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# Cash crops financing, agricultural performance and sustainability: evidence from Nigeria

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## Abstract

### Purpose

One of the challenging factors in achieving sustainable growth is the inability of the Nigerian government to diversify the country's revenue base. This study aims to investigate the relationship between cash crop financing and agricultural performance in Nigeria.

## Design/methodology

Four crops were considered, namely, cotton, cocoa, groundnut and palm oil. The impact of cash crop finance shock on agricultural performance was investigated using the vector error correction model (VECM), while the long-run relationship was examined through the identification of long-run restrictions on the VECM.

## Findings

The variance decomposition showed that financing shock is more sensitive to cause variation in aggregate employment than aggregate agricultural output in palm oil, while for cocoa, cotton and groundnut showed otherwise. The long-run structural equations exert a positive relationship between cash crop financing and agricultural performance, except for oil palm and cocoa financing that has a negative connection with agrarian employment.

## Research limitations/implications

The study is limited to the unavailability of data for agriculture sector capital utilisation, which was not used.

## Practical implications

These results show that long-run benefit can be maximised by appropriate funding in cotton and groundnut production to promote sustainable growth.

## Originality/value

The study examines the impact of cash crop financing on agricultural performance with the aim to promote sustainable growth in Nigeria using identified VECM.

## Keywords

- Financing
- Agricultural performance
- Sustainability
- Vector error correction model
- E24

- [Q1](#)
- [Q56](#)

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