# A Reappraisal of Impact of Structural Adjustment Programme (SAP) on the Agricultural Sector of Nigeria: A Path-Analysis Approach

**Ogebe, F. O.*** and **Ogah, M. O.**
Department of Agricultural Economics
Federal University of Agriculture, Makurdi, Benue State, Nigeria
*Corresponding Author: frankozoko@gmail.com +2347035945500

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## Abstract

The oil boom of the 1970s transformed Nigeria from a relatively prosperous agrarian economy to a major exporter of petroleum products, consequently agricultural development was almost entirely neglected by policy makers. However, the slump in world prices of petroleum products in the early 1980s emphasized the need for changes in economic policy in the nation. Thus**,** in 1986 the government introduced an International Monetary Fund (IMF) and World Bank assisted SAP aimed at diversifying the production base of the nation by placing more emphasis on the non-oil export sector, especially agricultural export crops. This research applies a path analysis approach to examine the impact of SAP on agricultural production in Nigeria.  Thus, the study analyzed the effects of SAP on the agricultural sector and economy of Nigeria and recommends possible re-visit or otherwise of the SAP policy. The data for this study are from the files of the FAO covering the period 1970 to 1997. Multiple regression and path analysis are used to analyze the data. The

results revealed that SAP had a positive impact on agricultural production, which in turns, had a positive impact on net agricultural exports, as well as positive impact on contribution of agriculture to GDP, which ultimately led to a positive impact in real GDP growth rate. The study concluded that overall, SAP is beneficial to the Nigerian agricultural sector and the economy and therefore, a panacea for resuscitation of the agricultural sector in Nigeria. The findings suggested that Nigerian authorities should revisit the SAP policies in the agricultural sector since an improvement or growth of this sector ultimately influences growth of the overall economy. However, the study recommends the need to strengthen the exchange rate reform with policies that enhance the country's trade management and competitiveness. More so, there is need to be more flexible so as to provide automatic stabilizers that will negate the unforeseen adverse consequences of policy management process.

**Keywords:** Structural adjustment, path-analysis, agricultural production, Nigeria

## Introduction

In the 1980s, the Nigerian economy, like many other developing economies, was confronted with a crisis of economic management. Before this, the nation had enjoyed rapid economic growth. Huge increases in foreign earnings from the export of petroleum products between 1972 and 1982 were accompanied by changes in policy approaches to economic management. Oil revenue accrued largely and almost entirely to the federal government, which reacted with a massive increase in expenditures. Federal government capital expenditures rose fortyfold, while State capital expenditures grew by a factor of 16. Overall government spending increased faster than Gross Domestic Product (GDP)**.** As a result, total expenditures as a proportion of GDP jumped sharply: starting at 6 percent in 1960, the ratio reached 15 percent in 1970 and then doubled again within the next five years (Oyejide, 1993). This spending spree was financed through th**e** depletion of initially accumulated foreign reserves and increased public, and publicly guaranteed, foreign indebtedness (to over US$12 billion in 1983)**.** The Nigerian government, for a long time, treated the oil boom of the 1970s as a permanent shock, embarking on a massive investment boom that had little effect on output, believing that the nation's indebtedness could be easily repaid with future revenues from the export of petroleum products.

By 1981, Nigeria's oil revenue started to collapse, due largely to a weakened oil market. The collapse of world oil prices and the sharp decline in petroleum output, the latter resulting from the lowering of Nigeria's OPEC quota in the early 1980s, brought to the forefront the precarious nature of the country's economic and financial position. Two policy errors accompanied this decline in oil revenue. The Ministry of Petroleum adopted an overly optimistic pricing strategy (Nigerian oil being US $4 per barrel more expensive than North Sea crude), and there was a backlash from the government's failure to honor its long-term contracts to sel1 on the spot market during 1980 (Bevan & Collier, 1992). As a result of a reduction in oil export revenue from US $24 billion to US $10 billion in 1983, the Nigerian government found itself financially overextended, with insufficient revenue to finance major development projects. Uncontrolled imports of foreign goods and services increased external borrowings by the government, and depression in the industrial sector and large-scale mismanagement of public funds and government finances accompanied the abysmal slump in national revenue, resulting in a decline in economic activities. Pending a suitable program for solution, previous governments resorted first to an economic stabilization policy of palliative measure and later rationing of basic items including rice (Ayoola,

A Reappraisal of Impact of Structural Adjustment Programme (SAP) on the
Agricultural Sector of Nigeria: A Path-Analysis Approach

28

1988). In addition, a proposal for recovery was drawn up, based primarily on obtaining an adjustment finance of 2.5 billion dollars from the International Monetary Fund (IMF). This plan finally aborted on somewhat political grounds. After a prolonged period of economic stagnation, a two-year comprehensive structural adjustment program (SAP) was introduced on July 1, 1986, in an effort to rejuvenate the battered economy by reducing dependence on oil and placing greater emphasis on the non-oil and traded goods sector of agriculture. Thus, the defunct Structural Adjustment Program (SAP) culminated from a series of palliative policy measures to resuscitate the Nigerian economy following the balance-of- payments disequilibria that set in the early 1980s. The rationale for self-reliance as a philosophy of economic development is commonly based on social utility provision, infant industry argument, social-economic discontinuities, and the theory of second best (Idachaba, 1984; Ayoola, 1999).

Various studies have been conducted on the impact of SAP on the economy of Nigeria. A host of researchers believe that structural adjustment policies are essential prerequisites for economic recovery, adjustment to, and development in the new global market place (Reed, 1996; Nwosu, 1992; Olomola, 1994). On the contrary, many other economists argued that SAP measures have led to recessions and poor standard of living in developing countries (Igbedioh & Aderiye, 1994; Awoyomi, 1989; Momoh, 1995). Studies reveal that since independence in Nigeria, no socio-economic and/or political policy has had such dramatic impact on the lives of the citizens as the SAP. It is argued that in many adjusting economies, mostly the poor or low-income groups have felt the short run hardships of the SAP (Liuksila, 1992). Many of the effects of adjustment policies, such as the increase in the cost of imports due to large depreciation of the exchange rate, increases in the prices of petroleum products and the elimination of subsidies for transportation and other goods and services, could potentially hurt the low income group in the absence of safety measures designed to cushion these short run effects. In Nigeria the low income groups are composed, basically, of farmers or those employed in agricultural activities. There is limited empirical work on the impact of the SAP on the Nigerian agricultural sector and economy as a whole. The study therefore filled the gap in the literature as it analyzed the effects of SAP on the agricultural sector and economy of Nigeria. Specifically, it assessed the influence of structural adjustment on selected indicators-agricultural production, net agricultural exports, contribution of agriculture to GDP, and real GDP growth rate and the relative impact of these indicators on the agricultural sector. The study is limited to the agricultural sector because of its relative importance in the economy as such, deceleration in the growth of the sector would influence the rate of growth of the whole economy if it is not accompanied by greater increase in other sectors of the economy. With the aid of appropriate descriptive statistics and econometric techniques**,** this study attempted to provide explanations for Nigeria's agricultural production behavior on a **"**with-SAP**"** basis,

## Main Components of Nigeria's SAP – Implications for Agriculture

Nigeria's SAP was simultaneously undertaken with a program designed to return the nation to civilian rule under a democratically elected government. The SAP package thus consisted of policies designed to make the economy competitive through measures including devaluation, subsidy removal and trade liberalization. It also consisted of short-term policies aimed at "jump starting" the economy into productivity by slowing down inflation, reducing balance of payment deficits and government budget deficits. The declared goal of the SAP was to fully integrate the

Nigerian economy into the capitalist world economy. These features of Nigeria's SAP are discussed in some more detail below.

### i.    Exchange rate reform policies

The high point of Nigeria's SAP was the promulgation of the decree establishing the Second-tier Foreign Exchange Market (SFEM) and the subsequent devaluation of the Naira in September of 1986. Prior to this time, the demand for foreign exchange far exceeded the available supply, and the quantity of Foreign exchange was subject to arbitrary rationing, through the import-licensing policy of the Central Bank of Nigeria (CBN). Throughout the oil boom era, the government maintained a fixed exchange rate, keeping it in the range between US $1.52 and US $1.66 per Naira. In this it was extreme, even within the group of oil producing countries that postponed exchange rate adjustment until the 1980s (Gelb, 1988). Colman and Okorie (1998) argue that changes in exchange rate policy tend to have significant consequences for any country's domestic relative prices and economic growth through their effects on the real exchange rate. Exchange rate policy affects domestic prices of traded and non-traded agricultural commodities through its influence on the entire domestic cost structure. Over-valuation of the exchange rate serves as an impediment to agricultural exports and in the absence of offsetting import tariffs, as an implicit subsidy for imports of agricultural and non-agricultural goods and services.

On the 26h of September 1986, a dual exchange rate system was introduced, consisting of an administratively determined officia1 rate and an auction rate. The officia1 rate ("first tier") was applied to external debt service payments, official foreign capital inflows, and other Federal Government transactions. The auction rate, determined in weekly foreign exchange auctions by the CBN, applied to al1 other transactions. At the inaugural SFEM auction in 1986, the value of the naira was discounted by 66 percent, trading at ₦4.20 per US dollar while the officia1 exchange rate was devalued by 25 percent, to ₦1,538 per US dollar. The first-tier rate was gradually devalued and in July of 1987, the two rates were unified in accordance with the program. All transactions were then conducted through a single foreign exchange market (FEM). Bevan *et al.* (1992) argue that, had Nigeria depreciated the exchange rate during the oil boom era, it would have moderated the price squeeze on exports of agricultural commodities that (unintentionally) hastened agricultural decline. The overvalued exchange rate made it extremely difficult for exporters to remain competitive in world markets that are priced in US dollars. Overvalued exchange rates are particularly damaging for African counties because exports account for a very high percentage of the total economy. The successes achieved in agricultural production in Nigeria since the introduction of the SAP in 1986 have been partly attributed to the improvements in the incentive structures for Nigeria's cash crops brought about by the change in exchange rate policy.

### ii.    Price liberalization and subsidy policy

Market imperfections such as restrictions on imports, barriers to entry, collusion among producers, lack of information etc., often hinder the free operation of the market mechanism in determining prices. The existence of price distortions obstructs the possibility of optimal resource allocation, leading to situations of market failure. The decontrol of prices at the start of Nigeria's SAP, thus, has been described as an important step in the liberalization of the economy. At the start of SAP in 1986, the Price Control Decree of 1971 and the Decree establishing the seven Commodity Boards (Commodity Board Decree of 1977) were repealed. Prior to this period, the respective Commodity Boards (CBs) set domestic prices for the country's principal export crops. The

dismantling of the CBs coupled with the devaluation of the naira improved the incentive structures for most of the country's export crops.

One of the conditions attached to the SAP package was the de-subsidization of goods and services in the economy. The subsidy removal policy of the government consisted, mainly, of the gradual withdrawal of subsidies from major agricultural inputs (such as fertilizers) and petroleum products. This is essentially based on the thinking that market efficiency leads to improved resource allocation. The justification for the removal of the fertilizer subsidy, for instance**,** has been adduced to its distortionary effect on production and supply. In Nigeria, the fertilizer subsidy was 58.5 percent of the agricultural sector budget and as high as 3.3 per cent of the total government expenditure. The argument against the fertilizer subsidy was that the diversion of such a large proportion of the agricultural budget to meet the desired level of fertilizer subsidy hampered much needed investments in other priority areas like irrigation, farmland development, soi1 erosion and desert encroachment control, production and distribution of seeds and other potent inputs which would result in a higher and a more sustained agricultural growth (Akanji, Otu, Essien & Onwioduokit, 1999**).** In the case of the petroleum subsidy, the rationale offered was that its removal would reduce waste in the domestic consumption of petroleum products, earn more revenue for the government through an increase in the exportation of petroleum products, and release revenue for the government, which was previously tied up in subsidies.

The new subsidy policy was greatly resisted by Nigerians because of the perceived negative effect of such measures on the welfare of peasants in the economy and on the output of farmers. Nigerians feared that the removal of the petroleum subsidy, for instance, would feed an inflationary spiral and contribute to the immiseration of workers by reducing their purchasing power significantly and by extension, increasing their level of hardship that they experience with transportation. De-subsidization of fertilizers, on the other hand, could lead to a product supply bottleneck that might result in a much higher cost of fertilizers to farmers. According to a recent study carried out by Akanji *et al.* **(**1999), the withdrawal of subsidies on fertilizer by the Federal Government impacted significantly on the availability of the product to farmers, especially smallholders.

### iii.     *Trade liberalization*

Trade liberalization involves the lowering or removal of tariffs, removal of quantity restrictions on imports, removal of protection for local industries, and the removal of other trade barriers**.** Under the auspices of the World Trade Organization (WTO), trade liberalization facilitates the smooth running of the new world order. It aims at ensuring that protectionist policies become things of the past.

At the start of SFEM in 1986, Nigeria implemented a major reform of the trade and tariff system. Virtually all price controls and import licensing were abolished, and the number of items subject to import prohibition was reduced from 74 to 16 and the number of export bans from 11 to zero. Under the program, the Government also abolished the temporary 30 per cent import surcharge introduced in January of 1986 and adopted an interim import duty and excise schedule. Consequently, the dispersion of rates and the trade -weighted average customs duty fell from 35 to 25 percent. Reduced tariffs were applied to agricultural inputs, basic raw materials and selected agricultural commodities but higher rates were introduced on capital goods, essential consumer

goods, and agricultural machinery. Most tariffs were set in a range of 10-30 per cent but for agricultural and industrial imports that competed with major domestic producers, high rates of 100 percent or more were maintained (Moser, Scott & Reinold, 1998).

Overall, Nigeria's policy on trade liberalization has been described as very inconsistent **(**Eboh**,** 1998). Many goods were banned and unbanned from importation or exportation and tariffs on selected imported goods were lowered or raised on several occasions. Many of these measures have been taken without justification or consideration for their implications on international trade. Many policy pronouncements were not implemented. At other times they were haphazardly implemented. Such a policy environment makes international trade problematic.

### *iv.    Political stability*

Political and policy stability is very important in attempts to encourage domestic investment and to amount foreign investors to any country. Political stability gives investors the confidence to put their money into any country at minimum risk of losing it. And policy stability allows investors to know ahead of time the rules under which they will be operating for a reasonable time into the future**.** Not so many people will invest in a politically unstable country, even if the returns to capital are fabulous. This is because the risk of losing their investment in the case of any eventuality may be unacceptably high (Eboh, 1998). Policy instability also frightens investors away for fear that the rules may be changed in the middle of the game and cause them to incur losses. Ironically not much has ken written about the political implications of the SAP and the impact of political stability on the sustainability and implementation of the adjustment efforts in Nigeria.

The Nigerian economy has suffered for a long time from political and policy instability. The many sudden and unpredictable changes in government have made the political terrain very volatile. And every change in government often gives birth to new policies that most times contradict past ones. This state of affairs does not allow investors to develop confidence in the future of the country. This is responsible for the consistent lack of considerable investment in the Nigerian economy and the de-industrialization that was taking place. The agricultural sector has ken most affected as both domestic (government and private) and foreign investment in the sector, have remained low. Inconsistency in policy formulation has ken partly responsible for the failure of some of the agricultural and economy wide policies adopted during the pre-SAP and even during the post-SAP periods. Political instability in Nigeria reached its peak in the 80s and 90s, coinciding with the implementation of the SAP. During the period the nation experienced four military regimes, two civilian administrations and an illegitimate interim government. The political imbroglio that ensued, due to the failure of the Babangida regime's transition to civilian rule program, had severe internal and external consequences for the nation's economy.

## Empirical Models and Methods

Several methods have been used to measure the impact of programs on whole economies or sector of economies. Firstly, there is the before-after approach that compares the values of variables in the period before a program is implemented to those in the period after implementation (Connors, 1977; Zulu & Nsouli, 1985; Pastor, 1987). The major shortcoming of this approach is it assumes that all program outcomes are the result of program variables. Although the before-after approach has some degree of bias as an estimation procedure, it nevertheless has inherent objectivity (Khan

A Reappraisal of Impact of Structural Adjustment Programme (SAP) on the
Agricultural Sector of Nigeria: A Path-Analysis Approach

32

and Knight, 1985). The shortcoming of the before-after can be greatly reduced if further statistical tests are conducted on the issue in question (Gylfason, 1987).

Second, there is a modified form of the before-after approach called reference (control) group approach or with-without approach. This method assumes that the outcome of subjecting program and control group countries to non-program determinants would be similar for both groups had not the program countries received the program. Any difference between the two groups, therefore, are attributed to the program determinants (Goldstein & Montriel, 1986). The bias here compared to the previous approach, is lower, yet other errors may be present because program countries may differ from control group countries in terms of characteristics (Donovan, 1982). Third, there is the actual-versus target approach. This approach compares actual program performance for key macroeconomic factors to target for these factors set by the host country and multilateral agency.

The success of a program can be gauged by the extent to which program targets are achieved, but knowing this requires access to confidential information on country. This information is less likely to be released by the multilateral agency or host country. In addition, program variables may be affected by other non-program variables which may cause targets to be underachieved or overachieved (Khan, 1990). Fourth is the counterfactual approach. This approach compares the actual behavior of key macroeconomic variables in the program country with the outcome that would have been observed in the absence of the program (Khan & Knight, 1985). The fifth approach is the comparison-of-simulation approach. This method uses simulations of economic models to determine the hypothetical performance of Fund-type policies or policy packages and alternative policy packages (Khan, 1990). The drawbacks to this method are two folds: one, the real world effects of program performance may be different from simulated results, and two, program performance may be different when supported and implemented by a multilateral agency because of credibility attracted to agency (Khan, 1990).

## Methodology

Data for the variables are obtained from the Food and Agriculture Organization (FAO) data files. The data include agricultural production, measured as production index with 1981-91 as base year; agricultural exports, measured in dollar value; agricultural imports, measured in dollar value; contribution of agriculture to GDP, measured in percent; real GDP growth rate, measured in percent; and SAP measured as a dummy. The data covered the period from 1981-1996.

### *Methods of data analysis*

The study did not follow the mathematical model used by other studies cited above. Rather, it adopts the methodology of path analysis used by Rajaonarivony (1996) in analyzing effects of IMF program on Madagascar's economy. In path analysis, predictors change depending on the variable being analyzed at a particular time (Kim & Kohout, 1975). That is, a dependent variable at a particular stage in the model becomes an independent variable for a subsequent stage. For instance, agricultural production is dependent on SAP, while SAP and agricultural production are assumed to influence net agricultural exports. Similarly, SAP, agricultural production and net agricultural exports are supposed to influence contribution of agriculture to GDP. An interconnected series of multiple regression was used and the beta coefficient was used to evaluate the model.

The beta coefficient measures the relative impact or importance of an independent variable on the dependent variable (e.g. When there are two beta values, say 0.02 and 0.34, the 0.34 value has more impact than the 0.02 value). When there is one independent variable, the beta coefficient is the bivariate correlation coefficient r. The larger the beta coefficient, the stronger a variable relationship to the dependent variable. Indirect effects can only occur if a two or more-stage linkages exist between a dependent variable and an independent variable. The indirect effect is then estimated by the product of the betas along the indirect path. The sum of the direct and indirect effects yields the combined effect at any level.

## Model specification
The SAP variable is expected to have both direct and indirect effects on target variables

### i. Influence of SAP on agricultural production

$$AGR = f(SAP) \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (1)$$
Direct effect: bivariate r

### ii. Influence of SAP on net agricultural exports

$$NAGEX = f(SAP, AGR) \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$
Direct effect: beta of SAP
Indirect effect: bivariate r of SAP- (AGP x beta of AGP)

### iii. Influence of SAP on contribution of agriculture to GDP

$$CAGGDP = f(SAP, AGP, NAGEX) \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3)$$
Direct effect: beta of SAP
Indirect effect: bivariate r of SAP –AGP x beta of AGP x beta of NAGEX

### iv. Influence of SAP on real GDP growth rate

$$RGDPGR = f(SAP, AGP, NAGEX, CAGGDP) \dots\dots\dots\dots\dots\dots\dots\dots (4)$$
Direct effect: beta of SAP
Indirect effect: bivariate r of SAP –AGP x beta of AGP x beta of NAGEX x beta of CAGGDP

### v. Total Causal Impact of SAP on RGDPGR equal to:

Direct causal: beta of SAP in equation 4, plus
Indirect causal: through AGP in equation 1, through NAGEX in equation 2, and through CAGGDP in equation 3. $\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots$ (5)

## Results and Discussion

### Effects of SAP on selected variables
Table 1 shows the results Influence of SAP on selected indicators. The results of the bivariate analysis between SAP variable and other variables reflect the direct effect of SAP if there were only one independent variable. The program's effects on agricultural production, net agricultural exports, and real GDP growth rate are positive. The program's effect on contribution of

A Reappraisal of Impact of Structural Adjustment Programme (SAP) on the
Agricultural Sector of Nigeria: A Path-Analysis Approach

34

agriculture to GDP is negative, contrary to expectation. The direct effect of SAP on agricultural production was 0.85.

**Table 1: Bivariate Correlation of SAP Dummy with Other Variables**

| Variables | R |
|---|---|
| Agricultural Production (AGP) | 0.85* |
| Net Agricultural Exports (NAGEX) | 0.14 |
| Contribution of Agriculture to GDP (CAGGDP) | -0.08 |
| Real GDP Growth Rate (RGDPGR) | 0.02 |

*Source: Author's Computation, 2020.*    *(P< 0.01).

### *Effect of SAP in the agricultural sector*

The multi-stage analysis shows the path progression of the effect of SAP in the agricultural sector. Table 2 shows the results of the multiple regression analysis on net agricultural exports. The beta for SAP is 0.45 and for agricultural production -0.37. The direct effect of SAP on net agricultural exports is 0.45 and the indirect effect -0.35. The combined effect of SAP on net agricultural exports is 0.14. As expected, the influence of SAP on net agricultural exports is positive.

**Table 2: Results of the Multiple Regression Analysis on Net Agricultural Exports**

| Independent Variables | Beta |
|---|---|
| SAP (Dummy) | 0.45 |
| Agricultural Production (AGP) | -0.37 |

*Source: Author's Computation, 2020.*

### *Effect of SAP on contribution of agriculture to GDP*

The results of the multiple regression analysis on contribution to agriculture to GDP is shown in Table 3. The betas for SAP was 0.25 and for agricultural production and net agricultural exports were -0.47 and 4.8, respectively. The direct effect of SAP on contribution of agriculture to GDP is 0.25 and the indirect effect -0.19. The combined effect of SAP on contribution of agriculture to GDP is 0.06, a positive sign in conformity with *a priori* expectation.

**Table 3: Results of Multiple Regression Analysis on Contribution of Agriculture to GDP**

| Independent Variables | Beta |
|---|---|
| SAP (Dummy) | 0.25 |
| Agricultural Production (AGP) | -0.47 |
| Net Agricultural Exports (NAGEX) | 0.48** |

*Source: Author's Computation, 2020.*    *** (P = 0.05).

### *Effects of SAP on real GDP growth rate*

Table 4 shows the results of multiple regression analysis on real GDP growth rate. Agricultural production, net agricultural exports, and contribution of agriculture to GDP had a positive influence on real GDP growth rate. The respective betas are 0.36, 0.60 and 0.12. However, the SAP variable had a negative direct impact of -0.36 on the real GDP growth rate. This unexpected

sign may be explained by the inflation factor. That is, with inflation accounted for in real GDP the 'true direct effect of SAP reflects a negative or decrease value.

**Table 4: Results of Multiple Regression Analysis on Real GDP Growth Rate**

| Independent Variables | Beta |
|---|---|
| SAP (Dummy) | -0.36 |
| Agricultural Production (AGP) | 0.36 |
| Net Agricultural Exports (NAGEX) | 0.60** |
| Contribution of Agriculture to GDP (CAGGDP) | 0.12 |

*Source: Author's Computation, 2020.*   ** ($P < 0.05$).

### *Total causal impact of SAP in the agricultural sector on real GDP growth rate*

The results of regression analysis in Table 5 shows that SAP had an overall expected positive casual impact of 0.69 on real GDP growth rate. This comprises a direct and an indirect effect. The direct effect is -0.36. The indirect effect passes through three intervening variables, agricultural production (0.85), net agricultural exports (0.14) and contribution of agriculture to GDP (0.06). The indirect effect sums up to 1.05. It is the sum of the direct and indirect effect at each stage that yields the total causal impact. The indirect effect offset the negative value of the direct effect. It is likely that some aspects of SAP, incentives, such as favorable producer prices may have influenced the positive effect. The statistical analysis shows that overall, SAP in the agricultural sector resulted in an improvement in real GDP growth rate.

**Table 5: Causal Impact of SAP in the Agricultural Sector on Real GDP Growth Rate**

| Relationships | Partial | Total |
|---|---|---|
| Direct Causal | | -0.36 |
| Indirect Causal | | 1.05 |
| Through Agricultural Production | 0.85 | |
| Through Net Agricultural Exports | 0.14 | |
| Through Contribution of Agriculture to GDP | 0.06 | |
| Total Causal | | 0.69 |

*Source: Author's Computation, 2020.*

## Conclusion

The defunct Nigeria SAP has been formulated within the context of self-reliance strategy of economic recovery. This practice was predicated on social utility provision, infant industry argument, socio-economic discontinuities, and the theory of second best. In regard to the agricultural sector, the instrument of direct and indirect effects is comprised market deregulation, exchange rate reform, reduced government direct production efforts, and rationalization of input subsidies. The findings of the study showed that SAP had a positive impact on agricultural production, which in turn, had a positive impact on net agricultural exports, which in turn, had a positive impact on contribution of agriculture to GDP; which ultimately led to a positive impact of real GDP growth rate. The agricultural sector would have had a remarkable swath of prosperity

A Reappraisal of Impact of Structural Adjustment Programme (SAP) on the
Agricultural Sector of Nigeria: A Path-Analysis Approach

36

in the SAP policy but this was not materialize due to lack of appropriate institutional framework. Several lesson can be drawn from Nigeria's experience with SAP. First, part of the explanation for the weak performance of the SAP was the stop-go approach to policy implementation, which lack consistency and continuity. Sustainable reform requires continuity and coherent in economic policies in which the achievement of macro-economic stability is a *sine qua non* for raising the productivity of human and physical capital.

More so, the various measures adopted during SAP, though necessary for system growth, cannot alone revive the agricultural sector if not accompanied by other non-policies factors such as government involvement in farm input supply, population growth, provision of basic amenities to rural areas and government's ability to operate and maintain its agricultural investment. Therefore, in advocating for a re-visit to SAP as policy to resuscitate the agricultural sector, the following recommendations are pertinent:

## Recommendations

1. We need to strengthen the exchange rate reform with policies that enhance the country's trade management and competitiveness but not further reduce the living standards of the people
2. We need to be more flexible so as to provide automatic stabilizers that will negate the unforeseen adverse consequences of policy management process
3. The mounting unemployment problem requires a long-term approach to solution than is presently the case.

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