Chapter 3
Credit Access, Crop Output, and Welfare of Women Farmers in the Northern Region of Ghana

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ABSTRACT

This study examined the effect of credit access on women farmers' welfare through crop output in the Northern Region of Ghana. The impact of credit on welfare through output was examined using the conditional mixed process (CMP) model on 300 women farmers. Credit access, welfare, and output were estimated individually and also within a conditional mixed process (CMP) system for choice of appropriate estimation due to endogeneity. Age, household size, extension access, and membership of farmer-based organization (FBO) significantly influence farmers' choice of credit source while credit access, expenditure on inputs, years of farming, land size, and membership of FBO significantly impacts on crop output. Crop output and off-farm income significantly influence welfare of women farmers. Pairwise correlation of credit sources revealed that Village Savings and Loans Association (VSLA) and Susu sources are complementary, and farmers who accessed credit from VSLA also accessed credit from Susu (rotating savings and credit associations).

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1.0 INTRODUCTION

The current climate change effect has further exposed smallholder farmers to low yield and productivity. The most affected are women with low access to factors of production. To women who have access to the factors of production, cost of these factors are beyond their reach due to the lack of access and or inadequate access to finance including credit. Women constitute about 95% of those engaged in agro processing and 85% of those in food distribution (WAG, 2014).

Majority of household incomes of rural dwellers hinges on agriculture with women accounting for above 40% of the total labour force. Women in rural areas cultivate basically to meet household needs and sell the surplus to the markets. In some cultures, the division of labour is strict and hence women are required to handle household chores while men bring in the financial resources for household needs. Sanginga and Bervinson (2015), noted that crops that are mostly cultivated by women in Sub Saharan Africa (SSA) include oilseeds and legumes (cowpeas, soybean and groundnuts) due to the social, economic, and environmental benefits of these crops added to its ability to address food security needs. Notwithstanding the critical roles played by women in the cultivation of these oilseeds and legumes, empirical evidence points out that there is a gap between men and women concerning farm yield in Africa. This emanates from the gender differences that continue to exist in respect of access to productive resources such as land, livestock, labour, extension, financial services, and technology (Muriithi et al., 2018).

Gender inequality remains a critical issue in Ghana in particular, and Sub-Saharan Africa (SSA) in general. This is as a result of the norms and traditions that do not allow men and women to have equal access to production resources. Manda et al., (2016) indicated that cultural rules and customs hamper women's capacity to take over farmlands and as a result, add to widening gender gaps in the quality and size of farmland. But it is known that reducing gender inequality is a step in the right direction as it adds to agricultural growth and achieving food and dietary security. However, for productivity to increase in the agriculture sector in most countries in SSA, not only do we need equality in access to production resources, but also there is the need to consider access to finance as a booster of productivity (Sekyi, 2017).

Also, according to the IISD, (2015), for a country to move from subsistence to commercial agricultural production, there is the need to pay attention to finance which will boost growth in the sector. Hussain and Thapa (2015) also affirmed that one of the significant challenges facing smallholder farmers, especially those in developing countries in their day-to-day farming activities is access to credit. However, in developing countries where the majority depend on agriculture, financing for investment is scarce (IFC, 2013).

One of the main channels of reaching a drastic decline in poverty and improving farmers' welfare is to increase agriculture productivity through technology adoption, and this is tied to financing. It is evident that there is a direct positive association between credit access and agricultural output, and one of the solutions to agricultural financing is easy access to credit (Obisesan & Akinlade 2013). Making credit available to rural households has been noted as an essential instrument that can alleviate poverty among poor rural families. Sekyi (2017) indicated that improving access to financial services is a crucial step to reducing poverty and improving development outcomes by enabling the rural poor to smoothing their consumption and cope with risk. Credit access is necessary for increasing the ability of households to cater for expenses such as the purchase and use of improved agricultural inputs and the achievement of food security (IFPRI, 2002; Sekyi, 2017). There are two primary sources of credit in Ghana, the formal and the informal sources. The formal sources of credit comprise of banks, and the registered financial institutions and the informal sources include self-help groups such as "susu groups", Rotating Savings