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ABSTRACT

This research work investigates the Roles of Agricultural sectors on Economic Growth and Development in Nigeria using the multiple regression analysis method. The data utilized spanned between 1981 - 2010.

The research work analyses and describes the past methods of agricultural development In Nigeria and this helps to know the current dispensation and the possible direction that could be followed in the future.

From the finding of this research work, it was observed that if the sector is well funded, it will provide the needed raw materials for the industrial sector, increase capacity utilization, reduce unemployment rate in the economy and will guarantee food security. Also, the revenue from the sector has influence on economic growth in Nigeria.

Thus, the paper conclude by recommending that government needs to participate and play major roles in the agricultural sector in other to promote and enhance the performance of the sector and invariably add to economic growth of the nation

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The role of agricultural sector in an economy cannot be overemphasized. The forward and backward linkages to the rest of the domestic economy, to the international market and with poverty alleviation are very strong. A bad year for agriculture due to natural calamities, like drought has extremely adverse effect on GDP growth, living standard of the population, manufacturing output, industrial output, price level, exportable surplus and balance of payments.

The primary purpose of agriculture to development and growth is to feed the people of the country. This role in food production is irreplaceable because the availability of adequate food supply disables scarcity that leads to higher prices and also most people must work to produce enough food for the population (Begg, 2003). Also maintaining a good food supply implies good health for the people hence increased, productivity which will promote economic growth. Output from the agricultural sector serves as input for the activities of the manufacturing, external and the industrial sector - which contributes greatly to economic growth. For example timber from trees is used to make paper, furniture, etc. Also secretions from some plants and trees have healing capabilities and are used to make medicine for the sick. Agricultural products include export goods like cash crops which serve as a source of foreign revenue for the country. In fact these other sectors need the agricultural sector in order to thrive. Agriculture also employs a greater percentage of the inhabitants of the area that is before the discovery of petroleum in Nigeria. This is largely because of the transition from subsistence agriculture to commercial agriculture which is concerned with the production for food for the growing population, provision of raw materials for agro-allied industries (like those engaged in textiles, tobacco, sugar, leather, etc.) and generation of foreign exchange earnings.

The agricultural sector is a prominent feature in the Nigerian economy and it has basically remained the same since 1960. This was before the discovery of oil. Sustaining agricultural production is one of the pre-

requisites for improving the living standard in any economy. "The Nigerian economy underwent profound structural changes during the 70's and 80's. It was once an agriculturally-based economy and a major exporter of cocoa, peanuts and palm products. Today, Nigeria relies mostly on oil for more than 90% of its export earnings, 30% of its GDP, and 70% of its federal budget resources. Neglected sectors like agriculture has caused the Nigerian economy to be in economic stagnation and decline" (Todaro and Smith, 2003).

From the mid-1970s, crude oil became the main export product of the Nigerian economy. The economy has said to be suffering from the Dutch Disease because of the over-reliance on the oil sector at the expense of other sectors hence the need for the diversification of the economy. The diversification is especially important because of the volatility of the international oil market on which we solely depend on. This has necessitated the examination of the role of the agricultural sector in our country. Despite the huge amounts invested in agriculture and the various policy measures aimed at the re-activation of agriculture, such as the Operation Feed the Nation and the Green Revolution by various governments since the 1980's, no meaningful headway was observed. Food production has not been keeping pace with the rapid population growth rate. The introduction of the Structural Adjustment Programme (SAP) in 1986 by the Babangida administration laid much emphasis on sustaining agricultural production in which several measures were taken to revive this sector, to which no sustainable growth has been recorded. The purpose of this study therefore is to examine the role of agriculture in economic development of Nigeria.

1.2 STATEMENT OF THE PROBLEM

Although the impact of agriculture in an economy is great, the neglect of this sector in Nigeria especially by the government, has led to many problems ranging from increased food prices to unemployment, low standard of living, low national income. The neglect of this sector is evident in the various problems that plague the agricultural sector including farm mechanization, primitive implements, transportation and storage problems, low productivity, inadequate infrastructure, little or no credit/finance facilities, land tenure system etc.

It is regrettable that after about 37 years of oil and gas exploration in Nigeria, the country has not been able to effectively develop other resources/sectors to complement the role of crude oil in the economy. The backbone of the economy plus the other sectors, including the manufacturing and industrial sector, have been neglected to cause the total reliance on the oil sector. The volatility - unstable and unpredictable nature of the crude oil market specifically the declining oil prices - has been known to impact the economy adversely. Experience has also shown that the nation cannot continue to rely on a single resource for its economic development. Hence the challenge is how to develop and harness the potentials of Nigeria's agricultural sector towards economic growth.

The agricultural export earnings have been falling, virtually continually from a level of \$389.58million in 1961, a rate of 2.45% per annum to \$218.41million in 2008 which is below 2%. (CBN Annual Report 2008 and Statistical Bulletin 2008). The fall became rapid in the mid-seventies of the oil-boom era. The foreign exchange earnings in millions of Naira were more or less stagnant until after 1985 when the Naira depreciated considerably against the US dollar and other foreign currencies. So the nominal growth in earnings represented a fall in real terms, as inflation rates exceeded this growth. Hence there is the need for revolutionary change in policy formation and implementation in this sector.

1.3 OBJECTIVES OF THE STUDY

The broad objective of this study is to evaluate the role of the agricultural sector in the economic growth and

development in Nigeria. The specific objectives of the study are:

- v To examine the impact that the agricultural sector plays in the Nigerian economy.
- v To assess the trend of government expenditure on agricultures in Nigeria
- v To examine the role that banks' loans and advances on agricultural sector plays in the growth of the agricultural sector
- v To proffer policy recommendations for economic growth through the agricultural sector.

1.4 RESEARCH QUESTIONS

The research questions relevant to this study are:

1. How does the agricultural sector affect economic growth?
2. How do banks' loans and advances affect the agricultural sector?
3. What is the trend of government expenditure on agriculture in Nigeria?

1.5 STATEMENT OF HYPOTHESIS

The following hypothesis would be tested empirically for these studies are;

Hypothesis 1:-

H₀: The Nigeria's agricultural sector has not contributed significantly to the economic growth and development of the country.

H₁: The Nigeria's agricultural sector has contributed significantly to the economic growth and development of the country.

Hypothesis 2:

H₀: There is no significant impact of agricultural earnings on economic growth in Nigeria

H₁: There is significant impact of agricultural earnings on economic growth in Nigeria

Hypothesis 3:

H₀: There is no significant relationship between government expenditure on agriculture and agriculture earnings in Nigeria.

H₁: There is significant relationship between government expenditure on agriculture and agriculture earnings in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

It would be wrong to assume that lack of growth of the agricultural sector is solely responsible for the lack of economic growth and development in Nigeria; however it can be used to know the extent to which growth has been achieved over the years. "Even with the discovery of the oil market in the mid- 1970s, the Nigerian economy has continued to perform below its capabilities characterized by low output growth, high unemployment rate and rising inflation" (Jhingan 2001). The economy's reliance on the international oil market leaves it vulnerable to external shocks which can cripple the economy. It is therefore essential to study the contributions of the agricultural sector as it was considered the mainstay of the economy. This study will show the interrelationship between the sector and the industrial sector of the economy.

This study will be of benefit to the government officials in charge of the budgetary allocation to the agricultural sector. By understanding the importance and crucial role played by the sector to the economy, especially to the industrial and manufacturing sector, more attention by the government will be felt and more functional reforms will be established in favour of the sector and overall economy.

This study will also show how much the agricultural sector has contributed to the economy in terms of export earnings, food prices, inflation rate, raw materials, hence, it will reveal the growth of the economy and how

the economy can grow via the agricultural sector.

This study will reveal the various opportunities for growth in the industrial sectors of the economy through the agricultural sector hence investment prospects for both private and public enterprises. Also the results from this study will lead the society into a more balanced economy i.e. equal development of the individual sectors of the economy.

1.7 SCOPE OF THE STUDY

The study is limited to the years 1981-2010 on the role of agricultural sector in the economic growth and development in Nigeria. It is limited to thirty years because of data availability.

Another major limitation of this study is the reliability on secondary data. Different governmental agencies like the Central Bank of Nigeria, National Bureau of Statistics often present similar data on the same items. Most government related data are often influenced for political purposes and this may jeopardize the findings of the study.

1.8 METHOD OF ANALYSIS

In order to analyze the data, it will be estimated and interpreted using regression analysis. This is carried out so as to know the relationship between the dependent and independent variable. The model is later re-specified to get a true picture of the event that has taken place between the variables by introducing the standard error test which will help to justify the use of the ordinary least square method of estimation.

Also, the coefficient of determinations is estimated to know the percentage of total variation on the dependent variable explained by the independent variable. The higher the coefficient of determination the more useful the model will be for policy and predictive purpose.

The F-Statistics helps to determine whether or not the entire partial regression coefficient is equal to zero. An evaluation of the model equation on these Criteria further supports the significance of the explanatory variable.

1.9 SOURCE OF DATA

Secondary data will be obtained from the Central Bank of Nigeria (CBN) - Statistical Bulletin, Annual Reports on major economic indications and National Bureau of Statistics, Annual Abstract of Statistics.

1.10 STRUCTURE OF THE STUDY

The study will be divided in to five chapters broken down as follows:

Chapter 1: Introduction consisting of the background to the study, the statement of the problem, significance of the study, the objectives, research questions, hypotheses, model specification, source of data and method of analysis, definition of key terms and the scope of the study. This chapter will provide the basis for the study.

Chapter 2: Literature Review and theoretical framework involving the perspective for the study and topical consideration of previous research, comparisons and contrasts among several studies. This is to make clearer the place of the present study in the overall research effect.

Chapter 3: Methodology

Chapter 4: Data presentation, analysis and interpretation will be covered in this chapter.

Chapter 5: Summary, Conclusions and Recommendations

1.11 DEFINITION OF TERMS

v Agricultural Sector - the portion of the economy comprising agriculture, forestry, hunting, and fishing. (Todaro and Smith, 2003)

- v Gross Domestic Product (GDP) - this is the monetary value of the total goods and services produced in an economy over a specific period usually one year. (Jhingan 2001)
- v Dutch Disease - this is the economic concept that tries to explain the apparent relationship between the exploitation of natural resources at the expense of other sectors of the economy specifically the manufacturing or industrial sector. (Wikipedia encyclopedia)
- v Agricultural extension services - services offered to farmers, usually by the government, in the form of transmitting information, new ideas, methods, and advice about, for instance, the use of fertilizers, control of pests and weeds, appropriate machinery, soil conservation methods, and simple accounting, in a bid to stimulate high farm yields. (Todaro and Smith,

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