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## ECONOMIC RECESSION AND AGRICULTURAL SECTOR IN NIGERIA: CAUSES, EFFECTS AND THE WAY FORWARD

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### ABSTRACT

The central focus of the paper is to examine the economic recession and agricultural sector in Nigeria. The objectives of the paper were to; examine the causes of economic recession; examine the effects of economic recession on the agricultural sector in Nigeria; and investigate ways to resolve economic recession in Nigeria. To achieve these objectives, the paper utilized library science method and collected data from secondary materials. The paper found that amongst the causes of economic recession are; over-dependence on crude oil, neglect of agricultural sector, over importation of finished goods and farmers/herdsmen conflicts. In like manner, amongst the effects of economic recession on agricultural sector were that recession; encouraged many people to go back to farming, led to job losses, led to food insecurity and increased price of goods and services. In conclusion, the paper showed that economic recession is not desirable and therefore suggested that some stringent measures to avert recession include; large scale farming in order to increase agricultural production and boost GDP. Also, there should be an increase in budgetary allocation to the agricultural sector in order to increase export of agricultural produce and hence economic growth.

### 1.0 INTRODUCTION

A recession is a general slump in the economy that is associated with a decline in gross domestic product (GDP) for two or more consecutive quarters. Consequently, economic recession is the age of general economic decline and is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in household income (Gbosi, 2015). But Governments usually respond to recessions by adopting expansionary macroeconomic policies, such as increasing money supply, increasing government spending and decreasing taxation.

At one stage or the other, various countries of the world had witnessed one form of recession or depression which invariably alter the macroeconomic dynamics of the economy and adversely affects growth and development. In recent time, Nigeria economy was plunged into economic recession in the first quarter of 2016 to second quarter of 2017 (Central Bank of Nigeria (CBN, 2017). It is imperative to note that, the said recession affected the rural farmers in Nigeria. This is because, agriculture has been the mainstay of the Nigerian economy before the independent as it provided livelihood to about 75% of the population and the majority of the population who are farmers living in the rural areas (Gbosi, 2015). The year 2016 and

2017 economic recession made life difficult for rural farmers in the agricultural sector. During this recession, the country was in a difficult condition as a lot of Nigerians are jobless, poverty level and crime rate increases as well as high food insecurity in the country. Also, during this period of economic recession, there was decline in the stock market as well as decrease in sales of agricultural goods and services and increase in the general price level (Ifabiyi & Banjoko, 2018).

Report from the National Bureau of Statistics (2016) showed that Nigeria's GDP at constant basic prices contracted in the second quarter of 2016 by 2.06 per cent after shrinking 0.36 in the first quarter. Also, Nigerian economy recorded two consecutive quarters of economic contraction, in the first quarter of 2016, GDP growth was negative (-0.36%) and the second quarter of 2016 data reflects a larger contraction (-2.06%). The economic contraction is fairly broad and includes both oil and non-oil sectors. The oil sector contracted by 17.48% and non-oil sectors by 0.38%. Some of the reasons Nigeria economy went into economic recession were the oil price decline of 56.39% from 2014's peak in the global oil market from \$100 per barrel to \$45. This is because, a mono-economy like Nigeria will always suffer recession from international price shock for its product. This is so as the importation of petroleum products covers 30 percent of Nigeria's GDP coupled with the higher demand for foreign exchange (Ezeanyej, Imoagwu & Ifeako, 2019). This result in inadequate funding of the federal. Another reason is that America and Thailand's agribusinesses have collapsed Nigeria's agriculture, while China's fabrics business collapsed Nigeria's textile industries (Loto, 2012). All these cumulated to the year 2016 and 2017 recession in Nigeria.

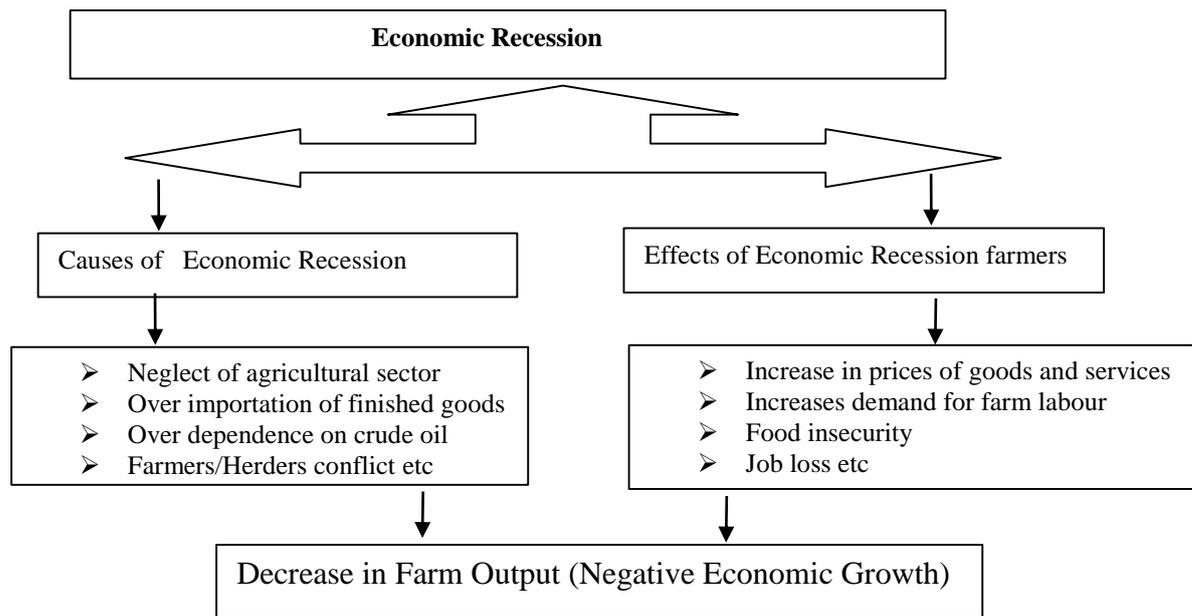
Meanwhile, the economic recession has major negative impact on agricultural sector. This is because, the slowdown of growth in foreign economies will reduce import demand for agricultural commodities, resulting in lower Nigeria agricultural exports and prices for agricultural commodities. Also, economic crises also reduced Nigeria agricultural export thereby negatively affected GDP and agricultural export-related employment (USDA-ERS, 2009).

According to Ifabiyi and Banjoko (2018), economic recession results in scarcity of fund which made farmers vulnerable to purchase farm inputs for agricultural production because the prizes of such inputs have skyrocketed. Agricultural households also suffered from declining income from off-farm jobs, as the economic recession ripples through to rural-based business and loss of tax revenue put pressure on rural government employment and social services. Similarly, the economic recession in Nigeria has increased poverty to the rural farmers because of reduced earnings, investment and savings. This has made the rural farmers unable to care for their family's health, education and other essentials of life (Ifabiyi & Banjoko, 2018).

Given the background above, agricultural sector particularly the farmers were faced with problems such as increases demand of farm labourers, crash in asset prices, liquidity crunch, low purchasing power and low standard of living as a result of economic recession. The resultant effect of this on the economy is slow growth rate or negative growth. In lieu of the above, the study examined the economic recession and agricultural sector in Nigeria with the aim of determining the causes, effects and suggested the ways to curb recession in Nigeria. The remaining parts of the paper examined conceptual framework, empirical review, causes of economic recession, effects of economic recession, the way forward and concluding remarks.

## **2.0 CONCEPTUAL FRAMEWORK**

Economic recession, causes and effects were conceptualized schematically as shown in the figure below



**Figure 1:** Schematic View of Economic Recession *Conceptualized by Authors*

Generally in economics, a recession is negative economic growth for two consecutive quarters. It is also a business cycle contraction which results in a general slowdown in economic activity (Webster, 2008). Macroeconomic indicators such as GDP, investment spending, capacity utilization, household income fall, while inflation and unemployment rates rise. In like manner, Kamar (2012) posited that recession may be triggered by financial crisis and or credit crunch, as well as demand and supply-side shocks. Recession, if not controlled, can have a devastating effect on the economy as most macroeconomic indicators remain negative for a long time, usually more than two years.

From the figure above, amongst the causes of economic recession are; Neglect of agricultural sector, over the importation of finished goods, over-dependence on crude oil and farmers/herders conflict. All these will lead to increase in prices of goods and services, increases demand for farm labour, food insecurity and Job loss amongst others. Therefore, the end product will decrease in output of agricultural sector which will bring about negative growth in the economy.

### 3.0 EMPIRICAL REVIEW

Empirical review studies of various kinds have been embarked upon over the years on the impact of the recession on the economy. However, differences emerged from the findings of the various scholars. For instance, Ifabiyi and Banjoko (2018) examined economic recession coping strategies in Moro local government area in Kwara state of Nigeria. Seventy rural dwellers were randomly selected for this study. The findings revealed that the perceived effects of economic recession were increased in prices of goods and services and that economic recession has encouraged many rural dwellers to go back to farming. Also, the authors averred that neglect of agriculture and over-dependence on crude oil were the causes of economic recession.

Mbah, Chijioke and Nebechi (2018) evaluated the effect of economic recession on the performance of manufacturing firms in Enugu state with the used of survey method. The authors observed that there is an inverse effect of economic recession on the unemployment rate in manufacturing firms in Enugu State. It further revealed that the economic recession has a significant negative effect on the imports and exports of

manufacturing firms. In like manner, Oyewole and Olaniyi (2017) examined the business educators' perception of the impact of economic recession on Nigeria's socio-economic lives. The study adopted descriptive survey design. The researchers finding showed that the economic recession highly affected Nigeria's socio-economic lives.

Shido-Ikwu (2017) analyzed the main reasons for the emergence of the current economic recession in Nigeria. The researcher's findings indicated that the main causes of economic recession in Nigeria are; legacy factors, policy factors and political/security factors.

### **3.1 Causes of Economic Recession in Nigeria**

When a nation experience recession, business transactions and returns decrease, this invariably causes trades to discontinue growing. Given the above, the following are the causes of the economic recession in Nigeria:

**Neglect of the agricultural sector:** Prior to the discovery of oil in marketable quantity, agriculture has been the mainstay of the Nigerian economy. But the neglect of the agricultural sector for the oil sector has caused dwindling in economic growth any time there is fall in the price of crude oil in the international market. This then led to economic recession. The findings are in line with empirical work of Ifabiyi and Banjoko (2018) who revealed that most young Nigerians preferred white-collar jobs that are not readily available to agriculture. This led to dwindling of the Nigerian economy and this may be one of the factors responsible for the recent economic recession in Nigeria.

**Poor government policies and planning:** Government policies are expected to be effectively tailored towards addressing the ills of every sector of the economy in order to bring the economy to the path of sustainable growth and development that will eventually avert the problem of recession. But it is quite unfortunate in Nigeria that government policies and planning over the years particularly in the agricultural sector have not been well-tailored and targeted to meet the need of the masses in order to grow the economy. The resultant effect of the poor policies and planning is low growth rate, high unemployment rate as well as increase in price level of goods and service. All these cumulated into recession in the long run. The finding is in agreement with Ogbimi (2007) who reported that poor economic policies will make an economy to be stressed.

**Farmers/herdsmen conflict:** The recent predominant activities of herdsmen in almost all parts of the states of the federation have negatively affected farming activities and hence reduction in agricultural productivity, particularly in the middle belt states which some of the food basket of the Nation. Most of the herdsmen invade some farmland and destroys farm produces such as cassava and grains crops which are important staple food.

**Over importation of finished goods:** Nigeria as a nation is known for the importation of finished goods such as rice, clothing, automobile, mobile phone etc. Thus, the over-dependence on ready-made goods could plunge the Nation into recession any time the naira exchange rate is weak in-term of international currencies such as US dollar.

**Over-dependence on crude oil:** The mono-cultural nature of the Nigerian economy has plunged the economy into recession. This is because the price of crude in the international market is volatile. Thus, this volatility affects any economy that is oil-dependent. This will invariably lead to slow or negative growth and hence economic recession. The result is in line with Ifabiyi and Banjoko (2018) who opined that since the discovery of crude oil, agriculture and other sources of revenue have been abandon for crude oil, making Nigerian economy a mono-economy. Hence, there is need for government to diversify the economy so that every sector will be productive.

### 3.2 Effects of Economic Recession

**Economic recession increases the price of goods and services:** A striking characteristic of a recessed economy is high rate of inflation. This is because the available goods and service may be in short supply. This invariably led to increase in the price level to meet the expected demand.

**Economic recession encourages many people in Nigeria to go back to farming:** Recession was not desirable but on the other hand, it is a blessing in disguise. This is because, during the recent economic recession in Nigeria, many unemployed graduates and youth, as well as low paid workers, went into agriculture. This helps to increase the rate of employment in the agricultural sector and hence increase in agricultural production.

**Recession leads to job loss:** One of the characteristics of a recessed economy is an increase in job loss in the critical sectors of the economy. The year 2016 and 2017 economic recession in Nigeria made millions of people to lose their jobs in the critical sectors of the economy such as the banking sectors as well as oil and gas sector. This, therefore, is not desirable for the economy. According to Obayori (2016) Nigeria's youth unemployment rate between 2001 and 2016 stands at 23.9% of our total 50 Million youths. This is a great problem. Thus, government has to take many laudable steps to create jobs.

**Recession leads to food insecurity:** Food insecurity has to do with the quality and quantity of food consumed. Thus, during recession, there is all tendency of reduction in quality and quantity of food consumed in order to meet the rising price level.

## 4. THE WAY FORWARD

**Large scale farming:** Most of the farmers in Nigeria practice subsistence system of agriculture. This will not engender growth to prevent a recession. Thus, for agriculture to boost gross domestic product and prevent economic recession, there must be large scale farming by rural farmers. This will boost the quantity of agricultural output and more will be exported to gain foreign exchange earnings. Also, one of the strategies to curb the problem of recession is to increase the level of agricultural production by acquiring more land for the cultivation of crops so that more harvest can be made in the nearest future to ease the downing food crisis and as well increase agricultural output. This suggested way forward in in line with the opinion of (Ifabiyi & Banjoko, 2018).

**Increase in export of agricultural produce:** The decline in food production which has led to increasing food importation in Nigeria can be likened to farmer's difficulty to obtain fertilizer, patching access to credit and limited outreach programmes offering technical training amongst others. Consequently, food import profile in Nigeria has been on the rise to the extent that Nigeria's food imports growth rate per annum is about 11% (Anigbogu, Abosi & Okoli, 2015). Thus, for the agricultural sector to boost gross domestic product, there must be reduction in import of agricultural products and increase in agricultural export.

**Increase in budgetary allocation to the agricultural sector:** Public expenditure, which serves as the basis of financing the agricultural sector has constantly fallen short of the public expectation in Nigeria. In spite of this little investment in the sector, agriculture has on the average contributed 32% to the country's GDP from 1996 to 2000 and 42% between 2001 and 2009 (CBN, 2017). Thus, one of the means agricultural can boost gross domestic product to prevent recession is to increase the budgetary allocation to the sector. According to the African Union, 20% of the budget of African countries should be allocated to the agricultural sector if poverty and unemployment were to be reduced to the beeriest minimum in order to achieve sustainable growth. Based on this, government should increase more of her budgetary allocation to the agricultural sector in order to boost production output (Obi & Obayori, 2016).

**The effective linkage between farmers and credit institutions will help prevent recession:** One of the

measures aimed at increasing agricultural output is through credit schemes. Thus, the establishment of Nigerian Agricultural Development and Cooperative Bank, as well as bank of industry, were to provide credit for the farmers to boost production. These entire credit schemes were made to allocate more funds to the farmer with the aim of increasing food supply in order to boost economic growth and avert economic recession in the long run (Enoma, 2010).

**Provision of agricultural support and rural development services:** Agricultural extension services have been provided through various agricultural programmes in Nigeria such as the Agricultural Development Programme (ADP). The Agricultural Development Programme (ADP) is one outstanding programme that has contributed immensely in transforming the Nigerian agriculture. It is perhaps the boldest step ever taken by the government of Nigeria to develop the agricultural sector. The ADP represents the singular outfit through which proven technologies are disseminated to farmers. The technologies are in the form of production technologies which are adapted to the farmers' native farming system (Ajieh, 2006).

## 5. CONCLUDING REMARKS

The study examined the causes, effects and the way forward of economic recession in Nigeria. The findings showed that the key causes of economic recession are neglect of the agricultural sector and poor government policies/planning. In like manner, the striking effects of economic recession are that economic recession increases price of goods and services and as well encourages many people to go back to farming. In conclusion, the paper showed that economic recession is not desirable and therefore, suggested stringent measures to avert recession include; government policy should be tailor at making agricultural sector one of the key drivers of the economy so that there can be enough food to consume and export for foreign exchange earnings. This will, in turn, discourage excessive importation of finished goods. Also, there is the need for government to provide palliative measures such as ensuring food security and social intervention programmes that will help cushion the effects of economic recession on the agricultural sector particularly, the rural farmers. The government should encourage large scale farming in order to increase food production. This is because decline in food production has led to increase in food importation. There should be diversification of the Nigerian economy from oil-based to agricultural-based in order to avert the effect of volatility of the international oil price on the growth of the Nigerian economy. This is because long run negative growth will cause economic recession.

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