AGRICULTURAL FINANCING, AGRICULTURAL OUTPUT GROWTH AND EMPLOYMENT GENERATION IN NIGERIA

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EUROPEAN JOURNAL OF BUSINESS SCIENCE AND TECHNOLOGY

Volume 7 Issue 1
ISSN 2694-7161
www.ejobsat.com

ABSTRACT

This study investigates the impact of agricultural financing and agricultural output growth on employment generation in Nigeria from 1981 to 2017. The study adopts the framework of the Auto Regressive Distributed Lag (ARDL) Model for analysis. The empirical results show that while agricultural financing increases employment generation in both the short run and long run, the lag of agricultural output growth increases employment generation mainly in the short run. Other variables found to have significant effect on employment generation were price and agricultural output while labor force population, wages and aggregate expenditure were insignificant. The study concludes that policy makers should endeavor to see that every fund allocated for a specific agricultural schemes and interventions should be fully utilized for its purpose. To increase employment opportunities, there should be careful monitoring of the implementation of each scheme and policy to realize their specific objectives.

KEY WORDS

agricultural financing, agricultural output, growth, employment

JEL CODES

E24, J21, J43, O13, Q13, Q14

1 INTRODUCTION

Agriculture is the science of cultivation of soil for crops and the rearing of animals. Agriculture is as old as man himself as it was the first occupation of mankind. Even with the evolvement of modern civilization, it still remains an essential part of the growth and development of any extant economy (Anthony-Orji et al., 2020; Orji et al., 2019 and Ogbuabor and Nwosu, 2017). In Nigeria, the agricultural sector is a major sector that drives economic development and industrialization because of its importance in the provision of food for the increasing popu-

ORJI, Anthony, OGBUABOR, Jonathan Emenike, ALISIGWE, Jennifer Nkechi, and ANTHONY-ORJI, Onyinye Imelda. 2021. Agricultural Financing, Agricultural Output Growth and Employment Generation in Nigeria. *European Journal of Business Science and Technology*, 7 (1): 74–90. ISSN 2694-7161, DOI 10.11118/ejobsat.2021.002.

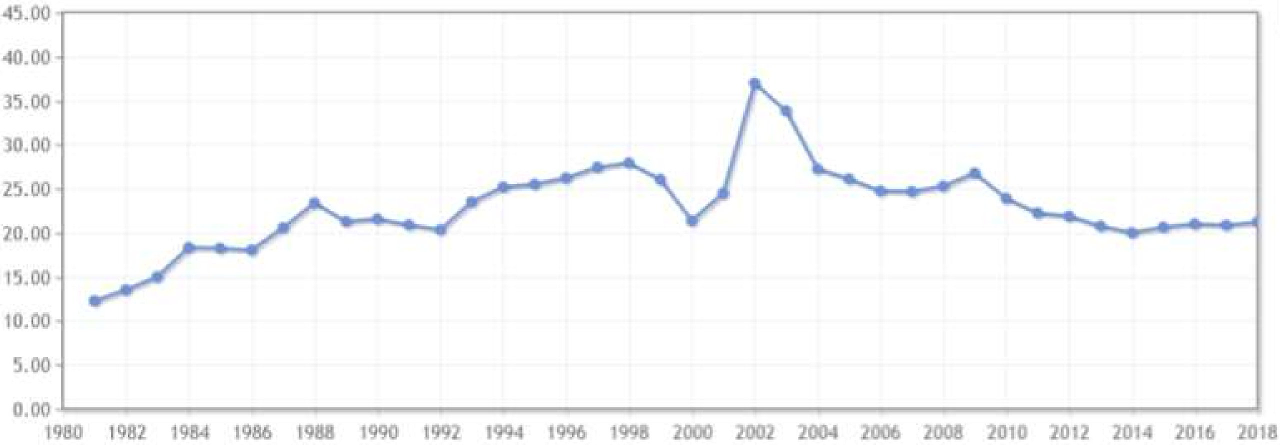

Fig. 1: Agriculture, value added (% of GDP) in Nigeria (1981–2018)
Note: The Y-axis represents agricultural value added as a percentage of GDP, X-axis represents the years. (World Bank national accounts data, 2020)

lation, the supply of raw material to the growing industrial sector, generation of foreign exchange earnings, creation of employment opportunities, and provision of market for the product of the industrial sector (World Bank, 2016). Nigeria is endowed with large expanse of arable land and favourable climate for agriculture. As at 1990 the estimated arable land was 81 million hectares out of the Nigerian total land of 91 hectares of which 18 million hectares of this land was classified as permanent pasture for livestock production. This enables the production of a wide variety of crops, livestock, forestry and fishery products (Ewetan et al., 2017).

The 1962–1968 development plan was the first national plan of Nigeria post-independence and among its many objectives, the introduction of modern agricultural methods, agricultural extension services and the supply of better farm implements were greatly emphasized. This national plan was to a large extent achieved and Nigeria became the leading producer of export crops such as cocoa which was produced in the western region, palm oil which was largely produced in the southern region and groundnut which was produced majorly in the northern region. According to the Central Bank of Nigeria (CBN) reports, in the 1960's, agriculture contributed about 60 percent to the Gross Domestic Product (GDP) of the nation (CBN, 2016). The National Bureau of Statistics (NBS) reported that agriculture was the most important sector in terms of its contribution to the to the country's output, employment and foreign exchange earnings (NBS, 2014). However the success of the sector was short-lived and its share of contribution to the GDP of Nigeria declined drastically to 25 percent between 1975 and 1979 and later rose up to 38 percent in 2002 but later fell again to 20 percent in 2010. There hasn't been a significant change in agriculture's share to the GDP since then. This fall in agricultural production was owed greatly to the oil boom the economy experienced in the 1970's. Fig. 1 shows the contribution of the agriculture to the GDP between 1980 and 2018. The Y axis is the percentage contribution of agriculture to GDP while the X axis is the years.

The 1970's brought about the emergence of the oil industry as the main driver of economic growth and since then, agricultural production has been progressively declining in terms of its annual contribution to Nigeria's GDP. The Nigerian economy became over-dependent on the oil sector and this caused the decline in the revenue generated by the agricultural sector overtime. The Nigerian government has recognized how detrimental the over dependence on only one sector can be to the economy and has recently started to seek for diversification of the economy through the development of other productive sectors aside from the oil sector. The government has brought into cognisance the importance and prospects of the agricultural sector and it is one the major