IMPACT OF DEVELOPMENT BANKS AGRICULTURAL FINANCING ON ECONOMIC GROWTH OF NIGERIA

BY

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BEING A THESIS SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA, IN PARTIAL FULFILLMENT THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE DEGREE IN ACCOUNTING AND FINANCE.

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DECLARATION

I hereby declare that this thesis titled "Impact of Development Banks Agricultural Financing on Economic Growth of Nigeria" is a product of my research effort, and has to the best of my knowledge, never been previously presented or submitted for any type of degree. All materials used have been acknowledged accordingly in the bibliography.

JAMILA GARBA _____ _____

Signature **Date**

CERTIFICATION

This thesis entitled "Impact of Development Banks Agricultural Financing on the Economic Growth of Nigeria" by Jamila Garba meets the regulations governing the Award of the Degree of Masters of Science (Accounting and Finance) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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Dean, Postgraduate School	Signature	Date

DEDICATION

This work is dedicated to almighty Allah (SWT) and to my loving parents, words cannot express my gratitude for your never ending support.

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ABSTRACT

The significant role agriculture plays cannot be underestimated in any nation. Apart from being the source of feeding of the populace, it also account for the source of income for other developmental activities. It is in line with these its fundamental role that this study make a giant stride to assess the contribution of Nigerian Agricultural Co-operation and Rural Development Bank to the development of this important sector viz-a-viz the economic growth. The main objective is to ascertain whether the bank which was purposely set up for the financing of agricultural activities in Nigeria has actually fulfilled the object. Multiple regression is used as a tool of analysis for the study. It was found that the bank has not lived up to expectation in funding the agricultural activities in Nigeria. The aim of setting up the bank is therefore not attained because of bureaucracy that engulfed the whole procedures and process in its operation. It was recommended that government should intensify effort to ensure there is adequate monitoring of the operation of the said bank so that they actually fund the project that it was set up for.

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CHAPTER ONE:

INTRODUCTION

1.1 Background of the Study

Prior to 1980 in Nigeria as well as in many developing countries, successive governments have implemented various agricultural and rural development policies, all in an effort to address perceived shortfall in rural credit, stimulate rural employment and enhance agricultural productivity. Under these rural credit schemes, institutional resources, programme efforts and government agencies – based top – bottom interventions, to implement mostly supply-led financial development strategies. That is the channeling of government funds to rural entrepreneurs and small farmers to enhance the contribution of agriculture to economic development (Yaron, 1992).

The above aim prompted the government in Nigeria to establish the defunct Agricultural and Co-operative Bank (NACB). The objective of NACB is to finance agricultural project through loans to farmers. Others like the Nigeria Bank for Commerce and Industry (NBCI), People Banks for Nigeria (PBN) as well as Special Banks for Local Areas – Communities banks (CBs) were also established

for similar objective and purpose. Government also made it mandatory for commercial banks and merchant banks to finance agricultural sector through loans. There was also the rural banking scheme of the Central Bank, the Nigeria Agricultural Guarantee Scheme, National Agricultural Scheme, National Agricultural Land Development Authorities, the Family Economic Advancement Programme (FEAP) and the National Economic Empowerment Development Strategies (NEEDS), which were all formed in lieu of promoting agricultural and rural development.

The Nigeria's Vision 20, 2020 is designed to make the country among the first twenty developed nations by the year 2020. Although, manufacturing and the service sectors are set up as a driving force of the economy but the agriculture sector will still remain an important contributor, especially in the food production. The percentage contribution of agriculture to gross domestic product (GDP) is declining, in terms of absolute value, perhaps the amount is increasing geometrically. The agriculture sector has contributed significantly to the growth of the Nigerian economy and for it to continue to significantly contribute to the national economy; it has to be globally competitive. The Third National Agricultural Policy, which covers the period 1998 to 2010,

provides the policy framework for the future growth of the agricultural sector in the next decade.

The future of the rural and agricultural finance institutions in Nigeria including Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), rest on its ability to meet the challenges for the purpose in which it was established to as well as to remain a sustainable development and competitive in the global financial institution. With the liberalization of the world trade including the financial sector through the World Trade Organization (WTO) agreements, the trade competition will be stiff amongst existing players and new competitors from within and outside the nation. NACRDB must find ways to strengthen its existence by having enough capital, improving its operation, expanding its scope of business and operating normal banking business.

The bedrock of agriculture and agricultural development in developing countries of sub-Saharan Africa is rural development, without which all efforts towards agricultural development will be futile. A large majority of the farmers operate at the subsistence, (smallholder level), while intensive agriculture being uncommon. A characteristic feature of the agricultural production system in such countries, Nigeria inclusive, is that a disproportionately large

fraction of the agricultural output is in the hands of these smallholder farmers whose average holding is about 1.0-3.0 hectares, (Yaron,1992). Also, there is very limited access to modern improved technologies and their general circumstance does not always merit tangible investments in capital, inputs and labour.

Household food and nutrition quality relies heavily on rural food production and this contributes substantially to poverty alleviation. Consequently, the first pillar of food security is sustainable production of food. Parkin, (1998), noted that in the early 1980s, while the population grew rapidly, food production and agricultural incomes declined in many African countries including Nigeria. In most of the countries the diminishing capacity of agriculture to provide for household subsistence increased the workload shouldered by populace as investment by the financial institution withdrew their service from agriculture.

Evidently, development, food security and poverty alleviation will not be truly achieved without rapid agricultural growth. Assisting the rural poor to enhance their livelihoods and food security in a sustainable manner is therefore a great challenge. Broadly put, increases in agricultural productivity are central to

growth, income distribution, improved food security and alleviation of poverty in rural Africa.

In spite of efforts of the government less is achieved in the agricultural productions. This is partly because the institutions were not designed to function as “true” financial intermediaries that mobilize deposits to make loans, they lack the obligation to operate under financial constraints, nor were they driven by commercial financial performance criteria.

It is based on this premises that this study is undertaken to assess the contribution of development banks to the development of Nigeria economy using Nigeria Agricultural and Cooperative and Rural Development Bank as a domain of the study.

1.2 Statement of the Problem

In recent years, the financial performance of development banks has deteriorated sharply. The NACB’s indifferent lending performance is a reflection of a number of external and internal factors that have plaqued the

institutions. First, since inception the NACB has been mandated to promote the formation and funding of viable agricultural projects through policies that have been numerous instances of external interference especially in loan sanctioning and recoveries. Since interference hampered the bank's operational efficiency. Furthermore, the government also dictates areas of investment, loan portfolio and interest rates to be charged.

Coupled with the direct interference are the government's unstable agricultural policies. The frequent changes in the political leadership and subsequent changes in agricultural policies have given rise to inconsistent policy objectives. For instance, changing polices on the importation of rice, wheat, vegetable oil, inputs and input subsides made investments in agriculture risky. Thus the bank's scope of operations has been constrained by not only political objectives but also hanging political regimes.

Secondly, the bank has been constrained by a lack of funds. The Federal Government was able to provide soft loans to meet NACB's growing demands for affordable credit facilities by the large Nigerian farming population. The bank was and currently is experiencing immense difficulties in sourcing cheap

funds to meet its primary objectives of delivery timely an affordable credit facilities to the farming population. Today, he bank is limited to recycling recoveries and is unable to satisfy the demand for credit.

Third, the devaluation of the Naira has placed an increased burden on the bank to repay internationally sourced funds. At the time of taking these loans, the exchange rate varied between N4.00 and N8.00 to one US Dollar. The currency's depreciation to about N120.00 to US$1 Has placed the bank under considerable financial pressure. The problem rests with the f act that the exchange risk cannot be borne by tie farmer because even with if interest rates are increased to 100% high rates and thus funds need to be found elsewhere. The low interest rates charged by the NACB, on instruction from the government, exacerbates this problem. These rates a re hardly adequate to cover the cost of funds, let alone the high cost of credit administration, especially to small-scale, peasant farmers and their families, residing in remote rural areas.

Fourth, the NACB has high loan delivery costs and this has contributed to much of its financial problems and lackluster lending performance. For instance, the

NACB's experience in implementing the popular small holder loan scheme illustrated the high costs of administering credit facilities directly to the numerous and scattered small-scale farmers in Nigeria. The NACB has been plagued by low loan recovery rates. The root of this problem is the attitude of the average Nigerian farmer, who regards NACB as an agency for them to get their share of the "National Cake". In fact, the negative effect t of this attitude is such that even where the banks clients are known to have the means to repay the loans as and when due they are frequently unwilling or highly reluctant to do so.

Other possible reasons for low repayment levels include; Poor prices for agricultural produce, project failure due to unstable macro economy policy and high cost of inputs and poor extension services

It is indisputable that the comparatively low recovery rate and the high cost of credit administration to the crucial farming population in Nigeria are two of the most important reasons why conventional (both commercial and merchant) bank have continued to shy away from agricultural lending.

1.3 Objectives of the Study

The main objective of the study is to examine the impact of development banks' operations on the growth of Nigerian economy.

Other objectives are:

1. To ascertain the contribution of total cash crop financing to gross domestic product in Nigeria.
2. To determine the contribution of total mixed farming financing to gross domestic product in Nigeria.
3. To identify the effect of total livestock financing to gross domestic product in Nigeria.
4. To evaluate the contribution of total food crop financing to gross domestic product in Nigeria.

1.4 Research Hypotheses

For the purpose of this study, the following hypotheses are formulated in null form:

1. Total cash crop financing has no significant impact on gross domestic product in Nigeria.
2. Total mixed farming financing has no significant impact on gross domestic product in Nigeria.
3. Total livestock financing has no significant impact on gross domestic product in Nigeria.
4. Total food crop financing has no significant impact on gross domestic product in Nigeria.

1.5 Scope of the Study

The study is designed to cover a period of twelve (12) years i.e. 1997 - 2008 and is restricted to NACRDB as the major player in the economic development of Nigeria. This period chosen is sufficient to lead this to logical findings. The variables of the study consist of GDP as dependent variable and total cash crop financing, total mixed farming financing, total livestock financing and fixed crop financing constitute the independent variables.

1.6 Significance of the Study

NACRDB was established by an Act of Parliament. As a statutory body, the Bank is responsible to arrange, provide, supervise and co-ordinate credit for agricultural purposes in Nigeria. The idea for an agricultural bank is directly a result of the government's decision to embark on the massive agricultural production that ensures food security for her populace. Hence, this study will be of great importance to the followings:

Government at all level will benefit immensely as the study revealed to the extent the NACRDB have aided the rural agricultural practice across the country and to know if the desired objective of establishing the banks has been achieved.

In addition, the study will help to evaluate and reposition of Agricultural Development Bank in rural areas as it brings to the attention of policy makers and other regulatory bodies for the need for its funding.

Rural agricultural producers will equally find the study interesting as it abrades them the opportunity available for them to explore as a way of accessing credit facilities through the bank in order to expand the level of production.

The study will equally be of great importance to other researchers, scholars and student as it adds to already existing literature and other literary work.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

This chapter covers an extensive and critical review of the literature relevant to the development banks and banking system as relates to their contribution to economic development of Nigeria. In this chapter, ideas, concepts, theories, among others are assessed and criticized. It is the objective of the researcher that this review will foster a better understanding of the various contribution of development bank to the economic development of Nigeria in general. This chapter therefore, traced the historical development of development bank in Nigeria and its classification.

2.2 Historical Development of Banking in Nigeria

Banking business is the business of raising deposits or current account, savings account or other related account, paying or collecting cheques drawn by or paid in by customers, provision of finance or such other business as the governor (CBN) may be order published in the gazette – section 61 BOFIA

1991. Therefore any organize or entity that carryout the above is referred to as a bank.

The history of banking in Nigeria cannot be completely divorced from the historical development of the subject matter in England. This is due to the economic and political influence of the British Colonial Masters on the Nigerian economy prior to 1960 – year of independence. Antecedent to this, in Nigeria, before 1863, a system of thrift collection was known to the natives and people of what later became Nigeria in 1914 – Agom (2000) Among the Ibos, Yorubas and Hausas, the traditional thrift institutions were known and practiced by the natives. The bore some semblance to modern banking but no doubt different.

Banking in Nigeria started as early as 1892 in Lagos with the opening of the first branch of the American Banking Corporation (ABC). Messers Elder Dempster and Co. a shipping firm which is based in Liverpool, England behind its formation. However, its interest was transferred to Elder Dempster and Co. in 1893 which led to the formation of the British Bank for West Africa (BBWA) in 1813, which became the Standard Bank Nigeria Limited and subsequently, First Bank of Nigeria Plc as it is known and called today. Actually, the year 1892 can be regarded as the year banking activities started in Nigeria, the ABC was

saddled essentially with the responsibility of distributing Bank of England's notes for the British Treasury in Nigeria – Ajayi and Ojo (1979:7). At this time, there was no Banking Legislation or any regulatory body for banking activities/business in Nigeria.

Brown (1966:9) explained that, in 1912, the West African Currency Board (WACB) was established to issue legal tender for the Wes African sub-region. The board set up four currency centers in Lagos, Accra, Freetown and Barthust (Gambia). The board retained the Bank of British Wets Africa (BBWA) as its currency distribution agent in 1917 the BBWA was joined by the colonial banks, which became part of Barclays, DCO (Dominion Colonial and Overseas) in 1925, now Union Bank of Nigeria Plc.

As of 1949, expatriate bank dominates the Nigerian commercial banking. This is evidence by the establishment of the British and French Bank now (United Bank for Africa) and the liquidation of established indigenous banks.

The Central Bank of Nigeria (CBN) was established in July, 1958, under the Central Bank Ordinance Cap 30, because of its importance at that time for the supervision and regulation of banking activities in Nigeria.

1986 saw the deregulation and liberalization of the Banking Industry and thus, private participants came into the industry and more banks were established. As at the end of 1991 the total banks rose to 120 from 26 in 1981. As at March 2003, CBN reported that there are 95 banks licensed, 80 commercial banks (some of which are universal banks), 11 Merchant Banks (most of which are subsidiaries of some universal banks) and 6 development banks.

In line with Central Bank of Nigeria (CBN) directives of July, 6th, 2004 on bank capitalization and consolidation, now the number of banks in Nigeria reduced to twenty four (24), many offering services that exceed every expectation of their customers.

The banking industry in Nigeria is one of the ever growing and expanding industries in the economy, it is therefore, necessary to develop financial reporting analysis in response to this growth.

2.3. Development Banking

Development banks are specialized banks or Development Finance Institution (DFI) established to contribute to the development of specific sector of the economy. In the amendment of the CBN Act of 24th of 1991, all the development banks are now under the supervisory control of the CBN and are expected to render their operational returns to the CBN. The banks are set up to act as a catalyst for such developmental process by Federal Government of Nigeria includes;

(a) **Nigeria Industrial Development Bank (NIDB):-** Operating towards the development of the manufacturing/industrial sector and established in 1964 following the structuring of the investment company of Nigeria (ICON) which was established in 1959. The NIDB sources funds from banks, the CBN, Federal Government and International Finance Corporation (IFC).

(b) **Nigeria Bank for Commerce and Industry (NBCI):**- This bank operate towards the development of small scale enterprises and established in 1973 (same year with NACRDB). It was established by the decree 22 of 1973, to develop indigenous small and medium scale

enterprises. The bank sources funds from subventions from Federal Government and the CBN through penalties imposed on commercial and merchant banks for credit short falls on loan to small and medium scale enterprises.

(c) **Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB):-** This bank operates towards the development of the agricultural sector of the economy and established in 1973. NACRDB finances agricultural development project and allied industrial at small, medium and large scale depending on the economic justification of the projects. The bank sources of funds are; Government subventions, credit shortfall on agricultural loans to commercial and merchant banks through the CBN and loans from international financial institutions such as International Bank of Reconstruction and Development (IBRD) among others.

(d) **Federal Mortgage Bank of Nigeria Ltd (FMBN):-** Operating to encourage the development of the mortgage or property sector and established in 1977 under the Federal Mortgage Bank Act No. 7 of 1977. Specifically the function of those specialized banks is to ensure and enhance through the provision of requisite funds and advisory services to the development of he sector of the economy.

2.4 Community Banking

In Nigeria context a community bank is defined as a self sustained financial institution owned and managed by a community or group of communities to provide financial services to the members of the community Gashinbaki (2000:25) founded under decree No. 24 1991, community banking in Nigeria, is a unit banking structure i.e. a banking system with only one branch.

Example of community bank in Nigeria is the "Municipal Community Bank Limited", Federal Housing Authority Estate Abuja, Nigeria. Basically, the most important reason for establishment of community bank is to make banking services to be closer, affordable and community based in nature to Nigerians.

Community banking provides the following functions:

(a) Acceptance of deposit in form of savings, time deposits and current account from members of the public.

(b) Provision of credit facilities to individuals and medium scale enterprises in the community.

(c) Provision of equipment leasing facilities and technical assistance in the area of marketing agricultural products.

2.4.1 Rural Banking

This kind of banking fall within the purview of commercial banking in Nigeria. The rural banking scheme in Nigeria was introduced by the Federal Government in 1977 due to reluctance of banks to extend banking services to rural areas. The scheme set out to achieve the following objectives.

(a) Development of agriculture and agro-allied industries in the rural areas with a vies to achieve the national objective of self sufficient in food production (as at then);

(b) Mobilization of savings from the rural areas for the purpose of channeling such savings to profitable ventures in Nigeria.

(c) Cultivation of banking habits amongst rural dwellers in Nigeria.

The classification of Nigeria banking system combines all the functions, activities and benefits of the various banking system which have hitherto existed.

2.5 Regulatory Framework of Nigeria Banking System

Unlike general business that is regulated by the Company and Allied Matters Act (CAMA) 2004, the activities of baking companies is regulated by various laws and authorities. These are classified into – regulatory and legal supervisory framework.

(i) **Regulatory Authorities**

The regulatory authorities are very crucial for the function and orderly development of the Nigeria banking system. Then, it is instructive to get major highlights of the rules of the various regulatory authorities of banks activities and financial reporting.

(a) **Central Bank of Nigeria (CBN:-** The Central Bank of Nigeria (CBN) is the apex regulatory authority of banking system. The promulgation of two decrees after 32 years of the establishment of CBN give it more flexible in regulating and supervising the banking sector and licensing finance companies, which hitherto operated outside any regulatory framework. They are the CBN decree of 1991 and the banks and other financial institution Decree No. 5 of 1991. The two decrees are

primarily regarded as the basic foundation for modern banking in Nigeria.

(b) **Federal Ministry of Finance (FMF):-** The federal ministry of finance advises the federal government on its fiscal operations and co-operate with the CBN on monetary matters. The responsibility for the regulations, supervision and licensing of banks were shared between the CBN and the FMF.

(c) **Corporate Affairs Commission (CAC):-** The function of this commission is to administer the regulation and supervision of the formation, incorporation, registration, management and winding up of companies. This commission was vested with responsibility of arranging or conducting an investigation into the affairs of any company where the interests of the share holders and the public so demands.

(d) **Nigeria Accounting Standard Board (NASB):-** This board was established to regulate and control information to be disclosed by a company or a corporate body. This board intended to notify reporting firm of prescribed practices, which should be adopted in particular accounting situations, thereby bringing about a greater uniformity or practices.

(e) **Nigeria Deposit Insurance Corporation (NDIC):-** The NDIC complements the regulatory and supervisory roles of the CBN. It was established by decree No. 32 of 1998. The NDIC is empowered to examine the books and affairs of insured banks and other deposit taking financial institutions. For now, licensed banks are mandated to pay 15/16 of 1 percent of insurable total deposit liabilities as insurance premium to the NDIC. Meanwhile, a depositor's claims is limited to a maximum of N50,000 in the event of a bank failure (liquidation).

Principally, the NDIC was set up to provide deposit insurance and related services to the banking sector. It undertakes activities aimed at promoting confidence in the banking industry and collaborated with CBN in handling the liquidation of failed banks.

(ii) **Legal/Supervisory Framework**

Aside from provision in section 4(2), item 6, part 1 schedule 2 of the 1999 constitution, there are law or decree regulating business and financial reporting in Nigeria. These include:

(a) **Companies and allied matters act (CAMA) 2004:-** This law regulates the incorporation, management and liquidation of companies in Nigeria registered under the Act.

(b) **Central Bank of Nigeria (CBN) Decree 1991:-** As amended (CBN Decree 1991) this replaced the CBN Act of 1958. It confers upon CBN the process of carry out its assigned function as it regulates to domestic economic and external sectors.

(c) **CBN Prudential Guidelines 1990:-** This guidelines is issued to licensed banks and auditors to comply with internal banking practice. It is aimed at addressing requirement of financial reporting as regards to assets classification and disclosures provisioning interest, accruals and off balance sheet engagements.

(d) **Securities and Exchange Commission Decree:-** This decree provide the powers given to the commission to examine records, calling for any information from any company when offering its shares for sales or subscription.

(e) **Banks and Other Financial Institution Act (BOFIA) 1991:-** This law centralized the functions by bank licensed, regulation and supervision in the CBN and defines authority appropriate action to ensure efficiency and prudence.

(f) **Statement of Accounting Standard (SAS):-** The statement is issued by the Nigeria Accounting Standard Board to provide a guide for accounting policies and methods that should be followed by companies (Banks) in the preparation of financial statement relate to income recognition, balance sheet classification among others.

However, the banks supervisory/legal framework are not exhausted, others include:

- National Deposit Insurance Corporation (NDIC) Decree 1988.
- Money Laundering Decree 1995.
- Failed Banks (Recovery of Debts) and Financial Malpractices in Bank Decree.
- Central Bank of Nigeria (CBN) Monetary and Credit Policy Guidelines among others.

2.5.1 Concept of Development Bank in Nigeria

Agricultural and Rural Development Banks occupy a significant place in the economy of every nation. Policy makers, economists and monetary authorities recognize the ability of development banks to achieve the desired result and to continue to play the role earmarked for the depend not only on

the existence of the enabling (regulatory) environment but more importantly on their impact in economic development (Njijong, 2001).

Nigerian Agricultural Corporative and Rural Development Bank is a development financial institution wholly owned by the Federal Government. It is one of the specialized wholly owned by the Federal Government project. NACRDB was incorporated in 2000 following the merger of defunct Nigeria Agricultural and Corporative Bank, People's Bank and Family Economic Advancement Programme (FEAP).

According to Nwankwo (1980), first attempt was made in the 1930s' in Northern Nigeria with mixed farming loans extended by native authorities and subsequently taken over the Northern Region's Ministry of Agriculture. The loans were initially for the purchase of draught oxen agricultural inputs, horticulture and fisheries (Nwankwo, 1980).

Following the failure of the first nationwide credit institution, the Nigerian Local Development Board is 1946 to pay adequate attention to farm credit, the Patton Commission of Inquiry was requested among other things to examine

the possibility of creating an agricultural bank and or corporative bank. In 1969, a fresh study was carried out by the World Bank at the request of the Federal Government.

Lweis (1955), described the process of development as one of the transforming a country from being a low saver for industrial and agro-allied industries. Kasimu (1998), observes that banks have play an important role in the nation building and rural mobilization of funds for investment purpose. The contribution of Agricultural Development Banks to promotion of economic development can review in terms of job creation, encouraging indigenous enterprise etc.

Kuznets (1961), describe the concept of economic development as a function of development bank. These assertions include Agricultural and Rural Development Banks.

In Nigeria, industrialization has since independence constituted a major policy objective of the state. Government's concern and desire to achieve industrial growth and development have been articulated in many ways, including direct participation, alone or jointly with private sector interest groups, provision of industrial incentives and adequate finance.

Prior to independence in 1960, the Nigerian economy was mainly agrarian, both in production for domestic consumption and exports. Industrialization was not part of the colonial economic policy, which has anchored on making the colonies producers of primary raw materials for foreign industries importers of manufacturers.

NIBD provides financial assistance to small, medium and large-scale enterprises, which by their size can make significant contributions to the Nigerian Economy. The bank finances projects located in any part of the country and encourage dispersal of industries away from the more industrialized centers, NIDB (1999).

The scope of investment is limited to manufacturing, non-petroleum mining and tourism, which include hotels of international standards. The projects should be economically desirable, that is, show promise of raisin living standards, providing employment, or conserving foreign exchange. It should be technically feasible, that is, the technical processes involved should be capable of being carried out under existing conditions of availability of raw materials,

modern machinery and equipment, essential services, technical and managerial personnel and labour. It should be commercially viable i.e. capable of making a satisfactory profit taking into account the cost of production and sales proceeds, the surplus being sufficient to repay loans, to build up reserves and to pay reasonable dividends.

The NACB's lending performance can be characterized by the relatively lack lending between 1972 and 1992, and relatively aggressive lending between 1993 and 2000.

In 1998, the bank significantly increased its lending activity and sanctioned a total loan amount of about 3.758 billion. From this a total of 3.680 billion was disbursed to various projects in the areas of agricultural production, processing, agro-allied industries, agro-service and agricultural produce marketing.

The increase in loans reflects the introduction of new products that is, the two-artesian fishers' schemes and disbursements of government agencies that largely benefited the rural people.

Rural development is a challenge of most developing economies like Nigeria. The rural sector in Nigeria is defined in a broad sense as consisting of all economic activities outside the urban economy. In the Nigerian context, agriculture (including livestock, forestry and fishing) forms the bulk of economic activity of the rural population, in contrast, all other activities like crafts, (weaving, dyeing and pottery etc), processing and other cottage or family unit industries and trade forms a lie of activity second to agriculture, (Nwankwo, 1983).

2.6. Development of Nigerian Agricultural Co-operative and Rural Development Bank

The birth of the Nigeria Agricultural, Corporative and Rural Development Bank (NACRDB) as the single largest development finance institution in Nigeria followed the successful merger of the former People's Bank of Nigeria (PBN), the defunct Nigeria Agricultural and Co-operative Bank (NACB) Ltd. And the risk assets of the Family Economic Advancement Programe (FEAP) in October, 2000. Thus, NACRDB is dedicated primarily to agricultural financing at both the micro and macro levels, as well as micro financing of small and medium scale enterprises. Bank is a registered limited liability company that is wholly owned

by the Government of the Federal Republic of Nigeria with the share capital fully subscribes by the Federal Ministry of Finance Incorporated 60% and the Central Bank of Nigeria 40%. The Bank's braid mandate encompasses savings mobilization and the timely delivery of affordable credit to meet the funding requirements of the teeming Nigeria population in the agricultural and non-agricultural sectors of the national economy.

The NACRDB is structured to accept deposits and offer loans/advances in which the interest rates graduated according to the purpose for the loan to Nigerians and their business. The bank also offers a number of financial products including target savings; start – up as well as smallholders loan schemes.

2.7 Issues on Economic Development

Economic development is the most topical issues of the present century. It has evolved over than fifty years. According to Jumare (2007), every nation strives after economic development. It used to be seen as synonymous with economic growth. Certainly, it includes growth but it should lead to a significant and

continuing improvement in the quality of life of people, particularly the poor. It is essentially a process whereby the real per capita income increases over time (Shaffer, 1998).

According to Shaffer (1998), Economic development, generally speaking, is a process of change that is focused on the betterment of the community, state, and/or nation. Defining economic development can be difficult. The first term in this phrase—"economic"—refers to an accepted paradigm for organizing the business and financial and even to some extent the governmental sectors of a nation. Economics is viewed as the foundation for building a prosperous society. However, it is the second term—"development"—over which there is considerable debate. People's perceptions of development vary. For some, development has the appearance of successful commercial enterprise; for others, the face of development is one of economic equality (Thomas, 1999). Nevertheless, the concept of "economic development" has the attention of government, the business sector, and the citizenry. We pursue economic development as one of the goals of a successful country, state, or city. It captures the attention of the news media and impacts, as well as is impacted by, political objectives.

2.7.1 Measurement of Economic Development

As noted by Okonjo (1991), economic development in a community can take many forms. However, before we can discuss the process of economic development, we must first understand how economic development has been measured, particularly at the national level. It is within this framework that communities have pursued their goal of improving the local economic environment. In fact, standardized measures of economic development are being used throughout the world, not just in the Nigeria (Rahman and Alamu, 2003).

Standardized measures of economic development are used to identify the status of one's country, state, or local community. We use these measures for a number of different purposes, including identifying trends and understanding patterns of economic development in communities that face different resource opportunities and constraints (Damisa et al, 2007).

Abdullahi (2006) observed that one of the most common methods of measuring economic growth is by calculating the gross national product of a country. Gross national product (GNP) is the value of goods and services produced *by* an economy's factors in a given period of time (e.g. is the value of goods and services produced *in* an economy in a given period of time. When these measures are adjusted for inflation, we correct for any changes in the GNP or

GDP that are due simply to increases in the price level in the economy. Real GDP, for example, is the value of goods and services produced in an economy adjusted for changes in the price level (Afolabi, 2008). This is particularly important when comparing across different economies because changes in price levels will not necessarily be uniform from one country to the next.

Auta et al, (2000), pointed out that the general purpose of using measures such as real GNP or real GDP is to collect and analyze information related to a country's economic transactions. Real GNP or real GDP provides analysts with an indication of how quickly the business sector of the economy is growing in a country. It also serves as a guidepost for local communities as they address economic development issues at a local level.

Trends in national economic development reflect changes occurring at the state and local levels and can impact local economic development planning. For instance, if the real GDP of a country has increased, then we conclude that the country has experienced economic growth and the economy has improved. This information sends a signal to local economies suggesting that the national economy is in the growth phase of the business cycle. Communities can use this information to identify their position relative to the current trend and to plan future economic development. If, however, real GDP has declined, then the

economy is thought to have experienced an economic downturn and a community can use this information to anticipate the impact of future economic downturns (Meek, 2001).

2.7.2 An Appraisal of Policy Measures for the Development of Agricultural and Agro-Based Industry in Nigeria

According to Ukeje (1993), agricultural and agro-based industrial development policies, strategies and programmes in Nigeria have undergone many changes since independence. These changes were, in the main, a reflection of changes in government philosophy on the best approach to economic development, while the philosophical changes were in themselves often brought about by changes in government and the economic fortunes of the nation. For instance, by the mid- 1970s, emboldened by considerably increased revenue from petroleum, the Federal Government assumed increasing responsibilities for agricultural development, Ukeje et al (1993). There was widespread intervention of government in agricultural production, input supply and marketing. In addition, government also adopted credit controls and other allocative policies in favour of agriculture (Green, 2001). Development institutions, special programmes and projects were launched during this period. By the mid – 1980s, owing to dwindling oil revenues, a new government philosophy emerged with the introduction of the Structural

Adjustment Programme (SAP), (Afelumo et al, 1993). This involves minimal administrative control of economic activities, wider scope for private sector and greater emphasis on economic self-sufficiency and self-reliance. Emphasis shifted to market determination of agricultural prices, (with selective use if subsidies on farm inputs). A more effective provision of extension services and technology transfer was accorded greater importance.

Other policy instruments introduced according to Afelumo et al, (1993) include the use o tariffs to promote agricultural exports and discourage non-essential imports (particularly raw materials that can be sourced locally); more faourable fiscal and monetary policy instruments such as tax relief and credit guidelines or the agricultural and industrial sectors and general improvement in the investment climate in Nigeria to attract foreign investors.

2.8 Nigerian Women in Agriculture and Economic Development

According to Todaro (1994), pointed out that the Nigerian woman has proved to be more than a mere “bench-warming” spectator, even in the midst of the male-dominated professional congregation. If given the opportunity, women

can effectively participate in policy-making and governance. They can hold their own in very difficult and stressful circumstances and can do as well, if not better, than men. The steady advancement of women in contributing to the nation's economic development and their progressive prominence in the national scheme of affairs have, to a large extent, impacted on the Federal government and government has responded positively in diverse ways.

On the basis of available evidence and statistics, the role of women in agricultural production in Nigeria cannot be trivialized. They perform crucial roles in the domestic and economic life of the society. Rural and national development can hardly be achieved with the neglect of this important and substantial segment of the society (Melamed, 1996). In recognition of the importance of women in national building, the Nigerian government, more than ever before, is keen on rural poverty alleviation as a way of improving the economy. Focus is on planned and desirable change in the rural societies in the form of agricultural development. The success of these planned change programmes is hinged largely on the rational decision making process of the women. A lot of literature has shown that the various contributions of women to agricultural production in Nigeria. The role of women in decision-making

process in agriculture has however not been widely explored (Arifalo & Goyega, 2003).

Damisa and Yohanna, using Zaria in Kaduna State of Nigeria as their study area, examined the level of participation of rural women in the decision-making in different areas of agriculture and studied factors influencing their participation in the decision-making process in farm management (Ogundipe, 1998). They found that women's participation in decision making was quite minimal in each of the farm operations, less than 20% of the women were consulted, except in the sourcing of farm credit, where about 28% were consulted; about 13% or less of the women had their opinion considered in each of the farm operations. However, only between 1.0 and 2.5% took the final decision in all of the farm operations. Women's participation according to Olagbaju & Folola, (1996), observed that, in farm management decision-making process is said to increase with age, older women participating more in decision-making in the different areas of agriculture than their younger age group counterparts. The high level of knowledge and experience about improved farm practices acquired by the educated women farmer had positive influence in that regard. Wealth status of women is also another major determinant of the role of the

women in farm management decision-making; richer women being more involved than their poorer counterparts (Olagunju 1996).

Women in Anambra State of Nigeria contribute more than the men in terms of labour input in farming and are solely responsible for household management duties. In studies elsewhere in Nigeria, involving the *Jukun* people and the nomadic *Fulfude* women and *Kulka* women farmers, between 70 and 80% of agricultural labour force is represented by women.

A survey of peasant agricultural women in northern Nigeria also revealed that rural women take part in income-generating activities, particularly in the processing of agricultural produce. In a related survey of food processing and cottage industries by Simmons in three Zaria villages, he observed that 90% of the women were involved in at least one food processing activity or the other.

2.9 Agricultural Sector and Nigeria's Development

The study of economic history provides us with ample evidence that an agricultural revolution is a fundamental pre-condition for economic development (Eicher and Witt, 1964; Oluwasanmi, 1966; Jones and Woolf, 1969). The agricultural sector has the potential to be the industrial and economic springboard from which a country's development can take off. Indeed, more often than not, agricultural activities are usually concentrated in the less-developed rural areas where there is a critical need for rural transformation, redistribution, poverty alleviation and socio-economic development (Stewart, 2000). The central hypothesis of this work, therefore, is that a productive agricultural sector lies at the root of the stupendous economic advancement of Nigeria.

The Nigerian experience is, of course, a striking example of how agriculture can advance beyond its primary function of supplying food and fibre. The agricultural sector has the potential to shape the landscape, provide environmental benefits such as land conservation, guarantee the sustainable management of renewable natural resources preserves biodiversity and contribute to the viability of many rural areas (Humbert, 2000). In fact, through its different spheres of activities at both the macro and micro levels, the agricultural sector is strategically positioned to have a high multiplier effect on

any nation's quests for socio-economic and industrial development. Interestingly, the Nigerian economy, during the first decade after independence could reasonably be described as an agricultural economy because agriculture served as the engine of growth of the overall economy (Ogen, 2003). From the standpoint of occupational distribution and contribution to the GDP, agriculture was the leading sector. During this period Nigeria was the world's second largest producer of cocoa, largest exporter of palm kernel and largest producer and exporter of palm oil. Nigeria was also a leading exporter of other major commodities such as cotton, groundnut, rubber and hides and skins (Alkali, 1997). The agricultural sector contributed over 60% of the GDP in the 1960s and despite the reliance of Nigerian peasant farmers on traditional tools and indigenous farming methods, these farmers produced 70% of Nigeria's exports and 95% of its food needs (Lawal, 1997).

However, the agricultural sector suffered neglect during the hey-days of the oil boom in the 1970s. Ever since then Nigeria has been witnessing extreme poverty and the insufficiency of basic food items. Historically, the roots of the crisis in the Nigerian economy lie in the neglect of agriculture and the increased dependence on a mono-cultural economy based on oil. The

agricultural sector now accounts for less than 5% of Nigeria's GDP (Olagbaju and Falola, 1996).

2.9.1 Current State of Nigerian Agriculture

The neglect of the agricultural sector and the dependence of Nigeria on a mono-cultural, crude oil-based economy have not augured well for the well-being of the Nigerian economy. In a bid to address this drift, the Nigerian government as from 1975 became directly involved in the commercial production of food crops. Several large scale agricultural projects specializing in the production of grains, livestock, dairies and animal feeds, to mention but a few were established (Fasipe, 1990). Sugar factories were also established at Numan, Lafiagi and Sunti (Lawal, 1997). The Nigerian Agricultural and Co-operative Bank (NACB) was established in 1973 as part of government's effort to inject oil wealth into the agricultural sector through the provision of credit facilities to support agriculture and agro-allied businesses (Olagunju, 2000).

In spite of these efforts, it is heartrending to note that as from the mid 70s, Nigeria became a net importer of various agricultural products. In 1982 alone, Nigeria imported 153,000mt tons of palm oil at the cost of 92 million USD and 55,000mt tons of cotton valued at 92 million USD (Alkali, 1997). Between 1973

and 1980, a total of 7.07 million tons of wheat, 1.62 million tons of rice and 431,000 tons of maize were imported. Thus, from N47.8 million in the 60s, the cost of food imports in Nigeria rose to N88.2 million in 1970 and N1, 027.0 million in 1988 (Alkali, 1997). Since the 1990s and until the recent ban on rice importation, Nigeria has been spending an average of 60 million USD on the importation of rice annually. Indeed, in 1994, the agricultural sector performed below the projected 7.2 per cent of budgetary output (Lawal, 1997).

Between 1995 and 1998 the government further embarked on the reformation of the lending policies of the Agricultural Credit Guarantee Scheme (ACGS) for easier access to agricultural credit schemes. It also established the Calabar Export Processing Zone (EPZ) and initiated the Enugu, Kaduna, Jos, and Lagos EPZs with each specializing in specific food and export crops. In fact, the National Rolling Plan for 1996-1998 assumed that by year 2000, Nigeria would have been able to feed its population, develop the capacity to process agricultural raw materials both for local industries and for export and significantly increase the contributions of the agricultural sector to the GDP (Lawal, 1997:198). These lofty objectives have turned out to be a mirage mainly because of official corruption and lack of commitment on the part of those saddled with the responsibility of implementing the government's

agricultural policies. In order to get out of this doldrums, Nigerian policy makers need to be wary of development economists who assign a relatively minor role to agriculture in economic development and fervently believe that industrialization is synonymous with economic development (Ogen, 2002; Ogundipe, 1998).

2.10 Contributions of Development Banks to the Economic Development of Nigeria – NACRBD

The bank witnessed a tremendous organizational growth over the last 28 years. The bank initially operated with a head office in Kaduna with only three departments (Projects, Operations and Administration). From these small beginnings, the bank expanded to four directorates with a total of seven departments (Operations, Finance, Administration, Research and Development, Inspection, Legal Adviser/Company Secretary, Investment and Recovery), Ike (2002:45).

NACB also grew in geographical context and has six zoned offices (Abuja, Enugu, Bauchi, Funtua, Kano and Akure), sixty-seven branch offices and 206 representative offices. Throughout this nationwide network, the bank employs

about 1,600 personnel. The bank developed a range of products and services for the provision for finance to all forms of agricultural and agro-allied project, Ike (2002:45).

The bank delivers credit through the following schemes:

a. **On-Lending Loan Scheme:** Lending is made to established institutions with repayment guarantees for an on-lending to small-scale farmers. The on-lending institutions include state government, co-operative projects (ADPs), non-government organizations (NGOs) and rural development authorities.
b. **Direct Smallholder scheme (SHS): Introduced** in 1981, the SHS is designed to directly reach the small farmer group that produces over 90% of Nigeria's food supplies. This step was taken in order to meet the increasing credit demand of these small-scale farmers. Under this scheme, traditional security requirements (i.e. certificate of occupancy of project, land, other collateral) are waived for borrowers. The only requirement is that a farmer proves to the operational staff that the farmer I largely a full time farmer owing the farmland or having permission to use it. In addition, the borrower must be a resident of the

village where the farm is located and must provide two (2) guarantors to guarantee the loan.

c. Special project schemes:

i. **NACB/IFAD Artesian Fisheries Project:** The scheme is for artesian fisheries development in certain states of Nigeria that is Rivers, Cross-Rivers and Akwa-Ibom States. IFAD and United Nation Development Programme (UNDP) advanced the loans and grants to the NACB, who in turn disbursed them or artesian fisher folk. To be eligible for the loans, the group must at least save 15% of the project cost in a Commercial Bank. A guarantee is required as security

ii. **NACB Rural Women Credit Scheme:** In 1992, the NACB recognized the vital role of rural women in agricultural production and instituted a revolving loan fund for any income generating activity. The initial institutional backers of this scheme included the International Labour Organization (ILO) and the Federal Ministry of Health but currently it is funded only by the NACB. To qualify for the loan, the application must be a woman of 18 years or older and must be a member of a women's association in her community. The applicant is also required to save up to 10% the required loan amount with a Commercial Bank. The loan is for individuals or groups.

iii. **Artesian Fisheries ECOWAS Fund Scheme:** This scheme was formed in 1992 in collaboration with the ECOWAS to provide loans to artesian fishers folk in Ondo, Edo, Delta, Sokoto and Kebbi State. The scheme is for group of fisher folk (both men and women), and the groups have to contribute 25% of the total project cost. A guarantee is required as security.

iv. **Linkage Banking for self-help Groups (SHS):** In this scheme, informal and formal groups with about 25 members are advanced loans. The group must be autonomous with regards to its internal affairs and must have written by-laws. Additional requirements for such loans include regular saving and involvement in agro-based enterprises for at least a year. The savings act as security and the loans are linked to the savings at an agreed ratio. Loan obtain by SHG can be on lend to individual members or utilized collectively. The groups can either be registered co-operative groups or self-help groups.

d. **Second Livestock Development Project:** In collaboration with the World Bank and National Livestock Production Department of the Federal Ministry of Agriculture (NLPD), the NACB provides loans to livestock farmers, while NLPD for inputs. The scheme is for livestock farmers with

credit needs less than N30,000 (about US $300) and they are only required to provide a personal guarantee (same as SHS).

e. **Direct investment loan scheme:** This product involves the provision of credit directly for small, medium and large scale agricultural projects (that is, arable farming, agro-processing, agro-allied and input supply projects). Complying with the NACB's mandate, this scheme places emphasis on projects in rural areas and the loan could be for individual or corporate bodies (loan limit is N25,000 to N500,000 for individuals and above N500,000 for corporate bodies).

f. **Marketing loan scheme:** The high rate of post harvest spoilage was identified as a major factor in the gap between total farm output and quantity available for marketing. In an attempt to minimize wastage in the distribution link, the NACB introduced the marketing loan scheme. Special loans are provided for agricultural produce marketers to improve produce handling through modern post harvest processing methods and efficient distribution networks. The loan amounts and the security requirements are similar to that of the investment loan scheme.

CHAPTER THREE

RESEARCH MEDOLOGY

3.1 Introduction

The chapter highlights the nature of the research design of the study, population of the study, sampling techniques, data used in the study, methods of data collection, and tools for data analysis and justification for the tools used in the study.

3.2 Research Design

The study adopted a correlational research design. This is for the fact that OLS regression model of the study contains four independent variables and one dependent variable to determine the contribution of development banks' operations to the gross domestic product in Nigeria.

3.3 Population and Sampling Technique

The population of this study consists of all the four development Banks in Nigerian that were in existence as at 2008. For the purpose of this study, random sampling technique has been used to select Nigerian Agricultural Cooperative and Rural Development Bank out of the four representing 25% of the population of the study. A random sampling method extends the ideas of simple random sample to ensure that a homogenous population has its defined pattern that ensure that all the sampling is given equal chance of representation.

3.4 Methods of Data Collection

A great deal of data collection was from the secondary sources of data. The secondary sources of data employed in this research includes available textbooks, journals, newspapers, magazines, workshop materials, seminars papers, past researchers, websites related to the topic under study among others. However, the sources of data must be used with caution as they may contain errors and false statement. Therefore, for the purpose of this study only secondary data is used.

3.5 Technique of Data Analysis

In presenting the data, the study employs quantitative approach, by presenting the secondary data as regression result and interpreting them based on apriori conditions. The technique of analysis used in this study is multiple regression. The OLS regression analysis shows the relationships that exist between the dependent variable as against the independent variables and the statistical reliability of the data used in the analysis.

3.5.1 Model Specification

The model in this study has been designed using the ordinary least squares (OSL) method. The model uses a single dependent variable- GDP and four independent variables which is represented below:

$$GDP = \alpha + \beta_1 TCC + \beta_2 TMF + \beta_3 TLS + \beta_4 TFC + \beta_5 DUMMY + \mu i$$

Where;

GDP = Gross domestic Product

α = Constant

TCC = Total Cash Crop

TMF = Total Mixed Farming

TLS = Total Lives Stock

TFC = Total Food Crop

Dummy Variable

β_1- β_4 = Coefficients of explanatory variables

μ = error term

However, the dummy variable included in the regression model, is to control the major event of merger between NACB and Peoples Bank to form NACRDB within the period of the study. This will control any noise that might have been caused by the event in the regression model.

3.6 Justification of Methods Used in this Study

Simple random sampling technique is the sampling method used in this study. The rationale for the choice of this sampling method is that the population of this study is homogeneous. We used tables in this study because if data are appropriately tabulated, it facilitates easy understanding and comparisons involved could easily be done. In addition multiple regression is used in the study because there are four independent variables and one dependent variables.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter present and analyze the data collected through our source of data collection. The chapter takes an extensive presentation and analysis of data collected in a clear term that will aid logical conclusion of the study. Issues specifically addressed in this chapter include presentation and analysis of secondary data. Test of the stated hypotheses and discussion of research findings as well as summary of the chapter.

4.2 Data Presentation

Table 4.1 Values of Dependent and Independent Variables

Year	Gross Domestic Product ’N’	Total cash crop ‘N’	Total Mixed farming ‘N’	Total Livestock ‘N’	Total food crop ‘N’
1997	2,801,972.6	13,499.3	27,577.5	23,404.7	187,4916
1998	2,708,719.1	7,192.0	17,480.6	22,587.1	175,764.8

1999	3,194,015.0	4,192.0	19,444.0	11,952.0	204,058.0
2000	4,582,127.3	4,192.0	29,566.0	27,307.0	303,677.0
2001	4,725,086.0	17,169.0	46,861.8	60.415.7	605,525.7
2002	6,912,381.3	13,214.4	31,428.7	64,449.6	925,734.7
2003	8,487,031.6	10,961.0	13,951.0	100,486.4	1,015,196.6
2004	11,411,066.9	18,185.0	67,283.0	190,304.0	1,807,667.7
2005	14,572,239.1	154,830.0	204,465.0	844,882.8	8,167,101.7
2006	18,564,594.7	67,165.0	75,495.0	366,151.0	3,703,384.3
2007	20,657,251.1	42,3331.0	59,841.0	353,487.3	3,871,443.3
2008	23,842,126.2	190,589.0	614,099.0	1,108,483.8	4,775.375.7

Source: CBN Statistical Bulletin, 2009

Table 4.1 above shows the value of Gross Domestic Product from 1997 through 2008 with their corresponding contribution of various agricultural activities through the same period. The above table revealed that NACRDB have disbursed much fund to food crop production within the period under consideration as compared with other farm activities. This probably suggests that the bank was all out to ensure increase in the food supply within the nation and probably be an exporter of same.

Other agricultural sectors within same period also engulfed substantial funds from NACRDB as revealed by the table. However, the table was unable to reveal the individual contribution to Gross Domestic Product but the cumulative effect on the gross domestic product was enormous.

4.3 Presentation and Analysis of Result

For the analysis of the data for twelve years i.e. 1997 to 2008 correlation matrix was constructed and the technique of multiple linear regression analysis was used. An attempt was made to develop a multiple regression equation using identified key variables. The GDP (Y) was used as dependent variable and other variables (x1, x2, x3, x4, x5) were used as independent variables. On this basis this multiple linear regression equation is developed:

$$GDP = \alpha + \beta_1 TCC + \beta_2 TMF + \beta_3 TLS + \beta_4 TFC + \beta_5 DUMMY + \mu i$$

The first step was to construct correlation matrix for various possible combinations of dependent and independent variables. The outcome of this exercise is the understated correlation matrix.

Table 4.2 Correlation Matrix

		GDP	TCC	DUM	TMF	TLS	TFC
Pearson Correlation	GDP	1.000	.858	.805	.748	.951	.828
	TCC	.858	1.000	.655	.768	.891	.875
	DUM	.805	.655	1.000	.522	.798	.683
	TMF	.748	.768	.522	1.000	.850	.753
	TLS	.951	.891	.798	.850	1.000	.891
	TFC	.828	.875	.683	.753	.891	1.000
Sig. (1-tailed)	GDP	.	.000	.001	.003	.000	.000
	TCC	.000	.	.010	.002	.000	.000
	DUM	.001	.010	.	.041	.001	.007
	TMF	.003	.002	.041	.	.000	.002
	TLS	.000	.000	.001	.000	.	.000
	TFC	.000	.000	.007	.002	.000	.

Source: SPSS Output

The correlation matrix highlighted that there is significant correlation between dependent variables GDP and all the independent variable (TCC, TMF, TLS, TFC and DUM). It is obvious from the correlation matrix that there is weak correlation between explanatory variables which ascertain absent of multicollinearity between them. This is also confirmed by their tolerance values of less than one and inflation variation factor of less than ten as appeared in the regression result. Hence, it proves the validity of the

regression result. To get a better picture of the relationship among the key variables regression analysis was also performed.

4.3.1 Robustness Test

. **Table 4.3.1: Tolerance and Variable Inflation Factor**

Variables	Tolerance	VIF
TCC	0.168	5.969
Dummy	0.263	3.801
TMF	0.209	4.790
TLS	0.056	17.832
TFC	0.173	5.767

Source: Regression Result Using SPSS

The tolerance value and the variance inflation factor (VIF) are two advanced measures of assessing multicollinearity between the independent variables of the study. In table 4.3.1 above, the variance inflation factors were consistently smaller than ten and the tolerance values are consistently smaller than one indicating complete absence of multicollinearity. This shows the appropriateness of fitting the model of the study with the three independent variables (Tobachmel and Fidell, 1996).

4.4 Analysis of Coefficient of Determination

The following table contains a summary of coefficient of determination for all the independent variables.

Table 4.3.2 Model Summary (e)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
A	.916(a)	.839	.804	.15353	2.487
B	.925(b)	.856	.802	.15437	
C	.959(c)	.919	.872	.12378	
D	.960(d)	.922	.857	.13089	

d Predictors: (Constant), DUM, TCC, TMF, TLS, TFC

e Dependent Variable: GDP

The regression coefficient indicates the amount of change in the value of dependent variable for a unit change in independent variable. R^2 -the coefficient of determination, gives an estimate of the proportion of variance of

dependent variable accounted for by the independent variables. It suggests the covariance between changes in GDP and all the independent variables. The value of R^2 varies between 0 and 1.An R^2 of zero means that the predictor accounts for none of the variability of dependent by independent. While an R^2 of 1 means perfect prediction of dependent by independent and that 100% of variability of dependent is accounted for by independent. The higher the value of R^2, the closer the relationship between the variables. Therefore, from our regression result all the R^2 and even the adjusted R^2 are above 75% which implies that our predictors TCC, TMF, TLS, TFC, and DUM play a significant role in the variations of growth domestic product in Nigeria. It should be noted that the predictive ability of these predictors received a tremendous contribution from Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB).

4.3 GDP versus Total Cash Crop

	GDP	TCC	DUMMY
Cof (Beta)		0.129	0.055
Sig		0.659	0.811
Adj R^2	85%		
DW	2.487		

Source: SPSS Output, Ref to Appendix II

Result:

The regression adjusted r^2 of 85% shows that the variable under consideration has significant impact on the independent variable. This implies that total cash crop has significantly contributed to gross domestic product of Nigeria within the period of the study. The Beta of 0.129 further strengthens this result. The Durbin -Watson of 2.487 shows that there is absence of autocorrelation within the period of the study.

Table 4.2.3 GDP versus Total Mixed Faming

	GDP	TMF	DUMMY
Cof (Beta)		-0.192	0.055
Sig		0.470	.811
Adj R^2	85%		
DW	2.487		

Source: SPSS Output, Ref to Appendix II

Result

The regression adjusted r^2 of 85% shows that the variable under consideration has significant impact on the independent variable. This implies that total mixed farming has significantly contributed to gross domestic product of Nigeria within the period of the study. The beta of 0.055 further strengthens this result. The Durbin -Watson of 2.487 shows that there is absence of autocorrelation within the period of the study.

Table 4.2.4 GDP versus Total Livestock

	GDP	TLS	DUMMY
Cof (Beta)		1.079	0.055
Sig		0.066	0.811
Adj R^2	85%		
DW	2.487		

Source: SPSS Output, Ref to Appendix II

Result

The regression adjusted r^2 of 85% shows that the variable under consideration has significant impact on the independent variable. This implies that total

livestock has significantly contributed to gross domestic product of Nigeria within the period of the study. The beta of 1.079 further strengthens this result. The Durbin -Watson of 2.487 shows that there is absent of autocorrelation within the period of the study.

Table 4.2.5 GDP versus Total Food Crop

	GDP	TFC	DUMMY
Cof (Beta)		-0.139	0.055
Sig		0.628	0.811
Adj R^2	85%		
DW	2.487		

Source: SPSS Output, Ref to Appendix II

Result

The regression adjusted r^2 of 85% shows that the variable under consideration has significant impact on the independent variable. This implies that total food crop has significantly contributed to gross domestic product of Nigeria within the period of the study. The beta of -0.139 further strengthens this result. The Durbin -Watson of 2.487 shows that there is absence of autocorrelation within the period of the study.

Finally, it should be noted that the coefficient of determination of all the four explanatory variables shows that they have significantly explained the growth domestic product as dependent variable. This implies that they have strongly added the quantum or volume of gross domestic product in Nigeria since they are all above 75%. Despite the contributions and considering their individual significant value they are all not significant at 1%, 5%, and even 10% levels of significance except total livestock that is significant at 10%. Therefore, this provide evidence of rejecting only hypothesis three of the study which state that total livestock has no significant impact on the gross domestic product in Nigeria. While the result also evident failure to reject hypothesis one, two and four of the study.

4.5 Discussion of Results

The regression adjusted r^2 of 85% shows that the variable under consideration has significant impact on the independent variable. The Durbin - Watson of 2.487 shows that there is complete absence of autocorrelation within the period of the study.

The cumulative impact of the proxies to the dependent variable (GDP) suggest that the NACRDB have significantly contributed to the economic development of Nigeria and this led to uphold the alternative hypotheses in all scenarios at the expense of null hypotheses. This clearly suggests that if the NACRDB uphold its aims and objectives, it stands the chance of revamping the decaying agricultural sector in the country.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This research work focused on assessing Development Banks Agricultural Financing on the Economic Growth of Nigeria. The Nigerian Agricultural Cooperative and Rural Development Bank was used as the sample of the study.

At the beginning, a general overview of the study was clearly outlined with its objectives. The review of related literature followed. Related data were collected, tested and analyzed. Development Banks accomplishment can be seen primarily in the growth of their portfolios. Many have rapidly expanded the volume of their commitments, but however, disbursements nearly always lagged behind commitments.

Development Banks have also tried to introduce the technique of project formulation and appraisal. The idea that investment proposals should be spelt out in considerable detail (engineering blue prints, production schedules, and

financial productions) was a new one in many business communities. However, very few development banks have played an entrepreneurial role by promoting new enterprises.

We are all aware of the various re-engineering efforts going on in the banking industry today. Even corporate organizations that are known to have been existing for years, are currently refocusing. Thus, it is to be expected that as a new mega development finance institution, NACRDB has no alternative than to properly position itself since it cannot afford to do business as usual either as if it is the former NACB or the defunct PBN. Rather, the new Bank must not only carve a niche for itself, but more importantly, should be ready to build only the strengths (and not the weaknesses) of the merged organizations.

The rural sector is generally seen as very central to Nigerian's development strategy, while agriculture continues to play a key role in rural growth. This has been proved beyond reasonable doubt in test and analysis of relevant data. However, financial markets in Nigeria have continued to be too fragmented and urban biased, thereby being inadequate to meet the rural demands for its services.

NACRDB is, therefore, a deposit taking credit delivery mega development finance institution dedicated to agricultural financing at both micro and macro levels for individuals, cooperatives as well as corporate bodies, for all classes of agricultural projects and micro-credits only for small and medium scale business predominantly owned and operated by the rural and urban poor.

5.2 Conclusion

The birth of development banks in Nigeria signals a positive development towards agricultural sector. This step was applauded by many stake holders in the industry especially, the fact that the sector used to be the bed rock of national source of income. The aims and objective of this Bank was viewed as lubricating oil that propelled the wheel of economic development. The neglect on this sector had untold hardship on both internal and external activities. Importation became the other of the day while our domestic industries, which should have served as shock absorber to the economic development through its contribution to job creation and subsequent reduction on unemployment became a mere dream.

When government conceived the idea of development banks especially one that will promote the agricultural sector, all the stake holders leaved a sign of relief with the hope that the industry will now assume its real contribution to the economic growth and development and will no more a nightmare. However, the aims and objective of this NACRDB cannot be realized without absolute support from the government. They need to create and continuously upgrade an enabling environment in which development financing can thrive. Elements of that enabling environment include policy consistency, macro economic and political stability, improvement in the supply and distribution of infrastructural facilities and energy, budget discipline and generation of adequate national savings, conductive legal environment, security of landed property, removal of administrative delays and constraints on investment and appropriate investment promotional incentives.

5.3 Recommendations

In view of the findings of the study, the following recommendations have been suggested:

1. Development banks must recruit, train and deploy staff of engineering, financial analysis and other professionals.
2. Development banks should re-examine and redefine their objectives, policies and operational strategies, seek new market niches in non-traditional activities and fight for larger market shares.
3. Mobilization of rural savings through deposit taking: with the merger of PBN and NACB, NACRDB should now mobilize savings. This will provide additional sources of funds to on lend to borrowers.
4. Charging market determined interest rates: Over the years the NACB has been constrained by having to provide credit facilities to farmers at rates far lower than market rates. Unless the shareholders are willing to bear the cost of subsides credit to agriculture, the merged institution (NACRDB) may have no choice other than to consider the charging of prevailing market determined interest rates % if it is to remain in business.
5. Diversification of operations: To date, NACB has limited its operations to the delivery of supervised agricultural credit. At this

juncture, the timing is right for the bank to enter the development and commercial banking sectors.

6. Political Non-interference and stable agricultural policies: There is a need for the bank to be allowed to operate without undue political interference. Government agricultural policies should also be allowed to run a full course and changes should be restricted to a minimum. Frequent changes to key policies such as importation regulations and subsidies will affect the bank's survival.
7. Absorption or writing-off foreign exchange equalization loss: It is evident that NACB was compelled to rely extensively on offshore credit lines because of the funds from domestic sources. In view of the severe burden imposed on the bank with regard to the servicing of these offshore facilities under highly volatile exchange rate regimes, the Federal Government should assist in writing off the losses.
8. Therefore it is strongly suggested that the NACRDB is placed on the annual budgetary allocation of the Federal Government. This will assist in reducing (if not totally) eliminating the bank's dependence on external funding sources and thus foreign exchange risk.

9. Sourcing loan funds through capital markets. The NACB has investigated additional sources of funds, as it is evident that subsidized funds from traditional sources (that is federal Government and multilateral agencies) have continued to decline over the years. Capital markets are one such alternative and more dependable source of funds for agricultural lending. Thus, it is suggested that the new bank, NACRBD, should explore the possibility of accessing long-term funds the sales of shares through public offers. In particular, special attention should be given to the interplay between cost of funds and interest rates charged and perhaps funds source capital markets will service particular segments of the credit markets.

5.4 Limitations of the Study

This study was conducted to establish the role of development banks in developing the Nigerian economy. To achieve this aim, the research took only one bank NACRDB as a case study, in order to obtain maximum results. Even with this restriction of a case study, a number of hindrances were encountered in the course of the research.

These limitations include the following:

The busy nature of banks: While gathering data, the management were helpful but were out of town most of the time. A lot more would have been achieved if the researcher had access to more materials especially current information regarding the study.

Time factor: There was a limited amount of time within which the study had to be completed. This limited the study because the researcher had other academic commitment apart from the pursuit of gathering data for the research.

5.5 Areas for Further Research

Studies could be conducted in other areas such as: Assessing the factors that inhibit the performance of NACRDB, Measuring the performance of NACRDB using the performance variables. NACRDB and micro economic Derivatives: Nigeria in Perspective and Poverty Alleviation Nigeria and NACRDB:

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Appendix A

Descriptive Statistics

	Mean	Std. Deviation	N
GDP	6.8892	.34654	12
TCC	4.4009	.66859	12
DUM	.6667	.49237	12
TMF	4.6948	.47284	12
TLS	5.0160	.65452	12
TFC	6.0892	.55351	12

Correlations

		GDP	TCC	DUM	TMF	TLS	TFC
Pearson Correlation	GDP	1.000	.858	.805	.748	.951	.828
	TCC	.858	1.000	.655	.768	.891	.875
	DUM	.805	.655	1.000	.522	.798	.683
	TMF	.748	.768	.522	1.000	.850	.753
	TLS	.951	.891	.798	.850	1.000	.891
	TFC	.828	.875	.683	.753	.891	1.000
Sig. (1-tailed)	GDP	.	.000	.001	.003	.000	.000
	TCC	.000	.	.010	.002	.000	.000
	DUM	.001	.010	.	.041	.001	.007
	TMF	.003	.002	.041	.	.000	.002
	TLS	.000	.000	.001	.000	.	.000
	TFC	.000	.000	.007	.002	.000	.
N	GDP	12	12	12	12	12	12
	TCC	12	12	12	12	12	12
	DUM	12	12	12	12	12	12

	TMF	12	12	12	12	12	12
	TLS	12	12	12	12	12	12
	TFC	12	12	12	12	12	12

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DUM, TCC(a)	.	Enter
2	TMF(a)	.	Enter
3	TLS(a)	.	Enter
4	TFC(a)	.	Enter

a All requested variables entered.

b Dependent Variable: GDP

Model Summary(e)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.916(a)	.839	.804	.15353	
2	.925(b)	.856	.802	.15437	
3	.959(c)	.919	.872	.12378	
4	.960(d)	.922	.857	.13089	2.487

a Predictors: (Constant), DUM, TCC

b Predictors: (Constant), DUM, TCC, TMF

c Predictors: (Constant), DUM, TCC, TMF, TLS

d Predictors: (Constant), DUM, TCC, TMF, TLS, TFC

e Dependent Variable: GDP

ANOVA(e)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.109	2	.554	23.522	.000(a)
	Residual	.212	9	.024		
	Total	1.321	11			
2	Regression	1.130	3	.377	15.812	.001(b)
	Residual	.191	8	.024		
	Total	1.321	11			
3	Regression	1.214	4	.303	19.805	.001(c)
	Residual	.107	7	.015		
	Total	1.321	11			
4	Regression	1.218	5	.244	14.221	.003(d)
	Residual	.103	6	.017		
	Total	1.321	11			

a Predictors: (Constant), DUM, TCC

b Predictors: (Constant), DUM, TCC, TMF

c Predictors: (Constant), DUM, TCC, TMF, TLS

d Predictors: (Constant), DUM, TCC, TMF, TLS, TFC

e Dependent Variable: GDP

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta	Tolerance	VIF	B	Std. Error
1	(Constant)	5.369	.357		15.030	.000		
	TCC	.300	.092	.579	3.273	.010	.571	1.751
	DUM	.300	.124	.426	2.411	.039	.571	1.751
2	(Constant)	5.026	.510		9.862	.000		
	TCC	.223	.123	.430	1.814	.107	.321	3.111
	DUM	.295	.125	.420	2.359	.046	.570	1.754
	TMF	.146	.154	.199	.950	.370	.410	2.441
3	(Constant)	4.689	.433		10.819	.000		
	TCC	.039	.126	.075	.308	.767	.196	5.106
	DUM	.043	.148	.061	.291	.780	.264	3.792
	TMF	-.135	.172	-.184	-.784	.459	.209	4.774
	TLS	.525	.225	.992	2.333	.052	.064	15.595
4	(Constant)	4.895	.611		8.014	.000		
	TCC	.067	.144	.129	.463	.659	.168	5.969
	DUM	.039	.156	.055	.250	.811	.263	3.801

	TMF	-.141	.183	-.192	-.770	.471	.209	4.790
	TLS	.571	.255	1.079	2.244	.066	.056	17.832
	TFC	-.087	.171	-.139	-.510	.628	.173	5.767

a Dependent Variable: GDP

Excluded Variables(d)

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
		Tolerance	VIF	Minimum Tolerance	Tolerance	VIF	Minimum Tolerance	Tolerance
1	TMF	.199(a)	.950	.370	.318	.410	2.441	.321
	TLS	.759(a)	2.559	.034	.671	.125	7.974	.125
	TFC	.145(a)	.478	.646	.167	.213	4.701	.213
2	TLS	.992(b)	2.333	.052	.661	.064	15.595	.064
	TFC	.078(b)	.243	.815	.091	.198	5.043	.198
3	TFC	-.139(c)	-.510	.628	-.204	.173	5.767	.056

a Predictors in the Model: (Constant), DUM, TCC

b Predictors in the Model: (Constant), DUM, TCC, TMF

c Predictors in the Model: (Constant), DUM, TCC, TMF, TLS

d Dependent Variable: GDP

Collinearity Diagnostics(a)

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions					
		(Constant)	TCC	DUM	TMF	TLS	TFC	(Constant)	TCC
1	1	2.781	1.000	.00	.00	.02			
	2	.212	3.620	.02	.00	.61			
	3	.007	20.403	.98	.99	.37			
2	1	3.756	1.000	.00	.00	.01	.00		
	2	.235	3.997	.00	.00	.62	.00		
	3	.007	23.682	.53	.52	.37	.00		
	4	.003	38.628	.47	.48	.00	1.00		
3	1	4.750	1.000	.00	.00	.00	.00	.00	
	2	.240	4.447	.00	.00	.30	.00	.00	
	3	.007	26.357	.52	.26	.20	.00	.00	
	4	.003	42.321	.44	.41	.01	.37	.02	
	5	.001	81.839	.04	.32	.49	.63	.98	
4	1	5.740	1.000	.00	.00	.00	.00	.00	.00
	2	.249	4.806	.00	.00	.30	.00	.00	.00
	3	.007	28.918	.28	.23	.20	.00	.00	.00
	4	.003	45.175	.12	.24	.00	.40	.02	.03
	5	.001	71.769	.54	.48	.12	.06	.04	.69
	6	.001	95.998	.06	.05	.38	.54	.93	.27

a Dependent Variable: GDP

Residuals Statistics(a)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	6.4001	7.3434	6.8892	.33278	12
Residual	-.15330	.10426	.00000	.09667	12
Std. Predicted Value	-1.470	1.365	.000	1.000	12
Std. Residual	-1.171	.797	.000	.739	12

a Dependent Variable: GDP

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