International Journal of Research Publication and Reviews, Vol 5, no 9, pp 1309-1316 September 2024

WWW.IJRPR.COM

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Agribusiness Small and Medium Enterprises Financing Alternatives in Nigeria.

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ABSTRACT

The imperativeness of Agribusiness small and medium enterprises in the development of developing economy cannot be overhyped. The bedrock of successful world economy such as Asian nations, USA, Britain and the likes, can be traced from the development of small and medium enterprises. This paper reviews the available financing alternatives for agribusiness small and medium enterprises in Nigeria. The Nigerian government over the years carried out concerted efforts to boost their capital based by initiating various financing programs aimed at sustaining their existence and birthing new ones. In Nigeria, Agribusiness SMEs have enormous potentials to create jobs, advance integration with large-scale businesses, diversify output, improve local technology, and foster indigenous entrepreneurship (CBN, 2011). Despites the enormous potentials inherent in the growth of small medium enterprises and the efforts of government in financing its operations the informal financing sector is considered to play the dominant financial role owing to the difficulty and ignorant of small business holders in accessing various financing alternatives and leveraging on government programs to expand their scale of operations. It was recommended that since the informal lending sources contribute more to SMEs development in Nigeria, Federal Government should carried out proper investigation on various factors that enhanced SMEs access to credit via those sources with the view of incorporating them in its policies and programs forthwith. Adequate policies should be made by Federal government and its agencies in consistent with economic realities that encourage and stimulate AGSMEs access to grants and credit facilities.

Keywords: Agribusiness, SMEs, Financing Alternatives

Introduction

Agribusiness Small and medium-sized businesses, (AGSMES), are essential to the growth of any economy. When the economies of emerging countries are taken into consideration, the significance of AGSMEs to the growth of any nation's economy becomes even more apparent. The growth of numerous Asian nations, including the Asian superpowers, has been greatly aided by SMEs. Hundreds of millions of people have been lifted out of poverty and tens of millions of new middle-class consumers have been generated by the economic development in some of these Asian countries, which is not unrelated to SMEs (Tanzer, 2005). SMEs have enormous potential to create jobs, advance integration with large-scale businesses, diversify output, improve local technology, and foster indigenous entrepreneurship (CBN, 2011). What contribution have SMEs made to Nigeria's economic development is one of the main topics that need to be addressed regarding SMEs in the country. And what role do SMEs play in Nigeria's overall export and manufacturing output? Statistics indicate that Nigerian SMEs fell short of expectations and thus yet to significantly aid in the growth and development of the country's economy. According to the FSS 2020, the SMEs in Nigeria in the last decades faced major economic shocks that overwhelmed its growth and development, ranging from the dramatic slump in oil price fluctuations between 2014 and 2016 that triggered an economic recession, the currency instability that led to the devaluation of the naira, inflationary pressures, infrastructure bottlenecks, policy and regulatory uncertainties, security challenges, and the global pandemic in 2020 further exacerbated existing challenges. Lockdowns and restrictions disrupted supply chains, reduced demand, and increased operational costs for AGSMEs. If AGSMEs are adequately supported, it is possible to verify if inadequate management skills and limited access to contemporary technology (which could be caused by a lack of funding for hiring qualified personnel and purchasing necessary technology) exist.

Therefore, financing AGSMEs in Nigeria is essential if they are to play a growing and developing role in the country's economy. An important instrument for encouraging and maximizing the growth of small and medium-sized businesses in Nigeria is the proper financing of SMEs. This raises the question: What funding alternatives are available to SMEs in Nigeria? Policies aimed at financial and non-financial institutions have been implemented. The CBN, commercial banks, microfinance banks, international development organizations like the African Development Bank, etc. are a few of these financial institutions.

Thus this paper examined the various financial interventions alternatives available for AGSMEs in Nigeria in the last decade (2013 to 2023). It looks at the range of funding choices that AGSMEs have. It also covers the barriers to financing SMEs and the technologies created to get beyond them within the last decade.

SMEs in Nigeria

According to an IFC study, small and medium-sized firms (SMEs) account for over 96% of all businesses in Nigeria (Oyelarin-Oyeyinka 2010). This indicates the significant role that SMEs play in the country's economy. In terms of the total number of businesses in Nigeria, SMEs account for over 90% of the country's manufacturing and industrial sector. SMEs, on the other hand, account for over 90% of all enterprises in Nigeria, although they only contribute 1% of the country's GDP. Each country has its own definition or classification for small and medium-sized businesses. Diverse writers, academics, and educational institutions hold varying opinions regarding variances in capital expenditure, workforce size, sales turnover, fixed capital investment, plant and machinery availability, and market share, as well as the level of economic growth (Ogechukwu, 2009).

Small and medium-sized businesses are characterized by their staff count and turnover in nations such as the United States, the United Kingdom, and others in Europe. In Nigeria, SMEs are defined and categorized according to the amount of capital used, staff count, and turnover. SMEs can be defined in a number of ways, according to the CBN Communiqué No. 69 from the April 15, 2010, meeting of the Special Monetary Policy Committee.

According to one definition/classification, a business falls under the SME sub-sector if its asset base (excluding land) is between N5 million and N500 million, and its labor force is between 11 and 300. This definition was accepted by the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS). In addition to being broadly defined as companies with annual revenue under N100 million, small and medium-sized enterprises (SMEs) are also defined as any business having an asset base up to N1.5 billion (excluding land and working capital) and having no upper or lower limit on the number of employees under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS). Due to the disparities in how SMEs are defined across national borders and the lack of a common definition, the European Union established a definition of small and medium-sized enterprises (SMEs) and microbusinesses in 2003 that is widely recognized. According to this definition, a company with fewer than 250 employees and revenues of no more than 50 million euros (turnover) or 43 million euros is considered microbusiness (Fatai, 2011).

SMEs in Nigeria are dispersed across regions in clusters. There are clusters of SMEs in the fashion and leather industries in Ababa, automobile SMEs in Nnewi, and ICT SMEs in Lagos, tie and dye SMEs in Abeokuta and Oshogbo, and leather SMEs in Kano (Oyelarin-Oyeyinka, 2010).

It is challenging to estimate the exact number of SMEs in Nigeria because there is no trustworthy database on SMEs in the country. Nonetheless, the National Bureau of Statistics (NBS) data is being used by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) to compile the country's first complete database of small enterprises (leadership daily 05/03/2012). According to a recent National Bureau of Statistics referendum, Anambra state leads Nigeria in four industrial areas, including the automotive industry, and has the greatest proportion of SMEs (Vanguard Newspaper, 2012).

SMEs' Financing Alternatives in Nigeria.

It is well acknowledged by scholars and practitioners alike that SMEs work as engines for economic expansion in any given country. But the SMEs have a lot of obstacles to overcome. Lack of funding to support their operations is one of the biggest issues SMEs in Nigeria confront (Fatai, 2009). Research indicates that the financial sector makes up roughly 25% of the success of SMEs. (Ogujuiba and others, 2004). According to a World Bank report, 39% of Nigeria's small and 37% of its medium-sized businesses have financial constraints. (2001 World Bank report). Many SMEs in Nigeria are unable to obtain the necessary funding and are forced to close their doors due to a lack of finance. The question is therefore, what are the financing alternatives available for small and medium enterprises in Nigeria?

All businesses are financed, either fully or partially, by debt or equity. Typically, the sources of funding for both kinds of projects are the formal finance institutions (FFI) or the informal finance institutions (IFI). Previous academics, scholars, and practitioners have identified the formal and informal modes of funding as the two key finance ideas of SMEs (Gelinas, 1998; Aruwa, 2004). The most often used sources of funding for businesses were found to be formal sector commercial banks and development banks. Informal lending, which includes borrowing from friends, family, and cooperatives, is another significant source of funding for small and medium-sized businesses. Using personal funds is another way to finance a business.

Informal financial institutions like as money lenders, landlords, acquaintances, family members, credit and savings groups (co-operative societies), esusu, commonly referred to as ayo among the Yorubas, isusu or atu among the Ibos, osusu among the Edos, adashi among the Hausas, dashi among the Nupes and etibe among the Ibibios. (Okorie & Miller, 1976). Formal finance institutions, including commercial banks, microfinance banks, international development agencies, and others, comprise the formal finance sector.

Financing SMEs by the formal finance Institutions FFI

Among the entities in the formal finance institutions that have been instrumental in the financing of SMEs in Nigeria are commercial banks, microfinance banks, international development organizations, the CBN, and some of its agencies. Globally, commercial banks continue to be SMEs' primary source of funding. However, many commercial banks hesitate to finance SMEs due to perceived risks and uncertainties. Commercial banks in Nigeria are reluctant to fund the subsector due in part to the challenging economic climate, SMEs' lack of access to current technology, and their lack of management expertise. The country's financing of SMEs has steadily decreased over time as a result of this resistance. Statistics from the CBN (2010) indicate that over time, commercial banks' advances to SMEs have decreased. As a proportion of total credits, commercial bank loans to SMEs fell from 48.79% in 1992 to 0.15% in 2010 (Luper, 2012).

In a similar vein, the proportion of total credit provided by merchant banks to SMEs fell from 31.2% in 1992 to 9.0% in 2000 (Achua, 2011). The government and its agencies have formed numerous credit institutions over the years. These lending organizations' goals have always been to increase SMEs' access to financing.

Agricultural Credit Guarantee Scheme Fund (ACGSF)

Agriculture, the backbone of the Nigerian economy before the discovery of oil, would remain pertinent to the country even if crude oil now generates over 90% of the country's income. The agricultural industry possesses the capacity to provide a significant number of jobs. This was acknowledged by the establishment of the Agricultural Credit Guarantee Scheme Fund in 1977, which began operations in 1978 (CBN). The majority of farmer cooperatives, farmer groups, and farmer societies will fall under the SME category. Up to 75% of the amount in default, net of any realized security, is guaranteed by the fund for loan facilities given to farmers by banks. CBN oversees the fund. The Federal government and the Central Bank of Nigeria have implemented further agricultural financing programs, which include: Agricultural credit support scheme (ACSS); initiated by the federal government and the central bank of Nigeria, with the bankers' committee's strong involvement. It has a N50 billion designated fund. The program aims to reduce agricultural production costs, produce excess for export, raise foreign incomes for Nigerians, and diversify its sources of funding. Farmers and agro-allied entrepreneurs receive ACSS payments at an 8% single-digit rate. Commercial Agricultural Credit Scheme (CACS): Produced in 2009 to finance the nation's agricultural value chain (production, processing, storage, and marketing), the CBN collaborated with the Federal Ministry of Agriculture and Water Resources to establish the CACS. The debt management bureau has raised N200 billion in bonds to fund the plan. The maximum interest rate on loans awarded under this program is 9%.

Small and Medium Enterprises Credit Guarantee Scheme (SMECGS)

The Central Bank of Nigeria created the program to support SMEs' access to financing as part of its developmental responsibility. The entire N200 billion (two hundred billion Naira) fund for the project is provided by CBN. One of the initiatives is to accelerate the growth of Nigeria's manufacturing SME sector by guaranteeing bank loans to manufacturers and SMEs. The programme's goals are to: Accelerate the growth of the Nigerian economy's manufacturing SME sector by guaranteeing banks' lending to SMEs and manufacturers. set the pace for the Nigerian economy's industrialization. Expand the amount of loans available to manufacturers and SMEs' promoters. Boost output, create jobs, broaden the source of income, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis. Activities to be covered under the scheme

Include;

(a) Manufacturing

(b) Agricultural value chain

(c) Educational institutions

(d) Any other activity as may be specified by the managing agent. The Central Bank of Nigeria (CBN) is the Managing Agent and is responsible for the day to day administration of the Scheme.

Agri-Business Small and medium Enterprise Investment Scheme (AGSMEIS)

To support the federal government's efforts to promote agricultural businesses and small and medium-sized enterprises (SMEs) as a means of generating employment and sustainable economic development, the Banker's Committee approved the Agribusiness Small and Medium Enterprise Investment Scheme (AGSMEIS) at its 331st meeting on February 9, 2017.

In light of this, all deposit money banks (DMBs) are mandated to set aside and send 5% of their yearly profit after tax (PAT) to the designated account that is operated by the Central Bank of Nigeria (CBN) for equity investment in activities that are permitted as per the program. It is also required of every bank to designate a representative to the project evaluation committee, whose job it is to suggest investing the funds in qualified businesses. The amount investable in any enterprise shall limited to a maximum of 2billion naira. Investment in excess of the maximum allowable shall be subject to the approval of the CBN. Investment type under the scheme shall be for start-ups, expansion of established business, or review of ailing business. The bankers committee shall appoint a board of trustee (BOT) which shall manage the scheme and report to the committee on a regular basis. The purview of the scheme includes;

1. Agricultural investments which include production, storage, processing and logistics.
2. SMEs in the real sector as well as services sectors which are backward integrated into manufacturing/agriculture/mining/modular refineries including local initiatives in information and communication technology (ICT).

3. Other activities as deemed by the Bankers committee from time to time.

The objectives of the scheme include:

1. Ensure access to finance for small and medium enterprises (SMEs), as these enterprises are the engine of growth of the Nigerian economy.
2. Generate much-needed employment opportunities in Nigeria.
3. Develop agricultural value chain and ensure sustainable agricultural practices
4. Boost the managerial capacity of Agri-business/SMEs as pipelines of growing enterprises that can become large corporate organizations

The government Enterprise and Empowerment Programme (GEEP)

Through the Social Investment Unit, the Federal Government of Nigeria established the Government Enterprise and Empowerment Programme (GEEP) Fund in April 2020**,** to offer micro loans and financial support to market women, artisans, women's cooperative societies, enterprising youth, small-scale farmers, agro-allied processors, and other MSME categories for small and medium-sized businesses in Nigeria. Under its Micro Enterprises Directorate and through both current and upcoming products that Bank of industry (BOI) develops to reach the target beneficiaries, BOI is tasked with managing the fund on behalf of the Federal Government and distributing the funds to the intended beneficiaries directly. This program was launched with two broad objectives:

- **Access to funding:** provide microloans in an easily accessible way to those at the bottom of the pyramid who engage in commercial activities but face significant challenges with access to finance/credit
- **Financial inclusion:** through these microloan offers and access to finance, ensure that the beneficiaries are brought under the formal financial sector and can further seize the opportunity to access other credit products from financial service providers.

Micro, Small and Medium Enterprises Development Fund (MSMEDF)

The CBN launched the MSME Development Fund on August 15, 2013 with a share capital of N220 billion. The Fund was established in recognition of the significant contributions of the Micro, Small and Medium Enterprises (MSME) sub-sector to the economy and the existing huge financing gap. Ten (10) percent of the Fund has been devoted to developmental objectives such a grants, capacity building and administrative costs while ninety (90) percent commercial component will be released to Participating Financial Institutions(PFIs) at 2% for on-lending to MSMEs at a maximum interest rate of 9% per annum. Eligible activities to be financed include agricultural value chain, services, cottage industries, artisans, trade and commerce and any income generating business as may be prescribed by the CBN from time to time. The broad objective of the Fund is to channel low interest funds to the MSME sub-sector of the Nigerian economy through PFIs to: Enhance access by MSMEs to financial services; Increase productivity and output of microenterprises; Increase employment and create wealth; and Engender inclusive growth

Youth Entrepreneurship Support Programme (YES-P)

The Bank of Industry's Youth Entrepreneurship Support Programme (YES-P) in Nigeria actually launched through different stages and iterations, BOI's initial steps towards youth entrepreneurship support began in 2015 with the Graduate Entrepreneurship Fund (GEF) in collaboration with the National Youth Service Corps (NYSC). This program trained serving corps members and provided loans at concessionary rates. The official launch of the YES-P program happened in March 2016**.** This marked the start of online applications and training sessions for aspiring young entrepreneurs. The program's success led to significant expansion, with the initial target of training 2,000 youths per year revised to 10,000 due to overwhelming interest. Since then, YES-P has undergone continuous improvement, offering various components like:

- 8-week online entrepreneurship training: Equips participants with business fundamentals.
- 5-day in-class training: Deepens understanding of key aspects like business models, marketing, and financial planning.
- Funding opportunities: Connects participants with potential loan options through BOI's SME Cluster initiative.

The financial/ loan requirements of the scheme include:

- Debenture over the assets of the company or specific charge over the equipment (present and future).
- Deposit of original NYSC certificate and higher educational certificate (Ordinary National Diploma, Higher National Diploma or University Degree) with BOI. This will be subject to the certificate being certified by Background Check International (BCI).
- Acceptable alternatives to Degree/HND certificates: Final Statement of Results, Success Letter, Testimonial or other verifiable evidence of course completion.
- Two (2) external guarantors acceptable to BOI who must belong to any of the following categories:

- Senior Civil Servant (Level 7 and above).
- Bankers (not below the level of Banking Officer), and must have been confirmed by current employer.
- Professionals i.e. Medical Doctors, Lawyers, Accountants, Engineers, etc.
- Senior Staff of reputable quoted Companies, International Oil Companies, Telecommunications Companies (GSM providers) etc.
- Elected public servants/administrators.
- Reputable entrepreneurs with ongoing entities and registered business names.
- Clergymen.

Development bank of Nigeria (DBN)

In order to solve the primary funding issues that Micro, Small, and Medium-Sized Enterprises (MSMEs) in Nigeria face, the Federal Government of Nigeria (FGN) collaborated with international development partners to establish the Development Bank of Nigeria (DBN) in March 2014, to offer partial credit guarantees and wholesale finance to micro, small, and medium-sized companies (MSMEs) in a variety of Nigerian industries. With this launch, support for the MSME sector—a crucial driver of economic growth and job creation—was further increased. Since then, DBN has helped many entrepreneurs and enterprises in a variety of industries, making great progress toward realizing its objective. Their actions have aided Nigeria's overall economic growth, the creation of jobs, and the fight against poverty.

DBN's primary goal is to reduce the financial barriers that MSMEs and small corporations in Nigeria must contend with by offering financing and partial credit guarantees to qualified financial intermediaries in a way that complies with market standards and is entirely financially sustainable.

Why Government Invest In Agribusiness, Small And Medium Enterprises in Nigeria

There are several compelling reasons why the Nigerian government invests in agribusiness and small and medium enterprises (SMEs):

Economic growth and Development:

Employment creation: Both industries play a significant role in this, particularly in rural areas where unemployment is frequently high. Increased money from additional jobs stimulates the economy as a whole.

Diversification: Putting money into SMEs and farming helps the economy become less dependent on oil exports and more resilient to shocks from the outside world.

Increased productivity and output: Enhanced access to resources and funding can result in higher agricultural production and output from small and medium-sized enterprises (SMEs), which can boost GDP growth.

Poverty Reduction and Social Development:

Rural development: Investments in SMEs and agribusiness support rural development by raising living standards and lowering poverty in these areas.

Food security: The population's availability to wholesome food can be improved through increased agricultural production as well as better processing and distribution.

Empowerment: By empowering people and communities, especially those headed by women and young people, SMEs can increase social inclusion and economic involvement.

Strategic Advantages:

Unlocking Potentials: Nigeria has a sizable market and abundant agricultural resources, but investment is required to reach its full potential. Capitalizing on these benefits is facilitated by supporting SMEs and agribusiness.

Import substitution: Promoting indigenous manufacturing and food production can help cut down on imports, save foreign exchange, and strengthen homegrown businesses.

Sustainability: Resource efficiency and climate-smart practices investments in these fields can support environmental preservation and sustainable growth.

Major Constraints in Financing Agribusiness Small Medium Enterprises in Nigeria

Due to their structure and role in the economy, banks continue to be the most well-known formal source of funding for Agribusiness small and medium businesses. According to a 2001 World Bank survey conducted in Nigeria, the majority of the country's 85% of businesses have no access to bank credit despite their relationship with the banks (Terungwa, 2011).

The AGSMEs' lack of sufficient funding can be attributed, among other things, to banks' unwillingness to give them credit for the reasons listed below:

High perceived risk: Because of their limited collateral, erratic weather patterns, and volatile commodity prices, traditional banks frequently view SMEs and agribusiness as high-risk. This results in reluctant lending decisions and tighter lending standards.

Lack of collateral: It can be challenging for SMEs, particularly those in rural areas, to obtain loans because many of them lack land titles or other acceptable forms of security.

Formalization challenges: Due to a deficiency in appropriate paperwork and financial records, informal enterprises find it difficult to obtain formal financial services.

Interest rates: Even when loans are available, interest rates can be high, especially for unsecured loans, making them less attractive for SMEs.

Hidden fees: Additional charges and hidden fees can further burden borrowers and reduce the affordability of financing.

Mismatched loan terms: Loan repayment periods may not align with agricultural production cycles, creating cash flow challenges for borrowers.

Limited availability of specialized products: Lack of financial products tailored to the specific needs of agribusiness and SMEs, such as insurance or risk-sharing mechanisms.

Limited reach in rural areas: Traditional financial institutions often lack physical presence in rural areas, making it difficult for rural SMEs to access services.

Corruption and bureaucracy: Obstacles within financial institutions and government agencies can delay loan approvals and increase transaction costs.

Lack of financial literacy: Limited financial knowledge among SMEs can hinder their ability to manage loans effectively and make informed financial decisions.

Poor infrastructure: Inadequate infrastructure, such as transportation and storage facilities, can increase risk and limit market access for agribusinesses.

Overcoming Financing Constraints in Nigerian AGSMEs: Government Innovative strategies with in the Last decade (2013-2023)

Nigeria's agribusiness small and medium enterprises (AGSMEs) hold immense potentials to fuel economic growth, stabilize the nation's food system, create jobs to curtail youths restiveness as well as become a force for global market competiveness. However, financing remains a major hurdle. The Nigerian government, acknowledging this challenge, has implemented various innovative initiatives to bridge the gap:

1. De-Risking the AGSMEs landscape:

NIRSAL Microfinance Bank (NMFB): Nigerian Agricultural Lending Incentive-Based Risk Sharing System (NIRSAL) was founded in 2019 and specializes in lending to AGSMEs. It offers loans that are easily accessible, reasonably priced, and has flexible repayment periods. The aims is to expand insurance products for agricultural financing, such as weather index insurance, and to share any risks of losses on agricultural loans. Give banks technical support. Use a holistic bank assessment system based on a prospective participant bank's track record of social impact and agricultural lending efficacy. Goals include increasing the number of farmers to 3.8 million by 2020 and increasing agricultural output by 1.4% to 7.0% annually. Assurances to banks, which lower their perceived risk and motivate them to extend credit to AGSMEs

Growth Enhancement Support Scheme (GESS). Designed to provide farmers with directly subsidized agricultural supplies from the government using a mobile phone-based electronic wallet system. The heart of the GESS's technological applications is the electronic wallet system. Carried out by the Federal Ministry of Agriculture and Rural Development in cooperation with the business sector and the participating states.

Anchor Borrowers' Programme (ABP): Designed to establish financial ties between large-scale processors and smallholder farmers in order to boost agricultural output, Money from the Micro, Small and Medium Enterprises Development Fund (₦220 billion). Loans made available through any of the collaborating financial institutions listed below: Microfinance banks, development finance organizations, and deposit money banks. There is a 9% interest rate. CBN provides participating banking institutions with a 2% lending subsidy.

2. Enhancing Financial Inclusion:

Government Enterprise and Empowerment Programme (GEEP): GEEP, which was put into place by the Bank of Industry, aims to increase access to affordable credit and improve financial inclusion. Its three main products are Market Moni, Farmer Moni, and Trader Moni. GEEP offers interest-free loans with a 5% administrative fee; loans have a graduated range of amounts from ₦10,000 to ₦300,000.

National Financial Literacy Framework: Designed to raise public awareness and comprehension of financial services and products, ultimately leading to more sustainable use; additionally, Know Your Customer (KYC) rules will be streamlined into a tiered, risk-based framework that makes it possible for people who don't currently meet formal identification requirements to access the banking system.

3. Fostering a Supportive Ecosystem:

Establishment of Special Agricultural Zones (SAGZs) 2022: Creating dedicated zones with infrastructure, logistics, and processing facilities to reduce post-harvest losses, improve efficiency, and attract investment.

Youth Empowerment Programmes: Initiatives like the Nigeria Youth Investment Fund (NYIF) provide direct financing and support to young entrepreneurs in agribusiness, fostering innovation and youth participation.

Public-Private Partnerships (PPPs): Collaborating with private investors and financial institutions to develop innovative financing solutions, share risks, and scale up impactful programs.

Conclusion and Recommendations

Agribusiness in Nigeria, SMEs are not simply major drivers of the economy; they are also force for good, able to improve food security, reshape rural communities, and build a more diverse and sustainable agriculture industry. Unlocking the full potentials of Nigeria's agricultural revolution requires acknowledging their enormous value and giving them the resources they need, including access to capital, technology, and training. Even though SMEs dominate the Nigerian economy, they only make up around 1% of the country's GDP. There are a number of reasons for the extremely low contribution of SMEs to Nigeria's economic growth.

However, SMEs' ability to obtain financing is essential to their success. Research indicates that the financial sector makes up around 25% of the success of SMEs. The Federal government and CBN have formed several credit institutions throughout the years with the goal of enhancing SMEs' access to financing in order to address the funding issue.

The SMEs continue to contribute far less than 5% of the GDP, suggesting that these programs have not been fully utilized. Thus the following imperative recommendations are made as follows;

1. Since the informal lending sources contribute more to SMEs development in Nigeria, Federal Government should carried out proper investigation on various factors that enhanced SMEs access to credit via those sources with the view of incorporating them in its policies and programs implementation forthwith.
2. Adequate policies should be made by Federal government and its agencies in consistent with economic realities that encourage and stimulate SMEs access to grants and credit facilities.
3. Private Public partnership between Angel investors, private credit unions and Government agencies to create a friendly environment that will make government financing programmes accessible to rural dwellers should be enhanced.

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