

# The Effectiveness of the Anchor Borrowers' Programme in Nigeria (A Review Analysis)

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**Abstract-**The study aimed to examine the effectiveness of the Anchor Borrowers Programme (ABP) in Nigeria through systematic and analytical review of previous related researches conducted to assess and examine the impact and effectiveness of the ABP programme. A qualitative research design was adopted, utilizing in-depth and systematic documentary analysis of the previous research findings on the Anchor Borrowers' Programme (ABP). The findings revealed varied assessments of the ABP's impact. The programme has shown positive effects on farm produce, food security, employment generation, and agricultural commodity prices. However, it also faces challenges such as implementation issues, low technical efficiency, and breach of agreements. However, the Programme has the potential to enhance agricultural development in Nigeria but requires improvements in implementation and technical efficiency. Therefore, the study recommends the strengthening implementation mechanisms, promoting technical efficiency, fostering accountability, expanding programme coverage, and monitoring and evaluating impact to enhance the effectiveness and sustainability of the ABP

**Key words:** Anchor Borrowers' Programme (ABP), Agriculture, Review, Effectiveness, Nigeria.

## INTRODUCTION

For centuries, agriculture has been a crucial pillar of the Nigerian economy, providing the majority of its population with a means of livelihood. Nigeria once boasted a thriving agricultural sector that was self-sufficient in producing and processing a variety of crops and livestock. However, with the oil boom of the late 1970s, the government shifted its attention to the oil industry, resulting in Nigeria becoming almost entirely dependent on crude oil exports. Unfortunately, this shift led to neglect of other sectors, including agriculture, which suffered a significant decline.

Today, Nigeria has transformed from a self-sufficient producer and processor of food to a net food importer. This shift has resulted in the country spending billions of dollars each year on food imports. Factors contributing to this change include the discovery of oil, lack of government support for the agricultural sector, inadequate infrastructure, and limited access to credit for farmers. The consequences of this shift have been devastating, with Nigeria experiencing food insecurity and increased reliance on imported food. (Ifeoma, 2019).

Various agricultural credit initiatives have been implemented by both federal and state governments in order to facilitate agricultural development and reduce the nation's dependence on imports and broaden the economy beyond oil. These initiatives include the Agricultural Credit Guarantee Scheme Fund (ACGSF) which was established in 1978, the Supervised Agricultural Credit Scheme (SACS) which was established in 1979, the Special Emergency Agricultural Loans Scheme (SEALS) which was established in 1984, the Agricultural Credit Support Scheme (ACSS) which was established in 2006, the Commercial Agricultural Credit Scheme (CACS) which was established in 2009, and the Small and Medium Scale Enterprise Credit Guarantee Scheme (SMECGS) which was instituted in 2010. (Umeh & Adejo, 2019).

The Anchor Borrowers' Programme (ABP) was established by the Central Bank of Nigeria (CBN) in 2015 to create economic connections between smallholder farmers (SHFs) and reputable companies involved in the production and processing of basic agricultural commodities. This programme was set up in accordance with the CBN's developmental functions as stated in Section 31 of the central bank of Nigeria's Act of 2007. The primary objective of the

ABP Programme is to provide loans (in-kind and cash) to smallholder farmers to boost agricultural production, create employment opportunities, decrease the cost of food imports, and conserve foreign reserves. (Development Finance Department of CBN Guidelines revised, 2021)

The Nigerian government established the ABP programme to tackle the high costs incurred from importing food crops and agricultural products that can be produced within the country. According to the CBN guide on the ABP programme (2015), Nigeria has spent an average of over N1 trillion on agriculture commodities and food imports over the past two years. In 2013 and 2014, food items such as wheat, rice, milk, fish, and sugar accounted for N901 billion or 93.5%, and N788 billion or 88.71% of the total import bill, respectively. The import bill for rice and wheat was estimated at N428 billion and N307 billion in 2013 and 2014, respectively. These large expenditures on items that Nigeria has the potential to produce locally resulted in missed opportunities for generating employment and creating wealth. Additionally, the allocation of foreign exchange to import these items has been depleting the country's foreign reserve, which has been declining steadily in recent periods. The ABP programme, therefore, seeks to boost local production of agricultural commodities and create economic opportunities for smallholder farmers in Nigeria. It is expected that by providing loans to SHFs, the programme will empower them to increase their productivity and improve the quality of their produce. This will, in turn, lead to an increase in the supply of locally produced food crops and other agricultural products, which will reduce Nigeria's reliance on food imports, conserve foreign reserves, and create jobs for the country's citizens. (Development Finance Department of CBN Guidelines revised, 2021)

In summary, the ABP programme is a crucial initiative by the CBN aimed at boosting Nigeria's local agricultural production, reducing the cost of food imports, and conserving foreign reserves. It is expected to create economic opportunities for smallholder farmers and contribute to the country's overall economic growth and development. (Umeh & Adejo, 2019)

This study aims to thoroughly review the various researches conducted on the Anchor Borrowers' Programme (ABP) in Nigeria. The analysis will examine the effectiveness, implications, pros, and cons of the program in different regions of the country, in order to evaluate its success in achieving its objectives. Additionally, recommendations will be made for the improvement of the program and the agricultural sector in Nigeria.

The study has three specific objectives;

- To assess the effectiveness of the Anchor Borrowers' Programme (ABP)
- To evaluate the extent to which program objectives have been met, and .
- To analyze previous research findings on the program's impact and effectiveness

#### REVIEW OF RELATED LITERATURE

This study is an analytical review of various researches conducted to assess and examine the impact and achievement of Anchor Borrowers' Programme in Nigeria.

Usman (2023) provides an in-depth analysis of the impact of the Anchor Borrower Programme on the farm produce of beneficiaries in Niger state's Lapai local government area over a period of five years, from 2016 to 2021. Descriptive statistics, such as frequency count, simple percentage, mean, and standard deviation, were utilized to address the research questions. In addition, regression analysis was used to test the null hypothesis. According to the research hypotheses, the Anchor Borrower Programme had a significant and positive impact on the yield and farm produce of farmers in the study area. By providing access to credit facilities, agricultural inputs, and technical assistance, the programme has played a crucial role in boosting farmers' productivity. The study's findings could be beneficial in formulating policies and strategies aimed at promoting agricultural development and achieving food security in the region.

Babatunde (2023), conducted this study in Kwara State, Nigeria, to analyzed the impact of the Anchor Borrowers' Programme on the food security of smallholder maize farming households. A two-stage sampling procedure was used to select 120 smallholder maize farming households for data collection. To assess the program's effect on

household food security, the study used descriptive statistics, Propensity Score Matching (PSM), and Average Treatment Effect on Treated (ATT) of the farmers. The program's impact on household food security was also evaluated using a multiple regression model to determine its heterogeneous effects. The results indicated that the Anchor Borrowers' Programme improved the food security of participating households, but the impact varied depending on the household's characteristics.

Umoren, Akpan and Umoren (2021) evaluate the effectiveness of risk mitigation strategies in the Anchor Borrowers' Programme's value chain in Akwa Ibom State. To gather information, a qualitative research design that included in-depth interviews, focused group discussions, and personal interviews with stakeholders selected purposively from a list. The value chain's identified risks included government policies, market prices, climate change, and production, while stakeholders employed various risk mitigation strategies such as monitoring the loan process, certifying input supplies, seeking equity contributions from farmers, adopting best agricultural practices, confirming prepaid insurance premiums, and assessing the financial capacity of anchors. The study's findings suggest that a combination of coping remediation activities, risk mitigation strategies, and risk transfer could provide efficient economic opportunities and increase returns on investment.

Giroh, Tafida, Morris, and Marcus (2021), the research was carried out on addressing financial exclusion among small holder farmers through the Anchor Borrowers' Programme was carried out in Yola North and Yola South Local Government Areas of Adamawa State, Nigeria. The study aimed to identify strategies that could help small holder farmers overcome their financial exclusion. A total of 94 farmers were surveyed using a structured questionnaire, and the data collected was analyzed using both descriptive and inferential statistics. The survey revealed that the farmers had a relatively young age, with an average of 40 years and an average family size of 6. Most of them were small holder farmers, with an average farm size of 3.21 hectares, and had around 10 years of experience. The study also found that several factors had a statistically significant impact on the farmers' access to agricultural credit, including their age, primary

occupation, membership of cooperative society, training, and income.

Akighir, Akegh and Emmanuel (2021) This research investigates how effective the Anchor Borrowers' Programme (ABP) is in reducing poverty among small-scale farmers in Benue State. Employing a cohort survey design, the study involved 382 beneficiaries, and we analyzed the data using various statistical methods such as tables, simple percentages, paired t-tests, charts, indices, and a logit model. The results reveal that although beneficiaries have increased their farm sizes, there has been no corresponding increase in farm output and income. Late supply of farm inputs, unfavorable climatic conditions, and unproductive seedlings were identified as key factors contributing to poor output and non-increase in income. Consequently, the ABP programme did not meet its expected objective of reducing poverty levels in the state, with only a small percentage of beneficiaries experiencing any significant socio-economic improvement. However, the regression model suggests that addressing implementation constraints and challenges could lead to an improved quality of life for most beneficiaries

Akinwale (2021) carried out this research to provides an overview of the Anchor borrowers' programme in Nigeria, specifically focusing on the innovative agricultural value chain financing. Through a desktop review and in-depth interviews with ABP program informants, the research examined the program's performance, innovation, and shortcomings. The findings showed that the ABP program demonstrated innovation in finance, distribution, and risk mitigation models. Additionally, the program's performance was highlighted in terms of its coverage and loan repayment. However, the study also identified deficiencies in the program's implementation, such as multiple stakeholders and sharp practices among financial institution officials.

Olanrewaju, Osabohien and Fasakin (2021), The study aimed to investigate the impact of the Anchor Borrowers' Programme (APB) on the productivity of young rice farmers in Kaduna State, Northern Nigeria. The research collected cross-sectional data from these farmers and used probit regression to identify the factors that influenced their participation in the ABP. To mitigate any selection bias that may have resulted from the nature of the data, it utilized an instrumental variable regression

approach. The findings indicated that the involvement of young rice farmers in the APB programme in Kaduna State was influenced by their level of education, marital status, membership in a cooperative association, and access to credit. Furthermore, the study revealed that the APB had a positive impact on the rice output of these farmers.

Okeke, Mbanasor, and Nto (2019), conducted a comparative analysis to evaluate the technical efficiency of rice farmers who were beneficiaries and non-beneficiaries of the Anchor Borrowers' Programme in Benue State, Nigeria. The study sampled 768 respondents from 18 communities and 18 Local Government Areas, which consisted of 388 beneficiaries and 380 non-beneficiaries. Data was collected using a well-structured questionnaire and analyzed using descriptive statistics, multiple regression analysis, and stochastic frontier production function. The study results indicated that beneficiary rice farmers had lower levels of technical efficiency compared to non-beneficiaries. Moreover, the use of seed (0.483) and agrochemical (1.60) increased technical efficiency more among beneficiary rice farmers, while fertilizer (-1.285) decreased technical efficiency more than non-beneficiaries. The study also found that rice production among beneficiaries was in stage I of the production curve. Technical inefficiency of the farmers was significantly influenced by factors such as educational level (-0.045), gender (1.249), age (0.058), marital status (-2.633), household size (0.059), membership of cooperative (-0.250), and extension visit (0.126).

Umeh and Adejo (2019), this research aimed to evaluate the influence of the Anchor Borrowers' Programme (ABP) by the Central Bank of Nigeria on rice farmers in Kebbi State, Nigeria. Both primary and secondary data were collected, with 226 rice farmers participating in the study (113 beneficiaries and 113 non-beneficiaries of the ABP). Furthermore, annual time series data from 1990-2016 on Nigeria's rice import quantity and cost were analyzed. The data obtained were analyzed using descriptive and inferential statistics. According to the findings, fluctuations in Nigeria's rice import quantity and cost trends were observed. The beneficiaries of the ABP displayed greater efficiency, with a mean technical efficiency of 0.98 and a higher output of 5504.4kg/ha, whereas non-beneficiaries had a mean technical efficiency of 0.81 and output of

3267.7kg/ha.. Furthermore, ABP facilitated favorable links in terms of both time and price for beneficiaries. The study also found that ABP beneficiaries experienced an increase in income, employment opportunities, access to extension visits, a ready market for their produce, as well as training and seminars on farming, leading to an improvement in their standard of living

Saheed, Alexander, Isa, and Adeneye (2018) conducted a study to examine the influence of the Anchor Borrowers' Programme (ABP) on agricultural commodity prices and employment in Kebbi state, Nigeria. The researchers employed a combination of interviews and structured questionnaires to collect data from a sample of 400 farmers in the Argungu L.G.A, out of which 360 questionnaires were completed and returned. The data was analyzed using a multiple regression model. The study's results reveal that the ABP has a significant and encouraging effect on agricultural commodity prices and employment in the agricultural sector, particularly in the study area.

Ayinde, Fatigun, Ogunbiyi, Ayinde and Ambali (2018), this research analyzed the efficacy of the Anchor Borrower's Programme, a government initiative that aimed at enhancing rice production in Kwara State, Nigeria. The study area participants responded to a structured questionnaire for data collection. According to the findings, various reasons led to 88.1% of beneficiaries failing to deliver their produce as agreed. Nevertheless, the beneficiaries achieved an average estimated output of 3.94 metric tons per hectare of paddy rice, and the initiative had a favorable impact on the recipients' income.

## METHOD AND MATERIALS

The study employed a qualitative research design, utilizing in-depth and systematic documentary analysis to gather information from the findings of the previous relevant researches conducted to assess the impact and effectiveness of Anchor Borrowers' Programme (ABP) on various categories of farmers across different regions of Nigeria. The data will be analyzed using thematic analysis to uncover patterns and insights into the effectiveness of the ABP in Nigeria.

## DISCUSSION OF FINDINGS

This study aims to evaluate the Anchor Borrowers Programme (ABP) in Nigeria and provide a detailed analysis of its effectiveness and impact. The study will examine the program's impact on agricultural productivity, import reduction, food security, and economic growth, with the aim of providing a comprehensive assessment. The research will delve into the challenges and opportunities faced by the programme, identify areas for improvement, and make recommendations to enhance its effectiveness and sustainability.

### ANALYSIS OF THE FINDINGS OF THE REVIEWED RESEARCHES

#### Impact of Anchor Borrowers Programme on Farm Produce

Significant positive impacts on farm produce of farmers (Usman 2023)

The food security of smallholder maize farming households has been enhanced. (Babatunde 2023)

There has been an increase in the size of farms, yet there has not been a corresponding increase in the yield or output of these farms, resulting in a lack of increase in income for farmers. (David, Eunice, and Ebele 2021)

#### Risk Mitigation Strategies under the Anchor Borrowers' Programme (ABP)

Risk transfer and coping remediation activities adopted by stakeholders (Umoren, Akpan, and Umoren 2021)

Monitoring the loan process, ensuring equity contributions from farmers, implementing best agricultural practices, and assessing the financial capacity of anchors are all strategies used to mitigate risk. (Umoren, Akpan, and Umoren 2021)

#### Socioeconomic Characteristics and Participation in the Anchor Borrowers' Programme (ABP)

Relatively young farmers with small farm sizes and limited experience (Giroh, Tafida, Morris, and Marcus 2021)

The participation of youth rice farmers is significantly influenced by their marital status, credit access, educational level, and cooperative association membership. (Opeyemi, Romanus, and James 2020)

#### Technical Efficiency and Productivity of Anchor Borrowers' Programme Beneficiaries

The rice farmers who are beneficiaries of assistance have a lower level of technical efficiency compared to those who are not beneficiaries. (Okeke, Mbanasor, and Nto 2019)

Beneficiaries achieved higher mean output and technical efficiency compared to non-beneficiaries (Umeh 2019)

#### The ABP programme's effect on agricultural commodity prices and employment

The impact of ABP on agricultural commodity price and employment generation in the agricultural sector is both positive and statistically significant. (Saheed, Alexander, Isa, and Adeneye 2018)

#### Implementation Challenges and Performance in the ABP programme

Late in the supply of farm inputs, unfavorable climatic conditions and unproductive seedlings, affecting yield and income (David, Eunice, and Ebele 2021)

Breaching of agreements by beneficiaries and failure to deliver produce to Anchor Borrowers Programme (Ayinde, Fatigun, Ogunbiyi, Ayinde, and Ambali 2018)

Multiple stakeholders and sharp practices among financial institution officials of the ABP (Akinwale 2021)

## CONCLUSION

The Central Bank of Nigeria's Anchor Borrowers' Programme (ABP) is an intervention aimed at improving agricultural productivity, reducing the country's reliance on imports, and boosting economic growth. However, the effectiveness of the programme has been evaluated differently.

While some studies have found that the programme has had positive impacts on farm produce, food security, and employment, others have identified challenges such as problems with implementation,

low technical efficiency, and beneficiaries breaking their agreements.

### RECOMMENDATIONS

Based on the findings of this review, the following recommendations are proffered:

1. Strengthen implementation mechanisms: To enhance the programme's impact on farm productivity, it is important to overcome implementation challenges such as delayed supply of inputs, unproductive seedlings, and adverse weather conditions..
2. Promote technical efficiency: Provide training and support to beneficiaries to enhance their technical skills and knowledge, leading to increased farm output and reduced costs.
3. Foster accountability: Enforce adherence to agreements and ensure that beneficiaries deliver their produce to the anchor borrowers to promote trust and sustainability.
4. Expand programme coverage: Increase the number of beneficiaries and crops covered under the ABP to maximize its impact on agricultural development.
5. Monitor and evaluate impact: Conduct regular monitoring and evaluation to assess the progress and impact of the ABP and make necessary adjustments to ensure effectiveness and sustainability.

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