

Sustainable Agricultural Financing in Nigeria: Agricultural Credit Guarantee Scheme Fund (ACGSF) in Perspective (1989-2015)

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Abstract

The somewhat neglect of the supposed main stay of Nigeria economy, agriculture has resulted in near food crises and consumption oriented economy. Efforts were concentrated on the wasting mineral resources namely fossil oil that provided quick money to the detriment of overall good of Nigeria nation because sustainable diversification of the economy were not given proper attention. As a probable solution Agricultural Credit Guarantee Scheme Fund (ACGSF) was established by Decree No. 20 of 1977 and started operations in April 1978 to call attention to agricultural production and promote the farming business of the majority of Nigerians involved in subsistence farming by providing loans for financing their agricultural activities. The long term goal is to enhance the process of transformation from a predominantly subsistence agriculture to a highly mechanized form to facilitate sustainable Agricultural production. The broad objective of this study is to assess sustainability of the Agricultural Credit Guarantee Scheme Fund from 1989-2015. Sourcing data from the Central Bank of Nigeria Statistical bulletins and using descriptive tools and regression analysis the work showed that the value of cash crops production and food crops production guaranteed loans by ACGSF is not significant to agricultural development in Nigeria and that the number of guaranteed loans by the ACGSF tend to favour the North regions perhaps because of population, more interest, level of awareness, or better farming environment that make for easier access to the agricultural loans. This study recommends that awareness promotion committee should be constituted from managers of the scheme to promote access to the fund especially in the Southern States of Nigeria; the farmers should be encouraged to form cooperatives to ease access to the fund; the various tiers of

government (federal, states and local governments) should continue in promotion of entrepreneurship especially in areas of adding value to farm produces; and the federal Government should direct the benefiting states to contribute counterparty funding, at least 10% of the value accessed by beneficiaries from each state should be continuous funding support to the Scheme by the respective States.

Keywords: Sustainability finance, Agriculture, Economic growth

1.0 Introduction

Agriculture was the mainstay of the Nigeria economy accounting about seventy percent of the nation's Gross Domestic Product (GDP) and about ninety percent of foreign earnings. The groundnut pyramid of Northern regions, cocoa farmers of the western region, and oil palm plantations of eastern region, were the major sources. Agriculture was the mainstay of the Nigeria economy accounting about seventy percent of the nation's Gross Domestic Product (GDP) and about ninety percent of foreign earnings. The groundnut pyramid of northern regions, cocoa farmers of the western region, and oil palm plantations of eastern region, were the major sources of foreign exchange that sustained the regions. There was also rapid growth in industrial capacity in the post independent era as the contribution of the manufacturing sector to GDP grew from about four percent at independence and peaked of about ten percent in 1981 (Uzor, 2014).

Regrettably, Nigeria nation relies on importation for a majority of its goods, even food, thereby spending a chunk of her foreign exchange in payment of goods and service imported into the country, for example Nigerian value of total import stood at ₦5.34 trillion (more than US\$ 35 billion Q₃(third) quarter 2014 (Okoro, 2015, citing the National Bureau of Statistics).

In 1976, Central Bank of Nigeria made a thorough investigation to ascertain the brain behind the unsustainability of previous Agricultural production policies. Shortage of primary production credit was identified as one of the major reasons for declining Agricultural production. As a probable solution Agricultural Credit Guarantee Scheme Fund (ACGSF) was established by Decree No. 20 of 1977 and started operations in April 1978 to reverse the declining trend in Agricultural production through several innovation and products that were later introduced such as self-help group linkage Banking; Trust funds models and' The interest Draw Back Scheme (Eluhaiwe, 2004). Its original share capital and paid-up capital were ₦100 million and ₦85.6 million, respectively. The Federal Government holds 60% and the Central Bank of Nigeria, 40% of the shares. The capital base of the Scheme was increased to ₦3 billion in March,

2001. The Fund guarantees credit facilities extended to farmers by banks up to 75% of the amount in default net of any security realized. The Fund is managed by the Central Bank of Nigeria, which handles the day-to-day operations of the Scheme. Thus, the fund provides guarantee in respect of loan granted by banks for Agricultural Production within scheme mandate.

The agricultural loans which can be guaranteed by the fund are those connected with: the establishment or management of plantation for the production of cash crops (oil palm, rubber, cocoa and groundnut; animal husbandry/livestock (poultry, piggery, and cattle rearing); Food crops (grains/cereals, beans, rice, benniseed, pulses, root, tubers, oil seed, fruits of all kinds, vegetables, pineapple, plantains, and sheanuts; others are fish farming and fish capture. The scheme also includes processing in general of at least 50% of farm output, say from cassava to garri; oil palm fruit to oil and kernel; groundnut to groundnut oil. Farm machinery and hire service are inclusive in the scheme.

The Development Finance Department of the Central Bank of Nigeria in the past initiated a series of publicly financed micro and rural credit programmes and policies targeted at sustainable Agricultural production. Reports revealed yet substantial gaps. As at 1992 date set for self-reliance in respect of most food crops did not materialize. Analysis of the Nigerians food crop production shows that out of the seven food crops for which comparative data are available, maize, millet, sorghum, rice, wheat, cassava and yam, only four exceeded stipulated targets, while three recorded a negative variance between actual and projected output during the period 1990 and 2001. The Agricultural production index shows that livestock output recorded a growth rate of 2.2 percent between 1990 and 2001, a much lower figure than the expected in the policy documents for livestock. The fisheries output gap anticipated growth rate was not achieved, which suggests that the current production practices may not be capable of achieving the desired production (Nnanna, Alade & Odoko, 2003). However, the crop production experiment in 1990s created a more devastating gap in the Agricultural development agenda of the nation because the cash crop subsector; oil palm, cocoa, groundnut where Nigeria has exercised both competitive and comparative advantage was totally omitted (Nnanna et al, 2003).

Some other agricultural development schemes initiated by the Central Bank of Nigeria are Agricultural Credit Support Scheme (ACSS), and Commercial Agricultural Credit Scheme (CACCS). The ACSS is an initiative of the Federal Government and the Central Bank of Nigeria with the active support and participation of the Bankers' Committee. The Scheme has a prescribed fund of N50.0billion. ACSS was introduced to enable farmers exploit the untapped potentials of Nigeria's agricultural sector, reduce inflation, lower the cost of agricultural production (i. e. food items), generate surplus for export, increase Nigeria's foreign earnings as well as diversify its revenue base. At national level, the scheme operates through a Central

Implementation Committee (CIC) while at the Federal Capital Territory (FCT) and State levels, the Scheme operates through State Implementation Committees (SICs) instituted to ensure that the objectives of the scheme are realized without hindrance. To access loans under ACSS, applicants (practicing farmers and agro-allied entrepreneurs with means) are encouraged to approach their banks for loan through the respective state chapters of farmer's associations and State Implementation Committees. However, large scale farmers are allowed under the scheme to apply directly to the banks in accordance with the guidelines. ACSS funds are disbursed to farmers and agro-allied entrepreneurs at a single-digit interest rate of 8.0 percent. At the commencement of the project support, banks will grant loans to qualified applicants at 14.0 per cent interest rate. Applicants who pay back their facilities on schedule are to enjoy a rebate of 6.0 per cent, thus reducing the effective rate of interest to be paid by farmers to 8.0 per cent.

The Commercial Agriculture Credit Scheme (CACS) established by the Central Bank of Nigeria (CBN) in collaboration with the Federal Ministry of Agriculture and Water Resources (FMA&WR) in 2009 to provide finance for the country's agricultural value chain (production, processing, storage and marketing). Increased production arising from the intervention would moderate inflationary pressures and assist the Bank to achieve its goal of price stability in the country. The primary objectives of the Scheme are to: Fast-track the development of the agricultural sector of the Nigerian economy by providing credit facilities to large-scale commercial farmers at a single digit interest rate; Enhance national food security by increasing food supply and effecting lower agricultural produce and products prices, thereby promoting low food inflation; Reduce the cost of credit in agricultural production to enable farmers exploit the untapped potentials of the sector; and Increase output, generate employment, diversify Nigeria's revenue base, raise the level of foreign exchange earnings and provide input for manufacturing and processing on a sustainable basis (CBN, 2016).

The CACS which is a sub-component of the Federal Government of Nigeria's Commercial Agriculture Development Programme (CADP) is financed through a ₦200billion Bond raised by the Debt Management Office (DMO). Loans to eligible entities under the Scheme are disbursed at a maximum interest of 9 percent. The subsidy arising from this stipulated rate and the market rate on all loans granted, and the administrative expenses of the Scheme are borne by the Central Bank of Nigeria (CBN). It is operated in two tranches of ₦100 billion each. The 1st Phase of the tranche ran from May to December, 2009, while the 2nd tranche commenced in February, 2010.

However, Agricultural Credit Guarantee Scheme Fund (ACGSF) remains one of the oldest and most sustainable Agricultural production policies in Nigeria. The general purpose of the ACGSF is to

encourage banks to lend to those engaged in agricultural production and Agro-allied processing industries. Thus the specific objectives of the scheme are the stimulation of total production for both domestic consumption and export and encouragement of financial institutions to participate in increasing the productive capability of agricultural sector through a capital lending programme (Nwosu et al, 2010). Oladosu (2014) observes that no sector provides a more compelling case for sustainable development and investment in Nigeria as the Agricultural sector. The scheme has lasted for over thirty-five years. Yet, Nigeria still import basically most of her primary food crops. Can it be said that the purpose for which the scheme was established is being realized? The problem of inadequate food supply in Nigeria remains unsolved. More worrisome is the collapse of oil prices in the international market and the resultant slump in Nigerians foreign exchange earnings. This has aggravated the food shortage (Okoro, 2015). The need to diversify the Nigeria economy to position her to produce and export is urgent.

This study aims at assessing the performance of ACGSF and evaluating the contribution of Agriculture sector to economic growth of Nigeria. The work hypothesized that the scheme has not significantly contributed to agricultural development in Nigeria. The work covered the period of 1989 – 2016. And data were sourced from Central Bank of Nigeria Statistical Bulletin of various years. The subsequent sections of this work include: conceptual and theoretical framework; empirical review of related works; methodology; data presentation and analysis; and summary of findings, conclusion and recommendations.

2.0 Conceptual and Theoretical Framework

Agricultural Credit Guarantee Scheme Fund was established by the Central Bank of Nigeria in 1978, purposely to reverse the declining trend in sustainable Agricultural Production. Olaitan (2006) states the shortage of primary production credit was identified as one of major cause for the deterioration in Agricultural production. The reason advanced for the shortage was the reluctance by banks to extend credit to the real sector activities especially agricultural production. The obvious reasons responsible for banks reluctance were: Inherent risks associated with agricultural production; Urban/semi urban nature and mode of operation of the banks; and Inability of farmers to provide the necessary collateral (Olaitan, 2006). The fund provides 75% guarantee in respect of loans granted by banks for approved agricultural purposes. The fund is managed by the independent board of directors, under the surveillance of Central Bank of Nigeria. The implication is that the Nigerian government have assumed absolute responsibility to stir internally generated stimulus for sustainable development of its Agricultural Sector. In order to further reverse the declining trend in financing sustainable Agricultural production that originally necessitated the establishment of

ACGSF, several innovations and products were introduced under the scheme such as: the self-help Group linkage banking; the trust fund model and the Interest Draw Back scheme.

The agricultural sustainability as a concept is versatile as a result writer on this subject matter limit themselves to a particular process relevant to their own area of study at any point in time. Sustainability like the gross domestic product is a standard indicator of the economic performance of a country. According to Jodha (1990), sustainability is the ability of the agricultural system to maintain a well-defined level of performance overtime, and if required to enhance that output without damaging the essential ecological integrity of the system. Thus, sustainable development is synonymous to sustainable agricultural development, as a result discussing the context of sustainable development without agricultural development as a priority is an illusion and an effort in futility and that is why most developing/growing economies has not been developed. Sustainability in Agricultural development could be defined as the ability of an agricultural system to keep production and distribution going continuously without failing (Idachaba, 1987).

Agricultural sustainability as a concept is not just inevitable but rather a versatile developmental production process that gradually graduates a growing economy to a developed one. Most modern communities have gone through various phases of agricultural development, ranging from traditional production to farming system development (Baden & Parham, 1991). Each phase normally involves a paradigm shift in the mental framework and decision of farmers which involves the process of transformation from a predominantly subsistence agriculture to a highly mechanized farm to enhance agricultural production.

Sustainable development, sustainable financing, and sustainable agriculture are inter-woven. Jhingan (2012) states that sustainable development is development that is everlasting and contributes to the quality of life through improvement in the natural environments. Natural environments, in turn supply utility to individuals, inputs in the economic process and services that supports life. As pointed out by Pearce and Watford cited in Jhingan (2012) "sustainable development describes a process in which natural resource base is not allowed to deteriorate. This description emphasizes the hitherto unappreciated role of environmental quality and environmental inputs in the process of raising real income and the quality of life. Seers (1971) cited in Jhingan (2012) holds that three things are critical to development. What has happened to poverty? What has happened to unemployment? What has happened to inequalities of income? Agricultural sustainability as measurement of improved performance and efficiency entails developing an economic policy that must have a practical evidence of reducing drastically and where possible total elimination of poverty, unemployment and inequalities of income. Dare (2003) cited in Jhingan (2012) defines economic development as a process by which a high degree of self-reliant economic growth in a given society, sustained over a given time. It is associated with substantial reduction on poverty, unemployment levels and income inequalities.

And, sustainable financing consists of forms of financial service integrating environmental, social and governance criteria into the business/investment decisions for the lasting benefit of both clients and society at large (Parker, Cranford, Oakes & Legette, 2012). Thus, critical elements in conceptualizing financial sustainability include financing gap assessment, the timing and duration of funding, targeted beneficiaries, as well as uses and choice of viable sources of financing. Convention on Biological Diversity related five important routes to financial sustainability: identify the most cost-effective course of actions; establish an adequate institutional framework; address institutional capacity issues; accelerate the achievement of goals; and transparency and accountability.

Flora (1992) adds three new dimensions that could pose a barrier to the sustainability of the agricultural sector: ecological, socio economic and ethical. The ecological dimension concentrates on the natural environment, its processes and resources, while the socio economic dimension addresses issues on human welfare. The ethical aspect however, focuses on value system and ethics and by implication, on human behavioural patterns. It is argued that the presence of these three ingredients is critical for the sustainability of any form of agricultural production. Swant (1995) includes a fourth dimension as social acceptability which entails that relevant community should adopt a particular method of farming that is not just justifiable but suitable and generally acceptable and practicable among the inhabitants.

In the agricultural sector, it has been widely acknowledged that the major critical areas of emphasis must of a necessity include drastic measures to reduce environmental degradation, total elimination of chemicals in foods, farmers' welfare, and the quality of life. The concept of sustainable agriculture encourages the participatory mobilization of rural people, and the need to support non-governmental organizations to reduce transaction costs in rural areas (Del-gado, 1997).

Agricultural sustainability as a concept is not just inevitable but rather a versatile developmental production processes that graduates a growing economy to a developed one. Sustainability is a measure of improved performance and efficiency overtime which entails that a growing economy gradually establishes drastic sustainable measures to eliminate poverty, unemployment and inequalities of income. According to Myrdal (nd) an economy may grow but it is not developed due to poverty, unemployment and inequalities of income persists in the absence of technological and structural transformation. But all said and done, it is the role of the government to ensure economic development which is distinct from economic growth. No wonder the Nigeria government conceived the Agricultural Credit Guarantee Fund Scheme to show adequate concern for partnership with farmers to ensure food sufficiency and economic growth.

Although the concept of authors on sustainability differs, they have shared a common view that agricultural production must be proportionate with the demand but never at the expense of the environment. Sustainability has

two faces, it ensures the farmers receive a reasonable return on their investment and at the same time sale their harvest at a reasonable cost to consumers. It has being widely acclaimed that the concept of agricultural sustainability, is not just versatile but rather dynamic and highly sophisticated, as result adequate provision must be made to respond positively promptly to environmental fluctuations. Nnanna et al (2003) observes that sustainability is a dynamic process involving measures of improved performance and efficiency overtime which in most cases, a static analytical tool will not be able to capture. Secondly, its accurate measurement must capture the impact of both exogenous and endogenous factors. The use of statistical techniques, to measure the sustainability of an agricultural system and the presentation of results as trends or correlation coefficients may fail to capture the true performance of agricultural institutions and other units of assessment. However, the economic evaluation of the net present value and cost benefit analysis of all the components of an agricultural system could be used to ascertain the sustainability of a project in respect of present and future out comes.

Evbuomwam, Ukeje, Out, Amao, Essien, Odey and Abba (2003) citing Greef (1988) and Dixon (1993) suggested an approach that is versatile for assessing sustainability in diverse agricultural sectors, using various parameter. Greef's pattern measures the performance and direction of the processes that control the functions of a given agricultural sectors at a specific location and at a specific point in time. Having established critical criteria for each indicator and a threshold value in each case, he concluded that sustainability was an inclusive process involving an understanding of the key interrelated components for successful evaluation. In conclusion, Greef said that sustainability of agricultural processes in Nigeria could be measure using the variant /trend analytic technique. According to him, trends in input utilization, capital initiatives of supporting agencies could be used to measure agricultural sustainability, making provision for certain critical but inevitable factors.

3.0 Empirical Review of Related Works

Finance plays an indispensable role in the process of agricultural development as a result access to development finance is not just a *sine qua non* but rather a pre-requisite and an inevitable motivator that enhances the performance of the Agricultural Sector. Agricultural credit can be defined as the mobilization of resources at all levels in order to increase production and productivity in Agriculture and to enhance the productive capacity. Agricultural credit scheme was government platform to provide sustainable Agricultural financing which has been widely acknowledged globally as the bed rock for economic development (Omosebi & Saheed, 2016). Omolola (1997) relates that the agricultural credit Guarantee is often considered as effective policy instrument for improving production and distribution in Agricultural commodities.

Olagunju and Ajiboye (2010) report in their work: Agricultural Lending Decision: A Tobit Regression Analysis that the lack of a formal national credit policy and the inadequate number of credit institutions in Nigeria is a major cause for the decline in the contribution of Agriculture to the economy, and made a case for the ACGFS.

Adams and Mortimore (1997) work on Agricultural Intensification and Flexibility in the Nigerian Sahel and found that access to finance increases the average inputs of labour and capital which has positive effects on production output. They argued that early development theories especially the classical economists considered agriculture as an indispensable source of raw materials to finance the development of the industrial economy. As a result, Agricultural production serves as an engine that propels and sustains the real economy.

The report on Agriculture and Rural Development Sector Bank Group Policy by the African Development Bank observed that Agriculture credit/finance brings about growth and it solves the problems militating against the agricultural sector's productivity. Adequate financing of Agriculture plays a role of an effective engine for growth for most agriculture based economies (ADB, 2000). The World outlook report showed that in nations with high population growth-rates, there is a pressure on low input/output agricultural systems to accelerate increase in food production through finance. The report's estimate shows that Gross Domestic Product (GDP) growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture (WOR, 2008).

The study by Nasir (2015) on the Impact of Central Bank of Nigeria Development Finance on Economic Growth and Development indicated that it has become absolutely necessary for the Federal Government to increase, improve and encourage development institutions in Nigeria in order to accelerate inflow of capital for sustainable agricultural development.

Akinola (2013) discovered that production cannot work in isolation and as a result recommended that such factors as policy inconsistency and somersault, absence of commodity boards, pricing policies, lack of effective and adequate storage facilities and more importantly extreme corruption, must be given serious considerations to enhance sustainable development.

Nwosu et al (2003) in their work on the Agricultural Credit Guarantee Scheme: Its roles, problems and prospects in Nigeria's Quest for Agricultural Development conclusion suggested that the three tiers of government should give the scheme the required support and publicity so that farmers (particularly small farmers) can benefit from its laudable objectives which will go a long way to ameliorate the seeming dismal output of our farmers.

Ijaiya et al (2009) studied Agricultural Credit Guarantee Scheme and Food Security in Nigeria applying a time subscript and a different-in-difference estimator that describes the changes in food as a function of a

change in food crops as a function of changes in agricultural credit guarantee scheme fund. Their result shows that only the initial level of ACGSF on food security has helped improve food security more than the changes in subsequent years.

Obasi (2015) used multiple regression (Frequencies, Percentages and Mean) to do an evaluation of the performance of agricultural lending and discovered that it has impacted positively on the income of borrowers. More so, Ayegba (2013) used descriptive statistic simple percentages, ratios and proportions to carry out an impact assessment of agricultural credit on the rural farmers. According to him the unregulated private money lenders (53.3%) constitute the major source of credit which is not healthy for an economy ready to grow. Also the much needed banks in the rural areas are mainly found in the urban leaving the rural farmers without formal source of credit.

Nasir (2016) in his work on the Impact of Central Bank of Nigeria's Agricultural Credit Guarantee Scheme Fund on Agricultural and Economic Development of Nigeria using descriptive statistics found that the scheme have increased the inflow of credit, to the Nigerian farmers which ultimately affected the entire economic well-being of the beneficiaries.

Kehinde (2012) in his research on Impact of Central Bank of Nigeria's Agricultural Credit Guarantee Scheme Fund on Agricultural and Economic Development of Nigeria revealed that settled claims are negatively significant and the tardiness is observed in the claims process, which implies that Nigeria is food insecure because of high import bills that is growing daily.

Omosibi and Saheed (2016) worked on Agricultural Credit and Economic Growth Nexus: Evidence from Nigeria. They applied the Auto-Regressive Distributed lag (ARDL) approach and discovered that short and long run relationship existed between agricultural credit and economic growth.

In a work on Export Processing Zone Scheme: Nigeria Roadmap to Economic Development, Okoro (2016) showed that the current pressure on the stock of foreign reserve and its attendant exchange rate crisis facing Nigeria stem from the high dependence on imported goods and services. Nigeria's total import bill in 2015 stood at ₦6.7 trillion naira (about US\$ 34 billion dollars) and comprises of manufactured goods that could have been produced locally, spending such huge amount on import bill has led to a sharp decline in the nations stock of foreign exchange. Nigeria's foreign exchange reserves stood at US\$ 27.8 billion as at March 2016 according to figures obtained from the Central Bank of Nigeria (CBN). The stock of external reserves has fallen so low that it can barely provide an import cover for up to six months. Also the current exchange rate crisis has further exacerbated the precarious state of the nation's foreign reserve by forcing

the Central Bank (CBN) to deplete the reserves in order to defend the naira from spiralling out of control. There is no gainsaying that attention should be given to efforts that shall diversify the economy of Nigeria especially the agricultural sector.

4.0. Methodology

This work utilized secondary data obtained from the Central Bank of Nigeria statistical bulletin 2016 and aimed at assessing the performance of ACGSF and evaluating its contribution to agricultural development. The data were processed using e-view software version 8. The work hypothesized that the scheme has not significantly contributed to agricultural development in Nigeria. A multiple linear regression analysis was carried out to ascertain the contributions of the Scheme to crop production index in Nigeria (2002 – 2013). In furtherance, comparative times series graph of the number of guaranteed loans by geopolitical zone (1989 – 2015) was examined.

The work modelled that, Crop Production Index = (value of cash crop production guaranteed loan and food production guaranteed loans by the ACGSF)

$$\text{Thus, } \text{CPI} = \alpha_0 + \alpha_1 \text{CACRP} + \alpha_2 \text{FOCRP} + \mu \dots\dots\dots (1)$$

$$\text{LogCPI} = \alpha_0 + \alpha_1 \log \text{CACRP} + \alpha_2 \log \text{FOCRP} + \mu \dots\dots\dots (2)$$

Where, CPI = Crop Production Index

CACRP = Value of Cash crop production guaranteed loan from the ACGSF

FOCRP = Value of food production guaranteed loan from the ACGSF

α_0 = intercept

α_1, α_2 , = Coefficient of the independent variables

μ = error term

5.0 Data Presentation and Analysis

See appendices 1, 2, 3, and 4 for the input data: The Nigeria crop production index 2002 -2013, the value of loans guaranteed: Cash crops and Food crops (in thousand naira), and the summary of number of guaranteed loans by ACGSF by Political zone: 1989 – 2015. The descriptive output data on the processed data on the value of guaranteed loans by the ACGSF are shown in table 1. Table 3 showed the regression output data on ACGSF and Nigeria Economy 2002 -2013. The Figure 1 showed graph of the total value of

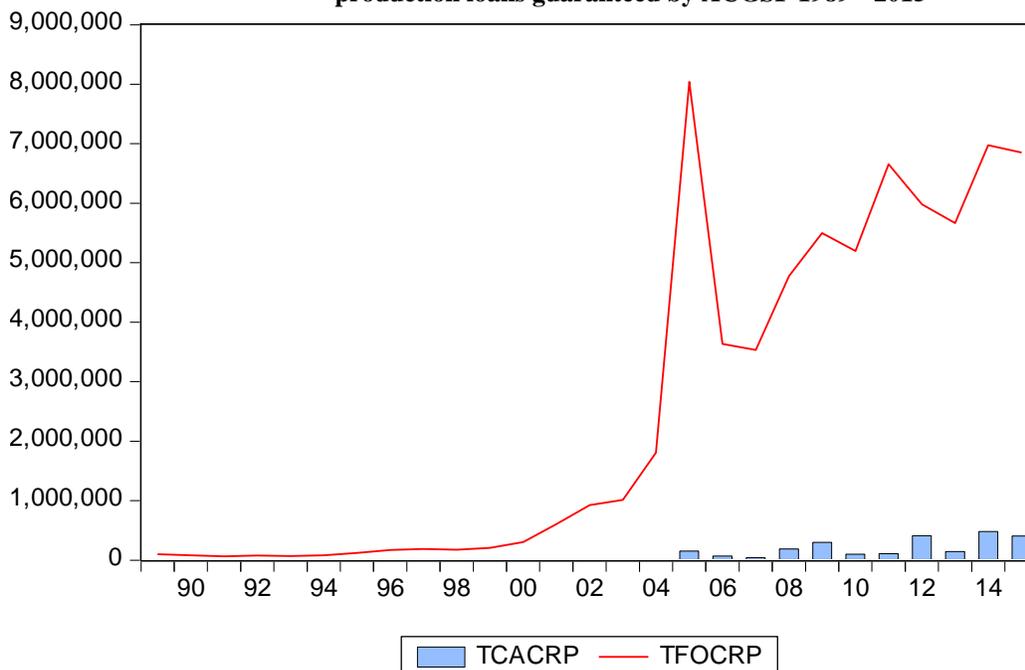
cash crop production and food crops production loans guaranteed by the ACGSF. Figure 2 depicted the pie chart of number of guaranteed loans by ACGSF according to geopolitical zones 1989 – 2015.

Table 1: Descriptive Statistics on ACGSF and Nigeria Economy 2002 -2013

	CACRP	CPI	FOCRP
Mean	129537.1	97.43333	4394212.
Median	104135.0	97.95000	4985176.
Maximum	408244.1	108.7000	8039640.
Minimum	10961.00	82.80000	925734.7
Std. Dev.	121926.2	8.065677	2256424.
Skewness	1.107637	-0.365834	-0.253579
Kurtosis	3.351774	2.005278	2.044647
Jarque-Bera	2.515593	0.762405	0.584954
Probability	0.284280	0.683039	0.746412
Sum	1554445.	1169.200	52730545
Sum Sq. Dev.	1.64E+11	715.6067	5.60E+13
Observations	12	12	12

Source: E-view output data

Figure 1: Graph showing relationship between the total value of cash crop production and food crop production loans guaranteed by ACGSF 1989 - 2015



Source: E-view output data

The performance appraisal of the growth rate in the cash crop subsectors showed that the mean amount of loan guaranteed was ₦129, 537.1 and the maximum was ₦408244.1. A closer study of the components of the cash crop guaranteed loans revealed that groundnut recorded the highest growth followed by grains, tubers and cocoa. However, more loans were made available to grains in the cash crop subsector. The record showed that livestock subsector, notably cattle and poultry received more loans guaranteed under the scheme. It is surprising that Nigeria still top the list amongst the importers of livestock products. The high mortality rate characteristics of the livestock subsector may serve as a discouragement to prospective farmers. High variability indices for the livestock sub-sector are indications that the value of loans guaranteed to the livestock subsector had been unstable since the inception of the scheme.

The food crop production loans guaranteed showed that the mean amount was ₦4394212 and the maximum amount was ₦8, 039,640. The size of the loans allotted to food crops production though were reasonably higher than cash crop. The highest amount of loans guaranteed was in 2006 and thereafter between 2006 and 2008 a downward dive was recorded. The promotions on adding value to agricultural produce and entrepreneurship to ensure food security and sustainable development in the Nation may have caused the favour of allotting more facilities to this subsector. The food crops sector include loans for adding values to agricultural produce. A typical description is shown in Table 2: Agricultural produce and some derivatives.

Table 2: Agricultural produce and some derivatives

S/n	Agricultural produce	Derivative products
1.	Cassava	Garri, fufu, cassava flour, chips and starch
2.	Oil palm	Palm oil, palm kernel oil, palm kernel cake
3.	Rice paddy	Rice, flour
4.	Groundnut	Groundnut oil, groundnut cake
5.	Yam	Yam flour, chips
6.	Maize	Corn flour, starch, livestock feed
7.	Sorghum	Sorghum flour, sorghum, brewer grain.
8.	Aquaculture	Smoked fish, fish fillet
9.	Livestock	Leather products, poultry, milk yoghurt, Butter, cream cheese cake, Butter, powder.
10.	Cocoa	Cake, butter, powder
11.	Shea nut	Shea Rutter, confectionaries, and pharmaceuticals.
12.	Plantain	Flour, chips
13.	Cashew	Cashew nuts
14.	Tomato	Tomato paste, tomato ketchup

Source: Nigerian bank of industry bulletin, 2010

Table 3: Regression output data on ACGSF and Nigeria Economy 2002 -2013

Dependent Variable: CPI
 Method: Least Squares
 Date: 05/30/17 Time: 11:27
 Sample: 2002 2013
 Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	89.02166	4.945068	18.00211	0.0000
CACRP	9.31E-07	2.39E-05	0.038926	0.9698
FOCRP	1.89E-06	1.29E-06	1.459480	0.1784
R-squared	0.288165	Mean dependent var		97.43333
Adjusted R-squared	0.129979	S.D. dependent var		8.065677
S.E. of regression	7.523253	Akaike info criterion		7.086192
Sum squared resid	509.3940	Schwarz criterion		7.207419
Log likelihood	-39.51715	Hannan-Quinn criter.		7.041310
F-statistic	1.821688	Durbin-Watson stat		2.331923
Prob(F-statistic)	0.216625			

Source: E-view output data

Analysis: From the Table 3, the r^2 was 0.288 indicating that only 29% of the variations in dependent variable, Crop Production Index (CPI) were explained by the changes in the values of cash crop production (CACRP) and food crop production (FOCRP) guaranteed loans by the ACGSF. The adjusted r^2 is 0.129 showed that 13% of the variations in CPI can be explained by changes in CACRP and FOCR in a combined effect.

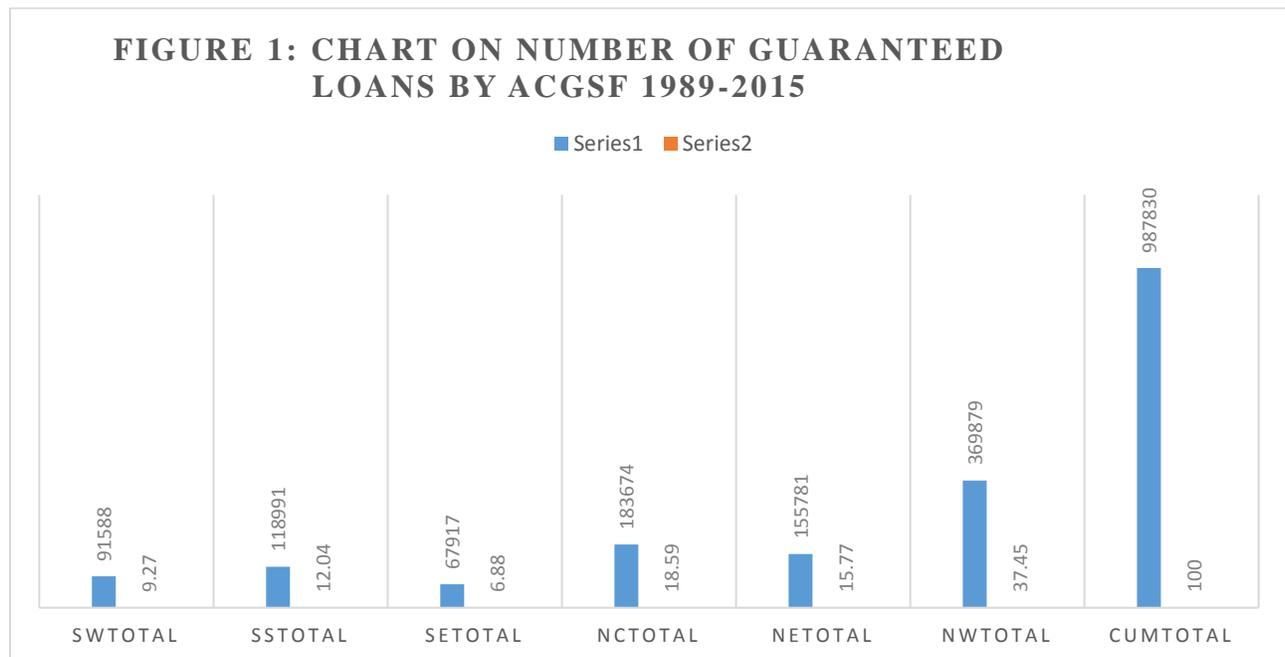
The work hypothesized that the ACGSF has not significantly contributed to agricultural development in Nigeria. The F- statistic is 1.821688 and F-critical (.05, k=2, DF =9) = 4.26. Usually if $F(\text{model}) > F_{\alpha}$ the H_0 is rejected in favour of H_a . Thus, $1.821688 < 4.26$; the H_0 is accepted. Similarly, the Prob (F-statistic) is 0.216625 and greater than the significant level of 5%, the null hypothesis is accepted because Prob (F-statistic) $0.216625 > 0.05$ critical. We conclude that the value of cash crops production and food crops production guaranteed loans by ACGSF is not significant to agricultural development in Nigeria.

The result agrees with Uzor (2014). He observed that prior to Gross Domestic Product (GDP) rebasing the Agricultural sector contributed 30.3 percent to the GDP post rebasing, in nominal terms, the share of Agriculture declined by 24 percent. Also, the number of economic activities accounting for 70 percent of normal GDP has risen from three to six after the GDP rebasing crop production is among the six.

Hence the need to match investment with result. GDP rebasing involves replacing the base year used in the computation of GDP with a new or more recent one to reflect structural changes in the economy.

Number of Guaranteed Loans by ACGSF according to Geopolitical Zones

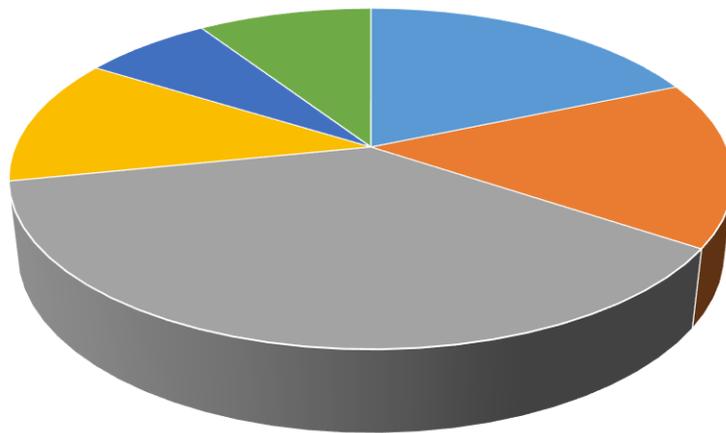
The work study the distribution of the number of guaranteed loans by the ACGSF between 1989 and 2015 with a view of assessing the likely uniformity of access by potential beneficiaries from the various six geopolitical zones of Nigeria. The relevant descriptive data is depicted in Figures 1 and 2.



Source: Excel Output data

FIGURE 2: PIE CHART DISTRIBUTION OF NUMBER OF QUARANTEED LOANS BY ACGSF 1989 - 2015

■ NCTOTAL ■ NETOTAL ■ NWTOTAL ■ SSTOTAL ■ SETOTAL ■ SWTOTAL



Source: Excel Output data

A careful study of the distribution of number of guaranteed loans by ACGSF between 1989 and 2015 showed that 37.45% of the facilities were allocated to North-West geopolitical zone of Nigeria; 18.59% allotment went to North-Central geopolitical zone and 15.77% were for the North-East political zone of the Nigeria nation. And, 28.19% were allotted to the three Southern political zones wherein the South-East recorded 6.88%. Perhaps there were lukewarm attitude among farmers in the Southern Nigeria to the ACGSF or many of the potential beneficiaries were not mobilised adequately to access the facilities. The records on the number of guaranteed loans by the ACGSF tend to favour the North perhaps because of population or better farming environment that make for easier access to agricultural loans.

The figure 2 depicted the pie chart distribution of the number of guaranteed loans by the ACGSF between 1989 and 2015. The North -West geopolitical zone received the biggest portion.

6.0 Summary of findings and Conclusion

This work has shown that the ACGSF has not contributed significantly to economic development of Nigeria and that the distribution of the number of loans guaranteed by the scheme tends lopsided in favour of North West political zone of Nigeria.

The ACGSF has potential of sustainable financing of Agriculture in Nigeria to record significant contribution to economic development of Nigeria because of the wide coverage of the scheme: cash crop production financing and food crop production. Sustainability in Agriculture in real terms demands being meticulous in advancing credit facility to farmers who are not only genuinely involved in agricultural production but rather fall within the exact category for which the fund was established. There is no saying that cash crop production that sustained the former Northern, Eastern and Western regions of present day Nigeria, through groundnut oil, palm and cocoa remains area of comparative advantage for the nation and therefore should be promoted adequately if poverty level must reduce, unemployment level reduced and standard of living improved.

7.0 Recommendations

Given the findings made the following recommendations are expedient if the funding of agriculture especially through ACGSF will be sustainable and meaningfully contributing to economic development of Nigeria.

- The producers of cash crops should be encouraged to produce and transits mechanized commercial farming agricultural land development and mapping out the land for group funding via the ACGSF. This is imperative considering the fact that cash crops are major source of foreign exchange that sustains the respective regions during the pre and post-independence era especially groundnut, cocoa and palm oil.
- The funding of the ACGSF should be growing systematically by requiring the State governments to contribute 10% of the value of loans accessed by farmers from each State. The interest rate payable to each contributing State shall not exceed 5% per year. When the State governments are critical stakeholders the instances of default by sheer neglect can be reduced via collaborative monitoring of usage and repayment.
- More concerted promotion of the existence of the Scheme should be created by educating the potential benefiting farmers on the mode of accessing the fund, and efforts of the government to reduce wastage due to poor market and pricing of farm produce. For instance, the incentives derivable from the export expansion Grant (EEG). The export expansion Grant is an initiative of the Nigerian government aimed at encouraging exporters of non-oil products including agro-allied commodities as part of the efforts to cushion the effect of infrastructural deficiencies as well as reduce the overall unit cost of production and increase the competitiveness of Nigeria products in the international market. The Grant ranges from 10 percent to 30 percent of freight on Board (FOB) value of the products being exported with the confirmation that the export proceed have been

repatriated. To be eligible for the grant, an exporter shall be a manufacturer producer or merchant of products of Nigeria origin for the export market and must be registered with the Nigerian Export Promotion Council (NEPC). Also exporter must have a minimum annual report of ₦15 million and evidence of repatriation of proceeds of exports and shall submit its baseline data which includes outdated financial statement and information and operation capacity to NEPC.

- Efforts should be sustained in the promotion of entrepreneurship among Nigerians especially on agricultural related production by sharing research findings on better technology in various seminars organized by stakeholders in Nigeria project. Agricultural Research institutes should also be allowed grants by donor agencies to discover various seedlings that will resist harsh environment resulting for environmental changes, and improved farming techniques for high yield. Of course profit from ventures propel further enterprising, dreaming bigger, willingness to borrow, and ability to pay.
- To ensure sustainability of agricultural financing for the overall interest of the nation farm settlements should be promoted in various States, and farmers should be allowed access to funding as the farms in such settlements can be monitored, assisted by extension officers, and veterinary attention to curb the high mortality rate characteristics of the livestock Similarly, entrepreneurs should be encouraged to establish cottage agro-processing plants via tax incentives, land allocation, and access to soft loans. Their existence will help tackle the challenges of limited capacity for processing and preservation which has caused loses and wastage of the abundant agricultural products and inability of farmers to repay credit facilities.

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APPENDICES

Appendix 1: The Nigeria crop production index 2002 -2013

Year	Value	Change %
2013	108.7	3.52%
2012	105	11.61%
2011	94.1	-8.50%
2010	102.8	16.34%
2009	88.4	-14.32%
2008	103.1	7.26%
2007	96.2	-8.73%
2006	105.4	5.65%
2005	99.7	5.07%
2004	94.9	7.74%
2003	88.1	6.36%
2002	82.8	

Source: National Bureau of Statistics

Appendix 2: The value of loans guaranteed: Cash crops and Food crops

YEAR	TCACRP(N',000)	TFOCRP(N',000)
1989	10772.80	100013.1
1990	4085.60	79869.60
1991	4708.00	64944.80
1992	4984.50	76260.70
1993	1956.90	70252.00
1994	5656.40	82072.40
1995	10987.30	121067.6
1996	13031.00	171836.3
1997	13755.50	187491.6
1998	6052.80	175764.8
1999	4920.00	204058.0
2000	4928.00	303677.0
2001	17169.00	605525.7
2002	13214.40	925734.7
2003	10961.00	1015195.
2004	18185.00	1807668.
2005	154830.00	8039640.
2006	67165.00	3636054.
2007	42331.00	3533430.
2008	190589.00	4775376.
2009	298367.80	5496286.
2010	99740.00	5194976.
2011	108529.92	6657657.

2012	408244.06	5979763.
2013	142288.00	5668767.
2014	482556.00	6976104.
2015	406750.00	6851875.

Keys: TCACRP = Total Cash crop production; Total Food crop production

Source: CBN statistical bulletin, 2016

**Appendix 3: The summary of number of guaranteed loans by ACGSF by Political zone:
1989 – 2015**

YEAR	NCTOTAL	NETOTAL	NWTOTAL	SSTOTAL	SETOTAL	SWTOTAL	CUMTOTAL
1989	7726	7258	6970	4455	4057	4052	34518
1990	7049	6904	7516	2837	4311	2076	30693
1991	6024	4477	6837	1004	2471	965	21778
1992	4845	3545	9719	590	2585	899	22183
1993	3855	2586	5703	429	1601	881	15055
1994	4579	3871	6115	395	967	604	16531
1995	4007	4325	6795	805	875	1063	17870
1996	3912	4091	7568	1035	902	2433	19941
1997	4808	3158	5350	1028	948	1808	17100
1998	4069	1122	5531	740	1014	1533	14009
1999	2606	1180	5082	947	864	1540	12219
2000	4930	1586	7823	908	1498	2372	19117
2001	7598	1644	4915	1291	1336	1601	18385
2002	7229	2610	8319	1517	1253	1809	22737
2003	7369	3678	7636	1567	1494	2291	24035
2004	10695	3815	13141	1408	1575	2289	32923
2005	11396	5870	20689	2932	1737	3305	45929
2006	8311	9399	17613	1851	1934	3377	42485
2007	9129	6892	18435	3487	2172	3109	43224
2008	10787	8217	25056	2697	1865	3910	52532
2009	8095	8617	18871	10129	2867	4183	52762
2010	4278	10299	24166	5338	2782	3374	50237
2011	5996	9306	28719	5835	2910	2587	55353
2012	5650	8828	20028	5416	3844	3542	47308
2013	4759	9400	18455	14114	4460	2857	54045
2014	8394	10075	24181	17420	5437	4598	70105
2015	7789	6514	19323	14408	5079	13968	67081
2016	7789	6514	19323	14408	5079	14562	67675
TOTAL	183674	155781	369879	118991	67917	91588	987830

Keys: NCTOTAL (North-Central states: Benue, Kogi, Kwara, Nasarawa, Niger, Plateau, States and Federal Capital territory, Abuja), NETOTAL (North-East States: Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe States), NWTOTAL (North-West States: Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara States), SSTOTAL (Akwa Ibom, Cross River, Bayelsa, Rivers, Delta and Edo States), SETOTAL (Abia, Anambra, Ebonyi, Enugu, and Imo), SWTOTAL (Ekiti, Lagos, Ogun, Ondo, Osun, and Oyo States), and CUMTOTAL (Cumulative total number).