

Assessment of Ogun State Agricultural Multi-Purpose Credit Agency Loan Delivery to Crop Farmers in Ogun State, Nigeria

ADEYANJU AGBELEMOGE, ELISHA OYEDELE SOGAOLU
Olabisi Onabanjo University, Ago-Iwoye, Nigeria

Abstract. The study assessed the delivery of Ogun State Agricultural Multipurpose Credit/loan to crop farmers in Ogun State. A multi-stage random sampling technique was used to select one hundred and six crop farmer beneficiaries from the four zones. Interview schedule was used to collect primary data. The data were analyzed with descriptive statistics such as frequencies and percentages and inferential statistics were chi-square and regression analysis. The results revealed that respondents were mostly male of average age of 45years, married and averagely educated with 25years of farming experience and cultivated average of 5 hectares of farmland. Radio was the commonest source of information ($\bar{x} = 2.10$) followed by friends and neighbours ($\bar{x} = 2.08$) and Extension Agents ($\bar{x} = 2.05$). Regression analysis revealed positive significant relationship between perception of effectiveness of OSAMCA activities and factors that motivated crop farmers' loan repayment such as linkage with Insurance company ($t = 2.30$); Extension Agents' advisory services ($t = -2.75$) and organization of seminars ($t = 0.41$). Many problems were encountered such as delay in disbursing the loan amount ($\bar{x} = 2.30$) and inadequacy of the amount of loan given ($\bar{x} = 2.28$). The respondents perceived the activities of OSAMCA as positive and effective. Upwards review of loan amount was recommended.

Keywords: Accessibility criteria, Assessment, Crop farmers, Ogun state, OSAMCA loan

1. Introduction

Agricultural output in Nigeria has remained low in spite of the economic potential for agricultural production. This has hindered the country's developmental role of providing adequate food for the country's teeming population, employment for

the growing labour force, raw materials for the infant industries and foreign exchange for industrialization (Onyebinama, 2007). For many years, the urge to foster agricultural growth and development, among other things, has often compelled government to intervene in area of extension, input supply, credit and marketing services in particular. The Nigerian government enacted various schemes with a bid to bringing about capital flow to the agricultural sector to develop appropriate organizations and institutions to mobilize and induce members to a greater productive effort (Adejo, et al., 2017). Agricultural financing is one of the most important factors to develop agriculture and the rural areas in the developing countries (Kohansal, et al., 2008)

At a certain stage in agricultural development, agricultural credit clearly does become a strong force for further improvement. The importance of credit to increase agricultural production cannot be over emphasized. It is one of the major inputs that can supply others like land, labour, capital and entrepreneur, others being extension service that cut across the various sub-sectors of agriculture. The establishment of Ogun State Agricultural and Multipurpose Credit Agency (OSAMCA) with a view to availing prospective investors in the state easy access to loans for increased agricultural and non-agricultural production is a high step in the right direction (Afolami, 2014). The mission of the extension services is to provide research-based information, educational programmes and technology transfer focused on the issue and needs of people, enabling them to make informed decisions about their economic, social and cultural well-being (Adedoyin, 2004)

In 2003, the Ogun State Agricultural Credit Agency (OSAMCA) was established to increase and improve

the agricultural sector financing in the state and flagged off its attributes on 19th of March, 2004 and was created as a public sector, institutionalized to provide employment generation for small scale farmers in the state. So in order to broaden the scope and the activities of OSAMCA, to create efficient and proper co-ordination of credit delivery and extension services, OSAMCA was transformed in 2004 to Ogun State Agricultural and Multipurpose Credit Agency (OSAMCA) as an effective system of sustainable agricultural financing scheme and institution which could provide micro and macro credit facilities for small, medium and large scale producers, processors as well as marketers (Ayodele, 2019). This agency (OSAMCA) has its headquarters at the Government State Secretariat, Oke-Mosan Abeokuta. In addition to this, it has four zonal offices located in Egba, Yewa, Ijebu Ode and Remo division of Ogun State in order to facilitate grassroots proximity to the activities of agency. OSAMCA has field offices at Imeko, Ipokia, Obafemi and Abigi (Ogun Waterside).

1.2 Statement of the Problem

In recognition of the important role of credit and a wide appreciation by most government of need for credit, various credit schemes have been embarked upon by the government. Credit is being provided through government owned banks. Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) and Agricultural Credit Guarantee Scheme Fund (ACGSF). Also, government restructured the operations of Agricultural Development Projects (ADPs), Livestock Development Projects and the River Basin and Rural Development Authorities (RBRDAs) to combine the provision of credit with improved cultural practice and supply inputs in order to effect an improvement in agricultural production (Adegbite, 2009). Despite all these government interventions, however and the participation of various institutions in agricultural credit programmers, the supply of loans to farmers is inadequate (Ogundele, et al., 2004). This situation necessitates a research into the crop farmer's perception of the Ogun State Agricultural Multipurpose Agency (OSAMCA) in loan delivery in Ogun State.

1.3 Objectives of the Study

The general objective of the study is to assess the delivery of the OSAMCA loans to arable crop farmers in Ogun State:

The specific objectives of the study were to:

- Describe the socio-economic characteristics of the crops farmers OSAMCA loan beneficiaries in the study area,
- investigate sources of information about OSAMCA's activities,
- ascertain accessibility criteria for OSAMCA loan,
- examine the usage of OSAMCA loans by farmers,
- identify motivational factors used to facilitate OSAMCA loan repayment.

1.4 Hypothesis of the Study

The hypotheses for this study were stated in null form viz:

Ho¹: There is no significant relationship between farmers' perception of OSAMCA activities and the socio-economic characteristics of the beneficiaries in the study area.

Ho²: There is no significant relationship between farmers' perception of OSAMCA activities and criteria for accessing OSAMCA loan.

Ho³: There is no significant relationship between farmers' perception of OSAMCA activities and motivational factors used to facilitate OSAMCA loan repayment.

2. Methodology

2.1 Area of the Study

The study was carried out in Ogun State, one of the thirty-six states in Nigeria. The state capital is in Abeokuta and is about 100km north of Lagos. The major language widely spoken is Yoruba. The people are mainly Egba, Ijebu, Yewa Awori, Egun, Remo, Ikale and Ilaje. Farming is a predominant occupation of the people particularly those in the rural areas of the state. Some of the arable crops cultivated are maize, cassava, melon, yam, rice, pepper, plantain while tree crops are cocoa and kolanut, coffee, rubber and oil palm tree. Livestock farming is usually practised in the state includes poultry, piggyery, fishery, rabbitry, sheep and goats and cattle rearing. The minerals the state is endowed with are limestone, tars and, crude oil, bitumen, gypsum, clay, phosphate and kaolin. OSAMCA operates in all the twenty local government areas of the state through the four zonal offices located in Ijebu-Ode, Remo, Abeokuta and Ilaro.

2.2 Sampling Technique and Sample Size

A multi-stage sampling technique was adopted for the study. In stage one, following Rahji (2000), the whole state was taken as a sample frame. This frame

is divided into four zones namely Egba, Yewa, Ijebu and Remo by the Ogun State Agricultural and Multipurpose Credit Agency (OSAMCA). In the second stage, 20% of local governments in Ogun State was selected. One local government was selected in each zone where the crop farming activities were predominant. But two local government areas were purposely selected in Yewa zone because of the predominance of the crop farmers loan beneficiaries in the zone. The local government areas are: Ewekoro, Yewa North, Imeko/Afon, Ijebu North East and Obafemi Owode the OSAMCA also has field offices at Ipokia, Imeko, Obafemi/Owode and Abigi Ogun Waterside. In the third stage, 25% of OSAMCA crop loan beneficiaries in each community was selected. This exercise led to the selection of one hundred and six OSAMCA crop farmer loan beneficiaries for the study. Data for the study were obtained from two sources, primary and secondary sources. The primary data were obtained through the administration of structured interview schedule to the respondents in the area of study while secondary data were obtained from relevant document from government owned organization and private sector.

3. Results and Discussions

Socio-economic characteristics of respondents: Age of Respondents

Respondents are adults of 45years old, those that were of 31years and above were 94.7%. Only 5.3% were 30years and below. Able bodied young men were about half (51.9%) of the respondents. Majority of the respondents are still in their active age and are in the economically useful age which could result into positive effects on productivity and production. (Adebayo, 2005).

Sex of Respondents

Respondents were 68.9% male while 31.1% were females. This means that farming activities in the study area is dominated by male farmers. This is in contrast with the reports of Adegbite, et al (2007) that more women were engaged in farming than their male counterpart in cassava production in Odeda LGA of Ogun State. Respondents were mostly married (84.9%) About 4.7% were single, divorced (3.8%) and widowed (6.6%).

Education

They were mostly (64.2%) educated, only 35.8% did not have formal education, some have primary education 28.3%. Secondary was 17.0%, Diploma was 13.2%, B.Sc/HND 5.7%. This is good for adoption of technological innovations, because educated farmers will have a favourable attitude towards innovations adoption. It will also affect credit demand and use, in terms of where to source for credit, at what rate and how to approach the source (Damaian, 2001). Iyanda and Ogunsekan (2012) found a linear relationship between age of farmers and loan repayment that the younger farmers were better at repayment.

Table 1: Socio-economic characteristics of the arable crop farmer beneficiaries		
Sex	Frequency	Percentage
Male	73	69.9
Female	33	31.1
Age		
21-30	6	5.70
31-40	13	12.3
41-50	42	39.6
51-60	15	33.0
61-70	10	9.40
Marital status		
Married	90	84.9
Single	05	4.7
Widowed	04	3.8
Divorced	07	6.6
Education		
No formal education	38	35.8
Primary education	30	28.3
Secondary education	18	17.0
OND/Diploma	14	13.2
BSc/HND	06	5.7
Occupation		
Farming	81	76.4
Civic service	08	7.5
Livestock rearing	07	6.6
Bricklaying/carpentry	02	1.8
Farm size		
1<5 hectares	79	74.5
5<10 hectares	22	20.8
1<20 hectares	05	4.7
Farming experience		
5-10years	27	25.5
11-20	16	15.1
21-30	30	28.3
31-40	22	20.8
41-50	11	19.4
Total	106	100%

Occupation of respondents

The respondents' primary occupation was farming (76.4%), and this is in line with Agbelemoge (2013) that almost all rural inhabitants partake in farming. Other occupations were civil service (7.5%), Trading (7.6%), Livestock rearing (6.6%). Few engaged in bricklaying and carpentry, respondents' farm size was very small, 74.5% of respondents have less than five hectares. About 20.8% have between five and ten hectares, less than 5% have ten and more hectares of farmland. (See table 1)

Sources of Information on OSAMCA Activities

Radio was the medium that crop farmers mostly used to source for information on OSAMCA activities followed by friends and neighbours, Extension Agents and farmers groups in that order. Television and Newsletter/bulletin were least used by crop farmers as presented in table 2.

This is because Radio set is cheap to obtain and is widely owned and used in the rural areas. This is made possible by the advent of battery-operated transistorized radio sets. Kuponiyi (2000) identified radio as the only medium of mass communication the rural population is very familiar with. (See table2)

Criteria for Accessing Loan

Accessing the OSAMCA loan and credit requires that crop farmers procure loan form and this was highly accessible, after which OSAMCA staff follows them to inspect their farms, this too was highly accessible. Two guarantors are required in which one of them must be a civil servant but this was most difficult for crop farmers to meet while payment of ten (10%) percent of approved loan amount was less accessible to loan beneficiaries (see

table2). The greatest problems crop beneficiaries had were delay in accessing the loan, followed by too much beaurocracy, inability to get civil servants as guarantors and illiteracy.

Table 2: Agricultural Multipurpose Credit Agency`s Loan Delivery Activities		
Sources of information	Frequency	Percentage
Radio	33	31.1
Friends & Neighbours	16	15.1
Extension Agent	19	17.9
Farming group	18	17.0
Television	11	10.4
Bulletin /Newsletter	6	5.7
Criteria for Accessing Loans	Less Accessble	Percentage
Procurement of loan application form	06	7.5
Farm visit by OSAMCA staffs	05	4.7
2 guarantors with one being ciivil servant	49	46.2
Payment of down payment 10% loan approved	69	65.1
Loan Usage by Crop farmers	Frequency	Percentage
Purchasing farmland	43	40.6
Hiring labour	20	18.8
Purchasing farm tools	17.	16.1
Payment of children school fees	16	15.1
Liquidating previous debts	05	4.7
Purchasing improved seeds	05	4.7

Crop farmers' usage of borrowed money

The loan was spent on purchase of farmland by most (40.6%) of the crop farmer beneficiaries. Hiring labour was next with 18.8%, Purchase of farm tools was 16.1%. Some (15.1%) spent the loan on payment of children school fees while others (4.7%) used the money to liquidate previous debts. (See table2). OSAMCA staff linked 96.2% of beneficiaries to Insurance company to insure their farms, 72.7% got advisory services from Extension Agents while 71.7% attended seminars on measures for loan repayment strategies.(See table2) Crop farmer beneficiaries of the loan perceived OSAMCA activities as effective as majority (51.9%) of the respondents have positive perception of the loan delivery, only 9.4% have negative perception while 38.7% were neutral. This showed that the performance of OSAMCA activities was perceived to be effective.

Ho¹ : There is no significant relationship between farmers' perception of the effectiveness of OSAMCA activities and the socio-economic characteristics of the beneficiaries, this hypothesis was tested with chi-square at $p < 0.05$ level of significance. The result indicated that age, marital status and farming experience have significant relationship with farmers` perception of the effectiveness of OSAMCA activities but gender, primary occupation and educational qualification were not significant because p-values were greater than 0.05. Age is related to farmers' perception of the effectiveness of OSAMCA activities because the stage of life of farmers affects his attitude towards financial undertakings. Marital status has a significant relationship because married people need the assistance of OSAMCA because of the need to provide for more family members. Farming experience has a significant relationship for the fact that farmers were experienced and had learnt from their various past experiences that the credit will improve their productivity. This agrees with Chinwe and Chineze (2019) report that large scale farmers were more advanced in age, education and years of farming experience than small scale farmers who were better at repayment. (Table 3).

Table 3: Relationship between farmers` perception of the effectiveness of OSAMCA activities and the socio-economic characteristics of the beneficiaries.					
Variables	N	Df	χ^2 Cal	p-value	Dec.
Age	106	6	20.571	0.002	S
Sex	106	2	4.348	0.114	N
Marital Status	106	6	14.10	0.29	S
Educational qualification	106	8	2.75	0.95	N
Primary occupation	106	10	7.37	0.69	N
Farming experience	106	4	9.92	0.04	S

Hypothesis 2

Ho²: There is no significant relationship between farmers' perception of OSAMCA activities and accessibility criteria of OSAMCA loan. This hypothesis was tested using chi-square. The results showed that the chi-square calculated values for procurement of loan application form ($X^2 = 13.95$), two guarantors with one being a civil servant ($X^2 = 14.56$) and payment of 10% of approved loan ($X^2 = 9.93$). The null hypothesis is therefore rejected. There is significant relationship between farmers' perception of the effectiveness of OSAMCA activities and accessibility criteria of OSAMCA loan. There is however, no significant relationship between farm visits by OSAMCA staff ($X^2 = 7.80$) as accessibility criteria (See Table 4).

Hypothesis 3

Variables	N	Df	χ^2_{calc}	χ^2_{tab}	Dec
Procurement of loan application form	106	4	13.95	9.49	S
Farm visit by OSAMCA staffs	106	4	7.797	9.49	N
Two guarantors with one being a civil servant	106	4	14.55	9.49	S
Payment of don payment 10% loan approved	106	4	9.93	9.49	S

Ho³: There is no significant relationship between farmers' perception of OSAMCA activities and motivational factors used to facilitate OSAMCA loan repayment.

The motivational factors use to facilitate OSAMCA loan repayment. This hypothesis was tested using regression. The result showed that motivational factors such as advisory services by OSAMCA, Management of farm produce, solving problems of pest and disease, linkages with market for farm produce and linkage with insurance Company (NAIC) have significant relationship at 0.05 level of significance while procurement of improved seed, organizing seminar and assistance in sourcing market for farm produce were not significant. Therefore the null hypothesis is rejected.

It can be deduced that management of farm produce, linkages with market for farm produce, and linkage with NAIC has a direct and positive relationship with farmers' perception of activities conducted by OSAMCA. (See Table 5)

Variables	Co-efficient	t-value	p-value	Dec.
Constant		2.382	0.019	S
Advisory service	-0.296	-2.753	0.007	S
Procurement of improved seeds	0.044	0.264	0.792	NS
Management of farm produce	0.578	2.381	0.019	S
Solving problems of pest and diseases	-0.884	-4.226	0.000	S
Linkages with marketing of farm produce	0.323	2.552	0.012	S
Organizing seminars	0.093	0.837	0.405	NS
Assist in searching markets for farm produce	0.034	0.356	0.723	NS
Linkage with NAIC	0.209	2.304	0.023	S

4. Conclusion

The study concluded that crop farmer beneficiaries of OSAMCA were males and females of middle aged, married with average education. They however sourced information from radio, friends and neighbours. The results of the hypothesis established that age, marital status and farming experience have significant relationship with farmers' perception of the effectiveness of OSAMCA activities. Accessibility to loan has relationship with the perception of activities undertaken by OSAMCA. There is a significant relationship between farmers'

perception of the effectiveness of OSAMCA activities and motivational factors use to facilitate OSAMCA loan. It can be concluded that crop farmers perceived OSAMCA credit institution to be effective.

5. Recommendations

Based on the findings from this study, the following recommendations are hereby made:

- Age of the farmers must be put into consideration when giving out loan by credit institution
- Credit institution may utilize radio more than other sources for communication
- Motivational factors must be put in place by OSAMCA in other for farmers to repay their loans
- There is need for increase in the credit size to be made available to farmers
- Prompt and timely disbursement of credit should be adopted by OSAMCA

References

- Adebayo, K. (2005). Three decades of Adoption and Diffusion Researches in Nigeria: Lessons and Prospects. *Journal of Agricultural Extension*, (8) 65-75.
- Adedoyin S. F. (2004). Plentiful Agricultural Resources but limited Andragogical Transmission. 33rd Inaugural Lecture Olabisi Onabanjo University Press Ago-Iwoye, 25-34.
- Adegbite, D. A. (2009). Repayment performance of beneficiaries of OSAMCA in Ogun State, Nigeria (2004-2007). *American-Eurasia Journal of Sustainable Agriculture*, 3 (1) 117-125.
- Adejo, P. E; Adejo, E. G and Saibu, U. M. (2017). Assessment of Gender Access to Agricultural Loans from Cooperative Societies in Dekina LGA of Kogi State, Nigeria. *Journal of Asian Rural Studies*, 1 (2) 123-133.
- Adetiloye, K. A. (2012). Agricultural Financing in Nigeria: An Assessment of the Agricultural Credit Guarantee Scheme Fund (ACGSF) for Food Security in Nigeria (1978-2016). *Journal of Economics*, 3 (1) 39-48.
- Afolami, C. A. (2004). Accessing credit facility of OSAMCA: In Re-vitalizing Ogun State Agriculture. Ogun State Employment Generation Programme (OGESEP) II Publication, (3) 205.
- Agbelemoge, A. (2013). Utilization of Cocoyams in Rural Households in South- Western Nigeria. *African Journal of Food, Agriculture, Nutrition and Development*, Nairobi, Kenya; 13 (4) 7944-7956. www.afjand.net.
- Alabi, O. O. (2007). Analysis of Irrigated Tomato Production in Ikara LGA of Kaduna State, Nigeria. Proceeding of the 21st Annual National Conference of Farm Management Association of Nigeria, 149-154.
- Ayodele, A. E (2019). Impact of Agricultural financing on Nigerian Economy. *Asian Journal of Agricultural Extension, Economics and Sociology*, 31 (2) 1-13.
- Chinwe, I. A and Chineze, N. D. (2019). Comparative Analysis of Application and disbursement of Loans to Beneficiaries by Bank of Agriculture in Anambra State. *International Journal of Agricultural Economics*, 4 (5) 195- 200.
- Damaian, I. A. (2001). Impact of Micro-credit on Agricultural Enterprises in Cross River State Nigeria. An Unpublished PhD Thesis in the Department of Agricultural Economics, University of Ibadan, 33-35.
- Iyanda, I. F and Ogunsekan, O. (2012). Farmers` perception of Repayment of Loans obtained from Bank of Agriculture in Ogun State. *Journal of Agricultural Sciences*, 3 (1) 21-27.
- Kohansal, M. R; Ghorbani, M. and Mansoori, H. (2008). Effect of Credit Accessibility of Farmers on Agricultural Investment and Investigation on Policy options in Razavi Province. *Journal of Applied Sciences*, 8 (23) 4455-4559.
- Kuponiyyi, F. A. (2000). Mass media in Agricultural Development: The Use of Radio by Farmers of Akinyele LGA of Oyo State, Nigeria. *Nigeria Agric. Development Studies*, 1 (1) 26-32.
- Ogundele, O. O; Okoruwa, V. O. and Dada, A. D. (2004). Impact of Non-governmental Organization-based Micro-credit Scheme on household welfare in Oyo State. *Ogun Journal of Agricultural Sciences*, (3)108-120.
- Onyebinama, I. C. (2007). Land Tenure System and Irrigation Development in South Eastern Nigeria. Proceedings of the 21st Annual Conference of Farm Management Association of Nigeria, 106-109.
- Rahji, M. A. Y. (2000). An Analysis of the Determinants of Agricultural credit Appraisal Loan size by Commercial Banks in South-Western Nigeria. *Journal of Nigeria Agricultural Development Studies*, (1) 19-25.