

**IMPACT OF AGRICULTURAL CREDIT GUARANTEE SCHEME FUND ON
AGRICULTURAL PRODUCTION IN NIGERIA, 1978-2011.**

BY

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Abstract

Supporting smallholder farmers to play a greater role in food production and natural resource stewardship has been identified as one of the quickest ways to lift Nigerians out of poverty. Funding has been seen as a major problem militating against achieving this goal. It is argued that adequate credit facility could play an important role in enhancing agricultural productivity through the acquisition of latest technology, employment of skill manpower, promotion of agricultural research and commercial farming. In an attempt to mitigate the funding problem of the agricultural sector, the Federal Government of Nigeria has instituted several agricultural financing schemes. One of such schemes is the Agricultural Credit Guarantee Scheme Fund (ACGSF) which was established by the federal government in 1977 with the aim of enhancing commercial banks' loans to the agricultural sector in Nigeria with focus on agro-allied and agricultural production in order to mitigate the risk associated with lending to the sector. The scheme is expected to stimulate agricultural production for both domestic consumption and export purposes but not much has been researched in this regard. This study strives to fill this important knowledge gap by examining the impact of Agricultural Credit Guarantee Scheme Fund (ACGSF) on total agricultural productivity in Nigeria, as well as on the four major subsectors (crop, livestock, forestry and fishery) of the agricultural sector in Nigeria.

The *ex-post facto* research design was adopted for the study and annualized data for a 34-year period, 1978-2011, were obtained from the Central Bank of Nigeria Statistical Bulletin. The multiple regression technique was used to estimate the five hypotheses formulated for the study. Aggregate agricultural production, crop, livestock, forestry and fishery productions were adopted as the dependent variables, while the independent variable was Agricultural Credit Guarantee Scheme Fund including some other relevant variables. The study also controlled for government expenditure in agriculture, foreign exchange rate and inflation rate. Results indicate that the Agricultural Credit Guarantee Scheme Fund (ACGSF) has a non-significant positive effect on aggregate agricultural output but significant positive impact on both crop and fishery subsector outputs. Nevertheless, the effects of the scheme on livestock output was non-significant and negative, while that of the forestry output was non-significant and positive. Thus, it is evident that the ACGSF plays a fundamental role in stimulating agricultural production in Nigeria. As a strategy to realize the optimal potential of farmers in enhancing agricultural performance, it is recommended that the Nigerian government continues the use of the credit finance from the ACGSF as an inducement to encourage farmers to put in their best efforts in agricultural production. The study has contributed to knowledge by using modified versions of earlier works to produce relevant results.