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Review of the Effect of Monetary Policy on Smallholder Farmers in Nigeria

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ABSTRACT

Monetary policy is the process through which a country's monetary authority controls the supply, availability, and cost of money in an economy using monetary policy variables in order to increase output. A farm of fewer than 10 hectares is considered small scale by international standards. Smallholder farmers account for more than 80% of all farmers in Nigeria. Agriculture is a substantial contributor to Nigeria's GDP, and small-scale farmers play a significant role in this contribution. This study was conducted to assess the effects of monetary policy on smallholder farmers in Nigeria, and it relied largely on current literature, oral interviews, and observations on the effect of monetary policies on smallholder farmers. According to the review, the government should consistently increase budgetary allocations to the agricultural sector, and the government should implement concessionary low-interest rate policies to encourage smallholder farmers to invest in large-scale agriculture.

Keyword: monetary policy, smallholder farmers,

INTRODUCTION

Monetary policy includes a number of policies by which a country controls its money stock so as to achieve macroeconomic goals. It is a major economic stabilisation tool which involves measures designed to regulate and control the volume, cost, availability and direction of money and credit in an economy with the aim of achieving specific objectives (Ajudua*et al.*, 2015). It involves all action taken by the monetary authorities to affect the monetary base through influencing the availability and cost of credit in pursuance of sustainable growth of
output, price stability and a healthy balance of payment (BOP) position (Baghebo & Stephen, 2014). For most economies, the objectives of monetary policy include price stability, maintenance of balance of payments equilibrium, employment creation, output growth and sustainable development. While the objectives of monetary policy include price stability, full employment and economic growth, targets of monetary policy refer to the variables such as supply of money or bank credit, interest rates which are sought to be changed through the monetary policy instruments such as open market operation and selective credit control etc, so as to attain the laid out objectives (Ahuja*et al.*, 2013).

Monetary policy involves a set of strategies aimed at managing the value, availability, and cost of money within an economy. It can be described as the skill of directing the flow of credit resources to achieve stable prices and economic growth, as defined by the Central Bank of Nigeria in (Nwoko *et al.*, 2016). In the context of Nigeria, monetary policy encompasses the actions taken by the Central Bank of Nigeria to regulate the money supply, which includes tools like open market operations (OMO), the discount rate, reserve requirements, moral persuasion, direct control of banking system credit, and direct regulation of interest rates(Olopade & Olopade, 2010)**.**

Monetary policy holds a pivotal role within any economy, exerting influence across all sectors, including agriculture. Nigeria, in particular, places great importance on its agricultural sector due to its substantial contributions to economic advancement through the production of goods, foreign exchange earnings, and exports. Despite once being the cornerstone of the Nigerian economy, the rise of oil and the subsequent oil boom in the 1970s led to the neglect of the agricultural sector. This resulted in a decline in its GDP contribution from 65.7% in 1957 to 35% in 2014, leading to food insecurity and heightened poverty levels (NBS, 2014).

To address these agricultural sector challenges, the Nigerian government initiated several large-scale agricultural projects and programs, along with offering favorable interest rates and accessible credit(Matemilola, 2017). However, these efforts have not yielded significant sectoral development. Monetary policy plays a vital role in supporting the establishment and growth of agricultural businesses by ensuring access to credit and financial resources for startups, investments, and expansions. The Central Bank of Nigeria wields influence over credit availability through its monetary policy tools, which impact agricultural output via agricultural banks and other financial institutions. As a result, this study seeks to review the effect of monetary policy on smallholder farmers.

Agricultural financing holds a critical position in ensuring the requisite resources for farming and extensive agricultural activities, ultimately leading to increased agricultural output. This augmented output, in turn, has positive cascading effects on other sectors, resulting in higher incomes and an enhanced quality of life for rural populations (Hazell, 2005).The agricultural sector continues to be a key driver of long-term economic development in Nigeria, contributing to the production of goods, foreign exchange earnings, and exports.

Smallholder farmers, often referred to as subsistence farmers, are individuals or families cultivating relatively small plots of land to produce crops and raise livestock primarily for personal consumption and local markets. Smallholder farming represents the predominant agricultural system in many parts of the world, particularly in developing countries (Mgbenka*et al.*, 2016).

Typically, smallholder farmers work on small plots of land, often less than two hectares (five acres), primarily owned or operated by their families, serving as their livelihood source. Smallholder farming plays a crucial role in ensuring food security by providing locally grown food and reducing dependence on imported products. However, these farmers often lack access to modern farming technologies, sufficient capital, and resources such as irrigation systems, fertilizers, and high-quality seeds, limiting their ability to enhance productivity and yields (Taiy *et al.*, 2017). A key challenge faced by smallholder farmers is accessing markets where they can sell their products at equitable prices, often necessitating improvements in transportation infrastructure and market connections. Policies play a substantial role in supporting smallholder farmers through subsidies, training programs, and initiatives aimed at enhancing their access to resources and markets.

OBJECTIVE OF THE STUDY

The objective of the study is to review the effect of monetary policies on smallholder farmers in Nigeria.

METHODOLOGY

The paper is a review study. It relied heavily on current literature, oral interview, and observations on the effect of monetary policies on smallholder farmers in Nigeria.

Monetary Policy in Nigeria

The introduction of the Structural Adjustment Programme (SAP) in July 1986 marked the beginning of a shift towards deregulation in Nigeria's economic policy. This shift encompassed the deregulation of interest rates and credit allocation to various sectors, as well as the adoption of an indirect approach to managing liquidity. According to Nwezeaku and Akujuobi (2010), the primary goal of these measures was to foster a free-market-oriented economy that would efficiently utilize available resources to enhance overall economic performance.

Following the period of the Structural Adjustment Programme (1986-1988), Nigeria's economic policies underwent a series of changes, inconsistencies, and reversals. These shifts were largely driven by the severity of the economic situation and political factors. Ojo (1996) noted a progressive decline in the economy's performance between 1990 and 1994 due to policy actions, followed by a recovery in 1995, with further potential improvement in the democratic environment (Ibeabuchi, 2007).

Under the SAP, interest rates were allowed to be determined by the market. However, in 1993, the Central Bank of Nigeria (CBN) instructed banks to maintain a maximum spread of five percentage points between their average cost of funds and lending rates. In 1994, fixed interest rates were reintroduced as part of the budget to counter the persistent rate increases and stimulate domestic investment. CBN circular No.29 (1995:7) identified factors contributing to high interest rates in 1993, including the banking system's financing of the fiscal deficit, high domestic inflation necessitating higher normal interest rates, technical insolvency of some banks leading to distress borrowing, and excessive borrowing for speculative foreign exchange purchases.

In 1999, interest rate policy was deregulated, and market-based techniques of monetary management were introduced. Stabilization securities, introduced in August 1990 to manage excess reserves in the banking system, were discontinued in March 1993 with the introduction of open market operations (OMO). While some stabilization securities remained as a backup for liquidity control, their use was phased out in 1996 as the transition to market-based monetary policy instruments continued.

Open market operations remain a key instrument for achieving monetary policy objectives, including macroeconomic stability, GDP growth, and balance of payments viability. Mandatory sectoral credit allocation, initiated in 1979 to ensure credit availability to productive sectors, such as agriculture and manufacturing, persisted over the years, despite its inefficiencies and inconsistency with financial sector deregulation principles (Bassey *et al.*, 2018).

The primary objective of Nigeria's monetary policy has been to maintain domestic price and exchange rate stability, crucial for sustainable economic growth and external sector viability. Research by Adefeso and Mobolaji (2010) showed a long-run relationship between economic growth, openness, government expenditure, and money supply. Folawewo and Osinubi (2006) examined how monetary policy, specifically controlling inflation and financing fiscal deficits, affects inflation and real exchange rate variability.

In recent years, Nigeria's monetary policy has been influenced by the global financial crisis that began in 2007 in the U.S. and spread to other regions, including Nigeria. The Central Bank's focus included maintaining price stability, managing inflationary pressures amid declining output growth, stabilizing the exchange rate, building external reserves, managing money market rates, narrowing the spread between lending and deposit rates, and mitigating the impact of the global economic slowdown on the domestic economy (Nwoko *et al.*, 2016).

Throughout the years, the core objectives of monetary policy have remained the attainment of internal and external balance of payments, but the techniques and instruments used to achieve these objectives have evolved, with two major phases: one before 1986 that relied on direct monetary controls and another after 1986 that emphasized market mechanisms.

Monetary Policy Measures

Following a period of relatively strong economic performance in the early 1970s, the Nigerian economy

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encountered significant challenges from the late 1970s to the mid-1980s. During this time, the country's balance of payments faced severe pressure and consistently remained in deficit. The government's spending, particularly on current expenses, expanded significantly without a corresponding increase in revenue. This led to widening fiscal deficits, which were primarily funded through bank credit, resulting in adverse effects on the overall price level.

Ibeabuchi (1992) noted that inflationary pressures were exacerbated by a high demand for imports of both intermediate and consumer goods. This was due to the overvaluation of the Naira, which made imports more affordable than locally manufactured products. Additionally, the government's continued intervention in the economy through subsidized interest rates, exchange rate controls, and price controls further distorted and weakened the economy, reducing its ability to respond effectively to external shocks.

In response to this economic crisis, the government implemented a series of policy measures. In April 1982, it introduced economic stabilization measures, which included import restrictions and adjustments in monetary and credit policies. Efforts were made in subsequent years to reduce the public sector deficit by cutting recurrent expenditures and increasing revenue. Exchange control measures were strengthened, and from 1984, all imports were subject to specific import licensing. In October 1985, the government declared a fifteen-month economic emergency period during which a portion of workers' salaries and companies' profits was compulsorily deducted and paid to the government. However, the effectiveness of these measures was limited due to the ongoing decline in foreign exchange earnings, the overvaluation of the Naira, and other structural rigidities in the economy (Amassoma & Nwosa, 2016).

Against this challenging economic backdrop, the government adopted a comprehensive economic reform program, known as the Structural Adjustment Programme (SAP), in July 1986. The goal of SAP was to restore both domestic and external economic growth. The banking system played a crucial role in these structural reforms. Consequently, over the years, the government has viewed the Central Bank of Nigeria (CBN) as a tool for mobilizing finance geared toward development.

In recent times, the government has implemented several monetary policy easing measures to address economic challenges.

- Stoppage of aggressive liquidity mop-up
- Progressive reduction of monetary policy rate (MPR)
- Reduction of cash reserve requirement (CRR)
- Reduction of liquidity ratio (LR)
- Reduction of Net Open Position (NOP) limit of deposit money banks
- Injection of funds in troubled banks

Monetary Policy Reforms

Monetary policy reforms are primarily aimed at short-term economic stabilization and fostering the development of a market-oriented financial sector (Bassey *et al.,* 2018). These reforms encompassed various measures:

i. Rationalization of Credit Controls: While not entirely removing credit ceilings on banks, there was a significant streamlining of credit controls. Sector-specific credit distribution targets were reduced from 18 in 1985 to just 2 in 1987. These targets were focused on priority areas such as agriculture and manufacturing, as well as non-priority sectors. Additionally, exceptions within the credit expansion ceiling were eliminated. Commercial and merchant banks were treated similarly concerning required liquidity ratios and credit ceilings. The modification of cash reserve requirements was another significant change, with the requirement now based on the total deposits, including demand, savings, and time deposits. The reintroduction of stabilisation securities was a crucial component of these reforms. Stabilisation securities, which were non-negotiable and non-transferable debt instruments issued by the Central Bank, required banks to make periodic purchases. These securities were designed to absorb excess liquidity in the banking (Nyawata, 2013).

ii. Deregulation of Interest Rates: Starting with a partial deregulation in January 1987, the full deregulation of interest rates was achieved by August of the same year. The Central Bank of Nigeria (CBN) adopted a system where it only set its minimum rediscount rate to signal the desired direction of interest rate changes. This liberalization of interest rates aimed to empower banks to set market-based interest rates on loans and enhance the efficient allocation of resources. In 1989, banks were encouraged to negotiate interest rates on current account deposits directly with their customers, promoting market-driven interest (Ojong *et al.*,2013).

iii. Shift from Direct to Indirect Monetary Control: In June 1993, a significant shift occurred as open-market operations (OMO) were introduced. These operations were to be exclusively conducted through licensed discount houses, which were designated as the open market for government securities. The introduction of OMO marked a departure from direct controls and ushered in an era of indirect monetary control. OMO allowed the Central Bank to influence money supply and interest rates by buying and selling government securities in the open market. This mechanism provided a more flexible and market-based approach to managing liquidity in the (Bassey *et al.,* 2018).

SMALLHOLDER FARMERS IN NIGERIA

Smallholder farmers play a pivotal role in global agriculture, contributing significantly to the production of various crops. They are a diverse group and are responsible for producing the majority of food in developing nations, with their importance steadily increasing. For instance, they produce about 70 percent of Africa's food supply and an estimated 80 percent of the food consumed in Asia and sub-Saharan Africa combined. In Latin America, smallholder farmers occupy nearly 35 percent of the total cultivated land (Mgbenka*et al.*, 2016).

Smallholders vary widely in terms of their livelihood assets and strategies, the proportion of crops they grow for subsistence, local markets, or export, and their impact on various aspects of well-being. One crucial area where smallholding can be highly effective is nutrition. Smallholder farming can significantly influence human nutrition by providing a diverse range of foods in sufficient quantities to ensure that all members of a household can consume a nutritionally adequate diet. Increasing and sustaining yields can improve households' access to a larger food supply. Additionally, introducing new crops, promoting underutilized traditional food crops, and encouraging home gardens can enhance the availability of a greater variety of nutritious foods at the community and household levels.

Despite their crucial role in global and regional food production, many smallholder farmers themselves face challenges, as they constitute the majority of the world's undernourished population and those living in extreme poverty (Sabo *et al.,* 2017). While not all studies addressing agricultural development and poverty specifically focus on smallholder farmers, their significance as food producers and their large proportion among the world's poor emphasize that their development efforts significantly contribute to poverty and hunger reduction. These positive impacts are particularly noticeable in sub-Saharan Africa and South Asia.

Smallholders manage more than 80 percent of the world's estimated 500 million small farms and supply over 80 percent of the food consumed in many parts of the developing world. Their contributions are crucial for reducing poverty and ensuring food security. However, the increasing fragmentation of land holdings, decreased investment support, and marginalization of small farms in economic and development policies pose threats to their contributions, leaving many smallholders vulnerable to poverty (Mgbenka*et al.*, 2016).

The productivity of smallholder agriculture and its role in the economy, food security, and poverty reduction rely on the services provided by well-functioning ecosystems. This includes maintaining soil fertility, delivering freshwater, facilitating pollination, and controlling pests, highlighting the interconnectedness of agriculture with the environment.

Effect of Monetary Policy on Smallholder Farmers

The impact of monetary policy on smallholder farmers in Nigeria is indeed a complex issue, influenced by various factors. Here are some key findings from research studies related to monetary policy effects on different sectors in Nigeria:

Studies by Okonkwo, Egbulonu and Emerenini (2015) and Imoughele and Ismaila (2014) suggest that monetary policy, particularly money supply (MS) and credit to the private sector (CPS), can exert significant pressure on the manufacturing sector in Nigeria. Monetary policy variables such as exchange rates and interest rates can influence the competitiveness and output of manufacturing industries. Abdurrahman (2010) found that monetary policy had limited impact on economic activity in Sudan during the period from 1990 to 2004. This suggests that the effectiveness of monetary policy can vary across different countries and contexts.

Saygin and Evren (2010) studied the Turkish manufacturing industry and discovered that a tightening monetary policy shock led to a reduction in absolute output across all manufacturing sectors. This indicates that the impact of monetary policy on specific sectors can have diverse effects.

Studies by Onyeiwu (2012) and Ditimi, Nwosa, and Olaiya (2011) examined the effect of monetary policy on macroeconomic variables in Nigeria. Onyeiwu's findings suggest a positive impact of monetary policy on GDP growth and balance of payments but a negative impact on the inflation rate. Ditimi, Nwosa, and Olaiya found that monetary policy had a significant influence in maintaining price stability in the Nigerian economy.

These studies underscore the multifaceted nature of monetary policy and its varying effects on different sectors and macroeconomic variables. It is important to recognize that smallholder farmers, as a subset of the broader economy, can be indirectly affected by these monetary policy actions through their impact on factors such as inflation, exchange rates, and overall economic activity. Therefore, the implications for smallholder farmers would depend on how these macroeconomic conditions and policy measures collectively influence their access to credit, production costs, and market conditions.

Effect of Exchange Rates on Smallholder Farmers

The exchange rateis a crucial macroeconomic variable that plays a significant role in determining a country's international competitiveness and trade balance. The exchange rate regime, whether fixed or flexible, can have a profound impact on various sectors of the economy, including agriculture and smallholder farming. The exchange rate can also be influenced by monetary policy decisions (Olori, 2017). For example, tightening monetary policy (raising interest rates) can attract foreign capital inflows, leading to an appreciation of the local currency. Conversely, loosening monetary policy (lowering interest rates) can have the opposite effect. The study explored the effects of exchange rate policies and monetary policy on smallholder farmers in Nigeria:

Flexible Exchange Rate Regime: The shift from a fixed exchange rate regime to a flexible exchange rate regime through the Second-Tier Foreign Exchange Market (SFEM) in Nigeria had several implications for smallholder farmers and the agricultural sector as a whole (Babagana, 2023):

– **Imported Inputs:** A flexible exchange rate regime can lead to a depreciation of the local currency, making imported inputs like machinery and fertilizer more expensive for smallholder farmers. This can increase production costs and reduce the profitability of agricultural activities.

– **Imported Agricultural Products:** On the flip side, a depreciated local currency can make imported agricultural products more expensive for consumers. This could potentially create opportunities for domestic agricultural producers to compete more effectively with imports. However, the impact on smallholder farmers would depend on the specific crops they produce and their ability to respond to changing market conditions.

– **Export Competitiveness:** A flexible exchange rate can enhance the competitiveness of Nigerian agricultural exports in international markets by making them relatively cheaper for foreign buyers. This could benefit smallholder farmers who engage in export-oriented agriculture.

– **Impact on Smallholders:** Smallholder farmers may be indirectly affected by these monetary policy actions. A stronger local currency due to tighter monetary policy might make imported agricultural inputs more affordable for them. However, the impact on their overall well-being would depend on a range of factors, including the crops they produce, their access to credit, and the prices they receive for their produce.

Exchange rate policies and monetary policies in Nigeria can have both positive and negative effects on smallholder farmers (Adongo *et al.*, 2020). The specific impact depends on various factors, including the type of crops produced, access to credit, and the ability to adapt to changing market conditions. While a flexible exchange rate regime can create challenges by making imported inputs more expensive, it can also offer opportunities for export-oriented agriculture. The influence of monetary policy on exchange rates adds another layer of complexity to how these policies affect smallholders. Therefore, policymakers need to consider the broader economic context and the specific needs of smallholder farmers when designing and implementing these policies.

Effect of Inflation on Smallholder Farmers

Inflation indeed has significant implications for both the broader economy and specific sectors like agriculture, which includes smallholder farming (Adongo *et al.,* 2020). Here’s a closer look at how inflation can affect smallholder farmers in Nigeria:

i. Purchasing Power Erosion: High inflation erodes the purchasing power of consumers, including smallholder farmers. When the prices of goods and services rise rapidly, farmers find it more challenging to afford essential inputs like seeds, fertilizers, and machinery. This can lead to reduced agricultural productivity and, in some cases, a shift to lower-quality inputs or less efficient farming practices.

ii. Production Costs: Inflation can drive up the cost of production for smallholder farmers. This includes not only the cost of inputs but also labor and transportation expenses. As production costs increase, farmers may need to charge higher prices for their produce to maintain profitability. However, this may not always be possible, especially if consumers cannot absorb the price hikes.

iii. Income Uncertainty: Inflation introduces uncertainty into the income of smallholder farmers. While they may receive higher prices for their crops in nominal terms, the real value of their income may decline due to inflation. This income uncertainty makes it difficult for farmers to plan for the future, invest in farm improvements, or access credit.

iv. Impact on Savings: Inflation can discourage savings among smallholders. When the real value of money held in savings accounts declines, individuals are less motivated to save. This can be particularly detrimental for farmers who need savings to invest in their farms, especially during the planting season.

v. Interest Rates: In response to inflation, central banks may raise interest rates to control price levels. Higher interest rates can increase the cost of borrowing for smallholder farmers, making it more expensive for them to access credit for farm investments.

vi. Market Dynamics: Inflation can influence market dynamics, including demand for agricultural products. Smallholders may find it challenging to predict consumer demand and pricing in an inflationary environment, affecting their marketing and sales strategies.

vii. Impact on Food Security: High inflation can affect food prices, making essential food items more expensive for consumers, including those produced by smallholder farmers. This can have implications for food security, especially for vulnerable populations.

The relationship between inflation and smallholder farmers is complex and multifaceted. While some inflation can be a sign of a growing economy, high and sustained inflation can pose challenges for smallholders. Effective monetary policy, including measures to control inflation, is essential for creating a stable economic environment that supports sustainable agricultural practices and the livelihoods of smallholder farmers.

Inflation affects smallholder farmers in various ways, from eroding their purchasing power to increasing production costs and income uncertainty. Policymakers need to consider these impacts when formulating monetary policies and implement measures to mitigate the adverse effects of inflation on agriculture and the well-being of smallholder farmers.

Credit Availability for Smallholder Farmers

The policies of the central bank have an impact on credit availability as well. Smallholder farmers may benefit from an expansionary monetary policy that promotes lending since it will boost their access to capital for agricultural endeavors.

The Nigerian government adopted rural finance laws that led to the formation of several institutional agricultural finance institutions, schemes, and programs because of the potential importance of agricultural credits in promoting rural development. The policies were implemented with the intention of ensuring long-term availability and accessibility of credit funds to the agricultural sector in order to positively revitalize rural economic sectors, to improve national food and nutrition security, to reduce liquidity constraints within agricultural production, to increase agricultural productivity, to increase employment creation, and to improve livelihood diversification, and to ultimately result in a vibrant rural economy (Ogbette*et al.*, 2019). Numerous smaller-scale programs have been started to address the difficulties with agricultural funding in particular states, in addition to the variety of agricultural financial programs that are available to farmers. These include the Special Emergency Agricultural Loans Scheme, the Supervised Agricultural Credit Scheme, the Small and Medium Enterprises Equity Investment Scheme, and the Large-Scale Agricultural Credit Scheme. Despite some recorded accomplishments from these programs, Nigeria's agricultural credit markets continue to face numerous problems (Wossen *et al.,* 2017). The majority of studies highlighting persistent issues with agricultural credit in Nigeria reveal that the mechanisms for administering the credit have been flimsy, ambiguous, and inconsistent; monitoring, evaluation, and learning systems to track implementation of the credit schemes were subpar or nonexistent; and most faced significant bureaucratic bottlenecks. According to the National Bureau of Statistics (NBS), just 3.4 and 4.0%, respectively, of all the credit provided to the private sector in Nigeria in 2017 and 2018 were allocated to agriculture. A risky industry, agriculture is characterized by exogenous risk factors like weather, crop disease, and price volatility. Commercial banks are reluctant to lend to small-scale farmers because of these unpredictable risks and a greater rate of loan default among farmers (Osabohien*et al.*, 2020). Credit restrictions come from the demand-side as well, despite the fact that there are numerous institutional obstacles preventing credit availability (Balana & Oyeyemi, 2020). The main demand-side restrictions on agricultural credit market participation include high transaction costs, such as loan processing expenses, and borrower risk aversion behaviors (Boucher & Guirkinger, 2009). Demographic characteristics, distance to loan sources, length of loan processing, interest rates, loan size, and income are additional variables mentioned in the literature on rural credit in developing countries (Mohamed, 2013). Farming expertise, the size of landholdings, the value of assets, household expenses, income level, collateral security, and the degree of agricultural commercialization are important characteristics that affect access to agriculture financing in Nigeria, according to studies (Aliero & Yusuf, 2017).For instance, Ugoani*et al.* (2015) explain that rural farmers find it challenging to understand the financial products on offer and bargain for financing on advantageous terms due to a lack of financial literacy. Cooperatives are the only ones eligible for credit from some agricultural initiatives and banks.

Improving access to agricultural credit for smallholder farmers in Nigeria requires a comprehensive approach that addresses both supply and demand-side constraints. This could involve streamlining administrative processes, implementing effective monitoring and evaluation systems, and increasing the allocation of credit to the agricultural sector. Additionally, financial literacy programs and initiatives to reduce risk factors associated with farming could empower farmers to make better use of available credit.

Overall, enhancing agricultural credit access is crucial for the development of smallholder farming in Nigeria, and it requires collaboration between government agencies, financial institutions, and agricultural stakeholders to address the existing challenges and create a more supportive environment for farmers.

CONCLUSION AND RECOMMENDATION

The findings of the study showed the importance of the agricultural sector in the Nigerian economy and its relationship with monetary policy variables. Based on these findings, several recommendations have been put forth to enhance the performance of the agricultural sector and ensure its continued contribution to the national economy. Here's a summary of those recommendations:

i. Increase Budgetary Allocation to Agriculture: The government should consistently increase the budgetary allocation to the agricultural sector. Adequate funding is essential for the development of this sector, and proper monitoring of funds is necessary to ensure that they are effectively utilized for agricultural development.

ii. Implement Concessionary Low Interest Rates: To encourage smallholder farmers to invest in large-scale agricultural activities, the government should implement concessionary low-interest rate policies. This can make it more affordable for farmers to borrow and invest in their agricultural enterprises.

iii. Effective Management of Monetary Policies: The monetary authorities should exercise effective and prudent management of monetary policies. Well-designed and properly executed monetary policies can have a significant impact on the agricultural sector's performance and overall economic stability.

These recommendations underscore the need for a coordinated effort between the government and monetary authorities to support and promote the agricultural sector. Agriculture plays a critical role in food security, job creation, and economic growth, and policies should be geared towards its sustainable development. Additionally, efforts to reduce bureaucratic bottlenecks and ensure the efficient utilization of allocated funds are vital for the success of these policy measures.

It is important to note that the effectiveness of these recommendations may also depend on various other factors, including broader economic conditions, infrastructure development, and the ability of smallholder farmers to access credit and resources.

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