

UNIVERSITY OF CAPE COAST

**IMPACT OF AGRICULTURAL DEVELOPMENT BANK CREDIT
FACILITY ON SMALL SCALE AGRO-PROCESSORS AND
OUTGROWER FARMERS: A CASE STUDY IN THE TWIFO HEMANG
LOWER DENKYIRA AND ABURA ASEBU KWAMANKESE
DISTRICTS IN THE CENTRAL REGION OF GHANA**

MANTEY JOSEPH KWASI

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BY

MANTEY JOSEPH KWASI

**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF
AGRICULTURAL ECONOMICS AND EXTENSION OF THE SCHOOL
OF AGRICULTURE UNIVERSITY OF CAPE COAST IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTER OF SCIENCE DEGREE IN NON GOVERNMENTAL
ORGANIZATION STUDIES AND MANAGEMENT.**

MARCH 2011

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's Signature: Date

Candidate's Name: MANTEY JOSEPH KWASI

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature: Date

Supervisor's Name: DR. ERNEST LARYEA OKORLEY

ABSTRACT

The role of micro- finance in the livelihood improvement cannot be over emphasized. Agricultural Development Bank (ADB) credit to agro-processing farmers in the Central Region has increased and aims at increasing economic opportunities for commercial agro-processing farmers. As an agricultural country different types of crops and fruits are produced here. There is enough scope for export of these items through processing mechanism and value addition.

Currently, there is no empirical information on the impact of this credit facility in the study areas. It is in this light that the research sought to find out the impact of Agricultural Development Bank (ADB) credit on agro-processing farmers.

The study was conducted in Twifo Heman Lower Denkyira and Abura Asebu Kwamankese Districts in the Central Region. A descriptive research design was used for the study. Structured interview schedule was the major instrument use in the data collection.

The results revealed that the Agricultural Development Bank (ADB) micro-credit facility has had a very high impact on the beneficiaries. Even though, the loan facility was insufficient, untimely and without any ADB pre-administrative support, it has improved beneficiaries access to land, information, credit, and income to support their family education and standard of living. The research therefore recommends that ADB should increase its credit portfolio to cover more in the study areas.

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DEDICATION

This dissertation is humbly dedicated to my brother Architect Yaw Lartey for supporting me during my education.

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CHAPTER ONE

INTRODUCTION

Background to the Study

Agriculture is the backbone, the largest and most important sector in the Ghanaian economy. The agriculture sector contributes to over 45% of the Gross Domestic Product (GDP) (SRID, 2001). The sector employs farmers in the food crops sub sector, the cocoa crop sub sector, the livestock sub sector and fisheries sub sector. The agricultural sector is dominated by the crop sector which contributes only 9% to the agricultural GDP (Food and Agriculture Sector Development Policy (FASDEP), 2002).

The sector contributes immensely to foreign exchange in Ghana. For example, its contribution to foreign exchange earnings in 2002 was \$732 million (FASDEP, 2002). In terms of jobs, it employs the highest proportion of the economically active population mainly farmers, fishermen, farm labourers and other related workers in agricultural related activities such as marketing, transportation, distribution, processing and storage (FASDEP, 2002).

In Ghana, 15% of the total population experience extreme poverty and have a household income that is insufficient for meeting their basic health, nutrition and educational needs (NARP, 1999). These people are less organized than other powerful stakeholders, they are less educated and live in remote and impoverished areas where the economy is characterized with

numerous small scale income-generating activities such as food processing, petty trading, farming, and other agricultural related activities. These people need assistance to improve their livelihood thus, access to capabilities asset and basic necessities of life such as food, shelter, security, freedom, basic literacy, healthcare and credit are required for means of living (Carnary, 1998).

Yanus (1998) stated that “Credit is the only single action that can help the poor to overcome poverty” (p.54). However, the credit often available to the rural poor is small and therefore called micro credit. Micro credit by definition is a programme that extends small loans to very poor people for self employment projects that generate income, allowing them to care for themselves and their families (Count Down, 1997).

Micro-finance is generally an umbrella term that refers to the provision of a broad range of services such as deposits, loans, payment services, money transfers and insurance to the poor and low-income households and their micro-enterprises (Khawari, 2004). In a much narrower sense though, micro-finance is often referred to as micro-credit for tiny informal businesses of micro-entrepreneurs. An outstanding feature of micro-finance programmes is that the end users of the services are by definition the poor, the ones who benefit. During the last ten years, these programmes have been introduced in many developing economies. We can talk of examples like the Grameen Bank in Bangladesh, Banco Sol in Bolivia and Bank Rakyat in Indonesia. The Grameen Bank System of Group Lending (established in 1976 by Mohammad Yunus, a Bengal Banker and Economist, in particular, has been widely replicated in other developing countries. Between December

1997 and December 2005 the number of microfinance institutions increased from 618 to 3,133. The number of people who received credit from these institutions rose from 13.5million to 113.3 million (84% of them being women) during the same period (Daley- Harris, 2006).

Generally, sources of micro credit to the poor small scale farmers may come from formal and informal financial institutions (friends and relatives). This is because most formal financial institution, found it unwise to lend money to the poor due to such perception as their lack of track record, lack of collateral security, and credit worthiness. (Susie Emmett, May 2000 see [http:// From www.cgiar.org/ifpri/pubs/catalog.htm#brefs](http://www.cgiar.org/ifpri/pubs/catalog.htm#brefs)).

Poverty has many manifestation, this include the lack of income and productive resource sufficient to ensure sustainable livelihood; hunger and malnutrition, ill health, limited to access to education and other basic services; increased mobility and mortality from illness; homelessness and inadequate housing; unsafe environment and social discrimination and exclusion (Nicola Bradbear).

Further it is also characterized by a lack of participation in decision making and annual society and cultural life. Absolute poverty is a condition of severe deprivation of basic human need, including food, safe drinking water, sanitation facilities, health, shelter, education and information (Copenhagen Social Development Summit 1995).

To address the problem of finance, the Agricultural Development Bank (ADB) was established by the government of Ghana with the prime aim to extend institutional credit to small and medium scale farmers. Also various Non-Governmental Organizations and other financial institutions have taken

up some responsibilities in the sector so that they could help government build a strong and vibrant agricultural sector micro finance. Although Ghana's economy is known to be dominated by the agricultural sector, majority of the people engaged in farming are illiterate and rural dwellers. (ADB monthly Journal, 2003).

Most of them are small-scale farmers and operate at the subsistence level with low output and little or virtually no marketable surplus for sale. Unavailability of credit facilities for them to expand their farms and also to carry out some cultural practices has been identified as one of the major causes of this situation (Aryeetey, 1995). The standard of living of these farmers is very low and makes it difficult for them to cope with the harsh economic condition in the country. The World Bank Report (2002) on Ghana's economy attest that poverty is higher in rural areas (51.1% of the population) than in urban areas (22.8% of the population). Furthermore, poverty is highest among self employed household cultivating agricultural crops compared to the self employed household engaged in export crop and the wage employees in the private and public sector.

In view of the above scenario, the significance of agricultural microfinance cannot be over emphasized. This is because the production process of these farmers requires good financing to enhance output level with regards to acquisition of farm inputs such as fertilizers, equipments, improved seed varieties, chemical, improved storing facilities and hire labour (Aryeetey, 1995).

One major way of financing agriculture is to make micro- credit accessible to farmers especially in the formal financial sector. The need for

credit to aid growth and development in the agricultural sub-sector for ripple effect in the general economy called for policy change in the existing banks to lend flexible loans to farmers to sustain self employment and to start up a very small business.

Statement of the Problem

The abundant supplies of palm fruits and citrus in the Twifo Hemang Lower Denkyira and Abura Asebu Kwamankese Districts had encouraged the setting up of agro-processing industries in the Districts which as a results, caused an increase in the number of applicants who are seeking credit facilities from the bank for agro processing. Between 1980 and 2010, Agricultural Development Bank credit to agro-processing farmers in the Central Region has increased and aims at increasing economic opportunities for commercial agro-processing farmers and industrialists.

However, it is expected that agro-processors who are beneficiaries of ADB micro-credit scheme would be capable of building their own capital, managing their organization well, market their produce through proper advertisement, obtaining reliable marketing information, promoting and managing their finances properly so as to enhance their credit worthiness and loan repayments capabilities.

Currently there is no empirical information on the impact of this credit facility on the beneficiaries in the study areas. It is in this light that the research sought to find out the impact of microcredit on the beneficiaries of ADB credit schemes in the study areas.

Objectives of the Study

The general objective of the study was to assess the impact of the Agricultural Development Bank (ADB) credit on agro-processing farmers in the Central Region of Ghana. Specifically, the study specifically sought to;

1. determine the socio-demographic characteristics of agro-processing individuals and other beneficiaries of the ADB credit facility in the study areas.
2. assess the credit administration of ADB to agro-processing individuals in the study area in terms of; awareness creation, qualification criteria, kind and value of credit, pre and post credit administration support, credit repayment rate and constraints.
3. determine the impact of credit facilities by ADB on beneficiary agro-processing businesses in terms of; level of income before and after facility, state of machinery, Social livelihood, communities involvement, expansion of industries equipment and output, control and management of credit, export opening and marketing and Adoption of appropriate technologies

Research Questions

The following research questions guided the conduct of the study

1. What are the demographic characteristics of the beneficiary of ADB credit scheme in the study areas?
2. What is the nature of ADB credit administration in terms of: awareness creation, qualification criteria, kind and value of credit, pre and post credit administration support, credit repayment rate and Constraints?.

3. What is the impact of ADB credit facilities in terms of: level of income before and after facility, state of machinery, social livelihood, communities involvement, expansion of industries equipment and output, control and management of credit, export opening and marketing and adoption of appropriate technologies?.

Justification of the Study

Findings of the study have brought to light the strength and weakness of ADB credit facilities on commercial agro-processing farmers in the Twifo Hemang Lower Denkyira and Abura Asebu Kwamankese Districts.

Policy makers and other stakeholders especially development banks can use the information for decision-making in planning and developing programmes in the area of credit administration and effective loan recovery tactics while minimizing weaknesses in the study area in order to maximize the expected benefits from microcredit.

Furthermore, the study has contributed to the study of knowledge for academic and research purpose by providing a methodology which could be followed to conduct similar studies elsewhere in the country and provide a foundation for more comprehensive study into the problems to improve the availability and access to micro finance to the farmers.

Delimitation

The scope of the study was restricted to farmers who had benefited from microcredit facility given by Agricultural Development Bank, Cape Coast Branch.

Limitation

The information provided by the farmers during the data collection process might have been inadequate due to their lack of banking knowledge.

Organization of the Study

The work is organized into five chapters. Chapter one is an introductory chapter which deals with the background of the study, the statement of the problem, objective of the study, justification of the study, limitation and organization of the work. The Chapter Two reviews all the relevant theoretical and empirical literature related to the study followed by Chapter Three which describes the study design and methods used to gather and analyze the data from the research. Chapter Four puts emphasis on the results and discussion of the study whiles Chapter Five gives the summary, conclusions and recommendations made from the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter discusses both empirical and theoretical literature issues of credit given to food crop farmers in Ghana. Issues discussed include definition of credit, background of agricultural credit in Ghana, meaning of micro credit, main features of micro credit, benefits of micro credit, . in addition, problems of microcredit, micro credit and its role in food security, quality credit delivery and management, quality risk management, sources of farm credit, conditions for obtaining credit, theoretical and empirical review have been discussed in this chapter.

Definition of Credit

According to Mellor (1966), credit is a device for facilitating the temporary transfer of purchasing power from one individual or organization to another. Thus, it is a device either in the form of cash or in kind which facilitates the production of agricultural products. Credit provides the basis for increased production efficiency through specialization of function. We can distinguish between consumer credits and agricultural credits. Consumer credit normally refers to loans used to purchase instruments for production. For example, money borrowed for the purchase of farm inputs to increase production.

Mellor (1966) emphasized that, efficient agencies extending agricultural credit to farmers can be important accelerator of agricultural development. To produce more, farmers must spend more on improved seeds, pesticides, fertilizers and implements. Such expenditure must be financed either out of saving or by borrowing for the equipment that must be purchased.

Kwarteng and Tower (1994) defined agricultural credit as capital provided for agricultural purpose for which repayment together with stated interest is expected at a later date. Ellis (1992), emphasized that the provision of credit involves two parties, a lender and a borrower. This refers to the price charged by the lender for the transfer of control over the money or asset to the borrower.

From the above definition, credit can be said to be capital provided to increase the efficiency of agriculture for which repayment together with stated interest is expected at a later date.

Background of Agricultural Credit in Ghana

Microfinance activities in Ghana as in other developing countries can be grouped into three areas namely; financial services (loans, deposits, leasing), non-financial services (literacy classes, nutrition, health, and business development or advisory services (International Year of Microcredit [IYMC], 2005). Microfinance services in the financial sector have spread all over the nation (Ghana) to serve the needs of the poor and the community as a whole.

Before the advent of formal credit institutions like the banks and other agencies, money lending in Ghana was a lucrative business for private money

lenders. Farmers obtained credit for agricultural purpose at rates of interest ranging between 30-100% (Acheampong, 1986).

According to Belshaw (1959), friends, relatives, land owners, susu operators, merchants and money lenders were the main sources of credit. With the passage of time, the sum of the non –institutional monies advanced to farmers grew and the risk element heightened such that money lenders demanded some forms of security.

In a developing country context, credit is an important instrument for improving the welfare of the poor directly (consumption smoothing that reduces their vulnerability to short-term income shocks) as well as for enhancing their productive capacity through financing investment in human and physical capital (Khandker, 1995). The demand for credit for productive investments usually comes from those poor who are less risk-averse and enables them to overcome liquidity constraints, making it possible to undertake investments that can boost production, employment and income.

Formal lenders normally provide this type of credit. Informal lenders usually provide credit for consumption purposes, which can have a long-term positive impact on household productivity, allowing acquisition of skills or improvement in health status if such loans are used for education or health care. These may enhance or at least preserve the productivity of the labour force. The credit market is also, at least potentially, an important instrument for consumption smoothing. An investigation of household credit thus has implications that link together micro-level analysis with factors that determine long-term macro-economic performance (Khandker, 1995).

Commercial Banks form a greater percentage of formal lenders in Ghana and access to them are restricted to a small proportion of the population who can meet their stringent requirements, which include high minimum balances for account opening, onerous collateral requirements for loans, and long and costly bureaucratic processes. Banks are, furthermore, mainly urban based, thereby adding up to the burden of transport costs if the predominantly rural population wishes to use bank facilities. (Khandker, 1995).

Due to the lack of access to formal credit, the poor rely almost exclusively on the informal financial sector. Informal lenders innovatively seek to solve the problems of high risk, high cost and low returns that banks face when serving the poor. In practice households apply for credit, but lenders determine how much credit is allocated to them, based on their perception of the household's credit-worthiness. This often results in credit rationing that reflects the lender's perception of the household risk profile (Khandker, 1995).

The failure of formal banks to serve the poor is due to a combination of high risks, high costs and consequently low returns associated with such business. In the credit market, the exchange between borrowers and lenders does not occur simultaneously. The delay involved in discharging the debt obligation exposes the credit transaction to a considerable risk. To lower these risks, banks perform three tasks: they screen potential borrowers to establish the risk of default; they create incentives for borrowers to fulfill their promises; and they develop various enforcement actions to make sure that those who are able to repay, do so. When transacting with the poor these

actions are difficult and costly to undertake. The scarcity of information results in information asymmetries between the poor and the banks. To address this problem, banks usually attach collateral requirements to loans (Khandker, 1995).

Collaterals do not only assist in determining creditworthiness, but also solve the incentive and enforcement problems. Unfortunately; conventional collateral requirements usually exclude the poor who hardly ever have sufficient forms of conventional title, resulting in banks failing to meet the poor's demand for credit. Informal lenders have often, however, innovatively succeeded in limiting loan default. For instance, by lending to groups of borrowers, the joint liability and social collateral that are created ensure the strict screening of members, the incentive to honour commitments and members of the group monitoring each other's actions (Khandker, 1995).

Meaning of Micro Credit

Micro credit means provision of small working capital loans to the self employed. It is believed that even small amounts of capital can make the difference between absolute poverty and a thriving little business generating enough income to feed the family, send kids to school and build decent housing (Hossain, 1988).

The defining of micro credit may differ from country to country, group to group and individuals to individuals. Some of the criteria that have been used to define micro credit across the globe include:

1. Size –loans are micro, or very small in size (usually less than \$300)
2. Target users- micro entrepreneurs and low-income household:

3. Utilization –the use of funds for income generation and enterprise development, but also for community use (health or education)
4. Terms and condition-most terms and conditions for microcredit loans are flexible and easy to understand, and suited to local conditions of the community (Srinivas, 2005).

According to Micro Credit Summit (2009), microcredit programmers' extend small loans to people for self employment project that generate income, allowing them to care for themselves and their families.

Furthermore, Srinvas (2005) reported that micro credit is the extension of small loan to entrepreneurs too poor to qualify for traditional bank loans. It has proven an effective and popular measure in alleviating against poverty and enabling those without access to lending institution to borrow at bank rates and start small business (Srinivas, 2005).

Main Features of Microcredit

Microcredit schemes have unique characteristics that make them differ in their operations as compared to other credit systems. Some of the major features of most microcredit's programmes are discussed below.

Loans are disbursed in group to poor borrowers, with some amount of non credit assistance also being made available. The non credit assistance typically ranges from skill training through marketing assistance to lessons in social empowerment (Khandker , 1998).

Most microcredit programmes are usually set up in the following way. As reported by Coleman (2001), credit services are targeted to landless or asset less borrowers, the moderately to extremely poor. Borrowers are placed into group of 10-20 people which meet regularly with the loan officer of the

microcredit programmes. This group of borrowers guarantee for themselves to substitute for collateral and take over the role of securing the loan disbursed (Coleman, 2001). Each borrower in a group agrees to hold liable for all debts incurred by any member of the group. In the event that a borrower defaults the other members of the group are required to make up the amount in default. Borrowers are encouraged or even required to monitor the behavior of one another to make sure that no one put up a threat of default. This process has led to extremely low rate of default especially for first time borrowers who had repayment rates above 95%.

The key implications of micro credit are in its name itself “micro” is considered. The small size of the loans made, small size of savings made, the smaller frequency of loans, shorter repayment periods and amounts, the micro\ local level of activities, and the community-based immediacy of micro credit.

Benefits of Microcredit

The poorest micro entrepreneurs in the developing world can invest money to make them far more productive. Significant number of micro entrepreneurs worldwide have benefited from microcredit, using their loans to increase their income and lift their families out of poverty. But there remain about 2000 million families who work hard, but cannot access affordable credit.

Microfinance institutions (MFI'S) have made significant progress in providing credit and saving facilities to the poor. Experience of these institutions show that provision of micro financial services enable the poor to

build strong microenterprises, to increase their income and to participate in economic growth (North, 2005).

Microfinance helps poor households to meet their basic needs and protect them against risks. The use of financial services by low – income household leads to improvements in household economic welfare, and enterprise stability and growth, by supporting women, thereby promoting gender equality and improving household well – being (Hashemi, Schuler, & Riley, 1996). However, the level of impact relates to the length of time clients have had access to financial services.

Microcredit helps in reducing poverty by providing the poor with a credit facility to start a small business. It does not only support the economic condition of the people but has a positive impact on the social life through better standard of living, greater access to education and health facilities and empowerment to participate in decisions of the society. (Hashemi, Schuler, & Riley, 1996).

Problems of Microcredit

Notwithstanding the aforementioned roles credit play in agriculture according to the Food and Agriculture Sector Development policies, the Ministry of Food and Agriculture FASDEP and MoFA (2002) outlined some problems identified with availability and access of financial services. These include;

1. High interest rates and transaction cost
2. The perceived risk nature of agriculture
3. Unavailability of medium and long term loan in agriculture
4. Poor spatial distribution of banks

5. Lack of documented assets to be use as collateral
6. Small scale operations of farms
7. Poor record keeping by farmers

These crucial problems have also hampered the smooth credit delivery in the country and hence the slow pace of agricultural development in Ghana.

Micro Credit and its Role in Food Security Improvement

Improving food security is a widely debated and much confused issue, it should be noted that a large number of studies undertaken on the impact of micro credit programmes on household income show that participants of such programmes usually have higher and more stable incomes. Some practitioners still have some reservations about findings of those studies (WFP, 1996).

Policy makers state that one of the best ways of eradicating this hunger and food insecurity is the provision of microcredit as a tool for poverty eradication as well as food insecurity (Yunus, 2006). High levels of household food insecurity of the world's poor coincide with low levels of household food security in many African countries. (Von. Braun and Paulino, 1990).

The use of microfinance as a major strategy for poverty reduction in developing countries, which include Ghana is increasingly being perceived as effective tool for rural poverty for the development of communities. Indeed microfinance has become one of the crucial driving mechanisms towards achieving the Millennium Development Goals (MDGs) especially concerning the target of halving extreme poverty and hunger by 2015 (Fernande, 2004).

According to Oduro, (2001) rural poverty is estimated to contribute approximately 90% to national poverty and poverty is high among self employed household cultivating agriculture crops and has decreased only slightly compared to self employed household engaged in export crop agriculture. Food security issues need to be given more explicit attention as a core element of poverty reduction strategy. For this to materialize, there should be provision made for small farmers with reduced farm input such as seeds and fertilizers through the increase of access to microcredit (IFPRI, 2000).

It is based on this fact that microcredit has a positive impact on food security poverty alleviation that the International Fund for Agriculture Development (IFAD) believes that the poor are bankable. It stems from the fact that funds mandate to address rural poverty by recognizing the importance of microcredit as key empowerment tool in ensuring the improvement in incomes and sustainable household security among the world poorest families (IFAD, 1992).

Quality Credit Delivery and Management

Productivity increase came at a time when global demand for many of Ghana's primary crops and their derivative products was high. This calls for proper utilization of quality credit delivery and management which is one of the core values of Agricultural Development Bank. This has increase the income level of most of their loan customers and beneficiaries. This attribute again has of late improved the social culture life of the study area.

Furthermore, it has improved the education standard of most of the beneficiaries' children and family. For example, in the Twifo Hemang Lower

Denkyira District, beneficiaries of the Bank loans have derived several benefits which include; improvement of income levels, improvement of living standards of communities, improvement of machinery for processing and generation of employment opportunities (ADB Monthly Journal, 2001).

Credit Risk Management

The granting of credit facilities is underpinned by the risk of being repaid when due. William and Heins (1985) indicated that risk identification is the process by which a business systematically and continuously identifies property, liability and personal exposures as soon as before they emerge. It is therefore pertinent to assess the inherent risk of a credit facility, the existing operational management to mitigating the risk and determining the underlying actual risk. This assessment by the Agricultural Development Bank gives the idea of intended quality of credit delivery systems, to individual farmers, agro processors and small entrepreneurs in the study area. Credit risk has the repercussion of liquidity risk, which in the extreme instance can lead a bank to severe financial crises, resulting in erosion of capital, insolvency and could cause the collapse of a bank. Therefore it is imperative that, banks identify and manages credit delivery and credit management activities well. ADB has put in place a system for the management of credit administration for their credit risk bearing portfolios and monitoring conditions in order to obtain high recovery rate in the study area.

The experience of agro-processing in developing countries shows that its growth, at least in part, is related to neo-liberal policies that have resulted from the withdrawal of government support and reduced participation in the

agricultural sector (Raynolds, 2000; Dolan, 2001b; Echanove and Steffen, 2005). Yet a study of the industrial development of agro-processing clearing outline that agro-processing activities has been a significant force in agriculture for over a century, well before the introduction of neo-liberal policies over the last twenty five years (Burch and Rickson, 2001).

Sources of Farm Credits

There are two main sources of farm credit to the farmers these are formal financial institutions and non-formed financial institutions. The formal financial institution were established by an act of parliament which engage in all financial transactions that take place within the frame work of established financial institutions and that are covered by the banking laws or financed regulation of government (Owusu Acheampong, 1996). They include banks, marketing boards, government agencies and NGOs.

Banks: The availability of credit to farmers through the formal banks has been developed over the years from purely commercial banks, through Agricultural Development Bank (ADB) and like to the present days. Rural Banks credits consist mainly of money or cash and to a lesser extent, some inputs (Addo Quaye, 1993).

Marketing Boards: They are mandated with the purchasing of the farmers produce and selling them. In order to motivate farmers to reserve their produce for them, they tend to offer credits in the form of inputs and sometimes give advance cash to farmers prior to the growing season.

Conditions for Obtaining Credit

Extension of credit to producers or entrepreneurs is a risky business. Hence to reduce this risk to the minimum the lenders and borrowers would have to satisfy themselves of some issues if their minds are to be set at ease after the credit has been given out. Hence among other conditions necessary for obtaining credit, especially the borrower includes: collateral security, financial conditions of the borrower, knowledge or skills of the borrower, surety, personal reputation, ability to repay and personal investment. (ADB Financial Report 2003).

Collateral Security: The collateral security requirements of the borrower by most lenders have come about as a result of human behavior or enrolments or characteristics solutions to change. Hence a borrower who is known to be credit worthy and therefore is to settle his/her credit might refuse in the end to repay the credit when the time is due. Actually, collateral security involves the use of valuable assets like farm land, farms, buildings act as placed a guarantee in case of default, would be sold to repay the credit. (ADB Monthly Journal, 2001 The World Bank, Accra).

Financial Conditions of the Borrower: Most enterprises are living on borrowed by glory. Thus the little revenue generated in their operation is used to refurnish or services such debts. Such an enterprise whose liabilities are more than assets would not be much favoured if it would require new credit from lender. On the other hand, an enterprise with a lot of revenue potentials may include; maturing crop on the field, laying poultry etc. hence financial conducts of the borrower that depict whether financial status is an important

factor to be considered when extending credit to a borrower. (ADB Monthly Journal, 2001).

Knowledge or Skills of the Borrower: In this scientific and technological age, agriculture cannot successfully undertaken by naive or people with little or no scientific know-how of agriculture production. The need therefore arises for most credit operations who want to ensure that, their credits are used viably in order to generate repayment to enquire the knowledge or skills of the borrower in the field of production that he/she intends to undertake (ADB Monthly Journal, 2001).

Surety:- This involves letting a reputable or well-know personality stand in to guarantee for the borrower on condition, in case of default, the guarantor would be prepared to repay the loan himself/herself or help the lender to recover his/her credit from the borrower. (The World Bank Quarterly Report, 2003 Accra).

Personal Capabilities: - Generally, a person known to always repay his debts builds up a healthy relationship with his creditors. This person is said to have a good reputation in the face of his lender and thus stands the greater chance of obtaining credit from his lender whenever the need arises. On the other hand a person notoriously known not to pay debts on time or default repayment is not likely to have credit even for available venture. (United Nations Development Programme (UNDP) 2003, Accra).

Ability to repay: Credit operators such as the banks may want to be sure that borrowers have the ability to repay the credit contracting. This has to do with

the viability of the enterprise for which the credit is intended to be used for. The borrowers would have to show and proof to the credit operators or the lenders that, the venture would generate enough revenue during the payback period to enable them to repay. (The Food and Agricultural Organization (FAO) both in Accra and Rome).

Personal investment: - A number of credit operators and lenders insist on a certain level of personal investment in the initial stage of the enterprise on the part of the borrower before credit is given out. It would be very difficult for any investor or any person to acquire a loan for an enterprise without making any personal investment. (Woodgate, 2003).

Theoretical and Empirical Review

Proponents of microfinance argue that small loans to poor people could serve as a powerful tool for alleviating poverty (Khan & Rahaman, 2007). This is consistent with the UNCDF's (2009) claim that microcredit for farmers provides a potent tool for expanding economic opportunities and reducing the vulnerabilities of the poor. Asiama and Osei (2007) have noted that this is possible because microfinance helps the poor to meet their basic needs and therefore and improve household income. Similarly, Khan and Rahaman (2007), Robinson (2001), Otero (1999) and Wehrell (2002) arguing from a sociological perspective asserted that access to credit provides the poor with productive capital that helps to build up their sense of dignity, autonomy, and self-confidence, and hence are motivated to become participants in the rural economy. Likewise, Pronyk (2007) argue that

microcredit presents the poor with income, food, shelter, education and health and can therefore have immediate and long term consequences.

Gender activists also argue in favour of microfinance as a means of empowerment by supporting women's economic participation. Boyle (2009) for example, claims that by supporting women's economic participation, microfinance helps to improve household well-being.

Littlefield (2005) reports that the opportunities created by credit availability helps a lot of poor people to invest in their own businesses, educate their children, improve their healthcare and promote their overall well-being. This is supported by a study by Karlan & Zinman (2006) in South Africa where recipients of microcredit were shown to be better off than non-beneficiaries.

In another study by Khan & Rahaman (2007) in the Chittagong district in Bangladesh, recipients of microfinance facilities were reported to improve their livelihoods and moved out of poverty. More importantly, Khan and Rahaman (2007) reported that microfinance recipients had empowered themselves and become very active participants in the economy. Further, using a regression model to examine the impact of microfinance, Priya (2006) found that there is significant positive relationship between credit recipients and income; the findings suggest that programme participation led to a 10% increase in income. However, the UNCDF report (2009) suggests that though microcredit may be helpful in reducing poverty, it is never a panacea and that it is only one of such tools to reduce poverty or the vulnerabilities of the poor.

Buckley (1997) and Rogaly (1996) have also noted that microfinance may not always be the best tool to help the poorest of the poor. A similar

argument is made by Hashemi and Rosenberg (2006) who claim that microfinance does not reach the poorest in the community. Roodman (2009) asserts that microcredit might actually leave people worse off, just as credit cards and mortgages have made people poorer in developed countries.

Referring to the over-advertised benefits of microfinance, Ditcher (2006) claims that while the promise of microcredit is irresistible, the hoped for poverty reduction impact of microcredit remains elusive. Karmani (2007) made a similar statement in his critique of microfinance programs and argued that though microcredit yields some non-economic benefits, it does not significantly alleviate poverty and that the promise of microfinance is less attractive than the reality. Karmani (2007) explained that the best way to alleviate poverty is to create jobs and increase worker productivity but not through microcredit. This is because poor borrowers tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed capital or the hiring of labor.

Furthermore, Sachs (2009) claims that microfinance may not be appropriate in every situation and advises against one size fits all strategy in the use of microfinance in poverty alleviation.

Sachs (2009) explained that the poor governance infrastructure, dispersed populations in the rural areas might limit the potential benefits of microfinance in Africa. In these cases, grants, infrastructure improvements or education and training programmes could be more effective.

Empirically, Buckley (1997) studied micro enterprises in three African countries (Kenya, Malawi, and Ghana), and questions whether the extensive donor interest in microenterprise finance really addresses the

problem of micro-entrepreneurship or just offers a quick fix to the problem. The study's findings suggest that the fundamental problem is lack of infrastructure rather than the injection of capital. On the other hand, Chemin (2008) using a matching strategy to examine the impact of microfinance in Bangladesh reported a positive, but lower than previously thought, effect on expenditure per capita and school enrollment for boys and girls. In another study to examine the impact of microfinance on rural farmers in Malawi, Aguilar (2006) reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow. Like Aguilar (2006), Ausburg (2008) argues that there is the need for a plus component (training in financial management, marketing and managerial skills and market development) for microfinance to succeed.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter describes the methods and procedures that were used to collect the data. These include: the research design, population, sampling procedure and sample size, instrumentation, data collection, processing and analysis, ethical consideration and brief history of Agricultural Development Bank, two major companies and description of the study area.

Study Area

The research was conducted in two districts namely; Twifo Hemang Lower Denkyira and Abura Asebu Kwamankese districts all in the Central Region of Ghana.

The Abura-Asebu-Kwamankese District was carved out of the Mfantseman, Ajumako and Akumfi Local Councils in 1984. The District is geographically located between latitude $5^{\circ} 05'11''$ and $5^{\circ} 25'11''$ N and longitude $1^{\circ} 51'11''$ and $1^{\circ} 20'11''$ W. With a short coastal strip of 5.2 km along the Gulf of Guinea and stretching inland, the District shares boundary with Cape Coast and Twifo-Herman-Lower Denkyira Districts, on the west, Assin South District in the north and with Mfantseman District on the east. The Abura Asebu Kwamankese District Assembly has a land area of about 325km². The district is basically low-lying with loose quaternary sands. It rises up to 80 metres above sea level. The district is drained by a number of rivers and

streams, including the Birim and Kakum. The only tropical rain forest (typical of the vegetation cover some six decades ago which the District now has) is part of the Kakum Game and Wildlife Reserve along the Kakum valley in the north-west of the District.

Rainfall is the most important single climatic element in the District. There are two rainy seasons, the major season starting at the end of April, peaking in May-June and declining in July. The minor rainy season begins in October and reaches a peak in November, declining by the middle of December, followed by a spell of dry, cold weather (the harmattan) in the latter part of December through the end of February. The months of August and September are relatively dry. Annual rainfall in the southern part of the District is generally lower, between 100cm and 110cm, than in the northern interior, ranging between 110cm and 170 cm. With the closeness to the Atlantic Ocean, the District has mild temperatures ranging between 23 °C and 28 °C and a relative humidity around 70 percent.

The Twifo-Heman Lower Denkyira District is also one of the 12 District Assemblies in the Central Region of Ghana. It has a total land area of 1199 km² and 1,510 settlements. The district also has 8 Area Councils and four paramountcies namely Hemang, Denkyira, Twifo and Affi Monkwa. It is located between latitudes 5°50'N and 5°51' N and Longitudes 1°50'W and 1°10'W. It is bounded on the north by the Upper Denkyira East Municipal on the south by the Abura Asebu Kwamankese, Cape Coast and Komenda-Edina-Eguafo-Abirem, on the west by the Mpohor Wassa East District and the East by the Assin North Municipal. The district lies within the semi-equatorial zone marked by double maximal rainfall in June and October, with

the mean annual rainfall being 175 cm. It has fairly high temperature ranging between 70 and 80 percent in the dry season and 75 and 80 percent in the wet season.

The District's vegetation consists basically of semi-deciduous forest that has been largely disturbed by the activities of man through farming; logging and mining among others. There are however, large areas of forest reserves including the Kakum National Park, Bimpong Forest Reserve, Pra Suhyen Forest Reserve, Minta Forest Reserve and Bunsaben Forest Reserve. This forest reserve and the Kakum National Park together cover 288 km that is 24.0 percent of the entire surface area of the district. (See Figure 1).

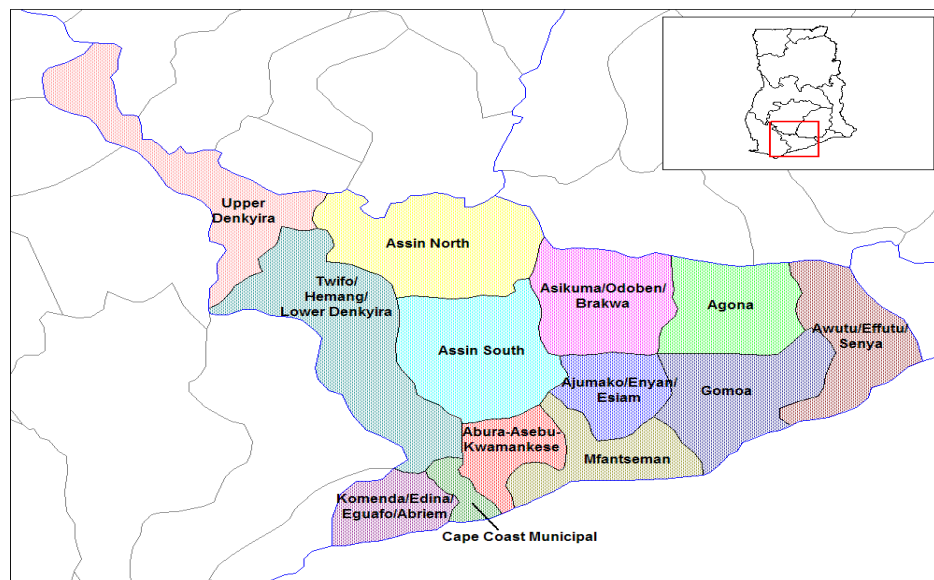


Figure 1: Districts of Twifo Hemang Lower Denkyira and Abura Asebu Kwamankese in the Central Region of Ghana.

Profile of Agricultural Development Bank (ADB)

Agricultural Development Bank (ADB) was set up in 1965 by act of parliament (Act 286) under the name, Agricultural Credit and Co-operative Bank to promote and modernize the agricultural sector and allied economic

activities through appropriate financial intermediation. In 1976, the name of the bank was changed to the Agricultural Development Bank by the passage of NLC Degree 182. Its functions were further broadened by the passage of the Act of Parliament 1970 (Act 352). The next important stage in the history of the new Banking Law (PNDC Law 225) to broaden its corporate mission from provision of agricultural credit and management projects to undertake the entire range of financial intermediation without sacrificing its primary function. The shareholding structure is; government 52 percent and Bank of Ghana 48 percent. (ADB monthly Journal, 2001).

The Agricultural Development Bank (ADB) has been working with individuals, farmers and entrepreneurs in more than 12 districts in the Central Region of Ghana to develop new food processing technologies. The bank also offer both technical assistance, business advice support, and extension services to farmers, outgrowers, agro-processors and entrepreneurs. The identification and promotion of agricultural enterprises in central region whether single or jointly, with people or institutions, both local and foreign is the priority of the Bank. Agricultural Development Bank conduct thorough research and training designed to promote agricultural development in the Central Region of Ghana as a whole. (ADB monthly Journal, 2001).

Profile of Mandis Limited and Twifo Oil Palm Plantation (TOPP)

Mandis Limited and Twifo Oil Palm Plantation (TOPP) are the most prominent companies as far as oil palm and citrus are concerned in the Abura Asebu Kwamankese and Twifo Hemang Lower Denkyira districts in the Central Region of Ghana. Mandis is a modern juice factory for which farmers in the district sell their oranges and other varies and TOPP which is the

largest company which buys oil palm from these beneficiaries of ADB credit facility. Mandis limited was essentially established downstream for packaging of readily available high quality blended orange, citrus juice concentrates, pineapple and other tropical fruit juices. It was essentially for the Ghanaian market and to other West African and European countries. The project was established as an envisioned for setting the blended juice in PET bottles, sachet and 5 liter aseptic bags. The blending is from the readily available high quality ready-to-drink orange with pineapple. (ADB Credit Report, Cape Coast Branch, 2009).

Mandis Limited has a modern juice production factory located at Asebu in the Abura Asebu Kwamankese District in the Central Region of Ghana. Half of the quantity embarked for the local Ghanaian market is sold as natural, no sugar, no colour, no artificial and no chemical preservative – added product. The pineapple and other fruit juices are produced from cultivated pineapples obtained from associated farms and other small scale agro processors financed jointly by Agricultural Development Bank and Export Development and Investment Fund (EDIF) (ADB Project Journal, 2001).

Twifo Oil Palm Plantation (TOPP) on the other hand is one of the largest producer of palm oil in Ghana. Twifo Oil Palm Plantation (TOPP) was set for the extraction of palm oil. It is an agricultural project initiated by the government of Ghana in 1977 with a loan from European Union (EU), Central Corporation of African Development (CDC), the Netherlands government and Unilever Ghana Limited. Work on the plantation commenced in August 1978. The company was authorized to carry out the

following activities; Growing of Oil Palm and other agricultural products, processing of Oil palm fruits to palm oil and palm kernel.(TOPP in Brief, May, 2009).

The major shareholders of the company are the Government of Ghana owning 41%, Unilever Ghana limited 40 % and the other 19% owned by other shareholders. The estate is situated at Twifo Ntrafrewaso and Twifo Mampong area in the Central Region of Ghana. (TOPP Oil Palm Plantation (TOPP) in Brief March, 1998).

Research Design

The research design was a descriptive survey. This design was chosen because it was the most suitable design for a primarily descriptive study. A descriptive study determines and reports existing system. The descriptive sample survey is appropriate when the researcher attempts to describe some aspects of a population by selecting unbiased sample of individuals who are asked to complete questionnaires, tests or respond to interviews. According to Gay (1992) descriptive sample survey design involves the collection of data in order to test hypotheses or to answer questions concerning the current status of the subject of study.

The descriptive sample survey design was chosen because it could lead the study to achieve the purpose and draw a meaningful conclusion from the study. It's a cross sectional study, the descriptive sample survey design has a number of advantages.

According to Hackett (1981), The descriptive survey design can be used to gather data on client needs and attitudes to aid programme decisions and the provision of guidance and counseling services and that it makes

possible the collection of data on large numbers of people.

Population

The population for the study was made up of all the oil palm and citrus out growers and agro-processors that had benefited from ADB credit facility and were registered with the Cape Coast Branch of the Agricultural Development Bank.

Sampling Procedure and Sample size

Purposive and random sampling methods were used in collecting the data. Purposive sampling was used to get the oil palm out-growers farmers and the agro-processors. Within each group, random sampling technique was used to select twenty respondents to constitute a sample size of forty (40) for the study.

A focus group discussions were also utilized to obtain more information on key issues that were identified. A high number of outgrowers who were also employees of Twifo Oil Palm Plantation (TOPP) was used to obtain the focus group participation to provide unique outgrower view. The TOPP Estate Manager provided the list of staff outgrowers as of first quarter of 2011. The twenty staff outgrowers were selected at random from a group of outgrowers. The twenty staff were also requested to complete a full questionnaire in addition to their participation in the focus groups discussion. The process was managed by a facilitator and the researcher attended to focus group discussion as an observer and took hand notes.

Instrumentation

A structured interview schedule was designed to collect primary data from the outgrowers and the agro-processors. A content validated questionnaire was used to elicit information from the Estate Managers of TOPP and Mandis Limited. The instruments had three main parts; Section A, Section B and Section C.

Section A was used to measure the background of beneficiaries which included age, educational level, marital status, and years of experience.

Section B measured the ADB credit delivery system in terms of awareness creation, qualification criteria, value of credit and credit constraints. While Section C measured the impact of credit in terms of natural, financial, information, human and physical capital. The reliability of 0.80 was obtained for sections C of the instrument for Students' using the Cronbach Alpha Internal Consistency reliability test.

Data Collection Procedure

Questionnaires were administered to Estate Managers of TOPP and Mandis Limited by the researcher. A period of two weeks was used to collect data from the respondents. Interviews were also conducted by the researcher himself to ensure accuracy of data collected from the out-grower farmers and the agro-processors.

Secondary data were collected from available materials and statistical information on the study region. Meetings were also held with the managers of TOPP and Mandis Limited as wells as the Director of Ministry of Food and Agriculture, Cape Coast to acquire the desired data for the study.

Data Analysis

The data collected were analyzed using the Statistical Package for Service Solution (SPSS). Appropriate statistical procedures were used to generate frequencies, percentages, means, standard deviations and correlations to describe the data.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the results according to the objectives of the study. The results of the study are discussed under three main headings, including socio-demographic characteristics, credit administration of Agricultural Development Bank and the level of impact of credit facilities by Agricultural Development Bank on beneficiary agro-processors and out grower farmers in the study area.

Socio-demographic characteristics of the respondents

The socio-demographic characteristics examined here include; age, sex distribution, level of education, marital status, farm size and years of experience.

Table 1: Age Distribution of Respondents

Age Range	Frequency	Percent
30-45	17	42.5
46-60	21	52.5
> 60	2	5.0
Total	40	100.0

Source: Field Data, 2011 n=40

All the 40 beneficiaries responded to the question on age and the responses indicated that, most of the respondents (52.5%) were in the 46 and 60 years bracket with another 42.5% in 30 to 45 range. (see Table1). Interestingly, only two recipients (5%) were in the age bracket of above 60. This suggests that agriculture was very attractive to the youth in the study area hence any intervention intended to boost agriculture could be directed towards this group of farmers and agro-processors. This is because they are in their productive stages and that; they can work effectively to accomplish the sole aim of the intervention in question.

Training and development also form major part of ADB interventions and programme in the study area. More youth between the ages of 30to 45 access ADB credit facility were encouraged and promoted. The purpose was to enable the youth get the impact of the ADB credit facility and encouraged more youth to participate in agro processing business in the study area. (See Table 1).

Table 2: Sex Distribution of Respondents

Sex	Frequency	Percent
Male	24	60.0
Female	16	40.0
Total	40	100.0

Source: Field Data, 2011 n=40

The beneficiaries were made up of 60% males and 40% females. Though equal opportunity was given to men and women to apply for the microcredit facility, the ratio of men to women was about 1.5:1. The finding is consistent with the view that men are more likely to go for credit than

women Goetz & Gupta, (1996). Discussions with the beneficiaries also revealed that some of the female beneficiaries sought permission from their husbands before they could access the credit. The respondents went ahead to explain that in a few cases, the husbands refused or might go for the loan on behalf of their wives. Goetz and Gupta (1996) make a similar argument that it is mostly the men of the household and not the women who actually exercise control over the borrowing. The findings are thus consistent with the study of Goetz and Gupta (1996).

Essel (1996) in a research conducted on women in the Northern Region of Ghana found that women have less access to credit. This Marginalization of women, he noted, was due in one part of institutional and cultural factors. the institutional factors included such factors 95; the fear of women to take risks (perceived by women them selves) lack of awareness among women leading to reduced access to credit and the skewed ownership of traditional resources (which can be used as collateral) in favour of men. While these findings signal genuine problem, confronting rural women, the scope of the study was not limited to only the Northern Rural Development Association (NRDA) and it mobilization centres in he Northern Region of Ghana. It stands, findings can be generalized.

A number of Micro financing institutions, NGO and Agricultural Development Bank (ABD) have equally adopted innovative ways of providing credit and savings services t reach he women and the poor in study area. A report by Social Enterprise Development Foundation of West Africa (2005) current operating in Ghana revealed that micro finance had impacted positively on the project beneficiaries, especially women. (See Table 2).

Table 3: Marital Status of Respondents

Marital Status	Frequency	Percent
Single	2	5.0
Married	38	95.0
Total	40	100.0

Source: Field Data, 2011 n=40

Of the beneficiaries interviewed, an over-whelming majority of 38 representing 95% were married and the remaining 5% not married (see Table 3). This buttress what Goetz and Gupta (1996) for what argued. Because if about 38 out of 40 of the beneficiaries were married then, might may affect the women from acquiring ADB loans given the fact that some men being the household heads could refuse their wives from acquiring loans as indicated earlier.

Table 4: Educational Level of Respondents

Level of Education	Frequency	Percent
No formal	8	20.0
Primary	29	72.5
Junior High School (JHS)	2	5.0
Senior High School (SHS)	1	2.5
Total	40	100.0

Source: Field Data, 2011 n=40

When respondents were asked about their highest level of education, 72.5% of people who responded indicated that, their highest level of education was primary school with another 20% with no formal education. Only few had received JHS and SHS. Respondents who attained JSH and SHS as their highest level of education were 5 and 2.5 percent respectively.

This indicates that majority of the beneficiaries could at least read and write and could help in adapting to new and modern agricultural techniques in their operations. This could have also been the motivating factor for them to go in for the credit facility since they could read the terms and conditions regarding the credit facility.

Table 5: Years of Experience of Respondents

Years of Experience	Frequency	Percent
<2	34	85.0
3-5	5	12.5
>5	1	2.5
Total	40	100.0

Source: Field Data, 2011 n=40

All the forty beneficiaries responded to the question on years of experience and the responds indicated that, majority of the respondents (85%) had less than two years of experience in their operation. Another 12.5 and 2.5 percent were in 3 to 5 and above 5 years of experience respectively.

This indicates that majority of the beneficiaries had less experience (< 2 years) in their chosen field of operation. Few of the beneficiaries were within the moderately experience (3-5 years) and experienced (> 5years) respectively in the study area.

Table 6: Respondents Farm Size in Hectares

Farm Size	Frequency	Percent
1-5	2	5.0
6-10	2	5.0
>10	36	90.0
Total	40	100.0

*Average Farm Size =15.3 Hectares Source: Field Data, 2011 n=40

Majority of the respondents (90%) had farm size greater than 10 hectares (ha) with 5% having farm size between >10 ha and 6 to 10 ha respectively. This indicate that majority of the respondent were into large scale (> 10 ha) production in their field of operation with the remaining farmers operating between small scale (1-5ha) and medium scale (6-10) in their field of operation. This means that on average, each farmer was operating on 15.3 ha of land which is good news to the creditors because, before the intervention, farmers were working on an average of 7.5 ha land. This indicates that beneficiaries in the area of study had really worked hard to achieve a 50% increment in their farm sizes which would attract more credit facilities to the study area to expand farm size of beneficiaries, increasing their outputs and consequently improving their living standard as a whole. (ADB monthly Journal, 2001).

Table 7: Purpose of Loan by Respondents

Purpose of Loan	Frequency	Percent
Expand farm	7	17.5
Expand milling structure	1	2.5
Hiring farm machinery and labour	4	10.0
Maintenance of farm	2	5.0
Support production	9	22.5
Weeding and harvesting	17	42.5
Total	40	100.0

Source: Field Data, 2011 n=40

The data given in Table 7 shows that majority of the respondents (42.5%) received credit for the purpose of weeding and harvesting of their produce. This was because weeding and harvesting required high capital to carry out since it employed large number of labourers which were to be paid

back after completing those activities. About twenty three (22.5%) of them also went in for credit to support their production activities and 17.5% acquired credit to expand their farms. In addition to these reasons, 10% of the respondents acquired credit to high labourers and farm machinery to facilitate their operation and only 2.5% of the respondents received micro-credit for expanding milling structure.

Credit Administration by Agricultural Development Bank

Introductory Statement

Table 8: Sources of Information on ADB Credit Facility

Source of Information	Frequency	Percent
Agro-Processors	12	30.0
Bank Staff	2	5.0
TOPP Official	16	40.0
Other Farmers	10	25.0
Total	40	100.0

Source: Field Data, 2011 n=40

When respondents were asked of their sources of information about the ADB credit facility, the main sources of information were from Agro-processors, Bank staff, TOPP official and other farmers. Of these sources, most of the respondents (40%) received information on ADB credit facility from TOPP officials with few (5%) respondents who received information from ADB staff. This shows that TOPP management staff played most effective role in the transmission of information about the ADB credit facility in the study area. (Twifo Oil Palm Plantation (TOPP) 2009, in Brief).

Table 9: Qualification for Loan Acquisition

Qualification for Loan	Frequency	Percent
Provision of personal land documents	2	5.0
Opening of savings account	38	95.0
Total	40	100.0

Source: Field Data, 2011 n=40

Respondents were asked question about what the Bank required before accessing the credit facilities of which almost all respondents gave provision of personal land documents and opening of savings account as a requirement to receive the credit. Of the 40 respondents interviewed, an over-whelming majority of 95% responded by saying they opened savings account with the Bank and only 5% providing personal building document as a requirement for the loan facility. Actually, the Bank required that applicant provided either a personal land documents or personal building documents in addition to having a savings account not less than six month. The result therefore indicate that, most of the applicant might not have gotten building of themselves that was why they used savings account land documents as a surety for the loans. (ADB Monthly Journal, 2001).

Table 10: Types of Credit Received by Respondents

Type of Credit	Frequency	Percent
Short term	33	82.5
Medium term	4	10.0
Long term	3	7.5
Total	40	100.0

Source: Field Data, 2011 n=40

Respondents were asked questions about the type of credit applied and received from the Bank and their responses as presented. Table 10 show that, most of the respondents (82.5%) applied and received short term loan, 10% also applied for a medium term loan for their activities and only 7.5% applied for long term loan. Of these credit applied, 92.5% was given in cash while the remaining 7.5% was given in kind including; fertilizers, seedlings and pesticides (TOOP in Brief, 2009).

Table 11: Amount (GH¢) Borrowed by Respondents

Amount (GH¢)	Frequency	Percent
100-500	11	27.5
501-1000	23	57.5
>1000	6	15.0
Total	40	100.0

Source: Field Data, 2011 n=40

In an attempt to examine the amount of money borrowed, respondents were asked how much money they applied for and received. Of the people interviewed, most of them (57.5%) borrowed amounts between GH¢ 501 to GH¢1000 with the others borrowing an amounts between GH¢ 100 to GH¢ 500. Few (15%) of them borrowed amount above GH¢1,000. Responses were further asked if the amount borrowed was enough to sustain their farming activities. Responds from this question indicated that, majority constituting 75% felt, the amount borrowed was adequate to sustain their activities. The 25% who said the amount was not enough to sustain their activities and had to supplement their credit needs from family, friends, associations and other farmers.

Table 12: Support Received by Beneficiaries from ADB before Loan Acquisition

Responds	Frequency	Percent
Receive Support	16	41.0
No Support	23	59.0
Total	39	100.0

Source: Field Data, 2011 n=40

Table 12 presents supports received from ADB before the intervention of the credit facility. Of the respondents interviewed, majority (59%) said that they did not get any support from ADB before going in for the loan facility but the other 41% received some form of support before the intervention. The support took the form of training. The beneficiaries received training in efficient use of resources, effective record keeping, savings and investments. According to ABD monthly Journal, 2001, pp 11-13, farmers who had no support form ADB before utilizing the loan, had late repayment records however their repayment frequencies and duty cash lodgments were very encouraging.

Table 13: Repayment Rate of Credit Facility

Rate	Frequency	Percent
Always	35	87.5
Scarcely	2	5.0
Not timely	3	7.5
Total	40	100.0

Source: Field Data, 2011 n=40

Of the farmers interviewed an over-whelming majority of 87.5% paid their loan always which gave the borrower a high reputation which could facilitate his or her ability to access another loan from the Bank. This quality of these respondents will further more motivate the Bank to extend its facility in the study area because every bank considers ability to repay and rate of repayment before any intervention. The remaining 12.5% paid back their loans scarcely and untimely respectively which any bank would not accept and consider it as bad reputation of the borrower.

Table 14: Problems Associated with ADB Credit Facility

Problem	Frequency	Percent
High interest rate	4	10.0
Short repayment period	6	15.0
Strict terms of loan	3	7.5
Untimely loan delivery	16	40.0
Insufficient credit	11	27.5
Total	40	100.0

Source: Field Data, 2011 n=40

Respondents were asked question about problems associated with the ADB credit facility. From the responses, it came up that untimely loan delivery was a major problem perceived by majority (40%) of the respondents. Among the reasons given was that, the bank did not approve their loans on time. This affected their operation since most of their operations were time bound and that made them lose profit rather than benefiting from the loan facility. Loan repayments by respondents had been very slow and rate of default had been high because of late disbursement of loan by ADB.

Another 27.5% said that, the loan approved by ADB for their operation were insufficient and that, could be used for the intended purpose since most of these agricultural operations were capital intensive. From Table 11, it can be seen that only few (15%) received credit amount above GH¢1,000. The next group which forms 15% reported short repayment period as a problem associated with the credit intervention. This is because the bank does not allow them to pay back the loan at the end of the stipulated time but are made to pay them at weekly or monthly installments which affect their operations.

Furthermore, 10 % of the respondents complained about the interest rate saying that, the rate were so high and it seemed they worked for the bank rather than to increase their production, income and living standard. (ADB Monthly Journal, 2003).

Finally, the remaining 7.5% reported strict terms of loan as another problem associated with the credit intervention. The reason they gave was that, the bank insisted strongly on one opening an account or submitting a personal land or building documents as collateral before loan approval which sometime became a problem for them. According to respondents, the Bank should at least allow them to use their farms as collateral to access loan to expand their production and also to derive the benefits associated with the microcredit facility.

Impact of Agricultural Development Bank Credit Facilities on Respondents

Table 15: Impact of Credit Facilities on Respondents

Social Livelihood Asset Indicators	Mean	Std. Deviation
Farm yield	3.75	0.98
Access to land for production	3.73	0.91
Income level	3.66	0.78
Access to information on bank's products	3.60	0.60
Ability to support children education	3.56	0.94
Access to credit	3.55	0.80
Ability to support family and other community members	3.51	1.09
Access to appropriate technology	3.38	1.00
Savings and investments	3.28	0.79
Ability to purchase required machinery for operation	3.28	1.30
Average	3.53	0.92

Scale: 0= No Improvement 1=Very low Improvement 2=low Improvement
3=High Improvement 4= Very High Improvement

Source: Field Data, 2011 n=40

Table 15 presents the effects of credit facility on the respondents. From the responses given, it came to light that, an overwhelming majority of the said that the facility had caused a very high improvement in their activities and their living standard for that matter. They ranked improvement in farm yield (mean=3.75, standard deviation= 0.98), access to land (mean=3.73, standard deviation= 0.78), income level(mean=3.66, standard deviation= 0.78), access to information on bank's products(mean=3.60, standard deviation= 0.60), ability to support child education(mean=3.56,

standard deviation= 0.94), access to credit(mean=3.55, standard deviation= 0.80), ability to support family and other community members(mean=3.51, standard deviation= 1.09) as very high improvements.

Additionally, respondent said credit given to them by ADB had brought high improvement in their activities in terms of access to appropriate technology (mean=3.38, standard deviation= 1.00), saving and investments (mean=3.28, standard deviation= 0.79) and ability to purchase required machinery for operation (mean=3.28, standard deviation= 1.30).

Averagely, all the respondents agreed that, ADB credit facility had really brought a very high improvement in their activities and standard of living as shown in the factors presented in Table 15 (Average mean of 3.53).

Furthermore, the average standard deviation of 0.92 gave the mode of dispersion of these respondents about the average mean indicating that, the respondents were spread between credit facility bringing high improvement ($3.53-0.92=2.61$) and very high improvement ($3.53+0.92=4.45$) about the impact of the ADB credit facility to the beneficiaries.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter summarizes the findings of the study, draw conclusions and makes recommendations based on the results.

Summary

It is expected that agro-processors who are beneficiaries to ADB micro-credit scheme would be capable of building their own capital, marketing their produce obtaining reliable marketing information flow, promoting and managing their finances properly so as to enhance their credit worthiness and loan repayments capabilities. (ADB Financial Report 2003.)

However there is no empirical information on the impact of ADB credit facility on the beneficiaries in the study area. It is in this light that the research sought to find out the impact of microcredit on the beneficiaries of ADB credit scheme in the study area.

The specific objectives were to determine the socio-demographic characteristics of agro-processing individuals and other beneficiaries of the ADB credit facility, Assess the credit administration of ADB to agro-processing individuals in terms of; awareness creation, kind and value of credit, pre and post credit administration support and constraints, and to determine the impact of credit facility of ADB on beneficiaries agro-

processing business. The study was conducted in Twifo Hemang Lower Denkyira and Abura Asebu Kwamankese District in the Central Region. A descriptive survey research design was used for the study. Structured interview schedule was the major instrument used in the data collection.

The results of the study showed that most of the respondents (52.5%) were in the 46 to 60 years bracket with males constituting the majority. An over-whelming majority (95%) was married and had primary level education. Furthermore, most of the respondents (85%) had 1 to 5 years of experience in their operation with (small/medium/large) farm size ranging from 10 to 20 ha.

Majority of the respondents (42.5%) received credit for the purpose of weeding and harvesting of their produce and most of the respondents 40% received information on ADB credit facility from TOPP management staff. Almost all respondents gave provision of personal land documents and opening of savings account as a requirement to receive the credit. Most of the respondents (82.5%) said they applied and received short term loan from ADB.

Of the people interviewed, majority of respondents (57.5%) borrowed an amount between GH¢. 501 and 1000 which was described as medium scale loan. The research revealed that untimely loan delivery was a major problem perceived by majority of the respondent. From the responses given on the impact of ADB credit facility, it came to light that, the facility had caused a very high improvement in the activities and living standards of the respondents. The respondents, they ranked improvement in farm yield as very high.

Conclusions

Based on the results gathered from the research, the following conclusions can be drawn:

1. ADB microcredit in the study area tended to favour mostly married men in the active working ages (30 to 45 years), who had low level of education but considerable level of experience (average of 3years) in farming. Also, most beneficiaries were operating on large scale basis and received credit for the purpose of weeding and harvesting of their produce.
2. Agro-processor and out-grower farmers in the study area were aware of the ADB credit facility and tended to seek information from TOPP staff with few respondents who received information from ADB staff. This shows that TOPP management staff played an effective role in the transmission of information about the ADB credit facility in the study area.
3. ADB requires that applicant provides either a personal land documents or personal building documents in addition to having a savings account with them for not less than six month.
4. ADB credit facility helped in the provision of latest technology that could improve quality and help agro-processors and the farmers get higher prices for their products.
5. Most beneficiaries of ADB credit facility did not receive any pre-credit administrative support from the Bank. The few who received the support had training in efficient use of resources, effective record keeping, savings and investments.

6. Beneficiaries of ADB credit facility in the study area were realized to have had a good ability to repay borrowed funds with a high recovery rate since farmers used the funds for the intended purpose.

7. ADB credit facility was insufficient and also not delivered to farmers at the right time of need.

8. ADB micro-credit facility had lead to very high improvement in beneficiaries activities and their living standard, access to land, income level, access to information on bank's products, ability to support child education, access to credit, ability to support family and other community members. Also, the facility had also brought a high improvement to beneficiaries' activities in terms of access to appropriate technology, savings and investment and finally ability to purchase required simple machines for their farm operations.

Recommendations

From the above conclusions, the following recommendations can be made:

1. Poverty has much manifestation; this includes lack of income and productive resources sufficient to ensure sustainable livelihood. Furthermore, poverty is also characterized by a lack of participation decision making and annual society and cultural life (Nicola Bradbear, Copenhagen Social Development Summit, 1995). Hence, it is recommended that Agricultural Development Bank should encourage more women to access loan facilities from their outfit to alleviate rural poverty and also increase women participation to increase household income. ADB credit should be self

sustaining and also help safe-guard poor characterizes the women existence. The loans must help to smooth out their income fluctuating and maintain consumption level during the loan period.

2. ADB should strengthen its field functionaries especially the credit officers in making their receiving system more adaptive for communication and technical know-how to the famers for its sustainability in the study districts. They should develop linkages with the research institutions for effective combination to fill up the gap through seminars and conferences for potential agro-processing entrepreneurs and farmers.

3. The study found that many of the beneficiaries faceted in getting the required assistance from ADB because of their cumbersome procedures for acquiring credit facilities. It recommended that ADB lowers it account deposit, Land documentaries as a requirement for their loan making. Also to enable more farmers and procesors benefit from ADB credit facilities, ADB should set up specialized agricultural activities departments within branches to finance the farms they need to strengthen the branches network to provide the credit facilities in time and in sufficient amount without much delay to the farmers and the agro-processor in the study area.

4. Technology gap is due to poor functioning of field functionaries, insufficient finance to use latest technology and sometimes lack of specialized skills to use innovations. Therefore there is a need for ADB to develop more innovations in the system of giving credits to beneficiaries. It is

necessary for the Bank to increase its beneficiaries' loans to ease the burden of farmers, agro-processing entrepreneurs and other agricultural companies the study districts.

5. ADB should provide sufficient support training and regarding finance management, marketing and export related activities to the farmers' agro-processors. It should make credit procedures less complicated and procedures and avail finance from the Bank less cumbersome. The Bank should make training its concern and its mode of imparting know-how relevant to the farmer's objective and environment. Suitable entrepreneurs and farmers should always be selected for training after reviewed of their projects.

6. The study found that many of the famers failed to get the required assistance from ADB because of the Bank's cumbersome procedures, untimely financial intermediation and insufficient capital. It should be a priority of the Bank to give financial support on timely basis to avoid diversion of funds. Again it should improve on the farmers' repayments records to use the facility for its intended purpose.

7. The study found that ADB credit facility was insufficient and also were not deliver to famers at the right time in the study area. On the other hand, ADB should make their loan more appropriate and sufficient to the needs of the beneficiaries. The Bank should sanctioned sufficient amount to meet the requirements of the beneficiaries to save them from money lenders and other private financial agencies. The loan must also be timely to enable

the beneficiaries utilize it for its intended purpose so as to improve the repayment rate.

8. The study found that, the Bank's financial intervention was designed to enhance food security, raise income levels, nutrition and standard of living in the study area. It is recommended that ADB credit facility should aimed at the promotion of profitable value-addition to agricultural produce through investment in agricultural marketing and processing.

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APPENDICES

APPENDIX I

INTERVIEW SCHEDULE

TOPIC

Impact of Agricultural Development Bank credit facility on Small Scale Agro-Processors and outgrower Farmers. A case study in the Twifo Hemang Lower Denkyira and Abura Asebu Kwamankese Districts in the Central Region of Ghana.

GENERAL OBJECTIVES: To assess the impact of Agricultural Development Bank credit for agro-processing farmers in the Central Region of Ghana.

Any information you provide will be kept strictly confidential. It is mainly for academic purposes and only pooled results will be reported or published to find the impact of ADB credit deliveries and management for commercial small scale agro-processors, outgrowers and individual farmers in agro-processing business in the Twifo Hemang Lower Denkyira and Abura Asebu Kwamankese districts in the Central Region of Ghana. It is anticipated that the results could be useful in assisting financial institutions, TOPP Management staff of oil palm mill and citrus processing companies in the Central Region of Ghana. It is again anticipated that the results would be useful for granting of credit to small scale agro-processor, outgrowers and individual farmers to reduce post harvest losses, enhance food security and agro-processing business.

INSTRUCTION: Please tick [] in the boxed provided or write your answer where applicable to answer the questions.

SECTION A

INDIVIDUAL AND OTHER BENEFICIARY'S BACKGROUND

INFORMATION

1. Please indicate your name
2. Please indicate your town, village and address
-

3. Please indicate your age at your last birthdayyears.
4. What is your highest level of formal education?
 Non-formal school [] primary education [] junior high school []
 Senior high school [] general certificate of education [] tertiary []
5. Sex: male [] female []
6. Marital status: Single [] Married [] others []
7. What if the size of your household dependants?
8. Please indicate the name of next of kin.
9. What type of crop do you cultivate?
 Oil palm [] Citrus []
10. How long have you been engaged in the type if activity for which the loan is required?
11. How long have you been beneficiary from the bank credit facilities (if any)?.....
12. What type of machinery you were using before the ADB loan?
 Very old [] Old []
 New [] Fairly new []
13. What has been the state of your machinery after contracting the ADB credit facility?
 Very high performance [] high performance []
 Average performance [] low performance []
 Very low performance []

SECTION B

ASSESSING THE CREDIT DELIVERY OF ADB TO AGRO PROCESSING

a. Awareness Creation

14. Where do you get most of the information in need in your assessing the credit facilities?
 Service providers [] Bank customers []
 Top management staff of companies [] suppliers []
 MoFA []
15. Do you receive any form of information support about ADB credit?
 Yes [] No []

16. If 'Yes' to the above question what is the nature of information support.....
.....

17. How often do you receive visits from agricultural development bank, credit officers?

Once a week [] twice a week [] once a month []

Once in 2 weeks [] no visits []

others (specify)

18. What are your other source(s) of information apart from the ADB credit officer?

Service providers [] Bank customers []

Fellow farmers []

others (specify)

19. What are your two most important information awareness needs in ADB loan making process?

i.

ii.

b. Qualification Criteria

20. How will you repay the credit facility?

Farm produce [] Savings [] Susu savings []

Others (specify)

21. How do you sell your produce?

TOPP Oil Mill [] Mandis Citrus Processing []

Small Scale Processor []

22. Where do you receive training from the type of crop you cultivate?

MoFA [] NGOs [] Local farmers []

others (specify)

23. How do you secure the credit facility?

Saving lodgments [] TOPP scheme []

Building property []

24. What type of land tenure system is predominant in your town or

village? Freehold [] Leasehold [] 1/2 produce share []

1/3 produce share []

c. Kind And Value Of Credit

25. Which month(s) in the season/year do you usually get high prices for your produce?
26. How will you rate the demand of your produce that month(s) above?
Very high [] high [] low [] very low []
27. Which month(s) of the year do you required the credit facility?
First quarter [] Second quarter [] Third quarter []
28. Which agronomical practices did you required for the credit?
Planting [] Maintenance [] Harvesting []
29. Does ADB credit delivery meet your expectation and are they timely?
Yes [] No []

d. Pre And Post Credit Administration Support

30. Is the credit facility enough for the post intended purpose?
Yes [] No []
others (specify)
31. Do the ADB Credit Officers from the Cape Coast Branch been visiting you? Yes [] No []
32. If 'Yes' how often do they visit your town or village?
Once every 2 weeks [] once every 3 weeks []
Once every 4 weeks [] they don't visit at all []
33. What form of assistance do you obtain from the ADB credit officers?
Technical advice [] Financial support []
Maintenance [] other(s) specify []
34. Where do you get funds to support your crop cultivation?
Bank [] Self financing [] Market providers []
Others specify.....
35. How would you assess ADB credit facility?
1. Excellent [] 2) very Good [] 3) Good []
4) Poor [] 5) Very Poor []
36. Have you ever gone loan for the type of farming you are engaged?
Yes [] No []
Give reason for your ability/inability to pay back the ADB credit scheduled?.....
.....

.....

e. Credit Repayment Rate

37. How will you describe your income from the sale of produce over the past two years? Increasing [] Stable [] Decreasing []

38. What is the reason for your answer in the above question?

39. What are your other source(s) of income?

40. What is your main source of income?

41. Apart from TOPP and Mandis Limited which other means do you market your produce? Wholesale [] retail []
 wholesale and retail []

42. Please indicate your farm hectare?

43. What are your reason(s) for cultivating oil palm or citrus?

44. Please, complete the table below to estimate your oil palm or citrus production.

FFB (Fresh Fruit Branches)

Crop type	Number of bunches /baskets produce per season	Price/bunch /basket/unit	No. of times harvested in a year
Dura palm fruit			
Tenera palm fruit			
Pesifera palm fruit			
Washington navel fruit			
Sweet orange fruit			
Lemon fruits			
Lime fruits			

45. What are the sources of labor for your various field operations on your farm? Hired labour [] Personal [] Family labour [] Communal labour [] others (specify).....

46. What farm activity do you hire labour? Planting [] Nursery Maintenance [] Harvesting [] Weeding [] others (specify).....

47. Do you normally pay back the ADB credit schedule? Always [] scarcely [] default [] Not timely []

f. Constraints

48. Do you really understand the formulas use for the calculations of interest element of your loan by ADB credit facilities? Yes [] No []

49. Does ADB credit delivery meet your expectations and are they timely? Yes [] No [] other(s) specify

50. How has the ADB loan finance impacted on your social and economic life after the facility? Very good [] good [] poor [] Very poor []

51. Mention two disadvantages of ADB loans to oil and citrus farmers in the two districts.
.....

SECTION C
IMPACT OF ADB CREDIT ON AGRO-PROCESSING IN THE
STUDY AREA

Please, indicate the extent to which, the following under listed aspect of ADB credit facilities has impacted on beneficiaries for agro-processing in the Twifo Hemang Lower Denkyira and Abura Asebu Kwamankese districts in the central region of Ghana by using the following ratings:

- 0 - No Improvement (NI)
- 1 - Very Low (VL)
- 2 - Low (L)
- 3 - High (H)
- 4 - Very High (VH)

Social Livelihood Asset Indicators		Rating				
		0 NI	1 VL	2 L	3 H	4 VH
A	Natural Capital					
I	Access to land for production					
II	Rainfall to support cultivation					
III	Increase in farm yields					
IV	Decrease in farm yield					
B	Financial Capital					
I	Increase in income levels					
II	Increase in savings investments					
III	Increase in income levels after credit					
IV	Increase in savings investment after loan credit					
V	Decrease in income level before ADB credit					
VI	Decrease in saving investments before ADB credit					
c	Information Capital					
I	Increase in access to appropriate technologies					

II	Increase access to ADB credit facilities					
III	Increase access to export markets avenues from agro processing companies					
IV	Increase in access to services from ADB credit officers					
D	Human Capital					
I	Increase access to TOPP field staff					
II	Increase access to Mandis Limited Staff					
III	Increase access to unskilled labour from TOPP					
IV	Increase access to ADB credit facilities and					
V	Increase access for adoption of appropriate technologies					
E	Physical Capital					
I	Ability to buy digestors for oil palm					
II	Ability to buy extractors for citrus juice					
III	Ability to buy oil palm milling plants					
IV	Ability to buy storage tanks					
V	Ability to replace absolute machinery					
VI	Ability to expand milling structures					
VII	Ability to expand extracting structures					
VIII	Ability to buy drums for palm oil					

IX	Ability to buy PET bottles for fruit juice					
X	Ability to access transport for fresh fruit bunches (FFB) for extracting mills					
XI	Ability to access transport for citrus to extracting centre					
XII	Ability to build structures for machinery					
XIII	Others (specify and rate)					