

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

CHAPTER ONE

INTRODUCTION

1.1 Background Information

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

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

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

(both in the deregulated and regulated era), notably, National Accelerated Food Production Programme (NAFPP), River Basin and Rural Development Authorities, Green Revolution Programme, Agricultural Development Programme (ADP), and credit Guarantee scheme, the performance of the sector is still sub-optimal. Currently, agriculture is still dominated by small holder farmers with low production capacity and more than 90% of agricultural output is accounted for by households with less than two hectares under cropping (Federal Ministry of Agriculture and Natural Resources, 2008). At the current growth rate of the population of 3.0% per annum, the population is expected to double from 140 million to 240 million by 2030, farming can never meet the need for adequate quantities of food, for the teeming population. Therefore in order to promote Commercial Agriculture in Nigeria, the Federal Ministry of Agriculture and Natural Resource, in collaboration with the Central Bank of Nigeria (CBN) introduced the Commercial Agricultural Credit Scheme (CACS) in 2009. The main aim of the fund is to complement other special initiatives of the Central Bank of Nigeria in providing concessionary funding for agriculture such as the Agricultural Credit Guarantee 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 the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate.

To enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation and to reduce

the cost of credit in agricultural production to enable farmers to exploit the potentials of the sector.

To increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.

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