Journal of Banking and Finance Management
Volume 3, Issue 2, 2020, PP 25-33
ISSN 2642-9144

Nexus between Agriculture Financing and Economic Growth in Nigeria 1981-2016

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ABSTRACT

The research examined the nexus between Agriculture financing and Economic Growth in Nigeria for the period 1981 to 2016. The study shows a long and short run relationship between the dependent variable (GRGDP) and the independent variables (ASO, ACGSF, INT and CBA). The coefficient of determination R^2 is 35% which shows a low explanatory power of the independent variables on the dependent variable. Prob(F-statistic) of 0.036239 shows that the variables are jointly significant. There is Uni-directional causality relationship between GRGDP and ACGSF in Nigeria. GRGDP Granger causes ACGSF. The paper recommended that the government should device a fund disbursement technique where real farmers will be given funds on a very low interest rate.

INTRODUCTION

Background of the Study

Agriculture is the main sector of the Nigerian economy which provides succor to the masses by means of household income, food supply and assured employment. Even though the nation is favoured with arable land and good climate which ideally should guarantee food production and economic expansion, but the necessary capital and technical know-how is still a major challenge. Most of the financial institutions offer range of Agriculture development products and services mainly in commercial agriculture credit scheme, real sector support facilities and Micro SME development fund (Firstbank, 2018). But to access these financial facilities still also have stiff administrative bottleneck.

According to the Central Bank of Nigeria (2018), Government in a bid to provide the necessary financial facilities and help curb the difficulties experienced in accessing funds by farmers in the commercial banks and reduce the interest rate charged to farmers, established the Agricultural Credit Guarantee Scheme Fund (ACGSF) in 1977, which the federal government holds 60% share and the Central Bank of Nigeria (CBN) holds 40% share in the scheme, The Fund guarantees credit facilities extended to farmers by banks up to 75% of the amount in default net of any security realized. During the regulated period (1978-1989) in the scheme, there was consistent increase in the lending portfolios of the commercial banks to the Agriculture but as some as the deregulation sets in the financial institution, the banks reduced lending to the agricultural sector. To help advance the objectives of establishing the Agricultural Credit Guarantee Scheme Fund (ACGSF), innovations was made which include; Self-Help Group Linkage Banking, Trust Fund Model and Interest Draw Back .

Agricultural Credit Guarantee Scheme Fund (ACGSF), of all its effect in the Agricultural sector, did not serve all the needs of the agricultural sector. Then, the Agricultural Credit Support Scheme (ACSS) initiative was established by the federal government and the central bank of Nigeria and support by the Bankers' Committee. The scheme according to CBN (2018) was introduced to enable farmers exploit the untapped potentials of Nigeria's agricultural sector, reduce inflation, lower the cost of agricultural production , generate surplus for export, increase Nigeria's foreign earnings as well as diversify its revenue base. To ensure that the objectives of the scheme are realized without hindrance, the scheme operates under federal and state committees. The banks under the scheme provide funds on single digit arrangement. Initial it will be 14% percent interest rate but if the farmer honours the terms of the loan and return it on time, the farmer will get 6% rebate.

In enhancing the available instrument within them and also to influence economic development, the Central Bank of Nigeria (CBN) with the Federal Ministry of Agriculture and Water Resources established the Commercial Agriculture Credit Scheme (CACS) to finance the value chain of the Nigerian agricultural sector. Such initiative was aimed at expanding the agricultural sector output production by providing credit facilities to large scale farmers, reduce the cost of credit, curbing inflationary pressures and help to achieve price stability. Funds are given under this scheme at 9% interest rate.

The nation over the years also initiated several programmes such as National Accelerated Food Production Programme, Agricultural Development Programme, Operation Feed your Nation, Rural Banking Programme etc. All aimed at solving some of the nation's challenges in the agricultural sector which include to encourage domestic import substitution and production of the food needs of the growing Nigerian population .unfortunately of all the efforts of the government, according to Awe (2013), Agriculture financing has suffered setbacks in Nigeria through some inhibiting factors such as lack of capital and credit facilities, outdated infrastructure, low agricultural production etc.

Accessing from the above background, one can argue that the major impediment today in the agricultural sector is access to finance which makes it still impossible for the young enthusiastic farmers and aspiring farmers too to get involved in the sector. Hence the nexus between the agriculture Sector financing and economic growth in Nigeria forms the locus of this research.

Statement of the Problems

With vast natural and human resources, Nigeria still grapple with poverty and malnutrition arising from weak agricultural sector which is needed to produce the food needs of the nation and raw materials for agro-allied industries. Most of the foods consumed in Nigeria are imported from foreign land. This has been linked to poor financing or funding of the agricultural sector. Commercial banks in Nigeria do still prefer the service and commerce sectors for lending and even when such loans are given out to the farmers, the guarantee that such money will be utilized for agricultural purpose is not certain. Yet there are still genuine farmers who do needs credit facilities to expand their production, but collateral to access these credit facilities from the banks are not there. While some lack the intellectual competence to approach commercial bank, even those can approach the banks are scared because the interest rate the commercial banks do charge is also on a high side. For a nation which aims at expanding its economic size, volume and activities, the nation has to intervene in a number of programmes.

The government of Nigeria through the federal ministry of agriculture and Central Bank of Nigeria has introduced series of programmes aimed at mitigating the challenges of accessing funds from the commercial banks by providing the needed financial facilities to the agricultural sector at affordable rate, but the impact of such programmes are yet to be felt evenly in the sector and there is no prove of improvement on the citizenry decades after the initiatives. Economic index too have not shown a substantial positive contribution of these finances in the expected economic growth of the nation from it. Hence this paper tends to evaluate the nexus between Agriculture financing and economic growth in Nigeria using empirical method.

Research Questions

The following research questions will guide this research;

1. What is the nexus between Agriculture financing and economic growth in Nigeria?
2. What is the causality relationship between Agriculture financing and economic growth in Nigeria?

Objectives of the Study

The broad objective of this research is to access the agricultural sector input in the economy as it relate to economic growth. The specific objectives of this study are:

1. To examine the impact of Agriculture financing on economic growth of Nigeria.
2. To examine the causality relationship between Agriculture financing and economic growth in Nigeria.

Statement of the Hypotheses

$H_0$1: Agriculture financing have no significant impact on economic growth in Nigeria.

$H_0$2: There is no causality relationship between Agriculture financing and Economic growth in Nigeria.

Significance of the Study

The study will be beneficial to the agricultural sector stakeholders, the development finance

analysts and the Central bank of Nigeria, as this study will vigorously assess the nexus between the agricultural sector finance and economic growth of Nigeria.

Scope of Study

This study is constructively limited on the analysis of the nexus between Agriculture financing and Economic Growth in Nigeria (1981-2016).

Literature Review

Agricultural Finance

According to obansa and maduekewe (2013), Agriculture financing is mainly a long-term financing that aims at inducing agriculture-led growth and development in an economy. But to access funds for economic development in developing nations to achieve this inducement towards economic growth is generally a problem. Agricultural finance is also defined as the provision of multiple types of services dedicated to supporting both on- and off-farm agricultural activities and businesses including input provision, production, and distribution, wholesale, processing and marketing. (Agriculture for Impact, 2018).when such finance increase the amount of goods and services and influence expansion in the economy of any nation, we say that economic growth has taken place.

To access funds for economic developments in developing nations is a problem sometimes due to inadequate capital and sometimes due to visionless leadership. The Government of Nigeria in its bid to boost food production and increase agricultural sector output contribution to GDP, has on several occasions produced intervention funds to agriculture and agro-allied industries. Series of financial programs has also being imitated in Nigeria which include Agricultural credit guarantee scheme fund (ACGSF) which have features such as the self-help group linkage banking, trust fund model and interest draw back (CBN,2018).other schemes include ; the Agricultural Credit Support Scheme (ACSS), Commercial Agriculture Credit Scheme (CACS) etc.

Theoretical Literature

Theories of Agriculture: Malthus and Boserup

The growth of human population has exerted pressure on agricultural sector for proportionate growth which is needed to guarantee food supply for the growing population. In 18th century, Thomas Malthus in his essay explained that the needs of man for food supply is exceeding the available agricultural production, hence threatening the existence of man. he explained that if human population continues to grow, that the production of food through the available agricultural method or input will not be enough to sustain man thence a catastrophe or famine will occur. He further outlined that human population is growing geometrically order while food production to sustain then is growing in arithmetical order. Thus he suggested that human population should be contained by application of methods which include family planning but not limited to it alone. A view of this theory in this modern time will not support its essentiality or reliability even though is a widely acknowledged theory. The developed nations like America (USA) and some nations in European Union have a little fraction of their population into the agricultural sector but have lower input to higher output ratio. Japan with application of modern methods of farming has also proven this Thomas Malthus principle wrong. Such developed nations have even enough output reserve to sustain nations for decades. What such implies is that population rate can never outgrow food supply. With availability of fiancés, mechanization and technical know-how, developing nations can too increase productivity in the agricultural sector to outgrow the population needs for food supply. Malthus principle is more of a psychological assumption than a scientifically based research outcome.

Boserup Theory

Boserup in her writing on economics and development of agriculture, critically analyzed and challenged Malthus assertions on population and agriculture. Stating that food production will steadily increase to match population growth. She argued more from her experience in developing countries that a threat to the living and stability of the people will lead them into improvement, innovations and mechanization of the agricultural method to meet up with the food needs of the people. She concluded that man will always sustain production in the agricultural sector and also she supported invention in agricultural sector in different ramifications which will lead to increasingly output. Boserup broadly acknowledged the essence of mechanization in agricultural sector, agricultural credit, irrigation farming etc. Boserup work provided a more convincing reality from a third world nation like India. Her

work can be seen as a modern agricututural theory of continues improvement and adaptation.

The Harrod-Domar Economic Growth Model

To trigger and sustain economic growth, Harrod-Dormar emphasized the need for savings and investment in the key sectors. They then developed a model to explain the intricate nature of how growth can occur. The model stated that the economic growth rate of any nation depends on the level of national savings and the productivity of capital investments otherwise known as capital-output ratio. Therefore the growth of any economy can be increased in two ways ;(1) increase level of savings in the economy. (2) Reducing the capital-output ratio .The model shows that an economy is positively related to its savings ratio and negatively related to the capital-output ratio. The model emphasis on the need for savings in a nation shows that it will lead to higher investment, higher investment will lead to higher output which will lead to growth.by capital –output ratio, the theory explain that lower capital-output ratio will lead to growth because lower input generating higher output will lead to profitability but higher inputs to lower output will lead to loss of value or retrogression. It concluded that to achieve a lower capital-output ratio, there is need for mechanization to be greatly utilized.

Solow Economic Growth Model

Solow developed the neo-classical theory of economic growth with emphasis on the factors that determine the rate of economic growth of nations. To Solow, growth can only occur if more capital and labour inputs are added in an economy backed up with ideas and technological inventions. His theory emphasized some critical points; that the rise in capital investment influences economic growth temporary because ratio of capital to labour increases; that there is diminishing marginal product as the rate of capital alone increases; to sustain economic growth, capital and labour must grow at the same rate and that technological changes is accountable for the differences in the economic growth of nations. The theory can be summarizes thus; Y=f(K,L), where L=Output, K=Capital stock and L=Supply of labour. Hence constant return to scale using the production function aY=f(aK, aL), can be attained if the inputs (labour & capital) are proportionately changed which will lead to a proportionate change in output.

Empirical Literature

Obansa and maduekwe (2013) on Agriculture financing and economic growth in Nigeria, employed econometric techniques using such secondary data as growth rate of output, agriculture financing sources and debt services. The output of the result shows causality relationships between economic growth and agricultural financing. The coefficient of determination is 49% showing less than average explanatory power of the independent variables to the dependent variable. The research concluded and also recommended that agricultural finance is vital to the growth and development of an economy but that the government need to encourage foreign direct investment to boost the sector

Kiragu (2015) examined the relationship between Agricultural Financing and Productivity of Dairy farming in Central Kenya. Using quantitative data analysis combining census and times series data for the study, the research findings shows that there is a positive relationship between Agricultural Financing and Productivity of dairy farming in Central Kenya. The research concluded that improved financing and market availability will boost the sector in the area. Then recommended that improved financing should be accompanied by improved research to measure performance.

Oyinbo and Rekwot (2014) on Agricultural Production and Economic Growth in Nigeria: Implication for Rural Poverty Alleviation. Carried out an empirical analysis using time series data and also employed bound testing cointegration. The data analyzed for the research are RGDP, Agricultural production, Interest rate, and Exchange rate and Inflation rate. The result output shows that Agricultural productions in Nigeria significantly affect economic growth. The research then recommended increased investment in rural agriculture to alleviate poverty in the Country. They also advocated for higher involvement of the private sector in the agricultural sector for more productivity and overall improvement.

Nwankwo (2014) on Agricultural Financing in Nigeria: An Empirical Study of Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB). Used *ex-post facto* method of evaluation employing data such as the agricultural Loan, Interest Rate and Repayment Rate. The result output shows significant relationship between agricultural sector and agricultural finance but also shows that loan repayment rate has negative

relationship with economic growth of Nigeria. Using such proxies in the independent variables, the research concluded that there is long run relationship between Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) and economic growth in Nigeria and recommended that increased fund should be made available to the bank for more increase input to output ratio in the agricultural sector

Oluwatoyin and Adegboye (2010) researched on the Agricultural sector and economic Development: The Nigerian Experience. They used Johansen Co-integration technique of regression for data analysis employing such data such as Agricultural Output, Agricultural Capital Expenditure, Agricultural Exports, Commercial Bank Agricultural Credit and Fertilizer Distribution. The data analysis output shows that there is no significant impact of the agricultural sector to the economic development of Nigeria. The research recommended that advance technology and research should be utilized in the Nigerian Agricultural sector to increase productivity and that government should establish funds for agricultural sector growth.

Oji-Okoro (2011), examine the impact of the agricultural sector on the Nigerian economy using panel data and multiple regress. Data such as Gross Domestic Product, Domestic Savings, and Government Expenditure on Agriculture and Foreign Direct Investment on Agriculture was utilized. The result shows a positive relationship between the dependent variable and independent variables. The coefficient of determination also shows that 81% variation in the dependent variable is explained by the independent variable. The research recommended that government invest more on tertiary institution research for improvement and also for CBN to initiate policies to enhance loan accessibility and disbursement.

Valentina, Nadolnyak and Shen, (2015) on Agricultural credit and economic growth in rural areas in the united states, the research used alternative panel data sets and fixed effects models for the analysis. The findings of the research show a positive relationship between agricultural lending and agricultural GDP growth per rural resident. The research also shows good goodness of fit. Hence they concluded that commercial banks and Farm Credit System (FCS) institutions is associated with higher agricultural GDP growth rates. The research recommended that that funding should be sustained.

Bakari and Mabrouki (2018) on the Impact of Agricultural Trade on Economic Growth in North Africa: Econometric Analysis. Employed correlation analysis and the static gravity model. The research findings show that agricultural trade has a positive correlation with gross domestic product and agricultural exports and gross domestic product have weak correlation, also that agricultural imports have no significant impact on economic growth in North African countries. Hence the research suggested that increased investment in the sector and trade openness should be encouraged.

Chisasa (2014) examines the relationship between finance and growth in the agricultural sector in South Africa using a structural equation model (SEM) approach. Survey data analysis was conducted using SPSS AND AMOS after data was collected from 500 smallholder farmers. The result shows that a short-term and long-term debt influence farmer's output. labour also was found to significantly influence farmers output. The research concluded that farmers should use short and long term debts to maximize productivity and recommended improved credit supply to farmers should be encourage in South Africa.

Enu (2014) on analysis of the impact of the agricultural sector on Ghana's economic growth and the effect of the various sub- sectors of the agricultural sectors on Ghana's economic growth. Using OLS techniques, the study employed times series data (agriculture, service, industry and the various sub-sectors under agriculture, which includes forestry, fishery, crops/ livestock and cocoa). The study shows that the agricultural sector has a positive impact in the economic growth of Ghana. It concluded that more resources should be allocated to the Agricultural sector with emphasis more on cocoa sub-sector.

Gaps in Literature

The research will incorporate data from the commercial bank sector and the intervention schemes of the federal government to access the nexus between Agriculture finance on economic growth of Nigeria. Such has not been seen in the previous reviews literatures

METHODOLOGY

Research Design

The ex-post facto research design will be adopted for this research because it intends to

determine the cause – effect relationship between variables.

Theoretical Framework

The theoretical work adopted for this research is Harrod-Domar economic growth model. The model emphasized the need for savings in a nation showing that it will lead to higher investment; higher investment will lead to higher output which will lead to growth. By capital –output ratio, the theory explain that lower capital-output ratio will lead to growth because lower input generating higher output will lead to profitability but higher inputs to lower output will lead to loss of value .

Model Specification

Multiple linear regression approach is adopted in this research

The functional relation of the model is given as:

GRGDP= f (ASO, ACGSF, INT, CBA)

The Econometrics model is specified as follows:

$GRGDP=\beta 0+ \beta_1 ASO + \beta_2 ACGSF + \beta_3 INT + \beta_4 CBA +\mu$

Where:

GRGDP= Growth Rate in Real Gross Domestic product

ASO = Agricultural sector Output

ACGSF = Agricultural Credit Guarantee Scheme Fund

INT = Interest Rate

CBA= Commercial bank credit to the Agricultural sector

β_0, β_1, β_2, β_3, and β_4= parameters and μ = Stochastic Error term

Apriori expectations are: $\beta_1, \beta_2, \beta_4 > .0$ and $\beta_3 < 0$

Method of Evaluation

The research will use OLS regression technique for the data analysis. The Augmented Dickey-Fuller (ADF) test will be utilized for stationarity test of the variables at 5% level of significance .the stationarity properties of the variables will determine if the regression is to be run with or without cointegration test

Pasaran bound test for co-integration will be incorporated. The bound test is basically computed based on an estimated error correction version of autoregressive distributed lag model, by Ordinary Least Square (OLS) estimator (Pesaran, Shinand Smith, 2001).such is suitable when the stationarity properties of the variables are a mixture of 1(0) and 1(1).

Error Correction Mechanism (ECM) will be conducted to capture the short run properties of the model, hence to know the speed of adjustment on the short run.it is expected to be negative. Granger Causality test will also be conducted to test the forecasting power of the variables over another.

Data Required and Sources

The data (GRGDP, ASO, ACGSF, INT, CBA) used in this research are from secondary sources. All the data employed were sourced from Central Bank of Nigeria statistical bulletin 2016 and World Bank.

Presentation and Analysis of Results

The Augmented Dickey Fuller (ADF) Test

Variables	ADF Test Statistics	5% Critical value	Order of integration
GRGDP	-3.961585	-1.950687	I(0)
ACGSF	-7.377021	-1.951000	I(1)
ASCGDP	-3.086710	-1.951000	I(1)
INT	-8.458710	-1.951000	I(1)
CBA	-8.147650	-3.548490	I(1)

The ADF test for stationarity at 5% level of significance shows that Growth Rate in Real Gross Domestic product (GRGDP) is stationary at levels form I(0), while the independent variables Agricultural sector Output (ASO), Agricultural Credit Guarantee Scheme Fund (ACGSF), Interest Rate (INT) and Commercial bank credit to the Agricultural sector (CBA) are stationary after the first difference, hence at I(1). With such we cannot use the variable without ascertaining the cointegration (long-run relationship) and the ECM.

The Cointegration Test

According to Pesaran, Shin and Smith (2001), Bound testing technique can be used to test for cointegration in a mixture of variables of order I(0) and I(1). If the F-statistic is greater than the lower and upper bound, then we concluded that there is cointegration, hence long run relationship.

Bound test Result

ARDL Bounds Test				
Date: 08/18/18 Time: 12:21				
Sample: 1984 2016				
Included observations: 33				
Null Hypothesis: No long-run relationships exist				
Test Statistic	Value	k		
F-statistic	10.00595	4		
Critical Value Bounds				
Significance	I0 Bound	I1 Bound		
10%	2.45	3.52		
5%	2.86	4.01		
2.5%	3.25	4.49		
1%	3.74	5.06		

From the Bound test output, it can be seen that the F-statistic 10.00595 is greater than the lower and upper bound at 5% level of significance, we therefore concluded that the is long-run relationship. Since there is long run relationship, we conduct the error correction mechanism (ECM) to know the speed of adjustment to equilibrium after a shock

Estimation Model

Dependent Variable: D(GRGDP)				
Method: Least Squares				
Date: 08/18/18 Time: 12:27				
Sample (adjusted): 1985 2016				
Included observations: 32 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.143406	1.986744	-0.072181	0.9430
D(ASO)	0.001940	0.003025	0.641238	0.5270
D(ACGSF)	-1.83E-06	7.62E-07	-2.405183	0.0236
D(INT)	-0.403987	0.315078	-1.282181	0.2111
D(CBA)	0.008357	0.036199	0.230857	0.8192
ECM(-1)	-1.086127	0.398087	-2.728368	0.0113
R-squared	0.352051	Mean dependent var		0.012646
Adjusted R-squared	0.227445	S.D. dependent var		9.163345
S.E. of regression	8.054131	Akaike info criterion		7.177608
Sum squared resid	1686.595	Schwarz criterion		7.452433
Log likelihood	-108.8417	Hannan-Quinn criter.		7.268705
F-statistic	2.825320	Durbin-Watson stat		2.189226
Prob(F-statistic)	0.036239			

Discussion of the Results

From the estimation result above, a change in Agricultural sector Output (ASO) will lead Growth Rate in Real Gross Domestic product (GRGDP) to move positively by 0.001940, change in Agricultural Credit Guarantee Scheme Fund (ACGSF) will lead Growth Rate in Real Gross Domestic product (GRGDP) to decrease by -1.83E-06, a change in Interest Rate (INT) will lead Growth Rate in Real Gross Domestic product (GRGDP) to decrease by -0.403987 while a change in Commercial bank credit to the Agricultural sector (CBA) will lead Growth Rate in Real Gross Domestic product (GRGDP) to increase by 0.008357. Statistically, is only Agricultural Credit Guarantee Scheme Fund (ACGSF) that is significant at 5% level of significance with a Prob(t-statistic) of 0.0236. F-statistics revealed that the variables are jointly statistically significant at Prob(F-statistic) of 0.036239.

The ECM is -1.086127 which means that speed of adjustment to equilibrium after a shock is 100 % and the p-value of 0.0113 shows that the ECM is statistically significant. The negative value of the ECM makes the model to be acceptable.

R^2 value is 35 % which means that the variation in the dependent variable is explained only by 35 % by the independent variables.

Granger Causality test

Pairwise Granger Causality Tests			
Date: 08/18/18 Time: 12:34			
Sample: 1981 2016			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
ACGSF does not Granger Cause GRGDP	34	0.04617	0.9549
GRGDP does not Granger Cause ACGSF		10.5851	0.0004
INT does not Granger Cause GRGDP	34	1.54265	0.2309
GRGDP does not Granger Cause INT		0.42878	0.6554
ASO does not Granger Cause GRGDP	34	0.73964	0.4861
GRGDP does not Granger Cause ASO		0.42870	0.6554
CBA does not Granger Cause GRGDP	34	0.00327	0.9967
GRGDP does not Granger Cause CBA		0.07085	0.9318

The Granger Causality shows that there is uni-directional Causality relationship between Growth Rate in Real Gross Domestic product (GRGDP) and Agricultural Credit Guarantee Scheme Fund (ACGSF), hence Growth Rate in Real Gross Domestic product (GRGDP) Granger Causes Agricultural Credit Guarantee Scheme Fund (ACGSF).

Summary of Findings, Conclusion and Recommendations

Summary of Findings

The research examined the nexus between Agriculture financing and Economic Growth in Nigeria from the period of 1981 to 2016. The study shows a long and short run relationship between the dependent variable (GRGDP) and the independent variables (ASO, ACGSF, INT and CBA). The coefficient of determination (goodness of fit) R^2 is 35% which shows a low explanatory power of the independent variables on the dependent variable. Prob(F-statistic) of 0.036239 shows that the variables are jointly significant. There is Uni-directional causality relationship between GRGDP and ACGSF in Nigeria. GRGDP Granger Causes ACGSF. The Causality test does not show relationship between GRGDP and other independent variables.

Conclusion

From all the econometric analysis done in this research work, it has been established that there is a nexus between agriculture sector financing and economic growth in Nigeria. But the direction of the relationship does not all conform to the aprior expectations. It is expected that the Agricultural Credit Guarantee Scheme Fund (ACGSF) will have a positive relationship with the economic growth of Nigeria but the result output does support such .Showing that the scheme is no longer benefiting the economy, the prime lending rate (interest rate) also from empirical evidence show that it impede the growth of Nigerian economy. The low explanatory power of the independent variables on the dependent variable also shows that the agricultural sector still needs more efficient inputs.

Recommendations

Following from the research findings above, it is recommended that;

1. The Agricultural Credit Guarantee Scheme Fund (ACGSF) should be overhauled to bring out the best from the objectives of establishing it. Its negative coefficient shows that the scheme is performing badly in the economy.
2. The interest rate is also a major setback in achieving the objectives of a dream efficient and well developed agricultural sector. Hence the government should device a fund disbursement technique where real farmers will be given funds on a very low interest rate.
3. Low explanatory power of the independent variables on the dependent variable from the result shows that the agricultural sector is poorly performing. Hence the government should invest more in the sector, both in human capital, continuous training of farmers and encouragement of mechanization of the agricultural sector. The low explanatory power also shows that there are other influencing variables in the economic, so at such, such variable should also be taken into considerations.
4. Commercial bank credit to the agricultural sector which shows a positive relationship with economic growth should be expanded to

reach more farmers in rural and urban areas. By so doing, the nation will grow economically, with enough food supply for the masses and employment for all.

5. Adequate legal framework should be put in place to see that those who handle the agricultural sector are competent enough, both by academics and experience so as to introduce and maintain expertise knowledge in it. Such should be maintained instead of the era of making it a political appointment slot for compensation to campaign carriers.

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Citation: *Onoh Chukwunonso Francis, "Nexus between Agriculture Financing and Economic Growth in Nigeria 1981-2016" Journal of Banking and Finance Management, 3(2), 2020, pp. 25-33.*