

**EFFECTS OF TRAINING ON LOAN REPAYMENT AMONG  
SMALL SCALE FARMERS: A CASE STUDY OF THE IVRDP  
IN THE AHAFO-ANO SOUTH DISTRICT, ASHANTI REGION**

by

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**DECLARATION**

I hereby declare that this submission is my own work towards the Executive Masters of Business Administration and that, to the best to my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## **ABSTRACT**

Capacity building through training is now considered a vital component in maintaining competitiveness in the agricultural sector. The IVRDP therefore trained its beneficiary farmers in both the rice crop production techniques and financial management inter alia. This was aimed at improving the loan repayment performance of the project beneficiary farmers.

The IVRDP in the Ahafo-Ano South District of the Ashanti Region was used as a case study to mainly assess the effects of training on loan repayment among the beneficiary small scale farmers. Specifically, the study sought to identify the credit facilities and management strategies used by the ADB under the project, determine the production training needs of the beneficiary farmers and also examine the content and quality of the training given to the farmers prior to loan disbursement. Questionnaires were administered to collect data from one hundred (100) respondents, sampled using the purposive sampling method. The data collected were analyzed using the Microsoft Excel software and the descriptive statistical tools of frequency tables and percentages.

The results showed that farmers obtained higher crop yields resulting from the application of the crop production methods trained in. It is recommended that the ADB shortens the loan processing time between application and disbursement to about two weeks to avoid diversion of loan funds. The ADB also needs to improve upon its frequency and timing of monitoring and recovery of the funds disbursed under the project. The Project Co-ordinating Unit (PCU) of the IVRDP should also consider including in its training regime effective marketing strategies to enable the farmers sell their produce and pay off the loan in time.

## **DEDICATION**

This research is dedicated to my lovely wife, Georgina and dear children, William, Alex Jr. and Kayla for sacrificing their comfort throughout the study period for this Executive MBA degree.

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## **LIST OF ABBREVIATIONS**

<b>ADB:</b>	Agricultural Development Bank
<b>AfDB:</b>	African Development Bank
<b>ADF:</b>	African Development Fund
<b>AEA:</b>	Agricultural Extension Agent
<b>NGO:</b>	Non-Governmental Organization
<b>GoG:</b>	Government of Ghana
<b>IVRDP:</b>	Inland Valleys Rice Development Project
<b>MOFA:</b>	Ministry of Food and Agriculture
<b>SME:</b>	Small and Medium Scale Enterprise
<b>UA:</b>	Unit of Account
<b>FFTC:</b>	Food and Fertilizer Technology Center
<b>CGAP:</b>	Consultative Group to Assist the Poor

## CHAPTER ONE

### GENERAL INTRODUCTION

#### **1.0 Background of the study**

As banks are the main intermediaries for mobilization of a substantial part of a country's fund, it is reasonable to expect their participation in the process of availing financial services to the development of the agricultural sector. However, the reality on the ground has been the otherwise. The agricultural sector has been receiving the least level of credit facilities from the banks (Koza, 2007). Especially, the banking sector's role in the provision of micro-credit has been low. In a nutshell, agriculture has been the most neglected sector in the banking business for credit due to the various risks it poses, such as lack of collateral and unpredictable earning structures.

Agricultural lending involves giving out credit (in cash and kind) to small-scale farmers for the purpose of farming. There is no doubt about the crucial role of credit in economic development. Agricultural household models suggest that farm credit is not only necessitated by the limitations of self-finance, but also by uncertainty pertaining to the level of output and the time lag between inputs and output. Thus, the growth rate of investment in agriculture is less than other economic sectors. Therefore, financing agriculture is one of the most important factors to develop rural areas in developing countries. Banking system payment is a way of financing. Generally, in spite of the importance of loans in agricultural production, its acquisition and repayment are fraught with a number of problems especially in small holder farming (Awoke, 2004). High rate of default has been a perennial problem in most agricultural

credit schemes organized or supported by governments. Most of the defaults arose from poor management procedures, loan diversion and unwillingness to repay loans. For this reason, lenders devise various institutional mechanisms aimed at reducing the risk of loan default (pledging of collateral, third-party credit guarantee, use of credit rating and collection agencies, etc.). In the context of providing credit to the rural asset-poor, what is required is institutional innovation that combines prudent and sustainable banking principles with effective screening and monitoring strategies that are not based on physical collateral (such as land). Bell et al. (1997) cited that credit markets in developing countries work inefficiently due to a number of market imperfections such as: 1) Interest rate ceilings usually imposed by the government; 2) Monopoly power in credit markets often exercised by informal lenders; 3) Large transaction costs incurred by borrowers in applying for loans; 4) Moral hazard problems

Rice is increasingly gaining in importance as a staple food in Ghana next to cassava (7.2 Million MT), yams (3.0 million MT), plantain (2.0 million MT) and maize (1.0 million MT). Rice is now the third cereal grown in the country after maize and sorghum (0.4 million MT). Rapid population growth mainly in the urban areas and the relative ease of preservation and cooking of rice has favourably influenced that trend for more rice consumption. Despite increased domestic rice production over the last six years from x to about 280,000 tonnes, around two-thirds of the national rice requirements are still imported. Under Ghana's vision 2020 socio-economic development initiative, emphasis was put on inland valleys rice production as an important source for achieving national food security, contributing to reduction of poverty and reducing imports.

In May 1999, the Government of Ghana (GoG) submitted a request for financing an inland valley rice development project. The proposed project is thus consistent with the Government strategy for the development of the agricultural sector and with the Bank Group development strategy for Ghana which emphasizes poverty reduction. The African Development Fund (ADF) loan of UA 15 million, amounting to 88 % of the total project cost estimated at UA 17.1 million, will be used to finance 100 % of foreign exchange (UA 8.7 million) and 76% of local cost (UA 6.3 million). The project will contribute towards achieving the following sector goals: enhanced food security and reduced imports. The project objective is to increase incomes of smallholder rice producers of sexes, women and men rice traders and processors in the country by increasing the production of good quality local rice. In order to achieve these objectives, the project will focus attention on (i) Land Management, (ii) Credit for Crop Development; (iii) Capacity Building; (iv) Adaptive Research and Surveys; and (v) Project Co-ordination (Hara et al, 2001).

The Agricultural Development Bank (ADB) managed the credit component of the project and provided cash and input credits to the beneficiary farmers who had been trained by contracted Non-Governmental Organizations (NGOs) and Agricultural Extension Agents (AEAs). The NGOs trained beneficiary groups in group dynamics, financial management, resource mobilization, nutrition and hygiene, among others, while the AEAs trained beneficiary groups in improved farming practices and post-harvest management. The group lending scheme was to alleviate the constraints of smallholders' access to credit and to facilitate the delivery of the various project elements among others. The ADB made the first disbursement of loans to the project beneficiary farmers in the Ahafo-Ano South District in May 2005.

**Table 1: Status of Loan Disbursements and Recoveries to Beneficiary Farmers as at 30<sup>th</sup> September 2010**

<b>Year</b>	<b>Amount Disbursed (GH¢)</b>	<b>Amount Recovered (GH¢)</b>	<b>% Recovery</b>
2005	22,828.72	11,630.42	50.95
2006	32,170.11	15,232.50	47.35
2007	14,000.00	4,830.00	34.50
2008	4,592.50	4,592.50	100.00
2009	7,444.00	233.57	3.14
<b>Total</b>	<b>81,035.33</b>	<b>36,518.99</b>	<b>45.07</b>

Source: ADB, 2010

The Bank shied away from giving loans to new beneficiaries of the project as a result of the continuous declining loan repayment performance by the farmers.

### **1.1 Statement of the Problem**

Capacity building via training, development and education of farmers and financial institution employees at all levels is now considered a vital component in maintaining competitiveness in the agricultural arena. If one accepts a competitive market perspective on Human Resource Management/Development (HRM/D), then a central notion is the view that training, development and education strategies are key meaning by which the inefficiencies of the employment relationship can be reduced and a closer approximation to competitive labour market outcome attained. Some of the most common outcomes cited in the literature include quality, employee empowerment, teamwork and multi–skilling (Metcalf et al., 1994).

Since the credit facilities were extended for the purpose of rice production, the insistence of the said aim of accessing the loan should not be compromised, hence the need for adequate training in the area of rice production; which is centered on land preparation, planting, fertilizer application, weed control, harvesting and storage. The capacity building approach is preferred to the use of taskforce approach to recover loans. The latter adopts strategies which could be very hostile and intimidating thus incurring the displeasure of the farmers and worse of all has not proved to improve the repayment trends of loan delinquencies of the financial institutions.

The statement of the problem is that the inadequate or lack of training on loan repayment of farmers has led to the high loan repayment default rate; thereby, causing the financial institutions to be shying away from extending credit facilities to farmers. This study therefore seeks to ascertain that prior to the disbursement of credits or loans, farmers and farmer groups are given appropriate training to ensure that the loans are judiciously and efficiently managed and paid back within the specified time frame.

## **1.2 Research Objectives**

The general objective of the study is to ascertain the effects of training on loan repayment among small scale farmers of the IVRDP in the Ahafo-Ano South District of the Ashanti Region.

Specific objectives for the study are:

1. To identify credit facilities and management strategies used by the ADB under the project.
2. To determine the production training needs of the beneficiary farmer groups.



3. To examine the content and quality of training given to beneficiary farmer groups prior to the loan disbursement.

### **1.3 Research Questions**

To achieve the main objective of the study the following research questions would be answered:

1. What credit facilities and management strategies are used by the ADB under the project?
2. What are the production training needs of the beneficiary farmer groups?
3. How does the content and quality of training given to beneficiary farmer groups prior to the loan disbursement improve their performance in product output and ability to payback?

### **1.4 Significance of the Research**

The output of this study will contribute to knowledge and literature in the subject under investigation. The study is immensely significant in diverse ways to business/marketing practitioners, policy makers and stakeholders. To the management of IVRDP, the findings and results of this study will provide a more reliable scientific measure and perspective for describing and to ascertain the impact of training on loan repayments performance among small scale farmers. It will also serve as an invaluable source of information that brings to the lime light the training processes targeted at small scale rice farmers. This will provide empirical support for management strategic decisions in several critical areas of their operations, and above all, provide a justifiably valid and reliable guide to designing workable

training strategies for creating and delivering farmer value, achieving farmer satisfaction and loyalty, building long-term mutually beneficial relationship with the small scale rice farmers and achieve sustainable business growth in Ghana.

To policy makers like the Ministry of Food and Agriculture (MOFA), the findings and results of this study will provide invaluable insights and a more reliable guide to monitoring the impact of the operations of the IVRDP. It will also be a yardstick for measuring partly their respective policy goals and objectives. Particularly, it will facilitate immensely the MOFA in achieving some of its policy goals, which include: enhancing the reliability and efficiency in the loan repayment by farmers. It will also help the banks and other financial intermediaries to facilitate the availability of credit to the farmers, to ensuring that default rate is low.

To stakeholders like investors, shareholders, employees, pressure groups, farmer associations, etc., the study will provide invaluable information that will allow them to provide useful suggestions to the improvement in training on loan repayment by small scale rice farmers in Ghana.

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

The study was conducted among the beneficiary farmers of the IVRDP in the Ahafo-Ano South District of the Ashanti Region and as such did not cover other districts or regions to reflect the entire industry evaluation of farmers' repayment of loans. Hence the result will not

be generalized but its findings will be placed in the relevant context of the individual district studied.

## **1.6 Research Methodology**

### **1.6.1 Data Collection**

The sources of materials for the study were both primary and secondary. Primary data from the beneficiary farmers and staff of the project were collected using questionnaires. Secondary materials were also extracted from ADB's monthly reports.

### **1.6.2 Sample Design**

The purposive sampling method was used in attaining the sample size, by basically concentrating on the IVRDP, Ahafo-Ano South District of the Ashanti Region for the study. Due to time and limited resource constraints, a proportion the project's farmers and staff were sampled for input into this work.

### **1.6.3 Data Analysis**

The data obtained from the questionnaires were analysed using the Microsoft Excel software and descriptive statistical tools of frequency tables.

## **1.7 Limitations of the Study**

The main limitations of this study were constraints of resources, access, and time. The finance and material resource needed for a sample size for this study is inadequate. Language was another access limitation as it was difficult translating some questions and statements

into the local dialects perfectly because of the limited vocabulary of the local dialects. This study was also constrained by time. It was conducted within very limited academic time frame, approximately three months instead of the proposed six months.

## **1.8 Organization of the Study**

The study covered the following components: Chapter one is made up of the introduction of the study. Chapter two provides literature on training, loan repayment trends and its correlation with performance measurement. A historical background of Inland Valleys Rice Development Project (IVRDP) is also captured. The third chapter, captioned “Methodology”, deals with the detailed description of the design and procedures that were used to carry out the research. The research was undertaken by basically depending on primary data obtained from administered questionnaires and secondary sources of information. The fourth chapter shows data analysis, presentation and discussion. Chapter five provides the summary of findings, conclusions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter reviews the earlier studies related to the stated questions of the study. Among the issues to be discussed include the concept and theories of training, loan repayments and agricultural financing; overview of the IVRDP among others.

#### **2.1 Need for Agricultural Finance**

Pearce (2004) noted the fact that studies in 150 different countries revealed the positive link between a well functioning financial system and long-term growth, and national savings and economic growth. Especially, development of the rural sector that accompanies the improvement of living standard of the majority who are dependent on agriculture is a prime concern in developing countries. Rural finance, in general, and that of rural credit, in particular, is critical to reduce rural household vulnerability. The availability of agricultural credit helps the poor to smooth the consumption patterns as agricultural income is affected by various factors, such as market prices, weather conditions, and timely availability of technological inputs. The small holding farmer can also build up assets greater than the value of the liability. Hence, there is strong need to provide adequate credit facilities for sustainable operation, growth of the agricultural sector and farmers living conditions.

Related to the contributions is the form of credits through which capital is channeled. Mukwereza and Manzungu (2003) opined that similar to other credit products, agricultural credit can be categorized into various time bands of short term, medium term, and long term

credit. Short term credit is usually meant for working capital and ensures adequate liquidity exists in the business. It is usually repaid at the end of a production season in anticipation of source of income, usually from a certain product.

## **2.2 The Financial System Approach to Small Scale Agricultural Credit**

Ajakaye (1985) stated that the past failures to expand financial services in the rural areas and the agricultural sector, in particular, have been attributed to the numerous failures in political, social, and economic endeavours. The political interference by the government was a cause for many of the failures in expanding financial markets in rural areas. Governments, in both developed and developing countries have been emphasizing the need for income transfers and extending subsidies to meet social objectives. In most developing countries, governments attempted to bring income transfer to the rural poor through loans. However, past endeavours ended up negatively affecting the credit culture and discipline of the rural population. As a result, financing agriculture through formal institutions becomes difficult. The past experiences of various institutions created myths, leading to the conclusion that the rural financial market is unfavourable to institutional operators. In addition to the obvious external factors that affect both the borrowers and lenders, such as natural disasters, poor markets and unsuitable land tenure system have enormous contributions to the thinning of the rural credit market.

As a remedial solution to the problem, there was need to establish specialized banking and credit institutions dedicated to agriculture only that fits the specific and unique nature of the sector (FFTC, 2007). However, the idea has also been refuted on the grounds of inefficiency problems. Rather, the need to create innovative financial products and delivery mechanism to promote agricultural finance within the financial systems approach has been emphasized

(Pearce, 2004). For instance, introducing flexible and more accessible savings facilities reduces risk of seasonal income loss. By the same fashion, credit culture and discipline can also be promoted through client education, use of group collateral, and close and regular monitoring of clients by loan officers.

Olaitan (2006) revealed that the need to establish institutions with specific laws and regulations are crucial. Nevertheless, improvement of agricultural productivity, competitiveness, and income are the most important focal points that can help ensure eligibility and development of credit market and the overall rural economy. This reflects the possibility of using the traditional banking businesses in the development of a credit market in rural areas.

Awoke (2004) showed that one of the major factors constraining the development of credit market in rural areas has been the lack of proper collateral to be used as lien in case of default by borrowers. Financial institutions are reluctant to venture into rural areas as small holding farmers do not have the capacity to offer collateral eligible in the eyes of such institutions' policies and procedures. Some governments offer financial institutions that guarantee to replenish lost funds in cases of default by designing various loss sharing mechanisms in the credit delivery system.

Yaron (1992) raised the importance of diversifying rural credit apart from agricultural credits. Other non-farm activities are important to reduce the danger of loan repayment failures as the agricultural risk is faced with various 'co-variant risks'. Financial institutions operating as intermediaries in rural market should finance all segments of the rural economy,

indiscriminately, in order to carry diversified, balanced, and less risky loan portfolio in their assets.

According to Assefa (1987), countries use innovative ways to facilitate the financial service intermediation in the rural areas. Commercial banks' lending mechanisms can be of one or both of the two types, i.e. direct lending (One-Tier) to the beneficiary and/or through other form of agencies (Two-Tier). Under the former approach, the bank directly extends the credit product to the end user. In such a case, the beneficiary concludes the loan contract directly with the bank and the repayment obligation will be limited to the beneficiary. In the latter case, organization or agencies, such as cooperatives, governments, or other parties make the borrowing from the bank and transfer the fund to the end users, who can also be members of the associations.

Despite the many efforts, FFTC (2007) noted that the financial systems approach to delivery of loans in the rural market has not been without challenges. Previous experiences in developing countries in financing agriculture, through commercial banks, exhibited certain features that hamper credit expansion in the rural market, such as strict collateral requirement. As a result, access by small holders to financial institutions has been highly limited.

As an alternative to the adoption of innovative methods, Yaron (1992) raised the need for applying mobile banks that can be taken as techniques to reduce administrative costs of delivering financial services. A more recent case study by Gupta and Shroff (1987) in India implied the need for opening satellite branches. It understands the nature of the ecological conditions and inherent environmental risks in drought vulnerable regions and, then, views



stationery branches as incompatible in rural areas. Moreover, fixed branches are not functional to reach the population in highly dispersed populations. Through opening of satellite branches that may be available for service periodically, the rural people can meet their credit needs and provide small saving schemes to the bank as well.

There are conclusive ideas on the need to build institutions to create viable rural financial markets. Targeted credit has always been considered to promote dependence on the beneficiary. Thus, interventions in rural financial markets should be temporal and targeted at supporting the institution building. However, the lack of adequate emphasis is the characteristics of supply-led credit institutions (Yaron, 1992). In view of this reality, there is need to consider other lending institutions, such as commercial banks.

### **2.3 The Role of Supporting Institutions in Small Scale Agricultural Credit**

Gupta and Shroff (1987) argued that membership based organizations, such as cooperatives, have positive contributions towards credit expansion. They are considered useful in remote areas as their membership is composed of voluntary staff, which can use their knowledge when making loan assessment, create community peer pressure for loan repayments, and demand low level of institutional set up and infrastructures. These organizations, whether formal or informal, can play a vital role in expanding financial service to rural areas. By partnering different farmers' associations, transaction cost of lending can significantly be reduced as it makes dealings with groups as a single processor, rather than numerous and scattered farmers.

Yaron (1992) also presented empirical evidence that attest to the success of credit delivery systems that create and involve other supporting institutions. According to the assessment

made in South Korea and Taiwan, loan collection records exceeded 90% through integration with cooperatives. The basic reason for such a higher collection performance was the strong village cooperative systems and social cohesiveness. Despite the fact that agriculture is a high risk sector, as compared to other economic activities, knowledge and application of the right incentives and legal enforcement structures help to expand credit delivery and improve the repayment rates.

As a prime actor to realize development of communities through their various incentives, governments also have the responsibility to be involved in such processes. Odhiambo (2007) emphasized the role of the government in terms of the need for public sector investments in rural infrastructures that enhance more efficient performance and less dependence on government subsidies. Kellogg Foundation (2002) noted that rural investments are one of the important contributions that governments should facilitate for the development of the sector.

Investments can be in the form of rural roads, water supply, electricity, health, and education. Infrastructural developments improve the economic and financial returns of private investments, increasing the potential of farmers to borrow as it also facilitates improved collection and viability of financial institutions, directly and indirectly. Therefore, the cumulated efforts of the various actors are essential to ensure the survival of financial institutions participating in the rural markets.

As a model of favourable government intervention in the credit market, Olaitan (2006) remarked on the experience of the agricultural credit guarantee scheme in Nigeria, which was established in 1977 where the Federal Government and the Central Bank of Nigeria created a joint fund with 60:40 ratios to provide guarantee for credits extended to finance agricultural

activities. In default scenarios, 75% of the outstanding balances of credits are paid from the allotted guarantee fund to the financier less any realizable income from sale of collaterals.

However, the scheme was not without obstacles. The major challenge was the lack of participating banks in the scheme as banks found it unprofitable to borrow short term deposit and extend long term loans.

Pearce (2004) also presented the intervention by NGOs in the rural credit market. It showed evidence that NGOs play roles in rural credit delivery as banks tend to become more risk averse and reluctant to extend credit for agricultural economic activities. These inabilities of banks to meet the financial service needs of rural population have given way to an increased role for non-governmental organizations (NGOs) in the provision of rural finance, in general, and try to fill the gap. CGAP (2005) also presented the role of donors as a crucial ingredient for the success of many financial institutions that are financing agriculture. Flexible and high quality technical assistance to financial institutions helped in adapting loans to rural clients. However, donors should avoid acts that may distort the market and focus on capacity building of local people. This shows the constraints are not limited to borrowers only, but the supporting institutions as well leading to the need to assess it.

## **2.4 Demand for Credit**

The role of credit is to bridge the gap between enterprise owner's financial assets of the enterprise. Due to persistence of this imbalance, enterprises are forced to demand credit. Demand for credit, according to Aryeetey et al (1994) can be categorized into perceived, potential and revealed demand. Perceived demand is represented by a situation where

enterprises that are assumed to be in need of cash, mention finance as a constraint. Potential demand is characterized by a desire for credit which is not actualized due to market imperfection and institutional barriers. Revealed demand is characterized as written application for financial support at a given rate of interest.

This study agrees with the above categorization of demand for credit. However, in the case of revealed demand definition which is of cardinal importance to both lenders and borrowers, a further distinction needs to be underscored because the application for credit, even if backed by a bankable project, may not necessarily be translated into effective demand. Gale (1991) defined effective demand as the amount of loans that lending institutions are prepared to release to borrowers. This study agrees with Gale, but in addition the definition of effective demand is the actual amount released to the borrowers.

The debate on whether high interest rates affect the demand for credit is inconclusive and may go on indefinitely. There are two main schools of thought. The first school believes that high interest rates negatively affect the demand for credit because only limited borrowers with high risk projects may have their demand satisfied. Prominent among this school are Stiglitz and Weiss (1981), Stiglitz (1989) and Besley (1994) who argue that high interest rates encourage adverse selection of loan seekers. Those who take high risk and get their loans approved are those with high default rates. These high risk enterprises may not include the poor and SMEs because they cannot afford risky and high cost investment. In his analysis of demand for rural credit among farmers in Sao Paulo, Brazil, Nehman (1973) observed that borrowing costs strongly affect the willingness of the rural poor to seek loans from formal lenders. Although Aryeetey et al (1994) did not make it explicit, they acknowledged implicitly that demand for

credit at 30% interest rate was some what weaker among medium-sized firms. The second school of thought's assertion is that high interest rates do not affect the demand for credit. The study by Aryeetey et al (1994) indicated that the high interest rates were not a major concern for SMEs. In that study, SMEs considered an average annual interest rate of 19.5% to be fair and reasonable, and this fell below the minimum market rate at that time by seven (7%) percent points.

Non-availability of credit for SMEs prevents them from engaging in productive enterprises or expanding their businesses. Limited access to bank credit can be attributed to bureaucracy and high interest rates which are in line with the first school of thought's assertion. This means that the high interest rates constrain the demand for credit (Boon, 1989). Evidence on the impact of financial sector liberalization on SMEs shows the following: Steel and Webster (1992), Aryeetey et al (1994) revealed that the financial sector liberalization did not improve access to borrowing by SMEs. They attributed this to tightening of monetary controls, introduction of high-yielding securities to mop up liquidity, and efforts to raise the performance of loan portfolios. Steel and Webster (1989) also pointed out that growth of SMEs has been hampered by the difficulty of financing working capital and new investment. In this current study's view, the latter implies that limitations on the credit to the poor and SMEs can be explained by the information asymmetry model which portrays limited access to financial capital.

There is opportunity cost attached to decisions to lend monies to SMEs given the relative scarcity of finance. Banks normally feel reluctant to lend to SMEs and this affects the supply of credit to SMEs. Preliminary estimates from recent survey conducted in the year 2000 showed that out of the 16 commercial banks in Ghana, only six provided credit equivalent to

¢10 billion to the micro finance sub-sector which was in need of total credit demand of ¢380 billion. The provision of credit to the tune of ¢10 billion constituted only 1% of the loans and advances in the same year (Opare, 2001).

Most commercial banks appear not to have proven lending methodology for the financing of SMEs. Banks underestimate bankable SMEs demand for credit because they have not developed techniques for overcoming high transaction costs and risks (Aryeetey et al, 1994 and Opare, 2001). This problem has contributed to the closure of their branches at the district and sub-district levels. These same banks readily disburse donor loans to SMEs because of the possible foreign exchange gains. Appraisal systems are relaxed because these funds are either guaranteed or provided by donors (ibid).

High yield of Government of Ghana's risk-free assets particularly treasury bills coupled with unfavourable macro-economic environment also contributed to the limited credit supply. Credit supply limitation was mentioned by Quainoo (2001). According to her, Akatakyiman Rural Bank's deposit base registered a remarkable growth of ¢800.6 billion in the 2000/2001 financial year whilst the same bank's investment in treasury bills alone stood at ¢600 billion. This means that less financial resources could be made available to borrowers including the poor and SMEs. Furthermore, the decline of donor funds due to fatigue and the quest for commercialization of micro-lending have both contributed to the low level of credit to SMEs (Aryeetey, 1996).

## **2.5 Loan Repayment**

Lenders of funds in the formal financial sector use the deposits of their clients whilst lenders operating in the informal sector use mainly their own funds to advance money to borrowers. In either case, the transactions are expected to lead to recouping the financial capital. If this does not happen, borrowers benefit at the expense of lenders. Assuming this continues, bankruptcy will be the ultimate result and this will reduce financial intermediation.

According to Stiglitz and Weiss (1981), high interest rates lead to adverse selection of loan seekers that affect loan repayment. Besley and Coate (1995) also made it clear that repayment rate will not be 100% at a positive interest rate. Assuming the project return is very low, borrowing at zero interest rate will still not make the borrowers capable of repaying the loan. Thus a positive interest rate increases cost of production, reduces returns from a productive activity and promotes loan default among borrowers.

The modern approach to the problems of credit markets – especially markets which serve SMEs – is based on the theoretical exposition of Hoff and Stiglitz (1990) which emphasis imperfect information and imperfect enforcement of loan contracts. The screening problem is due to the inability of lenders to determine satisfactorily the extent of risk inherent in projects submitted for credit facilities. The incentives problem is the cost which lenders would have to incur to make certain that borrowers take the appropriate actions to enhance loan repayment. The enforcement problem, essentially, occurs due to limitations of legal provisions for the enforcement of payment of loans, for example, the selling of collaterals.

Empirical evidence indicates that higher loan repayment performance occurs in Asia as compared to Africa. High loan repayment performance of 80% to 98.6% was reported for four (4) successful rural finance institutions in Asia. These are the Bank for Agriculture and Agricultural Co-operatives (BAAC) in Thailand, the Badan Kecamatan (BKK) and the Bank Rakyat Indonesia Unit Desa (BUD) in Indonesia, and the Grameen Bank (GB) in Bangladesh (Yaron, 1994).

According to Yaron (1994), three main factors contributed to the success story of the aforementioned banks. First, the time of submission of application and disbursement of loans ranged between 1 and 2 weeks for the first time borrowers and in the case of repeat borrowers, the period was just about a day. Second, the use of existing social structures or peer groups to ensure prompt payment and thirdly, the rigid structure of loan repayment and routine meetings, especially of GB group members, in which social pressure was applied to achieve prompt payment and the flexible loan repayment terms that were tailored to cash flow patterns from specific income earning activities of lenders.

Loan repayment performance has been poor in Africa, for example, 14% to 20% of commercial banks in Tanzania (Bagachwa, 1996) and about 45% for small agricultural loans in Ghana (Aryeetey and Nissanke, 2000). In Ghana, such success stories of loan recovery are not easy to come by. One may pose the following question: what is it that has been impeding the loan recovery rates? Besley (1994) asserted that enforcement of loan repayment constitute a major difference between rural credit markets in developing countries and credit markets in developed countries. Most lending institutions do not have experienced personnel capable of developing innovative financial products suitable for SMEs (Aryeetey et al, 1994). The



repayment of loans by the poor and SMEs was recognized as one of the most troublesome problems facing rural financial institutions in Africa. Collateral, access to local information and appropriate local mechanisms to enforce loan repayment are important. A study into the effectiveness of persuasive pressure exerted on default borrowers in Edumfa in the Central Region of Ghana concluded that this can lead to improvement in recovery rates (Kamara and Micah, 2000). Africa, compared with EU countries, showed that the latter's commercial banks are closer to SMEs due to their wide networking and proven experience in loan recovery.

A close supervisory and monitoring relationship between financial institutions and clients enhance loan recovery. In the case of Ghana and other African countries, there is evidence of poor supervision and monitoring by banks (Lassort and Clavier, 1989, Aryeetey et al, 1994).

Loan misapplication and its consequences for loan repayment have been recognized by several authors. It is a phenomenon that can be described as moral hazard. There are several factors that can lead to misapplication of loans. In the first instance, the delay in the release of funds can contribute to this: this viewpoint was brought up vividly by Armah (2001) when she posed this question: of what use is a loan to a woman who cultivates groundnuts after the farming season is over? In the second instance, the percentage of the amount granted tends to be lower and this affects the working capital of SMEs (Aryeetey et al, 1994, Armah, 2001). Eventually, the low amount granted affects the returns and the repayment of loans. If the percentage of the amount granted is considered low by the borrower, he/she may misapply the loan, that is, use it for consumption purposes which endangers loan repayment. According to Armah (2001), a woman who became the breadwinner due to the retrenchment exercise under the Structural Adjustment Programme (SAP), took a loan of €700,000 under the PAF programme.

After settling her personal bills, she was left with only ₺200,000 to expand her business. This study shares the view of the author when she posed this question, “Is it practically possible to expand one’s business with a meager amount of ₺200,000?” Aryeetey et al, (2000) also remarked that high interest rate may encourage borrowers to use the money to settle previous loans rather than finance working capital or investment. Several lending practices show that the grace periods have been too short to serve their intended purpose. Especially, this can be felt in the start-up phase of the business. The grace period also affects repayment of loans, although it is intended to protect the lending institutions (Lassort and Clavier, 1989).

Conflicts in society lead to political instability and fuel risk and uncertainty because they can contribute to different signals given to actors in the financial sector. SMEs get caught in the uncertainties and this affects their ability to pay back loans. This study agrees with Steel and Webster (1989) and Dzamboe (2001) that the success of SMEs credit programmes is contingent upon a minimum level of economic and political stability. Political instability induces changes in political orientation leading to changes in policy paradigms that undermine SME projects (Steel and Webster, 1989).

Political pressure for loan disbursement has been the bane of all SME credit programmes initiated by governments. Political pressure for loan disbursement without knowledge about borrowers working environment has been recognized by McGregor (1994) to be among the major causes of poor loan recovery. This is the adverse selection outcome. Evidence in Ghana and several countries indicate that the subsidized schemes are not self-sustainable due to political pressure in the disbursement of loans. Agbelie (2001) for example, showed that only 16.4% of the ₺245.7 million disbursed under the PAF by the Ho District Assembly, was paid

back. The District Assembly thus temporarily suspended further disbursement of the fund due to the poor loan recovery performance.

## **2.6 Training in General**

To get the best from employees it is essential that they are provided with appropriate training on all aspects of their work. Then, training is an excellent way for employees to learn new skills and knowledge and to reinforce good work practices. However, success in training can be measured by the availability of opportunities to acquire the skills and knowledge needed to perform new and ongoing enterprise activities. Salas et al (1992) defined training as the systematic acquisition of knowledge (i.e. what we think), skills (i.e. what we do) and attitudes (i.e. what we feel) (KSAs) that lead to improved performance in a particular environment.

According to Sriyan (1997) training is transferring of information and knowledge to employees. The same author further explained training as equipping employees to translate that information and knowledge into practices with a view to enhancing organizational effectiveness and productivity, and the quality of the management of people. Besides, he stressed that training should be considered along with education policies and systems which are crucial to the development of human resources in an organization. Donnelly et al (1992) termed training as a continual process of helping employees perform at a high level from the first day they start to work. That is training is designed to improve a person's skills to do the current job. Thus whether it occurs at the place of work or at a special training facility, training should always be supervised by experts in the educational process. They mentioned that for training to be effective, a training program must accomplish a number of goals such as; It must be based on organizational and individual needs (meaning training for training's sake is not the

aim); The training objectives should spell out which problem will be solved; All training should be based on sound theories of learning; that is a major reason that training and management development are not tasks for amateurs; and Training must be evaluated to determine whether the training programme is working.

DeCenzo and Robbins (1996) have also added their view to what training is about. To them, training is a learning experience in that is seeking a relatively permanent change in an individual that will improve that ability to perform on the job. Armstrong (2006) viewed training as a planned and systematic modification of behavior through learning events, programmes and instructions, which enable individuals to achieve the level of knowledge, skills and competencies needed to carry out their work effectively. As Reynolds (2004) points out, training has a complementary role to play in accelerating learning. He further commented that the conventional training model has a tendency to 'emphasize subject-specific knowledge, rather than trying to build core learning abilities'. In his *Modern Management Book*, Certo (2003) emphasized that after recruitment and selection, the next step is providing appropriate human resources for the organization is training. Training is the process of developing qualities in human resources that will enable them to be more productive and thus to contribute more to organizational goals attainment.

Also, Cole (2000) indicated that training is usually preparation for an occupation or for specific skills; it is narrower in conception than either education or development. It is job-oriented rather than personal. Training is critical to total quality management efforts, because many times the personnel have to be taught how to do things somewhat differently from the way they did them in the past. Furthermore, one way to minimize this problem from the state is to

develop an orientation programme that focuses on total quality management and familiarizes all new employees with the company's philosophy and operational system. Though total quality firms offer a wide variety of training programmes, all the firms have one thing in common; every year they devote an increased amount of their budget to training. This implies the firm's robust commitment to training so as to improve performance.

In the book 'Essentials of Contemporary Management', Gareth and Jennifer (2003) defined training as teaching organizational members how to perform their current jobs and helping them acquire the knowledge and skills they need to be effective performers. Basically training involves the changing of skills, knowledge, attitudes, or social behaviour. It may mean changing what employees know, how they work, their attitudes toward their work, or their interactions with their co-workers or their supervisors (Decenzo and Robbins, 2002).

According to De Cieri et al (2003) training refers to a planned effort by a company to facilitate employees' learning of job related abilities. These abilities include knowledge, skills or behaviours that are significant for successful job performance. Institutions in Ghana have started to recognize the important role that training plays in improving productivity, quality and competitiveness. Kramar et al (1997) demonstrated that training has a positive impact on the individual and the organization. Firstly, training increases the learning and opportunities open to every employee. With Armstrong (2006) there is the need to justify your training. Thus formal training is indeed only one of the ways of ensuring that learning takes place, but it can be justified when: the work requires skills that are best developed by formal instruction; different ways are required by a number of people, which have to be developed quickly to meet new demand and cannot be acquired by relying on experience; the tasks to be carried out are so

specialized or complex that people are unlikely to make them on their own initiative at a reasonable speed; critical information must be imparted to employees to ensure that they meet their responsibilities; learning needs common to a number of people have to be met, which can really be dealt with by a training programme.

From the above, the operational definition for training refers to a planned effort that seeks a relatively permanent change in an individual to facilitate training of job related abilities which are significant for successful job performance. Thus all the various writers see training as imparting new knowledge, skills and attitudes to be more productive.

## **2.7 Training and Development**

Throughout literature, training is almost similarly defined by various authors. “Training serves to help increase upward mobility within an organization, to adjust workers to the technological changes affecting the workplace, and often simply to introduce people to the world of work at the entry level” (Deutsch 1979, p. 104). Werther and Davis (1985) contend that training is the function of helping employees to do their present jobs. The advantages of organizational training activities may extend throughout a person’s entire career and may help develop the individual for future responsibilities. Training, then involves the development of the person’s knowledge, skills and attitudes (Reilly, 1979). Klinger and Nalbandian (1985) also indicated that training is a human resource developmental activity that is closely related to increasing or maintaining the productivity of employees. Training activities focus on learning the skills, knowledge, and attitudes required to initially perform a job or task or improve upon the performance of current job or task. There are four major common characteristics in most of the definitions of training found in literature: training is a learning experience for both the

individual as well as the organization; training is a tool for behavioural and/or attitudinal change; training is concerned with equipping and/or exposing personnel to a new set of knowledge and skills; and organizational productivity is undoubtedly the ultimate objective of any training system, and is achieved by increasing the potential performance of individuals.

Training can therefore be defined as a planned learning system aimed at attitudinal and/or behavioural change by equipping individuals with desired knowledge and skills in order to maximize his/her potential performance and therefore, increase organizational productivity.

Training is an integrative system, which requires among other things a high level of collaboration among various human resource management activities. Development and training are terms used frequently in the literature with slightly different meanings. Some authors distinguish between training and development using the criteria of time. Werther and Davis (1985) viewed training as a short-term organizational concern, which involves helping employees to execute their jobs. Development on the other hand, is concerned with an employee's future responsibilities and/or job. The most rigorous conceptualization of the distinction between development and training in the literature was provided by Nadler and Wiggs (1986). According to these authors, HRD activities primarily comprise training, education and development. Training is the first most common HRD activity and is short-term oriented. It focuses on the employee learning the skills, knowledge and attitude required initially to perform a job or improve on/enhance the performance of a current job or task.

A second important HRD activity is education. It is a long – term oriented undertaking, which focuses on learning new skills, knowledge and attitudes that will equip an individual to assume a new job or to do a different task at some predetermined future time. Development is the third

HRD activity and according to Nadler and Wiggs (1986), development is oriented to both the person and the organization. It is both a present, as well as a future concern. There is no doubt that a greater similarity exists between training and development. Both development and training involve a learning experience. Learning is a function of exploring other possibility and integrating the organization's objective and individual's objectives in a productive and functional framework. Change is also a common ground of both development and training. The extent to which change is conducive to organizational productivity is dependent on the extent to which training and development are successfully planned, implemented and evaluated.

However, Al-Khayyat and Elgamal (1997) believe that although training and development are similar, the learning methods used to execute them are different. While training is concerned primarily with the use of lectures, practical sessions and/or exercises and workshops, development utilizes methods such as job rotation, learning centers and available literature (e.g. library). Development is also employee self-initiated and voluntary. The role of the organization is primarily to provide the opportunity and incentive, as in the case of learning centers.

## **2.8 Reasons for Training**

Organizations initiate training programmes for many different reasons. The strongest motive of training is the need to respond to challenges presented by new technologies. As new technology changes at an increasingly rapid pace, it requires new skills. Improving efficiency and performance to ensure the organization is capable of responding to the challenges of its competitors will sometimes require a very different kind of programme. Also in striving to enhance efficiency and level of performance, training should be seen as part of the individual



professional development. An organization can increase the likelihood that it will keep valued employees if it demonstrates that it is willing to invest in their professional development, by helping them gain new skills and expertise through organizational support for their training. Training and development help to ensure that organizational members have knowledge and skills needed to perform their jobs effectively, take on new responsibilities and adapt to changing conditions. However, the social-learning model and learning principles tell us that training should provide the trainee with a given model to follow specific goals to achieve, an opportunity to perfect the skill and feedback on how well the trainee is progressing. The human resource manager should be guided by these recommendations in designing, implementing and operating any employee training programme.

Further, training should focus on ways of orientating new employees, giving recognition, correcting poor work habits, discussing potential disciplinary action, reducing absenteeism, reducing turnover and overcoming resistance to change. Cole (2000) also outlines some main reasons why most organizations commit huge sums of money to training employees. The focus was on the following: the empowerment of existing skills; an increase in the knowledge and experience of employees; improvement in job performance with resulting improvement in overall productivity; improvement in customer service; increase in value of individual employee's knowledge and skills; greater commitment of staff (i.e. increase motivation); personal growth opportunities for employees and the provision of a pool of skilled manpower for the organization.

There are other writers who have also devoted their work to literature on reasons for training. Armstrong (2001) identified some reason for effective training in support of Cole (2000). In

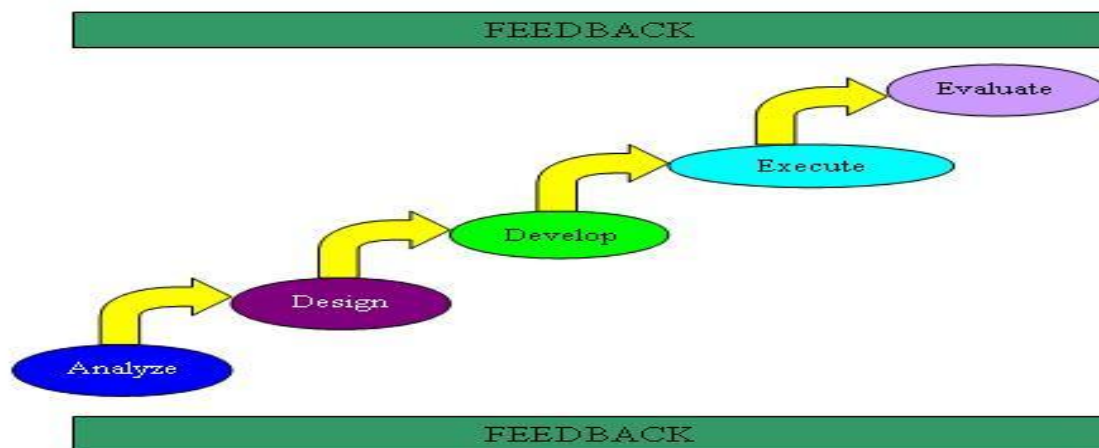
support of training benefits, De Cieri et al. (2003) stated that many companies increased their expenditure on structured training. The HR focus (1999) pointed out that after a steady decline in training expenditures, Australian organizations are spending more on training, especially in human resource departments, according to the latest HR Benchmarking Annual Report released by the Australian-based HRM consulting. The survey of 1,900 organizations found that training investment jumped to \$7005 (Australian dollar) in 1998, up from \$454. In a new feature of the latest report, HRM measured HR training and investment per employee and found that organizations are spending about \$1,024 on training for HR staff.

According to a survey by the Nierenberg Group, New York, 72% of employees said that they get enough training from their employers (Rodger, 2001). Employers who offered employees the opportunity to add new skills will probably be more successful in attracting new hires and training existing ones than those employers without such programmes. A structured training should be designed by embarking on organizational analysis to point out the strengths and weaknesses of the employees and then employers will choose training as the solution to any pressure point. Also, De Cieri et al. (2003) suggested that employers should give needs assessment a priority to show what is necessary if training is needed. Looking at the various reasons for organizations embarking on training given by Armstrong (2001), Cole (2000), Certo (2003) and others, they emphasized the fact that organizations embark on training to ensure increase in productivity and also to motivate employees by increasing their level of competence, skills and knowledge on the work which they are supposed to do, personal growth opportunities for empowerment and provision of higher level of services.

## 2.9 The Process of Training

According to Certo (2003), training of individuals has four essential steps or processes: determining training needs, designing the training programme, administering the training programme and evaluating the training programme.

Armstrong (2006), Cole (2000) and other writers used the same model to explain the process of training in four stages as identifying training needs, designing and developing of training programme, carrying out the training and evaluating the training programme. But Cole (2000) differs slightly with the introduction of training policy and establishment organizations. Below is the model, which is termed as “systemic training”



Source: Cole, 2000

## 2.10 Determining Training Needs

Reilly (2001) indicated that the effectiveness of training is heavily dependent upon the effectiveness of the process used to identifying training needs. Training needs are the information or skill areas of an individual or group that require further development to increase the productivity of the individual or group. Training can only be productive for the

organization if it focuses on these needs. The training of organizational members is typically a continuing activity. Even employees who have been with the organization for some time and who have undergone initial orientation and skills training need continuous training to improve upon their skills.

To Armstrong (2001), training need is concerned with defining the gap between what is happening and what should happen. This is what has to be filled by training, i.e. the difference between what people know and can do and what they should know and be able to do. Training needs should be analyzed, first, for the organization as a whole - corporate needs; second, for departments, teams, functions or occupations within the organization - group needs; and third, for individual employees – individual needs. According to Cole (2000), a training need is any shortfall in terms of employee knowledge, understanding, skills and attitudes against what is required by the job, or the demands of organizational change.

## **2.11 Training Methods**

According to Nadler and Wiggs (1986) training methods are critical to the success of organizational training programmes. The only general rules for conducting training programmes are that first, the courses should continually be mentioned to ensure that they are proceeding according to the plan and within the agreed budget and second, all training should be evaluated after the event to check on the extent to which it is delivering the required results. This is the job of whoever has the responsibility for employee development, which should be required to report on progress against plan at regular intervals. There are, however, a number of considerations that affect the conduction of training for special occupations, and these

concern managers and team leaders (these are dealt with jointly because the basic principles are similar). Special approaches may be used for particular groups of employees (Armstrong 2001). In his view, technical and skills or craft training scheme can be divided into four main types:

- Graduate – Postgraduate training leading to a professional qualification.
- Student – a course of education and practical training leading to a degree or some other qualification as an engineer, scientist and technologist or technician.
- Technician - a course of education and training, which could last up to three or four years, leading to empowerment as a technician and an appropriate technician's qualification.
- Skill and Craft – a course lasting a number of years, depending on the level of skill that has to be attained and often leading to a craft certificate or other record of achievement.

The three phases of skills training are mentioned as:

1. Basic training - trainees receive training in basic skills in a basic training workshop. These trainings should consist of a series of modules. Clearly, the standard modules should be chosen on the basis of an analysis of the skills required and additional modules should be specifically developed if necessary.
2. General trainees are given experience in a number of different departments, processes or operations to consolidate training.
3. Final training - trainees settle down in the department of their choice or the department of which they are best fitted. Their aim is to ensure that they are equipped to apply their learning in normal working conditions and at the pace and level of quality expected from a fully experienced and competent individual.

According to Robbins and Coulter (2002) managers are responsible for deciding what type of training employees need, when they need it and what form that training should take. They further grouped employee skills into three categories; technical (these include basic skills - the ability to read, write and do math computations as well as job-specific competencies), interpersonal (this often include learning how to be a better listener, how to communicate ideas more clearly and how to reduce conflict, and problems solving (when the skills of employees are deficient, managers might want to improve them through training. This would include participating in activities to sharpen logic, reasoning, and skills at defining problem). However, their view on training methods state that most training takes place on the job because this approach is simply to implement and is usually inexpensive. Besides, on the job training can disrupt the workplace and result in an increase in errors while learning takes place.

## **2.12 Origin and History of the Project**

Hara et al. (2001) revealed that rice is increasingly gaining in importance as a staple food in Ghana next to cassava (7.2 Million MT), yams (3.0 million MT), plantain (2.0 million MT) and maize (1.0 million MT). According to them, rice is now the third cereal grown in the country after maize and sorghum (0.4 million MT). Rapid population growth mainly in the urban areas and the relative ease of preservation and cooking of rice has favourably influenced that trend for more rice consumption. In 1996, a detailed study of the rice sub-sector undertaken by the Government of Ghana (GOG) concluded that the domestic consumption is likely to reach 672,000 MT of paddy equivalents in 2006, while current production barely exceeds 221,000 MT. Despite increased domestic rice production from 100,000 MT in 1989-91 to about 280,000 MT in 1998-99, around two-thirds of the national rice requirements are still imported.

In 1998, rice imports to Ghana were estimated at about 200,000 MT valued at about 245 billion Cedis (US\$61.25 million).

Under Ghana's vision 2020 socio-economic development initiative, emphasis was put on inland valleys rice production as an important source for achieving national food security, contributing to reduction of poverty and reducing imports. This emphasis was again reiterated by the Budget Statement and Economic Policy of the Government for the 2001 Financial Year, issued on 9<sup>th</sup> March 2001, which in Paragraph 179, reads "The first priority is to reduce rice importation by at least 30% in value from the approximately US\$100.0 million spent on importing rice annually to supplement local production. The reduction in rice importation will be substituted by a local production of 72,000 MT milled rice which will create jobs to increase rural incomes. In this regard, steps will be taken to ensure that rice farmers are provided with high yielding improved varieties".

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methods used for the study. It explains the research design and also gives details about the population, sample and sampling techniques as well as the research instruments used in collecting the data for the study. It also discusses the data collection methods and data analysis plan.

#### **3.1 Research Methods and Design**

The research design of this project was a non-experimental or a survey, one which determined the effects of training on loan repayment performance by small scale rice farmers who belong to the IVRDP domiciled within the Ahafo-Ano South District of the Ashanti Region. Extensive data were obtained from the small scale rice farmers and the staff of the IVRDP.

The study used a cross-sectional design to collect data on relevant variables, one time only, from a variety of people. To this end, questionnaires covering the objectives of the research were prepared and used to collect data from the small scale rice farmers and the staff of the Inland Valleys Rice Development Project.

#### **3.2 Sources of Data**

Both primary data and secondary information were collected for the purpose of this research. For clarity, Saunders et al (2007) define data as facts, opinions and statistics that have been collected together and recorded for reference or for analysis.



### **3.2.1 Primary Data Source**

Primary data is data that is used for a specific purpose for which it was gathered. For this study, it was obtained by administering questionnaire to respondents with the help of Agricultural Extension Agents due to time constraints and the geographical area of coverage.

### **3.2.2 Secondary Information**

Secondary information is data that is used for a purpose other than for which it was originally obtained. It may be descriptive or explanatory (Saunders et al, 2007), raw (unprocessed) or summarized (Kervin, 1999). They can be categorized into documentary, multi-source or survey-based (Saunders et al, 2007). Secondary information for the research was extracted from monthly reports of ADB.

## **3.3 Data Collection Techniques and Tools**

There are various methods by which both secondary information and primary data are obtained. Saunders et al. (2007) list questionnaire, interviews (structured, in-depth and group) and observation as methods that are usable. For this research the methods employed were by survey and interviews. The instrument used for collection of relevant data for the study was a questionnaire.

### **3.3.1 Questionnaire**

In view of the nature of the topic, it was realized that questionnaire would be the main and the most appropriate instrument to use. Questionnaires are an inexpensive way to gather data from a potentially large number of respondents. The research gave a serious thought to the wording

of individual questions. This was done to ensure that respondents answer objectively to the questions in the questionnaire.

### **3.3.2 Administration of Questionnaire**

Questionnaires sent out to respondents had a personalized covering letter explaining briefly the purpose of the survey, the importance of the respondents' participation, who was responsible for the survey and a statement guaranteeing confidentiality. This cover letter also expressed thanks to the respondents at the end. Questionnaires were self-administered or read out by interviewers. Interview-administered questionnaires were done face to face. The self-administered questionnaires were cheap and easy to administer. It preserved confidentiality and was completed at the respondent's convenience. It was administered in a standard manner. The interview-administered questionnaires allowed participation by respondents who could not express themselves fluently in the English language and allowed clarification of ambiguity (Leung, 2001).

### **3.4 Population**

The targeted population of the study consisted of staff of the IVRDP as well as the small scale rice farmers on the project in the Ahafo-Ano South District of Ashanti Region who numbered about three hundred (300).

### **3.5 Sample Size and Sampling Technique**

In designing the study, the need to make inferences from the sample of the population in order to answer the research questions and also to meet the research objectives was considered. In order to get very accurate results for this study, people who were directly involved in the

activities of the project as far as financing and management of the businesses were concerned were thus selected.

The purposive sampling method was used to select the sample from the population. This is a non-random sampling method where the research establishes a criterion devoid of randomness for selecting the sample. In the purposive sampling, the sample is chosen to suit the purposes of the study. This method was chosen because the sample was able to answer the questions and respond to the interviews as objectively as was possible.

A sample size of one hundred (100), comprising five (5) unit heads, twenty-five (25) staff and seventy (70) small scale rice farmers who worked on the project within the Ahafo-Ano South District, was chosen for this study as illustrated by Table 3.5.

**Table 3.5 Guide: Sample Size and Technique for Selecting Respondents**

<b>Target Group</b>	<b>Sample Method Required</b>		
	<b>Estimated Number</b>	<b>Sample Selected</b>	<b>Research Instrument used</b>
<b>Staff</b>			
Agricultural Extension Agents	35	18	Questionnaire
NGO Group Promoters	10	7	
Top Management/Unit Heads	5	5	
<b>Farmers</b>			
Individual Farmers	250	70	Questionnaire
<b>Total</b>	<b>300</b>	<b>100</b>	

*Source: Author's compilation, December 2011*

### **3.6 Pre-test of the Questionnaire**

Before the main fieldwork, pretests of the questionnaire were conducted at the Ejura-Sekyedumase District, also in the Ashanti Region. The main reason for this activity was to ensure that the questionnaire was meaningful, easily understood and appropriate for the main fieldwork. It also enabled the researcher and the field assistants to become familiar with the questionnaire and to prepare them for the main fieldwork.

The Ejura-Sekyedumase District, like the Ahafo-Ano South District, also benefited from the IVRDP. Five (5) project staff and twenty-three (23) farmers were visited and interviewed.

Feedback from this pre-test suggested that interviewees found the questionnaire cumbersome as many of the questions did not give them any options. In addition, some problems came up, that needed to be addressed. The study tools were then subsequently modified to deal with these issues and achieve the objectives of the study. To a large extent, inconsistencies, biases and difficulties associated with interviewing respondents were done away with from the study.

### **3.7 Data Analysis Plan**

The raw data obtained from a study is useless unless it is transformed into information for the purpose of decision making. The data analysis involved reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps were taken to analyze the data for the study. The data was edited to detect and correct possible errors and omissions that were likely to occur, to ensure consistency across respondents. The data was then coded to enable the respondents to be grouped into limited number of categories. The Microsoft Excel software was used for this analysis. Data was

presented in tabular and narrative forms. In analyzing the data, descriptive statistical tools such as frequency tables were used.

### **3.8 Limitations to Data Collection**

Some of the respondents considered the exercise as a waste of time and for that matter were not prepared to spend a few minutes of their precious time to answer the questions. The study was also handicapped in getting approval for some background information from the Project Coordinating Unit. The research was limited by financial constraints taking cognizance of the extent of the scope of the study and period of investigation. The research among other things was confronted with the situation whereby officials and farmers of the IVRDP were reluctant to give out information. Another area of limitation to this study came from the inability of respondents to complete and submit questionnaire on time for data to be analyzed.

The study recognized that the sampling from the target population might not be totally free from errors and as such, efforts were made to minimize such errors. The population of the study consists of IVRDP beneficiary farmers in the Ahafo-Ano South District and staff. Care must therefore be taken in generalizing findings. Finally, it is pertinent to reiterate the limitations of the study which is beyond the control of the research in the area of questionnaire administration and retrieval. Concerted efforts were made to ensure better response and retrieval of questionnaires from the respondents.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.0 Introduction

This chapter presents and discusses the results of the study. The results were based on the data obtained from the questionnaires administered. The results have been analyzed in accordance with the research questions formulated in chapter one. In order to avoid the research being free from bias, a sample of broad based respondents was covered. This included the beneficiary farmers and staff of the project.

#### 4.1 Data Analysis of Administered Questionnaire

A study of the response obtained from the administered questionnaires is as follows: a total of hundred (100) questionnaires were distributed to individual farmers and staff of the Inland Valleys Rice Development Project (IVRDP). Ninety-five (95) questionnaires were received; however, 90 were accepted (which obviously represents 90 percent of the response); thereby indicating that ten (10) questionnaires were rejected because the respective respondents failed to answer them correctly and in two instances, they were returned completely blank.

**Table 4.1.1 Respondents' reaction to the questionnaire**

<b>Respondents</b>	<b>Questionnaires Administered</b>	<b>Questionnaires Received</b>	<b>Questionnaires Accepted</b>
Farmers	70	66	62
Staff	25	24	23
Unit Heads	5	5	5
<b>Total</b>	<b>100</b>	<b>95</b>	<b>90</b>

*Source: Field Survey, December 2011*

Using the non-random sampling method, specifically the purposive sampling technique, the study selected the sample based on targeted units. This method ensured that representative samples of all the known elements of the population were covered in the sample.

A sample size of ninety (90), comprising twenty-three (23) staff (representing 25.56 percent), five (5) Unit Heads (connoting 5.56 percent) and sixty-two (62) farmers (signifying 68.89 percent) of the targeted population responded appropriately to the administered questionnaires and thus submitted. Details are shown in Table 4.1.2.

**Table 4.1.2: Respondents Distribution**

Details	Male		Female		Total	
	Freq.	Percent (%)	Freq.	Percent (%)	Freq.	Percent (%)
Unit Heads	5	5.56%	0	0.00%	5	5.56%
Staff	18	20.00%	5	5.56%	23	25.56%
Farmers	46	51.11%	16	17.78%	62	68.89%
<b>Total</b>	<b>69</b>	<b>76.67%</b>	<b>21</b>	<b>23.33%</b>	<b>90</b>	<b>100.00%</b>

*Source: Field Survey, December, 2011*

The survey via Table 4.1.2 indicated a male to female ratio of 1:0.3, which is an indication of adequate evidence of male dominance in the project, thereby, laying credence to the assertion that males in the Ahafo-Ano South District are lovers of rice cultivation. However, the gender balance in the rice project in the Ahafo-Ano South District could be said to be fair. Though the females were few, it could be said that they adequately represented women rice farmers.

## **4.2 The Age Distribution of Respondents**

The ages of the respondents were within the range of 20 and 65 years for Unit heads, staff and farmers; and the study exhibited a fair representation of all the identified age groups. The study revealed bi-modal age groups of 20 – 25 years and 56 – 60 years registering 15.56 percent each; closely followed by 13.33 percent for both 26 - 30 years, 36 – 40 years and 51 – 55 year groups; 10.00 percent for 41 – 45 years, 7.78 per cent for the 46 – 50 years, 6.67 percent for the 31 – 35 years and the least of the age groups being the above 60 years with 4.44 percent specifically represented only by farmers.

Analyzing in more specific terms, the study displayed a fair representation among the employees (both unit heads and ordinary staff), indicating a perfect mixture of youthful and energetic majority; and a more sober and well experienced middle aged employees, although it had a small fraction of more senior citizens who have barely 2 to 3 years to proceed to retirement.

In the case of farmers, the study showed almost a split of 50 percent representation of the youth (between 20 and 40 years) while the middle aged and older folks shared among themselves the remaining 45.56 percent (41-60 years) and 4.44 percent for those representing over 60 years as shown in Table 4.2 below.



**Table 4.2: Age Distribution of Respondents**

Ages	Unit Heads		Staff		Farmers		Total	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
20 - 25 years	0	0.00%	7	7.78%	7	7.78%	14	15.56%
25 - 30 years	1	1.11%	3	3.33%	8	8.89%	12	13.33%
31 - 35 years	0	0.00%	1	1.11%	5	5.56%	6	6.67%
36 - 40 years	2	2.22%	4	4.44%	6	6.67%	12	13.33%
41 - 45 years	0	0.00%	5	5.56%	4	4.44%	9	10.00%
46 - 50 years	1	1.11%	1	1.11%	5	5.56%	7	7.78%
51 - 55 years	0	0.00%	2	2.22%	10	11.11%	12	13.33%
56 - 60 years	1	1.11%	0	0.00%	13	14.44%	14	15.56%
60+ years	0	0.00%	0	0.00%	4	4.44%	4	4.44%
<b>Total</b>	<b>5</b>	<b>5.56%</b>	<b>23</b>	<b>25.56%</b>	<b>62</b>	<b>68.89%</b>	<b>90</b>	<b>100.00%</b>

*Source: Field Survey, December, 2011*

This is also an indication that the youth showed more interest in the inland valleys rice project; probably beginning to understand the enormous potential that the sector has in terms of the contribution it brings to the Ghanaian economy. It could be deduced that the project's marketing communication strategies appealed to the youth just as the old folks.

### **4.3 Educational Level of Respondents**

Table 4.3 is based on revelations of the educational background of the respondents. All the staff respondents had received formal education of some sort; and were thus in the position to understand and appreciate the subject matter. The least qualification of the Unit heads was Agric training (1.11 percent) and 3.33 percent are holders of University degree. In the case of the farmers the study showed that the highest certificate of formal education was secondary

(5.56 percent), 28.89 percent (26 in absolute terms) attained only MSLC/Basic with as many as 34.44 percent (31 in absolute terms) being illiterates. However, the questionnaires were translated to them in the Akan Language and their responses duly written by the researcher who granted it.

**Table 4.3 Educational Levels**

Educational Level	Unit Heads		Staff		Farmers		Total	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
University	3	3.33%	4	4.44%	0	0.00%	7	7.78%
Polytechnic	1	1.11%	3	3.33%	0	0.00%	4	4.44%
Agric Training	1	1.11%	9	10.00%	0	0.00%	10	11.11%
Vocational/Technical	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Secondary	0	0.00%	7	7.78%	5	5.56%	12	13.33%
MSLC/Basic	0	0.00%	0	0.00%	26	28.89%	26	28.89%
Illiterates	0	0.00%	0	0.00%	31	34.44%	31	34.44%
<b>Total</b>	<b>5</b>	<b>5.56%</b>	<b>23</b>	<b>25.56%</b>	<b>62</b>	<b>68.89%</b>	<b>90</b>	<b>100.00%</b>

*Source: Field Survey, December, 2011*

#### **4.4 Analysis of Staff Responses**

All analysis under this sub-heading was undertaken with the sample size of 28 for staff in mind; thus, computations were performed with the latter as the base figure of the percentages quoted.

##### **4.4.1 Project Position & Project Trainers**

The staff who responded to the questionnaire were in various positions as follows: 42.86% Agric Extension Agents (AEAs), 3.57% Project Co-ordinator, 3.57% Monitoring and Evaluation Officer, 35.71% Group Promoters and 14.29% Others. The “others” category included the District Director, District and Regional Development Officers. The staff

respondents selected thus had adequate knowledge of the subject under review by virtue of their current job placements as aptly illustrated by Table 4.4.1 below.

**Table 4.4.1: Project Position**

<b>Position</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Agric Extension Agent (AEA)	12	42.86%
Project Co-ordinator	1	3.57%
Monitoring & Evaluation Officer	1	3.57%
Group Promoters	10	35.71%
Others, e.g. DDO, RDO	4	14.29
<b>Total</b>	<b>28</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

Nevertheless, the study revealed by an overwhelming response (100 percent) by staff that project beneficiary groups were trained by both the Agric Extension Agents (AEA) and Group Promoters (from the NGOs).

#### **4.4.2 Training Content and Impact**

It was discovered that the training contents of the IVRDP were on financial management, group dynamics, nutrition and hygiene, post-harvest management, improved farm practices, resource mobilization and basic health education on malaria and HIV/AIDS.

The beneficiary groups of the project were trained weekly, as indicated by the 100 percent response shown by the respondents. Again, it was detected that the crop production methods that participants were trained in were fertilizer application, nursery practices such as seed

selection and priming, water management, weed control, pest management, site selection and land preparation, harvesting and post-harvesting management.

On the issue of how the above-mentioned crop production training needs were determined; the study revealed that ‘farmers were visited and their training needs assessed through interviews’.

The impact of the various training given to beneficiary farmer groups was ascertained by trainer follow-ups on the farmers after the training applications to assess progress and implementation of the practices.

#### **4.4.3 Credit Facilities and Management Strategies of ADB**

##### ***Credit Application***

As illustrated in Table 4.4.3a, the study showed that beneficiaries applied for credit mostly (93 percent) at the end of the training programme, although 7 percent indicated that the application was put forward any time of the project. This was explained by respondents that certain projects by their very nature required continuous funding hence that system. However, it is worth noting that credit component applications were not entertained until the farmers had undergone the requisite training.

**Table 4.4.3a: Credit Application Stage**

<b>Stage of credit application</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Before Training	0	0.0%
After training	26	92.9%
Throughout the project	2	7.1%
<b>Total</b>	<b>28</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

### ***Bank Approval***

The research indicated by the 100 percent response that the bank (ADB) only approved of the loan for farmer groups of the IVRDP and not for individual farmers; and in the same manner, the loans were disbursed through “Group Accounts” as demonstrated by Table 4.4.3b.

**Table 4.4.3b: Bank Approval**

<b>Type</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Type</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Group	28	100.0%	Group Accounts	28	100.0%
Individuals	0	0.0%	Individual Accounts	0	0.0%
<b>Total</b>	<b>28</b>	<b>100.0%</b>	<b>Total</b>	<b>28</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

### ***Bank’s Period of Loan Appraisal***

**Table 4.4.3c: Bank’s Appraisal Period**

<b>Appraisal Period</b>	<b>Frequency</b>	<b>Percentage (%)</b>
One Week	0	0.0%
More than a week	5	17.9%
One month	22	78.6%
More than one month	1	3.5%
<b>Total</b>	<b>28</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

Table 4.4.3c above shows that it took the Bank one month to process majority (78.6 percent) of the loans (during which period it appraises, approves and disburses the credit applied for by the relevant beneficiaries); 18 percent indicated that it took just a little over one week, while 3.5 percent took more than one month.

### *Credit Recoveries*

**Table 4.4.3d: Frequency of Credit Recovery**

<b>Number of Times</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Irregular	19	67.9%
Annually	7	25.0%
Semi-annually	2	7.1%
<b>Total</b>	<b>28</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

As illustrated by Table 4.4.3d above, the research showed by 68 percent that the bank's rate of loan recovery to farmers were irregular, 25 percent annually and 7 percent semi-annually.

### *Regular Monitoring After Loan Disbursement*

It was unanimous that the bank did not undertake regular monitoring of beneficiary activities after the disbursement of the loan. Notable among the several reasons provided for this action are as listed below.

- The credit officer visited some of the beneficiaries for recoveries only when the loan had gone bad.
- The tight schedules at the bank always prevented the credit officers from following up.
- The bank clearly had no program to monitor the beneficiary project farmers.

### *Correlation between Training and Loan Repayment*

Respondents indicated that there existed a positive correlation between the various training embarked upon by the IVRDP and the loan repayment by beneficiaries; as farmers' crop yields

were high due to the crop production training given; thus farmers were able to pay off their loans though late in certain instances. This ensured recapitalization by the bank.

#### **4.5 Analysis of Farmer Responses**

All analysis under this sub-heading was undertaken with the sample size of 62 for farmers in mind; thus, computations were performed with the latter as the base figure of the percentages quoted.

##### **4.5.1 Training Content and Quality**

###### *Type of Training*

**Table 4.5.1a: Type of Training**

<b>Type</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Financial Management	25	40.3%
Records Keeping	37	59.7%
None	0	0.0%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

The study revealed that all the respondents had undergone one training of a sort or the other; 60 percent of the farmers had gone through record keeping training while 40 percent financial management.

It was also detected by 100 percent response that the Agricultural Extension Agents organized crop production training programmes under the project.

## *Content & Quality Assessment*

**Table 4.5.1b: Content & Quality Assessment**

<b>Assessment</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Excellent	11	17.7%
Very Good	41	66.1%
Good	7	11.3%
Normal	3	4.8%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

The study indicated that 66.1 percent assessed the content and quality of the training programme as ‘very good’, 17.7 percent rated it ‘excellent’, 11.3 percent ‘good’ and 4.8 percent saw it as ‘normal’.

Again, it came out that 19 percent of the respondents undertook their training for two months whilst those who underwent training for over two months represented 81 percent as illustrated by Table 4.4.1c below.

**Table 4.5.1c: Duration of Training Session**

<b>Duration</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Two weeks	0	0.0%
Three weeks	0	0.0%
One month	0	0.0%
Two months	12	19.4%
More than two months	50	80.6%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*



### *Mode of Training*

**Table 4.5.1d: Mode of Training**

<b>Mode</b>	<b>Frequency</b>	<b>Percentage (%)</b>
On the job training	53	85.5%
Simulation	0	0.0%
Workshop	9	14.5%
Just in time learning	0	0.0%
Apprenticeship	0	0.0%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

As indicated in Table 4.4.1d, only two major modes of training were employed by the project with as many as 85.5 percent of the training mode being on-the-job training and ‘workshops’ recording 14.5 percent.

### *Annual Training*

**Table 4.5.1e: Annual Training**

<b>Annual training</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Once	0	0.0%
Twice	13	21.0%
Thrice	24	38.7%
Four times	11	17.7%
More than four times	14	22.6%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

The number of occurrences that training and development sessions are organized in a year was revealed by the study as more than once at least. The recurrence of annual training varied in relation to the farmer groups. The group with modal (38.7 percent) recurrence had three times

of training; ‘more than four times’ registered 22.6 percent; 21 percent for ‘twice’, and the least being ‘four times’ recording 17.7 percent as illustrated by Table 4.4.1e above.

### ***Rate of Recurrence***

**Table 4.5.1f: Rate of Recurrence**

<b>Recurrence Rate</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Twice	17	27.4%
Thrice	12	19.4%
Four times	10	16.1%
Five times	15	24.2%
Six times	8	12.9%
More than six times	0	0.0%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

The study showed that the recurrence of farmer groups attending training sessions in the last two years varies based on the their respective training needs; 27.4 percent ‘twice’, 24.2 percent for ‘five times’, 19.4 percent for ‘thrice’, 16.1 percent for ‘four times’ and 12.9 percent for ‘six times’.

### ***Assessment of Training***

**Table 4.5.1g: Assessment**

<b>Assessment</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Very Good	31	50.0%
Well equipped	31	50.0%
Normal	0	0.0%
Bad	0	0.0%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

Generally, the training on loan repayment under the IVRDP was given thumbs up; specifically, 50 percent accorded the training session as ‘very good’ and the remaining 50 percent indicated that they were well equipped after undergoing the training programme.

*Drivers to Training Exercise*

**Table 4.5.1h: Drivers to Training Exercise**

<b>Drivers</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Upgrading of skills	42	67.7%
Revision of Methods	8	12.9%
Nothing	0	0.0%
Establishing good relationship	0	0.0%
Monetary Rewards	12	19.4%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

Table 4.4.1h shows that 67.7 percent of the respondents maintained that apart from the acquisition of knowledge, upgrading of skills was that force that motivated trainees to pay attention to the training exercise; Monetary Rewards registered 19.4 percent and 12.9 percent was attained in relation to revision of methods.

*Justification for continuous training*

**Table 4.5.1i: Justification for continuous training**

<b>Justification</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Increase Performance	31	50.0%
Induction of new technology	31	50.0%
Knowledge & Experience transfer	0	0.0%
Abreast with modern practices	0	0.0%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

Farmer groups maintained that out of the four variables provided as reasons for the justification of continuous training in their respective work, ‘Increase performance’ attained 50 percent and the remaining 50 percent went in for ‘induction of new technology’.

#### 4.5.2 Credit Facilities and Management Strategies of ADB

##### *Evaluation Credit Facilities*

**Table 4.5.2a Credit Facilities Evaluation**

<b>Evaluation Factors</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Collateral	0	0.0%
Track Record	11	17.7%
Family Connections	0	0.0%
Character assessment	0	0.0%
Group Maturity	51	82.3%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

Majority (82.3 percent) of the respondents indicated that their respective credit facilities evaluation was due to group maturity and track record confirmed a response of 17.7 percent, while the other factors registered no response. Furthermore, the kinds of loans normally requested were short-term; and over 80 percent of the respondents indicated that the loan processing time between application and disbursement took more than two months; and the remaining 19.4 percent went for one month as illustrated by Table 4.4.2b below.

**Table 4.5.2b: Processing & Disbursement Period**

<b>Period</b>	<b>Frequency</b>	<b>Percentage (%)</b>
One weeks	0	0.0%
Two weeks	0	0.0%
One month	12	19.4%
More than two months	50	80.6%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

The research proved further that 95% of the farmers preferred the group lending approach while only 5% showed any interest for the individual approach. The group scheme required virtually no collateral as the group stood as surety for its members and also presented less transaction cost. For the individual-based loans, the reason provided by the minority was that there are instances when certain individuals within the group are unable to make good their indebtedness, hence becomes a stumbling block for the group to apply for fresh loans.

### ***Loan Defaulters***

**Table 4.5.2c: Loan defaulters**

<b>Default Indicator</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	54	87.1%
No	8	12.9%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

Table 4.4.2c shows as many as 87.1 percent who admitted defaulting in the repayment of loans, with the explanation that unfavourable weather conditions led to low yield of their rice crop; and the remaining 12.9 percent expressed 'no', implying that they were always able to make good their obligations to the bank.

### *Default Penalty*

**Table 4.5.2d: Default Penalty**

	<b>Frequency</b>	<b>Percentage (%)</b>
Higher Interest	44	71.0%
Same interest	12	19.4%
No Idea	6	9.7%
None	0	0.0%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

The study indicated that higher interest was charged as the penalty for defaulting in repaying one's loan within the scheduled period; 71 percent of respondents gave this indication. 19.4 percent did not see any difference in repayment time whilst 9.7 percent had 'no idea' what the consequences of default were.

### **Benefits of Repayment**

**Table 4.5.2e: Benefits**

<b>Benefits</b>	<b>Frequency</b>	<b>Percentage (%)</b>
No Benefits	9	14.5%
Recapitalization	42	67.7%
Reduced interest	0	0.0%
No Idea	11	17.7%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

*Source: Field Survey, December, 2011*

Over 67 percent of the farmers saw recapitalization of refinancing as the benefit for paying off one's loan earlier; followed by 14.5 percent 'no benefits', 17.7 percent had no idea what the benefit was.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter contains a general summary of the findings of the study and draws conclusions on these findings in line with the objectives of the study. Recommendations are made to the key response units of the study based on the conclusions.

#### **5.1 Summary of Findings**

##### **Demographic Representation**

The IVRDP had a fair representation among the employees (both unit heads and ordinary staff), indicating a perfect mixture of youthful and energetic majority; and a more sober and well experienced middle aged employees, although it had a small fraction of more senior citizens who had barely 2 to 3 years to proceed to retirement. In the case of farmers the youth showed more interest in the project; probably seeing the enormous assistance it brings to the middle aged and elderly who are doing all it takes to become successful rice cultivators.

All the staff had received formal education with the qualification of the Unit Heads ranging from Agricultural College to University degrees. On the other hand, minority of the farmers could only boast of secondary education while the greater majority were illiterates.

### **Training Content and Impact**

The training content of the IVRDP consisted of financial management, group dynamics, nutrition and hygiene, post-harvest management, improved farm practices, resource mobilization and basic health education on malaria and HIV/AIDS. The beneficiary groups of the project were trained weekly and in crop production methods such as fertilizer application, nursery practices-seed selection and priming, water management, weed control, pest management, site selection and land preparation, harvesting and post-harvesting management.

The impact of the various training given to beneficiary farmer groups was ascertained by follow-ups on farmers after training applications to assess progress and implementation of the practices. The content and quality of the training programme were also described as ‘very good’.

### **Mode of Training**

On-the-job training and workshops were the two main modes of training. Training and development sessions were organized at least more than once in a year, albeit, the recurrence of annual training varied in relation to the needs of farmer groups. Certain groups had training three times, others more than four times and recurrences raged on till the required need had been met. The training on loan repayment for IVRDP was ascribed ‘very good’ and ‘well equipped’.

Apart from the acquisition of knowledge, upgrading of skills was that force that motivated trainees to pay attention to the training exercise; although monetary rewards and revision of methods also mattered.



Farmer groups maintained that out of the variables provided as reasons for the justification of continuous training in their respective work, 'Increase Performance' and 'Induction of New Technology' stood tall.

### **Evaluation of Credit Facilities**

Farmers applied for credit at the end of the training programme. The bank (ADB) only approved of loans for farmer groups of the IVRDP and not for individual farmers; and in the same manner, the loans were disbursed through 'Group Accounts.' The credit facility was approved for farmer groups who had undergone adequate training and were therefore considered matured and also for those who had attained a good track record of loan repayment; loans normally requested were short-term; and the loan processing time between application and disbursement took more than two months.

The most preferred lending approach by the farmers was the group scheme since members did not need to provide collateral before loans were disbursed; it gave members the required peace of mind to work and also a quite flexible repayment period; group stood as a surety for one another.

Loan repayment defaulters explained that unfavourable weather conditions led to low crop yield. The study indicated farmers mostly paid higher interest as loan default penalty.

### **Regular Monitoring After Loan Disbursement**

ADB did not undertake regular monitoring of beneficiary activities after the disbursement of the loan. It came out that credit officers visited some of the beneficiaries for recoveries only when the loan had gone bad. Reasons assigned included that the tight schedules at the bank

always prevented the credit officers from following up and the bank clearly had no programme to monitor the project beneficiaries.

### **Correlation between Training and Loan Repayment**

There existed a positive correlation between the various training embarked upon by the IVRDP and the Loan Repayment by beneficiaries. Farmers obtained high crop yields due to the crop production training given; thus farmers were able to pay off their loans though late in certain instances. The bank recapitalized or refinanced the groups that paid off their loan in or on time.

## **5.2 Conclusions**

It could be concluded from the research that gender balance in the rice project in the Ahafo-Ano South District was fair; Though the females were few, they showed adequate representation as women rice farmers. The project enjoyed a substantial farmer loyalty; while it can also boast of rich working experience so far as the employees were concerned.

Loan disbursement to the farmer groups were based on the appropriate training to ensure that the loans were judiciously and efficiently managed and paid back within the specified time frame. The training content and its quality have been attested to be very good and certain quarters even rated excellent. The study also revealed that the IVRDP was based on the group lending scheme since it removed the restriction of access to loans because of collateral.

Loan recovery efforts by the officials of the Bank were not impressive. The credit officers only chased defaulters after the loans had become delinquent. This was mostly caused by the weak and ineffective monitoring and evaluation system in place.

Finally, there was a positive correlation between the various training embarked upon by the IVRDP and loan repayment by beneficiaries. This is evidenced by the fact that farmers obtained high crop yields due to the crop production training given and were able to pay off their loans though late in certain instances. This ensured recapitalization or refinancing by the bank.

### **5.3 Recommendations**

Based on the findings of this study, the following recommendations are made to the Project Co-ordinating Unit (PCU) of the IVRDP and the management of the bank in order to improve upon the training of farmers and also enhance the credit facilities granted to the beneficiary farmers:

#### **Review of Credit Facilities**

The bank needs to review its credit delivery processes by designing a much more efficient system of credit appraisal. This will ensure that credit for farmers is disbursed timely in the farming season. The loan processing time between application and disbursement should be reduced to at least two weeks, especially when the bank is more comfortable with the group-based system. The period of more than two months for a short-term loan is simply unacceptable.

The higher interest as a deterrent against defaulters of loan repayment is certainly a recipe for loan delinquency. So long as Ghanaian farmers are mostly peasant farmers such demands are

inimical to the very growth of the rice industry taking cognizance of the high imports of rice to feed the nation.

### **Regular Monitoring After Loan Disbursement**

Regular monitoring of beneficiary activities after the disbursement of the loan should not be done only when the loan had gone bad with the excuse that bank officials have tight schedules. It is believed, as part of Credit Officers' job description, that delinquent loans should not go beyond 2 percent of the total loan portfolio hence their excuse is simply untenable.

### **Effective Marketing Strategies**

Apart from the loan repayment training, perhaps IVRDP could consider adding to its curriculum effective marketing strategies which involve: identifying the target market, improving product quality and packaging, designing and selecting the channels of distribution, and establishing the appropriate budget.

### **Bank's support for mechanized farming**

The IVRDP should consider training the farmer groups in mechanized agriculture. Due to the high rice import which costs both government and private enterprises millions of dollars and the growing sophistication of consumers, the management of the bank needs to develop a wide

range of facilities purposely geared towards helping the local rice farmers to increase production of high yielding and quality rice to the Ghanaian market.

### **Training**

In view of the fact that the agricultural system in Ghana is rain-fed, it is only appropriate that the training moves beyond loan repayment. A more sustainable and reliable system of irrigation should be included in the training programmes of the project. This will provide the expected high yields even during bad weather.

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**APPENDIX A**

**QUESTIONNAIRE FOR THE STAFF OF THE IVRDP**

The purpose of this questionnaire is to gather data for the topic **“Effects of Training on Loan Repayment Performance among Small-scale Farmers - A Case Study of the Inland Valleys Rice Development Project (IVRDP) in the Ahafo-Ano South District of the Ashanti Region.”** Data collected would be used solely for academic purpose and respondents are assured of confidentiality of information provided.

4. What was your position under the project?

- Agric. Extension Agent (AEA)       Monitoring & Evaluation Officer
- Project Co-ordinator (PC)       Group Promoter
- Others, specify .....

5. Who trained the project beneficiary groups?

- NGOs only       AEAs only       Both NGOs & AEAs

6. What were the contents of the training?

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7. How often were the beneficiary groups trained?

- Weekly       Monthly       Quarterly       Annually

8. What crop production methods were they trained in? -----

9. How were these crop production training needs determined?

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10. How did you assess the impacts of the various training given to the beneficiaries?

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11. At what stage of the project did the beneficiaries apply for the credit component?

- Before the trainings       After the training       Throughout the project

12. Who did the Bank approve the loan for?

- Groups       Individuals

13. What was the mode of loan disbursements?

- Through individual accounts       Through group accounts

14. How long did it take the Bank to appraise, approve and disburse a credit application by the project beneficiaries?

- One week       More than a week       One month       More than a month

15. How often were credit recoveries undertaken by the Bank? -----

16. Did the Bank undertake regular monitoring of beneficiary activities after the loan disbursement?  Yes       No

Explain your choice: -----

17. What effects did the various training given to the beneficiary groups have on loan repayment?

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18. Suggest ways of ensuring that the training practices and contents on loan repayment performances are improved.

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19. Provide relevant recommendations to the Project Co-ordinating Unit (PCU) to improve upon its practices.

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## APPENDIX B

### QUESTIONNAIRE FOR FARMERS OF THE IVRDP

The purpose of this questionnaire is to gather data for the topic “**Effects of Training on Loan Repayment Performance among Small-scale Farmers - A Case Study of the Inland Valleys Rice Development Project (IVRDP) in the Ahafo-Ano South District of the Ashanti Region.**” Data collected would be used solely for academic purpose and respondents are assured of confidentiality of information provided.

#### ***A: Demographic Data:***

Please tick the relevant box (X) for each question.

1. Respondent Age Group.

- 20 – 25 years       26 – 30 years       31 – 35 years  
 36 -40 years       40 – 45 years       46 – 50 years  
 51 – 56 years       57 – 60 years       above 60 years.

2. Gender:                      Male (  )                      Female (  )

3. Highest Formal Education Attained

- No school attended                       Middle School / J.S.S  
 Secondary School                       Vocational / Technical  
 Agricultural Training                       Polytechnic  
 University

#### ***B: Training Content and Quality***

1. What type of training did you undertake before loan disbursement?

- Financial Management                       Records Keeping                       None  
 Others (specify).....

2. Who organizes training and development programmes under the project?

- NGOs                       Group                       Extension Officers  
 The Bank                       Project Co-ordinating Unit (PCU)

3. How would you rate the content and quality of training given under the project?
- Excellent       Very Good       Good       Normal
4. How long did you train under the project before loan disbursement?
- 2 weeks       3 weeks       1 Month       2 Months       More than 2 Months
5. What has been the mode of training under the project?
- On the job learning       Workshops       Apprenticeship
- Simulation Exercises       Just in time learning
6. How frequent does IVRDP organizes training and development in a year?
- Once       Twice       3 Times
- 4 Times       More than 4 Times
7. How many times have you attended training sessions in the last 2 years?
- 2 Times       3 Times       4 Times
- 5 Times       6 times       More than 6 times
8. How did you feel after going through your recent training under the project?
- Very Good       Well Equipped       Normal       Bad
9. Apart from the acquisition of knowledge, what other force drives you to pay attention to the training exercises?
- Up grading of skills       Revision of methods       Nothing
- Establishing good relationship       Monetary rewards
10. What is the justification for continuous training in your work?
- To increase ones performance       For the induction of new technology
- To transfer knowledge and experiences       To keep abreast with modern practices.

***C: Credit Facilities and Management Strategies of ADB***

1. What factors are considered in evaluating your credit requests (please tick those applicable)
- Collateral       Track Record (repeat borrowing)       Family Connections
- Character based assessment (selection based on personal relations)
- Group Maturity based on Project Concept

2. What duration of loans do you request?

Short term ( )      Medium term ( )      Long term ( )

3. What is the processing time between loan application and disbursement?

One Week ( )    Two Weeks ( )    One Month ( )    More than One Month ( )

4. Which of these lending approaches do you prefer and why?

Individual-based lending ( )      Group-based lending ( )

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5. Did you ever default in loan repayment under the project?

Yes ( )      No ( ).    If yes explain the cause

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6. What was the penalty for defaulting?

Higher Interest ( )    Same Interest ( )    No Idea ( )      None ( )

7. What was the benefit for paying off before maturity?

No Benefit ( )    Recapitalization ( )    Reduced Interest ( )      No Idea ( )

8. Any other comments?

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**Thank You very much for your time.**