PDF - IMPACT OF THE COMMERCIAL AGRICULTURE CREDIT SCHEME ON THE PERFORMANCE OF BENEFICIARIES IN ANAMBRA STATE NIGERIA - researchcub.infoCHAPTER ONE

INTRODUCTION

1.1 BackgroundInformation

Agriculture contributes immensely to the Nigerian economy inmany ways, namely; in the provision of food for the increasing population,supply of adequate raw materials to growing industries, a major source ofemployment generation, foreign exchange earnings; and provision of market forthe products of industrial sector (FAO, 2006). Over the years, the inability ofthis sector to expand and as well contribute meaningfully to the growth of theNigerian economy may be due to inadequate financing. Also the problem of rapidagricultural development in Nigeria indicates that efforts directed atachieving expanded economic base for farmers were frustrated by scarcity of andrestrictive access to loanable fund (Nwankwor, 2013). One of the reasons forthe decline in the contribution of agriculture to the economy is formalnational credit policy that can assist farmers (CBN, 2010).

Agriculture, as a sector, depends more on credit than anyother sector of the economy because of the seasonal variations in the farmer`s returnsand a changing trend from subsistence to commercial farming (Mahmood, Khalid& kouser, 2009). This is in view of the fact that credit plays an importantrole in enhancing agricultural productivity, especially in developing countries(Iqbal, Munir & Abbas, 2003). The unpredictable and risky nature ofagricultural production, the importance of agriculture to the national economy,the urge to provide additional incentives to further enhance the demand bylending institutions for appropriate risk aversion measures in agriculturallending provide justification for the establishment of the CommercialAgriculture Credit Scheme.

Consequently, provision of appropriate financial policiesand enabling institutional finance for commercial agriculture is capable offacilitating agricultural development with a view to enhancing the contributionof the sector in the generation of employment, income and foreign exchange(Olomola, 1997). Although some specialized development schemes and interventionprogrammes were initiated and implemented to boost agricultural development inthe last decades,

(both in the deregulated and regulated era), notably,National Accelerated Food Production Programme (NAFPP), River Basin and Rural DevelopmentAuthorities, Green Revolution Programme, Agricultural Development Programme(ADP), and credit Guarantee scheme, the performance of the sector is still sub-optimal. Currently, agricultureis still dominated by small holder farmers with low production capacity andmore than 90% of agricultural output is accounted for by households with lessthan two hectares under cropping (Federal Ministry of Agriculture and NaturalResources, 2008). At the current growth rate of the population of 3.0% perannum, the population is expected to double from 140 million to 240 million by2030, farming can never meet the need for adequate quantities of food, for theteeming population.

Therefore in order to promote Commercial Agriculture inNigeria, the Federal Ministry of Agriculture and Natural Resource, incollaboration with the Central Bank of Nigeria (CBN) introduced the CommercialAgricultural Credit Scheme (CACS) in 2009. The main aim of the fund is tocomplement other special initiatives of the Central Bank of Nigeria inproviding concessionary funding for agriculture such as the Agricultural CreditGuarantee Scheme (ACGS) which is mostly for small scale farmers, Interest DrawBack Scheme, Agricultural Credit Support

Scheme, etc.

The objectives of the scheme are:
To fast track development of the agricultural sector of theNigerian economy by providing credit facilities to commercial agriculturalenterprises at a single digit interest rate.
To enhance national food security by increasing food supplyand effecting lower agricultural produce and product prices, thereby promotinglow food inflation and to reduce
the cost of credit in agricultural production to enablefarmers to exploit the potentials of the sector.
To increase output, generate employment, diversify therevenue base, increase foreign exchange earnings and provide input for theindustrial sector on a sustainable basis.

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