

## Capital Investment Decisions on Entrepreneurial Agricultural Projects in Kwara State

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**Abstract:** The purpose of this study was to assess the adequacy of the capital investment decisions of Youth Integrated Agricultural Project in Kwara State. The project has two parts: Youth Integrated Farm Training Centre and Farm Settlements. The Youth Integrated Farm Training Centre has produced 650 farmer-graduates, who are now working in the three locations where Farm Settlements are. The sixth batch consisting of 66 farmer-graduates provided the population of the study. From this population a purposive sample of 46 potential respondents was selected. These people filled a researcher-developed questionnaire. Thirty six correctly filled copies of the questionnaire were collected from the respondents. The responses of the thirty six farmer-graduates were analyzed based on four research questions derived from the four objectives of the study. The major findings from this analysis were: (i) The Kwara State Government has invested a total of N65, 408,129 on the Youth Integrated Agricultural Project in the last ten years; (ii) Seventy two percent of the respondents disagreed with the statements that the allowance paid to the trainees was sufficient. Moreover, ninety two percent of them disagreed with the statement that the empowerment packaged given to them to work in the Farm Settlements was adequate. In the same vein, seventy six percent disagreed that infrastructure in the Farm settlements were adequate; (iii) But the respondents agreed that infrastructure in the Farm Training Centre were adequate. In sum the State Government's capital investment decisions were not enough to make the Youth Integrated Agricultural project an unqualified success.

**Keywords:** Capital Investment; Decision Making; Agricultural Project

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## **1. Introduction**

### **1.1. Background to the Study**

The potential sources of the capital expenditure on agriculture are private and public, both of foreign and domestic provenances. The way capital stocks are financed currently worldwide suggests that the largest part of total investments comes from private domestic sources (F.A.O., 2009). But in this study capital investment from the public (government) source was the focus.

The size of government expenditures and its effect on economic growth, and vice versa, has been an issue of sustained interest for over decades now (Okoro, 2013). Public expenditure on all sectors of the Nigerian economy is expected to lead to economic development in the sense that both capital and recurrent expenditure will boost the productive base of the economy which in turn will lead to economic growth and development (Modebe, Okaroro, Onwumere & Ibe, 2012). Current expenditure is spending on items that are consumed and only last for a limited period of time. These are items that are used up in the process of providing a good or service, including wages, salaries, stationery, drugs and soon. By contrast, capital expenditure is spending on assets. It is the purchase of items that will last and will be used time and time again in the provision of a good or service. In the case of the government, examples would be building a new hospital, spending on agricultural projects, spending on building, factories, and the purchase of a new computer system, building new roads, and training and development. Capital expenditure has a lasting impact on the economy and helps provide a more efficient productive economy (Barro, 1990). Aregbeyen (2007) established a positive and significant correlation between government capital and public investment and economic growth; while he found that current and consumption expenditures were negatively correlated with it. Government controls the economy through the use of public expenditure. This instrument of government control promotes economic growth in the sense that public investment contributes to capital accumulation.

Capital investment from both the private and public sectors has been used to boost agricultural production, foster food security and promote economic development (Butzer, Mundlak & Larson, 2010). Three components of agricultural capital are:

- (a) Fixed capital in arable agriculture;
- (b) Livestock capital; and
- (c) Tree-stock capital.

Agricultural production needs to increase by at least 6% per annum in Africa to meet the rising demand for food, arising from population growth, higher income levels and life style changes. Given the limited scope for net area expansion, agricultural growth will rely mainly on new capital. Agricultural investment can help contain

upward pressure in food price in a context of rising land costs and water scarcity, thereby enhancing food security (Larson, Butzer, Mundlak & Crego, 2000). Agricultural in Nigeria is largely at the subsistence level. In recent times in this country modern agricultural is gaining ground and agriculture is run as a business. To run agriculture as a business, one must look at all indices of production and profitability (Azogu, 2014). Mechanization is one of the indices. It has been established that mechanized farming is capital intensive.

Agricultural financing is being seriously addressed. One source is banks, backed by the Central Bank of Nigeria (CBN) policy frameworks. Before now, the rate of bank lending to agriculture was low. With the intervention of the CBN, things have started to change for the better (Jiyah, 2012).

Efforts made in the past by the Federal Government include:

- (a) National Accelerated Food Production Programme, started in 1973;
- (b) River Basin Development Authority;
- (c) Agricultural Development Project;
- (d) Operation Feed the Nation;
- (e) Green Revolution Programme;
- (f) National Agricultural Land Development Authority;
- (g) Strategic Grain Reserve;
- (h) National Centre for Agricultural Mechanization.

Kwara State was one of the beneficiaries of the Agricultural Development Project (ADP) started in 1974 with a loan assistance from the World Bank. (Jiyah, 2012). Today, the ADP employees have been transferred to the Ministry of agriculture and Natural Resources. The ADP concept put the small farmers at the centre of Agricultural strategy. The CBN's contribution to ADP is indirect. Through the ADP farmers accessing CBN supported credits from the commercial banks.

## **1.2. Statement of the Problem**

The Federal Government of Nigeria through the CBN has established credit schemes such as the Agricultural Credit Guarantee Scheme, the Agricultural Credit Support Scheme, Nigerian Agricultural, Co-operative and Rural Development Bank as well as CBN's agricultural facilities in the commercial and microfinance banks. These initiatives are also available to the farmers under the ADP to get access to guaranteed credit (Jiyah, 2012).

Jiyah, (2012) as well as Akramove (2009), Oyeyinka and Bolarinwa (2009) and the Enhancing Financial Innovation and Access (2008) found that only between 18 to 23 percent of the adult farming population in Nigeria has access to formal financial institutions. In place of the ADP, the Kwara State Government established the Youth Integrated Training Farm Centre at Malete, Moro Local Government area of the State, and Farm Settlements at Oke-oyi, Alateko and Aiyekale. The two complement each other as Youth Integrated Agricultural Project. However, this study examines the level of the funding of the integrated agricultural project to enhance capacity building and agricultural development in the State.

### **1.3. Objectives of the Study**

The purpose of the study was to examine the level of capital investment on the integrated agricultural project by the State Government. The specific objectives were to:

- i. examine whether the allowance given to the trainees in the Farm Centre are adequate;
- ii. determine whether infrastructure in the Farm Training Centre is adequate;
- iii. evaluate whether the money given to graduates of the Centre to empower them is adequate;
- iv. establish whether the infrastructure in the Farm settlements is adequate.

## **2. Literature Review**

The Youth Integrated Training Farm Training Farm Centre, Malete was set up in 2005 with the major aim of training youth to position them as successor-generation commercial farmers (State Government, 2013). The objectives of the project are to:

- i. Bring about economic empowerment for youth in Kwara State;
- ii. Train youth in modern farming methods to improve their lives and livelihoods;
- iii. Generate a successor generation of commercial farmers, driven with a mindset of profitability; and
- iv. Develop agricultural entrepreneurs for job and wealth creation.

### **2.1. Facilities in the Farm Training Centre**

To ensure the implementation of the above objectives, the Farm Centre was provided with:

- (a) A self-sustaining youth farm with potentials for internally generated revenue from the production of crops;

- (b) Light and heavy equipment and implement;
- (c) Accommodation and facilities to carry out their training with ease;
- (d) Sheds to house equipment's and materials;
- (e) A curriculum on 80: 20 practical: theory blend to provide students with skills and knowledge needed to be successful commercial;
- (f) Farmers ICT Centre and a block of two classrooms;
- (g) An advanced agricultural curriculum being prepared for intakes with higher education than the secondary;
- (h) Two bedroom Guest House.

## **2.2. End Products of the Project**

Each students-farm gets N8000 monthly allowance. The pioneer 100 trainees spent two years on the training farm and graduated in 2007. On graduation the Kwara State gave them already – prepared farm settlements at Oke Oyi, Alateko and Aiyekale. The total area cleared for their use was 490 hectares. The Farm Centre has since graduated five other batches making a total of 650 young farmers. The hectares prepared for their use were between 400 and 500 hectares at the farm settlements.

Each graduate trainee was empowered with and loan or grants as incentives. The trainees were mandated to form co-operatives. Five of these were:

- (i) New Generation Commercial Farmers with 93 farmers;
- (ii) New Face Co-operative Group Farmers with 64 farmers;
- (iii) Real Image Commercial Farmers co-operatives, with 74 farmers;
- (iv) Harmony Commercial Farmers Group, with 90 farmers;
- (v) Unique Commercial Farmers Co-Operatives, with 97 farmers;
- (vi) Excel Commercial Farmers Co-operatives, with 66 members.

## **2.3. Achievements of the Project**

The Farm Centre and the Farm Settlements have achieved the following:

- i. Training of about 650 young farmers;
- ii. Generating manpower for the State's agriculture;
- iii. Selling 800 tons of maize;
- iv. Selling 120 tons of cowpea;
- v. Selling 600 tons of cassava;

- vi. Selling 30 tons of rice;
- vii. Selling 400 tons of soya bean;
- viii. All these sales were done either through the Ministry of Agricultural and Natural Resources or direct to the general public;
- ix. Assisting local farmers with knowledge and skills to improve their agricultural yields;
- x. A collaborative Memorandum of Understanding with Kwara State University, Malete to assist the University develop and sustain its practical training, teaching and research activities in 4 years and a decrease in 6 years. The decline is most pronounced in the last three years.

#### 2.4. Capital Investment on the Project

**Table 1.** The trends in funding the project is shown below

YEAR	N	TREND %
2005	- 8,150,000	-
2006	- 10,500,000	+ 29
2007	- 5,372,997	- 49
2008	6,640,000	+ 24
2009	4,020,000	- 39
2010	6,640,000	+ 39
2011	6,365,277	+ 4
2012	6,000,000	- 6
2013	3,040,132	- 49
2014	2,040,000	- 33
<b>Total</b>	<b>65,408,129</b>	-

*Source: Ministry of Agriculture and Natural Resources.*

In ten years, capital expenditure on the project fluctuates. The trend shows a decrease.

### 3. Research Methodology

The sixth batch of graduate formed the population of this study. A purposive sample of 46 out of 66 graduates was selected in a captive audience in their co-operative meeting. The potential respondents filled a questionnaire which was designed by the researchers. At the end of the exercise, thirty six returned usable copies of the questionnaire.

## 4. Data Analysis, Findings and Discussion

### 4.1. Data Analysis

The responses of the questionnaire application were analyzed based on four research questions derived from the four objectives of the study.

**Research Question 1.** Do the farmer trainees find the monthly allowance adequate?

Table 2 was used to answer the research question.

**Table 2. Adequacy of Monthly Allowance**

S/NO RESPONDENTS	EXTENT OF AGREEMENT SCORE	INTERPRETATION
01	3	Agree (A)
02	2	Disagree (D)
03	2	D
04	1	Strongly Disagree (SD)
05	1	SD
06	1	SD
07	1	SD
08	2	D
09	1	SD
10	4	Strongly Agree (S.A)
11	3	A
12	2	D
13	2	D
14	1	SD
15	1	SD
16	3	A
17	3	A
18	3	A
19	3	A
20	2	D
21	4	SA
22	4	SA
23	4	A
24	2	D
25	2	D
26	2	D
27	2	D
28	2	D
29	2	D

30	2	D
31	2	D
32	2	D
33	2	D
34	2	D
35	1	SD
36	1	SD
	Mean = 1.7	SA = 3 (8%) A = 7 (20%) D = 17 (47%) SD = 9 (25%)

From table 2, it is seen that respondents perceived the allowance paid to be insufficient (mean = 1.7). Indeed 72% of them disagreed or strongly disagreed that the allowance was sufficient.

**Research Question 2.** Are the infrastructure in the Farm Centre adequate?

Table 3 was used to answer the research question.

**Table 3. Adequacy of Infrastructure in the Farm Centre**

S/NO RESPONDENTS	SCORE ON ADEQUACY	INTERPRETATION
01	3	Agree (A)
02	3	A
03	3	A
04	4	Strongly Agree (SA)
05	4	SA
06	4	SA
07	4	SA
08	4	SA
09	3	A
10	2	Disagree (D)
11	2	D
12	2	D
13	3	A
14	3	A
15	3	A
16	3	A
17	3	A
18	3	A
19	3	A
20	3	A
21	2	D
22	3	A
23	2	D
24	3	A



25	3	A
26	3	A
27	3	A
28	3	A
29	3	A
30	3	A
31	3	A
32	2	D
33	2	D
34	2	D
35	1	SD
36	2	D
	<b>Mean = 3.6</b>	<b>SA = 05 (14%)</b> <b>A = 22 (61%)</b> <b>D = 08 (22%)</b> <b>SD = 01 (03%)</b>

From table 3, it is seen that the respondents strongly agreed that the infrastructure in the Farm Centre are adequate (mean = 3.6), in fact 75% of them agreed or strongly agreed that this was 80.

**Research Question 3.** Are the monies paid to the farmer-graduates sufficient?

Table 4 was used to answer the question

**Table 4. Adequacy of Monies Paid To Empower Farmer-Graduates**

S/NO RESPONDENT	EXTENT ADEQUACY	ON	INTERPRETATION
01	2		Disagree (D)
02	2		D
03	2		D
04	2		D
05	2		D
06	2		D
07	2		D
08	2		D
09	3		Agree (A)
10	3		A
11	3		A
12	3		A
13	3		A
14	2		D
15	2		D
16	3		A
17	3		A
18	3		A

19	3	A
20	3	A
21	2	D
22	2	D
23	3	A
24	2	D
25	3	A
26	2	D
27	2	D
28	2	D
29	2	D
30	2	D
31	2	D
32	2	D
33	2	D
34	2	D
35	2	D
36	3	A
	<b>Mean = 1.8</b>	<b>SA = 0 (0%)</b> <b>A = 13 (08%)</b> <b>D = 23 (92%)</b> <b>SD = 0 (0%)</b>

From table 4, it is clear that the respondents disagreed that the monies paid to empower them was sufficient (mean= 1.8). In fact 92% of the disagreed with the suggestion that the empowerment was adequate.

**Research Question 4.** Is the infrastructure in the farm settlements adequate?

Table 5 was used to answer the research question.

**Table 5. Adequacy of Infrastructure in the Farm Settlements**

S/No Respondent	Score on Adequacy	Interpretation
01	3	Agree (A)
02	3	A
03	3	A
04	2	Disagree (D)
05	2	D
06	2	D
07	2	D
08	2	D
09	2	D
10	2	D
11	2	D

12	2	D
13	2	D
14	2	D
15	2	D
16	2	D
17	2	D
18	3	A
19	3	A
20	3	A
21	1	Strongly Disagree (SD)
22	1	SD
23	1	SD
24	1	SD
25	2	D
26	2	D
27	2	D
28	2	D
29	2	D
30	2	D
31	3	A
32	3	A
33	3	A
34	3	A
35	2	D
36	1	D
	<b>Mean = 2.2</b>	<b>SA = 0 (0%)</b> <b>A = 11 (24%)</b> <b>D = 31 (67%)</b> <b>SD = 4 (9%)</b>

The farmer-graduates disagreed that the infrastructure in the farm settlements were adequate (mean = 2.2). Indeed 76% of the graduates said that the infrastructure were not adequate.

#### 4.2. Findings

The following are the major findings of this study:

- i. While the defunct Kwara State Agricultural Development Project (ADP) focused on the small subsistence farmers; the current Kwara State Youth Integrated Agricultural Project focused on successor – generation commercial famers;
- ii. The Farm Training Centre aspect of the project, established in 2005, has so far trained 650 modern farmers;

- iii. The Farm settlement aspect has produced and sold 1,950 tons of maize, cowpea, cassava, rice and soya beans;
- iv. The Kwara State Government has invested a total of N65, 408,129 on the integrated agricultural project in the last ten years;
- v. Seventy two percent of the sixth batch of farmer-graduates disagreed that the allowance paid to trainees was sufficient;
- vi. Seventy five percent of them agreed that the infrastructure in the Farm Training Centre were adequate;
- vii. Ninety two percent of the respondents disagreed with the statement that the empowerment package given to them was adequate;
- viii. Seventy percent of the respondents disagreed that the infrastructure in the farm settlements were adequate.

#### **4.3. Discussion of the Findings**

It is noteworthy to emphasize two groups of findings namely:

- i. The allowance paid to trainees the monies paid to empower farmer-graduates and the infrastructure in the farm settlements was not adequate;
- ii. The infrastructure in the Farm Training Centre were adequate.

It is not difficult to see that young people will not be satisfied with respect to allowances paid, which is N8,000 monthly. This is because N10,000 was earlier promised to them. As for empowerment which is in form of loans or grants the young farmers are in a hurry to put the theoretical knowledge and skills to work so they want a lot of money to establish themselves.

The findings that the infrastructure in the Farm Training Centre were adequate means that the State Government had invested adequate capital to acquire and prepared land appoint teachers, as well as buy light and heavy equipment to teach trainees theoretical and practical aspects of modern commercial farming.

### **5. Summary, Conclusion and Recommendations**

#### **5.1. Summary**

The purpose of this study was to assess the adequacy of the capital investment decisions of the Kwara State Government on the Kwara State Youth Integrated Agricultural Project. The project has two parts: Youth Integrated Farm Training Centre and Farm Settlements. The Youth Integrated Farm Training Centre has produced 650 farmer-graduates, who are now working in the three locations where Farm Settlements are.

The sixth batch consisting of 66 farmer-graduates provided the population of the study. From this population a purposive sample of 46 potential respondents. These people filled a researcher-developed questionnaire. Thirty six correctly filled copies of the questionnaire were collected from the respondents.

The responses of the thirty six farmer-graduates were analyzed based on four research questions derived from the four objectives of the study. The major findings from this analysis were:

- i. The Kwara State Government has invested a total of N65,408, 129 on the Youth Integrated Agricultural Project in the last ten years;
- ii. Seventy two percent of the respondents disagreed with the statements that the allowance paid to the trainees was sufficient. Moreover, ninety two percent of them disagreed with the statement that the empowerment packaged given to them to work in the Farm Settlements was adequate. In the same vein, seventy six percent disagreed that infrastructure in the Farm settlements were adequate;
- iii. But the respondents agreed that infrastructure in the Farm Training Centre were adequate.

In sum the State Government's capital investment decisions were not enough to make the Youth Integrated Agricultural project an unqualified success.

## 5.2. Recommendation

Arising from the findings, the following recommendation is made:

- i. The Kwara State Government should expand the scope of the Farm Settlements. This can be done by granting the Farmer-graduates adequate empowerment in form of soft loans and grants;
- ii. The State Government should expand the scope of the Youth Integrated Farm Training Centre at Malete to offer courses in advanced modern commercial agriculture.

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