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ABSTRACT

This study is on the effect of Deposit Money Banks’ (DMB) lending on Agricultural Production in Nigeria. The major objective is to empirically determine the effect of Deposit Money Banks’ lending on Agricultural Production (proxy by Agricultural Gross Domestic Product) in Nigeria. Secondary data were obtained from CBN Statistical bulletin, Annual Reports of CBN and Deposit Money Banks Annual Reports covering the period of 1995 to 2017. Data were presented in table while graph was used to determine the trend of agricultural production and explanatory variables. In conducting the analysis, multiple regression were employed to analyze data on such variables as Agricultural Gross Domestic Product (AGDP), Deposit Money Banks’ credit to Agriculture (DBCA), Deposit Money Banks’ credit to Private Sector (DCPS), and Deposit Money Banks’ credit to small and medium Enterprises (DSME) sub-sector. Hypotheses were carried out on assumption of the dependent and explanatory variables. DBCA, DCPS and DBTC have significant positive relationship with AGDP while DSME has positive relationship but not significant with AGDP. With the adjusted $R^2$ of 0.979 showing that the model explained over 97.9% of the variation in AGDP in 1995 to 2017. It is recommended that DBCA and DBTC should be increased to boost agricultural production to the desired level while the environment of agricultural production should be addressed if worthwhile funding will be provided by commercial banks for mechanized agriculture. The regulatory framework as issued by CBN to support the agricultural sector should be adhered to. Following the outcome of the study, it is therefore concluded that a 1% increase in DBTC triggered a corresponding significant change in AGDP by up to 46.5%. While a 1% increase in DCPS resulted to corresponding significant change in AGDP by up to 34%. If the mentioned recommendations are applied, the banks and their beneficiaries will perform better in the agricultural sector.

keywords: Deposit Money Bank Total Credit, Deposit Money Bank Credit to Agriculture, Deposit Money Bank Credit to Private Sector, Deposit Money Bank Credit to Small and Medium Enterprises sub-sector, Agricultural Gross Domestic Product