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Effect of Commercial Bank Credit Facilities to Agriculture on Real Output Growth in Nigeria

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Abstract

The study examined the effect of commercial bank credit facilities to agriculture on real output growth in Nigeria. It was established that Commercial bank credit facilities to agriculture can be described as a financial institution that grant loans, accept deposit, and other financial product such as saving account and certificate of deposit to businesses, as proposed to a retail bank that provides similar financial product to individuals. The study equally adopted some mathematical and econometrics techniques such as ADF for unit root test, ARDL model for long run and short run coefficient, Bound test and Diagnostic test. The study revealed that commercial bank credit facilities to agriculture

have positive and significant effect on real output growth in Nigeria. However, the study equally concluded and recommended that Machinery should be set up to ensure that loans given to farmers are utilized for the purpose. Farmers caught using the loans for other purposes should be sanctioned. And also recommended that it is important that commercial bank credit with low interest rate be made available to famers in order to assist them procure the needed precursor in terms of agricultural facilities. As indication from findings shows that CBCFAs has positive impact on agricultural output growth.

Keywords: Commercial Bank Credit Facilities on Agriculture, Real Output Growth, ARDL Model

1. Introduction

The activities of commercial bank in the process of growth and development is imperative. As such, the benefit of banking sector is so consequential. However, the contribution of credit facilities to economic growth, development, and industrial advancement cannot be undermined. Allowing credit to grow naturally in proportion to the overall economic activity has been a focus of policy maker in recent time Olorunsola, Adeyemi, Valli, Kufre and Ochoche (2017) ^[19]. Commercial bank is described as a financial institution owned privately for receiving deposit from customers, keeping them and transforming it into loan for borrower of fund (primus, 2019) ^[23]. Banks have number of functions which are not limited to providing investment advisory service, foreign exchange service, issuing of travelling cheque to customers and standing as a guarantor for it customer. These services provided by the banks goes a long way to influence income levels and citizens' stander of living. According to Primus (2019) ^[23], globally, banking sector has been acknowledged as the catalyst of growth and development of a nation. The intermediation role of a bank is incomplete until the resources mobilized from the surplus unit are made available to the deficit unit for productive investment activities. The commercial bank through its credit policy act as an agent engine that promote growth in various sector of the economy by channeling resource to real sector. Therefore, the role of finance in agriculture, just like in the industrial and service sectors, cannot be overemphasized.

Bank loan and advances is essential instrument for the advancement of any country. This implies that the duration of loan facilities to the real sector determine the extent of growth and advancement of a nation. Banks operationally aimed at advancing credit to the real sector but irrespective of the loan disbursed to the real sector, the returns from these sectors have been discouraging considering the amount of fund channeled and supplied (Sogule & Nkoro, 2016) ^[24]. Primus (2019) ^[23] noted that bank loans and advance is expected to influence the agricultural sector through agricultural produce. He elucidates further that when agricultural project is solely funded by bank, it will in turn result to surplus food supply and also attract new investors into the system. Hence, if sufficient loan facilities are put in place by banks and government, bulky and weighty agricultural productivity that can promote welfare of the citizen can be assured. Hitherto, the limitation facing the banks financial sector in Nigeria is how to adequately channel resources to the real sector. Since Nigeria is not only blessed with oil mineral resources but also with agricultural produce, proper funding of agricultural and manufacturing sector should be

priorities man effort to add up to the revenue generated through oil sector.

Obilor (2013, cited in primus, 2019)^[18, 23], noted that deposit money banks favour credit and advances to other sector other than agricultural sector, as a result, banks charges farmers with high interest rate knowing fully well that farmers will not be able to meet up. However, federal government through Agricultural Credit Guarantee Scheme (ACGS) aimed at closing the gap by preparing warrant versus risk in agricultural financing. Nevertheless, the aim of the scheme was unaccomplished Primus (2019)^[23]. Consequently, Itodo, Apeh, and Adeshina (2012, cited in Primus, 2019)^[23] agree that Nigeria relies heavily on weighty and heavy importation of fundamental food items and raw materials which simultaneously to increase in poverty rate coupled with increasing unemployment rate. However, effort by government at all levels to support and empower the Agricultural sector is yet to fully manifest. To this effect, Orji, Ogbuabor, Okeke and Anthony-Orji, (2019)^[21], agricultural product has been recognized to have industrial value and great potentials, increase farmer's income and many other economic agents involved in the processing and marketing of agricultural product.

Therefore, Agriculture is the bedrock of economic growth, development and poverty eradication in the developing countries. Agriculture has been regarded as the engine and panacea to economic prosperity (Awoyemi, Afolabi, & Akomolafe, 2017)^[3]. There is an ever increasing need to invest in agriculture due to a drastic rise in global population and changing dietary preferences of the growing middle class in emerging markets towards higher value agriculture products. In addition, climate risks increase the need for investment to make agriculture more resilient to such risk on the other sides, the growth and deepening of agriculture finance market is constrained by a variety of factors which include: inadequate or ineffective policies, high transaction cost to reach remote rural population, co-variances of production, markets and price risks, absence of adequate instruments to manage risks, low level of demand due to fragmentation and incipient development of value chains, and lack of expertise of financial institutions in managing agricultural loan portfolios (Ayodele, 2019)^[5].

Agriculture was the main stay of Nigeria economy before the discovery of oil in 1958. As a matter of fact, Nigeria was exporting agricultural produce such as; groundnut, cocoa, rubber, Colton, groundnut oil, cassava and yam etc. to other part of the world. Agriculture was Nigeria's major source of foreign exchange earnings before the attainment of independent in 1960. Subsequently, the discovery of oil in commercial quantity made Nigeria to abandon agriculture. Although, laudable effort was made by successive government in recent years to revamp the sector. Where programmes such as Anchor borrower scheme, FADAMA III development programme, green alternative etc. but it appears that the political will to pursue such programme to logical conclusion was lacking (Badejo & Adekeye, 2018)^[8]. By implication, the larger proportion of farmers in Nigeria since independence usually engage in subsistence farming which focuses on the production of food for their families with little or nothing left over for sale. In light of the above, effort towards reversing the above ugly trend, the Buhari administration decided to take the bull by the horn in introducing the anchor borrower scheme for farmers in Nigeria, this programme encourages the lending of

agricultural credit to farmer at 9% interest rate by the central bank of Nigeria (Badejo & Adekeye, 2018)^[8].

In the work of Orji, Ogbuabor, Okeke, and Anthony-Orji (2020)^[22], the Nigeria government has over the years implemented many financing policies so as to improve the performance of agricultural sector by making credit accessible to the rural farmers but those policies have not attained their objective of significantly enhancing the development of agricultural sector and generating employment opportunities because the credit institution require from the farmers to have acceptable collateral before they can be granted credit and many of the farmers are rural dwellers who lack property right, making it impossible for them to access credit.

Agriculture has linkage with other productive sector such as the manufacturing sector and it has a high potential of generating employment for the deferent form of skilled and unskilled labour that constitute the labour force Orji *et al* (2020)^[22]. However, agricultural product serves as a major raw materials and non-oil foreign exchange earnings for the nation. Food items and even some cosmetic product that are usually imported such as sardine and coconut oil can be manufactured in Nigeria through the processing of agricultural commodities thereby increasing output and generating more employment opportunities in the countries (Orji, Ogbuabor, Okeke, &Anthony-Orji, 2019)^[21]. Considering the relevance of commercial bank credit facilities to agriculture in modern economic and its recognition in a global setting, it's imperative to give paramount attention to the activities of money deposit bank loan with low interest rate to pave way to farmers for easy outflow of funds. Thereby increasing output and generating more employment opportunities in the country Orji *et al* (2019)^[21]. Adequate financing and proper management of funds are important for successful exploitation of these opportunities. Inadequate financing and lack of proper management has been identified as a major cause of the low performance of the Nigeria agricultural sector (Orji *et al*, 2020)^[22].

2. Conceptual framework

According to Sogules & Nkoro (2016)^[24], bank loans and advances are essential instrument for the advancement of any country. This implies that the duration and amount of loan facilities to the real sector determine the extent of growth and advancement of a nation. Banks operationally aimed at advancing credit to the real sector but irrespective of the loan disbursed to the real sector the returns from these sector have been discouraging considering the amount of fund channeled and supplied. Since Nigeria is not only blessed with oil mineral resources but also with agriculture produce, proper funding agriculture and manufacturing sector should be prioritized in an effort to add up to the revenue generated through oil sector Primus (2019)^[23].

2.1 Agricultural financing

ClassHall.com (2021) defined agricultural finance as the process of sourcing, acquiring and application of capital in agricultural business. It also implies that, agricultural financing is the acquisition or procurement and use of capital for the purpose of production, processing and marketing of agricultural product. It deals with supply and demand of fund in agricultural sector of the economy. Penson and Lins (1990) defined agricultural finance as the

financial intermediaries who provide loanable funds for agricultural production and that of financial market in which that intermediaries obtain their loanable fund.

More to that, Hopkins (2005) defined agricultural finance as the means of acquiring and control assets, ownership of cash purchase, borrowing, or custom miring. Lee (1980) defined agricultural finance the economic study of the acquisition and use of capital in agricultural. So, it deals with the demand for, and supply of funds in the agricultural sector of the economy. Tandon and Dhondeyal (1991) defined agricultural finance as a branch of agricultural economic that deals with the problem and management of Bank services and financial resources related to individual farm units.

Ganiyu, Eboeime, Adamu, and Belonwo (2017) ^[12] states that the important of credit in economic cannot be overemphasized, especially in the context of developing countries that are trapped in a web of poverty which become/known as the vicious circle of poverty-globally, economies (especially those of developing countries) are sometimes subject to serious financial shock and capital constraint which impact negatively on macroeconomic variables and cause the financial intermediation mechanism to suffer. In Nigeria the provision of institutional credit to smallholder farmers has been the policy thrust of successful government (Umeh & Adejo, 2019) ^[25]. Therefore, Agricultural finance study those financial intermediaries who provide loan funds to agriculture, and financial market in which those intermediaries obtain their funds. In facts, several agricultural economists identified a number of studies focusing on such additional topic as rural banking, insurance, income distribution, farm financial management, and taxation. Finally, the study of agricultural finance can be broadening even further to account for all economic and financial interfaces between agriculture and the rest of the macro economics, including the effects that changes in national economic policies have upon the economic performance of agriculture and the financial position of farm operator families.

3. Empirical review of literature

In the literature, Nakazi and Sunday (2020) ^[16] investigated the effect of commercial bank's Agricultural Credit on Agricultural growth in Uganda between 2008-2018. The study applied Autoregressive Distributed Lag (ARDL) approach to examine the short run and long run relationship between commercial bank's credit and Uganda's agricultural GDP performance. In the long run, they find credit to have significant and positive impact on agricultural output. Credit to production is found to have a much high impact on agricultural output compare to credit to processing and marketing. In the short run, they found bank credit not to have an instantaneous impact on agricultural output. They provided evidence that commercial bank's agricultural credit contributes significantly to Uganda's agricultural sector GDP. Chris, Mbat and Stephen (2016) ^[9] examine the effect of Commercial Bank's Credit on Agricultural output in Nigeria. The study adopted ex-post facto research design, time series data, Ordinary Least Square Regression techniques. The result showed that there was a positive and significant relationship between agricultural credit guarantee scheme fund and agricultural production in Nigeria. There was a positive and significant relationship between commercial bank credit to agricultural

sector and agricultural production in Nigeria. Again, there was a positive and significant relationship between government expenditure on agriculture and agricultural production in Nigeria and a negative relationship between interest rate and agricultural output.

Also, Ayeomoni and Aladejana (2016) ^[4] examined the relationship between agricultural credit and economic growth in Nigeria between 1986 and 2014 using Autoregressive Distributed lag-model. Economic growth has regressed on agricultural sector credit, private domestic investments, real exchange rate, interest and inflation. Nwokoro (2017) ^[17] assessed the impact of banks' credit on agricultural output in Nigeria between 1980 and 2014. The study also examined the effect of interest rate, foreign exchange rate, government expenditure on Agriculture and money supply on agricultural output. The study employed the unit root test, co-integration test, ordinary least square technique and error correction model. The study found out that apart from interest rate that had significant negative impact on agriculture output, bank credit to agriculture sector, foreign exchange rate, government expenditure on agriculture and money supply had positive and negative impact on agricultural output. Bada (2017) ^[6] examined the impact of banks' credits on agricultural and manufacturing output in Nigeria between 1981 and 2014. Agricultural and manufacturing output were proxied by the share of agricultural and manufacturing GDP in the aggregate real GDP, and modeled against six independent variables credit to private sector, prime lending rate, broad money supply, interest rate, exchange rate and agriculture credit guarantee scheme fund. The result of the vector error correction model showed that bank credit to private sector contributed positively to the growth of agricultural and manufacturing sector in Nigeria.

Furthermore, Ikpor, Afam and Eneje (2016) ^[13] examined the impact of agriculture financing on rural economic diversification in Nigeria between 1970 and 2015. The study represented rural economic diversification by the normalized Herfindal Hirschman index (HHI). On the other hands, agricultural financing was captured by the four variable namely percentage budgetary allocation to agriculture sector, bank credit facilities extended to the agriculture sector, interest rate charged on bank loans and demand deposit of bank. The results revealed that budgetary allocation to agriculture, bank demand deposits and bank credit to agriculture had positive impact on rural economic diversification while interest rate charged on loans exerted negative impact on economic growth. In this effect, Egwu (2016) ^[11] examined the impact of agriculture financing on agriculture output, economic growth and poverty alleviation in Nigeria between 1980 and 2010. Agricultural output was measured by share of agriculture sector in GDP. Also, agriculture financing was surrogated as agricultural credit guarantee scheme fund and commercial bank credit to agricultural sector. The study employed the Augmented Dickey fuller test, Philip-Peron test and Ordinary least square technique. The result showed that agricultural credit guarantee scheme fund and commercial bank credit positively and significantly impacted agriculture output, thereby alleviate poverty rate and induced economic growth. More so, Comfort and Arigbede (2016) ^[10] examined the effect of agricultural productivity on economic growth in Nigeria. They sought to determine the effect of agricultural productivity on economic growth in Nigeria. They used

annual time series data from 2000 to 2014. They study employed the Ordinary Least Square (OLS) method for analysis. The study suggested that there was a long-run relationship between agricultural productivity and economic growth. The variable for the study were the agricultural sector contribution to GDP, gross access to credit/loans on economic growth in Nigeria among other.

Also, Olufemi, Francis, Adeniran, Abiola and Damilola (2019) ^[20], examine impact of tax revenue on agricultural performance in Nigeria. The study uses Engel and granger approach, co-integration to establish the long and short-run-behavior. In line with this, Adewole, Adekanmi and Gabriel (2015) ^[1] examined the contribution of commercial banks in agricultural financing in Nigeria between 2002 and 2014. Commercial banks' loans and advances to agricultural sector was proxy as agricultural financing while liquidity ratio, cash reserve ratio and discount rate were employed as the explanatory variable. The results of the regression analysis showed that cash reserve ratio, discount rate and liquidity ratio has negative but insignificant impact on agricultural credit. There is negative correlation between the ratio and agriculture credit. In the same path, Operinde, Amos, and Adeselu (2017) examined the influence of Agricultural Credit Guarantee Scheme Fund on Fishery development in Nigeria. They obtained time series data from 1981 to 2012. The variables were analysed using Descriptive Statistic, Growth Function and Autoregressive Distributed Lag. The study show that fishery sub-sector was the least financed in the agricultural sector of the economy. It concluded that; in the long run, volume of loan to agriculture from agricultural credit guarantee scheme fund had positive relationship with fishery contribution to agriculture and GDP.

Similarly, Ayeomoni and Aladejana (2016) ^[4] examined the relationship between agricultural credit and economic growth in Nigeria between 1986 and 2014 using Autoregressive Distributed lag-model. Economic growth has regressed on agricultural sector credit, private domestic investments, real exchange rate, interest and inflation. In line with this, Makinde (2016) ^[14] examine the impact of deposit money bank's loan and advances on the growth of mining and quarry manufacturing and the building and construction sector, service sector and agricultural sector from 1986 to 2014. By employing regression analysis, the study found out that unlike mining and quarrying, manufacturing and building and construction sector and service sector which have benefited in a little way from the deposit money bank credit, it has significant positive effect on agricultural sector, implying that agricultural sector has benefited from funds thereby driving economic growth of Nigeria. Bada (2017) ^[6] employed ADF unit root test; Co-integration test; Vector error correlation and causality to assess the relationship between banks' credit to private sector, interest rate, prime lending rate, M2, exchange rate, prime lending rate and agricultural credit guarantee scheme fund were sourced secondarily from CBN annual report. The study empirically disclosed that credit have positive significant impact on Agricultural and Manufacturing sector in Nigeria.

In this regard, Proso (2015) evaluate the effect of deposit money banks on agricultural output in Nigeria, using Ordinary least square regression estimation techniques. They found out that commercial banks credit and government expenditure have positive and significant influence on agricultural productivity while interest rate has

negative effect on agricultural output. Sogules and Nkoro (2016) ^[24] used Johansen co-integration techniques to analyze the long run relationship between bank loan and advances and performance of manufacturing sector between 1970-2013 in Nigeria. Evidence from the study showed that long run relationship exist in the model. The short run ECM showed negative significant relationship between bank loan and advances and performance of manufacturing sector. Bernard and Adenuga (2017) ^[7], employed error correction model and granger causality test to examine the contribution of the agricultural sector to employment generation in Nigeria. The result from their findings showed that over the years the agricultural sector contributes significantly to employment generation in Nigeria.

In line with this also, Ogbuide (2016), conducted a study in three local government area in Edo state, Nigeria on the progress of agricultural employment intervention programs to reduce unemployed youth. Data was generated through qualitative research by carrying out focus group discussion. The analysis and interpretation of the result was positive recommending further application of the agricultural employment intervention program. Akolo (2017) examine impact of agricultural financing policy and deposit money bank loan on agricultural sector productivity in Nigeria. The study used time series linear regression model employing data covering the period of 1981 to 2015. The result revealed that deposit money bank loan and agricultural finance policy proxy by Agricultural Credit Guarantee Scheme fund (ACGSF) have significant impact on agricultural productivity in Nigeria while lending Rate (LR) shows a significant negative impact on agricultural productivity. Agbada (2015) ^[2] analyzed agriculture financing and optimization of output for sustainable economic development in Nigeria. Output is proxied by gross domestic product while agriculture financing is proxied of the endogenous component of agriculture credit guarantee scheme fund namely loan to individual formers, loan to informal groups, loan to cooperative and loan to companies. The study employed the regression analysis.

4. Data sources and methodology

The study used annual time-series data. The data used in this research were obtained from secondary source, mainly the periodic publications of the Central Bank of Nigeria's, statistical Bulletin and World Bank development indicators. The study used statistical and econometrics method for data presentation and analysis. The statistical methods are: tables, chart, graphs etc. the econometrics method include: Augmented Dickey-Fuller Test (ADF) for unit root testing, Autoregressive Distributed Lag (ARDL) model was adopted to run the regression in order to conduct the long run\short run relationship between the variables. ARDL Bound Test was also to check the co-integration of long nexus among the variable. Granger causality test to determine the causal relationship between the independent and the dependent variables. Diagnostic Test: was conducted for stability, unfitness and reliability of the parameter.

To analyse the effect of commercial bank credit facilities to agriculture on real output growth in Nigeria the following model is hereby formulated,

$$GDP = f(CBCFA + GEA) \quad (1)$$

The mathematical expression of this model is

$$GDP_t = \beta_0 + \beta_1 CBCFA_t + \beta_2 GAE_t + \mu_t \quad (2)$$

Where:

GDP = Gross Domestic product i.e., real output growth

f = Function

CBCFA = Commercial bank credit facilities to agriculture

GAE = Government agricultural expenditure

β_0 = Intercept

$\beta_1 - \beta_2$ = The respective coefficient of the explanatory variables

U_t = Error term of a specified period of term

4.1 A priori expectation

The following are the a priori expectation for the study; $\beta_1 < 0$; $\beta_2, \beta_2, > 0$. This implies that, the relationship expressed here shows that BOA which determine the level of credit facilities to farmers is expected to be negatively signed with economic growth. While CBCFA and GEA are expected to have a positive relationship with economic growth; meaning their positive impact will lead to an increase in real output growth which invariably will lead to economic growth.

5. Results and analysis

5.1 Unit Root Test

Table 1 shows the stationarity of the variables which were tested using Augmented Dickey-Fuller (ADF) unit root test to ascertain whether or not the variables were stationary or nonstationary at levels and 1st difference.

Table 1: Unit Root Test Results (ADF Unit root test)

Variables	Level		Difference		Order of Integration
	t-stats	Prob.	t-stats	Prob.	
GDP	-3.15	0.004	-0.48	0.633	I(1)
CBCFA	-2.98	0.006	2.68	0.012	I(1)
GEA	-3.46	0.002	2.91	0.007	I(1)

Source: STATA 14 output (2022)

All the variables are stationary at levels. However, the variables are stationary at 1st difference at 1% level of significance. The null hypothesis is therefore rejected, which implies that the variables do not have a unit root. The results also indicate that the data can be model and forecast. This is the justification for adopting ARDL approach to cointegration. In the case of maximum lag selection, the study followed a general-to-specific lag selection technique, and the maximum dependent and dynamic regressors lags were selected using Akaike Information Criterion (AIC).

5.2 ARDL Estimation Results

This section presents the results of bound test long run coefficients and short run coefficients.

Bound test

The study employed bound test in order to check if there is long run relationship between the independent variables and dependent variable.

Table 2: Bound test

Null Hypothesis: No long-run relationships exist		
F-statistic	95% Lower Bound	95% Upper Bound
5.342**	3.23	4.35

Source: STATA output 2021

Note: ** Significance at 5% critical value bounds

The result of a cointegration test for the nonlinear specifications is presented in Table 2. The result shows that there is evidence of long-run relationship between the independent variables and the dependent variable. In this regards the study estimated coefficient of the error correction term in order to check the impact of the independent variables on the dependent variable in the long run.

Table 3: Long Run Coefficients (1, 2, 2, 3)

Variable	Coefficient	Std. Error	t. Statistics	Prob.
GDP (-1)	0.5295	0.1823	2.91	0.009
CBCFA	-3.4305	2.4989	-1.37	0.185
GEA	1.0139	1.7427	0.58	0.567
Short run Error Correction Model				
CBACF (D1)	0.9728	1.2780	0.76	0.455
CBACF (LD)	-1.3612	0.8606	-1.58	0.0129
GEA (D1)	1.4325	0.6919	2.07	0.049
GEA (LD)	0.9769	0.5558	1.98	0.043
GEA (L2D)	-0.6730	0.6586	-1.02	0.319
Const.	0.0254	.4065	2.93	0.008
R ²	0.6305			
Adj. R ²	0.4272			
Log likelihood	-27.1685			

Source: STATA Output (2022)

The coefficient of multiple determination (R²) is 0.6305 and an adjusted R² of 0.4272. The later indicates that 42.72 percent of variations in the observed behaviour of GDP is jointly explained by the independent variable i.e., CBCFA. This shows that the model fits the data well and has a tight fit. This indicates that the high adjusted R² value is better than would have occurred by chance, therefore the model is statistically robust. The goodness of fit of the model as indicated by the adjusted R-squared shows a good fit of the model that the model fit the data well. The total variation in the observed behaviour of GDP is used as a measure of agricultural growth. The a priori expectations about the signs of the parameter estimates are confirmation to economic theory.

The ARDL estimates in Table 3 extricate relationship between GDP (Real output growth) and CBCFA in both short-run and long-run periods. This implies that the estimates in Table 3 specify the asymmetric long run relationship between the CBCFA, GAE and GDP. The study shows that on long run with the speed of adjustment of about 0.5295 in absolute value, which indicates about 52% of the adjustment towards the long-run equilibrium per annum. Hence, there is a pass-through of CBCFA and GAE to GDP which signified a positive relationship between CBCFA and Real output growth (GDP) in Nigeria.

6. Conclusion and Policy Implications

The study examines the effect of Commercial Bank Credit Facilities to Agriculture (CBCFA) on real output growth in Nigeria. It was established that Commercial bank credit facilities to agriculture can be described as a financial institution that grant loans, accept deposit, and other financial product such as saving account and certificate of deposit to businesses, as proposed to a retail bank that provides similar financial product to individuals. The activities of agricultural sector; farm business, farmers etc. make use of this credit facilities as a source of fund to finance their agro-allied-business activities. However, from the regression analysis carried out, the result shows that

Commercial Bank Credit Facilities to Agriculture (CBCFA) have positive relationship with real output growth in Nigeria. This implies that CBCFA as a proxy for independent variable have positive and significant effect on real output growth (GDP). In view of the aforementioned, the following policy suggestions are recommended as:

1. Machinery should be set up to ensure that loans given to farmers are utilized for the purpose. Farmers caught using the loans for other purposes should be sanctioned.
2. It is important that commercial bank credit with low interest rate be made available to farmers in order to assist them procure the needed precursor in terms of agricultural facilities. As indication from findings shows that CBCFAs has positive impact on agricultural output growth.
3. Agricultural schemes target should be well spell out and design to ensure that the specific objectives are achieved. This can combat unnecessary diversion of resources made for the programmes since they have significant effect on agricultural output and economic growth.

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