JOURNAL OF AGRICULTURAL ECONOMICS, EXTENSION & SCIENCES
Official Journal of the College of Agricultural Economics and Extension
www.jaees.org
www.uam.edu.ng
Jaees Vol. 13 No.2 2026, Page 28 -38
ISSN (Print) 2545-5179, ISSN (Online) 2714-5018

DETERMINANTS OF LOAN RECOVERY STRATEGIES AND CREDIT RECOVERY RATES AMONG AGRICULTURAL COOPERATIVES IN BENUE STATE, NIGERIA.

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Abstract
Loan default and weak recovery mechanisms remain critical challenges to sustainability of agricultural cooperatives in Nigeria. This study assessed determinants of loan recovery strategies and factors influencing loan recovery rates among agricultural cooperatives in Benue State, Nigeria. It identified the criteria considered in choosing recovery strategies and evaluated institutional and borrower-related factors affecting repayment outcomes. Primary data were collected from 130 cooperative societies and analyzed using descriptive statistics. The result revealed that the amount of money in default (55.38%) was the most important factor influencing the choice of recovery strategy, followed by the reason for loan default (49.23%) and the reputation of the defaulter. Regression analysis showed that the ratio of collateral amount exerted a significant negative effect on recovery rates, implying that reliance on collateral alone does not guarantee repayment. The study concludes that cooperative loan recovery is shaped more by financial exposure and borrower-specific circumstances than by rigid enforcement instruments. It was recommended that cooperatives should prioritize high-default cases, adopt differentiated recovery strategies based on the cause of default, reduce over-reliance on collateral, and strengthen institutional transparency and trust. Policymakers should support flexible restructuring frameworks and capacity-building measures that can enhance sustainable access to credit for rural households.

Keywords: Determinants, Loan recovery, Strategies, Credit, Cooperatives.

1.0 Introduction

Agricultural cooperatives serve as crucial institutional mechanisms for mobilizing rural resources, providing credit, and enhancing productivity and welfare of smallholder farmers (FAO, 2021, Oni and Soji-Oni, 2024). In Nigeria, they are

instrumental in facilitating agricultural credit access in rural areas, where formal financial institutions are either absent or ineffective due to bureaucratic processes and perceived risks of rate inflation. However, a major challenge confronting agricultural cooperatives today is the persistent issue of loan default and poor credit recovery, which threatens their financial viability and long-term survival (Oforo and Mbogo, 2023).

The process of ensuring that borrowers repay the loans extended to them is central to the operational sustainability of cooperative societies. Effective credit recovery not only replenishes the cooperative's loanable funds but also strengthens trust among members and enhances the institution's reputation(Bamisile, 2020). Despite availability of various recovery measures such as persuasion, restructuring, legal action, and asset seizure, many cooperatives in Benue State and other parts of Nigeria continue to face high default rates, largely due to inappropriate or poorly implemented recovery strategies(Bostwick et al., 2024)

The choice of an appropriate loan recovery strategy and its successful execution are essential for achieving high credit recovery rates. Yet, existing empirical evidence suggests that many agricultural cooperatives in Nigeria either lack the capacity or the institutional framework to enforce loan recovery effectively(Akpan, 2022). In addition, determinants that influence both the selection of loan recovery methods and their effectiveness in recovering credit remain underexplored, especially within the Nigerian cooperative sector. This gap is particularly critical in Benue State, known as Nigeria's "Food Basket," where agricultural cooperatives play a prominent role in financing crop and livestock production(Iwuchukwu and Nwobodo, 2016; Frederick et al., 2022)

The heterogeneity of loan receivers, varying levels of cooperative institutional strength,

and weak policy enforcement further complicate credit recovery. For instance, factors such as cooperative size, member commitment, training, leadership quality, loan supervision, and economic shocks may significantly affect both the recovery mechanism adopted and the eventual rate of credit repayment (Gikuri and Paulo, 2016; Kiran and Sureshramana, 2024). Understanding these factors is thus imperative to formulate effective recovery frameworks that enhance the financial sustainability of agricultural cooperatives in Benue State, Nigeria. The study was designed to provide answers to the following questions;

i. What are the determining factors considered in the choice of loan recovery measures among agricultural cooperatives in Benue State, Nigeria?

ii. What are the factors affecting the rate of credit recovery among agricultural cooperatives in the study area?

2.0 Objectives of the Study

3.0 Methodology

The study was conducted in Benue State, Nigeria. It lies in the middle-belt region of Nigeria and has a population of 4,219,244 people (National Population Census (NPC, 2006). The main occupation of the people of Benue State is farming. Benue State has a vast area of land and produces part of the food that feeds the whole nation. The present Benue State is blessed with agricultural produce, such as yam, cassava, potatoes, rice, millet, guinea corn, groundnut, maize, sesame, soya bean, and a vast range of fruits and vegetables. This earned the State the slogan “Food Basket of the Nation”. The State has 23 Local Government Areas (LGAs) and 275 council wards (Ajaero, 2007). For administrative and operational purposes, Benue State was divided into three agricultural

zones by Benue State Agricultural and Rural Development Authority (BNARDA, 1986). The three zones are as follows: - North Eastern zone (Zone A):- Katsina-Ala, Kwande, Konshisha, Logo, Ukum, Ushongo and Vandeikya LGAs, North Western Zone (Zone B): - Buruku, Gboko, Guma, Gwer East, Gwer West, Makurdi, and Tarka LGAs, Southern Zone (Zone C): - Ado, Agatu, Apa, Obi, Ogbadibo, Ohimini, Oju, Otukpo, Okpokwu LGA. The study adopted multistage sampling technique. The first stage, involves purposive selection of one Local Government Area (LGA) from each of the three agricultural zones based on the high concentration of Co-operatives, namely, Ukum, Makurdi, and Otukpo. In the second stage, a sampling frame for each cooperative institution was developed, and a sample proportion of 25% across the board was used to obtain a sample size of 130 respondents. Data were collected using a structured questionnaire.

4.0 Results and Discussions

4.1 Determinants of Loan Recovery Strategies

Table 1 shows that majority of the respondents (55.38%) indicated that the amount of money in default is the major factor considered in the choice of loan recovery strategy. This could be attributed to the fact that lending institutions focus primarily on the outstanding debt because it determines the financial risk to the cooperative. Larger amounts in default pose a higher threat to sustainability and thus drive stricter or more formal recovery strategies. Institutions allocate more resources and attention to recovering large exposures to avoid erosion of capital. This finding agrees with Kowa et al. (2023) who stated that loan size and disbursed amount strongly influenced whether cooperatives applied a strict or lenient recovery method, and Okonta et al. (2023), who

used multinomial logistic regression stated that, loan size and cooperative structure significantly predict the recovery mechanism chosen.

Table 1 also shows that Reason for the default (49.23%) is another important factor considered in the choice of loan recovery strategy. This could happen because cooperatives investigate the cause of default to enable them to decide whether to apply leniency or stricter enforcement. This prevents future defaults and preserves members goodwill when the cause is external. This finding agrees with Masamba et al., (2023) who stated that recovery strategies in South Asian cooperatives were tailored based on borrowers' circumstances and reason for non-repayment, often favoring peer persuasion or restructuring over litigation and Madestam (2014), who confirmed that borrower history and causes of default were central in guiding informal versus formal recovery actions.

Table 1: Determinants of loan Recovery Strategies (n=130)

Variables	*Frequency	Percentage*
Amount in default	72	55.38
Reason for the default	64	49.23
Defaulters' reputation	60	46.15
Recovery procedures	57	43.85
Volume of default	20	15.38

Source: Field survey data (2025)
*Multiple responses

4.2 Factors Affecting Rate of Recovery

The result of the factors affecting the rate of loan recovery among co-operatives is presented as shown in the table below. The Exponential function was selected as the lead

equation due to its highest F-statistic. The result showed that the coefficient of determination (R^2) was 0.095, indicating that 9.5% of the variability of the recovery rate was explained by the explanatory variables in the model. The result also shows that the F-statistic (2.16) was statistically significant ($p< 0.05$), indicating the goodness of fit and the overall significance of variables used in the model. indicating that the ratio of collateral amount was the variable that significantly affects the loan recovery rate. Specifically, the coefficient of the ratio of collateral amount (-0.003) was negative and significant at 1%, indicating that a unit increase in the ratio of collateral amount would decrease loan recovery by 0.003. This is because borrowers with high collateral may feel less pressured to repay since default can be settled by collateral seizure, or enforcement is costly. This reduces immediate repayment discipline. This result agrees with Charles and Mori (2016) that loan characteristics such as collateral and repayment terms strongly affect recovery, with collateral not always improving repayment rates and Sikira *et al.* (2024) who found that weak enforcement and poor documentation were bigger constraints to loan recovery than visit or training as well as Mategeko and Prisca, (2025) who also found that recovery performance was more influenced by member trust than by interest rates or number of trainings.

Table 2: Regression analysis of Factors Affecting the Rate of Loan Recovery among Co-operatives

Variables	Linear	Exponential+	Semi -Log	Double -Log
Constant	76.6(6.2)	1.75(12. 82) ***	76.62(4.09)	1.70(8.19)
Numbers of Visit	0.27(0.154)	0.00(-0.009)	2.54(0.19)	-0.17(-0.11)
Numbers of trainings	1.24(0.84)	0.005(0.30)	5.53(0.62)	0.028(0.27)
Ratio of Collateral Amount	-0.003(-2.59)	-3.22E-0.05(-2.85) ***	-2.14(-0.39)	0.02(0.32)
Information on integrity	082(0.253)	0.034(0.94)	0.367(0.033)	0.07(0.56)
Number of recovery strategies Adopted	1.36(0.79)	0.023(1.21)	20.52(2.09)	0.28(2.62)
Interest rate (%)	-0.11(-0.4)	0.001(0.381)	-1.61(-0.50)	-0.011(-0.031)
R^2	0.085	0.095	0.053	0.059
Adjusted R^2	0.04	0.051	-0.006	0.013
F Statistic	1.90***	2.16**	1.13	1.29

Source: Data analysis (2025).
***and ** are significant at 1 and 5% respectively, + lead equation, Figures in the parentheses are t-statistics.

5.0 Conclusion and Recommendations

5.1 Conclusion

The findings indicate that agricultural cooperatives prioritized financial exposure (amount in default) and borrower circumstances (reason for default) in their choice of loan recovery strategies. Collateral, while commonly used, may not guarantee higher

recovery and, in fact, can reduce repayment incentives. Meanwhile, interventions such as visits, trainings, or higher interest rates do not automatically enhance recovery unless backed up by strong institutional enforcement and trust. This suggests that sustainable recovery depends less on rigid instruments and more on context-sensitive, borrower-specific approaches.

5.2 Recommendations

Based on the findings of this study, the following recommendations were made:

i. Prioritize high-default cases: Recovery strategies should focus more resources on loans with larger outstanding amounts to minimize financial risk.

ii. Investigate causes of default: Recovery actions should be differentiated by whether the default is due to external shocks or willful refusal, with restructuring applied in genuine cases.

iii. Rethink collateral reliance: Since collateral showed a negative relationship with recovery, cooperatives should combine collateral with social sanctions, group liability, and reputational mechanisms.

iv. Strengthen institutional trust: Build transparent enforcement and communication systems, as recent studies show member trust and loan usefulness perceptions strongly improve repayment.

v. Improve documentation and monitoring systems: Instead of frequent visits or generic trainings, cooperatives should focus on accurate loan tracking, digital reminders, and clear sanction polices.

vi. Policy support: Policymakers should encourage flexible repayment frameworks

and capacity building that strengthen cooperative governance rather than relying on collateral-based lending.

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