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Literature Review

Importance of agriculture

In terms of its contribution to GDP and jobs, agriculture is the major industry in many developing nations. By addressing financial shortages in developing nations, the growth of banks plays a significant role in agriculture financing. The next most significant fact is that the bulk of the world's poor people reside in rural areas and depend on agriculture for their livelihoods. Because of this, it may be argued that agriculture is crucial to both economic growth and the alleviation of poverty. As a result, government investment on agriculture is one of the most crucial tools for fostering economic growth and reducing rural poverty in developing nations (Fan and Saurkar, 2006). Numerous studies have been done on the connection between government spending and economic expansion. Some of these studies (Elias 1985; Fan, Hazell and Thorat 2000; Fan, Zhang, and Zhang 2000) have focused specifically on the relationship between government spending and agricultural growth and poverty reduction. These studies demonstrate the benefits of public spending on agriculture for both growth and the eradication of poverty. However, in the vast majority of developing nations, public spending and aid on agriculture are either flat or decreasing.

Due to their improved access to the domestic market, local banks that serve as intermediaries are often used by banks to finance specific programs in the public sector. For instance, the InterAmerican Development Bank (IADB) funded irrigation, rural road and electrification, and water management projects in the northern provinces of Argentina between 2004 and 2006 through PROSAP. Irrigation projects have also been funded by the IADB in Bolivia (2008), the Tocantins state of Brazil, Guatemala, Guyana, Haiti, and Jamaica (IADB, 2014). Additionally, financing for agriculture is very poor in nations with abundant oil. The problem therefore becomes that oil-rich nations with weak agriculture also make money from oil exports.

According to Solomon (2012), the neglect of agricultural policy and its implementation, combined with a growing reliance on a monocultural economy dependent on oil, are additional contributing factors to Nigeria's economic problem. However, after the Nigerian crisis, agriculture exports have been crucial to the country's economic growth by providing the necessary foreign exchange earnings for other capital-intensive projects. According to Ekpo and Egwwaikhide (1994), the export of agricultural products from Nigeria has increased to include cocoa, beans, and palm kernel. Nigeria was listed as the top producer of cassava in the 1940s and 1950s, though (Solomon, 2012). Nigeria continues to be the largest exporter of palm oil and palm kernel, comes in second to Ghana in terms of cocoa exports, and comes in third in terms of groundnut exports.

Expenditure and Income from Agriculture

Fan and Saurkar (2006) have extended Fan and Rao's (2003) work to examine trends in public expenditure in 44 developing countries over the period 1980 to 2002 (Table 1). Their research shows that, in real terms, public expenditure to agriculture has increased over the last twenty-five years.

Constant 200 \$ (bn)				Percentage of Agricultural GDP				
Region								
	1980	1990	2000	2002	1980	1990	2000	2002
Africa (17)	7.3	7.9	9.9	12.6	7.4	5.4	5.7	6.7
Asia(11)		106.5	162.8	191.8	9.4	8.5	9.5	10.6
L. America and Caribbean(16)	30.5	11.5	18.2	21.2	19.5	6.8	11.1	11.6
Total Developing countries	111.8	125.9	190.9	225.6	10.8	8.0	9.3	10.3

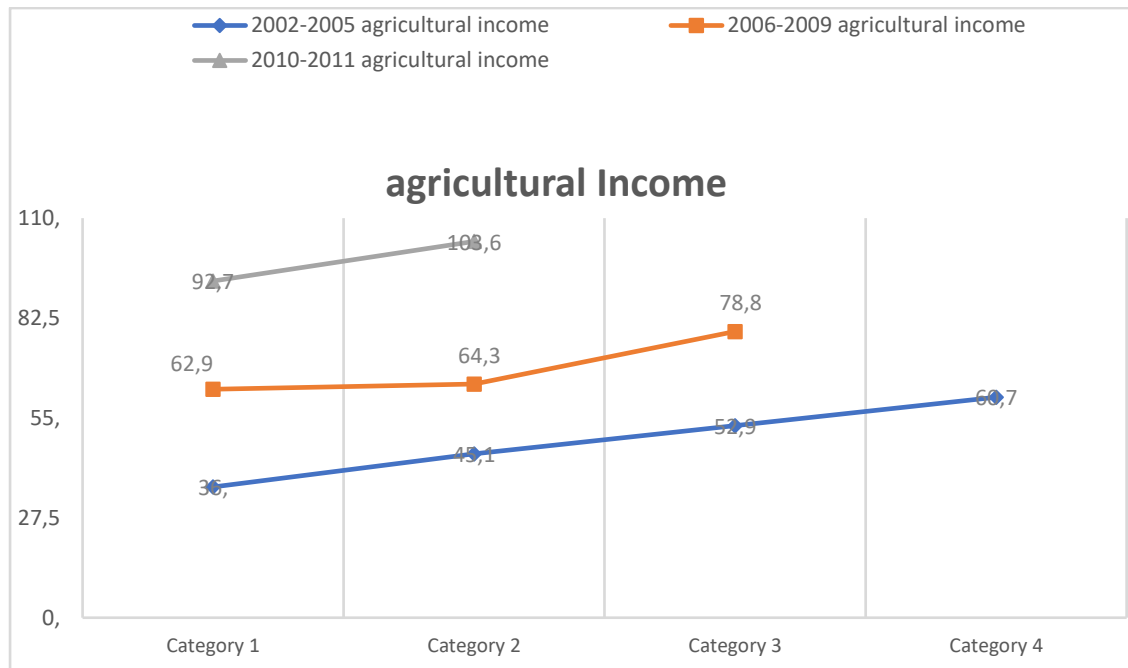
Fan and Saurkar (2006) Table 2.3. Calculated using data from International Monetary Fund's Government Financial Statistics Yearbook (various issues).

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There are certain nations with robust economies where agriculture is quite important. Because of this, their banking industry makes more investments to grow the economy. For instance, in Turkey, 26% of the population is employed in the agricultural sector, which plays a significant role in the country's economy. Agriculture generated a 15.3 billion dollar profit last year by exporting 1536

different items to 186 different nations. This industry has experienced a tremendous upswing, and they completed 2012 with a 3.5% growth. According to OECD and World Bank data, Turkey has risen to the seventh and sixth positions among nations with a significant agricultural sector, respectively.

Turkish Agricultural Bank was established in 1937 and began disbursing loans with a lower rate of interest. When it comes to loans given to farmers, the number was 2.790 million in 1970, but it rose to 36.850 million in 1975, 692.000 million in 1985, and 5.7013.133 million in 1990. Dinler (1993:260). When we examine the figures for agricultural revenue, we see that they have been rising since 2002 and since 2011. In 2011, agricultural products accounted for 10% of the country's total income.



This chart shows agricultural income in the period of 2002 and 2012. From the chart it's clear that Turkey has increased the income earned from agriculture in threefold during the period of 10 years. Agricultural income from 36 billion USD in 2002 has increased to 108.6 billion USD in 2011.