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AGRICULTURAL FINANCING POLICIES AND RURAL DEVELOPMENT IN NIGERIA

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Abstract

The study examined the agricultural financing policies of the government of Nigeria and effects on rural development .The study found that though the government has made serious efforts at making good agricultural policies through schemes, programmes and institutions, it has not been able to back them up with adequate budgetary allocation and financing coupled with corruption in the execution of the policies. It is recommended that for the government agricultural financing policies to achieve its target of rural development, Nigeria will need an adequate level of strategically targeted investment in agriculture, upgrade rural infrastructure, boost productivity, and increase competitiveness of the farm output, in addition to fighting corruption.

KEYWORDS: Agricultural financing, policies, institutions, rural, development

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Introduction

Agriculture contributes immensely to the Nigerian economy in various ways, namely, in the provision of food for the increasing population; supply of adequate raw materials (and labour input) to a growing industrial sector; a major source of employment; generation of foreign exchange earnings; and, provision of a market for the products of the industrial sector (Okumadewa, 1997; World Bank, 1998; Winters *et al.*, 1998; FAO, 2006). The agrarian sector has a strong rural base; hence, concern for agriculture and rural development become synonymous, with a common root.

Support for agriculture is widely driven by the public sector, which has established institutional support in form of agricultural research, extension, commodity marketing, input supply, and land use legislation, to fast-track development of agriculture. These are aside the Private sector participation is not limited to local or foreign direct and portfolio investment financing, but also to sponsorship of research and breakthrough on agricultural issues in universities, capacity building for farmers and, most importantly, the provision of financing to farm businesses. International governmental and non-governmental agencies including the World Bank, Food and Agricultural Organization of the United Nations, etc., also contribute through on-farm and off-farm support in form of finance, input supply, strengthening of technical capacity of other support institutions, etc.

Macroeconomic policies that tend to promote growth of the sector, such as credit-channelling financial policies, price stabilizing monetary and exchange rate policies, and farm incentive-laden fiscal policies including tax exemptions for agricultural businesses, duty-free import of farm machinery, etc.

Nigerian agricultural policy provides, among others, for adequate financing of agriculture. The role of finance in agriculture, just like in the industrial and service sectors, cannot be over-emphasized, given that it is the oil that lubricates production. Public expenditure on agriculture has, however, been shown not to be substantial enough to meet the objective of the Government agricultural policies (IFPRI, 2008). For a developing country with a mono-product oil economy such as Nigeria's, inadequate financing of agriculture portends great danger for many reasons.

For one, fluctuating food prices are a precursor of inflation. Secondly, from the expenditure approach to national income accounting, it is likely that Engel's Law that a large chunk of expenditure in developing economies goes to food holds, meaning that shocks to the domestic agricultural production and supply could be damaging to price stability. There is also the perspective of food security, in an era when food has been used as a weapon of war (United Nations Oil for Food Deal in Iraq) and as bargaining tool (North Korea – United States food deal) , even within Nigeria, the Federal military Government during the Nigeria – Biafra war used food blockade as tool of war.

The objective of agricultural financing policies in Nigeria is to establish an effective system of sustainable agricultural financing schemes, programmes and institutions that could provide micro and macro credit facilities for the micro, small, medium and large scale producers, processors and marketers.

This paper examines the agricultural financing policies of Nigeria viz-a-viz rural development. In proceeding further, the next section gives a background on why the government enunciates the various policies directed towards financing agriculture. Section three presents an overview of the agricultural financing policies while section four reviews these policies against the national goal of rural development and the challenges of these policies. Section five concludes with recommendations.

2.0 Reasons for government policies on the financing of agriculture

Policy is said to be an intervention, a course of action taken by government, or management (in the case of an organization) or, better still, an individual, to influence or arrive at pre-determined outcomes. The Federal Government of Nigeria (FGN) did recognize the importance of the agricultural sector early enough, so it decided to pursue policies that promote access to finance and financial infrastructure for agricultural production, with the ultimate aim of achieving the country's developmental goals.

The reasons for government intervention in the agricultural financial market are to:

1. Smoothen out imperfections in the agricultural financial market. The agricultural financial market (also the rural financial market) exists to facilitate exchange, a platform for the reconciliation of demand for and supply of capital for agriculture and rural development. Often times, the market is constrained by certain factors such as information asymmetry, moral hazard, adverse selection, etc, from performing its

roles effectively. Government then intervenes to iron out those imperfections and create a more Pareto-optimal environment for market players.

2. Ensure food security. Since finance is critical for investment in agricultural production, either in form of equity or debt, government intervention in form of expenditure on credit to farmers, direct production, etc, is to guarantee that food is available and affordable. There is the realization that securing access to cheap food for Nigerians would ensure social stability and lessen reliance on food imports which supply can be cut at any time depending on prevailing global political and economic conditions or similar conditions in the exporting countries.
3. Achieve favourable balance of payments. A high food import bill exerts pressure on the foreign reserves of the country, leading to its depletion. This adversely affects the balance of payments and hence, the international position of the country. Whereas we have been endowed with abundant land resources and farming-friendly climate, just a little push in the direction of other resources, including financial capital, is all that is needed to boost production and reduce dependence on food imports. The government intervenes to ensure that this happens, thereby saving foreign reserves for the more productive use.
4. Promote foreign exchange earnings from agricultural exports. Government policies on agricultural financing aim at, first, ensuring self-sufficiency in food production and then, exporting the surplus to earn foreign exchange. So, not only does government actions help reserve foreign reserves to improve our balance of payments position, it also stimulates accretion to the reserves.
5. Enhance other socio-economic issues, such as poverty reduction, employment generation, reduction in rural-to-urban migration and especially, food price stability since it is known that food price fluctuations are the precursor of inflation in developing countries. This follows from Engel's Law, which states that a higher proportion of income in developing countries is spent on food. And since income elasticity of demand for food is highly elastic, it is easy to see why expenditure on food is large enough to cause inflationary trends in the economy.
6. Use finance as engine of growth and development since the major occupation of the people is farming. It is expected that a farmer encouraged with credit will be in position to improve his operation, use improved implements, seeds, livestock, manpower, transportation and markets for sale of the output and purchase of inputs at good market price. Moreover, the farmer will reap the economies of scale, discover

new and cheaper products, create demand where none exists and provide utilities to satisfy a widening market, generate in him the optimism and determination to venture into new fields. Through this, credit will constitute the power or key to unlock latent talents, abilities, visions and opportunities, which will lead to economic development and growth among the rural farmers who benefited from government credit policies.

3.0 Overview of the agricultural finance policies in Nigeria

The policies aimed at strengthening the agricultural and rural financial markets include the establishment of schemes, programmes, and institutions to address and deliver government's intentions in the sector. Some of these were encapsulated in the various national development plans and budgets.

3.1 SCHEMES

The schemes for financing agriculture have the first objective of encouraging banks to lend to the sector despite the relatively higher inherent risk and uncertainty. This was done by providing the banks with low-cost funds for lending. Another way was to cover their risk exposure to some extent using one instrument or the other. The second objective is promoting farmers' access to credit by the provision of concessionary terms.

1. 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, in 2005, more than 70% of all loans were smaller than fifty thousand naira to each farmer who applied and accounted for 36% of total loan value. Only 11% of all loans were larger than N100, 000 and accounted for 32% of total loan value. The scheme has, however, suffered bureaucratic and administrative bottlenecks. For instance the processing of applications and claims has been slow so much so that at the end of 2005, there was an accumulated backlog of 4064 unprocessed claims, the oldest of which dated back to 25 years (IFPRI, 2008).

2. Small and Medium Enterprises Equity Investment Scheme (SMEEIS), 2001. This is a voluntary initiative of the Bankers' Committee to support micro, small and medium enterprises (MSMEs), including agro and agro-allied businesses. Financing is in form of either debt or equity. In the case of debt, the borrowing rate is not to exceed single digit.
3. Refinancing and Rediscounting Facility (RRF), 2002 to date. Banks that lend long-term to agriculture and are in need of liquidity are availed an amount which is a certain percentage of the outstanding asset portfolio to long-term agriculture by the CBN at reduced rates at the discount window.
4. Agricultural Credit Support Scheme (ACSS), 2006 till date. The initial ACSS fund of ₦50 billion was established with contributions mostly from the CBN and deposit money from banks for the financing of large agricultural projects such as establishment or management of plantations, cultivation or production of crops, livestock, and fisheries and farm machinery and hire services. The borrowing rate is 14 per cent, with the CBN absorbing 6 per cent while the borrower pays 8 per cent at full repayment. The purpose of ACSS is to facilitate the development of the agricultural sector by advancing credit to farmers at low interest rates. By pursuing this strategy, the government hopes to exert downward pressure on prices of agricultural produce, especially food, leading to reduced inflation, increased exports, diversification of government revenue base, and increased foreign exchange earnings.
5. Large Scale Agricultural Credit Scheme (LASACS), 2009. A ₦200 billion fund established by the Federal Government in the wake of the current global economic crisis to finance large integrated commercial farm projects with an asset base of at least ₦350 million (excluding land) with prospects of increasing this to ₦500 million in three years time, and medium-sized agricultural enterprises with an asset base of ₦200 million (CBN, 2009). The terms of borrowing are favourable, including a long tenor and single digit lending rate.
6. Supervised Agricultural Loans Board. Most state governments set up these boards to dispense finance in form of credit to farmers. It should be added that aside this boards, the state Agricultural Development Programmes (ADP) have recently been working in conjunction with the National Programme for Food Security (NPFS) in the provision of credit to farmers.

3.2 PROGRAMMES

1. National Accelerated Food Production Programme (NAFPP), 1972. This was part of the Second National Development Plan (1970 – 74). The plan itself had no clear statement on rural development, although ₦1, 353 million was voted for it (FGN, 1972). It targeted self sufficiency in the production of rice, maize, sorghum, millet and wheat. It was a joint programme of Federal Government and USAID. Its objectives include accelerating and increasing food production through the adoption of improved packages of production technology, speedy up the transfer of research results to farmers, pursuing intensive and extensive cultivation of crops and linking research to production agencies through extension services.
- 2 Agricultural Development Programme – 1975. It is jointly funded by the world Bank, Federal and States in Nigeria aimed at provision of rural roads, farm service centers, agricultural Extension services, credit etc towards achieving food production. Extension activities implemented by ADPs included establishing demonstration farms, identifying lead farmers, providing information to lead farmers on improved farming practices, facilitating access to improved technology and inputs and helping lead farmers teach others.
3. Operation Feed the Nation (OFN), 1976. The OFN was part of the Third National Development Plan (1975 – 80) which was voted ₦2, 050.738 million. Like the earlier plan, there was no categorical strategy for rural development, except some ₦500 million for rural regrouping (Olayiwola and Adeleye, 2005). However, it had objectives to mobilize the people to embrace agriculture, eliminate the traditional disdain for agriculture by the educated, enhance food production on a large scale, create jobs and income and utilize all available land resources in the country.
4. Green Revolution programme - 1980 .The civilian regime initiated this programme aimed at wiping away hunger through credit supply to farmers, encourage and intensify cooperative education, mobilizing the local people to actively participate in agriculture, application of research on food and fibre to enhance abundance in staple food production, processing and distribution in Nigeria.
5. Rural banking programme, 1977 to 1991. Banks were encouraged to not only establish rural branches but also to extend at least 50 per cent of the deposit mobilized from the

rural areas as loans and advances to rural dwellers .Defaulting banks were to be penalized.

6. Community banking programme, 1991 to 2007. The programme provided for the establishment of community banks with a focus on rural banking operations. The National Board for Community Banks (NBCB) was the regulator of these banks until 2002 when this function was transferred to the CBN. It was intended to serve communities that were able to establish one based on personal recognition, character and credit worthiness of the borrower.

7. Root and Tuber Expansion programme -2000. It was established to commercialize root and tuber crop production and improve living conditions, income, food security and nutritional health of the poorest small holder households.

8 National FADAMA Development programme aimed at increasing income of beneficiaries by at least 20%. The programme was designed in 1993 to promote simple and low cost improved irrigation technology under World Bank financing. FADAMA is a Hausa word for low lying flood plains usually with easily accessible shallow groundwater. It is a major instrument for achieving the government's poverty reduction objective in rural areas of Nigeria. The beneficiaries are meant to come as a group known as FADAMA Community Association to the National FADAMA Development Programme. The programme empowers the association with resources, training, and technical assistance support to properly manage and control the resources for their own development .FADAMA adopts a socially inclusive and participatory process in which all FADAMA users will collectively identify their development goals and pursue it when assisted .The programme is in its third phase currently due to its success in the States that adopted it.

9. Family Economic Advancement Programme (FEAP), 1997 to 2001. This was established to serve the credit needs of the family in their daily economic activities through input supplies, loan in form of cash, and capacity building.

10. National Poverty Eradication Programme (NAPEP), 1999 to date. Like FEAP, NAPEP was established by the federal government. The mode of operation is tailored towards directed (subsidized) credit to farmers. The programme consists of four schemes namely, Youth empowerment scheme which involves capacity acquisition, mandatory attachment,

and credit delivery; Rural infrastructures Development scheme which involves the provision of portable water, rural electrification, transportation and communication development. ; Social welfare Services Scheme which is involved with qualitative education, primary health care, farmers empowerment and provision of social services, provision of agricultural input and credit delivery to rural farmers. ; and Natural Resources Development and Conservation Scheme which contains programmes for environmental protection through conservation of land and space , development of agricultural resources , solid minerals and waters resources.

11. Microfinance, 2005 to date. Microfinance brings financial services such as savings, deposit, payments, transfers, micro insurance and micro leasing to the active (or productive) poor and low income people, who would otherwise have no access to such services. The Microfinance Policy outlines the principles and guidelines for the practice of microfinance in Nigeria, including provision for the establishment of private sector driven microfinance banks with market-centred operations, veritable source of loanable funds for microfinance banks is the Micro Credit Fund, integration of microfinance institutions into the formal banking system. The specific objectives of the Nigerian microfinance policy are to ; make financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services , promote synergy and mainstreaming of the informal subsector into the national financial system, enhance service delivery by Microfinance institutions to micro, small , and medium entrepreneurs, contribute to rural transformation and promote linkage programmes between universal and development banks , specialized institutions and microfinance banks. The micro finance banks are of two types ; those licensed to operate as a unit bank with capital base of #20million(88,890 Euros) and those licensed to operate in a state with capital base of #1 billion (444, 500 Euros)
12. There have been several recent presidential initiatives aimed at financing the production and export of certain commodities such as cassava, rice, cocoa and oil palm.
13. Preferred sector allocation of credit, 1970 to 1996. Banks were mandated to extend 40 per cent of their loans and advances to agriculture which was designated a preferred sector. Banks that failed to meet this target were penalized. The funds not lent were transferred to the then Nigerian Agricultural and Cooperative Bank, NACB.

14. Concessionary interest rates for agricultural loans, 1980 to 1987. Banks were further mandated to extend credit to agriculture at a regulated rate of 9 per cent per annum.

3.3 Institutions

1. Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB), 1972 to date. Formerly Nigerian Agricultural and Cooperative Bank, NACB, it was jointly established by the Federal Government of Nigeria (FGN) and the Central Bank of Nigeria (at a ratio of 3:2) to dispense credit to cooperatives, agribusiness, and individual small holder farmers at a subsidized interest rate. As well as direct investment through equity participation in projects, guarantees for agricultural ventures and rural savings services. Its present name came after a merger of people's bank of Nigeria, Family Economic Advancement Programme and Nigerian Agricultural and Cooperative bank in 2002. Even though it now collects deposits, it has not lived up to expectation due to poor funding.
2. River Basin Development Authority (RBDA), 1977 to date. Nine RBDAs were established in 1977 as part of the Third National Development Plan (1975 – 80) to add to the existing Sokoto and Rima RBDAs. Their focus is the provision of especially rural water infrastructure but also roads; N32.8 billion was budgeted for this plan. It was the first plan to make rural development and, especially rural electrification, a priority area of government (FGN, 1975). The scheme also involved a massive development of the nation's water resources through creation of irrigation schemes to encourage all season farming.
3. National Grains production company (1979) for the expansion of grain production through giving the farmers improved seeds as credit.
4. Directorates of Foods, Roads and Rural Infrastructure (DFRRI), 1986 to 1993. This agency adopted an integrated approach to rural development. The philosophy recognized that increased food production was tied to development of rural economic infrastructure. Budget allocation to DFRRI was N433 million in 1986, N500 million in 1987 and N1 billion in 1988 respectively.
5. Nigerian Agricultural Insurance Corporation (NAIC), 1987 to date. This provides insurance cover for all types of farming and farming related activities, including insurance for stock in transit. The premium paid on NAIC policy is heavily subsidized by

the CBN to make it affordable for small holder farmers. The indemnity paid in the event of occurrence of a risk insured against helps in ploughing the farmer back to business.

6. People's Bank of Nigeria, 1990 to date. This was an initiative that targeted self help groups with credit for micro and small business. It was merged with the FEAP and NACB to form NACRDB in 2002.
7. National Agricultural Land Development Authority – 1991 to open up more areas for agricultural production with supporting credit.

To achieve these schemes, programmes, and institutions, the government over the years made budgetary allocations to agriculture which when compared with the total budget, fall short of meeting policy intentions. For instance during the first to third (1962 to 1980) development plan periods, the federal government budgeted #3.57billion but only #2.41 billion was actually released for the sector(Federal Department of Agriculture, National Development Plan, 1992).The record also showed that in the first Plan, 11.6 percent of the budget was allocated to agriculture but only 9.8 percent was released, in the second Plan 9.9 percent was budgeted but 17.7 % was actually spent and in the third plan 7.2 allocation was budgeted and 7.1 Of this amount was released for the period. Table 1 shows the budgetary allocation to agriculture 1990- 2002.

TABLE 1: BUDGETARY ALLOCATION TO AGRICULTURE (# BILLION), 1990-2002

YEAR	TOTAL BUDGET	ALLOCATION TO AGRIC	% OF AGRIC TO TOTAL
1990	39.76	1.96	4.95
1991	38.66	0.67	1.74
1992	52.03	0.92	1.78
1993	112.10	2.83	2.53
1994	110.20	3.71	3.37
1995	153.49	6.92	4.51
1996	337.21	5.71	1.69
1997	428.21	8.66	2.02
1998	487.11	9.04	1.86
1999	947.69	12.15	1.28
2000	701.05	13.60	1.94
2001	1, 018.02	64.94	6.38
2002	1,018.15	44.80	4.40

Sources: CBN Statistical Bulletin and Annual Report (Various Issues).

The picture of budgetary allocations and actual expenditures for the period covered showed that though the government put up ambitious policies their financial commitment and consideration has been inadequate. It is therefore not surprising that these policies have not achieved the food self sufficiency, self reliance, reduction in poverty and rural development goal. The Nigeria Agriculture Public Expenditure Review (NAGPER), a collaborative study carried out by a research team from the International Food Policy Research Institute (IFPRI) and the World Bank (2008), showed that public spending on agriculture in Nigeria is less than 2 percent of total federal expenditure during 2001 to 2005. This spending contrasts dramatically with the sector's importance in the Nigerian economy , which ranged from 20%

to 30% of total Gross Domestic Product between 1996 to 2000 and ranged between 41 to 42.30 between 2001 to 2007 (Tewodaj, et al. 2008; CBN, 2005, 2007); and falls below the 10 percent goal set by African leaders in the 2003 Maputo agreement. Nearly 60 percent of total capital spending goes to government purchase of fertilizer and buyer of last resort grain purchase. Public funds implementing approaches differ significantly from those described in policy documents, such that very low funds are available for activities considered vital for promoting agricultural productivity gains leading to pro-poor growth, such as basic and applied agricultural research, agricultural extension and capacity building, agricultural credit, irrigation development and agribusiness development. Table 2 shows the contribution of Agriculture to the Gross Domestic Product (2001- 2007.).

Table 2: Contribution of Agriculture to Gross Domestic Product 2001-2007

Period	Total GDP (#Billion)	Agric share of GDP	% Share of Agric in Total GDP
2001	431.78	182.66	42.30
2002	451.71	190.37	42.14
2003	495.01	203.01	41.01
2004	527.58	216.21	40.98
2005	561.83	231.46	41.19
2006	595.82	248.60	41.72
2007	632.86	267.06	42.20

Source: CBN (2005, 2007) GDP is at 1990 constant price.

The agricultural performance is not quite in doubt based on the aggregation of the performance of the small holder farmers scattered across the nation.

4.0. Agricultural financing policies, rural development and challenges

This section gives a brief overview of the impact of the financing schemes on rural development and the reasons for failure, that is, the challenges that have been thrown up in the course of implementation of these policies. Had these policies, schemes, programmes, measures and institutions achieved their aims and objectives, Nigeria could have not only

succeeded in feeding its citizens but could have been a major exporter of agricultural products with a high rate of rural development.

4.1. Assessing agricultural policies in relation to rural development

As earlier mentioned, some of the agricultural financing policies integrated rural infrastructure development. This stems from the realization that food production cannot be isolated from improvement in living conditions within the rural food producing areas. It is not difficult to infer that the domestic food supply situation would have been precarious if roads leading to and away from food centres were to be left unattended. Food prices would have soared uncontrollably due to damage and disrepair to vehicles conveying farm produce along these roads. This, in turn, would result in inflation.

According to Olayiwola and Adeleye (2005), the RBDA's constructed 11,246 km of feeder roads, 1,319 boreholes, 29 wells and 130 dams under the integrated rural development programme in the period 1980 – 83. They further state that between 1986 and 1988, the post-Fourth National Development Plan (1981 – 85) (FGN, 1981), 30,000 km of rural roads were constructed by the government mostly using DFRRRI, of a targeted 60,000 km.

A recent study shows that agricultural finance impacted positively on farm income. Total average farm income generated by ACGSF beneficiaries is larger than that generated by non-beneficiaries (CBN, 2007a). This higher income may be because of the leveraging associated with borrowing which is a major form of agricultural financing and a constituent of most agricultural policies. Increased income should translate into higher demand for goods produced by other sectors of the economy. This is a boost to consumption expenditure and, ultimately, the national income.

Other findings of the study are that the ACGSF had a discernible positive impact on employment in all the states; in seven of the thirteen states studied, the technical impact on beneficiaries in terms of enterprise expansion and land use are greater than for non-beneficiaries; positive impact on institutional service delivery, etc.

Given the methodology of the study, it is correct to assume that most of the beneficiaries drawn into the sample were from the rural areas. Hence, the conclusion of the study is easily generalized for the rural areas. This implies that the positive impacts recorded have helped in rural development.

4.2 Challenges of agricultural financial policies

These challenges have been the reason for failure of previous policies, and they continue to threaten existing ones.

1. Lack of adequate skills to deliver services effectively. Most of the credit institutions undertook lending to agriculture without the use of trained agricultural credit officers vested with knowledge of agriculture and the constraints to farmer performance. Additionally, supervision of credit programmes has often been below acceptable standards. Invariably, the schemes fail due to poor repayment performance.

2. Low management capacity of farmer-clients. Most farmers who should benefit from the financing policies, especially the financing schemes, lack the basic skills of farm management, including record keeping. And when these are called up as requirement for accessing facilities, as is always the case, they become ineligible.

3. Unwillingness of conventional banks to support agriculture. Even with mandatory (preferred sector) lending, guarantee of exposure and subsidized fund schemes, most banks prefer not to lend for farming, citing its lower productivity and higher risk relative to the non-agricultural sector as their reason.

4. Paucity of loanable funds. Most of the loanable funds have come from government sources and is not sufficient for any meaningful agricultural investment. The government cannot go it all alone. This creates a finance supply deficit relative to demand. Statistics show that bank credit to agriculture as a proportion of total bank credit to the economy has hardly exceeded 17 per cent since recorded history in 1970, yet the sector contributes over 35 per cent of the gross domestic product annually (CBN, 2007b).

5. Weak institutional support in the sector. Infrastructure for processing and storage, land tenure systems, legal system for registration and perfection of collateral, judicial system for the enforcement of loan contracts and foreclosure of collateral, etc, are weak. This does not encourage private sector commitment to the agricultural financing policies.

6. Poor funding of public financing institutions. The NACRDB, for instance, has a capital base of ₦50 billion to be contributed to by the FGN and the CBN in a 60:40 ratio. However, as of date, about N23 billion has been paid up. DFRRRI and other non-bank institutions were or have been similarly starved of funds. These institutions cannot deliver effectively in the face of this dearth in funding.

7. Some of the policies have been criticized for being excessively skewed against the small farmer, given the eligibility requirements and documentation e.g. Agriculture Credit Support

Scheme, etc. Those schemes that are within the reach of these farmers often have cumbersome procedures which soon prove insurmountable.

8. Save for the RRF, most policies does not favour long gestation farm enterprises. This leaves much to be desired as the implication is that the major agricultural exports which are long gestation crops such as oil palm and cocoa may not be rehabilitated soon.

9. Undue political interference in lending operations. Any time Government initiates a credit policy; most beneficiaries are those close to corridors of power. The result is diversion of the fund and default in repayment

10. Government belief that the appropriate interest rates for agricultural loans be kept low to promote agricultural development and to assist small farmers ends up in the hands of big farmers who now invest this fund in their farm business leaving their own funds free for investment outside farming thereby negating the intention of government to increase agricultural output and encourage adoption of new technologies as well as develop the rural areas.

11. Credit flowing into unproductive areas leads to policy dislocation or distortion. Example, River Basin Development Authority building an irrigation facility in an irregular flowing river which is not likely to produce the necessary water for irrigation. Or the same scheme engaging in food production with unnecessary high over head costs.

12. The most challenging is the issue of inconsistency and lack of continuity as well as insider abuse in the implementation of policies.

5.0 Conclusion

The Nigerian government has over the years formulated good agricultural financial policies meant to encourage food production but such policies have been found inefficient and ineffective since the intended results were not realized. To this end, the following are recommended to ensure that these policies succeed.

1. Adequate budgetary provision and releases should be made to fund policy initiatives.
2. Review of subsisting schemes and reform of existing institutions to make them more supportive of farm output. For instance, NACRDB needs to be made a wholesale and retail financing institution to make its operations more efficient and self-sustaining.

3. Drafting of financing policies that are targeted at some agricultural output – aimed at improved raw material for industry, reduction of import, earning of foreign exchange, where the country has comparative advantage.
4. Training and capacity building for staff of the institutions involved with implementation of policies – CBN, banks, ministry of agriculture, etc. to strengthen institutional capacity as well as training and capacity building for the loan beneficiaries on their operations and fund management. Formation of farmers' cooperatives as a good instrument for imparting functional education which inculcates thrift, responsibility and accountability as well as efficient management skills in the farmers.
5. The transaction costs of financial institutions partaking in financing programmes should be reduced by the operators to encourage more borrowers; cooperatives and community based self help organizations should be included in the credit delivery channel.
6. Simplification of operational procedures in credit administration to reduce cost and bureaucracy as well as modification of the terms of financing under most policy initiatives, such as interest rates, eligibility criteria, legal rights, etc, to enhance access.
7. Granting loans to group of farmers (inform of self help groups or cooperatives), integrating credit with input supply and output marketing to reduce default problems.
8. 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, insider abuse and defaults.
9. Most of Nigeria's farmers reside in the rural areas and gain their livelihood from the farm and other rural based economic activities. If the government agricultural financing policies is to achieve its target of rural development, Nigeria will need an adequate level of strategically targeted investment in agriculture to upgrade rural infrastructure, boost productivity, and increase competitiveness of the farm output..

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