

**Full Length Research**

# **The Impact of Central Bank of Nigeria's Agricultural Credit Guarantee Scheme Fund on Agricultural and Economic Development of Nigeria**

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This paper examines and analyses the effects of Agricultural Credit Guarantee Scheme Fund on agricultural and economic development of Nigeria. The findings from the study revealed that the Scheme had increased the inflow of credit to the Nigerian farmers. It expands the farmers (beneficiary) acquisition and adoption of modern farming inputs, hectare utilization, additional labor force, output, income earnings and standard of living. The scheme also enhanced food production, food security; import substitution on food locally produced, agricultural export commodities, GDP, Foreign exchange earnings and rural development of Nigeria. The conclusion derived from the findings as contained in the recommendations include: A well implemented and sustained Agricultural Credit Policy like ACGSF would enable a developing country like Nigeria to facilitate agricultural and economic development. The three tiers of government in Nigeria should give the credit scheme the necessary support, adequate attention, and publicity so that farmers particularly small and medium who constitute the majority in the rural areas can benefit from its laudable objectives. Effective monitoring mechanism must be implemented by Government to monitor the operation and performance of the scheme. This would go a long way in helping the scheme to achieve efficiency in performance and operation in future.

**Keywords:** Agricultural Credit Scheme, Credit, Agricultural Development, Economic Development.

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## **INTRODUCTION**

The Agricultural sector is very important to Nigerian economy. A strong agricultural sector would enable a developing country like Nigeria to resolve the economic crises ravaging its economic development by providing food for the teeming population, feed for animals, raw materials for industries, generate employment; income

and foreign exchange earnings for the country. The state of agricultural development in Nigeria is invariably associated with the extent of the growth and development of agricultural credit. Agricultural Credit Guarantee Scheme is an economic policy instrument use by the central bank of Nigeria to provide adequate and just

credit to the small and medium farmers of Nigeria to enhance their capital formation and agricultural production, to revive, revamp and boost agricultural sector of Nigeria to achieve agricultural growth and development and facilitate economic development in Nigerian.

The role of Central Banks across the globe particularly in developing economies is gradually changing with prevailing realities of extreme poverty, unemployment, inequality and other economic predicaments. Central Banks are gradually shifting from monetary policies to playing development role through its development finance policy in the real sectors of the economy such as agricultural sector, which remains the engine room of any economy. In Nigeria, the financial regulator body, the Central Bank of Nigeria, without any doubt it has been playing that role of supporting the productive sectors of the economy such as agriculture, industry, manufacturing and entrepreneur with supply of finance and credit for growth and development of Nigerian economy.

The Central Bank of Nigeria's development role and specifically its development finance initiatives involved the participation of Central Bank Nigeria directly or indirectly in the economy in terms of the formulation and implementation of various policies, schemes, programmes and innovations for the provision of finance and credit to the economic sectors of Nigeria to enhance their access to inputs. The development finance role of the Central Bank of Nigeria comprised of Refinancing Facilities for Agricultural Export Commodities, Rural Finance and Banking Support Program, Agricultural Credit Guarantee Schemes fund, Investment Entrepreneurial and Industrial Credit Schemes. The primary objective of the Central Bank of Nigeria's development role is to supply adequate capital in form of finance, credit, loans, grants, donations and fund to various sectors of the economy to enhance their inputs, output, productivity, income, saving, investment, employment and application of modern technology to facilitate economic growth and development in Nigeria.

The Agricultural Credit Guarantee Scheme was established by Central Bank of Nigeria in collaboration with Federal Government of Nigeria in 1977 with primary objectives of reviving the agricultural sector, and fast-track the development of the Nigerian agricultural value sector and facilitates economic growth and development.

The agricultural sector in Nigeria was the dominant sector before the early 1970s. It was the major development drive of the economy employing over 80% of the active and productive population. It also contributed to over 60% of the nation's Gross Domestic Product (GDP) and provided nearly 100% of the economy's food and feed requirements, raw materials and country's export earnings. When crude oil became a major earner and agriculture was unfortunately neglected financially and received insufficient attention, it began to

falter as its contributions to the GDP and the economy began to decline. However, agricultural finance has over the years been identified as major input in the development of the agricultural sector in Nigeria. The decline in the contribution of the sector has been attributed to lack of sufficient and effective formal national policy and the paucity of credit institutions which can assist farmers in the purchase of adequate and modern farm inputs. According (Sanusi Lamido, 2011) former governor of Central Bank of Nigeria "Currently agriculture accounts for 40% of the Gross Domestic Product (GDP) of Nigeria, yet it receives only one percent (1%) of the total commercial banks loans. This shows the nature and character of financial negligence and insufficient fund for Nigerian agricultural sector.

Lack of access to the credit needed by the Nigerian farmer's results in their inability to source adequate new improved inputs to expand their land of cultivation, output, income, employment to equally take effective care of their cost of production, processing, transportation and marketing of products. The majority of our remote rural farm community consists of subsistence farmers who are not in a position to use high quality new improved seeds, fertilizers, pesticides, modern machines and technology and advanced farm implements due to lack of adequate finance and just credit available to them. These are some of the reasons that cause low inputs, per acre, output, employment and productivity in agriculture. Obviously these have been the problems that impeded, hindered and undermined the growth and development of Nigerian agriculture and rooted a perpetual crises in Nigerian economy such as low agricultural production, food scarcity, extreme poverty, unemployment, income inequality, hunger, disease, food insecurity, poor living standard, rural to urban migration, down fall in the rural economy, declining in agricultural export commodities, Gross Domestic Product, foreign exchange earnings and of course unprogressive economic growth and development. On the other hand, 80% of the small and medium rural farmers of Nigeria lack access to adequate and just agricultural credit to source sufficient inputs and boost their agricultural production.

In fact historically the root of the crises in Nigerian economy lies in the neglect of the agricultural sector by the Federal Government of Nigeria towards developing dependency on a monoculture economy base on oil. Therefore, the persistent failure of the agricultural credit schemes, financial institutions and conventional banks to adequately finance agricultural activities in the country was clear evidence that the country was in need of further agricultural credit reform that would revitalize the agricultural sector by encouraging the inflow of institutional credit into it.

Therefore, this study is specifically carried out to determine the nature, scope, complexities, contents and relationship between the Agricultural Credit Scheme and

Nigerian economy, to examine and assess the various effects of this credit scheme on agricultural and economic development of Nigeria, to also identify the challenges of the credit scheme and proffer solutions for effective management.

The study adopts secondary sources of data collection for overall understanding of the subject matter. Literatures were gathered from works of scholars in the area of investigations under review.

## THEORETICAL FRAMEWORK

This study adopts the classical theory of political economy and development in an attempt to understand the relationship between agricultural finance and agricultural development. The famous scholars projecting this theory are Adam Smith, David Ricardo, Thomas Malthus and others. The theory believes that the banking sector plays an important role in channeling finance and investment to the productive agents like agriculture and industry within the economy and therefore acts as a catalyst of economic growth and development. The main implication of this theory, therefore, is that banking policies such as credit schemes and financial programmes which embrace openness and competition will promote economic growth and development.

Classical political economy approach however is concerned with economic growth and the development of an economic system, the factors both socio-economic, financial and political which impedes or facilitates this growth and development such as development finance policy or agricultural credit policy of an economy, so whether it was Adam Smith, Thomas Malthus, David Ricardo and others, the main focus of economic analysis for classical economist is on the conditions necessary for economic development and the factors that impede these in the prevailing social and economic relations. The theory believed with development finance in general and agricultural finance in particular influences the pattern and process of agricultural and economic development.

According to Smith adequate capital such as finance, technology and machines are the major factors that enhanced agricultural, industrial and entrepreneurial growth and development. However, sufficient supply of finance and credit to agricultural sector expands farmers' inputs, output, potentialities, income, and employment. These would invariably expand an economy. Therefore, it is the accumulation of capital in form of finance or credit through capital lending program like agricultural credit scheme that leads to increase in agricultural productivity in every economy.

According to Ricardo farmers are the agents of economic progress. It is capital and finance that enable them to expand their productivity, output, income earnings, employment and standard of living and affect

the totality of an economy positively. Lack of adequate and just credit needed to the farmers has been the major problem that hindered, impeded and undermined the growth and development in agricultural sector and rooted perpetual crises in an economic system. And rural farmers lack access to adequate financial assistance and favorable credit in rural areas.

Collectively, the classical theories of political economy pointed out the significant important of adequate financial assistance and credit from capital lending programme like agricultural credit scheme to the farmers' agricultural production, agricultural growth and development and of course economic growth and development of an economy.

## LITERATURE REVIEW

Agriculture has been an important sector in Nigeria economy. In the past decades and still a major sector despite the oil boom basically it provides employment opportunities, narrow inequality, eradicates extreme poverty for the teeming population and contributed to the foreign exchange earnings and of course economic growth of Nigerian economy. Economic history provides us with the ample evidence that agricultural finance is a fundamental pre-condition for agricultural revolution and however, agricultural revolution is fundamental pre-condition for economic growth and development, especially in developing countries like Nigeria (Woolf and Jones, 1969).

Agricultural finance and credit operates into four categories: The first category is the Central Bank of Nigeria, is the ultimate coordinator of any credit policy. The second category is the banking tier consisting of the commercial banks and financial institutions like Nigeria Agricultural cooperative and rural development banks. The third category is the government agencies such as agricultural development agencies. The fourth category is the non- institutional sources, non- formal and traditional money lenders which dominated rural and villages' area (CBN, 2011)

According to David (2011), Nigerian agricultural policy recognized the vital role of agricultural finance and credit in attaining the much desired green revolution or agricultural revolution that could transformed Nigeria economy and facilitated economic growth and development. He further asserted that a major focus of the policy is to establish a system of sustainable agricultural financing schemes, policies, programmes and institutions that could provide micro and macro credit to the farmers. However, public expenditure on agriculture, which serves as the bed rock of financing for the sector, has consistently fallen. It is, therefore not surprising that these policies have failed woefully to achieve the set goals of food self-sufficiency, self-reliance, poverty

eradication, employment generation and integrated rural development in Nigeria. Importantly and summarily, Nigeria's agriculture is abysmal under-financed and under-credited.

According to Anthony (2010), Agricultural finance is one of the several credit vehicles used to finance agricultural transactions, including loans, notes, bills of exchange and bankers acceptance specifically for agricultural producers. These types of finances are adapted to the specific financial needs of farmers which determine production, planting, harvesting and marketing cycles to achieve agricultural growth and development and facilitate economic growth and development. Typically it is used to fund operations, purchase equipments or acquire more land of production. The provision of inputs to the agriculture sector is important because credit or loan - able fund helps in determining access to all the needed inputs to facilitate farming.

Agricultural finance is the process through which farmers' access credit, loans, donations, assistance or capital to acquire the needed inputs to increase their productivity, output, incomes, employment, savings, investment, standard of living and reduce their poverty, income inequality and poor living standard. Farmers require credit to purchase seeds, fertilizers; herbicides buy or rent mechanized equipments and related services. The role of finance in agriculture, just like in the industrial and services sector is very crucial given that it is oil that lubricate production for smooth and greater productivity.

Mahmud (2009), Stress that credit is the backbone for any business and more so for agriculture, which has traditionally been a non-monetary activity for remote rural farmers. He further asserted that agricultural credit is an integral part of the process of the modernization of agriculture and the commercialization of the rural economy. The introduction of easy, just and cheap credit is the quickest way for boosting agriculture production, achieving agricultural growth and development and facilitating economic growth and development more especially in developing nations like Nigeria.

### **An Analysis of the Impacts of the ACGSF on Agricultural and Economic Development of Nigeria**

The study discovered that the credit scheme had made tremendous contributions to the beneficiary farmers, affected rural areas, states of the federation and national economy of Nigeria at large.

#### **1. Expansion of Agricultural Growth and Development of the Affected Rural Areas.**

The beneficiary farmers obtained as much as necessary credit from the scheme which expanded their acquisition and adaptation of new improved farming inputs. They

were able to acquire up 60% of new improved farming seeds, quality fertilizer, adequate pesticides and modern farming machines such as tractors and threshers. These improved hectare utilization, output, income earnings, employment generation and additional labour force, standard of living and potentialities of the beneficiary farmers of the affected rural areas. These increased the level of agricultural and economic development of Nigerian economy.

The Table 1 shows the contribution of ACGSF on farm business operations in Nigeria with a greater percentage increase in farm output, employment generation and income. It indicates that ACGSF has increased the farm inputs, output, employment and income earnings of the beneficiary farmers. However, this is one of the indicators of ACGSF positive contribution to the Nigerian economy. Therefore, in general analysis ACGSF has increased the level of farm inputs, farm output, and employment generation, income earnings, and attracts small and medium enterprise in Nigerian. This is how the credit scheme influenced the Nigerian economy and improved the level of agricultural and economic development in Nigeria.

#### **2. Expansion of Integrated Rural Life, Economy and Development of the Affected Rural Areas.**

It has also been discovered that expansion of farmers output, income earnings and employment generation unanimously improved the quality of life and economic well-being of the people living in the affected rural areas. The scheme enhances the provision of schools, medical centers, feeder roads, electricity and portable water supply. However Markets, financial institutions, commercial and transportation development were achieved in the affected rural areas. These enhanced the quality of life, standard of living, literacy and health, and alleviate the extreme poverty, unemployment, income inequality, destitution, illiteracy, diseases, and rural to urban migration in the areas. However, education, health and socio-economic infrastructural development were achieved in the rural areas. Therefore, the Agricultural Credit Scheme improves quality of life and rural economy of the affected rural areas and enhances the level of integrated rural economy, agricultural and economic development in Nigeria.

#### **3. Expansion of the Economy of the States of Nigeria.**

The expansion of the beneficiary farmers output, agricultural production and income earnings have also expanded the per capita output and income, domestic trade, food production, food supply, food security and food price stability of the states of the federation. The domestic trade also among the states of the federation

**Table 1:** How ACGSF Loans Increased Farm Business Operations in the Nigerian Economy.

Alternative	Frequency	Percentage (%)
Influence others participate	1	4.2%
Encourage small and medium enterprises	1	4.2%
Increased farm capital and inputs	8	33.3%
Increased farm operating capital	5	17.7%
Increased farm output, employment and income	10	48.2%
<b>Total</b>	<b>25</b>	<b>100%</b>

Source: Central Bank of Nigeria, bulletin, February 2007. P.52

**Table 2:** How ACGSF contributed to the domestic food supply and food security in Nigeria

Variable	Frequency	Percentage (%)
Yes	22	87.9%
No	3	10.1%
<b>Total</b>	<b>25</b>	<b>100%</b>

Source: Central Bank of Nigeria, Bulletin, February 2007.

**Table 3:** How ACGSF contributed to the domestic food supply.

Variables	Frequency	Percentage (%)
Increased domestic food production	17	70.8%
Increased domestic food and export	3	8.2%
Increased domestic food production and employment	5	21%
<b>Total</b>	<b>25</b>	<b>100%</b>

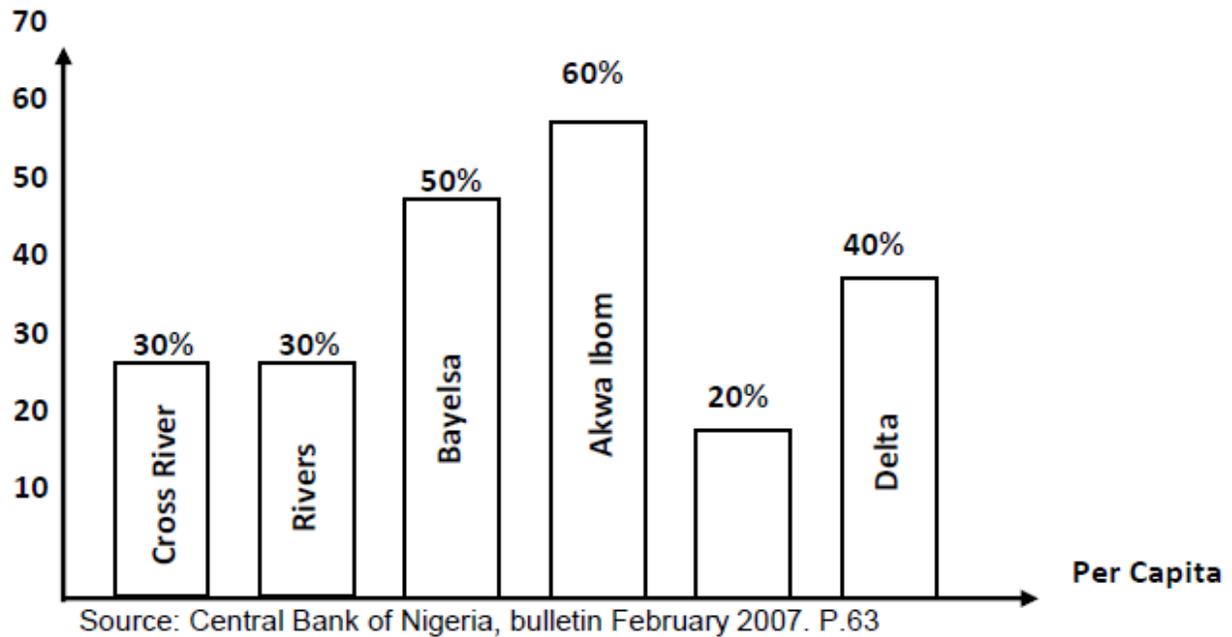
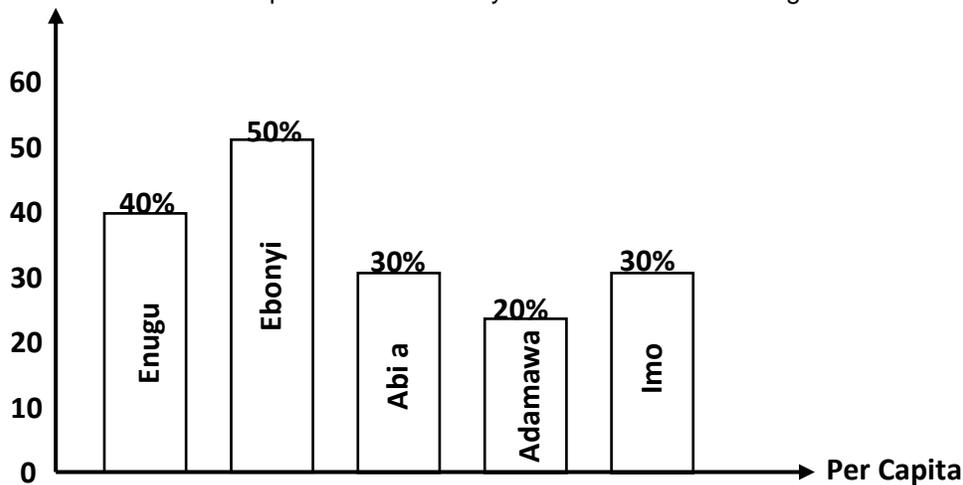
Source: Central Bank of Nigeria, February 2007. P.53

have also improved and increased due to farmers' expansion of output, food production, food supply and exchange of agricultural products. This improves and enhances inter - states trade and commercial activities among the states. The per capita output and income of all the states of the federation have increased dramatically. These have greatly improved the agricultural and economic development of Nigeria. The tables below will show the contributions of the credit scheme on domestic food production, food supply and security, per capita output and income of all the states of the federation.

The Table 2 shows the evidence of the assessment of the contributions of ACGSF on the domestic food production, food supply and food security in Nigerian. This indicates that the credit scheme has enhanced the domestic food production, food supply and food security in Nigeria. Food scarcity and food insecurity are integral part of the major threats to the Nigerian economy, which encourages food importation and starvation. The twin problems are the root and genesis of food inflation, starvation, malnutrition, extreme hunger, and disease and food importation in Nigeria. According to Central Bank of Nigeria statistics ACGSF has greatly increased the level of domestic food production, food supply, food availability

and food security in Nigeria. It indicates that the ACGSF has made positive contribution to the Nigerian economy. Therefore, effective commitment to credit scheme like ACGSF would help the Nigerian economy to control and reduce food scarcity, food insecurity and food importation.

The Table 3 shows the evidence of ACGSF contribution on the domestic food production and supply in Nigeria. According to the above data the scheme contributed 8.2% to domestic food and food export, 21% to domestic food production and employment while 70.8% to domestic food production. It indicates that the Agricultural Credit Guarantee Scheme has increased the domestic food production in Nigeria. However, increased in domestic food production increased food supply, food availability, food security and domestic or internal trade in Nigeria. A wider coverage of this credit scheme to all rural areas of Nigeria would help to improve and increase domestic food production, food supply, food availability and food security. These would invariably promote domestic/internal trade, food exports, import substitution, foreign exchange earnings and balanced of trade in Nigeria.

**Bar Chart 1: Per Capita ACGSF Loan by States in South-South Nigeria****Bar Chart 2: Per Capita ACGSF loan by States in South-East Nigeria**

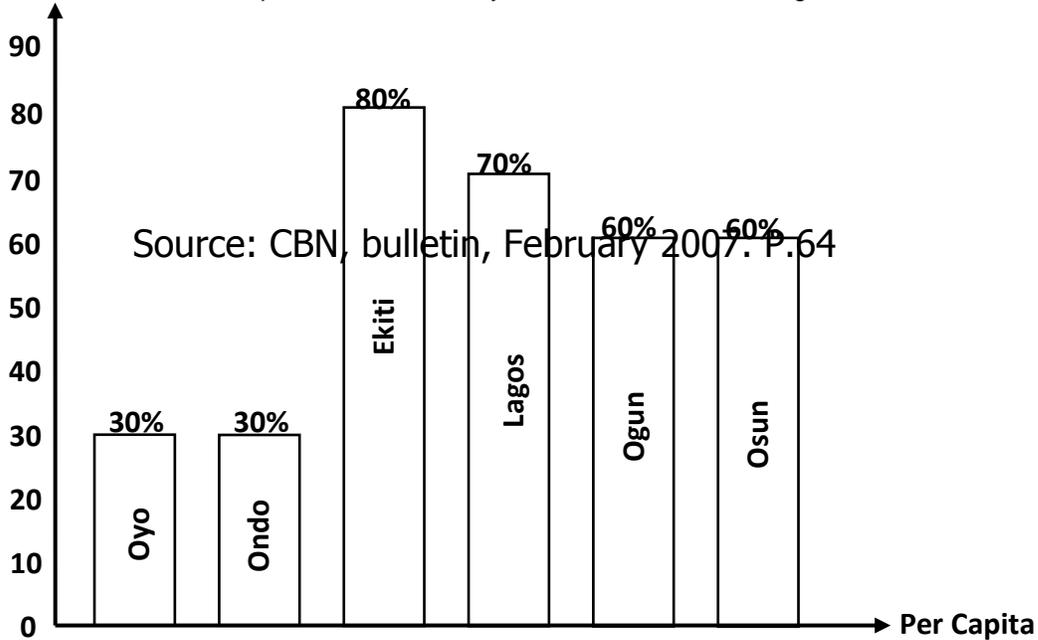
### The Impact of ACGSF on Per Capita Output and Income of the Six Geo-Political Regions of Nigeria

The bar chart 1 shows the evidence of the contribution of ACGSF on per capita output and income of all the states in the south-south of Nigeria. Akwa Ibom state has the greater percentage of per capita output and income among the states which accounts for 60%. It indicates that the Agricultural Credit Scheme has enhanced the per capita output and income of all the states in south – south Nigeria.

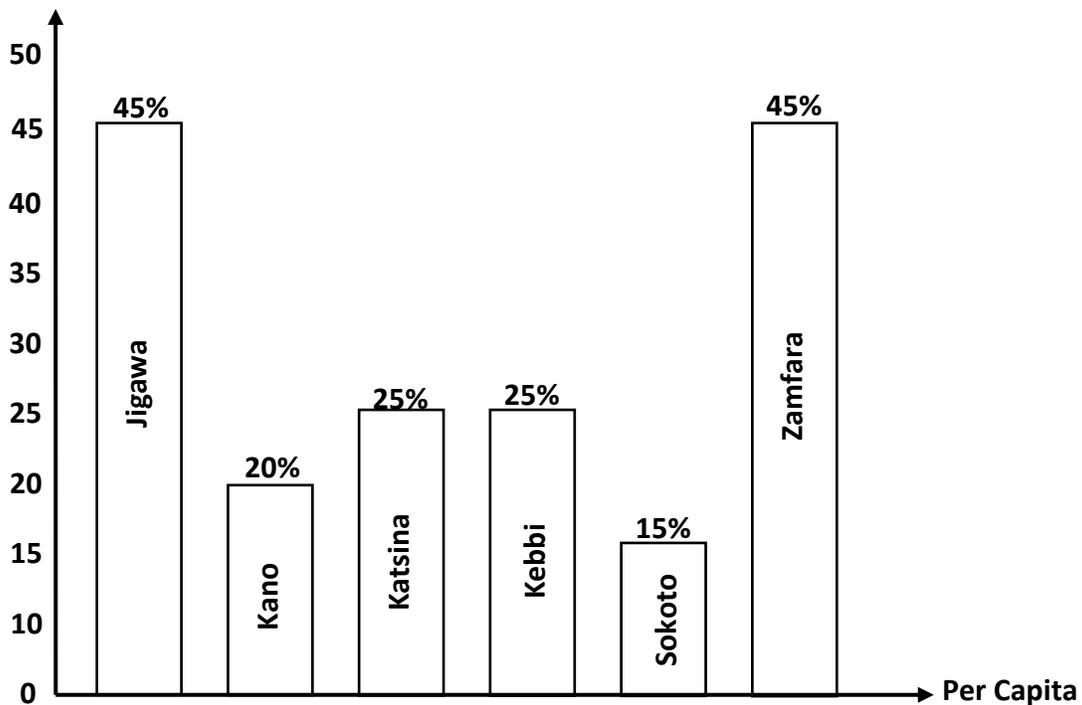
If the credit scheme would be given adequate attention and fund would categorically assist and enable the Nigerian economy to facilitate agricultural and economic development. However, 90% of Nigeria's agricultural output comes from peasant farmers who reside in the rural areas. Nigerian agriculture provides the means of livelihood for over 70% of the population and is a major source of raw materials for the agro-allied industries and a potent source of the much needed foreign exchange (World Bank, 1998).

The bar chart 2 shows the evidence of the contribution

**Bar Chart 3: Per Capita ACGSF Loan by States in South-West Nigeria**



**Bar Chart 4: Per Capita ACGSF Loan by States in North-West Nigeria**



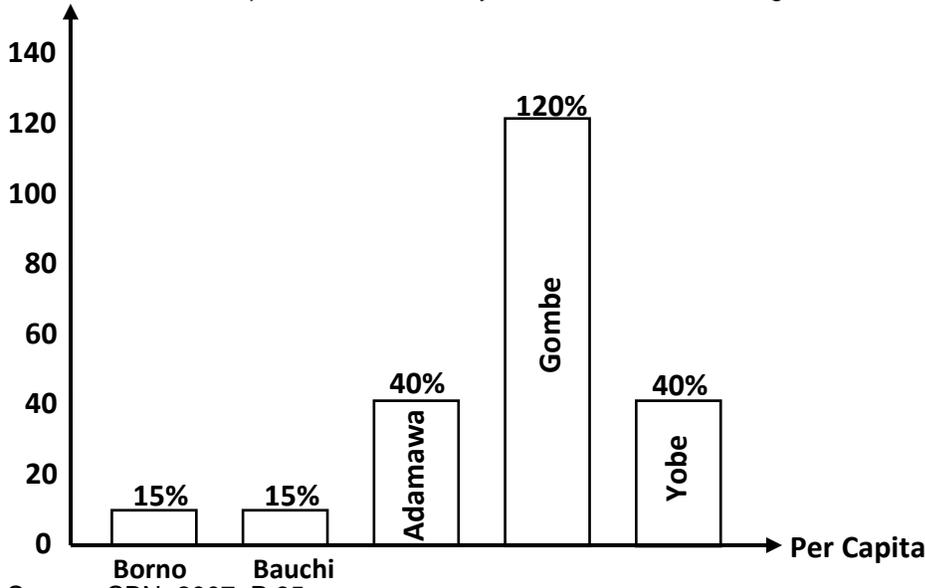
Source: Central Bank of Nigeria, bulletin, February 2007. P.64

of ACGSF on per capita output and income of all the states in the south-east of Nigeria. Ebonyi state has the greater percentage of per capita output and income among the states which accounts for 50%. It indicates that the Agricultural Credit Scheme has enhanced the per

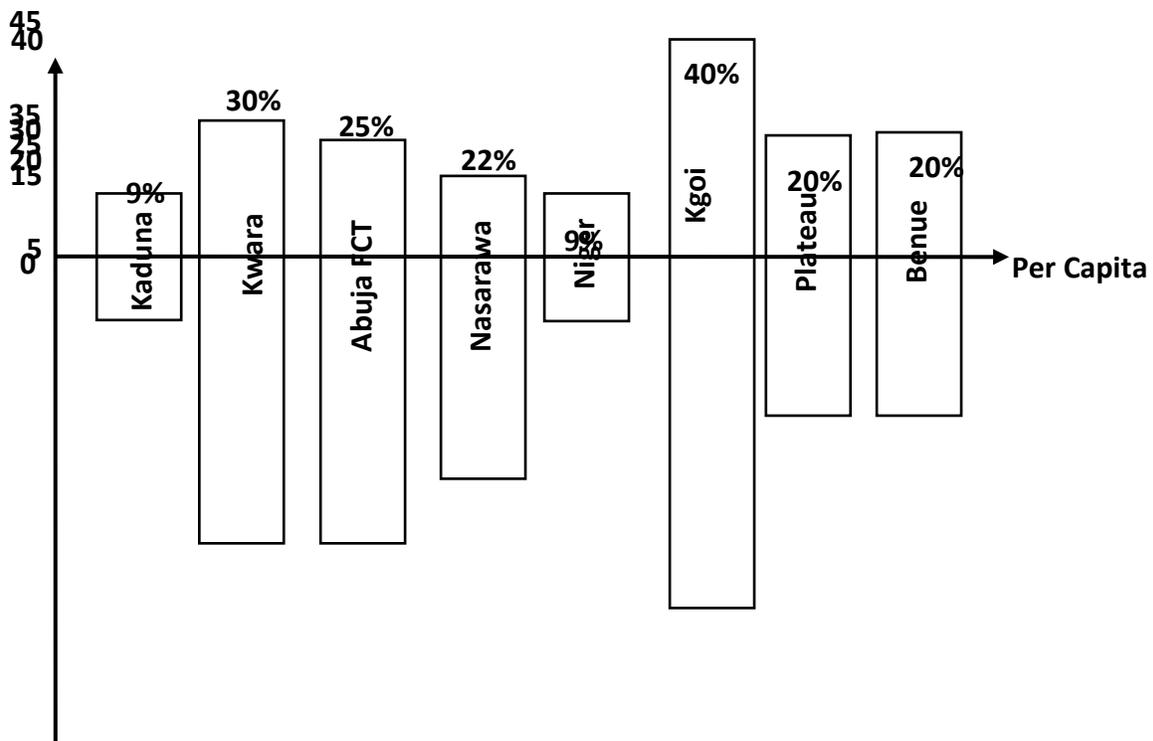
capita income and output of all the states in the south-east of Nigeria.

The chart 3 shows the evidence of the contribution of Agricultural Credit Scheme on per capita output and income of all the states in the south-west. Ekiti state has

**Bar Chart 5: Per Capita ACGSF Loan by States in North-East Nigeria**



**Bar Chart 6: Per Capita ACGSF Loan by States in North-Central Nigeria**



the greater percentage of per capita output and income among the states which accounts for 80%. It indicates that the Agricultural Credit Scheme has enhanced the per

capita output and income of all the states in the south-west of Nigeria. According to Central Bank of Nigeria statistics this is how ACGSF made positive contribution to

the Nigerian economy.

The chart 4 shows the evidence of the contribution of Agricultural Credit Scheme on per capita output and income of all the states in the north-west. Jigawa state has the greater percentage of per capita output and income among the states which accounts for 45%. It indicates that the Agricultural Credit Scheme has enhanced the per capita output and income of all the states in the north-west of Nigeria. According to Central Bank of Nigeria statistics this is how ACGSF made positive contributions to the Nigerian economy.

The bar chart 5 shows the contribution of ACGSF on per capita output and income of all the states in the north-east. Gombe state has the greater percentage of per capita output and income among the states which account for 120%. It indicates that the credit scheme has enhanced the per capita output and income of all the states in the north-east of Nigeria. According Central Bank of Nigeria statistics this is how ACGSF made positive contribution to the economic growth and development of the Nigerian economy.

The chart 6 shows the evidence of the contribution of ACGSF on per capita output and income of all the states in the north-central. Kogi state has the greater percentage which accounts for 40%. It indicates that the Agricultural Credit Scheme has enhanced the per capita income and output of all the states in the north-central of Nigeria. According to the Central Bank of Nigeria statistics this is how ACGSF made positive contributions to the Nigerian economy by increasing the per capita output and income earnings of the states of the federation.

It can be concluded that ACGSF has positively affected the Nigerian economy by influencing the per capita output and income of all the states of the federation. It increases the level of per capita output and income, domestic trade, food production and security of all states of the federation. Therefore, the Agricultural Credit Guarantee Scheme has made significant contributions to the per capita output and income of Nigerian. Effective utilization of ACGSF would help the Nigerian economy to achieve greater per capita output and facilitate economic growth and development.

#### **4. Expansion of National Economy.**

The expansion of food production, food supply, domestic trade among the states of the federation have improved the Gross domestic product, import substitution on food locally produced, the dependency on food locally produce, production of both food and cash crops, food security, agricultural exports, foreign exchange earnings and foreign trade and investment of the Nigerian economy. This eventually improved agricultural and rural development and also improved the level of economic

growth and development in Nigeria.

The Table 5 shows the evidence of the contribution of ACGSF on employment generation, jobs creation and labor use in the above selected states of the federation. It indicates that the Agricultural Credit Guarantee Scheme has enhanced employment generation in Nigeria. According to Central Bank Nigerian statistics ACGSF has increased the level of employment and jobs creation in all states of the federation.

Unfortunately, unemployment is one of the critical economic problems facing Nigerian economy for many years. A lot of schemes, programmes and policies had been implemented by government to tackle the issues of unemployment and poverty in Nigeria. Unfortunately, virtually all had failed and collapsed woefully. Progressively this study shows the great positive contributions of this credit scheme on farm business, farm input and outputs, domestic production, food production, food supply and security, states per capita output and income and employment generation. The study believes that effective management and adequate fund to scheme like ACGSF would help the Nigerian economy to achieve agricultural and rural development and facilitate economic growth and development.

#### **5. The Credit Scheme Has Been Successfully Implemented in the Affected Areas.**

The Agricultural Credit Scheme had made positive contributions to the affected rural farmers, rural areas economy, states economy and the national economy at large. The scheme was however free from embezzlement, mismanagement and funds diversion. There was continuity and progress in operation, performance and inflow of credit to the Nigerian farmers. The scheme facilitates dynamic inflow of credit to Nigerian farmers. It makes Nigerian farmers to patronized formal credit markets and also prevented from the exploitation of traditional credits dispensers. It has institutionalized agricultural credit practices in Nigeria, and enhances the supply of adequate funds to agricultural sector of Nigeria. These made the credit scheme more successful in implementation operation in spite of the challenges.

However, the reasons of failure and collapse in Nigeria's agricultural schemes, policies and programme could be attributed to bad leadership, mismanagement, inconsistency, lack of continuity, insider abuse, poorly implemented, lack of effective monitoring and evaluation, pandemic corruption, embezzlement, politically motivated policies, lack of political will and accountability among our leaders and of course break down of the rule of law in Nigeria.

**Table 5:** Average Employment Generation and Labour Use due to ACGSF Loans among the States of the Federation.

Location	Before Loan	After Loan	Net Difference	Overall Effects
Cross Rivers	3.47%	6.87%	3.40%	Positive
Rivers	6.89%	14.64%	7.75%	Positive
South-South	5.33%	11.11%	5.77%	Positive
Enugu	5.33%	12.37%	7.03%	Positive
Ebonyi	10.37%	14.63%	7.50%	Positive
South-East	6.23%	13.50%	7.27%	Positive
Oyo	3.90%	8.10%	4.19%	Positive
Ondo	3.90%	9.19%	5.29%	Positive
South-West	3.90%	8.65%	4.74%	Positive
Kano	2.25%	6.72%	4.43%	Positive
Jigawa	5.67%	11.77%	6.10%	Positive
North-West	4.82%	8.98%	4.16%	Positive
Bauchi	5.77%	10.03%	4.27%	Positive
Borno	5.63%	8.47%	2.83%	Positive
North-East	5.70%	9.25%	3.55%	Positive
Kaduna	3.89%	6.87%	3.00%	Positive
Kwara	2.33%	6.03%	3.70%	Positive
Abuja	4.30%	6.20%	2.90%	Positive
North-Central	3.27%	6.41%	3.14%	Positive
<b>National</b>	<b>4.84%</b>	<b>9.58%</b>	<b>4.74%</b>	<b>Positive</b>

Source: Central Bank of Nigeria, bulletin February 2007. P.84

### Challenges

There is no policy, programme or scheme without challenges and shortcomings. The credit scheme has been generally criticized for being bourgeois/elite oriented due to inability to access the real/ full time farmers in remote rural areas. The scheme has neglected and marginalized rural small and medium farmers. The larger numbers of beneficiary were urban farmers, politicians, top civil servants and educated elites who are mainly part time farmers. They controlled the supply of credit by virtue of their educational and political influence and connections with lending institutions and local government authorities.

There was high incidence of loans defaults and loans diversion among the farmers. And some commercial banks charged high interest rate on loans against Central Bank of Nigeria fixed and single digit interest directives. The size of the loan is too small for some farmers that have large investment capacity. There was also delay in the disbursement of the loans by lending institutions which led loans diversion and loans defaults, and difficulties to recover funds.

The scheme does not have effective mechanism and unique written down rules and regulations that would monitor and guide its operation and performance. The collateral security for the loans are not favorable to the farmers, 90% of the remote rural farmers does not have

land insurance or certificate of occupancy as collateral security. There was absence of social policy that would help farmers been affected by natural disaster such as flood, erosion and pest while on loans. There was inability of the scheme to cover all the Nigerian local governments and rural areas. The credit scheme is only limited to some selected local government areas. Finally there was inadequate access to information on the credit facility for the farmers. Many rural farmers were not aware for the existence of the credit scheme and procedures for accessing the loans.

## RECOMMENDATIONS

Therefore, in order to sustain the credit scheme now and in future and improve its operation, management and performance effectively. The following suggestions or recommendations should be considered.

The scheme should be socially oriented in accessing larger number of real/full time rural small and medium farmers who are the majority, poor and have insufficient capital to expand their farm production. This category or class of farmers are the target of the scheme and are the class of farmers that need financial assistant or credit to boost their farm productivity.

The size of the loans also should be increase to the capacity and willingness of the farmers in order to stimulate their productive capacity. Central Bank of Nigeria should force lending institutions to the fixed interest rate to prevent charging high interest by some commercial banks, this will increase and encourage greater participation of the rural farmers and encourage greater agricultural production in Nigeria.

And effective monitoring mechanism and clear written rules and regulations must be implemented to monitor and guide the operation and performance of the scheme. However, the operation of the scheme should be expanded and extended to all local governments and rural areas in Nigeria for the Nigerian economy to achieve agricultural revolution, rural development and of course economic development.

Collateral security should always be favourable to the farmers in order to motivate them to join the credit scheme. Traditional rulers, village heads, farmers association and extension workers and local authorities should be incorporated into the scheme to serve as collateral security for the farmers and to sensitize and mobilize farmers into the credit facility.

## CONCLUSION

The paper examines the effects of Agricultural Credit Guarantee Scheme (A development role) of the Central Bank of Nigeria on agricultural and economic

development. The paper discovered that the scheme had made some positive contributions to the affected rural farmers, affected rural areas, states economy and national economy at large. The scheme has increased the level of agricultural growth and development as well as the economic growth and development of the Nigerian economy. The scheme lacks effective monitoring mechanism and clear written rules and regulations. Therefore, three tiers of governments and Central Bank of Nigeria should give the scheme necessary support, adequate attention and publicity.

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