

UNIVERSITY OF GHANA

**MICROFINANCE ACCESS: CHALLENGES OF CREDIT DELIVERY TO
CROP FARMERS IN THE YILO KROBO DISTRICT**

BY

MOSES KWAME OHENE

**A DESSERTATION PRESENTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF A MASTER OF ARTS DEGREE
IN DEVELOPMENT STUDIES**



JULY, 2014

Table of Content

DECLARATION.....	i
ABSTRACT.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	v
CHAPTER ONE	1
1.0 Introduction.....	1
1.1 Background	1
1.2 Problem statement	5
1.2.1 Research questions	7
1.2.2 Hypotheses	7
1.3 Objectives.....	7
1.3.1 <i>General Objectives</i>	7
1.4. The Microfinance Delivery Context.....	8
1.5 Importance of the Study	8
1.6 Scope and Definition	9
1.7 Organisation of the study.....	10
CHAPTER TWO	12
2.0 Literature Review	12
2.1 <i>Introduction</i>	12
2.2.1 Microfinance as a poverty reduction tool.....	12
2.2.2 Microfinance and Agriculture.....	13
2.2.3 Microfinance and farmer accesibility.....	15
2.2.4 Discussion and conclusion.....	20
2.3 Conceptual Framework	21
2.4 Definition of concepts	23
2.5 Linkages in the concepts.....	24
CHAPTER THREE	25
3.0 Methodology	25
3.1 Introduction	25
3.2 <i>Research design</i>	25
3.3 <i>Study population</i>	25
3.4 <i>Sampling Design</i>	26
3.5 Data Sources.....	27
3.6 Data Collection.....	27

3.7	Data Analysis	28
3.8	Pre-testing, ethical issues and risk analysis	28
4.0	Analysis and Discussion.....	29
4.1	Introduction	29
4.2	Brief District Profile of Yilo Krobo and the Research Area.....	29
4.2.1	<i>The District Boundaries</i>	29
4.2.2	<i>Population</i>	29
4.2.3	Ethnicity and Culture.....	30
4.2.4	Economy of the District.....	32
4.2.5	Social Services.....	33
4.2.6	Health Care	34
4.2.7	National Health Insurance Scheme	35
4.2.8	Water.....	36
4.2.9	Agriculture.....	36
4.2.9.1	Crop farming.....	36
4.2.9.1	Livestock farming.....	37
4.2.9.3	<i>State of agriculture in the district</i>	37
4.2.9.4	Irrigation Farming and the use of Implements.....	38
4.2.10	Human Settlement and State of the Built Environment.....	39
4.2.11	The Natural Environmental Situation.....	39
4.3	Results	40
4.3.1	Background	40
4.3.2	Age	41
4.3.3	Crops cultivated by the farmers.....	42
4.3.4	Farm size	44
4.3.5	Farming experience	44
4.4	Types of Microfinance Institutions in Somanya.....	45
4.5	Why MFIs do not advance loans to Crop Farmers	48
4.5.1	<i>How information about MFI was obtained</i>	48
4.5.2	Nature of difficulty encountered by respondent farmers.....	49

4.5.3	Reasons for refusal of loans	50
4.6	Extent of inaccessibility to micro credit suffered by production and agriculture sector operators.	51
4.6.1	<i>Extent of Access to loans</i>	51
4.6.2	<i>Difficulty in accessing loan facility.</i>	52
4.6.3	Loan conditions and difficulties.....	55
4.6.4	<i>Eventual access by farmers to microfinance services for general use</i>	56
4.7	Respondents' exposure to use of various agricultural services	57
4.8	Effects of unavailability of services.	61
4.6	Correlation Analysis.....	62
4.6.1	Spearman's Correlation Analysis	68
CHAPTER FIVE		70
5.0 Conclusion and Policy Implications		70
5.1	<i>Introduction</i>	70
5.2	Key Findings	70
5.2.1	<i>Background</i>	70
5.2.2	<i>Types of MFI</i>	71
5.2.3	<i>Reasons for Lack of Access</i>	72
5.2.4	<i>Extent of inaccessibility</i>	72
5.2.5	Correlation Analysis.....	74
5.4	Recommendations	75
5.4.1	Beneficiary recommendations for improvement in access.....	75
5.4.2	MFI Recommendations	75
5.5	General Policy Recommendations	77
References.....		79
APPENDIX 1.....		82
QUESTIONNAIRE FOR MICROFINANCE INSTITUTIONS		82
MICROFINANCE BENEFICIARIES QUESTIONNAIRE.....		88

List of tables

Table 1: Sex distribution.....	40
Table 2: Age of respondent farmer.....	41
Table 3: Type of crop cultivated.....	42
Table 4: Farm size.....	44
Table 5: No of years farming experience.....	45
Table 6: Background information on type of MFIs and product.....	47
Table 7: How farmer obtained information about MFI.....	48
Table 8: Nature of difficulty.....	49
Table 9: Reasons for refusal.....	50
Table 10: Difficulty of access by beneficiaries.....	52
Table 11: MFI conditions and related issues for granting loans.....	53
Table 12: Available agricultural services.....	57
Table 13: Business development service facilities available.....	58
Table 14: Technology availability.....	59
Table 15: Extension service availability.....	60
Table 16: Does unavailability affect loan access.....	61
Table 17: MFIs response on factor a influencing granting loans to farmers.....	61
Table 18: Individual farm size*loan access for farm activities.....	67
Table 19: Symmetric measures.....	67



List of Figures

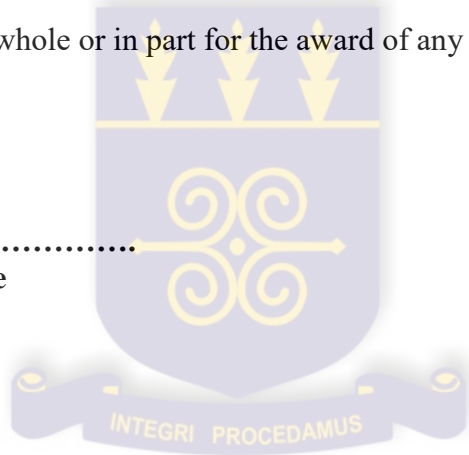
Conceptual framework.....	22
How goods produced are disposed off.....	43
Knowledge of types of MFIs in Somanya.....	46
Loan access to farmers.....	52
Histogram showing farmers eventual access.....	57
Cross tabulation of age of respondent farmer and individual farm size.....	64
Cross tabulation of no. of years farming experience and loan access for farm activities.....	65
Cross tabulation of type of MFIs and loan access for farm activities.....	66
Cross tabulation of how goods produced are disposed off by loan access.....	67



DECLARATION

I, Moses Kwame Ohene hereby declare that this dissertation – **Microfinance Access: Challenges of Credit Delivery to Crop Farmers in the Yilo Krobo District** is the result of my own research work conducted under the direct supervision of Dr. Peter Quartey as my first supervisor and Dr. Robert Osei Darko as my second supervisor, both of the Institute of Statistical Social and Economic Research (ISSER). I further declare that with the exception of specified references which have been duly acknowledged, this work is entirely mine and has never been presented anywhere either in whole or in part for the award of any academic certificate.

.....
Moses Kwame Ohene
(Student)



.....
Peter Quartey (PhD)
(First Supervisor)

.....
Robert Osei Darko (PhD)
Second Supervisor

ABSTRACT

Accessibility by farmers to is considered as a challenge.. This study explores the difficulties encountered by crop farmers in accessing micro finance assistance to boost their production. Generally, the objective of this study is to establish the extent to which microfinance institutions' services are accessible to crop farmers and the underlying factors influencing the delivery in Somanya in the Yilo Krobo District.

The study adopted a two-stage sampling approach of cluster and random sampling. It covers all crop farmers who have knowledge about microfinance institutions and is a recognised zonal member, are microfinance beneficiaries / have attempted to obtain microcredit from micro finance institutions in suburbs of Somanya but most importantly with knowledge of microfinance institutions. Data was collected using the quantitative instrument of questionnaires for primary data. Secondary data was obtained from the District Directorate of Agriculture, the internet among others.

The findings indicate that in terms of types of MFIs there are Four microfinance institutions that were identified as operating in the area namely Rural Banks, Financial Non Governmental Organizations (FNGOs), Government owned institutions and Savings and Loans Company. It was noted that more than half (51.6%) of the time, MFIs provide no reason for refusing loans while 12.9% claim crop farmers are deemed not creditworthy. The MFIs, also maintained that due to farmers' inability to meet the relevant collaterals/guarantee demands they are unable to obtain the loans. Moreover, MFIs see crop farmers as risky clients who have a high probability of default. The findings also reveal a high level inaccessibility to micro finance services by farmers. Though respondents have good knowledge of MFIs, as much as 80.6% have never had

access to financial services provided by these MFIs. Only 19.4% enjoy access once a while. In relation to difficulty of access as much as 87.1% either did not get the loan or said it was very difficult to access.

The hypothesis also proved that there is a significant and positive relationship between number of acres cultivated and access to loans. This was significant at $r = -0.587$ and $p = 0.001$. The more the acres one cultivated the easier the access to loans.

A major recommendation is that government must take a serious look at agricultural productivity and to get involved with direct microfinance interventions to advance micro loans as a form of a prop up of the informal sector and especially provide irrigation services to promote off season farming.



DEDICATION

This dissertation is dedicated to my dear wife, Emma Afi Ohene (Mrs.) and my three children – Kevin Edem Yao Ohene, Kevina Yayra Yawa Ohene and Kelton Kafui Kwame Ohene



ACKNOWLEDGEMENT

In the beginning, it appeared to be an insurmountable hurdle. The road to travel was viewed as tortuous and indeed challenging considering all other things and commitments. Thankfully, it is all over now and it is the beginning of a new dawn and era in my career path and also as a prop for further academic adventures. It did not take my singular effort however to accomplish this objective and will wish to appropriately recognise the contribution of various individuals who played a role in this achievement.

I wish to acknowledge the abundant Grace of the Almighty God whose favour and mercies brought me in and saw me through the very difficult periods I had to endure during the tenure of the course. I also acknowledge the invaluable support of my dear wife Mrs Emma Afi Ohene whose encouragement and general understanding goaded me on when the going got tough. Thank you very much, I say to you, Emmy. I appreciate your every support. I am also highly appreciative of Dr. Peter Quartey not only for supervising this work but served as a ‘consultant’ when I first nurtured the idea to enrol for the course. I must say his brotherly advice and his gentle push when I obviously was lagging behind in this work at points in time really lifted me up. I equally acknowledge the very useful contribution of Dr. Robert Osei Darko, my second supervisor.

Mrs Felicia Simpson - Administrative Officer, Mr. Joseph Acheampong - Monitoring and Evaluation Specialist and Mr. Forster Kwame Boateng – Institutional Development Specialist all of the Social Investment Fund played key motherly and fatherly advisory roles in ensuring that I eventually was able to gain admission and went through the course unscathed.

Special mention is also made of Mr. Moses Adzei of Tsito Progressive Movement and Mr. Albert Brampah of Ashale Botwe who devoted their time and energies to assist me in collecting primary data for this dissertation. I am extremely grateful to them.

Above all, Mr. Joseph Ofosu Kwarteng, my colleague and Project Officer of the Social Investment Fund in charge of the Eastern Region did a yeoman's job by effectively covering up for me and sometimes taking over my duties in addition to his just to 'free' me to continue with course work. This is a major sacrifice I cannot gloss over and am eternally grateful.

A venture of this magnitude could not have been possible without the requisite financial layout. In this regard I wish to single out Mrs Magdalene Abrokwah, the Executive Director of Enowid Foundation for her initial financial assistance which enabled me conclude my registration and to enrol for the programme.

Finally, I will like to say a very big thank you to Ivy Oduro Kwarteng especially, and her colleagues Francis Essandoh and Kwame Brefo-Boateng as well as Mr. Sevlo Adjei all of Tema Metropolitan Assembly for holding the fort in my absence. All my course mates – ISSER Development Studies class of 2008/2009 especially Patience Adikanbaasi, Salia Mohammed, Jonathan Kpongor and Osman Alhassan. I say Ayekoo and God bless you all.

Table of Content

DECLARATION.....	i
ABSTRACT.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	v
CHAPTER ONE	1
1.0 Introduction.....	1
1.1 Background.....	1
1.2 Problem statement.....	5
1.2.1 Research questions	7
1.2.2 Hypotheses	7
1.3 Objectives.....	7
1.3.1 <i>General Objectives</i>	7
1.4. The Microfinance Delivery Context.....	8
1.5 Importance of the Study.....	8
1.6 Scope and Definition	9
1.7 Organisation of the study.....	10
CHAPTER TWO	12
2.0 Literature Review	12
2.1 <i>Introduction</i>	12
2.2.1 Microfinance as a poverty reduction tool.....	12
2.2.2 Microfinance and Agriculture.....	13
2.2.3 Microfinance and farmer accesibility.....	15
2.2.4 Discussion and conclusion.....	20
2.3 Conceptual Framework	21
2.4 Definition of concepts	23
2.5 Linkages in the concepts.....	24
CHAPTER THREE	25
3.0 Methodology	25
3.1 Introduction.....	25
3.2 <i>Research design</i>	25
3.3 <i>Study population</i>	25
3.4 <i>Sampling Design</i>	26
3.5 Data Sources.....	27
3.6 Data Collection.....	27

3.7	Data Analysis	28
3.8	Pre-testing, ethical issues and risk analysis	28
4.0	Analysis and Discussion.....	29
4.1	Introduction.....	29
4.2	Brief District Profile of Yilo Krobo and the Research Area.....	29
4.2.1	<i>The District Boundaries</i>	29
4.2.2	<i>Population</i>	29
4.2.3	Ethnicity and Culture.....	30
4.2.4	Economy of the District.....	32
4.2.5	Social Services.....	33
4.2.6	Health Care	34
4.2.7	National Health Insurance Scheme	35
4.2.8	Water.....	36
4.2.9	Agriculture.....	36
4.2.9.1	Crop farming.....	36
4.2.9.1	Livestock farming.....	37
4.2.9.3	<i>State of agriculture in the district</i>	37
4.2.9.4	Irrigation Farming and the use of Implements.....	38
4.2.10	Human Settlement and State of the Built Environment.....	39
4.2.11	The Natural Environmental Situation.....	39
4.3	Results	40
4.3.1	Background	40
4.3.2	Age	41
4.3.3	Crops cultivated by the farmers.....	42
4.3.4	Farm size	44
4.3.5	Farming experience	44
4.4	Types of Microfinance Institutions in Somanya.....	45
4.5	Why MFIs do not advance loans to Crop Farmers.....	48
4.5.1	<i>How information about MFI was obtained</i>	48
4.5.2	Nature of difficulty encountered by respondent farmers.....	49

4.5.3	Reasons for refusal of loans	50
4.6	Extent of inaccessibility to micro credit suffered by production and agriculture sector operators.	51
4.6.1	<i>Extent of Access to loans</i>	51
4.6.2	<i>Difficulty in accessing loan facility.</i>	52
4.6.3	Loan conditions and difficulties	55
4.6.4	<i>Eventual access by farmers to microfinance services for general use</i>	56
4.7	Respondents' exposure to use of various agricultural services	57
4.8	Effects of unavailability of services.	61
4.6	Correlation Analysis.....	62
4.6.1	Spearman's Correlation Analysis	68
CHAPTER FIVE		70
5.0 Conclusion and Policy Implications		70
5.1	<i>Introduction</i>	70
5.2	Key Findings.....	70
5.2.1	<i>Background</i>	70
5.2.2	<i>Types of MFI</i>	71
5.2.3	<i>Reasons for Lack of Access</i>	72
5.2.4	<i>Extent of inaccessibility</i>	72
5.2.5	Correlation Analysis.....	74
5.4	Recommendations.....	75
5.4.1	Beneficiary recommendations for improvement in access	75
5.4.2	MFI Recommendations	75
5.5	General Policy Recommendations	77
References.....		79
APPENDIX 1		82
QUESTIONNAIRE FOR MICROFINANCE INSTITUTIONS		82
MICROFINANCE BENEFICIARIES QUESTIONNAIRE		88

List of tables

Table 1: Sex distribution.....	40
Table 2: Age of respondent farmer.....	41
Table 3: Type of crop cultivated.....	42
Table 4: Farm size.....	44
Table 5: No of years farming experience.....	45
Table 6: Background information on type of MFIs and product.....	47
Table 7: How farmer obtained information about MFI.....	48
Table 8: Nature of difficulty.....	49
Table 9: Reasons for refusal.....	50
Table 10: Difficulty of access by beneficiaries.....	52
Table 11: MFI conditions and related issues for granting loans.....	53
Table 12: Available agricultural services.....	57
Table 13: Business development service facilities available.....	58
Table 14: Technology availability.....	59
Table 15: Extension service availability.....	60
Table 16: Does unavailability affect loan access.....	61
Table 17: MFIs response on factor a influencing granting loans to farmers.....	61
Table 18: Individual farm size*loan access for farm activities.....	67
Table 19: Symmetric measures.....	67

List of Figures

Conceptual framework.....	22
How goods produced are disposed off.....	43
Knowledge of types of MFIs in Somanya.....	46
Loan access to farmers.....	52
Histogram showing farmers eventual access.....	57
Cross tabulation of age of respondent farmer and individual farm size.....	64
Cross tabulation of no. of years farming experience and loan access for farm activities.....	65
Cross tabulation of type of MFIs and loan access for farm activities.....	66
Cross tabulation of how goods produced are disposed off by loan access.....	67

CHAPTER ONE

Introduction

1.1 Background

In the 1970s non-governmental organizations (NGOs) in Bangladesh, Bolivia and Brazil began an experiment of extending small loans to the under privileged in society as a strategy for creating wealth and reducing poverty (Zaman, 2004). According to Hulmes and Moore, (2006), in order to confront the problems inherent in lending to the poor, there has been large scale innovations in the provision of financial services over the past three decades and these new systems have been called microcredit – provision of small scale loans to the poor – and more recently microfinance – provision of a range of the poor’s financial service requirements, including credit, savings, insurance, and remittance management.

The majority of microfinancial interventions have been targeted towards off farm small and micro enterprises (SMEs). Generally, those businesses which produce goods and services utilising few employees and limited capital are described as SMEs, although this basic definition masks a world of diversity. For instance, whereas microenterprises usually exhibit a home-based ownership and labour structure, small enterprises often hire outside labour.

Microfinance has since become one of the strategies adopted for poverty alleviation in developing countries following the success of the Grameen Bank in Bangladesh. The microfinance industry now has a global reach, with more than 92 million clients reported in developing countries. It is very difficult to find a Poverty Reduction Strategy that does not include microfinance as an element of national development (Hulme and Moore, 2006). As a tool for poverty reduction and

wealth creation in developing countries especially among women however, microfinance is fairly underdeveloped in Ghana.

The sector is however gaining grounds gradually and several institutions and individuals are investing much more resources in this area to ensure that the category of the poor who have not been reached with the more formal banking sector services are provided with the necessary financial assistance.

Currently, the Bank of Ghana (2007) identifies and categorises microfinance institutions operating in Ghana into three broad types. These include:

- Formal suppliers of microfinance (i.e. rural and community banks, savings and loans companies, commercial banks)
- Semi-formal suppliers of microfinance (i.e. credit unions, financial non-governmental organizations (FNGOs), and cooperatives;
- Informal suppliers of microfinance (e.g. susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals).

Though the Bank of Ghana has identified three types of MFIs, it is only recently that some major banks have begun to take serious interest in micro financing. Depending on the country, a number of institutions have emerged to provide services to the poor. These include community and rural banks, postal services, credit unions, financial non-governmental organizations, savings and loans companies as well as mutual funds such as *susu* in West Africa (Aryeetey, 1998), and more recently the well endowed banks like the Ghana Commercial Bank, Barclays Bank among others are joining to ensure that direct financial services are provided to the un-reached segment of the society whose micro enterprises could be boosted with necessary financial intermediation.

Individual investors have also ventured into this arena though in some cases these are mostly not well structured nor legally recognised as they operate more or less undercover.

Mostly however, 'Microfinance services are provided by commercial organizations that are part of the formal financial system—banks, credit unions, specialized banks, and a range of non-bank financial institutions that operate with special licenses generally as part of a tiered regulatory framework under the banking law. These organizations are financed by commercial capital—deposits, commercial borrowings, bond issues, and private and public shareholder equity' (Aryeetey, 1998).

One very notable shift in microfinance delivery is the direct involvement of central government in ensuring that micro financial assistance was brought to the door step of the poor. The now abolished Poverty alleviation Fund which was managed by the district assemblies and the now newly established Micro Finance and Small Loans Centre (MASLOC) are perfect examples of governments' direct involvement with the informal financial sector. Indeed, this is because governments in the developing world see microfinance as one of the major strategies to boost the economy of those operating within the informal sector. In places like Malawi, the government setup programmes for such informal sector operators to facilitate their access to financial services. However, Chirwa (2002) argues that the financial performance of microfinance institutions and their impact on poverty reduction are not adequately documented and known in Malawi, although the increase in micro credit programmes has been remarkable.

One of MASLOC's major activities is to ensure that these financial services reach the very neglected portion of the society and to ensure that their access to timely financial services is enhanced

The main objectives of MASLOC are to:

- Administer Government's microfinance and loans scheme.
- Facilitate co-ordination and capacity building of the sub-sector.
- Enhance collaboration, and develop monitoring and reporting mechanism for the sub-sector.
- Advocate for and advise Government on policies to enhance development of a decentralized microfinance system that is integrated with or linked to the formal financial system.

MASLOC has been established to provide a one-stop shop for all activities on microfinance in the country, and it is expected to co-ordinate microfinance activities of Government which are currently being implemented from various ministries, departments and agencies. In the long run, the Centre will provide policy direction, support services and capacity building and co-ordination with the view to strengthening the sector and ensuring sustainability

Moreover deliberate policies to enhance access by the agricultural sector which is of major concern has enabled the opening up of the fund to specifically support agricultural production, agricultural input marketing, food growers (vegetables, maize, cassava, legumes etc), agro processing and restaurant operators. It was also observed that strong institutional linkages with farmer based associations, agricultural extension department and the department of cooperatives which are to provide relevant information and references on farmer groups as well as relevant technical services to them to ensure efficiency in operations was lacking.

As the sector continues to be proliferated by more organisations with more funds, access to micro loans has become much easier. However, one segment of potential beneficiaries that seem not to

have benefited much from the ‘boom’ is the agricultural sector. It is the quest to explore the ‘why’ of this phenomenon that this study is set.

1.2 Problem statement

Before the 1950s, microfinance was not a common phenomenon in Ghana but the concept itself was also however not new. There has always been the tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures. Available evidence from the Bank of Ghana, suggests that the first credit union in Africa was established in Northern Ghana in 1955 by the Canadian Catholic Missionaries to the country.

As the concept developed and caught on however, micro enterprises and especially agriculture sector operators who formed the bulk of the informal sector and could hardly access the formal banking sector began to be introduced to non-formal banking services which increased their level of activity, productivity and to some extent their employment generation capacities. Government also established the Agricultural Development Bank (ADB) in 1965 specifically to address the financial needs of the agricultural sector. Its total fund allocation to agriculture was 65% of its total portfolio (www.agricbank.com, accessed July, 2010). However, “the share of smallholder credit in ADB’s total lending declined to 15 per cent in 1992, while the share of lending to agriculture fell to 30 per cent,” and short-term loans accounted for some 80% of lending (Nissanke and Aryeetey, p.63) cited in Steel and Andah 2003.

Originally, Rural and Community Banks (RCBs) as microfinance institutions provided commercial loans to individuals or groups, often related to agriculture (Steel & Andah, 2003). The situation has since changed and RCBs have also adopted other microfinance lending methodologies of NGOs

whose motive of interest and risk reduction appear paramount. This has been to the detriment of crop farmers considering the weekly repayment schedules mostly adopted. The Ghana Poverty Reduction Project end of project completion report (GPRP PCR, 2005) also indicated that microfinance capitalization provided to 33 microfinance institutions for on-lending to crop farmers and micro enterprise operators under the Project benefited mostly the microenterprises. Indeed only 7% of their on-lending portfolio went to agriculture. This was in spite of the fact that the project through the MFIs also specifically sought to assist substantially, agricultural production.

These have invariably led to low levels micro financial services to micro and small scale crop farmers. Official statistics indicate that the agriculture sector contributes as much as 40 percent of GDP and employs about 60 percent of the productive workforce though it is operating at just 20 percent of its potential (Asenso Okyere, 2001). For a sector to have such vast potential and yet operating at just 20% of that potential provides a basis for further investigation to establish the reasons for such disparity and the reduced financial attention to the sector.

Farmers also still rely on the old traditional methods of farming using simple tools such as cutlasses and hoes and are highly dependent on rainfall for crop production. Moreover, farming is still practiced at the subsistence level mostly without the business urge. Only a few of the farmers rely on intermediate technology using tractor services, animal drawn implements and irrigation. Dan Gardner (2008, www.africanagricultureblog.com,) wrote about African agricultural practices thus “the problem is that the technologies used by these farmers are the same they've used for centuries, if not millennia. No matter how long or hard they work with these unimproved technologies, their productivity will remain constrained and their incomes will scarcely rise." This missing link may improve access to financial services by farmers and will provide a basis for further investigation.

1.2.1 Research questions

In defining the study and to put the research work in context, the research questions below were posed;

1. How does the availability of different micro finance institutions affect the delivery of micro finance services to crop farmers?
2. What reasons do Microfinance institutions adduce for declining microfinance services to crop farmers in the district and how does farm size affect accessibility to microfinance?
3. Does access to business development services, technological application and extension services play any role in enhancing access to micro financial services?

1.2.2 Hypotheses

Following from the above, the study seeks to test the following hypothesis;

1. Access to micro finance service improves with increased acreage cultivated by a farmer.

1.3 Objectives

1.3.1 General Objectives

The general objective of this study is to establish the extent to which microfinance institutions' services are accessible to crop farmers and the underlying factors influencing the delivery in Somanya in the Yilo Krobo District.

The specific objectives of the research are four fold and are as follows;

1. Identify the types of microfinance institutions operating within Somanya and ascertain the types of microfinance products available to crop farmers.

2. Establish the reasons behind the lack of interest by microfinance institutions to advance micro loans to agricultural sector based activity operators.
3. Find out the extent of inaccessibility to micro credit suffered by agriculture sector operators.
4. Ascertain the extent to which the availability or otherwise of technological application, Business Development Services and Extension services affect crop farmers' access to microfinance

1.4. The Microfinance Delivery Context

Microfinance as defined has become a policy focus of the government of Ghana, and for that matter many developing countries across the world as a panacea for poverty reduction. The person credited with spearheading the re-awakening of the microfinance movement, Professor Mohammed Yunus through the Grameen model exemplified how microfinance can operate based on group understanding and the solidarity of the group serving as its strongest asset to gaining access to microcredit. Within the context of the topic under research, the delivery context refers basically to accessibility whether as individuals or as a group without necessarily basing on the Grameen solidarity group lending methodology. Access is considered in terms of a farmer's ability to obtain micro financial assistance whether in a group or as an individual. Strictly however, this work simply considers only access and not the manner it is acquired.

1.5 Importance of the Study

Agriculture has been the main stay of the economy of Ghana, employing about 60% of the country's workforce and contributing about 40% of Gross Domestic Product (GDP) (Asenso-

Okyere, 2001). The above statistics on the surface presupposes that there is something fundamentally wrong with the agricultural sector considering the fact that about 60% of the workforce could only produce 40% of GDP. According to the Ghana Living Standards Survey (GLSS) round 4, most agricultural sector operators are small holder subsistence farmers who produce purely for household consumption with the commercial motive totally non-existent. It also estimates that about 2,740,000 households in Ghana own or operate a farm or keep livestock.

However, it appears those who had any idea of going into any medium scale commercial farming venture are frustrated because they mostly lack the financial wherewithal to execute whatever plans they have. The necessary governmental assistance in terms of finance and policy backing has not been forthcoming hence most crop farmers have remained at the subsistence level. The study therefore seeks to establish the difficulties that are encountered by potential beneficiaries of any form of financial assistance – be it government or non governmental as well as from the angle of the financial institutions and what needs to be done to ensure that micro financial assistance services is accessible to crop farmers in Somanya in the Yilo Krobo district of the Eastern Region.

It is also significant because it could provide a basis for some policy decisions which could affect positively this sector of the economy thereby creating and sustaining employment for the vast majority of practitioners.

1.6 Scope and Definition

The research will, in terms of scope, be limited to the Yilo Krobo district specifically in the district capital of Somanya and Akorley Odjam, a neighbouring village near Somanya. This area comprises of smaller suburbs like Plau, Ogome, Sawyer, Trom, Sra, Salosi, Okwenya among other

smaller suburbs. It must be indicated that farming activities cut across the whole length and breadth of the Yilo Krobo district and much of the small scale farming takes place around the upper regions of the district namely Klo Agogo, Nsutapong, Wurapong, Boti areas etc (YKDA MTDP, 2006-2009). Farming that occurs around the Somanya area enjoys much more technical support compared to those of the other areas of the district and more commercialized comparatively. Due to this reason also, farming around this area enjoys much easier and better financing from financial institutions in terms of the provision of loans and other technical services that will enable them produce better output (District Directorate of Agriculture 2005 Annual report). With this background therefore, it will be interesting to observe the extent to which these services are available to these groups. It must also be mentioned that although extensive field research was carried out within Somanya, other adjoining towns sharing boundaries with it were also covered in the research. This is because while those farmers lived in Somanya itself they practiced their farming outside the Somanya jurisdiction.

1.7 Organisation of the study

The study is organised into five chapters.

Chapter one provides the introduction and background to this study. It explores the inception of the concept of microfinance and the mode of its delivery. It also discusses the objectives of the study and gives an indication of what it intends to investigate in the form of research questions.

Chapter two explores theory and conceptual framework of the study. This is intended to explain the theory behind this study as well as review and discuss various literatures on the topic. The conceptual framework within which the study is situated is also explained to support the work.

Chapter three is devoted to discussing the methodology adopted for the study. It looks at the research design and data sources for the study. It also explains the sampling procedures used for the primary data collection.

In chapter four, the study area or location is profiled to enable the contextualisation of the research results. It provides an analysis of the results on beneficiaries and microfinance institutions. The analysis of the results of the beneficiaries is conducted together with the results of the microfinance institutions.

The final chapter provides a summary of the findings, conclusions and recommendations.

CHAPTER TWO

Literature Review

2.1 Introduction

This chapter explores the theoretical foundations of this study. It reviews and discusses published work of other authors in the subject area of this research and the knowledge contribution to this topic which will also inform this study. It also sets the tone for developing the conceptual framework, the methodology adopted and the results of the study. It explores the potential of microfinance as a poverty reduction tool in general and narrows down to the specifics of access by agricultural sector operators.

2.2.1 Microfinance as a poverty reduction tool

Poverty is one of the major problems confronting developing countries today and is at the centre of development policy. It is no surprise that the World Bank (2001) chose the theme : *Attacking Poverty* in its development report in which it is estimated that of the world's 6 billion people; 2.8 billion live on less than US\$2 a day and 1.2 billion on less than US\$1 a day in the 21st Century. Of the latter, 43.5 percent are in South Asia, 24.3 percent are in Sub-Saharan Africa and 23.2 percent are in East Asia and the Pacific. The World Bank (2001) also observes that poverty in developing countries is shifting toward South Asia and Sub-Saharan Africa. One of the identified means for addressing the alarming poverty rates is the use of microfinance to empower people.

The major objectives of micro credit schemes are: (i) to stop the exploitation of the poor caused by expensive informal credit; (ii) to provide small loans to poor people at relatively lower cost as compared to accessible informal loans; (iii) to finance economically and socially viable projects that cannot be financed otherwise; (iv) to empower women within households as decision makers

and in society through active economic participation; (v) to create maximum employment opportunities; (vi) to create self sufficient and self-employed people and most importantly (vii) to reduce poverty, accelerate growth and improve the living standards on sustainable basis. Microfinance could therefore be deemed to be a failure if the critical mass of the working population considered to be poor yet making very significant contribution to the well being of society is ignored in terms of provision of credit.

Hulme and Mosley (1996) however indicate in their findings in a study to ascertain the poverty reduction effect of microfinance that poor households do not benefit from microfinance; it is only non-poor borrowers (with incomes above poverty lines) who can do well with microfinance and enjoy sizable positive impacts. The findings also mentions that a vast majority of those with starting incomes below the poverty line actually ended up with less incremental income after getting micro-loans, as compared to a control group which did not get such loans.

2.2.2 Microfinance and Agriculture

Microcredit has been touted as a panacea to alleviate the myriad of problems faced by production-based, especially agricultural sector operators. The widely held argument in development economics literature is that formal credit markets tend to fail the poor due to the collateral requirements which the poor are unable to satisfy and due to the belief that the incentives to repay for the poor are limited given the associated asymmetric information and high monitoring costs of micro individual borrowers (Hulme and Mosley, 1996; Ray, 1998).

Production/agricultural credit is still very important in rural areas. It is useful to foster greater linkages between farmers and the financial and real markets, by developing value chains in rural

areas to expand rural finance. Such developments require an enabling environment in which private sector growth is not discouraged.

The Sustainable Development and Poverty Reduction Programme (SDPRP Paper, 2002) cited in Gobezie and Garber (2007) observed that for agriculture to continue serving as an engine of growth in the coming years through the domestic economy and international trade, there has to be progress in terms of commercialization, with more intensive farming, increasing proportion of marketable output and correspondingly decreasing ratios of production for own consumption. Aside from deepening technological progress, it will mean greater market interaction on the part of the farmer, more research and extension, application of inputs, irrigation, production of tools and equipment, etc. Extension of credit to the small farmer has to gain importance with commercialization of agriculture and give impetus to the establishment of rural banks.

As low-income countries attempted to develop their agricultural sectors after World War II, rural finance also emerged as a large concern. Large state agricultural banks were given the responsibility for allocating funds, with the hope that providing subsidized credit would induce farmers to irrigate, apply fertilizers, and adopt new crop varieties and technologies (e.g., Reserve Bank of India, 1954). The hope was to increase land productivity, increase labour demand and thereby increase agricultural wages.

Khandker and Faruquee (2001) argue that the importance of micro credit to farmers cannot be underestimated. Micro credit help transform the unproductive traditional farming using simple tools and implements into modern techniques. It also enables poor farmers to acquire farm machineries and equipment that can help them to increase their acreage and reduce the seasonal nature of agric. Indeed the two agree that the provision of credit could enable poor farmers to use essential inputs such as fertilizers, improved seeds, insecticides etc.

According to Brown (1986), agricultural credit can be one of the most effective ways of using finance for development; it helps smooth consumption, increases new investments and enhances the adoption of new technologies. Poor farmers would also be able to offer higher returns. This is based on the assumption that additional funds to poor farmers generate more profit per cedi than the rich. Moreover, impact of the credit is higher for the poor farmer than to the medium or large scale farmer and is based on the assertion that capital is more productive where it is poor.

2.2.3 Microfinance and farmer accessibility

Access to financial services can be seen as a public good that is essential to enable people to participate in the benefits of a modern, market-based economy – analogous to access to safe water, basic health services, and primary education (Peachey and Roe, 2004). Microfinance initiatives have emerged as an alternative to the well documented failures of government rural credit schemes to reach small farmers (Hulme and Mosley, 1996) and the formal banking sector to provide services to low-income households (Arsun and Hulme, 2008).

Rural banks have served as a medium for easy accessibility to poor rural farmers and other micro enterprise operators. Dell'Amore (1975) states that the absolute mass of the very poor live in the rural areas. This he said was basically made up of small farmers and landless labourers. Asiedu Mante (2001) estimates that about 66% of the population live in rural areas with agriculture as their main occupation. In terms of national distribution, 72% of the poor live in the rural area (GSS 1995). According to Brown, (1986), credit is considered as the most critical factor in the Ghanaian farming situation and not land as the case may be in other countries.

However, low repayment of agriculture loans appears to be one factor influencing the decisions of micro credit providers against lending in the agricultural sector. Historically in many countries in Asia, the rate of repayment of agriculture loans is very dismal indeed. In Bangladesh, for example, repayment rate of agriculture credit between 1990-91 through 1998-1999 ranged from 12.31 per cent to 27.35 per cent. Such rates of recovery serve as a disincentive to microfinance practitioners to continuously disburse credit to the sector.

These documented failures notwithstanding, Chirwa (2002) mentions that in Malawi, the government instituted measures that sought to enhance the performance of the agricultural sector. In this direction, several programmes were launched to ensure the effective disbursement of credit funds to the productive poor in the country. These interventions include provision of farm input credit, provision of credit for income generating activities, food for work programmes and public works employment programmes. According to Buckley (1996), the launching of four Agricultural Development Projects in 1968 and the National Rural Development Programme (that led to the creation of Agricultural Development Divisions) in 1978 provided the conduit for extending the credit facilities nation-wide as a way of improving agricultural productivity through the provision of input loans. It is within this framework that the Smallholder Agricultural Credit Administration (SACA) was created in the Ministry of Agriculture in 1987 in Malawi.

SACA's lending facilities were based on farmer's clubs with an average of twenty-six members with the joint liability concept supplemented by a security fund governing the modus operandi of financial services. Comparative to the Bangladeshi experience the repayment performance of SACA was impressive with repayments rates between 1968 and 1984 being above 96 percent and between 1985 and 1990 being above 79 percent

The Malawian experiment clearly demonstrates how state intervention in the micro credit sub-sector could positively affect the productive capacity of the poor living on microcredit. Chirwa (2002), however indicates that the eventual failure of the state led micro-credit intervention as exemplified by the Smallholder Agricultural Credit Administration (SACA) was as a result of political intervention.

Innovative individual-based credit programs also number among the outstanding examples of sustainability in microcredit. Although a large share of the world's poor depends on agriculture for their livelihoods, and most microcredit providers specifically target the poor, relatively few group-based programs worldwide provide credit for agricultural production.

Hakim, (2004) looks at the subject in more detail and adduces reasons for the apparent disinterest by microfinance institutions to advance credit to the agricultural sector. He postulates that in reality, all categories of farmers need credit - small and marginal farmers need most. Historically, with some few exceptions, micro credit programmes have not addressed the credit needs of small and marginal farmers - apparently because small and marginal farmers have not been in the priority list of micro credit providers. Providers, for obvious reasons, have been more concerned with the 'to-day's poor'.

It appears that micro credit providers consider investment in agriculture risky. Traditionally agriculture was dependent on the whims of nature -- it was vulnerable to floods, draughts and pest attacks. So micro credit providers do not want to risk their investment in agriculture. Agricultural loans are usually perceived as being less sound because of the production and marketing risks involved (Nagarajan and Meyer, 2005).

Seasonality of agricultural production appears to be another factor dissuading micro credit providers to advance credit to agriculture sector. It is perceived that since return on investment in agriculture has seasonal lags from 3 months to 12 months, agricultural borrowers will not be able to repay loans in weekly instalments, and will not be able to make weekly savings - two prominent norms of micro credit lending. The likely consequences of this could be: (a) loan default; (b) reduction in loan revolving rate -- reducing interest income; and non or no mobilisation of savings which are used indirectly as collateral and as revolving loan funds.

Micro credit providers also seem to consider agriculture as a technical occupation funding for which would need technically qualified credit officers and workers. Since they do not generally have technically qualified credit staff, they have refrained from funding to the agriculture sector.

A typical micro loan is very small and made for a short term at interest rates higher than most commercial bank rates. These loans are often secured only by peer guarantees but some MFIs also accept as collateral, household goods and other assets of high value to their clients. Loan payments are collected frequently to ensure close client monitoring. Incentives are built-in, and clients who maintain good repayment records are rewarded with larger (almost automatic) repeat loans. For some lenders, the size of the first and repeat loans is set according to a pre-determined formula. These techniques stand in sharp contrast to the old paradigm's agricultural credit projects, which often made large and long term loans primarily to finance agriculture activities based on collateral.

Hauge (2002) also observed that small farmers are more spatially dispersed than other micro entrepreneurs, so small groups and frequent meetings cost more travel time, and they face longer investment-return cycles, so frequent installments are difficult to pay. Perhaps most importantly, because their incomes are more likely to be highly correlated due to common weather and pest

problems, mutual insurance may become a liability, rather than an asset of group-based methods. Strict joint liability (stopping all future credit to groups with any loan in default) could even scare off poor farmers with low risk-bearing capacity or induce whole groups to default rather than pool funds from their own reduced incomes to repay the loans of defaulting members.

Risk factors are therefore very critical to accessibility. Stiglitz and Ghatak (1970) allow for varying levels of joint liability and show that at low levels it improves the result by inducing borrowers to, respectively, choose lower-risk investment projects (suppressing moral hazard) and form groups homogeneous in members' default risk (preventing adverse selection).

Hulme and Mosley (1996) also suggested that credit is only one factor in the generation of income or output. There are other complementary factors, crucial for making credit more productive. Among them, the most important is recipient's entrepreneurial skills. Banerjee *et al*, cited in (Chowdhury, 2009) also point to this factor as critical in ensuring that microfinance works to reduce poverty.

CGAP / IFAD (2006) stated that "agricultural finance is notoriously risky". The report indicated that many farmers need credit to purchase seeds and other inputs, as well as to harvest, process, market and transport their crops. While borrowing on the basis of anticipated crop production might seem logical where collateral assets are few, such loans expose the lender to production and price risk. Natural disaster, a decline in market prices, unexpectedly low yields, the lack of a buyer, or loss due to poor storage conditions are only some of the factors that can result in lower than expected revenues. Such a fall in revenues can often lead to high default rates on agricultural loans.

Confianza, one of the microfinance institutions that was featured in the CGAP/IFAD studies in ensuring that default was discouraged implemented stricter lending requirements and stated that “households dependent on a single crop or lacking irrigation were excluded”.

2.2.4 Discussion and conclusion

Access to microfinance services by crop farmers is restricted though several institutions including governments have attempted to make it more accessible. This is in spite of the fact that it is highly acknowledged that it is a powerful tool for poverty reduction. The very problem microfinance is aimed at resolving by provisioning for the poor is restricted due to collateral demands of institutions responsible for disbursing microcredit funds. On the other hand, relatively endowed entrepreneurs are enjoying the benefits of the microcredit to the detriment of people under the poverty line.

Various commentators on the topic including Garber & Gobezie (2007) and Kandkher & Faruquee (2001) also acknowledge the importance of microcredit to the growth of the informal agriculture sector and its ability to enhance its productivity by ensuring the availability of relevant funding for its development. A notable difficulty which the literature also sites is the fact that most agricultural productivity lacks in commercialization as a result of inadequate technological application and the relevant entrepreneurial skills for the identification of opportunities in the value chain. This is a major gap that needs to be addressed to enable farmers develop faster.

The literature also acknowledges difficulties in accessibility to microcredit and the associated risk factors which facilitates the inaccessibility. Agriculture in the main is considered by financial sector operators as a risky investment. These factors include the seasonality factor, repayment difficulties, general default, inadequate agricultural infrastructure to facilitate all year round production, political intervention and to some extent the lack of entrepreneurial skills. In order to

ensure the mitigation of these effects, some microfinance institutions have adopted other innovative means to advance microcredit to farmers with some degree of success. The SACA in Malawi is cited as a perfect example of innovative agricultural financing model which did so well but collapsed eventually as a result of political interference.

Though the literature identifies the major factors leading to inaccessibility, it does not provide enough remedial measures on the way forward to increasing accessibility by poor crop farmers to microfinance services to enhance their productivity. This study therefore seeks to look at the effect three main factors namely provision of Business Development Services, Agricultural Extension Services and the application of modern Technology would have on farmers accessibility.

2.3 Conceptual Framework

The concept of Microcredit accessibility is as much about money as it is about information through extension services. It is also about entrepreneurship as provided by business development service (BDS) providers and technological application to relevant farming activities which could boost production. With sustainability and non-dependence on external resources being key to the growth of micro credit programmes, the concept of microcredit/ micro financing by implication also has to do with repayment which necessarily will have its default problems.

Default has been a big issue because the financial sustainability of every micro credit scheme depends on its ability to recoup its investments in their clients who are expected to pay back their loans with the approved interests. Lowering the default rate therefore becomes a central pillar in the operational scheme of micro finance institutions. The rate of default among a particular professional farming grouping will therefore affect the subsequent accessibility of that group to further micro financial assistance especially when it becomes persistent.

The above notwithstanding, there are major challenges that may militate against access of the poor to micro financial services and is encapsulated in the conceptual framework in figure 1.

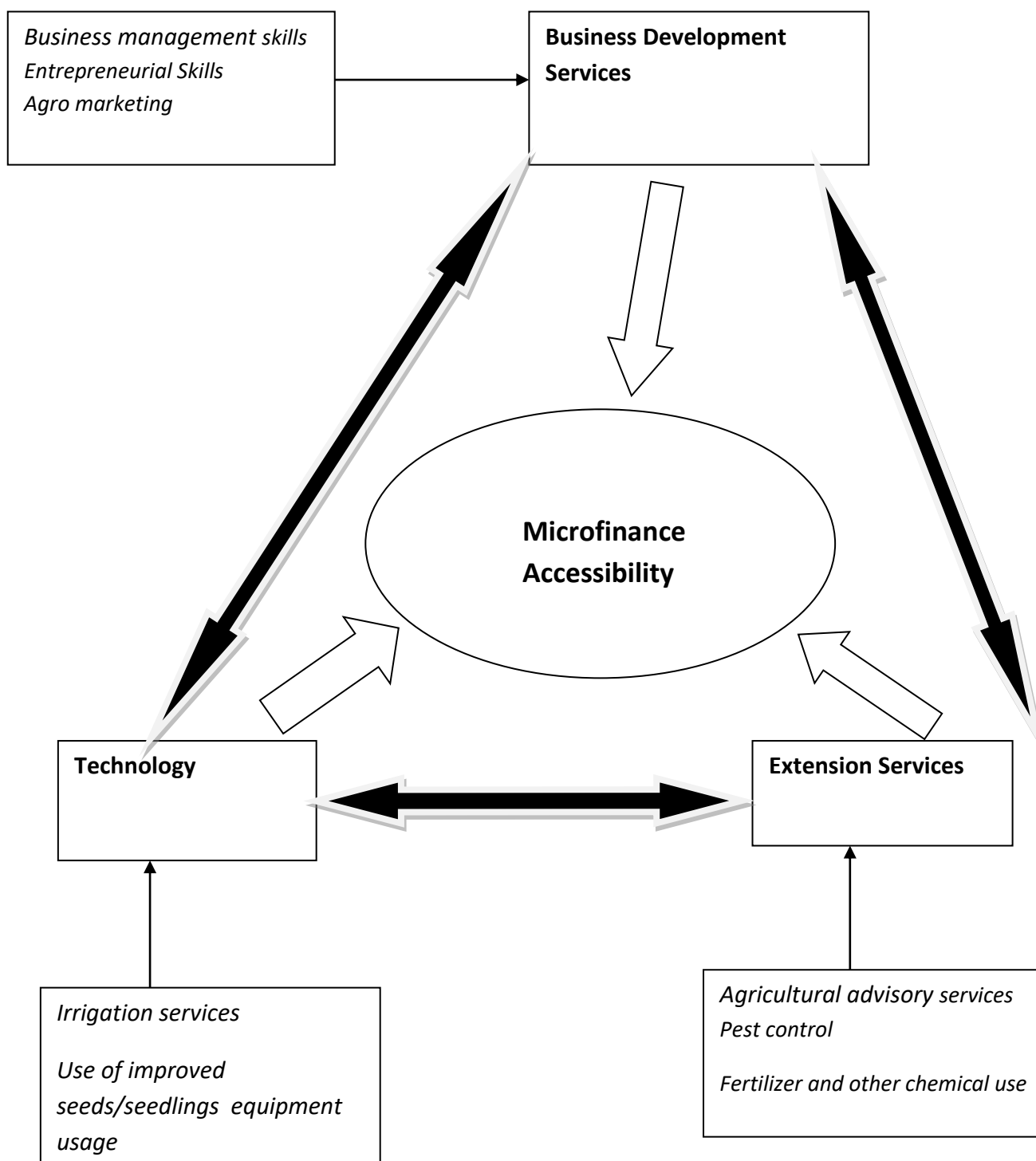


Figure 1. Conceptual framework on factors affecting credit delivery to crop farmers

2.4 Definition of concepts

The concept definition allows for the operationalisation of the various concepts used in the research question as well as the conceptual framework. It enables the conversion of the concepts into measurable variables which would lend itself to analysis. The key concepts under consideration here include 'microfinance', 'access' and crop farmers as used in the research topic, Business development services, technology and extension services as used in the framework.

Agricultural extension was once known as the application of scientific research and new knowledge to agricultural practices through farmer education. The field of extension now encompasses a wider range of communication and learning activities organised for rural people by professionals from different disciplines, including agriculture, agricultural marketing among others. No doubt, extension services are essential for every crop farmer whether the produce is purely for household consumption or for commercial purposes. Crop farming is much a business as any merchandise engagement hence must be operated with the right business strategy if one is engaged in this for commercial purposes.

Business development is about bringing discontinuity in the identifiably negative factors in the normal operations of an organization. It's about bringing, doing or developing new things the farmer or the individual entrepreneur didn't do before. Incremental developments rather than disruptive are to be considered and this entails developments which increase the functionality of an existing platform or technology which will ensure a boost in the direction of production. These services among others will include entrepreneurial skills and business management skills.

Technology refers to the application of modernity to the advancement of an endeavour in a manner that reduces the drudgery associated with it while at the same time ensuring that there is an improvement in the output to which it is applied. Farming is a technical occupation which has

remained at the subsistence level and mostly practised by the poor. Inputs that will enhance productivity has generally remained inaccessible and farming is mostly done at the whims of the weather. Irrigation that will ensure an all year round productivity and controlled supply of produce is not developed and the hoe and cutlass use is still rampant though with funding, the system could improve as well as the application of appropriate chemicals.

2.5 Linkages in the concepts

Microfinance plays an important role in ensuring that the key factors identified; being technology, business development services and agricultural extension services creates the opportunity for increased productivity. From the framework, the three factors need necessarily be in place to create the opportunities. Accessibility to microfinance services is expected to increase if a crop farmer has access to these factors as a boost to productivity. A Microfinance institution would therefore provide financial intermediation to crop farmers with access to these services as a demonstration of proper management and business operation guarantee. The level of risk will therefore be assumed to be low with proper management as well as assurance of effective disposal of produce and subsequent repayment of credit facilities.

CHAPTER THREE

Methodology

3.1 Introduction

This chapter explains the methodology adopted for this study. It provides an understanding of the design of the study and data sources used. It describes the sampling procedure adopted for the primary data collection and discusses among others, the ethical issues of consideration in the study.

3.2 *Research design*

The research design adopted in this study was the survey design where data was collected using the survey method of self administered semi-structured questionnaires to sampled respondents.

3.3 *Study population*

Population in this context refers to the entire farmers operating in Somanya. The sample frame is therefore obtained from this population out of which the sample can also be taken. Most of the farmers in Somanya are already grouped as Farmer Based Organisations (FBOs) in areas classified as Zones by the District Directorate of Agriculture to facilitate easy working with them. The sample frame for this study was therefore all these already zoned farmers in Somanya and all financial institutions (FIs) engaged in microfinance activities in Somanya. The sample frame was made up of three distinct zonal groupings with the three groups making a total of one hundred and fifty-five members (155). The sample size was then taken from this sample frame. It must be noted that the zonal nature of the sample frame notwithstanding, the study was not a comparative study of the performance of the zones in terms of access by farmers in the different zones. Rather, it focuses attention on general access by farmers irrespective of the operational jurisdiction of the

individual farmer. The list of farmers in the various zones was obtained from the district directorate of agriculture in Somanya.

Zone one had most of their members farming along the Akorley and Trom areas and had a membership of fifty-five (55). Zone two comprised mostly of farmers operating at Trom, along the Trom-Adukrom road and Sra areas and has a membership of fifty-seven (57) while the third zone operates around the Okwenya area along the Plau - Akuse road with a membership of forty-three (43).

The area has four main MFIs operating which include Krabban Support Foundation, Manya Rural Bank, Upper Manya Kilo Rural Bank, and Enowid Foundation.

3.4 Sampling Design

The study basically is a situational assessment which used a two-stage sampling design of simple random sampling combined with cluster sampling to select the sample size from the sample frame. The study covers all crop farmers who have knowledge about microfinance institutions and is a recognised zonal member, are microfinance beneficiaries or have attempted to obtain microcredit from micro finance institutions in Somanya and also with knowledge of microfinance institutions.

It also covers microfinance institutions providing general financial services including agricultural credit to farmers. The samples were clustered according to the existing groupings they have which makes it easier for extension officers to reach them. The microfinance institutions also served as a single cluster. All the microfinance institutions were interviewed because they were just a few with an insignificant sample error. Simple random sampling was used to select beneficiary respondents for the study. 20% of the crop farmers were sampled randomly for the purposes of the study.

Though 10% was initially considered, the 20% was seen as more representative in view of the small number of cases or sample frame under consideration. For each of the three zones, 11, 11 and 9 respondents were interviewed respectively. 20% sample size in absolute terms in relation to this study may appear low but nonetheless can be generalised to the population from which it was obtained. This is because relative to the sample frame, it could be said to be large enough and fairly representative of the population. This is in spite of the fact that it may be argued that increasing the size of the sample increases the precision of the sample. Though this may also not be entirely true it is generally agreed that the larger the sample size the less the sample error though.

3.5 Data Sources

Two data sources were used in this study. Primary data was gathered from sampled respondents – microfinance institutions (MFI) and crop farmers - directly from the field as well as primary source documents from relevant primary source institutions including the district directorates of Agriculture, Health and Education. Secondary data was also gathered from secondary source documents like the district poverty profiles as compiled and contained in the district's medium term development plan.

3.6 Data Collection

Primary data from both crop farmers and microfinance institutions were collected using a survey questionnaire designed for the purpose. The data collection instrument for both crop farmers and the MFIs was semi-structured to enable further exploration of information supplied to enrich the data gathered.

3.7 Data Analysis

Data handling is an important aspect of the study process to ensure and maintain the integrity of the data collected from the field. Data cleaning and editing was done to sanitise the data collected from the field before any further works. Categories were created for responses to open ended questions and all responses subsequently coded/labelled before data was entered for analysis.

Data was analysed using the Statistical Package for Social Sciences (SPSS). It employed descriptive statistical frequencies, percentages and charts/graphs in the analysis. Cross tabulation and correlation analysis was also used to analyse critical variables that demonstrate important characteristics that lend itself to further analysis and to establish critical relationships between variables.

3.8 Pre-testing, ethical issues and risk analysis

The research instrument was pre-tested prior to its actual administration to survey and obtain reaction of potential respondents to the research instrument. This allowed for revision and finalisation of the research instrument. Indeed the pre-testing proved very beneficial as it actually did expose some weaknesses of the research instrument and caused some insertions and deletions. Concerns which were not relevant and those that have been missed during the preparatory stage were all taken into consideration at this stage and any ambiguity that existed were clarified.

Conscious effort was made to take into consideration all ethical issues that may crop up during the survey. Sensitivity was placed on cultural values and practice, religious beliefs and care was taken to ensure that effective rapport was established before any engagement. In this vain all other risk factors were analysed and adequate measures taken to forestall it.

CHAPTER FOUR

Analysis and Discussion

4.1 Introduction

This chapter provides an indepth profile of the area where the research was conducted. It also provides analysis and discussion of data collected from crop farmers and the microfinance institutions. The analysis is clearly segmented according to the four main objectives of this study as indicated in chapter one of this dissertation. Though data was collected based on zones, the analysis was conducted in aggregate form since the study did not set out to do a comparative study of the performance of the various zonal groupings. The zonal data collection adopted was to facilitate easy access to sampled respondents for the study.

4.2 Brief District Profile of Yilo Krobo and the Research Area

4.2.1 *The District Boundaries*

Yilo Krobo District is one of the seventeen districts of the Eastern Region of Ghana and is one of the many rural districts of the 168 Metropolitan, Municipal and District Assemblies (MMDAs) of Ghana. The District is estimated to cover an area of 805 sq km and shares boundaries with Manya Krobo District in the North and East, Dangme West and Akwapim North Districts in the South; New Juabeng, East Akim and Fanteakwa Districts in the West.

4.2.2 *Population*

According to the 2000 population census, the district population was estimated at 86,107. This represents a 4.1% increase over the population of 1984. With an estimated growth rate of 2.6% per annum, the district's population is currently estimated at 100,000+. The population distribution of

the district indicates a high population dependency ratio of 47.52%. This is made up of 39.07% in the 0-14 age population category with 8.45% being above 60 years. This high dependency ratio has implications for planning as well as for the productivity of the district. This is because the group in the 0-14 age bracket which forms the bulk of the dependent population will soon join the economically productive age to enhance the manpower base of the district. This comes with its own challenges as the district itself is still battling with the problem of high level unemployment. While investment in the district is low, an increased economically active population without jobs could increase the menace of social vices. It is also tasking on the infrastructural demands of the district and an increase and high demand for social services and health facilities.

The district has a fairly large population density of 107 persons per square kilometre compared to the national average of 99 persons per square kilometre. The district is predominantly rural with more than 67% of its population living in the rural part of the district. The average household size for the district is 4.9 persons. Though the household size appears favourable comparatively, only six (6) settlements in the district has population of over five hundred (500) with the rest distributed among the small villages numbering over two hundred and thirty (230).

4.2.3 Ethnicity and Culture

The Krobos are a distinct group of people who moved to their present location in 1852 when the British are alleged to have thrown a bomb into their midst as a result of dissent and their refusal to obey the authority of the British colonial masters who inherited the area from the Danes when they lived on the Krobo Mountains. This is according to oral tradition transmitted by Paddy Ologo, secretary to the Yilo Krobo Traditional Council (2009). According to him the indigenous Krobos

are those from the settlements of Ogome and Plau. However they were later joined by the Denkyira warriors. This was when the Denkyiras were returning from one of their wars through the Akuapem Mountains. The Krobos accepted to accommodate the Denkyiras in return for their assistance in times of war. The Denkyiras who remained there became assimilated into the traditional set up and became known as the Denkyira-Krobos.

It is further narrated that the present chieftaincy institutional set up was brought about by the Denkyiras as the indigenous people at the time were not at all disposed to the type of chieftaincy set up the Denkyiras introduced hence were not in a hurry to assume that role. As a result, a new chieftaincy institution was established and has since been maintained with the current royal lineage being the Denkyira-krobos. The current ruling clan is the Ologo clan with its fourth occupant.

History has it that prior to the arrival of the Denkyiras, the indigenous people of Kroboland lived in the plains when they migrated to Ghana between the 15th and 16th century. However due to the constant threat of attacks from the Akuapems and other tribes, they were eventually forced to seek refuge on the Krobo Mountains with the Manyas. It was not until 1892 when the great descent from the mountains occurred and this event has continued to be celebrated as the Kloyosipklemi Festival (descent from the Krobo Mountains) which replaced the Kotokro Festival. This earlier festival (Kotokro) according to sources was well patronised by people from all walks of life but was also considered highly 'fetish'. Hence with the advent of Christianity, the significance of the festival gradually waned and with time it totally died off. During the celebrations of the kotokro, each division of the paramountcy was expected to perform a stool cleansing ceremony called 'seidum' after which the climax of the festival is held with a grand durbar.

As mentioned above, the krobo speaking ethnic stock are the indigenous people in the District. Distinctively, the Denkyira's who were an Akan speaking people were in the minority and the Krobos constituted the largest proportion of the ethnic groups.

There are other settler tribes of different ethnic backgrounds; these include the Gas, Akans, Ewes, Walas/Dagartis, Moshies, Basares and other numerous smaller tribes. The main languages spoken are Dangme, Twi and English as the official language. This multi-ethnic peaceful co-existence of the indigenes and the other settlers in the District is of unique interest. It creates a very good atmosphere for investment especially where xenophobic attacks is virtually absent.

4.2.4 Economy of the District

Four major economic activities are prevalent in the district with agriculture being the dominant occupation. The other three major ones are Services, Trading and Small Scale Industrial activities. It is estimated that about 58% of the working population is engaged in agricultural activities. Services, Trading (Commerce), and Small Scale Industrial activities employ 18.1%, 12.9% and 7.2% of the working population respectively (Medium Term Development Plan of the district - MTDP 2006-2009). This makes the economy of the district an agrarian one.

According to the MTDP (2006-2009), efforts at promoting economic activities in the District by the District Assembly are not encouraging though it is considered to be picking up as compared to the situation existing around the period 2001. Analysis of the expenditure statement of the assembly for the 2006-2008 revealed that spending by the assembly itself on agriculture and industry was 6% and 0% respectively.

4.2.5 Social Services

“There are ninety-two (92) kindergarten/nursery schools, ninety-six (96) primary schools, forty-two Junior Secondary Schools (JSS), three (3) Senior Secondary Schools (SSS), one technical school and one Teacher Training Institution. Out of the total number of schools in the district, only 48% are in good condition” (MTDP 2006-2009).

As is the national situation, the school participation rate in the district declines as one moves higher the educational ladder with girls witnessing the most decline. School participation rate at the secondary level by the indigenes is very low and this is due largely to the poor performance of pupils graduating from the basic level and a general lack of interest by parents to encourage their wards to further their education. The poverty levels are also considered a factor in the low secondary education participation level.

According to the district educational directorate there are a total of 1,171 teachers in the District. The teacher/pupil ratio is 1:36, 1:27, 1:17 and 1:29 for KG, Primary, J.S.S. and S.S.S. respectively. Comparatively, the teacher/pupil ratio has improved significantly and this has reflected in the positive performance of education in primary, J.S.S. and S.S.S. The performance in primary school for instance has increased from 25% in 2004 to 45% in 2005 while that of the J.S.S. has improved from 44.8% to 47.96%. The performance at the SSS level has also improved from 41.3% in 2004 to 50.4% in 2005, (GES, YKDA).

There is one Technical institution and a rehabilitation centre in the district. These two institutions are grossly inadequate and also not well equipped to take care of the skills training needs of the youth of the district, (MTDP, 2006 – 2009).

4.2.6 Health Care

The district has one major government hospital – the Atua government hospital which serves as a major referral point for all the minor clinics around and it shares common boundary with the Manya Krobo district. The location of the hospital makes it a natural first point for any person from the area especially Somanya due to the easy accessibility. The district health directorate provides that there are Nine (9) reproductive/child health/family planning (MCH) clinics, four (4) CHPS centers, three (3) Private Clinics, one (1) chest clinic (Government owned), three (3) private midwives maternity homes and seventy-two (72) trained traditional birth attendants in the district. The population of this district and the scattered nature of its settlements make these facilities grossly inadequate. Due to the very poor nature of the road network in the district access to these clinics also become a difficult affair.

In terms of the top ten diseases in the district, malaria is the most prevalent. Other diseases that make the top ten include communicable diseases like diarrhoea, cholera, tuberculosis and skin diseases. Others include sexually transmitted diseases (STDs), Hypertension, Diabetes, Mental Illness, and Anaemia in Pregnant women & Malnutrition in Children. HIV/AIDS is also prevalent in the area and much of the infection is believed to be as a result of the promiscuous lifestyle of the youth and by those who have sojourned to areas like Burkina Faso among others for business activities.

Records at the Atua government hospital paint a gloomy picture of the situation of HIV/AIDS in the district. The Atua hospital records notwithstanding, authorities explain that the high incidence of recorded cases of HIV/AIDS is all not attributable to people of the town or from Manya Krobo. Rather the hospital serves as a referral point for HIV patients hence there are a lot of people who report to the hospital from far places especially from the Volta region. Most of the victims according to hospital sources are people of the productive age group of 18 to 40 and this is a serious issue of concern to the district since it creates orphaned children and worsens the developmental challenge.

A major challenge to medical care in the district is the preponderance of people to engage in self medication. The mode of treatment of diseases is mainly through self- medication and the patronage of the services of unqualified ‘health’ personnel or self-styled ‘doctors’ some of whoses activities invariably results in fatalities. The development implication is that the district loses manpower that could otherwise have boosted the productivity of the district. An increased investment in the health infrastructure and personnel could help address the issue. Further sensitisation of the people could help address the issue of the use of the services of quack doctors.

Immunization coverage in the district is however very high and very encouraging.

4.2.7 National Health Insurance Scheme

According to the MTDP of the Assembly, the National Health Insurance Scheme is fully operational in the Yilo Krobo District. A total of 14,870 persons have registered under the scheme as at August, 2006 and are receiving free medical care at designated health centres. It indicates that the current percentage coverage of the scheme is 17% and registration of new members is still on

going. About 5,121 persons have renewed their expired membership while 2,011 are yet to renew theirs.

4.2.8 Water

About 66.9% of the district's population have no access to potable water, but rely on streams, ponds, open wells, etc. indeed this situation is not limited to only the smaller towns and village settlements but also extends to the capital, Somanya. This unfortunate situation increases the potential for the occurrence of water borne diseases. If the district is able to attract other water and sanitation related NGOs which will support in the areas of boreholes in view of its limited resources, this will go a long way to reduce the incidence of water borne diseases in the district.

4.2.9 Agriculture

4.2.9.1 Crop farming

The major economic activity in the district is agricultural production which is also a reflection of the main economic activities in the Eastern Region of Ghana. It also reflects the main economic activity spread of the country which has a total of about 60% of its economically active population being engaged in agriculture. Crop farming is the principal agricultural activity in the Yilo Krobo district and the main crops grown are maize, cassava, yam, cocoyam and plantain. A wide range of vegetables like tomatoes, garden eggs, pepper and okro are also grown. All these crops are cultivated largely on small-scale basis.

The district has however seen the emergence of a few medium scale farms within the last few years. Medium scale plantation crops – (typically mangoes) are gaining much ground as a result of the interventions of the Ministry of Food and Agriculture (MOFA) and some NGOs (e.g. ADRA).

Moreover, with the advent of the Millennium Development Authority (MiDA) or the Compact programme, the mango production has witnessed a massive boost within the district with much technical and financial support to the sub-sector.

4.2.9.2 Livestock farming

Apart from crop farming, livestock farming is also practiced in the district. The practice in the district is such that most of those engaged in cropping are also involved in livestock rearing activities. The main types of livestock reared in the district are cattle, goats, sheep, chicken and pigs. Other areas like grass cutter production, rabbit rearing and fish farming though have the potential to do well as a result of favourable climatic conditions and water bodies as well as ready markets, these are not being explored by the farmers.

4.2.9.3 State of agriculture in the district

According to the district directorate of agriculture, post harvest losses are rampant. Much of the foodstuffs grown by the farmers are lost as a result of poor post harvest technologies which is reflected in poor handling, poor storage, poor pest management, poor harvesting methods, inadequate market/pricing and processing. Tomato losses for instance are estimated at between 35-40 percent and that for maize is estimated at 30-35 percent. These losses are very high and could be halted with the provision of better technical services and provision of processing facilities and silos for storage. The main farming tools used in the district are still hoes and cutlasses. Most of the farmers cannot afford inputs that reduce the need for physical labour. This limits the ability of the farmers to increase the size of their operations.

Although the extension worker to farmer ratio of 1:3000 for the district (District Directorate of Agriculture, 2006) is better than the national ratio of about 1:9000 there is still the need for the

recruitment of more extension staff to augment the efforts of the existing ones. An extension officer to 3000 farmers clearly indicates that most farmers will not obtain the necessary technical assistance to boost production.

Agriculture is mostly practiced by those in the middle ages of 45 years and above. Indeed, over 50% of the farmers are over 45 years. This has serious consequences on the agriculture sector because most of the farming activities will have to be carried out by the weaker part of the population, possibly leading to a drop in production.

Most of the farmers sell their produce to middlemen who, in turn, send them to other marketing centers within and outside the district for sale. However, these middlemen dictate the prices of the agricultural produce. In most cases the prices are unfavourable to the farmers. Even though Farmers complained about this situation, they have no alternative since most of the items they produce are perishables. This is, in fact, a disincentive to the agricultural sector.

4.2.9.4 Irrigation Farming and the use of Implements.

Irrigation as a farming aid and activity is seldom practiced anywhere in the district. This is in spite of the fact that rainfall in the district is unreliable. According to the District directorate of Agriculture they are currently promoting irrigation farming in the district especially for the cultivation of vegetables during the dry season. If this is promoted on a large scale it will greatly enhance the agricultural productivity level of the district as well as the income earning capacity of the farmers which will invariably affect the lives of individuals positively.

Much of the farming is carried out in the old traditional way with the use of hoes and cutlasses as the main farming implements. The few that use the services of hired tractors are mostly those engaged in the cultivation of plantation crops like mangoes.

4.2.10 Human Settlement and State of the Built Environment

There are 237 settlements in the district, out of these, only 25 have populations up to 500 and above, the rest have populations below 500 people. This makes the provision of facilities and services economically not viable since most of the settlements would not have the required threshold to hence the provision of such facilities would be grossly underutilised.

The only urban settlement in the district is the district capital (Somanya). The gap between the population sizes of Somanya (23, 973) and the 3 other large settlements (Nkurakan, Klo-Agogo and Huhunya) combined (7,153) is very wide. With the other settlements in the district mostly in the rural areas coupled with the resource constraints of the district, sighting of educational and health infrastructural facilities become difficult. This therefore calls for a thorough analysis and broader consultation with the direct beneficiaries of any development assistance before the intervention is implemented to ensure that agitations do not become the order of the day. It also therefore means that 'better spatial spread of development intervention is needed to reduce the dominance of Somanya' YKDA MTDP.

4.2.11 The Natural Environmental Situation

The district boasts of two forest reserves. It generally however has a favourable forest-like environment which is conducive for agricultural production. The forest reserves serve as means for the natural conservation of the environment. They also offer potentials for tourism and research as they have rare species, herbal plants and waterfalls. Key among the problems faced with management of these reserves includes illegal felling of trees.

The location of Somanya and the other more populated areas of the district are close to hills. These hills channel run-off water toward these settlements and the lack of good drainage network results

in erosion and frequent flooding of the settlements. As a result, erosion has exposed the foundations of most buildings in the district especially in Somanya and Oterkpolu” (MTDP 2006-2009, Pg 5).

Majority of the households in the district live in dwellings constructed with modern materials. Most of these dwellings are however compound houses, which are potentials for quick spread of communicable diseases, especially cholera hence will require protective care needs.

4.3 Results

4.3.1 Background

Table 1 below provides the gender distribution of respondents.

Table 1. Sex Distribution

Gender	Frequency	Percent
Male	23	74.2
Female	8	25.8
Total	31	100

Source: Survey Data 2009

The study revealed that there are about three times more men than women engaged in crop farming in the district. From the table above, 74.2 % of men are farmers as compared to only 25.8% of women who are engaged in active farming activities. The above situation seem to confirm the long held belief that farming is a male dominated profession and which is believed to be due to the drudgery involved while the women are interested in the marketing aspect of the farming chain process which is considered more female friendly.

4.3.2 Age

Table 2. Age of respondent farmer

Age range	Frequency	Percent
15-24	7	22.6
25-34	5	16.1
35-44	4	12.9
45-54	4	12.9
55-64	5	16.1
65+	6	19.4
Total	31	100

Source: Survey Data 2009

The age of respondent farmers is relevant to the extent that it helps determine the vibrancy and the productivity of this sub sector and gives an indication of the likelihood of microfinance institutions extending agricultural credit. The study sought to identify which age category of people are much more engaged in crop cultivation to feed the populace. Table 2 above presents a description of the findings.

The results bears semblance to the findings of the district directorate of agriculture as presented in the district medium term development plan (2006-2009) which indicated that most of those engaged in agriculture in the district are in the 40-60 year age bracket. This finding creates a worrying picture for the future of agriculture in the area. Indeed about 61.3% of the sampled respondents are aged between the categories of 35-44 to 65+. An encouraging aspect however is that, out of the remaining total of 38.7%, 22.6% are within the age ranges of 15-24. If this is harnessed to remain committed to the sector, their continuous involvement may provide a ray of hope for its growth. These findings also suggests that the youth within the district would prefer

other income generating jobs most probably trading, as a means of employment rather than farming.

4.3.3 Crops cultivated by the farmers

Table 3. Type of crop cultivated

Crop groups	Frequency	Percent
Vegetable crops	5	16.1
Cereals and grains	5	16.1
Tree crops, root and tuber crops	6	19.4
Root and tuber crops, cereals and grains and tree crops	3	9.7
Crops and livestock	2	6.5
Vegetable crops and cereals and grains	8	25.8
Vegetable crops, tree crops, cereals and grains and tuber and root crops	2	6.5
Total	31	100

Source: survey data 2009

Frequency table 3 above provides an indication of the type of crops mainly cultivated by the farmers of Somanya. The type of crop one produces may influence the decision to grant loans to an individual. From the results in table 3 above, those who produce vegetables only, make up 16.1%, same as those producing cereals and grains. There are those who also produce a combination of root and tuber crops mixed with other crops as well. Generally however, most of the farmers

engage in intercropping with other food groups. In sum, 67.8% of the farmers practice mixed cropping.

This means that there is little concentration on production for commercial purposes, therefore little may be gained in terms of sales revenue. There may be a lot of different variety of produce but only in small quantities for consumption purposes. This may not attract buyers from other places to break bulk. The situation as described in table 3 probably explains the manner of disposal of the farm produce as depicted by figure 2.

Figure 2 Mode of disposal of farm produce

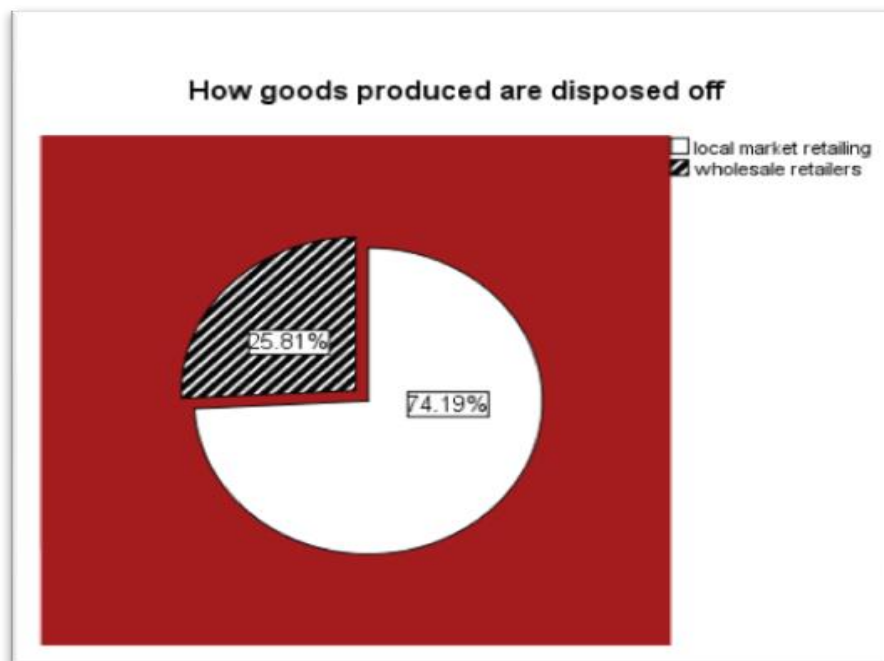


Figure 2 above is a pie chart depicting how farmers mostly dispose off their produce from the farms. Most of the farmers - 74.2%, dispose off their crops on the local market with 25.2% wholesaling their produce to retailers. The export market or production for industry also remains

largely unexplored. Although wholesaling ensures that there is ready and quicker disposal of the produce, activities of middlemen bulk breakers robs the farmers of any meaningful profit on their farming activities whereas the middlemen make all the profit with less work, comparatively.

4.3.4 Farm size

Table 4 below illustrates individual farm sizes of respondents.

Table 4: Farm size

Acreage	Frequency	Percent
≥1acre	4	12.9
2-3acres	16	51.6
4-5acres	1	3.2
6 acres and above	10	32.3
Total	31	100

Source: survey data 2009

It is instructive to note that 51.6% – that is over half the respondents cultivate between 2-3 acres of land while another 32.3% cultivate 6 acres and above. Only 12.9% cultivate ≥1 acres and a further 3.2% corresponding to a single respondent cultivates 4-5 acres. It appears from the results that most of these farmers are currently operating at almost subsistence level and may find it difficult to take advantage of economies of scale. It must however be indicated that with good agricultural practices and necessary financial intermediation among others, a 2-3 acre farm can produce maximum yield of significant proportion. With that level of consistent production the Yilo Krobo district could become one of the country's food baskets.

4.3.5 Farming experience

Majority of the farmers have had considerable years of experience in tilling the land. 35.5% of respondents have been farming for 21 years and above which is an indication of the fact that they have adequate experience, knowledge and professional competence to implement right farming practices to attract increased investment from outside sources.

Table 5. No of years farming experience

	Frequency	Percent
1-5 yrs	8	25.8
6-10 yrs	8	25.8
11-15yrs	3	9.7
16-20yrs	1	3.2
21yrs and above	11	35.5
Total	31	100.00

Source: survey data 2009

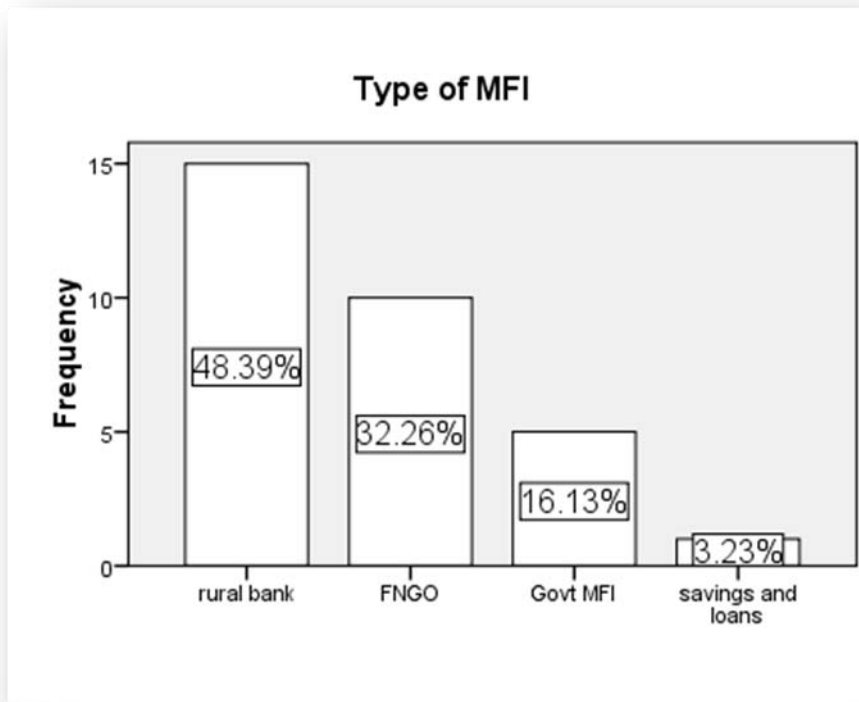
A combined total of 51.6% of respondents have operational farming experience between the age range of 1- 5 years and 6-10 years. However there appears to be a decline in the number of farmers with experiences between 11-15 years and 16-20 years which could suggest that a lot more people do not continue with farming after 10 years. 35.5% also have farming experience of 21 years and above. The analysis show that between age experiences 11-15 years and 16-20 years, there is a sharp decline in farming activities but rises sharply to 35.5% of those with farming experience of 21 years and more. The reason for this rise is not clear and may require further evidence to explain this situation.

4.4 Types of Microfinance Institutions in Somanya.

Ghanaian microfinance institutions fall into three main categories, based on their legal status: formal, semi formal and informal microfinance institutions. Reports have shown that in terms of scale and outreach Financial Non Governmental Organisations (FNGOs) have more reach and possibly depth as compared to government owned and rural banks (**GHAMFIN 2006**). This therefore is considered relevant in determining the likelihood of reach to crop farmers in the area.

The study revealed that there are currently four main types of MFIs the respondents know of as operating within the area namely FNGOs, Rural Banks, Savings and Loans company and Government owned microfinance institutions.

Figure 3. Bar chart illustrating knowledge of existence of types of MFI in Somanya



Source: Survey Data 2009

The knowledge base of the respondents on the existence of these institutions indicate that majority of them 48.39% are aware of the existence of Rural Banks. They are also aware that they provide financial assistance to those in need. 32.26% know of the existence of FNGOs while 16.13% are aware of government operated MFIs.

The knowledge base of respondents on savings and loans companies in the area is quite low and may be reflective of their level of outreach. The high knowledge of rural banks in the area could be attributed to the locational advantage the bank enjoys rather than any serious outreach work conducted by the bank to sensitise and educate potential beneficiaries of the relevance, benefit and facilities available to an individual farmer. This assertion is evidenced by findings indicated below

regarding outreach work conducted by the four types of MFIs identified. The savings and loans company identified is also not having a fully operational office in the Somanya area to increase their reach but conducts periodic visits which do not help to sustain farmer knowledge of their existence and product line for easy client access. FNGOS are quite known while government programmes also seem to enjoy some popularity. The government programmes they mostly seem to know of are the now defunct poverty alleviation fund and the fairly new MASLOC which is operated nationwide.

Table 6. Background information on type of MFIs and products

Variables	Krabban Support Foundation	Enowid Foundation	Manya Krobo Rural Bank	Upper Manya Kroo Rural Bank
Operational experience	12yrs	11yrs	30yrs	27yrs
Type of MFI	FNGO	FNGO	Rural bank	Rural bank
Type of service	Microfinance	Microfinance	Microfinance, commercial banking	Microfinance, commercial banking
Categories of clients	Petty traders, crop farmers	Petty traders, crop farmers	Petty traders, crop farmers, salaried workers, businessmen	Petty traders, crop farmers, salaried workers, businessmen
Specific farmer products	Yes	Yes	Yes	Yes

Source: Survey data, 2009

The four MFIs that were sampled also have varying degrees of operational experience with the rural banks looking the more established. All sampled institutions are engaged in micro financing

but the rural banks are also engaged in other forms of commercial banking at the local level. In terms of reach by category of clients, all the four banks have products for farmers and petty traders while the rural banks extend their operations to cover other salaried workers and business men. All the MFIs also have specifically designed product for farmers.

4.5 Why MFIs do not advance loans to Crop Farmers

One of the objectives of the study is to establish the reasons why there is the lack of interest by Microfinance institutions to grant microcredit to crop farmers in Somanya. The analysis is conducted from the perspective of the crop farmers as well as that of the Microfinance Institutions. Details of the findings are as below.

4.5.1 How information about MFI was obtained

Table 7. How farmer obtained information about MFI

Outreach medium	Frequency	Percent
Through the media	2	6.5
MFI's outreach	6	19.4
Through Friends	21	67.7
Personal enquiry	2	6.5
Total	31	100

Source: Survey Data 2009

The source and manner by which information is received could inform potential beneficiary's reaction. The credibility of the informant about the facility also affects the outcome of the possibility of accessing micro loans. It is therefore of relevance to ascertain the source of information to farmers about MFIs in the area and types of products or services available to be

accessed by the farmers. Moreover, the depth of outreach could affect the outcome and could possibly improve access if it is delivered by the MFI itself.

Much of the information on MFI facilities was delivered to respondents through friends rather than through the institutional effort of MFIs. The use of the media by MFIs to reach out to its clientele base was also very limited with only 6.5% of respondents claiming to have heard of an MFI on their local radio station – Rite FM. In terms of direct MFI outreach effort, 19.4% were reached directly by MFIs own specific outreach programme. While 6.5% heard the message through their own personal contact, a whopping 67.7% heard about the message through friends. Though this also suggests that indeed some message is being communicated somehow, the effectiveness of the delivery cannot be guaranteed. It can be said safely, based on the above facts that MFIs are not doing much to reach out to potential clientele.

4.5.2 Nature of difficulty encountered by respondent farmers

Table 8. Nature of difficulty

	Frequency	Percent
Politicisation of loans	8	25.8
High interest rates	1	3.2
Demand for deposits before loans	4	12.9
MFI bureaucracy	7	22.6
N/A	10	32.3
Missing	1	3.2
Total	31	100

Source: Survey Data 2009

Respondent farmers indicated that they do have different forms of challenges in their attempt to access microcredit for their farm activities. According to the results as presented in table 8 above, the nature of difficulty encountered by farmers in an attempt to access the loans ranged from politicisation of the loans, high interest rates to frustrations caused to the clients by the MFIs bureaucratic processes.

The three top difficulties faced by the respondents include politicisation of the loans as mentioned by 25.8% of respondents, MFIs frustrating bureaucratic processes which made up 22.6% while 12.9% thought that the interest rates of the MFIs were prohibitive.

4.5.3 Reasons for refusal of loans

In terms of the reasons for refusal of the loan facility, the research revealed that more often than not, no reasons are provided by the MFIs when the loans are refused. Table 9 provides categorised reasons as provided by the respondents.

Table 9. Reasons for refusal

	Frequency	Percent
No reason	16	51.6
Credit unworthiness of farmers	4	12.9
Farm too small	1	3.2
Too many beneficiaries	2	6.5
N/A	8	25.8
Total	31	100

Source: Survey Data 2009

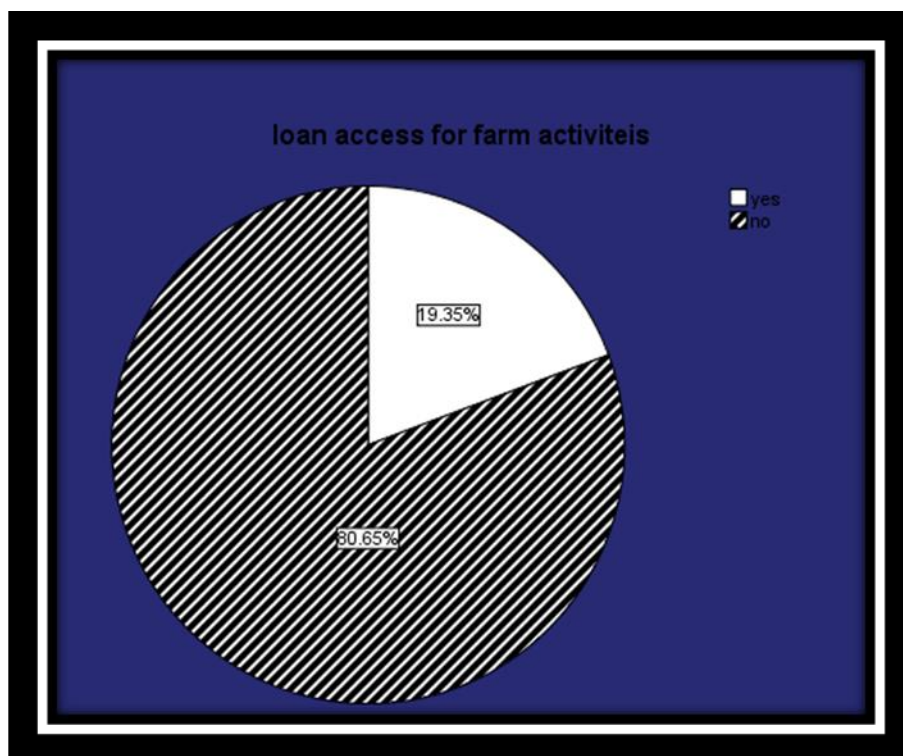
It suggests that microfinance institutions are more likely to provide no reason for refusing to provide loans to their farmer clientele as indicated by 51.6% of the respondents. 12.9% said the MFIs sighted farmers as not creditworthy. Contrary to popularly held opinion, the size of the farms were not an issue for MFIs as only one respondent suggested that the size of the farm was an issue of consideration hence the refusal to grant the loans.

4.6 Extent of inaccessibility to micro credit suffered by production and agriculture sector operators.

4.6.1 Extent of Access to loans

The study sought to establish the extent to which crop farmers are denied access to credit facilities by microfinance institutions. When respondents were asked as to whether they have ever accessed loans for their farm activities only 19.35% of the total respondents responded in the affirmative. 80.65% have never had access to loans though they indicated that they do apply sometimes to enable them expand their farms. This finding is a testimony of the extent to which crop farmers in the Somanya area are deprived in terms of financial support for their farming businesses. Indeed majority of the respondents have at least tried once a while to access loan facilities for their farm but failed in the process. The results also indicate that none of those who ever had access had repeat loans. By implication the 19.35% respondents who were all able to access the facility only had access one time without they being considered for a second.

Figure 4 below is a pie chart illustrating the extent of farmers' inaccessibility to agricultural credit in Somanya.

Figure 4: Loan access to farmers

Source: Survey Data 2009

The above situation notwithstanding, respondents continue to show that most of the farmers continue to make the attempt to access loans.

4.6.2 Difficulty in accessing loan facility.

As part of the study the researcher sought to find out from the farmers how difficult it was accessing a loan facility from microfinance institutions.

Table 10. Difficulty of access by beneficiaries

	Frequency	Percent
Very easy	4	12.9
Very difficult	6	19.4
Did not get the loan	14	45.2
N/A	7	22.6
Total	31	100

Source: Survey Data 2009

Indeed the findings indicate that apart from 4 respondents corresponding to 12.9% who indicated that it was very easy obtaining the loan, the rest, 87.1% either did not get the loan, said it was very difficult or the question was not applicable to them.

This finding is supported by three of the MFIs who indicated that though they offer cash assistance (only one – Manya Krobo rural bank provides both cash and in kind assistance), the farmers access the facility only ones a while. They also acknowledge that accessing the loans was not too easy. Only Enowid foundation indicated that accessing their facility was very easy. The MFIs also explained that the difficulty encountered mostly is due to the farmers’ inability to provide the relevant collaterals/guarantee for the facility. Krabban Support Foundation was of the opinion that high bureaucracy was a factor hindering accessibility likewise high interest rate by the MFIs. This was in spite of the fact that interest rates of these MFIs were generally lower than the prevailing rate for other products of other Banks.

Table 11: MFI conditions and related issues for granting loans

Variables	Krabban support foundation	Enowid foundation	Manya krobo rural bank	Upper manya kro rural bank
Major requirements for accessing loans	FBO member, paid up FBO member, cropping cereals, cassava, pineapple and mangoes, 25% of loan amount as collateral	FBO member, guarantee for each other against default	Must be saving with the bank, reliability of group, ready market for product, farming shorter maturing crops	Must be saving with the bank, reliability of group, ready market for product, farming shorter maturing crops
Most difficult requirement to meet	Cash collateral element	Group formation, guarantee for	Security for loans	Security for loans

each other

Effect of inability to meet some requirement	Rejection of loan application	Rejection of loan application	Rejection of loan application	Rejection of loan application
Category of borrowers with higher difficulty of meeting requirement	Crop farmers	Crop farmers and businessmen	Crop farmers	Crop farmers and businessmen
Category of borrowers with higher potential of default	Crop farmers	Businessmen	Crop farmers	Crop farmers and businessmen
Category of crop farmers considered	Vegetable and cereals and grains	Vegetable	Vegetables, cereals and grains, cassava	Vegetables, cereals and grains, cassava
Reasons for choosing group	Reliable, have ready market, are well known	Have ready market, shorter gestation period for crops	Have ready market, shorter gestation period for crops, applies good agricultural practices	Have ready market, shorter gestation period for crops, applies good agricultural practices

It was observed that the rural banks have similar requirements whiles the FNGOs have some modifications to their requirements. The FNGOs seem to however consider strong groups as a key condition for granting farmer loans. Apart from Enowid however, all the other three MFIs consider shorter maturing crops for funding with Krabban specifically stating that they only consider those

cropping vegetables, cereals and grains as well as cassava and pineapples. Though Mangoes are also financed by Krabban, considering the fact that mangoes have a minimum of three years maturity period and Krabban's longest loan duration is 15 months, it could be deduced that financing for that crop takes place midstream rather than from the planting stage. On the other hand, repayment may be made from other sources rather than from the fruit sales. On the part of the rural banks, a major requirement is for the applicant farmer or farmer based organisation (FBOs) to be saving with the bank.

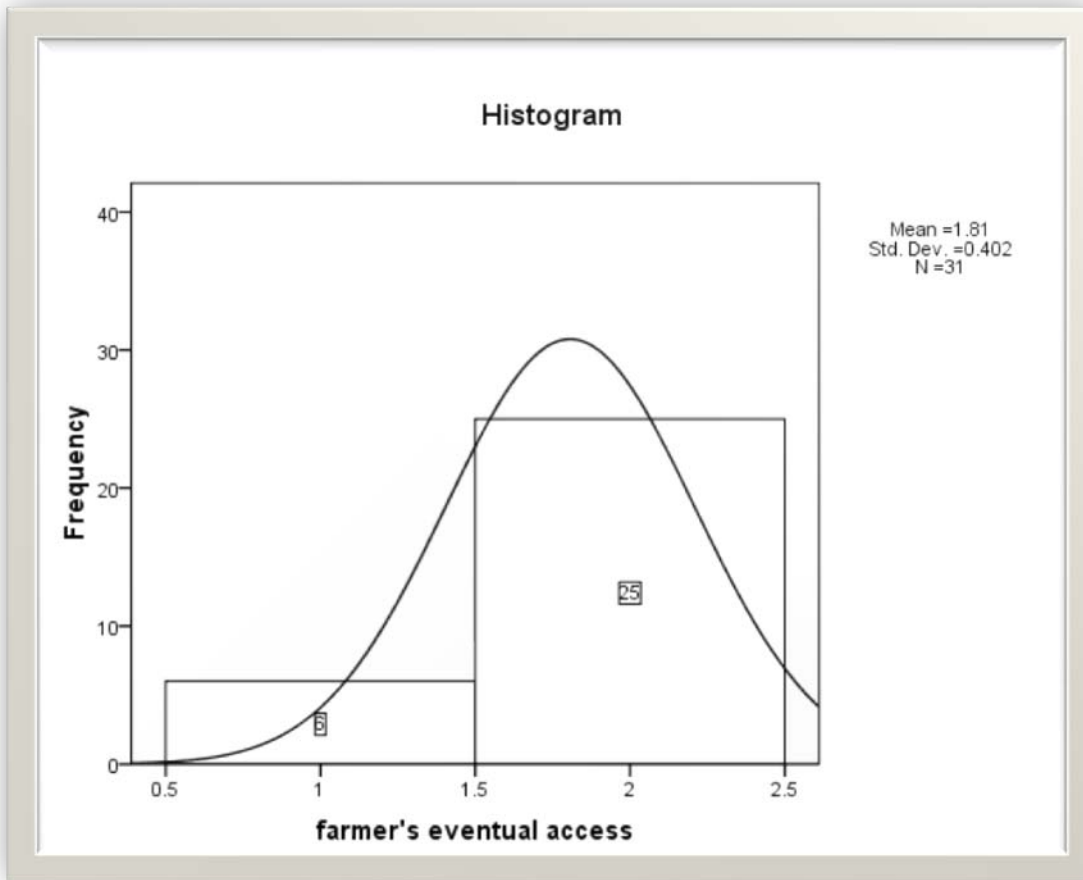
Major considerations for selecting applicants for loan facility among the MFIs are for them to have ready market and shorter gestation period for crops. The rural banks are also interested in the applicants applying good agricultural practices on their farms. According to two of the MFIs, provision of loan security was the most difficult for the farmers to meet. One said it was difficult for some to provide cash collateral and the other one said guaranteeing loans for each group member was most difficult for them to meet.

4.6.3 Loan conditions and difficulties

Loan conditions by the MFIs also play a part in farmer accessibility to loans. Among the requirements for accessing the facility, the MFIs indicated that provision of security/collateral for the loans is the most difficult to meet and mostly leads to rejection of loan application by the institutions. Crop farmers were also identified by all the four sampled MFIs as category of borrowers with higher difficulty of meeting the requirements and three also mentioned that they have a higher potential of defaulting in the payment of their loans. Enowid stated that Businessmen were the most likely defaulters in their case. The perception of the MFIs in relation to default may be a major reason for the low interest in granting agricultural credit to farmers.

4.6.4 Eventual access by farmers to microfinance services for general use

The study set out to find out how farmers are able to access microfinance services for general usage not necessarily for farming after hearing of the existence of the facility. The results obtained showed a worrying picture. Majority of the farmers who were asked whether they were able to access the loans stated that they eventually did not have access to the loans they apply for. Figure 5 is a histogram with a normal curve describing the situation. This is also an indication of the extent to which microfinance services are inaccessible to farmers in Somanya. The data showed that 80.6% of respondents could not access the facilities they were told were available though they applied for the facility. Only 19.4% of respondents who applied for a facility ever got considered. This is a critical issue of concern considering the gap between those accessing the loans and those failing to access due to one form of difficulty or the other.

Figure 5: Histogram showing farmers eventual access

Source: Survey Data 2009

Another form of inaccessibility apart from outright refusal to grant loans to crop farmers is the inadequacy of the loans granted. All the 19.35% farmers who had ever accessed loans from an MFI indicated that the loan facility granted them was inadequate to carry out the intended activity.

4.7 Respondents' exposure to use of various agricultural services

This study premised that the exposure of farmers to services such as business development services, availability and use of modern technology as well as access to agricultural extension services as presented in the table below will enhance access of crop farmers to microfinance services and finance.

Table 12 Available Agricultural Services

Business development services	Technology	Extension services
Business management skills	Irrigation services	Agricultural advisory services
Entrepreneurial skills	Use of improved seeds/seedlings	Pest control
Marketing	Equipment usage	Fertilizer and other chemical use
Financial literacy		

The study therefore sought to find out which of the three services of Business Development Services, Technology application and use of Agricultural Extension Services are available and used by the farmers. The results are presented in tables 13, 14 and 15.

4.7.1 Exposure to business development services

Table 13. Business development services facilities availability

	Frequency	Percent
Marketing skills training	4	12.9
Financial literacy	2	6.5
Business management, entrepreneurial, marketing skills and financial literacy	7	22.6
Entrepreneurial and financial literacy	2	6.5
N/A	16	51.4
Total	31	100

Source: Survey Data 2009

In all, about 48.6% have some exposure to one form of business development services or the other. 51.4% of the sample did not have access which was captured as non response. 12.9% of respondents had marketing skills training while another 6.5% had financial literacy training only, 6.5% also has acquired skills in both entrepreneurial skills and financial skills training. 22.6% has acquired skills in four of the business development services considered here including business management, entrepreneurial, marketing skills and financial literacy.

The availability of these services is expected to enhance the competitiveness of the respondents with regards to their produce so as to ensure that the maximum benefits are derived from their activities.

4.7.2 Technology

Table 14. Technology availability

	Frequency	Percent
Use of improved seeds/seedlings	13	41.9
Equipment usage (eg. Use of tractors)	6	19.4
Seedlings/hiring of tractors	3	9.7
N/A	8	25.8
Total	30	96.8
N/R	1	3.2
Total	31	100

Source: Survey Data 2009

The use of improved technology in agricultural practices enhances crop yield as well as ensuring that healthy crops are produced for the market. It also ensures that the drudgery involved in farming is drastically reduced thereby encouraging participation and increased acreage cultivation.

The results showed that a significant percentage of the respondents' sampled (41.9%) use improved seedlings on their farms. In terms of equipment usage, 80.6% are still engaged in the use of the old traditional hoe and cutlass farming method. Though none of the respondents have any major equipment, in terms of farm clearance there are tractors around for hiring purposes. This notwithstanding, only 19.4% patronise this service. 9.7% actually make use of both improved seedlings and tractors on their farms. None of the respondents use irrigation services and are all virtually dependent on the rains. This situation means in terms of cultivation, no dry season farming could take place with the exception of the two farming seasons pertaining in the country. Off season farming is believed to be more profitable since it does not coincide with the glut season and farmers obtain good prices for their produce.

4.7.3 Extension services

Table 15. Extension services availability

	Frequency	Percent
Agricultural advisory services	7	22.6
Pest control	3	9.7
Fertilizer and other chemicals	18	58.1
All three above	1	3.2
Agricultural advisory services and fertilizer usage	1	3.2
Na	1	3.2
Total	31	100

Source: Survey Data 2009

Provision of extension services allows for the introduction of technical insight into production techniques by agricultural experts. Farmers who are exposed to extension services are very likely to perform better in terms of productivity and achieve maximum yield.

From table 15 above, 58.1% of the farmers are exposed to the application of fertilizer and other chemicals usage. It appears advisory services are not forthcoming as expected and is reflected in the percentage of farmers (22.6%) who are exposed to this service. 9.7% use pest control mechanisms, 3.2% are exposed to agricultural advisory services and fertilizer usage same as those using all three services. It appears that almost all the respondents are exposed to one service or the other which to some extent should have some positive effect on the outcome of farm productivity.

4.8 Effects of unavailability of services.

The study sought to find the opinion of respondents on whether they think the absence of any of these facilities or services could affect their access to loan facilities. The overwhelming majority believes that indeed it will affect their accessibility.

Table 16. Does unavailability affect loan access?

Response	Frequency	Percent
Yes	29	93.5
No	2	6.5
Total	31	100

Source: Survey Data 2009

From table 16 above 93.5% of respondents believe that access to business development services, modern technology and access to extension services could play a major role in ensuring better access to microfinance services. Only 6.5% think they play no role in ensuring their access to financial services.

In terms of its actual effects on their ability to access loans, 16.1% said it limits their chances of accessing loans for their farming activities while 51.6% says the absence of any of these services leads to the refusal of loans to farmers by MFIs. 25% believe that it causes loss of productivity as these are viewed as precursors to increased output. 6.5% did not respond to the question.

Table 17. MFIs response on factors influencing granting loans to Farmers

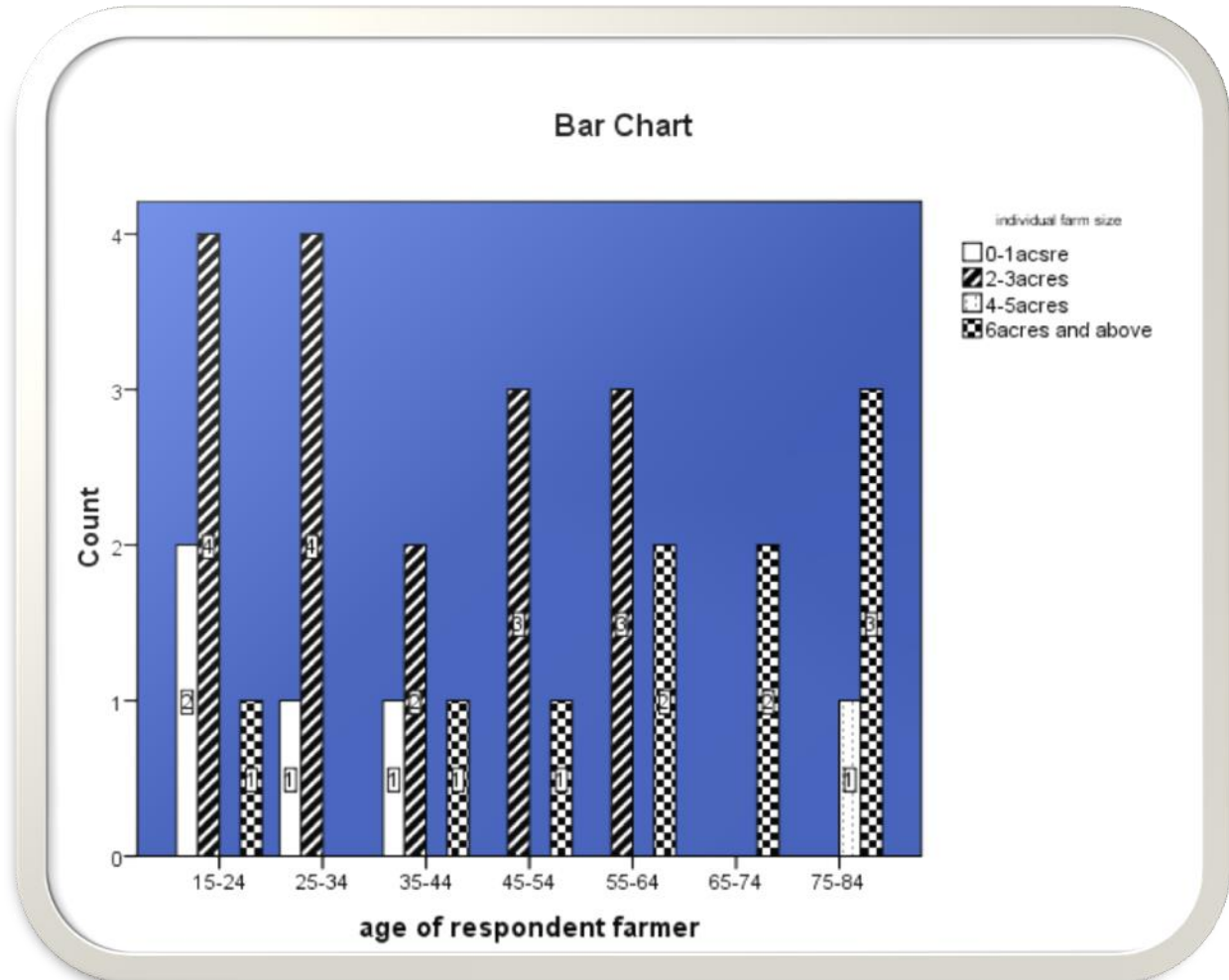
Variables	Krabban Support Foundation	Enowid Foundation	Manya Krobo Rural Bank	Upper Manya Kro Rural Bank
Business development services	Business management skills, marketing, financial literacy	Entrepreneurial skills	Business management skills, marketing, financial literacy	Business management skills, marketing, financial literacy,
Technology	use of improved seedlings	use of improved seedlings	use of improved seedlings,	use of improved seedlings, irrigation services
Use of Extension Services by crop farmers	agricultural advisory services, fertilizer and other chemical use	agricultural advisory services, fertilizer and other chemical use	agricultural advisory services, fertilizer and other chemical use	agricultural advisory services, fertilizer and other chemical use
Provision of capacity building	Yes	No	yes	yes

All the MFIs also consider one or more of the three factors as necessary for granting loans to farmers. Three MFIs indicated that in conducting appraisal, they look out for Business management skills, marketing skills and financial literacy skills as important considerations under Business Development Services. Enowid foundation however mentioned that entrepreneurial skill was of much importance to them in granting credit. All four were also unanimous on the fact that technological advancement requires the use of improved seedlings hence was particular to ensure that this is the case for the farmers. The Upper Manya Kro Rural Bank also considers irrigation as one of the critical factors among others in providing credit. In terms of extension services, farmers who are provided with agricultural advisory services and applying appropriate chemicals to improve yield are considered favourite to obtain assistance by all four MFIs .

Considering the fact that MFIs would prefer farmers to be of certain required standard to benefit from assistance, three of the MFIs say they do offer some form of capacity building especially in the area of financial literacy and business management. Enowid however indicated that they do not directly provide capacity building to their clients since they do not have the in-house capacity to do so.

4.6 Correlation Analysis

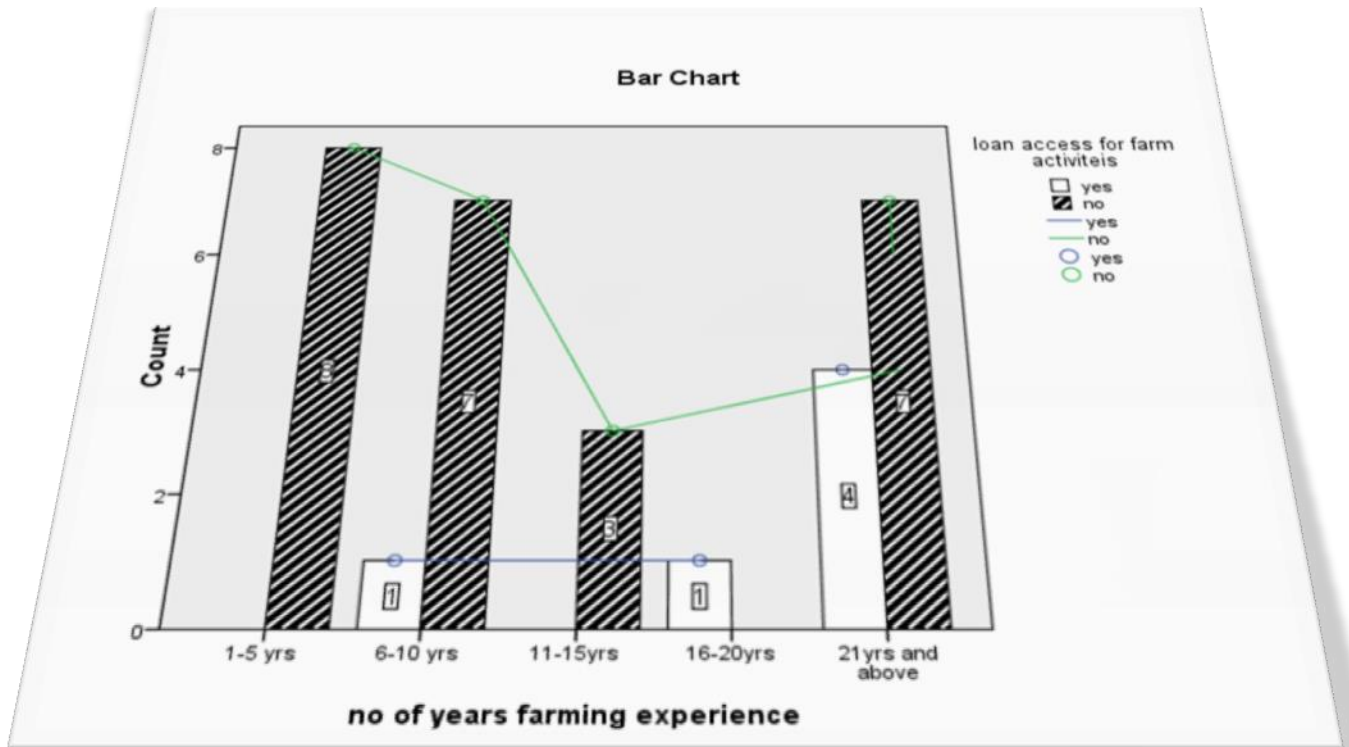
Figure 6: Cross tabulation of age of respondent farmer and individual farm size



Source: survey data 2009

The bar chart above (figure 6) is a cross tabulation of the age of respondents and individual farm sizes. It provides an indication of the relationship between age of respondents and acreage cultivated. It shows that there is a positive correlation between age and acreage cultivated. It shows that those between the age range of 15-24 and 25-34 tend to do well in terms of acreage cultivated up to a certain point. Those who tend to cultivate more acres are those in the age range of 35-44 and above. The results of the cross tabulation suggests that, the older the farmer, the more the likelihood that more acres of land will be cultivated.

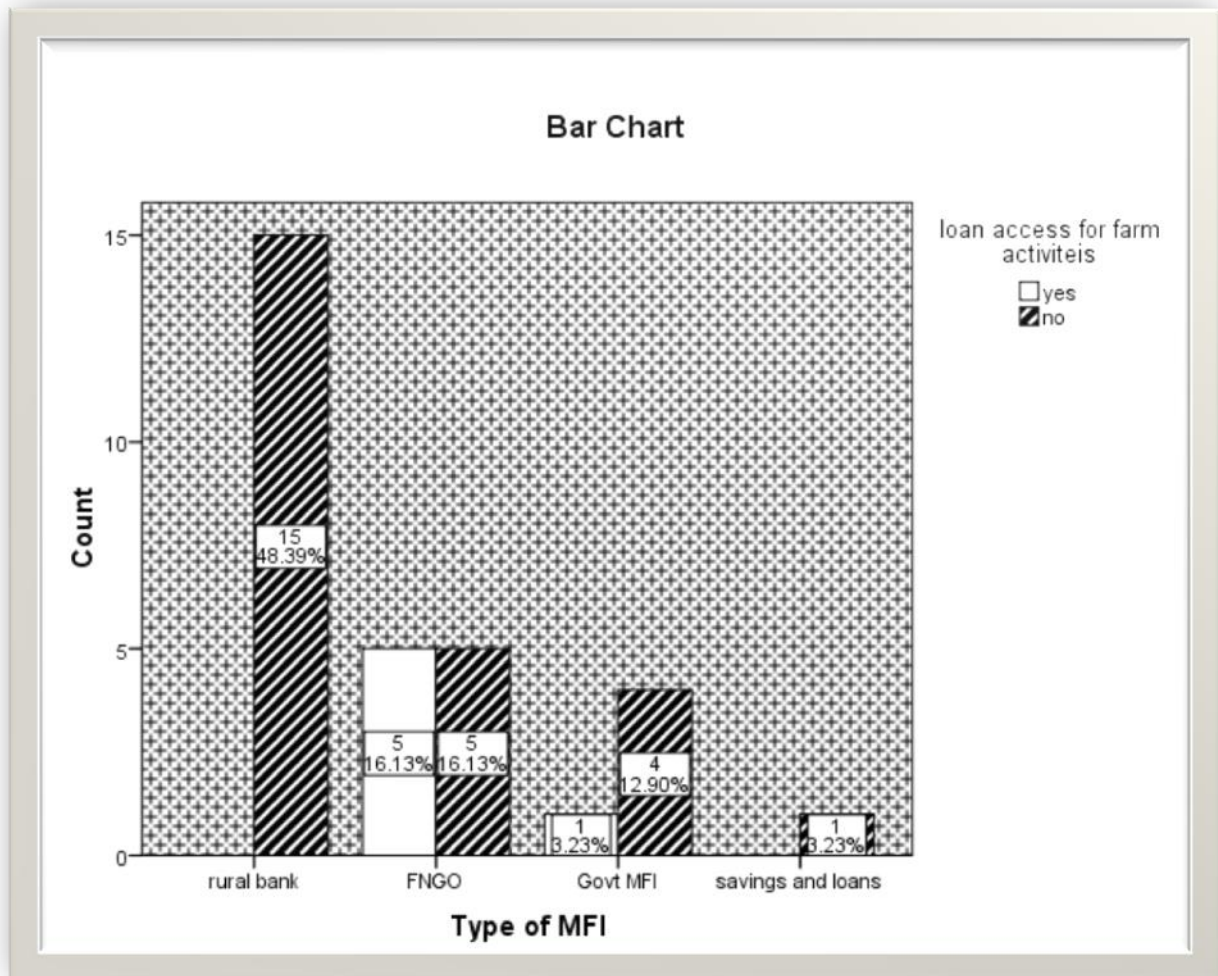
Figure 7: Cross tabulation of no. of years farming experience and loan access for farm activities



Source: survey data 2009

Figure 7 above shows a positive relationship between years of farming experience and access to credit/financial services. The more experienced a farmer is, the better the chances of access to financial services. Though this is not absolute, it is nonetheless positive.

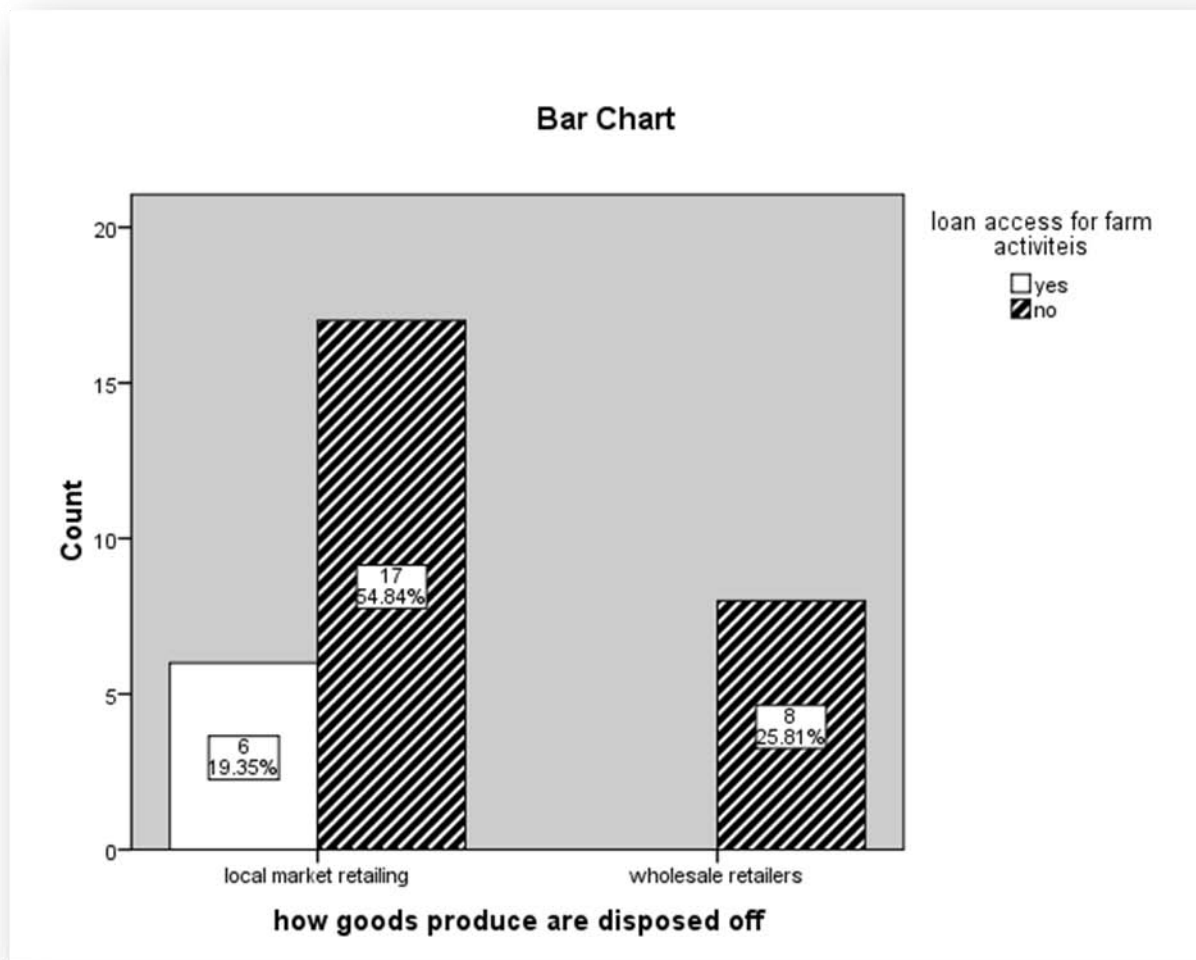
Figure 8: Cross tabulation of type of MFI and loan access for farm activities



Source: survey data 2009

Figure 8 gives an indication of which type of MFIs are more likely to grant loan to farmers. Comparatively, FNGOs are the type of MFIs providing the most access with five loans granted to farmers. Government MFIs follow with a single loan facility same as savings and loans companies.. Rural banks scored zero on this score with no loan granted to farmers.

Figure 9: Cross tabulation of how goods produced are disposed off by loan access



Source: survey data 2009

Avenues for disposal of farm produce could affect access to credit. If an MFI is convinced of the fact that there is ready market for the produce this could enhance access. In figure 9 above, local market retailing which is the most favoured way of disposing farm produce in Somanya appears to have much more attention of MFIs in relation to granting of micro loan.

4.6.1 Spearman's Correlation Analysis

Table 18: Individual farm size * loan access for farm activities Cross tabulation

		Acreage Cultivated		
		yes	no	
individual farm size	1acsre	0	4	4
	2-3acres	0	16	16
	4-5acres	1	0	1
	6acres and above	5	5	10
Total		6	25	31

The hypothesis to be tested states that access to micro finance service/credit is enhanced if farmer cultivates more acres of land.

Ho = There is no significant relationship between farm size and access to loan

Ha = There is significant relationship between farm size and access to loan

Table 19 Symmetric Measures

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-0.587	0.118	-3.902	0.001
Ordinal by Ordinal	Spearman Correlation	-0.577	0.111	-3.804	0.001
N of Valid Cases		31			

A spearman correlation test was carried out to ascertain if there was any relationship between farm size and access to loans. The test indicated a positive relationship and the observed relationship was statistically significant ($r = -0.587$, $p = 0.001$). By this observation the null hypothesis H_0 is rejected and the alternative hypothesis H_a is accepted. The relationship established indicate that the more acreage an individual cultivated the more access he/she has to micro financial services.

CHAPTER FIVE

5.0 Conclusion and Policy Implications

5.1 *Introduction*

This chapter summarizes and draws conclusion of the study as analysed from the data gathered from the field. The study basically had three objectives to satisfy namely to identify the types of microfinance institutions operating within the area and ascertain the types of microfinance products available to crop farmers. It also aims to establish the reasons behind the lack of interest by microfinance institutions to advance micro loans to agricultural sector based activity operators and find out the extent of inaccessibility to micro credit suffered by agriculture sector operators.

It will also make recommendations to ensure that critical issues of concern are addressed in a manner that will create a win-win situation for all parties.

The research design adopted in this study was the survey design where data was collected using self administered semi-structured questionnaires to sampled respondents. It used a two-stage sampling design of cluster and random sampling with the zoned farmers serving as clusters from which individual farmers were randomly sampled. In all, there were three zones with a membership of one hundred and eighty-two (182) farmers that served as the sample frame. s

The key findings of the study are presented as below.

5.2 **Key Findings**

5.2.1 *Background*

There were 31 crop farmers in all and four Microfinance Institutions involved in this study. In terms of gender distribution, 74.2% of men are farmers as compared to only 25.8% of women who are engaged in active farming activities. Moreover, majority of those participating in farming in

the area fall in the age range of 35-44 to 75+. 22.6% of respondents are within the age group of 15-24. Though this is not too encouraging, it provides some hope for the sub sector in the district. In terms of crop production majority (67.8%) of the farmers practice mixed cropping. Individual or single crop farming is really on the low side. Only 5 of the respondents (16.1%) engage in vegetable production. 16.1% also produce cereals and grains. It was also found out that in terms of disposal of farm produce, 74.2 % of farmers in Somanya depend on the local market to dispose of their produce on retail basis and 25.2% sell their produce on wholesale basis. The study also found out that most (51.6%) farmers cultivate between 2-3 acres of farm while 32.3% cultivate 6 acres and above. 12.9 % farm between 0-1 acre and another 3.2% also cultivates between 4-5 acres. comparatively, it was observed that age correlated positively with number of acres cultivated (the older once is the higher the acreage cultivate).

5.2.2 Types of MFI

Four microfinance institutions were also identified as operating in the area namely Rural Banks, Financial Non Governmental Organizations (FNGOs), Government owned institutions and Savings and Loans Company. In terms of knowledge of respondents of the existence and activities of these institutions, the result showed that rural banks were more conspicuous and better known than the others. 48.39% of respondents know of the rural banks and 32.26% knew of FNGOs. 16.13% know of Government owned programmes while 3.2% were aware of savings and loan companies. It was observed further that whereas Rural Banks were generally known as a result of their conspicuous location, FNGOs seem to have done much more work in terms of structured outreach. It must also however be indicated that much of the respondents knowledge about MFIs were from secondary sources rather than from the primary source which are the MFIs themselves. Only 19.4% of respondents got to know of MFIs through their direct personal outreach activities with 67.7% knowing through friends.

The four MFIs sampled (Krabban Support Foundation, Enowid Foundation, Manya Krobo Rural Bank and Upper Manya Kro Rural Bank) all engage in agricultural financing and have specific products for farmers. Some of these products have quite distinct features from other commercial loans but the time period for repayment appears not favourable to the farmers.

5.2.3 *Reasons for Lack of Access*

It was noted that more than half (51.6%) of the time, MFIs provide no reason for refusing loans while 12.9% claim they are deemed not creditworthy. According to the MFIs, due to farmers' inability to meet the relevant collaterals/guarantee demands most crop farmers are unable to access the facility. This is also coupled with the fact that three of the four MFIs see crop farmers as very risky clients and are more likely to default compared to other category of clients they deal with. This implies that the MFIs are more likely to refuse crop farmers loan, all things being equal. The analysis of the MFIs also revealed that due to the requirements for accessing the services of the MFIs access to financial services by the farmers is very limited.

5.2.4 *Extent of inaccessibility*

In terms of access, the findings revealed a high level inaccessibility to micro finance services by farmers. Though respondents have good knowledge of MFIs, as much as 80.6% have never had access to financial services provided by these MFIs. Only 19.4% said they enjoyed access once a while. In relation to difficulty of access, as much as 87.1% either did not get the loan or said it was very difficult to access. The rest said it was not applicable to them. According to the respondents, the nature of difficulties they faced in an attempt to access credit from these MFIs were

politicisation of loans (25.8%), frustration by MFIs (22.6%) and demand for deposits (12.9%) which make up the top three reasons.

Farmers' exposure to Business Development Services shows that about 48.6% altogether are exposed to one form of BDS or the other. The vast majority of 51.4% however have no access to such services. Indeed, 22.6% have skills in all four BDS factors considered while the rest have benefited from one form or the other.

The farmers understanding and use of improved seedlings (41.9%) is quite appreciable but they mostly continue to rely on cutlass and hoe for their farming activities. At least 58.1% use fertilizer and other chemicals on their farms but mostly do not have the privilege of other agricultural advisory services. Only 22.6% use agricultural advisory services.

93.5% of respondents believe that the unavailability of the three services- BDS, Technology and Extension services affects their access to financial services while 6.5 % believe it has no effect. 51.6% of those who were of the view that it has effect believe it causes outright refusal of loan while 16.1% says it limits access. Another 25% also said it leads to loss of productivity rather than access and 6.5% did not respond.

The MFIs also acknowledge that it is not too easy for farmers to access their services. Moreover, their collateral requirements are quite difficult to meet hence leading to high level inaccessibility. They argue also about the fact that crop farmers are the category of borrowers more likely to default in repayment. All these therefore combine to cause a high level inaccessibility of crop farmers to financial services. They also consider those exposed to agricultural advisory services as worthy for consideration for financial assistance. Three MFIs provide some level of capacity building to bring their farmer clients to an appreciable level to be able to access the services.

The MFIs however believe that access to irrigation services with less dependence on rain will facilitate production and increase access to financial services by crop farmers in Somanya.

It must be indicated that the survey data did not directly suggest any linkages between Business Development Services, Technology and Extension services as conceptualised by the framework guiding this study though it could be inferred that they are desirable. It could also be inferred that irrigation services under the technological framework specifically was considered very paramount but was not a requirement because district-wide, the facility was not available to any of the farmers.

5.2.5 Correlation Analysis

A cross tabulation of some variables revealed some striking relationships. Age and farm size cross tabulated revealed that the older a farmer is the more likelihood that they will increase the no. of acreage cultivated. The hypothesis has also proven that there is a positive relationship between higher acreage cultivated and access to loans. By inference therefore, older farmers will access micro loans more easily. Access to loans also shows positive trends in relation to experience. The more experienced a farmer is the better the chances of access to financial services. It also revealed that FNGOs gives better access compared to other MFIs. A relationship was also established between the mode of disposal and access which indicated that local market retailers were more predisposed to accessing loans.

Above all, the hypothesis established a significant relationship between farm sizes and access to micro loans with $r = -0.587$ and the $p = 0.001$.

5.4 Recommendations

The following recommendations are made towards improving access of crop farmers to finance and financial services and to ensure increased productivity of the sector.

5.4.1 Beneficiary recommendations for improvement in access

The respondents made the following general recommendations and other information to ensure that access to financial services by crop farmers are enhanced;

- MFIs should consider providing input credit and recovering same through the receipt of farm produce in lieu of cash.
- MFIs should consider increased investment in farmers in the form of loans and training so that they can continue to feed the nation.
- The government should take a closer look at farmers through the provision of long term subsidised agricultural loan.
- All farmers should endeavour to belong to associations so that with recognition, access to credit could be easier.
- MFIs should have specific products for farmers
- Farmers also create jobs hence should be seen as partners in the development process so must be given consideration when it comes to granting of loans.

5.4.2 MFI Recommendations

- The following recommendations were made by the MFIs to enable them increase their support to crop farmers. One dominant feature however in the recommendations of three of the MFIs, with the exception of Krabban Support Foundation was the need for farmers to

have access to irrigation services and the need for the government to provide some assistance in that direction.

5.4.2.1 Krabban Support Foundation

- Since timeliness is of essence, Donors/partners should release funds on time to enable the servicing of clients on time.

5.4.2.2 Enowid Foundation

- Marketing outlets should be determined by the MFI together with Beneficiary. Distribution links must be identified by the credit institutions. Government should provide irrigation facilities since that is more capital intensive so that MFIs on their part can support the farmers with the input capital.

5.4.2.3 Manya Krobo Rural Bank

- Need for farmers to be provided with irrigation facilities to encourage dry season farming. This will increase confidence of MFIs to provide agricultural credit.

5.4.2.4 Upper Manya Kro Rural Bank

- Irrigation services are very relevant for agricultural services but are generally lacking hence makes credit delivery difficult. Government should therefore special interest in agricultural financing.

5.5 General Policy Recommendations

1. Taking into consideration the high level of inaccessibility of crop farmers to financial services, it is recommended that government plays a lead role in supporting crop farmers with credit. Steel and Andah (2003) observed that government's microfinance programmes generally are not doing well when it comes to loan repayments. They also indicated that governments' own programmes are subsidized and reach very few poor people and because these loans have political motives, repayment rate is very low. Following from this therefore, it is recommended that government specifically set up a micro credit scheme purposely for farmers. This must be well structured, de-politicised and managed with the requisite professionalism so that qualified applicants can access facility without much difficulty.
2. The analysis indicate that outreach by the various MFIs has not been effective in reaching potential clients especially crop farmers. Rural Banks according to the study have not even granted a single loan to the sampled respondents. To ensure adequate sensitisation and education of potential farmer clients to fall in line with the requirements of the MFIs, it will be important for MFIs to intensify their outreach activities to reach the underserved population.
3. Farmer credit is a specialised area for micro financing and has its unique characteristics. The type of agriculture practiced by the respondent is 100 percent rain dependent. This is what makes farmer credit a bit risky and will require targeted strategies to ensure that the risk element is reduced. The MFIs also indicated that farmers are more likely to default in payment. Moreover, from the findings, it is clear that all the MFIs provide assistance in the

form of cash when other alternatives could be explored. It is therefore recommended that MFIs providing farmer credit should consider exploring the option of in-kind agricultural credit i.e. input credit rather than cash. Repayment through the use of the crops cultivated should also be explored. Indeed MFIs should explore the entire agricultural value chain by establishing the right linkages so that disposal of the produce will not be of much difficulty. This will also prevent the temptation of farmers diverting the cash resulting from the sales rather than paying off their indebtedness.

4. All the MFIs believe that the provision of irrigation services will enhance the productivity of farmers and will ensure an all round cultivation. Profitability is highest during the lean season and dry season farmers tend to serve this period best – a time when there will not be a glut on the market and supply is quite regulated. To this end, government through the district assembly should provide dams along the farming areas to provide easy access to farmers to enable them irrigate their farms.

References

- Aghion, B. A. & Morduch, J. (2005). *The Economics of Microfinance*. London, The MIT Press
- Arun T. & Hulme D. (2008). *Microfinance – A Way Forward*. BWPI Working Paper 54.
- Aryeetey, E., Harrigan, J. & Nissanke, M. (Eds) (2002). *Economic Reforms in Ghana: The Miracle & the Mirage*, NJ, Africa World Press Incorporated
- Asenso-Okyere, K. (2001) *Transforming Agricultural Production for Sustained Rapid Growth and Development*. Accra: ISSER, University of Ghana.
- Asiedu Mante, E (1975) *Rural Banking in Ghana: Achievements and Prospects*. Accra: GIMPA
- Bank of Ghana (2007). *A Note on Microfinance in Ghana*. Accra: Bank of Ghana WP/BOG-07/01
- Brown, C.K (1986) *Rural Development in Ghana*. Accra: Assemblies of God Literature Centre,
- CGAP & IFAD (2006). *Emerging lessons in agricultural microfinance: Selected case studies*. IFAD
- CGAP, (2007). *Brief*. Washington DC: CGAP,
- Chirwa, W.E (2002) *Microfinance and poverty reduction in Malawi: what has happened to the Microfinance revolution?* Wadonda Consult Working Paper WC/01/02
- Dell'Amore, G (1975), *Agricultural credit for development*. Rome
- GHAMFIN (2006). *Microfinance Poverty Outreach and Performance Assessment: A Study of Rural Microfinance Institutions and Government Programmes in Ghana*. Accra, Ghana Microfinance Institutions Network (GHAMFIN)

- Gobezie G & Garber C. (2007) *Impact Assessment of Microfinance in Amhara Region, of Northern Ethiopia*” International Conference on Rural Finance Research: Moving Results into Policies”
- Government of Ghana (2006). *Ghana Microfinance Policy (GHAMP)*. Accra, Government of Ghana
- GSS (2007). *Pattern and Trends of Poverty in Ghana 1991-2006*, Accra, Ghana Statistical Service
- Hakim, M.A (2004) *Agriculture and microcredit*. Daily Star vol 4 No. 258
- Hauge, S (2002) Household, Group and Program Factors in Group-Based Agricultural Credit Delinquency. Unpublished
- Hulme, D. & Mosley, P. (2006). *Finance against poverty*, Volumes 1 and 2, London: Routledge
- Isern, J. & Porteous, D. (2006). *Commercial banks and microfinance: Evolving modes of success*, Focus note No. 28, Washington DC: CGAP
- Khandker, S R & Faruqee, RR (2001). The impact of farm credit in Pakistan: World Bank Policy Research Paper 2653
- Lafourcade, A. L., Isern, J., Mwangi, P. & Brown, M. (2006). *Overview of Outreach and Financial Performance of Microfinance Institutions in Africa*. MicBanking Bulletin, Issue No. 12. The Microfinance Information eXchange (MIX)
- Lapenu, C. & Zeller, M. (2002). *Distribution, Growth, & Performance of Microfinance Institutions in Africa, Asia and Latin America*. FNCS Discussion Paper No. 114. Washington DC. International Food Policy Research Institution (IFPRI).
- Morduch J. (1999) *The microfinance Promise*, *Journal of Economic Literature* Vol. XXXVII, pp. 1569–1614

- Nagarajan, G & Meyer, R. L. (2005) *Rural Finance: Recent Advance and emerging lessons, debates and opportunities*. Columbus, Ohio, : The Ohio State University.
- Pakistan Microfinance Network. (2007) *Pakistan Microfinance Review achieving Efficiency*. Retrieved from www.mixmarket.org/sites/default/files/medialibrary/.../PMR_2007.
- Peachey, S. & Roe, A. (2004). *Access to Finance: A Study for the World Savings Bank Institute*. Oxford, UK: Oxford Policy Management.
- Steel, W. F & Andah, D. O. (Eds.) (2003). *Rural Microfinance Regulation in Ghana: Implication for Development of the Industry*. Washington D.C. World Bank
- The state of Pakistan's Economy (2005). *First Quarterly report for FY05 on Role of micro credit in poverty alleviation*. Retrieved from sbp.org.pk/reports/quarterly.
- Todaro, M. & Smith, S. C. (2006). *Economic Development* 9th Ed. England, Pearson Education Ltd.
- UNDP Ghana, (2007). *Ghana Human Development Report*, UNDP Ghana
- UNDP, (2001,2002,2003, 2004,2005,2007). *Human Development Report*. NY United Nations Development Program
- Yilo Krobo District Assembly Medium Term Development Plan (2006-2009)
- Hulme, D. & Mosley P. (1996). *Finance against Poverty*. London: Routledge,.

APPENDIX 1

QUESTIONNAIRE FOR MICROFINANCE INSTITUTIONS

The following questionnaire is aimed at gathering information at establishing the extent to which microfinance institutions' services are accessible to crop farmers in Somanya in the Yilo Krobo District as well as factors affecting its delivery. The study is being carried out in partial fulfilment of requirement for the award of a MA degree in Development Studies. Please answer the questions as truthfully and honestly as possible. You are assured that the information provided will not be used for any other purpose apart from the one stated above and will be treated as strictly confidential. Thank you.

Organizational Background

1. Name of organization
2. Title of person completing this questionnaire
3. How many years' operational experience does your organization have?

TYPES OF MICROFINANCE INSTITUTIONS AND PRODUCTS

4. What type of microfinance institution do you operate?

- a) FNGO b) Rural Bank c) Savings and Loans d) Credit Union

e) Others (specify).....

5. What type of service does your organization provide?

a) Microfinance b) Commercial banking c) both a & b

6. What are the categories of clients you service?

a) Petty traders b) Crop Farmers c) Salaried workers d) others (specify).....

7. Do you have specific product types for your different categories of clients?

a) Yes b) No

8. What are the distinguishing features of farmer-based microfinance products and the others like commerce-based ones if there are?

.....
.....
.....
.....

SECTION TWO: ACCESS TO CREDIT

This section is aimed at establishing the reasons behind the lack of interest by microfinance institutions to advance micro loans to agricultural sector based activity operators.

9. What form of assistance do you provide to your clients? a) Cash b) in-kind

c) both a & b d) inputs e) others (specify)

10. How often are crop farmers able to access loans from your institutions? a) very often b) quite often c) ones a while d) not at all

11. How difficult is it accessing financial assistance from your institution?

(a) Very easy (b) not too easy (c) quite difficult d) very difficult

12. If there is any difficulty, what is the nature of difficulty in accessing the facility?

.....
.....

13. Do you provide loans to crop farmers within your catchment area?

a) Yes b) No

14. If yes, what are the major requirements for accessing the loans from your institutions by crop farmers?

i)
ii)
iii)
iv)

15. Which of the requirement(s) is /(are) most difficult to meet by these farmers?

i)
ii)

16. Does the inability of crop farmers to meet some of these requirements affect their ability to access the loans? a) Yes b) No
17. In general, which category of borrowers normally finds it difficult to meet the requirements for accessing your loans?
- a) Crop Farmers b) Petty Traders c) salaried workers d) business men
18. Which of these categories of borrowers are more likely to default in repayment?
- a) Crop Farmers b) Petty Traders c) salaried workers d) business men
19. Which group of farmers do you normally give loans if you provide farmer credit?
- i) Vegetable crop farmers ii) Root and tuber crop farmers iii) Cereals and grains
- iv) Tree crop farmers v) others (specify).....
20. What are the reasons for selecting this (ese) group(s) for assistance? Please tick those that apply.
- a. They are reliable
b. They have ready market for their produce and can pay back
c. Applies good agricultural practices
d. Are exposed to the use of modern technology
e. We have known them for a long time

SECTION 3. CHALLENGES INVOLVED IN ACCESSING MFI ASSISTANCE

This section is intended to find out the extent of inaccessibility to micro credit suffered by crop farmers in the Somanya area of the agriculture sector operators.

21. Which of the following factors as tabulated under the various headings – **Business Development Services, Technology** and **Extension Services** do you consider important in granting crop farmers loans? Kindly indicate by ticking (√) all those you consider as important in the box.

Business Development Services	Technology	Extension Services
Business management skills	Irrigation services	Agricultural advisory services
Entrepreneurial Skills	use of improved seeds/seedlings	Pest control
Marketing	equipment usage	Fertilizer and other chemical use
Financial literacy		

22. Does your organization provide any form of capacity building for these farmers before granting them the facility? a) Yes b) No

23. If yes, what type of capacity building training do you provide?

.....

.....

24. If no, what are the reasons why you don't provide any training?

.....

.....

25. What recommendations will you make to improve access to micro loans to crop farmers?

.....

.....

.....

26. What other comments do you wish to make in addition to what you have already said?

.....
.....
.....

THANK YOU

MICROFINANCE BENEFICIARIES QUESTIONNAIRE

The following questionnaire is aimed at gathering information at establishing the extent to which microfinance institutions' (MFI) services are accessible to crop farmers in Somanya in the Yilo Krobo District as well as factors affecting its delivery. The study is being carried out in partial fulfilment of requirement for the award of a MA degree in Development Studies. Please answer the questions as truthfully and honestly as possible. You are assured that the information provided will not be used for any other purpose apart from the one stated above and will be treated as strictly confidential. Thank you.

Note: For only people with Knowledge of Microfinance Institutions

SECTION 1: BACKGROUND AND SOCIO DEMOGRAPHIC STATUS

1. Age:..... i. Male ii. Female

2. What type of crop do you cultivate? i) Vegetable crops ii) Root and tuber crop
iii) Cereals and grains iv) Tree crops v) others (specify).....

3. How do you dispose of (sell) your crops?
a) export market b) Local market retailing c) for industry d) wholesale to retailers
e) households f) others

4. How long have you been engaged in this crop farming? (i) 1-5yrs (ii) 6-10yrs

(iii)11-15yrs (iv) 16-20yrs (v) 21yrs and above

5. What is the size of the area cultivated? a) 0-1 acre b) 2-3 acres c) 4-5 acres
d) 6 acres and above

SECTION TWO: ACCESS TO CREDIT

This section is aimed at establishing the reasons behind the lack of interest by microfinance institutions to advance micro loans to agricultural sector based activity operators.

5. Do you know about any micro finance institutions granting loans in this area?
i. Yes ii. No
6. If yes, what type of microfinance institution is it?
a) Rural Bank b) FNGO c) Govt MFI d) Credit Union
e) Savings and loans f) others (Specify)
7. How did you get to know about this MFI?
(a) Through the media (b) through an NGO (c) MFI's outreach activities
d) Friends (d) Others (specify).....
9. What form of assistance were you told was available? a) Cash b) in-kind
c) both d) others (specify)
10. Were you able to access the loan eventually? a) Yes b) No

11. Following what you were told, how difficult was it finally accessing the assistance.

- (a) Very easy (b) not too easy (c) quite difficult d) very difficult

12. What was the nature of difficulty encountered in accessing the facility if there was some difficulty?

.....
.....
.....

13. If you did not obtain the loan, what was the reason given for the refusal?

.....
.....
.....

14. How will you prefer the difficulties encountered addressed?

.....
.....

SECTION 3. CHALLENGES INVOLVED IN ACCESSING MFI ASSISTANCE

This section is intended to find out the extent of inaccessibility to micro credit suffered by crop farmers in the Somanya area of the agriculture sector operators.

15. Have you ever accessed loans for your farm activities? a) Yes b) No

16. If yes, how many times have you obtained loans from an MFI?

17. How often have you requested for loans?

- a) Very often b) every season c) once a while d) not at all

18. How often have you been able to access the loans you requested?

- a) every time b) every season c) ones a while d) none at all

19. If you were granted the loan was it adequate to cater for your needs? a) Yes b) No

20. If no, how did you make up for the shortfall in your request?

- a) Managed with the little amount b) reduced the number of acreage farmed
 c) Obtained loans from other sources d) others (specify).....

Under the various headings – **Business Development Services, Technology and Extension Services**, kindly indicate by ticking (√) which of the following facilities is available to you as a farmer?

Business Development Services	Technology	Extension Services
Business management skills	Irrigation services	Agricultural advisory services
Entrepreneurial Skills	use of improved seeds/seedlings	Pest control
Marketing	equipment usage	Fertilizer and other chemical use
Financial literacy		

21. Does the absence of any of the above services affect your access to loans? a)
Yes b) No

22. In which way does it affect you if you answered yes to the above?

a) limits access to loans b) causes refusal of loans

b) Causes a reduction in the loan portfolios d) others

23. What recommendations will you make to improve access to micro loans to crop farmers if access is quite restricted?

.....
.....
.....

24. What other comments do you wish to make in addition to what you have already said?

.....
.....
.....

THANK YOU