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AGRICULTURAL CREDIT, GOVERNMENT SPENDING AND AGRICULTURAL PRODUCTIVITY IN NIGERIA: AN EMPIRICAL ANALYSIS

Abstract

This study examined the effects of agricultural credit and government spending on agricultural productivity in Nigeria from the first quarter of 1999 to the fourth quarter of 2023. Using secondary data obtained from the World Bank Database and the Central Bank of Nigeria Statistical Bulletin (2023), the study employed the Autoregressive Distributed Lag (ARDL) regression technique. The findings revealed that agricultural credit, climate variability, insecurity, and corruption significantly influenced agricultural output growth during the study period. The study recommends enhancing access to agricultural credit, increasing and efficiently managing government spending, implementing climate adaptation strategies, and strengthening anti-corruption institutions to improve agricultural productivity.

Keywords: *Agricultural credit, Government spending, Climate change, Corruption, ARDL.*

1. Introduction:

Agriculture is the backbone of Nigeria's economy, providing employment for approximately 35-40% of the country's total labor force and contributing around 21.9% to its Gross Domestic Product (GDP) (National Bureau of Statistics [NBS], 2023). However, despite the sector's potential, agricultural productivity in Nigeria remains low and faces numerous challenges, such as limited access to agricultural credit, inadequate government spending, the impacts of climate change, rising insecurity, and pervasive corruption. These challenges, individually and collectively, constrain the growth of the agricultural sector, reduce food security, and hinder the country's path to achieving sustainable economic development.

Access to agricultural credit is a critical factor for increasing agricultural productivity. Smallholder farmers, who constitute about 80% of Nigeria's farming population, often face significant liquidity constraints that hinder their ability to invest in modern inputs such as fertilizers, high-yielding seeds, and machinery. According to the Central Bank of Nigeria (CBN), agricultural credit in Nigeria is highly underdeveloped, with only 20-25% of farmers having access to formal financial services (CBN, 2022).

Thus, several initiatives have been launched to address the credit gap, including the Anchor Borrowers Program (ABP) and the Agricultural Credit Guarantee Scheme Fund (ACGSF). The ABP, which began in 2015, has facilitated access to credit for rice, cotton, and maize farmers, as of 2020, over 2.5 million farmers had benefited from the program, disbursing over ₦200 billion in loans (CBN, 2020). Despite these efforts, the reach of credit programs remains limited, especially in rural areas where farmers lack collateral or proper documentation to access formal credit. Limited credit access restricts farmers' ability to adopt new technologies and improve farm productivity. According to Ogunniyi et al. (2021), the lack of credit is a significant barrier to productivity growth, as farmers are unable to make essential investments in high-quality seeds, fertilizers, irrigation systems, and mechanized farming methods, resulting in low yields.

Additionally, government expenditure on agriculture is a crucial determinant of agricultural development, influencing the provision of public goods such as infrastructure, research and development (R&D), and extension services. However, Nigeria's agricultural budget has historically been low, often falling below the Maputo Declaration target of allocating 10% of national budget to agriculture. Between 2000 and 2018, Nigeria allocated an average of only 2.6% of its federal budget to agriculture (World Bank, 2020). The underinvestment in agriculture has therefore led to critical deficiencies in infrastructure, such as poor rural roads, inadequate irrigation systems, and insufficient storage facilities. This is evident in the country's inability to efficiently connect farmers to markets, resulting in post-harvest losses that are often estimated to be between 20% and 40% of total agricultural output (FAO, 2021). Additionally, there is a lack of investment in agricultural research and extension services, which hinders the dissemination of best practices and modern farming techniques.

Thus, Akinbobola et al. (2020) argued that increasing government spending on agriculture, particularly in the areas of infrastructure development and rural empowerment, is essential for improving agricultural productivity. The focus should be on creating enabling environments for smallholder farmers, who constitute the majority of the farming population. Another issue confronting the agricultural sector is the emerging challenge posed by climate change. Changing climatic condition poses a significant threat to agricultural productivity in Nigeria, as the sector is highly sensitive to weather patterns. Nigeria has experienced rising temperatures, erratic rainfall, and increasingly frequent extreme weather events such as droughts and floods. FAO (2020) reported that temperature increases of 1.5°C by 2050 could lead to a 20% reduction in crop yields for key staple crops like maize, sorghum, and millet.

Northern Nigeria, in particular, is vulnerable to desertification, while the southern regions are prone to flooding and rising sea levels. Thus, according to Ajani and Afolabi (2020), climate change has already contributed to a 10-15% decline in agricultural productivity in Nigeria, with the most significant effects

felt in the North East and North West regions, where droughts and desertification are rampant. Farmers in Nigeria often rely on rain-fed agriculture, making them highly susceptible to climate shocks. The need for climate-resilient farming practices is urgent, yet the government's investment in climate adaptation measures has been limited. Although some initiatives, such as climate-smart agriculture and early warning systems, have been implemented, the scale of adaptation efforts remains inadequate given the scale of the threat. Agriculture remains the cornerstone of Nigeria's economy, employing over 70% of the country's population, primarily in rural areas (World Bank, 2017). But despite its centrality to the nation's economic growth and food security, the agricultural sector has faced persistent challenges that hinder its potential for growth and transformation. These challenges—ranging from limited access to agricultural credit, inadequate government spending, the adverse effects of climate change, rampant insecurity, and entrenched corruption—have collectively undermined agricultural productivity and food security in the country.

For Nigeria to realize its agricultural potential, it must tackle these challenges head-on by improving access to credit, significantly increasing government spending on agriculture, promoting climate-smart farming, addressing insecurity through peace-building efforts, and combating corruption through enhanced transparency and accountability in agricultural programs. While many scholars had focused on the effect of agricultural credit and government expenditure on output growth, little attention is being paid to the growing effect of insecurity and corruption in both private and public sector and how this twin-challenge has contributed to greatly undermine the potentials in different sectors of our national economy, particularly agriculture. It is to this end that this study offers new perspectives on the effect of agricultural credit, government spending and agricultural output in Nigeria with particular reference to how insecurity and pervasive corruption has impeded growth in the sector.

This study has the following specific objectives: to examine the effect of agricultural credit on agricultural productivity in Nigeria; to evaluate the impact of government agricultural spending on output growth in the sector; to assess the effect of climate change on agricultural output; and to investigate the influence of insecurity and corruption on agricultural productivity between 1999 and 2023. The chosen time frame aligns with Nigeria's transition to democratic governance in 1999—a period that introduced significant economic reforms but also gave rise to increasing insecurity and corruption. The democratic environment, unlike previous military regimes, encouraged greater civil freedoms, which in some cases have led to agitations, unrest, and weakened institutional control, thereby affecting agricultural output. The paper is structured into five sections: introduction, literature review, methodology, results and discussion, and conclusion with policy recommendations..

2. Literature Review

The Nigerian agricultural sector has faced significant challenges that have hindered its productivity despite the immense potential for growth. The combined effects of limited access to agricultural credit, inadequate government spending, the disruptive impact of climate change, rising insecurity, and pervasive corruption have created a complex web of barriers for the sector. This empirical analysis draws from recent literature and statistical findings to examine these factors and their collective impact on agricultural productivity in Nigeria.

Ogunniyi et al. (2021) found that access to agricultural credit significantly enhanced the productivity of smallholder farmers in Nigeria, with those who received credit increasing their output by 28% through the adoption of quality inputs and improved farming techniques. However, the study also noted that programs such as the Anchor Borrowers' Programme (ABP) had limited coverage due to restrictive eligibility conditions and high borrowing costs. Supporting these findings, Ibrahim and Mohammed (2022) observed that despite initiatives like the Agricultural Credit Guarantee Scheme Fund (ACGSF), credit accessibility in rural areas remained critically low. They reported that only 22% of rural farmers had access to credit, and even then, the amounts received were often insufficient to significantly influence productivity. Together, these studies highlight that while agricultural credit can enhance productivity, structural barriers such as limited reach, high borrowing costs, and weak rural financial infrastructure continue to constrain its impact

Akinbobola et al. (2020) analyzed the relationship between government agricultural expenditure and agricultural productivity in Nigeria from 2000 to 2018. Their study revealed that government spending on agriculture as a percentage of total government expenditure averaged only 2.6% over the period, well below the Maputo Declaration target of 10% for African countries. Despite periodic increases in allocations, the study found that such spending had minimal impact on agricultural productivity due to inefficiencies in implementation, lack of proper monitoring mechanisms, and diversion of funds

Akinbobola (2014) examined the impact of government spending on agricultural productivity in Nigeria over a period of two decades. Using a time-series analysis, the study found that while government expenditure on agriculture increased over time, it had a limited positive effect on productivity. The author argued that the efficiency of public expenditure in the agricultural sector was hampered by misallocation of funds, political interference, and corruption in the management of public resources. Despite significant budgetary allocations to agriculture, the impact on output was minimal due to inefficiencies in implementation.

Ajani and Afolabi (2020) conducted an empirical analysis of the effects of climate change on crop and livestock production in Nigeria. They found that erratic rainfall and higher temperatures had led to a 15-20% decrease in agricultural yields in the Northern regions, where crops such as maize, millet, and

sorghum are grown. The study highlighted that reduced rainfall, coupled with droughts, has caused significant crop failures and food shortages, particularly in the North East and North West.

Akanbi and Adekoya (2021) examined how farmers in Nigeria adapted to climate change through the adoption of climate-smart agricultural practices. They found that farmers who adopted improved irrigation systems, drought-resistant crops, and early warning systems had seen a 12% increase in productivity compared to those who relied solely on traditional farming methods. However, the adoption rate of such practices was limited to about 18% of farmers, with the majority lacking the financial capacity and knowledge to implement them.

Adebayo et al. (2021) examined the effects of farmer-herder conflicts on agricultural output in Nigeria's Middle Belt and North Central regions. They found that these conflicts had led to the abandonment of farmlands, with farmers losing up to 60% of their crops due to direct destruction by armed herders and the displacement of over 500,000 farmers. The study estimated that these conflicts have reduced agricultural productivity by approximately 30% in affected regions.

Umar et al. (2022) analyzed the impact of insurgency and banditry on agricultural production in Northern Nigeria. Their study found that the Boko Haram insurgency in the North East and banditry in the North West had forced millions of farmers to abandon their farms, leading to a 40% decline in agricultural output in these regions. The loss of livestock, destruction of farmland, and disruption of supply chains have resulted in significant food shortages and a rise in food prices.

Oluwatayo et al. (2020) investigated the impact of corruption in the fertilizer distribution system on agricultural productivity in Nigeria. Their study found that 30% of fertilizers meant for farmers were diverted to the black market, where they were sold at inflated prices. This resulted in limited access to affordable fertilizers for farmers and a subsequent decline in agricultural yields.

Ademola et al. (2021) examined how corruption in the allocation of agricultural subsidies and loans has contributed to inefficiency in the agricultural sector. They found that funds meant for agricultural development were often misappropriated or diverted by government officials and middlemen. This misallocation of resources resulted in low productivity, despite large sums being allocated to agricultural programs.

2.2 Theoretical Framework

The study of agricultural productivity in Nigeria, particularly in the context of the effects of agricultural credit, government spending, weather variations, insecurity (conflicts) between farmers and non-state actors and the scourge of corruption requires a robust theoretical framework that captures the

multidimensional nature of these challenges. The study thus adopted the Agricultural Credit and Investment Theory (Liquidity Constraint Model) propounded by Nelson, et al (1989), Rosenzweig et al (1993), as well as the Cohen and Felson (1979) Routine Activity Theory as the suitable framework for its analysis.

2.2.1 The Agricultural Credit and Investment Theory (Liquidity Constraint Model)

The Agricultural Credit and Investment Theory, often associated with the Liquidity Constraint Model, posits that access to financial resources is crucial for enhancing productivity in the agricultural sector. According to this theory, farmers need access to credit to overcome liquidity constraints, invest in inputs (seeds, fertilizers, machinery), adopt new technologies, and expand their operations. In the Nigerian context, limited access to formal credit has been one of the primary reasons for low agricultural productivity. The theory suggests that when farmers are unable to obtain credit, they are constrained in their ability to improve productivity, leading to stagnant yields and low returns on investment.

The key propositions is that Liquidity constraints limit agricultural growth by restricting farmers' ability to access capital for investment, thus leading to low productivity. Secondly, formal credit systems, if efficiently managed and accessible, can boost agricultural productivity by enabling farmers to purchase modern agricultural inputs, improve farm practices, and enhance technological adoption. The model has a widespread applicability in Nigeria, as the Agricultural Credit Guarantee Scheme Fund (ACGSF) and the Anchor Borrowers Program (ABP) are key initiatives designed to address these liquidity constraints. However, these programs often have limited reach and are affected by challenges such as high interest rates, collateral requirements, and rural banking infrastructure, preventing a significant proportion of farmers from accessing these resources.

2.2.2 Routine Activity Theory

Cohen and Felson (1979) developed the Routine Activity Theory (RAT) and the theory's main objective is to explain how insecurity can become a hindrance to economic growth and development in societies. It seeks to study and understand the patterns and upward trends of predatory criminal events in the context of a changing society or economy (Hsieh & Wang 2018). Cohen and Felson emphasizes that crime occurs when three elements converge: (i) a motivated offender (Boko-Haram, Fulani herdsmen militia group, Armed Bandits/kidnappers, IPOB, Niger-Delta militant groups, etc) (ii) a suitable target (farmers, farm crops, vulnerable rural communities, and other citizens) and (iii) the absence of a capable guardian (government security apparatus). They contended that crime is likely to take place or occur when there is a sequential or altitudinal convergence of all these three essential elements of crime, which can be loosely referred to as pull factors that aid the commission of a crime.

According to Cohen and Felson (1979); Maxfield (1987) and Samonas (2013), motivated offenders are individuals or citizens of a country who possess the instinct and likelihood to commit a crime and are indeed capable and willing to commit such a crime. For Nigeria, these motivated offenders could be referred to as the different terrorist groups such as Boko-Haram, Fulani militiamen, Armed bandits/kidnappers, to mention but a few who have held the Nigerian state hostage for more than a decade now. Suitable targets on the other hand can be a person(s) or object(s) – communities or states that are considered by these would-be offenders as soft targets, vulnerable or attractive for their nefarious activities. Again, for the purpose of this study, we consider suitable targets to include farmers and the different farming communities across Nigeria and other vulnerable (soft targets) that these terrorists unleash mayhem on, day in, day out.

Guardianship on the other hand can be the state, in most instances referred to as security agents or agencies or an object that is effective in preventing such an offense from taking place, happening or occurring. They include the various security apparatus of government such as the Director of State Security Services (DSS), the Nigeria Police, Nigerian Civil Defence Corps (NCDC), the Army, Navy, Airforce, Immigration, etc that are saddled with the responsibility of preventing these crimes before they even occur. . This important attribute or function of Guardianship accords it one of the most important and essential elements in crime or crisis prevention in any country, community or society. This is because a mere physical presence of guardianship in space and time can deter crime committal. The Routine Activity Theory is based on some basic assumptions (Cohen & Felson, 1979; Garofalo, 1987; Maxfield, 1987; Felson & Cohen, 1980):

- Crime is likely to occur when there is a spatial-temporal convergence of three essential elements of crime, namely a motivated offender, an attractive target, and the absence of capable guardianship to deter the commission of such crime;
- Incidences or situations that render a particular target attractive are not permanent but situational and temporal, and in most cases crime-specific;
- There is the likelihood that crime can be perpetrated by anyone who has the opportunity in terms of capability and availability of vulnerable target at heart;
- The victims of such targeted attacks have choices on whether or not by possibly avoiding the situations that expose or precipitate such ugly and unpalatable occurrences where a crime can be committed against them.



Figure 1: An illustration of Routine Activity Theory of crime
Source: Adapted from Samonas (2013)

In applying the Routine Activity Theory of Crime to the purpose of this study, it is to be observed that the prevailing insecurity/insurgency in Nigeria perpetrated by armed groups such as Boko Haram terrorists groups, Herdsmen militias, kidnappings for ransom and armed-banditry are all crimes that has been precipitated and sustained by the prevailing socio-existential environment in the various regions characterized by a high proclivity to criminal indulgence. For almost two decades, insecurity and other vices have enveloped the entire Nigerian landscape, living wanton destruction as evidence. In fact, it is tantamount to suicide sleeping with one's two eyes closed. From periodic insurgents' onslaught and farmers-herders lethal clashes to unending inter-communal clashes couple with the recent surge in indiscriminate kidnapping for ransom, human trafficking, cultism, violent robberies, is the unending Boko-Haram insurgency and activities of sheer criminal gangs (armed bandits) that have and is still ravaging every region of the country. In fact the catalogue seems endless, making the government and her security agencies very helpless and confused with no solution to offer.

In fact, Nigeria has maintained the third position since 2015, suggesting that efforts targeted at mitigating security challenges have not produced optimal results. According to the report, terror-related incidents in the country increased from 411 in 2017 to 562 in 2018, and deaths from terrorism rose to 2,040 in the same year. Notably, there was a significant decline in body counts by insurgents in the Northeast to a rise of fatality in the Middle Belt region, with particular reference to Benue, Taraba, Nasarawa, Adamawa and Plateau, largely caused by farmers-herders crisis. Currently, banditry has plagued most parts of the Northwest including the North-Central region, leaving food production in a comatose state as farmers no longer have the peace to go about their farming occupation. Aside from the terror-troubled Northeast

region, other parts of the country have witnessed a marginal increase in security threats. Nigeria to say the least has metamorphosed into a kind of Somalia/Sudanese tragedy where virtually every state appeared trapped in endless killings and massacre of helpless citizens. None can confidently say that any of the thirty-six states of the federation is exempted from the killing spree. From Delta to Edo to Kaduna to Zamfara and Enugu to Imo, the story remains the same. It is highly suggestive that violence and conflict are shifting from the Northeast to other parts of the country. Sadly enough, most of these conflicts and clashes occur among farming communities who are supposed to be the producers of virtually most of the food consumed in the country. While ensuring adequate measures to counter-terrorism in the Northeast, it is important that adequate attention is given to rising trends of insecurities in other regions of the country.

Finally, in the case of the focal areas outlined in this study, north-western, north-eastern, north-central, south-western, south-eastern and south-south Nigeria, the presence and prevalence of under-policed and unregulated hinterlands, forestlands and borderlands have provided an enormous opportunity and leverage for the perpetration and perpetuation of these crimes and attacks. Furthermore, the presence of a viable but vulnerable rural economy based largely on food and livestock production equally provides an avalanche of handy crime objects/targets like cereals, staples, tubers, cattle, cash, treasure, etc. In this context, the virtual absence of governmental security apparatus in most rural communities gives incentive for criminal opportunism and impunity as well (The Humanitarian, 2018). And where they do exist, the high level of compromise and corruption-induced management of crisis situations across the nation has negatively impacted any hope for peaceful coexistence among the gladiators. In all, the aforementioned ecology of crime brings about, not only motivation but also temptation for criminal indulgence. Under this circumstance, criminal deterrence takes flight thus paving way for all forms of predatory crime to thrive and prevail. This is typically the situation in Nigeria today, where Fulani herdsmen, kidnappers, Boko-Haram terrorists and bandits armed with sophisticated assault weapons and with the active connivance and support of compromised security agencies are having a sustained field day in criminal escapades across the breadth and length of Nigeria, maiming, killing as well as destroying farmlands and crops without let - and as always in such circumstances, food production remains the ultimate victim (Okoli & Ugwu, 2019).

3.0 Study Methodology

3.1 Model Specification

The theoretical underpinning of this study is the Agricultural Credit and Investment Theory, as advanced by Nelson et al. (1989) and Rosenzweig et al. (1993), commonly associated with the Liquidity Constraint Model. This theory emphasizes the importance of access to financial resources for enhancing productivity

in the agricultural sector. It posits that farmers require credit to overcome liquidity constraints, enabling them to invest in essential inputs such as seeds, fertilizers, and machinery, adopt new technologies, and expand their operations. In the Nigerian context, limited access to formal credit has been a key factor contributing to low agricultural productivity. When farmers are unable to access adequate financial resources, they face challenges in improving yields and returns on investment. The theoretical model adopted in this study captures financial resources specifically agricultural credit and government expenditure as the core liquidity portfolios that influence agricultural productivity.

This study utilized secondary data covering the period from 1999 to 2023, sourced from the World Bank Database and the Central Bank of Nigeria Statistical Bulletin (2023). To address the stated objectives in Section One, the Autoregressive Distributed Lag (ARDL) model and other relevant econometric techniques were employed. The model was estimated using E-Views 10 econometric software.

$$AOP = f(ACF, AGX) \quad \dots \quad (Eqn \ 1)$$

But owing to the preponderance of other challenges like climatic / weather variations, the unending scourge of insecurity among farmers and other non-state actors and the preponderance of corrupt activities in the Nigeria as justified by Cohen and Felson (1979) Routine Activity Theory and bolstered in studies by Andohol, Doki and Ojiya (2020), the model is redefined as follows:

$$\text{Therefore, } AOP = f(CC, Insec, Corr) \quad \dots \quad (Eqn \ 2)$$

Adding eqn 1, we have

$$AOP = f(ACF, AGX, CC, Insec, Corr) \quad \dots \quad (Eqn \ 3)$$

The explicit form of eqn 3 becomes

$$AOP = \alpha_0 + \beta_1 ACF + \beta_2 AGX + \beta_3 CC + \beta_4 Insec + \beta_5 Corr + \mu_t \quad \dots \dots (Eqn \ 4)$$

where;

AOP – Agricultural Output (Productivity)

ACF – Agricultural Credit to Farmers

GAX – Government Agricultural Expenditure

CC – Climate Change

INSEC – Insecurity

CORR – Corruption

3.2 Description of Dependent and Independent Variables in the Model

- (a) **AOP:** Agricultural productivity refers to the output produced per unit of input. In Nigeria, productivity in agriculture has been constrained by a range of factors including outdated farming methods, poor infrastructure, inadequate access to inputs, and environmental challenges like climate change. It is proxied by food production index, which is the measure of the aggregate food

produced in Nigeria, usually on annual basis and is proxied by the index of food production for Nigeria. This indicator reflects the relative strength of every country's agricultural sector. The food crops included in this metric are all edible foods that have nutritional value, minus coffee and tea, which are considered to have no nutritional value. The Food and Agriculture Organisation of the United Nations is usually saddled with the responsibility of compiling the food index for every country. It is included as the dependent variable in the model. **Measurement:** Kilocalories per person per day; **Source:** (WBDI, 2023).

- (b) **ACF:** Agricultural credit refers to the financial support provided to farmers and agribusiness, which helps them invest in resources like land, machinery, seeds, fertilizers, and labor. In Nigeria, agricultural credit has been historically low, mainly due to high risk perceptions, lack of collateral, and an underdeveloped financial sector.

Measurement: It is expressed in log form and is measured in local currency unit, the Naira.

Source: (CBN, 2023)

- (c) **GAX:** Government Agricultural Expenditure (GAX) involves both direct and indirect investments in the sector. This includes subsidies, infrastructure (e.g., irrigation systems), research and development (R&D), rural development programs, and agricultural extension services. Public spending is critical to developing the agricultural sector, particularly in a developing country like Nigeria.

Measurement: Local currency unit, and expressed in Billions of Naira. **Source:** (CBN, 2023)

- (d) **CC:** Climate change, alternatively referred to as global warming is the increase in the earth's average surface temperatures. It is understood to be largely due to human activity and the burning of fossil fuels, which release carbon dioxide and other greenhouse gases into the atmosphere. Climate change presents a significant challenge to agricultural productivity in Nigeria. Changes in temperature, erratic rainfall, prolonged droughts, and flooding have led to declining crop yields and increased food insecurity. Research has shown that climate change is already reducing agricultural output, particularly for staple crops like maize, cassava, and rice (Nwachukwu & Mbah, 2017). Northern Nigeria, which relies heavily on rain-fed agriculture, is particularly vulnerable to the negative impacts of climate change. These environmental factors, combined with inadequate adaptation strategies, further exacerbate food insecurity and poverty in rural areas (Mohammed & Oluwaseun, 2020). Due to the impact of climate change on agricultural output, it is included in the model as a control variable.

Measurement: It is measured as CO₂ emissions (kt) and expressed in log form;

Source: (WBDI, 2023)

(e) **Insec:** Insecurity is commonly defined as a state of doubt, a lack of confidence or uneasiness about oneself. Additionally, it can be defined as a condition of existential threat or being open or exposed to the risk of being killed, maimed, wounded or denied safety by a person or group of persons acting with the ulterior objective of instilling terror in the minds of members of a certain community. Security of farmers is proxied by Political Stability and Absence of Violence/Terrorism, which measures perceptions of the likelihood of political instability and / or politically motivated violence including terrorism. It is included in the model as a control variable.
Measurement: Expressed in rate; **Source:** (WGI, 2023)

(f) **Corr:** This is an index used as a proxy for control of corruption. Corruption is commonly believed to refer to the abuse of delegated authority or the dishonest use of one's office or position for personal or private benefit. Corruption is a pervasive issue that undermines agricultural development in Nigeria. Mismanagement of agricultural funds, embezzlement, and bureaucratic inefficiencies have consistently plagued agricultural policy implementation. According to studies, corruption within government agencies and among public officials has led to the misallocation of resources, resulting in ineffective agricultural programs and underinvestment in key infrastructure (Akinwunmi & Adeoye, 2019). The diversion of funds meant for agricultural development programs often means that critical projects, such as irrigation schemes and rural infrastructure, remain unimplemented or poorly executed (Olowookere & Adebayo, 2018). It is included in the model as a control variable.

Measurement: Expressed in rate; **Source:** (WGI, 2023)

μ_t = Stochastic error term / time trend

While $\alpha_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are parameters estimates respectively.

Note that AOP (agricultural output), AGC (agricultural credit to farmers), AGX (agricultural expenditure) and CC (climate change) are expressed in their log form, while the coefficients of Insec (insecurity of farmers and farming communities) and Corr (corruption) are expressed in their index form and are included in this model as control variables, given their effect on agricultural yields across the Nigerian federation.

Given that the unit root results have portrayed mix-order of integration, the research utilizes the Autoregressive Distributed Lags (ARDL) model in its analysis of objective one of the study. To this extent, the re-specified version of eqn 4 will become

$$\Delta AOP = \alpha_0 + \beta_1 ACF_{t-1} + \beta_2 AGX_{t-1} + \beta_3 CC_{t-1} + \beta_4 INSEC_{t-1} + \beta_5 CORR_{t-1} + \sum_{j=1}^p \pi_1 \Delta ACF_{t-j} + \sum_{j=1}^p \phi_1 \Delta AGX_{t-j} + \sum_{j=1}^p \partial_1 \Delta CC_{t-j} + \sum_{j=1}^p \delta_1 \Delta INSEC_{t-j} + \sum_{j=1}^p \delta_1 \Delta CORR_{t-j} + \mu_t$$

A general error-correction representation of the equations above is formulated as follows:

$$\Delta AOP = \alpha_0 + \sum_{j=1}^p \pi_1 \Delta ACF_{t-j} + \sum_{j=1}^p \pi_1 \Delta AGX_{t-j} + \sum_{j=1}^p \pi_1 \Delta CC_{t-j} + \sum_{j=1}^p \pi_1 \Delta INSEC_{t-j} + \sum_{j=1}^p \pi_1 \Delta CORR_{t-j} + \delta_i ECM_{t-j} + \mu_t \quad (Eqn \dots 5)$$

***A priori* expectation:**

On *a priori* basis, it is expected that, $\beta_1 < 0, \beta_2 < 0, \beta_3 < 0, \beta_4 < 0, \beta_5 < 0,$

This expectation is predicated on the understanding that the incidence of corrupt tendencies in the Nigerian economy has the potential to negatively impact aggregate agricultural output. This is predicated on the fact that the preponderance of corruption has the potential to adversely affect the availability of credit to farmers through deviant behaviours that can undermine the through essence for which the credit is granted. Furthermore, agricultural expenditure that is designed to facilitate the provision of infrastructural facilities such as good rural road networks, storage facilities, dams / irrigation facilities, etc can be diverted to private pockets of contractors and unpatriotic bureaucrats. This is just as the growing incidence of weather variation and the scourge of insecurity (conflicts) between farmers and bandits, herders, Boko-Haram, and kidnapping for ransom could serve to adversely affect farmers morale and hence lead to a drastic drop in agricultural output.

4.0 Econometric Analysis

4.1 Results and Discussions

4.1.1 Unit Root Test

The ADF is carried out using E-views software package and the results from the test are tabulated below:

Table 1: Augmented Dickey-Fuller Unit Root Test

Variable	Level	1 st Difference	5% Critical Value	Order of Integration
Log(AOP)	----	-5.879151	-2.893589	I(1)
Log(ACF)	-3.394112	----	-2.892536	I(0)
Log(AGX)	----	-4.957719	-2.893956	I(1)
CC	----	-2.444253	-1.944445	I(0)
INSEC	-4.099363	----	-2.892200	I(1)
CORR	----	-3.948475	-2.892536	I(1)

Source: Author's Computation using E-views

The Augmented Dickey-Fuller (ADF) unit root test in the above table showed that all the variables were stationary either at levels or after first difference, thus they were all integrated of order one I(0) or I(1). Prior to the estimation of the cointegration test, Akaike Information criterion was employed to select a lag selection criteria of eight (6).

4.2 ARDL Bounds Testing for Cointegration

After verifying that all variables were not integrated of the same order, but rather a combination of I(0) and I(1), as given above, the autoregressive distributed lag (ARDL) bounds testing to cointegration was used to determine if there is cointegration or a long-run relationship between the series in the model. See

(Pesaran and Shin, 1999; Pesaran, Shin and Smith, 2001). Inferring from Table 2 the value of the F-statistic (4.668542) is greater than the upper and lower bounds of the 95 percent critical value interval (3.62- 3.79) and thus provided evidence for the rejection of the null hypothesis that there is no long-run link between the variables. To this connection, the study concludes that there is evidence of a unique long-run cointegrating relationship between the dependent variable and the explanatory variables between the period examined.

Table 2: ARDL Bounds Testing for Cointegration

Test Statistic	Value	K
F-Statistic	4.668542	5
Critical Value Bounds		
Significance	I(0) Lower Bounds	I(1) Upper Bounds
1%	2.26	3.35
5%	2.62 **	3.79
10%	2.26	3.35

Note: ** signifies rejection of the null hypothesis at 5 per cent level of significance

Source: Author's Extract from E-views 10

4.3 The Longrun and Shortrun ARDL Estimates:

After satisfying the preliminary testing requirements for regression estimates, the study proceeded to estimate the long-run and shortrun relationship between agricultural output, agricultural credit and government expenditure in Nigeria. This was achieved using the autoregressive distributed lags (ARDL) technique as presented in Table 3.

Table 3: ARDL Estimates

Dependent Variable: Hwfare				
Variable	Coefficient	Std Error	t-statistic	P-value
A: Longrun Estimates				
ACF	0.017161	0.045848	5.426547	0.0000
AGX	-0.004929	0.078007	-0.063186	0.9498
CC	-0.526121	0.134174	-3.224011	0.0017
INSEC	0.527211	0.179917	2.930303	0.0044
CORR	-0.009015	0.136341	-7.362146	0.0000
C	10.743036	4.782481	2.246331	0.0275
B: Short-Run Estimates				
D(ACF)	-0.180101	0.046728	-3.854232	0.0002
D(ACF(-1))	0.094311	0.048337	1.951131	0.0546
D(AGX)	-0.000557	0.008796	-0.063338	0.9497
D(CC)	-1.282144	0.206983	-6.194446	0.0000
D(INSEC)	0.365575	0.055387	6.600389	0.0000
D(CORR)	-0.151138	0.077002	-1.962780	0.0532
ECM(-1)	-0.113026	0.028828	-3.920723	0.0002

Source: Author's computation from E-views 10

4.3.1 The ECM Result

The Autoregressive Distributed Lag (ARDL) regression output presented in Table 3 revealed insightful findings regarding the determinants of agricultural productivity in Nigeria. Anchored on the Error Correction Model (ECM), the analysis captures both the short-run dynamics and the long-run equilibrium relationships.

Error Correction Term (ECM) Interpretation

In line with Ahmed (2001), the core feature of the ECM is its ability to adjust for disequilibrium and guide the system back to long-run equilibrium. The error correction coefficient obtained in the model is -0.113026, which is appropriately signed (negative) and statistically significant at the 5% level. This implies that approximately 11.3% of the previous period's deviation from equilibrium is corrected in the current period. Therefore, it would take approximately 8 years and 8 months ($1/0.113026$) for the system to fully adjust back to its long-run equilibrium path. Although this pace of adjustment is relatively slow, it is not unusual in sectors like agriculture where structural rigidities and policy delays exist.

Interpretation of Key Variables

Agricultural Credit to Farmers (ACF):-In the short run, the coefficient of agricultural credit was negative and statistically significant, suggesting that a ₦1 billion increase in credit availability led to a 1.71 index point decline in agricultural output. This finding contrasts with the long-run coefficient, which was positive and significant, indicating that agricultural credit positively impacts productivity in the long term. The initial negative short-run effect may be attributed to delays in loan disbursement, misappropriation of funds, or farmers' inability to effectively deploy the credit immediately due to institutional bottlenecks or lack of financial literacy.

This finding is in line with Ogunniyi et al. (2021), who found that while agricultural credit schemes like the Anchor Borrowers' Programme (ABP) had long-term benefits, short-run implementation inefficiencies limited immediate gains. Similarly, Ibrahim and Mohammed (2022) observed that credit access remains inadequate in rural areas, reducing its short-run impact on productivity.

Government Agricultural Expenditure (GAX):-Both the short-run and long-run coefficients of government agricultural expenditure were negative and statistically insignificant, suggesting that increased public spending did not translate to improved agricultural productivity. This is contrary to a priori expectations, which assume that higher investment in the sector should spur growth. The negative impact may reflect poor targeting, delays in fund release, and widespread corruption, as reported by Akinwunmi and Adeoye (2019) and Olowookere and Adebayo (2018). These studies documented how mismanagement of budgeted funds and infrastructure projects undermined the potential of government investment in agriculture.

This finding calls for urgent policy reforms to ensure transparency and accountability in the appropriation and utilization of agricultural funds.

Climate Change (CC):-The coefficients of climate change (proxied by CO₂ emissions) were negative and significant in both the short and long run. This aligns with the a priori expectation and confirms that increased environmental stress due to climate change reduces agricultural productivity. The impact is particularly felt through disruptions in rainfall patterns, increased pest invasions, and extreme weather events like drought and flooding.

This outcome is supported by Nwachukwu and Mbah (2017) and Mohammed and Oluwaseun (2020), who emphasized that climate variability, especially in rain-fed agriculture regions such as Northern Nigeria, poses a significant threat to food production.

Insecurity (INSEC):-Surprisingly, the coefficients of insecurity were positive and statistically significant both in the short run (0.5272) and long run (0.3650). This suggests that a unit increase in insecurity index is associated with an increase in agricultural productivity. This result is contrary to a priori expectations, as increased insecurity such as farmer-herder conflicts, terrorism, and kidnappings is generally presumed to hamper agricultural activities.

One possible explanation is that the index used (Political Stability and Absence of Violence/Terrorism) may reflect improvements in security during certain periods, thus capturing perceived stability rather than actual threats. Alternatively, the result could be capturing regional variations—such as in the South, where relatively better security conditions allowed more productive agricultural activities—thereby offsetting declines in the North. Nonetheless, other studies such as Eme et al. (2014) and Okoli and Nnamani (2018) reported that insecurity severely undermines agricultural output, indicating that this finding may reflect data limitations or issues in proxy measurement.

Corruption (CORR):-The coefficients of the control for corruption were negative and statistically significant in both short and long run. Specifically, a 1-unit deterioration in corruption control resulted in a 15.11% decline in agricultural output, indicating a strong adverse effect. This supports the view that corruption through embezzlement, diversion of inputs, and nepotistic allocation of farm resources—undermines policy effectiveness and sectoral development.

This finding is consistent with earlier studies such as Akinwunmi and Adeoye (2019) and Olowookere and Adebayo (2018), which highlighted how corruption disrupts the distribution of farm inputs, delays project execution, and weakens public trust in agricultural programs.

4.4 Robustness Checks

To ensure that the models yield robust estimates, some robustness / diagnostic tests were performed. These results are as presented in the Appendix section. Based on the diagnostic tests, we can conclude that the modelling and results, including the ARDL estimates are robust and as such, we can make inference with greater certainty. The residual stability and autocorrelation test are presented hereunder.

Table 4: Residual Diagnostic Tests

Description	F-Statistic / P-value
Breusch-Godfrey Serial Correlation LM Test	1.038918 / 0.3587**
Heteroskedasticity Test: B-Pagan-Godfrey	0.827386/ 0.6514**
Ramsey test (Model Mis-specification)	0.014639/0.9040**

**** indicates 5% significance level**

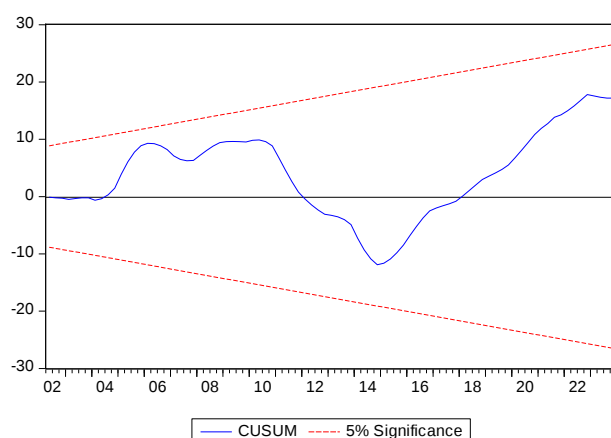
Source: Extracts from E-views 10

For instance, the model's residuals are homoskedastic and lack a strong presence of serial correlation as shown by the output of the Breusch-Godfrey Serial Correlation LM test, implying that they are deemed to be homoscedastic. Similarly, the model was essentially free of substantial concerns of multicollinearity based on the insignificant values of the RAMSEY RESET probability values, indicating that they were appropriately defined, and thus can be relied upon for policy formulation, given that the parameters are reliable.

4.5 Testing for Structural Breaks in the Model

To examine the short and long-term relationships found previously are stable over the entire period of the study, the cumulative sum of squares (CUSUMSQ) tests proposed by Brown et al. (1975) was adopted. The CUSUMSQ test uses the recursive residuals squared and follows the same procedure. Figures 2 below present the of cumulative sum of squares tests. The visual inspection of this graph show no evidence of instability in the regression parameters over the study period, since the sum of squared residuals lie within the critical limits of the 5 per cent level of significance. Consequently, the null hypothesis that all the coefficients are stable cannot be rejected, hence we conclude that the short and long-term relationships found previously are stable over the study period.

Fig. 2



The straight lines represent critical bounds at 5% significance level

Source: Author's Computation using E-Views 10.0

5.0 Conclusion and Recommendations

Based on the empirical results of this study, agricultural credit, climate change, insecurity, and corruption were found to exert statistically significant effects on agricultural productivity in Nigeria over the period 1999 to 2023. While agricultural credit had a long-run positive impact, government agricultural spending did not show a significant effect on productivity. The results also indicated that climate variability and insecurity negatively influenced agricultural output, while corruption consistently undermined sectoral performance in both the short and long run.

In light of these findings, the study recommends the following:

1. Improve access to agricultural credit by reducing borrowing constraints and enhancing financial literacy among farmers.
2. Increase and efficiently manage government agricultural spending, ensuring funds are allocated to productive uses.
3. Implement robust climate adaptation strategies to mitigate the effects of environmental shocks on food production.
4. Strengthen national security in agricultural regions to provide a safer environment for farmers.
5. Reinforce anti-corruption institutions to address mismanagement and ensure transparency in agricultural programs.

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