

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Nigeria is largest oil exporting country in Africa and has a rapidly growing economy. The country follows a resource based growth strategy driven by the production and exporting of oil. With the volatility of global oil prices and often volatile growth of Nigeria's economy, the country has wasted much of its opportunities to break away from underdevelopment despite its massive natural and human resources endowments. It has dwelled only on its huge crude oil resources as the major source of revenue, driving a monolithic economy for years in spite of the enormous developmental challenges it faces (Ojo, 1994). Regrettably, the oil resources are being mismanaged and a substantial part of it has gone on rent seeking and red-tapism common in Nigerian bureaucracy. For more than a decade now, Nigeria has been enjoying high levels of economic growth, human development, and relative political stability. As it continues along the path of economic progress, it is imperative that the country finds ways to diversify its economy by boosting non-traditional sectors, expanding its range of products for exports and engaging new economic and trade partners. The economic nerve centre of Africa shifted northward this year when Nigeria took South Africa's long-held position as the country with the continent's largest Gross Domestic Product (GDP). While GDP neither reflects the wealth distribution nor accounts for the size of the population, it is a significant indication of Nigeria's emerging economic power. If these growing resources are invested intelligently, the country can benefit and exceed the International Money Fund's estimated GDP growth of seven per cent. As a matter of priority, Nigeria government must encourage the diversification of Nigeria's economy (Jonathan, 2013). It is the only viable way to survive the current environment of global economic uncertainty with the volatility of oil price. It is crucial that government do not believe that oil provides an endless source of revenue.

At the advent of democracy in 1999, Obasanjo's first full national budget in 2000 was under N600bn naira but now we have as much as 800% increase over this, yet we can only see little development but surplus of preaching's and governance by billboards while vision 20-

2020 is in a state of rest like Newton's first law of thermodynamics. We say unequivocally that resource looting and wastage is much concentrated at the state levels, because most of our Governors are not just most wanting but problematic and the very impediment to development.

Diversification presents the most competitive and strategic option for Nigeria in light of her developmental challenges and given her background. Diversification has a lot of benefits for Nigeria to maximally utilize her abundant resource – base to rebuild the economy and enjoy the benefits of all the linkages, synergy, economies of scale, grow national technology and foreign investment profile, build human capital, exploit new opportunities, lessen averagely operational costs, increase national competitiveness and grow the standard of living and confidence of the citizens for national renaissance.

Diversification does not occur in a vacuum. And, the need to have in place an enabling environment to make diversification possible remains necessary. A number of key drivers have already been identified. Agriculture was the main stay of the Nigeria economy before the discovery of crude oil in 1956. Adequate funding of agriculture will be an appropriate option in the diversification of the nation's economy.

Diversification implies "movement into new fields and stimulation and expansion of existing traditional products." Diversification does not discourage specialization, but requires that resources be channeled into the best alternative uses (Iniodu, 1995). In macroeconomic planning, diversification promotes growth and development through the mobilization of savings from surplus sectors for use in the development of deficit sectors of the economy.

1.2 STATEMENT OF THE PROBLEM

Options for diversifying an economy abound, such as agriculture, entertainment, financial services, industrialization, information and communication technology, tourism, mining, etc. However, it is worthy to note that country-specific circumstances ought to, as a matter of necessity, be considered. This is cogent, since due to structural differences, a model that fits an economy perfectly well may prove irrelevant in another. With a major objective of diversifying the productive base of the Nigerian economy with a view to reducing dependence on the oil sector, this study zero in on 'agriculture' as imperatives. The choice of this approach is informed by Developmental Policy in Nigeria and the huge successes recorded

by some Asian countries—which are collectively referred to as ‘Asian Tigers’—in applying these imperative, as well as the fact that these countries were basically at the same level of national development with Nigeria, at the time of their respective take-off and still share certain similarities with Nigeria. The effects of diversification in an economy (Eko, et al. 2013)

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of this study:

1. To examine the benefits accruable from the diversification of the Nigerian economy.
2. To determine the prospects of agricultural funding in the diversification of the Nigerian economy.
3. To determine the contribution of agriculture in the growth and development of the Nigerian economy.

1.4 RESEARCH QUESTIONS

1. What are the benefits accruable from the diversification of the Nigerian economy?
2. What are the prospects of agricultural funding in the diversification of the Nigerian economy?
3. What is the contribution of agriculture in the growth and development of the Nigerian economy?

1.6 SIGNIFICANCE OF THE STUDY

The following are the significance of this study:

1. The results of this study will educate the general public on approaches by which agricultural funding can be used as a tool for the diversification of the Nigerian economy.
2. This research will be a contribution to the body of literature in the area of the effect of personality trait on student's academic performance, thereby constituting the empirical literature for future research in the subject area.

1.7 SCOPE/LIMITATIONS OF THE STUDY

This study will cover the effect of agricultural funding on the diversification of the Nigerian economy.

LIMITATION OF STUDY

Financial constraint- Insufficient fund tends to impede the efficiency of the researcher in

sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).

Time constraint- The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work

AGRICULTURAL FUNDING AS SOLUTION TO NIGERIA ECONOMY DIVERSIFICATION

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