leaders with a view of making sure that they do not misappropriate the funds put in their custody.

Fourthly, there is need to urgently set up agencies that will ensure effective coordination of the cooperative societies. The agency should comprise technical department that would enlighten and train Small-scale Agro allied firms on the need to keep detailed records of their transactions. Proper record keeping would go a long way in encouraging formal financial institutions to make fund available to the Small-scale Agro-allied firms. This is because the records would show the economic and financial reliability of these Agro-allied firms to the financial institutions, creditors and other stake holders. Also, the role played by women in agrarian system is worthy of note. Although, the initial preparation of planting is done by men; planting, weeding, harvesting, storage and the generation of additional income is done by women. The women should be taken into cognizance for any meaningful result to be obtained in the Small and Agro Allied Enterprises.

The problem of inadequate availability of funds should be addressed by both the formal and informal sectors so that more funds can be channeled towards the development of Agro Allied sectors. The need for increased fund from both the formal and informal sector towards the development of the Small Scale Agro Allied Enterprises in Nigeria has therefore become inevitable and necessary.

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