

MICROFINANCE IMPACT ON AGRICULTURAL PRODUCTION IN DEVELOPING COUNTRIES – A STUDY OF THE PRU DISTRICT IN GHANA

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ABSTRACT

Agriculture has been and still remains the backbone of many developing countries. It plays a key role in providing raw materials for the industrialized and less developed world. Nonetheless, it is challenged financially resulting in the use of rudimentary technology subsequently leading to low production. Amidst the issue, microfinance contributes great towards agricultural modernization and increased production in Ghana. This paper seeks to assess the impact of microfinance on agricultural production in the Pru District as a case study to exemplify the assertion. A multi-method approach was employed involving a case study and quasi-experimental (control-group) techniques. A questionnaire together with an interview guide and a checklist were used for data collection. The study established that microfinance is positively related to agricultural production and shows a significant impact on output levels. Major challenges identified with credit access include unavailability of collateral securities, small loan amounts and delay in the release of agricultural loans. The principal challenge with credit administration is the lack of understanding of the loan acquisition process among farmers. The formation of active farmer-based organizations, educating farmers on the loan acquisition process, encouraging farmers to save, and encouraging Microfinance Institutions (MFIs) and other development partners to adequately finance agriculture were recommended. It is envisaged that such efforts have the potential to reduce income inequality thus contributing towards the achievement of the Millennium Development goal of poverty reduction as found by the paper.

Keywords: Microfinance, Impact, Agricultural, Production, Developing, Pru.