

**CHRISTIAN SERVICE UNIVERSITY COLLEGE**



**SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**CHARACTERISTICS OF FARMERS WHO GET ACCESS TO AGRICULTURAL  
CREDIT FACILITIES**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND  
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## **ABSTRACT**

This study determined the characteristics of farmers who get access to agricultural credit facilities in the Ejura community. The structured and semi-structured interviews were conducted from five members of staff at the banks. The convenient sampling procedure was used. The Statistical Package for Social Scientists (SPSS) and Microsoft Excel software packages were used to analyse the data descriptively.

The results of the study were that the banks give agricultural credit facilities based on the type and the size of the farm and the availability of collateral.

The study recommends that farmers may join Farmer Based Organisations (FBO) so that they can get assistance to extension services. Future studies should increase the sample size to assist with the results. The generalisation of the results.

## **DEDICATION**

We dedicate this work to the Almighty and to our parents for their support and love. We would not have made it without them.

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# CHAPTER ONE

## INTRODUCTION

### 1.0 Background of the Study

Ghana's recent development process is characterized by balanced growth at the aggregate economic level and the continued importance of agriculture as the backbone of the economy is still very paramount (Okantah et al, 2003). The agricultural sector plays a major role in the socio-economic development process of most countries. This is particularly true where most of the people depend heavily on agricultural production and its related activities for their livelihoods. Agriculture is the cultivation of animals, plants, fungi, and other life forms for food, fiber, biofuel, medicinal and other products used to sustain and enhance human life. Agriculture is the key development in the rise of sedentary human civilization, whereby farming of domesticated species created food surpluses that nurtured the development of civilization.

According to Alfred (2005), acquisition and utilization of credit for agricultural purposes promote productivity and consequently improved food security status of a community. Farm credit is an important factor in improving agricultural productivity and strengthening rural economy in most developing countries. Farm credit scheme provide poor people with the institutional support needed to generate a source of income which may help them to achieve food security. The operational mechanism of farm credit services is complicated by emerging new challenges that are changing the context in which rural economic landscape operates. Important lessons from past rural credit programme in the country point to the need to redesign or improve delivery mechanism to minimize institutional barriers and, hence, open access of small-scale farmers to credit. Majority of poor farmers have continued to face

limited access to financial services, and where these services are made available, they are often at very high cost (Okojie et al, 2010, Phillip et al, 2009).

In Ghana as at the year 2010 commercial banks' share of the total agricultural loan portfolio was 6.1 percent. Some of the reasons cited by financial service providers for low investment in agriculture include a history of default on subsidized loans, issues of land tenure, weather risks, and a lack of knowledge on how to appropriately finance this sector. To increase access to agriculture finance, the government established the Agricultural Development Bank in the mid 1960s.

The agricultural sector in Ghana plays a very important role in employing majority of the active labour force. Currently, it employs 50.6% of the economically active population in the country (MOFA, 2011). However, poverty rates among farmers especially food crop farmers who are mostly smallholders remain high as compared to the national average (GSS, 2007). Increasing agricultural productivity has however been mentioned as one of the means of eradicating poverty among farmers (ISSER, 2011). For increased agricultural productivity however, there is the need to solve problems such as low level of technology (especially mechanization), inadequate post-production infrastructure, low uptake of research findings by stakeholders, limited availability of improved technological packages and inadequate flow of financial facility for agriculture that cause low productivity in the sector (NDPC, 2010; Quartey, Udry, Seidu, and Seshie, 2012).

However, paramount amongst these constraints is inadequate flow of financial facilities. This is because with financial facility such as credit, farmers can overcome constraints such as purchasing modern farm equipment and also expand their farm lands. Consistent with this,

Hosseini, Khaledi, Ghorbani and Brewin (2012) in a study of analysis of transaction cost of obtaining credit in Iran pointed out that credit is important for modernization of small-scale agriculture as well as the introduction of commercialization into the rural economy.

As a result of the importance of credit to agricultural production, the Ghana Shared Growth and Development Agenda have emphasized the expansion in agricultural financing. This is to be done through the Central Bank's promotion of the building up of capacities of various financial institutions as well as provision of incentives to financial institutions to ensure adequate flow of finance to the agricultural sector (NDPC, 2010).

There are two major sources of credit in Ghana. This is basically made up of the formal and informal sources from which farmers can borrow. Formal credit providers comprise banks while informal credit providers include relatives and friends, private money lenders, Susu collectors, trade creditors, landlords and opinion leaders (Aryeetey, 1994; Aryeetey and Udry, 1997, Ekumah and Essel, 2000). Among informal lenders however, money lenders are noted to be performing major role in agricultural financing (Quartey et al., 2012). The view by analysts that financial sector reforms will lead to a decline of informal finance seems not to work in the case of Ghana (Aryeetey, 2008). This is because both formal and informal financial markets co-exist and provide complementary and supplementary services to each other (Aryeetey, 1992).

Despite the existence of both formal and informal credit sources and evidence of increase in their number, farmers in Ghana still have limited access to credit (Owusu-Antwi and Antwi, 2010). The reasons for limited access to credit from these sources are that, each credit source has its own constraints that limit either the ability of a farmer to obtain credit from the source

or the amount of credit the farmer wishes to borrow. For instance, formal financial markets often require collateral in the form of land and houses (Owusu-Antwi and Antwi, 2010) as a pre-requisite for granting of loans to borrowers which are often out of reach of majority of the farming population. In addition, the low rate of interest on agricultural loans and the long-term nature of agricultural loans particularly in situations of high risk are also some of the reasons that prevent banks from lending to farmers (Owusu- Antwi and Antwi, 2010).

### **1.1 Statement of Problem**

Credit plays an important role in agricultural development. It is also a key to poverty alleviation, livelihood diversification and increasing the business skills of farmers. Considering the problem of accessibility of credit by farmers in the Ejura areas, there is a need to determine the characteristics of farmers that get access to loans. This is the focus of this research.

### **1.2 Research Objective**

The main purpose of this study is to determine the characteristics of farmers who access agriculture credit facilities. Specifically, the study seeks to:

1. Determine the availability and accessibility of credit by some farmers in the Ejura area.
2. Determine the kind of farmers who get access to loan.
3. Determine the problems they encounter in accessing credit service in the Ejura area.
4. To identify bank's loan granting processes.

### **1.3 Research Question**

The study intends to answer several questions regarding the characteristics of farmers who access agriculture credit facilities. Among them include the following:

1. What kind of farmers gets access to loan?
2. Why some farmers do not get access to loan from bank?
3. What are the processes for granting loans process?

### **1.4 Significance of the Study**

A study of this nature is very important 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.

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 will unveil some of the reasons why some farmers get access to loan and why some are not granted credit facilities.

### **1.5 Scope of the Study**

The research will be conducted at the Ejura, the capital town of Ejura – Sekyedumase District.

## **1.6 Justification of the Study**

This study will provide useful information on farmers in accessing credit from financial institutions. This information will be vital for policy makers when formulating policies related to the financing of the activities of farmers in the District and Ghana as a whole. Results from assessing the operational procedure and performance of credit institutions will benefit development partners, financial institutions and civil society organizations involved in the provision of credit facilities to farmers in modifying the lending procedure and conditions to better serve the specific credit and savings needs of farmers.

A determinant of the factors that significantly influence farmer's chance of gaining access to credit is necessary so as to promote the factors that positively influence a farmer's access to credit. In the same way factors that negatively influence access to credit can be critically assessed to find out ways of reducing its negative influence on farmer access to micro-credit. The study may also provide information to the banks to make their engagement more sensitive to reflective of client needs.

## **1.7 Organisation of the Study**

The study covered the following components: Chapter one is made up of the introduction, statement of the problem, objective of the study research question, purpose of the study and scope of the study. Chapter two reviews existing literature with regards to accessing agriculture credit facilities by farmers. The third chapter consists of the methodology. The methodology consists of the research design, population, sample and sampling technique, data collection procedure, data analysis and the software used in the analysis. The fourth chapter consists of data presentation, analysis, and discussion of the main findings. Chapter five provides the summary of findings, conclusions and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

This chapter provides the theoretical framework on which this research study will be based and reviews relevant literature from various sources with reference to the thematic areas of this study. It looks at issues such as history of agriculture, concept of credit and its role in agriculture, structure and performance of financial industry and the constraints to agricultural credit.

#### 2.1 The history and the origin of Rural Credit

The concept of credit in agriculture has been known since the seventeenth century when peasants in China used rural credit in farm production to increase their cash income and improve their standard of living (Ming-te, 1994). Likewise, in Western countries, the Garmen Landschaften was founded by Frederick the Great in 1769, and its principles were used by the Federal farm loan system of the United States. The Raiffeisen Agriculture Bank and the schulze – delitzch people's Bank were established as cooperative institutions world-wide (Belshaw 1931). According to Heidhus and Schrieder (1999), the origin of the credit concept stems from the necessity to break the vicious circle of low capital formation, as presented in the diagram below.

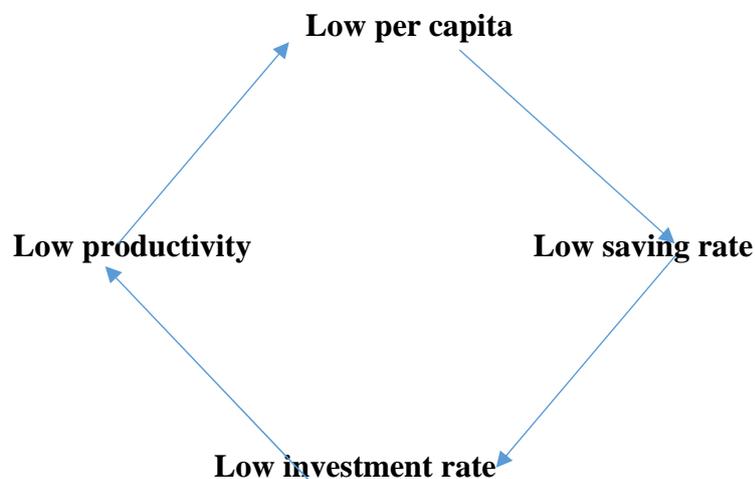


Figure 1. the vicious circle of low capita formation (Heidhues and Schrieder, 1999).

The diagram shows that the formation of capital is influenced by per capita income, investment rate and productivity. A low level in any of these factors will impact on capital formation. It is argued that the role of credit programmes is to break this cycle, resulting in an increase in per capita income and thus an increase in saving rate, investment rate and productivity. (Heidhues and Schrieder, 1999)

The importance of credit to the development of the agricultural sector of the country has been recognized even before independence when the British Bank of Gold Coast was established in 1953 to serve the needs of farmers as part of their objectives (Bawumia, 2010). Subsequently, the Agricultural Development Bank and the Rural Banks were established in 1961 and 1976 respectively to provide credit to the agricultural sector as part of their objectives (Steel and Andah, 2003 and Bawumia, 2010). More recently, the Ghana Shared Growth and Development Agenda has also emphasized the expansion in credit provision to farmers which is to be achieved through the Central Bank promotion of building up of capacities and provision of incentives to various financial institutions (NDPC, 2010).

Despite the increased emphasis by governments to increase credit allocation to the agricultural sector, evidence has shown the reluctance on the part of banks to lend to the agricultural sector (Owusu-Antwi and Antwi, 2010). According to Osei-Assibey (2009), rural banks set up to mobilize and advance finance to rural areas where farming is their major occupation, have virtually stopped expanding their branch network to these areas. Many bankers regard lending to agriculture sector as high-risk ventures in view of the relative high risk of default in those sectors (Aryeetey and Gockel, 1991).

This is evidence in the persistent decline in credit allocated by Deposit Money Banks (DMBs) to the agricultural sector between the periods of 2005 and 2008. Only the periods 2009 and 2010 experienced an increase. In 2011 there was another fall in credit allocation to

the agricultural sector from 6.13% in 2010 to 5.74% in 2011 (ISSER, 2011). Shared Growth and Development Agenda has also emphasized the expansion in credit provision to farmers which is to be achieved through the Central Bank promotion of building up of capacities and provision of incentives to various financial institutions (NDPC, 2010).

## **2.2 Concept of Credit and its Role in Agriculture**

Credit has been the main focus of many research workers in agricultural finance. To some, credit is “all in all” for a farmer to produce (productive input) while others hold different opinions. Whichever way it is looked at, credit is an important instrument in the development of agriculture. According to Ghorbani, Kohansal and Mansoori (2005) credit is defined as the ability to obtain goods and services or money now in exchange for promise of payment in future. Ihimodo (2005) looked at agricultural credit as the process of obtaining control over the use of money, goods and services in the present in exchange for promise to pay at a future date for agricultural use.

There are three (3) major roles in the financial intermediation system, saving, intermediation and borrowing. Savings is the part of income reserved for future use, that is, future production and consumption. In the absence of savings, there cannot be a build-up of capital stock to increase production of goods and services. However, savings in a society does not become an investment in capital until it is borrowed and utilized. Financial intermediaries are an integral part of the broader concept of rural financial markets. It embraces all rural institutions, which affect accumulation and use of savings, allocation of investment capital, the flow and holding of fund and indeed the integration of rural financial market with national and international capital market. The intermediation process is a reversible flow of funds from the savers to users through intermediaries. The borrowers must of necessity provide evidence of a debt obligation to intermediaries for loan. In the same process, the

intermediary provides a range of products and opportunities for further investment. It is obvious, therefore, that financial intermediation has a key role in channelling funds to agriculture.

African Development Report suggested that credit should be given to peasant farmers in kind rather than in cash, which according to them, will relieve farmers from diverting loans from the intended project. Akingbade and Eluwa (2003) in support of African development report, explained that such credits prompt repayment in the form of deduction from later sales. In a contrary opinion, African Farmers observed that giving credits to farmers in kind will hinder them from using the money from the inputs needed which cannot be supplied by the members of the farm family. That credit in kind is considered a safer risk for lenders is not always the best for peasant farmers. Often, a farmer's greatest need is not for seed or for pesticide but for a vehicle to transport produce, money to run the business. In such cases, farmers will borrow from local moneylenders despite the high interest rate in order to have the flexibility of a loan in cash.

Adomola and Umar (2001) summarized credit when they wrote that: "credit may serve as a component to other government activity in facilitating investment or a substitute for it". It may be tied to the provision of specific service and supervision or it may simply funnel loan able funds to promote capital formation in the agricultural sector. It may fulfil a simple need of working capital to cover the period between planting and harvesting or it may represent long term capital formation in the provision of building equipment and establishment of tree crops. In all of its varied form and use, credit is essential to the working and growth of an economic sector involving substantial private enterprise and the development of effective institutions for mobilizing and allocating loan able funds as crucial element in promoting economic growth.

Ghorbani, Kohansal and Mansoor (2005) noted that “at a certain stage of agricultural development, agricultural credit thus clearly becomes a strong force for further improvement when a man with energy and initiative who lacks only the resources for more and efficient production is enabled by the use of credit to eliminate the block on his path to improvement.

### **2.3 Overview of the Financial System in Ghana**

Ghana’s financial sector is divided into three sub-sectors comprising the formal, semi-formal and informal reflecting different legal and banking regulations guiding their operations (Osei-Assibey, 2011). However the formal and informal financial sectors are the two major sectors that are widely recognized in the discussion of financial markets in Ghana (Aryeetey and Gockel, 1991, Aryeetey, 1992). These financial sectors are reported to be growing in number (Aryeetey, 2008) and differ in terms of their operations, services they provide and their target population.

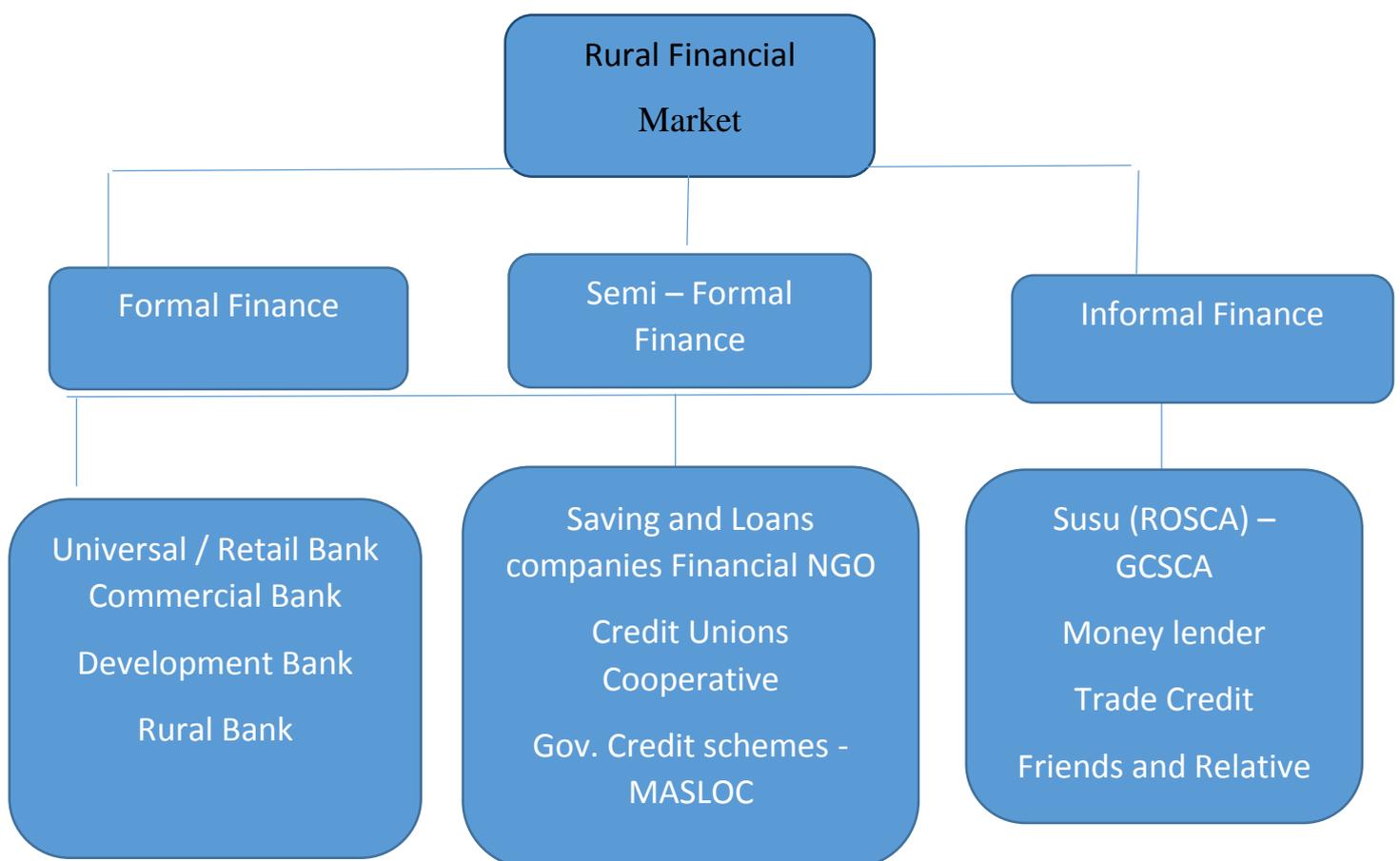
Formal financial institutions in Ghana are licensed by the Bank of Ghana under the Banking Law 1989 (PNDCL 225) to provide financial services under the Bank of Ghana regulations (Steel and Andah, 2003). Informal financial sector on the other hand involves savings and lending activities taking place outside of formal or established financial institutions (Aryeetey and Gockel, 1991). Their activities embrace all financial transactions that take place beyond the functional scope of banking and other financial sector regulations (Owusu-Antwi and Antwi, 2010). Semi-formal financial sector refers to those financial institutions that are formally registered but not licensed by Bank of Ghana (Steel and Andah, 2003).

Their activities are not regulated under the financial sector regulations of Ghana. They fall between the formal and informal financial markets and include credit unions, savings and loans companies, government credit programmes and other credit schemes run by non-governmental organizations. According to Owusu-Antwi and Antwi (2010) the formal

banking sector in Ghana does not satisfy the growing needs of demand for credit and many borrowers turn to informal loan sources. It is, therefore, argued that integrating the formal and informal financial sectors and ensuring effective linkages between them can improve the efficiency of the financial system by enabling different agents within these financial sectors to specialize for different market niches. This will facilitate the flow of credit up and down the financial sector (Aryeetey, 2008).

Figure 2 below gives a summary of the structure of the financial sector in Ghana.

**Figure 2:** Structure of the Financial System in Ghana



Source: Osei Assibey (2011).

The formal financial sector in Ghana embraces activities of banks. This financial sector has undergone various legislative transformations in terms of policies and numbers since 1897 when the British Bank of West Africa was established (Bawumia, 2010). The need for these transformations arose as a result of changing economic environment and financial needs of citizens of the country. For instance, as part of government desire to use the banking system to drive development, a number of development banks such as the National Investment Bank (NIB) and the Agricultural Development Bank were established in 1963 and 1965 respectively (Bawumia, 2010).

The aim of the National Investment Bank was to assist in the development of the industrial sector while the Agricultural Development Bank was to assist in the development of the agricultural sector. With support from the International Monetary fund and the World Bank, the Financial Sector Adjustment Programme (FINSAP) was initiated in 1988 as a strategy to move the Ghanaian formal financial sector from an era of financial repression towards one of financial liberalization (Bawumia, 2010). This included the removal of interest rate ceilings, abolishing of directed credit and credit controls, restructuring of seven financially distressed banks, development of money and capital markets and the move towards indirect and market determined instruments of monetary policy.

The number of Banks as at December 2012 reached 27 with 900 branches throughout the country (Bank of Ghana, 2012).

Formal banks in Ghana are characterized by relatively high value and longer term duration loans which require formal application and collateral (Jones et al, 2000). As such, these banks mostly transact business with relatively large corporate entities because they believe that it is easier and more profitable to deal with this segment of the market, as risk is minimal

(Aryeetey, 2008). It has however been pointed out that these banks are reluctant in terms of credit provision to farmers (Owusu-Antwi and Antwi, 2010). According to Osei-Assibey (2009) formal banks in Ghana have renewed their efforts to broaden access by reaching out to the new and vast markets of the unbanked. However, there is over concentration of these efforts in the urban centres, especially in the southern geographical areas of the country to the neglect of the north and rural communities.

#### **2.4 Rural and Community Banks**

In 1976, the Ghanaian government, through the Bank of Ghana, established Rural Banks to channel credit to productive rural ventures and promote rural development (Obeng, 2008). This was because the banking system in the 1970s was developing to the exclusion of the rural population (Bawumia, 2010). The Rural and Community Banks (RCBs) are owned by members of the rural community through equity and are licensed to provide financial intermediation in the rural areas. The aim of Rural Community Bank is to mobilize savings and provide credit facilities in rural areas that are not being serviced by commercial banks. These banks expanded rapidly in 1980s. However, poor financial management, weak supervision and natural calamities led to deterioration of the financial viability of rural banks (Steel and Andah, 2003). The Association of Rural Banks (ARB) was founded in 1981 as an NGO with the intention of strengthening and promoting the concept of rural banking. The geographic spread of Rural Community Bank coupled with the extra diligence required in monitoring them has initiated the setup of Apex Bank in 2001, which is promoted by the Association of Rural Banks and is owned by Rural Community Banks. The Apex Bank serves as the head-office for all its affiliates in its network and performs functions such as check clearing, treasury management, product development and training.

The aims of Rural Community Banks (RCBs) among other things are to stimulate banking habits among rural dwellers, to mobilize resources locked up in the rural areas into the banking systems to facilitate development and to identify viable industries in their respective catchment areas for investment and development. ARP Apex Bank reports a total of 133 RCBs with 439 branches across all ten regions of Ghana (ARB Apex Bank limited, 2012).

## **2.5 Semi-Formal Financial Institutions**

Semi-formal financial systems are formally registered but are not licensed by the Bank of Ghana. They include Non-Governmental Organizations (NGOs), Savings and Loans Companies, Government Credit Schemes and the Credit Unions (CUs) (Osei-Assibey, 2011). NGOs are incorporated as companies limited by guarantee (not for profit) under the Companies Code. Their poverty focus leads them to relatively deep penetration to poor clients using microfinance methodologies, though mostly on a limited scale. They are not licensed to take deposits from the public and hence have to use external (usually donor) funds for micro credit. Credit clients using microfinance methodologies, though mostly on a limited scale. They are not licensed to take deposits from the public and hence have to use external (usually donor) funds for micro credit.

Credit Unions (CUs) were first introduced in Ghana by Roman Catholic fathers working in the Northern part of the country in 1955 (Aryeetey and Gockel, 1991). Specifically it was established at Jirapa in the Northern Region (now Upper West) (Quanioo, 1997). These Credit Unions are cooperative thrift societies which are established in both rural and urban communities and work places (Andah, 2005). The objective of the Credit Unions was to encourage thrift and savings among members (farmers, traders, processors and non-agricultural workers) for productive ventures to improve their socio-economic lives (Egyir,

2010). A credit union normally provides intermediation (savings and loans facilities) only to its members, although some are looking to provide financial services more widely in their communities (Andah, 2005). CUs were brought under legislation in 1968 and the Credit Union Association (CUA) was formed as an apex body, with 254 Credit Unions (64 of them rural) with some 60,000 members (Quainoo 1997). CUs are reported to be performing weakly financially due in large part to their organization as cooperative societies with a welfare focus, and in particular to their policy of low interest rates on loans.

Individual members make predetermined periodic deposits into their accounts and may borrow up to two times their savings balance. Most CUs require borrowers to provide security, in addition to being in good standing with their deposits (Steel and Andah, 2003). Ideally, this can be in the form of a guarantee from another member of the credit union who has adequate uncommitted savings balance (Steel and Andah, 2003). Despite the fact that CUs were first established in Northern Ghana their operations are limited in this area. For instance, Annimet al., (2008) study of spatial and socio-economic dimension of clients of microfinance institutions found no client for CUs in the Northern region. Savings and loans companies (SLCs) emerged in the late 1980s as providers of target group oriented financial services. They operate under the Financial Institution (Non- Banking) law 1993 (PNDCL 328) (ISSER, 2011). Between 1990 and 1993, BOG issued regulations aimed at enhancing the screening and monitoring of SLCs.

## **2.6 Informal Financial Sector in Ghana**

Informal financial sector comprises less formalized financial providers (actors) such as money lenders, traders, landlords, rotating savings and credit associations, susu collectors and relatives and friends (Aryeetey, 2008 and Owusu-Antwi and Antwi, 2010 ). It is this large

variety of actors that causes difficulties in characterizing the nature and structure of demand for financial services in the informal sector (Aryeetey and Gockel, 1991). The activities of each actor differs slightly from the other in terms of amount of loan provided, interest rates charged and loan duration. To simplify issues however, researchers often ignore these differences and classify these actors into a single composite unit as informal sector activities (Aryeetey and Gockel, 1991, Awunyo- Vitor and Abankwah, 2012). Research has revealed that the informal financial sector mobilizes about 45 percent of all private sector financial savings in Ghana (Aryeetey and Gockel, 1991).

According to Aryeetey (2008), many analysts see informal finance as a consequence of inadequate formal financial systems and expected that financial sector reforms will lead to a decline of informal finance. This however needs to be treated with some reservation as the informal sector in Ghana continues to grow and adapts itself to changing situations without losing its major characteristic of flexibility (Aryeetey, 1992) in spite of the financial reforms that have been embarked upon. On the contrary, the informal financial sector in Ghana drives its dynamism from developments within the formal sector and also from its internal characteristics (Aryeetey and Gockel, 1991). To varying degrees, informal credit in Ghana is reported to be characterized by easy access, flexibility in loan use, rapid processing, flexibility in interest rates and collateral requirements (Aryeetey, 2008). Agents in the informal financial sector are however reported to be restricted in the size, duration of lending and in their area of operations (Aryeetey, 2008). Informal credit transactions in Ghana can be grouped into non-commercial transactions, such as transactions between relatives and friends or small-scale group arrangements, and commercially based ones, conducted by savings collectors, estate owners, landlords, traders, and moneylenders (Owusu-Antwi and Antwi, 2010).

## **Actors in the Informal Financial Sector in Ghana**

### **2.6.1 Moneylenders**

Moneylenders are one of the key actors in the informal financial segment. They are known to be significant commercial lenders, often lending from surplus income earned from farming or trading. Credit from this source is however noted to be expensive and therefore, often serves as a last resort. However, long-standing clients who have established credit worthiness are charged a lower interest rate than those who are first entering the market (Owusu-Antwi and Antwi, 2010). Loans from moneylenders typically average 3 months and rarely are made for more than 6 months though some borrowers may take longer time to repay (Steel and Andah, 2003). Aryeetey and Gockel (1991) identified two major categories of moneylenders. They are the moneylenders who are licensed to operate under the Moneylenders Ordinance of 1951 and those lenders who do business without official authority. The moneylenders in Ghana are reported to advance loans at interest rates higher than the banks but without collateral, and disburse loans very quickly if the client is known (Jones et al, 2000). The high prices of rural credit are attributed to monopoly profits accruing to moneylenders. Aryeetey (1992) documents that, there is little demand for credit from the proprietary moneylender for investment in economic activity. He added that, enterprises that are likely to borrow from proprietary moneylenders for investments are either involved in trading in urban areas or farming where rather small sums are required for a season. According to IPC (1988) cited in Aryeetey (1992), the demand for credit facing the moneylender in Ghana is price inelastic in view of the fact that such credit is required in emergencies, forcing the borrower to take any given interest rate. The amount lent out by money lenders to clients may first depend on the relationship between the lender and the client, the capacity of the borrower to repay and on the lending capacity of the lender (Aryeetey and Gockel, 1991).

Aryeetey (1992) pointed out that moneylenders in Ghana have superior knowledge about their clients and as such, more open use could be made of them in channelling formal credit to light-risk borrowers. For this, moneylenders could be permitted to operate as agents of banks, and thereby lend within given interest-rate ranges that ensure them adequate profits. Through this, banks may reduce their risk burdens by sharing this with the moneylender and improve upon the management of credit since the moneylender possesses superior knowledge of clients (Aryeetey, 1992).

### **2.6.2 Susu Collectors**

Susu collectors are informal finance providers who supply households with short-term and flexible financial products. Susu collectors are not subject to regulation and hence, saving with them can be quite risky (Owusu-Antwi and Antwi, 2010). A participant who engages in Susu collection system has to save with a Susu collector for several months in order to prove his trustworthiness, as well as his cash flow, before being allowed to borrow. Based on the style of operation, the Susu collector has to visit his or her clients every day to collect a fixed amount of money depending on the client's cash flow for a period of 31 days. The daily contributions of a customer are recorded in a savings account. The total amount of the contribution is paid in a lump sum while the Susu collector keeps one day's contribution as a fee for his services (Owusu-Antwi and Antwi, 2010). Additional money is earned by the Susu collector from either reinvesting his client's contributions in short-term projects or from depositing the contributions at a commercial bank, and receiving interest from the savings account. The same style of operation and fees is earned when a Susu collector bequests a credit to a customer. In this respect an amount of money is drawn from the customer's daily contributions and is repaid through daily Susu contributions afterwards (Owusu-Antwi and Antwi, 2010). Advances made by individual susu collectors to their regular clients are usually

low value, very short term usually less than one month, provided on an interest-free basis without collateral and disbursed immediately (Jones et al, 2000).

The Ghana co-operatives of “susu” collectors Association were established in 1994 to coordinate the activities of all regional Susu collectors. However, evidence has shown that there is limited operation of Susu collectors in the Ejura community.

### **2.6.3 Relatives and Friends, Landlords and Traders**

Relatives and friends, landlords and traders also play very significant role as providers of credit in the informal financial sector in Ghana (Ekumah and Essel, 2001; Owusu-Antwi and Antwi, 2010). Relatives and friends are known to be the most common providers of credit in the informal sector and usually charge near-zero interest rates (Aryeetey, 1992). This credit source is small, however, and the total credit from these non-institutional sources is insufficient to implement rural development programs (Owusu-Antwi and Antwi, 2010).

## **2.7 Linkages between Formal and Informal Credit Sectors of Financial Markets in Ghana**

While the financial market in Ghana is extensively segmented, the demand for credit facilities in one sector is not exclusive to that sector (Aryeetey, 1992). It has been observed that in some situations, the application for formal credit competes with the application for informal credit in the finance of businesses while in other cases the two credit sources are applied in a complementary manner by businesses. The informal credit suppliers also sometimes act as intermediaries between formal lenders and borrowers (Aryeetey, 1992).

There is however, very limited competition between formal and informal credit suppliers, born out of the limited ability of both to put credit on the market, which does not help borrowers to improve their welfare by negotiating on the two markets, and therefore denies them access to well-priced investable funds (Aryeetey, 1992). According to Aryeetey (1992) different demand and supply structures for each sector would ensure the continued segmentation of the market and have a bearing on the relationship between them. He pointed out that the actions of lenders depend on the amount of information they have about their clients and the enforcement power they possess. It is the different degrees of information and enforcement power that enables formal and informal lenders to approach borrowers differently.

It has been observed that credit from informal sources would be sought after failure to obtain bank credit and this is usually attributed to the fact that bank credit is much cheaper than credit from informal sources (a possible exception being credit from friends/relatives) (Aryeetey, 1992). It is reported that, the different financial markets exist as a result of the different conditions and requirements of the population, which may lead to either complementary or competitive situations (Aryeetey, 2008).

## **2.8 Agricultural and the Economy**

Agriculture in Ghana consists of a variety of agricultural products and is an established economic sector, and provides employment on a formal and informal basis. Ghana produces a variety of crops in various climatic zones which range from dry savannah to wet forest and which run in east west bands across Ghana. Agriculture is Ghana's most important economic sector, employing more than half the population on a formal and informal basis and accounting for almost half of GDP and export earnings. The country produces a variety of

crops in various climatic zones which range from dry savannah to wet forest and which run in east west bands across the country. Agricultural crops, including yams, grains, cocoa, oil palms, kola nuts, and timber, form the base of Ghana's economy.

Although Nkrumah attempted to use agricultural wealth as a springboard for the country's overall economic development, Ghanaian agricultural output has consistently fallen since the 1960s. Beginning with the drop in commodity prices in the late 1960s, farmers have been faced with fewer incentives to produce as well as with a general deterioration of necessary infrastructure and services. Farmers have also had to deal with increasingly expensive inputs, such as fertilizer, because of overvaluation of the cedi. Food production has fallen as well, with a decline in the food self-sufficiency ratio from 83 percent in 1961-66 to 71 percent in 1978-80, coupled with a four-fold increase in food imports in the decade prior to 1982. By 1983, when drought hit the region, food shortages were widespread, and export crop production reached an all-time low.

When the Rawlings government initiated the first phase of the ERP in 1984, agriculture was identified as the economic sector that could rescue Ghana from financial ruin. Accordingly, since that time, the government has invested significant funds in the rehabilitation of agriculture. Primarily through the use of loans and grants, the government has directed capital toward repairing and improving the transportation and distribution infrastructure serving export crops. In addition, specific projects aimed at increasing cocoa yields and at developing the timber industry have been initiated. Except for specific development programs, however, the government has tried to allow the free market to promote higher producer prices and to increase efficiency.

Although the government was criticized for focusing on exports rather than on food crops under the ERP, by the early 1990s the PNDC had begun to address the need to increase local production of food. In early 1991, the government announced that one goal of the Medium

Term Agricultural Development Program 1991-2000 was to attain food self-sufficiency and security by the year 2000. To this end, the government sought to improve extension services for farmers and to improve crop-disease research. Despite the statements concerning the importance of food crops, however, the plan was still heavily oriented toward market production, improvement of Ghana's balance-of-payments position, and provision of materials for local industrial production. Furthermore, following World Bank guidelines, the government planned to rely more heavily on the private sector for needed services and to reduce the role of the public sector, a clear disadvantage for subsistence producers. In particular, industrial tree crops such as cocoa, coffee, and oil palm seedlings were singled out for assistance. Clearly, agricultural sectors that could not produce foreign exchange earnings were assigned a lower priority under the ERP.

The government attempted to reduce its role in marketing and assistance to farmers in several ways. In particular, the Cocoa Marketing Board steadily relinquished its powers over pricing and marketing. The government, furthermore, established a new farmers' organization, the Ghana National Association of Farmers and Fishermen, in early 1991 to replace the Ghana Federation of Agricultural Cooperatives. The new organization was to be funded by the farmers themselves to operate as a cooperative venture at the district, regional, and national levels. Although the government argued that it did not want to be accused of manipulating farmers, the lack of government financial support again put subsistence producers at a disadvantage.

### **2.8.1 Overview of the Economy**

In the early 1990s, Ghana's economic recovery still appeared uneven and was geared primarily to the export rather than domestic market. GDP had risen by an average of 5 percent per year since 1984, inflation had been reduced to about 20 percent, and export

earnings had reached US\$1 billion. Most production came from the export sector, and by the 1992-93 crop year, cocoa production surpassed 300,000 tons, placing Ghana third in the world. In 1990 exports of minerals—primarily gold but also diamonds, manganese, and bauxite—brought in US\$234 million, an increase of 23.2 percent from the year before. Nevertheless, salaries were low, and because the cost of public services continued to raise, Ghana's poor bore the brunt of the negative effects of the austerity program.

Despite devaluations by the Rawlings regime and rising exports, the government has been unable to fulfil a key stabilization goal of reducing the trade and current account deficits. To stimulate production in various sectors, the government has incurred loans to finance imports of necessary inputs such as machinery, fertilizer, and petroleum. As a result, the country's foreign debt exceeded US\$4 billion in 1991. According to World Bank estimates, the country's debt continued to rise in 1992, and was equivalent to almost 63 percent of Gross National Product (GNP).

In 1992 the debt service ratio (debt service as a proportion of exports) was 27 percent, an improvement on late 1980s levels, which averaged as high as 62.5 percent. To cover the deficits that result from loans and increased imports, the government came to rely on rising levels of foreign aid, with net aid disbursements increasing to an estimated US\$550 million by 1990. Unfortunately, foreign investment, compared with aid, was weak except in the mining sector, and domestic savings were insufficient to finance the country's ambitious development projects.

Government policies have produced mixed results in terms of productivity and debt, and they have also incurred significant social costs through job elimination and reduced public expenditure policies. The government has addressed this problem by launching a special initiative to create 40,000 jobs providing services to the poorest groups. Spending on health

and education also has increased as a proportion of GDP, but the central government believes that major poverty alleviation can come only with even faster and higher economic growth.

### **2.8.2 Structure of the Economy**

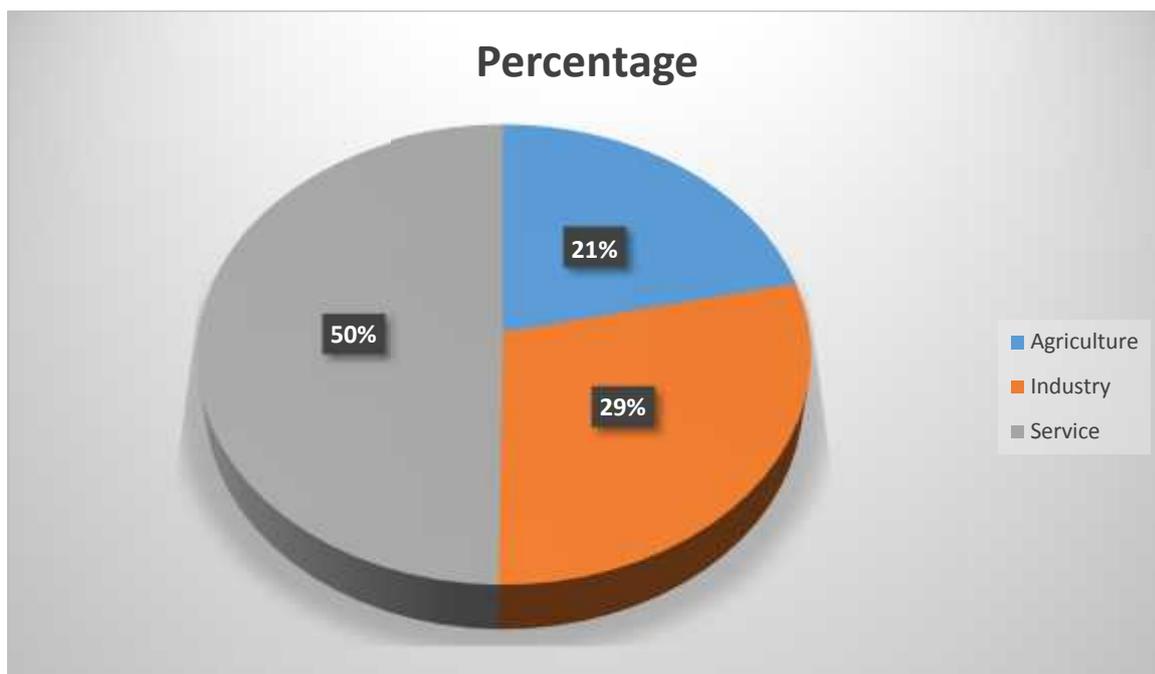
Most government efforts to restore the productivity of the Ghanaian economy have been directed toward boosting the country's exports. These policies, however, have had numerous consequences. Following the initiation of the ERP in 1983 and the devastating drought of 1983, Ghana's GDP has registered steady growth, most of it attributable to the export sector, including cocoa and minerals and, to some extent, timber processing. The cost of this growth is apparent, however, in Ghana's growing external debts, which have financed rehabilitation of the export sector, and in the country's steady rate of inflation that has curbed consumer imports. The government has tried with limited success to avoid some of the country's historical pitfalls by broadening the range of both exports and trading partners. Nevertheless, prices for the goods that most Ghanaians purchase have been rising faster than the wages they receive for their work.

### **2.8.3 Gross Domestic Product**

In current prices, Ghana's GDP rose from ₵511 billion in 1986 to ₵3 trillion in 1992. In constant 1987 prices, these GDP figures amounted to ₵713 billion (US\$4.62 billion) in 1986 and ₵934 billion (US\$6.06 billion) in 1992. During the 1980s, Ghana's economy registered strong growth of approximately 6 percent per year because of a reversal in the steadily declining production of the previous decade. Ghana's worst years were 1982 and 1983, when the country was hit with the worst drought in fifty years, bush fires that destroyed crops, and the lowest cocoa prices of the post-war period. Growth throughout the remainder of the decade reflected the pace of the economic recovery, but output remained weak in comparison with 1970 production levels. The same was true of consumption, minimum wages and social

services. Growth fell off considerably in 1990 when another drought caused real GDP growth to decline by nearly two percentage points. Government estimates claimed that real GDP growth in 1993 was 6.1 percent, which reflected a recovery in cocoa output and an increase in gold production. At the same time, gross domestic fixed investment rose from 3.5 percent of the total in 1982 to 12.9 percent in 1992. The share of public consumption in GDP fell from a peak of 11.1 percent in 1986 to 9.9 percent in 1988, but appeared to have risen again to 13.3 percent in 1992. Significant changes have taken place in the structure of GDP since the ERP began. Agriculture continues to be the bedrock of Ghana's economy, accounting for more than 48 percent of GDP in 1991. Agriculture's long-term importance has declined, however, in favour of that of industry, the contribution of which to GDP more than doubled from 1988 to 1991 when it constituted almost 16 percent of GDP, and in favour of services, the contribution of which was 35.3 percent in 1991. Notable changes have also occurred within the broader sectors: cocoa's share rose from 5.6 percent in 1983 to 9.5 percent in 1991; manufacturing's contribution increased from 3.9 percent to 8.7 percent; and construction output from 1.5 percent to 3.5 percent.

Now agriculture is one of the pillars of Ghana's economic growth and according to the World Bank, agriculture contributes 21.5% to GDP in 2013, while service contributes 49.8% and industry contributes 28.7%.



Source: CIA world fact book

## 2.9 Constraints to Agricultural Credit

Different farmers will have different needs for credit but a good sign that indicates some level of credit constraint is the gap between demand and supply of credit. Credit constraints can be defined as a wide gap between demand for credit and supply of credit. Hussein, and Ohlmer(2008) defined credit constraint as the situation where the farmers cannot avail itself of the credit it desires at the prevailing relevant market conditions, thus classifying farmers into credit constraint and un-constraint farmers.

In Ghana, the prevalence of credit constraint and their impact on production efficiency has led to low production on the farmers. Economics of agricultural production at the micro level is to attain the objective of profit maximization through efficient farm allocation of resources over a period of time or by either maximizing output from given resources or minimizing the resources required for producing a given level of output. One of the reasons for the failure of most credit institutions in Ghana is that they have complicated, cumbersome and time consuming procedure which results in delay in approval and in loans not being made

available when required, illiteracy on the part of the farmers, high administrative charges, period for advance. Security of advance discourages farmers from formal institution facility. Several factors militate against efficient procurement and utilization of credits from formal sources of credit. Such factors include the inability of the farmers to provide acceptable collateral demanded by the lending institutions, delay in the disbursement of credit to synchronized with the different farming operations and lack of well-planned clear debt repayment scheduled.

Akinade (2002) also stated that apart from the insistence of credit institutions on the provision of collateral and high interest rate, most farmers also encounter difficulty in complying with the banks demand for feasibility report on the project for which credit is required. While farmers have now been exempted from fulfilling this obligation as far as loans under agricultural credit guarantee scheme is concerned, there is nothing to indicate that banks do not demand such a report from the farmers for loans outside the guarantee scheme. What bothers the farmers is the huge cost of procuring the feasibility report and the attendant delay involved in its presentation.

Despite the constraint in accessing agricultural credit facilities, some farmers get access to agricultural credit facilities and the characteristics of such farmers are worth finding out.

## **CHAPTER THREE**

### **METHODOLOGY**

This chapter discusses the research design, the area of study and sample. It also discusses the instrument used in the data collection, the procedure for data collection and the method for data analysis.

#### **3.1 The Research Design**

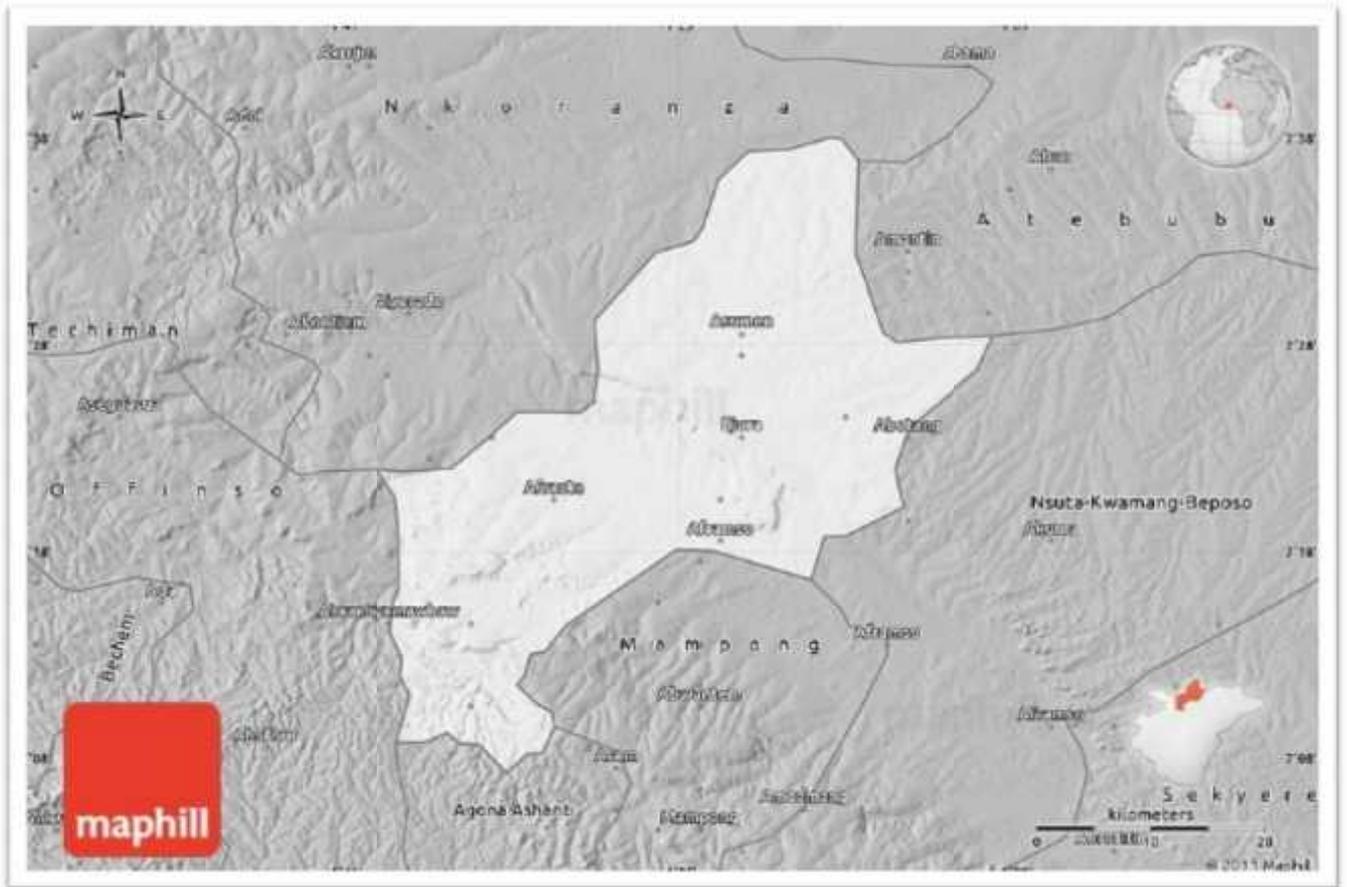
This survey attempted to determine the characteristics of farmers who get access to agricultural credit facilities in Ejura. Being a fact finding study, we considered and adopted the descriptive survey design method as more appropriate.

#### **3.2 Area of Study**

The research was conducted at Ejura, the capital town of Ejura – Sekyedumase District. The area is situated between latitudes 7.0554 and 7.38N and longitudes -1.412 and 1.37W and 227m elevation above sea level. Ejura is the twenty-fourth most populous settlement in Ghana, in terms of population, with a total number of 70,807 people. Ejura is the largest maize producing district in the Ashanti Region of Ghana. It is in the far north of the region, near the Afram River. Ejura is connected by highways with the towns of Mampong, Yeji and Techiman. It is home to the Digya National Park / Kujani Game Reserve.

The area is divided into two distinct seasons, the wet or rainy and dry seasons. The wet or rainy season begins from April and lasts till October. About 70% of the residents are engaged both in crop farming and animal rearing and on either of these.

## MAP OF AREA OF STUDY



### **3.3 Population and Sampling Technique**

The research study targeted a population of small-scale farmers who save with the bank and also six (6) registered banks. However, we had access to five (5) banks. We did not attend the other bank because after reviewing the reasons given by the banks, they had similar steps and procedures for granting credit facilities to the farmers. And also they all had concerns for the medium size farmers. Thus the medium size farmers were their main target. We sampled forty (40) farmers and six (6) workers at the banks for examination. The purpose for administering the questionnaire to the staff is to determine how they view the credit operations of the bank and whether their opinion, the bank encounters any problems in undertaking their credit operations activities. Besides the use of questionnaire, in-depth interviews were conducted with six bank staff to gather further information. The convenient sampling method was used.

### **3.4 Instrument**

The study used both structured questionnaire and semi-structured interview guide.

### **3.5 Data Collection Procedure**

The data was collected mainly from primary sources. Forty (40) questionnaires were sent as returned. Every respondent answered all the questions. The questions were read to participants to answer. There were equal number of male and female farmers.

### **3.6 Data Analysis**

Data collected from the questionnaire were analysed, summarised, and interpreted with the aid of descriptive statistical techniques; frequency and percentage. The data was analysed using Statistical Package for Social Scientists (SPSS) and Microsoft Excel. The findings were presented in the form of tables, frequencies, and chart.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION OF 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. It presents discussions on the detailed profile of farmers who are beneficiaries of the products of the bank, the contribution of banks on the entrepreneurial activities that lead to sustainable growth of farmers in the Ejura community, the challenges farmers face in accessing credit, and the utilization of credit by farmers for business growth.

#### 4.1. Responses Received

The questionnaires distributed were in two categories, one category for farmers and the other for banks. In all 30 questionnaires were distributed to respondents. Out of 30 questionnaires given to respondents, 30 were received representing an overall response rate of 100%. The collected responses were made up of 8 completed questionnaires from banks, and the remaining 22 were collected from the farmers.

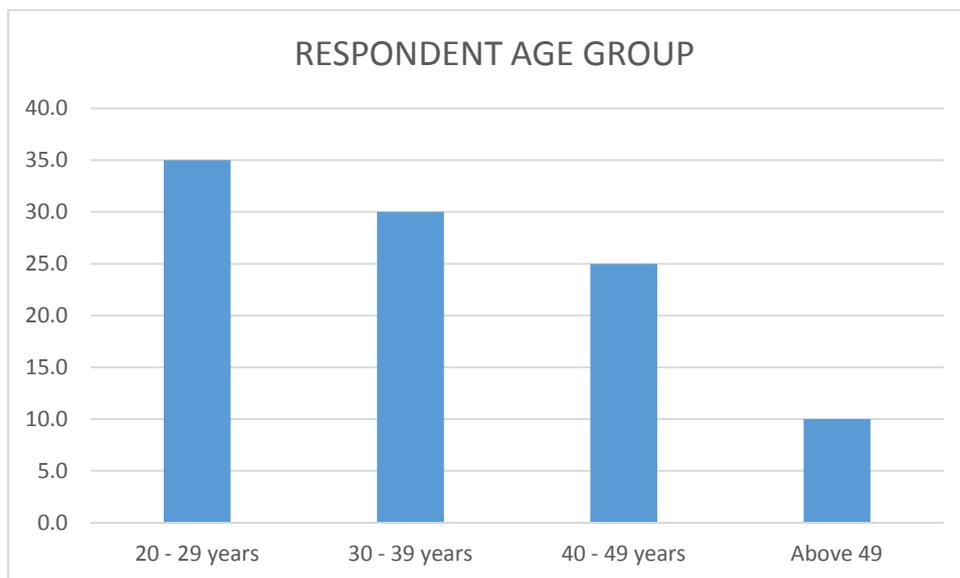
CATEGORY	QUESTIONNAIRES SENT	RESPONSES RECEIVED	RESPONSES PERCENT
FARMERS	40	40	100
BANKS	6	5	83.3
TOTAL	46	45	183.3

**Source:** Field Survey, May 2015

## 4.2 Demographic Data

The result in figure 4.2 in appendix A, shows that the age of the respondents ranged between 20-29 years is predominant with 35%. Also 30-39 years represent 30% of the respondent. The age range of 40-49 years had 25% of the respondents. Ten percent of the respondents are of the age 49 years and above. The implication of the result is that the farming in the study area enjoys higher patronage by the young people who are energetic. This result suggests that majority of the farmers in the study area are young farmers within the age range of 20-29 years. These farmers can therefore make a meaningful impact in agricultural production when adequately motivated with the needed agricultural credit.

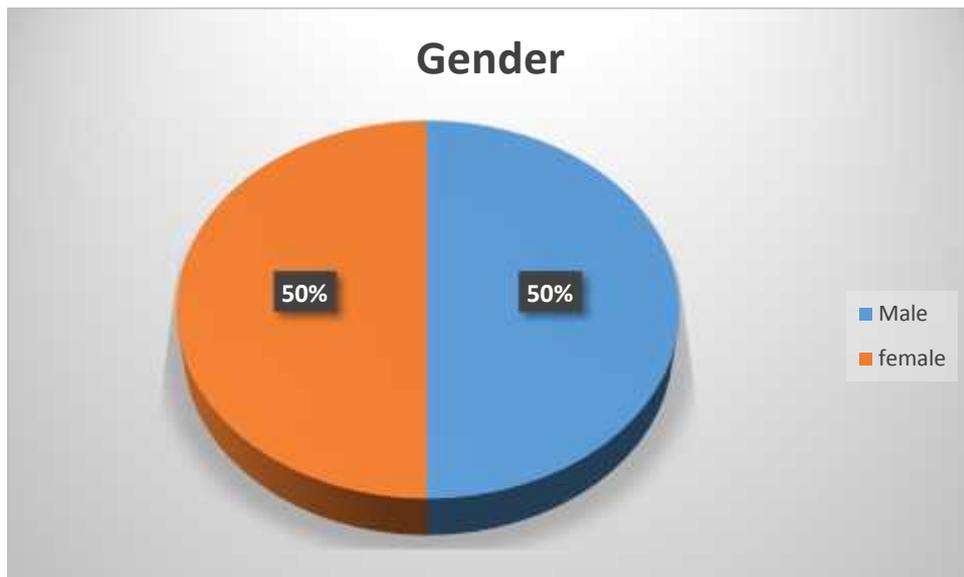
**Figure 4.2**



**Source:** Field Survey, May 2015

From the diagram, the gender distribution of the study showed that 50% were male and 50% were female. From our data female gets more access to agricultural credit facilities than male.

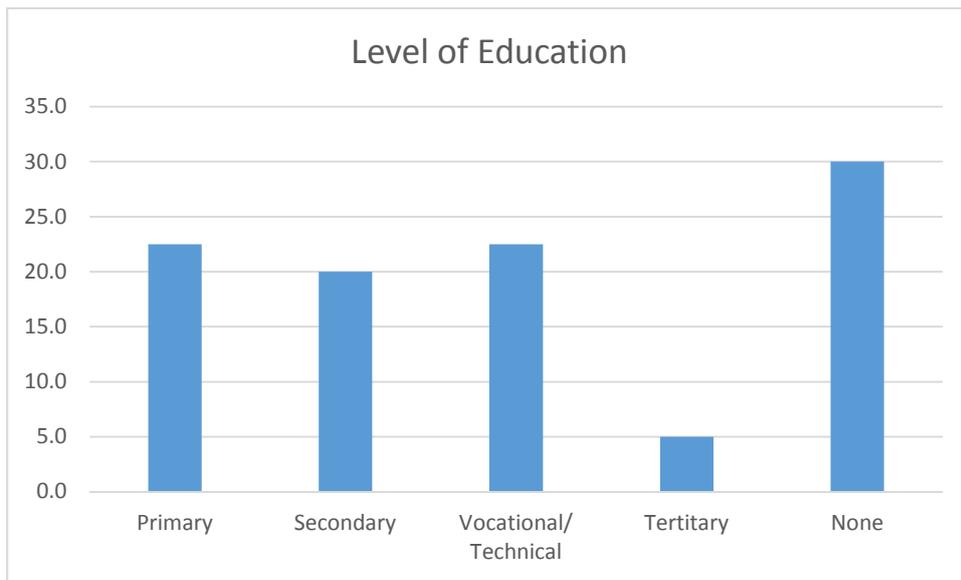
**Figure 4.3**



**Source:** Field Survey, May 2015

The results of the study showed that 22% of farmers had primary level education, 20% had secondary education and 5% had tertiary education. The result showed that majority of the respondents representing 30% do not have any educational background and also 23% had vocational or technical.

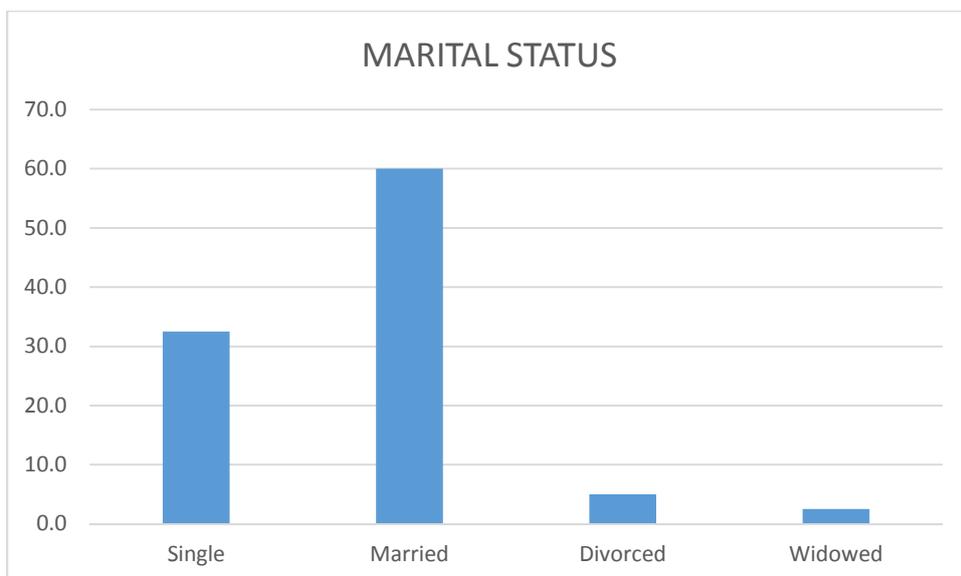
**Figure 4.4**



**Source:** Field Survey, May 2015

From the figure 4.5, majority (60%) of the respondents are married. Only 32.5% of them are not married. Divorced is represented by 5% and 2.5% respondent represent widow.

**Figure 4.5**

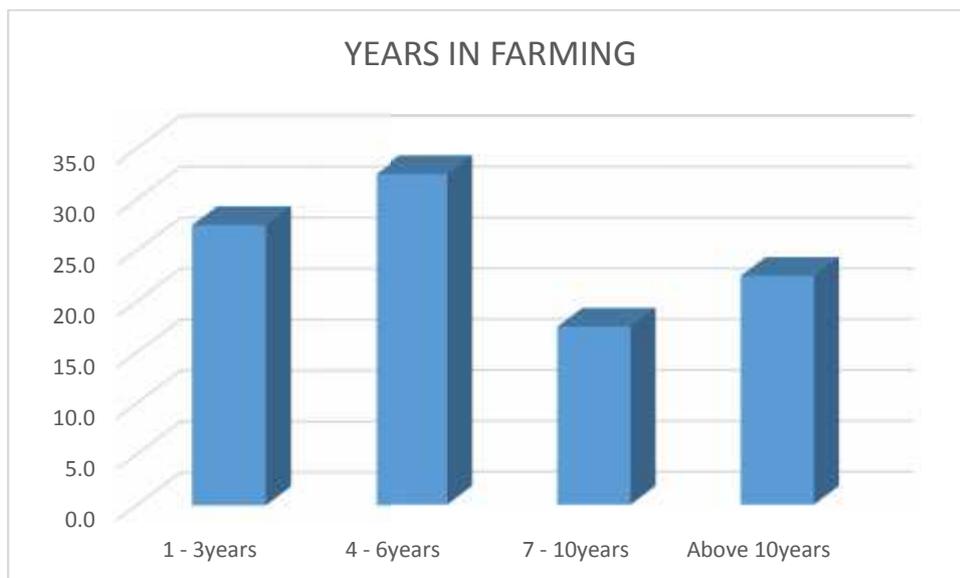


**Source:** Field Survey, May 2015

### 4.3 Farmers View on the Characteristics

Majority of the respondents representing 32.5% had 4-6 years farming experience, 27.5% of respondents had 1-3 years farming experience while 22.5% had 10 years and above. And 17.5% respondents had 7-10 years of farming.

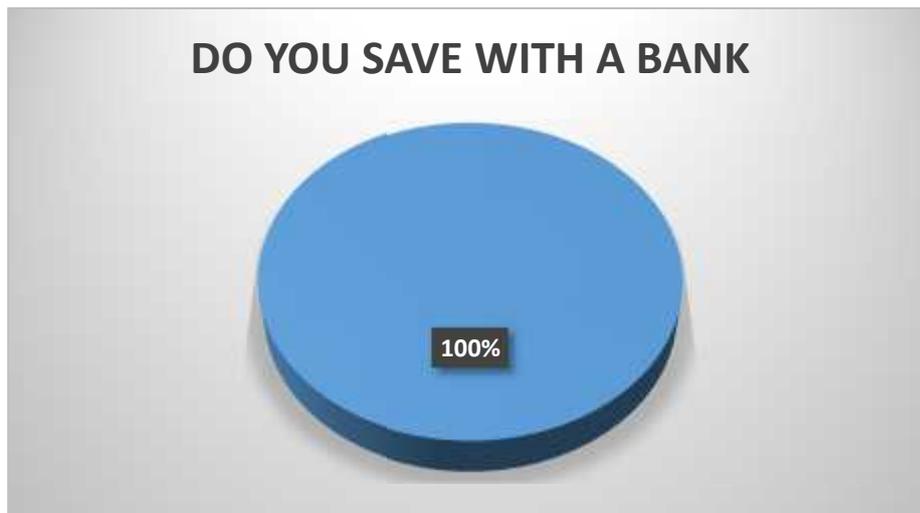
**Figure 4.6**



**Source:** Field Survey, May 2015

From figure 4.7, all (100%) the farmers save with the 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**



**Source:** Field Survey, May 2015

From the respondents, 80% of the farmers had savings account while 20% opens current accounts. Those who opened the current accounts said they made that choice in order to have faster business transactions.

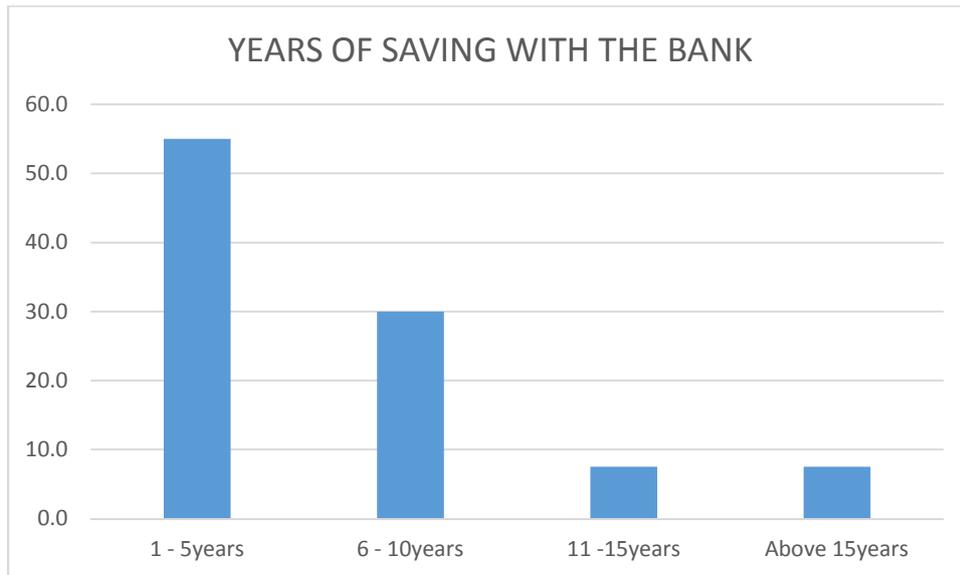
**Figure 4.8**



**Source:** Field Survey, May 2015

Fifty – five percent of the respondents have been customers with the bank for 1-5 years. Thirty percent represented 6-10 years. Respondents with 11-15 years had 7.5% and above 15 years represents 7.5%. The reason was because of the easy transfer and the security in their banks.

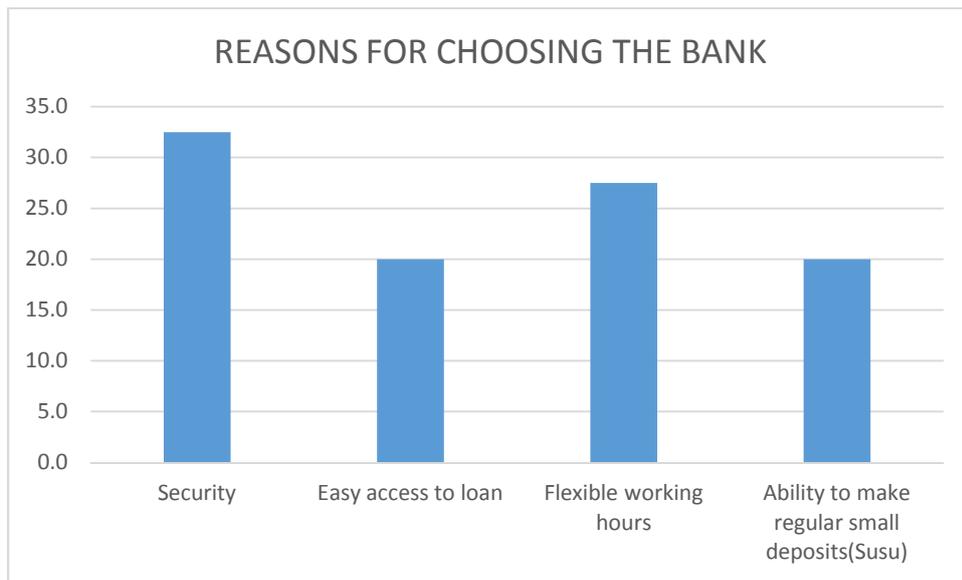
**Figure 4.9**



**Source:** Field Survey, May 2015

From the respondents, 32.5% chose the bank based on security. The study showed that 16 had easy access to loan and ability to make regular small deposits (Susu). Thus 20% each respectively and also 27.5% chose the bank based on the flexibility.

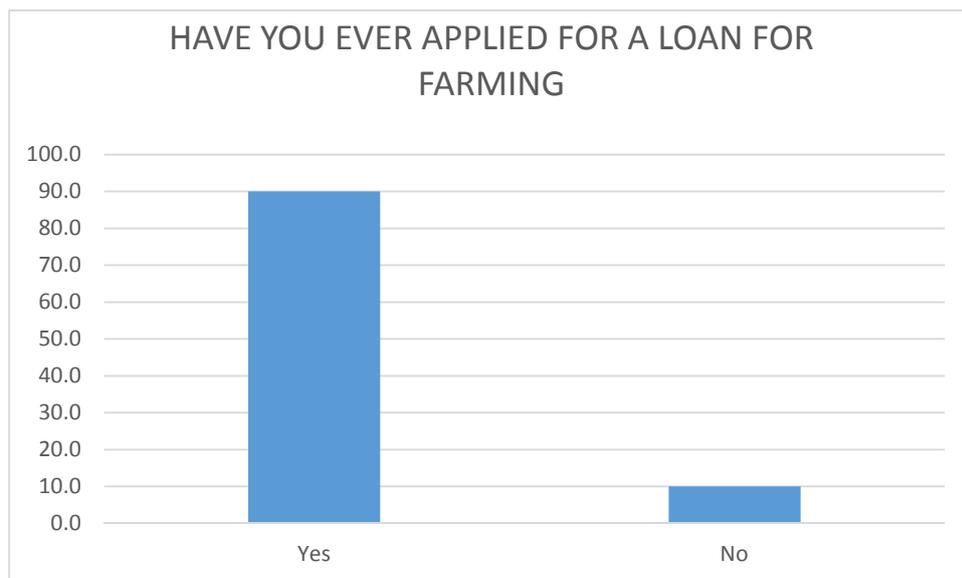
**Figure 4.10**



**Source:** Field Survey, May 2015

From the diagram, 90% of the farmers have applied for a loan and 10% did not even attempt to apply for a loan because some farmers said they have their own finance and others said because of their land size and also lack of collateral.

**Figure 4.11**



**Source:** Field Survey, May 2015

From the figure 4.12, shows that majority of the farmers had access to agricultural credit. From the farmers who applied 78% were successful and 22% were unsuccessful. This result suggests that access to agricultural credit facilities in the study area was moderately high. The implication of this finding is that the production potentials of the farmers in the study area could easily be enhanced by virtue of farmer's access to financial assistance for the acquisition of needed production resources.

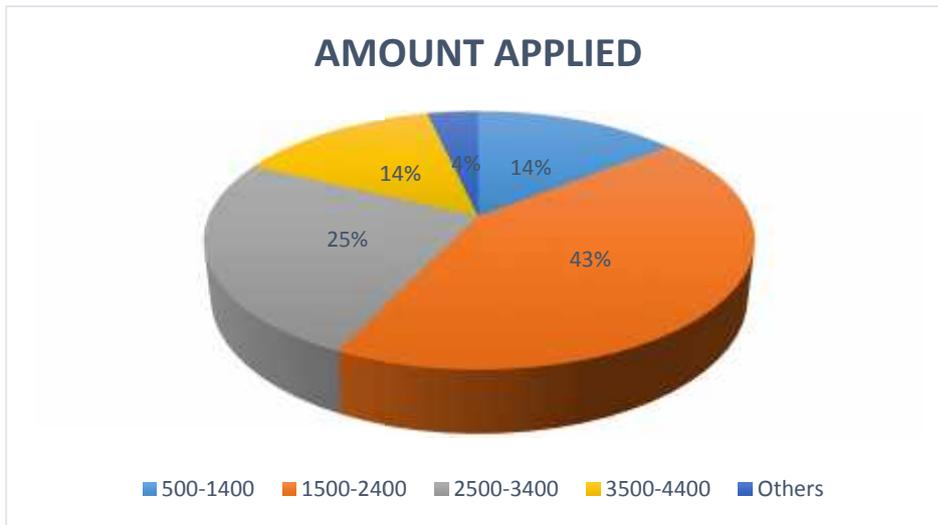
**Figure 4.12**



**Source:** Field Survey, May 2015

Majority of the respondents representing 43% had 1500-2400 as the amount of credit they applied for while 25% had 2500-3400. Fourteen percent had 500-1400 and also 14% had 3500-4400. The others respondents representing 5%. This suggests that the credit facility available to the farmers is small.

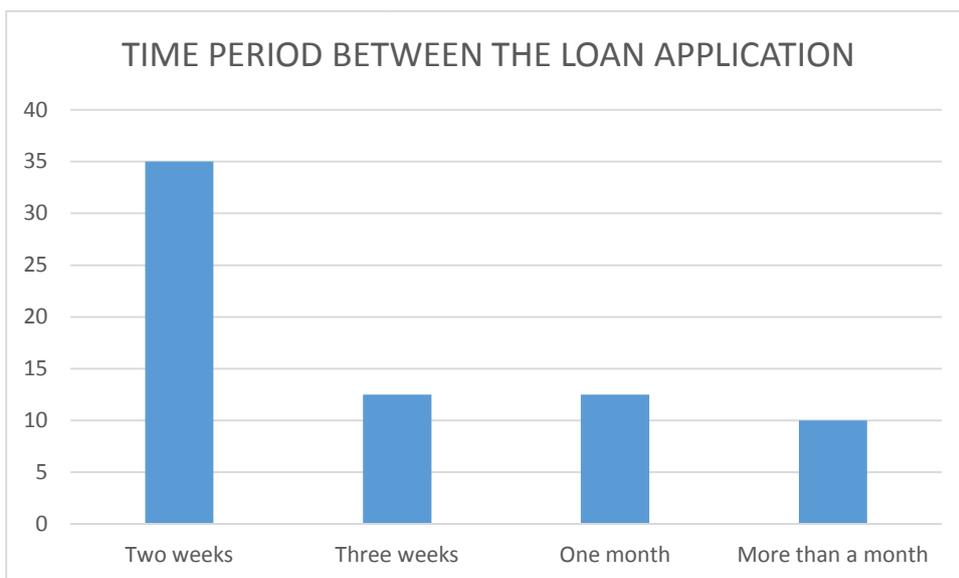
**Figure 4.13**



**Source:** Field Survey, May 2015

The two weeks' time period for the loan application and disbursement had the highest percentage of 35%, while between three weeks had 25.5% and one month had 25.5% both had the second highest percentage and more than a month of 10% had the least. This shows that the two week time period for the loan application and disbursement is effective which gives the farmers assurance to apply and receive the loan for production.

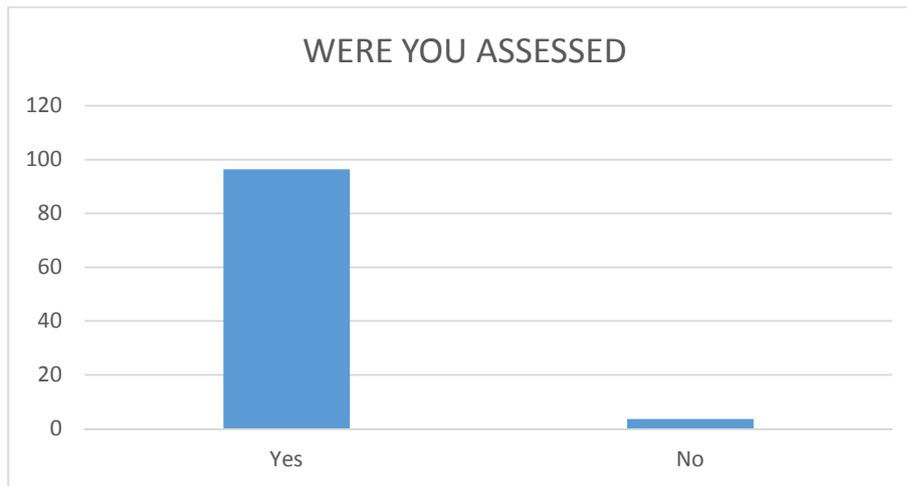
**Figure 4.14**



**Source:** Field Survey, May 2015

Assessment of farmers for loan is vital in the process of loan application and disbursement. The results show that 96.4% got positive response for assessment and 3.6% got negative response. This indicates that the bankers assess the farmers thoroughly before granting loans.

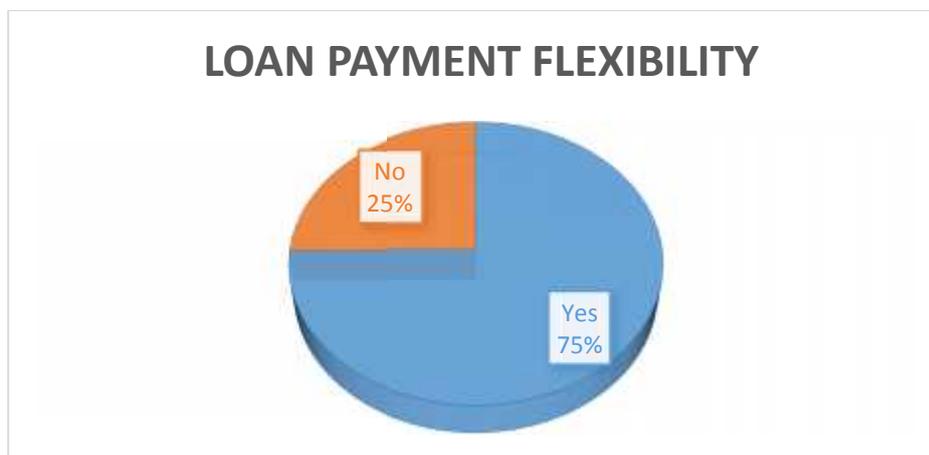
**Figure 4.15**



**Source:** Field Survey, May 2015

Flexibility of payment of loan by financial institution to farmers is one important aspect. If loans applied is not paid flexibly, the purpose of the loan may not be successful. From our findings, 75% of found the payment flexible while 25% did not find the payment term flexible. It shows how financial institution are willing to lend loans to farmers.

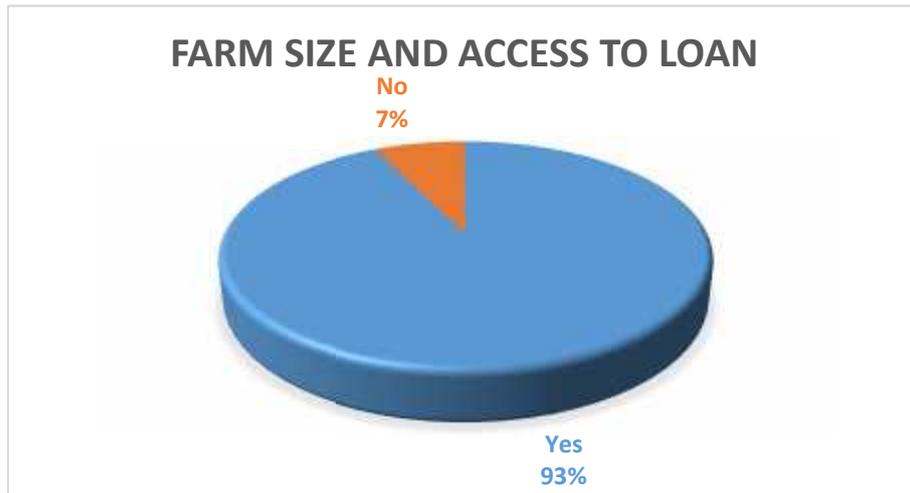
**Figure 4.16**



**Source:** Field Survey, May 2015

There are various types of farm size. Farmers were granted loans based on their farm size. From figure 4.17, 93% of farmers were given loans based on their farm size and 7% were given the loan not based on farm size.

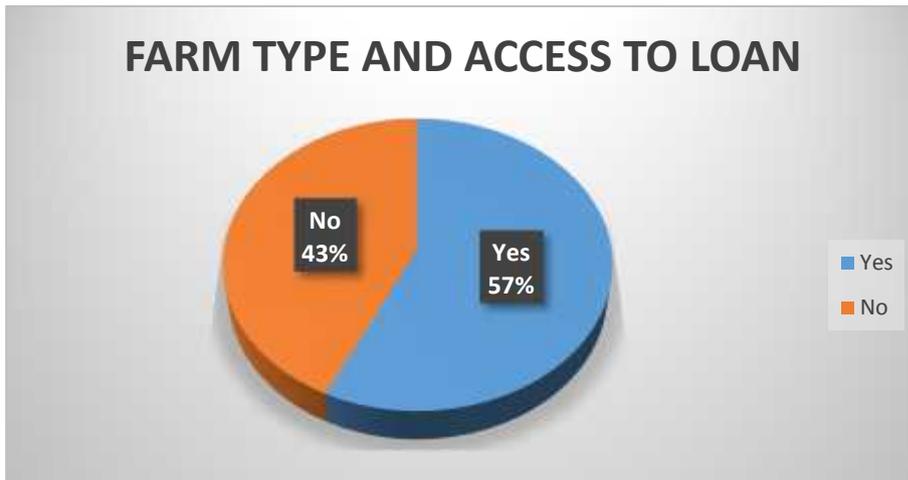
**Figure 4.17**



**Source:** Field Survey, May 2015

The type of farm activities a farmer engages in is a factor for the granting of loan. The figure 4.18 shows that, the type of farm activities a farmer is engaged in has a greater effect of 57% been the highest and 43% been the least. This indicate that, the type of farm activities determine whether a loan can be granted or not. So we further asked the farmers, what are some of the crops that the financial institution would use as the basis of granting loans? The respondents said yam because it takes more than six months to harvest.

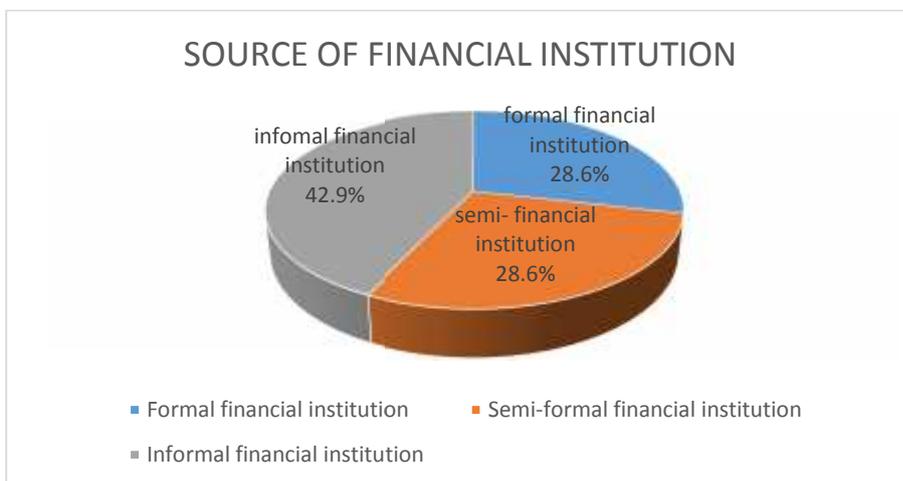
**Figure 4.18**



**Source:** Field Survey, May 2015

From the figure 4.19, 28% of the farmers got access to loans from the formal financial institution, 29% got access from the semi-formal financial institution and 43% from informal financial institution.

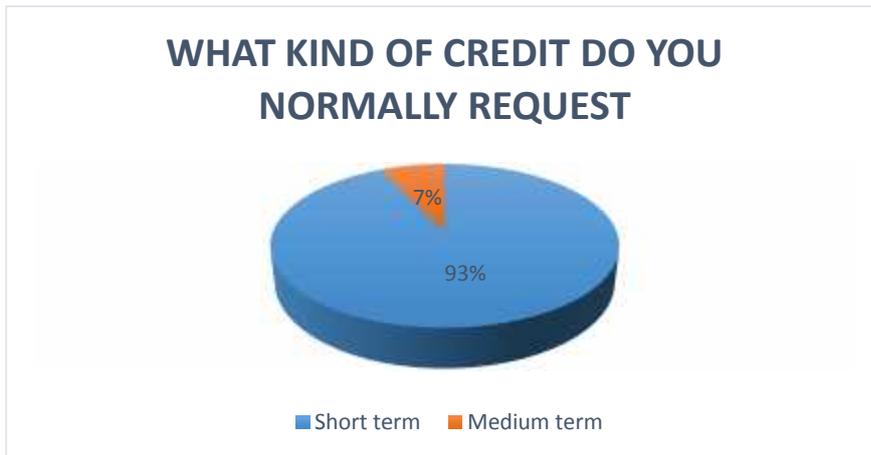
**Figure 4.19**



**Source:** Field Survey, May 2015

Loans are given for short term, medium term and long term. Majority of respondents (93%) had short term loan, 7% had medium term loan and none of the respondents had access to long term loan.

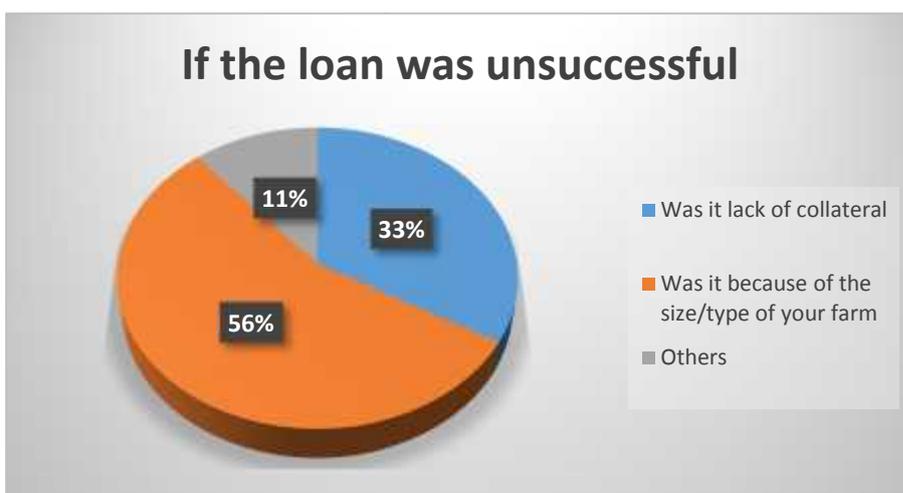
**Figure 4.20**



**Source:** Field Survey, May 2015

Loan requested can be successful or unsuccessful. From the figure 4.21, 33% respondents were not successful with the loan request because of lack of collateral. Fifty six percent because of the size/type of their farm and others had 11% because they have their own money to finance their farms. This means the size/type of their farm constituted the major problem of getting agricultural credit among the respondents.

**Figure 4.21**



**Source:** Field Survey, May 2015

From the figure 4.22, majority of the respondents (89%) did not benefit from advisory services from the bank whiles 11% got advice from the bank.

**Figure 4.22**



**Source:** Field Survey, May 2015

**Table 4.1 If yes, what form or type of advice did you get?**

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Missing	37	92.5	92.5	92.5
Advice about the farm	3	7.5	7.5	100.0
Total	40	100.0	100.0	

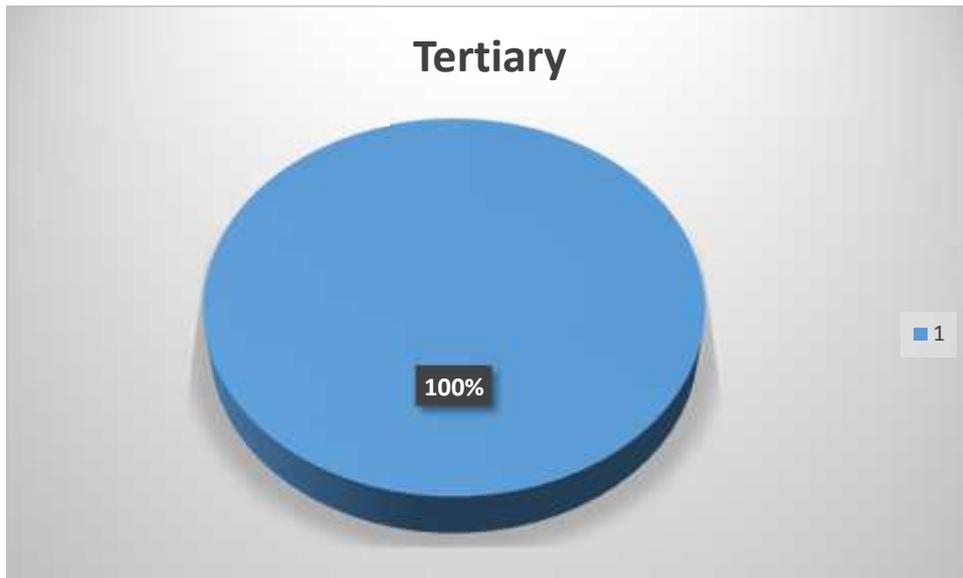
**Source:** Field Survey, May 2015

Ninety-three of the respondents represents those who did not get any advice from the bank whilst 7% represents those who got advice about the farm.

#### 4.4. Staff View on Characteristics of Farmers

From figure 4.23, all bank staff involved in the study were educated at the tertiary level. This results shows that all the respondents are literate enough.

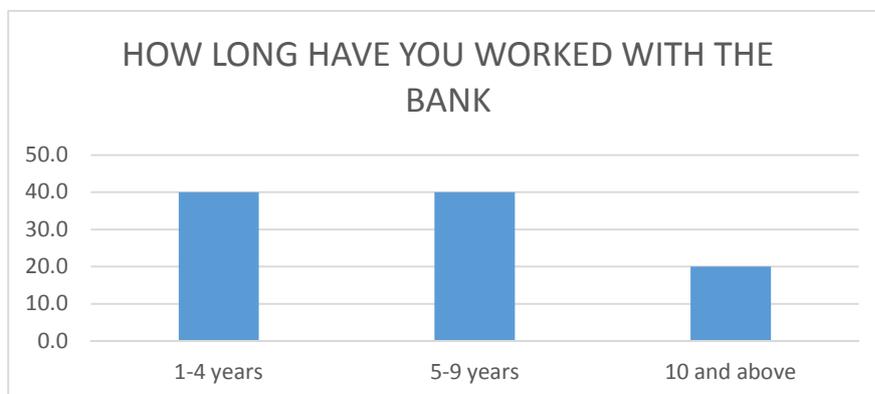
**Figure 4.23**



**Source:** Field Survey, May 2015

When asked about the number of years they had served the bank, 40% had worked with the bank for 1-4 years and 5-9 years each respectively. Twenty percent of them had work for ten and above. Which means the respondents have much experience in terms loan granting.

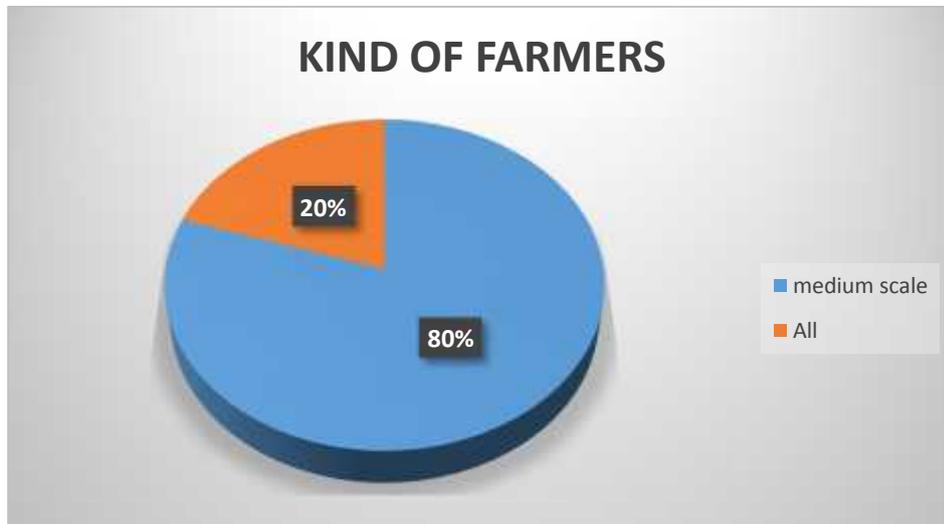
**Figure 4.24**



**Source:** Field Survey, May 2015

From the respondents, the kind of farmers with which they give the loan to is medium scale which represents 80%. Twenty represents respondents with small and large scale.

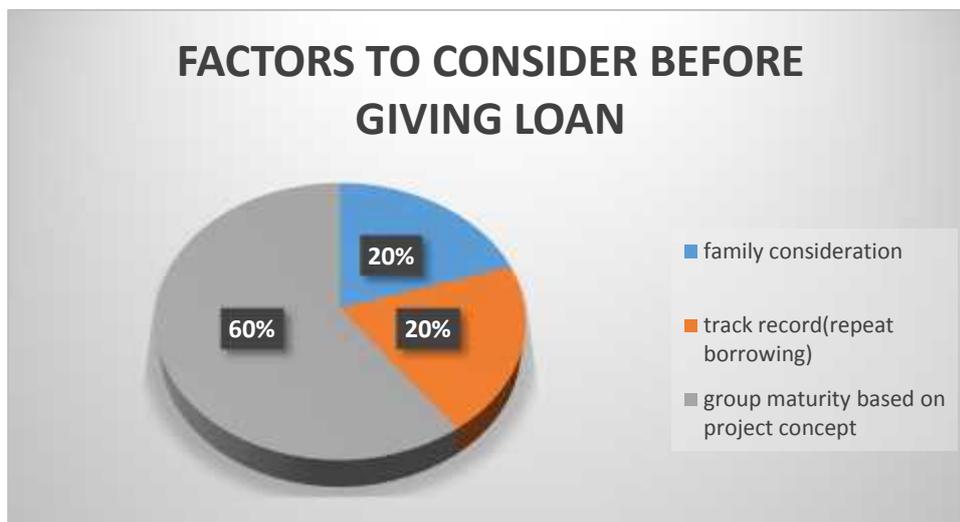
**Figure 4.25**



**Source:** Field Survey, May 2015

Most loans were given to customers based on group maturity that is 60%. Twenty percent loans were also granted based on family consideration and (20%) were given to customers based on track record (repeat borrowing).

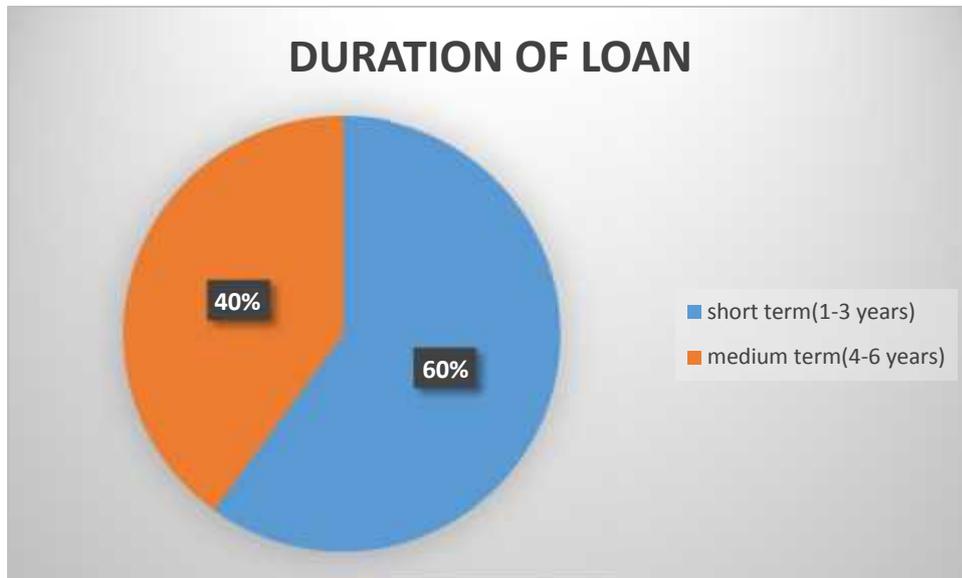
**Figure 4.26**



**Source:** Field Survey, May 2015

From figure 4.27, majority of respondents represents 60% short term (1-3 years) duration of loan requested by their customers. Forty percent represents medium term (4-6 years) of loan requested by their customers.

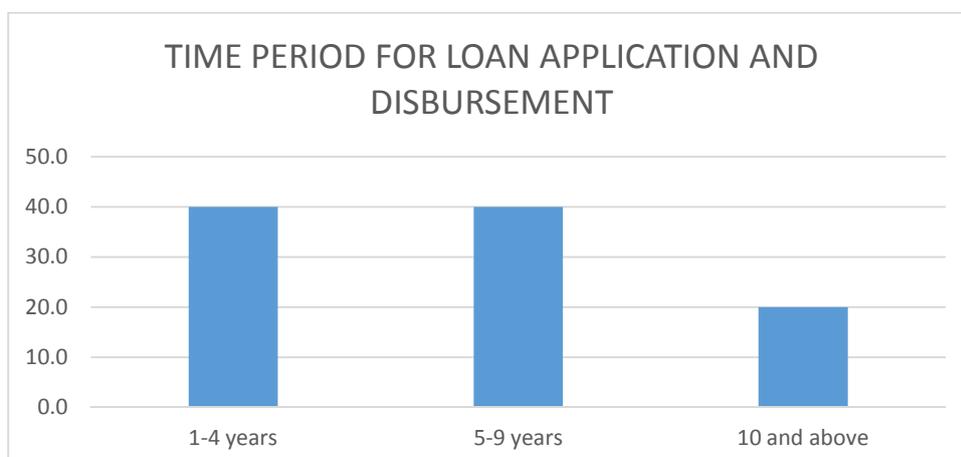
**Figure 4.27**



**Source:** Field Survey, May 2015

The time period for loan application and disbursements for two weeks had the highest percentage of 60% while one month represent 40%. This means that the time period for the loan application and disbursement of two weeks is effective.

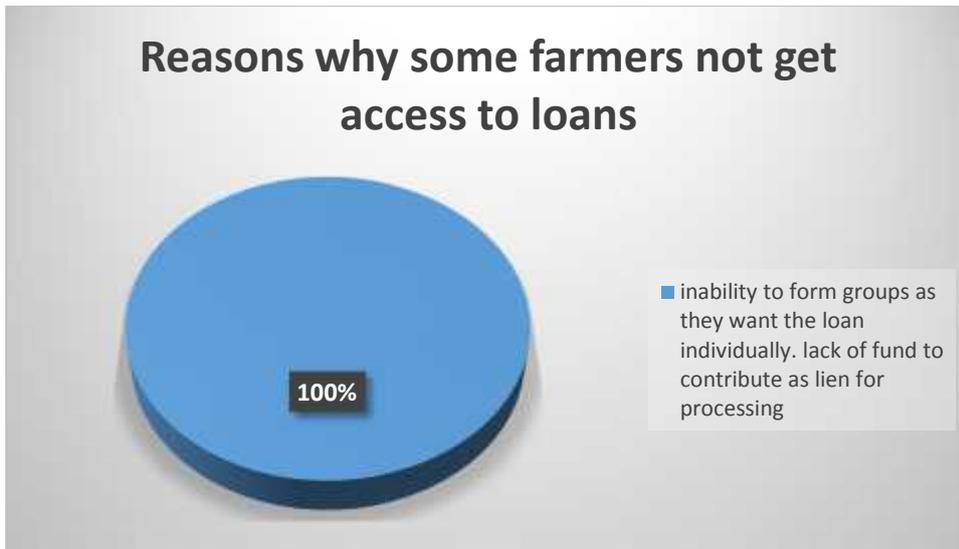
**Figure 4.28**



**Source:** Field Survey, May 2015

Hundred percent of farmers do not get access to loan from the bank because of inability to form groups as they want the loan individually and also lack of fund to contribute as lien for processing.

**Figure 4.29**



**Source:** Field Survey, May 2015

From the figure 4.30, 100% of the respondent's represents those with no accounts are being made to open an account and also check the farm size of groups to verify if they qualify for the loan.

**Figure 4.30**



**Source:** Field Survey, May 2015

## 4.5 Discussion

From the findings on the demographic data we found out that majority of the farmers are youth and therefore they can make a meaningful impact in agricultural production when they are adequately motivated with needed agricultural materials and credit facilities. Out of 40 (forty) farmers interviewed who save with financial institutions, four (4) of them had not applied for loan because they had enough money to finance their farm and eight (8) farmers applied for loan but were not successful because of the size of the farm and collateral. Out of the 40 (forty) farmers who applied for the loan, only 28 (twenty-eight) farmers were successful. Out of the 28 (twenty-eight) farmers, 16 (sixteen) of them were female and 12 (twelve) of them were male.

The farmers believe that the financial institutions are the safest or secure ways to keep their monies. Most farmers were saving with the banks. Whereas, majority had saved with the bank for 1-5 years, and a few farmers had saved with the bank for 11 years and above. Security is a factor for saving at a particular bank, majority of the farmers save with a bank because of security, flexible working hours and easy access to the bank. With this, most of the farmers have the opportunity to apply for loans.

The accessibility, availability of collateral, is a vital part of granting credit facilities to farmers. Banks usually grant farmers the short-term loans, thus 1-3 years. Granting of the loan is based on the type and the size of farm and type of farm activities the farmer engages in. In addition to giving loans, bankers also offer advisory services to farmers and educate them on other financial services.

Owolabi et al (2011) also reported that banks give loans to farmers based on the size of the farm and the income of farmers.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter presents an overview of the study and its findings, from which conclusions are made and recommendations offered for improvements in the credit management. The purpose of the study was to determine the characteristics of farmers that get access to loans for agriculture loans. Specifically, the study was conducted to (i) determine the availability and accessibility of credit to farmers in the Ejura area, (ii) to determine the kind of farmers who get access to loans, (iii) to determine the problems they encountered in accessing credit services in the Ejura area, (iv) to identify bank's loan granting processes.

The key finding of the study were the type and size that the farmers operate.

#### 5.1 Conclusion

The characteristics of farmers that got access to loans were those whose farm sizes met the banks requirement of the type and size of farm and collateral.

#### 5.2 Recommendations

Drawings from the findings of the study, the following recommendations are made with the view of improving farmers access to credit facilities from their bank.

- ) Farmers should make enquiry about the type of farm the bank give loan to.
- ) The banks need to do a regular advisory service to help client of the bank undertake and conform to basic management and record keeping practices. This will go a long to enhance the operation of the client's business and make it easier accessing such

clients for credit purpose. It will also make it easier for the bank to monitor and ensure that credits granted are used for the intended purposes.

) Future studies on this topic should increase their sample size to one hundred and fifty (150) farmers and use different sampling method.

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## APPENDIX A

The purpose of this questionnaire is to gather data for the topic on the characteristics of farmers who access agriculture credit facilities at Banks in Ejura. Data collected would solely use for academic purpose and respondents are assured of confidentiality of information. We would like you to assist us with this information. Thank you for your co-operation.

### A. Demographic Data

Please tick the relevant box ( ) for each question.

1. Respondent Age Group.  
20-29( ) 30-39( ) 40-49( ) Above 49( )
2. Gender        Male( ) female( )
3. Level of Education Attained  
Primary ( )        Secondary ( )        Vocational /technical ( )  
Tertiary ( )        None ( )
4. Marital status  
Single ( ) Married ( ) Divorced ( ) Widowed ( )
5. How long have you been farming?  
1-3yrs [ ]        4-6yrs [ ]        7-10yrs [ ]        Above 10yrs [ ]

### B. Quality

6. Do you save money with any bank? Yes[ ]No [ ]
7. If yes what account do you normally open?  
Saving Account [ ]        Current Account [ ]
8. How long have you been a customer with the bank?  
1-5 [ ] 6-10 [ ] 11-15 [ ] Above 15 [ ]
9. What are your reasons for choosing the bank?  
a) Security [ ] b) Easy access to loan [ ] c) Flexible working hours [ ]  
d) Ability to make regular small deposits (Susu) [ ]
10. Have you ever applied for a loan for farming? Yes [ ]        No[ ]

11. If yes, was it successful? Yes [ ] No [ ]
12. If it was successful, what amount did you apply for?  
 500-1400 [ ] 1500-2400 [ ] 2500-3400 [ ]  
 3500-4400 [ ] 4500-5400 [ ] Others.....
13. What was the time period between the loan application and when it was granted?  
 Two weeks [ ] Three weeks [ ] One month [ ]  
 More than a Month [ ]
14. Were you assessed?  
 Yes [ ] No [ ]
15. Was the loan payment flexible?  
 Yes [ ] No [ ]
16. Was the loan given based on the size of your farm?  
 Yes [ ] No [ ]
17. Was the loan given to you based on the type of farm you are doing?  
 Yes [ ] No [ ]
18. If it was successful what type of sources did you get?  
 Formal financial institution [ ] Semi-formal financial institution [ ]  
 Informal financial institution [ ]
19. What kind of credit do you normally request from the banks?  
 Short term [ ] Medium term [ ] Long term [ ]
20. If it was not successful  
 a) Was it lack of collateral [ ]  
 b) Was it because of the size/type of your farm [ ]  
 c) Others .....
21. Have you ever benefited from an advisory service from the bank?  
 Yes [ ] No [ ]
22. If yes, what form or type of advice did you get?  
 .....  
 .....

**APPENDIX B**  
**Credit Facilities**

1. Level of Education Tertiary [ ]
  
2. How long have you worked with the bank?  
1-4years [ ]    5-9years [ ]    10 and above [ ]
  
3. What kind of farmers do you give loans to?  
Large farm ( )                      Medium farm ( )    small farm ( )
  
4. What factors are considered before giving the credit?  
Collateral ( )                      Track Record (repeat borrowing) ( )  
  
Family Connections ( )      Group Maturity based on Project Concept ( )  
  
Character based assessment (selection based on personal relations) ( )
  
5. What duration of loans do farmers request?  
  
Short term ( )    Medium term ( )    Long term ( )
  
6. What is the processing time between loan application and disbursement?  
  
One Week ( )                      Two Weeks ( )  
One Month ( )                      More than One Month ( )
  
7. Why some farmers do not get access to loan from bank?  
.....  
.....  
.....
  
8. What are the processes for granting and evaluation loans granted?  
.....  
.....  
.....  
.....