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Assessing the Role of Bank Credit in Stimulating Agricultural Growth in Nigeria

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ABSTRACT

This study empirically x-rays the bank's credit as predictor of growth of the agricultural sector in Nigeria. Time series data for the period of thirty-two (1990-2022) sourced from the central bank of Nigeria statistical bulletin were used. Unit root of augmented dickey fuller test was conducted on variables to ascertain whether they have unit roots. It was discovered that they were all stationary at first difference. Co integration test however, revealed that long run relationship exists among the variables. The relative statistics of the estimated model shows that microfinance bank credit to Agric Sector, coefficient shows a negative and also significant influence on growth of agricultural sector. Commercial bank credit to agric sector has positive and insignificant relationship with the growth of agricultural sector at 5% significant level. The study recommends that government should adequately implement policies on agricultural development and ensure that funds meant for agricultural sector are spent on the purpose it appropriated. Commercial Bank should as matter of urgency increase the funds loaned to agricultural sector as stipulated by the CBN. Microfinance Bank should monitor the use of loans given to farmers to avoid diversion.

Keywords: Micro-finance banks, Deposit Money Banks, Agricultural Output

INTRODUCTION

Agriculture remains a cornerstone of Nigeria's economy, contributing significantly to employment, food security, and GDP. The significance of agriculture in any modern society is undeniable and requires no debate. In Nigeria, it remains a cornerstone of the economy, employing approximately 70% of the labor force. This makes the agricultural sector the largest contributor to job creation in the country (Philip, Nkonya, Pender, & Oni, 2009). Despite its potential, the sector has long been constrained by inadequate financing, which hampers modernization and productivity. Commercial banks play a pivotal role in bridging this financing gap by providing credit to agricultural enterprises, thereby fostering growth and development in the sector. However, the effectiveness of these credits in driving agricultural output and economic progress remains a subject of debate.

Studies reveal mixed findings on the impact of commercial bank credit on agricultural growth in Nigeria. While some research highlights a positive relationship between agricultural financing and productivity in the long term, others suggest that structural inefficiencies and high lending rates dilute these benefits (Obi-Nwosu et al., 2022; Ogbuabor & Nwosu, 2017). Furthermore, policy interventions such as the Agricultural Credit Guarantee Scheme Fund (ACGSF) have demonstrated potential in boosting specific subsectors like crops, yet challenges persist in scaling these impacts across the broader agricultural landscape (Jonathan et al., 2020).

Theoretical frameworks like the supply-leading hypothesis and structural change theory emphasize the transformative potential of targeted financial support in agriculture. By channeling resources effectively, commercial bank credit can drive sectoral growth, enabling a shift from subsistence farming to more

robust, commercially viable agricultural enterprises (Orok & Ayim, 2017; Patrick, 1966). However, empirical evidence points to the need for more inclusive and sector-specific financial mechanisms to maximize impact.

This background of study aims to explore the intricate relationship between the role of bank Credit in stimulating agricultural growth in Nigeria. It seeks to understand how strategic loans to the agricultural sector can catalyze or spur growth and in turn lead to economic growth, create employment opportunities, improve food security, and reduce the country's dependence on oil revenues. Furthermore, the study will examine the policy frameworks and initiatives that have been put in place to promote agricultural access to funds and investent and assess their effectiveness.

As Nigeria continues to diversify its economy and reduce its vulnerability to external economic shocks, understanding the potential of agricultural investment is crucial. This research will provide insights into the challenges and opportunities in this sector, with the ultimate goal of contributing to informed decision-making and policies that can drive Nigeria's economic development through agriculture.

From the above, the work has the following as specific objectives;

- I. To ascertain the relationship between deposit money banks credit and agricultural sector growth in Nigeria.
- II. To ascertain the relationship between micro-finance banks credit and agricultural sector growth in Nigeria.

Based on the objective the hypotheses of the study are stated thus;

HO1: Deposit Money banks credit has no significant impact on agricultural sector growth in Nigeria.

HO2: Micro-Finance banks credit has no significant impact on agricultural sector growth in Nigeria.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

Concept of Deposit Money Banks

Deposit Money Banks (DMBs), commonly referred to as commercial banks, play a vital role in modern economies by mobilizing savings and facilitating economic growth. These banks act as financial intermediaries, collecting deposits from surplus units of the economy and channeling them to deficit units through loans and investments. They are regulated institutions authorized to accept deposits and provide credit, thus contributing to liquidity management, investment stimulation, and overall financial stability in a country.

In Nigeria, Deposit Money Banks are pivotal in driving economic activities, particularly in sectors like agriculture, manufacturing, and small and medium enterprises (SMEs). According to Schumpeter's supply-leading theory, financial institutions such as DMBs are essential drivers of economic development, as their financial products and services lead to efficient resource allocation, fostering growth in other economic sectors (ResearchGate, 2021). This is particularly relevant in Nigeria, where DMBs significantly impact the GDP by providing credit and other financial services.

Empirical studies in Nigeria demonstrate that while DMBs contribute to economic growth, their effectiveness is often influenced by external factors, including interest rate policies, regulatory frameworks, and the quality of credit allocation. For instance, research has shown that despite the availability of bank credit, challenges such as high interest rates and non-performing loans limit the sector's potential to maximize its contribution to economic growth (Sanusi & Salleh, 2007). In addition, studies emphasize the need for DMBs to enhance their lending to productive sectors such as agriculture and SMEs, which are critical to achieving sustainable development in Nigeria (IOSR Journals, 2023; Jatau et al., 2016).

The role of Deposit Money Banks in Nigeria extends beyond basic banking services. They are central to the financial system's ability to stimulate economic development, though their impact can be improved through strategic reforms and targeted credit policies that prioritize key growth sectors. Continued research and policy adjustments are essential to fully harness their potential in driving inclusive economic growth.

Concept of Micro-Finance Banks

Microfinance Banks (MFBs) are specialized financial institutions designed to provide financial services to underserved populations, particularly low-income individuals and small-scale entrepreneurs. Their establishment aims to promote financial inclusion, reduce poverty, and empower small businesses by offering access to credit, savings, and other financial products typically inaccessible to these groups.

Services and Operations

Microfinance Banks in Nigeria offer various services, including microloans, savings accounts, insurance products, and financial advisory services. They are particularly focused on micro, small, and medium enterprises (MSMEs), which are vital to Nigeria's economy. MFBs often employ innovative lending mechanisms such as group lending, which uses peer accountability to manage risk, and collateral-free loans, which allow borrowers without traditional assets to access credit.

According to the Central Bank of Nigeria, the introduction of microfinance policies in 2005 led to the establishment of over 700 MFBs by 2008. These banks have since played a crucial role in improving access to finance for rural communities and enhancing economic activities in sectors like agriculture, trade, and manufacturing (CBN, 2005).

Challenges and Impacts

Despite their positive contributions, MFBs face significant challenges, including limited funding, high-interest rates, and operational inefficiencies. However, their impact on poverty alleviation and financial inclusion has been widely acknowledged. Research indicates that microfinance interventions in Nigeria have improved financial literacy, increased income levels among smallholder farmers, and created opportunities for self-employment (Sanusi, 2011; Alegieuno, 2008).

MFBs serve as a bridge between formal financial systems and marginalized groups, fostering local economic growth and enabling broader financial participation. With improved regulatory frameworks and increased government support, their potential to drive sustainable development can be further enhanced.

Agricultural Growth

Agricultural growth refers to the increase in the output of the agricultural sector over time. It encompasses improvements in crop yields, livestock production, and other agricultural activities. Growth in agriculture is not only critical for ensuring food security but also for fostering economic development, especially in developing countries where agriculture forms the backbone of the economy.

Factors Influencing Agricultural Growth

Several factors drive agricultural growth, including:

1. **Technological Innovation:** Adoption of modern farming techniques, machinery, and improved seed varieties enhances productivity and boosts growth (FAO, 2017).
2. **Investment in Infrastructure:** Better transportation networks, irrigation systems, and storage facilities reduce post-harvest losses and increase efficiency (World Bank, 2020).
3. **Policy Support:** Favorable government policies, such as subsidies for inputs and investment in agricultural research, are critical to sustaining growth (CBN, 2018).
4. **Access to Finance:** Credit availability enables farmers to adopt modern inputs and technologies, fostering growth (IFAD, 2019).
5. **Market Access:** Integration into local and international markets creates demand for agricultural products, driving expansion in output (OECD, 2020).

Agricultural Growth in Nigeria

Agriculture remains central to Nigeria's economy, contributing about 22% to GDP and employing a significant portion of the population (NBS, 2022). However, the sector faces challenges such as low mechanization, poor infrastructure, and climate variability. Recent initiatives, such as the Anchor Borrowers' Program and agricultural mechanization schemes, aim to address these issues and accelerate growth (CBN, 2018).

Impacts of Agricultural Growth

1. **Economic Development:** Agricultural growth supports industrialization by providing raw materials and increasing rural incomes (World Bank, 2020).
2. **Poverty Reduction:** Higher agricultural output creates jobs and raises income levels for farmers, particularly in rural areas (IFAD, 2019).
3. **Food Security:** Increased agricultural production ensures sufficient food supply for a growing population (FAO, 2017).

EMPIRICAL REVIEW

Bank Credit and Agricultural Growth in Nigeria

The relationship between bank credit and agricultural growth in Nigeria has been extensively studied, revealing both opportunities and challenges in leveraging financial resources to enhance agricultural productivity. The empirical findings consistently highlight the significant role of commercial banks and credit schemes in fostering agricultural development.

Studies such as those by Agunuwa, Inaya, and Proso (2015) demonstrate that commercial bank credit significantly improves agricultural productivity. The availability of credit empowers farmers to acquire necessary inputs like fertilizers, machinery, and seeds, thereby enhancing output. However, high interest rates often deter borrowing, limiting the positive impact of credit on the sector. These findings suggest the need for more favorable loan conditions to stimulate investment in agriculture.

The Agricultural Credit Guarantee Scheme Fund (ACGSF) has been a pivotal tool in mitigating credit risk for banks. Udoka, Mbat, and Duke (2016) found that this fund positively and significantly correlates with increased agricultural production in Nigeria. They recommend that the government continue to support such schemes to encourage financial institutions to lend to farmers, thereby boosting food production and economic growth.

Research by Ali, Jatau, and Ekpe (2016) highlights the limitations posed by high interest rates and stringent lending conditions. While deposit money banks' credit has positively influenced agricultural output, the inverse relationship with high lending rates suggests the need for policies to reduce borrowing costs. This would create an enabling environment for smallholder farmers to access credit. Ezeudu and Onyekachi (2017) emphasize that increasing the allocation of commercial bank credit to agriculture can significantly enhance productivity and economic growth. However, they note that real interest rates also play a crucial role. Higher interest rates negatively impact investment in the agricultural sector, thus requiring Central Bank interventions to regulate rates effectively.

Nnamocha and Eke (2015) explored the long-term impact of bank credit using an error correction model (ECM). They concluded that while bank credit significantly contributes to agricultural output in the long run, short-term effects are less pronounced. Policy recommendations include increasing credit volumes and developing agricultural value chains to sustain growth.

Ajudua, Ojima, & Okonkwo (2015) examined the effects of monetary policy variables on Nigeria's agricultural sector between 1986 and 2013. Using Johansen cointegration and OLS methods, the study established a significant relationship between monetary policies, including bank credit, and agricultural performance. It emphasized increasing budget allocations to agriculture and efficient fund utilization to boost growth.

Nnamocha & Eke (2015) analyzed the effect of bank credit on agricultural output from 1970 to 2013. Employing the Error Correction Model (ECM), they found a significant long-term relationship between bank credit and agricultural productivity. The study highlighted how credit facilities drive agricultural output growth, with recommendations for more accessible bank loans to farmers.

Agunuwa, Inaya, & Proso (2015) explored the impact of commercial bank credit on agricultural productivity. Using unit root tests and OLS techniques, the findings showed a positive correlation between bank credit and agricultural productivity, while high-interest rates negatively impacted growth. The study recommended improving the Agricultural Credit Guarantee Scheme to attract more bank participation.

Ali, Jatau, & Ekpe (2016) evaluated the role of deposit money banks' credit in agricultural output from 1981 to 2014. The regression analysis revealed that bank credit significantly boosted agricultural productivity. However, lending rates had an inverse and insignificant impact. The study called for policies to ensure consistent credit supply to agriculture for sustainable development

Udoka, Mbat, & Duke (2016) assessed the relationship between commercial bank credit and agricultural production in Nigeria. Using OLS regression, the study found a significant positive impact of agricultural credit guarantee funds and government expenditure on agricultural productivity. It recommended continued government loan guarantees to motivate banks to lend to farmers.

The empirical evidence underscores the critical role of bank credit in driving agricultural growth in Nigeria. Recommendations from these studies advocate for increasing credit availability, reducing interest rates, and strengthening guarantee schemes to make agricultural lending more attractive to financial institutions. These measures are vital to addressing the challenges of food security and economic diversification in Nigeria.

THEORETICAL FRAMEWORK

Theory of Financial Intermediation

The Theory of Financial Intermediation provides a fundamental framework for understanding the role of financial institutions, particularly banks, in fostering economic activities. This theory highlights the mechanisms through which banks serve as intermediaries between savers and borrowers, thus facilitating the efficient allocation of financial resources. By reducing transaction costs, mitigating risks associated with information asymmetry, and directing capital toward productive investments, banks are integral to economic growth and stability.

One of the central ideas of this theory is that financial intermediaries address the inherent inefficiencies in direct financing. Without these intermediaries, individuals or businesses needing funds would have to seek out potential lenders directly, incurring high transaction costs. Banks simplify this process by pooling savings and providing structured credit solutions. In agriculture, this translates to targeted financial products such as seasonal loans or equipment financing, which help farmers overcome liquidity challenges and invest in productive inputs.

Another crucial aspect is the role of financial intermediaries in addressing information asymmetry. Borrowers typically have more information about their financial health and project viability than lenders. This asymmetry creates risk, as lenders cannot fully assess the likelihood of repayment. Financial institutions manage this through credit assessments, monitoring mechanisms, and the diversification of their lending portfolios. In the agricultural sector, where income is seasonal and influenced by unpredictable factors such as weather, this role becomes even more vital. Banks' ability to evaluate and manage risks ensures that credit flows to viable agricultural enterprises (Diamond, 1984).

The theory also underscores the importance of resource allocation. Banks act as conduits, channeling funds toward sectors with high growth potential. For agriculture, this involves financing for modern technologies, mechanization, irrigation systems, and other productivity-enhancing investments. Efficient resource allocation supports not only individual farmers but also contributes to national food security and economic stability (Allen & Gale, 2004).

Despite its significance, the practical application of financial intermediation in agriculture faces several challenges. High interest rates, for instance, often discourage farmers from borrowing, reducing their ability to invest in productivity-enhancing inputs. Additionally, many smallholder farmers lack the collateral required to secure loans, leading to financial exclusion. The geographical limitations of rural banking infrastructure further exacerbate this issue, leaving many agricultural communities underserved (Beck et al., 2010).

To address these challenges, policymakers and financial institutions must adopt targeted strategies. These may include subsidizing interest rates for agricultural loans, strengthening credit guarantee schemes like Nigeria's Agricultural Credit Guarantee Scheme Fund (ACGSF), and expanding banking services into rural areas. Such measures would enhance the role of banks as financial intermediaries, making credit more accessible and affordable for farmers, thereby fostering agricultural growth.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

The research design for this study adopts an ex-post facto research design to investigate the relationship between bank credit and agricultural growth in Nigeria. This design is appropriate as it deals with historical data and events, focusing on their influence on agricultural growth. Specifically, it examines how variations in bank credit have impacted agricultural productivity and overall economic development in Nigeria. The retrospective nature of this approach allows for the identification of trends and causal relationships based on existing data.

In addition, the study employs an explanatory research design to analyze and establish causal links between bank credit and agricultural growth. This approach helps to uncover how financial variables, influence agricultural productivity over time. By adopting this dual design, the research provides a comprehensive understanding of the interactions between financial intermediation and agricultural performance.

To achieve its objectives, the study uses regression models grounded in financial intermediation theories and supported by empirical studies. These models will analyze the influence of bank credit and other financial variables on agricultural output, covering a data period from 1990 to 2022. The models aim to quantify the relationship and test the significance of bank credit in driving agricultural growth.

The study relies on secondary data sources, meticulously gathered from reputable and relevant institutions, including the Central Bank of Nigeria (CBN) Statistical Bulletin, the World Bank database, and other scholarly publications. Annual time-series data spanning the period from 1990 to 2022 forms the core dataset for this investigation. Additional data sources include peer-reviewed journals, books, and reports, ensuring a robust foundation for analysis.

By employing this research design, the study provides insights into the role of financial intermediaries in enhancing agricultural productivity and contributes to policymaking aimed at improving agricultural financing in Nigeria.

Model Specification

we specify our model with reference to our specific objectives as follows.

The functional/mathematical model is given as

$$GDPA = F(\text{DMB}, \text{MFB}) \dots\dots\dots 1$$

$$GDPA = \alpha + \beta_1\text{DMB} + \beta_2\text{MFB} \dots\dots\dots 2$$

Where **DMB** is the Deposit Money Banks Credit

MFB is the Micro-Finance Bank Credit

GDPA is the gross domestic product of agriculture

α is the intercept of the model and β_i is vector of coefficient to be estimated

The a priori expectation of the model is $\alpha, \beta_i > 0$

The econometric model is given as

$$GDPA = \alpha + \beta_1\text{DMB} + \beta_2\text{MFB} + \mu \dots\dots\dots 3$$

Where μ is the random/error term which addresses the effects of other variables on the economy. There is no gainsaying that not just the selected variables determine the total variation of the explained variable. The random term is assumed to be independently and identically distributed.

3.3 Data Analysis Method

The model will be estimated using multiple regression analysis, which will allow us to measure the relationship between bank credit and agricultural growth in Nigeria, while controlling for the impact of other relevant factors.

3.4 Hypothesis Testing and Decision Rule Criteria

The decision rule was employed to test the hypothesis of the study and to make comparison between the probability value and the critical value. The study adopted 5% as its level of significance. The following decision rules were adopted for rejecting or accepting the null hypotheses: If,

- i. Probability value (p-value) > 0.05 critical value; do not reject the null hypothesis (H_0).
- ii. Probability value (p-value) < 0.05 critical value; reject the null hypothesis (H_0).

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Descriptive Statistics

In this section, we present the collected data, analyze the result and discuss the result. The data for this research analysis as earlier stated were all sourced from the CBN statistical bulletin of 2023 volume. The annual data of deposit money banks credit, micro-finance bank credit and gross domestic product of agriculture. The time series data ranges from 1990 to 2022.

Table 4.1 Descriptive Statistics

	GDPA	DMB	MFB
Mean	7815.281	1353839	3421.839
Median	4772.305	102389.5	603.5150
Maximum	17958.58	8054708	16890.20
Minimum	2298.700	462.2000	0.000000
Std. Dev.	5355.942	2276193	5096.382
Skewness	0.604578	1.602207	1.534542
Kurtosis	1.821702	4.207689	4.123868
Jarque-Bera	4.750740	19.54464	17.80393
Probability	0.092980	0.000057	0.000136
Sum	312611.3	54153543	136873.5
Sum Sq. Dev.	1.12E+09	2.02E+14	1.01E+09
Observations	32	32	32

Source: Eviews 9.0 Output

The gap between the maximum and minimum values is widest in term of deposit money bank’s credit to agricultural sector (CBC). With a mean average of 8.29% it is observed that growth in GDPA (gross domestic product of agriculture) witnessed the widest swing with a standard deviation of 10.24%. The skewness which is a measure of asymmetry of the distribution of the series around its mean is seen to be positive for the entire variable under investigation which is an indication that the distributions have a long right tail. The kurtosis measures the peakedness or flatness of the distribution, the results reported a kurtosis of 1.82 for GDPA, 4.21 for DBM, and 4.12 for MFB. As a decision rule, the kurtosis of the normal distribution is 3. If the kurtosis exceeds 3, the distribution is peak (leptokurtic) relative to the normal while if the kurtosis is less than 3, the distribution is flat (Platykurtic) relative to the normal. The series DBM and MFB records a kurtosis of more than 3, hence their distribution is leptokurtic (peak) in nature while GDPA posted a kurtosis of less than 3 and its distributions can be described as flat (Platykurtic). This evidence is further confirmed by the Jarque-Bera for each of the series and her associated probabilities. Under the null hypothesis of a normal distribution, the reported probability indicates that we can accept the hypothesis of normal distribution at 5% level of significance.

4.2 Unit Root Test

The Augmented Dickey-Fuller Unit Root Test is performed on each variable to determine its stationarity at the level and to identify the order of integration.

Table 4.2 Augmented Dickey-Fuller Test Result

Variable	ADF Statistics		Order of Integration
	First Difference	Critical	
GDPA	-6.897033	-2.768908*	I(1)
DMB	-6.707560	-2.789567*	I(1)
MFB	-7.590428	-2.768905*	I(1)

Source: Author's computation

The Augmented Dickey Fuller (ADF) procedure was applied in testing for existence of stationarity of time series data and the order of integration of both variables. When the ADF statistic is less than test critical values at say 5 percent, the time series data under unit root test is assumed to be stationary at all the level. Table 2 above shows that the time series data under Augmented Dickey Fuller ADF procedure, achieved stationarity at first difference I(1). Hence, when time series data of the variables are integrated of the same order I (1), the data series tend to cointegrate (Engle and Granger, 1985). Engle and Granger documents that when two time series data are integrated of the same order I(1) and some linear combination of them is stationary, then the three series are cointegrated. The consequences of such cointegration are that; cointegrated series share a stochastic component and a long-term equilibrium relationship and that the deviations from this equilibrium relationship as a result of shocks will be corrected over time.

4.3 Johansen Co-Integration Test

In order to test for the existence of long-term relationships among the variables in the model, the Johansen co-integration test was performed and the results are presented in Table 4.3. The trace statistic indicated the presence of three (3) co-integrating relationships at a 5% level of significance. Therefore, the null hypothesis of no significant co-integration was rejected at a 5% level of significance, and the alternative hypothesis was accepted. This implies that GDPA, DMB, and MFB have a long-term relationship among them

Table 4.3 Johansen Co-Integration Test Summary

No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.605832	82.08266	47.85613	0.0014
At most 1 *	0.394674	67.87722	29.79707	0.0042
At most 2 *	0.140933	4.825525	15.49471	0.0271

Source: Author's computation

Table 4.4: OLS Model Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPA	912.3855	141.6871	6.439441	0.0000
DMB	0.524404	0.330267	1.587816	0.0216
MFB	-445.3047	132.6087	-3.358035	0.0019
C	-2929042.	621279.9	-4.714529	0.0000
R-squared	0.876840	Mean dependent var		3011837
Adjusted R-squared	0.862351	S.D. dependent var		3982768
S.E. of regression	1477651	Akaike info criterion		31.36901
Sum squared resid	43183037	Schwarz criterion		17.16415
Log likelihood	-318.8437	Hannan-Quinn criter.		17.05311
F-statistic	60.51601	Durbin-Watson stat		1.312864
Prob(F-statistic)	0.000000			

Source: Extract from E-view 10.0

Table 4.4 presents the comprehensive impact of bank credit on the growth of the agricultural sector in Nigeria. The regression analysis reveals that Microfinance Bank Credit to the Agricultural Sector (MBC) has a negative and significant effect on agricultural sector growth. Specifically, the results indicate that a unit increase in Microfinance Bank Credit to the Agricultural Sector (MBC) could lead to a 445.3047 decrease in agricultural sector growth. This suggests that the credits extended by microfinance banks may be misallocated or diverted for non-productive purposes.

In contrast, Deposit Money Bank Credit to the Agricultural Sector shows a positive but statistically insignificant relationship with the growth of the agricultural sector at the 5% significance level. This implies that deposit money banks may not be fully adhering to the Central Bank of Nigeria's (CBN) directives to allocate a portion of their loan portfolios to the agricultural sector.

The coefficient of determination (R^2) is 0.876840, indicating that 88% of the variation in agricultural sector growth in Nigeria is explained by the variables in the model, while the remaining 12% is attributable to factors outside the model. The high F-statistic value of 876840, with a p-value of 0.000000, confirms that the model is statistically significant. However, the Durbin-Watson statistic value of 1.312 points to the presence of positive serial correlation, which may stem from the omission of a significant explanatory variable in the model.

DISCUSSION OF RESULTS AND FINDINGS

Hypothesis one is restated below:

H0₁: Deposit Money banks credit has no significant impact on agricultural sector growth in Nigeria

From the OLS results, with a t-statistic of 1.587816. The probability value (p-value) for this relationship is 0.0216. Since the p-value (0.0216) is less than the 0.05 significance level, we reject the null hypothesis. Therefore, deposit money bank credits contribution does have a significant impact on the overall growth of the agricultural sector.

H0₁: Micro-Finance banks credit has no significant impact on agricultural sector growth in Nigeria

From the OLS results, with a t-statistic of -3.358035. The probability value (p-value) for this relationship is 0.0019. Since the p-value (0.0019) is less than the 0.05 significance level, we reject the null hypothesis. Therefore, Micro-finance bank credits contribution does have a negative but significant impact on the overall growth of the agricultural sector. This result falls in line with the findings of Efionayi, Vincent & Nwaigwe (2020).

5.0 CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This study x-rays banking credit in ascertaining its relationship as a predictor of growth of agricultural sector in Nigeria. Banks are one of the major sources of fund required by the agricultural sector, therefore affordability and availability of such fund will make it easier for the farmers to obtain required inputs at the right time, which will encourage them to produce at a large scale, instead of subsistence which is a common feature of agriculture in Nigeria. A review of literature on the subject was done. Despite a number of studies have been carried out on the subject matter over the years, however, there seems to be understudied. This study adjusted the data make-up to include 2022 data and also employed a more interesting and robust econometric procedure to carry out this investigation. The findings lead to various concluding remarks as follows:

- i. Deposit Money Banks Credit to Agricultural Sector has positive and insignificant relationship with the growth of agricultural sector at 5% significant level.
- ii. Microfinance Bank Credit to Agricultural Sector (MBC), coefficient shows a negative and also significant influence on growth of agricultural sector.

The study recommends that Government should adequately implement policies on agricultural development and ensure that funds meant for agricultural sector are spent on the purpose it appropriated. Commercial Bank should as matter of urgency increase the funds loaned to agricultural sector as stipulated by the CBN. Microfinance Bank should monitor the use of loans given to farmers to avoid diversion.

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