

FINANCING SMALL-SCALE FARMERS IN THE  
TECHIMAN DISTRICT, BRONG AHAFO REGION OF GHANA

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University of Science and Technology, Kumasi, in  
partial fulfilment of the requirements for  
the degree of Master of Science in  
Development Planning and  
Management

by

EMMANUEL OWUSU-ANSAH  
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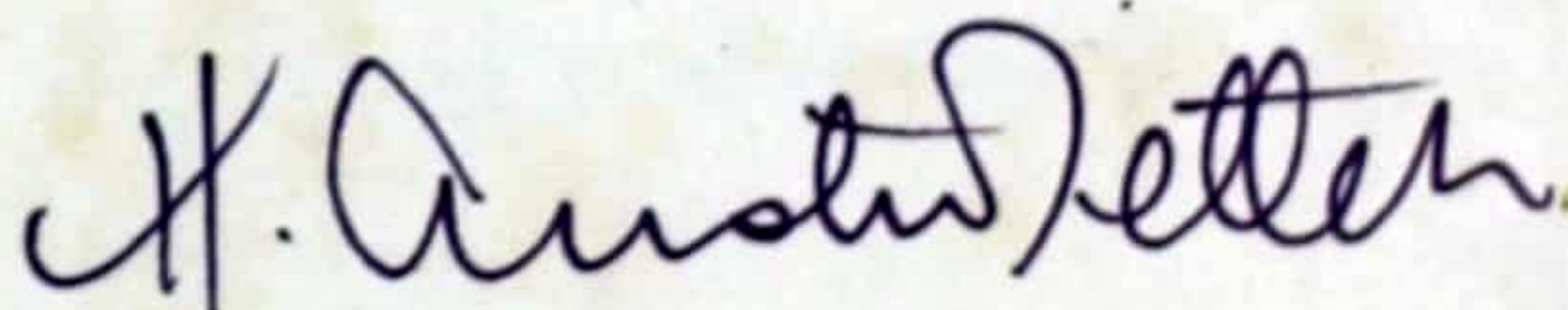
SUPERVISORS

Signature: 

Name: MR. S.C. FIALOR

Signature: 

Name: MR. S.N. BOAPEAH



Signature: .....

Name: PROF. (DR) P. AUSTIN-TETTEH

Head, Department of Planning

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## V I T A

Emanuel Owusu-Ansah was born in February 1956. He had his elementary education at the Presbyterian Primary and Middle Schools at Dwenase -Akwatia between 1961 and 1970.

In September 1971 he was admitted to Akrokerri Training College to undertake a Certificate 'A' -4-year course, which he successfully completed in July, 1975.

In January, 1979 he was admitted to the University of Ghana where he graduated with a B.A.(Hons.) Degree, Second Class Upper Division in Sociology in June, 1981.

He went to Nigeria where he taught in a Comprehensive High School in Ondo State between 1981 and May 1985. In September 1985, he did his deferred National Service at Akim Swedru Secondary School which he completed in August, 1987.

In August 1987, he was awarded a German Academic Exchange Service (DAAD) scholarship to study on the 'SPRING' Programme at the University of Dortmund in the Federal Republic of Germany. He obtained a Post-graduate Diploma in Regional Development Planning and Management in August 1988, after which he was offered the opportunity to read the M.Sc. Programme in Development Planning and Management at the Faculty of Environmental and Development Studies in the University of Science and Technology, Kumasi.

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## ABSTRACT

The desire for food self-sufficiency in Ghana has been a dream of all succeeding governments since independence. However, this dream has become an enigma, for a long time, as the country continues to rely on massive food importation and food aid to supplement her food requirements. One way of realising this dream of self-sufficiency in the country's food needs is by increasing the productivity of the small-scale farmer.

However, the growth and development of the small-scale farmer is beset with many problems, most important of them being inadequate financing. Small-scale farmers in the Techiman District are no exception to this problem.

The study, therefore, set out to analyse the characteristics of the financial constraints facing the small-scale farmers in the Techiman District and the reaction of the financial institutions in solving their financial problems.

It was revealed from the study that most of the farmers are illiterates, use traditional implements, depend on rain-fed agriculture, have limited farm sizes and depend on family hands as farm labour.

The characteristics of the existing sources of finance also revealed that the formal sources of finance play an insignificant role in financing small-scale farmers in the district not only because of their rigid lending procedures but also due to the poor repayment rate, diversion of loans from the purposes for which they were acquired, refusal to pay the loans and the dispersed nature of the small-scale farmers. These factors combine to make the banks very repulsive in granting loans to farmers. Informal sources such as money-lenders, personal savings, friends and relatives and cash advances from middlemen and traders, therefore, form

the backbone for financing small-scale farmers.

It was revealed that the informal sources are not only unreliable but also charge high interest rates which means that after repayment of the loan most farmers cannot have enough to meet their social expenditure and for further reinvestment in agriculture.

It is against the background of the unreliability and the high rate of interests of the informal sources, that recommendations have been offered to help small-scale farmers get out of their financial problems. These recommendations include the need to increase extension services, formation of co-operative associations, farmer education, opening of more rural banks, the integration of formal and informal sources of finance and improvement in the marketing and distribution networks.

It is hoped that these recommendations could help in solving the financial constraints, to the growth and development of small-scale farmers in the Techiman District and other food producing areas in Ghana.

1.2	Scope and Limitations	11
1.2.1	Scope	11
1.2.2	Limitations	11
1.3	Operational Definition of Key Concepts	12
1.4	Organization of the Study	12
CHAPTER TWO		
FINANCING SMALL-SCALE FARMERS:		
A LITERATURE REVIEW		
2.1	The Ghanaian Experience	14
2.2	The Nigerian Experience	17
2.3	The Ethiopian Experience	18
2.4	The Malawi Experience	19
2.5	The Malagasy Experience	20

## TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
VITA ..	ii
ACKNOWLEDGEMENT ..	iii
ABSTRACT ..	iv
TABLE OF CONTENTS ..	vi
LIST OF TABLES ..	ix
LIST OF MAPS ..	x
LIST OF APPENDICES ..	xi
<b>CHAPTER ONE</b> : <b>INTRODUCTION</b>	
1.1	1
1.2	4
1.3	5
1.4	6
1.5	7
1.6	8
1.6.1	8
1.6.2	11
1.7	11
1.8	12
<b>CHAPTER TWO</b> : <b>FINANCING SMALL-SCALE FARMERS; A LITERATURE REVIEW</b>	
2.1	14
2.2	17
2.3	18
2.4	19
2.5	20

		PAGE
2.6	The Kenyan Experience ..	21
2.7	General Observations and Lessons.	22
<b>CHAPTER THREE : ANALYSIS OF THE SOCIO-ECONOMIC CHARACTERISTICS OF SMALL-SCALE FARMERS IN THE TECHIMAN DISTRICT</b>		
3.1	The Techiman District ..	
3.1.1	The Physical Profile ..	26
3.1.2	The Socio-Economic Profile ..	31
3.2	The Socio-Economic Characteristics of Small-Scale Farmers ..	
3.2.1	Introduction ..	33
3.2.2	Age-Sex Composition ..	33
3.2.3	Educational attainment ..	35
3.2.4	Land and Land Related Issues ..	36
3.2.5	Farm Labour ..	37
3.2.6	Farm Implements/Tools ..	38
3.2.7	Marketing Outlets and Storage Facilities	39
3.2.8	Income and Expenditure Pattern ..	40
3.2.9	Financiers of Small-Scale Farmers	42
3.2.10	Effects of these characteristics on Farmers' access to Loans ..	43
<b>CHAPTER FOUR : ANALYSIS OF THE EXISTING SOURCES OF FINANCE FOR SMALL-SCALE FARMERS IN THE TECHIMAN DISTRICT</b>		
4.1	Formal Sources ..	45
4.1.1	The Ghana Commercial Bank ..	45
4.1.2	The Agricultural Development Bank.	47
4.1.3	The Ghana Co-operative Bank ..	48

	PAGE
4.1.4 The Rural Banks .. ..	49
4.1.5 Recovery of Loans from Defaulters..	49
4.2 Informal Sources .. ..	50
4.3 Comparative Analysis of Formal and Informal Sources .. ..	51
4.4 Towards an Improved Access to Credit ..	53
CHAPTER FIVE : SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION	
5.1 Findings .. ..	54
5.1.1 Socio-Economic Characteristics ..	54
5.1.2 Sources of Finance .. ..	56
5.2 Recommendations .. ..	58
5.3 Conclusion .. ..	65
Appendices .. ..	67
Bibliography .. ..	77

LIST OF TABLES

TABLE	PAGE
1.1 Output and Demand of Major Food Crops in Ghana (000 Metric Tons) .. ..	2
1.2 Growth of Agricultural Output in Ghana 1975-1986	3
3.1 Age-Sex Composition of Small-Scale Farmers ..	34
3.2 Educational attainment of Small-Scale Farmers	35
3.3 Average Size of Holding of Small-Scale Farmers	36
3.4 Number of Plots of Small-Scale Farmers ..	37
3.5 Family Labour as Farm Hands .. ..	38
3.6 Tools Used by Small-Scale Farmers ..	39
3.7 Distribution of Annual Household Income ..	40
3.8 Estimated Expenditure on an Acre of Maize (By Unimproved Method) .. ..	41
3.9 Financiers of Small-Scale Farmers ..	43
4.1 Loans Granted to Farmers by the Ghana Commercial Bank .. .. ..	46
4.2 Loans Granted to Small-Scale Farmers by the Agricultural Development Bank .. ..	47
4.3 Loans Granted to Farmers by the Ghana Co-operative Bank .. ..	49
4.4 Duration of Loans and Interest Rates ..	50
4.5 Suggestions offered by Small-Scale Farmers ..	53

## LIST OF MAPS

MAP		PAGE
1	Sampled Settlements and the Distribution of Banking Facilities in the Techiman District	9
2	Techiman District in the Regional Context	27
3	Rainfall and Drainage Patterns of the Techiman District .. ..	29
4	Soil associations in the Techiman District	30

## LIST OF APPENDICES

APPENDIX		PAGE
1	Distribution of the Sample Size for the selected settlements .. ..	67
2	Interview Guides used in the Collection of Field Information .. ..	69
3	Percentage Distribution of Commercial Bank Loans and Advances by End Use ..	76

1.1 THE NEGLECT OF THE SMALL-SCALE FARMER

The process of economic development witnesses the transformation of the agricultural sector, both internally and its relationship with other sectors of the economy. A major argument put forward by economists for concentrating investment in agriculture lies in its instrumental value in sustaining expansion elsewhere in the economy.

In Ghana, like most other Third World Countries, agriculture is the "prime-mover" of the economy and it is in the agricultural sector that the battle for long-term economic growth and development will be won or lost. In 1985, agriculture accounted for an estimated 54 per cent of Gross Domestic Product and employed over 60 per cent of the working population<sup>1</sup>. The fact that such a greater majority of the population make a living out of agriculture also suggests the need to improve this sector.

Ghana has, however, failed to develop her agricultural sector both in food and cash crop production and that this failure can mainly be attributed to: the massive shift of resources from agriculture through taxation and negative policies, anti-small farmer bias in resource allocation, technological and institutional weaknesses, and agriculture as a whole playing a second fiddle to major government policy formulation.

It has been the objective of successive governments in Ghana to attain self-sufficiency in food production. Available evidence, however, indicates that this objective has not been achieved. The food self-sufficiency ratio which was 83 in 1964 - 1966 dropped to 71 in 1978-80 and was estimated at only 60 in 1982<sup>2</sup>. Average index of food production

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<sup>1</sup> The Economist Intelligent Unit; Country Profile (Ghana), 1987-1988. (London) p.11.

<sup>2</sup> World Bank; Ghana, Policies and Programme for Adjustment, (Washington D.C. 1984), p.58.

per capita (1969-1971 = 100) had also declined to 82 by 1979-80 and per capita food availability was 30 per cent lower than in 1970<sup>1</sup>.

This aggregate trend is confirmed further by the evidence in the performance of major food crops as can be seen from table 1.1.

TABLE 1.1 : OUTPUT AND DEMAND OF MAJOR FOOD CROPS  
IN GHANA (000 METRIC TONS)

CROPS	OUTPUT	DEMAND	VARIATION
Maize	364.0	504.7	- 158.7
Rice	36.0	121.1	- 85.1
Sorghum	85.8	138.3	- 52.5
Millet	76.0	113.3	- 37.3
Cassava	2470.0	1675.7	794.3
Cocoyam	688.0	1213.7	- 525.7
Yam	588.2	749.4	- 161.2
Plantain	745.3	2091.7	- 1346.4

SOURCE : MINISTRY OF AGRICULTURE, GHANA 1981 - 1983.

It can be observed, from the table, that there is a great disparity between domestic food production and demand. This deficit is met by food aid and commercial imports which accounted for 15 per cent of Ghana's food needs annually by 1986<sup>2</sup>. In 1987, when the rainfall was late, the deficit in food grains accentuated resulting not only in larger imports but also a steep rise in food prices, leading to highly inflationary situation, with its adverse impacts on the macroeconomic situation.

<sup>1</sup>World Bank; Ghana: Policies and Programme for Adjustment p.127.

<sup>2</sup>"Government Statement on Agricultural Policy and Strategies" (1989 - 1993) Unpublished paper, Accra, p.9.

Generally, the growth of agricultural output in Ghana has been fluctuating as shown in table 1.2.

TABLE 1.2 : GROWTH OF AGRICULTURAL OUTPUT IN GHANA  
1975 - 1986

YEAR	1975	1984	1985	1986
GROWTH RATE (%)	0.28	10.0	4.0	2.5

SOURCE : GOVERNMENT STATEMENT OF AGRICULTURAL POLICY AND STRATEGIES (1989 - 1993) ACCRA, P.5

The highest growth rate of 10 per cent was recorded in 1984 due to good rainfall, improved incentives and input supplies.

The country's inability to attain self-sufficiency in food production has been due to the neglect of the small-scale farmer since independence. At independence, the Convention Peoples Party led by President Nkrumah pursued a policy of socialism and wrote that:

"Small-scale private farming is an obstacle to the spread of socialist ideas"<sup>1</sup>

Large-scale state participation in agriculture therefore became a major policy plank of the government. This lack of faith in the peasantry can be traced to Soviet tradition for which Baran<sup>2</sup> wrote:

"the subsistence peasant in backward areas . . . . has neither the means for acquiring the necessary implements nor would he be able to employ them on his dwarf plots"<sup>2</sup>

<sup>1</sup>Nkrumah, K. Consciencism, Revised edition, (New York, Monthly Review Press, 1979), p.79.

<sup>2</sup>Baran, P.A.; The Political Economy of Growth, (Monthly Review Press, 1979).

However, if one comes to realize that the small-scale farmers account for about 90 per cent of the entire population still working in agriculture and produce nearly 80 per cent of the agricultural production<sup>1</sup>, then one stands to argue, and logically too, that we are discriminating against the proverbial geese that lay the golden eggs. Unfortunately, this trend has persisted over the years, even over 20 years after the overthrow of Nkrumah's government.

There is therefore the need to reverse the anti-small farmer bias in resource allocation for unless this is done agriculture in Ghana would remain in the doldrums for a long time.

## 1.2 THE PROBLEM

The problem of food production in Ghana is that although much of the country's crops are produced by small-scale farmers, very little has been done to improve their lot. The small farmer has been at the losing end as government effort has often been centred on the large-scale farmers. The lack of productive incentive such as adequate prices for their produce, credit, extension services and technological improvement have made the small farmers risk-averse and tend to be more concerned with meeting their basic minimum survival levels of output. The lack of these productive incentives have combined to limit the production and productivity of the small-scale farmers.

The factor of finance has, however, been identified as the major factor hampering the development of agriculture and subsequently rural and national development. This fact has been established in the Techiman District where over 80 per cent of small-scale farmers face serious financial constraints which has limited their output for any effective socio-economic growth and development<sup>2</sup>. It has been observed that most farmers cannot

<sup>1</sup>Government Statement on Agricultural Policy and Strategy" (1989-1993), Accra, p.9.

<sup>2</sup>Socio-Economic Survey of Techiman District, Spring-Programme Year II, 1988/89, Development Workshop, December, 1988.

expand their acreage beyond three acres and they always cite lack of finance as the responsible factor<sup>1</sup>.

Attempts by the government and other development institutions such as the establishment of the Rural Bank at Nsuta in December, 1987, the formation of co-operative to help minimize the financial constraints and the opening up of a branch of the Ghana Food Distribution Corporation at Techiman township, have not yielded any appreciable results.

The study therefore seeks to find out how best the financial problems of small-scale farmers could be eliminated or greatly minimised in the Techiman District to ensure an increase in the level of incomes for the farmers for an effective socio-economic growth and development of the district as a whole.

### 1.3 THE OBJECTIVES

The objectives of the study are:

- (i) To investigate into the existing sources of finance for small-scale farmers in the study area;
- (ii) To examine the characteristics of financial constraints facing small-scale farmers;
- (iii) To investigate into the problems of the formal financial institutions in the district with regard to their granting of loans to small-scale farmers, and
- (iv) To offer suggestions that would ensure efficient financing of small-scale farmers in the Techiman District.

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<sup>1</sup> Socio-Economic Survey of Techiman District; December, 1988.

#### 1.4 SIGNIFICANCE OF THE STUDY

The study aims at finding ways to improve farmers' production performance in the Techiman District, Brong Ahafo Region of Ghana. The author believes that if "development" is to take place and become self-sustaining, it will have to start in the rural areas in general and the agricultural sector in particular. The core problem of widespread poverty, growing inequality, rapid population growth and rising unemployment all find their origins in the stagnation and often retrogression of economic life in rural areas - which have its roots in the low productivity and income of farmers.

Efficient financing is a step towards an increased agricultural production since the lack of necessary financial resources to obtain the necessary inputs has been identified as one of the main causes of low agricultural output. If the recommendations are adopted in the study area, it will contribute significantly in increasing food production and the food requirements of Ghana. This is so because the Techiman District's food production is well known in Ghana. The Techiman Market, noted for its food crops such as maize, and yams, has a functional region which transcends beyond the district and regional boundaries<sup>1</sup>.

Also if the programme is successful, it might be adopted by the other food producing areas in Ghana to achieve the overall macro-effect of increased national food production. By providing financial assistance to small-scale farmers, food crop production will increase and will reduce food imports in Ghana. Reduced food imports will reduce the use of foreign reserves, making them available for purchasing capital goods for development.

The study is important as it hopes to support measures through which small-scale farmers can break the vicious cycle of poverty, through

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<sup>1</sup> Socio-Economic Survey of Techiman District, Spring-Programme Year II, 1988/89.

provision of adequate credit facilities and increased agricultural production.

The study should be of relevance and of possible use to aid agencies, financial institutions, academics and others concerned with small-scale farmer finance and development in Ghana.

1.5 METHODOLOGY AND DATA SOURCES OF THE STUDY

The material for the study was collected from two main sources: library research and field studies.

(i) Library Research

Before proceeding to the field, the author examined existing available literature both published and unpublished on issues related to:

- (a) problems of small-scale farmers in Ghana,
- (b) the role of financial institutions vis-a-vis small-scale farmers, and
- (c) the other sources of finance for the target farmers.

The above review provided useful baseline information on the topic.

(ii) Field Studies

The study made use of the data collected from the district for the District Development Workshop.

Apart from this, using interview guides within the selected settlements in the study area, a sample size of 125 small-scale farmers were interviewed (see appendix 1). Respondents were selected by using a combination of the stratified and accidental sampling techniques.

In addition to the above, existing financial institutions within

the district were interviewed to know their objectives and roles with regard to small-scale farmers. (See appendices 2A and 2B for the interview guides). The information of the study has been analysed using mainly descriptive techniques and statistical tables.

## 1.6 SCOPE AND LIMITATIONS

### 1.6.1 Scope

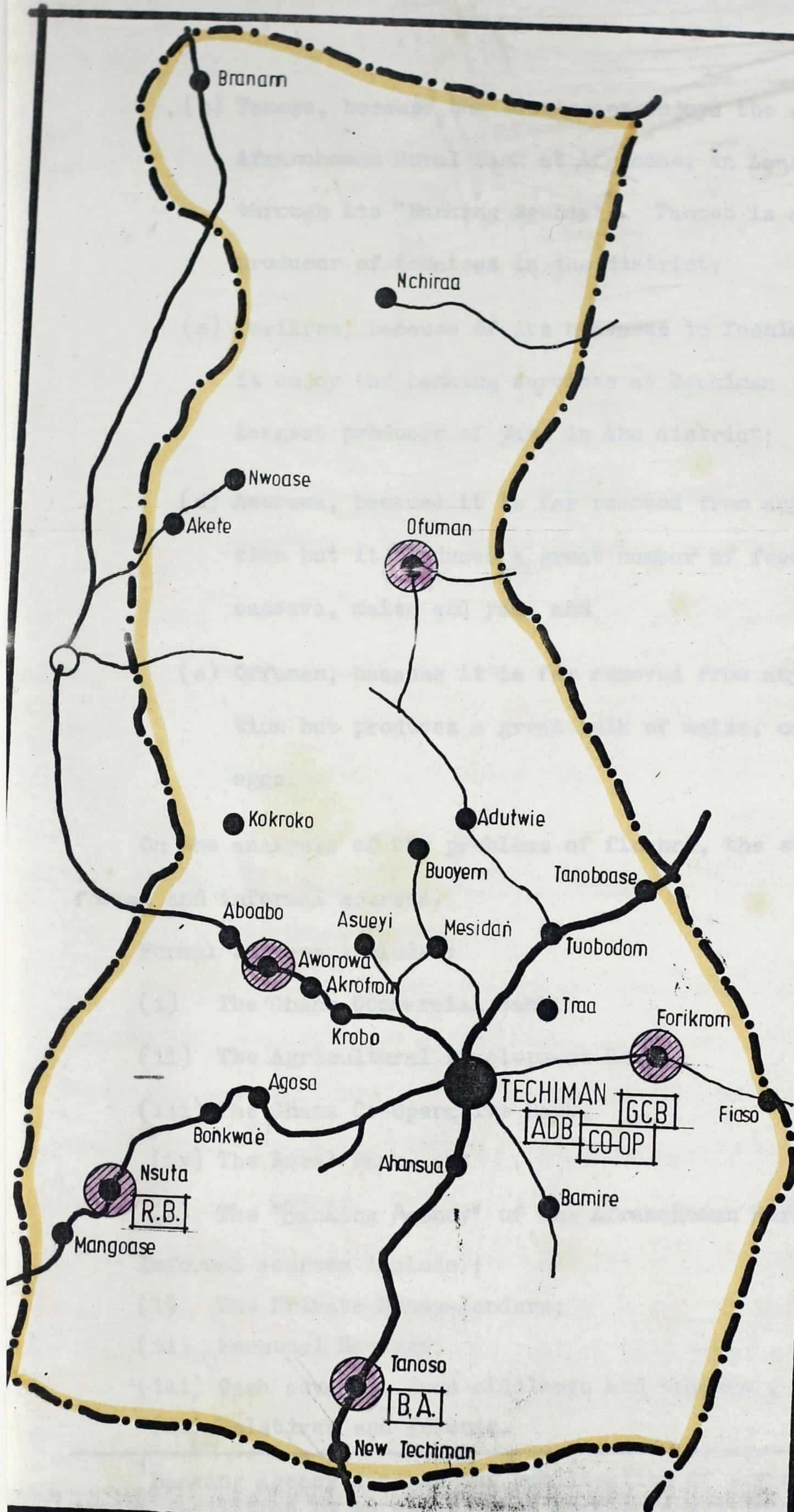
The Techiman District is chosen for the study since it forms the research area for the Spring-Programme and the author could have a good view of the problem under study within the limited time and money.

Owing to time and severe budgetary constraints five settlements have been selected for the study. The theoretical basis for the selection of the settlements include:

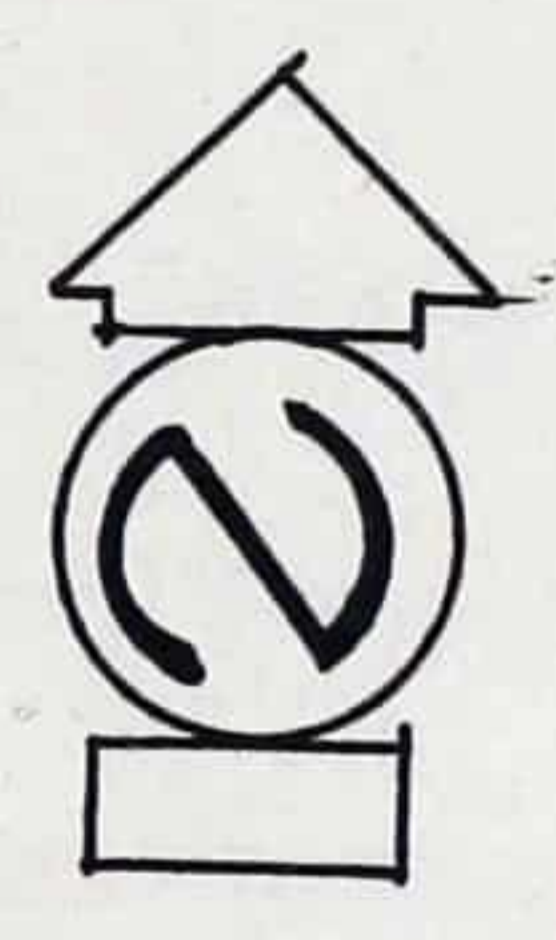
- (a) general accessibility to Techiman town,
- (b) ensuring an adequate spatial coverage of settlements,
- (c) settlements which have or are near to a banking institution to enjoy its services,
- (d) settlements which are further away from any banking institution, and
- (e) settlements which are the major producers of the main food crops in the study area, that is maize, yam, cassava, plantain and vegetables.

Based on the above criteria, the settlements have been selected due to the following reasons : (See map 1 for the locations of these settlements):

- (a) Nsuta, because the only Rural Bank in the district is sited here. It also produces a variety of food crops including maize, yam, vegetables and cassava;



- ### legend
- District boundary
  - Primary road
  - Major secondary rd.
  - Minor secondary rd.
  - Selected settlements for field study
  - Ghana Commercial Bank
  - Banking Agency
  - Rural Bank
  - Agric. Development Bank
  - CO-Operative Bank



SCALE 1 250,000

TECHIMAN DISTRICT STUDY

SAMPLED SETTLEMENTS AND THE DISTRIBUTION OF BANKING FACILITIES

MAP 1

- (b) Tanoso, because the settlement enjoys the services of the Afranchoman Rural Bank at Afrancho, in Ashanti Region, through its "Banking Agency"<sup>1</sup>. Tanoso is also the largest producer of tomatoes in the district;
- (c) Forikrom, because of its nearness to Techiman town to enable it enjoy the banking services at Techiman town. It is also the largest producer of yams in the district;
- (d) Aworowa, because it is far removed from any banking institution but it produces a great number of food crops including cassava, maize and yam, and
- (e) Offuman, because it is far removed from any banking institution but produces a great bulk of maize, cassava and garden eggs.

On the analysis of the problems of finance, the study covers both formal and informal sources.

Formal sources include :

- (i) The Ghana Commercial Bank,
- (ii) The Agricultural Development Bank,
- (iii) The Ghana Co-operative Bank,
- (iv) The Rural Bank, and
- (v) The "Banking Agency" of the Afranchoman Rural Bank

Informal sources include :

- (i) The Private Money-lenders;
- (ii) Personal Savings;
- (iii) Cash advances from middlemen and traders , and
- (iv) Relatives and Friends.

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<sup>1</sup> Banking agency denotes the mobilisation of savings and granting of credit facilities by an established bank in a settlement other than where it is located.

### 1.6.2 Limitations

The study has the following limitations :

- (i) Time, severe budgetary constraints and non-availability of data did not allow a comprehensive study of the input-output relationship of small-scale farmers,
- (ii) Data collected from some of the banks such as the Ghana Co-operative Bank and the Rural Bank were not detail enough to allow any reasonable analysis. The activities of the Afranchoman Rural Bank at Tanoso could not be analysed because of the failure of the officer-in-charge to co-operate, and
- (iii) It was impossible to locate and interview the traditional money-lenders, the middlemen and traders, and friends and relatives who together constitute the informal sources of finance for small-scale farmers.

### 1.7 OPERATIONAL DEFINITION OF KEY CONCEPTS

#### (i) Small-Scale Farmer

The small-scale farmer as adopted from Morgan<sup>1</sup> is a small-holder planting an area of about two to eight acres frequently divided into small and sometimes scattered plots. He uses his own labour and sometimes supplements it with that of his family. He may on occasion, hire labour to assist his efforts. He is mostly a subsistence producer and only a small portion of his produce finds its own into the market.

This definition is adopted in this study. In this context, small-scale farmers use rudimentary implements such as hoes, cutlasses, mattock, occasionally the hiring of a tractor and grow food crops such as maize, yam, cassava, plantain and vegetables.

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<sup>1</sup> Morgan, W.B. "Peasant Agriculture in Tropical Africa", in Environment and Land Use in Tropical Africa by M.F. Thomas and G.M. Whittington (1969) Metumen and Company Limited. p.243.

### (ii) Productivity

This refers to the output generated by one unit of input or factor. Labour productivity is the output per labour man/day. Land productivity is the output per acre and similarly productivity of capital input refers to the output per unit of capital input<sup>1</sup>.

### (iii) Technology

This is used in its broad sense. It includes all improved methods and techniques, materials and services aimed at bringing about sustained increased agricultural productivity. It includes such things as mechanisation services, improved seeds, fertilizers and irrigation systems. It also includes human and intangible aspects such as extension services, education, management skills and general knowledge of the farmer which singly or jointly, go to increase his productivity.<sup>2</sup>

### (iv) Urban Settlement

This is a settlement with a population of above 5,000 inhabitants as at 1984.

## 1.8 ORGANIZATION OF THE STUDY

The study is divided into five chapters.

The first chapter deals with the problem, objectives of the study, scope, methodology, limitations and operational definition of key concepts.

The second chapter gives a literature review of financing small-scale farmers in Ghana and a review of credit schemes in other parts of the world. The chapter ends with a general observation and lessons drawn from the case studies.

<sup>1</sup> Keith Harth; The Political Economy of West Africa Agriculture (Cambridge University Press, 1982) p.11

<sup>2</sup> Mosher, A.T. Latin American Agriculture: Technical Co-operation (University of Chicago Press, 1957) p.25.

The third chapter analyses the socio-economic characteristics of small-scale farmers in the Techiman District. The chapter begins with a brief introduction of the general profile of the district.

Chapter four analyses the characteristics of the existing sources of finance for small-scale farmers in the Techiman District.

Finally, chapter five deals with the summary of findings, recommendations and conclusion.

FINANCING SMALL-SCALE FARMERS : A LITERATURE REVIEW

The purpose of this chapter is to have a review of related literature on financing small-scale farmers. Selected Agricultural Credit Schemes would be examined from other parts of the world to draw lessons from them.

2.1 THE GHANAIAN EXPERIENCE

Saul and Woods<sup>1</sup> observed that there was no large-scale farming community of the European type in Ghana, hence a very different economic and political cast to the colonial situation. Other patterns among peasantry later developed.

In certain regions, the cultivation of cocoa allowed the growth of large-scale cocoa farming by Ghanaian farmers. These peasants have now become capitalist farmers and can no longer be referred to as the peasants. The emergence of these Ghanaian capitalist farmers affected the position of other peasants in the Ghanaian political economy. During this period, certain areas not well endowed with agricultural resources developed labour exporting peasantries.

This was particularly true with the movement of people from the northern parts of Ghana and other neighbouring countries to the cocoa growing areas in the south. A group of tenant farmers or debt farmers also emerged and these can properly be seen as peasantry. They also observed that market forces have continued to "chop away" at the peasantry. This has left the peasants entangled in a vicious cycle of poverty. With the passage of time, these peasants came to be confronted with a host of productive problems, the most important of which is finance.

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<sup>1</sup> J.S. Saul and R. Woods; 'African Peasantries' in Peasants and Peasant Societies. Selected Readings by Theodore Shanin, (Penguin Education, 1971) p.111 - 112.

Owusu<sup>1</sup> found out that the major obstacles confronting farmers is the difficulty of obtaining credit for the farming operations. Despite the availability of many institutional sources of finances, the finance is not readily available to small farmers. She noted that, the difficulty arises from rigid criteria of eligibility of credit. She found that, the small-scale farmers produce the greatest bulk of food crops in Atebubu that is 90 per cent but have been neglected in the provision of credit. The small-scale farmers resort to money-lenders who charge high interest rates thereby draining the little profit accrued to the small-scale farmers and reducing their incomes.

Kyei<sup>2</sup> observed that loans given to farmers are very little and inadequate for any meaningful agricultural improvement. He noted that the beneficiaries of such loans are resident in Mampong which is an urban centre. Farmers and residents of peripheral areas do not benefit from the savings they make with the banks.

Kyei, however, singles out the case of the Agricultural Development Bank at Ejura. To him this bank has helped farmers to get inputs as well as loans through the co-operatives, and this has helped the people of Ejura area to become big yam and maize farmers. But this does not appear to hold currently. The small-scale farmers are not the beneficiaries of the Agricultural Development Bank's services. It is, however, true that there are big farmers in Ejura producing yams and maize who have benefitted and still benefit from the services of the Agricultural Development Bank.

In an earlier study by Sackey<sup>3</sup>, she found out that most of the pros-

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<sup>1</sup>E.P. Owusu: "The Role of Banking Institutions in Financing Small-scale Farming, A Case Study of the Activities of the ADB and NIB in Atebubu District." B.Sc. Thesis, Department of Planning, U.S.T., Kumasi (1981) p.4.

<sup>2</sup>P.O. Kyei: "Centre Periphery Relationships and its Implications in Regional Development; The Case of Mampong District", M.Sc. Thesis, Department of Planning, U.S.T., Kumasi (1982) p.103.

<sup>3</sup>I. Sackey: "The Effects of National Agricultural Policy on Rural Development in Ashanti Region." A Case Study of Ejura; M.Sc. Thesis, Department of Planning, U.S.T., Kumasi (1979) p.83.

perous farmers, who are not in need of credit are more accessible to commercial credit.

Taking the country as a whole, the need for an efficient financing of the small-scale farmer in particular and for the finance of investment in agriculture in general has long been realized but non-institutional sources of credit, particularly credit from relatives, friends and money-lenders had been used in one form or another over the years. The formal or institutional sources of finance have never reached the majority of small-scale farmers mainly because the banks ability to serve small-scale farmers has been limited by two main characteristics, namely:

- (i) their high standard for credit worthiness, and
- (ii) their lending policies.

Added to these, is the insufficient residual funding for agriculture as a whole. Even though agriculture is the mainstay of Ghana's economy, it has never been given its pride of place in many loan allocations. Appendix 3 shows the Percentage Distribution of Commercial Bank Loans and Advances by End Use. It shows that between 1977 and 1980 agriculture was beaten to the fifth place by Manufacturing, Commerce and Finance, Construction and Transport, and Commerce. It is only in the 1980s that Agriculture is gradually given its needed priority, perhaps due to the bitter lessons of famine and drought in 1983.

Recent policies of the government with regard to farm credit are encouraging. The government regards the rural bank and co-operative concepts as the best means of extending credit to small-scale farmers. Government policy over 1989-1993 period involves strengthening the institutional capability of the Rural Banks and improving the policy environment for increased rural financial intermediation. The Bank of Ghana is required to assume a wider range of responsibility in the field of rural finance. Specifically, the Bank of Ghana will be required to develop a

workable credit Guarantee Scheme for Banks involved in extending credit to small-scale farmers and to improve the effectiveness of its supervisory activities over rural banks. These measures are designed to improve the loan recovery performance of the Rural Banks and other banks extending credit to small-scale farmers and thus increase the amount of loanable funds available. Again, the government also recognises that farmers ability to repay their loans promptly depends, to a large extent, on the availability of ready markets for their produce. In this regard, private sector initiatives will be encouraged to provide efficient marketing storage and distribution services at selected sites through tax and other incentives.

It can therefore be postulated that the awareness of the importance of the small-scale farmer has, at last, been realized in Ghana. In the past the meagre fund allocated to agriculture was distributed to people who could provide the necessary collaterals which the small-scale farmers could not. It is hoped that the recent policies would be rigidly pursued to alleviate the small-scale farmer from his present production conditions and its effects on the macroeconomic would be highly great.

## 2.2 THE BANGLADESH EXPERIENCE<sup>1</sup>

A strategy for small-farmer development was undertaken by the Bangladesh Rural Advance Committee (BRAC), an indigenous, non-governmental organisation. It started a rural credit and training scheme in 1979 and had 14 branches by 1984. These are located in most depressed areas and each branch has a manager and five 'programme organizers'. The organisation's duty is to mobilise, organise and categorize small farmers into small groups as effective platforms for the dissemination of new information relating to farming. The organisation mobilises the small farmers through such devices

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<sup>1</sup> Ceres 1984, January - February No.97.

as operational seminars at field level at which top administrators and officials are brought together with small farmers. There are 50 groups per branch with an average of between 50 and 60 members per group.

Groups receive loans through a commercial bank for group or individual projects. Average loan repayment is estimated to be 97 per cent.

An important role of the small-scale farmer's group is to "bring down" the government or commercial services to the small-scale farmers. Diffusion of the small group credit is having an effect with landless and small-scale farmers being effectively reached.

### 2.3 THE ETHIOPIAN EXPERIENCE<sup>1</sup>

A survey conducted on the traditional sources of credit in two areas (Digela and Yeloma) within Chilalo Awraja points out that agricultural investment such as buying a new plow, hiring an extra day of labour for weeding, has been an important reason for borrowing. This gives amplification to the fact that distribution of agricultural credit constitutes one of the central foci of project activities in most agricultural projects in the world. The case of the Walamo Agricultural Development Unit (WADU) clearly illustrates this point.

WADU was established in 1970 in Walamo Awraja and covered a population of 239,000. The goals of WADU were:

- (i) to raise the family cash income of 6,000 small-scale highland farmers from Eth \$200 to Eth \$325 per annum;
- (ii) to establish or recognise 1750 settler families with a target annual income per family of Eth \$435,
- (iii) to provide a shift from subsistence to cash crop agriculture;
- (iv) to increase the government tax revenue, and
- (v) to demonstrate the value of development projects in Ethiopia.

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<sup>1</sup> Uma Lele: The Design of Rural Development: Lessons from Africa (John Hopkins Publication Press, Baltimore and London, 1984) pp. 83-90.

Due to the improved seeds and fertilizer use, maize yield had increased from 10 quintals per hectare in 1969 to 22 quintals per hectare in 1972. The net revenue per hectare resulting from the use of these inputs is estimated at Eth \$130. In the same year WADU extension services reached over 7,000 farmers.

WADU research team has progressed in improved seed varieties and livestock breeding. The programme uses the demonstrator field assistant approach where innovations are demonstrated on a farmer's farm. Credit is given in kind and cash. The programmes marketing component is organised along co-operative lines and involves both cash and subsistence crops.

The security requirements have been considered more liberal. Borrowers were asked to present two guarantors acceptable to the Screening Committee.

WADU has been able to achieve an average repayment rate of 97 per cent. The desire to achieve this high repayment rate has been reinforced by WADU's policy followed from the onset of excluding all farmers from a given area from future credit programmes if repayment of the area fell below 95 per cent.

#### 2.4 THE MALAWIAN EXPERIENCE<sup>1</sup>

The Malawian experience on small-farmer financing is best exemplified by the Lilongwe Land Development Programme (LLDP). The LLDP is located in the Lilongwe District under the Ministry of Agriculture. It is aimed at increasing local agricultural production and rural transformation. Its other components include marketing, credit, extension, land organisation and the improvement of rural infrastructure.

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<sup>1</sup> Uma Lele : The Design of Rural Development: Lessons from Africa (John Hopkins University Press Baltimore and London, 1984) pp.90-93.

The benefits accruing to farmers receiving the programme credit have achieved a higher than average economic status, cultivate more land and have incomes that are 84 per cent higher than those who do not receive programme credit. For example, between 1969/70 and 1971/72 there had been a significant expansion in the hectarage of maize from 13,360 to 41,296 hectares. The value of marketed output per capita had increased at 10 per cent per annum. Total recorded cash receipts in the programme area increased from K17,000 to K1.75 million. LLDP has constructed 1373 kilometers of roads, 15 major bridges and 340 boreholes.

On loan repayment, LLDP has been very effective in ensuring final repayment of credit. Defaulters are handled in two ways. These are:

- (i) granting them moratoria, until the opening of the market in the following season to farmers, or
- (ii) taking defaulters to court.

2.5 THE PHILIPPINE EXPERIENCE

The Philippines attempt at rural development took the form of credit to small-scale farmers. Prior to the introduction of formal credit institutions, the main sources of credit available to the small-scale farmers were tribal chiefs, village merchants and landowners and these sources demanded high interest rate above 50 per cent<sup>1</sup>.

In 1908, an Agricultural Bank was established in Manila but its very location and small capital base prevented it from catering for the credit needs of the rural farmers.

To check this situation, co-operatives and eventually rural banks were introduced. The banks are unit banks specified by law to serve agricultural needs and especially in rural areas<sup>2</sup>.

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<sup>1</sup> J.E. Spencer : Land and People in the Philippines. San Francisco, (University of California Press, 1952) p.134.

<sup>2</sup> World Bank; The Philippines : Aspects of the Financial Sector. World Bank Publication (1980) p.2.

Today, rural banks number over 1,000 and have made a great impact on rural economies. Production of cereals and rice have increased from 7.35 million tonnes and 5.34 million tonnes in 1970 to 10.89 million tonnes and 7.72 million tonnes respectively in 1981. This has resulted in the rise of per capita income from \$170 in 1970 to \$655 in 1980<sup>1</sup>.

## 2.6 THE KENYAN EXPERIENCE<sup>2</sup>

The development of agriculture in Kenya since the late forties is remarkable. Kenya's agriculture, like that found in the study area in particular and Ghana in general, was mainly extensive cultivation.

There was no commercial agriculture, no form of modernisation, irrigation nor rotation.

Conscious efforts were made to modernise and commercialise the sector and to base economic development on the development of agriculture. A plan - The Swynnerton Plan - was drawn up to this effect.

In addition to the principal cash crops such as coffee, increased attention was given to the production for the market of cotton, maize, rice, tobacco, fruits and vegetables.

In the direction of success, the Nyeri District programme was most outstanding. Among the factors which contributed to the success of the programme were:

- (i) The avoidance of excessive specialisation so that farmers were protected against the consequences of market depression, pests and diseases, or their own failure to cope with different crops;
- (ii) Farmers were encouraged to form co-operatives;

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<sup>1</sup> Newsweek Magazine : September 5, 1985 edition p.11

<sup>2</sup> This is based on the work done by John C. De Wilde "Experience with Agricultural Development in the Tropics", Volume I and II. Published for the International Bank for Reconstruction and Development. John Hopkins University Press, Baltimore (1967).

- (iii) Land tenure system was reformed;
- (iv) There was an agricultural extension and education;
- (v) Agricultural credits were made available to farmers, and
- (vi) Market organisations were created.

## 2.7 GENERAL OBSERVATION AND LESSONS

Much of the literature on agricultural development in less developed countries, as could be seen from above, reveal a widespread belief that for a successful development of agriculture, one of the co-operant factors is making credit available to farmers. Where credit facilities could not be made readily available, other forms of financing should be available.

A typical example of such form of financing is pre-financing. International Tobacco Ghana Limited has pre-financed tobacco farmers in Wenchi and other areas of Techiman Districts since 1964<sup>1</sup>. Because the farmers are pre-financed at every stage of their farming operations, most of them have become wealthy. This again demonstrates how efficient financing can make a positive impact on small-scale farmers.

Again, according to Uma Lele<sup>2</sup>, modernising agriculture requires large infusion of credit to finance use of purchased inputs such as fertilizer, improved seeds, insecticides and additional labour. This is because in traditional agriculture, savings tend to be relatively small and increased demand for working and fixed capital must come from increased supply of credit.

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<sup>1</sup> Author's Field Study of Techiman and its adjoining Districts.

<sup>2</sup> Uma Lele : The Design of Rural Development (John Hopkins University Press, 1984).

Credit facilities either in kind or cash, would enable farmers to improve their output through investment in equipment and machinery, better quality seeds and to acquire more land to expand production.

Efficient financing of farmers to increase output will place agriculture in a dominant position to play a crucial role in economic development of the country as a whole. Increase in farm output will make possible a surplus of products for export apart from supplying the industrial sector with locally produced raw materials and feeding the increasing population.

The long run effect will be a general development of the entire economy and improvement in the well-being of farmers.

Belshaw<sup>1</sup> suggests, further, that for agricultural credit to be cheaper, and adequate extension should be given to the establishment of institutional credit and a qualitative improvement of co-operatives. He contended that efficient agencies extending assistance to farmers can be an accelerator to agricultural development.

Improvement in agricultural credit must not, however, be an isolated measure for an unintegrated measure either fail or yield limited results. Accordingly, there is the need to consider other processes such as marketing and agricultural extension with which the provision of credit has to be integrated.

Credit by itself does not create new resources but if dispensed under proper condition may lead to an increased productive power and provide the means for future economic growth<sup>2</sup>.

<sup>1</sup>Belshaw : Agricultural Credit in Economically Underdeveloped Countries. F.A.O. (1959) Italy p.228.

<sup>2</sup>J.C. De Wilde : Experiences with Agricultural Development in Tropical Africa. Baltimore (1967) p.22.

A number of lessons can be learnt from the review and these include :

- (i) Small-scale farmers need a great infusion of capital to make them economically more useful in Ghana. Exogenous financing is, therefore, needed to help farmers raise their level of incomes. Agriculture in Ghana would never attain any degree of development if it had to rely solely on self-financing of the already poor and impoverished small-scale farmer;
- (ii) The factor of co-operative has been identified as an important variable in the success of any agricultural credit scheme. When loans are disbursed through the co-operative channels or on community basis, repayment rate is always encouraging. This is because it puts the responsibility of repayment on the entire co-operative or community, failure to honour the repayment obligation precludes the defaulting co-operative from qualifying for further loans in future.
- (iii) Rural development which has become a household word in most developing countries is dependent primarily on small-scale farmer's agricultural progress. If such progress is recorded, it has the capacity of improving the level of incomes of farmers, decreasing inequality in the distribution of rural incomes and a lessening of urban-rural imbalances in incomes and economic

opportunities and the rural sector can accelerate and sustain the pace of development over time, and

- (iv) Small-scale farmer credit should always be supported by efficient marketing, storage and infrastructural systems. The repayment rate of loans would increase if farmers are assured of a reliable market for their produce. Extension service should also form an integral part of any loan package to ensure an effective use of the loan.

ANALYSIS OF THE SOCIO-ECONOMIC CHARACTERISTICS OF  
SMALL-SCALE FARMERS IN THE TECHIMAN DISTRICT.

This chapter is divided into two main parts,

- (i) The general profile of the Techiman District, and
- (ii) The socio-economic characteristics of small-scale farmers.

3.1 THE TECHIMAN DISTRICT<sup>1</sup>

3.1.1 THE PHYSICAL PROFILE

(i) Location and Size

The Techiman District is one of the 13 districts of the Brong Ahafo Region of Ghana. It lies within longitude  $1^{\circ}49'E$  and  $2^{\circ}30'W$  and latitudes  $8^{\circ}00'N$  and  $7^{\circ}35'N$  and covers an area of 932.9 square kilometers. It shares common boundaries with four other districts including Wenchi to the north and west, Kintampo to the north-east, Nkoranza to the south-east and Offinso of the Ashanti Region to the South. Map 2 depicts the district in regional context.

(ii) Relief and Drainage

The district is characterized by two main relief features - the highlands around Bremua and Buoyem and the vast lowlands in the North and South. The highest and lowest points are 579 meters and 305 meters above sea level respectively. The district can generally be described as low lying and gently undulating.

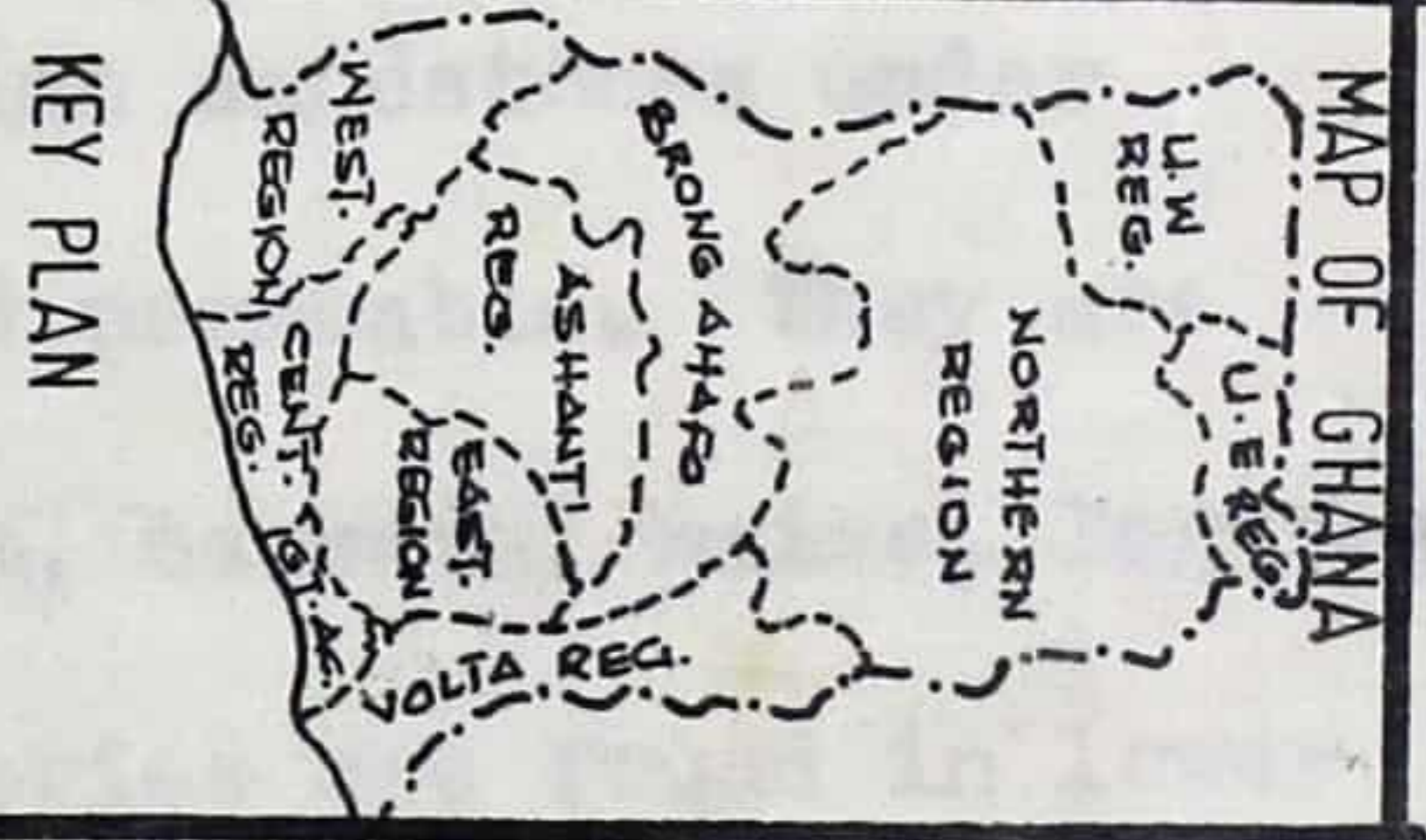
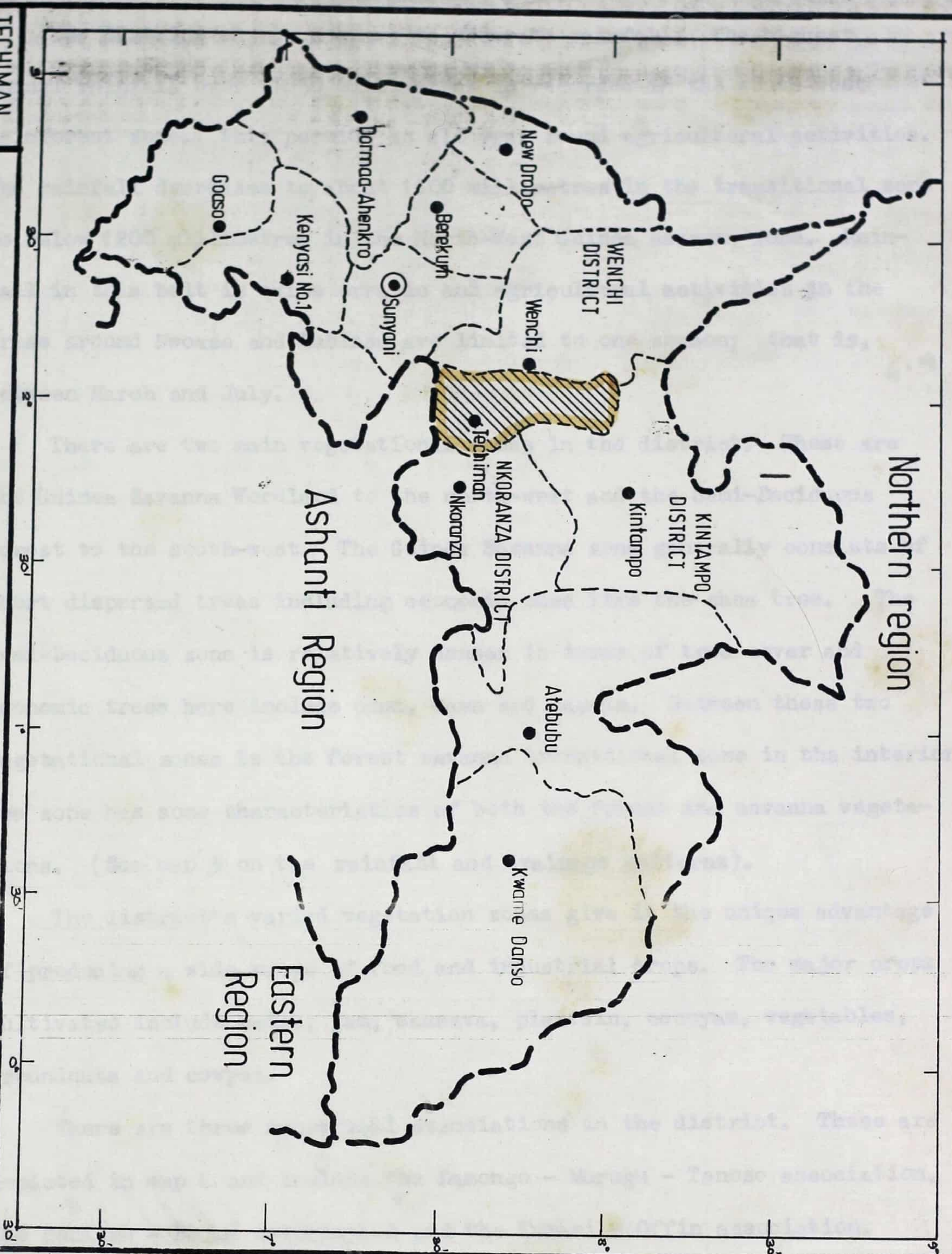
The district is generally well-drained. It is drained by three main rivers - the River Tano to the south, Rivers Subin and Kyiridi in the interior and northern part. Other relatively smaller and seasonal rivers include Brewa, Tarifi and Fia.

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<sup>1</sup> Much data on the District comes from the Development Workshop Report of Spring-Programme II, Department of Planning, U.S.T.

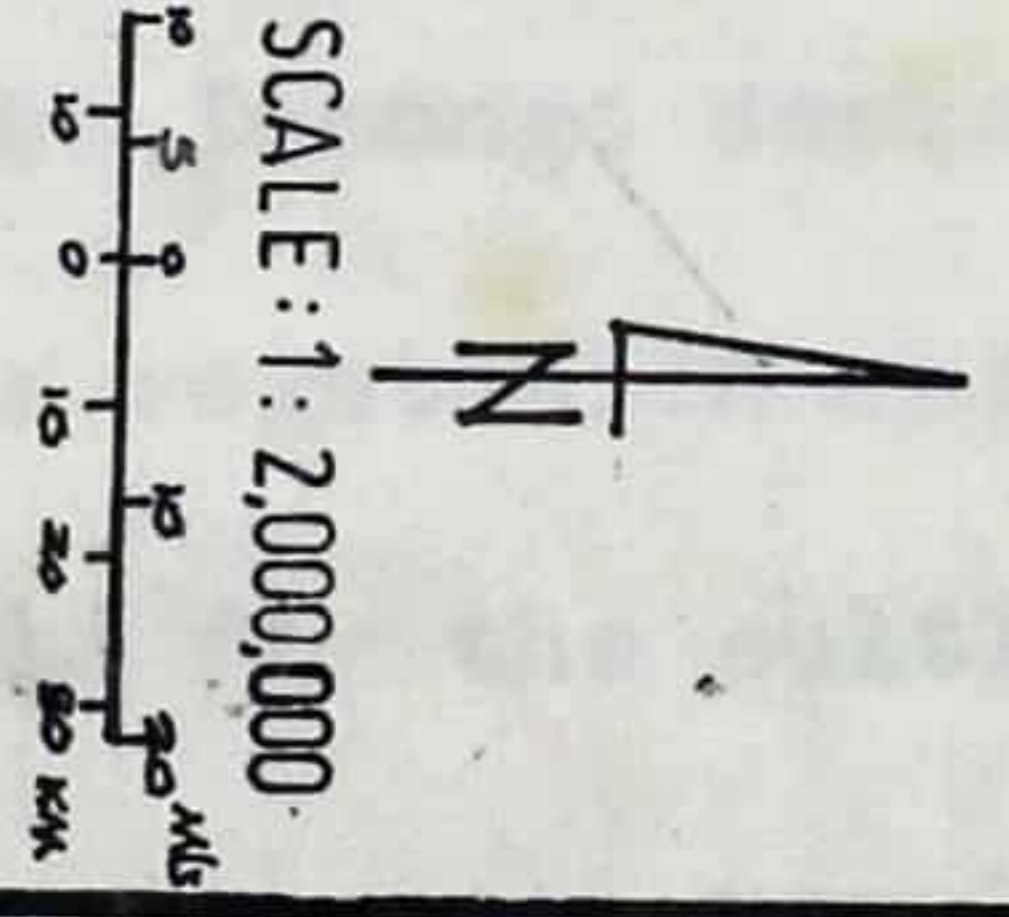
TECHIMAN DISTRICT STUDY

# TECHIMAN DISTRICT IN REGIONAL CONTEXT



## legend

- International boundary
- - - Regional boundary
- - - District boundary
- District Hqts
- ⊙ Regional Hqts
- ▨ The study area



# MAP 2

### (iii) Rainfall, Vegetation and Soils

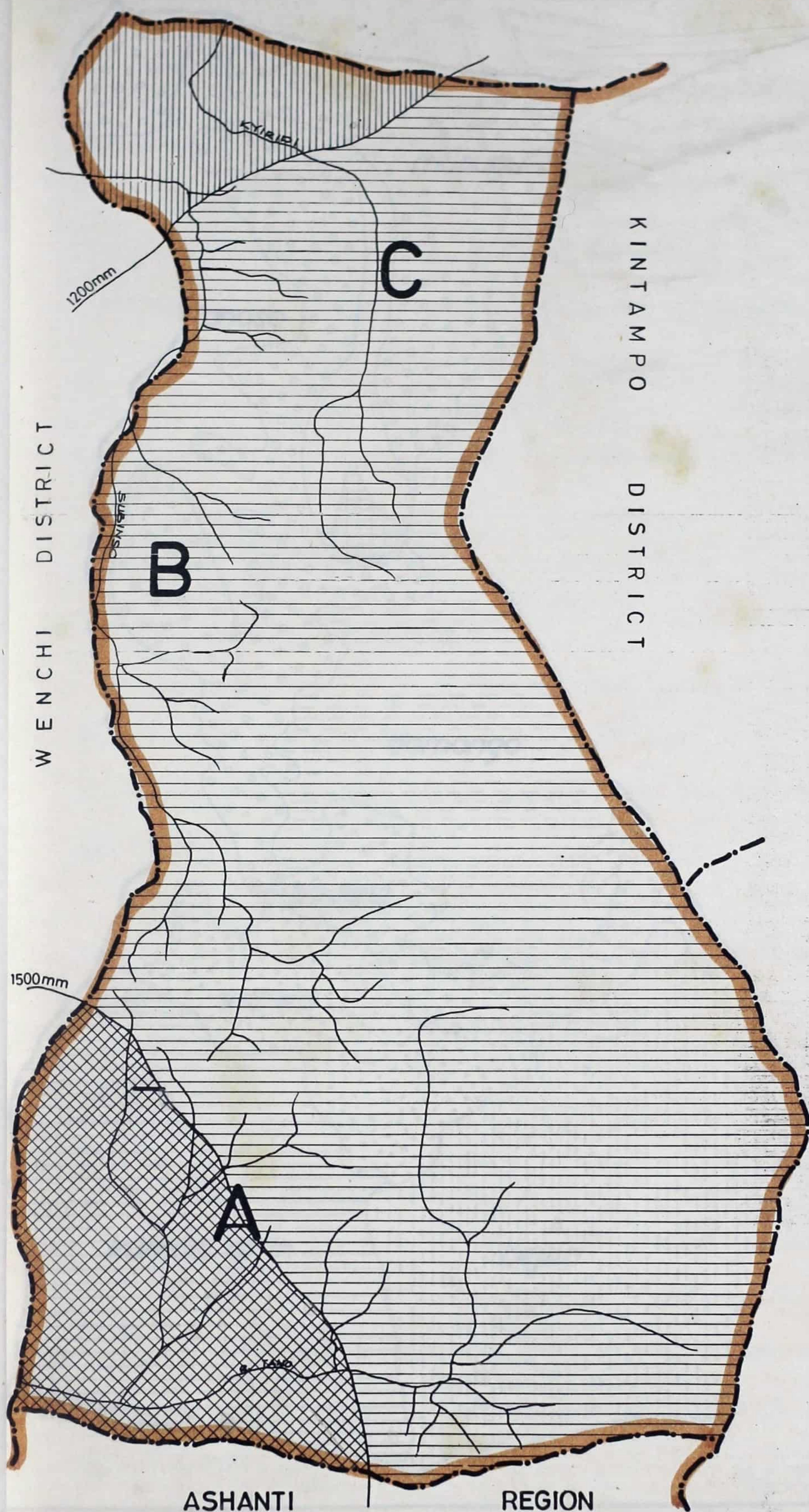
The district enjoys a heavy to moderate rainfall. The highest annual rainfall over 1650 millimetres is recorded in the south-west rainforest zone. This permits an all year round agricultural activities. The rainfall decreases to about 1400 millimetres in the transitional zone to below 1200 millimetres in the North-West Guinea savanna zone. Rainfall in this belt is quite erratic and agricultural activities in the areas around Nwoase and Subinso are limited to one season; that is, between March and July.

There are two main vegetational zones in the district. These are the Guinea Savanna Woodland to the north-west and the Semi-Deciduous forest to the south-west. The Guinea Savanna zone generally consists of short dispersed trees including economic ones like the shea tree. The Semi-Deciduous zone is relatively denser in terms of tree cover and economic trees here include odum, wawa and sapele. Between these two vegetational zones is the forest savanna transitional zone in the interior. The zone has some characteristics of both the forest and savanna vegetations. (See map 3 on the **rainfall and drainage patterns**).





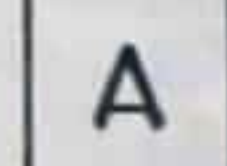
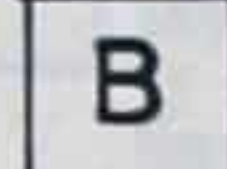
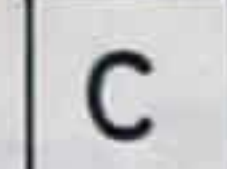

The district's varied vegetation zones give it the unique advantage of producing a wide range of food and industrial crops. The major crops cultivated include maize, yam, cassava, plantain, cocoyam, vegetables, groundnuts and cowpea.

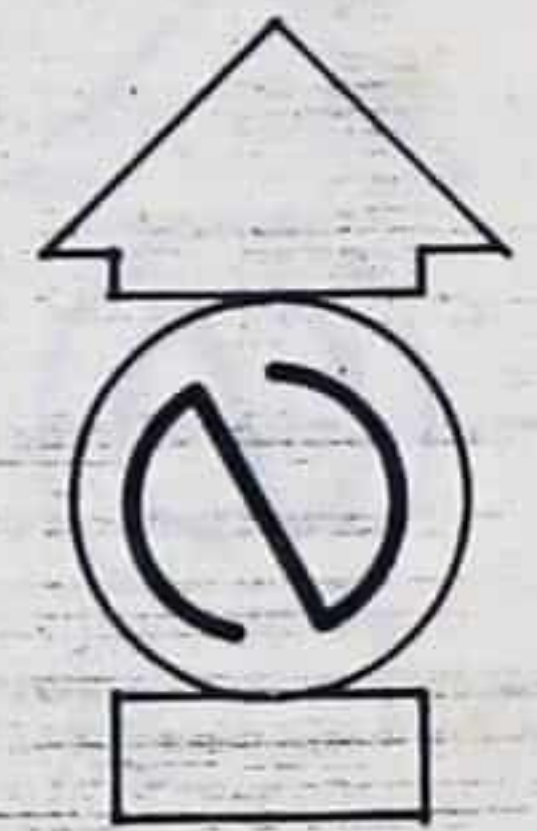
There are three major soil associations in the district. These are depicted in map 4 and include the Damongo - Murugu - Tanoso association, the Bedieso - Beju association and the Kumasi - Offin association.

The Damongo series are developed from Voltaian sandstones under savanna vegetation and are deep, well-drained and permeable. They are suitable for the cultivation of such crops as yam, cassava, maize, legumes, cotton, tobacco, vegetable kenaf. The Tanoso series are found in lower

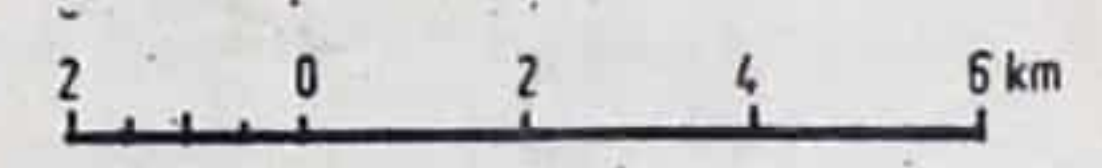


### legend

-  Areas with rainfall 1550 mm
-  Areas with rainfall between 1550 1200
-  Areas with rainfall below 1200mm
-  Rivers
-  Tano River Basin
-  Subin River Basin
-  Kyiridi River Basin
-  District boundary

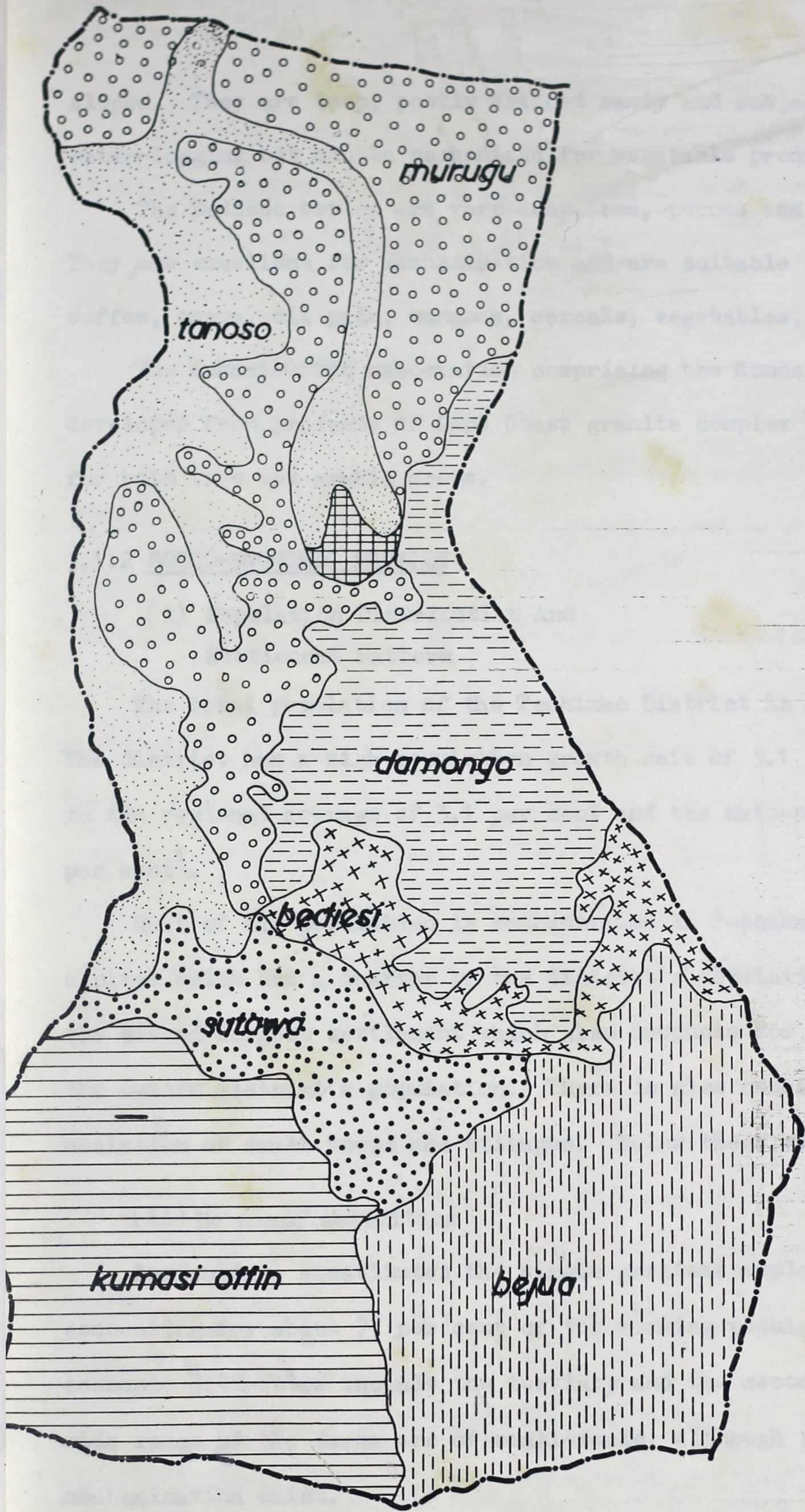


SCALE 1:300,000






*techiman district study*

# RAINFALL AND DRAINAGE







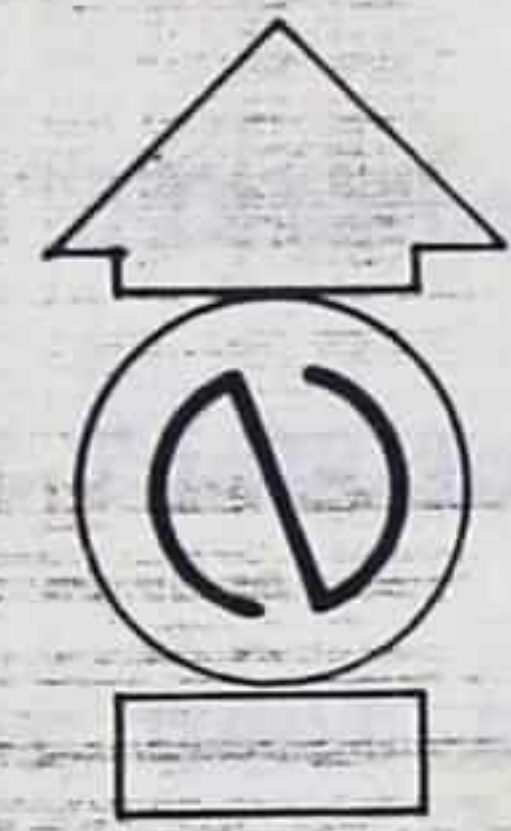
**Legend**

**DAMONGO-MURUGU-TANOSO ASSOCIATION**

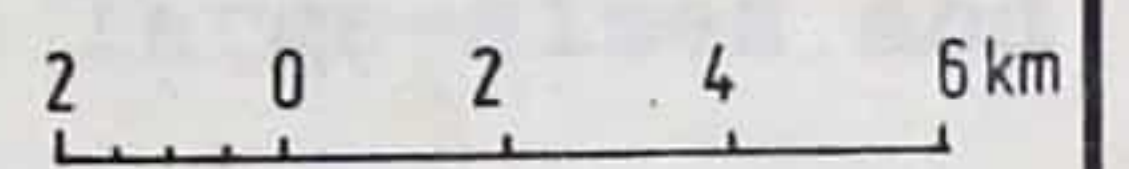
-  Damongo series Rhodic Nitisol (FAO)  
- Red very deep (200cm) well drained  
- Excellent agricultural soils suitable for crop such as yam, cassava, maize, legumes, cotton, tobacco, vegetables, kenaf, mangoes.
-  Murugu Series Haplic Acrisol (FAO)  
Similar to Damongo series except their brown colour  
Crops under Damongo are also suitable under these soils
-  Tanoso Series Dystric Fluvisol (FAO)  
Deep (200cm), poorly drained, subject to seasonal waterlogging  
Can be mechanised for vegetable production

**BEDIESO-BEGUA SERIES**

-  Bediesi Series  
Very deep (200cm) and well drained  
Suitable for crops such as cocoa, coffee, oil palm, cereals, vegetables and legumes
-  Sutawa Series  
Moderately well drained  
Produces all crops under Bediesi
-  Bejua Series  
Very deep highly permeable and susceptible to waterlogging  
Can be mechanised and irrigated for vegetables and legumes
-  Kumasi-Offin Series  
Suitable for both tree and arable crops



**SCALE 1:300000**



**ECHIMAN DISTRICT STUDY**

**SOILS**

slopes. They are deep, poorly drained sandy and subjected to seasonal water-logging but can be mechanised for vegetable production.

The Bedieso series are very deep, red, porous and well drained. They are excellent for mechanisation and are suitable for crops such as coffee, cocoa, oil palm, mangoes, cereals, vegetables, and legumes.

The Kumasi-Offin association comprising the Kumasi-Offin series are developed from products of Cape Coast granite complex and are suitable for both tree and arable crops.

### 3.1.2 SOCIO-ECONOMIC PROFILE

#### (i) Population Distribution And Settlement Pattern

The total population of the Techiman District is about 104,720. The district has a high population growth rate of 5.1 per cent compared to the regional average of 3.1 per cent and the national average of 2.6 per cent<sup>1</sup>.

Most of the population is concentrated in Techiman, the district capital which has a quarter of the district's population and Tuobodom, the second largest settlement which also accounts for six per cent of the entire district's population. There is also concentration or rather nucleation of small towns and villages. Below these are scattered hamlets.

#### (ii) Economic Activities

Agriculture constitutes the single greatest employer in the district accounting for about 77 per cent of the working population<sup>2</sup>. Other economic activities include the tertiary and the secondary sectors. A wide range of the farms are of small-scale, although some large-sizes and mechanisation exist.

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<sup>1</sup> Ghana Population Census Report, 1984, culled from Spring Development Workshop Report for Techiman District, 1988/89.

<sup>2</sup> Ghana Population Census Reports, 1984.

### (iii) Land Tenure

Land is acquired through the local chiefs at the village level although individuals have their own lands acquired through inheritance. From the socio-economic survey it was indicated that land is not a problem especially in the rural areas.

### (iv) Social Services

The district is well served with health facilities. It boasts of two district hospitals - the Holy Family and the Ahmadiyya hospitals both at Techiman town. In terms of physical accessibility, the district seems to be highly accessible when compared to even the adjoining districts of Kintampo and Nkoranza and other districts in Ghana.

In terms of banking services, the district at present has four banks which are operational. These are the Ghana Commercial Bank, the Ghana Co-operative Bank, the Agricultural Development Bank, all at Techiman town, a Rural Bank at Nsuta and a "Banking Agency" of the Afranchoman Rural Bank at Tanoso. Construction of the Bank for Housing and Construction at Techiman is 90 per cent completed while the proposed Rural Bank at Offuman is still under construction.

### (v) Technical Services

There are few private tractor hiring services at Techiman town, Tuobodom, and Subinso in the North. The Subinso Agricultural Project - a German Project - charges ₵4,000.00 per acre of tractor ploughing. Some individuals have tractors at various settlements which people within such areas can have access to them for a fee.

The ratio of extension officer to farmers is 1 : 3000 well below the national average of 1 : 2200. The district has been divided into seven sub-districts with a Technical Officer manning each sub-district. In certain areas, one extension officer caters for about three to five thousand farmers.

These officers sell farm inputs, offer extension education and assist in the establishment of co-operatives. However, due to the inadequate financing, transport facilities for trekking, inaccessibility to some of the villages and the low technical officer-farmer ratio, their services are rendered ineffective.

### 3.2 THE SOCIO-ECONOMIC CHARACTERISTICS OF SMALL-SCALE FARMERS

#### 3.2.1 Introduction:

The survey covered 125 small-scale farmers in the five settlements. These were made up of 39 from Tanoso, 31 from Aworowa, 29 from Offuman, 16 from Forikrom and 10 from Nsuta.

A socio-economic analysis was carried out to find out whether the characteristics of the small-scale farmers make them more vulnerable to the financial constraints facing them in the district, based on certain identified factors. These include age-sex composition, educational attainment, land and land related problems, farm labour, farm implements or tools, marketing outlets and storage facilities, income and expenditure patterns and the financiers of small-scale farmers. These characteristics are discussed in detail in the subsequent sections.

#### 3.2.2 Age-Sex Composition

The ages of the small-scale farmers were found to lie within the age group of 20 and over 60 years. A total of 93.7 per cent fell within the active labour force which comprises the age group between 15 and 60<sup>1</sup> as shown in table 3.1.

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<sup>1</sup> Government of Ghana, 1984 Population Census of Ghana - Preliminary Report. (Central Bureau of Statistics, Accra, 1985)

TABLE 3.1 : AGE-SEX COMPOSITION OF SMALL-SCALE FARMERS

AGE COHORT	MALE	FEMALE	PERCENTAGE
21 - 25	10	1	8.8
26 - 30	21	3	19.2
31 - 35	12	4	12.8
36 - 40	19	7	20.8
41 - 45	10	3	10.4
46 - 50	6	11	13.6
51 - 55	5	0	4.0
56 - 60	3	2	4.0
Over 60	5	3	6.4
<b>TOTAL</b>	<b>91</b>	<b>34</b>	<b>100</b>

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

In all 27.2 per cent of the farmers are female and these are often assisted by their husbands to own a farm themselves.

The age-sex composition contradicts the popular notion that farmers in Ghana are mostly in the ages of 50 years and above. It was revealed that 85.6 per cent of the small-scale farmers are between the ages of 20 and 50. This gives a planning implication that farming should be made attractive for such a youthful population to remain in it rather than migrating to the urban areas in search of work.

However, the composition has a direct relationship with the sources of **finance** of small-scale farmers which is predominantly self-financing. This is because at the ages of between 20 and 35 most small-scale farmers might have not accumulated enough assets to serve as collaterals to attract exogenous financing.

### 3.2.3 Educational Attainment

The educational attainment of the small-scale farmers indicates that 43.2 per cent are illiterates, 3.2 per cent have had primary education and 35.2 per cent have had middle level education. The educational attainment of the farmers is shown in table 3.2.

**TABLE 3.2 : EDUCATIONAL ATTAINMENT OF SMALL-SCALE FARMERS**

LEVEL OF EDUCATION	NUMBER	PERCENTAGE
Illiterate	54	43.2
Primary	4	3.2
Middle	44	35.2
Secondary/Commercial	11	8.8
Technical/Vocational	2	1.6
Post Secondary	10	8.0
University	-	-
<b>TOTAL</b>	<b>125</b>	<b>100</b>

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

The rather large number of illiterates (43.2 per cent) and those who have had elementary education (38.4 per cent) have adverse implications for the adoption of modern farming methods such as irrigation and the proper application of fertiliser.

Unfortunately, the few who have attained Secondary/Commercial, Technical/Vocational and Post-Secondary education take up farming as a secondary occupation to supplement their incomes. Therefore the real farmers are at the same time with minimum level of education and this again does not enhance their chances of being accessible to institutional credit.

### 3.2.4 Land and Land-Related Problems

The study revealed that 75.2 per cent of the farmers in the district hold below six acres of land per person. This is illustrated in table 3.3.

**TABLE 3.3 : AVERAGE SIZE OF HOLDING OF SMALL-SCALE FARMERS**

FARM SIZE (ACRES)	NUMBER OF HOLDERS	PERCENTAGE
1	7	5.6
2	15	12.0
3	36	28.8
4	16	12.8
5	5	4.0
6	15	12.0
7	9	7.2
8	14	11.2
Above 8	8	6.4
<b>TOTAL</b>	<b>125</b>	<b>100</b>

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

Equally significant is the number of plots held by the farmers. It is only 6.4 per cent who owned only one plot. About 90 per cent had two or more non-contiguously located plots (See table 3.4).

These plots are in most cases relatively far from each other in addition to being far away from the residence of farmers. The average distance from house to the nearest farm is about 1.5 kilometres and the farthest is about four kilometres. The implication of such plot distribution is that farmers spend a lot of time walking to the farms. Walking the distances and using the traditional tools weaken the farmer and eventually reduces his productivity.

TABLE 3.4 : NUMBER OF PLOTS OF SMALL-SCALE FARMERS

NUMBER OF PLOTS	NUMBER OF HOLDERS	PERCENTAGE
1	8	6.4
2	30	24.0
3	49	39.2
4	17	13.6
5	12	9.6
6	6	4.8
7	-	-
8	3	2.4
<b>TOTAL</b>	<b>125</b>	<b>100</b>

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

An attempt was made to find out whether there are tenant farmers and how the tenurial arrangements affect their output. In the first place of the 125 small-scale farmers interviewed only one was found to be a tenant farmer who shares the crops in the ratio of 3 : 2 with the land owner. This again confirms the earlier finding<sup>1</sup> (from our socio-economic survey for the workshop report) that land is not a problem in the district.

### 3.2.5 Farm Labour

The practice of engaging farm labour seems to be very common. As much as 85 per cent of the respondents engaged one form of labour or the other for different activities on the farm. The most common one is the daily-rated workers. The labourer is paid ₦400 per day in addition to the indirect cost on food, cigarettes and drinks estimated between ₦100 and ₦200. The total cost of labour per day for four/man hours is therefore ₦500.00.

<sup>1</sup>Development Workshop Report of Spring - Programme II, Department of Planning, U.S.T. 1988/89.

In about 75 per cent of the cases the farmer hires labour for land clearing, preparation, farm husbanding and harvesting.

Almost all respondents depend on labour from within the family to reduce cost. These family farm hands come from the farmer's immediate family. As much as 90 per cent are assisted by up to four family members as depicted in table 3.5.

TABLE 3.5 : FAMILY LABOUR AS FARM HANDS

FARM HANDS	NO. OF RESPONDENTS	PERCENTAGE
0	11	8.8
1	15	12.0
2	31	24.8
3	49	39.2
4	19	15.2
<b>TOTAL</b>	<b>125</b>	<b>100</b>

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

### 3.2.6 Farm Implements/Tools

The commonest tools or implements used in their farming operations are cutlasses, hoes and mattock. These implements are bought at the open market. Table 3.6 shows the relationship between type of farm implements and type of activities.

The rate at which these implements are replaced indicates that the farmers change tools much less frequently than is necessary for efficiency in production. When asked why they do not replace their implements more frequently most of them (75 per cent) gave lack of money as the cause but they all agree that worn down tools are inefficient and demand excessive energy.

TABLE 3.6 : TOOLS USED BY SMALL-SCALE FARMERS

TOOLS	EST. LIFE SPAN	COST/UNIT	OPERATION USED FOR
Cutlass	6 - 12 months	₦1,000-₦1,200	Land clearing, Land preparation Sowing, Farm Husbanding, Harvesting
Hoe	2 - 3 years	₦600 - ₦1,000	Raising mounds, Weeding
Mattock	2 - 4 years	₦3,000-₦5,000	Uprooting of grass

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

On the use of tractor, 70 per cent indicated that they hire tractor for ploughing at a fee of ₦4,000 per acre. This fee seems to be the same in almost every part of the district because the tractor owners have an association which has a fixed charge for an acre ploughing.

About 80 per cent of the respondents indicated that they know of improved form of crops and farm practices, such as irrigation, weedicides and fertilizers, and would like to adopt these technologies on their farms. About 90 per cent indicated that they would like to adopt irrigation to grow tomato, maize and okro during the dry season since they are aware that dry season farming has a higher returns to investment than wet season farming. The residual 10 per cent may probably be interpreted that, because they cannot have access to these technologies, they are not ready for any suggestion.

### 3.2.7 Marketing Outlets and Storage Facilities

The marketing of the produce of the farmers is carried out in the open market at Techiman with middlemen. It was also revealed that at times the

middlemen buy the produce at the farm gate since most middlemen and traders enter the villages to buy the food items. They complained that the traders are cheats because they are never sympathetic to the farmers' problems and taking advantage of the need of cash dictate any price which always puts the farmers at the disadvantage end of the bargain. About 80 per cent indicated that the same thing can be said of the Government agency for purchasing maize - Food Distribution Corporation.

About 95 per cent indicated that lack of adequate storage facilities seem to exacerbate their poor marketing position. They all use the wooden silos to store their grains.

### 3.2.8 Income Levels and Expenditure Patterns

The average and median household incomes are estimated at about ₦142,000 and ₦132,000 per annum respectively. This income is derived basically from their farming operation, since majority of the respondents (81.6 per cent) depend on farming for their incomes.

The distribution of household over income are shown in table 3.7.

TABLE 3.7 : DISTRIBUTION OF ANNUAL HOUSEHOLD INCOME

INCOME RANGE (₦000S)	NUMBER OF HOUSEHOLDS	PERCENTAGE
Up to ₦200	98	78.4
₦201 - ₦400	14	11.2
₦401 - ₦600	8	6.4
₦601 - ₦800	4	3.2
Above ₦800	1	0.8
TOTAL	125	100

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

The expenditure of the respondents include food, education, health, energy, transport, funerals and church donations. Expenditure on food normally goes to meat and fish since money is normally not spent on food items. With the exception of few government employees who take up farming as a secondary occupation (8.0 per cent) and spend money on rent, the other respondents own their houses or stay at the family's house.

Of particular interest to this study is expenditure on agriculture. Thus apart from the social expenditure elaborated above, much money is spent on agriculture on items such as labour, tractor services, fertilizer, farm husbanding and others shown in the table 3.8.

TABLE 3.8 : ESTIMATED EXPENDITURE ON AN ACRE OF MAIZE BY (UNIMPROVED METHOD)

<u>Expenditure</u>	<u>Estimated No. of man/days</u>
1. Hired Labour	
Land Preparation	28
Planting	5
Maintenance/Farm Husbanding	16
Harvesting	20
Marketing	4
	<u>73</u>
Direct cost at ₦400 per man/day	= ₦29,200
Indirect cost (food, drinks, cigarette)	
at ₦100 per man/day	= <u>7,300</u>
Total	= <u>₦36,500</u>
2. Materials	<u>Cost</u>
2 Cutlasses for a year	₦2,400
1 Hoe	₦1,000
1 Mattock	₦5,000
Seeds for planting	₦5,000
	<u>₦13,400</u>
Total Expenditure	= <u>₦49,500</u>

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

It can be concluded from the estimation that a farmer needs about ₵50,000 at the beginning of the farming season for an acre of maize. It stands to reason that a farmer may need about ₵75,000.00 for an acre of yam since the production cost of yam far exceeds that of maize. However, the total expenditure is sometimes reduced by the farmers' own labour but if the farmer wants to use an improved technology such as hiring a tractor and buying fertilizer the total cost may be higher. A tractor needs to plough an acre of farm twice before the land can be suited for planting and it charges ₵4,000 per acre of ploughing. A bag of fertilizer at Techiman town, at the time of the survey in May 1989, costs ₵3,800.

It can be seen from this analysis that, against the background of his meagre annual mean income of ₵142,000, the small-scale farmer needs external assistance before he can sustain and expand his farm.

### 3.2.9 Financiērs of Small-scale Farmers

All the respondents indicated that they need money from external sources for their farming operations. They stated that the most critical stage where money is needed is the land preparation stage.

However, 42.4 per cent do not have any financial assistance and depend on their personal savings. This is very dangerous to the success of agriculture in Ghana because with the average annual income and expenditure pattern, it is not possible for the farmer to have any personal savings. Money-lenders, friends and relatives, and middlemen help in financing the small-scale farmers as shown in table 3.9.

TABLE 3.9 : FINANCIERS OF SMALL-SCALE FARMERS

SOURCE	NO. OF RESPONDENTS	PERCENTAGE
Money-lenders	32	25.6
Agricultural Dev. Bank	6	4.8
Friends and Relatives	30	24.0
Personal Savings	53	42.4
Cash advances from traders	4	3.2
TOTAL	125	100

SOURCE : AUTHOR'S FIELD SURVEY, 1989

### 3.2.10 Effects of these Characteristics on Farmers

#### Access To Loans

The cumulative effect of the foregoing characteristics is that farmers are not accessible to loans from the formal financial institutions. In a situation where farmers are uneducated, rely on traditional implements and total dependence on rain-fed agriculture, most financial institutions would not risk granting credit to people in such category of occupation. This is mainly because the banks should always be conceived as profit-making institutions and therefore grant their credit facilities to areas where the risk is not great. Such areas may include trading, transport and large-scale farmers.

In certain cases, even, money-lenders do not want to grant credit to farmers for the same obvious reasons enumerated above.

The only alternative sources of finance that small-scale farmers have are personal savings and loans from family members and friends.

The analysis of the socio-economic characteristics has revealed how they contribute to the financial constraints affecting the overall growth

and development of small-scale farmers. It has been shown that these factors exacerbate the already poor financial position of the small-scale farmer.

The problems which have been identified in the area of storage, labour, tools and implements, size of farmland, either result from or culminate into the problem of finance.

The analysis has revealed that poor financing is the core problem of small-scale farmers in the Techiman District.

In the next chapter the characteristics of the sources of finance are discussed.

## CHAPTER FOUR

### ANALYSIS OF THE EXISTING SOURCES OF FINANCE FOR SMALL-SCALE FARMERS IN THE TECHIMAN DISTRICT

The existing sources of finance for small-scale farmers can be categorized under formal and informal sources. These are analysed subsequently.

#### 4.1 FORMAL SOURCES

The formal sources consist of the Ghana Commercial Bank, the Agricultural Development Bank, the Ghana Co-operative Bank and the Rural Banks.

All the banks indicated that their objectives with respect to the small-scale farmers is to help them increase their production of cash and food crops to improve their standard of living.

Although all the banks have short term loans (six to twelve months) medium term loans (up to three years), and long term loans (up to 25 years) only the short-term loans are made available to small-scale farmers. The other types of loans go to large-scale businesses and farming.

For one to qualify for a loan from any of these banks, the following requirements must be met:

- (i) must be a customer for not less than six months,
- (ii) must show evidence of credit worthiness,
- (iii) must be known in the community (local guarantors), and
- (iv) must pledge savings or collaterals as security.

Apart from these general characteristics, the banks attitude to small-scale farmers are different. They are discussed in turn.

#### 4.1.2 The Ghana Commercial Bank

Interviews with the Bank Manager and the Accountant of the Bank at Techiman town, indicated that for the farming season of 1988/89, the bank

had not loaned any money to small-scale farmers. They however stated that in the previous years loans had been granted to both food crop and livestock farmers.

It was revealed that even though about 43 per cent of its customers are small-scale farmers, the problems of diversion of loans from their original use, repayment, dishonesty and lack of permanent address prevent the bank from granting more loans to farmers. Loans granted by the bank are illustrated in table 4.1.

TABLE 4.1 : LOANS GRANTED TO FARMERS

YEAR	NUMBER OF FARMERS REQ. LOANS	NUMBER GRANTED LOANS	AMOUNT OF LOAN APPROVED	AMOUNT PAID BACK	AMOUNT OUTSTANDING
1986	1,000	507	5,084,280	4,625,890	458,390
1987	10,000	9,204	94,052,932	5,161,162	88,891,770

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

The table depicts that the repayment rate in 1986 stood at 91 per cent. Perhaps, encouraged by such an excellent rate of repayment, the bank decided to reach more farmers the following year. But the loan outstanding to the bank up to now is about 95 per cent, showing an abysmal rate of repayment of 5.5 per cent.

The officials acknowledged that in certain cases weather failure can contribute to genuine repayment problems, but the rate is so high that they can no longer continue financing the farmers. It was revealed that because of the amount outstanding in 1987, all the bank officials were transferred because of alleged misappropriation and were replaced by

entirely new staff drawn from various parts of the country.

The Bank Manager said that they are in a position to finance all agricultural loans required in the area if the problems of dishonesty, diversion of loans, repayment and provision of collaterals are provided.

The Bank Manager however said that because of lack of project managers attached to all their banks, loans recovery are difficult because at times office clerks who have no knowledge of projects are sent to evaluate the farms for the approval of loans and their recovery.

#### 4.1.3 The Agricultural Development Bank

The activities of this bank with respect to small-scale farmers are very impressive as can be seen from table 4.2.

TABLE 4.2 : LOANS GRANTED TO SMALL-SCALE FARMERS AS AT  
APRIL 1989

YEAR	FARMERS REQUEST LOANS	FARMERS GRANTED LOANS	AMOUNT OF LOANS APPROVED	AMOUNT REPAID	AMOUNT OUTSTANDING
1982	485	285	13,845,331	12,824,602	1,020,729
1983	372	233	12,314,198	11,708,279	605,919
1984	305	191	10,795,388	10,446,870	348,518
1985	246	123	10,716,202	9,209,862	1,506,340
1986	123	103	10,021,543	9,783,802	237,741
1987	148	97	12,190,875	9,519,308	2,671,567
1988	138	74	7,675,700	3,099,628	4,576,072

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

Established in 1982, the bank has been engaged in granting of credit to small-scale farmers since its establishment.

With the current interest rate of 27 per cent, the repayment rate of the ADB ranges from 78 per cent which was the lowest in 1987 to 98 per cent the highest in 1986.

The Project Manager indicated that the higher repayment rate has been due to the office of the project manager who monitors farmers who have been given loans. It was revealed that, in spite of the higher repayment rate of loans to farmers, the bank can only satisfy about 60 per cent of farmers requesting for loans due to inadequate funding for agriculture. He said that farmers are so scattered, sometimes without any permanent address and this makes it difficult to track them when they fail to adhere to the repayment schedule of the bank.

The Project Manager said that, it is because of these problems that loans from the banks are granted to farmers who stay in and around Techiman and this explains why only 4.8 per cent of the sampled farmers covered in the study had received loans from the bank.

Asked what militates against the prompt repayment of loans, the manager said that the absolute reliance on rain-fed agriculture sometimes makes it extremely difficult to predict the total output from the farm. The failure of the rains can lead to poor yields and abundance of the rains can lead to over-production bringing prices down - both of which have the capacity of reducing the farmers desire to repay the loans. It was again pointed out that some farmers just refuse to repay the loan since they still believe that loans from banks are gifts. This calls for education of the farmers.

#### 4.1.4 The Ghana Co-operative Bank

This bank happens to be the oldest in the district, established in 1974/75. Unfortunately, due to the structural problems of the bank, its very existence has been sporadic.

Charging a current rate of 30.25 per cent per annum on loans, the

bank's involvement in financing small-scale farmers is not encouraging.

The Bank Manager said that some of the farmers who are granted loans are not reliable and they are not attracted to grant loans to farmers of all categories and ranks. The information given on loans granted to farmers in 1988 is shown in table 4.3.

TABLE 4.3 : LOANS GRANTED TO FARMERS BY CO-OPERATIVE BANK

YEAR	FARMERS REQ. LOANS	FARMERS GRANTED LOANS	AMOUNT OF LOAN APPROVED	AMOUNT REPAID	AMOUNT OUT-STANDING
1988	68	51	6,987,000	4,634,898.77	2,352,101.23

SOURCE : AUTHOR'S FIELD STUDY, 1989.

Even though the repayment rate for the loans stood at 66 per cent, the manager did not say why they did not grant any loans for the year 1989 and what problems they have been encountering with regard to repayment of loans.

#### 4.1.5 The Rural Banks

The Kyidom Rural Bank at Nsuta and the "Banking Agency" of the Afranchoman Rural Bank at Tanoso could not provide much information for analysis.

The Kyidom Rural Bank was established in 1987 and according to the Manager they are in the process of mobilising funds and has therefore not granted any loan to anyone since its inception. There was no information received from the Tanoso agency of the Afranchoman Rural Bank.

#### 4.1.6 Recovery of Loans from Defaulters

All the banks engaged in granting loans to farmers indicated that they appreciate the causes leading to the difficulties in loan repayment. They

however, argued that since agricultural loans to these category of farmers are contracted on the short-term basis, the banks cannot be flexible in collecting the loans back.

The methods normally adopted in recovering loans from defaulters include prompting the attention of the executives who acted as guarantors for the farmer. The next step is to adopt a moral persuasion attitude to draw the farmer's attention of the need to pay the loan.

They agreed that when all failed they involve the revolutionary organs such as the Committee for the Defence of the Revolution (CDR), the Mobilisation Squad and the Police Force to assist in the recovery of the loans. They, however, said that such measures are adopted as the last resort since they do not want to involve these organs in their operations but they agreed that occasionally their involvement has been fruitful since some farmers for the fear of the police or these revolutionary organs promptly pay up the loan.

#### 4.2 INFORMAL SOURCES

By far this constitutes the main source of finance for small-scale farmers. This is made up of personal savings, relatives and friends, cash advances from traders and middlemen; and money-lenders. This is illustrated in table 4.4.

TABLE 4.4 : DURATION OF LOANS AND INTEREST RATES

SOURCE	DURATION/TIME	INTEREST RATE %
Money-lenders	6 - 8 months	50 - 100
Friends and Relatives	8 months	33 - 50
Cash advances from traders	6 months	1 - 3
Personal Savings	-	-

SOURCE : AUTHOR'S FIELD SURVEY, 1989.

Table 3.9 shows the proportion of farmers who rely on these sources for finance. It shows that in all 95.2 per cent of the small-scale farmers depend on the informal source, made up of 25.6 per cent money-lenders, 24 per cent friends and relatives, 42.4 per cent personal savings and 3.2 per cent cash advances from traders and middlemen.

It was revealed from the survey that when cash advances are given by traders and middlemen they tend to dictate the price of the farmer's produce since the farmer cannot sell to anybody else. Thus even though the interest rate charged on such cash advances is negligible, that is between one and three per cent, the advantage of the lower interest rate is easily cancelled out by the lower price the trader would buy the produce. This may explain why most farmers do not want to depend on such cash advances.

The duration allowed for the repayment of loans is quite reminiscent to the formal institutions time period for short-term loans. This is also because loans are given at the beginning of the farming season in January or February to be repaid at the end of the farming season in October or November. The short duration also means that most farmers cannot secure enough of these loans when they are not sure how much they can reap at the end of the farming season.

#### 4.3 COMPARATIVE ANALYSIS OF FORMAL AND INFORMAL SOURCES

The analysis in Table 3.9 indicates that close to 95 per cent of small-scale farmers are financed by the informal sources. The formal sources of finance provided credit to only 4.8 per cent of small-scale farmers due to the reasons already indicated.

However, they seem to prefer the informal sources of finance because of the following reasons:

- (i) The collaterals demanded by the banks are so rigid that most farmers cannot meet them. Even among those who have accounts with the banks, loans are not easily granted;
  - (ii) The condition that one must show evidence of credit worthiness is difficult to meet because of the low level of incomes of farmers;
  - (iii) Added to these rigid conditions is that of "kick backs"<sup>1</sup> the bank officials demand from farmers before a loan is granted. It was revealed that an official loan of ₦10,000 granted to a farmer can be reduced to about ₦5,400.00 by the time it finally gets to the farmer. With an interest rate of 30 per cent the farmer would pay ₦13,000 for the ₦5,400 he got from the bank. In such a situation the farmer has paid about 140 per cent interest rate - twice the rate charged by money-lenders.
  - (iv) Farmers seem to prefer the informal sources of finance because personal savings and contributions from families do not attract any interest and penalties in the event of a default.
  - (v) Money-lenders are flexible in their approach since they know the production conditions under which the farmer works and can be sympathetic to the farmer in the event of a crop failure.
  - (vi) Wrong timing of loans and delivery of inputs.
- 

<sup>1</sup> Kick-backs denote the unofficial and unlawful demand of a certain percentage of any loan granted by the bank officials.

#### 4.4 TOWARDS AN IMPROVED ACCESS TO CREDIT

A different approach is called for if the majority of rural farmers are to have access to formal credit. There are many ways of strengthening the performance of rural credit institutions. The farmers made a lot of suggestions that would go to enhance their position of being accessible to credit and making an efficient step towards their finances. These are summed up in table 4.5.

TABLE 4.5 : SUGGESTIONS OFFERED BY SMALL-SCALE FARMERS

<u>SUGGESTION</u>	<u>PERCENTAGE OF FARMERS</u> <sup>1</sup>
1. Less dependence of farmers on banks for cash but rather banks should grant loans in kind;	54.4
2. Correct timing of banks loans to farmers especially at the beginning of the farming season;	33.6
3. Reduction of interest rate on agricultural loans from 27 per cent charged currently by the Agricultural Development Bank to almost a zero point;	29.6
4. Establishment of more rural banks	14.4
5. Extension of period of repayment of bank loans from its present six months to two years to accommodate crop failures and unforeseen contingencies; and	12.8
6. The setting up of minimum government prices for food crops as done for cocoa, shea butter and coffee.	11.2

<sup>1</sup> Percentages do not add up to 100 because each farmer made more than one suggestion.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

#### 5.1 FINDINGS

This section summarizes the findings of the study and analyses their implications for planning to serve as basis for recommendations. These are discussed under socio-economic characteristics and sources of finance.

##### 5.1.1 Socio-Economic Characteristics

The analysis of the socio-economic characteristics of the small-scale farmers in the study revealed the following:

- (i) A significant proportion of the farmers, about 50 per cent are illiterates.

It has been observed that the acceptance and adoption of innovations to transform a local economy from marginal to market economy involves a process of innovation diffusion in time and space. Thus if farmers are to accept new farming techniques, there is the need to popularize them through public education. However, such a high proportion of illiteracy is really a major constraint on the expansion of farming activities. Policies should, therefore, be formulated to remove this bottleneck.

- (ii) About 80 per cent of the farmers are under 50 years of age. This potential in the district by way of such youthful population engaged in agriculture implies that policies should be formulated to enhance the living conditions in the rural areas so as not to discourage the youth from migrating to urban centres in search of employment.

(iii) The farm sizes in the study area indicate that about 50 per cent of the farmers have farms which are less than four acres (1.6 hectares). This is far below the national average of 6.5 acres (2.6 hectares). This, however, is due not to the shortage of land but rather lack of inputs to expand their acreage.

It has been observed that farm size needs not be a constraint to raising productivity, if modern technologies, particularly the use of fertilizer and improved seeds coupled with credit facilities are made more accessible to farmers. This calls for effective policies within this framework so that productivity can be raised even with the limited farm sizes.

(iv) There is a widespread dependence on hand implements. This limits land preparation and cultivation. What makes the situation even more serious is the high cost of these implements and their complete absence in the market when they are needed.

It is expedient that policies on the development of the small-scale farmers should aim at increasing their accessibility to tractor-drawn equipment. This is because such a tractor service can relieve labour bottlenecks and would enable small farmers extend their area under cultivation. At the same time farming tools such as hoes and cutlasses should be readily available in the market and at reasonable prices too, to augment the tractor service.

(v) There are inadequate marketing and storage facilities for the farmers. These exacerbate their poor conditions since in the absence of any improved storage facility, farmers have, no option but, to sell all their produce at the same time, with much negative impact on their

bargaining power because of the perishable nature of most of their produce.

A major concern here is state intervention in direct agricultural marketing. Such an intervention can provide a counter-balance for the producers and consumers against private sector market pressure.

- (vi) The income and expenditure pattern of the small-scale farmers has revealed that after meeting their social expenditure, they have very little left to invest or meet their expenses on agriculture.

This means that in policy formulation, consideration should be given to organising small-scale farmers into co-operatives so that they can be reached by organised financial institutions. This would help improve the level of incomes of farmers.

#### 5.1.2 Sources of Finance

The analysis of the characteristics of the existing sources of finance also revealed that:

- (i) In spite of the urgent need of a more reliable source of credit for their farming operations, small-scale farmers are mainly financed by money-lenders, friends and relatives, personal savings and cash advances from traders and middlemen. These sources are not only unreliable but also charge high interest rates leaving the farmer with almost nothing after repayment;

- (ii) The formal sources of finance play an insignificant role in financing small-scale farmers. Only 4.8 per cent of the farmers had used this source. The limiting factors to the

use of this source include high standard of credit worthiness and rigid collaterals as security.

In addition to these conventional rules, there are certain problems which the banks have discovered and which are very repulsive in any move towards small-scale farmers' financing. These problems include:

- (a) A high defaulting rate, especially in the case of loans given by the Ghana Commercial Bank;
- (b) The diversion of loans from the purpose for which they were acquired. The banks complained that in most cases loans given to small-scale farmers are diverted to other areas such as marriage, funeral, child naming ceremonies, trading and other businesses; and
- (c) The dispersed nature of small-scale farmers. It was revealed that because farmers are so scattered and sometimes with no fixed address, it is very difficult to track them for the repayment of loans when they fail to honour their repayment obligations.

The above problems suggest that policies aimed at minimising the financial constraints of the small-scale farmers should consider making flexible the cumbersome procedures of the financial institutions. Again, the development of any successful agricultural credit scheme does not rest with the credit institutions alone. Three decision making parties are involved, namely: the farmer, the credit institution and the government. The success of a national credit programme depends on the consistency of decision taken by the three parties, but this is not always easy because of the often conflicting objectives of the groups.

However, some degree of harmonisation of action may be achieved where the government provides adequate leadership through its functions of

allocating resources and co-ordinating the efforts of rural development within the national plan.

## 5.2 RECOMMENDATIONS

The small-scale farmer will continue to be the backbone of Ghana's agriculture for a long time. Any programme which is aimed at increasing the country's agricultural production must therefore aim at increasing the efficiency and productivity of the small-scale farmer. Towards this end, and in the light of the opportunities and constraints cited above, the following recommendations are made:

(i) The need for more extension services:

It has been observed that the further away one is from the point of origin of diffusion, the less are the chances of the one adopting the innovation or receiving information about it. To this effect agricultural extension agents or officers are to be the major information diffusion agents. The extension officers must really appreciate the farmers efforts and give them the necessary help. The information diffusion can take place through the following channels:

(a) Personal communication through extension officers.

This is the most effective way of disseminating information. The programmes on personal communication between the extension officers and the farmers would include lectures and symposia, visits to farmers on their farms, demonstrations, agricultural shows and distribution of posters. However, given the present inadequate staff and their problems, there is the need to increase the number and provide them with motor cycles to enable them do more extensive work with farmers.

(b) Opinion leadership ("Master farmer strategy").

This refers to the training of master farmers, that is farmers who have distinguished themselves to carry out extension work to farmers. They would pass on information from the extension officers to the other farmers with whom they have personal communication and add to its credibility in view of those who next receive it. This provision is in line with the "trickle down theory"<sup>1</sup> or the two-step flow of (information) communication which postulates that information concerning innovation flows down from its sources to opinion leaders in the locality and then passes from them to others with whom they associate. This village farmer-leadership is very important in information or innovation diffusion. In the Gombe Emirate in the North Eastern State of Nigeria, the village farmer-leadership is effectively utilised by the agricultural extension officers<sup>2</sup>. The leaders are the main channel of information flow and enforcement of government advice through the extension officers and thus constitute a key factor in rural development. The master farmer strategy can best be

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<sup>1</sup> Boapeah, S.N., "Publicity Campaign to Popularize the Hybrid Oil Palm in the Akrokerri Area", June, 1981. Unpublished paper, p.17. The idea was originally quoted from Greenhill Journal of Administration Volume 3, No.182 combined, April-September, 1976, p.47.

<sup>2</sup> Boapeah, S.N., "Publicity Campaign to Popularize the Hybrid Oil Palm in the Akrokerri Area", p.17. The idea was quoted from Urban and Rural Development in Nigeria by H.I. Ajaegbu, Heinemann Educational Books, Limited, London, 1976, p.88.

utilised in the Techiman District through the Best Ghanaian Farmer in 1987 who stays and farms at Offuman.

He can be an innovation diffusion agent as he trains the youth in new farming techniques. His efforts can be supplemented by the trainees from the Subinso Agricultural Project.

(c) Youth Institutions and "Barefoot"<sup>1</sup> Extension Agents.

This is the utilisation of the youth institutions such as The Techiman Social Club, The Students' Union; political organisations such as the Mobilization Squads, Committee for the Defence of the Revolution (CDR), Civil Defence Organization (CDO) and the 31st December Women Movement as extension agents. These could be reorganised into groups and each group assigned to a category of farmers, also organized into groups. The extension work of these agents can augment the services of the extension officers.

(ii) The formation of co-operative associations:

An effective mechanism through which small-scale farmers' interest could be promoted on an extensive scale is the co-operative movement. In development effort the important role that co-operatives play include: the development of the spirit of independence, self-help and neighbourly assistance, and the establishment of multi-purpose organisation for the provision of credit and other input supply.

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<sup>1</sup> Barefoot Extension Agents - Informal agricultural extension agents: youth, students, political organisations in the study area.

(11) The formation of farmers co-operative associations such as the **Small-Scale Farmers' Credit Union** as is currently operating at Techiman is necessary for the following reasons:

- (a) To facilitate information diffusion;
- (b) To facilitate the distribution of farming inputs such as seedlings, insecticides and fertilizer;
- (c) To qualify for credit, since financial institutions prefer dealing with large organizations than with individuals especially in the case of small-scale farmers, and
- (d) To put large tracts of land under cultivation.

The operational arrangement of the co-operative associations should be a two-tier system. At the top would be the current **Small-Scale Farmers Credit Union** which will be for the whole study area. The functions of this body is basically to liaise between the Techiman District Council, the Extension Services Division and the Banks for the supply of inputs including seedlings, cutlasses, fertilizer, credit for the distribution to the co-operative unions in the other settlements. The current structure which limits membership to only 8-kilometer radius from Techiman should, therefore, be extended to absorb heads of the other co-operative unions.

With the assistance of the Mobisquads and the District Council, co-operative unions can be formed at Tuobodom, Tanoso and Offuman within the short run. As the benefits of the unions become manifest, other settlements could be encouraged to form co-operatives. In addition, a new co-operative movement such as the **Small-Scale Farmers Marketing Union** could later be established.

(iii) Farmer education.

There is the need for the mass media, extension officers and community leaders to educate farmers to discard the idea that loans from government credit institutions are gifts or charitable hand-outs from the government. The farmers should also be educated to use loans for the purpose(s) for which they were acquired so that they can repay them when due. Educational demonstration centres could be established at Tanoso, Tuobodom and Offuman for this purpose. Project Managers of the Banks, Extension Officers, Community leaders, Mobilisation Squads and the Committee for the Defence of the Revolution (CDR) can all team up for the education of the farmers on banking practices.

(iv) The timing of bank loans.

This is very important and should be made available well before the preparation periods to enable the farmer to have a clear idea of how to budget to cover various stages of clearing, planting, husbanding, harvesting and marketing of his produce. The early application and processing of loans supported by a mobile banking service can speed up the delivery of loans at the correct time. There is the need for the banks also to realise that agricultural credit should not only be regarded as a banking operation but also as a tool to ensure socio-economic prosperity of farmers.

It should be recognised that the current peasant farm enterprises are still social and economic organisation and should therefore depart from some of the conventional banking practices which are more suited to

actual business organisation. An example of this includes, the banks demanding that a farmer should demonstrate an already cleared plot before loans can be given for the continuation of his farm. Farmers complained that in the absence of the loans they can-not have the land cleared to qualify for them. The banks can use the previous farm of, a farmer as a proxy indicator in assessing him/her for a loan to enable him/her start his/her new farm.

However, to avert diversion of loans and to reduce "kick-backs" there should be less dependence of farmers on banks for cash but rather loans should be granted in kind.

(v) Opening of more Rural Banks and their Agencies.

The rural banking system introduced by the government since July, 1976 is serving a very useful purpose and every effort must be made to let its credit reach as many farmers as possible. It is noteworthy that once the small peasant farmer becomes "captured" policywise, technologically, socially and institutionally, Ghanaian agriculture will spring to a new horizon of efficiency and increased production and productivity. The rural banks are a means of not only "capturing" the small-scale farmer but also encouraging more savings and carrying out highly decentralized credit operations. Along this line the opening of more rural banks at Aworowa and Offuman and an agency each at Krobo and Adutwie should be given the necessary boost, for as noted by the FAO, the Banques Villageoises de Céréals, a promising variant of Rural Banks have yielded satisfactory results in African countries where it has been tested.<sup>1</sup>

<sup>1</sup> FAO, Reports on African Agriculture The Next 25 Years. Annex V, Inputs Supply and Incentive Policies, (Rome, 1986), p.78.

(vi) Integration of the informal and formal sources of finance.

The informal sources of finance for small-scale farmers especially the money-lenders would continue to predominate in their finances. There is therefore the need of integrating the activities of the formal and informal sources. This could be done by encompassing the money-lenders and "susu" collectors, best typified in the district by Bamask Farms limited and Bask Farms, to deposit accounts collected from customers with the banks. The collector can then be a link between the banks and his clients so that credit facilities would be arranged for them.

It can be realized that this suggestion is in line with the integration of the Forex Bureaux and formal financial institutions. In the same way that the Forex Bureau idea has been very successful with the government getting revenue from the Bureaux in the form of taxes, the money-lenders and the "susu" brokers can be registered and integrated into the banking institutions in the district. Apart from the fact that the government can earn revenue by taxing them, the small-scale farmer can get credit facilities at a lower interest rate charged by the banks instead of the 50-100 per cent charged by money-lenders.

(vii) Marketing and Distribution:

Access to markets should be improved by improving the conditions of roads in the district to reduce transport fares. This can be done by the Department of Feeder Roads offering technical advice with the District Council and the Community offering labour and monetary contribution.

The state should be a regulator of market activities for whether or not the government intervenes directly in agricultural marketing it must carry out certain vital functions regarding marketing policy; for example, to strengthen the market for local foodstuffs and control imports. In this direction, therefore, the Ghana Food Distribution Corporation at Techiman should be given the necessary assistance in the form of funds by the government for them to purchase the produce of small-scale farmers.

### 5.3 CONCLUSION

In 1987, it was estimated that around \$459 million against a projected export earnings of \$770 million (about 60 per cent) was to be used in debt service commitments<sup>1</sup>. In the same year, the government had to depend on food aid and commercial imports to meet 15 per cent of the nation's food requirements. This was against the background of immense agricultural potentials.

The main factors responsible for the poor performance in the agricultural sector include the massive shift of resources from agriculture through taxation and negative policies, anti-small farmer bias in resource allocation, and agriculture as a whole playing a second fiddle to major government policy formulation. / pricing

It has been realized that the country's agriculture can spring to a new horizon of efficiency and increased production and productivity, if the production problems of the small-scale farmers are tackled. This is because the small-scale farmers constitute the bulk of the farming population and together produce about 80 per cent of the country's agricultural production.

The factor of finance has been identified as the core problem of the small-scale farmers which leads to the overall low agricultural

<sup>1</sup>The Economist Intelligent Unit; Country Profile (Ghana), 1987-88, (London), p.13.

performance in the country and which in turn leads to the insufficiency in food production. It has been, therefore, realised from the study that adequate financing of small-scale farmers has not only the capacity of increasing their yield and, therefore, putting a halt to the annual massive food importation, but can also speed up the process of rural development.

The main focus of the study has been the analysis of the factors that hinder the small-scale farmers' accessibility to financial resources especially institutional finance. These, have been found to, include their inability to provide the needed collaterals, poor repayment rate, diversion of loans to other areas, the dispersed nature of farmers, dishonesty and refusal to pay back loans.

Recommendations have been offered that would improve their accessibility to institutional finance and these include the increase in extension services, formation of co-operatives, opening of more rural banks and their agencies, farmer education, correct timing of bank loans and improvement in the marketing and distribution networks.

It is hoped that these recommendations would help ameliorate the financial constraints to the growth and development of the small-scale farmers in the Techiman District and other areas in Ghana.

It can finally be concluded that efforts at promoting small-farmer growth should aim at establishing links with other sectors because

"the total effects of individual measures will be greater than the sum of the individual effects of isolated measures"<sup>1</sup>

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<sup>1</sup> German Agency for Technical Co-operation, Regional Rural Development (Eschborn, 1984) p.43.

## APPENDIX 1

### POPULATION PROJECTION OF SAMPLED SETTLEMENTS

The Compound Rate formular of population projection has been adopted in the study :

$$P_t = P_o (1 + r)^n \quad \text{where}$$

$P_t$  = Population size at the end period of the projected period

$P_o$  = Population size at the beginning of the projection period

$r$  = Annual population growth rate

$n$  = Time in years.

A growth rate of 3.3 per cent was used to project 1984 population of the sampled settlements. This was the rate adopted for rural settlement<sup>1</sup> in the study area.

The sampled settlements, their population in 1984 and projected population to 1989 are given below.

<u>SETTLEMENT</u>	<u>POP. AT 1984<sup>2</sup></u>	<u>PROJECTED POP. AT 1989</u>
Tanoso	4623	5438
Aworowa	3629	4269
Offuman	3481	4095
Forikrom	1960	2305
Nsuta	1072	1261

The average number of households based on the assumption that a household consists of 7 members are shown on page 68.

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<sup>1</sup>Rural Settlements are settlements with a population below 5,000 inhabitants as at 1984.

<sup>2</sup>1984 Population Census Report.

<u>SETTLEMENT</u>	<u>PROJECTED POP. AT 1989</u>	<u>NO. OF HOUSEHOLD</u>
Tanoso	5438	777
Aworowa	4269	610
Offuman	4095	585
Forikrom	2305	329
Nsuta	1261	180
<b>TOTAL</b>	<b>17368</b>	<b>2481</b>

Again based on a proportionate selection of five per cent sample size, the distribution of the sample size over the settlements is shown below.

<u>SETTLEMENT</u>	<u>NO. OF HOUSEHOLD</u>	<u>HOUSEHOLD INTERVIEWED</u>
Tanoso	777	39
Aworowa	610	31
Offuman	585	29
Forikrom	329	16
Nsuta	180	10
<b>TOTAL</b>	<b>2481</b>	<b>125</b>

APPENDIX 2A

DEPARTMENT OF PLANNING

UNIVERSITY OF SCIENCE AND TECHNOLOGY

SPRING-PROGRAMME, YEAR II, 1988/89

INTERVIEW GUIDE FOR SMALL-SCALE FARMERS

Name of Interviewer .....

Date of Interview .....

Location (Town/Village) .....

Interview Number .....

1.0 BACKGROUND

1.1 Name of respondent .....

1.2 Age..... Sex.....

1.3 Educational attainment:

Illiterate.....	NE
Primary School.....	PE
Middle School .....	ME
Secondary/Commercial .....	SCE
Vocational/Technical .....	VTE
Post Secondary .....	PSE
University .....	UE

1.4 Number of children/dependant as farm hands and their ages

---

Children/Dependants

Ages

- (a) sharing crops
- (b) sharing proceeds from harvest
- (c) others

2.6 If share cropper what are the ratios (landlord/tenant) ?

	CROPS	RATIO
1		
2		
3		
4		
5		

2.7 What are the problems with this arrangements?

- 1
- 2
- 3

2.8 Do you see any advantage(s) with this arrangement?

Yes/No. If yes, give the advantages.

- 1
- 2
- 3

3.0 LABOUR

3.1 Do you employ additional labour on your farming operations?

Yes/No.

3.2 At which specific activity(ies) do you employ additional labour?

<u>Source of Labour</u>	<u>Activity</u>	<u>Month of the Year</u>
Family	Land clearing	
Hired	Land preparation	
Own	Farm husbanding	
	Harvesting	
	Others	

3.3 How much does it cost per labour per day? .....

3.4 Do you incur other indirect cost of labour? e.g. food, cigarettes.

#### 4.0 IMPLEMENTS/TOOLS

4.1 Which implements/tools do you use in your farming operations?

Tools	Year of Acquisition	Cost	Operation used for
-------	---------------------	------	--------------------

4.2 Do you hire any additional tools/implements for your farming operations? If yes, specify which tool/implement

4.3 How long do you replace your tools in a year?

4.4 Would you prefer to replace these more frequently?

4.5 Does the slow tool replacement rate affect your operations? If yes how?

4.6 Do you make use of any technological services such as tractors or animal traction?

4.7 How much do these services cost?

4.8 Do you know of any improved farm of crops and farm practices (such as fertilizers, insecticides, irrigation?)

4.9 Would you like to adopt an improved farm of these technologies on your farm? No/Yes

4.10 If yes, above specify type of

(a) season, and

(b) crop.

#### 5.0 INCOME/EXPENDITURE PATTERN

5.1 Where do you sell your farm produce?

5.2 Do you have any improved form of storage?

5.3 To which of the following income group do you belong (₦000s)

(a) Up to 200

(c) 401 - 600

(e) Above 800

(b) 201 - 400

(d) 601 - 800

5.4 What are the main items of your expenditure e.g. food, health, education, etc.?

6.0 CREDIT

6.1 Do you borrow money for your farm operations or do you think you need money during the farming season?

6.2 If yes, at which stage of the farming operations do you need the money most?

6.3 If no, why not?

6.4 Do you have any account with any bank? No/Yes

6.5 What are the main financiers of your farming operation?

Source	Amount	Time	Interest Rate
Money-lenders			
A.D.B.			
G.C.B.			
Co-op Bank			
Rural Banks			
Friends & Relatives			
Personal Savings			
Others e.g. cash, Advance from traders			

6.6 Do you offer any form of security for the loan? If yes, state it?

1

2

3

6.7 How do you pay the loan (e.g. in kind or cash) Specify?

6.8 After paying do you have enough left for the rest of the year?

6.9 Do you encounter problems concerning repayment?

Yes/No, If yes state problems:

1

2

3

6.10 Do you receive any form of assistance e.g. extension, inputs, supply or any other technical advice from your lenders? No/Yes.

If yes, what form does it take?

6.11 What would you recommend or suggest towards the improvement of credit facilities to small-scale farmers?

1

2

3

4

5

6

APPENDIX 2B

DEPARTMENT OF PLANNING

UNIVERSITY OF SCIENCE AND TECHNOLOGY

SPRING PROGRAMME YEAR II, 1988/89

INTERVIEW GUIDE FOR BANKING INSTITUTIONS

Name of Interviewer :

Date of Interview :

Location :

Interview Number :

1.0 INTRODUCTION

1.1 Name of Bank?

1.2 When was it established in the town/village?

1.3 Who owns the bank (ownership pattern)?

2.0 BANKING ACTIVITIES

2.1 What are the objectives of this bank with respect to small-scale farmers?

1

2

3

4

2.2 Is there any government policy that affects your granting of loans to small-scale farmers?

If yes, how does it affect your operations?

2.3 Which category of farmers do you grant loans?

(a) Foodcrop farmers

(b) Livestock

2.4 What is your interest rate?

2.5 What factors do you consider in assessing the credit worthiness of a prospective borrower?

- 2.6 What problems have you been encountering in granting loans to small-scale farmers?
- 1.
  - 2.
  - 3.
- 2.7 Is there any problem about repayment of loans?
- 1.
  - 2.
  - 3.
- 2.8 If a borrower fails to pay back the loans collected, what measures are there to be taken for recovery?
- 1.
  - 2.
  - 3.
- 2.9 What do you consider to be hindering farmers in their ability to repay loans?
- 1.
  - 2.
  - 3.
- 2.10 Do you think farmers make good use of the loans? Give reasons.
- 2.11 Can you say you are in a position to finance all agricultural loans required in the area?
- 2.12 Can you complete the following table:

Loans Granted to Farmers

Year	No. of farmers requesting loans	No. granted loans	Amount of loan approved	Amount paid back	Loan Outstanding

APPENDIX 3

PERCENTAGE DISTRIBUTION OF COMMERCIAL BANK LOANS AND ADVANCES BY END USE

1977 - 1984

END OF PERIOD	AGRICULTURE FORESTRY FISHING	MINING AND QUARRYING	MANUFAC- TURING	CONSTRUC- TION	ELECTRICITY GAS AND WATER	COMMERCE AND FINANCE	TRANS- PORT AND COMMERCE	SERVICES	MISCE- LLA- NEOUS	TOTAL
1977	8.3	6.4	22.7	13.1	0.3	30.0	10.0	5.8	3.4	100
1978	8.5	6.8	22.3	15.1	1.6	28.2	9.4	5.8	2.3	100
1979	8.7	4.7	26.3	15.9	0.3	23.7	12.4	5.8	2.4	100
1980	9.6	3.3	20.5	11.1	7.6	32.7	9.7	3.6	1.9	100
1981	16.2	6.2	16.3	12.1	1.0	32.1	9.4	4.7	2.0	100
1982	21.6	9.4	16.1	13.5	1.8	24.3	8.5	3.6	1.2	100
1983	30.5	6.6	16.2	11.4	1.3	22.4	5.9	4.6	1.1	100
1984	31.9	3.6	20.8	10.0	0.3	21.3	5.3	5.4	1.4	100

Source : Ghana Commercial Bank, Quarterly Economic Review Volume 9, No.1,

January - March, 1986. p.11.

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