THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Financing Agriculture as a Way of Diversification of Nigerian Economy: Challenges and Prospects

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Abstract:
The study examines financing of agriculture as a way of diversification of the Nigeria economy.
The objective of the study is to identify the need for financing agriculture as a means of overcoming the mono-economic nature with the full dependency on oil, especially now that the oil price internationally is getting low in a recessed Nigerian economy. The study uses secondary data obtains from Central Bank of Nigeria (CBN), Ministry of Agriculture, Published Academic Journals, Textbooks and Conference Proceedings. The study appraises the financing of agriculture for diversification of the economy using review approach. The finding of the study reveals that though agriculture has been the main stay of the Nigerian economy before the discovery of oil, the agricultural sector has been neglected. The study recommends among others, for reconsideration of the sector as the oil is no longer sustainable due to sharp drop in prices. Cost of governance however, continue to increase.

Keyword: *Agriculture, allocation, diversification, economy, Nigeria*

1. Introduction

The role of agricultural financing to the enhancement of the sector cannot be over-emphasized. Agriculture contributes immensely to the Nigerian economy in many ways; provision of food for ever increasing population of the country, raw materials for the utilization of industrial sector, serving as the source of employment generation, foreign earnings from exportation, provision of market for the products of the industrial sector (Odi, 2013). Before now, the main stay of the Nigeria economy has been agriculture, contributing more than 40% of the pre-1973 Gross Domestic Product (GDP) (Umaru, et al, 2012), and also provided more than 70% of the employment to the Nigerian economy.

Nigeria was famous in her agrarian economy before the discovery of oil(crude) in 1956. Through agriculture, Nigeria was able to feed its population, generate income, generate employment and majorly exported in large quantity, cash crops such as palm product, rubber, cocoa, ground nuts etc. This trend changed with the discovery of crude oil, making Nigeria to abandon agriculture and clinched to the oil sector (Kemi, 2016). It is as a result of this neglect of the agricultural sector, and concentrating on the oil sector that leads to classification of Nigeria as a mono economy (relying on oil alone).

In his book, Ojo (2010) states that in recent study on cross country, evidence has it that the natural resource curse was intrinsic to most countries with oil or other mineral resources. That is, owning such resources, depresses long-run growth. But countries that are rich in other natural resources such as agricultural products and commodities are shown as being not subject to the resource curse. It is this same scenario that is referred to as the 'Dutch Diseases'. That is a situation where, when foreign demand for export drives up the exchange value of the exporting country's currency. The increase in the currency's value makes the nation's other export products less competitive. This pattern is often cited as a reason why relatively resource-poor Hongkong, Japan, and Western Europe have thrived while oil-rich Nigeria and others have not (Ojo, 2010).

Kemi (2016) posits that there is no doubt that Crude oil has contributed immensely to the Nigerian revenue since its discovery in 1956, especially in 1970 when its price was on the upward trend. There was no doubt also that Nigeria was making its largest share of revenue from the oil industry. That was quite good but the question is, how did Nigeria make use of their chunk revenue oil? Nigeria earns an average of $12.5 billion per annum from oil revenue alone. The government made ₦1.3 trillion from crude oil in 2006, oil taxes reached ₦1.26 trillion with a total of ₦2.542 trillion net oil revenue in 2006. In 2007, total net oil revenue rose to ₦2.6259 trillion (Ojo, 2010). During the periods of huge earnings from the windfall oil revenue, oil crises, Gulf War and high oil price from 2006 to 2008, the surplus from billions of dollars earned should have been invested wisely as some other Organization of Petroleum

Exporting Countries (OPEC) did against rainy days when the oil price drops, as was experienced in 2009 till date. This is better approach to managing and employing the surplus instead of squandering it, as the case with Nigeria in view of negative implications (Ojo, 2010).

As should be expected, the rise in crude oil price cannot and is not constant. The price of the oil in the global market has been dwindling of recent. In fact, the price per barrel has dropped drastically from the budgetary estimate of 2016 of $138 to $32 per barrel in the second quarter of 2016. Not only the drop in the price that is the problem only but the drop, in production capacity also. It dropped from 2.2000mbpd to 1.9700mbpd. Going by this trend, Nigeria need not go for the service of a prophet to know that its total dependency on crude oil as a mono-economy can no longer be sustainable. Nigeria needs to go back to the drawing board to reconsider its stand on the neglect of agriculture. The religious statement of “the stone that the builder rejected turned the corner stone” has to come to play in Nigeria situation. There is the urgent need to diversify the economy. There is the need to shift attention to the agricultural sector as an alternative to diversification of the Nigerian economy as the only way out of this conundrum (Kemi, 2016).

2. Statement of the Problem

Akin (2016) puts it that agricultural sector has been the leading provider of employment in Nigeria since the 1960s and 1970s, when agriculture alone accounted for more than 70% of employment of the Nigerian working population. In addition, agriculture provides food, income, foreign exchange earnings and industrial raw materials. Unfortunately, with the discovery of crude oil in 1956 in Olubiri in the Niger-delta by Shell-BP, the attention on the agricultural sector of the economy was gradually and myopically shifted to the oil sector. As a result, the traditional agricultural exports have been on a progressive and sustained decline, food importation to meet up consumption demand begins to increase. The scenario witnessed a sharp declined in agricultural unemployment as the attention has been shifted to the oil sector, which can only employ limited number of people in comparison with agricultural sector, more skill, most of the oil sector employees are experts that are non-Nigerians. The oil boom of the 1960s and the 1970, which supposed to be a blessing to Nigeria is seen as bringing a doom to it.

Ojo (2010) postulates that while the inverse relationship between resources endowment and economic performance is not a universal law, it has occurred often enough to prove. Although some oil-exporting countries responded to the post boom conditions better than others, the formulations of prudent policies for oil windfall management were the exception rather than the rule. For instance, while some were able to deploy their windfalls prudently, others including Nigeria increased conspicuous consumption of mainly imported items and embarked on non-productive domestic investment projects, mainly of prestigious “white elephants” type, which were usually poorly executed with large cost over-runs. Nigeria and other countries even used its oil as collateral to take jumbo foreign loans with unsuitable and costly hard terms, so that far from saving some of the windfall, it continually accumulated large foreign debts that later constituted a formidable obstacle to economic development. This debt overhang effect became a nightmare in Nigeria until the 2005/2006 debt reprieve. Also, the windfall of oil “doom” was used to finance inflated government expenditures, kickbacks and other forms of corrupt practices. Given the pre-boom rapid rate of Nigerian economic growth and the country’s large and competitive agricultural exports-which has collapsed during the boom- the 1974-78 and 1979-1982 oil boom have almost certainly been a curse rather than blessing (Ojo, 2010).

With the present dispensation where the Nigerian economy is facing a recession, oil price in the global market is dwindling, the production capacity of oil is decreasing, the cost of governance is ever increasing, without any proportionate increase in revenue generation, it is obvious that it will be difficult for Nigeria to come out of the woods. In the light of the above, the researchers come up with the need to undergo a study of financing agriculture to serve as a good way for diversifying the mono-economy of Nigeria, so that there will be employment generation, income, food security, industrial raw materials and of course, foreign earnings to improve the standard of living of Nigerians and to bring about a sustainable economic growth and development.

3. Research Objective

The objective of this research is to identify the need for financing agriculture as a means for diversifying the mono-nature of the Nigeria economy, to reduce the pressure of over-dependency on oil sector, more so, now that the economy is facing recession, low oil price, increase cost of governance and reduction in production capacity of crude oil.

4. Literature Review

4.1. Conceptual Framework

4.1.1. Agriculture

Agriculture is defined as the production of food, feed, fibre and other goods by systematic growing and harvesting of plants and animals. It is science of applying land to get plants and animals for human consumption (Akinboyo, 2008). Although agriculture accounts for most of employment in the third world, but its output is seriously low. Agricultural production could not account for half of the total Gross domestic product (GDP) of most third world countries (Nnamani, 2009).

4.1.2. Financing Agriculture

In their book, Kierian et al (2008) explain that finance is mainly concerned with the way in which funds for business is raised and invested. All businesses generate finances from two major sources; from owners (equity) and from borrowers (debts). Finance sources could be classified also as short, medium and long term, considering the periods of repayments. Financing agriculture therefore means how finance is raised and invested into agricultural activities.

4.1.3. Diversification

Diversification implies movement into new fields and stimulation and expansion of existing traditional products. It does not discourage specialization, but requires that resources be channeled into the best alternative uses (Ayeni, 1987) as cited in Suberu, et al (2015). Kemi (2016) states that diversification refers to a strategic direction that takes companies into other products and or markets by means of either internal or external development. An adage in business says 'do not put your eggs in one basket', because when it crashes, you cannot be able to safe any. There are different forms of diversification, related diversification, when an organization develops beyond its present product and market while remaining in the same area. Backward diversification is when activities related to the inputs in the business are developed. Forward diversification occurs when activities which are concerned with a company's output are being developed. Horizontal diversification happens when a company develops interest complementary to its current activities. For a company may integrate its activities to include all aspect of the value chain; design, manufacturing, market and distribution.

4.1.4. Economic Diversification

This is the process whereby a growing range of economic outputs are produced. It can also be referred to the diversification of market for exports or of income source. Economic diversification is part of, but not distinguished from economic development, as the latter implies not only different of output but also changes, by which output is produced and distributed (Kemi, 2016). In the context of the study therefore, it is said that Nigeria as a country should revisit agriculture which use to be the main stay of the economy with all the vigour it deserves to return the country from a mono-economy to multi-economy for the sustainable growth and development.

4.2. Financing Agriculture in Nigeria: Diversification of the Economy

The Nigerian economy has been adversely affected by external shocks, in particular, a fall in the global prices of crude oil. Gross Domestic Product (GDP) slowed sharply from 6.2% in 2014 to an estimated 3.0% in 2015 (African Economic outlook, 2016). As a result, the federal government Budget, tagged 'Budget of change' has an overall objective of stimulating the economy, making it more competitive by focusing on infrastructural development, delivering inclusive growth and prioritizing the welfare of Nigerians. This can best be achieved by economic diversification, in particular, into agriculture (Anyaehie, et al, 2015). It is true that considerable efforts have been made towards diversification of the economy through policies and programmes for improve performance of the agricultural sector. There have been sharp disconnects with government financing of the sector.

There are good policies and programmes that involve financing of agriculture, but to what extent are these programmes and policies are executed, especially the financing aspect? Below is a table showing share of federal agricultural spending relative to that of other key sectors of the economy.

	2008		**2009**		**2010**		**2011**		**2012**		**AVERAGE**	
	Budget	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Agriculture	7.19	7.23	6.70	6.17	5.68	3.82	3.09	3.71	4.58	2.14	5.45	4.61
Defense	10.11	11.45	7.95	8.94	8.15	6.37	8.23	8.56	11.22	9.16	9.13	8.90
Economic affairs	21.17	29.85	23.52	27.32	23.92	22.24	19.78	19.75	20.71	22.84	21.82	24.40
Education	4.07	3.93	6.71	7.28	7.07	6.69	7.99	8.83	5.16	10.28	6.20	7.40
Environmental protection	0.04	0.40	1.89	2.27	2.63	3.84	2.31	1.92	1.94	2.77	1.76	2.24
General public services	15.78	17.50	10.25	10.27	13.74	13.51	16.19	12.85	16.65	12.16	14.52	13.26
Health	2.70	3.60	4.61	5.28	4.89	4.47	5.97	6.41	3.84	7.15	4.40	5.38
Housing and community amenities	0.30	0.09	0.00	0.00	0.00	0.00	0.90	0.83	1.01	0.21	0.44	0.42
Public order & safety	16.99	19.75	13.71	13.63	13.83	11.51	15.32	15.27	17.77	16.14	15.52	15.26
Recreation, Culture & Religion	0.64	1.29	1.06	1.06	0.88	0.84	1.02	0.92	0.56	0.80	0.83	0.98
Social Protection	0.50	0.68	1.91	1.77	1.48	4.47	1.37	1.30	0.87	2.08	1.23	2.06
Others*	27.71	11.47	18.56	20.81	19.59	23.57	13.85	14.72	13.61	14.26	18.66	16.97

Table 1: Share of federal agricultural spending relative to other key sectors from 2008-2012
Source: Based on data from Ministries of Agriculture and Finance of the Federal Government of Nigeria
** Expenditure not traceable to specific Ministry e.g. Pension and Gratuity*

The table 1 above presents a comparative view of budgetary allocation to agriculture and other key sectors of the economy. It also reveals the low level of budgetary allocation to agriculture, falling short of the minimum international standards of Comprehensive African Agricultural Development Programme (CAADP), commonly referred to as the Moputo Declaration of 10% of total budget to agriculture and the Food and Agriculture Organization (FAO) of 25% of capital budget to agriculture. The average actual spending in percentage for agriculture is 4.60%.Other sectors such as defense, Economic affairs, General public services, education, health and public order and safety are far above agriculture with 8.9%, 24.41%, 13.26%, 7.40%, 5.38% and 15.26% respectively as their percentages actual spending from budgetary allocations. In the following African countries, they were able to allocate more than the minimum standard of Maputo Declaration. They are Niger, Ethiopia, Burkina Faso, Chad, Mali and Malawi with 20%, 16.80%, 13.70%, 12%, 11% and 11% respectively (Ogunyemi, et al 2012).

	Total Spending (Constant 1990 Million Naira)		Agricultural Spending (Constant 1990 Million Naira)		Agricultural Spending (% of Total)	
Year	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
2008	464.3	459.5	33.4.2	3.2	7.2	7.2
2009	722.2	848.5	48.4	52.4	6.7	6.2
2010	794.5	1068.5	45.2	40.8	5.7	3.8
2011	826.9	906.6	25.6	33.6	3.1	3.7
2012	666.9	874.0	30.6	18.7	4.6	2.1
Average	695.0	831.4	36.6	35.7	5.5	4.6

Table 2: Federal Agricultural spending as share of total spending 2008 – 2012 (%)
Source: Data from Ministries of Agriculture and Finance of the Federal Government

This table (2) shows percentage budgeted and the actual for agriculture. This reveals how much government allocated for agriculture financing in Nigeria. There is minimum recommended requirement for budgetary allocation to agriculture in the international community. Food and Agricultural Organization (FAO) recommends 25% of government capital budget to be allocated to agricultural development (World Bank, 2010). Comprehensive African Agricultural Development Programme (CAADP) commonly referred to as Maputo Declaration recommends for 10% of the total budget to be allocated to agriculture. Both FAO and Maputo declaration were not achieved by Nigerian Government. From the table above, from 2008 to 2012, the highest budgetary allocation to agriculture was in 2008, with 7.2%, though short of 10% standard. The least was in 2012, with only 2.1% allocated to agriculture. The average is 4.6% even less than half of the minimum standard. With this level of financing as shown in the budgetary allocation, it will be difficult to attain development in agriculture, no matter how beautifully designed programmes, policies and strategy put in place for promoting agricultural productivity.

Year	%
2008	1.37
2009	1.12
2010	1.67
2011	3.50
2012	3.90
Average	2.31

Table 3: Agricultural Allocation of Bank Credit From 2008 To 2012

The above table (3) displays the allocation of bank credit to agriculture. This is also a low percentage of allocation to the agriculture. The average percentage is only 2.31%. The function of commercial banks in financial intermediation is crucial but to get this low percentage is described as unfortunate for the sector to receive this low allocation. Bank credits to the agricultural sector could take the form of short term, medium term or the long-term credit, depending on the purpose and gestation of the project. Agricultural credit is a major input in development of agricultural sector in Nigeria, yet there has been a decline in Banks willingness to lend for inherent problems associated with the sector, Toby, et al (2014).Olorunsola(2001), as cited in Toby, et al (2014) states that banks in Nigeria are highly liquid, but they are not believing in lending to agriculture sector because they consider the sector to be very risky, hence increasing credit to the sector will not be justifiable in terms of risk and cost.

4.3. Government Agricultural Initiatives, Programmes and Policies

Nigerian Government at different times established various agricultural initiatives and programmes for boosting agricultural activities in Nigeria. Some of these programmes and initiatives are:

- Nigerian Agricultural and cooperative Bank (NACB) 1973
- National Accelerated Food Production project (NAFPP) 1975
- Tree Crop Programme (TCP) 1975
- Agricultural development Programmes (ADPs) 1975
- Farm Input Subsidies and Fertilizer Programme (FISFP) 1975
- Strategic Grains Research Scheme (SGRS) 1976
- Operation Feed the Nation (OFN) 1976
- River Basin Development Authority (RBDA) 1977
- Rural Banking Programme (RBP) 1977

➢ Agricultural Credit Guarantee Scheme Fund (ACGSF)	1978
➢ Green Revolution (GR)	1980
➢ Directorate of Food, Road and Rural Infrastructure (DFRRI)	1986
➢ Nigeria Agricultural Insurance Corporation (NAIC)	1987
➢ National Agricultural Land Development Authority (NALDA)	1989
➢ Family Economic Advancement Programme (FEAP)	1997
➢ National Poverty Eradication Programme (NAPEP)	1999
➢ Nigerian Agricultural Corporation and Rural Development Bank (NACRDB)	2001
➢ Agricultural credit Support Scheme (ACSS)	2006
➢ Food Security and Agriculture (FSA)	2007
➢ Agricultural Transformation Agenda (ATA)	2012

Source: adapted, with modification from Odi, 2013 and Eko, et al 2013.

Despiteall the various agricultural programmes and initiatives and policies initiated by different administrations for the development of agriculture in Nigeria, there has not been any phenomenal growth in agricultural output since the 1970s. Agriculture's contribution to the non-oil gross domestic product (GDP) was stable at about 40% in recent years (Federal Ministry of Agriculture and Research Institute, 2005). Reasons behind this dismal performance of agricultural sector range from lack of funding, lack of government commitment, many policies, programmes and initiatives without implementation, lack of strategy and too much repetition. Others are instability of government and lack of continuity(Eko, et al 2013).

4.4. Empirical Review of Some Studies

Numerous studies have been conducted to reveal the needs for financing agriculture as an alternative to diversification of the economy. Majority of these studies seems to suggest that agriculture is a suitable sector for the diversification of the Nigeria mono-economy. Efforts therefore necessarily need to be geared towards financing the agriculture in order to diversify the economy. Some of these studies are as discussed below;

In a research funded by United State Agency for International Development/Nigeria USAID, implemented by International Institute of Tropical Agriculture (IITA), in collaboration with University Ibadan (UI) in November, 2003, has the objective of providing USAID/Nigeria with the analytical basis for the mission to design its new Agricultural policy Strategy that contributes to unlocking constants to commercialization and investment in the Nigeria agricultural sector for a sustained economic growth. It also includes enhanced food security, increased competitiveness of products in the domestic, regional and international markets, sustained environmental management, and poverty alleviation, for a sustained agricultural and diversified economic growth. The study discovers that there was a lack of consistency in the growth performance of the agricultural sector in the 1981 to 2000 period, with evidence of unstable or fluctuating trends, probably due to policy instability and inconsistencies in policies and policy implementation.

Akinlabi, et al (2012) had their investigation of agriculture Resources and economic growth in Nigeria. The study analyzed the relationship between agricultural resources and economic growth in Nigeria, using the Ordinary Least Square (OLS) method. The result revealed a positive cause relationship between Gross Domestic product (GDP) and agricultural outputs in Nigeria. The study recommends adequate funding of agriculture and provision of needed infrastructural facilities such as good roads, pipe borne water and electricity.

Umaru, et al (2012) conducted their study on empirical analysis of the contribution of agriculture and petroleum sectors to the growth and development of the Nigeria economy from 1960-2010. They employed Augumented Dickey-Fuller technique in testing the Unit root property of the series. The findings revealed that agricultural sector is contributing higher than the petroleum sector, though they both have positive impact on the economic growth of the economy. The study recommends financing of agricultural sector so as to boost the growth of the economy.

In their study, Maduekwe, et al (2013) titled agricultural financing and economic growth in Nigeria, by employing Augumented Dickey-Fuller (ADF) unit root test and OLS.The results showed that productivity of investment will be more appropriately financed with foreign direct private loans, share capital, foreign direct investment and development stocks. The study recommends for maintenance of credible macroeconomic policies that is pro-investment, and debt-equity swap option for an agricultural led economic growth.

Agricultural financing in Nigeria: An empirical study of Nigerian agricultural co-operative and rural Development Bank (NACRDB) 1990-2010 was a study conducted by Odi (2013). He employed OLS method and quantitative research design. The study observed that there was a significant relationship between agricultural financing and the growth of the Nigerian economy. Recommendation was to increase agricultural loan through reduction of interest rate to allow for more economic development in the country.

Eko et al (2013) investigated the study, beyond oil, Dual-imperatives for diversifying the Nigerian economy. They employed the descriptive statistics for the study. It observed that Nigeria was doing well in agriculture until the discovery of oil. The study suggested diversification of the economy, into agriculture and tourism.

Another study, conducted by Ihugba, et al (2013) on the topic, an assessment of Nigeria expenditure on agricultural sector, its relationship with agricultural output, (1980-2011). The researchers used Engle-Granger two step modeling procedure to co-integration based on unrestricted Error correction model and pair wise granger causality tests. Findings indicated that agricultural contribution to Gross Domestic Product (GDP) and total government expenditure on agriculture are co-integrated. Recommendation of the study was that there should be increase in government expenditure on agriculture.

Ita, et al (2013) conducted an investigation on budgetary allocation to the agricultural sector in Nigeria: implications on investment and productivity. The study uses mean difference test, percentages and trends analysis.The findings of the study were that there was instability in the way budgets were allocated to agricultural sector and therefore no significant difference between the allocation made to the sector by the federal, state and the local governments. The study recommends for government at all levels to be stable and increase budget allocation to agricultural sector to promote growth and development of the sector.

Onyibo, et al (2013) had a study on agricultural budgetary allocation and economic growth in Nigeria: Implication for Agricultural Transformation Agenda. The study employed Augmented Dickey-fuller (ADF) test. The findings showed that the relationship between agricultural budgetary allocation and economic growth are positive but not significant in the long-run. The study recommended for a significant increase in budgetary allocation to agricultural sector in order to ensure that the agricultural sector plays a pivotal role in the national Transformation of Nigeria.

Ahungwa, et al (2014) conducted on analysis of trend of the contribution of agriculture to the Gross Domestic Product (GDP) of Nigeria (1960-2012). The paper employed the trend and regression analysis. The findings showed that the share of agriculture to the total GDP had downward trend, yet maintaining a clear dominance over other sectors from 1960-1975. The regression results showed that agriculture had a positive relationship with GDP and contributed significantly to the growth of the economy.

Omorogiuwa, et al (2014) had their study on the role of agriculture in the economic development of Nigeria. The paper used trend analysis for the analysis of the past events. The result suggested further in-depth research in the area and recommend for empowerment of the poor for the development of the sector.

Toby, et al (2014) embarked on their work on the analysis of the role of banks in financing the agriculture and manufacturing sectors in Nigeria. The researchers used the software Package for Social Sciences (SPSS). The results showed a significantly weak correlation between commercial bank lending and the contribution of agriculture to GDP. The recommendation of the study was that let there be monetary policy that will emphasize mandatory sectoral allocation of credit with appropriate incentives to boost the flow of bank credit to these sectors.

A World Bank (2015) research, final report on agricultural public expenditure review at the federal and sub-national levels in Nigeria from 2008-2012. Agricultural expenditure is critical to the transformation of the agricultural sector in Nigeria, yet spending on agriculture remains at low levels in spite of the sector's huge potentials for wealth creation, employment generation, and poverty reduction. The main findings of this research work indicated that public spending on agriculture remains low in Nigeria by International standards. The research work recommended for improve public spending and budget process on agriculture.

Uzonwanne (2015) investigated on the topic, economic diversification in Nigeria in the face of dwindling oil revenue. The study used descriptive statistical method for the data analysis. The findings and recommendation showed that Nigeria, as a country needs diversification of its economy to enhance viable economic growth.

Anyaehie, et al (2015) investigated economic diversification for sustainable development in Nigeria. The generated revenue was not effectively invested on diversification of the economy to develop a robust and stable economy. The findings revealed that poor socioeconomic orientations militated against industrialization of the economy, which exposed Nigeria to socio political and economic instability as the economy failed to accommodate for citizens welfare. Recommendation of the paper was to bring industrialization as diversification to the economy.

Suberu, et al (2015) studied diversification of the Nigerian economy towards a sustainable growth and economic development. They employed descriptive method for analysis of data. The results revealed that there wasn't enough attention to diversification which the recommendation stated that there has to be diversification of the economy into agriculture for a sustainable development in Nigeria.

Ofana, et al (2016) investigated the constraints to agricultural development in Nigeria. They applied the Unit Root test method for data analysis. The findings revealed that rainfall, exchange rate, food exportation, low technology, diversion of inputs and funds are the most constraints to development of agriculture in Nigeria. The study recommended for a stable exchange rate regimeand pursuance of laudable programmes that farmers agricultural development, hence economic development.

Kemi (2016) studied diversification of Nigerian economy through agricultural production. The researcher employed descriptive statistical method for analysis of data. The result revealed that Nigerian needs to intensify effort into diversification of the economy through agriculture for a stable economic growth.

Udoka et al (2016) investigated the effect of commercial banks' credit on agricultural production in Nigeria. The study employed the Ordinary Least Square method for analysis of data. The results revealed that an increase in commercial banks' credit will lead to the agricultural sector and led to an increase in agricultural production in Nigeria. The study recommended that there was need for government to guarantee loans lend to farmers as this would encourage the banks to lend more to farmers.

Muftah (2017) had his study on economic diversification in recession: a case of Nigerian agriculture as a sign post for National Development and sustainable growth. The use of historical, evaluative and current issues or prospective were the means for analyzing the importance of the sector to the Nigeria economy. The findings were that increased expenditure, savings and capital investment by government and private initiatives must be sustained in the sector. The study recommended increase productivity of agricultural produce for the development of the economy.

5. Challenges of Agriculture as Alternative to Diversification of the Economy

Effort by the Nigerian Government to turn to agriculture as a way of diversifying the economy is not without some challenges. Prominent among others are:

- → Several structural bottlenecks, affecting Nigeria's agricultural growth and competitiveness, policy incapacity, instability and implementation inefficiency (Ofana, et al 2016)
- → Nigeria could not achieve the international minimum standard for budgetary allocation to agriculture. The Maputo Declaration of 10% of total budgetary allocation and the FAO 25% allocation to agricultural development
- → Low level of bank credits to agricultural sector by financial institutions in Nigeria
- → Poor agricultural technology and service delivery due to inadequate financing of the sector
- → Too much of policies and programmes and initiatives by the government without strategy for implementation
- → Nigerian Government is not matching policies, programmes and initiatives with action and thereby not encouraging the growth and development of agriculture for diversification of the economy
- → It is yet to be done to Nigerians Psyche that the oil sector cannot continue to sustain the country's cost of governance so as to consider agriculture as a way of diversification of the economy
- → Inability to acquire enough inputs as a result of paucity of finance for promoting agricultural development in Nigeria

6. Conclusion

Nigerian main stay of the economy has been agriculture. This trend changed with the discovery of the oil in the early 1960s. Nigeria was making huge revenue from the proceed of the oil, however, there was neither thought for prudent utilization of the revenue nor was there any plan for the diversification of the revenue through investing, especially in agriculture. Agriculture which was the backbone of the economy, contributing favourably to the gross domestic product was neglected and dumped. With current dispensation, things are no longer as they use to be. The revenue from the revenue is now dwindling as the price of oil has fallen in the international market. As if that was not enough, the production capacity is dropping as well. To worsen the situation, cost of governance is ever increasing.

The study is strongly on the need to finance agriculture as a way of diversification of the economy. The adage of a rejected stone turned a corner stone should be the case with Nigeria. The benefits of agriculture are numerous, thus providing employment, food, income, foreign exchange earnings and growing the economy. Many policies, initiatives and programmes were put in place by the Government of Nigeria, but without much commitment resulting to less impact in terms of developing the sector. Thus, challenges of finance, poor policy implementation, instability among others were identify as hindrances to developing and growing agriculture in Nigeria.

7. Recommendations

- → Based on the findings of this study, the following recommendations are put forward for policy making by the Nigerian Government.
- → As a matter of necessity and importance Nigeria should meet up with its 10% of total budgetary allocation to the development of agriculture in accordance with the stipulation of the Maputo Declaration.
- → For all policies and programmes that are established, Nigeria should live up to expectation by matching words with action, showing good level of commitment.
- → Nigeria Government, through the Central Bank of Nigeria, set out statutory allocation to the real sectors, especially the agriculture, with close monitoring to ensure compliance.
- → Nigeria should learn to imbibe the culture of continuity to maintain consistency in agricultural policies and programmes. This will encourage the development of the sector
- → Nigeria should strengthen some institutions and policies for the development of agriculture. Example is Bank of agriculture and NISRAL policy.
- → Ensure the availability of agricultural inputs such as fertilizers, insecticides, pesticides and agricultural equipment.
- → It should be known to Nigeria and Nigerians that the reality is real. Nigeria must have to diversify its economy or else it will fall up as the revenue from oil can no longer sustain Nigeria. In this direction, agriculture is considered the best bet.

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