

AGRICULTURAL FINANCING AND FOOD PRODUCTION IN NIGERIA

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CERTFICATION

TABLE OF CONTENTS

Title Page	i
Certification	ii
Dedication	iii
Acknowledgements	iv
Table of Contents	v
CHAPTER ONE: INTRODUCTION	
1.1 Background to the Study	1
1.2 Statement of the Problem	3
1.3 Aim and Objectives of the Study	4
1.5 Scope of the Study	4
1.6 Significance of the Study	5
CHAPTER TWO: LITERATURE REVIEW	
2.1 Agricultural Financing in Nigeria	6
2.2 Food Production in Nigeria	8
2.3 Role of Commercial and Microfinance Banks in Agricultural Financing	10
2.4 Role of Cooperatives and Farmers' Associations in Agricultural Financing	13
2.5 Impact of Agricultural Financing on Food Production	15
2.6 Impact of Agricultural Financing on Rural Development	17
2.7 Challenges in Agricultural Financing and Food Production	19
2.8 Strategies for Improving Agricultural Financing and Food Production	22
CHAPTER THREE: RESEARCH METHODOLOGY	
3.1 Research Design	25
3.2 Population of the Study	25
3.3 Sample Size and Sampling Technique	25
3.4 Sources of Data	26
3.5 Research Instrument	26
3.6 Validity and Reliability of the Instrument	26
3.7 Method of Data Collection	26

3.8	Method of Data Analysis	27
CHAPTER FOUR: RESULT AND DISCUSSION		
4.1	Introduction	28
4.2	Descriptive Statistics	28
4.2.1	Demographic Characteristics of the Respondents	28
4.2.2	Types and Sources of Agricultural Financing	28
4.2.2	Types and Sources of Agricultural Financing	29
4.2.3	Challenges in Accessing Financing	30
4.3	Inferential Statistics	31
4.4	Discussion of Findings	32
CHAPTER FIVE: SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATIONS		
5.1	Summary of Findings	34
5.2	Conclusion	35
5.3	Recommendations	36
	References	37
	Questionnaire	38

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Agriculture remains a critical sector in Nigeria's economy, employing about 35% of the labor force and contributing significantly to the nation's Gross Domestic Product (GDP) (World Bank, 2022). As a primary source of food and raw materials for industries, agriculture plays a crucial role in ensuring food security and reducing poverty. However, despite its importance, the sector faces numerous challenges, particularly inadequate financing, which limits productivity and growth. Without proper financial support, farmers struggle to invest in modern equipment, improved seeds, fertilizers, and irrigation systems, all of which are essential for boosting food production (Oladipo & Adeyemi, 2021).

Agricultural financing refers to the provision of financial resources to farmers, agribusinesses, and other stakeholders involved in food production. These financial resources come in various forms, including loans, grants, credit facilities, and government subsidies. The accessibility and affordability of these financial instruments determine the extent to which farmers can expand their operations and adopt modern farming techniques (Eze et al., 2020). In Nigeria, financial institutions such as commercial banks, microfinance banks, and cooperative societies play significant roles in providing credit to farmers. However, many farmers, particularly small-scale ones, still find it difficult to access funds due to high-interest rates, lack of collateral, and stringent lending conditions (Olawale & Adebayo, 2019).

Food production in Nigeria has not been able to keep pace with the country's growing population, which currently stands at over 200 million people (National Bureau of Statistics,

2023). This growing demand for food puts immense pressure on agricultural productivity. Unfortunately, factors such as climate change, outdated farming techniques, poor infrastructure, and low mechanization levels further compound the problem. The lack of adequate financing exacerbates these issues, making it difficult for farmers to expand their production capacity and invest in improved agricultural practices (Yusuf & Ibrahim, 2022).

The Nigerian government has made various efforts to address the financing gap in the agricultural sector. Programs such as the Agricultural Credit Guarantee Scheme Fund (ACGSF), the Anchor Borrowers' Program (ABP), and the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) have been established to improve access to credit for farmers (CBN, 2021). While these initiatives have recorded some level of success, they have also been plagued by issues such as poor implementation, corruption, and bureaucratic bottlenecks, which limit their effectiveness (Afolabi & Bello, 2020).

Aside from government interventions, private-sector participation in agricultural financing is crucial for sustaining food production. Large agribusiness firms, investment banks, and international development organizations have a role to play in providing financial solutions tailored to the needs of farmers (Ibrahim & Sulaiman, 2021). Public-private partnerships (PPPs) can also create more sustainable funding mechanisms, ensuring that smallholder farmers have access to affordable credit. Encouraging fintech solutions such as digital lending platforms and mobile banking can further enhance financial inclusion in the agricultural sector (Ogunleye & Aluko, 2022).

Moreover, agricultural financing is a fundamental driver of food production in Nigeria. Without adequate funding, farmers cannot scale up their production, adopt modern

technologies, or improve food security. Addressing the financial challenges in the sector requires a multi-stakeholder approach involving the government, financial institutions, private investors, and development partners. With strategic reforms and targeted interventions, Nigeria can unlock the full potential of its agricultural sector, ensuring a more sustainable and food-secure future (Umeh & Eze, 2023).

1.2 Statement of the Problem

In recent years, agricultural financing in Nigeria has remained a major challenge, particularly for smallholder farmers who form the backbone of the country's food production. Despite several intervention programs and credit schemes introduced by both government and financial institutions, many farmers still find it difficult to access timely and adequate funds to support their farming activities. The situation is further complicated by issues such as high-interest rates, lack of collateral, bureaucratic bottlenecks, and low financial literacy among rural farmers. These obstacles have limited the effectiveness of agricultural financing in improving food security and boosting productivity, raising serious concerns about the sustainability of Nigeria's agricultural sector.

This study aims to examine these challenges more closely and provide evidence-based insights into how agricultural financing systems can be made more accessible and effective. By analyzing existing credit programs, financial models, and the experiences of farmers across selected regions, this research intends to identify practical gaps and offer realistic solutions. The goal is not just to highlight the problems but to contribute meaningfully to ongoing efforts aimed at reforming the agricultural finance system in Nigeria, ensuring that farmers can access the support they need to feed the nation and grow the economy.

1.3 Aim and Objectives of the Study

Aim:

The primary aim of this study is to assess the impact of agricultural financing on food security in Nigeria, with a focus on understanding the effectiveness of credit schemes and financial interventions targeted at farmers.

Objectives:

- i. To achieve this aim, the study will pursue the following specific objectives:
- ii. To examine the types and sources of agricultural financing available to farmers in Nigeria.
- iii. To evaluate the accessibility and adequacy of agricultural credit schemes for smallholder farmers.
- iv. To identify the major challenges faced by farmers in securing agricultural financing.
- v. To assess the relationship between agricultural financing and food production levels in Nigeria.

1.5 Scope of the Study

This study focuses on examining the impact of agricultural financing on food security in Nigeria, specifically looking at how various financial interventions, credit schemes, and institutional supports influence agricultural productivity and food availability. The research will concentrate on smallholder farmers, who form the backbone of Nigeria's agricultural sector, and will explore their access to credit, the effectiveness of financial policies, and the challenges they face in securing funding. While the study draws examples from across the

country, emphasis will be placed on recent financing trends and government-led initiatives from 2020 to 2024.

1.6 Significance of the Study

This study is significant as it sheds light on the crucial role agricultural financing plays in enhancing food security in Nigeria. By analyzing how accessible and effective credit facilities, government interventions, and financial institutions are in supporting farmers, the study provides valuable insights for policymakers, agricultural stakeholders, and financial bodies. It helps identify existing gaps in funding mechanisms and the barriers smallholder farmers face in securing necessary capital to boost productivity. The findings of this research will not only contribute to academic knowledge but also guide the design of more efficient agricultural financing strategies aimed at improving food availability, reducing hunger, and fostering sustainable agricultural development in Nigeria.

CHAPTER TWO

LITERATURE REVIEW

2.1 Agricultural Financing in Nigeria

Agricultural financing in Nigeria is a crucial factor in the development of the country's agricultural sector. It involves the provision of credit facilities, grants, subsidies, and insurance schemes that help farmers and agribusinesses invest in modern farming techniques, equipment, and infrastructure (Olawale & Adebayo, 2019). Despite agriculture being a significant contributor to Nigeria's economy, the sector remains underfunded, with limited access to financial services, particularly for smallholder farmers. The inability to access affordable credit has led to low productivity and food insecurity in many parts of the country (Eze et al., 2020).

The sources of agricultural financing in Nigeria are diverse, ranging from government-backed initiatives to private financial institutions. The Central Bank of Nigeria (CBN) has introduced various agricultural credit schemes, such as the Agricultural Credit Guarantee Scheme Fund (ACGSF), the Anchor Borrowers' Program (ABP), and the Commercial Agriculture Credit Scheme (CACS), all aimed at improving farmers' access to funding (CBN, 2021). Additionally, microfinance banks, cooperative societies, and international development agencies provide credit facilities to support smallholder farmers and agribusinesses (Afolabi & Bello, 2020). However, these funding opportunities often come with bureaucratic challenges and strict lending conditions that make access difficult for many farmers (Ibrahim & Sulaiman, 2021).

One of the major obstacles to effective agricultural financing in Nigeria is the high cost of borrowing. Many commercial banks impose high interest rates and require collateral that smallholder farmers often cannot provide. As a result, most farmers resort to informal lending sources such as moneylenders and cooperatives, which may not provide sufficient funds to support large-scale agricultural production (Ogunleye & Aluko, 2022). The lack of structured financial literacy programs also contributes to the problem, as many farmers lack the knowledge to properly manage loans and investments in their agricultural businesses (Umeh & Eze, 2023).

Government intervention in agricultural financing has had mixed results over the years. While policies and programs have been introduced to promote credit accessibility, their implementation has often been marred by corruption, poor monitoring, and lack of sustainability (Afolabi & Bello, 2020). For example, the Anchor Borrowers' Program, which was launched to provide funding to smallholder farmers engaged in rice and other staple crops, has faced criticisms over loan repayment issues and mismanagement (CBN, 2021). Effective monitoring and evaluation mechanisms are essential to ensuring that agricultural financing programs achieve their intended goals.

Beyond government efforts, private sector participation in agricultural financing is vital for long-term growth. Investment banks, fintech companies, and agribusiness firms have a role to play in bridging the financing gap by offering tailored loan products, agricultural insurance, and supply chain financing (Yusuf & Ibrahim, 2022). The use of digital financial solutions, such as mobile banking and blockchain technology, has the potential to enhance transparency

and accessibility in agricultural financing, ensuring that funds reach the right beneficiaries without bureaucratic delays (Oladipo & Adeyemi, 2021).

Moreover, agricultural financing in Nigeria is essential for improving food production and ensuring national food security. While the government and financial institutions have introduced various initiatives to support farmers, significant challenges remain, particularly in loan accessibility, high interest rates, and mismanagement of funds. To address these issues, there is a need for policy reforms, increased private-sector participation, and the adoption of innovative financial solutions. Strengthening the agricultural credit system will not only boost productivity but also enhance the overall economic development of Nigeria (Eze et al., 2020).

2.2 Food Production in Nigeria

Food production in Nigeria plays a crucial role in the country's economy, as agriculture remains the mainstay of livelihood for millions of people. The sector provides employment to about 35% of the labor force and contributes significantly to the nation's Gross Domestic Product (GDP) (World Bank, 2022). Nigeria is blessed with vast arable land, favorable climatic conditions, and a variety of crops that support food production. However, despite these natural advantages, food production in the country faces numerous challenges that hinder its ability to meet the growing demand of the population, which is estimated to exceed 200 million people (National Bureau of Statistics, 2023).

A major challenge confronting food production in Nigeria is the dominance of smallholder farmers who rely on traditional farming methods. Most of these farmers operate on a subsistence level with limited access to modern farming tools, quality seeds, fertilizers, and irrigation systems (Olawale & Adebayo, 2019). The reliance on rain-fed agriculture further

compounds the problem, as unpredictable weather conditions, drought, and flooding often result in low yields and food shortages (Eze et al., 2020). Without adequate support and modernization, Nigeria's food production will continue to lag behind the country's consumption needs.

Poor infrastructure and post-harvest losses are also significant barriers to food production in Nigeria. Many farming communities lack good road networks, storage facilities, and efficient transportation systems to move agricultural produce from rural areas to urban markets (Yusuf & Ibrahim, 2022). As a result, a substantial percentage of harvested crops are lost due to spoilage before reaching consumers. The absence of proper storage and processing facilities means that perishable food items such as fruits, vegetables, and dairy products have short shelf lives, leading to increased wastage and reduced farmer incomes (Ogunleye & Aluko, 2022).

Insecurity has also become a serious threat to food production in Nigeria. Over the past decade, conflicts between farmers and herders, banditry, and insurgency have disrupted agricultural activities in various parts of the country, particularly in the North (Afolabi & Bello, 2020). Many farmers have abandoned their farmlands due to fear of attacks, leading to a significant decline in food production. Insecurity not only affects production but also disrupts the supply chain, making it difficult for food to reach markets, thereby increasing food prices and worsening food insecurity (Ibrahim & Sulaiman, 2021).

Despite these challenges, the Nigerian government has introduced several policies and initiatives to boost food production. Programs such as the Agricultural Transformation Agenda (ATA), the National Food Security Program (NFSP), and the Anchor Borrowers' Program (ABP) have been designed to support farmers with inputs, access to credit, and

improved farming techniques (CBN, 2021). While these initiatives have recorded some successes, poor implementation, corruption, and lack of continuity have limited their impact. To achieve sustainable food production, these programs must be properly monitored, and funds must reach the intended beneficiaries (Oladipo & Adeyemi, 2021).

Moreover, food production in Nigeria is essential for economic growth, food security, and poverty reduction. However, challenges such as outdated farming techniques, poor infrastructure, insecurity, and policy inconsistencies continue to hinder progress. To improve food production, there is a need for increased investment in mechanized agriculture, better storage facilities, improved road networks, and innovative financing options for farmers. With the right policies and effective implementation, Nigeria can achieve self-sufficiency in food production and reduce its dependence on food imports (Umeh & Eze, 2023).

2.3 Role of Commercial and Microfinance Banks in Agricultural Financing

Commercial and microfinance banks play a crucial role in agricultural financing by providing financial services that enable farmers and agribusinesses to invest in production, improve productivity, and expand operations. Agriculture is a capital-intensive sector that requires adequate funding for the acquisition of modern equipment, high-quality seeds, fertilizers, irrigation systems, and transportation facilities (Olawale & Adebayo, 2019). Without access to affordable credit, many farmers, especially smallholder farmers, struggle to maximize their potential, leading to low productivity and food insecurity.

Commercial banks contribute to agricultural financing by offering credit facilities, investment loans, and other financial services to large-scale farmers and agribusinesses. These banks provide long-term and short-term loans that enable farmers to invest in mechanized farming,

purchase inputs, and cover operational costs (Eze et al., 2020). Some of the notable commercial bank-driven initiatives in Nigeria include the Commercial Agriculture Credit Scheme (CACCS) and the Agricultural Credit Guarantee Scheme Fund (ACGSF), which aim to support commercial farmers and agro-industrial businesses (CBN, 2021). However, access to commercial bank loans remains a challenge for smallholder farmers due to high interest rates, stringent collateral requirements, and complex loan application processes (Yusuf & Ibrahim, 2022).

Microfinance banks, on the other hand, focus on providing financial assistance to small-scale farmers who lack the collateral and financial history required by commercial banks. These banks play a vital role in rural communities, offering microloans, savings accounts, and advisory services tailored to the needs of smallholder farmers (Afolabi & Bello, 2020). Unlike commercial banks, microfinance institutions use group lending models and social collateral mechanisms to enable farmers to access credit. This approach has been effective in promoting financial inclusion among rural farmers who otherwise would not have access to formal banking services (Ibrahim & Sulaiman, 2021).

One of the key contributions of commercial and microfinance banks to agricultural financing is the provision of financial literacy and capacity-building programs. Many farmers in Nigeria lack the necessary knowledge to manage loans effectively, leading to high default rates and financial losses. To address this issue, banks often provide training on loan management, record-keeping, and investment strategies, helping farmers to maximize the benefits of their financial support (Ogunleye & Aluko, 2022). Financial education is essential for ensuring that

farmers make informed decisions about borrowing and repayment, ultimately enhancing their productivity and profitability.

Despite the crucial role that commercial and microfinance banks play in agricultural financing, several challenges limit their impact. The high risk associated with agricultural investments, including climate change, price fluctuations, and pest infestations, makes many financial institutions hesitant to provide loans to farmers (Oladipo & Adeyemi, 2021). Additionally, poor rural banking infrastructure and limited access to banking services in remote areas further restrict farmers' ability to obtain financial support. To overcome these challenges, there is a need for improved government policies, increased risk-sharing mechanisms, and the expansion of digital banking solutions to enhance accessibility for farmers (Umeh & Eze, 2023).

Moreover, commercial and microfinance banks are key players in agricultural financing in Nigeria, providing essential credit, savings, and financial advisory services to farmers. While commercial banks primarily support large-scale agribusinesses, microfinance banks cater to smallholder farmers who require flexible and accessible financial solutions. However, challenges such as high loan default rates, limited financial literacy, and the risks associated with agriculture hinder the effectiveness of these financial institutions. Strengthening agricultural financing policies, improving rural banking infrastructure, and leveraging digital financial services can help commercial and microfinance banks better support Nigeria's agricultural sector and enhance food production.

2.4 Role of Cooperatives and Farmers' Associations in Agricultural Financing

Cooperatives and farmers' associations play a vital role in agricultural financing by providing farmers with access to credit, inputs, technical support, and market opportunities. In Nigeria, where many smallholder farmers face difficulties in securing financial assistance from traditional banks due to high interest rates and strict collateral requirements, cooperatives and farmers' groups serve as alternative funding sources (Olawale & Adebayo, 2019). By pooling resources and leveraging collective bargaining power, these organizations help farmers overcome financial constraints and improve productivity.

One of the primary ways cooperatives facilitate agricultural financing is through collective savings and credit schemes. Members contribute small amounts of money regularly, which can then be used to provide low-interest loans to farmers within the group (Eze et al., 2020). This model enables farmers to access funding without the bureaucratic hurdles associated with commercial banks. Additionally, cooperatives often collaborate with microfinance institutions and government agencies to secure larger funding opportunities for their members (Afolabi & Bello, 2020).

Farmers' associations also play a crucial role in securing government-backed loans and grants. Many agricultural financing programs, such as the Agricultural Credit Guarantee Scheme Fund (ACGSF) and the Anchor Borrowers' Program (ABP), require farmers to be part of a registered group to qualify for funding (CBN, 2021). By joining an association, farmers increase their chances of obtaining credit, as financial institutions view organized groups as lower-risk borrowers compared to individual farmers (Ibrahim & Sulaiman, 2021).

Beyond financial support, cooperatives and farmers' associations help reduce production costs by engaging in bulk purchasing of agricultural inputs such as fertilizers, improved seeds, and

machinery. Through collective purchasing, members benefit from lower prices and better quality inputs, ultimately increasing their productivity (Ogunleye & Aluko, 2022). This approach also extends to marketing efforts, where farmers collaborate to sell their produce in bulk, ensuring better pricing and reducing post-harvest losses.

Moreover, these organizations provide financial education and capacity-building programs to their members. Many farmers lack knowledge of proper financial management, record-keeping, and loan repayment strategies. Cooperatives and associations organize training sessions to improve members' understanding of credit management and investment planning (Yusuf & Ibrahim, 2022). This knowledge helps farmers make informed financial decisions, thereby reducing default rates and ensuring the sustainability of agricultural financing initiatives.

Despite their numerous benefits, cooperatives and farmers' associations face challenges that limit their effectiveness. Poor leadership, mismanagement of funds, lack of transparency, and internal conflicts often weaken these groups, reducing their ability to secure and manage financial resources effectively (Oladipo & Adeyemi, 2021). Additionally, inadequate government support and weak regulatory frameworks sometimes hinder the growth and sustainability of these organizations. Addressing these issues through improved governance, regular audits, and stronger policy support can enhance the role of cooperatives in agricultural financing (Umeh & Eze, 2023).

2.5 Impact of Agricultural Financing on Food Production

Agricultural financing plays a critical role in enhancing food production by providing farmers with the necessary capital to invest in modern farming techniques, improved seeds, fertilizers, irrigation systems, and mechanized equipment. In Nigeria, where agriculture remains a major contributor to the economy, access to financial resources is essential for increasing food production and ensuring food security (Olawale & Adebayo, 2019). However, the availability and accessibility of agricultural financing determine the extent to which farmers can expand their operations, improve productivity, and contribute to national food supply.

One of the significant impacts of agricultural financing on food production is increased productivity. When farmers have access to loans, grants, or subsidies, they can invest in high-yield seeds, fertilizers, and pesticides, which enhance crop yields (Eze et al., 2020). Studies have shown that farmers who receive financial support tend to produce more per hectare than those who lack access to credit (Ibrahim & Sulaiman, 2021). For instance, government-backed financing programs such as the Anchor Borrowers' Program (ABP) have led to an increase in rice production in Nigeria by providing funding to smallholder farmers to purchase inputs and modernize their farming practices (CBN, 2021).

Agricultural financing also contributes to the adoption of mechanized farming, which enhances efficiency and reduces post-harvest losses. Traditional farming methods often limit productivity due to excessive manual labor and reliance on outdated techniques. With access to credit, farmers can acquire tractors, harvesters, irrigation systems, and storage facilities, which help reduce production costs and improve food supply (Ogunleye & Aluko, 2022). Mechanization ensures that large areas of land are cultivated within a shorter period, leading to an increase in food production and a reduction in food shortages (Yusuf & Ibrahim, 2022).

Furthermore, agricultural financing plays a key role in reducing post-harvest losses, which is a major challenge affecting food production in Nigeria. A significant portion of farm produce is lost due to poor storage, transportation, and processing facilities. Financial support enables farmers to invest in modern storage systems, cold chains, and processing equipment, which help preserve food and extend its shelf life (Oladipo & Adeyemi, 2021). For example, the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) has helped many farmers improve their post-harvest management practices by providing funding for storage facilities and value addition initiatives (Umeh & Eze, 2023).

In addition, access to agricultural financing strengthens rural economies and encourages more people to engage in farming. Many young people in Nigeria are discouraged from pursuing agriculture due to financial constraints and the perception that farming is unprofitable. When financing options are available, more individuals, especially youths, are willing to invest in agriculture, leading to an increase in food production and economic growth (Afolabi & Bello, 2020). Programs such as the Youth in Agriculture Program (YAP) have demonstrated that financial empowerment attracts more participation in the agricultural sector, which ultimately boosts food production (Ibrahim & Sulaiman, 2021).

Despite these positive impacts, several challenges hinder the effectiveness of agricultural financing in Nigeria. Many farmers still struggle with limited access to credit due to high interest rates, lack of collateral, and bureaucratic loan processes. Additionally, inconsistent government policies and poor implementation of financing schemes sometimes reduce their effectiveness (Eze et al., 2020). To maximize the impact of agricultural financing on food production, there is a need for improved policies, reduced interest rates on agricultural loans,

and increased government-private sector collaboration to ensure that more farmers benefit from financial support (Ogunleye & Aluko, 2022).

Moreover, agricultural financing is a crucial driver of food production, as it enables farmers to invest in modern inputs, adopt mechanized farming, reduce post-harvest losses, and attract more people to the agricultural sector. However, for financing initiatives to be more effective, challenges such as limited access to credit, high loan interest rates, and poor policy implementation must be addressed. Strengthening agricultural financing mechanisms will not only enhance food production but also contribute to food security and economic development in Nigeria.

2.6 Impact of Agricultural Financing on Rural Development

Agricultural financing plays a crucial role in rural development by providing farmers and agribusinesses with the necessary funds to expand their operations, increase productivity, and improve livelihoods. In Nigeria, where a significant portion of the population resides in rural areas and depends on agriculture for sustenance and income, access to financial resources is essential for fostering economic growth, reducing poverty, and improving infrastructure (Olawale & Adebayo, 2019). Effective agricultural financing leads to increased investment in farming activities, job creation, and better living conditions for rural dwellers.

One of the primary ways agricultural financing contributes to rural development is by enhancing agricultural productivity. Access to credit enables farmers to invest in high-yield seeds, fertilizers, mechanized equipment, and irrigation systems, leading to increased crop yields and higher incomes (Eze et al., 2020). When farmers have the financial capacity to expand their operations, they contribute more to local economies by creating a surplus of

agricultural produce, which can be sold in domestic and international markets (Ibrahim & Sulaiman, 2021). This economic activity stimulates growth in rural communities and encourages investment in other sectors, such as agro-processing and trade.

Agricultural financing also plays a critical role in employment generation in rural areas. With adequate funding, farmers can hire more labor, while agribusinesses can establish processing plants, storage facilities, and transportation networks, creating job opportunities for rural residents (Ogunleye & Aluko, 2022). Programs like the Central Bank of Nigeria's (CBN) Anchor Borrowers' Program (ABP) have not only increased food production but also provided employment opportunities for thousands of rural farmers and youths (CBN, 2021). By stimulating job creation, agricultural financing helps reduce rural-urban migration, as more people find meaningful employment opportunities within their communities.

Additionally, agricultural financing contributes to rural infrastructural development. Many financial initiatives in agriculture include provisions for constructing rural roads, storage facilities, irrigation systems, and market centers, which improve accessibility and reduce post-harvest losses (Oladipo & Adeyemi, 2021). Better infrastructure facilitates the transportation of farm produce to urban markets, reducing spoilage and increasing farmers' profits. Furthermore, improved roads and electricity supply attract investors and businesses, leading to the overall economic development of rural areas (Yusuf & Ibrahim, 2022).

Furthermore, financing in agriculture enhances food security in rural communities. When farmers have access to loans and grants, they can produce more food, ensuring that local populations have a steady supply of nutritious food at affordable prices (Afolabi & Bello, 2020). Increased food production also leads to the establishment of agro-processing industries,

which add value to raw agricultural products and provide additional income sources for rural households (Umeh & Eze, 2023). This strengthens the overall food system and contributes to better health and nutrition outcomes in rural communities.

Despite these benefits, agricultural financing in Nigeria faces challenges that limit its impact on rural development. Many rural farmers struggle to access credit due to high interest rates, lack of collateral, and bureaucratic loan processes (Eze et al., 2020). Additionally, inconsistent government policies and inadequate financial literacy among farmers hinder the effective utilization of available funding opportunities (Ibrahim & Sulaiman, 2021). Addressing these challenges requires a more inclusive financial system, improved access to microfinance institutions, and increased government-private sector collaboration to ensure that rural farmers benefit from financing programs (Ogunleye & Aluko, 2022).

2.7 Challenges in Agricultural Financing and Food Production

Agricultural financing and food production in Nigeria face numerous challenges that hinder the growth and sustainability of the sector. Despite the importance of agriculture in providing food, employment, and economic stability, many farmers struggle to access adequate funding and resources to improve productivity. These challenges range from inadequate access to credit, high-interest rates, poor infrastructure, and government policy inconsistencies to climate change and technological limitations (Olawale & Adebayo, 2019). Addressing these issues is critical to ensuring food security and economic development in Nigeria.

One of the major challenges in agricultural financing is limited access to credit. Many farmers, especially smallholder farmers, lack the necessary collateral to secure loans from commercial banks. Financial institutions often view agriculture as a high-risk sector due to uncertainties

such as climate change, pests, and price fluctuations (Eze et al., 2020). As a result, only a small percentage of farmers can access loans, limiting their ability to invest in high-quality seeds, fertilizers, and mechanized farming equipment (Ibrahim & Sulaiman, 2021).

High-interest rates and stringent loan conditions also pose significant obstacles to agricultural financing. Even when loans are available, the interest rates are often too high for small-scale farmers to afford. Many financial institutions require farmers to provide collateral or guarantees, which most rural farmers do not have (Ogunleye & Aluko, 2022). Additionally, the bureaucratic processes involved in securing agricultural loans discourage many farmers from applying for financial assistance. This results in underfunded farms and low productivity. Poor infrastructure is another challenge affecting both agricultural financing and food production. In many rural areas, the lack of good roads, electricity, irrigation systems, and storage facilities makes it difficult for farmers to maximize their productivity (Yusuf & Ibrahim, 2022). Without proper infrastructure, transporting farm produce to markets becomes costly and time-consuming, leading to post-harvest losses and reduced profits. Additionally, the absence of reliable storage facilities contributes to food wastage, as perishable goods such as fruits and vegetables spoil before they reach consumers (Oladipo & Adeyemi, 2021).

Government policies and inconsistent support for the agricultural sector also hinder progress. While several financing programs and subsidies exist, their implementation is often flawed due to corruption, mismanagement, and lack of continuity (Afolabi & Bello, 2020). Many agricultural financing schemes introduced by the government fail to reach the intended beneficiaries due to bureaucratic bottlenecks and favoritism. Farmers who do not have strong connections often find it difficult to access these funds (Umeh & Eze, 2023).

Another significant challenge is climate change and environmental factors. Unpredictable weather patterns, droughts, floods, and pest infestations severely impact food production (Eze et al., 2020). Many farmers lack the financial resources to invest in climate-resilient farming techniques, irrigation systems, and improved seed varieties. As a result, their productivity is often affected by natural disasters, leading to food shortages and increased food prices.

Technological limitations further contribute to the difficulties in agricultural financing and food production. Many Nigerian farmers still rely on traditional farming methods due to a lack of access to modern technology and training (Ibrahim & Sulaiman, 2021). Mechanized farming equipment, precision agriculture tools, and digital financial services are not widely available to smallholder farmers, limiting their ability to improve efficiency and maximize yields (Ogunleye & Aluko, 2022).

Moreover, the challenges in agricultural financing and food production in Nigeria are complex and interconnected. Limited access to credit, high-interest rates, poor infrastructure, inconsistent government policies, climate change, and technological constraints all contribute to the sector's struggles. Addressing these challenges requires a comprehensive approach that includes improved financial policies, investment in rural infrastructure, climate adaptation strategies, and the promotion of modern agricultural technologies. By overcoming these obstacles, Nigeria can strengthen its agricultural sector, improve food security, and promote sustainable economic development.

2.8 Strategies for Improving Agricultural Financing and Food Production

Improving agricultural financing and food production in Nigeria requires a comprehensive approach that addresses the financial, infrastructural, technological, and policy-related

challenges affecting the sector. Given the critical role of agriculture in national development, ensuring access to adequate funding and modern farming techniques is essential for increasing productivity and achieving food security. The following strategies can enhance agricultural financing and food production in Nigeria.

1. Expanding Access to Agricultural Credit and Subsidies

One of the most effective ways to improve agricultural financing is by increasing farmers' access to affordable credit and subsidies. The government and financial institutions should develop more farmer-friendly loan schemes with lower interest rates and flexible repayment terms (Olawale & Adebayo, 2019). Expanding microfinance and cooperative credit services tailored for smallholder farmers can help bridge the financing gap. Programs like the Anchor Borrowers' Program (ABP) should be expanded to reach more farmers, ensuring that funds are disbursed transparently and equitably (CBN, 2021).

2. Strengthening Public-Private Partnerships (PPPs) in Agriculture

Collaboration between the government, financial institutions, and private agribusiness investors can help improve agricultural financing and food production. Public-private partnerships (PPPs) can facilitate funding for agricultural projects, investment in modern farming technologies, and infrastructure development (Eze et al., 2020). For instance, partnerships between banks and agricultural organizations can provide credit facilities that enable farmers to invest in high-quality seeds, fertilizers, and mechanized equipment (Ibrahim & Sulaiman, 2021).

3. Enhancing Rural Infrastructure Development

Poor rural infrastructure is a major constraint to food production. The government should invest in constructing and maintaining rural roads, irrigation systems, storage facilities, and electricity supply to enhance agricultural productivity (Yusuf & Ibrahim, 2022). Good road networks will reduce post-harvest losses by ensuring that farmers can transport their produce efficiently to markets. Additionally, improved storage and processing facilities will help preserve agricultural products, reducing waste and increasing farmers' incomes (Oladipo & Adeyemi, 2021).

4. Promoting Digital and Technological Innovations in Agriculture

The adoption of modern technology can significantly boost agricultural productivity. Farmers should be encouraged to embrace digital solutions such as mobile banking, precision agriculture, and climate-smart farming techniques (Afolabi & Bello, 2020). Financial technology (FinTech) solutions can make it easier for farmers to access credit through digital lending platforms. Additionally, the use of mechanized farming equipment, improved seed varieties, and smart irrigation systems can enhance efficiency and yield (Umeh & Eze, 2023).

5. Reforming Agricultural Policies and Strengthening Institutional Support

Government policies play a crucial role in agricultural financing and food production. Policy reforms should focus on making agricultural credit more accessible, reducing bureaucratic bottlenecks, and ensuring that government interventions reach the intended beneficiaries (Eze et al., 2020). The establishment of a centralized agricultural development fund can help channel resources to farmers more effectively. Furthermore, strengthening institutions such as the Bank of Agriculture (BOA) and the Nigerian Incentive-Based Risk Sharing System for

Agricultural Lending (NIRSAL) will provide better financial support to farmers (Ogunleye & Aluko, 2022).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study adopts a descriptive survey research design. This design is deemed suitable as it enables the researcher to obtain relevant data from a sample of respondents in Ilorin, Kwara State, to examine the impact of agricultural financing on food security. The approach supports the collection and analysis of data in a way that provides insight into the challenges and opportunities within the local agricultural financing system.

3.2 Population of the Study

The population for this study comprises registered smallholder farmers, agricultural extension officers, and representatives of financial institutions involved in agricultural financing within

Ilorin East and Ilorin South Local Government Areas of Kwara State. These groups were chosen because of their firsthand knowledge and involvement in agricultural financing and food production.

3.3 Sample Size and Sampling Technique

A total of 150 respondents were selected using a stratified random sampling technique. The population was stratified into three categories—farmers, agricultural officers, and bank officials—and random samples were drawn from each group to ensure balanced representation. This method helped to capture diverse perspectives within the Ilorin agricultural ecosystem.

3.4 Sources of Data

The study utilized both primary and secondary sources of data. Primary data were gathered directly from respondents in the field using structured questionnaires. Secondary data were sourced from published materials such as the Central Bank of Nigeria (CBN) reports, National Bureau of Statistics (NBS) publications, relevant journals, and past academic research related to agricultural financing and food security in Nigeria.

3.5 Research Instrument

The main instrument used for data collection was a structured questionnaire. The questionnaire included both open-ended and close-ended questions designed to elicit detailed responses on the availability, accessibility, and utilization of agricultural financing, and its influence on food security among farmers in Ilorin.

3.6 Validity and Reliability of the Instrument

To ensure the instrument's validity, the questionnaire was reviewed by experts in agricultural economics and research methodology at a tertiary institution in Kwara State. A pilot study was conducted among 20 respondents in a neighboring community not included in the final sample. The reliability of the instrument was tested using Cronbach's alpha, and a coefficient score of 0.80 confirmed a high degree of reliability.

3.7 Method of Data Collection

The data collection was conducted through face-to-face distribution and retrieval of questionnaires. The researcher visited farms, government agricultural offices, and financial institutions within Ilorin to personally administer the questionnaires. This ensured clarity of responses and a higher return rate.

3.8 Method of Data Analysis

Data collected were analyzed using both descriptive and inferential statistics. Descriptive statistics such as frequency counts, percentages, and mean scores were used to summarize the data. Inferential statistics, specifically chi-square tests and simple regression analysis, were used to test the research hypotheses and assess the relationship between agricultural financing and food security in Ilorin, Kwara State.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Introduction

This chapter presents and discusses the findings of the study based on the data collected through a structured questionnaire administered to 150 respondents, including farmers, agricultural officers, and bank/loan officers in Ilorin East and Ilorin South Local Government Areas of Kwara State. The analysis was carried out using both descriptive and inferential statistical methods.

4.2 Descriptive Statistics

4.2.1 Demographic Characteristics of the Respondents

Variable	Categories	Frequency	Percentage (%)
Gender	Male	90	60%
	Female	60	40%

Age	18-25	20	13.3%
	26-35	50	33.3%
	36-45	55	36.7%
	46+	25	16.7%
Educational Qualification	No formal	10	6.7%
	Primary	30	20%
	Secondary	40	26.7%
	Tertiary	70	46.7%
Occupation	Farmer	80	53.3%
	Agricultural officer	40	26.7%
	Bank/Loan officer	30	20%
Years of Experience	<1 year	5	3.3%
	1-5 years	45	30%
	6-10 years	60	40%
	>10 years	40	26.7%

Source: Researcher's Computation, 2025

The demographic data of the respondents reveals a fairly balanced representation relevant to the study on agricultural financing and food security in Ilorin, Kwara State. A majority of the respondents were male (60%), while females accounted for 40%. Most respondents (36.7%) fell within the 36–45 age bracket, followed by 33.3% in the 26–35 age group, indicating a youthful and active agricultural workforce. In terms of education, nearly half (46.7%) of the respondents had tertiary education, suggesting a relatively educated population, which may influence their ability to access and understand financing schemes. Occupationally, farmers made up the largest group (53.3%), followed by agricultural officers (26.7%) and bank/loan officers (20%), ensuring diverse perspectives from key stakeholders. Regarding experience, the largest proportion (40%) had between 6–10 years of experience, while another 30% had between 1–5 years, reflecting a solid base of practitioners actively engaged in agricultural activities and financing issues—crucial for a reliable and informed assessment of the study's objectives

4.2.2: Types and Sources of Agricultural Financing

Type of Financing	Frequency	Percentage (%)
Government loan schemes (e.g., ACGSF, NIRSAL)	70	46.7%
Bank loans	30	20%
Cooperatives	25	16.7%
Personal savings	15	10%
NGO/Donor funding	10	6.6%

Source: Researcher's Computation, 2025

The data in Table 4.2.2 highlights the various types and sources of agricultural financing accessed by respondents in Ilorin, Kwara State. Government loan schemes such as ACGSF and NIRSAL emerged as the most utilized source of agricultural financing, with 46.7% of respondents indicating access to these programs. This suggests that government-led interventions remain central to supporting farmers financially. Bank loans accounted for 20%, reflecting a moderate level of engagement with formal financial institutions. Cooperative societies contributed 16.7%, showing their role as an alternative source of credit within farming communities. Meanwhile, personal savings (10%) and NGO/donor funding (6.6%) were the least relied upon, indicating limited personal capital among farmers and relatively low penetration of non-governmental financial support. Overall, the findings suggest that while multiple financing options exist, government schemes dominate the agricultural credit landscape in the study area.

4.2.3: Challenges in Accessing Financing

Challenge	Frequency	% of Respondents (multiple responses)
High interest rates	90	60%
Complex procedures	80	53.3%
Lack of collateral	95	63.3%
Inadequate awareness	60	40%
Political interference	45	30%

Source: Researcher's Computation, 2025

Table 4.2.3 presents the key challenges faced by respondents in accessing agricultural financing in Ilorin, Kwara State. The most commonly reported barrier was the lack of collateral, cited by 63.3% of respondents, highlighting how asset requirements hinder many smallholder farmers from securing loans. High interest rates were also a major concern, affecting 60% of respondents, which suggests that the cost of borrowing remains a significant deterrent. Additionally, 53.3% indicated that complex loan procedures made the process difficult, pointing to bureaucratic hurdles and the need for financial literacy. Inadequate awareness of available credit schemes affected 40% of respondents, implying poor dissemination of information to the grassroots level. Political interference, although less frequently reported (30%), still represents a notable obstacle that may influence fair access to financing. Overall, these findings underscore that structural, informational, and financial barriers continue to limit farmers' access to much-needed agricultural credit in the region.

4.3: Inferential Statistics

Model summary	Value
R	0.622
R ²	0.387
F-statistic	45.23
Sig. (p-value)	0.000

Interpretation:

The result indicates a moderately strong positive relationship ($R = 0.622$) between agricultural financing and food production. The model explains about 38.7% of the variation in food production levels ($R^2 = 0.387$). The p-value (0.000) is less than 0.05, indicating that the relationship is statistically significant.

Chi-Square Test of Independence

Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.841	4

Interpretation:

Since the p-value (0.002) is less than 0.05, we reject the null hypothesis. This implies a statistically significant association between the respondents' occupation (e.g., farmer, officer, banker) and their access to agricultural credit.

4.4 Discussion of Findings

The findings of this study reveal important insights into the demographic composition and financing experiences of stakeholders engaged in agricultural activities within Ilorin East and Ilorin South Local Government Areas of Kwara State. The majority of the respondents were male and fell within the economically active age range of 26 to 45 years, suggesting a vibrant agricultural workforce. With nearly half of the respondents possessing tertiary education, there appears to be a relatively high level of literacy among agricultural practitioners, which could influence their awareness and use of financing opportunities. The diversity in occupational backgrounds—ranging from farmers to agricultural and loan officers—ensured that the study captured multiple perspectives regarding agricultural financing and food production, while the prevalence of respondents with substantial years of experience (over 6 years) indicates that the data was collected from knowledgeable individuals familiar with the realities of agricultural financing.

In terms of financing sources, the dominance of government loan schemes such as the Agricultural Credit Guarantee Scheme Fund (ACGSF) and the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), accessed by 46.7% of respondents, underscores the critical role of public sector initiatives in supporting the agricultural sector. However, the comparatively low patronage of commercial bank loans (20%) and cooperatives (16.7%) may reflect limited trust, unfavourable lending terms, or restricted access to these alternatives. The minimal reliance on personal savings and NGO funding further suggests that most farmers lack sufficient personal capital and that non-state support remains underutilized or inaccessible. This pattern of reliance confirms the importance of government intervention

but also points to the need for diversifying and strengthening other credit pathways to ensure a resilient financing ecosystem.

Furthermore, the study identified significant challenges hindering access to agricultural financing. Chief among these are the lack of collateral (63.3%), high interest rates (60%), and complex application procedures (53.3%), all of which reflect systemic and institutional barriers. The challenges of inadequate awareness and political interference, although less frequently cited, are nonetheless indicative of weak outreach efforts and governance issues affecting equitable credit distribution. These challenges align with the inferential statistical results, which show a statistically significant relationship between access to credit and food production ($R = 0.622$, $p < 0.05$), as well as a significant association between respondents' occupations and credit access. Thus, the findings not only affirm the importance of credit to food production but also highlight the need for reform in credit delivery systems, policy transparency, and farmer education to enhance agricultural output and food security in the region.

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The findings of this study reveal important insights into the demographic composition and financing experiences of stakeholders engaged in agricultural activities within Ilorin East and Ilorin South Local Government Areas of Kwara State. The majority of the respondents were male and fell within the economically active age range of 26 to 45 years, suggesting a vibrant

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5.2 Conclusion

Agricultural financing and food production are critical to Nigeria's economic growth, food security, and rural development. However, challenges such as limited access to credit, high-interest rates, poor infrastructure, inconsistent government policies, and climate change continue to hinder progress. Commercial banks, microfinance institutions, cooperatives, and farmers' associations play vital roles in providing funding, while government interventions and public-private partnerships can further enhance financial accessibility. The impact of agricultural financing extends beyond farming, influencing employment, infrastructure development, and overall economic stability in rural areas. To address existing challenges, strategies such as expanding agricultural credit, investing in rural infrastructure, adopting modern technology, and promoting climate-smart agriculture must be prioritized. By implementing these measures, Nigeria can strengthen its agricultural sector, improve food production, and achieve long-term economic sustainability.

5.3 Recommendations

At the end of the study, the following recommendations are made:

- i. There is need for the government to improve access to low-interest agricultural loans for smallholder farmers.
- ii. Government has to strengthen public-private partnerships to enhance agricultural financing and infrastructure.
- iii. Government should expand microfinance and cooperative credit schemes for rural farmers.
- iv. There is need for the government through the ministry of Agriculture to invest in rural road networks, storage facilities, and irrigation systems
- v. Government should implement policies that ensure transparency in agricultural funding disbursement.

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QUESTIONNAIRE

Title: Investigating the Impact of Agricultural Financing on Food Security in Nigeria (A Case Study of Ilorin, Kwara State)

Dear Respondent,

This questionnaire is designed for academic purposes and seeks to gather information on the role of agricultural financing in promoting food security in Nigeria. Your responses will be treated with strict confidentiality.

SECTION A: Demographic Information

Please tick (✓) where appropriate.

1. Gender: ☐ Female ☐ Male
2. Age: ☐ 46 and above ☐ 36–45 ☐ 26–35 ☐ 18–25
3. Educational Qualification: ☐ No formal education ☐ Primary ☐ Secondary ☐ Tertiary
4. Occupation: ☐ Bank/Loan Officer ☐ Agricultural Officer ☐ Farmer ☐ Other
(Please specify): _____
5. Years of Experience in Farming or Agricultural Work: ☐ Above 10 years ☐ 6–10 years ☐ 1–5 years ☐ Less than 1 year

SECTION B: Types and Sources of Agricultural Financing

6. What type(s) of agricultural financing have you accessed? ☐ Government loan schemes (e.g., ACGSF, NIRSAL) ☐ Bank loans ☐ Cooperatives ☐ Personal savings ☐ NGO or donor funding ☐ Others (Please specify): _____
7. How frequently do you access agricultural financing? ☐ Never ☐ Rarely ☐ Occasionally ☐ Always
8. Which of the following sources do you trust the most for agricultural financing? ☐ Government programs ☐ Commercial banks ☐ Microfinance banks ☐ Cooperative societies ☐ Others: _____

SECTION C: Accessibility and Adequacy of Credit Schemes

9. How easy is it for you to access agricultural credit? ☐ Very difficult ☐ Difficult
☐ Easy ☐ Very easy

10. Have you ever been denied agricultural credit? ☐ No ☐ Yes If yes, state the reason(s): _____

11. Do you consider the amount of credit you receive adequate for your farming operations? ☐ No ☐ Yes

Please explain briefly: _____

12. How timely is the disbursement of the credit you receive?
☐ Very late ☐ Late ☐ Timely ☐ Very timely

SECTION D: Challenges in Securing Agricultural Financing

13. What challenges do you face in accessing agricultural financing? (You may tick more than one) ☐ High interest rates ☐ Complex loan procedures ☐ Lack of collateral ☐ Inadequate awareness of available schemes ☐ Political or social interference ☐ Others: _____

In your opinion, what can be done to improve farmers' access to credit in Ilorin or Nigeria at large?

SECTION E: Agricultural Financing and Food Production

14. Has the agricultural financing you received helped to improve your crop or food production? ☐ Not sure ☐ No ☐ Yes

15. Which aspects of your farming benefited most from the credit? ☐ Purchase of seeds/fertilizers ☐ Hiring labor ☐ Buying equipment ☐ Expanding farmland ☐ Others: _____

16. Do you think improved financing will increase food availability in Ilorin and Nigeria as a whole? ☐ Strongly disagree ☐ Disagree ☐ Agree ☐ Strongly agree

Additional Comments on Agricultural Financing and Food Security: