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Prospects and challenges of agricultural financing in Nigeria: A review

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Abstract

This paper examined the prospects and challenges of agricultural financing in Nigeria. It was observed that agricultural financing is all about providing services to the farmers who are traditionally not served by the conventional financial institutions. Agricultural financing holds a lot of prospects for Nigerians especially the poor as it will enable them develop their skills, engage in production and many others. Among the problems identified are access to banking services in rural communities, lack of acceptable collateral/ security, perceived high agricultural risk, lack of access to credit information, high cost of credit administration, access to market, infrastructural challenges and subsistence nature of farming. The various prospects highlighted include; economic empowerment of farmers, poverty reduction, gains from international trade, employment generations, rural development, skill development, new innovations, effective utilization of local resources and output expansion. Consequent upon the problems noted, the paper recommends that the supervisory authorities should enforce standards so as to address the issue of poor management of funds meant for credit disbursement.

Keywords: Agricultural Financing; Prospects; Challenges; Financial Institutions; Nigeria

1. Introduction

Agricultural sector is the earliest sector of the economy in the history of mankind. The history of agriculture started when man wandered from places to place gathering fruits and animals to satisfy his immediate need. As at that time, man had three basic necessities in life, these are air, water and food. Air and water are provided naturally while food has to be provided by man himself with much and little hindrance from nature (Nwankpa, 2017). Agriculture as the backbone of West Africa economy is further revealed by the fact that it contributes an average of about 75 percent of various counties exports. Agriculture supplies about 80 percent of Nigeria's exports (Raimi, Olowo & Shokunbi, 2021).

According to Adegbite and Afolabi (2018), agriculture is the largest employer of labour in many countries in Sub-Sahara Africa, employing as much as 60% of sub-Sahara Africa labour force. The entire agricultural industry and its various subsidiary activities contribute significantly to the GDP and foreign exchange earnings through commodity export. According to NEPAD-OECD report (2010), Agriculture contributes 12.7% of sub-Sahara Africa economies GDP compared to an average of 3.2% globally. Vast areas of fertile land combined with ideal weather make agriculture a goldmine that Africa can exploit to lift its people out of poverty and bring about the much-needed development that the continent needs. Nigeria and other Sub Sahara countries have the potential to become the food basket of the world providing both crop and cash crops all year round. However, the impact of the agriculture sector on the welfare of the citizens remains insignificant.

Many parts of the Africa continue to experience famine, drought, youth unemployment and severe poverty. Farmers live under high level of poverty and cannot make a profitable living from their farming effort. At the national level, the

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industry is highly undeveloped. There is lack of access to modern equipment, inadequate access to financial services and credit facilities, lack of a clear and consistent agriculture policy from Government etc. (Nosiri, Nteegah, Robinson & Kalu, 2021).

Despite the critical role that agriculture plays in a country's development, Nigeria's Federal, State, and Local governments have failed to effectively address the unique obstacles that stand in the way of their efforts to boost agricultural output (Ademola, 2019). Due to their strict requirements for making funds available to farmers and the difficulty in accessing available funds, formal financial institutions have not adequately provided financial services to the poor, who typically make up a large portion of the country's population and are the primary producers of food and other necessities. This is because most of the financial institutions are located in the urban areas far from the reach of the farmers who live in the rural areas. These peasant farmers, therefore, rely essentially on the informal financial institutions in their areas (Zezza & Tasciotti, 2010).

Bharti (2018), states that the issue of inadequate access to finance by rural farmers, among others, has remained the central concern for farmers, and a key constraint to the modernization and diversification of their activities. The poor in the rural area whose main occupation is farming and who can contribute significantly to the development of the sector do not have an access to financial support. According to Ademola (2019), the primary obstacle farmers face when attempting to get loans from official financial institutions is the need that those institutions provide collateral. Furthermore, obtaining a loan involves several paperwork and regulatory processes, which raise the cost of the transaction.

There is no incentive for the official banking institutions to lend to farmers. According to Ademola (2019), these banks exhibit a bias for loans related to non-agriculture over agriculture and large-scale transactions over small-scale transactions. Lemessa and Gemechu (2016), for example, reported that only 5% of African farmers had access to formal credit. Given this, the government should focus more on recognising and developing financial institutions, most of which are located in rural areas where agriculture is the main industry.

The expansion of Nigeria's economy is anticipated to be significantly aided by net foreign exchange revenues from agriculture. As a result, the goal of this study is to highlight the significant issues and future directions of Nigerian agricultural funding. It becomes critical to do research in this field in order to offer solutions for the alleged issues facing small-scale peasant farmers, such as granting them access to financial services and providing them with profitable loans that benefit the local farmers. Additionally, it aims to assist in offering answers to the issues the agriculture industry is facing.

2. Concept of Agricultural Finance

The funding of agricultural activities, also known as agricultural financing, has been recognised as a vital and significant component of agriculture. This is because it serves as a critical first step in determining the amount and calibre of labour, materials, and technology inputs that can be utilised on farms (Fadeyi, 2014; Miller & Jones, 2010). Agricultural financing was characterised by Coker and Audu (2015) as investments made by developing nations in rural infrastructure, health care, and education that support both poverty alleviation and agricultural growth. Agricultural finance involves the supply of different financial instruments, such as (subsidised) loans, credit lines, fiscal credit, guarantees, matching grants, priority-lending rules, and overdraft facilities (Kersten, Harms, Liket, & Maas, 2017). In several instances, R&D and innovation (such as product development) were the goals of SME financing. Agricultural finance is described by Mattia, Riccardo, Alessandro, and Angela (2016) as the lending of funds that is essential to the growth of the farming industry. Agricultural financing was described by Rashid, Hassan and Abdullah (2018) as the financial credit that farmers should have access to in order to mechanise their fields and buy new equipment. Moreover, agricultural finance was described by Lowder, Carisma, and Skoet (2012) as the act of sacrificing something now in order to build up assets that would benefit the farmer in the long run by increasing revenue or providing other advantages.

Agricultural finance has been defined differently by various authors from different perspectives; however, for the purposes of this review, agricultural finance will be defined as the financial services offered for agricultural production, processing, and marketing (International Finance Cooperation IFC, 2011); these services can include short-, medium-, and long-term loans, leasing, and institutional/formal and non-institutional/informal financial sources. According to Ejiogu (2018), agricultural financing is the act of gaining control over the usage of funds, products, and services (for agricultural objectives) in the present in return for a pledge to repay a certain sum at a later time. Additionally, it is the ability to get finance for the purpose of enhancing agricultural productivity efficiency and using more advanced technologies (IFC, 2011). Combining the two definitions of agricultural financing suggests that agricultural finance comprises having a source of funding, being able to access the money, using it for agricultural purposes, and having a repayment plan in place for the money.

3. Financing Agriculture in Nigeria

Nigeria, a country in western Africa, shares several characteristics with other African countries that have an impact on agriculture. Nigeria has an agricultural climate all year round, making it a good place to do agricultural work. Because of its large amount of arable land, Nigeria has a great deal of potential to contribute to the production and export of agricultural products like groundnut, cocoa, cassava, yam, and maize worldwide. As a result, many foreign nations, organisations, and the government are interested in investing in the expansion of Nigerian agriculture; as a result, financial aid and supports are being directed towards the country's agricultural sector (Mogues & Dillon, 2018). Additionally, the Nigerian government has consistently funded the agricultural industry throughout the years, as many banks and donor organisations, realising that over 60% of the country's workforce works in agriculture and food-related industries. However, given that Nigeria's smallholder farming system still uses regional farming technology, it has been stated that this amount is insufficient for the necessary improvement in the country's agricultural sector (Evbuomwan, 2016).While government funding averaged USD48,621 million in 2001 and USD41,245 million in 2015, and international organisations contributed over 50 years of funding at an average of roughly USD185 million annually as of 2001 and USD15,870 million as of 2015, banks also committed 1.4% of their credit portfolio to agriculture in 2008, rising to 1.7% in 2010, and Nigerian smallholder farmers' agricultural development is still in its primitive state (Okotie, 2018).

There is no denying the significance of agriculture to Nigeria's economy and its contribution to GDP (gross domestic product) (Mogues and Dillon, 2018). According to the National Bureau of Statistics (NBS, 2017), agriculture's share of Nigeria's GDP increased from 32% in 2006 to 32.71% in 2007, 32.85% in 2008, and 37.05% in 2009. These numbers show a 67.5% decrease in its 1957 contribution (NBS, 2017). Long before crude oil was discovered in Nigeria, the country's economy was clearly based mostly on agriculture. Agriculture has not only increased the nation's GDP but also helped to provide jobs for people. In 2006, 49% of the country's workforce worked in agriculture; this percentage gradually decreased to 44% in 2008, 31% in 2010, and finally 27% in 2015 (NBS, 2017). Nigeria's economy depends heavily on agriculture, but given how important it is to the country and how rapidly it is declining, financial interventions are necessary if the people are to be empowered and have easier access to credit and other production factors (Fadeyi, 2014).

4. Sources of Agricultural Finance for Smallholder Farmers in Nigeria

Smallholder farmers in Nigeria have access to two main finance sources for their agricultural endeavours. The institutional/formal financial sector or the non-institutional/informal financial sector may provide these funds.

4.1. The Non-Institutional/Informal Sources of Agricultural Finance in Nigeria

Funds from loan operations from cooperative organisations, also known as esusu, borrowings from family, or money lenders are characteristics of the non-institutional/informal financial sector (Fadeyi, 2014). Monopolistic moneylenders that charge exorbitant interest rates dominate the non-institutional/informal financial industry. Additionally, they require collateral from the farmers. Personal items are frequently used as collateral (Fadeyi, 2014). The cooperative society, also known as the credit thrift society or esusu, is a kind of contribution among like-minded individuals and is a non-institutional/informal financial system. The payment terms are weekly, monthly, or daily. This type of funding can be managed in one of two ways. There are two ways to distribute the funds: either all of the members of the society receive money at the end of each week or month on a rotating basis, or all of the members can contribute money and it will be provided to the member who requests it at a predetermined interest rate (Adegbite & Afolabi, 2018). Though not established, moneylenders are a type of local bank. They offer quick financing to rural residents; however the drawback of this kind of fund is its high interest rate. In some situations, the monthly payback interest may reach a maximum of 10% to 15% (Adegbite & Afolabi, 2018). Such non institutional/informal forms of agricultural funding should be avoided, unless absolutely necessary, in order to be able to run a successful farming business. This is because the agricultural process itself takes several months to mature before the planted crops can be harvested or the animal raised can be sold, during which time the farmer would have been paying interest on the loan. If caution is not exercised, the interest paid back on the loan may reduce the farmer's capital and earnings (Fadeyi, 2018).

4.2. The Institutional/Formal Sources of Agricultural Finance in Nigeria

Nigeria has the ability to reach its full agricultural output potential in order to meet the high demands of the domestic and global markets. However, without a sufficient funding system in place, this potential cannot be fully realised. The answer may lie in the supply of structured agricultural financing, which is often acquired from three sources: international organizations/countries, banks, and the government.

4.2.1. Government Funding

A prerequisite for the growth of agriculture and the nation's overall economic advancement is the government's significant participation in the agricultural sector (Fanzo, 2018). The Nigerian government has developed a number of institutions, projects, and instruments over time with the goal of giving smallholder farmers access to funding. But since the early 1980s, government support for the agriculture industry has followed an erratic and irregular schedule. Merely 1.70 percent of the total budget was earmarked for agricultural development in 2013. This fell to 1.47% in 2014 before increasing to 1.90% in 2015 (World Bank, 2018). The amount of money the government allotted to agriculture went up from 1.25% in 2016 to 1.26% in 2017 and 1.38% in 2018, indicating a positive shift in the sector. This, however, still falls short of the 2015 Comprehensive Africa Agriculture Development Programme (CAADP) suggested 10% required budgetary investment for agriculture (Budget Office, 2018).

4.2.2. Banks' Funding

The majority of Nigeria's financial sector is made up of banks, which provide financial services to the country's burgeoning population (Oluwamayokun, 2018). These services encompass, among other things, contract and local purchase order finance, client deposit receipt, and borrowing money for the deficit sector. The banks finance operations for the deficit sector, which includes smallholder farmers. The benefits of banks stem from their ability to overcome obstacles, competitiveness, flexibility, lending expertise, and quick response times to customer requests (Taiwo & Olurinola, 2016); it is questionable, though, if this kind of diversity is still achievable in the Nigerian banking sector. Nigerian banks are capable of producing credit deposits. Their portfolio of loans to agriculture is less than that of loans to other economic sectors, despite their potential to be a major source of funding for agricultural loans. In 2008, 2009, and 2010, the bank's lending portfolio to agriculture was 1.4%, 1.4%, and 1.7%, respectively (Ofoegbu, 2015). Despite efforts by the government to give agriculture more priority, there was a 3.5% increase in bank lending to the agricultural sector in 2011 (Central Bank of Nigeria, 2017).

4.2.3. International Donor Funding

International governments and donor organisations have given Nigeria substantial sums of money for agricultural lending programmes since the early 1950s. The World Bank, as an organisation, devoted about US$16 billion to these efforts between the mid-1950s and the late 1980s; additional donors have also made significant worldwide contributions to the development of agriculture, particularly in poor nations (Pardey et al., 2016).

Like many developing nations, Nigeria is supported financially by a variety of donor nations, external organisations, and international organisations. According to the Organisation for Economic Cooperation and Development (OECD), 2018, these grants are intended to support agricultural production in poorer nations by enhancing agricultural practices. Its goal is to help nations with large populations of smallholder farmers satisfy their national food production needs. The government aggregates the money from foreign organisations, agencies, and donor nations, and then uses a systematic mechanism to distribute the monies to smallholder farmers at no interest. Since the administrators of these funds sometimes give preference to recipients whose requests result in personal gains, the integrity of the allocation of these monies is frequently a source of controversy. Furthermore, it has been claimed that a large number of this fund's recipients frequently take the money and do not use it to finance agricultural operations since they are aware they are not obligated to pay it back (Eluhaiwe, 2014).

In Nigeria, for example, the International Fund for Agricultural Development (IFAD) has invested USD317.6 million in ten projects since 1985 (IFAD, 2018). From 2007 to 2009, Nigeria received an average of USD212.7 million in international aid related to agriculture; from 2010 to 2012, it received USD205.7 million; and from 2013 to 2015, it received a high of USD348.9 million (OECD, 2018). A portion of these monies were provided by the Department for International Development, the International Centre for Agricultural Research in the Dry Areas, the World Bank, the International Water and Sanitation Centre, and the Food and Agriculture Organisation (Okoro & Nwali, 2017).

5. Challenges of Financing Agriculture

Agriculture has remained underdeveloped for many decades in Nigeria despite various government initiatives. Many farmers remain challenged by access to capital for expansion and mechanization of the farm process thereby remaining in the cycle of poverty. Proper channelling of finance has the capacity to enhance both the performance and economic returns of agricultural activities within rural communities which will have multiplier effect on the entire economy of farmers. According to Arasomwan (2019), Okoro and Nwali (2017), Oluwamayokun (2018), Fadeyi (2018) and Lemessa and Gemechu (2016) some of the challenges identified as hindering the achievement of capital flow to agriculture are listed below:

Access to Banking Services in Rural Communities: Lack of access to banking services in addition to many modern comforts of living have been major obstacle to agricultural development. Various Governments over the years have put in policies to encourage establishment of branches of major commercial banks but all have not yielded the expected results. Some of the excuses commercial banks and other formal financial institutions have presented for their inability to fully comply with some of Government initiative to foster rural banking include:

- General low level of family earned income with little disposable income for savings.
- Poor infrastructure in place. Banks need to provide basically everything they need to operate.
- Often dispersed and scattered settlement leading to higher cost of operation

Agricultural activities are perceived as high risk businesses further discouraging investment in provision of rural banking services.

- Lack of Acceptable Collateral/ Security: Many rural farmers lack acceptable collateral with which they can secure credit facilities from formal financial institutions. Rural women are particularly disadvantaged in this regard. Titles over the farmland properties are often not tenable as they are usually not easily perfected or transferrable. The land tenure system continue to be a stumbling block for financing agricultural activities especially in rural areas as farmlands are the only tangible asset available to prospective credit seekers.
- Perceived High Agricultural Risk: Agriculture is regarded as a highly risky sector. Ranging from changing weather condition to disease to pest attack etc. In addition to the business related risk there is also market risk due to the seasonality of most agricultural products. Lack of storage and processing facilities further worsen the market risk that faces many farmers. Due to all these risks, financial institutions are wary of providing credit to many farmers for expansion of their activities.
- Lack of Access to Credit Information: Lack of Knowledge of funding opportunities available to rural farmers is a major obstacle that has hindered many from accessing funds through many Government schemes. Illiteracy and lack of requisite education among rural farmers especially women deny them access to vital information and technologies required to manage and expand their productive capacity. Low level of education and inability to read has limited access to information on available credit schemes. Often inability to comprehend regular publications of various ministries and agencies and the requirements needed to qualify for government support have impeded many farmers from enjoying various funds made available.
- High Cost of Credit Administration: Administration cost of rural loans credit is often high. This is due to poor road network and communication facilities. Likewise rural credits have high default rates due to exposure of various rural farming risks.
- Access to Market: Market access is a major constrains faced by many rural farmers. There is generally low capacity to access both urban market for food produce and export market for producers of economic crops. Road network to local markets are bad and transportation system highly inadequate. Poor access to market constitutes a major risk for bank credit.
- Infrastructural challenges: Lack of power supply makes processing and preservation of perishable items very challenging. Likewise bad road network and poor transportation system also hinder movement of farm goods to the neighboring towns and cities where a good return can be earned by the farmers. Rural farmers are at the mercy of urban settlers who buy perishable farm produce at ridiculously low prices which discourage further investment by the farmers.
- Subsistence Nature of Farming: Small-scale farmers sometimes have little choice but to go into microcredit providers like money lenders and thrift organisations, who typically offer short-term loans at extremely high interest rates. Typically, credit is given for the purchase of plant seeds, fertiliser, etc. Extensive rural-urban migration continues as a result of the rural economy's ongoing underdevelopment. The exodus of young able men from villages and rural settlements means loss of man power to work on farms further impoverishing the people

left behind in the rural areas. There is little or no land in the urban settlements for any form of meaningful farming. While in the rural areas, there exist large expanses of land that can be cultivated.

5.1. Prospects of agricultural financing in Nigeria

In spite of the problems faced, agricultural financing holds a lot of prospects for the Nigeria economy. These prospects according to Nwanyanwu (2011), Osmond and Paul (2016), Ntiamoah, Li and Kwamega (2016) and Arasomwan (2019) are

- Economic empowerment of farmers: The global effort to combat poverty by empowering the deprived members of the society through the functional finance scheme, has given the poor the opportunity to develop their talents and contributes meaningfully to economic growth and development. By setting up micro business, the poor will be gainfully employed.
- Poverty reduction: There is a growing awareness of the potentials of agricultural financing on poverty reduction, economic growth and development. Agricultural financial scheme is aimed at developing the rural poor and providing a broad access to financial services to grow their businesses, which is the most basic condition for sustainable livelihood. By doing so, the poor will experience increase in household's income, productivity, labour participation and rural wages. These will consequently reduce the level of poverty.
- Gains from international trade: It is quite regrettable that a fairly large chunk of the nation's scarce foreign exchange is frittered away regularly on massive importation of products on which the raw materials are available in the country and can be produced within. With available and accessible credit, there is the potential of and tremendous scope to boost export of so many agricultural products which will earn the country's foreign exchange and position it at an advantage in international trade.
- Employment generations: Nigerians are industrious and enterprising. The poor who account for over half of the population rely heavily on both formal and informal credit sources. With these sources, they will have access to credit which increase their productivity level, and enable them to employ more people. In other words, the growth of agricultural activities as a result of the activity of financial institutions will lead to high level of employment.

Other prospects include rural development, skill development, new innovations, effective utilization of local resources, output expansion etc.

6. Case Studies

6.1. Successful Models

In Nigeria, successful models of agricultural financing have emerged as critical components of the country's efforts to promote sustainable agricultural development and enhance food security. These models have demonstrated innovative approaches to addressing the financial needs of smallholder farmers and rural communities, contributing to increased productivity, income generation, and poverty alleviation within the agricultural sector.

Microfinance Initiatives: Microfinance initiatives in Nigeria have played a pivotal role in enhancing financial inclusion and economic empowerment among smallholder farmers and rural communities. These initiatives have been instrumental in addressing the challenges of limited access to formal financial services and inadequate credit facilities in agricultural regions. Microfinance institutions (MFIs) have emerged as key players in providing financial services tailored to the needs of low-income individuals, including farmers, in Nigeria (Adedoyin & Owolabi, 2018). Through microfinance, farmers gain access to credit for purchasing agricultural inputs such as seeds, fertilizers, and equipment, which are essential for enhancing productivity and improving livelihoods (Adedoyin & Owolabi, 2018; Mordi, 2019).

One notable example of successful microfinance initiatives in Nigeria is the Partnership Initiatives in the Niger Delta (PIND) Foundation's Microfinance and Enterprise Development Program (Mordi, 2019). This program focuses on providing financial services and business development support to smallholder farmers and entrepreneurs in the Niger Delta region. By offering microloans and capacity-building training, PIND has enabled farmers to invest in agricultural activities, diversify their income streams, and improve their standard of living (Mordi, 2019).Moreover, microfinance initiatives in Nigeria have contributed to poverty alleviation and rural development by fostering entrepreneurship and job creation in rural areas (Adedoyin & Owolabi, 2018). By promoting financial literacy and savings culture, MFIs empower individuals to manage their finances effectively and invest in income-generating activities, thereby breaking the cycle of poverty (Adedoyin & Owolabi, 2018).

Furthermore, microfinance initiatives have demonstrated the potential to promote gender equality and women's empowerment in agriculture. Studies have shown that women constitute a significant proportion of microfinance clients in Nigeria, and access to microcredit has enabled women to engage in agricultural production, addition, and marketing activities (Adedoyin & Owolabi, 2018; Akanbi & Babatunde, 2020).

Public-Private Partnerships (PPPs): Public-Private Partnerships (PPPs) have emerged as instrumental strategies in advancing agricultural financing in Nigeria. These collaborative arrangements involve joint efforts between government entities, financial institutions, and agribusiness companies to address the multifaceted challenges faced by the agricultural sector and enhance overall productivity and sustainability. One noteworthy example of successful PPPs in Nigeria is the Growth Enhancement Support Scheme (GESS), launched by the Nigerian government in collaboration with private sector stakeholders (Ogundari, 2016). The GESS aimed to improve farmers' access to agricultural inputs by leveraging private sector expertise and resources. Through the scheme, agro-dealers partnered with the government to distribute subsidized fertilizer and seeds directly to farmers, thereby eliminating bottlenecks associated with traditional distribution channels (Ogundari, 2016). The success of GESS highlights the potential of PPPs to streamline the delivery of essential inputs and improve the efficiency of agricultural support programs.

Moreover, PPPs have played a crucial role in mobilizing private sector investments for agricultural development projects. The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), a public-private initiative, has facilitated increased access to credit for smallholder farmers by mitigating the risks associated with agricultural lending (NIRSAL, 2020). By partnering with financial institutions and providing credit guarantees, NIRSAL has encouraged private sector banks to invest in agriculture, leading to improved financing opportunities for farmers (NIRSAL, 2020). Additionally, PPPs contribute to technology transfer and innovation in the agricultural sector. Collaborative initiatives between the government and private agribusinesses have facilitated the adoption of modern farming techniques, agro-processing technologies, and market linkages for farmers (Ogundari, 2016). These partnerships enhance the resilience of the agricultural value chain and promote sustainable practices.

Community-Based Financing Programs: Community-Based Financing Programs have emerged as grassroots initiatives aimed at addressing the financial needs of rural communities and agricultural cooperatives in Nigeria. These programs harness local resources, collective action, and social networks to provide affordable credit and investment opportunities to farmers, thereby promoting financial inclusion and rural development (Olawoye & Owoeye, 2017). One prominent example of community-based financing programs in Nigeria is the Village Savings and Loan Associations (VSLAs). VSLAs are self-managed groups where members contribute activities, including agriculture (Olawoye & Owoeye, 2017). Research indicates that VSLAs have facilitated access to finance for rural households, improved livelihoods, and enhanced social capital within communities (Olawoye & Owoeye, 2017; Olagunju, Ojo, & Oyinbo, 2018).

Another noteworthy initiative is the Agricultural Cooperative Societies (ACS), which mobilize farmers to pool resources, share risks, and access credit and markets collectively (Adesoji & Adegboye, 2020). By promoting cooperative ownership and democratic decision-making, ACS empower farmers to negotiate better prices for their produce and adopt modern farming techniques (Adesoji & Adegboye, 2020). Community-based financing programs also promote financial literacy and entrepreneurship skills among rural populations, thereby enhancing their ability to manage finances and invest in productive ventures (Olawoye & Owoeye, 2017). Through training and capacity-building activities, these programs equip farmers with the knowledge and skills needed to improve agricultural productivity, adopt sustainable practices, and adapt to market dynamics (Olagunju et al., 2018).

Moreover, community-based financing programs foster social cohesion and solidarity among members, which contributes to the resilience of rural communities in the face of economic shocks and environmental challenges (Olagunju et al., 2018). By strengthening social networks and mutual support systems, these programs enhance the adaptive capacity of farmers and promote sustainable livelihoods in rural areas (Olawoye & Owoeye, 2017).

6.2. Lessons Learned

Several invaluable lessons have emerged from past experiences and ongoing initiatives in agricultural financing in Nigeria. These lessons shed light on critical aspects that can significantly influence the success and sustainability of agricultural financing programs:

Impact of Technology Integration: Technology integration has emerged as a transformative force in agricultural financing, offering innovative solutions to longstanding challenges and revolutionizing the way financial services are accessed and delivered in Nigeria. Through the adoption of digital platforms, mobile banking, and data-driven analytics, technology has facilitated greater financial inclusion, improved efficiency, and enhanced risk management within the agricultural sector (IFAD, 2020). Digital financial services have played a pivotal role in expanding access to credit and savings mechanisms for smallholder farmers and rural entrepreneurs, who were previously underserved by traditional banking systems (Agboola & Ayanwale, 2019). Mobile money platforms, such as M-PESA and Paga, have empowered farmers to conduct transactions, receive payments, and access microloans using their mobile phones, thereby bypassing the barriers posed by physical distance and inadequate infrastructure (Ijeh & Odii, 2018).

Furthermore, technology-enabled data analytics have revolutionized credit scoring and risk assessment processes, enabling financial institutions to make more informed lending decisions and extend credit to previously marginalized agricultural actors (Nigeria Agribusiness Group, 2021). By leveraging satellite imagery, weather data, and machine learning algorithms, lenders can assess farmers' creditworthiness, monitor crop performance, and mitigate risks associated with agricultural lending (Ojo et al., 2020).

Moreover, technology integration has facilitated the development of innovative financial products tailored to the unique needs of agricultural stakeholders. For instance, index-based insurance schemes, powered by satellite technology, offer farmers protection against weather-related risks and yield fluctuations, providing a safety net for vulnerable agricultural communities (Suleiman & Turaki, 2019). Similarly, supply chain finance platforms leverage block chain technology to improve transparency, traceability, and access to financing along agricultural value chains, fostering trust and efficiency in transactions (Ogundele et al., 2020).

Importance of Stakeholder Collaboration: Effective collaboration among stakeholders is indispensable for the success of agricultural financing schemes. Lessons learned underscore the need for close partnerships between governments, financial institutions, development agencies, farmers' cooperatives, and other relevant actors. Collaborative efforts can facilitate knowledge sharing, resource pooling, risk mitigation, and the design of tailored financial products that meet the diverse needs of agricultural stakeholders. In a study by Ajibefun and Ajala (2015), it was found that collaboration between financial institutions and agricultural stakeholders significantly improves access to credit and financial services for smallholder farmers in Nigeria. Through partnerships with local cooperatives and agricultural extension services, financial institutions can gain valuable insights into the needs and challenges of farmers, leading to the development of more effective financial products and services.

Furthermore, according to Akanbi and Ajayi (2020), stakeholder collaboration plays a crucial role in enhancing the resilience of agricultural financing initiatives to external shocks and market fluctuations. By fostering trust, transparency, and mutual accountability among stakeholders, collaborative efforts can build resilience within the agricultural finance ecosystem, enabling farmers and agribusinesses to withstand economic uncertainties and environmental challenges. The importance of stakeholder collaboration is also highlighted in the research conducted by Oyinlola and Adegeye (2019), which emphasizes the role of partnerships in scaling up successful agricultural financing models and promoting inclusive growth in rural communities. Through collaborative initiatives, stakeholders can leverage each other's strengths, share risks, and mobilize resources more efficiently, leading to greater impact and sustainability in agricultural development efforts.

Adaptability to Local Contexts: One of the critical lessons learned in agricultural financing in Nigeria is the paramount importance of adaptability to local contexts. This principle underscores the need for financial institutions, policymakers, and development agencies to tailor their approaches to the specific socio-economic, cultural, and environmental dynamics of different regions and communities within Nigeria. In a study by Ojo and Oluwafemi (2020), it was highlighted that the success of agricultural financing initiatives hinges on their ability to resonate with the local context. This entails understanding the unique challenges faced by farmers, such as access to markets, land tenure systems, and crop diversification practices. By acknowledging and addressing these contextual factors, financing programs can better align with the realities on ground and engender greater acceptance and adoption among target beneficiaries.

7. Conclusion and Recommendations

This paper was motivated by the need to examine the problems and prospects of agricultural financing in Nigeria. It was observed agricultural financing is all about providing services to the farmers who are traditionally not served by the conventional financial institutions. Agricultural financing holds a lot of prospects for Nigerians especially the poor as it will enable them develop their skills, engage in production among others. The problems identified include access to banking services in rural communities, lack of acceptable collateral/ security, perceived high agricultural risk, lack of access to credit information and many others.

Consequent upon the problems noted, the following recommendations given are:

- The supervisory authorities should enforce standards so as to address the issue of poor management of funds meant for credit disbursement.
- The capital base of financial institutions should be strengthened in order to mobilize domestic savings and promote banking culture among farmers.
- There is a need to reduce the expenses which weigh heavily on the earnings of the institutions if breakeven point is to be attained in record time.
- Private participation should seriously be encouraged as this will reduce the burden on government.

The Central Bank of Nigeria in collaboration with some development partners should organize training for staff of financial institutions. And the institution on their own part should continually train and retain their human capital, segment and build up in dept knowledge of the market, develop appropriate products and services for small farm enterprises.

The training of farmers on loan usage, management and repayment is very important as this will reduce loan losses. The training should come in form of counselling, mentoring, and other form of support.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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