UNIVERSITY OF GHANA
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FINANCIAL INSTITUTIONS AND AGRICULTURAL FINANCING IN GHANA: THE CASE OF
THE GHANA COMMERCIAL BANK -1953 – 1994

BY

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DECLARATION

This is to certify that this thesis is the result of my original research and that all other works used or cited have been fully acknowledged. I further certify that this work has never been presented, either wholly or in part for another degree elsewhere.

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DEDICATION

This work is dedicated first to the Almighty God and secondly to Professor Akosua Adoma Perbi of the Department of History, University of Ghana and her staff especially Dr. Emmanuel Ofosu-Mensah Ababio.
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ABSTRACT

The British Bank of West Africa (B.B.W.A) now renamed Standard Chartered Bank Limited and Barclays Bank Ghana Limited were the two prominent foreign Commercial Banks first established in the Gold Coast in 1897 and 1917 respectively. In the colonial era, these British banks did not cater to their banking needs; they dealt with large businesses and did not extend credit to Ghanaian farmers. In 1953, the Commercial Bank was established as the first indigenous commercial bank to serve the people of the nation. Since 1953, the Ghana Commercial Bank has made agriculture financing its priority and has extended loans to its agricultural customers. How well the Ghana Commercial Bank has performed in extending credit to farmers in Ghana and the impact of the credit on this group of farmers and the economy are the basis for this study. The various approaches the bank adopted to support agriculture in Ghana are addressed and the benefits the bank and its loan beneficiaries derived from the bank’s agricultural policies are also spelt out. In addition, it was observed that the high rate of default among some farmers as a result of the lax collection procedures of the bank has seriously affected the liquidity and performance of the institution, while the complicated procedures in loan application, approval and disbursement contributed to the inefficient utilization of the credit extended to the farmers. Based on the findings of the study, it is recommended that the amount of credit available to small-scale farmers should be increased and disbursed promptly to ensure an optimal utilization of the input. Also, for increased liquidity and for the bank to become self-sufficient, it should improve its loan recovery procedure and make desperate efforts to stem the high rate of default that has seriously affected the performance of the bank. The study observed that though the bank supported successive governments’ agricultural policies, its contribution towards the general agriculture performance in Ghana was not adequate.
CHAPTER ONE

FINANCIAL INSTITUTIONS AND AGRICULTURAL FINANCING IN GHANA:

I. BACKGROUND

Agriculture has always been a very dominant sector in any economy across the world. In West Africa in general, the habit of living by agriculture by growing food instead of hunting game and gathering wild plants, occurred about 6000 years ago. However, the knowledge came to the southern land of West and Central Africa about 3000 years ago. They learned how to grow food by planting seeds and by raising cattle and it was one of humanity’s most revolutionary discoveries. It introduced what was called then Neolithic or the new Stone Age and enabled them to live in different ways from before. They could now settle in one place for quite long periods, make permanent homes, and gave up wandering in search of game and wild plants. Food growing in the forest country became important only about 500 B.C. because the forest and other places had good supplies of wild fruits and wild vegetables. Yet here, too, farming gradually went through a technological revolution which adapted its methods to African conditions. To add to this, Duarte Pachaco Pereira, on a Portuguese mission in 1506 recounted his experience in West Africa, where he admitted that West Africans were so far advanced; indeed they had pioneered the development of tropical farming and mining.

Before colonial rule, the Asante formed shifting cultivation with good use of the shallow formed soils which became exhausted after food surplus and cultivation. As the season approached, small

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2 Davidson, A History of West Africa 1000-1800, 147.
bushes and plants were cut to the ground to allow them to dry for agricultural purposes. During the nineteenth century, family-based farming was modified in some areas to meet the food needs of the capitals and other large towns. Large tracts of forest were cleared to set up ‘plantations’ some of which produced for the market and were manned by labourers.

Ghana is mainly an agricultural country and agricultural activities constitute the main use to which Ghana's land resources are put. The principal occupation of the inhabitants of the Gold Coast in pre-colonial and even colonial times has been agriculture. The chief agricultural industry was the cultivation of cocoa, mostly in the Colony, Ashanti, and Togoland while in the Northern territories other crops were grown. The importance of agriculture in the economy of Ghana cannot therefore be overemphasized.

The agricultural sector has continued to offer job avenues to the highest proportion of the economically active population. It provides employment to about 60 per cent of the active working population, the majority of whom are small-scale rural farmers engaged in food crop, livestock and fishery production. For the rural population, agriculture continues to be the main source of livelihood, contributing immensely to ensuring food security and also accounts for about 50 per cent of the country's export earnings, to the extent that according to a world Bank report in 1986, about 80 per cent of the labour force in low income countries like Ghana made their living on the land. It is also the single largest contributor to the Gross Domestic Product (G.D.P.) in Ghana. The value added by agriculture in 1967 for instance was estimated at NC720 which formed about 42 per cent of the Gross Domestic Product of Ghana. It is also the main source of capital and foreign

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4 Gold Coast Annual General Report 1933-34, PRAAD Accra, CSO 8/1/2.
6 *Agricultural Growth and Competitiveness under Policy Reforms in Ghana*.
exchange.\textsuperscript{9} For example, the majority of people were said to have obtained their livelihood from agriculture and about 2/3 of the Ghana’s National income came from agricultural production mainly cocoa in 1964. The agricultural sector also contributes to government revenue, through duties paid on exports of agricultural commodities, particularly cocoa, and supplies the bulk of the raw materials needed for the agro-based industries for processing.\textsuperscript{10} Women constitute about 50 per cent of the active labour force in the agricultural sector in Ghana. The sector’s contribution to government tax revenue is enormous, contributing 16 percent of the total tax revenue in 1996 (GSS 1997). Agriculture had also been said to be a Lever for Growth. The main point to note is that agriculture can be a lead sector for overall growth in the agricultural-based countries such as Ghana, India and Vietnam. This is because their comparative advantage lay initially in their primary activities (agriculture and mining), due to resource endowments and the difficult environment for manufactures. Growth in agriculture also induces strong growth in other sectors of the economy, such as transport, processing, etc. through multiplier effects. Agriculture has thus helped generate growth in the rural non-farm sectors of India, Vietnam and Ghana.\textsuperscript{11} The basic ingredients of a dynamic rural non-farm economy are rapidly growing agriculture and a good investment climate, where the latter includes infrastructure and business services. Agriculture is also connected to Food Security. Food security is a wide concept, ranging from the household to the national level. It is not the same as food self-sufficiency. It allows for production to be undertaken where the comparative advantage is greatest, and for trade to complement domestic food production. For Ghana, and most African countries, with a comparative advantage in agriculture, increasing agricultural production based on productivity growth is a necessary condition for food security.

Despite all these major contributions of agriculture towards the wealth of the Ghanaian economy, few credit facilities are available to the sector. The Percentage of credit provided by the Deposit

\textsuperscript{10} Gordon, “The World Bank: New Directions in Africa,”
Money Banks (DMB) to agriculture has been on a persistent decline compared to the volume of credit to the non-agricultural sectors of the economy (ISSER, 2003). Credit is a very important component in the modernization of agricultural activities. It had been observed that the increased productivity of farm resources comes from innovations that originate in the farm supply sector. However, most of the innovations that have the potential of instigating the modernization of agricultural activities require high capital investment, which cannot easily be provided by the informal credit sectors such as friends and money lenders. Income obtained by subsistence farming from both on-farm and off-farm activities is also not adequate for the needed agricultural transition or growth. As a result, most of these farmers grow crops and raise animals on smaller scales due to their financial constraints. Based on the tremendous contribution of agriculture to the economy of Ghana, the productivity of the agricultural sector has great implications for Ghana. It is observed that about 47.9 percent of the Ghanaian population relies predominantly on farming (GSS, 2002). Agriculture is highly labour intensive and agricultural products are used extensively by a number of agro-based firms in Ghana and as such a reduction in credit to the sector may have the potential of affecting industries. The importance of institutional credit as a source of finance to agriculture can therefore not be overemphasized.

Despite its importance to poverty reduction, agricultural growth has lagged behind other sectors of the economy and has been grossly unpredictable. The major constraints include problem of manpower development in the agricultural sector, lack of appraisal, demoralization of agricultural staff, limited use of modern agricultural inputs, low food producer prices, lack of capital, inefficient marketing system for farm produce, instability of market prices, and most importantly difficulties in obtaining farm credit and loans which has been one of the major constraints, thereby threatening national and household food security. The Majority of the farmers, particularly small ones, are not in a position to secure key inputs (fertilizer, improved seed, advanced technology, plant protection,

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12 Operation Feed Yourself Campaign, PRAAD Sunyani, BRG1/1/51.
etc.) from their own resources due to lack of funds. Thus to meet the required investment to bring about the increase in the production, agricultural credit is an essential element. Agricultural credit is considered as one of the strategic resources for pushing crop production consequently raises the living standards of our rural poor farming community. Hence, it plays a pivotal role in development of the economy.

It plays a dominant role in agricultural production but a lack of financing has been a major constraint. Extended credit terms and conditions are important to the work of farmers as it raises productivity. For farmers with little capital, the availability of credit can increase farm efficiency and raise their levels of living. Factors that limit the supply of credit to agriculture are the high risk (especially at the production level) and low returns. The low returns in turn arise from low productivity and lack of large-scale economies. Paradoxically, given that correct technologies, infrastructure and markets exist, these constraints (including risk) could be overcome through effective application of external financing such as credit. Agricultural financing therefore is one of the major solutions to increased agricultural output, but has been neglected for a long time.\(^\text{13}\)

Foreign sources of capital and agricultural credit were actually negligible before colonial rule. In pre-colonial Ghana agriculture was financed from the farmer’s own resources and the process of raising credit was a normal part of becoming an economic and social adult, and then of continuing to live up to the social ideal of self-enrichment through hard work. These resources came from the farmer’s own personal savings and other trading activities he engaged himself in. The farmer also ploughed back little profits from the sale or exchange of his farm produce. These were supplemented by contributions or loans from relatives and friends through rotating loans. In other instances, together with his relatives and neighbours they organized communal labour on their farms in rotation. They all weeded, cleared, and planted seeds for one relative and did the same for all other relatives. Occasionally farmers borrowed money from money lenders whose interest

\(^{13}\) Agriculture (cocoa), PRAAD Sunyani, BRD 1/1/51.
rates were very high. In Asante for instance it was found out that the interest rate was 33.3 per cent for every forty days, which was accompanied after the first period by a dash of liquor in 1817.\textsuperscript{14} They even pledged their farms as collateral as demanded by these money-lenders. This actually made a lot of farmers debtors. However in 1908, the British Colonial Government passed an ordinance which relieved a lot of farmers from their debt bondage.

In a bid to help themselves some farmers also organized themselves into an informal association, put their resources together and gave money to a single person at a time.\textsuperscript{15} There were, however, no written agreements and no account was kept on paper. Upon an agreed specific time, another contribution was made and the money given to another member. This was done until all the members secured contributions from members. Informal sources of credit normally consisted of commission agents, input providers, village shop keepers, friends and relatives. Out of these sources, credit from commission agents, shopkeepers and farm input suppliers has more baneful effects on the rural poor. Evidence suggests that such loans further aggravated rural poverty as the effective rate of interest on informal credits was exorbitantly high. It was a general practice that the small growers obtained loans in the form of cash or inputs like seeds, fertilizers and pesticides. These were tied loans in the sense that farmers obtaining them had to deliver their produce to these commission agents who offered the price of their produce much lower than the market price.

Until the emergence of formal banking institutions in Ghana, the colonial government was actively involved in financing and supporting agriculture. In the first place, Agricultural Officers were engaged in instructing and advising farmers in the fields, assisting them in their work and supplying them with farm inputs.\textsuperscript{16} They recommended hardworking farmers with constant high yields to the


\textsuperscript{15} Loan societies in general, PRAAD Accra, RG 4/2/180.

\textsuperscript{16} Republic of Ghana Trade Directory 1959.
Department of Agriculture for the extension of loans.\textsuperscript{17} Experimental farm sheds were also established in each region where local farming problems were investigated and varieties of crops and methods tested and demonstrated to farmers. In 1898 the government introduced a marketing scheme for both cocoa and coffee, advanced money on the produce to the growers, and sold products in Britain.\textsuperscript{18} This scheme did not, however, last long partly owing to criticisms from the West African Trade Association. In 1927, the Department of Agriculture carried on an ordinary recognized line of instruction and conducted agricultural shows and crop competitions all aimed at improvement of farms. In addition, accurate records of yields were made at experimental stations. Three new extensive lines of advisory work were founded in connection with cocoa in 1928.\textsuperscript{19} Also, in 1927 the Department of Agriculture imported seeds of the Sumatra-Deli type of oil palm and distributed to them for cultivation.\textsuperscript{20} In 1931, the colonial government passed an ordinance which led to the founding of the system of cooperative cocoa growers societies. These were sponsored and financed by the Department of Agriculture to extend loans to cocoa farmers in the Gold Coast.\textsuperscript{21} Although as of 1933 there were no agricultural or co-operative banks,\textsuperscript{22} there were 385 agricultural societies which were run under the auspices of the Department of Agriculture with a total membership of 9,711.\textsuperscript{23} In 1946, the Gold Coast co-operative bank limited was established under the Co-operative societies’ Ordinance to provide credit facilities for the co-operative movements.\textsuperscript{24} Additionally, cocoa farmers were given seedlings and loans to expand their farms on special experimental farms.\textsuperscript{25} A co-operative Bank established in 1935 by farmers co-operatives and the colonial

\textsuperscript{17} Agriculture in the Gold Coast , PRAAD Accra, Adm 11/1/202.
\textsuperscript{18} David Kimble, \textit{A Political History of Ghana, the Rise of Nationalism 1850-1928} (London: Oxford University Press, 1965): 34.
\textsuperscript{19} The Gold Coast Handbook Report 1928.
\textsuperscript{20} The Gold Coast Handbook 1928.
\textsuperscript{21} Gold Coast Annual General Report 1933-34, PRAAD Accra, CSO 8/1/2.
\textsuperscript{22} The Gold Coast Report 1933-34.
\textsuperscript{23} Gold Coast Annual Report 1937-38.
\textsuperscript{24} Colony Farmers Union, PRAAD, Accra, RG 4/2/111. See also The Gold Coast Report 1948.
\textsuperscript{25} Gold Coast Annual General Report 1935-36, PRAAD Accra, CSO 8/1/4.
government was also in the Gold Coast to finance cocoa purchasing. The bank maintained branches in major mining, commercial centres and major cocoa buying centres for their operations.

The colonial government also helped in eradicating cocoa diseases which disturbed farmers. The British government in 1951 brought a new deal for cocoa framers.\textsuperscript{26} Swollen shoot trees were cut down from the 11\textsuperscript{th} of November 1951 with a voluntary campaign that lasted 56 days later.\textsuperscript{27} Meanwhile the Public Relations Department was charged with the task of providing the machinery for executing the campaign. The work was carried out by the Legislative Assembly and their assistants.

The colonial government also established the Gold Coast Marketing Board and in 1953 it distributed £125,000 among local development communities in the cocoa producing areas of the country.\textsuperscript{28} The amount was divided among the areas according to the crop returns of each area.

The Agricultural Loans Board was also established in 1952 and advanced loans to farmers and co-operatives to further agriculture and relieve up indebtedness among farmers in 1953.\textsuperscript{29} A Gold Coast Agricultural Development Corporation was set up in order to undertake specialized experimental schemes. One of its major operations was the large-scale resettlement and co-operative farming venture, the Damongo Scheme in Gonja.\textsuperscript{30} The Gold Coast Agricultural Development Corporation Company financed and constructed a farming area of 30,000 acres.

In the colonial days, though efforts were made to boost agriculture in the southern Gold Coast, the Northern Territories found it quite difficult to achieve any major agricultural expansion.\textsuperscript{31} Indeed, the north was faced with a slowness to develop commercial agriculture and the demand for food supplies to the south were not followed by investment. There was continual conflict over the

\begin{itemize}
  \item \textsuperscript{26} Agriculture (cocoa) PRAAD Sunyani, BRG 2/1/46, vol.2.
  \item \textsuperscript{27} Agriculture(cocoa) PRAAD Sunyani, BRG 2/1/46.
  \item \textsuperscript{28} The Gold Coast Weekly Review 1953.
  \item \textsuperscript{29} The Gold Coast Yearbook Report 1953.
  \item \textsuperscript{30} David Apter, ‘‘Some economic in the political development of the Gold Coast,’’ \textit{The Journal of the Economic History} (Autumn,1954) :422.
  \item \textsuperscript{31} Inez Sutton, ‘‘Colonial Agricultural policy: the Northern territories of the Gold Coast’’, \textit{the international journal of African Historical studies}, (1989): 644.
\end{itemize}
allocation of resources between officials in the North, who felt that the region must develop a local capital generating economy (and many improvements recommended by agricultural officers were impossible without any input of capital), and colony officials who saw the Gold Coast as a whole with the north forming only a minor part in economic terms, except for the supply of labour. After the Second World War, the colonial Government under the auspices of the Agricultural Development co-operative increased food production without altering the basic socio-economic structure of the North. The mixed farming policy was one reflection of this. Continuing post war concern with food production led to investment in large projects like the Gonja Scheme rather than in peasant agriculture. As a form of financing agriculture, grants to northern farmers from the Chief Commissioner’s Reserve were used to upgrade farms. Farmers were also helped with seeds, the ploughing of farms, clearing of lands, and granting of farm machines. With the emergence of farmers’ co-operatives in the early 1920s, members benefited from the granting of loans. Agriculture became very important after 1870 and witnessed considerable expansion in the production of cocoa and palm oil. The reason was that after the British Colonial Government officially abolished the slave trade and slavery in 1874, the people of the Gold Coast turned their attention to gathering and exporting a wide variety of tropical products, which were in high demand, for export to Britain. During the pre-independence period, notably from 1874-1950, agricultural policies were mainly geared towards the production of export crops and raw materials because they were in demand in Britain. Additionally, the British Colonial Government protected the nation’s staple, cocoa and developed new agricultural products of export value.

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With the demonetization of gold dust in 1889, the demand for cash increased as all economic activities was carried out in cash. Consequently it became important that any assistance to the

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34 Sutton, 653.
The agricultural sector should also be in monetary terms. The establishment of two foreign banks, the British Bank of West Africa (B.B.W.A.) and the Dominion, Colonial and Overseas bank (D.C.O.) which were opened in the Gold Coast in 1897 and 1917, respectively, raised expectations of improved and reliable access to agricultural credit.

As at 1951, commercial banking in the Gold Coast was the preserve of these two banks. However, their focus was primarily on the large trading organizations and on overseas trade. Their services were minimal and their policy was dictated by the European head office. They lent to a narrow range of borrowers, thus depriving large sections of the economy of access to credit. In 1953, the Prime Minister, Kwame Nkrumah set up the Bank of Gold Coast which gave birth to the Ghana Commercial Bank of today. The aim was to improve access of credit to indigenous farmers and businessmen. From the evidence available, the bank since 1953 extended huge loans to indigenous Ghanaian farmers and businessmen to the extent that a mandatory percentage of its loan portfolio was meant for farmers and businessmen annually. The bank had the capacity to address the financial problems of farmers because it had the backing of the government. It also had large amount of savings from Ghanaian depositors which could be extended as loan to farmers. The bank actively entered into banking agreements with foreign banks such as The Bank of India, Bank of America and the Bankers Trust which in time swelled the G.C.B.’s reserves and resources. From its inception the bank was mandated to finance agriculture in Ghana.

The central argument of this study is to evaluate and explain the performance of the Ghana Commercial Bank (G.C.B.) in extending credit to farmers in Ghana and to show the impact of such credit on the farmers.

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39 The G.C.B.’s 10th Anniversary , PRAAD Accra, 7/18/12.
41 Republic of Ghana Information Services Department 1953.
THEORETICAL FRAMEWORK

There have been a lot of proposed ways of addressing the issue of stagnation and persistent fall in the growth and development of agriculture and the challenges of its finance in Africa in general and Ghana in particular. Some of these ways are the World system analysis, the Dependency theory, the risk and uncertainty theory, the demand and supply theory, the business versus social and moral theory and the cost theory. In this research, the dependency theory would be adopted to explain the challenges the agriculture sector faces in Ghana which is making it very difficult to connect positively to its finance and its proposed development and growth.

Dependency Theory framework for the analysis of the challenges in agriculture financing

Dependency theory is the notion that resources flow from a "periphery" of poor and underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former. It is a central contention of dependency theory that poor states are impoverised and rich ones enriched by the way poor states are integrated into the "world system. Underdevelopment refers to a situation in which resources are being actively used, but used in a way which benefits dominant states and not the poorer states in which the resources are found. They are poor because they were coercively integrated into the European economic system only as producers of raw materials or to serve as repositories of cheap labour of which Ghana is no exception.

Using the Latin American Dependency Model, in his book, "How Europe Underdeveloped Africa" the Guyanese Marxist historian, Walter Rodney, described an Africa that had been consciously exploited by European imperialists, leading directly to the modern underdevelopment of most of the
continent. The premises of dependency theory are that: Poor nations provide natural resources, cheap labour, a destination for obsolete technology, and markets for developed nations, without which the latter could not have the standard of living they enjoy. Wealthy nations actively perpetuate a state of dependence by various means. This influence may be multifaceted, involving economics, media control, politics, banking and finance, education, culture, and sport.

The theory emerged first in Latin America, amongst social scientists such as Raul Prebisch, an Argentinian economist, who was Secretary to the UN Economic Commission for Latin America in the 1950s. The ideas of dependency were also developed, amongst others, by other Latin American social scientists such as Celso Furtado, Theotonio Dos Santos and F H Cardoso; by Samir Amin of Senegal, by Andre Gunder Frank of Germany and by Paul Baran and Immanuel Wallerstein (who later formulated another, related version, called world-systems theory) of the US.

Dependency is also not a homogeneous, unified theory—serious analytical differences persist within the school. But in essence, dependency theory argues that the origins of persistent global poverty cannot be understood without reference to the entire international economic system. Underdevelopment is not a condition: it is an active process of impoverishment linked to development. That is, some parts of the world are underdeveloped because others are developed. They are not separate processes but two aspects of the same process.

In other words, economic growth in advanced countries created Third World poverty in its wake: not simply that the Third World is poor in comparison with the industrialised world; rather that it is poor because development of the industrial system in Western Europe and North America changed and

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impoverished many societies of Asia, Africa and Latin America, through colonialism, imperialism and extractive terms of trade. Dependency argues that before the era of modern economic growth (until about 500 years ago), the world's major regions were not densely connected to each other (though extensive trade networks existed). Regression in both agriculture and small scale industry characterizes the period after the onslaught of foreign domination and colonialism.

When capitalism began to spread, the ceaseless search for profit began: through the production of agricultural goods in colonies or other lands, and Western Europe’s ability to drive unequal bargains. This fundamentally changed the social structures of the Third World.

The term dependency comes from this link: Some say the exploitation of various regions for their raw materials and labour impoverished them and made them depend on the West. Others point out that in fact it is the other way around: that the West has been dependent on the Third World though history in order to be able to grow and prosper.

So, poverty in the Third World like Ghana is not ‘traditional’ or accidental. It is a necessary companion to the richness of the developed world. The expansion of the industrial world deformed the rest of the world.

There is a grossly unequal exchange: the Third World gave much more than it got. The exchange may have created some new wealth in the Third World, some infrastructure maybe, but it also created an international system of inequality. Members of dependency see this process as continuing. For example, transnational corporations bargain from a position of strength, distort the local economy, create vast income gaps, impose their own priorities, and damage the environment or the World Bank and IMF pursue policies that indirectly favour rich countries. The colonial monetary system in the Gold Coast which had its own limitations also made it very difficult for banks to accumulate funds let alone granting agriculture loans to farmers. The chief disadvantage was that the
growth of the internal exchange economy tended to be inhabited by monetary tightness, except when there was an export surplus. This favourable situation was often short-lived and always, unpredictable. Theoretically, there was nothing in the monetary system to prevent the commercial banks from expanding the money supply through lending operations. The foreign banks invested their money in the metropolis, in the same way as the West African Currency Board and the Banque du Afrique Occidental invested the currency reserves outside the West African colonies. This seriously inhibited the ability of the banks to grant loans to farmers since there was nothing left in their reserves. Instead, the underdeveloped countries like Ghana found themselves loaning money to the advanced countries, principally because of lack of acceptable local investment opportunities. In addition, bank lending policy generally followed the trade cycle by expanding credit during a boom and reducing it at a time of slump. This practice tended to magnify rather than diminish the fluctuations in trade experienced by primarily export producers in the colonies. More importantly loans were confined mainly with the large expatriate firms, to the disadvantage of indigenous farmers who received nothing from these banks. Though the banks were willing to accept deposits from Africans, when it came to borrowing, Africans ran into difficulties.

The issue of agriculture and its financing has become very critical in Ghana to the extent that the granting of agricultural loans to farmers has become difficult and the Dependency Theory as established by the aforementioned writers connects to this fact. The majority of the people are engaged in subsistence agriculture and more investments are channeled in services or activities such as military and religion. It is important to understand that this stage of development is concerned with societies that have a pre scientific understanding of gadgets. They believed that things such as goods come into being by divine forces rather than the intervention of man or ingenuity. It does not mean that the economy’s production level of such a society is static but is increased due to the
surplus cultivation of the land in order to increase agriculture production. It is also important to understand that the states as well as the farmers in traditional society are aware of the various irrigation methods and the expansions in order to improve agricultural output levels. This means that in traditional society consists of some technological innovations but only exists in ad hoc basis that is for a particular purpose. There is also a challenge in the changes of the size of population, quality of life or the social economic development because of famines due to crop failures and trade fluctuations due to trade stability or instability. The manufacturing sector and industries in traditional Ghanaian society had a tendency to grow but had always been limited by the inadequate scientific knowledge and backward frame of the minds which resulted into low labour productivity. Plantation agriculture, which originated in colonial times, most of the surplus goes to the landowners, who use it to emulate the consumption patterns of wealthy people in the developed world; much of it thus goes to purchase foreign produced luxury items—automobiles, clothes, etc.—and little is accumulated for investing in development.

It has been suggested that the *sine qua non* of the dependency relationship is not the difference in technological sophistication, as traditional dependency theorists believe, but rather the difference in financial strength between core and peripheral countries—particularly the inability of peripheral countries like Ghana to borrow in their own currency to finance agriculture.\(^4^4\) Chronic current account balance deficits, re-exported profits of foreign investments, and deficient business cycles at the periphery that had made it very difficult for the Ghanaian economy to accumulate capital for borrowing into the agriculture sector.

Cyclical fluctuations also have a profound effect on cross-national comparisons of economic growth and societal development in the medium and long run. What seemed like spectacular long-run

growth, may in the end turn out to be just a short run cyclical spurt after a long recession. These external forces include multinational corporations, international commodity markets, foreign assistance, communications, and any other means by which the advanced industrialized countries can represent their economic interests abroad. In the 1980s, the IMF and World Bank presented a unified package, often in the form of an Economic Recovery Programme which sought to roll back the state from the control of the economy, and rather encourage a facilitator roles hence increasing interest rates, embracing devaluations and withdrawing of protectionist measures. Second, and related to this, foreign investors and commercial lenders continued to hold back, wary of the country's political stability and investment opportunities. Ghana's recovery remains vulnerable to international commodity price changes. While the value of exports declined in 1989 from 808 million dollars to 780 million dollars, the cost of imports (most notably, petroleum products) rose by nearly 20 percent, to 1.011 billion dollars. The resulting trade deficits largely reflected the effects of declining World market prices on such commodities as cocoa and coffee. Thus, even though Ghana's cocoa production rose from 153,000 metric tons in 1984 to 300,000 metric tons in 1989, the net benefit of increased production was more than offset by the decline in world market prices. All these went a long way to discourage farmers from borrowing from banks. Foreign policies which had disabled people from learning new farming technologies and the erection of power to make decisions within the International trading system had also made agriculture unattractive even to the youth and farmers are unable to make better decisions about the new farming technologies. Also, perceptions of the farmer about the failing to present any future probability distribution of economic returns from the new technologies which are sometimes difficult to understand inhibit farmers to go for agricultural loans to expand their existing farms. In addition, ad hoc agricultural policies instituted by the Western world, price fixing and fluctuation of agricultural produce and re-exported
profits of international companies go a long way to make agricultural finance difficult. Due to these western problems banks are most of the times reluctant to lend out loans while farmers on the other hand who are not sure of their returns due to price fluctuations refuse to also go in for agricultural loans.

For the dependency theorists, underdevelopment is a wholly negative condition which offers no possibility of sustained and autonomous economic activity in a dependent state and it is this assertion which has been deeply rooted in this thesis which is connected to agriculture and it finance in Ghana.

III. RESEARCH PROBLEM

A key mandate of the Ghana Commercial Bank from inception was to finance agriculture in Ghana through the granting of loans to farmers. Public views on this traditional mandate of the G.C.B. have been mixed. While some people think that the bank has satisfactorily carried out this mandate others think that the Bank has not been able to have any significant impact in the development of agriculture in Ghana.

IV. RESEARCH QUESTIONS

This study is not a hypothesis-driven one. It is driven by research questions which interrogated the loan facilities and agricultural financial facilities of the G.C.B. The major research questions are the following:
1. To what extent did the Ghana Commercial Bank fulfill this mandate between 1953 and 1994 and what impact did it have on agriculture development in Ghana?

2. What are the components of loan facilities of the G.C.B. for the agriculture sector in Ghana?

3. How successful was the G.C.B. in executing its core mandate of financing agriculture in Ghana?

4. What changes have the G.C.B. made overtime to improve agriculture financing and what were the reasons for the change and what were their effects?

5. What criteria did the bank adopt in granting loans to the beneficiaries? And which category of farmers benefited from the bank’s loans?

6. What was the effect of the bank’s involvement in financing agriculture on the beneficiaries and the development of agriculture in Ghana?

7. What was the size of the loan given to the farmers?

8. What were the loan repayment arrangements or schedule?

9. What percentage of the Bank’s loan portfolio was devoted to Agriculture lending?

V. OBJECTIVES OF THE STUDY

This study has three objectives. These are:

- To investigate the role of the G.C.B. in financing agriculture development in Ghana
- To interrogate the stimulus and the changing patterns of the loan and financial packages of the G.C.B. to the agriculture sector in Ghana
- To assess the successes and failures of the G.C.B. in financing agric development in Ghana
VI. SIGNIFICANCE OF THE STUDY

This study reveals specific agriculture loan schemes and programmes of the Ghana Commercial Bank in Ghana, the procedure for granting agricultural loans and which type of farmers qualify to be granted the loan. It also demonstrates the impact of the extension of the Bank’s agricultural loan on the development of agriculture in Ghana, the Bank itself, and the loan beneficiaries. It also tells the terms and conditions of agricultural loans granted by the G.C.B. as well as the risk and dangers involve in extending agricultural loans to farmers.

VI. LITERATURE REVIEW

There is a paucity of literature on agriculture and its financing in Ghana. In his researched work on the Ghana Commercial Bank titled; Lending Practices and the Causes of Loan Default in the Ghana Commercial Bank (2001), Otu Debrah explains the important reasons why people who collect loans from the G.C.B. default in the repayment of those loans and the interest charged on the loans. His work investigates repayment schedules made by the Bank for loan beneficiaries. He states that some of the causes of loan default were premature deaths of loan beneficiaries and improper ways of keeping and tracking loan beneficiaries. According to Otu Debrah, in the 1980s the Bank allowed loan beneficiaries to pay ten per cent of the total amount of loan collected every 30 days as a repayment schedule. He recommended a proper way of tracking loan beneficiaries like constant visits to debtors and the use of permanent insured structures like buildings to be accepted as collateral. His work benefited this research in finding the interest charged on agricultural loans and why some agricultural loan beneficiaries defaulted in the payment of their loans. His work informed this thesis to look for repayment schedules that were put in place for agricultural loan beneficiaries.

In Henrietta Obeng-Djan’s researched work titled; *Credit for Small scale farmers by the A.D.B., its problems and prospects* (2003) she discusses the bank’s criteria and procedure for granting loans to farmers and the basic difficulties it encountered in extending loans to farmers.\(^47\) The work also assesses the effect the agricultural loans had on agricultural development in Ghana. She identifies an effect which was an appreciable rise in cocoa production and an increase in the number of cocoa cultivators especially in the 1970s.\(^48\) Criteria for the granting of loan included the examination of the particular crop grown by the farmer and the type of collateral presented. Obeng-Djan’s work does not discuss credit for small scale farmers in by the G.C.B. It provides a basis upon which the interrogation of G.C.B.’s credit facilities for small scale farmers in Ghana could be based. Her work also informed the researcher’s understanding of difficulties encountered by the G.C.B. in extending loans to farmers.

In his study titled; *Loan Default and lending cost of Agricultural Development Bank* (1997) Da Costa investigates the causes of loan default among loan beneficiaries of the A.D.B. More importantly he discusses the size of loan granted to various loan seekers of the Bank. He finally examines the percentage of loans in the Bank’s annual portfolio that was extended to various categories of loan seekers. He declares that in the 1980s the bank granted 30 per cent and 20 per cent of its agricultural loan package to small-scale and medium –scale farmers, respectively.\(^49\) Da Costa attributed loan default experienced by the Bank to misapplication of loan instead of using it for the actual purpose for which it was intended. Instead of using the money for profitable ventures so that they can repay the loan, most of them used these loans for other reasons the renting of rooms and the payment of school fees. According to him, the Bank decides on the size of such as loan for beneficiaries by assessing how soon the loan seeker can repay, what the loan is supposed to be used


\(^{48}\)Obeng-Djan, “Credit for Small scale farmers by the A.D.B., its problems and prospects,” 29.

for, and for agricultural loans the Bank looks at the type of farmer and how long he has been in the farming business. A farmer who has been in business for a minimum of 5 years was granted higher amount than a farmer who was a beginner. He concludes that the percentage of loan the bank grants in a year depends on an assessment of the loan repayment schedule and the amount of money the Bank had in its reserve. Da Costa’s work provides insights into loan default and its associated cost which can be applied to G.C.B. to measure to the extent to which loan default and its accompanying cost have determined the nature of the bank’s loan facilities for the agriculture sector. Da Costa’s work also serves as a basis to assess the strategies of the G.C.B.’s outline to recover loans and measure the extent to which such strategies were successful.

S.M.A. Adjetey’s work titled, *Bank of Ghana-Notable Historical Events and Development* (2000), he provides useful insights into how the Bank of Ghana financed and supported agricultural programmes in Ghana. He made it clear that the Bank of Ghana supported agriculture by building storage facilities for major food crops in Ghana in the 1970s to help the Achaempong’s Operation Feed Yourself project. Adjetey also wrote that the bank financed and got involved in the Akuafo cheque system which emerged in Ghana in the 1980s which was meant to pay cocoa proceeds to cocoa farmers, hence eliminated the chit system. The bank backed the scheme by providing rediscounting facilities up to a limit arranged from time to come. The discounted bills were taken up by the Issue Department of the Bank of Ghana as part of its currency cover. His book was very significant for this study because it enlightened the writer on the understanding and investigations and modalities of agricultural programmes which were rolled out by the G.C.B.

Wayo Seini’s work titled *Agricultural Growth and Competitiveness under Policy Reforms in Ghana* (2003) provides thorough study into two main factors that limited the supply of credit to the

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agriculture sector in Ghana: high risk (especially in production land) and low returns.\(^{51}\) He states that for credit to make an agricultural growth, financing should be extended beyond the provision of short-term working capital, to medium long-term investments which would bring about structural changes (investment in land improvement, small irrigation facilities and processing facilities.) He further posits that in order to improve the supply of food formal financial institutions to agriculture it is necessary to increase the overall aggregate funds to financial intermediaries lending to agriculture. His work gives an insight into the G.C.B.'s agriculture financing and its impact on the Ghanaian economy and prompts this study on how the G.C.B. should have increased its loanable funds to have any meaningful impact on the Ghanaian agricultural economy. Significantly, his work explains why the G.C.B. found it difficult and was unable to make any impact in the Ghanaian economy as far as agriculture was concerned though the bank extended loans to farmers.

J.N. Mbata in his work titled *extending credit to small-scale farmers: the case of agricultural finance corporation in the central rift area of Kenya* (1993) addressed issues of Lending Patterns and the Share of Credit of the agricultural finance corporation to Small-Scale Farmers.\(^{52}\) He makes a significant contribution towards agricultural financing in Kenya. He posits that the Agricultural finance corporation (AFC) has three broad categories of credit schemes: the Small-Scale Credit, Large-Scale Credit and the Special Seasonal Crop Credit scheme). Under the AFC's credit schemes, different types of loans for different projects are available for on-lending to farmers. These loans are extended to farmers for different lengths of time but attract more or less the same interest rate. The Agricultural Finance Corporation offers mainly secured loans to small-scale farmers. The securities required depend on the type of loan but would generally


include one or more of the following: title deeds to land, letter of land allotment (lease issued by Land's Department pending survey and issue of title deed), shares and bonds of public companies, mortgages and debentures. The AFC also charges service fees for loan granted to farmers though this depended on the amount of loan. His work informs this research also on the various category of farmers and amount of loan which was granted to them by the G.C.B. It also enlightened the study on the type of collateral which was accepted by companies or banks which granted agricultural loans to farmers.

Pantulu ideas in his study titled *Agricultural Finance* (1944) lay bare repayment plan or schedule for different categories of farmers in India. He posits that the scheme of collection of agricultural loans was not based on any rational method. 53 The short-term, self-liquidating loan is generally repayable out of the next harvest, that is, out of the gross yield for the current year. The intermediate loan is recoverable in annual installments spread over a small number of years, usually not exceeding three to five, and should come out of normal annual savings from the agriculture in those years. The long-term loan can come back only in driblets in the course of a substantially long period which may extend to twenty-five or thirty years, and has to come out of the enhanced margin of profit accruing from savings in the interest charges or from increased yield of land consequent on the judicious use of the loan. In simple words his work is very beneficial to this study since it would broaden the idea of repayment schedules or plans which the G.C.B. had for its agricultural customers in Ghana.


Nimbkar in his article titled *the Challenge of Agricultural Finance* (1968) discusses the procedural difficulties farmers go through before they get agriculture loans. Actually, for a farmer, getting a loan is not simply a matter of filling out a form and sending it in. The farmer submits an application to a co-operative multi-purpose society of which he is a member, saying that he needs a loan for growing such and such a crop. Along with the application he needs a Record of Rights, extract to prove that the land on which he intends to grow the crop belongs to him. Obtaining the extract from the talathi of the village where he holds land can be a difficult and time-consuming. He added that High Interest Rates and the activities of land mortgage banks deducting interest in advance and charged it from the date of sanction were common problems facing acquisition of loans by farmers in India. His work clearly informs this research work on the procedure for acquisition of agricultural loans by farmers in Ghana who needed loans from the G.C.B.

VII METHODOLOGY AND SOURCES

The approach adopted in this study is the orthodox historical method which combines archival research with published materials and oral evidence from the field. The study also adopted the qualitative approach. The study made an appreciable use of primary documents from the Public Records and Archival Administration Division (PRAAD). Primary data was derived from the following documents; PRAAD (Accra) ADM 13/1-3, PRAAD(Accra) ADM 5/4/3, PRAAD(Accra)ADM 5/3/78-80, PRAAD (Accra) RG 4/2-111, PRAAD (Accra) RG 6/5/4-6, PRAAD (Accra) RG 4/2/272-275, BRG1/1/51,(Sunyani), BRG1/1/51 vol. 2, (Sunyani) BRG1/1/51
vol. 3, (Sunyani), BRG2/1/46, (Sunyani) BRG1/1/51 vol.2, (Sunyani) which dealt with reasons for the default of the G.C.B’s agricultural loans. Reasons assigned included low productivity and diseases that attacked the crops. Also, other farmers did not use the agricultural loans for what they were intended. More importantly records on why the G.C.B. decided to finance cocoa at certain times of the year in particular regions of the country were explained. In addition, records from the Ghana Commercial Bank’s library and the Bank of Ghana’s library were consulted. The records discussed the amounts of money set aside yearly in their budget to finance agriculture in Ghana as well as the size of loans given to particular farmers. The effect of the extension of the Bank’s agricultural loan on agriculture in Ghana and the modalities for the granting of the loans were also examined. These were found in the annual reports of these Banks. These were supplemented with oral history, collected through a questionnaire. Among the people interviewed were employees of the Ghana Commercial Bank (G.C.B.), and beneficiaries of the G.C.B.’s agriculture loans. Interviewees also included Dr. K. Adu Boahen and his siblings who were beneficiaries of the bank’s loan. Prominent farmers like Agya Kofi Kumi and Kwesi Amoako and their family members in, Juaso and Suhum respectively were also interviewed. This study also made use of published works on agriculture financing already referred to above.

VIII. STRUCTURE

CHAPTER 1: INTRODUCTION

52 Dr. K. Adu Boahen of Cape Coast, personal interview with the author on the 3rd of July 2009. It revealed that he was a beneficiary of the Bank’s loan. He is currently a lecturer at the University of Cape Coast.
This chapter discusses the background to the study showing the importance of agriculture itself and its financing. Ways by which agriculture was financed in Ghana before 1953 are discussed. Issues raised in this chapter include means of financing agriculture through the farmers’ own resources, loans from relatives and money-lenders, loans from cooperative societies, and the colonial government’s assistance to farmers especially to cocoa cultivators. Also discussed are the Theoretical framework of the study, the research problem, the objectives of the study, the significance of the study, review of relevant literature, the methodology, and the structure of the work.

CHAPTER 2: GHANA COMMERCIAL BANK AND AGRICULTURAL FINANCING

This chapter examined the reasons for setting up the Bank and its mandates and other pertinent reasons assigned to why the Bank especially in the 1970s and 1980s devised strategies to finance agriculture in Ghana. The chapter explains that apart from the Bank’s mandate to finance agriculture in Ghana, there were other significant reasons which prompted the bank to set aside amounts of money to assist farmers which called for well structured policies. Some of the reasons were the zeal to support governmental agricultural policies and the quest to make profits from the interest charged on agricultural loans.

CHAPTER 3: PROCEDURES AND CRITERIA IN AGRICULTURAL FINANCING

This chapter interrogated the bank’s mode of allocating different agricultural loan packages in its loan portfolio at different times for the farmers. It explained the conditions and modalities for the
grant of credit and the various procedures adopted by the bank before a particular loan was granted, the repayment schedule and the difficulties encountered in financing agriculture. Finally, it discussed the bank’s programmes put in place to finance agriculture in Ghana.

CHAPTER 4: IMPACT OF THE BANK’S LOAN

The chapter discusses the effect of the bank’s agricultural finance on itself and on the beneficiaries. It investigates how the Bank’s loans changed the lives of the beneficiaries and also the benefits the Bank derived from the granting of these loans. Finally, the impact of the extension Bank’s loan on the development of agriculture in Ghana was discussed.

CHAPTER 5: CONCLUSION

This last chapter gives a summary of the main findings of the study and an assessment on whether the bank was able to finance agriculture to an appreciable level in Ghana.
CHAPTER TWO
THE BIRTH OF THE GHANA COMMERCIAL BANK AND
AGRICULTURE FINANCING

Introduction
The Gold Coast like many Africa countries was engaged with barter trade for many years, however in the 19th centuries, it became difficult for people to connect with this kind of trade. The double
coincidence of wants and the problems associated exchange among others made it extremely
difficult for traders to deal in barter both locally and in the foreign trade. Especially, after the
demonetization of the gold dust by Britain in 1889, a lot of the European trading currencies flooded
the Gold Coast and other West African countries making all trading items valuable and very easy to
be quoted in real monetary terms. The need for a place to keep and regulate these currencies became
very important. It was in the wake of this circumstances which necessitated the birth of the Bank of
Gold Coast, now the Ghana Commercial Bank.

This chapter narrates the reasons and history behind for the emergence of the bank and explains the
reasons which triggered the bank’s interest and commitment to agriculture financing in Ghana.

Formal commercial banking was introduced into the Gold Coast during the last decade of the
Nineteenth Century. Unlike European banking institutions which evolved over many years through
the activities of merchants, money lenders and gold smiths, banking institutions in the Gold Coast
were prototypes of the European institutions formally introduced into the country by foreign
investors largely to help finance foreign trade with West Africa. By 1890, certain preconditions
necessary for the introduction of modern banking had been attained in West Africa. The economy
had been sufficiently monetized and the expansion of internal and external trade even in the sub-
region had increased. Furthermore, the need for proper book-keeping, organized finance and general
banking services also with increasing incomes in the country had become customary. In addition, the
need arose for some financial intermediaries to mobilize private savings for investment in the foreign
trade sector.

On the whole, the initiative and idea for the establishment of a bank in British West Africa was not
taken by bankers or even by the powerful Colonial Government, but by a shipping magnate Sir
Alfred Lewis Jones of Liverpool and his Lagos Agent. G. W. Neville (Chairman and Agent
respectively of Messrs Elder Dempster Shipping Lines Ltd.). They established the Bank of British West Africa Ltd, registered it in the United Kingdom Registry on 30th March, 1894 and a branch of the Bank of British West Africa Ltd. (BBWA) was opened on January 1, 1897 in Accra. The bank by that time was the only commercial bank in the country which was intended to monetize the economy, act as the country’s central bank, and also import silver into the colony. From 1896 – 1917, the BBWA, had no competitor in the Gold Coast and it enjoyed a monopoly of banking business. The story changed when the Colonial Bank Acts of 1856, 1898, 1900 and 1917 gave the Colonial Bank authority to carry on banking in West Africa. As a result, in 1917, a second bank, the Dominion, Colonial and Overseas Bank began operation in the Gold Coast. The result was that the stage for operating commercial banking activities had now been set by these two British banks in the Gold Coast.

More significantly, before 1952, the Bank of British West Africa and the D.C.O. dominated strict formal commercial banking activities in the Gold Coast much to the irritation of nationalists and indigenous businessmen. These two expatriate firms had in their hands virtually all commercial banking and they were primarily concerned with the needs of the large trading organizations of overseas trade. The main focus of these banks was to meet the financial needs of the colonialists and, on a relative faint note, the merchants. There was a widespread belief among Africans that branches of these foreign based banks did not accord them the same facilities as European firms. Even when they were provided with scanty loans, Africans were charged higher rates. They were primarily concerned with the needs of the large trading organizations and with the finance of

56 Ghanaian Banker 1996.
57 Agreement with the BBWA as to transaction of the Banking business for the Government, PRAAD Accra, ADM 5/4/3.
58 West Africa Red Book 1920.
61 Chibuike U. Uche, “Credit for Africans; the demand for a national bank in the Gold Coast Colony” Financial History Review (2003):75.
overseas trade. They were established in the centres of European commerce. The banks provided currency for European firms, handled transfers of funds to European markets, and provided credit on the security of the export crops or minerals that were the basis of trade.\textsuperscript{62} They were primarily concerned with the needs of the large trading organizations and with the finance of overseas trade. They were really established in the centres of European commerce.\textsuperscript{63} They were also involved in the provision of services for the government, and the British commercial enterprise.\textsuperscript{64} It was therefore not surprising that until 1951, they maintained only 18 branches within a colony with a population of 4 million. The banks also made no long term loans to Africans, and did not finance the fixed capital expenditure by Africans. Furthermore, they required all loans granted to Africans to be repayable on demand.\textsuperscript{65} Indigenous Ghanaians lacked the integrity to secure credit and often held the view that the banks deliberately discriminated against them. In the absence of suitable collateral for advances from the banks, most Ghanaian businessmen resorted to moneylenders whose interest rates were sometimes very high.\textsuperscript{66} There was also the belief that the operational focus of these two foreign commercial banks in the Gold Coast, in particular their lending policies, were too narrow, thus depriving large sections of the economy of access to credit and second the contention that sectors important for development such as industry and agricultural required specialized financial institutions to supply their financial needs.\textsuperscript{67} The banks mostly favoured European, Levantine and Asian Communities in the Gold Coast. Evidently, the indigenous business community at the time ignored by the existing banks, which largely favoured expatriates trading interests. Clearly, the services of these banks were minimal and their policies were dictated by the European head office. A poll of the cross-section of the population supported this and the clamour for the grant of loans to the

\textsuperscript{62} Anin, 55.
\textsuperscript{63} Anin, 56.
\textsuperscript{64} Uche, 76.
\textsuperscript{65} Uche.
\textsuperscript{66} Ghana Trade Journal 1963.
\textsuperscript{67} Ghana Commercial Bank Jan.,-Mar.,2007.
indigenous business community increased.\textsuperscript{68} Besides, it was quite inconceivable that in a country rapidly approaching self-government and nationhood, no attempt should be made to redress the economic balance in favour of the indigenous people, though the only biggest issue then was whether to combine a gigantic lending operation with a bank of issue (a central bank) in which the whole future credit system of the country would be involved. In actual fact if it was really true that the two banks were unwilling to lend to their indigenous customers, then it might be the absence of organized accounts in most African businesses, the generally poor reputation of Africans for commercial and financial reliability, the failure of many African businessmen to make full use of their banking accounts, and the difficulties experienced by Africans in providing the banks with suitable security.\textsuperscript{69}

Most importantly their contribution to agriculture financing was not encouraging at all. In June 1948, for example, out of the total loans of £385,000 granted, only £4,000 went to the agriculture sector.\textsuperscript{70}

In June 1949 and March 1950, nothing at all was granted to support agriculture. In any case, with nationalism at the zenith and the clamour for the grant of loans to indigenous businessmen increasing in the Gold Coast and even in Nigeria, the Colonial Government responded to the agitation of the indigenous businessmen in the time-honoured manner of appointing a Commissioner to undertake a study of the problem and prepare a Comprehensive Report. The first Report from Mr. G. D. Paten in 1948 suggested that the idea and a frantic effort to establish a national commercial bank to promote economic development were virtually not necessary and that in his own view, there was no economic justification to establish such an institution. He however, quickly observed that such a bank might be established on grounds of political expediency. Simply put, he argued that there was no need for any new financial institutions. Three years later, in 1951, Sir Cecil Trevor, formerly a distinguished Senior Deputy Governor of the Reserve Bank of India was invited to Accra

\textsuperscript{68} Ghana Trade Journal 1963.
\textsuperscript{69} Anin, 46-47.
\textsuperscript{70} Banking statistics, PRAAD Accra, RG 6/5/7.
to make recommendations on banking conditions in the Gold Coast. A committee headed by Sir Trevor was appointed with the following terms of reference:

“to examine the whole field of banking in the Gold coast and in particular to examine the question of setting up a National Bank on commercial lines to finance development projects and to act as a reserve bank”.

In the course of his enquires, he met a widespread public demand for the creation of a new bank under Government auspices – a national bank which would not only undertake commercial business paying special attention to the requirements of Ghanaian traders, businessmen and farmers, but would also combine with the functions of a Central Bank. The Colonial Government then accepted the Report in October 1952. The Bank of Gold Coast was then established in May, 1953 under ordinance number 49/1952. Although the Ordinance came into force on the 2nd of February 1953, after cabinet considered a memorandum raised by the Minister of Finance and decided that preparations for actual banking business to begin on 20th May, 1953.

After its establishment the Bank of Gold Coast was mandated to undertake all forms of commercial banking business. It was also supposed to improve the delivery and access of credit to indigenous farmers and businessmen. Furthermore, the bank was licensed to provide all the traditional banking services and finance foreign business as well. It was intended to cater for the financial needs of the Ghanaian businessmen who had till 1953 been neglected by the expatriate banks on the grounds that

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71 Gold Coast report by Trevor Roper on Banking Conditions on the Gold Coast, PRAAD Accra, ADM 5/3/78.
72 G.C.B Renounceable Rights Issue 2007, See also West African Magazine 1953.
73 The Bank of Gold Coast, PRAAD Accra, ADM 13/1/22.
they were not credit-worthy or could not arrange suitable collateral for loans. Apart from oiling the wheels of Industry and commerce by providing full banking facilities for its customers, it was also directed to assist in harnessing savings and channeling it to areas where it could be utilized for development purposes. The bank was also founded to provide a National financial institution more closely identified with the economic growth of the country. Hence the bank was supposed to play an important role in financing agriculture and industry and enable Ghanaian traders and businessmen to participate more fully in the country’s trade and also to act as the principal currency agent of Bank of Ghana outside Accra. It was therefore right when it was decided in a Cabinet meeting that the bank should submit an annual report together with properly audited accounts to the Minister of Agriculture and Natural resources in 1953 and also make it known to cabinet the bank’s conditions on which loans were made available to cocoa farmers. The bank was also instructed to extend a branch network into rural areas so that people in the rural areas would have access to banking facilities. Essentially, in order to correct the problem of expatriate business dominating the economy and extending credit to local businessmen, the Bank of Gold Coast (B.O.G.C) was established to address this situation and designed to do this not by holding back the expatriate banks but by operating on a basis of competitive equality. The bank was mandated to pay, receive, collect and remit money, bullion and securities on behalf of the Government and undertake and transact any other business which the government may from time to time entrust to it. The bank was also supposed to draw bills of exchange and letters of credit payable out of Ghana, buying of bills of exchange and the purchase of telegraphic transfer. In addition, the bank was charged to involve itself in the selling and realisation of the proceeds of sale of any stocks, funds, shares, securities,
promissory notes or goods.\textsuperscript{82} It was instructed to advance and lend money, grant loans, draw, accept, discount buy and sell bills of exchange and lastly make, issue, and circulate bank drafts and letters of credit.\textsuperscript{83} It was founded on the basis that lending money for the development of Ghanaian business and agriculture could form the basis of a profitable and sound banking undertaking. Under this Ordinance, the Bank functioned for the first four years without amendment.

The bank found it necessary to pay more attention to financing agriculture. Agriculture itself in Ghana was very important and productive sector in the economy. The effective role which the Ghana Commercial Bank (G.C.B) played over the years in the development of the country’s agricultural sector was even further emphasized in the area of medium-term financing in the 1970s. The introduction of the 1971/72 monetary control measures had an impact in the agricultural policy and conduct of the bank’s business as a whole. With the change in the bank rate and especially the pronounced upward revision of the minimum interest rate in savings deposits as well as the imposition of the compulsory interest in demand deposits, time deposits, and lending rates were also reviewed by the bank. Because it was the policy of the bank to favour the development of the priority sectors of the economy such as agriculture, the long standing form of interest rates differentiated the type and purpose of loan and security. Thus credit extended to agriculture carried relatively lower interest rates than credit to non-priority sectors of the economy (construction and manufacturing). The tempo of the bank’s credit expansion even picked up during the 1970/71 financial year. Although a substantial increase was registered in total credit, a higher proportion of the increase was directed in favour of agriculture.

The first reason assigned to explain the bank’s promulgation of policies to finance agriculture was the overriding importance which was attached to the agricultural sector of the country. The sector

\textsuperscript{82}G.C.B., 10\textsuperscript{th} Anniversary PRAAD Accra, ADM 7/18/12.
\textsuperscript{83}G.C.B., 10\textsuperscript{th} Anniversary, ADM 7/18/12.
was very fragile and very important to the country. Ghana had been mainly an agricultural country because agricultural activities constituted the main use to which the nation’s land resources were put. Distance was also a compelling factor for the bank’s promulgation of the policies. Ghana covered an area of approximately 239 square kilometres of which agriculture activities formed about 57 per cent of the total land area, but only about 20 per cent of this land was under cultivation in the 1980s.\textsuperscript{84} The essence was to make financial facilities available to the agricultural sector with the aim of improving it. In terms of household incomes, employment (including self-employment), domestic manufacturing, and export earnings, agriculture was the largest sector in Ghana.\textsuperscript{85} Typically, agriculture was important for the macroeconomic performance in Ghana especially in the 1980s when Ghana’s economy was in crisis. Agriculture contributed immensely to the nation’s Gross Domestic Product (G.D.P.). During the first half of the 1980s, agriculture constituted averagely about 55 per cent to the nation’s G.D.P. and in the 1990s it represented 42 per cent of the country’s G.D.P.\textsuperscript{86} Agriculture had also been a great contributor to the government’s foreign exchange earnings. For instance, in the second half of the 1980s the sector’s largest earner, cocoa alone contributed 30 per cent to the nation’s export earnings while in the first half of the 1990s its contribution stood at 26 per cent.\textsuperscript{87} This important sector had also provided job avenues to the highest proportion of the economically active population in Ghana.\textsuperscript{88} In the 1970s, it provided employment for 60 per cent of the nation’s active population and in 1984 it however was reduced to 47 per cent. The sector had been a source of food for the Ghanaian population and had provided raw materials needed for processing by the agro-based industries. Clearly the above reasons indicated that the sector was really a relevant one and all attention had to be paid to it to help lift the economy. The G.C.B. therefore saw the urgent need to pay great attention to the sector by formulating

\begin{footnotesize}
\begin{itemize}
\item Seini, \textit{Agricultural Growth and Competitiveness Under Policy Reforms in Ghana}, 1.
\item Seini, \textit{Agricultural Growth}, 35.
\item ______, \textit{Agricultural Growth}, 3.
\item Johnson, 20
\end{itemize}
\end{footnotesize}
agricultural strategies for the sector’s growth. For instance, for the sake of high capacity utilization of many agriculturally-based industries in the nation and to safeguard employment the bank decided to formulate well structured policies to finance agriculture during the Nkrumah regime.  

The second reason for its erection of agricultural schemes was to improve upon the nation’s balance of payments deficits and also to solve part of the nation’s economic problems as far as agriculture was concerned. In actual fact the world economic outlook during the 1970s and the first half of the 1980s was not favourable at all especially to developing countries like Ghana. In the early 1980s, Ghana experienced steadily falling per capita incomes, an erosion of foreign exchange earnings, and a consequent contraction in real import capacity and severe budgetary problems. The Ghanaian economy was plagued by a shortage of foreign exchange, as a result of the continuous fall in primary commodity prices which led to a short fall in export earnings which deteriorated the balance of payment situation. The dominant feature of the world economy during these years continued to be global recession which became more severe in early 1980s. Economic activity remained stagnant in the major industrialized countries while the Third World oil-importing countries were the hardest hit. Ghana, for instance, was unable to honour its external debt obligations and therefore requested for the rescheduling of its foreign debt. This constituted a major constraint on economic growth. In addition, the repayment of short-term loans arising from the cocoa trade credits was on their programme and there was therefore no reason why the bank could have ignored the financing of cocoa because its proceeds would improve the country’s foreign deficits. The bank also extended loans to cocoa farmers to buy more seeds which helped increased the production of cocoa. Though the price fell drastically, the increase in quantity exported abroad earned the nation a lot of foreign exchange which, in the long run, helped reduce the nation’s balance of payment problems, and also expanded the scope and volume of the nation’s entire export trade. Indeed, in 1972 the Ghana

90 Loxley.
Commercial Bank, after financing the product, was able to contribute immensely and favourably to the country’s balance of payments with the inflow of foreign exchange through its well planned policies when the price of cocoa rose to a historic high of £900 per ton.\textsuperscript{92}

A third important reason to explain the G.C.B.’s establishment of aggressive agricultural policies was to help the nation produce a lot of food crops, cut down on food imports, and make the country a self-sufficient economy. In addition to this, the bank realized it could only help increase the production of food crops in the country if appreciable attention was given to small scale farmers. Hence the idea was to help food production in the country and at the same time assist the small scale farmers. These farmers were responsible for food production even in the Gold Coast.\textsuperscript{93} However, the small-scale farmers were numerous, widely scattered, and difficult to reach, and therefore they found it very difficult to get financial assistance from banks.\textsuperscript{94} The result was that for the main food crops, output fell only very slightly below targeted levels in post-1984. This was attributed to the severe drought and food shortages in 1983.\textsuperscript{95} The Sahelian drought that affected the nation in 1983 persisted into the greater part of 1984 and severely disrupted activities in the agricultural sector.\textsuperscript{96} The abnormally long period of the dry season in these periods rendered most resources idle in the agricultural sector. Farming activities in the country especially in the northern savanna belt were adversely affected. Agricultural output consequently declined while the country’s population which grew at an estimated rate of 2.6 percent per annum in the 1980s demand for food obviously exceeded supply.\textsuperscript{97} Food prices rose to high levels and this was the major cause of the inflationary process in the country at the time. The bank financed agricultural activities through the extension of loans to farmers to help increase basic food crops, eliminate price differentials in the system, and maintained uniform price of food crops in the country. There were other unfavourable economic developments

\textsuperscript{93} Ghana Commercial Bank  Annual Report 1953.
\textsuperscript{95} Johnson , 114.
\textsuperscript{96} Ghana Commercial Bank  Annual Report 1984.
\textsuperscript{97} Ghana Commercial Bank 1984.
and the bank thought it wise to institute complementary measures to ensure stability in the economy through the financing of agriculture.

The bank also found it prudent and necessary to support agriculture by initiating progressive policies in order to improve the nation’s import bill on basic food items and help conserve foreign exchange as well. In the light of this, the Ghana Commercial Bank supported the government’s ‘Operation Feed Yourself programme’ for the nation to produce enough basic food items such as rice, maize, and other staple crops to meet its own requirements. The country was able to save $80million on its import bill in 1972 as a result of the bank’s commitment in supporting agriculture.\(^98\) From 1981 to 1983, the Ghana Commercial Bank intensified it lending activities in the agricultural sector because it wanted to boost domestic food production in the country for consumption due to bushfires and bad weather which had aggravated the food problem in Ghana.\(^99\) The food problem became very critical because food production had declined drastically. The problem with food production in the country was that agricultural activities were heavily dependent on rainfall and the poor rainy season in the early 1980s led to crop failures.\(^100\) The bank in this period financed agriculture by involving itself in the provision of irrigation and storage facilities, all in its attempt to solve the persistent food problems in the country.

Moreover, the Ghana Commercial Bank’s intention to devise strategies to finance agriculture was really to make profit for itself as a commercial bank. Notwithstanding the unstable situation in the foreign exchange markets, the volume of its foreign operations showed a very marked increase. There was an upsurge in the volume of documentary letters of credit handled by the bank which almost top the level reached in 1971.\(^101\) This situation was partly due to the awareness on the part of the government on the need to issue adequate import licenses for agricultural machinery and

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\(^100\) Ghana Commercial Bank 1973.
equipment, spare parts, and essential raw materials to feed the various factories which were working under capacity due to lack of imported inputs.

In 1974, the Ghana Commercial Bank’s credit portfolio showed a remarkable increase directed in favour of agriculture. The fact that total credit built up by about 32 percent during 1973/74 financial year compared with the previous year’s figure of 6.54 percent suggests that the bank really made large profit for itself by granting loans to farmers. The bank was bent on financing agriculture to reap the financial opportunities or the benefits in that sector through banking. In 1977 of all the bills discounted, cocoa bills accounted for about 90 percent, which clearly indicated that there was a rise in profit for the bank. In furtherance of the above, the bank’s intention to institute agricultural strategies was based on the fact that the bank was a serious minded commercial bank, and really was in existence to make an impact and operated with an aim of maximizing profit. In 1970, for instance, there was an increase in the bank’s credit expansion and its domestic operations, though not necessarily stuck to the mobilization of deposits; equally important was its operations aimed at ensuring that deposits were channeled largely into the agricultural sector for productive investment. The Ghana Commercial Bank noted that loans extended to the agricultural sector yielded the necessary profit for which the bank was set up and therefore the management of the bank decided to extend loans to farmers. Notably the agricultural sector was one of the most productive sectors of the economy.

Considering that the agricultural sector was one of the productive sectors of the economy and monies given to workers of this sector were put to good use after careful deliberations, the Ghana Commercial Bank’s intention was to make profit by engaging in viable businesses such as financing agriculture domestically. It also wanted to finance agriculture especially supporting the cocoa industry so as to maintain its foreign branch in London and expand its correspondent relations.

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103 Ghana Commercial Bank 1975.
network with other banks worldwide, all in a bid to do business and make profit. Financing cocoa increased its links with other foreign banks because it was engaged in drawing export letters of credit on behalf of its customers who were engaged in the cocoa business. Making cocoa financing a priority was really to uplift its foreign business, make more profit and at the same time secure foreign exchange for the nation. This called for a well planned programme. A remarkable example was when export letters of credit totaled ₦1.1billion in June 1986\textsuperscript{105}: a two fold increase over the 1985 total as a result of the successful story attached to the policy of the Economic Recovery Programme, letters of credit were mainly for cocoa, indicating clearly an increase in the bank’s profit as a result of financing cocoa and handling of cocoa documents because as a correspondent bank in London, the branch finances all payments of letters of credit with funds provided by Bank of Ghana or with borrowed funds for a fee which translated itself into profits.

It is imperative to first acknowledge the fact that in 1957 the Bank of Ghana introduced a reform which urged all commercial banks to increase their liquidity reserves and interest rates. On the other hand, mobilization of domestic funds became a little more expensive because of the increase in the borrowing rates brought about by the upward revision of interest rates.\textsuperscript{106} The increase in liquidity reserves also constituted additional cost to the banks and more interest deposits were placed with the Central Bank free of charge. Moreover, at this time, the operational cost of the Ghana Commercial Bank rose faster because of operational cost of depreciation of the local currency. The overall effect was that the Ghana Commercial Bank had little to lend out in order to make profit from charges on the loans because the increase in reserve requirements constrained the ability of the bank to lend though lending rates were raised. The Ghana Commercial Bank was bent on doing business and as a result, introduced measures to step up deposit mobilization. The bank also entered into a special

\textsuperscript{105} The Ghana Commercial Bank Annual Report 1986.

arrangement with the Greater Accra ‘Susu’ operators. Special accounts were opened for the members to feed their accounts with funds collected from their clients.

Furthermore, as part of the deposit mobilization efforts, the Ghana Commercial Bank introduced the premium certificate of deposits. This financial instrument provided an investment outlet for businessmen who had hoards of money to invest but want to remain anonymous. As a result of these efforts, total deposits showed the considerable growth which enabled the bank to increase credit to the Agricultural sector by 24.1 percent in the 1986/87 financial year.\textsuperscript{107} The matter was that the bank did everything possible to raise deposits which were supposed to be lent out in order to make profits for it. Because it was able to increase its credit to the agricultural sector in the 1986/87 financial year, profit before taxation showed an improvement, rising from £500 million to £756.4 million, an increase of about 51.3 percent.\textsuperscript{108}

The G.C.B’s birth became imperative considering the economic conditions and the state of banking environment in Ghana in the early 1950s. The country needed a bank which would cater to the banking needs of Ghanaians because of the attitude of the two foreign commercial banks operating in the country by then. Financing agriculture was very important so as to cut down on food imports and also increase local food production and allow farmers to have access to agriculture loans which had been earlier denied them by the earlier commercial banks. In a nutshell the G.C.B. Financed

\textsuperscript{107}The Ghana Commercial Bank 1987
\textsuperscript{108}The Ghana Commercial Bank 1987
agriculture to reap the profits charged on the loans granted and also financed cocoa to help improve upon the nation’s balance of payment problems especially in the 1980s.

CHAPTER 3

THE GHANA COMMERCIAL BANK (G.C.B) AND ITS APPROACHES TO AGRICULTURAL FINANCING IN GHANA

Introduction
The Ghana Commercial Bank from its inception in 1953 made agricultural financing its priority. Among the reasons for this decision was to make profit. These reasons were clearly explained and spelt out in the preceding chapter. Because of this decision to finance agriculture, there was a need for the bank to put in place policies and strategies to help them finance agriculture. But even before the loans were extended, the management of the bank had to decide on a number of issues which had bearing on loan extension. Among such issues included modalities for the granting of loans, terms and conditions for beneficiaries, repayment policies, identifying farmers and even a basic accepted procedure for farmers to adhere to in the extension of loans. This chapter in it first part explained the preparatory work of the bank as far its modalities, repayment schedules, terms and conditions attached to the loan, collateral among others were concerned. In the second part, the chapter outlined and systematically explained the various approaches the bank used to finance agriculture to farmers in Ghana.

The Ghana Commercial Bank (G.C.B.) after its establishment decided to finance agriculture in Ghana but it was unable to do this on a large scale because only a few beneficiaries were granted agricultural loans. The bank itself did not begin operating its savings department until after 1960, when it realized it had the capacity and staff strength to do that. Notwithstanding this there were modalities which were put in place right after inception to enable the bank to finance agriculture.

**Modalities**
In the first place, the bank decided on the category of farmers who were supposed to benefit from the loans, and how much was to be given to them and the repayment period. Next, the bank decided on the type of collateral needed to secure such agricultural loans. A decision was also taken for other peasant farmers without collaterals. More importantly, the criteria and procedure for the granting of these agricultural loans were equally significant, repayment schedules were also discussed and the penalties for default beneficiary farmers also formed part of the bank’s decision. There was also the question of publicity. In this drive, the bank had to strategize to be able to reach out to farmers. Radio and television adverts were rolled out. Farmers were also informed about the basic crops that the bank intended to finance. Before loans were extended to them as well as the terms and conditions attached to the loan facility. Furthermore, farmers were educated on the accessibility of the bank’s loan. The bank therefore rolled out strategies to train officers to assess the reliability of farmers before loans were extended to them. In addition, the farmers were educated on the terms and conditions attached to the loan facility. In a general meeting right after the bank’s inception with the Managing Director, the bank decided to extend loans to small-scale farmers who were quite scattered and numerous in the country by then. This decision was taken because these farmers produced the largest amount of food crops in the country. As part of measures to access the loan facility, farmers organized themselves into associations or groups and the loans were extended to them through these formal groups. Individual farmers who sought loans were also granted based on land size, the nature of collateral and how long they had been in the farming business. Later in the 1970s, the bank itself advised farmers to join its accredited special farmers’ groups nationwide and loans were disbursed to them through these associations. In 1978, the Commerbank Farmers Association was founded and loans were granted to the members of these groups. Loans given to the farmers depended on their land size but in the 1980s farmers were granted between ₦200 and ₦1000.

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109 G.C.B.and subsidiary organization, PRAAD Accra, RG 6/5/2.
110 Banking and credit, PRAAD Accra, RG 4/2/272.
to be repaid in one year. However, for cash crop cultivators like cocoa growers an amount of $1000 was given to each farmer for a period of five years.\textsuperscript{111} Important decisions were taken on the appropriate policy stance on matters relating to agriculture and actually implemented those policies. The policies engaged the complement of agricultural experts and technical field staff capable of handling crop production, livestock breeding, agricultural credit, produces storage and marketing, and appropriate mechanisation technology for the agricultural sector.

Appraisal of the Government's agricultural policy, highlighting details of priority areas and stages of implementation of that policy also took centre stage. Programmes which needed intensification of effort and the part that G.C.B. could play in that effort to achieve the goal of national agricultural policy were also discussed. Furthermore, identification and advice on problems inhibiting progress in critical areas of the agricultural sector, appraisal of some important agricultural development projects, preparation of strategic plans for direct participation by the bank where necessary were taken into consideration. Even in the production process, decisions were taken on how the field officers were supposed to offer managerial and technical advice needed to ensure success of the promoted enterprise.

**Collateral**

As far as collateral was concerned, the bank’s prominent and preferred asset was registered land. The plan of the farmer’s farm was prepared by a licensed surveyor and signed by the surveyor himself and a chief of the stool in which the land was vested. The chief ensured that the applicant’s signature was commonly regarded as a holding risk in the land share in the plan.\textsuperscript{112} Notwithstanding this, farmers who were unable to meet this requirement, in the case of strangers and other first time farmers had to be guaranteed by an accredited farmer with a large amount of lands. The guarantee

\textsuperscript{111} Banking and credit, PRAAD Accra, RG 4/2/272.

\textsuperscript{112} Banking and credit, RG 4/2/272.
made it possible for such farmers to access loans which were repaid after harvest. It should be emphasized that this provision was reserved for food crop cultivators.

**Identifying Farmers**

Locating and identifying eligible farmers seemed to be problematic to the bank at the onset. To overcome the problem, the G.C.B set up the Rural Development Unit in the 1970s. This Unit identified potential loan beneficiaries, advised them on proper ways of using their loans, taught them marketing strategies and more importantly advertized the bank’s agricultural financial policies to the rural farmer where communication was inadequate. The Unit was charged with the responsibility for studying the rural credit situation, especially bank credit to the agricultural sector, design a suitable institutional framework for channeling credit to small farmers and fishermen. The R.D.U. was also given the task of examining critically the existing rural credit schemes for farmers and fishermen, such as farmers' co-operative credit unions, community savings and loan associations; "susu" credit associations, as well as operations of moneylenders.

The task for the R.D.U. became necessary when previous attempts at filling the gap in institutional credit to the vast rural sector, primarily through the branches of other banks failed to achieve the desired objectives. Hence the search for more suitable credit channel as an alternative channel for providing credit to the rural sector, and also instilling the banking habit into the people.

**Types of Loans**

Initially, the G.C.B decided to grant short term loans to farmers because the bank was in its early stages. It lacked the disbursement of huge sums of money because it had not started its savings department. After 1960, it began to extend medium term agricultural loans to farmers after it realized it had the capacity to do so. The bank decided to allow farmers to repay the loans immediately after

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their harvest. For cash crop cultivators such as cocoa farmers, loans were repaid after the sale of the beans. In the case of food crop producers they repaid 10% of the loan for every month for one year. Short-term loans were typically granted as working capital to meet production, transportation and marketing of agricultural produce. The period for short term loans was up to 18 months. Medium-term loans were granted for such purposes as the purchase of farm equipment, raising of livestock and processing equipment. The bank had a technical team and their technical knowledge of the equipment and the capacity to train clients and provide after-sales services such as warranty, spare parts and repair facilities. It also financed farm-level investments such as irrigation systems or (re)planting of perennial crops to ensure reliable quality and quantity of raw material. They were able to provide additional non-financial support services, such as inputs and extension, and a secure marketing outlet. The bank was able to reap economies of scale in administering loan accounts and ensured appropriate handling and maintenance of equipment too. However, the bank had limited skills in appraising the creditworthiness and repayment capacity of farmer and the high cost of setting up and managing a loan administration and monitoring system and their limited access to long-term funding sources was a problem. The period for medium term loans was between 18 to 36 months. For cash crop cultivators such as cocoa farmers, loans were repaid after the sale of the beans. In the case of food crop producers they repaid 10% of the loan for every month for one year.

Types of products

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The bank’s priority was to finance cocoa cultivation. The bank decided to do so because it was the backbone of the country’s development and earned the country the necessary foreign exchange. For food crops, however, it decided to finance the major staples of Ghanaians like rice, maize, cassava, plantain and yam.

The table below shows allocations of the bank’s loans in percentages to the cocoa industry and food crop farming in the 1950s, 1960s and 1980s.

<table>
<thead>
<tr>
<th>YEARS</th>
<th>CODCOA INDUSTRY</th>
<th>FOOD CROP FARMING</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950s</td>
<td>Out of 20 per cent earmarked annually to agric sector in their loan portfolio 10 percent allocated</td>
<td>Out of 20 per cent earmarked annually to agric sector in their loan portfolio 5 percent allocated</td>
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<tr>
<td>1960s</td>
<td>Out of 20 per cent earmarked annually to agric sector in their loan portfolio 10 percent allocated</td>
<td>Out of 20 per cent earmarked annually to agric sector in their loan portfolio 5 percent allocated</td>
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<tr>
<td>1980s</td>
<td>Out of 30 per cent earmarked annually to agric sector in their loan portfolio 15 percent allocated</td>
<td>Out of 30 per cent earmarked annually to agric sector in their loan portfolio 10 percent allocated</td>
</tr>
</tbody>
</table>

Source: Annual reports from the G.C.B. and the statistical department from 1954-1987
Percentage of Loans Disbursed

The G.C.B decided to set aside more than 20% of its loan portfolio to the agriculture sector from the 1960s. 116 Of course before 1990, the Bank of Ghana set a mandatory minimum of 20% disbursement of the Bank’s loan for the agriculture sector. However in the 1980s the bank’s loan portfolio for the agricultural sector was constantly over 30%. 117 In 1987 for instance, the bank set aside 38.8% of its granted loans to the agricultural sector. 118 It should be noted that the G.C.B.’s annual percentage in its loan portfolio for the agricultural sector was fully utilized especially in the 1980s when Ghana experienced domestic food deficits. Evidence available in the bank’s own annual reports indicate that the bank did not fail in utilizing its mandatory percentage loan meant for the agriculture sector in any year. Also the bank made sure it did not exceed its loan portfolio for the agriculture sector in any of the years. The truth was that, the bank decided what percentage was allocated for all the sectors it financed in the country. To buttress this point; the bank financed not only agriculture but was into industrial. A lot of finance went into other prominent sectors in the country as well, so well calculated loans meant for each sector was well decided and taken into serious consideration.

Criteria for the Granting of Loans

As far as criteria for granting agricultural loans were concerned, farmers who qualified for the loans showed evidence of how long they had been in the farming business, which crops the farmer cultivated and the type of credible collateral the farmer presented. 119 Also the size of the cultivated land was taken into consideration and the acceptance of repayment schedule by the farmer was also taken into account. For first time farmers, their guarantors showed proof of their licensed lands and gave the assurance that the applicant would abide by the terms and conditions of the loan facility. In

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119 G.C.B. and subsidiary organizations, RG 6/5/2.
the 1970s, farmers who sought short term loan joined the bank’s Farmers Association or a major registered Farmers Association. This was actually to reduce the default rate because members became watch dogs of one another and the inability of some members to repay meant that particular association stood the risk of not acquiring subsequent loans from the bank. There is hardly data on the situations in which the terms and conditions were set aside in order to enable farmers benefit from the loan facility. Existing evidence, as indicated above, shows that the bank ensured that the bank was able to recover the loan in the event that a farmer failed to pay off the loan.

**Procedure in the Acquisition of the Loan**

As a form of procedure, the loan applicants first completed the agricultural loan forms either at the head office or at a branch of the bank in one of the major towns in Ghana. Next, the completed forms were submitted signed or thumb printed by the applicant. The plan of the applicant’s farm prepared by a licensed surveyor signed by him was added to the form for submission. Applicants without farm plans were accompanied by their guarantors with their farm plans. Loan officers or bank officials assessed the application and corrected minor mistakes on them. The applicant then left and came back after a week. The essence was that the bank critically examined the farm plan and ascertained its authenticity. Sometimes, if there was any doubt, the bank officials visited the land themselves with their surveyor. The following week, when the bank was satisfied, the applicant was directed to operate a savings or current bank account through which the loan was disbursed. After the loan was paid into the applicant’s account, he was notified and a copy of agreement given to him for keeps. Some farmers complained that this procedure was a little bit restrictive and cumbersome considering the fact that most of them were illiterates. Completing the form itself was a problem because the content were supposed to be explained to them in a language they could understand, which took a lot of time in their own estimation. The days it took for the loan to be credited into their accounts was also too much for them. Most of them were also not conversant with banking rules and
procedure and found the procedure total waste of time. Some complained to the senior bank officials, but the operations, rules and processes of banking were explained to them and they did not alter for any farmer. The bank itself did not consider the procedure cumbersome because they understood the banking operation and its rules. In fact the procedure was put in place to make sure that proper details of every farmer was captured was made repayment very easy for the bank. A farmer who believed completing the form at the head office received the quickest attention did so. Most of them also took the advantage to visit Accra for the first time and completed their forms at the head office. On the whole, because the bank lacked the necessary strength to operate agencies and branches in its first years of operation, large chunk of these forms were worked on at the head office. With time, when the bank opened branches in other towns, these branches and agencies received more forms more than the ones in the Head Office. However all forms were sent to Accra for approval before loans were granted. This procedure, however, was not uniform for all applicants especially after the 1970s. Farmers who were able to maintain a constant and appreciable bank account were given short-term loans based on their performance of their accounts history. They hardly withdrew any money until they finished paying their loan. The rationale was to enable the bank to track their savings balance, which accrued enough as a bank balance and based on the left balance, the bank used it as criteria for the extension of a loan for that particular farmer.

Default Rate

Before the 1970s the default rate was 10% but it suddenly increased to 15% in the 1980s when the country experienced balance of payment problems.\(^{120}\) For instance, in 1978 because of the bank’s

\(^{120}\) Economic statistical bulletin, PRAAD Accra. ADM 7/9/3.
schemes of putting farmers into associations, the default rate was 10%.\textsuperscript{121} The causes of agricultural loan default especially among cocoa growers were the inability to control the swollen shoot disease which killed a lot of cocoa trees especially in the 1960s.\textsuperscript{122} The disease cut down production and farmers were unable to repay their loan as a result of low production. Also the inadequate distribution of improved plant materials was a factor. To cut down on the defaulting rate, the bank after the 1980s distributed quality seedlings to farmers in addition to loans. For food crop producers, insufficient rains caused their loan default especially in 1958 and the 1980s. Lack of rains reduced the total crop yields and they were unable to meet their target, and were therefore unable to pay for their loans. In October 1958, for instance, the rains spread southwards but diminished even to the point of cessation from the middle of the month. In fact, rainfall was below average. More so some farmers often did not use the loan for the purpose it was intended. Instead of purchasing seeds and seedlings, some used the money to pay for their ward’s school fees and engaged in other unproductive ventures. Other farmers simply defaulted because they did not want to repay at the stipulated time. They re-invested the money and hoped to recoup other benefits before repayment. Other farmers simply died before the harvest of their crops and therefore could not be traced. Though there were no evidence of prosecution for defaulters of the loan, what the bank did was that, the farms of defaulters were seized by the bank, cultivated and after harvest, sold the produce to the tune of debt and then when the proceeds were able to defray the debt, the farm was given back to the farmer.

**Problems of Granting Loans**

Granting loans to farmers by the G.C.B. to finance agriculture was not without problems. There was the problem of collateral limitation. Farmers lacked the necessary collateral for the loans. The bank

\textsuperscript{122} Kwesi Amoako, interview by author, Suhum, 1 May 2011.
preferred farmlands but most of the farmers were peasants who cultivated small pieces of land. In some cases, some of the farmers happened to be tenants who either operated on the lands on short periods of lease hold or farmed on agreements of sharing basis – ‘Abunu’ or ‘Abusa’ and therefore did not obtain the right to decide what to even plant on the farms let alone using the land as collateral. Consequently, many farmers were unable to access the bank’s loan. Also in many farming areas, there was the conception of land tenure and ownership which was communalistic in nature. It therefore showed the relationship between two parties which was charged with misconceptions, mistrust and misconceptions. In other instances, farmers were granted smaller amounts of money which had no pressing effect on the bank’s operations. Accessibility of farmers was another problem that hampered the disbursement of loans. The bank was confronted with the problem of where to disburse the loans since many of the farmers lived in the remote and rural areas. The problem of staffing cannot be ignored. It also lacked the necessary banking staff and special loan officers who would scrutinize the numerous farmers’ applications. There was the problem of the time, energy and money which the bank faced on training special bank staff to assess agricultural loans. The bank lacked well trained staff to monitor the operations of farmers to ensure that the loans were utilized for the purposes for which they were contracted. To solve these problems the bank granted the agricultural loan from its head office in Accra for farmers in the Greater Accra and Central Regions. After 1960, the bank disbursed these loans from its branches which spread across the country. In towns where there were no branches, the bank’s agencies disbursed the loans whilst all procedures for application were done in a major branch which existed in a major town in a particular region. This problem of special loan officials was solved after the bank spent eight years in existence. Bank staff were sent to England to be trained on loan assessment programmes while the G.C.B’s training school in Nungua also trained other bank staff on agricultural and other bank

123 The G.C.B. and its 2nd Development plan, PRAAD Accra, RG 6/5/2.
matters. Another problem that bank faced was the problem of communication. Most farmers lived in remote rural areas; they were numerous but widely scattered and there was also lack of transport. Most of the farming communities did not have good access roads and the journey to the hinterland was with much difficulty. The transportation problem was even unbearable in the rainy season. The result was that the bank was unable to make physical contacts with farmers to educate them on its loan facilities. This problem was compounded by the problem of illiteracy, a problem which made it difficult for the bank to give technical assistance. In addition, as most of the bank’s adverts on its loan facilities were done in English, the illiterate farmers were disadvantaged. Even where technical advice on proper ways of planting and weeding was given, some farmers did not understand and misquoted the instructions. New agricultural ideas given to them by the experts were alien to them, and there was the need to always meet their convenience at the expense of the bank’s effort to decrease default and help them to increase productivity. The G.C. B was also faced with price and yields risks, a problem which actually kicked a lot of institutions lending to farmers out of business. Price fluctuations in world market especially with cocoa did not allow the bank to project excellently on how much to lend to the farmers. The most striking link concerned the evolution of real exchange rate. Between 1969/71 and 1981/3, the Cedi appreciated in real terms by over 90 per cent by far the highest appreciation rate in sub-Saharan Africa. However, the trend was not the same for domestic trade. For instance, by 1982 cocoa growers received fewer than 17 per cent of the 1960/63 price in real terms. It was further compounded by the high implicit taxation rates levied by successive governments on the producers of the principal export commodity, cocoa. Moreover, the cocoa market remained largely a monopsony. This implied that to a considerable extent, price determination by government was a key feature, even if, under certain circumstances, producers circumscribed official markets. The bank always made estimates and projections. As such the bank

made abnormal loses anytime there was a fall in the market price of cocoa.\textsuperscript{126} The bank was always in a dilemma as to whether farmers were going to be able to increase their yield so as to repay their loans or farmers were going to lose. What was more critical was that the bank after the extension of loans to farmers waited till the crops were harvested before farmers repaid. Monies locked up were a concern; it was just risky and costly.

\textbf{Terms and Conditions.}

For farmers’ application for loans to be valid, they were supposed to provide a copy of their farm title, signed by an accredited surveyor. For farmers such as strangers who did not have farm titles, their landowners guaranteed for them before they could access the bank’s loans using their land titles. Second, the applicant was supposed to provide precise answers to the questions on the agricultural loan form and attach any relevant and appropriate documents. Interest rates for short term and medium term loans were 10\% and 15\% respectively monthly.\textsuperscript{127} Also, the loan was subject to repayment after the first harvest of the farmer’s crop. In the event of any default, a penal interest of 5 per cent per month was charged on the outstanding loan. A statement or a demand note which was signed by the farmer’s loan officer was conclusive evidence that a sum was duly given to the farmer. In other instances, when the applicant defaulted in paying back the loan after the period of harvest, the bank took charge of his land, cultivated it and the yields sold to defray his debt. After the debt was recovered the land owner was given his land back. It should be noted that the interest remained the same for the loan period except in instances that penalties were instituted against defaulting farmers. In the case of farmers with no land plans their guarantors paid when there was a default. Lastly, the bank was entitled to take any action considered appropriate to enforce these conditions.

\footnotesize{\textsuperscript{126} The Report of the statistical department 1985. \textsuperscript{127} G.C.B. Progress report, RG 6/5/4.}
The Bank’s Agricultural Programmes.

Before July, 1970, the Bank of Ghana was given a certain amount of control over the operations of banking institutions by sections 29-35 of the Bank of Ghana Act, 1963 (Act 182).\footnote{Rebecca B. Ellimah, “The Banking Act, 1970, of Ghana,” \textit{Journal of African}, (Cambridge: Cambridge University Press, 1975):30.} Basically there are two main sources of the statutory rules that regulate the business of banking in Ghana. They are the Bank of Ghana Act, 1963, as amended by the Bank of Ghana (Amendment) Act, 1965, and the Banking Act, 1970.\footnote{Date-Bah, S. K., “The Legal Framework of Banking Business in Ghana” \textit{Journal of African Law}, (Spring - Autumn, 1975):25.} It is important to stress that the Ghana Commercial Bank does not do banking business without acknowledging the existence of these laws. In other words the G.C.B adheres to the principles and wishes of the above laws established by the B.O.G. before it conduct its business. In those Acts, banks are expressly prohibited from engaging in any commercial, agricultural or industrial undertaking; presumably the Bank of Ghana will refuse a banking licence to any financing business which combines commercial, industrial or agricultural entrepreneurship with its financing business. In this regard the G.C.B had no option than to make plans and draw strategies or programmes to finance agriculture in Ghana. The function of controlling and supervising the operations of banks in Ghana is vested in the central bank, namely the Bank of Ghana. Indeed, section 18 of the Banking Act, 1970, expressly provides that "except as provided in this Act, the Bank of Ghana shall have overall supervisory authority in all matters relating to the business of banking in Ghana".\footnote{Date-Bah, “The Legal Framework of Banking Business in Ghana,” 25.} It is the Bank of Ghana which is authorised to issue licences to banking enterprises. It is also given authority, after
consultation with the Minister, to prescribe that banking institutions shall hold liquid assets of a specific amount and may fix such amount either as a certain percentage of all its deposit liabilities or any in other manner. Bank of Ghana may in particular by executive instrument make rules concerning the borrowing and lending rates, commissions and other charges, of banks of which the G.C.B. was a part. Also the Banking Act, 1970, enables the Bank of Ghana to maintain over the banking business an intention to guarantee the safety of the funds that depositors have entrusted to the banks, to protect banks from the bad banking of new competitors. More importantly, the Act admonishes the harmonisation of the credit policies of the banks with the economic priorities and objectives of the Government whose organ the Bank of Ghana is. Thus the Bank of Ghana, besides being the watch-dog over the commercial banking system in Ghana, through its control over the credit policies of the banks plays an important role in the channelling of domestic savings and liquid funds to particular areas of the economy. The Bank of Ghana encourages the commercial banks, especially the foreign ones, to move away from their traditional mode of banking, that is financing import trade, into the priority sectors of the economy. Thus in 1971, the Bank of Ghana requested all commercial banks to reduce their credit to the import sector and increase credit to the priority sectors instead, including agriculture, forestry, fishing, transport and storage.\textsuperscript{131} The Bank of Ghana also introduced in 1969 a credit guarantee scheme to provide a degree of protection for banks against possible losses in respect of advances granted by them to small borrowers in the private sector. By the introduction of the credit guarantee scheme, it was hoped that the commercial banks would be encouraged to increase their volume of lending to Ghanaian-owned enterprises.

It is commonly believed that lack of access to government subsidized or formal credit to the agricultural sector could partly explain the low productivity in the country. Access to sufficient credit was a serious problem even for early American farmers as it was in the colonial days for

farmers in developing countries like Ghana. Meanwhile, credit plays a dominant role in agriculture finance and the amount of credit extended and terms and conditions have influences on the farmers themselves.\textsuperscript{132} It was to boost productivity in the agriculture sector that the G.C.B. created a loan facility for farmers. Many also held the view that the banking sector in totality has not helped the agricultural sector in terms of credit facilities compared to manufacturing and the retail sectors. Lack of access to credit continues to be a key factor contributing to the poor performance of the Agricultural sector in Africa in general.\textsuperscript{133} The G.C.B has been able to extend large short term credits to various organizations which were charged by the various Governments of the day with the purchasing of agricultural produce. The bank also provided finance for the purchase of cocoa, rice and other agricultural produce and this was achieved by the bank’s extension of its overdraft facilities to farmers at the various buying centres in the hinterland. Furthermore, the bank financed large scale institutional farms in both the private and public sectors. In addition to providing credit, the bank (through its wholly-owned investment subsidiary – Development Finance and Holding Limited) took equity positions in a number of farming companies.

With the contention that some sectors of the Ghanaian economy such as industry and agriculture, were not well catered for, the Bank of Gold Coast (former name of Ghana Commercial Bank) was seriously tasked by the recommendations made by Sir Cecil Trevor, to improve credit delivery for indigenous small scale farmers in Ghana from its birth.\textsuperscript{134} The bank made agriculture financing its priority and as part of its critical policy, it was able to put across certain approaches and schemes which were all geared towards financing agriculture in Ghana and making small scale farmers, (farmers cultivating land ranging from one to 2.023 hectares in size) their focus. Agriculture had been one of the approved productive sectors of the Ghanaian economy of the various Governments

\textsuperscript{133} G.C.B 2007.
\textsuperscript{134} G.C.B. 2007.
of Ghana over the years and because of this the G.C.B instituted its own policies in place to finance it.

Between 1953 and the early 1960s, although the bank was able to grant agricultural loans to its customers, it was in fact not doing enough and a lot of farmers spoke against this. Before 1966, though the bank was charged to help the agriculture sector it was only in its infant stage and lacked the capacity and logistics to do it on a large scale. The bank largely began instituting its agricultural policies from the early 1960s when it realized that it had the capacity to extend loans to a large number of farmers. Major agricultural loans extension began in 1964 when the bank undertook full responsibility to grant loans at reduced rates of interest. In 1967 for instance, amidst the inflationary pressures in Ghana, in the area covering agriculture, there were substantial increases in agriculture with the help of G.C.B’s policies for agriculture. Public Policy also demanded that an increasing share of the Bank’s credit arrangement be channeled for the development of agriculture due to this sector’s increasing importance to the Ghanaian economy. Financial resources from the bank’s banking system were also needed through direct credit allocation and equity participation for the development of agriculture. Towards meeting these objectives, the G.C.B. made frantic efforts and amended the Ordinance which established The Bank of Gold Coast (B. O. G .C.) and from that time onwards at the bank was permitted to engage more fully in development financing. The bank was able to finance agriculture through credit allocation to farmers and significantly instituted banking schemes to aid the agricultural sector.

The bank’s first programme was the creation of the Development Financing Unit. The Government of the National Liberation Council in fact was really engaged in the task of laying down the basics for growth in all sectors of the economy of which agriculture was a part. The Government indeed evolved plans for accelerated economic development in Ghana. As a result, the Bank of Ghana

135 Economic survey, ADM 7/9/4.
136 Economic statistics and bulletin, ADM 7/9/3.
relaxed their restrictions imposed on lending on all Commercial Banks in Ghana. On the level of credit available as at the end of 1968, to the productive sector, including agriculture the G.C.B increased their lending by a margin of 15 per cent and was in a better position to finance agriculture.\(^\text{137}\) Significantly, the Central Bank also revised the G.C.B’s components and amount of commercial bank, cash, and liquidity reserves. The meaning of this was that the G.C.B’s cash ratio which comprised items like the bank’s cash in till, net balances with other commercial banks in Ghana, and its current account deposit with the Bank of Ghana was kept at 15 per cent instead of the old 8 per cent.\(^\text{138}\) The Ghana Government Stocks and treasury Bills were also raised from 18 to 20 per cent of customers’ deposit liabilities.\(^\text{139}\) The effect of all these arrangements was that, it became quite difficult for the G.C.B to achieve these requirements so the bank carried out certain redistributions after they critically re-examined their loan package for their customers.

In 1968 the bank proposed setting up a Development Financing Unit to take over loans which by nature may need to be re invested over a longer period. A major component of the loans to be disbursed by the unit is agriculture loans. This Unit was supposed to create room for more advances to the agriculture sector, meet the existing difficulties of the 1970’s and also help in the Government’s economic plan as far as agriculture was concerned. This Unit which was supposed to be set up within the bank was to aim at catering for the medium-term requirements of the bank’s agricultural customers and farmers and also to relieve the pressure on the bank’s normal commercial banking activities. In August 1969, the bank created the Development Finance Unit (D.F.U.) which made recommendations on the viability of projects proposed by customers and provided specialist advice to them, mostly on agricultural schemes.\(^\text{140}\) This was a policy the bank embarked upon as an alternative to the traditional system short-term lending to promote agriculture on medium-term basis. As at April 1970, the Unit had granted medium-term loans to the tune of N¢0.5 million for the

\(^{139}\) Economic statistics and bulletin, ADM 7/9/3.
The bank again increased its help to the agriculture sector and as at August 1970, the Unit had granted N¢4.5 million to eleven Ghanaian Agricultural firms.

Its second scheme was the establishment of the Rural Development Unit. The bank’s attention was drawn by the public to the necessity of reviewing their credit policy to meet the requirement of the agricultural sector so in 1972, the bank established a Rural Development Unit within this Development Finance Unit to coordinate and give direction to the bank’s rural development effort by advising potential and prospective farmers on how best to store, package and market their produce. The unit maintained contacts with the regional development corporation for effective work to be done.

In late 1959, the bank’s investment portfolio remained rather stable and this meant that the bank tended to hold increases in deposits in the form of balances with the Bank of Ghana. In this period more worthwhile low risk demands for loans increased and the bank expanded its lending. During the third quarter of 1959 when the Cocoa Marketing Board relied more on bank accommodation to finance the season’s cocoa purchase, the G.C.B. had the opportunity to expand its loans from £G1.4 million at the end of the second sector to £G3.1 million. In its bid to help the cocoa industry, a Cocoa Rehabilitation Project was established in the 1970s in Ghana by the Government as a means to boost cocoa production. This project was instituted to help farmers in the country get access to loans specially for cocoa production since cocoa was the country’s largest export foreign earner. In this regard the G.C.B stepped up its financial support for the development of the agric sector and as a policy and a priority contributed N¢1.5 million towards the Government’s N¢15.5 million initiative.

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144 The economic survey, ADM 7/6/12.
for the project.\textsuperscript{146} Again as part of the Bank’s lending business and in the Bank’s bid to help increase
the country’s cocoa population, the Bank’s participation in the financing of the nation’s cocoa
business during 1971 and part 1972 surpassed all the previous records with an average weekly credit
level of over €19 million and the season’s peak level of over €60 million.\textsuperscript{147} With the introduction
of the Akufo Cheque Scheme in Ghana in 1982/83 main crop season, the Cocobod supplied a
number of cheques with the Ghana Commercial Bank (G.C.B.) where farmers collected their
money.\textsuperscript{148} The Cocoa Marketing Board (C.M.B.) drew bills which were payable to the drawers’
order and endorsed to the order of G.C.B. After acceptance by the drawer, the G.C.B. then
discounted the bills which were also rediscounted at the Bank of Ghana. In other words, as a form of
financing agriculture, the Ghana Commercial Bank purchased the cocoa crop by financing it by
internal bills whiles the Bank of Ghana provided rediscounting facilities. Seed funds were lodged
with the G.C.B. and other banks for purchasing the cheques. Also the level of credit advanced by the
Bank for the financing of food production was raised to a much higher level, during the 1970/71 of
the bank’s financial year.

Another significant programme was the setting up of a Development Leasing Company. In 1971, the
Bank of Ghana as part of its policy to control and supervise the banking activities of the Commercial
Banks in Ghana introduced a monetary control measure to check the banking activities of the G.C.B.
This new monetary policy changed the bank rate and especially the upward revision of the
minimum interest rate on savings deposits as well as the imposition of the mandatory interest on
demand deposits. This meant that the G.C.B’s time deposits and lending rates were to be also
reviewed in the same way. Along with these changes and in keeping with the G.C.B’s bank policy
of favouring the development of the priority sectors of the Ghanaian economy, their approved form
of interest rates differential which related to the type and purpose of loan and security provided was

\textsuperscript{146}The G.C.B.’s Progress Report, RG 6/5/4.
\textsuperscript{147} Ghana Commercial Bank 1971/72.
\textsuperscript{148} Adjetey, Bank of Ghana- Notable Historical Events and Developments, 289-290.
further looked into to reflect general economic policies. Subsequently, credit extended to the agriculture sector generally carried relatively lower interest rates than credit to the other or what was termed by the bank as the non priority sectors of the economy. Not too surprising, a lot of the bank’s credit was granted to the agriculture sector as one of their priority sectors. The bank’s credit expansion picked up in 1971 and a substantial increase of credit was registered on total credit, a large chunk of the increase has been channelled in favour of the priority sector and especially to agriculture.

In 1972, it became very urgent and pronounced for the G.C.B to step up agricultural financing activities following the launching of the Government’s Agricultural Programme which was aimed primarily to increase production and marketing of food in Ghana. The government also put in place strategies to implement his programme. The G.C.B., on its part accepted the challenge and increased its financial support for the production of local foods like rice, maize, cassava, maize and other staples which had been earmarked by the government. As a result the Bank reviewed its policy and adopted an agricultural policy which derived full advantage accrued from concentrated and coordinated genuine efforts in areas with significant agricultural potential. The bank’s agricultural policy set up viable projects in partnership with the Agricultural Development Bank, National Investment bank, and other interested investors to finance co-operative farmers and other organised groups of farmers in the fields of food production, storage, marketing and processing of agricultural produce. The bank also engaged itself directly in the financing and management of demonstration farms basically in the areas of livestock with related processing facilities attached to it.

The G.C.B on its part established the Development Leasing Company in 1972 which later became a subsidiary of the bank. The establishment of the Development Leasing Company Limited did not in

149 Operation Feed Yourself Campaign, PRAAD Sunyani, BRG 1/1/51, vol.2.
150 Operation Feed Yourself Campaign, PRAAD Sunyani, BRG 1/1/51, vol.3.
151 Operation Feed Yourself Campaign PRAAD Sunyani, BRG 1/1/51.
fact, descend out of the blue. It was a result of the amendments of the Bank’s 1952 Ordinance which called for more emphasis to be placed on development lending. This led to creation of the real wealth which in turn generated more employment opportunities for the growing population of Ghana. In furtherance, the bank reviewed its policy and gave birth to its subsidiary company – Development Leasing Company Ltd; which leased agricultural equipment to farmers generally. This Unit made recommendations on the viability of projects proposed by customers and provided specialist advice to customers, mostly on agricultural schemes.153

This company, as its specialty leased planters, bulldozers, cultivators, harvesters, tractors, ploughs and other modern and sophisticated agricultural machinery to its farming customers in the northern regions of Ghana. The Northern Region was basically chosen to be assisted due to the fact that it was an area where rice cultivation was prevalent, hence harvesters which belonged to the Development Leasing Company worked on rice farms in Northern Ghana and Upper Regions. Later the company also extended its operations to the other regions of the country. The operations of this leasing company was professional in character and were meant to supplement the lending activities of the Bank’s Development Finance Unit which by the time was serving as a channel through which loan funds were invested into agriculture and other business enterprises requiring medium – term financial assistance. During the 1975/76 financial year of the G.C.B, this Development Leasing Company of the G.C.B, rendered useful services to customers in the Northern District of Ghana. For that financial year, the company supervised a crop loan of more than ¢1.0 million for the cultivation of several acres of farmland.154 Furthermore, the company increased its crop loans substantially during the of the bank’s 1976/77 financial year channelling loans specifically into the production of rice, maize, groundnuts and vegetables. The crop loan facility benefited more farmers because the company had an adequate supply of machinery and spare parts during that same financial year. The

Company did not only lease agricultural equipment to farmers but some agricultural machineries were also sold outright to farmers at subsidized rates.\textsuperscript{155} The bank also provided servicing facilities to all equipments sold or leased to farmers at reasonably subsidized rates.

In addition to the above, there was an arrangement put in place to support the Acheampong programme. In 1972, the Achaempong Government launched its Agricultural programme in the country to encourage the production of food in the nation. To meet this philosophy of “Operation Feed Yourself”, the nation-wide campaign to grow enough food and raw materials, the bank, on May 15, 1973 launched a new wholly-owned subsidiary, Development Leasing Limited which supplied and hired agricultural machinery, appliances and equipment for clearing, harrowing, ploughing and harvesting.\textsuperscript{156} Besides, the bank gave financial assistance to pay for seeds, fertilizers, weeding, transportation and other expenses. In the north, the bank ploughed and harrowed acres of land and alongside these efforts, any branch of the bank in the north availed the customer of an overdraft facility without security.\textsuperscript{157} With the pilot project in north, a sector believed to be the nation’s ‘granary’, thousands of acres were ploughed and harrowed while more machinery in the form of crawlers, tractors, combine harvesters, etc was been acquired to meet the growing demand.

To make the provision more meaningful, fully equipped servicing workshops were built in Tamale, Bolgatanga, Bawku and Wa which provided storage and repair facilities for the machines. Any branch of the bank in the North availed the customer of an overdraft facility without security.\textsuperscript{158} Apart from supporting Achaempong’s programme the bank devised a scheme to stimulate agricultural development in Ghana especially in the 1970s when the country was in food crisis. For example, for the period January 1973 to December 1973, Ghana spent US$53 million on oil imports, while for the first seven months of 1974; she paid US$700 million for her oil imports too.\textsuperscript{159} The

\textsuperscript{155} The G.C.B.’s Progress Report, RG 6/5/5.
\textsuperscript{156} The Official Handbook of Ghana 1972.
\textsuperscript{157} The Official Handbook of Ghana 1972.
\textsuperscript{158} Ghana Information Services Department Report 1974.
\textsuperscript{159} Statistical Department Report 1974.
level of development was also drastically affected by the energy crisis and most importantly, the price of gold which reached on all time high $175 an ounce in early 1973, dropped to about $150 per ounce in mid June, 1973.\textsuperscript{160} All these factors had a negative effect on the nation’s economy and the situation got worse when cocoa, the country’s largest crop foreign earner suffered a downward price trend. To make matters worse, there was an inadequate production to meet increasing world demand. To add up to this, the spot price of Ghana cocoa which reached £1,255.00 dropped to £540.00 per metric ton in 1974. The worst of these cases was that, Ghana’s share of the World production of cocoa which had risen from 29 per cent in the fifties to 37 per cent in 1960/64 had declined again to 20 per cent in 1972.\textsuperscript{161} The United Kingdom which was Ghana’s largest trading partner experienced an inflation rate of about 25\% per annum in 1974 and it was estimated that Ghana imported inflation from that country at a rate of not less than 15%.\textsuperscript{162} This distressing phenomenon coupled with the drop in Ghana’s export prices undermined the country’s foreign exchange base and created balance of payment problems for the Ghanaian economy.

It was for this reason that Ghana’s import and export trade demonstrated clearly the urgent need for the G.C.B as a National bank and a supporter of the Government’s agricultural policies to take all necessary measures to stimulate agricultural development to help bridge the adverse balance of payments in the country through its agricultural schemes. So in 1974, as part of the G.C.B’s policy to support agriculture in Ghana, the bank re oriented its banking policy with the aim of giving additional attention to government efforts towards self sufficiency in food and raw materials production. The government took the initiative in increasing the level of production in paddy rice which virtually made Ghana self sufficient in that area of cultivation. As a supplement, the G.C.B contributed substantially to this achievement and financed rice farmers through their branches in the Northern and Upper regions. Moreover, the provision of the bank’s assistance in these areas took

\textsuperscript{160} Ministry of Finance Report 1974.
\textsuperscript{161} The Ghana Commercial Bank 1974.
\textsuperscript{162} The Statistical Department Report 1976.
the form of granting short term overdraft facilities, lent farm equipment and implements to farmers through the bank’s wholly-owned lending subsidiary company and finally by discounting price bills. For instance during the course of the bank’s 1974/75 financial year, it discounted €130 million worth of bills in respect of cocoa, rice, and maize.\textsuperscript{163}

In the same financial year, the G.C.B promoted the establishment and financing of a shallot marketing company which was based at Anloga.\textsuperscript{164} In 1971 a cooperative in Anloga, known as the Dzita-Anyamui Shallot farmers and Marketing Co-operative Society Limited, was formed and the G.C.B. extended credit to them.\textsuperscript{165} Part of the loan was used to purchase two trucks for cartage and the rest dispensed to members at 6 per cent interest. In 1979, the G.C.B. issued new loans to any individual who belonged to the cooperative and had a satisfactory repayment record for previous loans. The total sum any individual borrowed was tied to the number of farm lands he or she inherited or owned and at the same time the rate of interest increased to 13 per cent. This company purchased shallots from the local growers in the Keta – Anloga area and organized the transportation and sale of the crop to the main centres of the population. Additionally, the company was provided with its own transport and it was expected to make a positive contribution to the economic development of the Keta – Anloga district.

Another programme of the bank was its special scheme to aid small scale farmers. In a continued aggressive bid to finance agriculture and increase the production of food in Ghana, the G.C.B in February 1976 launched its special Financing Scheme for small scale farmers.\textsuperscript{166} The G.C.B. Board found it necessary to approve this scheme because they realized that about 90 per cent of the total agriculture production in Ghana in the 1970s was still in the hands of indigenous small scale farmers and the bank was highly convinced that Ghana’s agricultural output could be raised if technical and

\textsuperscript{163} Ghana Commercial Bank Annual Report 1974/75.
\textsuperscript{164} The G.C.B.’s Progress Report, RG 6/5/6.
\textsuperscript{166} Ghana Commercial Bank Annual Report 1977.
financial assistance were given to these small scale farmers in the rural areas. The scheme was prepared with the active co-operation and support of the Ministry of Agriculture, Cotton Development Board, Vegetable Oil Mills Limited and Regional Organisations. The implementation of the scheme was entrusted to Mr. Kofi Agyeman a Chief Manager at the bank’s head office. A new division, known as the Agricultural Finance Department, was established as set up at the Head Office and new loan forms together with loan passbooks specially meant for illiterate farmers were printed and distributed to farmers through the bank’s branch network. One striking aspect of the scheme was that all loan requests were dealt with at branch level by the bank’s Area Managers and not even a single loan facility was considered at the head office in Accra. Another interesting aspect of the programme was that all recipients of the loan were encouraged to join the bank – sponsored Farmers’ Association known as Commerbank Farmers’ Association. Significantly, during the latter half of 1978, the bank provided farmers with adequate storage and other marketing facilities for some selected towns in the Ashanti, Central, Brong-Ahafo regions notably Nsuta, Winneba and Atebubu respectively. The Association was established by the bank for easy identification of farmers and to make provision of finance and repayment of the loans very easy for the bank. The bank widened the scope of the agricultural financing during the 1976/77 financial year of the bank. It was able to extend credit facilities to small rural farmers which were channeled to them through this Commerbank Farmers’ Associations that was formed throughout Ghana at the time. The bank’s support in the form of provision of credit was evenly spread to all the regions. This Association which started operating in March, 1977, helped peasant farmers to respond positively towards the production of food to feed the nation and also raised the incomes and standard of living of the farmers. Under the scheme, a number of branches in the Ashanti and Brong Ahafo areas witnessed full payment of loans granted to farmers by early 1978 and in other branches in the

Central and Western Regions, the rate of repayment was well 90% though all loans granted were unsecured. Unexpectedly, the G.C.B continued to extend short term unsecured credit facilities ranging from ₿200 to ₿1,000 to these farmers to step up the cultivation of rice, maize, and potatoes in a bid to increase and sustain production of the crops to meet domestic demand. By 1979, the association provided finance for no fewer than 50,000 small farmers in Ghana. This scheme was actually in support of the Government’s five year Agricultural Development Plan which provided financial assistance to these farmers through the G.C.B’s country wide network of branches. An interesting feature of this scheme provided short term facilities to farmers to cater for their overdraft which was supposed to pay for their children’s school fees, to keep them financially moving during the off-crop season. It was also supposed to enable the farmers repay their debts to take their farms back which was a big problem as it led to loss of farms and decrease in farm production in Ghana.

Also, under the first phase of this important Scheme, the G.C.B provided not only loans to the farmers, the bank also ensured that adequate supplies of other imports such as seedlings, fertilizers and other farm equipment, short term overdrafts and loans got to the doorstep of farmers. This action became very necessary because it was realized that for this Scheme or programme to be extremely successful, there should be a combination of bank credit and also the increase in supply of those vital farm imports which the farmers lacked to a large extent. Furthermore, as part of the scheme, the bank completed plans which provided marketing services including the provision of transport and storage facilities for the small scale farmers in Ghana. For example under this scheme, the bank improved and promoted prompt services to farmers and also constructed and opened farm centres in remote farming areas. The creation of these farm centres benefited the bank’s provision of common facilities such as storage processing and transport which were developed by concerted and collective action with finance provided under this scheme for small scale farmers. A number of

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communities which were chosen as farm centres were identified mainly in areas where the bank’s Commencebank Farmers’ Associations were established and communities like Atebubu and Juaso were identified and chosen as farm centres in the Brong Ahafo and Ashanti regions respectively. As a result, lending for storage facilities recorded an appreciable increase of 5 per cent despite the slackening of economic activities in the country in 1976. In this same year, groundnuts were selected and developed on a country wide basis whilst the bank ensured that financial assistance was given to the farmers for land preparation, seeds and fertilizers. Palm Oil has been an important article of diet for the bulk of the Ghanaian population and also a vital raw material in the production of soap and margarine to the extent that during 1970s, Ghana was spending about ¢15 million per annum on imports of palm oil.\(^{(172)}\) In order to cut down import and make Ghana, self sufficient in oil palm production, the bank extended loans to farmers engaged in the production of oil palm production. The bank’s Agricultural Finance Department in 1977 imported 240,000 oil palm seedlings for distribution to small farmers in the Western and Central Regions of Ghana.\(^{(173)}\) Another consignment of one million oil palm seedlings was imported on behalf of three major customers of the bank.\(^{(174)}\) In a bid to increase oil palm production in Ghana, imported an average of 1.5 million seedlings yearly from 1977 and made Ghana self sufficient in oil palm production by 1985.\(^{(175)}\)

The potato growing industry flourished in Ghana between 1939 and 1945, but had virtually collapsed in the 1970’s. In order to revive this industry, the Agricultural Finance Department of the G.C.B imported a large consignment of potato seeds to be distributed to small farmers in the Mampong – Nsuta area, the Pepease area of Kwahu and the Amedzofe area in the Volta Region. These areas were chosen because they were the prominent growing areas at the time. The first harvest was registered in mid 1977 and the G.C.B with its strength of providing seeds, fertilizers, and finance was able to revive the industry for some time after 1977. As a business minded commercial

bank, established to make profit and secure foreign currency for itself and for the nation, the G.C.B with the active support and encouragement of Nestles (Ghana) Ltd., embarked on the establishment of a coffee nursery with the free technical advice on coffee growing and the selection of seed. The farmers in the Ashanti Area of Ghana benefited greatly from this programme and they were provided with the coffee seedlings for the 1978 planting season.

As a way of encouraging rice production, the bank’s Agriculture Finance Department imported one hundred small scale threshers and rice mills for use in rural areas of Ghana.\textsuperscript{176} Another feature of the Scheme meant for small scale farmers was the granting of banking and lending facilities to hundreds of rice farmers in the Dunkwa, Tarkwa and Breman – Asikuma Districts to increase the production of paddy rice in Ghana.\textsuperscript{177} As part of the bank’s aid and in order to provide farmers with a marketing outlet for their food crops, the bank embarked upon the construction of food depots at Winneba and Breman – Asikuma in the Central Region, Kwamikrom in the Volta Region, Wenchi, Ejura, Atebubu and Techiman in the Brong Ahafo Region, Nusta, Akumadan, Juaso and Bekwai in the Ashanti Region and Dunkwa in the Western Region. Construction work began in 1977 which provided easy access from the above-mentioned towns to the surrounding marketing centres or villages and towns. Similarly in 1978, the G.C.B assisted small farmers by completing the construction of marketing depots at Akumadan and Goaso. Members of the Commerbank Farmers Association (CFA) located in these towns sold their produce at these new depots. In this same year plans were put in place to transport farmers’ farm produce from these depots to the urban centres for sale while a lot more depots were built in Ejura and Tarkwa after 1978.

Under the second phase of the Bank’s Agricultural Finance Scheme, arrangements were completed and loans were granted to small farmers for the rehabilitation and expansion of tree farms. The main reason behind this second phase loan granting was to contribute to an increase in the production of

\textsuperscript{177} The Ghana Commercial Bank Annual Report 1978.
cocoa and other tree crops such as citrus, coconut, and coffee for export.\textsuperscript{178} The bank organised nurseries for farmers through lending in order to make oil palm, coffee and cocoa seedlings available to farmers. Measures were taken by the bank to see to it that loans provided were utilised for such intended purposes.

Most importantly during the years of economic recovery in Ghana, the G.C.B helped the Commerbank Farmers’ Association. In 1986, as a means to boost economic activities and increase food production, the G.C.B intensified its activities and granted loans to a number of farmers nationwide. At the end of the financial year in 1986, a total sum of ₵500 million was disbursed against ₵233 million in 1985 to the members of the Association.\textsuperscript{179} Though demand for loans granted to rural farmers through this Association was very strong and had enjoyed tremendous patronage, the G.C.B decided to re-organise this scheme with effect from January 1987. Members of the former CFA were re registered and then during the 1987 financial year of the bank, loans granted in respect of this scheme showed an outstanding balance of ₵1.5 billion.\textsuperscript{180} A few months after mid 1986, the G.C.B decided to improve and control loan recovery with respect to the associations. The bank’s focus for the C.F.S. continued in 1990 to the extent that lending to these small scale peasant farmers engaged the priority attention of the bank while recovery of outstanding C.F.S. loans were intensified to enable the bank recycle the funds to other farmers.

Furthermore, a special scheme was evolved under the CFA to finance the development of the Anloga Shallot Industry and the Afife Irrigation Project which were granted a loan of ₵12 million and ₵60 million respectively. During the 1978/79 of the G.C.B’s financial year, the net profit before taxation amounted to ₵15,127,833 as against a profit of ₵12,126,125 recorded for the previous

\textsuperscript{179} Ghana Commercial Bank Annual Report 1986.
\textsuperscript{180} Ghana Commercial Bank Annual Report 1987.
financial year and subsequently the G.C.B’s Management Board approved a total transfer of the sum of ¢5,200,000 to reserve, thus bringing the Bank’s total capital funds to ¢47,679,948.\textsuperscript{181}

In addition to the above success story, the G.C.B realigned its cash reserve even with the increase in the mandatory minimum cash ratio to 45 per cent during the fiscal year by the Bank of Ghana. The implication was that there was a marked reflection of the bank’s efforts to conduct business in line with the Central Bank’s regulations concerning liquidity and credit restraints to the extent that the asset side of the balance sheet of the bank during this financial year witnessed a rise in the level of liquid resources as compared to the 1977/78 financial year and this was possible because of the steep rise in demand, savings and time deposits during the 1978/79 financial year. Significantly, the main issue was that there was gradually a continued growth in the bank’s deposits and the government put intense pressure on the bank’s management to improve its investment channels within the framework of national policy priorities and credit control measures of the Central Bank. It this light, the increase in the G.C.B’s credit policy during the 1978/79 financial year continued to be on the promotion of investment in agricultural production as part of the Government’s industrial policy which suspended the licensing of some specified new manufacturing enterprises. Consequently, the G.C.B devised a new approach to farm financing under which frantic efforts were made to reach all the economically viable farmers especially the small farmers which attracted the least interest in the rural areas. There was also the supply of seeds to farmers while lending for groundnut production was taken up more seriously and farmers in areas identified as suitable for growing groundnuts were given credit to which they responded positively. For instance, the provision of oil palm seedlings was stepped up from 300,000 seedlings in 1977/78 to 500,000 seedlings in 1978/79\textsuperscript{182} and also farmers in the Atebubu area took up groundnut farming more seriously than they had done in the

\textsuperscript{182} Ministry of agriculture  Annual Report  1979.
past with the result that the vegetable oil mills in Atebubu for the first time bought large quantities of groundnuts from local sources.

The special scheme instituted by the bank to finance cocoa purchasing was yet another programme of the bank. During the early 1980s, notably 1982 and 1983, the government of Ghana instituted a new programme which was meant to eliminate the numerous bottlenecks in the internal cocoa trade by ensuring that cocoa farmers in Ghana received ready cash for the sale of their produce. So during the 1982/83 cocoa season, cocoa farmers in the country were paid by special farmers’ cheques known as the Akufo Cheque through the banking system. The operation of the ACS was quite simple. The Cocoboard, in collaboration with the BOG, GCB and ADB, printed special cheques which were code-named "Akufo Cheque". At the commencement of each cocoa season, the board would supply a number of cheque books to the LBAs to be used for payment to cocoa farmers at the purchasing centres. Seed funds were also lodged with the banks for purchasing the cheques. On receipt of the cheque, the farmers were directed to nearby bank branches or rural banks to cash them. At the banks, the farmers were compelled first to open an account into which the face value of the cheque was deposited. Then the farmer was asked to indicate the amount of cash he/she would wish to withdraw for the time being, and come back later for further withdrawals as and when necessary but, preferably, not within two weeks. Most of the small farmers would initially withdraw everything and start saving from subsequent proceeds. At the end of every week, the banks declared their total purchases of cheques to the Cocoboard for which each bank earned a commission of 1 per cent, since the seed fund was provided by the board. Considering the huge amounts involved in cocoa financing at the primary level, the 1 per cent commission constituted an important source of revenue as well as savings mobilisation for most of the banks that operated in the cocoa growing areas.¹⁸³

The main reasons for the introduction of the Akufo Cheque System in October 1982, were meant to curtail the injection of large amounts of cash into the economy during the cocoa season, which was

¹⁸³ Adjetey, Bank of Ghana-Notable Historical Events and Developments, 56.
thought to be not only expansionary but also inflationary financing, minimise and possibly curtail the cheating of farmers by purchasing clerks, and also reduce the incidence of malpractices, embezzlement and other criminal tendencies associated with the direct cash payment to farmers, introduce the farmers to the banking system, and thus gradually inculcate the banking culture in the cocoa growing communities. In that regard, the Akufo cheques were honoured only after the farmer had opened an account with the bank. Finally to encourage and sustain the banks operating in the growing areas and buying centres in their banking operations, with a view to enhancing cocoa financing at the primary level.

For the first time, cocoa farmers were paid with cheques through the banking system and the use of cheques and bank overdrafts was encouraged which transformed the cash based monetary system to a cheque system in the payment of cocoa proceeds to the Ghanaian cocoa farmers. The G.C.B decided to participate in this fresh arrangement which, however, entailed the movement of more resources to finance cocoa purchases. Because of this, the G.C.B during their 1982/83 financial year apportioned nearly 18 per cent of the bank’s loan portfolio to support related agricultural activities, because there was the need for the bank to increase its banking facilities in the cocoa growing areas. Consequently labour, financial and material reserves were moved to help this significant sector. Also, during the G.C.B’s 1984 financial year, the bank intensified their activities in the purchasing of cocoa cheques to ensure the success of the new arrangement of buying cocoa. To enable the bank to reach a large number of cocoa farmers, eleven new branch offices were opened just to get close to the farmers. However, in buying centres where the bank had no branch offices, the bank ran a mobile bank service through the centres to facilitate the purchase of cocoa. For instance, in 1985, the G.C.B acquired a number of vehicles for bank workers to travel round buying centres where the bank had no branches. Consequently, the bank was able to reach a lot of farmers and the bank’s business also expanded considerably during the year. The G.C.B. intensified its participation of the

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Akufo Cheque System under which cocoa, coffee and Shea nut farmers were paid with cheques for the purchase of their produce in 1987.

The world economic outlook during 1982 posed serious challenges to the banking business in the world and in Ghana in particular. The dominant feature of the world economy during 1982 continued to be global recession which even became more severe as the year progressed. Economic activity remained stagnant even in the major industrialised countries worldwide while the non-oil developing countries like Ghana experienced severe economic hardships, to the extent that the volume of world trade was reported to have decreased by 2 per cent, creating intense economic hardships to most developing countries including Ghana. To add up to the already mentioned economic difficulties, the third World oil – importing countries were the hardest hit. For instance in Ghana the high price of crude oil inflated the nation’s imports and in 1981 a total amount of $983 million was spent on oil imports.

Most of these countries were completely unable to honour their external debt obligations therefore they were constantly requesting a re-arrangement of their foreign debt. This obviously constituted a major constraint on economic growth in Ghana as debt servicing costs rose. Ghana’s economy was plagued by an acute shortage of foreign exchange, scarcity of industrial raw materials, and basic consumer items and hyper-inflationary pressures. The new government of the Armed Forces Revolutionary Council (A.F.R.C), decided to introduce its economic programme for the reconstruction and development of Ghana after overthrowing Limann’s administration in December, 1981. As part of the reconstruction, a Recovery programme was instituted in April 1983 in addition to the new Government’s Budget Proposal for the 1983 fiscal year. The programme was launched under the guidance of the World Bank and the International Monetary Fund, among others, with the

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186 The statistical department 1982.
aim to restructure the financial system including helpless but potentially viable banks in Ghana. Coincidentally, agriculture gained an important position in the Government’s Recovery Programme. Subsequently, during the G.C.B’s 1984 financial year, the bank as a National Bank to support Governmental Policies, gave priority to agriculture financing although the bank was very selective in granting new credits due to the prevailing economic conditions in Ghana by then. In this regard, 42.0 per cent of the bank’s loans and advances went to agricultural financing meant to curb a repetition of a food crisis in the nation 1983. It was reported that ninety per cent of the total loans to the agricultural sector went to customers engaged in the production of food crops, vegetables, fishing, livestock breeding and poultry farming. The G.C.B. again provided a total amount of 2.4billion cedis in June 1986 to this sector and over 95 per cent of this amount went to finance the production of livestock, crops, poultry and fishing. Still, the target customers were small-scale peasant farmers because they produced the bulk of Ghana’s food output. Approximately One billion cedis was channeled to 250,000 of these farmers through the bank’s Commerbank Farmers Association which was established in 1977. In addition to short term credit facilities, farm inputs such as spraying machines, and chemicals and machetes were also made available to most of the farmers country wide. The G.C.B was granted an E.E.C. loan from the European Community for the importation of tractors, spare parts, rice millers, trailers and ploughs which were also made available to the farmers during the 1984/85 farming season. During this same farming season, the bank stepped up their operations, and hence was able to reach a large number of these small scale peasant farmers. During the 1987 financial year, the G.C.B. again procured some agricultural implements with the assistance of the E.E.C. for rice cultivation but the scheme encountered some difficulties initially with the sale of some of the machines. Notwithstanding this, by the end of 1987, all the tractors and accessories were sold and only 20 out of the 101 rice haulers were sold.

Generally, the G.C.B in its commitment to see the success of the ongoing economic recovery process gave credit facilities to the priority sectors of the economy including agriculture in 1985. On the whole, credit issued to those priority sector borrowers increased by 38.8 per cent which was in fact the bulk of the bank’s credit facility to the priority sectors. Specifically, at the end of the bank’s 1985 financial year, credit to finance agriculture resulted in an outstanding balance of €1,556.4 million representing 32.3 per cent of the loan packages of the bank. Of this amount nearly €1,525.1 million or 97.9 per cent went to finance food production in order to curb the rise of prices of the nation’s food crops. In addition, the bank contributed a total of €50 million towards a special consortium loan to the then Ghana Food Distribution Corporation for the purchase of maize.

The bank’s next agricultural programme was its involvement in the activities of the FAO. During the mid 1980s, there were significant food project established in Ghana by the government with the aim of helping the poorest farmers nationwide with loans and other inputs to raise their income levels and food production in the country. The G.C.B which had since supported Governmental Agricultural Policies, financed this project called the Food and Agriculture Organization People’s Participation Projects (FAO/PPP) with an of €3 million with the Begoro and Wenchi areas showing its great commitment into the project in 1985. In 1986, the G.C.B continued to participate in the FAO/PPP project areas of Wenchi and Begoro. That year, a sum of approximately €8 million, representing an increase of 166 per cent over the1985 amount was made available to beneficiaries of the projects. In the bank’s continued commitment, an amount of €15million was allocated for disbursement to beneficiaries of the project in 1987. Wenchi was given €9.7million and Begoro €5.3 million. This was showing an increase of 86 per cent over 1986’s figure of €8 million.

In 1986, the government of Ghana was still struggling with the restructuring of programmes which were supposed to put the Ghanaian economy on a steady path of growth. Though a lot was done

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since 1983, the government still had in hand a package of economic measures which needed to be implemented so that relative prices could be re-aligned in order to attract resources to the most productive sectors like agriculture and industry. The G.C.B which had always been giving support to governmental policies increased their share of credit in general to the productive sectors from a rate of 56.4 per cent in 1985 to 61.2 per cent in 1986.\footnote{The G.C.B.’s Progress Report, RG 6/5/4.} In particular, a striking feature of the bank’s credit portfolio was that the agricultural sector was still the dominant sector because of its importance and position in the Economic Recovery Programme. Medium term loans granted to the agricultural sector amounted to €84.9 million in 1986, though the sector’s share of the total credit dropped from 31.8 per cent in June 1985 to 22.8 per cent in June 1986 which was due to the slow rate of credit recovery and reduction of funds available for recycling.\footnote{The Ghana Commercial Bank 1987.}

The Input Supply Scheme was yet another programme of the bank. This scheme specifically distributed basic farm inputs and machines to farmers and also operated through the bank’s Development Leasing Ltd., which was G.C.B’s subsidiary. This Scheme was very operative in the later part of the 1970’s but due to the numerous economic problems and foreign exchange constraints which Ghana witnessed in the early 1980’s, this scheme did not feature prominently in the bank’s arrangements. Nevertheless, during the bank’s 1985 financial year, this input supply scheme was revived. As part of the package for the year, under an agreement signed between the Ghana Government and the EEC in September 1984, the Ghana Commercial Bank benefitted from an EEC grant to import various agricultural machinery and equipment like tractors, rice millers, ploughs, trailers for the development of rice cultivation in Dunkwa – on – Offin, Tepa, Effiduase and Konongo areas.\footnote{Ghana Statistical Department t Report 1991.} The Scheme for this particular year benefitted some 100 rice farmers’ associations embracing about 10,000 farmers in the project areas.\footnote{Ghana Commercial Bank Annual Report 1984.} During this same year, The Scheme
distributed and sold agro chemicals, cutlasses and spraying machines through the bank’s subsidiary and branch offices throughout the country to small scale farmers.

Finally, the G.C.B established another scheme to finance agriculture in Ghana in the 1980’s. The bank encouraged farmers and other agricultural customers to deposit sums of money with the bank and periodically those same depositors came in to ask for loans from their savings. This Scheme became known as the Special Farmers Deposits which later became residual payments made to cash crop farmers. This programme survived until the end of the 1987 financial year. By that year, it reflected a balance of ¢164.2 million which was an increase of 53.6 per cent over the 1980 figure of ¢106.9 million and also represented 2 per cent of total savings deposits made by cash crop farmers.198

It is equally imperative to establish that before restructuring programmes to move the economy in the 1980s, the Ghanaian economy was booming. Ghana was one of the most prosperous countries in sub-Saharan Africa with the highest per capita income in the region and very low inflation. Agriculture in 1955 was the major source of income and wealth; contributing about half of GDP and supporting a much larger proportion of the population than it does today. A single crop, cocoa, provided about three fifths of total export earnings.199 The foreign reserve situation was very healthy as a result of exports and an abundant supply of labor, which included migrants from neighboring countries. During the 1950-60, GDP grew annually by 4.1 percent and agricultural output by 4.3 percent. During 1955-60 the economy in general, and agriculture in particular, enjoyed even higher annual growth rates: GDP grew by 5.1 percent, agricultural output by 5.7 percent and cocoa output by 9 percent. High growth in the output of the major export crop, cocoa, provided the basis for rising investment via increased foreign exchange availability. With export earnings rising at 3.2 percent per

annum during the nineteen-fifties, both imports and gross domestic investment grew at 8.9 percent per annum during the decade.

From the 1960s, certain warning signs emerged. Even though industrial output rose at 6.7 per cent per annum, during the decade, cocoa output declined at an average annual rate of 0.2 per cent per annum, leading to a decline in gross domestic investment of 3.2 percent per Annum. Imports also fell by 1.6 percent per annum. Ghana's post-independence economic strategy emphasized rapid industrialization by state-owned enterprises (SOEs) as an attempt to diversify its export base in order to reduce the overdependence on few primary export commodities and thereby contain the perils of monoculture. In a post-1960 era that was characterized by falling cocoa prices, it was prudent, or so it seemed, to pursue an industrial alternative. However, this also, inadvertently, minimized the importance attached to cocoa production as a primary cash crop to the Ghanaian economy. This further depressed cocoa production and affected the agricultural sector in general. The result was lower export production and export earnings. Industrialization strategy opted for self-reliance, and established import-substitution industries behind highly protective trade and non-trade barriers. This caused further economic deterioration during 1973-83: Real GDP fell by 1.3 percent per annum, industrial output by 7 per cent, exports by 6.4 per cent, and imports by 8 percent, cocoa output by 7.1 percent and food production by 2.7 percent. By 1982 per capita income had fallen by 30 percent, export earnings were halved, and import volumes fell to one-third of their 1970 levels. The production base of the economy was generally eroded as a result of emigration of skilled labor; lack of private capital formation as a result of widespread dissavings; and deterioration of the national infrastructure.


Consequently, production, savings and investment declined. The collapse of primary commodity prices for cocoa, coffee and timber in particular, sharp rises in world interest rates and the oil price stocks in 1973 and 1979 played a part in the nation's economic decline. The external debt, at the end of 1982, stood at 105.7 percent of GDP (translated to US dollars at parallel market rates). The deterioration was so severe that in April 1983, against considerable internal opposition, the Government adopted an Economic Recovery Programme (ERP), considered to be one of the severest adjustment programmes the IMF and World Bank have ever persuaded a developing country to accept. The Economic Recovery Programme started in April 1983 with the first cedi devaluation; thereafter, a progressive movement towards a realistic and flexible exchange rate was sought. The periodic adjustment of the exchange rate made it possible to improve price incentives in the economy. The policy package under the programme inter alia, sought to realign the exchange rates; realign interest rates; reform and restore productive incentives, i.e., restore relative price increases for key export crops such as cocoa, timber, and minerals to favor production; reduce the cumulative deficit; rehabilitate the country's economic and social infrastructure; encourage private savings and investments; restore fiscal and monetary discipline; and establish workers priorities for the allocation of scarce foreign resources. The IMF supported the programme with three successive stand-by arrangements totaling SDR 611 million. In November 1985, the Government of Ghana presented to the Third Meeting of the Consultative Group for Ghana in Paris the policy framework for 1986-88, which consisted of the second phase of the ERP. The funding for the second phase included the World Bank's US$ 130 million Structural Adjustment Programme (SAP) for 1987-1989, and the IMF's US$ 245.4 million Extended Fund Facility for 1987-90. The main objectives of this programme were, on the one hand, to consolidate gains made throughout the first three years of the ERP and, on the other, to institute a gradual process of

structural adjustment aimed at accelerating growth, improving incentives, strengthening the capabilities of the ministries in policy planning so as to remove the remaining barriers to efficiency and growth. Meanwhile, the Extended Fund Facility set annual macro-economic targets in terms of additional conditionality, growth rates in GDP, domestic inflation, rate of velocity and growth of broad money supply. Thus, the Rawlings government's attention was focused on three aspects of development policy: ensuring economic stability, creating incentives, and improving human development. These three aspects correspond to the categorization of different types of policies that constituted Ghana's structural adjustment process. The stabilization component consisted of policies designed to bring economic stability. Stabilization measures were necessitated essentially due to the fact that Ghana was living beyond its means; i.e., it was spending more than it was producing, and this excess was being financed through the accumulation of debt. Thus, the objective of stabilization policy is to control macro imbalances, such as the fiscal and balance of payments deficits. This objective involves, inter alia, measures to control expenditure and increase taxes. The stabilization component of the structural reform programme, underway since 1983 in Ghana, has had, as we shall see later, mixed success. However, potential macro instability has been curtailed through stabilization measures. The second aspect of the economic policy reform package was liberalization, which is aimed at creating better incentives for the domestic production of goods and services. These measures frequently involve a reduction in the role of government, by and large, in commodity production and trade, through privatization, deregulation of price and marketing controls and so on. In some of these areas, such as privatization, Ghana made rapid progress. In addition to the expanding role of the private sector, it was envisaged that the future role of government would still require it to efficiently provide some public and merit goods and services, as well as improve the regulatory framework for private enterprise. Progress in these areas has been less pronounced. Finally, capabilities have developed to take advantage of improved production incentives and the consequent increase in the demand for labor. These medium-term structural
reform issues are typically more complex and difficult. In principle, a country can be spending more than domestic resource capability due to excessively expansionary expenditure policies, or shocks on the supply side, such as drought, which reduce production. Irrespective of whether the cause is on the demand or the supply side, an economy needs to adjust to ensure stability and prevent a major escalation in inflation and debt. These involve the promotion of domestic entrepreneurial capacity; improvements in the capacity of the public sector to execute its changing role more efficiently; and investments in human capital to improve quality and reduce quantity. Yet, government policy continues to emphasize the promotion of export trade at the expense of rural farming. As a result, between 1983 and 1994 the number of farmers below the poverty line in the Northern region alone increased 4.5 times.\textsuperscript{12} Since 1995, the government has been implementing the Medium-Term Agricultural Development Program that seeks to increase food crop output and to create a more balanced agricultural sector that would benefit the rural majority.

As a means to restructure the Ghanaian economy and pay more attention to prominent economic activities, a lot of programmes were instituted to turn the economy around which in turn affected the operation of the G.C.B. The bank’s lending activities which had slowed down in 1988 because of the reorganization of the credit administration of the Bank was intensified in February 1990. Consequently in 1990, the G.C.B granted various credit facilities to finance all facades of economic activities in Ghana. In general the bank’s credit to its priority sector which included agriculture went up by 2.4 per cent from \( \varepsilon 9,347 \) million to \( \varepsilon 10,351.4 \) million representing about 27 per cent of its

\begin{footnote}
\textsuperscript{12} Alexander and Shames, \textit{Ghana Under Structural Adjustment: The Impact on Agriculture and the Rural Poor}, 5.
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In particular, loans and advances to the agricultural sector showed an outstanding balance of €4,030.7 million representing an increase of 7.2 per cent recorded in 1989.

This was, in fact, made possible because of the Government’s deregulation policies for banks in 1990. A sectoral ceiling on credit including a 20 per cent mandatory lending to the agricultural sector in the 1980’s was abolished by Government in 1990, meaning that banks had the autonomy to determine their own charges and fees. This explained why lending to the agricultural sector increased in 1990 and also why the bank’s total loans and advances in general increased from about €12 billion in 1985 to €166 billion in 1990.

At the end of the 1987 financial year, credit for agricultural activities showed an outstanding balance of 2,969.4 million cedis and represented a sizable proportion of the total credit portfolio of the bank. Nearly 70 per cent of this amount went into financing the production of food crops and vegetables.

The G.C.B. was committed to financing agriculture in Ghana from its inception and a lot of programmes were introduced to fulfil this mandate. Among the programmes was the setting up of the Development Financing Unit, the establishment of the Rural Development Unit, the emergence of its special scheme to aid small-scale farmers and the readjustment of its cash reserve ratio.

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205 Statistical Department 1991.
207 Ghana Commercial Bank 1990.
CHAPTER FOUR
THE IMPACT OF THE GHANA COMMERCIAL BANK’S AGRICULTURAL POLICIES.

Introduction

In the second part of chapter three, programmes and strategies the Ghana Commercial Bank adopted to finance agriculture were investigated. Its agricultural policies did, in fact, have an impact on the bank itself as well as the beneficiaries of the bank’s agricultural credit. This chapter explains how the bank’s involvement in agricultural financing benefited the bank itself, Ghana as a whole and the farmers who received these loans from its earlier days of operation till 1994.

IMPACT ON THE BANK.

The bank’s efforts in financing cocoa brought an improvement in the bank’s foreign business and expansion in its correspondent relations network overseas. The G.C.B.’s London branch dealt with Ghana’s foreign business which included the handling of Cocoa documents and the bank’s involvement in establishing export letters of credit for cocoa. This facilitated transactions between the local branches and the overseas branches. In 1968 the world price of cocoa, Ghana’s major export commodity, increased and this led to a corresponding increase in the volume of the bank’s foreign business.208 Any time there was an increase in the world price of cocoa, the G.C.B also increased its credit to cocoa farmers in Ghana. The bank did this to increase its involvement in its export letters of credit which were established for cocoa. The increase in the world price motivated farmers to go for more loans and the extension of more loans meant more profit for the bank in the form of interest charged on these loans. When foreign exchange was paid, the bank involved itself in transacting business for its customers and the Government of Ghana. Secondly when the bank was in

208 Economic survey. ADM 7/6/9.
need of foreign currency to finance Documentary Letters of Credit the Bank of Ghana provided the bank with adequate foreign exchange cover, to enlarging the bank’s foreign business.

In 1974, the bank’s credit portfolio indicated remarkable growth with a higher proportion of it channeled in favour of agriculture. Simultaneously, there were continued high prices on the world market for Cocoa. This high price triggered the bank’s interest to extend more loans to cocoa farmers which in the end increased the production of cocoa in the country. As a result, the bank handled a lot of export letters of credit established for cocoa. The effect was that there was an increase in the volume of its foreign business which reflected in the increase of over 50 per cent in the volume of documentary credits handled by the bank. Engaging itself in the cocoa business no doubt increased its foreign business. In 1985 due to the success story of cocoa production, letters of credits established for the export of cocoa in addition to other products showed a significant increase of 44.1 per cent over the figure of the 1983 / 84 financial years. Working with other overseas banks in establishing export letters of credit for cocoa expanded the bank’s Correspondent relations network. For instance the opening of a subsidiary in Lome (Banque Commerciale du Ghana S.A. Togo) was a veritable channel which promoted intra-African economic co-operation. The bank also played the role of creating opportunities for economic expansion, through such avenues as cocoa finance. It also established new associations and reinforced its links with its old correspondents. All these activities went a long way to build a perfect image for the bank both in Ghana and overseas.

It is important to note that the large extension of agriculture loans granted to farmers partly explained why the bank’s deposits and investment increased especially in the 1970s. It should be noted that in this period because of the food crisis in Ghana, a greater part of the G.C.B. loans were directed to the agricultural sector. The farmers in return decided to reward the bank by saving with the bank. Also G.C.B.’s bank officials encouraged and persuaded these farmers to save with them so as to reap all the benefits associated with bank savings and not only become mere customers who

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209 Ministry of agriculture 1986.
only came in for loans. Although this reason alone cannot be responsible for the rise in the banks deposits in that year, it could be said to be a dominant reason for the increase since a lot of the bank’s account holders were farmers at the end of that year. The effect was that the G.C.B. was able to realign its cash reserve positions with the increase in the mandatory minimum cash ratio to 45 per cent in 1979 by the Bank of Ghana. With the growth in the bank’s deposits, it promoted investment in exports and also assisted in the increased supplies of imported essential consumer goods and industrial raw material even within the constraint of foreign exchange resources. The provision of new finance to industries generally, priority was still given to agriculture and export- oriented enterprises that used local materials. One important impact the G.C.B’s agricultural lending policies had on the bank was its ability to increase its profit margins through interests charged on agricultural loans from time to time. The G.C.B made agriculture financing its priority from the inception and loans were granted to its numerous agricultural customers. The bank’s involvement in the ACS was also a potential source of revenue for the bank as a commission of 1 per cent (1 %) was paid on the total amount of cheques purchased from the farmers.

The bank in the 1980s declared a minimum of 20 per cent loan grant every year to the agricultural sector. Loans which were extended yielded profit in the form of interests charged on these loans. The bank was able to increase its profit margin year after year and was able to pay dividend out of these accrued profits to the government of Ghana who was the sole shareholder of the bank. For instance, the bank’s net profit steadily rose in June 1973 from ¢3,428,273.00 to ¢3,918,829.00 in 1974 which marked an increase of 14.3 per cent. Though it could be noted that not all the profit made by the bank was attributed to the interest charged in agriculture loans, the bank granted a large chunk of its credit to the agriculture sector so it could be said that the interest charged on loans to the sector accounted for the largest portion of profits made by the bank. Ghana experienced severe food production crises in the 1970s which became more intense in the latter part of these years. The

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210 Ghana Information Services Department 1974.
G.C.B. decided to increase its loans to the agricultural sector to offset the food crisis in the country. Subsequently the number of its agricultural customers increased and the repayment rate was also satisfactory. The bank in the end derived huge profit based on interest charged on these loans. The effect was that the bank was able to increase the dividend to its sole shareholder swelled up its reserves, and also was able to pay up its authorized capital from its own internal sources For example, the bank increased up its capital fund and the gross and final dividends to the shareholder from ¢1million in 1972 to ¢1.5million in 1979.\textsuperscript{211} The bank’s participation in the financing of the nation’s cocoa business in the 1971/72 financial year also surpassed all previous records with an average weekly credit level of over ¢19 million and the season peak of over ¢80 million.\textsuperscript{212} Because G.C.B. made it a policy to involve itself in cocoa matters, it decided to discount the crop’s bills in order to make profit for itself. In 1976 for instance, when cocoa production witnessed an increase in Ghana, the bank involved itself in discounting local cocoa bills. Of its bills discounted, cocoa alone accounted for about 90%. Other Agricultural Bills including those of private enterprises were also discounted, all swelling up the bank’s profit.\textsuperscript{213} The profits the bank made over the years from interest charged on agricultural loans enabled the bank to improve the welfare of its workers which enhanced their performance, maintaining a high standard of service and also prepared them for more challenging banking responsibilities. The bank used the profit to train its senior and junior staff whose work brought them into daily contact with customers. The courses helped the bankers to maintain maximum efficiency at all levels and became consistent in offering first class services to its customers. The bankers also took advantage of some overseas training facilities which were offered by institutions such as William and Glyn’s Bank, Bankers Trust of America, Bank of Tokyo, and State Bank of India, quite apart from the bank’s London office, which was the traditional training ground for staff to imbibe the latest techniques. At home various categories graduated from

\textsuperscript{211} Ghana Commercial Bank 1979.\
\textsuperscript{212} Economic survey, ADM 7/6/9.\
\textsuperscript{213} The Commerbank news 1977.
the bank’s training school at Nungua and special courses were run to enable them to take examinations of the British Institute of Bankers. Refresher courses were held from time to time to improve the employees’ skills in the emerging banking issues. For example, the inspector’s course which was held between April 20 and May 7 of 1970 enabled employees to acquire the knowledge of the principles and policies of lending to agricultural customers. It was this same accrued profit which was used to cater for workers’ health. A clinic was built for the employees where they went for routine medical checkups. The bank also built a cafeteria which prepared food for its workers at subsidized prices. The bank also introduced a scholarship scheme for its junior staff from the 1972-3 academic year. This scheme was meant for the secondary and technical school education of the children of the bank’s junior staff who had passed the Common Entrance Examination for entry into Government approved schools.

To society, the bank made valuable contributions to charity on a number of occasions from its profits gained from lending to the agriculture sector. In 1970 for example, the bank’s Managing Director at the time, Mr. K. Gyasi-Twum on behalf of the bank donated a sum of N¢2000.00 to the Ghana National Trust Fund.

The introduction of the 1971/72 Monetary Control measures announced in September 1971 by the Acheampong military government also had great impact on the policy and the conduct of business of the Ghana Commercial Bank as far as its agricultural lending policy was concerned. The measure demanded that there should be a change in the bank’s lending rate and revised upward the minimum interest rate on savings deposits. Along with these changes and, in keeping with the Bank’s policy of favouring the development of the agriculture sector, the long standing traditional form of interest rates differential related to the type and purposes of loan and security provided was refined to reflect general economic policies under military rule. Thus credit extended to agriculture generally carried

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lower interest rates than credit to construction and other sectors termed non priority. Because of the decrease in lending interest rates, a lot of farmers went in for loans for food production and the bank increased its profit margins as a result of lending to lots of farmers. The greatest impact was that for the first time in the bank’s history since 1965, advances, loans, overdrafts rose from £150 million in 1971 to £320 million in 1972.\textsuperscript{216} An increase in this amount of advances and loans suggested that the bank’s profit also increased in 1972. The net profit of the bank in the 1971/72 financial year amounted to £3,428,273.20 against £2,857,171.63 in the previous year.\textsuperscript{217} In other words profit increased by approximately 20 per cent.\textsuperscript{218} The measure also suggested that there should be an increase in interest rate on savings. This encouraged a lot of people to save with the bank which increased the bank’s own deposits. Its aggregate deposits showed an increase of approximated 48 per cent which was more than twice the rate recorded during the previous financial year. This depicted an equally recorded growth in the level and the number of accounts in its savings portfolio. The matter was that the bank mobilized these deposits and lent them out as loans to its agricultural customers. A higher proportion was channeled to the processing of agricultural goods and the financing of cocoa purchases.

In addition, the Ghana Commercial Bank’s policy of financing agriculture was part of the reason which necessitated the bank’s commitment to open new branches and agencies in particular towns in Ghana. The implementation of its branch expansion was stepped up with the establishment of a number of agencies in potentially profitable areas which played vital role in the development of the local community. The bank extended its loan facility to some communities which were earmarked as agricultural towns.\textsuperscript{219} It also encouraged the bank to maintain their branches and agencies and opened new ones in and around the main cocoa buying centres. By compelling farmers to save with

\textsuperscript{216} Ghana Commercial Bank 1971/72.
\textsuperscript{217} Ghana Commercial Bank 1971/72.
\textsuperscript{218} Ghana Commercial Bank 1971/72.
\textsuperscript{219} Edward Anane, interviewed by author, Accra, 9 April 2009.
the banks, the latter were able to make a lot of savings on what would have been a huge cost of campaigning for savings in the rural areas. Meanwhile without the bank’s agencies and branches in those towns, it would have been quite difficult because all beneficiaries would have gone through the ordeal of traveling all the way to the bank’s head office in Accra to collect their loans. The bank in its bid to extend loans to these farming communities, decided to open branches in these towns thereby getting closer to those farmers. The growth in the network of branches of the bank all over the country made it possible for the bank to extend its loan facilities to farmers all over the country.

In late 1973, the Asutsuare Agency was opened while the Mampong branch moved into its new premises. Juaso which was a farming community in the Ashanti Region benefited from the arrangement. The initiative came from Mr. Koji Agyeman who was the chief manager of the bank and a native of the town. By 1973, the bank’s branch offices had reached a record of 97. Several new departments were created both at head office and in the banking system generally, to cope more effectively with developments. By 1973; many changes had been initiated to set-up which ensured improved co-ordination with the branch and the customer, in an overall programme to render high quality service to the customer. In 1974, the bank opened a branch at Akumadan, a predominantly agricultural community known for its tomato and maize farming. Also during the 1982/83 cocoa season, cocoa farmers in Ghana were paid by special farmer’s cheques through the banking system. The G.C.B. participated in this new arrangement which demanded that a new service line should be added to the bank’s activities. The new function required the opening of branch offices in the cocoa growing areas to expedite payment of cheques to cocoa farmers. Consequently new branch offices were opened at Nkawie and Agogo in the Ashanti Region, Twifo Praso and Odobeng in the Central Region and Sankore in the Brong-Ahafo Region. In 1984 too, the bank intensified its activities in the purchasing of cocoa cheques and to enable the bank reach a large number of cocoa

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221 Boateng, interview.
farmers, eleven new branch offices were opened: seven in the Volta Region, two in the Central Region and one each in the Eastern and Western Regions.

The effect of the establishment of these branches was that the G.C.B. spread nationwide and the bank became widely known and accepted as a bank built to help indigenous Ghanaians. It was also able to fulfill its mandate as a bank established to cater for the banking needs of the rural population. The bank was also able to do a lot of business with customers in various centres since the bulk of the bank’s numerous branches in the rural areas drew strength from the farmers. In other words, the farmers’ banking activities with the branches in the rural areas helped the bank to maintain its branches. The bank’s customers increased whiles its local business also saw increased in profit as a result of these branch openings for farmers. In 1979 the bank opened farm centres in remote farming areas in Ghana which serviced farming communities. A number of such communities were identified mainly in areas where the bank’s commerbank Farmers’ Associations were established.

The farmers became very happy with the bank’s services and they spoke well of the bank as a truly indigenous bank. This went a long way to build a positive image for the bank as testified by the farmers and its agricultural customers. It also increased the confidence farmers had in the bank as a reliable national bank built to help the common Ghanaian farmer and also its wide branch network enabled the bank to reach a greater number of cocoa farmers. The greatest impact was that a lot of people in these towns decided to save with the G.C.B in return of the financial help and the services they received from the bank. These savings greatly increased the bank’s deposits over the years. The bank gave out these deposits as loans to other farmers for profit. For instance in 1975, there was a substantial rise in both demand and time deposits which indicated that the bank registered a steep increase in savings and this was partly the result of the confidence a lot of farmers got from the bank.

223 Oppong-Asante, interviewed by author, Accra, 9 and 23 April 2009.
213 Agya Kofi kumi, interviewed by author, Juaso, 17 April 2009.
225 Antwi-Bosiako, interviewed by author, Accra, 7 and 14 May 2009.
Again in the 1975/76 financial year, the bank saw a spectacular expansion in its deposit base. Total deposits rose by 27% and there was a significant increase in the number of account holders as well. The G.C.B’s deposits accounts which had recorded an amount of €67,177,000 in 1963, surprisingly rose to €444,597,000 in the next decade.\(^{226}\)

The G.C.B’s decision of making agriculture financing its priority which partly triggered the establishment of branches, agencies, and even the running of mobile bank services for cocoa buying centres where the bank had no branch offices also added to its assets. Because the bank saw the need to finance agriculture in those remote farming communities, the bank was always in a hurry to build permanent offices in those towns. The resulting story was that in a bid to quickly establish an office for the farming communities the bank itself benefited by acquiring fixed assets. In 1986 for example, the bank’s Berekum, Assin Fosu and Konongo branch offices moved into new permanent premises. Also most of the new branch offices of the bank sited in the rural areas emphasized the bank’s policy of tapping the idle monies in those areas. These monies were later granted as loans to those same farmers for the generation of profit for the bank.

From 1963 to 1973, the bank’s fixed assets alone rose from €654,000 to €10,983,000 and its branches increased from 60 to 98.\(^{227}\) In fact if the criteria to measure the development of a bank included indicators like the numbers of branch office and the level of bank loans, the general conclusion arrived at by 1973 was that the G.C.B. had been characterized by a modest but steady growth. Also, the increase in the number of the branches was a measure which indicated the demand of the bank’s banking services which was an expression of the bank’s confidence in the future of the country. The G.C.B was thus rated as one of the best banks in Ghana coupled with an excellent banking performance in the 1970s. Finally, it got the bank involved in the cocoa finance business at the primary level.

\(^{227}\) Ghana Commercial Bank 1975/76.
IMPACT ON THE FARMERS

Farmers themselves or the beneficiaries of the G.C.B’s agricultural loans also benefited greatly from the bank’s agricultural policies from 1975 to early 1976. Fortunately for producers of cocoa, there was a remarkable upsurge in the price of the crop. Its price was quoted at £835 per ton at the end of March 1976, which again rose by £210 at the end of April in that same year and rose further in May by £280. On June 25th 1976, a historic high of £1,410 per ton was reached. What was more interesting was that, General I.K. Acheampong announced at a cocoa rally in Sunyani that with effect from June 20th 1976, the price paid to local producers of cocoa had increased from ¢16 per local load to ¢20 per load. The continued increase in the prices of cocoa on the world market and at home sparked the G.C.B.’s decision to increase loans granted to cocoa farmers. The bank also in its 1975/76 financial year supervised a cocoa loan of more than ¢1.0 million for the cultivation of several acres of farmland which continued substantially during the 1976/77 financial year.

In 1976, the G.C.B extended overdraft facilities to the cocoa buying agencies at the various buying centres in the hinterland. This decision was in a bid to enable the agencies acquire money to buy a lot of cocoa rapidly. The effect was that farmers who benefited from these loans increased their output by re-cultivating abandoned cocoa farms. They also became encouraged and increased their production because a lot of them were able to open up new areas in Brong-Ahafo, Ashanti and the Western Region for cocoa farming. Their increased output also contributed to an increase in their personal cocoa incomes because they produced large quantities of other crops which were sold out and the rise in incomes suggested that poverty was kept at bay. There was also a significant increase

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228 Economic survey, ADM 7/6/9.
230 Adu Boahen, interviewed by author, Cape Coast, 8 April 2011.
in the general standard of living among the farmers who benefited from the loans. Other farmers who had no permanent and strong buildings used part of this continued income to build homes for their families. Other farmers were now able to pay for their wards’ school fees and more importantly the farmer’s maintained large acres of farm lands while others also extended their lands. They became prosperous farmers and also upon receiving the loans now found themselves meaningful and protected employment as full time farmers.

Sight should also not be lost considering the fact that the bank’s extended services to farmers in the form of educating farmers on modern farming techniques through farm visits and farm demonstrations undertaken by the bank’s agriculturalists aided farmers in diverse ways to recount the benefits they had from the bank’s finance which went a long way to sustain them in business, increased their farm produce for a lot more profit, established new farms and also expanded their farms. Field educational meetings were held for farmers and other field personnel paid regular visits to farmers who discussed and helped them solve the problems on the farms. There were constant follow-ups which ensured that pieces of advice offered were followed. Farmers were taught the correct methods of spacing field crops, such as palm, citrus maize and vegetables through lining and pegging demonstrations. Talks and demonstrations were carried out on how and when fertilizers were used in the fields. Application of agricultural chemicals on crops also occupied a major portion of their demonstrations, whist chemicals were distributed freely to farmers. Farmers became more scientific in growing crops and better ways of planting were also adhered to. More importantly, emphasis placed on the use of improved planting materials yielded good dividends and as a result sales made on improved seed maize (Diacol 153) and (Composite II) soared high. Figures for planting materials sold out are tabulated below:

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231 Boahen, interview.
<table>
<thead>
<tr>
<th>MATERIAL</th>
<th>NO. SOLD OR ISSUED OUT FREELY</th>
<th>ACREAGE INVOLVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Palm Seedlings</td>
<td>34,197</td>
<td>569.9</td>
</tr>
<tr>
<td>Citrus seedlings</td>
<td>2,708</td>
<td>39.9</td>
</tr>
<tr>
<td>Maize</td>
<td>9,200 lb</td>
<td>460</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>1,105 bags</td>
<td>552.5</td>
</tr>
<tr>
<td>Cocoa Pods</td>
<td>4,800</td>
<td>105</td>
</tr>
<tr>
<td>Wire Collars for oil Palm protection</td>
<td>17,113</td>
<td>285.2</td>
</tr>
</tbody>
</table>


The oil palm nursery supplied 97 per cent of the seedlings whilst farmers were directed to purchase hybrid cocoa pods. A number of citrus seedlings were distributed out free to farmers which fell below the number requested by farmers because any farmer irrespective of his preferred plant put in a request.

Another important benefit the farmers derived from the G.C.B agricultural policy was that it cultivated banking habits into the farmers and they also embraced the confidence in dealing with banks in general.\(^{232}\) Soon after the assumption of office by the Revolutionary Provisional National Defence Council (PNDC) in 1982, there were complaints from cocoa farmers about the mode of payment for produce by buying agents and their purchasing clerks (PCs). The problem was that for many years, cash was the main mode of payment for cocoa purchases. In that process, the produce buying companies or agents usually took custody of the beans and issued the farmers with "produce

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\(^{232}\) Kofi Amoako, interviewed by author, Suhum, 1 May 2011.
receipts" (or L.O.D. Chits), pending the arrival of cash for payments, especially in the remote growing areas. The farmer was finally issued with a cash receipt when paid by the buying company. The chit system was much despised by the farmers. It was associated with the problem of delays in accessing cash, as farmers had to hold on to chits for longer periods than expected, due to unavailability of funds. It also created an opportunity for illegal chit discounting through which some purchasing clerks cheated the farmers. Furthermore, there were instances of robbery and physical attacks on cocoa farmers and purchasing clerks who held onto large amounts of cash.

In response to the grievances of the cocoa farmers, the PNDC set up a special committee in early July 1982 to look into the complaints and recommend an appropriate payment system to address the issue. After months of deliberations, the Committee recommended a cheque payment system, which was called "Akufo Cheque System", intended to minimise direct cash payment to cocoa farmers at the primary level. For the first time farmers were paid by special farmers’ cheques through the banking system. The G.C.B took part in this arrangement through its wide branch network in the country. The operation of the ACS was quite simple. The Cocobod, in collaboration with the BOG, GCB and ADB, printed special cheques which were code-named "Akufo Cheque". At the commencement of each cocoa season, the Board supplied a number of cheque books to the LBAs to be used for payment to cocoa farmers at the purchasing centres. Seed funds were also lodged with the banks for purchasing the cheques. On receipt of the cheque, the farmers were directed to nearby bank branches or rural banks to encash.

At the banks, the farmers were compelled first to open an account into which the face value of the cheque was deposited. The farmer indicated the amount of cash he/she wished to withdraw for the time being, and came back later for further withdrawals as and when necessary. In that regard, the

233 Adjetey, 125.
Akufo cheques were honoured only after the farmer had opened an account with the bank. Most of the small farmers withdrew everything and started saving from subsequent proceeds.

At the end of every week, the bank declared their total purchases of cheques to the Cocobod for which each bank earned a commission of 1 per cent, since the seed fund was provided by the Board. Considering the huge amounts involved in cocoa financing at the primary level, the 1 per cent commission constituted an important source of revenue as well as savings mobilisation for most of the banks that operated in the cocoa growing areas. The first benefit the farmers derived from that arrangement was that they received ready cash for the sale of their produce. Secondly, this was the first time some farmers entered a banking hall and this was important because after collecting their money, they later erased the notion that monies kept at banks belonged to the bankers forever and withdrawal was difficult. It minimised and possibly curtailed the cheating of farmers by purchasing clerks, and also reduced the incidence of malpractices, embezzlement and other criminal tendencies associated with the direct cash payment to farmers.

They were thus exposed to banking habits because there was the demand for banking facilities in the cocoa growing areas. It introduced the farmers to the banking system, and thus gradually inculcated the banking culture in the cocoa growing communities.234

Exposing the farmers to banking habits enabled them to benefit from the numerous banking products of the G.C.B. Some farmers came to learn that in addition to collecting these cocoa proceeds from the bank, they had the opportunity to apply for an overdraft in times of need. Banking habits also encouraged them to save and they derived the benefits of tapping interest on their savings accounts. They also benefited greatly from the safe keeping of their money from thieves and tricksters especially before 1982 when they received their cocoa proceeds from purchasing clerks. Some farmers also benefited from the bank’s provision of short term facilities after they had saved with the

234 Solomon Boahen, interviewed by author, Akumadan, 16 April 2011.
bank. Some were even granted short term overdrafts to pay for their children’s school fees and also kept them moving especially during the off-crop season.

The next impact the bank’s agricultural policies had on the farmers was that these beneficiaries of the bank’s loans always had the assurance and trust from the G.C.B. that at any day and time loans would be extended to them.\(^{235}\) The farmers trusted the bank in providing relief for their farming problems. In 1976 for instance, under the G.C.B.’s Special Financing Scheme for small scale farmers, the bank assisted the farmers in the form of providing farm machinery and equipment, inputs such as seeds and fertilizers, short term overdrafts and loans, marketing and transport facilities.\(^{236}\) The farmers no longer worried about fertilizing and spraying their farms. The bank demonstrated to Ghanaian farmers that commercial farming could be viable despite the fact that the farm may be located at a distance from normal produce marketing outlets and also the leasing of farm equipment to them provided an example for the local farmers to acquire the skill of using modern techniques in farming. What was more interesting was that the small scale farmers, because they were numerous in the country, they were on a number of occasions neglected by financial institutions. The help they received from the G.C.B. gave them the interest to even produce more. Farmers also received efficient purchases from the public since they were able to meet the demand of their customers with the help of the loans. The bank’s ability to provide transport facilities and the sale of seeds at subsidized prices to the farmers also reduced the farmers’ cost of farming.

In furtherance of the above, the farmers also benefited from the Commerbank Farmers’ Association that were formed throughout the country. The G.C.B. directed that all farmers who wanted loans from them should join one of these associations in their area. The programme started in March 1977 and by the end of the 1980 farming season, the number of associations formed was thrice the initial 826 associations while membership stood at over 70,000 farmers. The farmers in these groups saw

\(^{235}\) kofi Boahen, interviewed by author, Akumadan, 16 April 2011.

\(^{236}\) Ghana Commercial Bank 1976.
themselves as one people, decided on a common goal and acted in unity. This social benefit even translated itself into a situation where the farmers cultivated the idea of oneness, brotherhood and peace among themselves because they saw themselves as belonging to a common society, solving a common problem. In some places in the Ashanti Region the head representative of the various associations became prominent farmers who doubled as advisers and leaders for their members. Economically, because the farmers were in groups, they got access to the loans quickly and secured. Again a preferred amount was granted to each farmer and the interest charged on loans to these associations was reasonably lower than the ones extended to single and independent farmers. The provision of these adequate funds with lower interest rates to the farmers eliminated the chronic indebtedness to unscrupulous money lenders.237 The loans enabled them to embrace stable revenues, good producer prices and above all they developed better attitude to work.238 Also, because the farmers were in groups, they hardly defaulted in the repayment. The bank then built trust for them and any time they went in for additional loans, they were less scrutinized and they had the chance of applying for other loans apart from agriculture loans.

Next, farmers also benefited from the bank’s storage, transport and processing arrangements. As part of the bank’s efforts to assist the small farmers, it engaged itself in the construction of marketing depots in some major towns. By 1978, the bank had completed the construction of marketing depots at the Akumadan, Goaso, Wenchi, Techiman and Juaso.239 Members of the commercial bank farmers association (CFA) located in these towns sold their produce at as these depots and they had no problem of marketing their produce at all. They kept their produce in safe places and also preserved the crops from destruction. These depots also helped stabilize the prices of the produce for the farmers. They got the full worth of their money both in bumper and in the lean seasons. They were

237 Kumi, interview.
238 Amoako, interview.
239 Kofi Kumi, interview with author, Juaso, 17 April 2011.
able to store large quantities of their products, hence preventing them from going bad. The storage facility also encouraged them to grow more since they found safe places of storing their produce.

In addition to these depots, the bank opened numerous farm centres in the remote farming centres from 1980. With the creation of these centres the farmers benefited from common facilities like storage, processing and transport. The old problem of carting their produce from their farms to the market centres become a thing of the past. Providing transport for the farmers also decreased the farmers’ post harvest losses or depressions. Those who also needed to transform the primary product to the next stage also benefited from the banks Processing facilities. The greatest beneficiaries were the oil palm growers who needed to process their palm oil before they sold. Finally, the bank’s Development Finance Unit, which was created in 1969 helped, bridge the gap for farmers by converting their short-term loans to medium-term loans, which eased their repayment difficulties by extending their length of loan repayment for them.240 The Unit also acted as an advice centre, staffed by economists and agriculturalists and helped many farming businesses stay on their feet.

Finally, the G.C.B.’s involvement in financing agriculture using the Akuafo Cheque System (ACS) reduced the possibility of embezzlement of funds which previously were stolen by cocoa purchasing Clerks,(PCs) because where so much cash was entrusted to them there was the tendency for under-declaration of the produce, diversions and other financial malpractices. Farmers were now able to get their proceeds intact. It prevented PCs from exploiting farmers because it was common practice by some unscrupulous PCs to make unauthorised deductions from cash payments due to the farmers. The ACS provided farmers with a safe means of payment and virtually eliminated the risk of armed attacks and theft as well as possible loss associated with cash payment. It also compelled most farmers to open avings accounts with banks in the main cocoa buying centres, thus inculcating the savings habit in them.

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240 Ghana Information Services Department 1974.
IMPACT ON AGRICULTURAL DEVELOPMENT

There was also an impact of the bank’s agricultural policies on the development of agriculture. Though the G.C.B in its early years, due to lack of logistics and funds extended agricultural loans to a limited number of farmers and the impact was not well felt on agriculture’s development, however after 1960, when the bank gained grounds and set up its savings department, agriculture developed in general.

The first was the effect on agriculture employment. Some beneficiary farmers claim that the loans helped to expand their farm size, and ultimately increased the labour unit. In the view of Kwesi Amoako, beneficiary farmer, fields and people who lay idle and confined gained employment in the agriculture sector. Hired labourers who had been previously idle used part of their remuneration and cultivated other farm lands.\textsuperscript{241}

The loans which encouraged farmers to expand their farms also enabled them to cultivate other food crops. In Suhum, for instance, a lot of farmers grew maize but with the extension of loans other farmers decided to cultivate either pepper or tomatoes in addition to the corn. Other farmers also ploughed back profits from the sale of their increased products and entered into virgin areas of agriculture like livestock breeding.\textsuperscript{242}

The bank’s method of helping farmers to use mechanized methods of farming progressively increased food production in the period after 1954. In the 1953-4 years, the export of principal agriculture products other than cocoa increased from of £7,001 in 1953 to £8.867 in 1954.\textsuperscript{243} Palm oil for instance increased from £420 in 1953 to £542 in 1954. It was amazing if the fact was considered that it was even in the early years of the banks operation. Moreover in 1956, though it was difficult to secure accurate annual agricultural statistics, experienced observers attested that production increased and farmers enjoyed a higher standard of living. Farmers with the bank’s loans cultivated a

\textsuperscript{241} Amoako, interview.
\textsuperscript{242} Amoako, interview.
\textsuperscript{243} G.C.B.’s Annual report 1955.
variety of crops for their own consumption. More cash crops were cultivated and these yielded income while food supplies in the cities and towns as well steadily increased well.\textsuperscript{244} In this same year because farmers utilized the agricultural loans very well, preliminary results of the 1\textsuperscript{st} phase of Agricultural census indicated that the highest number of fields under cultivation was cocoa and there was an increase of 34.7\% during the year.\textsuperscript{245} For the period 1984-6, total cereals output was significantly higher than the levels attained even in the early 1970s. For cereals and starchy staples production, output trends, despite price movements were strongly positive.

In addition, cocoa farmers who had in the 1960s made use of the loans adequately helped increase the cocoa quality in Ghana. With these loans, technical advice and quality seedlings they produced the highest quality of cocoa beans which helped increased the cocoa quality in Ghana especially in the 1980s. Despite the tremendous increase in cocoa since 1959 – 60 the quality remained high and between 1963 and 1964 almost all the cocoa qualified for grade 1.\textsuperscript{246}

In mid 1963, grade 1 amounted to 92.53\% while grade II amounted to 3.47\% .From 1963 to 1969, grade 1 continued to amount to 99.96\% while grade II amounted to only 0.04\%.\textsuperscript{247} What was important was that in the Ashanti and Brong – Ahafo Regions where the bank extended a lot of loans to cocoa growers in the 1960s, these two regions increased the total cocoa output. In 1984 for example these two regions contributed 58\% of the total cocoa output in Ghana as compared to 54\% in 1963.\textsuperscript{248}

This chapter would not have been complete without commenting on the impact the bank’s agricultural programmes had on its self, the farmers and even agricultural development in Ghana. The bank’s ability to finance agriculture which translated itself into upgrading of Ghana’s cocoa bean quality was remarkable. The confidence farmers also had in banking as a result of the bank’s

\begin{flushleft}
\textsuperscript{244} Gold Coast Colonial Annual Report 1955. \\
\textsuperscript{245} Gold Coast Report 1955. \\
\textsuperscript{246} Ministry of agriculture 1961. \\
\textsuperscript{247} Statistical Department 1965. \\
\textsuperscript{248} Progress report of the G.C.B., RG 6/5/4.
\end{flushleft}
operations in the hinterland was also important. Though the effects were varied they actually proved a point on how the bank’s programmes benefited all those who got involved.
CHAPTER FIVE
SUMMARY, CONCLUSION AND FINDINGS

Summary

The Ghana Commercial Bank from its inception considered its role in agricultural financing to be of prime importance. The bank extended large short-term credits to various organizations which were charged by successive governments with the purchasing of agricultural produce. It provided finance for the purchase of cocoa, rice, and other agricultural produce. This was actually achieved by the extension of overdraft facilities to the paying agencies at the various buying centers in the hinterlands. Furthermore, the bank financed large-scale institutional farms in both the private and public sectors. The bank also paid special attention to the needs of the Ghanaian farmer even within the constraints of the exigencies of the national economy. In addition the bank (through its wholly-owned investment subsidiary – development finance and holding limited) took equity positions in a number of farming companies.

After 1969 systematic approaches were also taken to redirect the bank’s lending operations in favour of agriculture and in this sense medium as well as long term financing of agriculture became an integral part of its lending operations. With the onset of the government’s new deal in agriculture at the end of 1980, the bank also expanded its investment in agricultural production.

The bank was also committed from 1953 to 1960 to support government’s agricultural policies. In the days of Kwame Nkrumah when he decided to improve agriculture and established state farms, the Ghana Commercial Bank supported this programme and even supplied seeds to the Abanase
state farm in the Akim Abuakwa District.\textsuperscript{249} A lot of potato seeds were also sent to many farms in the Volta Region. When I.K. Acheampong’s military government also took over in the early 1970s, he instituted the ‘Operation Feed Yourself’ programme, meant to stress the importance of agriculture into the Ghanaian. The Ghana Commercial Bank again supported this programme and contributed money towards agricultural shows throughout the country. Moreover when the Rawlings government decided to first pay cocoa farmers using the cheque system in the 1982/83 cocoa season, the Ghana Commercial Bank participated in this programme and farmers went to Ghana Commercial Bank branches for their money. It was actually part of this reason which triggered the establishment of the bank’s branches in rural areas mostly in cocoa farming places.

It was also found out that the Ghana Commercial Bank realized agriculture financing was a lucrative venture and therefore decided to invest in it. It realized that agriculture employed about 60 percent of the nation’s population and it was profitable lending to these people. The granting of loans to farmers necessitated a lot of branch opening exercise and the bank found this as an opportunity to mobilize and tap money from rural folks. Also the bank was able to sustain and maintain its rural branches as a result of the banking habits it cultivated in the rural folks. Those in the rural areas saved with them and the bank in turn granted this same money as loans to needy ones. Large deposits in the bank’s rural branches were a result of this. In a similar sense, the bank was also able to maintain its London foreign branch because it handled a lot of foreign business concerning the establishment of export letters of credit for cocoa.

The Ghana Commercial Bank’s increase in domestic business was partly the results of the loans it granted to the agriculture sector. In fact the marked increase in credit expansion in its domestic operations was not necessarily confined to the mobilization of deposits; especially important was its operations which ensured that the deposits were channeled to the productive sectors especially the agriculture sector.

\textsuperscript{249} The Ghanaian 1964.
The Ghana Commercial Bank actually did much to support agriculture in Ghana. Though in 1967, the bank generally decreased its loans and overdrafts facilities by 9 percent, it however substantially increased loans to the agriculture sector as a result of the devaluation of the new cedi. Again by the end of 1968, the Ghana Commercial Bank had increased it lending by 15 percent to the agriculture sector. The bank also set up its Development Financing Unit in 1969 which took over loans (like agricultural loans) which by nature and background needed to be reinvested over a longer period than was permitted by its normal requirements. In 1970, the bank again stepped up its financial support for the development of the agricultural sector in Ghana. Specifically it contributed N¢1.5million toward the government’s N¢15.5m Cocoa Rehabilitation Project.\(^{250}\) The level of credit advanced to support the fishing industry and food production also increased to a much higher level. More importantly, any time there were economic rigidities internally or globally, the Ghana Commercial Bank reduced its lending generally with specific reference to the agriculture sector. In the early 1970s, the country was shaken by inflation and further financial problems as a consequence of a slump in the world cocoa price. There was also a slow pace of economic activity in general as a result of high interest rates prevailing at that time.

The world market price of cocoa at the end of 1972 was £179 and people thought since the price had decreased it was not worthy of supporting the production of the crop since supporting it would not bring the expected good results. Even with inflation in the country the Ghana Commercial Bank expanded its credit in the 1971/72 financial year and participated in the financing of the nation’s cocoa business. Its participation even stood above all previous records with an average weekly credit level of over ¢19million. More importantly, at the beginning of 1982, there were drastic measures introduced by the new government and this adversely affected the bank domestic operations. The recall of loans and advances and the freezing of all accounts with the ¢50,000 balance and above affected the bank’s activities because it derived a sizeable proportion of its revenue from these

\(^{250}\) Ghana Commercial Bank 1971.
transactions. However with efficient cash management the bank performed its traditional role of financing the seasonal cocoa purchase. Even in late 1976 to early 1977, inflation was still the dominant influence on the Ghanaian economic scene. Prices of goods and services showed dramatic increases which was a result of the high cost of imported goods and substantial expansion in the monetary base of the economy. These economic and monetary trends exerted marked influence on the operations of the bank. Despite these problems the bank mobilized savings for lending to the agricultural sector. As compared with the 1975/76 financial year, lending rose by 35.9 percent whilst in the 1974/75 financial year the bank defied all odds and widened the scope of its agricultural financing and extended credit facilities to small scale farmers.

Establishing its Development Leasing Company in 1973 to lease ploughs and tractors to its farming customers in Northern Ghana was a clear indication that the bank did not always grant loans but also helped farmers in diverse ways. This leasing company rendered useful services to farming customers and for the 1975/76 financial year, it supervised a crop loan of more than ¢1million for the cultivation of farmlands. In the next year, it also increased its crop loan substantially to the benefit of many farmers.

Also in the 1972/73 financial year, the bank, under the new monetary measures instituted by the Acheampong military government was ordered to reduce both borrowing and lending rates from 7½ to 5 percent and 14½ to 10 percent respectively. These developments put pressure on the bank’s operations. However, its credit portfolio indicated a remarkable growth with a higher proportion directed in favour of the agriculture sector. Even in 1978, when there was a slack in economic activities in Ghana, the bank gave priority to the agricultural sector. The bank’s credit to this sector indicated a modest growth of 42.7 percent as against 35.9 percent recorded in the previous year.

The contributions made by the Ghana Commercial Bank to the agriculture sector in connection to small-scale farmers were also excellent. These farmers were numerous and scattered but the bank was able to put them together in groups and granted them credits especially in the 1970s. In February
1976, the bank launched its Special Financing Scheme for small-scale farmers and provided financial assistance to them.

The bank also realized that transport costs played an important role in agricultural development because high transport cost that result from inadequate transport infrastructure were to a large extent responsible for the large discrepancies that frequently existed between food prices and the farmers’ income.\textsuperscript{251} The bank provided transport and marketing services for the farmers in their respective farming areas. In order to provide farmers with marketing outlets for their food crops, the bank embarked upon the construction of food depots in the later part of 1978 in Juaso and Bekwai in the Ashanti Region.\textsuperscript{252}

Moreover, after 1980, considering the importance of the agriculture sector to the Ghanaian economy the Ghana Commercial Bank granted a mandatory requirement of 20 per cent of its loan portfolio to the sector and in its 1982/83 financial year nearly 18 percent of the bank’s loan portfolio was extended to support other related agricultural activities. In 1987 also, though the bank was required to increase its reserve requirement to the Bank of Ghana, the Ghana Commercial Bank granted a mandatory 20 per cent of its loan portfolio to the agricultural sector.

In late 1984, consistent with the bank’s policy of giving priority to the agricultural sector, nearly 42 percent of the loans and advances of the bank went to agricultural financing and in order to forestall the repetition of 1983’s food crises, about 90 percent of the total loans to the agricultural sector went to customers engaged in the production of food crops and vegetables. To this effect, the agriculture sector showed a particular impressive performance in 1984 and grew at a robust rate of 9.8 per cent.\textsuperscript{253} Not only did the bank grant direct loans to farmers, it also granted the Ghana Food Distribution Corporation (G.F.D.C.) a total sum of €80m towards the purchase of maize in 1987. Notwithstanding the above evidence to suggest that the Ghana Commercial Bank did enough to

\begin{footnotesize}
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  \item \textsuperscript{252} Boateng, interview.
  \item \textsuperscript{253} Statistical Department 1985.
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support agriculture in Ghana, there were other cases which indicated that the bank really did little to help the sector.

The Ghana Commercial Bank extended agriculture credit to farmers right from 1953 and it supported governmental agricultural policies in Ghana and small-scale farmers when a lot of financial institutions had neglected them for a long time. Helping these farmers especially in the 1980s increased the food production in Ghana which in effect put money in the pockets of the farmers and improved the general standard of living. Even if the bank gave little and to only selected areas it was because it was cautious of the potentially profitable places it could help and in the end helping those farmers contributed greatly to the success, growth and a respectable banking image for the bank. It was actually part of this involvement in agricultural matters which really made the bank a true indigenous bank, built to aid the common man in Ghana. The bank frankly re-oriented its capital position over the years and gave an additional impetus to governmental efforts towards self-sufficiency in food and raw material production. Honestly the bank couldn’t have done everything possible to satisfy its agricultural customers. It did what it was supposed to do and accusations that it did little to support agriculture came from beneficiaries of the bank’s loans who did not pay their loans and therefore blocked the chance of others to benefit from the bank’s help. If not for anything at all the bank’s efforts in addition to the West African Currency Board’s helped in financing the cocoa Industry in the late 1950s was commendable. Despite the fact that the bank did little in the early 1950s, it still contributed its quota to the development of agriculture in Ghana though its impact was slightly felt as far as the economy was concerned.

This study has shown the need to increase the amount of credit granted to small-scale farmers in the study areas. Credit was also grossly under-utilized by the farmers, a factor that has resulted in their excessive utilization of the labour input. In addition, it was seen that food crop production was a profitable enterprise and therefore farmers in the farming areas had the potentials to repay the credit granted to them. Increasing the amount of credit extended to the farmers however, without adequate
credit recovery procedure, would be like fetching water into a basket. The high rate of default in repayment in some areas which adversely affected the liquidity and performance of the bank could only be redressed if a more aggressive loan recovery procedure is adopted by the bank. It is only through efficient loan recovery that the bank can make progress and become self sustaining and thus serve its clients better. Loans approved for on-lending to small-scale farmers should be disbursed on time to synchronize with the various farming operation if the full benefits of this important input are to be realized. Loans disbursed when the farming operations are over can only encourage funds diversion which invariably leads to default in repayment to the detriment of both the bank and the farmers.

**Major Findings**

In the first place, the bank was not able to increase the acreage of cultivation for farmers mainly because it did not provide any new stock of machinery and equipment for distribution to its agricultural customers and this was evident in late 1979. The problems the bank faced with the limited supply of spare parts also frustrated the efforts of some of the farmers. At the same time, the bank failed to procure improved seeds and seedlings for its farmers. There was also the absence of the necessary machinery for co-ordination of its agricultural efforts between the bank itself and the relevant government and state agencies. As at 1980, there were no regional and district economic and agricultural committees in Ghana which would have been represented by banks in general to take care of deliberating on specific agricultural matters between banks and the government. The absence of this committee really made the development of bankable schemes from the grassroots difficult and this went a long way to kill the initiatives of the Ghana Commercial Bank’s agricultural policies for the farmers.
Another revelation was that the bank did little to support its Farmers Association in 1985. Because there was a low recovery rate of loans lent out, activities in respect of the Commerbank Farmer’s Association were not as brisk in 1985 as compared to the other previous years. There was a low recovery of credit that was committed into the scheme. Of a total amount of €1.0billion already locked in the scheme, only €233m was recovered as at 1985. Consequently only €233m recovered was made available to about 230,000 farmers. The low recovery rate thus prevented the recycling of any substantial amount into the scheme. In the following year, the Ghana Commercial Bank’s credit portfolio registered a drop from 31.8 percent in June 1985 to 22.88 percent in June 1988. This fall was again due to the slow rate of recovery of credit extended to the agricultural sector and the subsequent reduction of funds available for recycling.

It was also clear that the Ghana Commercial Bank’s attitude towards the granting of loans in Ghana became a major concern especially in the 1960s. In 1960, the National Assembly adopted a private member’s motion and asked about the conditions upon which the Ghana Commercial Bank, grants, loans, and overdrafts especially to the agriculture sector. Upon deliberations it was found out that the bank’s conditions for granting loans to farmers were restrictive. The loans procedure itself needed to be remolded since a lot of farmers found the procedure cumbersome and difficult to go through. The bank also sometimes simply refused to give overdrafts to Ghanaian farmers for fear of non-payment. The strings attached to the acquisition of bank’s loans were too strong. Even when farmers applied for loans, they were only granted on a short-term basis. The bank’s inability or unwillingness to grant loans especially to rural farmers was also a problem. As of 1960, the bank boasted of only 8 branches nationwide and insufficient branches to cater for the hinterland farming communities suggested that the bank did very little especially in the early 1960s to help farmers. Also in 1974, Commander J.A. Kyeremah, the Western Regional Commissioner accused officers of financial institutions including the Ghana Commercial Bank of demanding bribes from farmers.

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before they recommended loans.\textsuperscript{255} This attitude greatly deterred many farmers from going for loans from the Ghana Commercial Bank.

Many small scale farmers were numerous and widely scattered, lacked collateral to apply for loans and some of them never saved in the bank. This raised questions as regards to how accurate the Ghana Commercial Bank extended loans to farmers. In some cases farmers even reported that, the loans received from the bank was not the exact money they applied for. In many cases, they were less than expected. What was critical was that the bank itself in 1971 admitted that in spite of the increase in its lending activities to the agricultural sector, there was still the need to step up its agricultural financing activities, a need which the bank hoped to address. Again in 1976 the bank accepted that, it did little to help farmers as far as leasing of farm machinery was concerned and this was attributed to the inadequate supply of machinery and spare parts on their part.

It was even worse when one considered the fact that the bank’s contribution to agriculture was not remarkable. In the 1980s Ghana itself was faced with economic problems. Ghana’s economy deteriorated steadily from the early 1960s while the pace of decline accelerated in the 1970s. National income fell by around 0.5 per cent per annum between 1970 and 1980 and per capita income fell by over 30 per cent in the same period. Agricultural output also declined at a rate of 0.3 per cent per annum through the 1970s and in 1982 and 1983 it further declined by 6 per cent for each year, with an equivalent fall in overall G.D.P. These were attributed to insufficient credit extension to the sector and inappropriate pricing and taxation policy. In 1982 and 1987, capital expenditure comprised an average of no more than 2 per cent of G.D.P.\textsuperscript{256} Also movement of cocoa –the major export product - was held back by the collapse of the transport network particularly in the Western region, which was the largest cocoa growing area. For the main food crops, output fell below targeted levels. Output for both cocoa and major food crops remained below the peak levels even in

\textsuperscript{255} The Daily Graphic, 14\textsuperscript{th} June, 1974.
\textsuperscript{256} Statistical Department 1987.
the late 1960s, while there was no upward trend in productivity.\(^{257}\) Between 1960 and 1965 and the early 1980s, Ghana’s international market share fell from a peak of 36 per cent to around 17 per cent. Apart from the fact that by 1982, cocoa growers received fewer than 17 per cent of the 1960/63 price in real terms, producer prices were below 50 per cent of the level sustained in neighbouring Togo.\(^{258}\) In 1993, agriculture’s contribution to the nation’s G.D.P. was 41.4 per cent but declined to 40.8 per cent in 1994.\(^{259}\) To make matters worse, after 1984, the agriculture sector’s growth hovered as low as between 3 per cent and 5 per cent until the year 2000. It can be said that though the bank granted loans to its agricultural clients, its impact on the development of agriculture in Ghana was not felt looking at the performance of the sector especially in the 1970s and 1980s.

It was also disclosed that Ghana lacked basic infrastructure rural infrastructure and there is the need for increased investments in infrastructure for development, especially agriculture. Irrigation investments are very low in African countries and the reliance on rain fed agriculture is overwhelming. Electricity has an impact on productivity similar to that of irrigation. Project design and location are important: given scarce resources, it would be important to locate roads, provide irrigation and electricity, and increase rural investments in areas where the multiplier effect on economic activity and productivity will be highest. The implied rebalancing of the infrastructure budget in favor of rural areas, selectively, would be politically difficult, given the strong urban bias in such expenditures. In short, though the bank extended loans to its farmers in the hinterlands, due to over reliance on rain and lack of good motorable roads, farmers produce locked up in farms whilst others plants got destroyed for lack of irrigation making the bank’s effort fruitless.

It was found out that he bank’s inability to increase agriculture productivity in Ghana was due to the issue of Land markets which always played a fundamental role in facilitating agricultural revolutions. Complex and uncertain land tenure relations seemed to hamper private investments in

\(^{257}\) Ministry of agriculture 1981.
^{258}\) Ministry of agriculture 1981.
^{259}\) Statistical Department 1994.
Ghanaian agricultural reforms. For example, that investment and hence productivity in agriculture in Akwapim was held back by farmers who lacked political power and were uncertain about their property's security during fallow periods; and that such restraints, if true for the whole country, would be worth some 2% of GDP. Estimates suggest also that the rate of return to land titles is about 39%, which also suggests that the economic potential from improved security is substantial. Some recent estimates suggest that as much as about 80% of Ghana's arable land is uncultivated, in part due to insecure property rights. Reform of land tenure systems under customary tenure is a sensitive issue which posed severe long term challenges. The general sense is that land was and is still a major constraint on agricultural investments, both for small farmers and for commercial investments. This information explains why agriculture productivity had not been stable for so many years in Ghana. The bank gave loans to its customers but failed to see the problems in land tenure, hence the inability of some farmers to cultivate lands for which they had gone to collect loans to cultivate.

The G.C.B.’s agricultural finance programmes also lost sight of gender disparities within agriculture which were pervasive. Women are typically confined to food production, while men dominate cash crop production. Agricultural development, including efforts to diversify into marketable crop production and higher value crops would imply changes in the relative roles of women and men. The bank’s access to all inputs, to credit and to land tends to be biased in favor of men. In effect because the bank’s loans went mostly to men and women were neglected. Extension of credit mostly to men discouraged women who did not take active part in farming especially the commercial crops, hence a reduction in the production of cash crops in Ghana.

**Conclusion**

The effects of Ghana Commercial Bank’s agriculture programmes and efforts in Ghana between 1953 and 1994 can be described as not impressive. Agricultural performance indicators and statistics available indicate that the agriculture sector performance in Ghana had not been stable and there is
more work to be done. A lot of farmers complained about the difficulty in getting agricultural loans from the bank, whist its procedures were cumbersome. Ghana is and continues to experience food deficits with constant rose in prices of foodstuffs. In the end little impact was felt, agriculture sector still lacked behind other important sectors and agrarian workers are still lamenting and aggrieved by the banks’ performance in the agriculture sector of Ghana. Though its performance as far as financing agriculture was concerned had been mixed, the bank fulfilled its mandate of financing agriculture but lost sight of other important ingredients in agriculture financing, such as processing facilities, huge investments in storage and investments into research, development and planning which actually destroyed the bank’s story in financing agriculture in Ghana.
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