PROSPECTS AND CHALLENGES OF AGRICULTURAL CREDIT LENDING IN NIGERIA

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BEING A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES NASARAWA STATE UNIVERSITY KEFFI, IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION (MBA)

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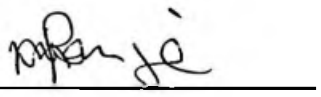
DECLARATION

I hereby declare that this research project has been written by me and it is a report of my research work. It has not been presented in any previous application for Master of Business Administration degree (MBA). All quotations are indicated and sources of information specifically acknowledged by means of references



04-2-2020

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DEDICATION

This project is dedicated to my beloved family for their moral support and encouragement during the course of this programme

CERTIFICATION

This is to certify that this thesis titled, "Effect Of Micro finance banks on the performance of (SMEs) in Abuja " agrees with the regulations governing the award of degree of Master in Business Administration (MBA), School of Postgraduate Studies of Nasarawa State University, Keffi, Nasarawa State Nigeria, for its contribution to the knowledge and literary presentation.

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Chairman, Supervisory Committee — Date

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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Agricultural financing is fundamental to support the growth of the agricultural sector. Certainly, it is essential for food security, job creation, and overall economic growth. Funding agriculture in Nigeria entails provision of funds for short term and long term agricultural production. Agriculture in Nigeria has been funded essentially by private savings, governmental allocations, agricultural credit schemes and foreign investments. But, few farmers in Nigeria can save enough from their insufficient incomes to take full benefit of the ever increasing range of improved agricultural technologies (Naerl, 1992). Sanusi, (2011) argued that "about 90 per cent of Nigeria's food requirement is produced by small scale farmers who constitute the majority of the nation's poor. He claimed that many factors are blamed for this condition, both natural and man-made. Key is lack of access to finance and the resultant inability to invest in basic farming inputs such as seedlings, fertilizers, implements and irrigation. As a result, their yields have remained largely stagnant, leading to pervasive hunger and poverty". Similarly, funding is not available through commercial to build businesses that could enhance food production and enable prospective farmers to earn viable profit. Therefore they need credit, or subsidies to supplement their individual sources. Ekwere, & Edem (2014), argued that access to agricultural credit impacts positively on agricultural production. Hence, Government and the organized private sector should regularly and timely offer credit to farmers.

In line with the inadequate funding in agricultural sector, CBN (2005) has make an assertion that "robust economic growth cannot be achieved without putting in place well focused programmes to reduce poverty through empowering the people by increasing their access to factors of production, especially credit". Therefore, federal government has initiated several

agricultural schemes to cushion the effects of funding in agricultural sector in Nigeria, these includes; Agricultural Credit Guarantee Scheme Fund (ACGSF) in 1977, to substantially make easy for funds accessibility and reduce the risks involved in lending to agriculture (Nwaru, 1997). Agricultural funding creates access to resources for the determination of farming by the farmers which repayment is to be made at an agreed future time. Its target is to ensure that adequate funds are provided to the agricultural activities on reasonable terms from the mainstream of the financial system.

Eze, Lemchi, Ugochukwu, Eze, Awulonu & Okon (2010) have investigated the agricultural financing plans of the federal government of Nigeria it effects on rural development, they found that government has made serious efforts at making good agricultural plans different schemes, and institutions, but government have not been able to back the schemes with sufficient budgetary allocation due to dishonesty in the execution of the plans. They further argued that financial institutions should monitor and supervise all facilities disbursed and the Central Bank of Nigeria should effectively and diligently carry out their regulatory function on all banks to check none compliance, and defaults.

However, (Okoro & Nwali, 2017) have recommended a legal policy reforms to empower corporate investors and other financial institutions to provide sustainable sources of long-term fund for the agriculture sector. Anifowose & Ladanu (2015) discovered that the commercial banks have actively been playing quite a large role under the policies of the apex regulatory body, the central bank of Nigeria in financing agriculture. Studies on the impact of agricultural credit and credit guarantee scheme to assist farmers increase food production for national food security are needed in the field of agricultural financing in order to help the increase flow of credit to the agricultural sector and improve the operations of guarantee schemes for extreme efficiency for food production. Faolex, (2011) in Republic of Congo also affirmed that "funds are available for commercial banks and microfinance institutions to

cover the funding of agricultural loans or guarantees for loans to farmers that are interested in agricultural investment".

In 2009, federal government with the collaboration of the CBN initiated a robust scheme to compliment funding of the agricultural sector in Nigeria with the establishment of commercial agriculture credit scheme (CACS) to promote commercial agricultural enterprises in Nigeria, which is a sub–element of the Federal Government of Nigeria Commercial Agriculture Development Programme (CADP). This Fund was to complement other special initiatives of the Central Bank of Nigeria in providing concessionary funding for agriculture such as the Agricultural Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers, Interest Draw-back scheme, Agricultural Credit Support Scheme and other similar developmental initiatives. The scheme shall be financed from the proceeds of the N200 billion, three (3) year bond raised by the Debt Management Office (DMO). The fund shall be made available to participating banks, to finance commercial agricultural enterprises in Nigeria with the aim of providing credit facilities at a single digit interest rate (CBN, 2017).

Micro-credit fund initiated by the federal government have become important tool to contribute to agricultural improvement and excellent measures to improve social inclusion of the most vulnerable people and to promote self-employment and self-entrepreneurship (Marcella, Marina, and Pierluigi, 2013). Credit facilities are mostly given to the prospective individual farmers through an organised micro-credit finance organisation. Therefore, programs and services offered through micro-credit can be established for the purposes of creating and developing self-employment opportunities for farmers in general. According to the International Fund for Agricultural Development, microfinance institutions in many cases have stimulated economic growth and empowerment among farmers (Kitty, 2015).

)n the other hand, with the unjustified condition of agriculture and which perhaps, informed ıe decision of the Central Bank of Nigeria, in 2011, to launch Nigeria Incentive-based Risk- ıaring System for Agricultural Lending (NIRSAL). Still, much have seen not been achieved ırough these previous schemes provided by the Federal Government of Nigeria and there 'as inadequate research in that regards to investigate the precarious situation of participating anks in relation to the effectiveness of agricultural financing schemes, hence have created a ap in the field. Therefore, it is imperative to appropriately assess the effects by the articipating banks through Central Bank of Nigeria regards to agricultural financing :hemes.

.2 STATEMENT OF THE PROBLEM

.gricultural financing in Nigeria was aimed to establish an effective system of sustainable gricultural credit schemes, programmes and institutions that could provide micro and macro redit facilities for small, medium and large scale producers, processors and marketers in the gricultural sector of the economy with the establishment of several schemes by the Federal overnment. These initiatives, amongst others, are the Agricultural Credit Guarantee Scheme und (ACGSF), Micro credit Fund and the latest Commercial Agricultural Credit Scheme CACS). Federal government of Nigeria over the years have sunk billions of naira into gricultural sub-sector (CBN, 2016).

owever, with the unwarranted situation that bedevil the management of agricultural nances in Nigeria, Central Bank of Nigeria in 2011 came up with a strategic decision to ıtroduced or launch a system called Nigeria Incentive-based Risk-sharing System for .gricultural Lending (NIRSAL), unlike previous schemes which encouraged banks to lend ithout clear strategy to the entire field of the agricultural value chain, emphasises lending to ıe value chain and to all sizes of producers hence contradicted the guided regulations stablished by the central Bank of Nigeria (CBN, 2011).

Consequently, banks are seems to be one of the most regulated organizations in Nigeria, out dated sanctions and reduced capacity diminish the effectiveness of checking and application of central bank of Nigeria regulations in Nigerian banks. Izedonmi, (2001) observed that some banks occasionally side-track some authorized issues with the intention of paying the penalty where the benefits of non-compliance with the regulations far out-weigh the penalty. Thus, lack of an effective and efficient mechanism to ensure effectiveness with the established CBN regulations concerning agricultural financing contributes to the weakness of achieving the aims of initiating Federal Government schemes for financing agricultural sector in Nigeria.

In view of the above issues, previous studies (Eze, et al., 2010; Adekunle & Fantunbi, 2014; Bryane, 2015; Nader, 2010; Ekwere & Edem, 2014; Okoro & Nwali, 2017; Kehinde, 2012; Bernice, 2015; Anifowose & Ladanu, 2015 & Raian & Federica, 2016) have not specifically address the issues of participating banks contributions towards agricultural financing rather concentrating on the issues of agricultural policies and programmes, hence have created a vacuum in the field of how effective participating banks contribute to agricultural financing Schemes in Nigeria.

Therefore, this study argued to join the debate in the field, in order to fill the vacuum created by conducting a research on agricultural financing to know its effectiveness. To achieve this, the study has focused to assess on how the participating banks effectively contribute to agricultural financing schemes, vis-à-vis agricultural credit guarantee scheme fund, commercial agriculture credit scheme, micro credit fund and Nigeria incentive-based risk sharing system for agricultural lending in Nigeria.

1.3 RESEARCH QUESTIONS

Based on the above issues raised in the problem statement, the study would provide answers to the following research questions:

i. To what extent does participating banks influence agricultural credit guarantee scheme fund in Nigeria?

ii. To what extent does participating banks influence commercial agriculture credit scheme in Nigeria?

iii. To what extent does participating banks influence macro and micro-credit fund in Nigeria?

iv. To what extent does participating banks influence Nigeria incentive-based risk Sharing system for agricultural lending?

1.4 OBJECTIVES OF THE STUDY

The main aim of this study is to assess agricultural financing by participating banks in Nigeria. Specific objectives are to:

i. Assess the extent at which participating banks influence agricultural credit guarantee scheme fund in Nigeria.

ii. Assess the extent at which participating banks influence commercial agriculture credit scheme in Nigeria.

iii. Determine the extent at which participating banks influence micro-credit fund in Nigeria.

iv. Determine extent at which participating banks influence Nigeria incentive-based risk sharing system for agricultural lending in Nigeria.

1.5 STATEMENT OF THE HYPOTHESES

Based on the specific objectives of the study, the following hypotheses are formulated in null form and would be tested at 0.05 significant levels:

i. $H0_1$: Participating banks do not significantly influence agricultural credit guarantee scheme fund in Nigeria.

ii. $H0_2$: Participating banks do not significantly influence commercial agriculture credit scheme in Nigeria.

iii. $H0_3$: Participating banks do not significantly influence micro credit fund in Nigeria.

iv. $H0_4$: Participating banks do not significantly influence Nigeria incentive-based risk Sharing system for agricultural lending in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The findings of this study will be relevant to the followings:

i. Policy Implementation: It will enable the government to realise the relevance of agricultural financing and also help the government to plan her agricultural resources policy along the path of participating banks under the agricultural financing schemes in Nigeria.

ii. Practical Significance: The research findings will provide opportunity to top-management in participating banks to look inward and re-restructure their organisations to meet the intrigues of contributing and enhance efficient utilisation of agricultural funds.

iii. Theoretical Significance: The findings of this study would contribute to the body of existing knowledge, bridge the gap in the literature and provide guides to researchers who have interest in studying agricultural financing, through the empirical study of agricultural financing in Nigeria vis-à-vis an assessment of agricultural financing by participating banks.

iv. Students and Educational Institutions: Students of tertiary institutions universities inclusive who are interested in studying about agricultural financing, this study would provide them with insights on the extent of how participating banks contribute to agricultural financing and improve economic growth and development in Nigeria.

.7 SCOPE OF THE STUDY

he study assessed agricultural financing by Nigerian Agricultural Cooperative and Rural evelopment Bank known as Bank of Agriculture, Access Bank Plc, Union Bank Plc, Bank f the North, First Bank of Nig. Plc, First City Monument Bank Plc, Guaranty Trust Bank lc, United Bank of Africa Plc, and Zenith International Bank Plc. in respect to agricultural nancing schemes initiated by Central Bank of Nigeria such as; Agricultural Credit uarantee Scheme Fund, Commercial Agriculture Credit Scheme, Micro credit fund and igeria incentive-based risk sharing system for agricultural lending.

owever, this study did not include some of the financial institutions and agricultural hemes initiated by Central Bank of Nigeria, because of unavailability of time and resources nstraints.

.8 OPERATIONAL DEFINITION OF TERMS

gricultural Financing: Refers to loans giving to prospective farmers by participating banks nder agricultural scheme initiated by the federal government through central bank of Nigeria) ameliorate the challenges in acquiring agricultural inputs and innovative technologies.

articipating Banks: These are financial institutions in Nigeria that were saddled with the sponsibilities of disbursement of agricultural credit through agricultural financing schemes itiated by the Central Bank of Nigeria, are as follows; Bank of Agriculture, Access Bank lc, Union Bank Plc, Bank of the North, First Bank of Nig. Plc, First City Monument Bank lc, Guaranty Trust Bank Plc, United Bank of Africa Plc, and Zenith International Bank Plc.

gricultural Schemes: Refer to initiated agricultural financing programmes as follows; gricultural Credit Guarantee Scheme Fund, Commercial Agriculture Credit Scheme, Micro redit Fund and Nigeria Incentive-Based Risk Sharing System for Agricultural Lending by ie Central Bank of Nigeria.

CHAPTER TWO
LITERATURE REVIEW

2.1 CONCEPTUAL REVIEW

2.1.1 Concept of Agricultural Financing

Agricultural Finance refers to a sectorial concept that comprises financial services for agricultural production, processing, and marketing. It includes short, medium, and long term loans, leasing, savings, payment services, and crop and livestock insurance (IFC, 2011). Most of these activities are conducted in rural areas, but large processing facilities and agribusinesses, as well as largely subsistence-level smallholders, are also located in urban areas (Meyer, 2011). The federal government Scheme to ameliorate the agricultural financing started operation in 1978 with an initial capital base of N100 million shared in a ratio of 60:40 between Federal Government of Nigeria and Central Bank of Nigeria. The capital base of the scheme has been raised to N3 billion managed by the Central Bank of Nigeria. The

ACGSF is meant to share the risks of banks in agricultural lending and hence encourage them to continue to extend credit to the agricultural sector (CBN, 2017).

The concept of agricultural value chain finance covers financial services, products and support services, flowing to individual actors or through a value chain to address the needs and constraints of those involved in that chain, be it a need to access finance, secure sales, procure products, reduce risk and/or improve efficiency within the chain (Miller& Jones, 2010). Murray, (1983) cited in (Bernice, 2015) defined Agricultural Financing as "an economic study of borrowing funds by farmers, the organization and operation of farm lending agencies and of society's interest in credit for agriculture" While Tandon & Dhondyal, (1971) cited in (Bernice, 2015) defined Agricultural Financing "as a branch of agricultural economics, which deals with financial resources related to individual farm units." Agricultural financing is the financing of agriculture-related activities, from production to market. It refers to financial services ranging from short, medium and long-term loans, to leasing, to crop and livestock insurance, covering the entire agricultural value chain input supply, production and distribution, wholesaling, processing and marketing. Whereas financing may take various forms, our main concentration in this study is financing through borrowed funds, that is, credit. World Bank (2016) recognized that credits constitute the largest component of its agricultural lending. It is the duty of the financial institutions as the financial intermediaries must intermediate efficiently between the savings unit and the investing unit to sustain continuous availability of borrowings. Thorsten, (1999) said numerous cases world-wide, central banks or central bank affiliated institutions are significant creditors of agricultural financial institutions.

In this study agricultural financing has been operationalized as agricultural financing schemes initiated by Federal Government of Nigeria through central bank of Nigeria such as Agricultural Credit Guarantee Scheme Fund (ACGSF), Commercial Agriculture Credit

Scheme (CACS), Micro Credit Fund (MCF) and Nigeria incentive-based risk sharing system for agricultural lending (NIRSAL).

2.1.2 Concept of Participating Banks

Kehinde, (2012) said "For agricultural practice to be meaningful, one of the enabling factors must be addressed by availability of adequate credit to finance agricultural production". The agricultural lending market in any country is made up of the participating financial institutions and units that can effectively lend resources to facilitate the production of farm produce, crops and livestock. These markets are primarily made up of deposit money banks (DMBs) and other financial institutions firms and individuals (Comptrollers Handbook 1998). However, the market also includes specialized institutions such as Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB), which is the principal institution involved in agricultural financing in Nigeria. The banks have been playing prominent role and will continue to do so under a package of incentives. The Federal Government aim was also to ensure that the financial institutions, especially the banks as the lubricant and catalyst of national economic growth, efficiently play their part in promoting economic growth through injection of adequate funds into the agricultural sector (Akinola, 2013). Okojie, Monye, Eghafona, Osaghae and Ehiakkhamen (2010) explains that the lack of banking participation and substantial collateral and little or no information as regarding the procedure for accessing credit fund is a stumbling block for small scale farmers and local women who need conventional loans and advances. Ayegba and Ikani (2013) established again that, the concentration of banks in urban area has left rural farmers without formal source of credit, while according to Odoemenem and Obinne (2010), output of the sector is hindered by non-availability of funding in terms of loans and advances from organised financial institutions. Ojo (2005) believes that the organised financial sector has failed to meet the primary intermediation objective to which they were licenced. There are many

roblem facing financial institution as far as agricultural finance is concerned, some of them re discussed below by Anifowose, & Ladanu, (2015):

- There is the delay in the processing of agricultural loan application and in implementing approval loan agreement.
- The period when loan application is submitted to the period it is finally approved on many occasions is too long to extent that rising prices during the period of delay would have changed the situation of things drastically.
- Another problem faced by financial institution is the granting of inadequate loans to farmers. Inadequate loan, to financing of whatever reason can endanger the successful implementation of otherwise viable projects.

his would not be the case if financial institution were flexible enough or even endowed with echnical expertise and skilled project analysts who would comments on project fund dequacy. Other problem of financial institution include: inconvenient disbursement and mortization schedule; unjustifiable insistence on a particular type of collateral; inadequate nterest shown towards agricultural lending and the mutual distrust between the lender and ne borrower. On the other hand, Innocent (2008) said that "development institutions like the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), Bank of ndustry (BOI) and the Central Bank of Nigeria (CBN) to cater for farm finance in ways that re to marginal in solving the financial needs of farmers". Few private financial institutions ike Union Bank, First Bank and Bank of the North, have taken the risks over the years to upport the sector, without any regret. Firs Bank for instance reported over 90% repayment of s agricultural loans in some years.

herefore, in this study financial institutions saddled with the responsibility of agricultural inancing would be operationalized to serve as the participating banks to explain the ariations in agricultural financing schemes vis-à-vis Agricultural Credit Guarantee Scheme

Fund (ACGSF), Commercial Agriculture Credit Scheme (CACS), Micro Credit Fund (MCF) and Nigeria incentive-based risk sharing system for agricultural lending (NIRSAL).

2.1.3 An Overview Analysis of Agricultural Financing Schemes in Nigeria

The programs initiated by Federal Government of Nigeria through Central Bank of Nigeria are conceptualised to serve as the agricultural financing schemes as follows;

2.1.3.1 Agricultural Credit Guarantee Scheme Fund (ACGSF)

Agricultural Credit Guarantee Scheme Fund (ACGSF), 1978 till date. Established by Act No. 20 of 1978, this offers a 75 per cent guarantee backed by the Central Bank of Nigeria (CBN) on agricultural credit in default, net the amount realized from the disposal of security for such credit. Financing is at market-determined interest rates. The CBN offers a rebate equivalent to 40 per cent of the loan interest when loans are duly repaid. This scheme deals with small scale farmers who need small loans to operate. For instance, the number of loans guaranteed under the ACGSF in 2015 was 69,436 valued N11.4 billon as against 72,322 loans valued N12.9 billion in 2014. Analysis of the guaranteed loans in 2015 showed that 56,974 loans, valued N6.5 billion, were financed by microfinance banks, while 12,462 loans valued N4.9 billion were financed by commercial banks. The cumulative number and value of loans guaranteed under the Scheme since its inception stood at 1,001,299 and N95.9 billion, respectively, at end-December, 2015. The distribution of loans guaranteed by purpose for the period showed that food crops dominated with 50,444 loans (72.6%) valued N7.4 billion (65.0%), followed by mixed farming, 5,445 loans (7.84%) valued N804.5 million (7.35%). Others were: livestock, 5,081 loans (7.32%) valued N1.4 billion (12.62%); cash crops, 2,359 loans (3.40%) valued N407.6 million (3.56%); fisheries, 1,677 loans (2.42%) valued N485.1 million (4.24%); and "others", 4,430 loans (6.38%) valued 829.2 million (7.25%). A breakdown of the number of loans guaranteed by state showed that Edo with 8,578 loans valued N1.09 billion, recorded the highest in 2015. This was followed by Jigawa and Ogun

tates with 5,216 and 4,352 loans valued N233.7 million and N873.4 million, respectively, vhile Bayelsa state, recorded the least with 35 loans valued N18.9 million.

n the review year, 56,671 loans valued N9.5 billion were fully repaid under the Scheme. This represented an increase of 19.3 and 22.1 per cent by number and value, respectively, ompared with 47,502 loans valued N7.8 billion in 2014. Analysis of loan repayment by state ndicated that Delta state had the highest with 6,087 valued N1.8 billion, followed by Edo and Ebbi with 5,916 and 5,872 loans, respectively valued at N500.1 million and N639.1 million, espectively. Cumulatively, repayments under the ACGS stood 754,219 loans valued at N65.9 billion since its inception. A total of 206 claims, valued N30.7 million were settled to ending banks in the period under review, compared with 1,029 claims valued N148.4 million n 2014. Cumulatively, the total number and value of claims settled since the Scheme's nception were 17,031 valued N631.9 million, respectively, (Central Bank of Nigerian Annual Report, 2015).

The scheme has, however, suffered bureaucratic and administrative bottlenecks. For instance he processing of applications and claims has been slow so much so that at the end there was n accumulated backlog of significant numbers of unprocessed claims, the oldest of which lated back to 25 years (IFPRI, 2008). The lending role played by commercial banks may be ccounted for by their greater number and under geographical spread and also due to the xistence of functioning agricultural department in the commercial banks which were xcluded in other categories of banks.

Based on the preceding discussion, this study expects a link between the participating banks n term of their effectiveness on agricultural financing to agricultural schemes in Nigeria.

.1.3.2 Commercial Agriculture Credit Scheme (CACS)

As part of the federal government developmental role, the Central Bank of Nigeria (CBN) in ollaboration with the Federal Government of Nigeria, represented by the Federal Ministry of

Agriculture and Rural Development (FMARD) established the Commercial Agriculture Credit Scheme, hereinafter referred to as CACS, for promoting commercial agricultural enterprises in Nigeria, which is a sub–component of the Federal Government of Nigeria Commercial Agriculture Development Programme (CADP). This Fund will complement other special initiatives of the Central Bank of Nigeria in providing concessionary funding for agriculture such as the Agricultural Credit Guarantee Scheme (ACGS) which is mostly for small scale farmers, Interest Draw-back scheme, Agricultural Credit Support Scheme, etc.

The sum of N73.4 billion was released to seventeen (17) banks for on-lending in respect of seventy-five (75) projects under the Scheme in 2015, compared with sixty nine (69) projects valued N36.9 billion in 2014. This represented increases of 8.6 and 98.6 per cent in number and value of projects, respectively, relative to the preceding year. The total amount released by the CBN since the Scheme's inception in 2009 to end-December 2015 was N336.4 billion for 420 projects. Agricultural production activities dominated with a share of 248 projects (59.2%) valued N171.3 billion (50.9%); processing, 137 projects (32.2%) valued N124.4 billion (36.9%); marketing, 16 (3.8%) valued N22.0 billion (6.6%); storage 13 (3.1%) valued N8.1 billion (2.4%) and input supplies, 7 (1.7%) valued N10.6 billion (3.1%). A total of 31 state governments including the FCT participated in the Scheme. Six (6) state governments, namely Borno, Jigawa, Kaduna, Katsina, Lagos, and Yobe are yet to participate in the Scheme.

Cumulatively, the sum of N336.4 billion had been released under the Scheme as at end-December 2015. The exit date of the Scheme, which was originally scheduled for 2015, was extended to 2025 due to its continued relevance and patronage. The sum of N71.1 billion was repaid by seventeen (17) banks for one hundred and seventy two (172) projects in 2015, compared with N72.4 billion for 185 projects in 2014.

n the review year, the focus of the Scheme was shifted to seven priority commodities; rice, vheat, sugar, fish, dairy, oil palm, and cotton. A total of 194,556 jobs were created during the ear bringing the jobs created under the Scheme, thus far, to 1,132,232, (Central Bank of Nigerian Annual Report, 2015).

Iowever, in the meantime, things seem to have changed as an amount is now reserved for mall commercial scale farmers and the disbursement of the fund has been delayed. Jnfortunately, it is not yet clear whether the conditions for the small-scale farmers are pro-mall-scale.

.1.3.3 Micro Credit Fund (MCF)

n furtherance of efforts to ensure steady flow of funds in to the agricultural sector, articularly to the prospective farmers, the Bankers' Committee with effect from February 008 established a Micro Credit Fund (MCF). The Fund has started operations with the alance of the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) which vas put at N20.3 billion as at December 2007, while annual contributions of 5 per cent of rofit after tax would continue to be made by each bank to grow it to N100 billion by the end f 2010 by setting aside 5% of their profit after tax, annually (Chinedu & Okoro, 2009). The najor objective of the MCF is to complement the poverty and small and micro credit nterventions of government and the activities of the microfinance banks in supplying a large ut cheap source of finance to the agro farmers. Under the fund, state governments can ngage in wholesale borrowing from banks and on-lend to more farmers in their respective tates through channels acceptable to the CBN.

o access the fund, the states would have to put in place appropriate institutional arrangement or disbursing and recovering the amount to be accessed which shall be confirmed by the BN, as well as monitoring mechanism to ensure efficient utilization. In situation where the tate governments are unable to exhaust the fund set aside by the banks in any year, micro

nance banks and NGOs micro finance institutions could borrow from the fund for on ;nding to small and micro enterprises.

unds for agricultural finance are met through macro and micro finance aspects. The macro nance aspects pertains to financing agriculture through government capital allocation to griculture and mobilizing resources for agricultural development using institutional credit gencies such as the Central Bank of Nigeria (CBN) and Nigerian Agricultural co-operative nd Rural Development Bank up to rural development programs. While the micro –finance spects of agriculture pertain to the individual farm, especially financing of farm ıanagement, which relate to the acquisition and use of capital in the farm business using ɔmmercial banks (Ibrahim & Mukhtar, 2015).

ſicrofinance Banks in 2005 most of them were existing community banks converted to ıicrofinance banks as stipulated by the CBN to better assist in wealth creation among nterprising poor people and to promote sustainable livelihood by strengthening rural ;sponsive banking methodology. Community banks/microfinance banks assist in eradicating overty through the provision of microfinance and skill acquisition development for income eneration (Anyawu, 2004). Microfinance provides financial services to the farmers who are aditionally not served by the conventional financial institutions. Three features istinguished microfinance from other formal financial products. These are the smallness of ɔans advanced, the absence of asset–based collateral, and simplicity of operations.

hus, participating banks are expected to relate with agricultural financing scheme e.g. Micro redit fund for easy disbursement of credit to farmers for effective agricultural productivity.

[ence, this hypothesis has been proposed by the study;

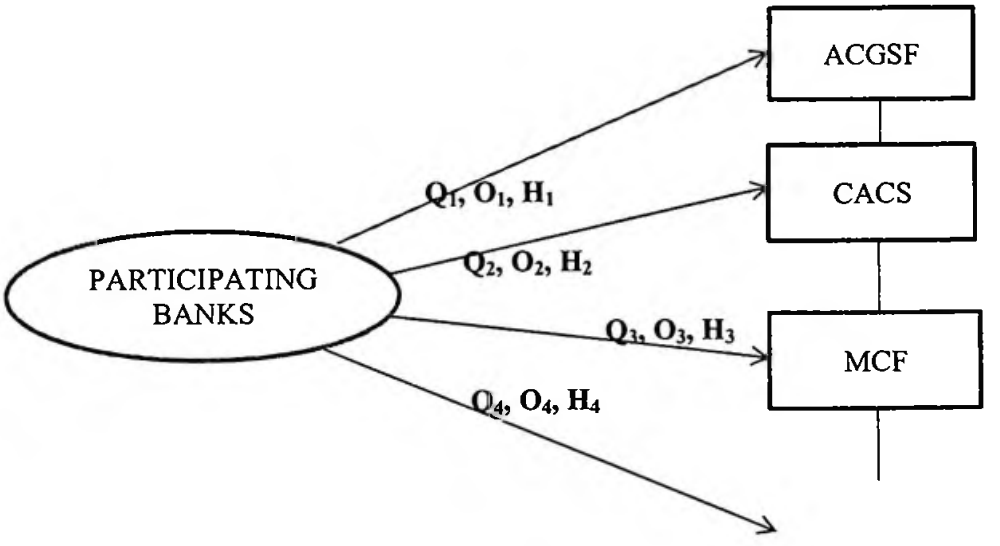
[0_3: Participating Banks do not significantly influence Micro Credit Fund in Nigeria.

.1.3.4 Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL)

total of 195 Credit Risk Guarantees (CRGs) valued N1.1 billion were approved under IRSAL in 2015, compared with 18 CRGs, valued N6.4 billion in 2014, bringing the total ɹmber and value issued from its inception to 255, valued N21.7 billion at end-December)15. Analysis of the CRGs issued from its inception in 2010 indicated that crop production ɔminated with 113 CRGs (44.3%) valued N4.2 billion (19.5%); mechanization, 90 CRGs 5.3%) valued N394.1 million (1.8%); livestock production, 26 CRGs (10.2%) valued N3.4 illion (15.8%); agro-processing, 22 (8.6%) CRGs valued N10.2 billion (47.2%), and input istribution, 4 CRGs (1.6%) valued N3.4 billion (15.6%), (Central Bank of Nigerian Annual eport, 2015).

.1.4 Conceptual Framework

. conceptual framework enables the researcher to find the links between the existing terature and the research goals. This conceptual framework in figure 1 spells out the context ɹd forms of relationship or interactions between the constructs to be investigated as well as ɪe process or flow associated with the interactions. Also, research questions, objectives and ypotheses in form of (Q_1, Q_2, Q_3, Q_4), (O_1, O_2, O_3, O_4) and (H_1, H_2, H_3, H_4) were depicted ɜspectively.



'igure 1: Conceptual Framework Showing the Relationship of the Study Constructs

.2 THEORETICAL REVIEW

'he aim of this section is to explain the relevant theory (s) that relates to Agricultural :nancing. For the purpose of this study the theories underpinning the study are the Trade-off 'heory and Pecking Order Theory.

.2.1 Trade-off Theory

'his theory was propounded by Kraus and Litzenberger, in 1973. In their development of the 'ade-off theory Kraus and Litzenberger propose to balance the bankruptcy costs and tax avings to be obtained from debt (Kraus & Litzenberger, 1973).

'he trade-off theory considers a fusion of factors that jointly determine the firm optimal apital structure. Holding the firm's assets and investment plans constant, a firm optimizes its ebt ratio by considering the trade-off between the costs and benefits of borrowing)eAngelo & Masulis, 1980). In the core of the theory are tax advantages of borrowing nterest tax shields) that are balanced against the costs of financial distress (Myers, 2003). 'osts of financial distress encompass costs of bankruptcy or financial embarrassment. The rm is assumed to substitute debt for equity, or vice versa, until the value of the firm is iaximized. Factors of financial distress discussed in the literature on trade-off theory include rm profitability, earnings volatility, and asset specificity. In the context of agriculture, it 'ould be incorrect to disregard other production risks such as weather shocks. Expected ankruptcy costs, among other costs of financial distress, arise when firm profitability eclines (earnings volatility and other risks increase) the thread of these costs pushes these rms toward lower leverage targets (Fama & French, 2002).

ıe relevance of this theory to the study is the fact that, the objectives of this study would be tted into this theory as much as participating banks as a firm require funds to burst it capital ıse as well as investment in terms of financing agricultural activities. Therefore, agricultural ıancing schemes which serve as dependent variables in agricultural financing would be tted into trade off theory accurately, if farmers have to pay more taxes they should increase e use of debt to reduce tax bills, but there are other costs like depreciation which are ınsidered non-debt tax shields that reduces the importance of the fiscal advantage of debt. lso, the trade-off theory is sufficient to explain many facts regarding corporate debt ructure vis-à-vis participating banks. The optimal mixture and priority structure of bank and arket debt using a trade-off model in which banks have the unique ability to renegotiate ıtside formal bankruptcy.

2.2 Pecking Order Theory

ıe pecking order theory was developed by Myers (1984) in his article "The capital structure ızzle", in reaction to the trade-off theory did not explain the financing behaviour actually ınducted in companies. Instead Myers (1984, p. 567) proposed an alternative view on ıancing choices. He said that companies follow a pecking order when deciding on the type financing they choose. When financing an investment, companies prefer internally ınerated funds to external funds and they prefer debt to equity issues (Myers, 1984, p. 581). ıe explanation Myers (1984, pp. 582-585) use is based on information asymmetry and is as llows. Investors have no detailed information about an investment a firm is about to make if the firm issues stock to finance the investment, the investors will not pay full price for e stock because of the risk he faces due to the information asymmetry. This means that if a rm wants to do an investment of 10M with NPV 12M they might need to issue stocks for 12 to get the 10M needed for the investment. This scenario would mean that the company ould not do the investment since the total NPV is zero. The only scenario where a company

/ould issue stock, under these assumptions would be when the stocks are overvalued (Myers : Majluf, 1984, p. 195). This also means that there exists an equilibrium level between ;suing shares and debt. Investors are aware of this type of corporate behaviour nowadays and tock issues are generally met with suspicion from the market. This forces a company who eed external funds to take on debt instead, thus forcing the company to adopt a pecking rder, even though this situation is a bit stylized (Myers, 1984, p. 585).

'he relevance of this theory to the study is the fact that, the objectives of this study would be tted into the theory as much as participating banks require funds in funding agricultural nancing schemes to burst it capital base as well as investment in terms of financing gricultural activities. Therefore, agricultural financing schemes which serve as variables in gricultural financing would be fitted into pecking order theory accurately, as the articipating banks comply with the rules and regulations guiding the schemes to avoid nancial distress and stabilise its capital structure, hence would improve the profitability of ıe participating banks, hence contributes effectively to agricultural sector in Nigeria.

.3 EMPIRICAL REVIEW

ınifowose & Ladanu (2015) conducted a study on the role of commercial banks in gricultural growth in the period 2010–2014. The study aim is to examine how commercial anks extend loans for agricultural development. The study used Correlation co-efficient to ıeasure the degree of relationship between two variables (dependent and independent ariable) that is the correlation between total loan of commercial bank to agricultural sector nd total output of agricultural sector. In conclusion, it was discovered that the commercial

anks have actively been playing quite a large role under the policies of the apex regulatory ody, the central banks in financing agriculture.

his current study is in line with Anifowose & Ladanu in term of focus, but differs in term of nit of analysis, because this study attempt to analyse participating banks and Agricultural inancing schemes in Nigeria using simple linear regression analysis.

nother study conducted by Orok, (2017) on the impact of Agricultural credit Guarantee cheme fund (ACGSF) on Agricultural Sector Development in Nigeria. The specific bjectives were to ascertain the relationship between the ACGSF and the output of the crop ector in Nigeria, to examine the relationship between ACGSF and the output of the livestock ector in Nigeria, and to determine the relationship between ACGSF and the output of the ishery sector in Nigeria measured by respective gross domestic product (GDP). Secondary ata were sourced from Central Bank of Nigeria Publications and Statistical Bulletin. Aultiple linear regression of ordinary least square (OLS) model was adopted to establish the elationship between dependent and independent variables. Findings revealed a positive and ignificant relationship between ACGSF and the agricultural sector development evaluated y the sustained rise in its contribution to GDP. The study also revealed that the scheme had iven more funds and impacted more on the crop sector over the livestock and fishery sector. he study recommends among others that the scheme should be sustained and the overnment should invest more in Agricultural development, and measures should be put in lace by the management of the scheme to reduce default in payment arising from borrowers. rom the previous study we can observed that the study concentrated on one agricultural cheme and the farmers, hence has created a gap in terms of not assessing the effectiveness of ıe participating banks contributions to the agricultural schemes in Nigeria. Therefore, this tudy will join the debate to measure the effectiveness of participating banks on the gricultural schemes in Nigeria.

Awotide, et al., (2015) conducted a study to examine the impact of access to credit on agricultural productivity in Nigeria using the Endogenous Switching Regression Model ESRM)). The first stage of the ESRM reveals that total livestock unit and farm size are positive and statistically significant in determining the farmers' access to credit. The second stage reveals that total livestock unit and farm size are negative and statistically significant in explaining the variations in cassava productivity among the farmers that have access to credit, while household size, farm size, and access to information assets are negative and statistically significant in explaining the variation in cassava productivity among the farmers without access to credit. Access to credit has a significant positive impact on cassava productivity. Thus, credit institutions should consider boosting their credit services to rural farming households in order to guarantee that more households benefit from it.

Conversely, with Awotide, et al. study, this study will not cover farmers from the continuum of agricultural financing rather will concentrate on the participating banks and agricultural financing schemes using linear regression analysis with primary data to analyse.

Nwangele, (2015) study assessed the performance of Bank of Agriculture in micro-credit delivery to rural farmers in Ohafia Local Government Area. Both primary and secondary data were employed in the collection of data for the study. Primary data were collected using a well-structured questionnaire that was administered to the 120 randomly selected farmer-loan beneficiaries while the secondary data were collected from the existing BOA in the area. Both descriptive and inferential statistics were employed in the analysis of data collected. Objectives and hypotheses of the study were analysed using descriptive statistics and simple regression analysis respectively using mean score (4-point Likert scale) and the other with factor analysis. The result of the analysis showed that majority (98.3%) of the loan beneficiaries procured micro-scale loans, about 2% of the loan beneficiaries obtained small and medium scale loan while no respondent acquired large scale loan. The result of the

gression analysis revealed that the BOA has influence on the loan by the agricultural hemes to the beneficiaries' in Nigeria the area as was testified by coefficient of termination (r2) (0.683) which was positive and statistical significant at 5% level.

ırthermore, the result showed that the major factors that constrained the delivery of credit the bank to farmers in the area were high illiteracy rate, loan default, lack of disbursable nd, high administrative cost, low repayment rate, loan diversion, political instability and gh cost of infrastructural development.

ulandari, et al., (2017), conducted a study on access to finance from different finance ovider types: Farmer knowledge of the requirements. Analysing farmer knowledge of the quirements of finance providers can provide valuable insights to policy makers about ways improve farmers' access to finance. This study compares farmer knowledge of the quirements to obtain finance with the actual requirements set by different finance provider oes, and investigates the relation between demographic and socioeconomic factors and rmer knowledge of finance requirements. The study used a structured questionnaire to llect data from a sample of finance providers and farmers in Java Island, Indonesia. The ıdy collected data from 43 finance providers, which consist of 5 types of finance providers banks, MFI, farmers' associations, traders, agricultural in total, 80 finance providers were ntacted, of which 43 agreed to participate in this study put kiosks. The study tested ıether the percentage of finance providers and farmers who perceived a requirement to be ıportant was significantly different across finance provider types, using a chi square test. ıe study find that the most important requirements to acquire finance vary among different ıance provider types and also find that farmers generally have little knowledge of the quirements, which are important to each type of finance provider.

cinola, (2013) conducted a study on the challenges of agricultural finance in Nigeria: nstraints to sustainable agricultural and economic revival. The study was sought to analyse

.e performances and achievements of financial institute and some federal government ıitiative e.g. ACGSF; BOA Ltd and CACS since their respective establishments over)years ago. Using mainly, the secondary data sourced from the reports of these institutions, .e CBN, journals, the study concluded that, financing institutes achieve the much expected ·sult in agricultural sector by reducing the interest rate for agricultural activities. However, kinola further identified some factors like policy inconsistency and somersaults, absence of)mmodities marketing and pricing institutions, lack of effective and adequate storage, adequate insurance coverage and more importantly, corruption are the challenges of ;ricultural sector in Nigeria.

onversely with Akinola study, this study sought to assess agricultural financing by the ırticipating banks under federal government initiative on agricultural financing schemes in igeria.

kwere & Edem, (2014) conducted a study on evaluation of agricultural credit facility in ;ricultural production and rural development aimed to examine the effect of agricultural ·edit on agricultural production among small scale farmers. The study used structured ıestionnaires and administered to 136 farmers, who had been selected using the stratified ndom sampling technique, and the data obtained were summarized into percentages. egression analysis was adopted to assess the impacts of socio-economic factors on loan size nong farmers, while Cobb-Douglas Production Function Analysis (CDPFA) was used to st the relationship between key independent variables such as loan amount, farm size, puts and farm output as the dependent variable. The analysis revealed a significantly high ·gree of relationship between the dependent variable and the independent variables. The udy therefore shows that access to agricultural micro-credit impacts positively on ;ricultural production. Government and the organized private sector should regularly and mely offer micro-credit to farmers.

'his current study is in line with Ekwere & Edem study, based on the analysis. Since the revious study adopted regression analysis to examine the impact of socio-economic factors n loan size among farmers, this current study will also employ simple linear regression to nalyse the effectiveness of participating banks on agricultural financing schemes vis-à-vis ıicro credit fund in Nigeria.

)koro & Nwali, (2017) conducted another study on agricultural funding and challenges of eposit money banks in Nigeria using secondary data collected from Central Bank of Nigeria nd National Bureau of Statistics reports. Data were analysed using line graphs. Results howed that money deposit banks funding of agricultural sector was the least compared to ther sectors of the economy from 1984 to 2009. The banks being profit oriented do not have ıe capacity to fund agriculture in Nigeria due to the concessionary interest rates of the 'entral Bank of Nigeria. More so, portfolio prescription policy of CBN constrained the bility of money deposit banks to maximize returns on their investment in agriculture. imilarly, money deposit banks were faced by so many challenges in their course of funding griculture. Such challenges include: financial resources, economic, human resources, nvironmental, and political challenges, all these act and react with one another to ıcapacitate money deposit banks from funding agriculture more than other sectors of the conomy. The study recommended a regulatory and legal policy reforms to empower orporate investors and other institutional investors to provide sustainable sources of long- :rm fund for the agriculture sector. CBN as an apex regulatory body of agricultural schemes ıould consider an intensive performance rating for all money deposit banks to equip and etermine their effectiveness in agricultural funding in Nigeria and also relevant agencies that re charged with protecting the environment from soil degradation and pollutions of varied inds to take more proactive measures in sustaining the environment

› encourage agricultural funding and food security in Nigeria.

Nader, (2010) sought to research on determinants of bank performance: an analysis of theory and practice in the case of an emerging market, the aim of the study was to explain empirically the determinants of bank performance using pooled time-series and cross-section data. The study analyses Tunisian bank performance from 1999 to 2007. The findings show that bank performance is mainly explained by expenses management, ownership structure and bank loans. Consequently, recommended that reducing state ownership and expanding openness to foreign capital would encourage product innovation and competitive advantage and then, lead to a superior performance. The results of the study are very important for market participants and the Tunisian economic development.

Therefore, this current study is different with Nader study because of the geographical location. Previous study was conducted in Tunisian while this present study would be conducted in Nigeria, but will focus on analysing how these banks affect agricultural financing schemes in Nigeria.

Bernice, (2015) conducted a research in Kenya on Agricultural financing in livestock field. The study sought to establish if there is a relationship between Agricultural Financing and Productivity of Dairy farming in Central Kenya. The study adopted secondary data. A census survey was undertaken hence there was no need for sampling. Time series data for the period 1981-2013 was obtained. Data was collected from the Kenya Dairy Board, MOLAD, Department of Cooperatives and Marketing, Kenya National Bureau of Statistics and County Offices. Regression model was developed to quantify the impact of credit, number of dairy cattle and number of cooperatives on milk yield. The Statistical Package for Social Sciences (SPSS) Version 20 computer package was used for data analysis. From the study it was established there is a positive relationship between Agricultural Financing and Productivity of Dairy farming in Central Kenya. This is because financing facilitates acquisition of input

resources for improved productivity such as additional dairy cattle, animal feeds, and improved technology and extension services.

2.4 SUMMARY OF LITERATURE AND RESEARCH GAP

In view of the literatures discussed in chapter two, a diagram which served as a conceptual framework of the study, gives an insight about how the relationship of the study variables can be established vis-à-vis participating banks, agricultural financing schemes (ACGSF, CACS, MCF and NISRAL). Therefore, research questions, objectives, and hypotheses of the study were depicted from the conceptual framework which explained vividly the study constructs and the relationship that exists among them.

However, the theoretical and empirical review of the related previous studies in Nigeria and other part of the world, have created a vacuum in the literatures outlined in the empirical reviews of previous studies (Nader, 2010; Akinola, 2013; Ekwere & Edem, 2014; Anifowose & Ladanu, 2015; Awotide, et al., 2015; Nwangele, 2015; Bernice, 2015; Orok, 2017; Wulandari, et al., 2017; Okoro & Nwali, 2017) they only concentrated on agricultural financing policies without looking at the assessment of agricultural financing by the participating banks responsible for disbursement of the funds. Therefore, necessitated this study to address the issues by conducting a research in the same field, to assess agricultural financing by participating Banks in Nigeria vis-à-vis to focus on how the participating banks effectively contribute to agricultural financing schemes in Nigeria.

CHAPTER THREE
RESEARCH METHODOLOGY

This chapter discussed the processes, stages and methods through which the study was based and carried out to achieve the purpose of this research, which includes; research design, population of the study, determination of sample size, sampling techniques, method of data collection, validity and reliability, procedure for administration of instrument, method of data analysis, model specification and justification for the methods used.

.1 RESEARCH DESIGN

he research design that would be adopted in this study is descriptive survey. Imala, (2003) ɔserved that descriptive survey involves empirical observation of relevant phenomena and :esentation of observed data. A descriptive survey is aimed at profiling the characteristics of ems of study within a study area. This method would be effective in obtaining information om the proposed selected sample size of the population. Based on the numerous benefits erived from the use of descriptive survey, the researcher adapts it for this study, which npirically assessed the agricultural financing by participating banks in Nigeria.

.2 POPULATION OF THE STUDY

he target population for this study would be estimated at one thousand (900) staff in gricultural units of participating banks. The choice of this population came as a result of ıeir prominence knowledge in handling agricultural financing activities. See table 1 for the istribution of the study population.

Table 1: Distribution of the Study Population

S/N	Participating Banks	Population
1.	Bank of Agriculture	70
2.	Access Bank Plc	90
3.	First Bank of Nig. Plc.	95
4.	First City Monument Bank Plc.	110
5.	Guaranty Trust Bank Plc.	115

6.	United Bank of Africa Plc.	125
7.	Union Bank Plc.	110
8.	Bank of the North	85
9.	Zenith International Bank Plc.	100
	TOTAL	**900**

Source: Field Survey, 2019

DETERMINATION OF SAMPLE SIZE

s usually impossible to study a whole population hence there is a need for a sample that uld serve as a representation. The minimum sample size for this study based on the study pulation would be determined statistically using Taro Yamane's formula for finite pulation (Yamane, 1967). The formula is given as:

$= \frac{N}{1+N(e)2}$, Where: n = sample size, N = the finite population, e = level of nificance (or limit of tolerable error at 0.05), 1 = a constant (unity).

erefore: $n = \frac{900}{1+900(0.05)2}$, $n \simeq 277$

SAMPLING TECHNIQUE

r easy administration of questionnaires across to participating banks, the study employed a atified random sampling technique, using proportional allocation rules to obtained pulation strata size of the Nine (9) banks (Buddha & Parthanadee, 2008). Since determined mple Size is 277 then, to determine population strata sample size of each participating nk for administering questionnaires thus;

rticipating bank Stratum/Total Population X Sample Size = participating bank Stratum mple Size. The number of respondents to be selected from the participating bank stratum ll be allocated proportionate to their sizes. See table 2

ble 2: Distribution of the Study Sample Size

N	Participating Banks	Stratum Population	Stratum Sample Size

Bank of Agriculture	70	70/900 x 277 = 22
Access Bank Plc.	90	90/900 x 277 = 28
First Bank of Nig. Plc.	95	95/900 x 277 = 29
First City Monument Bank Plc.	110	110/900 x 277 = 34
Guaranty Trust Bank Plc.	115	115/900 x 277 = 35
United Bank of Africa Plc.	125	125/900 x 277 = 38
Union Bank Plc.	110	110/900 x 277 = 34
Bank of the North	85	85/900 x 277 = 26
Zenith International Bank Plc.	100	100/900 x 277 = 31
TOTAL	**900**	**277**

urce: Researcher's Computation, 2019

METHOD OF DATA COLLECTION

line with the research design, the study adopted the primary method of data collection ng well-structured self-administered questionnaire that was administered to and completed the respondents. Collection of data through self-administered questionnaire provides for icient means of gathering data from a large number of respondents.

.1 Instrument

e instruments proposed in collecting data for this research is Bank Agricultural Financing AFI), which was required to rate the opinions of staff in agricultural units of the ticipating banks based on some specified categories on five-point likert scale respectively.

.2 Description of Instrument

e Bank Agricultural Financing Instrument (BAFI) consisted of an open and closed-ended estions that were related to the study constructs and was divided into A and B sections.

tion A sought for demographic information of the respondents; name of the banks. tion B contains twenty five (25) items on fundamental issues that would produce relevant rmation on the degree of banks' participation under Agricultural financing schemes in eria. The rate of Participating Banks, Agricultural Credit Guarantee Scheme Fund, mmercial Agriculture Credit Scheme, Micro Credit Fund and Nigeria incentive-based risk ring system for agricultural lending were measured using a five-point Likert scale icating as (Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree).

.3 Development of Instrument

researcher developed a large pool of different statements on the questionnaire focusing Participating Banks, Agricultural Credit Guarantee Scheme Fund, Commercial riculture Credit Scheme, Micro Credit Fund and Nigeria incentive-based risk sharing tem for agricultural lending.

VALIDITY AND RELIABILITY

.1 Validity

lidity simply means the extent to which an empirical measure adequately reflects the real aning of the concept under consideration. Therefore, the instrument was given to two erts in the department of accounting. The instrument was validated by the two experts luding the project supervisor, in measurement and evaluation to the study, determine its tent and construct validity. The instrument was later modified in line with the corrections en by the experts. The instrument is a compound instrument because it was developed ler the concepts in respect to; Participating Banks, Agricultural Credit Guarantee Scheme id, Commercial Agriculture Credit Scheme, Micro Credit Fund and Nigeria Incentive-ed Risk Sharing System for Agricultural Lending respectively.

.2 Reliability

:tically, reliability holds when the data collection procedure repeated by another :archer can yield the similar result (Mark, Philip & Adrian, 2009). The reliability test :g Cronbach's Alpha, conducted for this study yields the result as presented in table 3)w.

Table 3: Reliability Statistic for the Study Constructs

Cronbach's Alpha	N of Items
0.718	25

Source: IBM SPSS 22 Version Output in Appendix B

nbach's Alpha coefficient quantified this reliability by proposing a coefficient which)retically ranges from 0 to 1. If the coefficient is close to one, the answers are reliable. reliability level is accepted at 0.7 or above. From the table 3 above the result for :bility has shown 0.718 for the number of 25 items in the study constructs. Hence, the rument has deemed reliable and will yield similar data over time and within a given od. See appendix B.

PROCEDURE FOR ADMINISTRATION OF INSTRUMENT

: questionnaire was administered to the respondents on the face-to-face basis across to the :icipating banks in Plateau State branches. Therefore, all the responses were coded for : analysis to answer the research questions and test the hypotheses raised by the study.

METHOD OF DATA ANALYSIS

: data collected, formed the primary source and was presented using tables and bar charts. h descriptive and inferential statistics were used to treat the data. For instance, descriptive lysis was used to obtain the frequency, percentage, mean and standard deviation values, le inferential statistic was used to analyse the four hypotheses at 0.05 level of significant.

choice of these statistical tools becomes necessary because, frequencies and percentage, n and standard deviation were used to interpret the statistical description of the study ables while ANOVA F-statistic to test the statistical significant of the parameters.

istical Package for Social Science (SPSS) was used to ensure accuracy of the analysis of data collected for the study. Independent sample analysis was conducted on each item of questionnaire, using SPSS, to answer the research questions and to test the hypotheses ectively. However, it is imperative on the scope of this research to spell out ematically some mathematical equations behind the statistical procedures. See model ifications for details.

MODEL SPECIFICATIONS

models were specified given that all the items in each construct was converted from gorical (ordinal) data to continuous data which formed the overall variable for each struct and was used to specify the ANOVA F-statistics models stated as:

alue = $(SSE_1 - SSE_2/m)/SSE_2/n\text{-}k_1$

ere;

E = Residual Sum of Squares

number of restrictions

number of independent variable

ision Rule: The decision rule is to reject H0 (null hypothesis) if F-calculated is greater l F-tabulated, otherwise accept the H0.

JUSTIFICATION FOR THE METHODS USED

study used primary method of data collection, because the study requires investigating opinions of staff in agricultural units of the participating banks on effectiveness of icipating banks contributions to agricultural financing schemes and it helps to identify ent conditions, as well as provide information on which to base sound decision. Also,

ı and standard deviation values were used to answer the research questions based on the ɔnses agreed by the respondents, while ANOVA F-statistic was used to test the study ıtheses. Thus, all methods used were suitable for this study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

s chapter covers the data presentations, analysis, testing of hypothesis and discussion of lings. A total of two hundred and seventy seven (277) copies of the questionnaire were ıinistered across to nine (9) participating banks branches in Plateau State, all were ıpleted and returned for analysis. The questionnaires were analysed using descriptive and rential statistics.

DATA PRESENTATION

a presentation involves the categorization, ordering, and summary of data in order to ıin answers to the research questions. However, the presentation, interpretation and ussions of data results were based on the highest/lowest frequency, percentage, mean, and ıdard deviation of questions from the questionnaires respectively.

1 Descriptive Statistic of Respondents' Demographic Information

demographic information of the respondents was analysed in order to get the frequencies percentages based on the name of the participating banks. Table 3 below shows the ıographic information of the respondents.

Table 4: Demographic Information of the Respondents

Variable	Frequency	Per cent (%)
Participating Banks		
Bank of Agriculture	22	7.9
Access Bank Plc	28	10.1
First Bank of Nig. Plc.	29	10.5
FCMB Plc.	34	12.3
Guaranty Trust Bank Plc.	35	12.6
United Bank of Africa Plc.	38	13.7
Union Bank Plc.	34	12.3
Bank of the North	26	9.4
Zenith International Bank.	31	11.2
Total	**277**	**100.0**

Source: SPSS Output

ɔle 4 revealed that, 38(13.7%) of the respondents were from United Bank of Africa Plc., 12.6%) from Guaranty Trust Bank Plc., 34(12.3%) from Union Bank Plc. and FCMB Plc., 11.2%) from Zenith International Bank Plc., 29(10.5%) from First Bank of Nig. Plc., 10.1%) from Access Bank Plc., 26(9.4%) from Bank of the North, and 22(7.9%) from nk of Agriculture. Hence, it could be deduced that, majority of respondents were from ited Bank of Africa Plc.

2 Descriptive Statistic of Respondents' Responses on the Study Variables

study measured the study variables on five-point Likert scale as; Strongly Disagree, ıgree, Neutral, Agree, Strongly Agree. However, a cut off mean value of below 2.5 is /, 2.6 to 3.4 are moderate, and above 3.5 is High.

earch Question One: To what extent does participating banks influence agricultural credit rantee scheme fund in Nigeria?

ıle 5: Means and Standard Deviation of the Responses of the Respondents on Assessment ıe extent at which participating banks influence agricultural credit guarantee scheme fund 277

e	Items	Mean	Std	Rmk
6	The scheme guarantees credit facilities obtain by farmers from banks at 75% of their total borrowings and is usually security free.	4.20	0.934	HH
7	(CBN) control the operations of the scheme and set guidelines for farmers eligible to access the funds.	4.05	0.941	HH
8	Credit guarantees ensure repayment of loans in part or full in order to motivate lenders to provide loans to borrowers.	4.24	0.870	HH
9	The scheme was founded to increase participation of formal financial institutions in lending to the agricultural sector.	4.16	0.989	HH
10	The scheme is to stimulate and encourage total agricultural production for both domestic consumption and export.	4.12	0.951	HH

ırce: SPSS Output, **Key:** LW = Low, MD = Moderate, HH = High

ıle 5 presented the mean ratings of respondents on how the participating banks influence cultural credit guarantee scheme fund in Nigeria. All 5 items recorded mean ratings ging from 4.05 to 4.24 indicating high (HH), the standard deviation ranges from 0.870 to 39 indicating that, the respondents were not far from each other in their opinions.

implication, research question one has been answered that, the extent at which icipating banks influence agricultural credit guarantee scheme fund in Nigeria is high at 4 mean rating.

earch Question Two: To what extent does participating banks influence commercial culture credit scheme in Nigeria?

ıle 6: Means and Standard Deviation of the Responses of the Respondents on Assessment he extent at which participating banks influence commercial agriculture credit scheme N 77

le	Items	Mean	Std	Rmk
.11	To fast track development by providing credit facilities to commercial agricultural enterprises at a single digit interest rate.	4.13	0.969	HH
12	Enhance national food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation.	4.03	0.961	HH
13	Reduce the cost of credit in agricultural production to enable farmers exploit the potentials of the sector.	3.88	1.167	HH
14	All applications under the Scheme shall be treated by PB's with due diligence.	3.98	1.000	HH
15	All applications for loans under the Scheme shall be made to the participating banks (PBs).	3.82	1.109	HH

ırce: SPSS Output, **Key:** LW = Low, MD = Moderate, HH = High

ıle 6 presented the mean ratings of respondents on the how participating banks influence ımercial agriculture credit scheme in Nigeria. All 5 items recorded mean ratings ranging n 3.88 to 4.13 indicating high (HH), the standard deviation ranges from 0.961 to 1.109 icating that, the respondents were not far from each other in their opinions.

implication, research question two has been answered that, the extent at which ticipating banks influence commercial agriculture credit scheme in Nigeria is high at 4.13 ın rating.

earch Question Three: To what extent does participating banks influence micro credit

l in Nigeria?

le 7: Means and Standard Deviation of the Responses of the Respondents on Assessment ıe extent at which participating banks influence macro and micro-credit fund N = 277

e	Items	Mean	Std	Rmk
16	Community banks/microfinance banks assist in eradicating poverty through the provision of microfinance for agricultural activities.	3.85	1.265	HE
17	Microfinance provides financial services to the farmers who are traditionally not served by the conventional financial institutions.	3.75	1.274	HE
18	Complement the agricultural micro credit interventions of government to the small farmers.	4.17	0.945	HE
19	Micro finance banks and NGOs micro finance institutions could borrow from the fund to small agro farmers.	3.89	1.026	HE
20	NAIC Insurance Cover is a perquisite to borrower in this Scheme.	3.84	1.100	HE

rce: SPSS Output, **Key:** LW = Low, MD = Moderate, HH = High

le 7 presented the mean ratings of respondents on how the participating banks influence ro credit fund in Nigeria. All 5 items recorded mean ratings ranging from 3.75 to 4.17 cating high (HH), the standard deviation ranges from 0.945 to 1.271 indicating that, the ondents were not far from each other in their opinions.

implication, research question three has been answered that, the extent at which icipating banks influence micro credit fund in Nigeria is high at 4.17 mean rating.

search Question Four: To what extent does participating banks influence Nigeria entive-based risk sharing system for agricultural lending in Nigeria?

ble 8: Means and Standard Deviation of the Responses of the Respondents on Assessment the extent at which participating banks influence Nigeria incentive-based risk Sharing tem for agricultural lending N = 277

de	Items	Mean	Std	Rmk
21	To break down banks' perception that agriculture is a high-risk sector	1.92	0.819	LW
22	Expanding the coverage of existing products provided by the (NAIC).	1.88	0.653	LW
23	NIRSAL will equip banks to lend sustainably to agricultural activities.	3.98	1.011	HH
24	This mechanism rates banks on the effectiveness of their agricultural lending and its social impact	3.73	1.215	HH
25	The mechanism offers banks additional incentives to build their long-term capabilities to lend to agriculture	3.56	1.352	HH

urce: SPSS Output, **Key:** LW = Low, MD = Moderate, HH = High

ble 8 presented the mean ratings of respondents on how the participating banks influence geria incentive-based risk sharing system for agricultural lending in Nigeria. Items NI23, 24, and NI25 recorded mean ratings ranging from 3.56 to 3.98 indicating high (HH), while ns NI21 and NI22 recorded mean rating ranging from 1.88 to 1.92 indicating low (LW), standard deviation ranges from 0.653 to 1.352 indicating that, the respondents were not from each other in their opinions.

implication, research question four has been answered that, the extent at which ticipating banks influence Nigeria incentive-based risk sharing system for agricultural ding in Nigeria is high at 3.98 mean rating.

DATA ANALYSIS

lysis of data involves inferential statistical tool using simple linear regression analysis to the hypotheses of the study. However, ANOVA F-statistics was used to test the ificant of the parameters at 0.5 level of significant.

1 The ANOVA F-statistics Analysis

stated Model Specifications: **F-value** = $(SSE_1 - SSE_2/m)/SSE_2/n\text{-}k_1$

Table 9: ANOVA F-statistics Table

Model		Sum of Squares	df	Mean Square	F-calculated	Sig
1	Regression	525.841	1	525.841	100.821	3.84*
	Residual	1434.282	275	5.216		
	Total	1960.123	276			
2	Regression	307.017	1	307.017	36.826	3.84*
	Residual	2292.665	275	8.337		
	Total	2599.682	276			
3	Regression	48.489	1	48.489	4.687	3.84*
	Residual	2844.753	275	10.345		
	Total	2893.242	276			
4	Regression	131.463	1	131.463	14.308	3.84*
	Residual	2526.725	275	9.188		
	Total	2658.188	276			

Source: IBM SPSS 22 Version, Field Survey, 2019 in Appendix B At .5% level significance (0.05). *Sig = F-tabulated in Appendix C

Test of Hypotheses

othesis One:

Participating banks do not significantly influence agricultural credit guarantee
me fund in Nigeria.

sion Rule: The decision rule is to reject H0 (null hypothesis) if F-calculated is greater F-tabulated, otherwise accept the H0. Thus, F-tabulated is 3.84 at 5% level of ficance.

ı F-calculated in table 9 has shown 100.821 and F-tabulated is 3.84, we reject the null thesis that participating banks do not significantly influence agricultural credit guarantee me fund in Nigeria and concluded that participating banks do significantly influence ultural credit guarantee scheme fund in Nigeria.

othesis Two:

Participating banks do not significantly influence commercial agriculture credit scheme igeria.

sion Rule: The decision rule is to reject H0 (null hypothesis) if F-calculated is greater F-tabulated, otherwise accept the H0. Thus, F-tabulated is 3.84 at 5% level of ficance.

ı F-calculated in table 9 has shown 36.826 and F-tabulated is 3.84, we reject the null thesis that participating banks do not significantly influence commercial agriculture t scheme in Nigeria and concluded that participating banks do significantly influence nercial agriculture credit scheme in Nigeria.

othesis Three:

Participating banks do not significantly apply to micro credit fund in Nigeria.

:ision Rule: The decision rule is to reject H0 (null hypothesis) if F-calculated is greater ı F-tabulated, otherwise accept the H0. Thus, F-tabulated is 3.84 at 5% level of ıificance.

m F-calculated in table 9 has shown 4.687 and F-calculated 3.84, we reject the null othesis that participating banks do not significantly influence micro credit fund in eria, and concluded that, participating banks do significantly influence micro credit fund Jigeria.

pothesis Four:

ı: Participating banks do not significantly influence Nigeria incentive-based risk Sharing :em for agricultural lending in Nigeria.

:ision Rule: The decision rule is to reject H0 (null hypothesis) if F-calculated is greater ı F-tabulated, otherwise accept the H0. Thus, F-tabulated is 3.84 at 5% level of ıificance.

m F-calculated in table 9 has shown 14.308 and F-tabulated 3.84, we reject the null othesis that participating banks do not significantly influence Nigeria incentive-based risk ring system for agricultural lending in Nigeria and concluded that participating banks do ıificantly influence Nigeria incentive-based risk Sharing system for agricultural lending in eria.

DISCUSSION OF FINDINGS

ed on the research questions answered and hypotheses tested, the outcome thereof, the ly made the following major discussion of findings:

study revealed from research question one and tested hypothesis one that, participating ks do significantly influence agricultural credit guarantee scheme fund in Nigeria, because regression table in table 9 has shown the F-calculated as 100.821 while F-tabulated as 1. This indicates that F-calculated > than F-tabulated at 0.05 level of significance,

efore we reject the null hypothesis and accept the alternative. This indicates from ondents' opinions that, credit guarantees ensure repayment of loans in part or full in order notivate lenders to provide loans to borrowers. This confirmed with Nwangele, (2015) , assessed the performance of Bank of Agriculture in micro-credit delivery to rural ners in Ohafia Local Government Area which revealed that, the BOA has influence on the l by the agricultural schemes to the beneficiaries' in Nigeria.

study revealed from research question two and tested hypothesis two that, participating ks do significantly influence commercial agriculture credit scheme in Nigeria, because the ession table in table 9 has shown the F-calculated as 36.826 while F-tabulated as 3.84. s indicates that F-calculated > than F-tabulated at 0.05 level of significance, therefore we ct the null hypothesis and accept the alternative. This indicates from respondents' ions that, banks fast track development by providing credit facilities to commercial cultural enterprises at a single digit interest rate. This study concur with Akinola, (2013) ly that sought to analyse the performances and achievements of financial institute and e federal government initiative e.g. commercial agriculture credit scheme, and BOA Ltd , aled that, financing institutes achieve the much expected result in agricultural sector by cing the interest rate for agricultural activities.

study revealed from research question three and tested hypothesis three that, icipating banks do significantly influence micro credit fund in Nigeria, because the ession table in table 9 has shown F-calculated as 4.687 while F-tabulated as 3.84. This cates that F-calculated > than F-tabulated at 0.05 level of significance, therefore we reject null hypothesis and accept the alternative. This indicates from respondents' opinions that, ks complement the agricultural micro credit interventions of government to the small ers. This study agreed with Ekwere & Edem, (2014) which shows that, access to

:ultural micro-credit impacts positively on agricultural production, Government and the nized private sector should regularly and timely offer micro-credit to farmers.

study revealed from research question four and tested hypothesis four that, participating :s do significantly influence Nigeria incentive-based risk Sharing system for agricultural ing in Nigeria, because the regression table in table 9 has shown the F-calculated as 08 while F-tabulated as 3.84. This indicates that F-calculated > than F-tabulated at 0.05 l of significance, therefore we reject the null hypothesis and accept the alternative. This :ates from respondents' opinions that, NIRSAL equip banks to lend sustainably to :ultural activities. This study is consistent with Okoro & Nwali, (2017) that, sought to ss agricultural funding and challenges of deposit money banks which recommend that,) as an apex regulatory body of agricultural schemes should consider an intensive ormance rating for all money deposit banks to equip and determine their effectiveness in :ultural funding in Nigeria.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

SUMMARY

apter one the study introduced to research on "an assessment of agricultural financing by cipating banks in Nigeria. Specific objectives to; assess the extent at which participating s influence Agricultural Credit Guarantee Scheme Fund, Commercial Agriculture Credit me, Micro Credit Fund and Nigeria Incentive-based Risk Sharing System for cultural Lending in Nigeria.

ever, the reviewed literature in chapter two revealed that, agricultural financing schemes igeria are seen as the backbone to agricultural sector and a key to economic growth, mism and flexibility. The definition of agricultural financing varies with the culture and liar circumstances of the person attempting the definition. In this study, agricultural icing schemes consists of Agricultural Credit Guarantee Scheme Fund, Commercial culture Credit Scheme, Micro credit Fund, and Nigeria Incentive-based Risk Sharing em for Agricultural Lending, initiated by Central Bank of Nigeria with the participating s saddled with the responsibility of funds disbursement.

study adopts trade-off theory and pecking order theory as the underpinning theories ant to agricultural financing. This is because the theories give insight to how the cipating banks require funds to burst it capital base as well as investment in terms of cing agricultural activities. Therefore, these theories would be tested to guide the cipating banks in disbursement of funds based on the rules guiding the schemes so that to l financial distress and stabilise its capital structure, hence would improve the tability of the firms (participating banks).

larly, several empirical studies were reviewed in the area of agricultural financing. The es reviewed have created a vacuum by not adequately addressing the agricultural cing vis-à-vis participating banks and agricultural financing schemes.

efore, in chapter four this present study has fill the gap and revealed that, participating s do significantly influence Agricultural credit guarantee scheme fund, Commercial culture Credit Scheme, Micro Credit Fund and Nigeria Incentive-based Risk Sharing em for Agricultural Lending in Nigeria.

CONCLUSION

paper sought to study on an assessment of agricultural financing by participating banks igeria, with the study scope to covered nine (9) participating banks and some selected ultural financing schemes. The study adopted a descriptive survey research design using iantitative approach. Simple linear regression analysis was employed to test the ulated null hypotheses.

1 the analysis it was found that, participating banks do significantly influence cultural credit guarantee scheme fund, Commercial Agriculture Credit Scheme, Micro it Fund and Nigeria Incentive-based Risk Sharing System for Agricultural Lending in ria.

RECOMMENDATIONS

d on the findings above, the following recommendations are:

Realizing that, participating banks do significantly influence Agricultural credit guarantee cheme fund in Nigeria, it is recommended that participating banks should be strengthen nore by the apex regulatory body (CBN) with adequate funds to ensure efficient and obust agricultural financing in Nigeria.

Since participating banks and Commercial Agriculture Credit Scheme in Nigeria have hown positive relationship in terms of their effectiveness, therefore, it's recommended to he apex regulatory body (CBN) to engage them more to see why they should consistently omply with the guidelines under commercial agriculture credit schemes, to ensure ffective economic growth in terms of agricultural productivity in Nigeria.

'articipating banks and Micro Credit Fund should be encouraged to have uniformity in erms compliance with the regulatory guidelines to avoid inconsistency in agricultural inancing and effective disbursement to the farmers in Nigeria.

Central Bank of Nigeria should monitor all the participating banks to ensure adherence vith the guidelines under Nigeria Incentive-based Risk Sharing System for Agricultural ending for effective funding.

LIMITATIONS OF THE STUDY

'he scope of the study might be a potential limitation as it is restricted to nine articipating banks and four agricultural financing schemes in Plateau State and Nigeria espectively.

Also, the study employed the primary source of data and cross-sectional approach in the tudy. Hence, the outcome of the study would suffer from the usual drawbacks of primary lata.

'inally, the study focused on Agricultural credit guarantee scheme fund, Commercial Agriculture Credit Scheme, Micro Credit Fund and Nigeria Incentive-based Risk Sharing System for Agricultural Lending in Nigeria. This is insufficient in explaining the phenomenon of agricultural financing which has other intervening variables that would be nfluenced by participating banks in Nigeria.

SUGGESTIONS FOR FURTHER STUDIES

'urther study on the topic area should be conducted to cover more agricultural financing chemes in Nigeria and indeed more participating banks should be involves spread across Jigeria.

Also, subsequent study should employ a longitudinal approach to analyse the trend of gricultural financing schemes initiated by federal government of Nigeria. This would

›rovide a better assessment of participating banks and agricultural financing schemes in Nigeria.

CONTRIBUTIONS TO KNOWLEDGE

study has contributed to knowledge by an assessment of participating banks and cultural credit guarantee scheme fund, Commercial Agriculture Credit Scheme, Micro lit Fund and Nigeria Incentive-based Risk Sharing System for Agricultural Lending in ›ria using simple linear regression analysis as an inferential statistical tool to analyse the ıence of participating banks regards to agricultural financing schemes in Nigeria. Finally, ;tudy has also contributed to knowledge by conceptualising the study variables to form a ›eptual framework which may serve as a model for future literature.

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