

Determinants of Farmers' Participation and Credit Constraints in Agricultural Finance Programs: Evidence from Nkoranza Districts of Ghana

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Background

- Renewed interest in making rural finance accessible to farmers
- Lack of credit is a major challenge to adoption of technologies and modern inputs
- Several microfinance institutions has been established
- Rural poor are neglected and some who have access are rationed

Research objectives

- Examine farm households' reasons for joining or for not joining microcredit programs
- Determine factors influencing farm households' participation in microcredit programs
- Identify factors influencing the probability of farm households being credit rationed by microcredit programs

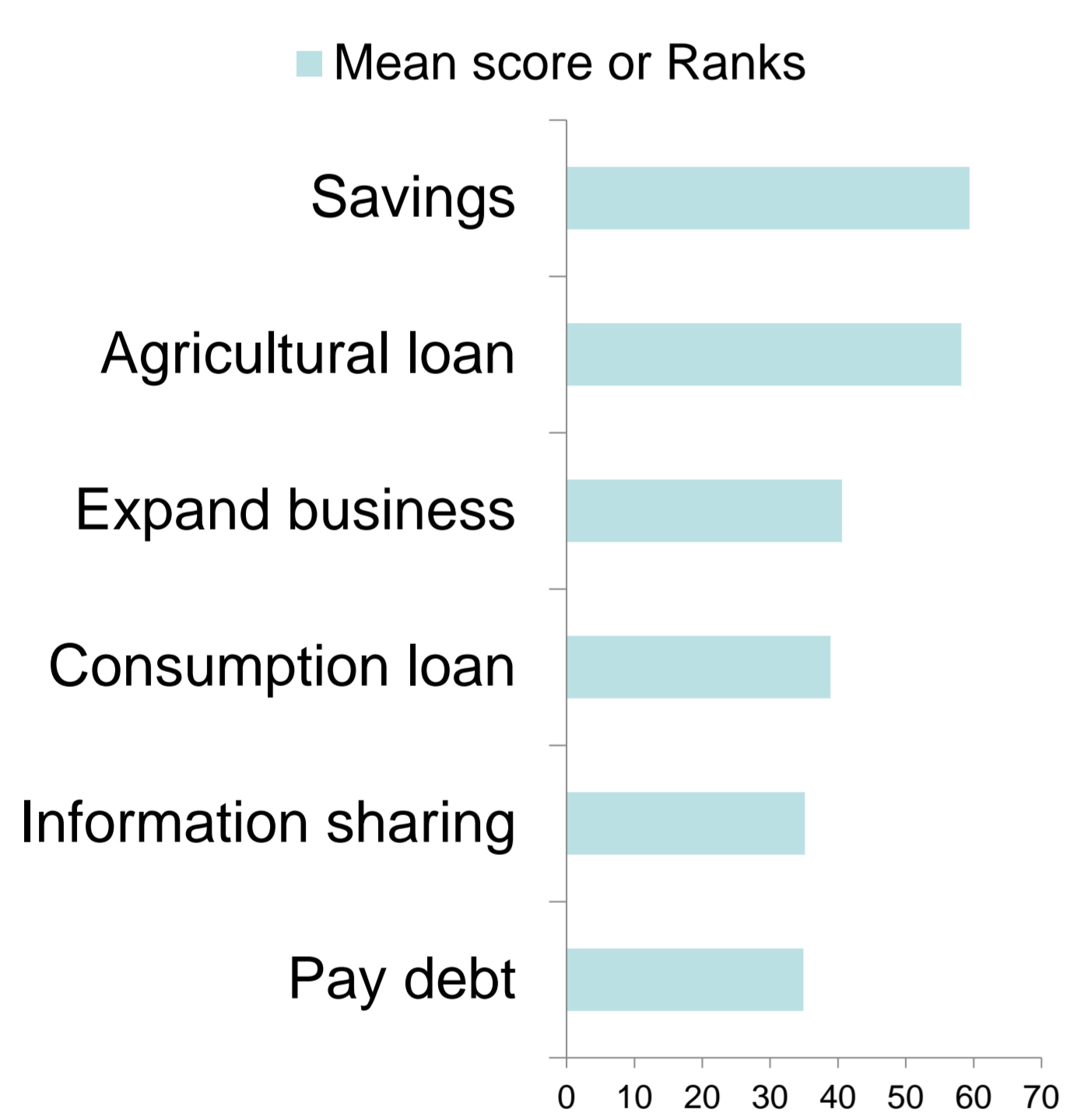
Methods

- Households' reasons for joining or for not joining : Garrett Ranking Technique
- Factors influencing participation in credit programs: Probit model
- Probability of farm households being credit rationed: Heckman Probit

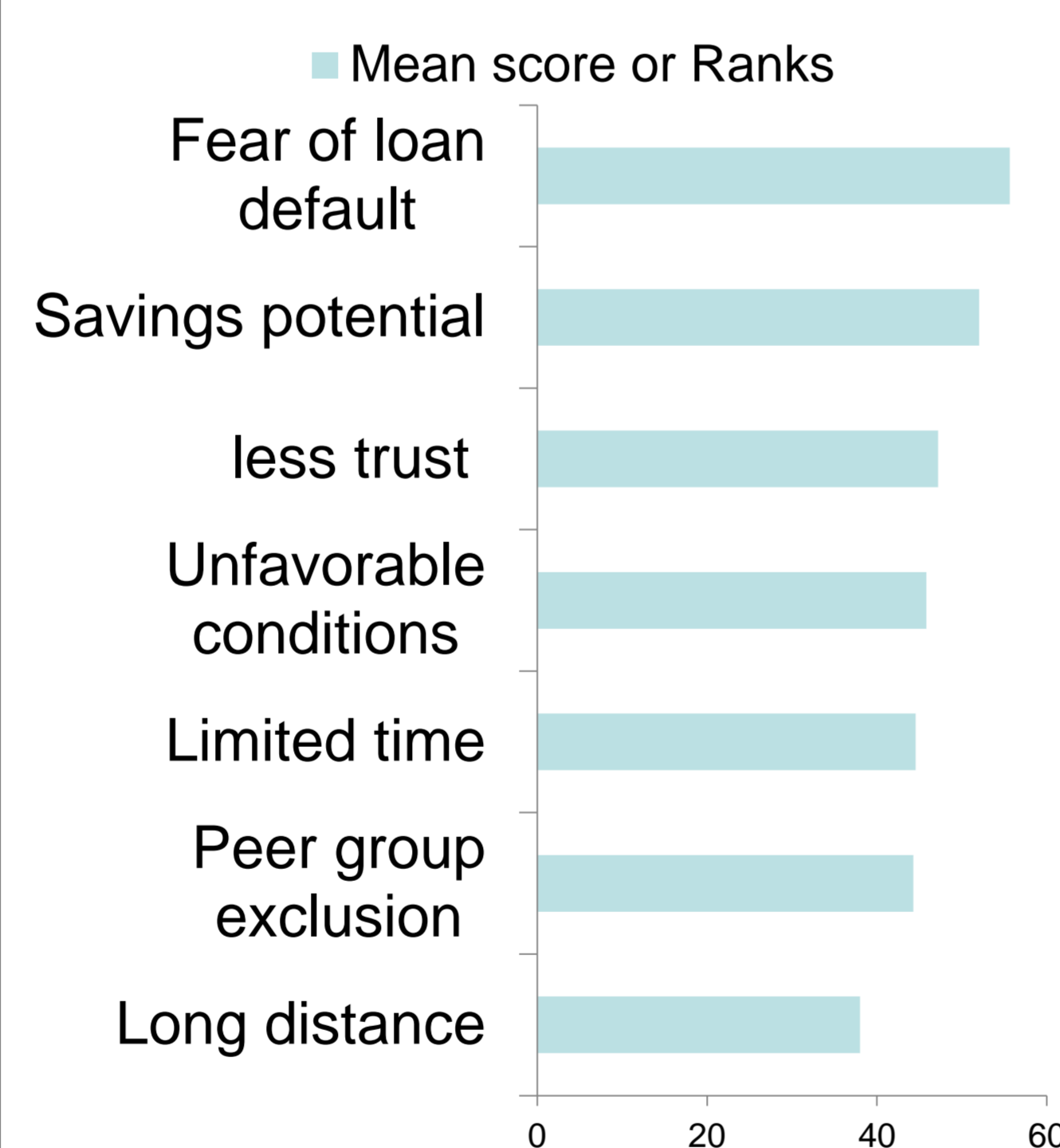


Findings

Reasons for joining



Reasons for not joining



Participation in microcredit programs

Variable	Marginal effect
Age	0.010
Agesquare	-0.000
Sex	-0.164***
Education	0.014*
Dependencyratio	0.251
Marriage	0.033
Farmsize	0.016*
Member_association	0.379***
Livstockvalue	0.000
Distance_south	-0.006
Distance_north	-0.007

Determinants of being credit constrained

Variable	Marginal effect
Age	0.012
Agesquare	-0.000
Sex	-0.076
Education	0.004
Dependencyratio	0.152
Member_association	-0.203**
Farmsize	0.004
Livstockvalue	-0.000
Assetvalue	-0.000
Totalincome	-0.000**
Leverageratio	0.316
Distance_south	-0.006
Distance_north	0.041*

Conclusion and policy implications

- Mobilizing savings is the main reason for joining and fear of loan default is the main reason for not joining microcredit programs
- Female headed households, farmers with better education and those in associations are more likely to participate in microcredit programs
- Formal MFIs rationed loan demand based on total household wealth, membership in association and distance
- Formation of farmer base organizations should be encourage especially in rural areas
- Microcredit programs should target existing farmer base organizations and diversify microcredit products to meet the farming calendar



References

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