

PERFORMANCE ASSESSMENT OF OGUN STATE AGRICULTURAL AND  
MULTI-PURPOSE CREDIT AGENCY (OSAMCA) IN CREDIT DELIVERY AND  
OPERATION (2004-2006)

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**Abstract**

*A lack of credit facilities has always been regarded as a major problem of small-scale farmers and other micro-entrepreneurs in Nigeria, as in most developing countries worldwide. This has been attributed to the non-availability of collateral securities and inadequate information that prevented this category of people from accessing credit facilities. Nigerian farmers in recent times have witnessed immense involvement of micro-credit institutions by accessing credit facilities without demands for collaterals and at concessionary rates of interest. Hence, micro-credit schemes in Nigeria are becoming popular, and agricultural credit options are changing and expanding with innovative products in which farmers are offered different alternatives. However, their performances have been met with mixed results. This study is therefore aimed at evaluating the performance of the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA). The assessment was conducted to see the volume of loan disbursed, rate of the OSAMCA's growth, the number of farmers empowered, as well as the general outlook in credit delivery and operations by the OSAMCA. Within the three years (2004-2006) of operation, 1,216 farmers benefited through eight different agricultural enterprises; from ₦73,228,038.00 m<sup>1</sup> at 12 % interest charge, at an average of ₦ 24,409,346.00 per zone for all the enterprises, and ₦ 60,220.43 per beneficiary; over the study period. It was however recommended that Bank linkages and self-help Groups should be initiated to improve and sustain credit flow to the agricultural sector. In addition, there is a need for innovative strategies that are aimed at reducing transaction costs of delivery and access to loans.*

**Introduction**

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<sup>1</sup> Note : \$1.00 (U.S. dollar) = ₦120.00 (Nigerian naira)

Credit is a necessary input in the various aspects of farm operations. In Nigeria, attempts at institutionalizing agricultural credit, as a means of providing capital for production, began over 50 years ago (OSAMCA Quarterly News Bulletin, 2006). Whether it should be provided by individuals, government agencies, or corporations had been the focus of debates overtime. Nationwide, public concerns for agricultural credit administration have witnessed a number of changes in development processes over the past few decades. However, it is important to note that the expected role of government in the development of its agricultural sector is to provide policy framework through which the various constraints facing the sector could be minimized. To do this, there is a need for government to outline strategies for implementation of such policy frameworks and objectives. For such objectives, the provision of credit is a necessity for determining the extent to which such planned projects and programs will be executed. In Nigeria, as in most developing countries, “lack of credit facilities has been regarded as the major constraint farmers face when they try to improve their economic activities and/or living conditions” (Bratton, 1986; Binswanger et al, 1993; Agbor, 2004).

Even when available, credit is difficult to access by farmers in the rural area despite the fact that it is an essential input in production (FARM, 2006). This could be adduced to lack of information and collateral securities among farmers. However in recent time, farmers’ participation in micro-credit programs, as a solution to reducing their poverty and financial constraints, has grown substantially to make credit available in the form of small loans without demanding for collaterals, as practiced by the Nigerian Agricultural Credit and Rural Development Bank (NACRBD) and the Agricultural Credit Guarantee Scheme (ACGS) (Adegbite, 2002). As one of its cardinal objectives, the Federal Government of Nigeria has continued to broaden the economic base of the country through revamping of the agricultural sector. It is anticipated that this will alleviate

poverty and generate employment within the nation. The provision of adequate finance, therefore, becomes a necessity to facilitate the extent to which planned projects and programs could be executed in public financing. Though micro-credit schemes are becoming fashionable, their results have been with mixed blessings.

In Ogun State, Nigeria, for instance, government's interventions started with a policy framework giving priority to the growth of agriculture. Through such interventions, efforts and budgetary allocations were directed to different sub-sectors of agriculture like livestock, crops, fisheries and other niche enterprises, such as bee-keeping. For such policy framework, emphases has always been directed towards continuous institutionalization that could ease provision of timely and adequate credit support to small and medium scale farmers. Agricultural credit policies in Ogun State are therefore tailored towards efficiency in agricultural production using policy instruments of ;

- (i) revitalization of the institutional credit source through the establishment of the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA);
- (ii) using relatively low rate of interest (compared to high rates charged by the commercial banks);
- (iii) giving allowance for less rigid conditions for borrowing, decentralizing the OSAMCA through the establishment of zonal offices, in addition to the State headquarters to bring the services nearer to intending beneficiaries;
- (iv) creating innovations in credit delivery operations, involving compulsory savings by potential beneficiaries or their groups; and
- (v) providing reliable and sustainable source and supply of take-off grants and funds for the credit delivery operations by government.

Consequently, there is a need to assess the performance of a very prominent micro-credit agency, like the OSAMCA in Ogun State, of southwest Nigeria, in meeting the credit needs of small and medium-scale farmers. “Though financial services exclusion is not just a consequence, it could be regarded as one of the causes of poverty and obstructions to income-generation among farmers” (Adegbite & Oluwalana, 2004). It’s timely and adequate provision is, no doubt, an important factor in agricultural development.

This study was therefore conducted on the OSAMCA to assess the performance of the institution in terms of the volume of loan disbursed and the number of farmers serviced over time since inception of the scheme. Efforts were made to explore the conditions that would make for sustainable management of funds in the micro-credit delivery and operation with a view to recommend how the system could be managed, for what activities, and with what guarantees. From the study, a number of lessons discovered from the OSAMCA’s experience, from which other institutions can learn, were also investigated. The study is also important to allow policy-makers not to see credit scheme as an end in itself, but as a means of generating a framework for constant monitoring and evaluation of policies that could enhance productivity of small and medium scale food producers. In addition, the work will be useful to assess the success or failure of the OSAMCA and to contribute to knowledge on issues relating to micro-credits in Nigeria.

### **Objectives of the Study**

The major objective of the study was to assess the performance of the OSAMCA in terms of the agricultural credit delivery. Specifically the study aimed at:

- (i) investigating the socio-economic characteristics of the OSAMCA’s beneficiaries;

- (ii) examining the criteria and strategies adopted in granting loans to beneficiaries and how such loans are managed over the repayment period;
- (iii) types, forms, and volume of loan disbursed and the number of beneficiaries serviced over the period under review;
- (iv) examining the outlook on seasonal/annual and enterprise-specific credit delivery over the study period;
- (v) comparing the nature of the repayment plan in the OSAMCA's Loans Delivery Agreement with other established plan models; and
- (vi) drawing lessons from the financing experience of the OSAMCA and making recommendations for improvement in service delivery of the OSAMCA.

**Agricultural Credit Programmes and Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA)**

The agricultural credit policy in Ogun state started in 1976, when the assets and liabilities of the defunct Western Nigerian Agricultural Credit Corporation were shared among the, then, newly created State of Oyo, Ondo, and Ogun. Consequently, the Ogun State Agricultural Credit Corporation became established in 1977 to provide the much needed credit to farmers resident in the state. To ensure efficiency in operation, the Corporation became merged and demerged several times under different Government dispensation to form the Ogun State Agricultural Credit Corporation (ACCC) at Igbogila in 1983. This later became part of a Department in the State Agro-Services Corporation in 1984. In 1986, the credit scheme became moribund and was discontinued. This led to a significant restructuring, the consequence of which brought about two major strides in public financing as:

- (i) Government expenditure on the State Agricultural Development programs and projects, as well as other related services. Notable among these are the

subventions to the Ogun State Agricultural Development Programs (OGADEP), as well as the co-sponsorship of the National Fadama Development Project II (NFDPII) with the World Bank;

- (ii) the establishment of the public credit agency, known as the Ogun State Agricultural Credit Agency (OSACA), with direct and indirect implications for increased agricultural sector financing in the state.

The OSACA was established in September 2003 as a public sector, institutionalized, short-term, line of credit financing outfit to provide financial services for rural development, poverty alleviation, and employment generation through the small-scale farmers in the state. In order to broaden the scope and activities of the OSACA, create efficiency, and proper co-ordination in credit delivery, the OSACA was eventually transformed (in March 2004) to the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA), to provide micro-credit to both agricultural and non-agricultural small and medium scale businesses in the state. The institution is also charged with the empowerment of grandaunts in agricultural and non-agricultural training under the Ogun State Employment Generation Program (OGEGEP).

The objectives for which the OSAMCA was established were to provide low interest credit for farmers and agro-entrepreneurs, meet loan demands (of many genuine farmers/entrepreneurs as are in need of funds), serve as a growth strategy for the development of rural areas of the state, generate employment, reduce rural-urban migration, fulfill the citizens' aspiration for livelihood security, enhance the income level of farmers, and make farming attractive.

## **Methodology**

The study was conducted on the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA) in 2007, with two units of observation; the beneficiaries and the OSAMCA. The sample frame used for the study was 1,216 farmers who benefited from the OSAMCA's credit operations and services within the period studied. A systematic random sampling procedure was used to select 120 beneficiaries; 30 each from four zones stratified based on the OSAMCA's operating zones. The data was collected from 102 respondents. Information collected was on the socio-economic characteristics and production capacities of the respondents. The information on the respondents was later validated from the information collected from the OSAMCA data source. Reliability coefficient of the instrument used was 0.79. The data was analyzed using descriptive statistics, such as tables and %ages. The performance of the OSAMCA was assessed using a two-stage longitudinal approach. Data was sourced through the OSAMCA's compendium and reports as well as personal contacts with both the OSAMCA's officials and beneficiaries. The first stage of the adapt collection was carried out using a survey instrument to investigate the profile, management structure, objectives, and loan operations of the OSAMCA. At the second stage, credit delivery performances at the beneficiaries' level were assessed in the four geo-political operating zones of the OSAMCA; at Abeokuta, Ijebu-ode, Ikenne, and Ilaro.

Comparison of the two methods of repayment, Fixed Principal Payment Method (FPPM) and Fixed Payment Method (FPM), adopted by the OSAMCA, were also carried out with a view to determine if there are needs for improvement and/or modification in credit management. Simple descriptive statistics were used to compare performance by

year, zone, and by enterprises apart from the assessment of growth and credit delivery over the period of operation.

## **Results and Discussion**

The study assessed the performance in credit delivery to beneficiaries spread over the state in four (4) operational zones (Egba, Ijebu, Remo, and Yewa). Findings from the study revealed that OSAMCA has been operating the micro-financing of small and medium-scale enterprises as well as agriculture since 2004. As a government-sponsored financial support to farmers and other entrepreneurs in the state, the OSAMCA used to facilitate its credit delivery system through Wema Bank Plc, the Ogun State Cooperative Federated Limited (OSCOFED), as well as the community banks. About 1,216 beneficiaries gained from agricultural enterprise loans over the 3 years (2004-2006) of operation. There was an overall positive impact, growth, and spread of the OSAMCA's support services in terms of access (1,216 farmers benefited), enterprises (8 activities empowered), a number of zonal branches (4 covering the geo-political areas of the state) in addition to the operational headquarters, and the number and volume of loans disbursed on yearly basis (ranging from ₦ 19m in the first year of operation to a maximum of ₦27m) (Table 4).

The results of the analysis of socio-economic characteristics of the beneficiaries are presented on Table 1. Age is a very important factor in farming, as youths and young adults full of vigor are required for production. Each of the 102 sampled beneficiaries were between the ages of 21 and 50 years; an age in which they are considered highly productive and active to undertake the strenuous task associated with farm work. This is in line with the assertions of Okwoche et al (1998), Igbokwe (1984), and Bello (2000) that age has positive correlation with acceptance of innovations and risk-taking as implicit



in the credit borrowing for agricultural production. Education is an important factor which can influence farm productivity and determine farmers' access to information and adoption of new farming ideas, skills, technologies, incentives, and policy programs. Level education was considered by the study as the number of years spent in formal school system by the respondents. The study shows that about 23% of the respondents attended secondary schools and less than thirty one (30.4%) are uneducated (see Table 1, Figure 1). In all, about 69 respondents have some form of education. This is contrary to the general opinions that most of the smallholder farmers are illiterate, but are in fact semi-literate; most of whom have dropped out of the formal school system. All these have implications for not only their willingness to adopt new technologies, productivity, revenue, and eventually abilities to repay loans obtained, but also on planning innovations and development programs, given credit support by the OSAMCA to complement their meager working capital (Akinola, 1986a; Ngwu, 1989; Ogbodu, 1990; Onu, 1991; Ozor, 1998; Okwoche et al 1998).

The knowledge of distribution of the respondents by gender is very important to assist in planning and targeting of interventions. The ratio of the male to female beneficiaries was found to be 63:39. This is a throwback to the traditional belief on women access to productive resources of which credit is one. This is, however, in line with some gender studies which seem to suggest that women participate more than men in most farming activities (Lahai, 1998; Lahai et al, 2000).

Several studies have indicated that farming is a rural occupation and have argued, that in most developing countries of the world, farming is facilitated by the fact that most of the population reside in the rural areas. Farming, as the major occupation, has a function of the importance, attached to it is a source of livelihood. 68% of respondents have farming as their major occupation (Table 1, Fig.2) and are thus likely to commit

more number of hours, efforts, and loans towards the success of the farm enterprises. More female beneficiaries were engaged in farming than their male counterparts. This could be due to the fact that most male beneficiaries went into part time artisanship and other income-generating ventures as a means of increasing total income (Table 1).

Yearly estimated income shows that those earning below ₦100,000 (88.2%) were in the majority (Table 1, Figure 3). 26.5% of beneficiaries had less than 10 years of farming experience, while 73.5% had 11 or more years of experience. Such experience is desirable as the greater the better for the farmers to cope with the shocks, risks, and stress associated with farming (Table 1, Figure 4). The average household size of 8 persons has implications for availability of farm labour that can facilitate production and enhance productivity.

**TABLE1: SOCIO-ECONOMIC CHARACTERISTICS OF BENEFICIARIES**

S/N	Characteristics	Frequenc y	%	Mean	Std.Dev	Est.Std error $\sigma$
1	<u>Age (Years) &lt;20</u>	-	-			
	21-34	28	27.5			
	35-49	48	47.0			
	$\geq 50$	26	25.5			
	Total	102	100	41.5 Years	10.18	1.071
2.	<u>Gender (No.)</u>					
	Male	63	61.8			
	Female	49	38.2			
	Total	102	100	51 (Nos.)		

Cont.

3.	<u>Educational Level attained</u>					
	No formal education	31	30.5			
	Primary Education	34	33.3			
	Secondary Education	14	13.6			
	Technical Education	4	4.0			
	Teachers' College	5	5.0			
	NCE/OND/HND/B.Sc	14	13.6			
	Total	102	100	17(Nos.)		
4.	<u>Marital Status (No.)</u>					
	Single	8	7.8			
	Married	74	72.8			
	Divorced	7	6.9			
	Widowed	13	12.8			
	Total	102	100	25.5≈ 26		
5.	<u>Distribution by Major Occupation (No)</u>					
	Farming	68	67.8			
	Artisans	8	7.8			
	Petty trading	17	16.7			
	Others	9	8.8			
	Total	102	100	26.5	2.64	
6.	<u>Farming Experience (Years)</u>					
	1-5	7	6.9			
	6-10	20	19.6			
	11-15	39	38.2			
	16-20	16	15.7			
	21-25	8	7.8			
	>25	12	11.8			
	Total	102	100	14.7 years	8.38	0.833

Cont.

7.	<u>Household size (No.)</u>					
	1-5	33	32.3			
	6-10	42	41.2			
	11-15	24	23.5			
	16-20	3	3.0			
	21-24	-	-			
	Total	102	100	7.8 ≈ 8 (No)		
	<u>Volume of Credit Delivered (₦)</u>					
	1,000 – 19,999	5	4.9			
	20,000 – 39,000	9	8.8			
	40,000 – 59,000	48	47.1			
	60,000 – 69,000	25	24.5			
	70,000 – 99,000	5	4.9			
	≥100,000	10	9.8	₦ 60,220.43	15.99	1.591

Source: Computed from OSAMCA Annual Reports and Compendium on Credit Delivery (2004-2006)

### **Types, Terms and Procedures of Loan Procurement**

There are two types of loans for which beneficiaries are currently empowered on. These are: (i) short-term loans, for covering part of the production costs on established enterprises, and (ii) medium-term loans, given as the “Tractor and Equipment Facilities Program” for groups. The OSAMCA, over the years, has been empowering beneficiaries with agricultural loans, as operating expenses, to match with the length of the production cycle which, in most cases, spans between 3 to 12 months. Findings, however, revealed that the terms of loans follow a revolving-line of credit financing pattern under varying commitments specifying the amount, timing of disbursement, and loan repayment subject to a maximum borrowing limits and enterprise types (Table 2). Loans were usually

granted to genuine individual farmers, cooperatives and grandands of the Ogun State Employment Generation Program (OGEGEP). To be eligible to benefit from the loans, the applicant must be adjudged to be of good character and posses a well established agricultural enterprise for which the loan is requested. Other applicants are cooperative societies and organizations involved in small or medium-scale agricultural enterprises with minimum membership strength of 10 persons.

“The success or failure of any loan scheme starts with the ability to screen before the application forms are issued out to only applicants whose managerial ability and potential profitability are correlated with expected performance in loan recovery considered” (Adegbite & Oluwalana, 2004). The study of the OSAMCA’s credit operations revealed that the initial task of selecting potential beneficiaries, who must be genuine farmers, starts with the zonal credit office before consideration and approval, and then application forms are issued by the loans committee at the administrative headquarters. Such forms are obtained on payment of the sum of ₦200 for individual clients, ₦2000 by cooperatives, and ₦3000 for corporate bodies; to any Wema Bank Plc. Branch office.

All completed application forms are sent to the manager who, in collaboration with the supervisory team, conducts detailed investigation on the farmers, their proposed projects, land securities, as well as the recommended guarantors who must be civil servants in government establishments. The study revealed that detailed reports presented by the supervisory officers and loans committee served as the instruments for recommending or not recommending applicants for the loan grants.

### **Terms and Agreements on Loans**

To formalize the agreement between the OSAMCA and its loanees, a number of statutory written documents were issued. One of such is the “Credit Note”, specifying the:

- (i) *Loans component*, i.e forms in which the loans are disbursed (In-kind, In-cash), the value of the insurance premium on the enterprise empowered, as well as the expected loan volume to be repaid by the beneficiary after adding the 12 % interest charge (Table 2);
- (ii) *Disbursement Plan*, i.e. the number and rate of disbursement for the proposed project (usually in 2-3 installments within a time lag of 3-6 months); and the
- (iii) *Repayment Plan*, expressing the expected number of times for repayment, the time lag, and frequency (monthly for livestock enterprises and within 6 months for crops), after 3 months of moratorium. It also specifies the expected amount to be repaid per time. Details of the beneficiary’s identity, location, project of enterprise type, zonal office nearest to the project, production capacity in terms of stock population, and area of land, etc. are also incorporated in the repayment plan.

### **Risk Management Strategies on Loan**

Evidences from the study revealed two categories of loan portfolios in OSAMCA and their expected collateral securities. The short-term loan has a credit ceiling of one hundred thousand Naira (₦100,000.00) for individual farmers and one million Naira (₦1m) for cooperatives and corporate organizations. The medium term loans are for the acquisition of assets/equipment in the newly established farm estates in the state. For the seasonal loan, beneficiaries confirmed that apart from the OSAMCA’s expectation of the

beneficiaries, to provide security savings (otherwise known as compensating deposit balance) of 10 % of the volume to be granted as a form of guarantee. The study also confirmed that each applicant has to provide two guarantors and insure his farm with the Nigerian Agricultural Insurance Corporation (NAIC). The insurance premium is 3.75 % of the loan issue.

**TABLE 2: TYPICAL “CREDIT NOTE” ON AGRICULTURAL PROJECTS USED BY OSAMCA**

Name of Project/ Enterprise.....

Location/Address.....

Zone ..... Enterprise: Piggery Size.....

A. Loan Component

S/N	Loan component	Type	Quantity	Amount ₦ : K
1.	In-Cash			30,000: 00
2.	In-Kind	Stock (3 Sows + 1Boar)	4	30,000: 00
3.	Insurance Premium	3.75% of Loan Volume		2,250: 00*
4.	Total Volume of Loan			62,250 :00
5.	Total Amount payable (loan volume + Interest. charges)			69,720 :00

\* Remitted to NAIC through OSAMCA

### B. Disbursement Plan

S/N	Installments	Date	Amount ₦ : K
1.	Total Amount payable (loan volume + Interest. charges)		69,720 :00

### C. Repayment Plan

S/N	Payment Schedule	Amount ₦ : K
1.	1 <sup>st</sup> payment ( $\leq$ 10% of Loan Vol. disbursed)	6,500 : 00
2.	November 2005	8,000 : 00
3.	December 2005	8,250 : 00
4.	January 2006	20,000 : 00
5.	February 2006	20,000 : 00
6.	March 2006	7,220 : 00
	Total	69,720 : 00

Source: Computed and analysed from OSAMCA Annual Reports and Compendium on Credit Delivery and Operation (2004-2006)

### **Procedures Used For Loan Disbursement**

Beneficiaries asserted that approved loans were disbursed In-cash, In-kind, or in both (cash and kind) at once or in installments (usually twice) Table 2. Loans disbursed In-kind were usually in forms of inputs, such as fertilizers, fingerlings, juveniles, boars, sows, planting materials, tools, equipment, as well as payments for land preparation. Loans In-cash were expected to be used for other farm operations and payment of wages. They also claimed that forms of disbursement depend on the season of the year and the proposed enterprise (project) to be serviced. In all the enterprises empowered over the period of the study (2004-2006), the volume of loan disbursed ranged between



₦16,420.00 for Fadama project to ₦ 103,750.00 for livestock enterprises per beneficiary. Also, 1,216 beneficiaries were empowered on 8 different agricultural enterprises; namely crops, poultry and other livestock, fisheries, piggery, beekeeping, agro-processing, and Fadama. In addition responses from the zonal credit officers revealed that the insurance premiums are charged and paid on behalf of the loanees to the state office of NAIC (Table2 & Table 4).

### **Expectations for Repayment**

Beneficiaries of short-term loans repay the OSAMCA at 12 % interest after harvesting or selling their produce within 12 months of loan disbursement; loans to cooperatives were paid within 2-5 years of disbursement; however defaulters were made to pay an additional 1 % interest on overdue loans for every month of default. The method of repayment adopted by the OSAMCA is Fixed Payment Method (FPM). Of the three common repayment methods used in credit management (Fixed Payment Method [FPM], Fixed Principal Payment Method [FPPM], and Balloon method), the study revealed that the OSAMCA is adopting the FPM. The FPM requires that a fixed amount (principal + interest) be paid by the borrowers at regular time intervals at 12% rate of interest over a specified period, depending on enterprise insured (Yaron,1992; Ahmed, 1992; Jahangir & Zeller, 1995; Ellinger & Barry, 2004).

This was found in contrast to the FPPM, as modeled by Ellinger and Barry (2004), recognizes interest due on unpaid balances (Table 3). Comparative analysis of the methods of payment (Table 3), on ₦103,750.00 loan for a fishery enterprise repaid in nine (9) equal installments at 12% interest in 3 months, revealed that beneficiary's repayment remained fixed at ₦103,750.00 (Table 3).

The OSAMCA adopted the FPM, apart from the payment of the compensating deposit of almost 10%, amounting to ₦6,500.00 of loan granted as initial and security savings (Table 2). However with the FPPM, monthly repayment ranged from as high as ₦23,977.80 in the first month of repayment (after three months of moratorium), to ₦12,910.90 in the last month. This gave a total loan repaid of ₦166,000.00, which was about ₦47,002.00 greater than the sum realized from the payment strategy adopted by the OSAMCA on capital invested (Table3).

The frequency of loan repayment among the beneficiaries is a function of the enterprises serviced. The loans were structured as monthly payments during a quarter (Table 2), and more frequent payments tended to reduce the interest payments over time (Table 3). Also, repayments are made to coincide with harvest periods or marketing when the cash flow of most farmer-beneficiaries is expected to be high.

### **Performance of OSAMCA on Credit Flow and Delivery**

“Emphasis on agricultural credit administration has continued to be on sustainable institutionalization for providing timely and adequate credit support, which could enable small and medium-scale farmers to adopt improved and modern technologies for increased production and productivity” (Adegbite, Sokoya, Phillip, 2002).

From the study, it was revealed that credit and service delivery by the OSAMCA has been through a multi-agency network with commercial and community banks, as well as farmers’ groups. With the vast area of zonal offices covering the four geo-political parts of the state (in Abeokuta, Ijebu-Ode, Sagamu, and Ilaro) OSAMCA was able to maintain a wide coverage and extensive outreaches through many villages.

The total volume of credit flow to all agricultural enterprises, insured by the OSAMCA, increased from ₦19,140,299 disbursed to 389 beneficiaries in 2004 to

₦27,355,513 for 428 beneficiaries in 2005, giving 43% and 10% increases in the value of loans and number of beneficiaries respectively, using 2004 as the base year. However, ₦26,732,226 was disbursed to 399 beneficiaries in 2006, giving a 40% increase in value over the delivery performance in 2004, but a 2.3% decrease in value over year 2005 performance (Table 4).

The spread and outreaches were also impressive increasing from 389 beneficiaries in 2004 to 428 beneficiaries in 2005, though it decreased to 399 beneficiaries in the year 2006. The average volume of loans over the 3 years of operation (2004-2006) increased from ₦4,785,074.70 to ₦6,683,056.50, affecting the average volume per beneficiary in each zone. Though the sum of ₦9,373.11, which was the average volume per beneficiary in the Egba zone in 2004, was considered to be too low to cover the production cost of most of the enterprises insured, the study revealed that it was due to the cash constraints and limited funds support from the state government at inception. The sum may also be considered low due to the need to inherit the assets and liabilities of other government agencies related to the credit administration in the state.

Findings also indicate an overall positive performance of OSAMCA's micro-finance support services on aspects like:

- (i) *Access to the Services*; the number of service points increased from one (at the head office) to five, with four other zonal offices established throughout the State;
- (ii) number of enterprises/activities insured;
- (iii) total volume of loan disbursed between (2004-2006) valued at ₦73,229,038 (Table 5 and Table 6); and
- (iv) increasing number of beneficiaries empowered (Table 4).

There is however a need to create opportunities for saving and insurance of projects by beneficiaries. Less dependence of the zonal branches on commercial banks, as well as increased donor support for expansion of the Scheme under the zones, will also enhance performance.

**TABLE 5: DISTRIBUTION OF CREDIT DELIVERY BY ZONE (2004-2006)**

Zone	Loan Vol. disbursed ₦	% of the total Vol.	No. of Benefs. Empowered	% of the total No.
Egba	23,415,189.00	32.0	366	30
Ijebu	15,674,616.00	21.4	256	21
Remo	17,759,246.00	24.3	260	21
Yewa	16,378,987.00	22.3	334	28
Total	73,228,038.00	100	1216	100

Source: Computed and Analysed from OSAMCA Annual Reports and Compendium on Credit Delivery and Operations Data (2004-2006)

**TABLE 6: DISTRIBUTION OF THE VOLUME OF LOAN DISBURSED BY ENTERPRISE BY ENTERPRISE- ZONE (2004-2006)**

Enterprises	Zones				
	Egba	Ijebu Ode	Remo	Yewa	Total
Crops	3,456,318	2,329,041	2063256	5,875,500	13,724,115
Poultry	7,411,063	5,529,754	7811234	3,074,054	23,826,105
Piggery	5,892,983	3,382,621	2525409	3,373,440	15,174,453
Fisheries	5,574,375	3,747,850	4372000	3,516,950	17,211,175
Bee-keeping	259,375	207,500	155625	104,500	727,000
Agro-processing	103,750	228,250	383875	83,000	798,875
Livestock	353,125	167,500	187500	332,750	1040875
Fadama	364200	82,100	260347	18,793	725,440
Total	23,415,189	15,674,616	17,759,246	16,378,987	73,228,038

Source: Source: Computed and Analysed from OSAMCA Annual Reports and Compendium on Credit Delivery and Operations Data (2004-2006)

## **Problems Faced by the OSAMCA in Credit Delivery**

Responses from the beneficiaries showed that the OSAMCA is facing a number of problems limiting its performance toward satisfying the demand for credit in the state.

Some of the constraints include:

- (i) the small operational size of the OSAMCA, constraining its dependence on the state government's subvention and financial support;
- (ii) lack of diversification in the OSAMCA's credit administration and portfolio;
- (iii) inconsistency in the issuance of loans within the 3 years of operation;
- (iv) duality of control between the political powers in governance, ministries, and parastatals in the state;
- (v) insufficient internal and external controls in credit delivery and loans monitoring; and
- (vi) lateness in auditing previous year's operations which had implications on delaying following years' loan monitoring efforts made by the OSAMCA the subsequent year.

## **Conclusion and Recommendations**

Emphasis on agricultural credit administration has remained the major policy of the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA), operated by augmenting cash flows and rationalizing lending policies and procedures through the zonal offices. Within three years of operation, the OSAMCA was able to operate in the area of agricultural financing, and micro-agricultural enterprise development. Though the growth in credit supply has been satisfactory, the savings deposit has not kept pace with the supplies. However, with the existing vast network of coverage and outreaches throughout the State, the OSAMCA will remain the primary institutional outfit for

dispensing agricultural credit with continued significant contributions, in terms of the number of farmers empowered and enterprises insured. Based on the findings from the study, the following are suggested for further improvement of the OSAMCA's performance:

- (i) to improve the flow of credit to the resource-poor sector of the state, Self-Help Groups (SHGs), and Bank Linkage Schemes (BLSs) could be initiated as part of the credit administration of the OSAMCA. This is expected to provide farmers with adequate and fast access to financial services within a reasonable time lag at a relatively lower cost through OSAMCA and to ensure sustainable cash flow and outreaches for rural development;
- (ii) in its efforts to reach the small-scale farmers in the state and maximize marginal impact of the services rendered, there is a need for the OSAMCA to give room for inter- and intra-service placement decisions in the zonal offices;
- (iii) outreaches to beneficiaries could be improved if the types of services, like savings options, short-term cash loans, and loans for input procurement demanded by applicants, are directly offered. Also, indirect targeting of farmers' groups may work better than the rigid wealth indicators used, which may not reflect the repayment potential of the beneficiaries and justify the objective of the credit scheme;
- (iv) comprehensive re-appraisal of the current approaches to the credit administration of the OSAMCA will encourage better assessment of potential beneficiaries and reduce the cost of capital charged, without a trade-off in the profit margin, for recapitalization of loan portfolios;
- (v) although the OSAMCA has established its policies on repayment plans, coinciding with the beneficiaries' cash flow, there is a need to re-appraise

and/or modify the method of repayment from the Fixed Payment Approach, currently being used, to the Fixed Principal Payment Approach, that could earn more on capital disbursed per unit time;

(vi) innovative strategies that could reduce transaction costs of both the lenders and borrowers and increase marginal returns on loans should be adopted and encouraged. This could be achieved through :

(a) area/zonal-specific strategies and differentiation in financial services rendered; and

(b) performance and location (zonal) incentives for credit officers who must have run successful innovations in previous operational years.

**TABLE 3: COMPARISON OF THE LOAN REPAYMENT METHODS: FIXED PAYMENT VERSUS FIXED PRINCIPAL PAYMENT METHODS**

<i>Fixed Payment Method (OSAMCA Approach)</i>					<i>Fixed Principal Payment Method (Ellinger &amp; Barry Approach)</i>				
Beginning Balance (₱)	Principal Payment(₱)	Int.charge @12% (₱)	Total Payment(₱)	Ending Balance (₱)	Beginning Balance (₱)	Principal Payment(₱)	Int.charge @12% (₱)	Total Payment(₱)	Ending Balance (₱)
118,998.00	10,500.00	-	10,500.00	108,498.00	103,750.00	11,527.80	12,450.00	23,977.80	92,222.20
108,498.00	680.00	13,019.80	13,700.00	94,798.00	92,222.20	11,527.80	11,066.70	22,594.50	80,694.40
94,798.00	2,324.00	11,375.80	13,700.00	81,078.00	80,694.40	11,527.80	9,683.30	21,211.13	69,166.40
81,078.00	3,968.00	9,731.80	13,700.00	67,398.00	69,166.40	11,527.80	8,300.00	19,827.80	57,638.80
67,398.00	5,812.00	8,087.80	13,700.00	53,698.00	57,638.80	11,527.80	6,916.70	18,444.50	46,111.00
53,698.00	7,256.00	6,443.80	13,700.00	39,998.00	46,111.00	11,527.80	5,533.30	17,061.10	34,583.20
39,998.00	8,900.00	4,799.80	13,700.00	26,298.00	34,583.20	11,527.80	4,150.00	15,677.80	23,055.40
26,298.00	10,544.00	3,155.80	13,700.00	12,598.00	23,055.40	11,527.80	2,766.70	14,294.50	11,527.60
12,598.00	11,056.00	1,511.80	12,598.00	-	11,527.60	11,527.60	1,383.30	12,910.90	-
Total	60,670.00	58,128.00	118,998.00			103,750.00	62,250.00	166,000.00	

Source: Computed and Analysed from OSAMCA Annual Reports and Compendium on Credit Operation, (2004-2006)



**TABLE 4: ANALYSIS OF THE CREDIT DELIVERY PERFORMANCE OF OSAMCA BY ZONE (2004 -2006)**

Year Variables	2004				2005				2006				TotalVol. for period ₦
	Zones*				Zones*				Zones*				
	I ₦	II ₦	III ₦	IV ₦	I ₦	II ₦	III ₦	IV ₦	I ₦	II ₦	III ₦	IV ₦	
Total Vol. of Loan disbursed	4,827,152	4,138,793	4,970,430	5,203,924	7,342,218	5,702,219	8,984,250	5,326,826	11,245,819	5,833,604	3,804,566	5,848,237	73228038
No. of benefs. Serviced in each zone	103	85	77	124	114	85	126	103	149	86	57	107	1216
Total Vol. for all zones	19,140,299				27,355,513				26,732,226				
Av. Vol. for all zones	4,785,074.70				6,838,818.20				6,683,056.50				
No. of benefs. Serviced/zone/Yr									399				
Av. Vol./Benef. In each zone	9,373.11	48,691.68	65,400.40	41,967.13	64,405.42	67,084.9	71,303.6	51,716.8	75,475.3	67,832.6	66,746.8	54,656.4	60,220.43
No. of LGAs serviced.	5	6	3	5	6	4	3	5	6	6	4	5	
Av. Vol./LGA	965,430.4	689798.8	1,656,810	1,040,784.8	1,223,703	1,425,554.7	2,994,750	1,065,365.2	1,874,30.1	972,267.3	951,141.5	1,169647.4	
No. of enterprises supported	5	6	5	6	5	4	5	4	7	7	7	7	
Av. Vol./Ent. in each zone	965,430.40	689,798.8	994,086	867,320.7	1,468,443.6	1,425,554.7	1,796,850	1,331,706.5	1,606,545.5	83,377.2	543,509.4	835,462.4	
%Δ in Vol. of loan disbursed over previous Yr	-	-	-	-	389	428			-2.3				
%Δ in No. of LGAs serviced.	-	-	-	-	-	-33.3	-	-	-	+33.3	+25	-	
%Δ in No. of enters. Supported	-	-	-	-	-	-33.3	-	-33.3	+40	+60	+40	+60	
%Δ in No. of benefs. Serviced	-	-	-	-	+11	-	+64	-17	+31	+1	-55	+4	

Source: Computed and Analyzed from OSAMCA Credit delivery and Operations Data (2004-2006) \*Zones = I- Egba, II-Ijebu, III- Remo, IV –Yewa.

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