



## ROLE OF FINANCIAL SEGMENT IN INDUSTRIAL PERFORMANCE: WHAT HAS CHANGED ABOUT AGRO-ALLIED INDUSTRIES?

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### ABSTRACT

*The potentials of financial sector in both developed and developing nations is a crucial sector in evolving and enhancing of major contributing sector to economic growth and the well-being of the people in the light of industrialization, manufacturing, services, agriculture, among others. Despite Nigeria taking lead in almost all the major food and cash crop production in the whole world that numerous products can be extracted from crops by this way Nigeria can feed her growing population and boost her export, this would translate to diversifying the economy by mean of creating alternative sources of income earnings. Hence, the*

### Introduction

Agro-allied industry is one of the major sectors that can achieve and sustain economic growth and development of any economy in the world through its positive contribution towards employment creation, food security and source of revenue to the government. However, the needed requirement demanded by this industry has resulted to the collapse of most of these agro industries due to lack of raw materials. For example, agriculture has been the most important sector before 1970, it engaged about 70% of the total labour force, holding to subsistence variety and characterized by simple working tools and shifting cultivation.

Before 1970, this method of farming (crude farming) was still able to produce 80% of the total food supply. 33% of Nigeria land was under cultivation of both food and cash crop. Nigeria recorded 25.1 million tons of yam production which account for about (67% of the world yam production) and cassava production stands about 33.1 million tons, rice and millet produce 3,399, 5,499 tons respectively (Hassan 2010).

Cocoa as the leading agricultural product foreign earner has been low due to the abolishment of the cocoa board and holding to lack of farm labour as a result of urbanization. In the 1970s, production had



*study employed error correction mechanism to examine the role played by the financial sector to the industrial performance in particular the agro-allied industry. Secondary time series data were used and series of tests were performed using E-view econometric package. The stability of the data after the diagnoses test revealed that agricultural output has direct relationship with the growth of agro-allied industries which is in line with the a priori expectation that most of the needed raw materials are supplied as the output from agriculture. Consequently, credit finance also recorded positive relationship. Therefore, the findings suggest that credit finance and supporting scheme to agro-enterprise is most pertinent in the development of the sector not forgetting the key role of agriculture in this race.*

**Keywords:** Financial sector, Credit Finance, Economic growth, Agro-Allied industries, Development and Industrial Performance.

dropped from 300,000 tons to 145, 000 tons. Rubber being the second largest earner had production reduced from 155,000 ton to 90,000 ton. To this end, for Nigeria to benefit from her available resources in the agro industries then visitation of the agricultural policies has become necessary. (Adeloye 2012). For instance some decades back, Malaysia was in search for new agriculture product and they succeeded in going away with oil palm seed from Nigeria and with improved innovation in science and technology application, Malaysia was rated, second largest exporter of more than 30 products from the palm oil fully refined and ready for consumption. Before now, Nigeria, Ghana and Cote d'Ivoire were rated among the top three palm oil producing countries in the world but currently Nigeria is rated fifth alongside Cote d'Ivoire which is rated ninth in the world with less products from this resource compared to Malaysia (Perfect insider, 2015).

In addition, Brazil and Thailand are among the largest cassava producing countries, but Nigeria still produce cassava more than these countries. However, Nigeria has failed to improve in the production of cassava from semi-processed or raw produce (which is rated at about 90-95 per cent consumed in this form) industrial use. This is different in the case of Thailand and Brazil which have only 10-20 per cent of cassava meant for immediate consumption while 80-90 per cent is for industrial purpose.

More so, in Africa and mostly Nigeria, lack of credit facilities is a critical set back facing the agro industries as they strive to improve economic activities and living standard of the society (Britain, 1986, Agor, 2010), and even when this facilities are available is strictly based on "who you know" policy and too difficult to be accessed by the lower classes who are the major contributors to this sector (Farm, 2006).

The industries are equally constrained with information/awareness on available supporting programmes/scheme which can benefit the industry. Again, collateral and securities to obtain credit facilities are too expensive and unaffordable among most of these ailing industries. Meanwhile, the lack of consensus that financial institutions consolidate in increasing delivery of credit loan to this industries in terms of unfriendly interest rate which discourages the industries towards acquiring such credit and the skepticism of these banks in financing the activities of the industries is terrible.



In truth, this simply defines the neglect of the sector and the over-reliance on one sector which has resulted to dwindling revenue generation and decreasing standard of living among large number of Nigeria society.

This problem has called for Nigeria to embark on a rescue mission on looking outward towards diversifying her economy by establishing programmes, scheme, policies suitable to revive her agricultural sector and modernized means of grants and credit facilities to industries with necessary working equipments and conducive environment for the country to move from primary production level to secondary goods for consumption and exportation in other to generate the required foreign earnings.

Therefore, this study is justified on the ground of providing the basic insight and analysis of the established financing scheme by the financial sector in collaboration with the Nigeria government and analysis on how agro-allied industries have benefited from this scheme and the simple process to benefit from this scheme without much stress by the industries in other to attain the desire alternative source for income generation (diversification).

## **Literature Review**

### **Conceptual Issues**

**Agro industries** are known for the activities of transforming primary agricultural products in terms of adding value to this product, encouraging its local consumption and export. This sector records a wonderful performance prior to petroleum discovery era where agriculture was the mainstay and supplied the needed raw materials to the industry.

**Measuring performance** as defined by (Waggoner et al., 1999) is the process of quantifying efficiency and effectiveness of a purposive action and decision making.

### **Financial development**

Financial sector are attached with the sole responsibility of providing regulatory framework, intermediary services, creating and making credit available to various sectors of the economy in other to stimulate economic growth and development. However, economists are of various opinions on the importance of financial sector, for instance Barucci (2002), believe that major capital project by industrial sectors are financed by the financial institutions which help to facilitate improved industrialization and entrepreneurship growth.

Therefore, the development of the financial sector is most pertinent and crucial condition for industries and various sectors of the economy, since most of these sector are the major determinant of future rate of economic growth, technological advancement, and improved manpower skill.

### **Financial Institutions**

Financial institutions are associated with the enhancement of economic growth of a nation through its function of mobilizing depositors saving by way of creating credit and transferring of fund created from the surplus unit to a more demanding sector of an economy. However in a well-organized financial system a good number of functions could be achieved as briefly explained below:



**Acting as Mobilizer of Saving:** this simply means a way of accumulating wealth from the saver such as individual, household, business organization, and government at all levels.

**Investment:** The sole aim of business entities is to make profit in which deposit money banks and other formal financial institutions belong. This function is crucial to the institutions arranging to invest fund on financial asset in which firms and individuals can also invest in the company's asset.

**Enhancing National Growth:** financial system is attached with the responsibility of sustaining national growth by providing needed fund from surplus unit to a deficit unit. It contributes to the development of various sectors through balancing the gap between one industry and the other in terms of fund.

**Entrepreneurship Encouragement:** A well designed financial system tends to be considerate in their funding scheme by means of allowing entrepreneurs to access the fund for the establishment or finance of a capital project.

### Industrial Performance and Economic Growth

The role played by Agro-industries in economic growth and development cannot be over emphasized by both the developing and the developed nations. However, the performance level of these industries in enhancing the development of developing countries where Nigeria belongs has recorded poor performance since the colonial era. Given the fact that the then colonial masters were interested in taking away the raw materials to their industries at home and left Nigeria with noting on basic infrastructure, technical man power and policies to drive the establishment and effective functioning of the agro-industry enterprise.

In attempt to boost the Nigeria economy through export of agro processed products and as a way of feeding her growing population in the process of improving the standard of living in the society, several agro-based industries have been established and quite good number of policy and programme have been adopted alongside the acquisition of the needed equipment, raw materials and manpower skill for the industries. These policies and programmes include; NAFPP of 1973, OFN 1976, RBDA 1978 and SPFS of 2002. These entire programmes were set up to play the primary role of improving and growing this industry to become stronger to withstand foreign competition. However this policies/programmes have either little or no effect on the improvement of the Nigeria agro enterprise as the industry recorded poor performance over the past decades with the fact that Nigeria is not a country with food security, majority of all her consumables are being imported and this industry recorded very little or no contributions to the growth of Nigeria economy. For example, the agro-industries performance is illustrated in the table below.

**Table 1: Performance of the agro industries in Nigeria (percentage of GDP)**

Period	Food & Beverages	livestock	Fishing	Textile	Plastic and rubber product
2010	5.911	2.782	0.652	1.04	0.86
2011	6.4817	2.8404	0.60	1.74	0.20
2012	6.4545	2.7853	0.77	2.06	0.268



<b>2013</b>	7.4858	2.941	0.84	2.78	0.35
<b>2014</b>	7.8723	3.1098	0.901	3.63	0.460
<b>2015</b>	7.4293	3.2853	0.95	3.73	0.53

Source: Authors Computation (CBN Statistical Bulletin 2015)

From the table it can be observed that none of the sub-sector of the agro industry is performing up to 10 percent. This sector is tagged with underperformance since it could not carry on its ascribed duty of providing the economic benefits such as food security, employment opportunities for both skill and unskilled labour and in-turn increasing the standard of living of the people, technology and expertise transfer by means of output growth and source of economic diversification which facilitate alternative means of income earning and stimulating economic development.

#### **Challenges of the Agro-Allied Industries in Nigeria.**

No doubt, most industries in low income developing countries are confronted with infrastructural challenge which tends to be very difficult to access. Structural infrastructure serves as one of the major condition for agro-industry development of any nation. Hence, this deficit in the Nigeria case has resulted to less competitiveness of the agro enterprise to their foreign counterparts. Even within the developing countries, the level of competition depend solely on the quality of basic infrastructure such as reliable and fixed cost of transportation in other to explore opportunities both in access to raw material and potential lucrative market for their products at lesser cost and gain more. Therefore, the need for means of movement and acquiring utilities tends to improve the operating capacity of the agro-industry.

Also, the infrastructural deficit has adversely affected the transformation of the agro-industries from low productivity to a more alarming state of productivity. Therefore, means of effective and efficient way of production need to be adopted in terms of modern technology which has been the major focus for improved and developed agro-processing industries in countries like Malaysia, China and even South Africa.

Meanwhile, these countries have met the precondition for introducing advanced technology given the level of their infrastructure in terms of stable power supply, adequate water provision and man power skill needed. The absence of these basic infrastructure has led to the collapse of so many small and medium scale agro enterprise in which it is only the larges once that take the advantage of installing a portable power plant and adequate water supply since most of the small and medium enterprise find it difficult to survive. This has however reduced the number of agro enterprise and reduce competition in the industry at the same time sending people out of job on regular basis.

Furthermore, the few agro industries suffer from inadequately production policy, lack of research aimed at discovering new products and difficulty in repairs and maintaining equipment by 'expertise'. The poor states of structural infrastructure; epileptic power supply, and unfriendly



environment coupled with inconsistency government policies is the bane for the sector to carry out its ascribed duty. This problem has remained over the past decade especially since the major source of income was the crude oil. In fact most of the housing and storage facilities in these industries are outdated and abandoned over the years due to either mechanical problem or inadequate energy to power this equipment.

Beside the infrastructural dilemma and technical damages in agro-industries, maintenance of laws and order to create conducive environment for industries to thrive has no background, as most of the industrial policies are not effective.

Meanwhile agricultural sector response for the provision of the needed materials for the industry is operating on the hand to mouth system in which the agriculture output is not sufficient for national consumption before thinking of the secondary means of production by industries, however this can be attributed to the neglect, drastic reduction of budgetary allocation to the agriculture sector mostly between 2013 and 2015 which recorded a wide gap in the African Union recommendation of 10 percent of the national budget, this has spiked the low finance and the cause for low productivity .

#### **Financial Sector and Agro-Industries Performance**

A report from the Nigeria Economic Summit (2015) stated that in some decades back, there were more than 650 major agro-allied industries in Nigeria. This includes the textile, timber industries, breweries etc. At present, the few agro industries that are still in existent operates less than 30 percent capacity. Like most other industries in Nigeria, most of the performing agro-industries have recorded inadequate working capital and accessing credit finance has been very difficult especially for the micro industries.

Takats (2004), reported that large banks and other financial institutions tend to finance small industries less, as a result of the level of risk. Also, a publication on real sector by CBN 2014 discovered that over 65 per cent of the industries experience difficulty in accessing fund since majority of the enterprise are either small or medium scale in acquiring the necessary equipment and raw materials needed for these industries to meet up with demand as population growth increases.

Despite the fact that agro industries which require less funding in terms of external fund and the special intervention by the financial sector and government have been disadvantaged of growth when compared to other industrial sector. It can be comfortably argued that the agro enterprise has experienced inadequate funding especially when compared to the mining and steel industry. For instance, the mining and steel \$150 million World Bank fund and the \$600 million of the federal government in partnership with the Nigeria stock exchange commission is transforming the mining sector from its poor state to a level of recognition. On the other hand, the agro enterprise suffers from low level of financial sector intervention and inadequate disbursing of the special intervention to this sector. For example, the 2013 MSME 320 billion naira which was launched by CBN focused majorly on addressing the loss in post-harvest period. But a claim by CBN to establish a special monitoring crew to checkmate the state and the affair of this sector and management of the fund this has delayed the disbursement of this facility in tackling the targeted purpose which it was meant for.



Also the FAFIN lead fund which was launched in 2014 with about 100 million US dollar, this facility focus on increasing the amount of private capital for agro-industries. Sahel 2014 reported that only 34 million dollar was been disbursed as at the first close which was sponsored by the German government through the Development Bank, Nigeria Sovereign Investment Authority and the FMA&RD.

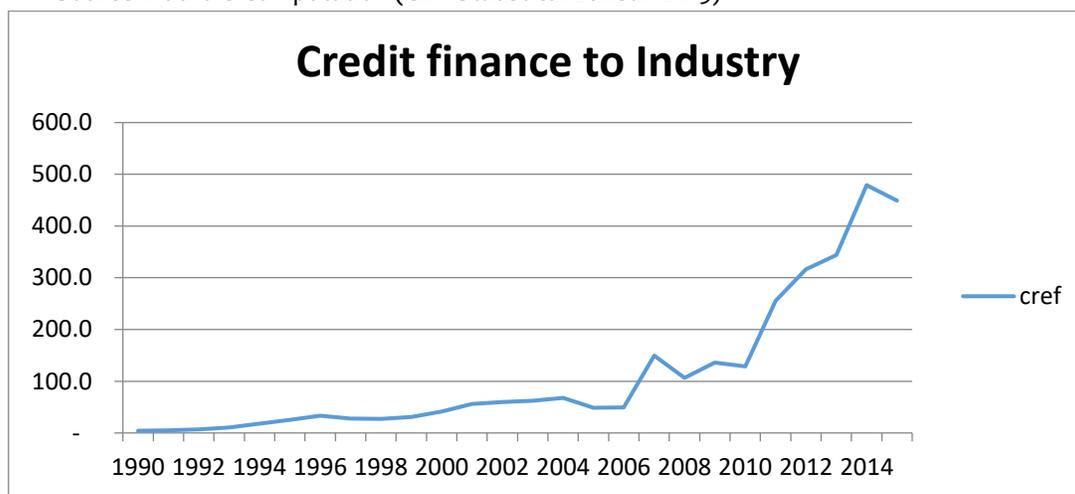
However, with the limited level of operating capacity and lack of monitoring in the financing of this sector resulting to huge loss and waste of agricultural produce the Bank of Industry has launched the N5 billion Cottage Agro-Processing (CAP) Fund in September 2014 in which the bank plans to finance about 1,000 projects under this fund. It is targeted at Small and Medium Industries at the low-technology, and labour intensive end of the agro-processing spectrum.

The Central Bank of Nigeria has also approved the disbursement of N75 billion as loan to farmers in the 36 states and the Federal Capital Territory (FCT) under the Nigerian Incentive-Based Risk Sharing in Agricultural Lending (NIRSAL). This initiative was sponsored by the Apex Bank, Banker Committee and the Ministry of Agriculture and rural development. This entire programme was established on the basis of encouraging the agro industry in order to improve economic growth and development, employment opportunity and food security. Below is a summary of the commercial bank credit finance

**Table II: Credit finance to agro-industries**

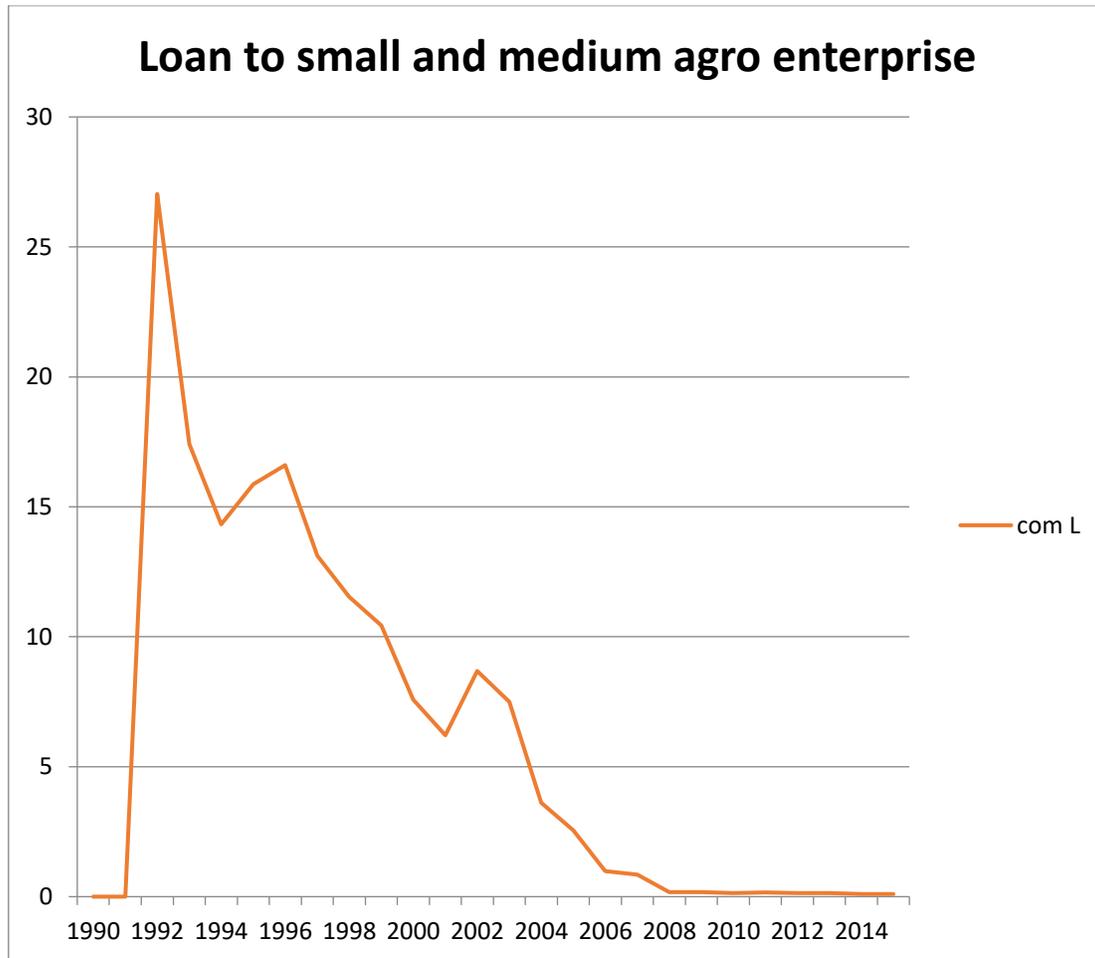
Period	Agro
2010	128.4
2011	255.2
2012	316.4
2013	343.7
2014	478.9
2015	449.3

Source: Authors Computation (CBN Statistical Bulletin 2015)



Source: Authors Computation

Figure 1: Credit finance to Industry



Source: Authors Computation

Figure 2: Loan to small and medium agro enterprise

From figure 1 above, credit to industrial sector maintained steady state till 2006 when it experiences an increase before slight fall in 2008 and continued increasing, while figure 2 shows loan to small medium agro enterprise (SMAE). There was a sharp increase in the 90s followed by consistent decline. Thereafter, the chart indicates that commercial bank loan to agro enterprise has not been granted and has continued in this state.

#### Empirical Review

Olomola (2010), suggested that there was improvement in the flour mill Nigeria limited in terms of productivity, financial leverage and profitability as a result of transfer of assets and operation from the public to private sector. Alabi and Mafimisebi (2008), also opined that agricultural sector should be run by entrepreneur because of the improved technical and economic efficiency attached to it. However, genuine search for development and sustainability must therefore begin



with effective finance of the ailing agro industries, youth empowerment and encourage entrepreneurship operation in the agro industries.

Stiglitz and Weiss (2008), in their pioneer work on credit rationing use the model based on imperfect credit market this was characterized by limited information access which was too difficult for bank to obtain adequate information and about the borrower and effective monitoring. The work established that when a sector is constrained with information asymmetry and moral hazards the effect of this on the new industries in accessing credit is tagged as credit rationing. This term also occurs when group of industries applying for credit and it appear that some of this group get credit why some could not and due to information available to the industry the probability of success is known to this firm why is obscure to the bank.

Myer (2010) confirm the pecking order theory of industry choosing their financial resource it grows in term of financial pattern and requirement change, has this is required to finance the level of growth of the industry in a developing country. CBN (2011), with the view that agro industries are critical to economy development has they are capable of creating employment opportunity, improvement in technology, alternative way of foreign earnings.

Yusuf (2012) argued that given the interference of the private sector in the agro industries in the process of acquiring plant, machineries and infrastructure to carry on operations in this industries, annual export has improve such as Kano state is recorded has the largest exporter of leather has a result of modern tanneries situated in this zone including the textile mill which was estimated at over \$700million. Also cocoa processing in the western part of the country and rubber in Sapele Delta state has tremendously improved and large scale shrimp of this product in Lagos state. Somoye, (2014), found that competition among industries might help to increase agro industries financing as a result of bank searching for more profit opportunity. These restrain the potentials of new entries competitor from exploiting their market power. Research by Rajan and Zingales (2012) in the early 80s with a large number of sample sizes in their attempt to find out whether industrial sector that are relatively more in need of credit and external funding develop inappropriately faster in a country with a developed financial market. Empirically the industry need for external finance was identified and they concluded that an industry which requires heavy external fund tends to grow at lower pace compare to industries which require little or no external fund in the case of drug and pharmaceutical industries and the tobacco production.

### **Methodology and data**

The study sought to investigate the role play by financial institution on the performance of agro-industries vector error correction model was employed to determine the factor that drives agro industries performances over time.

Secondary time series data were used, as obtained from the central bank of Nigeria statistical bulletin 2015 publications (CBN 2015).



**Model specification**

$$INDQ_t = f(AGRQ_t, CREF_t) \text{-----}1$$

$$INDQ = \alpha_0 + \beta_1 AGRQ + \beta_2 CREF \text{-----}2$$

Where INDQ is the total output from the agro industries. AGRQ represent the total agricultural output why CREF is granted credit finance to the industry.

**Co-integration Model**

$$INDQ_t = \theta_0 + \theta_1 AGRQ_{t-1} + \theta_2 CREF_{t-1} + \epsilon_t$$

$$AGRQ_t = \alpha_0 + \alpha_1 INDQ_{t-1} + \alpha_2 CREF_{t-1} + \epsilon_t$$

$$CREF_t = \alpha_0 + \alpha_1 INDQ_{t-1} + \alpha_2 AGRQ_{t-1} + \epsilon_t \text{-----}3$$

In this study vector error correction model was employed to examine the effect of performance in the agro sector as a result of positive change in the finance sector base on the credit granted to the agro-industry enterprise. Therefore, the over parameterized model is specified below for identification of the dynamics equilibrium relationship.

$$\ln INDQ_t = \beta_0 + \sum \beta_1 \ln AGRQ_{t-1} + \sum \delta_1 \ln CREF_{t-1} + \varphi \text{ecm}_{t-1} + \epsilon_t \dots$$

$$\ln AGRQ_t = \beta_0 + \sum \beta \ln CREF_{t-1} + \sum \delta_1 \ln INDQ_{t-1} + \varphi \text{ecm}_{t-1} + \epsilon_t \dots$$

$$\ln CREF_t = \beta_0 + \sum \beta_1 \ln INDQ_{t-1} + \sum \delta \ln AGRQ_{t-1} + \varphi \text{ecm}_{t-1} + \epsilon_t \dots \text{-----}4$$

The VEC Model is such a complex method of estimation that allows the linear combination of each variable as the lag of its own and lag of other endogenous variables in the system equations. This model also account for the difference between the short-run and the long-run causality in line with the valuation of co-integration, by testing the null hypothesis through the probability value (p-value) at 5% level of significant.

Further, the important of the VECM is to checkmate whether the series under study is co-integrated which tends to report the existing relationship between the time series data, however, if the series is co-integrate it implies that long run relationship exist and otherwise. Meanwhile, time series data is assumed to contain unit root hence, test for stationarity become necessary to ascertain the integrating order of the variable, this in no doubt give the assurance of avoidance of spurious results which tend to mislead in forecasting process. Thus, if the linear combination series are of non-stationary and become stationary the variable are said to be co-integrated.

**Empirical Result and Analysis**

**Table III: Result from ADF**

Variables	P-value @ level	5% critical value @ level	P-value @ 1 <sup>st</sup> difference	5% critical value @ 1 <sup>st</sup> difference	P-value @ 2 <sup>nd</sup> difference	5% critical value @ 2 <sup>nd</sup> difference
INDQ	0.9627	-2.986225	0.1101	-2.991878	0.0003	-2.998064



<b>AGRQ</b>	1.0000	-2.986225	0.1173	-2.991878	0.0008	-3.012363
<b>CREF</b>	1.0000	-2.991878	0.0003	-2.991878	-	-

Source: Authors Computation (E-view 9.0 output)

The ADF test of stationarity conducted shows that agro industry output as a percentage of total industrial output and agriculture as a percentage of the gross domestic product attain stationary at second difference at 5% MacKinnon significant level. But credit finance became stationary at first difference also at 5% significant level. In other to maintain uniformity, the table below depict the order of integration were the agro output and agriculture output are order of integrated two i.e. second difference on the other hand, credit finance is of the order of integrated one i.e. first difference.

**Table IV: Order of Integration**

<b>Variables</b>	<b>Order of Integration</b>
<b>INDQ</b>	I(2)
<b>AGRQ</b>	I(2)
<b>CREF</b>	I(1)

Source: Authors Computation (E-view 9.0 output)

**Table V: Johansen Test of Co-integration**

<b>Hypothesize d</b>	<b>Trace Statistic</b>	<b>5% Critical Value</b>	<b>Prob.</b>	<b>Hypothesize d</b>	<b>Max-Eigen Statistic</b>	<b>5% Critical Value</b>	<b>Prob.</b>
<b>No. of CE(s)</b>				<b>No. of CE(s)</b>			
<b>None *</b>	62.4008	29.7970	0.000	<b>None *</b>	49.17547	21.13162	0.000
	7	7	0				0
<b>At most 1</b>	13.22540	15.49471	0.1068	<b>At most 1</b>	9.82086	14.2646	0.224
					3	0	0
<b>At most 2*</b>	3.40453	3.84146	0.025	<b>At most 2*</b>	3.40453	3.84146	0.025
	4	6	0		4	6	0

Source: Authors Computation (E-view 9.0 output)

As specified above the Johansen test of co-integration is used to estimate the long-run relationship among the co-integrated equation. After, the stationarity of the variables are determined which of first and second order of integration. The Johansen result reported that both the Trace statistic and the Max-Eigen reject the null hypothesis that the variables are co-integrated with respect to the p-value from the both statistic of at most one co-integration equation. Therefore it can be established that long-run relationship exist. This is consistent with the findings by Maisamari,



(2014). Consequently, VECM is developed to capture the short-run dynamics to the long-run relationship equilibrium of the equation.

**Table VI: Result from ECM**

Variable	Coefficient	Std. Error	T-statistics	P-value
C	-1.104437	4.167223	-0.265029	0.7922
D(INDQ(-1))	0.382858	0.406501	0.941836	0.3513
D(INDQ(-2))	0.549973	0.375106	1.466181	0.1496
D(AGRQ(-1))	0.288901	0.561781	0.514259	0.6096
D(AGRQ(-2))	0.731215	0.493247	1.482453	0.1452
D(CREF(-1))	-0.206770	0.072993	-2.832733	0.0069
D(CREF(-2))	-0.202028	0.090265	-2.238165	0.0302
ECM(-1)	-0.234116	0.524101	-0.446701	0.6572

Source: Authors Computation (E-view 9.0 output)

The table above reports the estimation of the error correction mechanism, the over parameterized model has been developed. From the table it was observed that the ECM reported negative sign which is in accordance with the significance of the possible long-run difference with the recorded value of -0.234116 that is about 23 percent of likely error is corrected annually.

Also, the value of the ECM indicate the rate at which INDQ adjust to change in AGRQ and CREF. Given this value at -0.234116 it implies that there is a slow rate of adjustment of among the variable. The mathematical equation of the over parameterized model can be express as specified below.

$$INDQ = -1.104437 + 0.288901AGRQ + 0.206770CREF + -0.234116ECM(-1) + \epsilon_t$$

From the expression above the can be observed the explanatory variable are positively related to the dependent variable with the corresponding coefficient value of 0.288901 and 0.206770 respectively which simply mean a unit increase in AGRQ and CREF tend to affect INDQ positively with each value of the explanatory variables. This finding is line with the findings of Obasan, and Arikewuyo (2012). Aside that, constant state of the explanatory variables will result to fall in the dependent variable.

### **Conclusion**

The result from the study upheld an important discovery of major ways to agro-industries development in Nigeria. This has been categories under the following.

Firstly, the effective functioning of the local micro finance and commercial bank should be charge with the sole responsibility of full incorporation of agro-industry funding, and in the process, carrying out the supervisory role and regulating the fund transfer from the informal institution both locally and foreign for the purpose of industrial advancement.



The success of the industry also depends on how flexible the bank policy on transactions, since the bank are in to maximize profit. Customer awareness should be a first priority on the established programmes/scheme and how it can be access easily.

National and international support for the industry has been in existence since past coup of years but has not transform into meaningful effect and has left the industry in stagnant state, this study therefore recommend that appropriate body should be establish to take full responsibility of the support, in term of finance, technological transfer, expertise/professionals in the field should be accepted and sent to the needy unit. There is the need to encourage bank on the side of risk bearing. In other words strong legal backup should be made on obtaining credit facilities in order to avoid loan loss and this should be made functioning at various levels.

This study has critically observed the failure in the agro-industry of her numerous challenges. The study categorizes this problem in two groups; financial difficulty and poor infrastructure. Where all other challenges fall under this aforementioned groups as confirmed from various level of the industries i.e. (small, medium and large scale agro enterprise). The result obtained from this study shows that financial sector is of great importance to the development and performance of the agro-industry expect for the integration due to institutional disorder, policy rigidity and lack of legal backup. This has left the industry on the disadvantage which has denied the industry in attaining its potential in Nigeria economy.

In addition, the new central bank policy of stipulated percentage of the commercial bank credit should be made available to the agro sector and the policy should be strictly followed with a reasonable low interest rate in other for easy accessibility by the industry.

This study thereby concluded that financial sector has gone through reforms in the past which was a step to develop the sector. As a matter of fact, it helps in improving the performance of various sectors of the economics. Therefore, it suggests that reform in a form of introducing new policy to benefit essential sector in the economy should be considered as a major priority in which agro sector belong. As the saying goes “a nation that cannot produce its own food is bound to go hungry in the nearest future”.

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