

The Impacts of Agricultural Credit Guarantee Scheme Fund (ACGSF) in Nigeria (A Reviewed Analysis)

Adamu Haruna Dawakintofa¹, Anup Kumar Srivastava²

¹*Department of Humanities and social science (SHSS), Sharda University India*

²*SBS Assistant Professor, Department of Humanities and social science (SHSS), Sharda University India*

Abstract- *The study aimed to examine the impacts of agricultural credit fund (ACGSF) in Nigeria based on the systematic and analytical reviewed of previous related research conducted on the impact on agricultural credit guarantee scheme fund (ACGSF). Qualitative research was employed to provide in depth and systematic analysis of previous research finding on agricultural credit guarantee scheme fund. From the reviewed finding it has been established that agricultural credit guarantee scheme fund had impact of agricultural sector such as agricultural productivity, food security, increase access to credit for the farmers, reduce the borrowing cost and increase agricultural production. The finding also revealed the fisheries as subsector was least finance which reflect low contribution to growth domestic products. Conversely, agricultural credit guarantee scheme face with some number of challenges such as default in repayment of loan due to the natural disaster, limited geographical coverage, administrative cost as well as corruption. The study recommend that the interest rate is major setback in achieving the dream, efficient and well- developed agricultural sector government should device fund disbursement techniques where farmer will be given loan at a lower interest rate this will make farmers prompt repayment.*

Keywords: *Agriculture Credit, Guarantee, Scheme, Fund (ACGSF) Review, Agriculture, Impact, Nigeria.*

INTRODUCTION

Agriculture is the cultivation of land and rearing of animal for the purpose of production of food man, animal and industries. It comprises of crop production, livestock, forestry, and fishery processing and marketing of those agricultural production. Agriculture involves the wide range of activities such as soil preparation, planting of seed, nurturing of plant, pest and diseases, management use for the production of food in order to sustain human life. The Nigerian government has been aware of the need to make

agriculture more economically viable and sustainable the government has taking serious measure to address the problem faced by the farmers in Nigeria such as low productivity, high input costs, market fluctuation climate change, indebtedness lack institutional support. The agricultural sector is a crucial driver of economic growth and development in Nigeria. However, access to affordable credit has been a significant challenge for farmers, limiting their ability to invest in improved inputs, technology, and other resources necessary to increase productivity and profitability.

In response to this challenge, the Nigerian government established the Agricultural Credit Guarantee Scheme Fund (ACGSF) in 1977. The ACGSF is a government-backed guarantee scheme designed to provide credit guarantees to financial institutions lending to farmers. This scheme aims to reduce the risk of lending to the agricultural sector, thereby encouraging banks and other financial institutions to provide loans to farmers at more favorable terms. The agricultural sector is a crucial driver of economic growth and development in Nigeria. However, access to affordable credit has been a significant challenge for farmers, limiting their ability to invest in improved inputs, technology, and other resources necessary to increase productivity and profitability.

In response to this challenge, the Nigerian government established the Agricultural Credit Guarantee Scheme Fund (ACGSF) in 1977. The ACGSF is a government-backed guarantee scheme designed to provide credit guarantees to financial institutions lending to farmers. This scheme aims to reduce the risk of lending to the agricultural sector, thereby encouraging banks and other financial institutions to provide loans to farmers at more favorable terms. The (ACGSF) has been instrumental in increasing access to credit for farmers in Nigeria. Since its inception, the scheme has

guaranteed over N1 trillion in agricultural loans, benefiting millions of farmers. The availability of affordable credit has enabled farmers to invest in inputs such as improved seeds, fertilizers, and farm machinery, leading to increased crop yields and incomes. Additionally, the (ACGSF) has played a crucial role in promoting financial inclusion among farmers. By providing guarantees to banks, the scheme has encouraged financial institutions to extend credit to previously unbanked or underbanked farmers. This has helped to integrate farmers into the formal financial system, providing them with access to a wider range of financial services.

In this study, we aim to examine the impact of the (ACGSF) on the agricultural sector in Nigeria. We will assess the scheme's effectiveness in increasing access to credit, promoting financial inclusion, and improving agricultural productivity and incomes.

Additionally, the (ACGSF) has played a crucial role in promoting financial inclusion among farmers. By providing guarantees to banks, the scheme has encouraged financial institutions to extend credit to previously unbanked or underbanked farmers. This has helped to integrate farmers into the formal financial system, providing them with access to a wider range of financial services.

In this study, we aim to examine the impact of the (ACGSF) on the agricultural sector in Nigeria. We will assess the scheme's effectiveness in increasing access to credit, promoting financial inclusion, and improving agricultural productivity and incomes.

ROLE OF AGRICULTURAL CREDIT GUARANTEE SCHEME FUND (ACGSF)

Role of the Scheme Various Studies have shown that Credit plays an important role in enhancing agricultural productivity of the farmer (Okorji and Mejeha, 1993; Nweze, 1991; Mafimisebi et al, 2008). The general purpose of the Nigerian Agricultural Credit Guarantee Scheme Fund is to encourage banks to lend to those engaged in agricultural production and agro – processing activities. Thus, the specific objectives of the scheme are the stimulation of total agricultural production for both domestic consumption and export; and the encouragement of financial institutions to participate in increasing the productive capacity of agriculture through a capital lending programmed. The scheme is expected to provide

guarantee on loans granted by financial institutions to farmers for agricultural production and agro-allied processing. The fund's liability is limited to 75% of the amount in default net of any amount realized by the lending bank from the sale of the security pledged by the borrower. Since the inception of the scheme in 1978, there has been a continuous aggregate increase in the number of loans to agriculture from a paltry 341 loans amounting to N11.28 million in 1978 to 3,571 loans amounting to N218.60 million as at May, 2006. Also, data at the Central Bank of Nigeria show that a total number of 453,748 loans valued at N11.28 billion were guaranteed from the inception of the scheme in 1978 to May, 2006. This translates to an average of 16,205 loans valued at N402.86 million per annum. The agricultural activities that can be guaranteed under the scheme are

- a. Establishment and / or management of plantation for the production of rubber, oil palm, cocoa, cotton, coffee, tea and other cash crops.
- b. Cultivation and production of cereals, tubers, and root crops, fruits of all kinds, beans, groundnuts, peanuts, benniseed, vegetables, pineapples, bananas and plantains.

PROBLEM OF AGRICULTURAL CREDIT GUARANTEE SCHEME FUND (ACGSF)

Bank Related Problems: - Participatory banks in the (ACGSF) do not cooperate fully in lending to farmers. Because of the high cost of processing loans relative to the actual loans and the high default rate of the farmers, many banks prefer to pay penalty to risk lending their funds to agriculture. Also banks fault the farmers for submitting incomplete application forms. In some cases where loans are approved, it arrives too late for it to fulfill the purpose for which it was intended. This delay seems more of administrative than any other.

Inefficient Targeting: The agricultural credit guarantee scheme has been criticized for not affectively targeting its intervention to smallholder farmers and other vulnerable groups in agricultural sectors.

Timely Payment: The farmers often face difficulties in repaying loan within the stipulated period of time due to some factor such as natural disaster, poor bumper harvest, weather condition, market fluctuations and lack of technical support.

Default Rates: The default rate on agricultural credit

guarantee scheme guaranteed loan has been higher than expected. This has led to some banks becoming reluctant to lent under the scheme.

RESEARCH OBJECTIVES

The research has three main objectives namely are: -
To assess the impact of agricultural credit guarantee scheme fund(ACGSF)
To evaluate the extent to which the objectives of agricultural credit guarantee scheme fund are ascertain.
To analyze the previous research finding on the role and impact of agricultural credit guarantee scheme fund (ACGSF).

LITERATURE REVIEW

The study is an analytical review of various research conducted on the impact and effectiveness of agricultural credit scheme fund (ACGSF) in Nigeria. As such, several empirical researches had been conducted to ascertain the impact and effectiveness of agricultural credit guarantee scheme fund (ACGSF) some of these researches. these researches are reviewed below:

Orok, A. B, & Ayim S. (2017). Conduct their study on the topic impact of agricultural credit guarantee scheme on agricultural sector development in Nigeria. The ordinary least square and multiple linear regression was employed to address the research question. The finding revealed there is exist positive and significant relationship between agricultural credit guarantee scheme fund (ACGSF) and agricultural sector development evaluated by of its GDP. The finding alsoshowed the scheme had given more fund and impacted more on crop sector over the livestock and fishery sector. Aparinde et al., (2017). Conduct an empirical analysis on the Influence of agricultural credit guarantee scheme fund on fishery development in Nigeria using time series data spanning from (1980 to 2017). The descriptive statistic growth function was employed to analyze the data collected on the relevant variables. The result of the analysis showed that fishery sub sector was least finance in the agricultural sector this reflect the low contribution of fishery sub sector to gross domestic product due the fact that the required important is not given to sub sector as its poorly finance by agricultural credit guarantee scheme fund.

Tiamiyu, S. A. et al, (2017). Provide an in-depth analysis on the economic revitalization through agricultural credit scheme fund in Nigeria using time series data from central bank statistical bulletin from 1981 to 2013. The data were analyze using matrix ordinary least square and regression analysis, the result of the finding showed there no negative relationship between the variables and there is exist positive statistical relationship between agricultural credit scheme and commercial bank loan to agriculture. ACGSF impacted positively and significantly on agriculture share to GDP. Okpala, C. M. et al, (2022). Conducted their research on agricultural credit guarantee scheme fund, government expenditure on agricultural output in Nigeria. This research tries to examine the effect of credit on agricultural output, using spinning data from 1990 to 2020. The ordinary least square were employed to estimate the model. The result of the finding revealed the agricultural credit guarantee scheme fund has significant positive effect on the agricultural sector contribution to real GDP, on the other hand government expenditure have positive effect on agricultural sector but no significant.

Oluwatusin, F. M. (2016). Conducted research on the implementation and relative effectiveness on agricultural credit guarantee fund in Nigeria, primary data were collected with a well-structured questionnaire randomly selected among 160 beneficiaries of ACGSF. The study employed the descriptive statistic and multiple regression used to analyze the data collected. The study revealed majority of beneficiaries 69% applies for 50,000 while 70% applied for 1.7 million of loan guarantee by agricultural credit guarantee scheme fund and 86% of the beneficiaries were married in the study area, this show that ACGSF has significant impact on agricultural sector. Ahmad F. F. et al, (2020). Provide an in-depth analysis on the impact of enhanced agricultural credit flows under (ACGSF) on economic growth using times series data spanning from (1990 – 2015). The ordinary least square statistical tools were used to address the research Question. The result of the analysis revealed foreign direct investment, market capitalization was positively significant while manufacturing credit is negative with agricultural credit under ACGSF.

Onuigbo, I. et al, (2019). Conducted an empirical analysis on poverty alluviation through the cereal production: the role of agricultural credit guarantee

scheme fund. The spinning data was used from (1980 – 2016). The vector autoregression model was employed for data analysis. The result of the study revealed credit scheme increases (maize, millet, sorghum, wheat cereal yields) reduce poverty. However, the variation of cerealyield is accounted for by the loan from ACGSF the result also showed poverty response positively to the yields maize rice and negatively to the millet and sorghum. Zakaree S. et al, (2020). Provides an in-depth analysis on the impact of agricultural credit guarantee scheme fund on crop and livestock production using time series data from 1987 to 2020, ARDL statistical techniques were adopted to establish the impact of agricultural credit guarantee scheme fund to crop sub sector, the result revealed that credit to cattle rearing led to an increase in output of livestock sub sector by 29% and increase credit poultry by 10% output will increase. ARDL result showed that both crop and livestock subsector respond to deviate from the equilibrium they tend to readjust back to equilibrium in long run this indicate credit enhance subsector in short run may only be significant affect the output in long run.

Omele A. H, et al (2023) Conducted their research on the impact of agricultural credit guarantee scheme fund on fisheries production in Nigeria, a times series data was used from 1987 to 2021. The ARDL model were employed with corresponding of cointegration test was used to analyze the data, the ARDL result revealed coefficient of agricultural credit guarantee scheme fund to fisheries subsector will lead to 0.63% increase to gross domestic product for fisheries. Furthermore, a unit increase in ACGSF loan increase food crop subsector will increase fisheries to 0.58%, 0.15% respectively.

Ogbanna S. I. et al, (2023). Provides an in-depth analysis on domestic financing through government and commercial bank credit and agricultural output performance in Nigeria. Multiple regression econometric model was employed to analyze the data. The study revealed agricultural performance during the period was negatively influence by the value of commercial bank loan and advance to agriculture positively by credit allocation to agricultural sector under the ACGSF by government capital expenditure. The study also showed financing to agricultural sector is imperative for positive performance to be recorded in the sector constantly.

Ojo, O. & Oluseun, Y. (2015). Conducted empirical

analysis on agricultural finance and economic growth in Nigeria a study of agricultural credit guarantee scheme development. Chi square statistical techniques was employed and questionnaire were administered to the 125 farmers and randomly selected from western part of Nigeria to measure their level of awareness on government agricultural financing activities on ACGSF. The study revealed agricultural finance scheme such as ACGSF has tendency to enhance macro-economic development when properly manage and administered. Chukwu, P. D. E. et al, (2023). Provides insight on agricultural credit guarantee scheme fund and agricultural value-added growth rate in Nigeria. The ARDL model were employed to analyze the data since agricultural value added was used as dependent variable and agricultural credit guarantee scheme fund as independent variable. The study revealed that agricultural credit guarantee scheme fund on agricultural sector, has non-significant negative with agricultural value-added growth rate.

METHODOLOGY AND MATERIALS

The study embarked on the qualitative research design, utilizing a thorough and systematic documentary analysis to gather information from the finding of the past relevant research conducted by several researchers to assess the impact and effectiveness of agricultural credit guarantee scheme fund (ACGSF) on a different class of farmers across the different region in Nigeria. The data will be analyze using a central theme analysis in order to connect different previous researches this will provide the deeper understanding of the impact of agricultural credit guarantee scheme fund in Nigeria.

DISCUSSION OF FINDING

This study aimed to assess the impact and effectiveness of agricultural credit guarantee scheme fund (ACGSF) in Nigeria and provides an in-depth analysis of its impact and significance. The study examines the scheme's impact on agricultural output in order to make agricultural sector more economically viable to reduce the rate of importation of agricultural produce, ensure food security i.e. availability affordability, and accessibility of food as well as to enhance the productivity which has multiplier effect of economic

growth and development. This study will concentrate in to challenges and opportunities faced by the agricultural credit guarantee scheme fund (ACGSF) identify area that require improvement and make recommendation when and where necessary to enhance its impact and sustainability.

ANALYSIS OF THE FINDING OF REVIEWED RESEARCH

The analysis of the reviewed finding are as follows: -

Impacts of Agricultural Credit Guarantee Scheme Fund (ACGSF) on Crop and Fisheries

There is exist positive and significance relationship between agricultural credit guarantee scheme fund (ACGSF) and agricultural sector, the scheme had given more and impacted on crop sector over livestock and fisheries (Orok A. B, Ayim S 2017). Fisheries subsector was least finance in agricultural sector, this reflect low contribution of fisheries to gross domestic products GDP due to the fact that fisheries were poorly finance by agricultural credit guarantee scheme fund (Aparinde, 2017).

Poverty Alluviation Cereal Crop Through Agricultural Credit Guarantee Fund Credit scheme increases the maize, millet, sorghum and wheat that is the cereal yield reduce poverty. The variation of yield is accounted due to the loan from agricultural credit scheme fund (ACGSF) and poverty responses positively to the yield maize, rice and negatively to the millet and sorghum this result in reduction of output which has negative impact on economic growth. (Onuigbo, 2019).

Implication and Relative Effectiveness of Agricultural Credit Guarantee Scheme Fund (ACGSF)

Based on the analysis majority of 65% of farmers beneficiaries applied for while 70% applied for 1.7 million of the loan guarantees by ACGSF and 86% of beneficiaries are married the analysis showed that ACGSF provide credit at all level in the study area (Oluwatisium 2016). Agricultural credit guarantee scheme fund (ACGSF) has been relatively affective tool in promotion Agricultural lending in Nigeria. The following are some effectiveness of scheme.

Risk Reduction: Agricultural credit guarantee scheme fund in Nigeria, provides a guarantee net for bank by

guaranteeing up to 75% of the principal amount of loan made to agricultural borrowers this guarantee reduces the risk for banks to encourage lent more to the sector.

Increase Lending: This scheme has led the to a significant increase in lending to agricultural sector by commercial bank. In 2021, bank disbursed over 1 billion and 2.5 billion dollars in loan under the agricultural credit guarantee scheme fund (ACGSF) representing 20% from 2020.

Increase Job Creation: The scheme contributes immensely to job creation in agricultural sectors. The increased investment in agricultural sector has led to establishments in a new farm, processing facilities, and other agribusinesses, creating employment opportunities.

Food Security: The agricultural credit guarantee scheme fund (ACGSF) has played role in improving food security in Nigeria. By providing access to finance for farmers, it has increased agricultural production and reduced reliance on imported food.

Agricultural Financing and Economic Development through Agricultural Credit Guarantee Scheme Fund (ACGSF).

Based on the analysis agricultural performance during the period was negatively by the value of commercial bank loans and advance to agricultural sector positively by credit allocation to agricultural sector through agricultural credit guarantee scheme fund (Obanna, 2023) The analysis revealed agricultural finance has tendency to enhanced macro-economic development when properly manage (Ojo, 2015)

Agricultural Credit Guarantee Scheme Fund and Agricultural (ACGSF) and Value- added Growth Rate The analysis showed Agricultural credit guarantee scheme fund has non significance negative with value added growth rate increases credit will led to increase in productivity which has multiplier effect on farmers income and valued added growth rate.

CONCLUSION

The study aimed to examined the impact and significance of agricultural credit scheme fund in Nigeria (ACGSF) based on the evidence emanate from the reviewed it was adduced that access the agricultural credit form agricultural credit guarantee

scheme fund is particular important to the growth and development of agricultural sector. The study was observed that (ACGSF) improve agricultural productivity, enhance food security and boosting economic growth and development. The agricultural credit guarantee scheme fund impacted immensely to agricultural sector and agribusinesses in so many ways this scheme serve as catalyst for agricultural development by unlocking access to finance for the farmers and agribusinesses, risk sharing and loss management by helping financial institution to cover the

loses incurred due to the project failure thereby encouraging them to engage in agricultural financing, capacity building and technical assistance this include training on risk assessment, loan management, and agricultural best practices.

While reviewing, the study revealed that agricultural credit guarantee scheme fund has had impacts productivity, food security, increases farmers income, poverty alleviation whereas some subsector like fisheries production need to allocate more of credit because their share to gross domestic products is relatively very lower.

RECOMMENDATIONS

Based on the reviewed findings, the following are the recommendations:

1. Agricultural credit guarantee scheme fund has impact on agricultural sector and productivity, agricultural credit guarantee scheme fund in Nigeria should make effort to grant agricultural loan at appropriate time to the farmer who met the condition because late release of loan to the farmers lead to loan diversion which is the major poor repayment.
2. Based on finding fisheries subsector was least finance in agricultural sector which reflect the low contribution to gross domestic product, government should encourage (ACGSF) and commercial bank to advance more loan to fisheries sector to increase their productivity which has multiplier effect to gross domestic product.
3. Interest rate is the major gap of the reviewed, higher interest rate is the major setback in achieving the efficient objectives of agricultural sector, government should through agricultural

credit guarantee schemes should provide the loan at a lower interest rate this will encourage farmers to repay loan when due.

4. Government should ensure the relative effectiveness among men and women while advancing loan because base on the reviewed analysis found that women were left behind among the beneficiaries of agricultural credit guarantee scheme fund (ACGSF), whereas women play a greater role in agricultural sector.
5. There is need to increase of amount of loans which agricultural credit scheme fund (ACGSF) injects in to agricultural, sector so as to enhance value added growth in Nigeria. Because value added comprises marketing and exchange where buyers and sellers must benefit from agricultural credit scheme fund which has a multiplier effect on sustainable economic growth and developments.
6. There is need to target intervention to smallholders' farmers and other vulnerable group to ensure equitable access to finance.
7. There is need for the government to provides technical assistance to farmers and agribusinesses to improve their productivity and risk.
8. Government should strengthen loan recovery mechanism to reduce default rates.

REFERENCE

- [1] Ahmed, F. F., Yusuf, A. B., & Ahmed, E. A. (2020). Impact of Enhanced Agricultural Credit Flow Under the Agricultural Credit Guarantee Scheme Fund (ACGSF) on Economic Growth in Nigeria. *Journal of Agricultural Economics, Environment and Social Sciences*, 6(2), 55-70
- [2] CBN. (2009). Annual Report and Statement of Accounts, For the Year ended 31st December (2009) Abuja Nigeria.
- [3] Chukwu, P. D. E., Onoh, U. A., & Umoh, U. E. Agricultural Credit Guarantee Scheme Fund and Agricultural Value-Added Growth Rate in Nigeria.
- [4] Mafimisebi, T. E, A. E Oguntade and O. E. Mafimisebi. A Perspective on Partial Credit Guarantee schemes in Developing Countries: the case of the Nigerian Agricultural credit guarantee scheme fund (ACGSF) Pp 2-4. A

Paper presented at a World bank conference at Washington D.C from March 13-14 2008 :2-4.

- [5] National Bureau of Statistics (2018). Nigeria' Agriculture Contribution to GDP for the Year 2018, Retrieved from www.nbs.gov.sc. Accessed 14th November, 2019.
- [6] Okpala, C. M., Nwaolisa, E. F., & Chijindu, A. (2022). Agricultural Credit Guarantee Scheme Fund, Government Expenditure on Agriculture and Agricultural Output in Nigeria 1990–2020. *Int J Res Innov Soc Sci (IJRISS)*, 6, 859-867.
- ¶ Oluwatusin, F. M. Implementation and Relative Effectiveness of The Agricultural Credit Guarantee Scheme Fund in Nigeria.
- [8] Onuigbo, I., Chinedu, U. J., Orefi, A., & Biam, C. K. (2019). Poverty alleviation through cereal production in Nigeria: the role of agricultural credit guaranteed scheme fund.
- [9] Oparinde, L. O., Amos, T. T., & Adeseluka, M. (2017). Influence of agricultural credit guarantee scheme fund (ACGSF) on fishery development in Nigeria
- [10] Orok, A. B., & Ayim, S. (2017). The impact of agricultural credit guarantee scheme fund on agricultural sector development in Nigeria. *International Review of Management and Business Research*, 6(3), 1104-1116.
- [11] Tiamiyu, S. A., Bwala, M. A., & Alawode, V. O. (2017). Economic Revitalisation through agriculture: role of agricultural Credit guarantee Scheme Fund in Nigeria. *Russian Journal of Agricultural and Socio-Economic Sciences*, 63(3), 3-8.
- [12] Zakaree, S., Alexander, A. A., Omele, A. H., & Salihu, A. IMPACT OF AGRICULTURAL CREDIT GUARANTEE SCHEME FUND ON CROPS AND LIVESTOCK PRODUCTION IN NIGERIA: 1987– 2020.