

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

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ABSTRACT

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 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 rate 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 Agency's growth, the number of farmers empowered as well as the general outlook in credit delivery and operations by the Agency. Within the three years (2004-2006) of operation, 1216 farmers benefited through eight different agricultural enterprises; from N73, 228,038.00m at 12 percent interest charge, at an average of N 24,409,346.00 per zone for all the enterprises and N 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.

Key words: Credit delivery, Credit operations, Performance Assessment, OSAMCA, Collateral security, Ogun State

INTRODUCTION

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 and development processes over the past few decades. It is however 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 framework and objectives. For such objectives, the provision of credit is a necessity for determining the extent to which such planned projects and programmes 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, Biswanger *et al.*, 1993 and Agbor, 2004).

Even when available, access to 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 programmes as a solution to reducing their poverty and fi-

nancial constraints has grown substantially to make credit available in form of small loans without demanding for collaterals as practised 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 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 programmes 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 like bee-keeping. For such policy framework, emphases have 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 agency 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.
- funds in the micro-credit delivery and operation with a view to recommending how the system could be managed, for what activities and with what guarantees. From the study, a number of lessons learnt from the agency'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 agency and to contribute to knowledge on issues relating to micro-credits in Nigeria.

Consequently, there is a need to assess the performance of a very prominent micro-credit Agency, like the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA) in Ogun State, 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 and Oluwalana, 2004). Its timely and adequate provision is no doubt an important factor in agricultural development.

This study was therefore conducted on the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA); to assess the performance of the institution in terms of the volume of loan disbursed, the number of farmers serviced over time since inception of the scheme. Efforts were made to explore the conditions that will make for sustainable management of

Objectives of the Study

The major objective of the study was to assess the performance of the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA) in terms of the agricultural credit delivery. Specifically the study aimed at:

- i. investigating the socio-economic characteristics of the Agency'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 repayment Plan in the Agency's Loans delivery Agreement with other established Plan models; and

vi. drawing lessons from the financing experience of the Agency and making recommendations for improvement in service delivery of the Agency.

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 de-merged 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 Programmes and projects as well as other related services. Notable among these are the subventions to the Ogun State Agricultural Development programmes (OGADEP) as well as the co-sponsorship of the National Fadama Development Project II (NFDPII) with the World Bank;
- (ii) 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 Ogun State Agricultural Credit Agency (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 Agency, make for efficiency and proper coordination in credit delivery, the Agency was eventually transformed to the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA) in March 2004; 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 Programme (OGEGEP).

The *objectives* for which OSAMCA was established are to provide low interest credit for farmers and agro-entrepreneurs, meet loan demands of as 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 and fulfill the citizens' aspiration for livelihood security; and 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 Agency. The Sample frame used for the study was one thousand two hundred and sixteen (1,216) farmers who benefited from the agency's credit operations and services within the period studied. Systematic random sampling procedure was used to select one hundred and twenty (120) beneficiaries; 30 each from four zones stratified based on the agency's operating zones. Data were collected from 102 respondents. Information collected was on the socio-economic characteristics and production capacities of the respondents. The information on the respondents were later validated from the data collected from the data sourced from the Agency. Reliability co-efficient of the instrument used was 0.79. The data were analyzed using descriptive statistics; like tables and percentages. The performance of the Ogun State Agricultural and Multi-purpose Credit Agency (OSAMCA) was assessed using a two-stage longitudinal approach. Data were sourced through the Agency's compendium and Reports as well as personal contacts with both the Agency'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 loans operation of the Agency. At the second stage, credit delivery performances at the beneficiaries' level were assessed in the four geo-political operating zones of the agency at Abeokuta, Ijebu-Ode, Ikenne and Ilaro. Fig.1.

Comparison of the methods of repayment; a "Fixed Principal Payment Method" (FPPM) with Fixed Payment Method (FPM) adopted by the Agency ; was also carried out with a view to determining 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 agency 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 One thousand two hundred and sixteen (1216) beneficiaries benefited from agricultural enterprises loan over the 3 years (2004-2006); of operation . an overall positive impact, growth and spread of the agency's support services in terms of access;(1,216 farmers benefited), enterprises/ Activities empowered; (8 in number); number of zonal branches (4 in number to cover the geo-political areas of the State); in addition to the operational headquarters, the number and volume of loans disbursed on yearly basis (ranging from N 19m in the first year of operation to a maximum of N27m)as shown in Table 4.

The results of the analysis of socio-economic characteristics of the beneficiaries are as presented on Table 1. Age is a very important factor in farming as youths and young adults full of vigour are required for production. Majority of all 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 and technologies and incentives and policy programmes. 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% respondents attended secondary schools and less than thirty one (30.4%) are uneducated (Table 1, Fig. 2). In all about 69 respondents have a form of education or the other. This is contrary to the general opinions that most of the smallholder farmers are illiterates but are in fact semi-literates; 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 programmes; given credit support by the agency to complement their meager working capital; as evidence from the studies made by Akinola (1986a), Ngwu (1989) Ogbodu (1990), Onu,(1991), Ozor,(1998) Okwoche *et al.* (1998).

The knowledge of the 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 as asserted by Lahai,(1998) and 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 is a function of the importance attached to it as a source of livelihood. 68% of respondents have farming as their major occupation (Table 1, Fig.3) and are thus likely to commit more number of hours, efforts and loans towards the success of the farm enterprises. More beneficiaries were engaged in farming than their male counterparts. This could be due the fact the 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 N100,000 88.2% were in the majority (Table1, Fig.4); 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 risk and stress associated with farming.(Table 1, Fig. 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	Frequency	%	Mean	Std Dev.	Est. Std error σ
1.	Age (Years)					
	≤20	-	-			
	21-34	28	27.5			
	35-49	48	47.0			
	≥ 50	26	25.5			
	Total	102	100.0	41.5Years	10.18	1.071
2.	Gender (No.)					
	Male	63	61.8			
	Female	49	38.2			
	Total	102	100.0	51(Nos)		
3.	Educational Level Attained					
	No formal education	31	30.5			
	Primary Education	34	33.5			
	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	100.0	25.5≈ 26		
4.	Marital Status (No.)					
	Single	8	7.8			
	Married	74	72.8			
	Divorced	7	6.9			
	Widowed	13	12.8			
	Total	102	100.0			
5.	Distribution by Major Occupation (No)					
	Farming	68	67.8			
	Artisans	8	7.8			
	Petty trading	17	16.7			
	Others	9	8.8			
	Total	102	100.0	26.5	2.64	
6.	Farming Experience (Yrs)					
	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	100.0	14.7Years	8.38	0.833
7.	Household size (No.)					
	1-5	33	32.3			
	6-10	42	41.2			
	11-15	24	23.5			
	16-20	3	3.0			
	21-24	-	-			
	Total	102	100.0	7.8 ≈ 8 (No)		
8.	Vol.of Credit Delivered (N)					
	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			
	Total	102	100.0	N 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 (ii) medium-term loans given as the “Tractor and Equipment facilities Programme” for groups. The agency 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 months and 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 loans repayment subject to a maximum borrowing limits and enterprise types (Table 2). Loans were usually granted to genuine individual farmers, cooperatives and granddands of the Ogun State Employment Generation Programme (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 and Oluwalana, 2004). The study of the agency’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, approval and to issuance of application forms by the loans committee at the administrative headquarters. Such forms are obtained on payment of the sum of N200 for individual clients, N2000 by cooperatives and N3000 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 agency 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 percent interest charge (Table 2);
- ii. *Disbursement Plan* i.e. the number and rate of disbursement for the proposed
- iii. project; (usually in 2-3 installments within a time lag of 3-6 months); and the
- iv. *Repayment Plan* expressing the ex-

pected 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

Note : \$1 = N120.000

Risk Management Strategies on Loan

Evidences from the study revealed two categories of loan portfolio in OSAMCA and their expected collateral securities.

The short-term loan has a credit ceiling of one hundred thousand Naira (N100, 000.00) for individual farmers and one million Naira (N1m) 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 agency’s expectation of the beneficiaries to provide security savings; (otherwise known as compensating deposit balance) of 10 percent 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 percent 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
				N : 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			69,720 : 00
	(Loan Vol.+ Interest charges)			

* Remitted to NAIC through OSAMCA

B. Disbursement Plan

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

C. Repayment Plan

S/N	Payment Schedule	Amount	
		N	: K
1.	1st payment ($\leq 10\%$ of loan Vol.disbursed)	6,500	:00
2.	November 2005	8,000	:00
3.	December 2005	8,000	: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 like fertilizers, fingerlings, juveniles, boars and sows, planting materials, tools and 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 study period of the study, (2004-2006), the volume of loan disbursed ranged between N16,420.00 for fadama project to N 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, pig-gery, 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

Nigerian Agricultural Insurance Corporation (NAIC) (Table2 and Table 4).

Expectations for Repayment

Beneficiaries of short-term loans claimed that they repay back to the agency at 12 percent interest after harvesting or selling their produce within 12 months of Loans disbursement. However, Loans to cooperatives were paid within 2-5 years of disbursement. Also defaulters were made to pay additional 1 percent interest on overdue loans for every month of default. Also, the method of repayment adopted by the Agency is "Fixed Payment Method" (FPM). Of the three common repayment methods; (*"Fixed Payment Method" (FPM), **"Fixed Principal Payment Method" (FPPM) and ***"Balloon method); used in credit management; (Yaron ,1992;Ahmed 1992; Jahangir and Zeller;1995, Ellinger and Barry, 2004), the study revealed that the agency is adopting the "Fixed Payment Method" (FPM) which requires that a fixed amount (Principal + Interest) be paid by the Loanees at regular time intervals at 12% rate of interest over a specified period depending on enterprise insured.

This was found in contrast to the “Fixed Principal Payment Method” (FPPM) as modeled by Ellinger and Barry, 2004 which recognizes interest due on unpaid balances (Table 3.) Comparative analysis of the methods of payment (Table 3), on N103,750.00 loan for a fishery enterprise repaid in nine (9) equal installments at 12 percent interest with 3 months; moratorium period revealed that, beneficiary’s repayment remained fixed at N13,750.00 (Table 3).

Table 3 : Comparison of the Loan Repayment Methods: Fixed Payment Versus Fixed Principal Payment Methods

Fixed Payment Method (OSAMCA Approach)				Fixed Principal Payment Method (Ellinger & Barry Approach)					
Beginning Balance(N)	Principal Payment(N)	Int. charge @12% (N)	Total Payment(N)	Ending Balance (N)	Beginning Balance(N)	Principal Payment(N)	Int. charge @12% (N)	Total Payment(N)	Ending Balance (N)
118,998.00	10,500.00	-	10,500.00	108,498.00	103,750.00	11,527.80	12,450.00	23,977.90	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	9,731.00	13,700.00	67,398.00	69,166.00	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	11,527.80	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)

The agency adopted the “Fixed Payment Method” (FPM), apart from the payment of the compensating deposit of almost 10 percent; amounting to N 6,500.00; of loan granted as initial and security savings. (Table 2). However with the “Fixed Principal Payment Method” (FPPM) monthly repayment ranged from as high as N 23,977.80 in the first month of repayment; (after three months of moratorium); to N12,910.90 in the last month. This gave a total loan repaid as N166,000.00; which was about N47,002 greater than the sum realized from the payment strategy adopted by the agency 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 or quarterly payments;(Table 2) and more frequent payment tend 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 adopt improved and modern technologies for increased production and productivity” (Adegbite, et al., 2002).

*Fixed Payment Method: Involves the payment of a fixed amount (Principal + Interest) be paid by the Loanees at regular time intervals at specified rate of inter-

est over a period depending on enterprise insured.

** Fixed Principal Payment Method” (FPPM) as modeled by Ellinger and Barry, (2004) which recognizes interest due on unpaid balances

*** Balloon Payment method:

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 geopolitical 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 Agency increased from N19,140,299 disbursed to 389 beneficiaries in 2004 to N27,355,513; for 428 beneficiaries in 2005 giving 43% and 10% increases in the value of loan and number of beneficiaries respectively using 2004 as the base year. However, N26,732,226 was disbursed to 399 beneficiaries in 2006 giving a 40% increase in value over the delivery performance in 2004 but a 2.3 percent 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 loan over the 3 years of operation (2004-2006) increased from N4,785,074.70 to N6,683,056.50 and this affected the average volume per bene-

ficiary in each zone. Though the sum of N 9,373.11; which was the average volume per beneficiary in 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 as well as 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*; as 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 N73,229,038 (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.

The Yewa zone of Ogun State, Nigeria extends through agro-ecological areas supported by the sandy loam soils, suitable for cereal and other tuber crops production; particularly Maize and Cassava. This is in contrast to the existing swampy/flood plains suitable for the cultivation of all-year round vegetable crops covering the Egba zone especially in Owode Local Government Area noted for Fadama products production in the State. Although Fadama enterprises was considered important through out the State, the natural endowment peculiar to each of the zones has been reflected in the zonal enterprise differences in credit delivery by the Agency Table 6). With the Agency's knowledge that the Fadama II Project Beneficiaries in most of the zones within Ogun State, were benefiting under the project, it is probable that the Agency had concentrated more on insuring other enterprises than Fadama project/Enterprises in the naturally endowed zones like the Egba zone. Priorities have therefore been placed on the granting of loans by enterprise and by zone throughout the State by OSAMCA (Table 6).

This implicit policy in credit delivery could be used in promoting agricultural agenda of encouraging specialization in enterprise/project management by zone and this may in future enhance prospective beneficiaries' efficiency in production and credit use.

Table 4: Analysis of the Credit Delivery performance of OSAMCA by Zone (2004 -2006)

Year Variables	2004 Zones*				2005 Zones*				2006 Zones*				Total N
	I N	II N	III N	IV N	I N	II N	III N	IV N	I N	II N	III N	IV N	
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	73,228,038
No. of benef. Serviced in each Zone	103	85	77	124	114	85	126	103	149	86	57	107	1216
Total Vol. for all Zones (N)	19,140,299				27,355,513				26,732,226				
Av. Vol. for all Zones (N)	4,785,074.70				6,838,818.20				6,683,056.50				
No. of benef. Serviced/Zone/Yr	389				428				399				
Av. Vol/Benef. in each zone (N)	9,373.11	48,691.68	65,400.40	41,967.13	64,405.42	67,084.90	71,303.60	51,716.80	75,475.30	67,832.60	66,746.80	54,656.40	60,220.43
No. of LGAs serviced	5	6	3	5	6	4	3	5	6	6	4	5	5
Av. Vol./LGA	965,430.4	689,798.8	1,656,810	1,040,784.8	1,223,703	1,425,554.7	2,994,750	1,065,365.2	187,430.1	972,267.3	951,141.5	1,169,647.4	
No. of enterprises Supported	5	6	5	6	5	4	5	4	7	7	7	7	7
Av. Vol/Ent. in Each zone	965,430.4	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	
%Δin Vol. disbursed over the previous Yr	-	-	-	-	-	-	+42.9	-	-	-	-2.3	-	
%Δ in No.of LGAs serviced the previous Yr	-	-	-	-	-33.3	-	-	-	+33.3	+25	-	-	
%Δ in No. of Enterp. supported the previous Yr	-	-	-	-	-	-33.3	-	-33.3	+40	+60	+40	+60	+60
% Δin No.of Benef. serviced over the previous Yr	-	-	-	-	+11	-	+64	-17	+31	+10	-55	+40	+40

*Zones ----- I = Egba, II = Ijebu, III = Remo, IV = Yewa
 Source: Computed and analysed from OSAMCA Credit Delivery and Operations Data, (2004-2006)

*Zones ----- I = Egba, II = Ijebu, III = Remo, IV = Yewa
 Source: Computed and analysed from OSAMCA Credit Delivery and Operations Data, (2004-2006)

Table 5: Distribution of Credit Delivery by Zone (2004-2006)

Zone	Loan Vol. Disbursed N	% of Total Vol empowered	No.of Benefs.	% of the Total No.
Egba	23,415,18900	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	100.0	1216	100

Table 6: Distribution of the Volume of Loan Disbursed by Enterprise Zone (2004-2006)

Enterprises	Zones				
	Egba	Ijebu Ode	Remo	Yewa	Total
Crops	3,456,318	2,329,041	2,063,256	5,875,500	13,724,115
Poultry	7,411,063	5,529,754	7,811,234	3,074,054	23,826,105
Piggery	5,892,983	3,382,621	2,525,409	3,373,440	15,174,453
Fisheries	5,574,375	2,747,850	4,372,000	3,516,950	17,211,175
Bee-keeping	259,375	207,500	155,625	104,500	727,000
Agro-processing	103,750	228,250	383,875	83,000	798,875
Livestock	353,125	167,500	187,500	332,750	1,040,875
Fadama	364,200	82,100	260,347	18,793	725,440
Total	23,415,189	15,674,616	17,759,246	16,378,987	73,228,038

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

Problems faced by the Agency in Credit delivery

Responses from the beneficiaries showed that the agency 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 agency constraining its dependence on the State government's subvention and financial support;
- ii. lack of diversification in the agency's credit administration and portfolio;

- iii. inconsistency in the issuance of loan within the 3 years of operation;
- iv. duality of control between the political powers in Governance and Ministries and Parastatals in the State;
- v. insufficient internal and external controls in credit delivery and loans monitoring;
- vi. lateness in auditing previous year's operations which had implications on delaying following years' loan monitoring efforts made by the Agency. 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 Agency was able to operate in the area of agricultural financing, 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 Agency 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 on the agency'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 agency. This is expected to provide farmers with adequate and fast access to financial services within a reasonable time lag, at relatively lower cost through OSAMCA and 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 agency 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 beneficiaries and justify the objective of the credit scheme;
- iv. Comprehensive re-appraisal of the current approaches to the credit administration of the agency 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 portfolio;
- v. Although the agency 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 need 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 year.

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