

PDF - FISCAL POLICY AND AGRICULTURAL DEVELOPMENT IN NIGERIA - researchcub.info

The failure of fiscal policy in Nigeria in the past to insulate the economy from the volatility of oil revenue has led to undue real exchange rate appreciation, with negative impact on the competitiveness of the economy. Procyclical fiscal policy, with adverse impact on the quality of government expenditure with detrimental effect on investment and growth. Rent-seeking behaviour, leading to inefficiency in resource allocation with negative impact on growth and development. The problem of quality of spending with Inefficiency and leakages in both the capital and current budgets.

The problem of ill-conceived projects. However, agricultural sector has been invaluable in supporting economic growth and development since 1960. In fact before the discovery and exploration of petroleum in Nigeria, the Nigeria economy depended on funds generated from agricultural export expansion for the development of other sectors of the economy. Due to its important role in nation building, agricultural sector has continued to be a target of government policies over time.

Furthermore, some economic analysts have suggested that the indirect effect of economy-wide policies on agricultural incentives have been greater than the impact of policies directed specifically towards agriculture. Conversely, in some cases, agricultural policies have had significant effects on macro-economic variables. Again the competitiveness of agricultural sector in the world market was eroded by over-valued naira exchange rate, inadequate pricing policies, rural-urban migration and neglect arising from the oil syndrome. Thus its share of the GDP in early 1970s falls below to 20% in 1980. In fact, low productivity in the agricultural sector became so acute that Nigeria became heavily dependent on imported food and Agro-allied industries inputs.

1.2 STATEMENT OF THE PROBLEM

Macroeconomic policies have been used in Nigeria which has directly and indirectly influenced agricultural output growth. There is an indication that the country's exchange rate regime has not encouraged agricultural export lately.

The failure of fiscal policy in Nigeria in the past to insulate the economy from the volatility of oil revenue, has led to certain economic disturbances like, undue real exchange rate appreciation with negative impact on the competitiveness of the economy. The problem of quality of spending, with inefficiency and leakages in both the current and capital budgets. Rent-seeking behaviour, leading to inefficiency in resource allocation with negative impact on growth and development the neglect is arising from oil syndrome. Inadequate pricing policy and lastly the rural-urban migration, thereby reducing the size of labour, hence resulting in low agricultural productivity. Economic analysts thereby suggest that the indirect effect of economy-wide policies on agricultural incentives have been greater than the impact of policies directed specifically toward agriculture.

1.3 OBJECTIVE OF THE STUDY

1. The study aims at examining the trend in fiscal and agricultural policy overtime.
2. The study is aimed at examining the relationship between fiscal policy and agricultural sector development.
3. The study aim at examining the policy instrument that will encourage research and technological advancement and agricultural extension services.

1.4 RESEARCH QUESTIONS

1. Do macroeconomic policies and other multi various support policies adopted in Nigeria economy influence

agricultural growth and development?

2. Do agricultural policies have any significant effect on macroeconomic variables?

3. Should developing countries tax agricultural sector, also is it beneficial for developed economies to protect agricultural sector?

1.5 RESEARCH HYPOTHESIS

The hypotheses that would be tested in the course of this study are:

Hypothesis 1

Ho: Macroeconomic policies and other multi-various support policies adopted in Nigeria does not influence agriculture growth and development.

H1: Macroeconomic policies and other multi-various support policies adopted in Nigeria have a positive effect on agriculture growth and development.

Hypothesis 2

Ho: Agricultural policies does not have any significant effect on macroeconomic variable.

H1: Agricultural policies have a significant effect on macroeconomic variable

Hypothesis 3

Ho: Developing countries should not tax agricultural sector and it is not beneficial for developed economies to protect agricultural sector.

1.6 SCOPE OF THE STUDY

This study will provide a link between agriculture in relation to fiscal policy measures adopted towards high productivity. The data are expected to cover a period between 1981 - 2005.

1.7 JUSTIFICATION OF THE STUDY

The growing importance of government spending and taxation in relation to the economy's total income and agricultural output growth.

This study work has become necessary due to the increasing need for Nigeria as a developing economy to make agriculture a pivot sector, an "engine of growth" hence agriculture will provide gainful employment for the growing labour force, provide primary product for industries and provision of food for the teeming population. It will also position the agricultural competitiveness in the world market.

1.8 RESEARCH METHODOLOGY

This study uses principally secondary data obtained from Central Bank of Nigeria, National Planning Commission, Statistical Bulletin, Federal office of Statistics.

Variable used are:

Government Expenditure(GE)

Government Revenue(GR)

Inflation(INF)

Agric Index - $Agi=f(GE, GR, INF)$

1.9 SIGNIFICANCE OF THE STUDY

The research is expected to assume such significant role as in the formulation of economic policies, for government and business. It will provides basics for almost all government policies of an economic system, government budget formulation etc.

In addition, it will examine the consequences of these alternatives. It will also facilitate the decision making of policy makers, the research will also assume such role as helping in the proper allocation of country's

scarce resources, collecting information on the social and economic structure of an economy, collection of statistical data, solving various operational and planning problems and it is equally important to scientists for analyzing social relationships.

1.10 ORGANIZATION OF THE STUDY

For the purpose of the study, Chapter One contains introduction, statement of problem, objective of the study, research question, research hypothesis, scope of the study, significance of the study, justification of the study, research methodology.

Chapter Two: This will contain the background of the study, the agricultural sector and the macro economic conditions. The reviews of Nigeria's Agricultural Performance, its implication to growth and development of Nigeria economy.

Chapter Three: Then, chapter three will focus on the literature review and theoretical framework.

Chapter Four: Chapter four will focus on research methodology and empirical analysis

Chapter Five: Finally, chapter five will be covering summary of findings, conclusion and recommendations.

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