

CHALLENGES FACED BY FARMERS IN ACCESSING CREDIT FROM RURAL
BANKS;

A CASE STUDY OF OFFINSO MUNICIPALITY DISTRICT

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DECLARATION

We do hereby declare that except for references to other people’s work, which we have duly acknowledged, this study is the result of my own research and initiative. It has neither in whole nor in part been represented elsewhere for another degree.

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SUPERVISOR'S DECLARATION

I hereby certify and declare that the preparation and presentation of this work was keenly supervised by me in accordance with the principles and guidelines of the university.

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I hereby declare that a copy of this project work has been submitted to be kept by the institution's records.

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DEDICATION

The researchers dedicate this piece of work goes to the almighty God for His protection and guidance throughout our education. We also dedicate this work to our family whose help both financially and spiritually have brought us this far and our lecturers who taught us a whole lot.

ABSTRACT

Up to 1963, there were five main banks providing credit for economic activities in Ghana. These banks were mostly in the urban centers with specialized operations from that of many rural dwellers. Rural dwellers were known to be relatively poor and could not provide the collaterals that were needed by these banks and were therefore denied access to credit. Rural banks were therefore set up to catalyze rural development and serve as institutional vehicles for poverty reduction in various rural communities.

This study therefore examined the impact of rural banking on rural farmers in Ghana. The research seeks to access farmers on how to access credits from banks. Although, there are about five rural banks in the Offinso Municipality, farmers face difficulty in accessing credit. The researchers is poised to know more of the challenges farmers in the Offinso Municipality face in accessing credit from rural banks in the Municipality. Also we seek to identify some of the causes why rural banks in the OffinsoMunicipality do not offer credit to farmers and also identify other competitors for credit in the OffinsoMunicipality. The simple random sampling procedure was used to select thirty (30) farmers and five (5) rural bank managers for the research. We used both questionnaires and interviews to get data for the research. Statistical Package for Social Scientists (SPSS) and Microsoft Excel software were used for the data analysis. Primary data was gained from the rural bank managers and some farmers. The secondary data were collected from the Rural Bank Offices in the form of journals and other periodicals as well as from other literature by some authors on the related subject.

From the research, it was found out that the rural banks actually grant credit facilities but farmers have an intense competition in the accessing of credit. The researchers also found out that the

unavailability of credit to farmers tends to have an adverse effect on the development or growth of farmers affecting their economic activities.

The researchers therefore recommended that Rural banks should be client – oriented to effectively monitor the farmers after they are given credit facility. The study is a five chapter piece of work.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

The inadequate supply of credit is a major constraint to production in many developing countries. Making credit available, particularly to rural dwellers is thus considered essential to alleviate poverty and promote economic growth. According to Ayeh (2001), although informal credit markets operate widely in rural areas, many lenders typically give very high interest rates thus inhibiting the rural people from investing in productive income-generating activities. To curb this problem however, Agriculture Development Bank, National Investment Bank and Ghana Commercial Bank among others were established to mobilize and provide credit for rural development activities in the country. Unfortunately, their scope of operation and conditions favour the urban middle to upper class, thus showing discrimination against the rural people who produce the bulk of Ghana's wealth and food. Thus in Ghana, about 57 percent of the populace live in rural areas and are mostly engaged in peasant farming with farm holdings less than 2 hectares (MoFA, 2007).

Small scale producers lack access to credit because the lenders receive that smaller loans which the transaction costs per unit of lending are much higher than that of larger loans. Furthermore, when formal lending is entirely dependent on physical collateral because lenders perceive credit risk to be inversely related to asset ownership, the rural people are left out in the formal credit systems.

Moreover, the inability of the rural borrowers to offer adequate security for loans and the enormous risks associated with agriculture production as well as other economic activities in the

informal sector are the typical reasons given for the urban-based bias of commercial lending (Essel and Newsome, 1995).

It is in this regard that the Government through the Bank of Ghana introduced the Rural Banking Scheme in 1976 with the aim of establishing rural banks in the country to serve the bottom end of the capital market, which comprises mostly of the poor in the rural areas. However, their number reached a peak of 133 in 1998, but fell to 111 in 1999 with the closure of 23 distressed banks due to numerous problems in their operation and the commissioning of one new bank (Steel and Andah, 2003). Notwithstanding, their current number of 129 is considered to be quite an appreciable number to have significant impact on the local economy of the country. The rural banks however, were to bring formal banking services to the rural folk, mobilize and channel idle funds into productive ventures, support and sustain community development programs and above all, expected to pioneer the economic growth and development of rural areas.

1.1 Problem Statement

A rural bank is a financial institution that helps rationalize the developing regions or developing country to finance their needs specially the projects regarding agricultural progress. Although there are about five rural banks in the Offinso Municipality, farmers complain of lack of funds to expand their economic activities. The research sought to find out why farmers cannot access funds from the rural banks to expand their economic activities and hence improve their livelihood.

1.2 Research Objectives

The general objective of the study was to identify some of the challenges farmers in the Offinso Municipality face in accessing credit from rural banks in the Municipality. Specific objectives were:

- To identify some of the causes why rural banks in the OffinsoMunicipality do not offer credit to farmers.
- To identify other competitors for credit in the OffinsoMunicipality.
- To examine the effects of non availability of credit on the economic activities of the farmers in the OffinsoMunicipality.
- To provide suggestions on the challenges which farmers faces in accessing credit from rural banks.

1.3 Research Questions

- Why do rural banks in the OffinsoMunicipality don't offer credit to farmers in the Municipality?
- Who are the competitors for credit in the OffinsoMunicipality?
- What are the effects on non availability of credit on the economic activities of farmers in the OffinsoMunicipality?

1.4 Significance of the Study

This study would bring to light the challenges faced by the farmers in accessing credit delivery in the banking industry especially the rural banks. It is worth mentioning that most researchers have found this area of study very important to the development of the socio-economic activities in developing countries like Ghana. This study is centered on the activities of farmers and their contributions to the productivity in Ghana.

A study of this nature is very imperative as it would provide the government and banks with the needed information in designing a policy frame work to enhance the development of the farmers and productivity in the country. It would also enlighten the public on the role rural banks play in the Agricultural sector. The study will assist rural bank to adopt the necessary measures needed to ensure the desired growth in the agricultural industry.

In addition, the study would serve as a source of reference for other researchers or members of the general public who need information in the subject. More importantly, entrepreneurs and investors may find it useful in the successful operation in credit access as the study unveiled some of the reasons why farmers fear when they want to access credit.

1.5 Scope of the Study

The research was done to cover only five towns in Offinso Municipality. Among about 15 towns in the Offinso municipality only five were sample out to make inferences about the population.

1.6 Research Methodology

Relevant information was obtained from both primary and secondary sources. Primary sources will include field surveys with questionnaires administration, interviews and direct observations.

The Secondary data was obtained from published and unpublished literature, internet sources, journals, newspapers, development oriented magazines among others. The information obtained from secondary sources provided the theoretical framework within which the study was carried out.

Simple random sampling was used in selecting farmers and rural banks in the Offinso Municipality. Questionnaires were designed for both Rural Banks and farmers to solicit

information for them to share their problems about the challenges they faced in granting or accessing credit.

1.7 Limitations of the Study

Difficulty in gaining access to relevant information that pertains to the study.

- i. Failure on the part of respondents to complete the questionnaires administered to them.
- ii. Financial constraint was also a problem to the study since we had to go round the Municipality for the information we needed to complete the study.
- iii. Illiteracy and ignorance on the part of the respondents was another factor that hindered progress of the study.
- iv. Time constraints were also a limiting factor.

1.8 Organization of the Study

The research report will comprise five chapters.

- i. Chapter one dealt with the introduction, which dealt with the background of the study, statement of the problem, objectives of the study, research questions, scope of the study, significance of the study and the limitation of the study.
- ii. Chapter two was a review of relevant literature related to the study. These include issues on the concept of banking, the rural banking industry, banking products offered by rural banks, credit delivery in rural banks as well as challenges faced in credit delivery.
- iii. Chapter three shall deal with research methodology which consisted of the research design; source(s) of data; target population; sample and sampling procedures research instrument; research approach and data presentation.

- iv. The fourth chapter contains the actual analysis of data collected from the field survey and presentation of finding and results.
- v. The final chapter contains a summary of the study which included findings, recommendations and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides the theoretical framework on which this research study was based and reviews relevant literature from various sources with reference to the thematic areas of this study. It looks at issues such as banking, rural banking, credit delivery, banking in Ghana, and rural banking in Ghana as well as challenges faced by rural banks in Ghana with reference to credit delivery.

2.1 Banking in Ghana

Banking is financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets.

In Ghana the banking sector is governed by the Bank Act 2004 which was passed in 2004 to replace Banking Law 1989, PNDC Law 225.

Section 47 of the Banking Act 1970, defines such terms as 'bank', 'banking enterprise' and the 'business of banking'. According to the said section 47, "banking means any banking enterprise (whether foreign or Ghanaian) which is issued with a license". "Banking enterprise means any enterprise not yet issued with license which carries on or proposes to carry the business of banking".

Business of banking means:

- The acceptance of lending or investment purposes of deposits of money from the public repayable on demand and withdraw by cheques, drafts, orders or by other means or;
- The financing, whether in whole or in part or by way of short, medium, or long-term loans or advances, of trade, industry, commerce or agriculture.

It must therefore be noted that, no person shall carry on the business of banking without a valid license according to the Banking Act 1970, Act 339 section 2. Also under section 1(i) of the Act, it is provided that only “a body corporate incorporated in Ghana” shall carry on the business of banking (Addeah, 1989).

2.2 The role of Banking in Ghana

The banking industry (which is part of the global service industry) not only plays a leading role within the financial system in a country but also has an important socio-economic function. Banks facilitate economic development and it is the objective of the government to build an efficient, effective and a stable banking industry in Ghana that will support both the needs of the real economy and the socio-economic objectives of the country. The banking industry provides short term as well as long term funds for investment. Banks provide liquidity on demand to depositors through the current account and extend credit as well as liquidity to their borrowers through lines of credit (Kashyap et al., 1999).

One area that has seen fierce competition in the banking industry in Ghana is the area of product development. New products such as international funds transfer, school fees loan, negotiable certificate of deposit, car loans, consumer/hire purchase loan, travelers' cheque, etc. have been developed. Another development that has occurred over the last decade is computerization and networking of branches. Some of the banks have a nationwide network whilst others have reached an advanced stage of networking all their branches. Banks operations and information processing have vastly increased (Hinson et al, 2006).

In Ghana, the banking sector has traditionally been segmented into merchant, commercial (retail) and development banks. While merchant banks have been restricted to corporate clients, the commercial and development banks have traditionally had customers across the entire financial

market segments (Hinson et al, 2006). It is against this backdrop and the need to create a level playing field for all banks that the idea of Universal Banking (Bank of Ghana, 2004) was adopted. The aim is to allow all banks that comply with the prescribed capital requirements, the freedom to engage in permissible banking business without restrictions and thereby eliminate the compartmentalization. Hinson (2004) has noted that “before the passage of the Universal Banking Law, banking was conducted along such narrow scopes as commercial, developmental or merchant banking. With the passage of the Universal Banking Law however, all types of banking can be conducted under a single corporate banking entity and this greatly reorganizes the competitive scopes of several banking products in Ghana”. He further noted that banks in Ghana have been thrust “firmly into the competitive arena in terms of customers and products” and also that banks throughout Ghana are also “seeking unique ways of differentiating their offering”.

The banking system in Ghana consists of a national network of licensed and statutory financial institutions engaged in the business of banking under the banking laws of Ghana. Bank of Ghana is the central bank and it regulates the activities of all the banks.

2.4 Types of Banks

- **Development Banks**

These are financial institutions dedicated to fund new and upcoming businesses and economic development projects by providing equity capital and or loan capital. Examples of development banks in Ghana are Agricultural Development Bank, Prudential Bank and National Investment Bank.

- **Universal Banks**

These are banks whose main purpose is to take deposits from consumers and make home mortgages; it combines commercial banking with investment banking. Examples of universal

banks in the country include HFC Bank Ghana Ltd, Ecobank Ghana Ltd, Merchant Bank Ghana Ltd, CAL Bank Ltd, Stanbic Bank Ltd, Standard Trust Bank Ghana Ltd, Guaranty Bank Ghana Limited, and Zenith Bank Ghana Limited.

- **Merchant Banks**

These are banks that deal with international finance, long term loans to companies and underwriting. They were traditionally banks which engaged in trade finance. The modern definition, however, refers to banks which provide capital to firms in the form of shares rather than loans. Unlike venture capital firms, they tend not to invest in new companies. Examples of merchant banks in Ghana are Amalgamated Bank Ltd and First Atlantic Merchant Bank.

- **Commercial Banks**

These are banks whose principal functions are to receive demand deposits and to make short-term loans. Commercial banking is also known as *business banking*. It is a bank that provides checking accounts, savings accounts, and money market accounts and that accepts time deposits. Early commercial banks were limited to accepting deposits of money or valuables for safekeeping and verifying coinage or exchanging one jurisdiction's coins for another's. By the 17th century most of the essentials of modern banking, including foreign exchange, the payment of interest, and the granting of loans, were in place. It became common for individuals and firms to exchange funds through bankers with a written draft, the precursor to the modern check. Because a commercial bank is required to hold only a fraction of its deposits as cash reserves, it can use some of the money deposited by its customers to extend loans.

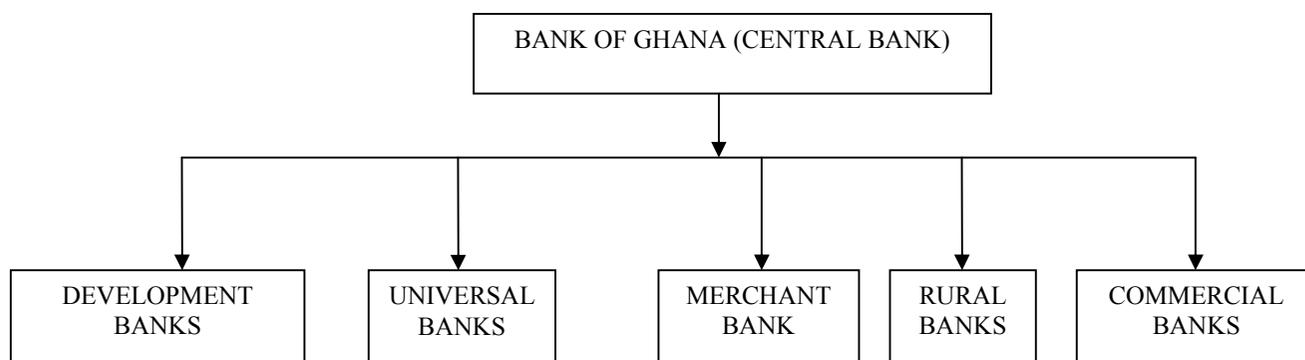
- **Rural Banks**

A rural bank according to “The Law of Rural Banking in Ghana” by Dr. Kwaku Addeah, is a body incorporated under Ghana’s Companies Code (Act 179) whose name includes the word

bank and which is licensed by Bank of Ghana to carry non specified banking business. A rural bank is a unit bank which is owned, managed and patronised by the people of a given area or locality with support from the Bank of Ghana. A rural Bank therefore has the power to engage in the business of banking within the framework and limitations and in the manner provided for in the Banking Law in 1989(PNDC LAW 225).

2.5 Organizational Structure of the Banking Industry in Ghana

Figure 2.1: Structure of Ghana’s Banking Industry



SOURCE: Aboagye-Debrah, K. (2007).

2.6 History of Rural Banks in Ghana

Up to 1963, there were five banks providing credit for economic activities in Ghana. These banks were mostly in the urban centers with their specialised operations different from many rural dwellers. Rural dwellers were known to be poor and could not provide the collaterals that were needed by these banks. It was noted that the rural communities were not developed and economically not viable to the extent of attracting the banks which were profit oriented. This created a situation where only a few number of rural people were able to receive credit facilities from banks. Therefore not only were rural dwellers denied access to credit from organised institutions, but they also could not avail themselves of the opportunity of safeguarding their

money and other valuable property which a bank provides. It was also realized that, though urban dwellers received money from their various economic activities, much of it was being handled inappropriately. Rural banks were therefore set up in order to mobilize rural funds circulating in the system.

The rural banking concept was introduced in mid -1970s. The motive was to mobilize savings from the rural areas and in turn make institutional credit available to the rural economy. To mitigate the lack of financial support to the development of the economic potential of the rural community, the Central Bank, in 1976, introduced the rural banking concept with the primary objective of mobilizing financial resources and further deploying them to support viable economic ventures.

The first Rural Bank to be set up was Nyarkom in the Central Region and was established in 1976. Thereafter, there has been a rapid development of Rural Banks in the country, and as at 2008 there are 214 Rural banks in Ghana. The primary Objectives of all Rural banks are to mobilize and channel rural savings for the economic development within the communities in which they are located. These objectives can be summarized as follows:

- Mobilize all available savings within the catchment area
- Extending institutional credit to rural dwellers in their respective areas of operation and thereby assist in increased productivity to create wealth for improved standards of living.
- Act as a catalytic institution for rural development by identifying and promoting development –oriented institutions.

2.7 The role of rural banks in rural development

Dr. Paul Acquah, former Governor of the Bank of Ghana has said “ Rural banking has catalyzed development and served as institutional vehicles for poverty reduction in their various communities. Rural banking has extended the reach of financial intermediation to many people in the rural communities, playing a major role in inculcating banking habits, encouraging savings and access to credit and establishing sound creditor-borrower relationships among the wider population. The banks undertake a mixture of commercial and micro-financing activities, structured to satisfy the needs of the communities.” (The Ghanaian Times, Business News Extra, 2000). According to Nikoi (1999), Rural Banks were established in response to the need and demand to make institutional credit and banking services accessible to small –scale rural entrepreneurs. Rural banks are supposed to be seen as tools of national economic development. Hence the promotion of rural banks to bridge the financing gaps that formerly existed in rural communities.

According to Duffour (2000), we must always remember that rural finance and poverty alleviation were principles on which the rural banking system was founded some twenty-two (22) years ago. This clearly indicates that rural finance is a major incentive for rural folks and some should not be deprived of.

2.8 Products and Services

Savings: Rural bank savings products include regular savings accounts, current accounts, susudeposits, and fixed or time deposits. In the sample of 12 rural banks, regular savings deposits account for about 58 percent of the total number of clients and 57 percent of the total deposit balance. These accounts are small in size and short term. The interest rate for regular savings is low and is paid only once a balance reaches a certain amount (usually higher than the balances held by most savers). Many rural clients have access to this type of account; unlike other

commercial banks, rural banks do not require a high balance to open an account. Susu is the second-largest account type, representing 21 percent of total clients, but its share of total deposits is only 11 percent because of the small size of each account. Fixed and special deposits that offer higher interest rates with a long-term deposit contract represent only about 1 percent of total number of clients. Also, rural banks operate the following accounts:

- Current accounts
- Savings account
- Fixed deposit account and
- ‘Susu’ account.

Credit: The credit products offered by rural banks include micro-finance loans, personal loans, salary loans, susuloans, and overdraft facilities. In the sample of 12 rural banks, salary loans account for 33 percent of total advances, followed by personal loans (24 percent) and micro-finance (20 percent). In terms of the number of borrowers, micro-finance accounts for 31 percent of total borrowers followed by personal loans (26 percent) and salary loans (22 percent). Rural bank loans are used for agriculture, cottage industries, and trading. Micro-finance loans are categorized under trading, which accounts for 41 percent of the total sectors financed. Agricultural loans are reported to account for about 9 percent of loans, but this figure is an underestimate given that a significant portion of the loans reported as micro-finance and personal loans are actually used for agricultural production. Rural banks grant the following loans:

- Cottage industry loans
- Commercial loans especially for the purchase of farm produce and
- Agriculture loans among others

Money Transfer and Payments: Rural bank offer money transfer and payment services to their clients in collaboration with the ARB Apex Bank. Rural banks participate in local and international money transfers through, among others, Western Union, Money Gram, and Vigo. Government agencies use the rural bank service outlets for salary and pension deposits. Clearing of checks for cocoa purchases is also an important service provided under the payment category. However before one qualifies for loan, he/she must be a customer of the bank for at least six months and must maintain an account with the bank (Quashie-Sam). He further stated that, in the provision of securities by applicants, the following are prescribed:

- **Basic Uncontracted Securities:** These include a clear credit record, a substantial surplus in the applicant's statement of business, and a balance in the account of the applicant which should not be less than 10 percent of the credit applied for.
- **Specific Uncontracted Securities:** These include personal, joint and several guarantee of two persons; pledge of credit balances; equitable pledge on properties which may include buildings, and farms; pledge on the following instruments by surrendering them to the bank- government stocks, treasury bills, rural shares and so on.

It is important therefore to note that every rural bank determines its terms of operations, but these must be in line with the general provisions of the Bank of Ghana. The loan is disbursed to the perspective applicants after the conditions are met and the securities provided. As part of the rural banks' loan recovery measures, the borrower is given a grace period usually between two to four weeks. This is to prevent the bank from demanding repayment when the project itself has not started generating income from its resources. Repayments can be made through the borrower's savings account or the project officer. For most rural banks, in case of default, the borrower is invited to a board meeting for discussions; court action is applied as the last resort.

2.9 Organizational Structure of Rural Banks

Below is the organizational structure of a rural bank according to Addeah (1989):

- Shareholders and Board of Directors (BoD); the shareholders and for that matter the ordinary shareholders are the real owners of the bank. They therefore have the right to appoint and dismiss directors of the bank as well as the power to make vital decisions with regard to the operation of the bank, the power to allocate responsibility to directors and to alter their powers and the power to monitor the activities of directors through resolution etc. On the other hand the Board of Directors which is headed by the board chairman assumes the role of top level management of the organization. They outline the mission, vision and objectives of the bank. They also exercise the corporate powers of the bank.
- The Manager and Other Bank Staff; the scope of the powers of the rural bank manager is determined by the Regulations, banking laws, the Bank of Ghana and the Board of Directors. The manager manages on behalf of the directors the actual banking business and other corporate matters relating to the bank as a legal entity. The manager may be part of the board of directors of the bank and assumes the role of a secretary to the board. The manager in carrying out the banking and corporate duties, works with a team known as the 'other bank staff' consisting of an accountant, project officer, clerks, messenger and watchman etc. The manager exercises control and supervision over them on behalf of the directors.

From the organizational structure above, it can be said that the potential loan beneficiary and for that matter farmer will be able to go through the necessary procedure for the acquisition of loan through the guidelines of the bank's human resource available. The project officer for example,

gives the beneficiaries the guidelines to which they can put the loan granted them to best use as well as setting flexible repayment conditions for them to be able to pay back their loans.

Competitors of rural banks credits

- Traders
- Public servant
- Medium and large organization
- Nonprofit organization

2.10History of Offinso Municipal Municipality

Offinso Municipal Municipality can be found in the Ashanti Region and it is a farming area in which half of the country's tomatoes are being produced from farmers at the Akomadan community in the Offinso North are the country's best. Most of the people at Offinso engage in farming and trading activities. They really contribute to the national income of Ghana. Last year 2012, the national best farmer and the Ashanti regional best farmer all came from Offinso Municipal Municipality. The indigenous people praise God for giving the much fertile land and much favorable weather conditions but the real problem there is that they are really poor. Most farmers think that peasant farming is the best because they fear that credit won't be available to them when they apply and others really think collateral is only way of accessing credit from the banks.

CHAPTER THREE

METHODOLOGY AND ORGANISATIONAL PROFILES

3.1 Introduction

The third chapter of this research report comprise of the methodology used in carrying out the research study. The research methodology considers the research process used, research design, sampling technique, sources of data, data analysis as well as the mode of data collection.

3.2 Methodology

This section looks at the research methodology adopted by this study in achieving in its goal and objectives. It gives the sequential order about how the whole research study would be carried out. It outlines how information is to be gathered for assessment or evaluation that includes identifying the data gathering method(s), the instruments to be used, how the instruments will be administered, and how the information will be organized and analyzed.

3.2.1 Research Process

The process to be adopted to complete this research study include literature review on relevant documents, preparation of survey instruments, field survey, data collation, data analysis, reporting of findings and recommendations. The literature review will contain issues relating to marketing of banking products, preparation of survey instruments will be done to raise questions to obtain data during the field survey. The data obtained will then be collated and analyzed after which findings and recommendations will be documented.

3.2.2 Research Design

Case study is the research design that would be employed in this research study. (Yin, 1994), defines case study as an empirical inquiry that investigates a contemporary phenomenon within its real real-life context. The study questions used in case studies are most likely to be will be clearly defined questions and their definition is the first task of the researchers. This research study will look at why marketing personnel face challenges in the marketing of banking products and how these challenges affect their operations and the bank in general hence the adoption of this research design.

A frequent criticism of case study methodology is that its dependence on a single case renders it incapable of providing generalising conclusion. As advised by Yin (1994), findings from this study will be generalised to theories to make it viable and reliable for generalisation. This is the basis for the literature review in the next chapter.

3.2.3 Sampling Techniques for Data Collection

We used the simple random sampling technique and chose a population size of 35 units. The units included 5 bank managers and 30 farmers.

According to Adèr et al (2008), researchers seldom survey the entire population for two reasons;

- The cost is too high, and
- The population is dynamic in that the individuals making up the population may change over time.

The three main advantages of sampling are that the cost is lower, data collection is faster, and since the data set is smaller it is possible to ensure homogeneity and to improve the accuracy and quality of the data.

For this research study simple random sampling technique will be used for the data collection.

3.2.4 Sources of Data

The successful completion of the study will be based on two important sources of data; thus the primary and secondary data sources.

The secondary source of data will be obtained basically through the review of literature that is relevant to the study. Thus previous works and documents done on the operations of rural banks as well as their credit lending operations will be studied thoroughly and employed.

The primary source of data will also be obtained through the use of two major instruments; thus the conduction of interviews as well as the administration of questionnaires.

3.2.5 Data Analysis

Qualitative and quantitative methods will be used in the analysis of the primary and secondary data to be collected. The quantitative data will be analyzed using Statistical Package for Social Scientists (SPSS) and Microsoft Excel and presented in the form of tables, charts and figures whereas inferences will be made for the qualitative data that will be collected.

3.2.6 Mode of Data Collection

Information for the study will be gathered from primary as well as secondary data sources. The major source of data will be from primary source. The primary data will be gathered by means of a field survey using survey instruments such as interview guides and questionnaires. The information will be gathered from sources such as staff of Offinso rural bank. Qualitative as well as quantitative data will be collected for the study.

Secondary data will also be obtained from published documents, reports, journals, the internet and periodicals which will basically constitute chapter two thus the literature review.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION OF THE FINDINGS

4.0 Introduction

This chapter presents a detailed discussion and analysis of findings of the study with particular reference to the responses received, findings of the study, tables and figures and other related charts that are useful to the study.

4.1 Findings from the Rural Banks

4.1.1 Years rural banks have been in operation at Offinso municipality

Table 4.1

Years of Operation		
	Frequency (5)	Percentage
1years – 10years	0	0
11years – 20years	1	20%
21years – 30years	3	60%
31 years and above	1	20%
Total	5	100%

Source: Researchers' Survey, 2013

From Table 4.1 above, it shows that, 60 percent of the respondents (Banks) began their operations from on 21years-30years, 20 percent started their businesses between 11years-20years and 31 years and above. This shows that, most of the Rural Banks sampled for the study which has been in existence from 21years-30yearshave the requisite experience in terms of their dealing with farmers in accessing credit facilities.

4.1.2 Accounts operated by Banks

The respondents were to indicate among the following accounts operated. We wanted to know the type of accounts the banks operated.

Table 4.2

Account	Yes	No
Current account	5	0
Fixed deposit	5	0
Savings deposit	5	0
Susu	5	0

Source: Researchers' Survey, 2013

From the response, the entire respondent operated Current account, fixed deposit, Savings and loans and Susu. This means the rural banks offer more banking instrument to the public.

4.1.3 Methods employed for deposit collection

We seek to look at how rural banks accept deposit from customers.

Table 4.3

METHOD OF DEPOSIT COLLECTION	Number	%
Mobile banking term to get customers at their business locations	5	100
Waiting for customers to come into the banking halls	5	100
Others (customer visitation)	5	100

Source: Researchers' Survey, 2013

From the table above, Responses obtained showed that all respondents employed mobile banking team for deposit collection. We found out that customers at Offinso Municipal visited the Rural to lodge their deposits. The Rural Banks engaged the services of field cashiers, who were each assigned a list of customers. The field cashiers visit their clients daily to collect their deposits. The amount to be paid and the frequency of payment were determined by the customers. The field cashiers were expected to be guided by the customers' instructions during their rounds for deposit collection. It was observed that the cashiers were given targets which they were expected to achieve. Some of the Rural Banks based the remuneration of their field cashiers on the quantum of deposits they were able to mobilize. In a bid to receive higher remuneration, the field cashiers also fished out for new customers from whom they could mobilize regular deposits thus performing marketing duties in addition to their deposit collection duties.

4.1.4 Credit Facility offered

The researchers sought to find out what type of credit facilities rural banks provides to customers

Table 4.4

Credit facility offered			
Credits	Sample size	Yes	No
Overdraft	5	5	0
Personal Loan	5	5	0
Small business loan	5	5	0
Farmers loan	5	5	0
Corporate business loan	5	5	0
Students loan	5	3	2
Others	5	2	3

Source: Researchers' Survey, 2013

From the above Table 4.3, all the respondents provide credit facility to its customers. The table above showed that all the Rural Banks in the Offinso Municipality provide credit for Overdraft, Personal Loan, small business loan, Farmers loan, Corporate business loan but three Rural Banks provides loans for students representing 60 percent. Some of the loans provided for the others were funeral loans and others which also represented 40%.

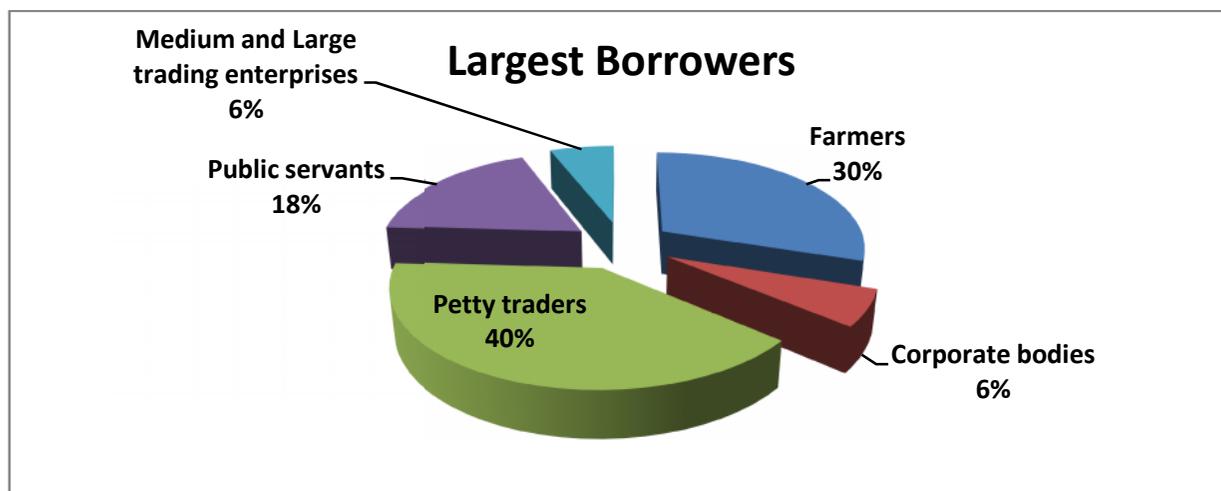
4.1.5 Largest category of borrowers

There are several of credits from rural banks in the Offinso municipality. The researchers aimed to find the largest categories of borrowers in the municipality.

We found out that the borrowers were Farmers, Corporate bodies, Petty traders, Public servants and Medium and Large trading enterprises.

As shown in the chart below, the largest categories of borrowers of Rural Banks at Offinso are petty traders which represented 40 percent followed by farmers 30 percent, public servants represented 18 percent, corporate bodies and Medium and Large trading enterprises represented 6 percent. These findings helped us to know that in the Offinso municipal majority of the borrowers were petty traders. The research suggested that farmers were facing much competition on accessing credit from the banks.

Fig. 4.1



Source: Researchers' Survey, 2013

4.1.6 Maturity Profile of loans

The researchers seek to the length of the loans which the banks give to farmers in Offinso municipality when they access credit. The profile of maturity of loans was short term loans, medium term loans and the long term loans.

Table 4.5

Maturity Profile of loans	Number of Banks	Percentage
Short Term	5	50%
Medium Term	5	50%
Long Term	5	0

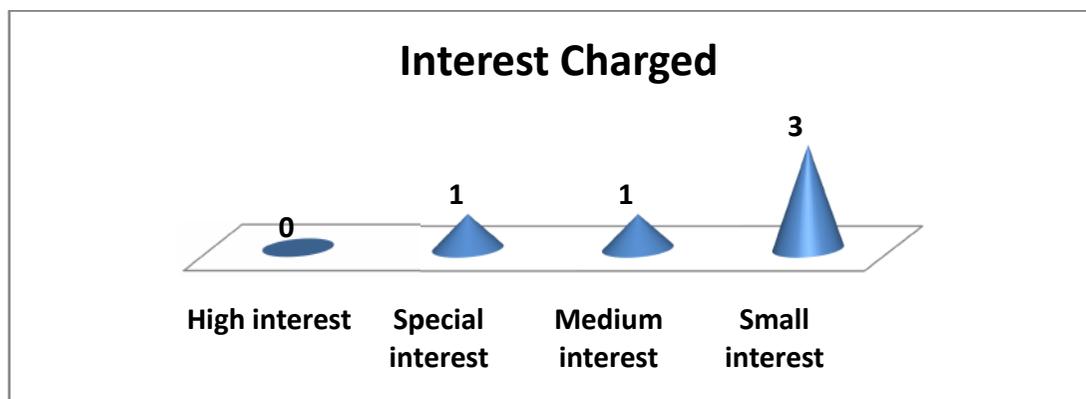
Source: Researchers' Field survey, 2013

From the table above, the maturity profile as given by all 5 respondents (100 percent) was short term that is within one year and medium term which was more than a year but less than three (3) years . The Rural Banks gave out loans as low as GHC50.00. The clients of the companies were mainly engaged in micro businesses which hardly required large capital. Their requests were therefore mostly for small loans. In response to the concept of demand and supply therefore, smaller loans are given since smaller loans are demanded. These loans obviously do not require long periods of repayment. Another factor is the fact that the loans given are to enhance the working capital of the clients and are not for capital expenditure. The respondents employ daily, weekly, fortnightly, and monthly repayment schedules. This results in high frequency of small installment payments. The medium loans are mainly collected by farmers for cultivations and buying of agro-chemical stuffs. But not all borrowers have the same privileges.

4.1.7 Interest Charged

The interest charged on loans were to be analyzed by the researchers and the respondent were asked about the interest charged

Fig. 4.2



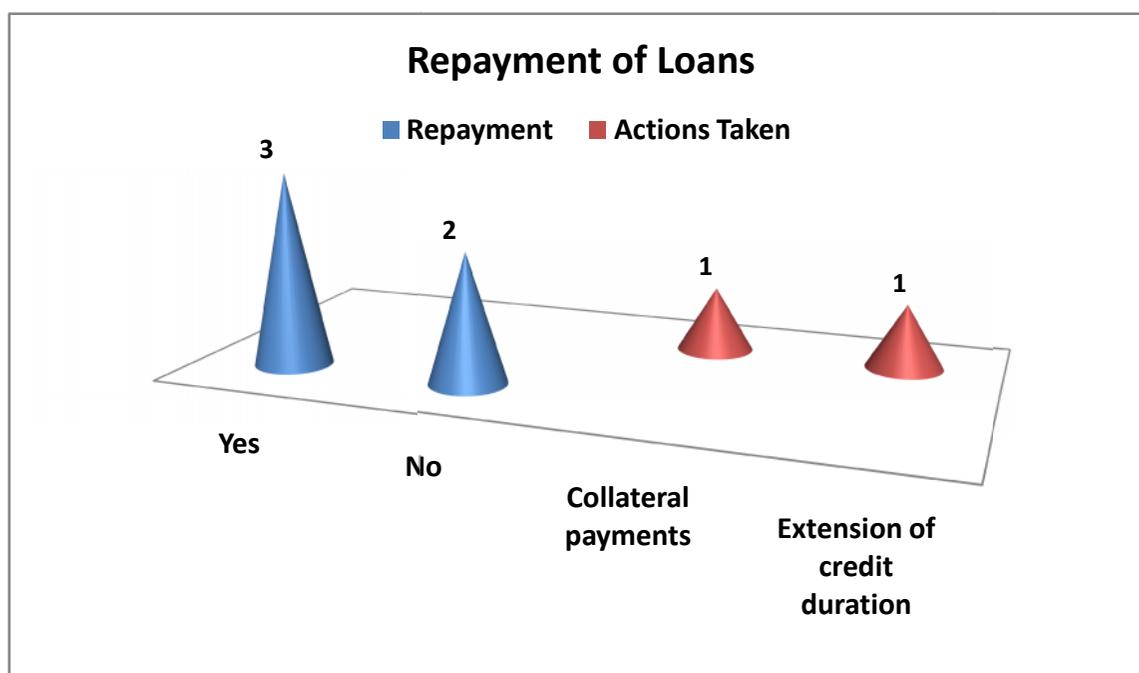
Source: Researchers' Field survey, 2013

From the above diagram, the respondent said that the interest they charge on credit facilities are of small interest. Three (3) of the five (5) said they charge small interest on loans while the other two (2) said they charge at medium interest. None of them charge high interest on credit facilities. The rural banks in the Offinso municipality charged small interest and farmers in the municipality have to take that as an opportunity to access credit to ease their operations.

4.1.8. Repayment of Loans

This researchers seeks to know whether the borrowers can repay the credit and other actions that will be taken if they unable to repay within the set time.

Fig. 4.3



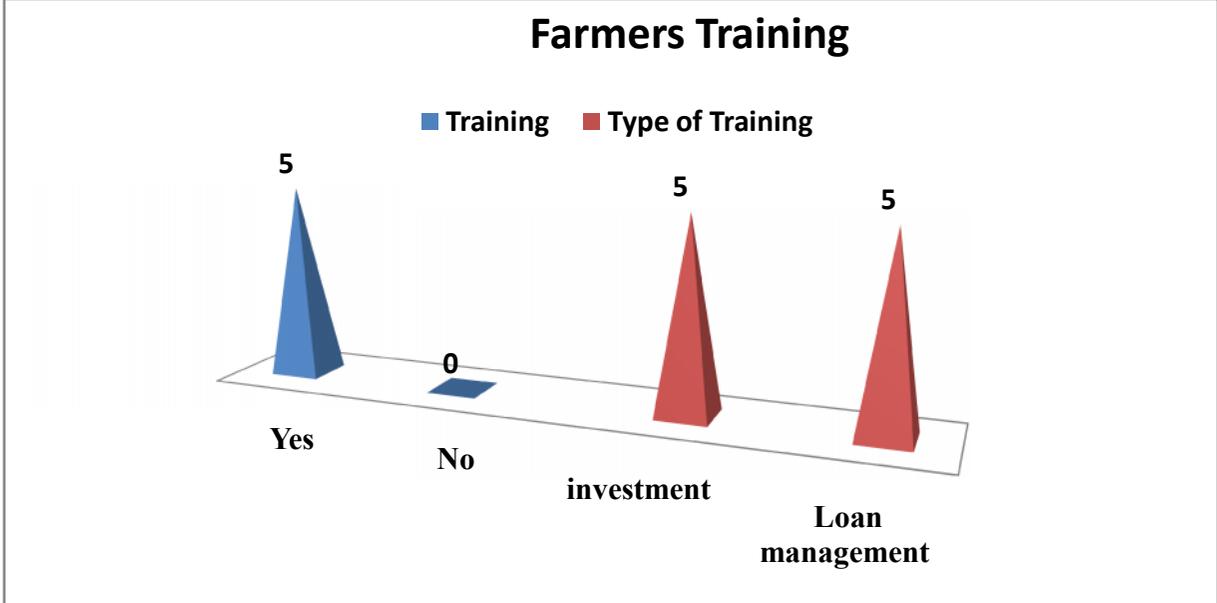
Source: Researchers' Field survey, 2013

Out of the five (5) respondents, three (3) of them said the farmers are able to make repayments of credit within the time set whiles two (2) said the farmers are not able to pay back the credit on time. Out of the two banks who said the farmers are not able to make repayments on time, each used either the collateral security to defray the debt or extend it for the farmers to make the payments. The banks suggested that farmers were able to pay at due time and for those who could not pay, appropriate actions such as collateral payment and extension of credit duration were applied.

4.1.9. Farmers Training

The researchers wanted to know if training was given to farmers and the type of training which are offered to farmers.

Fig. 4.4



Source: Researchers’ Field Survey, 2013

From the figure above, all the five (5) banks admitted that they give special training to the farmers in the form of investment advice and seminars as well as in the management of loans and their businesses. This sought to suggest that farmers can save much of the funds they generate and also help them to manage credit in useful ways.

4.2 Respondents from Farmers

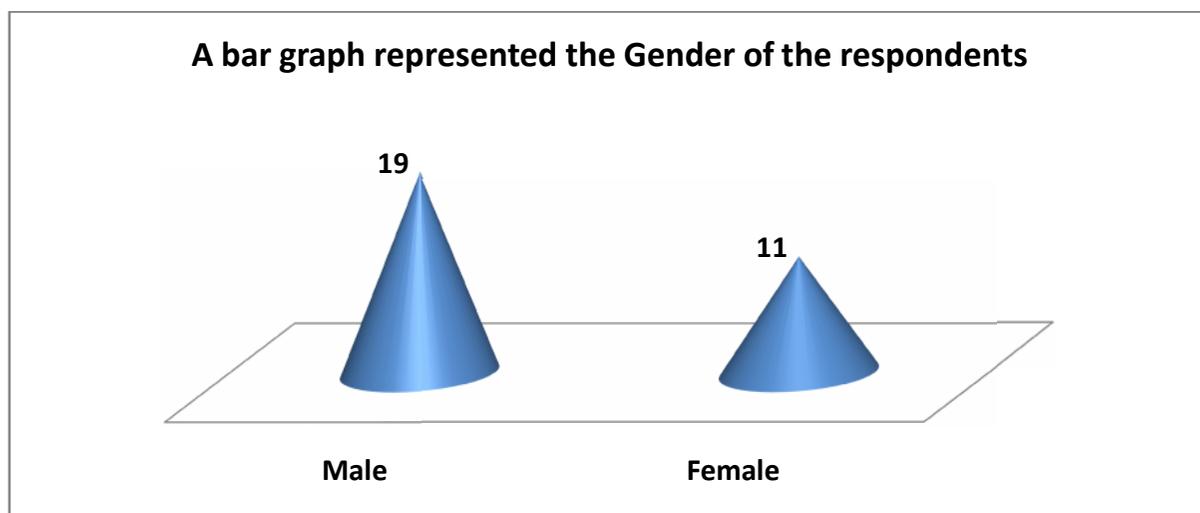
4.2.1 Gender Distribution of the respondents

Table 4.6

Gender	Sample size	Percentage %
Male	19	63.33
Female	11	36.67
Total	30	100

Source: Researchers' Field Survey, 2013

Fig 4.5



Source: Researchers' Field Survey, 2013

The researchers sought to find out the distribution of sex who is farmers within the Offinso municipality. From Table 4.5 above, we could see that 63.33% of the respondents are males. 36.67% of them are females. Here the males were chosen as the majority of the population whiles the female were chosen as minority of the population. It is represented in a graphical figure (fig 4.5) above.

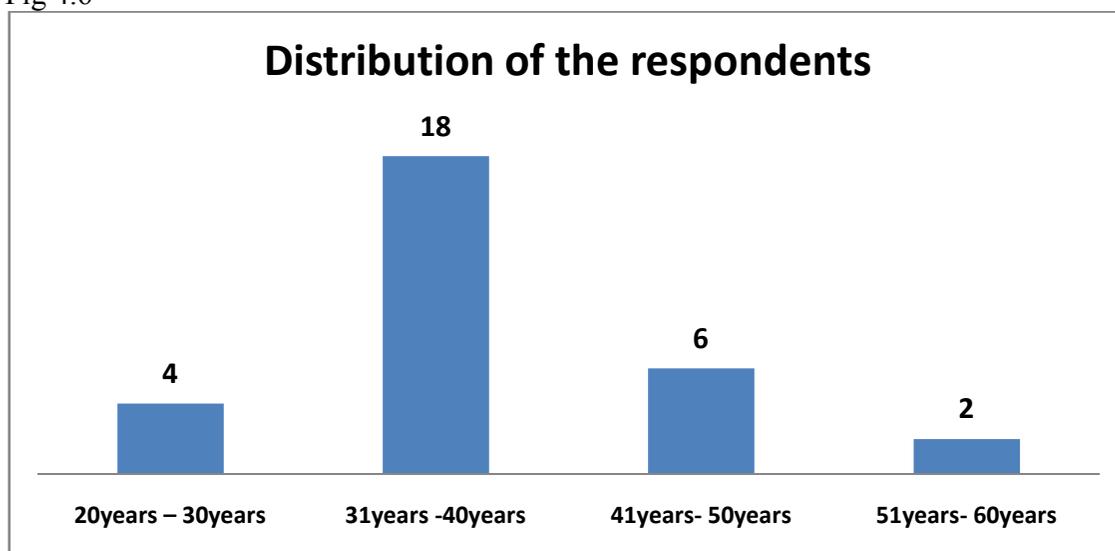
4.2.2 Age Distribution of Respondents

Table 4.7

Age	Sample size	Percentage %
20years – 30years	4	13.33%
31years -40years	18	60%
41years- 50years	6	20%
51years- 60years	2	6.67%
61years and above	0	0

Source: Researchers' Field Survey, 2013

Fig 4.6



Source: Researchers' Field Survey, 2013

Age is a very vital factor in any research and the researchers studied the groupings of people in the municipality. From Table 4.6 above, 60% of the farmers are within the ages of 31years - 40years. It followed by 41years – 50years which represents 20%, 20years – 30years which also represent 13.33% and the least of the respondents’ are 51years-60years. This is represented graphically in fig 4.6.

4.2.3 Level of Education

Table 4.8

Education	Frequency	Percentage
Primary	6	20.0
J.H.S.	8	26.67
S.H.S	16	53.33

Source: Researchers’ Field Survey, 2013

In this analysis, the researchers aimed at knowing the various levels of education of the respondents. From fig table 4.7, the researchers found out of the total population, more (53.3%) of the respondents were Senior High Certificate holders. Few of them are primary or J.H.S. graduates. Majority of farmers are now educated.

4.2.4 Frequency distribution representing the question “Do you save money in Financial Institutions”

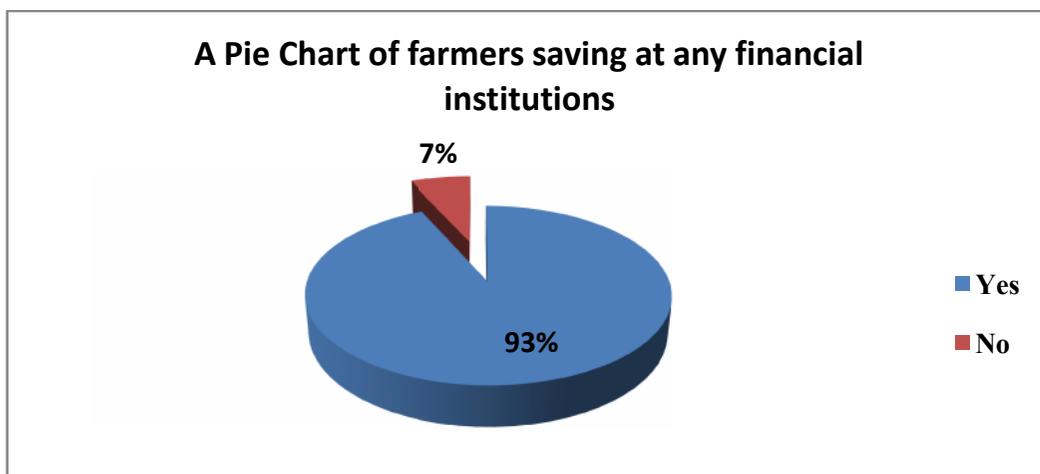
Table 4.9

	Sample size	Percent
Yes	28	93.33%
No	2	6.7%

Source: Researchers’ Field Survey, 2013

The researchers wanted to know if most farmers save with financial institutions, from Table 4.8, 93.33% of the farmers save their gains from farming at the financial institutions while 6.67% do not save with any financial institutions. This means that, the farmers believe that the financial institutions are the safest or secured places for keeping their monies. Figure 4.7 below gives the pictorial view of this information.

Figure 4.7



Source: Researchers' Field Survey, 2013

4.2.5 Farmers saving with Banks

Table 4.10

Financial Institutions	Sample size (28)	Percentage
Rural Banks	12	42.86%
Commercial Banks	3	10.71%
Savings and Loans Institutions	13	46.42%

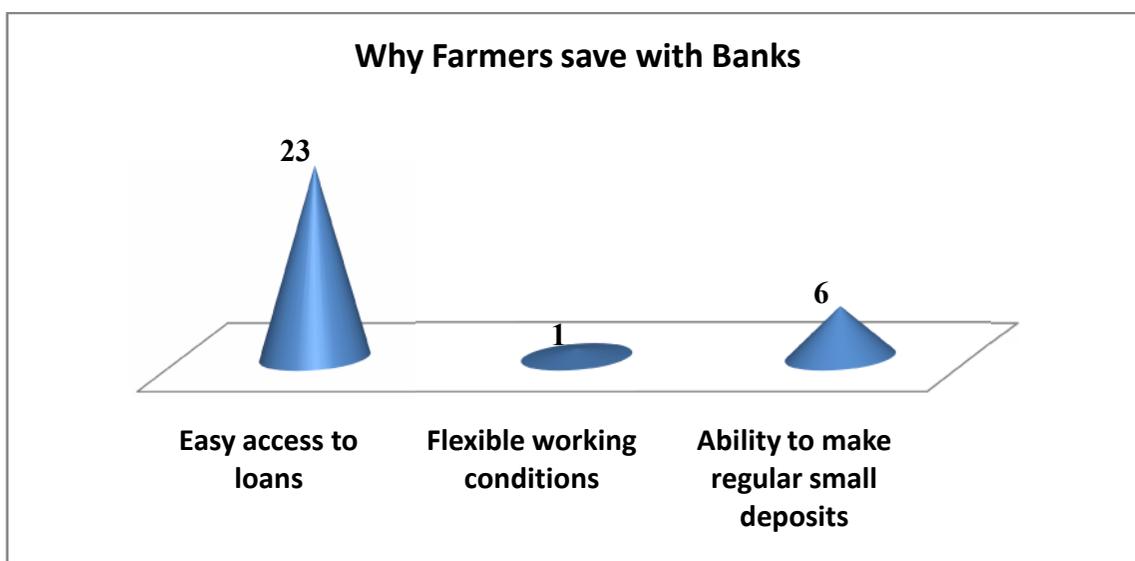
Source: Researchers' Field Survey, 2013

The researchers found out that 46.42% percent of respondents maintained accounts with the Savings and loans institutions, 42.86 percent maintained accounts with rural banks and 10.71

percent of the respondents maintain accounts with the commercial banks. It is evident that there is the practice of farmers concurrently maintaining accounts with various financial institutions.

4.2.6 Why Farmers save with Banks

Figure 4.8



Source: Researchers' Field Survey, 2013

Most farmers in the research population said saving with financial institutions allowed them easy access to loans thus the number was represented by 77%. The other 20% of the farmers said it allow them to make regular small deposits with the financial institutions and the remaining 3% said saving with financial institutions allow for flexible working conditions anytime they visit the banks.

4.2.7 Source of Funds for Farmers

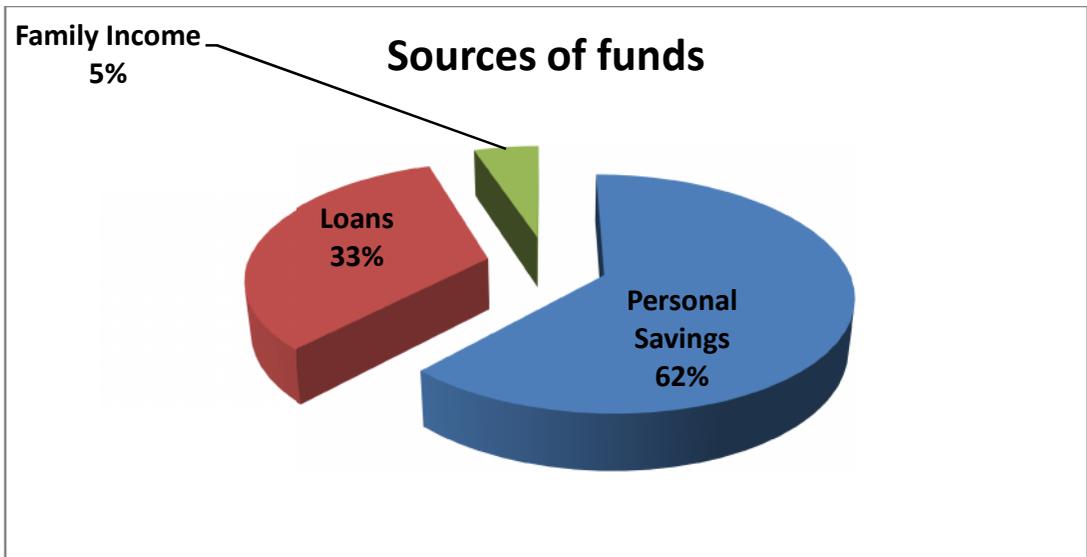


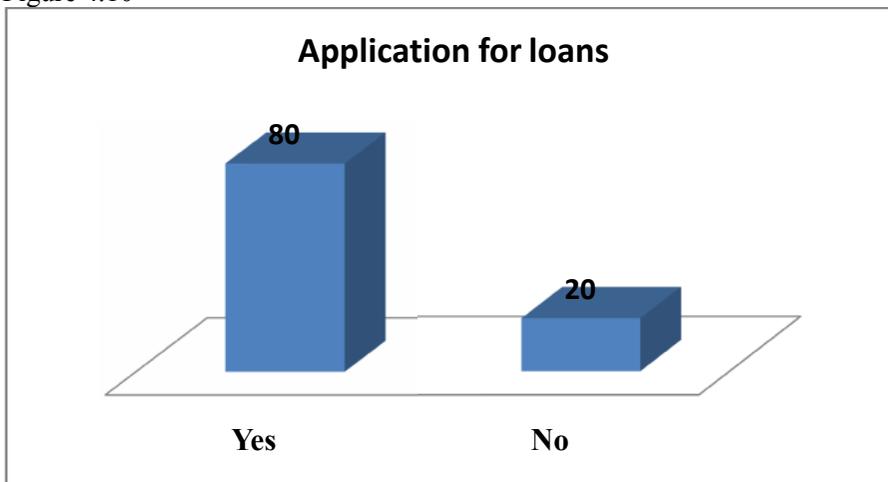
Figure 4.9

Source: Researchers' Field Survey, 2013

The researchers sought to find out about the sources of funds for the farmers. In the research, it was found that most of them get their funds from their personal savings, others from loans and other sources are the family income.

4.2.8 Application for Loans

Figure 4.10

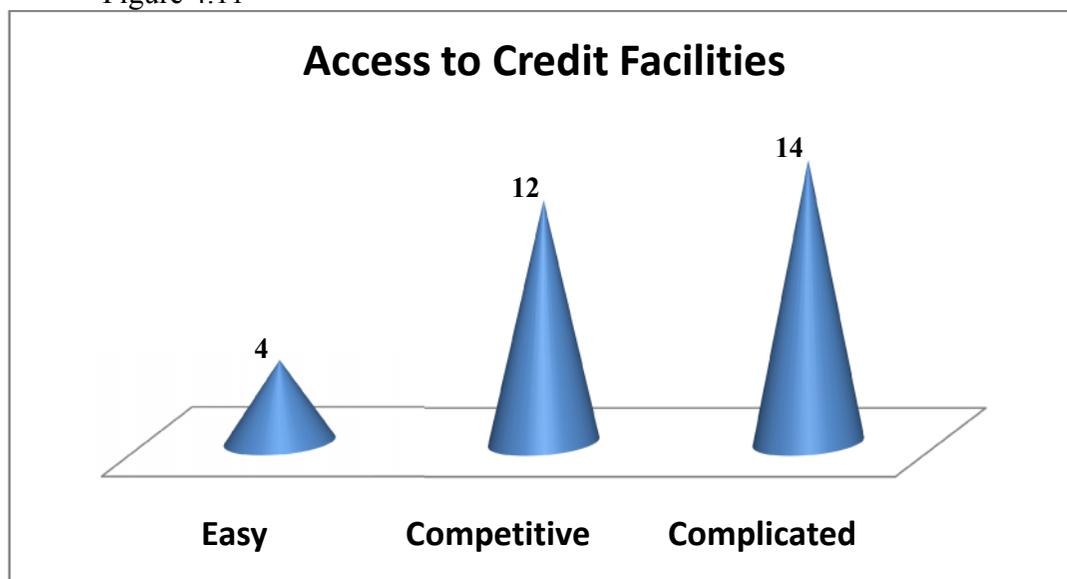


Source: Researchers' Field Survey, 2013

Most of the farmers claim from the research that they have applied for loans before.

4.2.9 Access to Credit Facilities

Figure 4.11

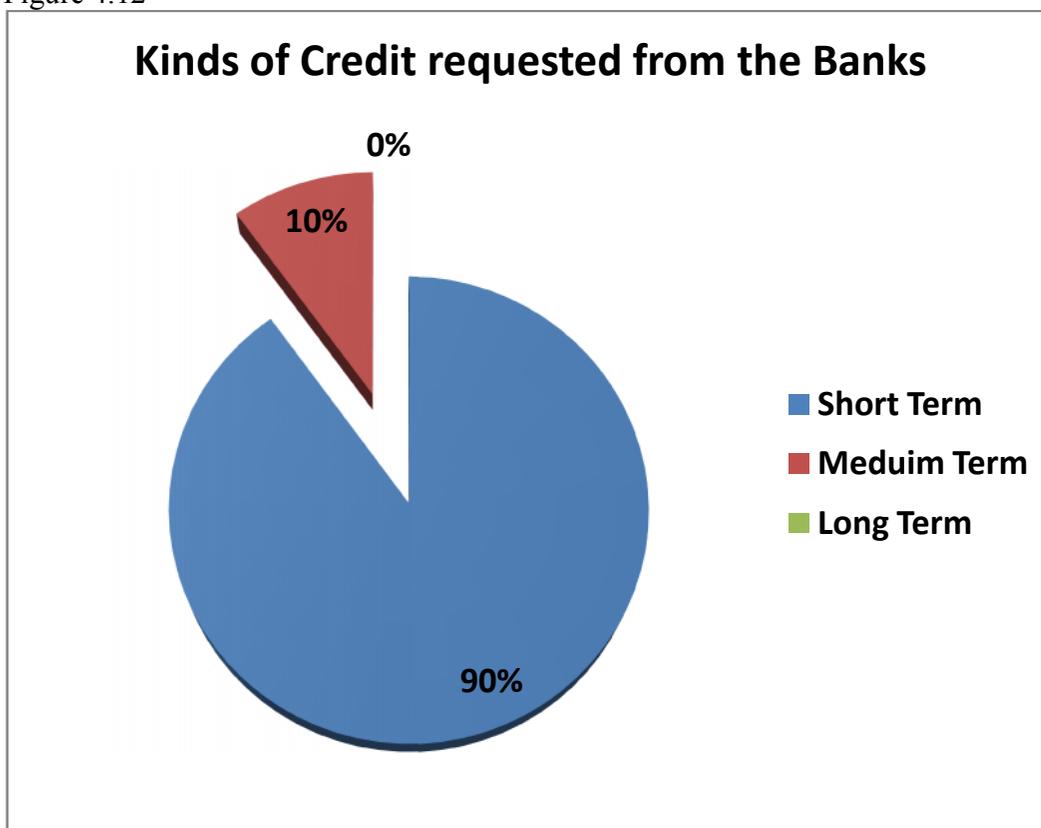


Source: Researchers' Field Survey, 2013

The researchers did a research to find out from the customers how they describe their ability to get credit. From the respondents, 14 of them saw the access to credit facility to be complicated, 12 of the farmers said it is competitive because many farmers applied for the credit facility while 4 of the respondents said it is easy to be accessing credit from financial institutions.

4.2.10 Kinds of Credit

Figure 4.12

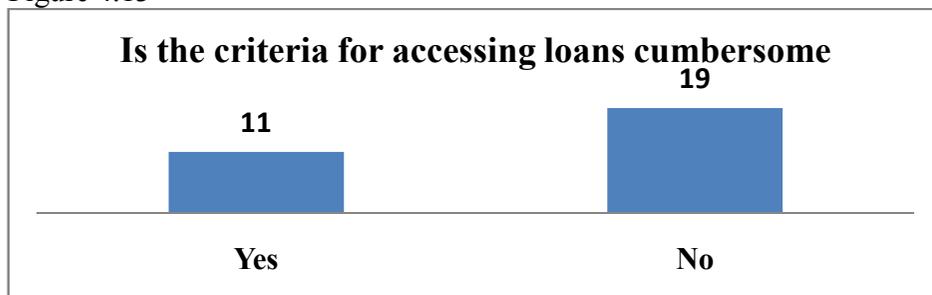


Source: Researchers' Field Survey, 2013

Most farmers opt for the short term credit that is the kind of loan they take not more than a year to pay. That represented 90% of the population and the rest 10% prefer the medium term credit and none of the population go in for the long term credit.

4.2.11 Criteria

Figure 4.13

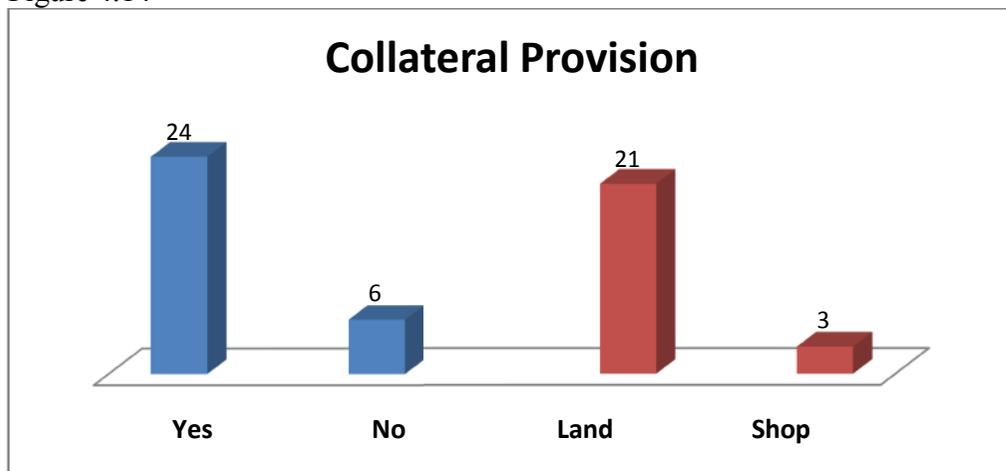


Source: Researchers' Field Survey, 2013

In the research work, the researchers made a review to find out from the respondents if the criteria for accessing credit from the banks are flexible or cumbersome. From the above figure, the respondents said the criteria for accessing loans were not cumbersome. Majority of the respondent chose No were 19 representing 63.33% whiles yes was chosen by the minority respondent 11 representing 36.67%.

4.2.12 Collateral Provision

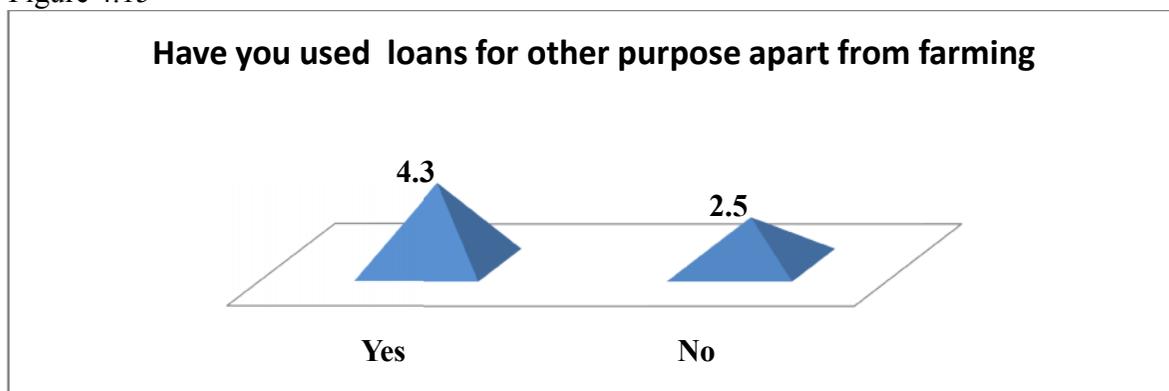
Figure 4.14



Source: Researchers' Field Survey, 2013

From the respondents, 80% said the rural banks demand collateral before issuing out credit facility to them and 20% said no collateral is required by the banks. The collateral usually required is land representing 90% and 10% use shops as collateral.

Figure 4.15

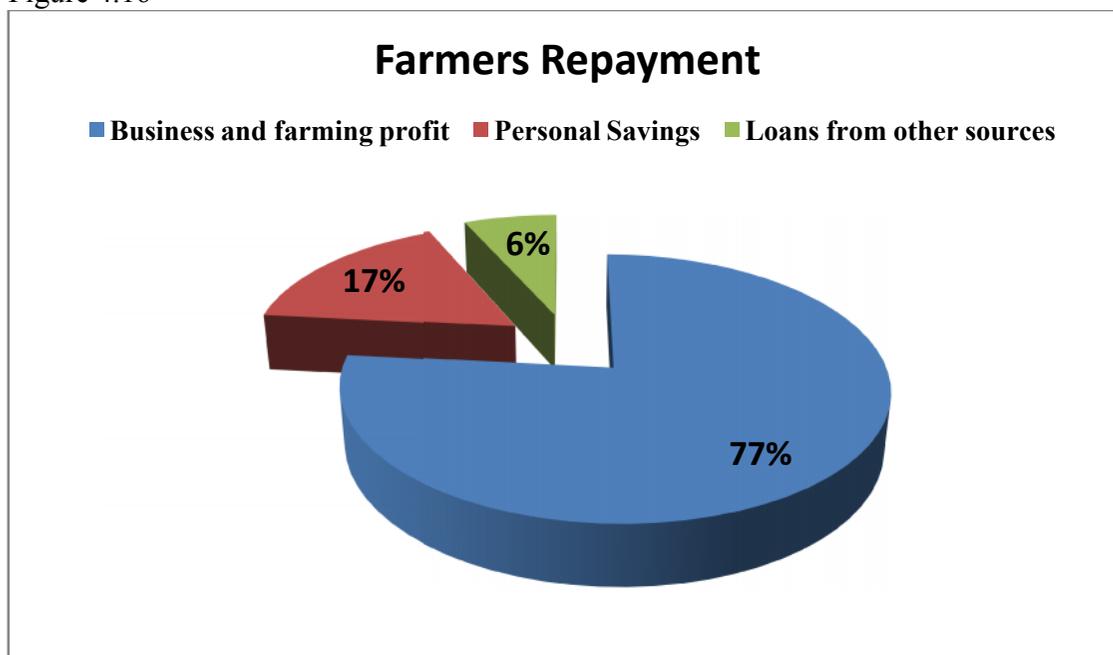


Source: Researchers' Field Survey, 2013

The researchers sought to find out if the respondents have used the loans for any other purpose. It was found out that most of the farmers have been using the loan for other purposes.

4.2.13 Credit Repayment

Figure 4.16

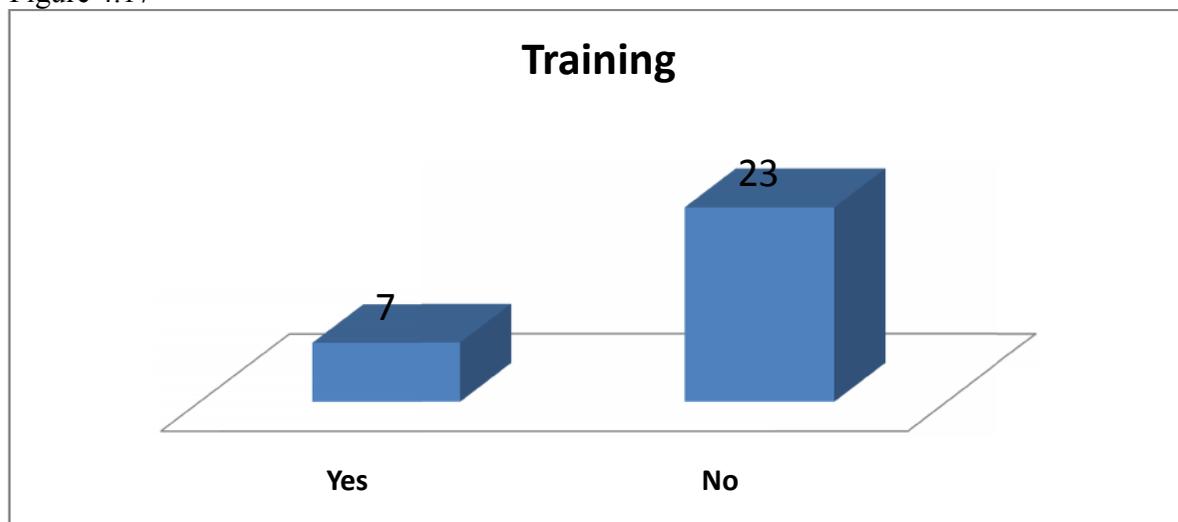


Source: Researchers' Field Survey, 2013

From the research, most of the farmers that is 77% pay back the credit from their business and farming profits, 17% of them pay the credit back from their personal savings and the remaining 6% take loans from other sources to do credit repayment.

4.2.14 Training Facility

Figure 4.17

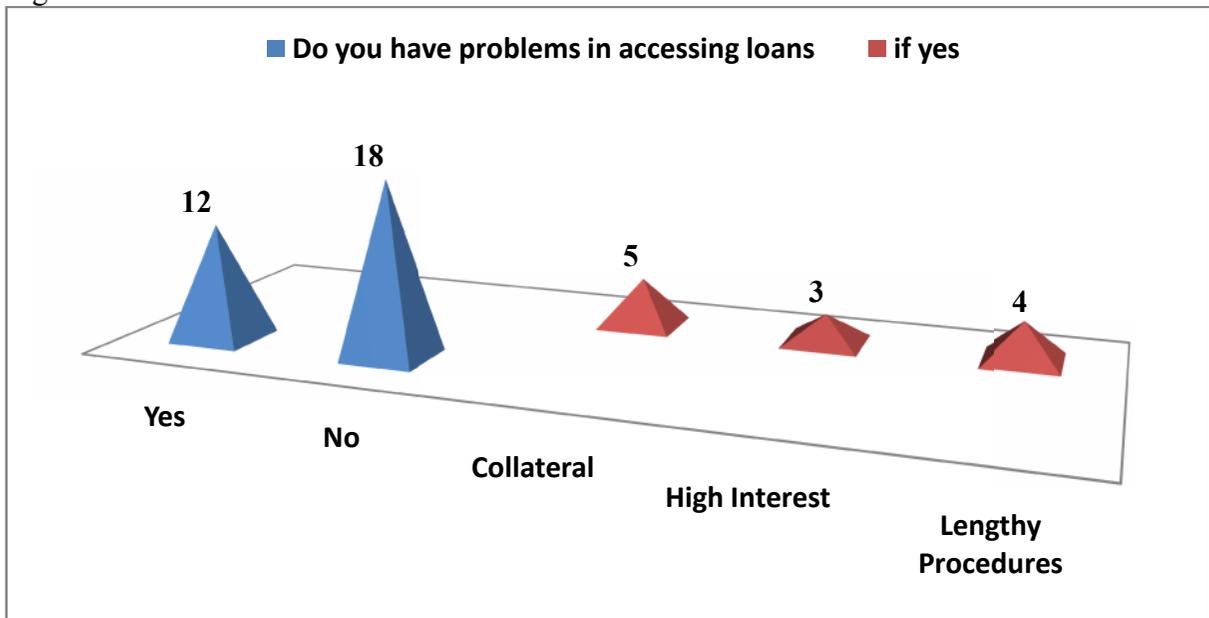


Source: Researchers' Field Survey, 2013

While the financial institutions admitted to offering training to farmers, the research showed that the training is mostly done after receiving credit and not before taking the credit. About 77% of the respondents do not get any credit accessing training while 23% said they are trained on how to access credit from the rural banks.

4.2.15 Difficulties Encountered

Figure 4.18



Source: Researchers' Field Survey, 2013

In applying for credit, about 12 out of the total 30 respondents representing 40% admitted they encounter difficulties in accessing credit while the remaining 60% said they do not have any difficulties in accessing credit. The difficulties the 40% face including collateral request by rural banks, high interest on credit and the lengthy procedure they go through before finally getting the credit.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION OF THE STUDY

5.0 Introduction

The inadequate supply of credit is a major constraint to production in many developing countries. Making credit available, particularly to rural dwellers is thus considered essential to alleviate poverty and promote economic growth.

One of the main reasons for introducing the rural banking concept in Ghana was to mobilize savings from the rural areas and in turn make institutional credit available to the rural economy.

Although there are about five rural banks in the Offinso Municipality, farmers complain of lack of funds to expand their economic activities.

The researchers therefore sought to find out some of the challenges farmers in the Offinso Municipality face in accessing credit from rural banks in the Municipality. Specific objectives were:

- To identify some of the causes why rural banks in the Offinso Municipality do not offer credit to farmers.
- To identify other competitors for credit in the Offinso Municipality.
- To examine the effects of non availability of credit on the economic activities of the farmers in the Offinso Municipality.
- To provide suggestions on the challenges which farmers faces in accessing credit from rural banks.

Descriptive research design was used for study. The sample sizes were 5 bank managers and 30 farmers. The instrument used in gathering data was questionnaire and interview. Data was analyzed using tables, percentages and charts with Microsoft Excel and SPSS.

5.1 Findings

5.1.1 Causes why rural banks in Offinso do not offer credit

The research revealed that farmers in the Offinso Municipality mostly save with the Savings and Loans service. The few who save with the Rural banks are not able to meet all the rural bank requirements and if even they do they are not able to satisfy the banks as much as the other borrowers (petty traders and public servants) do.

5.1.2 Competitors of credit

During the research work, we found out that the largest borrowers of credit in the Offinso Municipality are not farmers but instead are the petty traders and public servants. This results in farmers having difficulty in accessing credit from rural banks in the Offinso municipality. This group of borrowers has higher repayment rates as compared to the farmers.

5.1.3 Non availability of credit facility

The research found out that the non availability of credit to farmers really has negative effects on the economic activities of farmers. If farmers do not get access to credit facility, their farms remain the same old ones without any expansion or even development.

5.1.4 Suggestions

Based on the research, it was suggested by farmers that there is the need to for them to be trained on how they are going to apply for credit.

5.2 Conclusions

The research which was undertaken to seek the challenges that farmers face in accessing credit from Rural Banks revealed that credit is worth millions to the productivity and activities of farmers in the Offinso municipality.

The study revealed that the rural banks do not offer credit facility to farmers due to the fact that most farmers are unable to meet specific demands of the banks. It also revealed that most farmers lack the skills or knowledge used to apply for credit facility.

The study again identified the competitors of farmers for credit to be petty traders in the Offinso Municipality. Researchers' Survey, 2013 reveals that 40% of the borrowers in the Offinso Municipality are petty traders and 30% are farmers. The rest of the 30% include public servants and other civil service personnel.

Again, the study therefore revealed the effects of the non – availability of it on the economic activities of farmers.

Finally, farmers were also able to voice out their concerns of how lack of training on how to apply for loans affects them.

5.3 Recommendations

In view of the findings made and conclusions drawn from the study the following recommendations were provided to help enhance an accelerated and sustained growth in the farming sector and also provide recommendations to help in the improvement of the services of Rural Banks.

We recommended that credit facility should client-oriented and not product- oriented. Proper and extensive monitoring activities should be provided for clients who are granted loans.

Farmers should be educated on how to establish, manage, sustain and expand their farms.

Farmers should also be trained extensively on how to acquire credit and how to manage it to be able to make payments.

Finally, the researchers recommend that business and financial training should be provided by Rural Banks on a regular basis and most cases should be tailored toward the training needs of the clients.

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APPENDICES

APPENDIX A

RESEARCH TOPIC: CHALLENGES FACED BY FARMERS IN ACCESSING CREDIT FROM RURAL BANKS. A CASE STUDY OF OFFINSO MUNICIPALITY

Questionnaire to Rural Banks in the Offinso Municipality

This questionnaire is prepared to collect data on the above research topic for academic purpose. Your kind co-operation is much needed and any information given will be handled with confidentiality. The questions below are being asked to enable me gather information to undertake this study.

Thank you for your co-operation.

1. What is the name of your Bank?
2. How long you been in operation?
 - i. 1years – 5years []
 - ii. 5years – 10years []
 - iii. 10years- 15years []
 - iv. Others, specify
3. What type of instrument do you provide to the public?
 - i. Current Account []
 - ii. Fixed deposit []
 - iii. Savings deposit []
 - iv. Susu []
 - v. Others specify.....
4. What methods do you employ for deposit collection from your customers?
 - I. Mobile banking term to get customers at their business locations []
 - II. Waiting for Customers to come into the banking halls []
 - III. Others.....
5. Do you offer credit facility?
 - i. Yes []
 - ii. No []
6. What type of credit facility do you offer?
 - i. Overdraft []
 - ii. Personal Loan []
 - iii. Small business loan []
 - iv. Farmers loan []
 - v. Corporate business loan []
 - vi. Students loan []
 - vii. Others []
7. Who are your largest borrowers?
 - i. Farmers []
 - ii. Corporate bodies []
 - iii. Petty traders []
 - iv. Public servants []
 - v. Medium and Large trading enterprises []

- vi. Others []
- 8. What is the duration of credit facility?
 - i. Short term []
 - ii. medium term []
 - iii. long term []
- 9. Do all borrowers have the same privileges?
 - i. Yes []
 - ii. No []
- 10. Do you offer special credit facility to farmers?
 - i. Yes []
 - ii. No []
- 11. Do farmers provide collateral security before granted credit facility?
 - i. Yes []
 - ii. No []
- 12. What are your interest charges?
 - i. High interest []
 - ii. Special interest []
 - iii. Medium interest []
 - iv. Small interest []
 - v. Others
- 13. Do you think granting credit; the bank is able to boost customer production activity?
 - i. Yes []
 - ii. No []
- 14. Are farmers able to repay within the time duration?
 - i. Yes []
 - ii. No []
 - If no, what actions do you take?
 - a. Collateral Payment []
 - b. Extension of credit duration []
 - c. Others.....
- 15. Do you offer special training to farmers?
 - i. Yes []
 - ii. No []
 - If Yes, what type of training do you provide?
 - a. How to manage loan and business []
 - b. Investment []
 - c. Others, specify []
- 16. Do you encounter problems in processing credit facilities?
 - a. Yes []
 - b. No []
 - If yes, what type of problems do you encounter?
 - a. Inadequate monitoring []
 - b. Staff influence []
 - c. Inadequate credit facility staff []
 - d. Others, specify.....
- 17. Do such problems affect farmers accessing credits?
 - a. Yes []
 - b. No []

APPENDIX B

RESEARCH TOPIC: CHALLENGES FACED BY FARMERS IN ACCESSING CREDIT FROM RURAL BANKS. A CASE STUDY OF OFFINSO MUNICIPALITY

Questionnaire to Farmers in the Offinso Municipality

This questionnaire is prepared to collect data on the above research topic for academic purpose. Your kind co-operation is much needed and any information given will be handled with confidentiality. The questions below are being asked to enable me gather information to undertake this study.

Thank you for your co-operation.

1. Sex
 - i. Male []
 - ii. Female []
2. What is your age?
 - i. 20years- 30years []
 - ii. 31years- 40years []
 - iii. 41years- 50years []
 - iv. 51years- 60years []
 - v. 61years and above []
3. What type of farming do you engaged in?
 - i. Peasant farming []
 - ii. Commercial farming []
 - iii. Substantive farming []
 - iv. Other, specify
4. Do you save with any financial institution?
 - i. Yes []
 - ii. No []

If yes, which type of financial institution do you engage in?

 - i. Rural Banks []
 - ii. Commercial Banks []
 - iii. Savings and loans institutions []
 - iv. Private Banks []
 - v. Others, specify.....
5. Why do you save with any of the financial institutions?
 - i. Easy access to loans []
 - ii. Opportunity to realize bulk sum []
 - iii. Attractive interest rate []
 - iv. Flexible working hours []
 - v. Ability to make regular small deposits (Susu) []

Others (specify)
6. Do you make deposits regularly?
 - i. Yes []
 - ii. No []
7. What are the sources of funds for your business?
 - i. Personal savings []
 - ii. Loans []
 - iii. Family income []
 - iv. Others Please specify

8. Have applied for a loan before?
- Yes
 - No
9. If Yes, How do you describe access to credit facilities?
- Easy []
 - Competitive []
 - Complicated []
10. What kind of credit do you normally request from Banks?
- Short term []
 - Medium term []
 - Long term []
11. How many times have you applied for loans from Banks?
12. Do you find the criteria for accessing loans from Rural Banks cumbersome?
- Yes []
 - No []
13. Do Rural Banks always require collateral securities before granting loans?
- Yes []
 - No []
14. If yes, what kind of collateral do they request?
- Land []
 - House []
 - Car []
 - Shop []
 - Other (Please specify).....
15. Have you ever used loans for other purposes apart from farming purposes?
- Yes []
 - No []
16. How do you repay credit received from Rural bank? Please tick all that apply.
- Business and farming profit []
 - Personal savings []
 - Loan from other sources []
 - Others specify.....
17. Have you been trained about how to access credit before?
- Yes []
 - No []
18. Do you encounter any difficulties when applying for credit?
- Yes []
 - No []
19. If yes, what are the difficulties you encounter when you apply for credit?
.....

Thank You