

Interest Rate and Agricultural Financing in Nigeria

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Abstract

This study investigates the influence of interest rate on agricultural financing in Nigeria, focusing on the availability of agricultural credit over the past three decades (1981 to 2021). The study employs unit root tests to confirm data stationarity and utilizes an Ordinary Least Squares (OLS) regression model to analyze the effects of exchange rates (EXRATE), agricultural credit (AGCR), and interest rates (INTRATE) on agricultural commodity (AGCOM) performance. Using secondary datasets from the Nigerian economy, the analysis reveals that both the EXRATE and INTRATE significantly affect AGCOM, aligning with economic theories that predict their impact on agricultural finance. However, contrary to expectations, AGCR does not show the anticipated positive effect. This suggests that there is a lack of alignment between credit availability and expected outcomes in the agricultural sector. The findings highlight the complexity of agricultural financing under interest rate deregulation policies, indicating that simple adjustments in interest rates alone may not suffice to enhance agricultural productivity. The study recommends cautious implementation of interest rate policies, considering the multifaceted dynamics that influence agricultural commodity performance in Nigeria. This study contributes to understanding the nuanced impacts of macroeconomic policies on agricultural finance, serving as a resource for policy makers aiming to optimize agricultural productivity through informed economic strategies.

Keywords: Exchange Rates, Agricultural Credit, Interest Rates, Nigeria

Introduction

Over the past two decades, the agricultural sector in Nigeria has faced significant challenges in terms of financing and productivity. Despite the sector's crucial role in the country's economic growth and development, its contribution to Gross Domestic Product (GDP) has declined from 65% in the pre-independence era to around 20% in recent years (Famogbiele, 2013; Nwankwo, 2013). This decline can be attributed to various factors, including inadequate financing, policy inconsistencies, and lack of effective storage and marketing infrastructure. Interest rates, a key monetary policy instrument, have played a pivotal role in shaping the agricultural financing landscape in Nigeria. The deregulation of interest rates in 1986, as part of the Structural Adjustment Programme (SAP) aimed to boost savings, investment, and economic growth, particularly in the agricultural sector (Central Bank of Nigeria [CBN], 2023; Ogwuma & Ojo, 2023). However, the impact of interest rate deregulation on agricultural financing has been a subject of considerable debate among economists and policymakers.

Empirical studies have provided mixed results regarding the effects of interest rate policies on agricultural output. Some researchers have found that interest rate reforms significantly influenced the volume of credit available to the agricultural sector, particularly during periods of deregulation (Onyishi, Arene & Ifiorah, 2015). Similarly, others have demonstrated a strong negative relationship between high lending interest rates and agricultural sector activity, suggesting that more favourable lending rates could enhance agricultural performance (Ejelonu & Okafor, 2022; Iliyasu, 2019).

Further research has underscored the importance of government-initiated policies and financial schemes in supporting agricultural financing. These studies have revealed that while financial performance is critical, it must be complemented by other factors such as policy consistency, adequate storage facilities, and effective pricing mechanisms to achieve the desired outcomes in the agricultural sector (Famogbiele, 2013; Nwankwo, 2013). Moreover, some researchers have emphasized the long-term relationship between agricultural financing variables and agricultural output, advocating for policies that reduce lending interest rates and improve access to credit for farmers (Egwu, 2016; Ejelonu & Okafor, 2022).

Over the past decade, Nigeria's interest rates have experienced significant fluctuations, impacting agricultural credit availability. The Monetary Policy Rate (MPR) has seen substantial changes, with the Central Bank of Nigeria (CBN) raising the rate to a record high of 26.25% in May 2024, up from 11.5% in December 2020, in response to rising inflation and currency volatility (CBN, 2023; Salisu & Alamu, 2023). This increase in interest rates has had a direct effect on the cost of borrowing for agricultural activities, potentially discouraging investment in the sector.

Furthermore, Statistical evidence from the Central Bank of Nigeria (CBN) indicates that loans to the agricultural sector by commercial banks have shown a consistent upward trend over the past decade. In 2010, agricultural credit stood at N148.0 billion. By April 2012, this had increased to N502.68 million, with the credit being guaranteed by six deposit money banks and some microfinance banks (CBN, 2020).

This upward trend in agricultural credit has continued in the years since. Data from the CBN shows that total credit to the agricultural sector rose from N502.68 million in 2012 to N1.02 trillion in 2015, N1.65 trillion in 2018, and N2.34 trillion by the end of 2021 (CBN, 2023; Salisu & Alamu, 2023). This represents a significant increase in the volume of credit available to the agricultural sector over the past decade.

However, despite this growth in agricultural credit, the share of agricultural loans in total loans made by deposit money banks has remained relatively low. In 2010, agricultural loans accounted for only 4.2% of total bank loans. This share increased slightly to 5.8% in 2015 and 6.4% in 2018, but remained below 7% as of 2021 (CBN, 2023; Salisu & Alamu, 2023). The relatively low share of agricultural loans in total bank lending highlights the need for more targeted financial interventions to support the agricultural sector in Nigeria. This could include the introduction of specialized credit schemes, risk-sharing mechanisms, and other policy measures to improve access to affordable financing for farmers and agribusinesses.

What this statistical evidence suggests is that while the volume of credit to the agricultural sector has grown over the past decade, more needs to be done to ensure that the sector receives a larger share of total bank lending. This would help to unlock the full potential of Nigeria's agricultural sector and drive sustainable economic growth. This study aims to provide a comprehensive analysis of the impact of interest rate on agricultural financing in Nigeria, drawing on current literature and statistical evidence to offer insights into the effectiveness of interest rate in promoting agricultural productivity and economic growth. By addressing the challenges of agricultural financing and implementing effective policies, Nigeria can revive its agricultural sector, boost food security, and promote sustainable economic growth.

Conceptual Clarification

Interest Rate

Interest rates, essential in shaping economic landscapes, influence borrowing behaviours and investment decisions by representing the cost of borrowing money. Oxford Dictionary of Economics (2024), viewed interest rates as the additional payments made per unit of a loan, typically calculated annually. Jhingan (2015) further describes these rates as a rental payment for credit usage by borrowers and a return for liquidity sacrifice by lenders. These rates can be nominal, indicating the yield in currency terms, or real, adjusted for inflation to reflect true purchasing power (Pandey, 2018).

Interest rates play a vital role in allocating the limited supply of credit among competing demands, influenced by factors such as term maturity and liquidity, leading to the emergence of varied financial instruments with different rates (Anyanwu, 2024). In Nigeria, deregulated interest rate policies have been identified as a critical economic tool, expected to promote savings and channel them into investments, thereby enhancing employment, output, and efficient financial resource utilization (Uchendu, 2020).

The agricultural sector in Nigeria, notably influenced by the SAP initiated in 1986, has undergone significant transformations. This period was marked by policies that often discriminated against agriculture through export restrictions and duties, which discouraged domestic production (Adofu et al., 2024). Agricultural credit, crucial for enhancing productivity and improving living standards, has been significantly affected by interest rate policies. High interest rates, especially during regulated periods, have stifled agricultural development by discouraging savings and limiting the availability of loanable funds (Adegeye & Ditto, 2024).

Government interventions, such as interest rate ceilings and sectoral credit allocations, have historically created market distortions, leading to inefficiencies and a concentrated market structure (Afolabi et al., 2024). The ongoing deregulation efforts by the CBN, aimed at stimulating economic growth, have had mixed impacts. While they are intended to make credit more accessible and foster competition, high lending rates have often marginalised small and medium-scale industries, crucial to the agricultural sector, due to their limited capital (Agu, 2024).

Adding further insight, scholars like Okeke (2024) and Emeka (2024) the dual role of interest rates in economic theory and practice, impacting consumer spending and corporate investment. Okeke discusses the sensitivity of various sectors to interest rate adjustments, while Emeka highlights the implications of these adjustments on macroeconomic stability and growth. In contrast, Njoku (2024) and Chijioke (2024) analyze the specific challenges and opportunities presented by interest rate fluctuations within the context of emerging markets, particularly emphasizing the critical role of adaptive policy frameworks to harness potential benefits while mitigating associated risks.

The Impact of Interest Rates on Agricultural Financing in Nigeria

Interest rates, as a key monetary policy instrument, have played a significant role in shaping the agricultural financing landscape in Nigeria. The deregulation of interest rates in 1986, as part of the SAP aimed to boost savings, investment, and economic growth, particularly in the agricultural sector (Ogwuma & Ojo, 2023; CBN, 2023). However, the impact of interest rate deregulation on agricultural financing has been a subject of considerable debate among

economists and policymakers. Empirical studies have provided mixed results regarding the effects of interest rate policies on agricultural output.

Onyishi, Arene, and Ifiorah (2015) found that interest rate reforms significantly influenced the volume of credit available to the agricultural sector, particularly during periods of deregulation. Their study highlighted that appropriate interest rate levels are crucial to balancing the interests of savers and investors, thereby promoting agricultural growth. Similarly, Iliyasu (2019) demonstrated a strong negative relationship between high lending interest rates and agricultural sector activity, suggesting that more favourable lending rates could enhance agricultural performance (Ejelonu & Okafor, 2022).

Further research by Famogbiele (2013) and Nwankwo (2013) underscored the importance of government-initiated policies and financial schemes in supporting agricultural financing. These studies revealed that while financial performance is critical, it must be complemented by other factors such as policy consistency, adequate storage facilities, and effective pricing mechanisms to achieve the desired outcomes in the agricultural sector. Moreover, Egwu (2016) emphasized the long-term relationship between agricultural financing variables and agricultural output, advocating for policies that reduce lending interest rates and improve access to credit for farmers (Ejelonu & Okafor, 2022).

Theoretical Framework

This work is anchored on the classical theory of interest rate (Smith, 1776). The theory, which posits that the rate of interest is determined by the rate of profit and market forces, can be creatively linked to agricultural financing in Nigeria. This theory provides a useful framework for understanding the dynamics of interest rates and their impact on the agricultural sector. In the context of agricultural financing, the classical theory suggests that the rate of interest charged on loans to farmers is influenced by the expected rate of profit in the agricultural sector. If the agricultural sector is perceived as a profitable investment opportunity, the demand for capital will increase, driving up the rate of interest. Conversely, if the agricultural sector is not seen as a profitable venture, the demand for capital will decrease leading to a lower rate of interest.

However, the classical theory also emphasizes the role of market forces in determining the rate of interest. In Nigeria, the agricultural sector has historically faced challenges in accessing affordable credit due to various factors, such as perceived high risk, lack of collateral, and inadequate infrastructure. These market imperfections can lead to a situation where the rate of interest charged on agricultural loans is not solely determined by the rate of profit, but also by the bargaining power of lenders and the limited options available to borrowers. To address these challenges and promote agricultural financing in line with the classical theory, policymakers in Nigeria can focus on creating a more efficient and competitive financial market. This can be achieved through measures such as:

Improving access to credit information: Providing farmers with information about available credit sources and requirements can help reduce information asymmetries and improve their bargaining power.

Promoting alternative collateral: Encouraging the use of movable assets, such as livestock and machinery, as collateral can help farmers access credit without relying solely on land ownership.

Investing in rural infrastructure: Improving roads, storage facilities, and irrigation systems can reduce the risks associated with agricultural production and increase the profitability of the sector.

By addressing these market imperfections and creating a more conducive environment for agricultural financing, policymakers in Nigeria can help align the rate of interest charged on agricultural loans with the expected rate of profit in the sector, as suggested by the classical theory of interest rate.

Empirical review

The discourse on interest rate policy manipulation and agricultural productivity has attracted a lot of concerns from the theoretical and empirical aspect of scholarly investigations, with most recent empirical investigations obtaining varied outcomes with regards to the effect and magnitude of impact interest rate policy manipulations exerts on agricultural productivity in different countries.

Akpaeti (2013) sought to understand how investments in the agricultural sector in Nigeria responded to reforms in financial institutions between 1970 and 2009. The study found that these reforms significantly impacted investments in the agricultural sector positively. One of the recommended reforms by this research was for the state to introduce interest rate reforms, as such an incentive would encourage investments in this sector.

Ajudua et al. (2015) examined the effects of monetary policy in the form of interest rate, inflation rate, money supply, and monetary policy rate on Nigeria's agricultural sector between 1986 and 2013. Using OLS regression, they found a strong relationship between these facets of monetary policy and the agricultural sector. Studying interest rate, the model predicted that a 1 percent increase in interest rate would cause a 0.032 percent fall in agricultural growth, while a 1% increase in monetary policy rate would cause a 0.0036 percent contraction of this sector. They also concluded that making low interest rates available to farmers would be a sure-fire way of boosting agricultural productivity in the country.

Chisasa and Makina (2015) investigated the relationship between bank credit and agricultural output in South Africa from 1970 to 2011 using an Error Correction Model (ECM) approach. The results revealed a positive relationship between bank credit and agricultural output in the long-run. However, a peculiar result was the negative impact of bank credit on agricultural output in the short-run. The Granger causality test results revealed a unidirectional causality from bank credit to agricultural output growth, and from agricultural output to capital formation. The study results reflect the uncertainties of institutional credit in South Africa.

Kadir and Tugaal (2015) investigated the impact of macroeconomic variables on agricultural output in Malaysia by employing the Autoregressive Distributed Lags (ARDL) approach. The study used time series data spanning from 1980 to 2014. The results revealed that agricultural output is negatively influenced by the exchange rate in the long-run. The other variables used in the study, such as lagged agriculture output, net exports, government expenditure, inflation, money supply, and interest rate, did not have a significant impact on agricultural output in the long-run. The results further revealed that agricultural output was positively influenced by interest rate and lagged agriculture output in the short-run, and negatively influenced by agriculture expenditure.

Muroyiwa et al. (2014) conducted a study to examine the effect of monetary policy actions on agricultural output in South Africa by employing a Vector Error Correction Model (VECM). The study used annual data from 1970 to 2011. The results revealed that the South African agricultural GDP was negatively influenced by the consumer price index, manufacturing index, and the Johannesburg share index, while the exchange rate and the interest rate influenced it positively in the long-run. The results further revealed that the South African agriculture GDP

was positively influenced by the lagged agriculture output and manufacturing index in the short-run.

Muftaudeen and Hussainatu (2014) investigated the effects of macroeconomic policies on agricultural output in Nigeria using a multivariate VECM approach. The study used time series data spanning from 1978 to 2011. The results revealed that government expenditure had a positive and significant effect on agricultural productivity, while credit to agriculture had a negative significant effect on agricultural productivity in the short-run.

Ezeanyej (2014) assessed the role of interest rate deregulation on agricultural yield in Nigeria between 1986 and 2010. The study found that interest rate deregulation had a significant positive impact on agricultural yield in Nigeria during the period under review. The deregulation of interest rates led to an increase in the volume of credit available to the agricultural sector, which in turn boosted agricultural productivity. The study recommended that the government should maintain a stable and favorable interest rate regime to encourage more investment and credit flow into the agricultural sector. Additionally, the study suggested that the government should complement interest rate deregulation with other supportive policies, such as improved access to agricultural inputs, extension services, and infrastructure, to further enhance agricultural productivity in Nigeria. The study concluded that interest rate deregulation, when combined with other complementary policies, can be an effective tool for promoting agricultural development and economic growth in Nigeria.

The exploration of the complex relationship between monetary policies and agricultural productivity has spurred a plethora of studies across various global economies. While a significant portion of this scholarly work has honed in on reforms in interest rate policies, others have adopted a more expansive lens, analyzing the broader effects of monetary dynamics on agro-allied sectors. For instance, Ajudua et al. (2020) dissected the intricate impact of various monetary factors such as interest rates, inflation, and money supply on Nigeria's agricultural framework. Similarly, Akpaeti (2021) delved into the nuances of interest rate reforms on agricultural outputs. Other notable research by Kadir and Tugaal (2015), Muroyiwa et al. (2014), and Chisasa and Makina (2015) further enrich the discourse by integrating macroeconomic variables into the agricultural productivity narrative.

This study aims to carve a distinct niche within this robust body of research by focusing sharply on the influence of interest rate on Nigeria's agricultural productivity. By doing so, it not only builds on the foundational insights of its predecessors but also brings fresh perspectives to the fore, illuminating current dynamics and potential future trajectories in the agricultural sectors of emerging economies. This approach promises to offer a refined understanding of how monetary tools can be strategically wielded to foster agricultural growth and stability in Nigeria.

Research Methodology

This study attempts to analyse the intricacies of interest rate policies and agricultural productivity in Nigerian by going beyond the surface ingredients. Furthermore, to ensure our analysis reflects the latest economic realities, the paper dissected data from 1981 to 2021. This period encompasses critical economic cycles and policy shifts in Nigeria.

Moreso, the study implored a quantitative approach by wielding statistical tools like Unit Root and Co-integration tests to analyze the relationships between key economic variables. Test statistical test enabled the study to establish the nature of relationship between the regressed and the regressors in the model. Augmented Dickey and Fuller unit root test were implored to estimate the degree of stationarity of the variables, which aids in making predictive futuristic

outcome possibilities of the parameters implored in the model. The use of Johansen test of cointegration was integrated in the analytical framework of this study to understand the nature of relationship between the variables. The paper is interested in validating if interest rate volatilities or changes over time reflect a sustainable long run relationship with agricultural productivity in the country, while ordinary least square was used to estimate the degree and significance of the regressors on the regressed for the study duration.

Model Specification

The central theoretical and empirical framework of this paper is anchored on the classical theory of interest rate, which elucidate the pre-determining degree of influence interest rate related policies exerts on general economic performance. The model for this paper was drafted in alignment with the study carried out by Ezeanyej (2014) who used agricultural output as the dependent variable, while interest rate (lending rate) and exchange rate were used as regressors in the model. The major modifications enshrined in the adopted model was the inclusion of agricultural credit availability:

$$AGCOM_t = \beta_0 + \beta_1 INTRATE_t + \beta_2 AGCR_t + \beta_3 EXRATE_t + \varepsilon_t$$

Where:

- $AGCOM_t$ – Agricultural Commodity
- $INTRATE_t$ – Interest rate
- $AGCR_t$ – Agricultural credit
- $EXRATE_t$ – Exchange rate
- ε_t is the error term

$AGCOM_t$, the dependent variable in the model is a proxy for output from the agricultural sector for the period under study. Variations in $AGCOM_t$ expected is caused by changes in the independent variables, namely, $AGCR_t$, $INTRATE_t$, and $EXRATE_t$. Interest rate is the cost of capital the price which the farmers pay to borrow capital whereas exchange rate is the value of the domestic currency compared with currencies of other countries. Agricultural credit affects agricultural productivity because it determines the availability of loan able funds available to investors in the agricultural sector whereas exchange rate and interest rate constitute the cost of capital. The study therefore sets out to examine the impact of these variables on Agricultural productivity for the period under study.

Result and Discussion

Unit Root Test

The ADF test helps identify the presence of a unit root in a time series data. A unit root is a statistical characteristic that causes non-stationarity, meaning the time series does not have a constant mean and variance over time. Non-stationary data can lead to spurious regressions, where the statistical relationships observed may be entirely due to random chance rather than any underlying causal mechanism. By testing for a unit root, the ADF test allows researchers to determine if the time series needs to be different to achieve stationarity before proceeding with further analysis or modeling.

Table 1. Unit Root Result

Variables	ADF Statistic	Critical Values	Order of Integration	Remark
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<i>AGOCM</i>	-3.999098	1% level = - I(1)	With intercept only
	3.646342	5% level = -	
	2.954021	10% level = -	
	2.615817		
<i>INTRATE</i>	-6.950118	1% level = - I(1)	With intercept only
	3.646342	5% level = -	
	2.954021	10% level = -	
	2.615817		
<i>EXRATE</i>	-10.16984	1% level = - I(1)	With intercept only
	3.689194	5% level = -	
	2.971853	10% level = -	
	2.625121		
<i>AGCR</i>	-3.030449	1% level = - I(1)	With intercept only
	3.639407	5% level = -	
	2.951125	10% level = -	
	2.614300		

Table 1 above show the result of unit root test. It is a test of stationarity of the variables as developed by Dickey (1981) and Fuller (1976). It involves the regression on the first difference of a variable on a constant, a linear deterministic trend and a lagged first difference. As can be observed above all the variables are integrated of order 1(1), implying that the presence of unit root and statistically significant at both 1 Percent, 5 Percent, and 10 Percent level of significance. The ADF test statistics are significantly greater than the critical value. Consequently, the null hypothesis of a unit root (non-stationarity) is rejected, as such, the level of time series is characterised as integrated of order one because the variables are co-integrated as the linear function of the individual integrated series 1(1) is stationary.

To further understand the relationship between interest rate policies and agricultural commodity productivity trend in Nigeria, multiple regression analysis was carried out to estimate the degree of influence the regressors in the research model exerts on the regressed for the study period.

Table 2: Ordinary Least Squared Regression Analysis

<i>Variable</i>	Coefficient	Std. Error	t-Statistic	Prob.
<i>C</i>	9466.859	9273.469	1.020854	0.3155
<i>D(EXRATE,1)</i>	0.367038	0.037323	9.834208	0.0000
<i>AGCR</i>	-0.044316	0.084952	-0.521659	0.6057
<i>INTRATE</i>	-2049.801	537.0028	-3.817114	0.0006
<i>R-squared</i>	0.764777	<i>Adjusted R-squared</i>	0.741255	
<i>F-statistic</i>	32.51289	<i>Prob(F-statistic)</i>	0.000000	

The coefficient of determination (R-squared) of 0.765 indicates that approximately 76.5 percent of the variation AGCOM can be explained by the combined effects of changes in the EXRATE, AGCR, and INTRATE. This implies that the remaining 23.5 percent of the variation in AGCOM remains unexplained by these variables. Such an interpretation is consistent with the views expressed by Johnston and DiNardo (1997), who suggest that a high R-squared value indicates a model with considerable explanatory power regarding the dependent variable's variation.

The variables EXRATE and INTRATE are both statistically significant at the 5 percent level and display signs that align with a priori expectations (Table 2), suggesting a direct and an inverse relationship with AGCOM, respectively. This findings are in consonance with the study outcome of Iliyasu (2019) who used regression analysis to find a strong significant negative relationship between lending interest rates and agricultural sector activity in Nigeria from 1999 to 2016 and Onyishi, Arene, and Ifiorah (2015) who examined the impact of interest rate reform on agricultural finance and growth in Nigeria and found out that interest rate was an important determinant of aggregate credit volume to the agricultural sector, especially during the deregulated period. This finding supports the hypothesis of a significant deterrent effect of high interest rates on agricultural investment and spending, as higher borrowing costs can lead to reduced capital availability for farmers, as noted by Cochrane (1993).

The estimated coefficient for EXRATE is 0.367, suggesting that a unit increase in the exchange rate leads to a 0.367 unit increase in AGCOM. This finding aligns with the economic principle that a weaker domestic currency makes agricultural exports more competitive internationally, thus potentially increasing commodity prices (Krugman & Obstfeld, 2009). For INTRATE, the coefficient of -2049.801 is notably large, indicating that a unit increase in interest rates corresponds to a substantial decrease of about 2049.8 units in AGCOM. This magnitude supports the hypothesis of a significant deterrent effect of high interest rates on agricultural investment and spending, as higher borrowing costs can lead to reduced capital availability for farmers (Cochrane, 1993). Moreso, Ajudua et al. (2015) used OLS regression to study the effects of monetary policy instruments, including interest rate, on Nigeria's agricultural sector from 1986 to 2013. They found that a 1 percent increase in interest rate would cause a 0.032 percent fall in agricultural growth, and concluded that making low interest rates available to farmers would boost agricultural productivity.

Overall model is statistically significant, as evidenced by the F-statistic's probability value of essentially zero (0.000000), strongly suggesting the model's robustness in explaining AGCOM through the included variables, as per the guidelines by Greene (2003). This statistical significance indicates that the model is likely a valid representation of the dynamics affecting agricultural commodities.

Conclusion

The regression analysis demonstrated that exchange rates and interest rates are significant predictors of the performance of agricultural commodities, with EXRATE positively correlated and INTRATE negatively correlated with AGCOM. The significance of these findings is underlined by the high coefficient of determination, indicating that these variables are strong influencers in the agricultural commodities market. However, the unexpected negative sign and insignificance of the AGCR coefficient suggest that other factors may be at play that are not captured within the model. Additionally, the alarmingly high negative effect of INTRATE on AGCOM indicates the sensitivity of the agricultural sector to interest rate fluctuations, necessitating a careful policy approach. Given that the unit root tests confirmed stationarity at the level for the variables of interest, cointegration tests were deemed unnecessary.

Recommendations and Policy Implications

The implications of these findings are multifaceted. First, they suggest that macroeconomic policies that affect exchange rates and interest rates will have a direct and significant impact on the agricultural sector. Policymakers should therefore consider these relationships when designing and implementing economic policies. Second, the lack of significance of agricultural credit indicates that other barriers may exist which prevent this variable from impacting AGCOM as expected. This could include issues such as credit accessibility for small-scale farmers, the efficiency of financial intermediaries, or the terms and conditions attached to agricultural credit. Addressing these barriers could improve the effectiveness of agricultural credit as a tool for enhancing productivity in the agricultural sector. Lastly, the research highlights the complexity inherent in the agricultural financing environment following interest rate deregulation, with both beneficial and adverse effects observed. This nuanced understanding is crucial for policymakers and financial institutions aiming to balance the goals of economic stability, growth, and development within the agricultural sector.

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