Texila International Journal of Academic Research
ISSN: 2520-3088
DOI: 10.21522/TIJAR.2014.09.04.Art006

Access to Finance: The Determinants and Limitations to the Supply Side of Finance for Liberia's Rural Market

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Abstract

This critical piece of research paper reviews the literature on the key determinants of finance for Liberia's rural market. It also takes into account the limitations of the supply of finance for the rural market of Liberia, with the unabated need for the diversification of the Liberian economy in the face of intermittent shocks in the global economy. The study unearthed that investment in agricultural small and medium-sized enterprises (SMEs) will prove adequate in triggering sustainable economic growth and development through poverty alleviation, job creation, and food security which are the drivers of the supply of finance for rural dwellers in Liberia. Notwithstanding, the study found that the supply of finance for Liberian agricultural SMEs is constrained by the lack of creditworthiness information, weak judicial enforcement of contracts and corporate transparency, land ownership, high non-performing loans, and financial literacy. The keywords used in this article include gross domestic product, small and medium-sized enterprises, non-performing loans, inflation, credit rating, bankruptcy, value chain, urbanization, food security, human capital, and risk aversion.

Keywords: *Bankruptcy, Credit rating, Human capital, Inflation, Small and medium-sized enterprises, Value chain.*

Introduction

Liberia is the least developed country found in Sub-Saharan Africa, which country suffered virtually three decades of civil conflict and the outbreak of two deadly global pandemics, which include the Ebola virus and Covid-19, with cross-cutting catastrophic consequences. Worst of all, the country is confronted with widespread poverty, pervasive corruption, and food insecurity. With financial inclusion being proven to be very effective in promoting sustainable economic development through inclusive growth and income equality, the Government of Liberia, through the Central Bank of Liberia, adopted a national financial inclusion strategy aimed at ensuring the accessibility of financial services to all segments of the Liberian society. With funding from the International Fund for Agricultural Development (IFAD) and technical support from Afriland Bank, the Central Bank of Liberia has established twelve (12) rural community financial institutions in eight (8) of the fifteen (15) counties of Liberia. However, the supply of finance for the rural market in Liberia is constrained by the interplay of several factors. Prominent amongst these include no creditworthiness information, a high rate of non-performing loans, weak enforcement of judicial contracts, and low financial literacy among rural dwellers. The Central Bank of Liberia needs to strengthen the capacity of the newly established credit bureau in order to effectively assess the credit risks of borrowers and track the credit ratings and history of borrowers. This will reduce adverse selection and moral hazards that give rise to the occurrence of non-performing loans. The availability of credit history/ ratings of borrowers will also aid commercial banks in expanding credit to the rural populace. The Government of Liberia should strengthen the

Received: 07.09.2022 ***Accepted: 22.09.2022*** ***Published on: 29.10.2022***
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judiciary system to ensure that the commercial courts become effective in adjudicating cases related to loan defaults. Furthermore, the Central Bank of Liberia should see it as a priority to provide robust financial literacy training opportunities for those in the rural financial market of Liberia. With much objectivity, the most effective antidote to address these constraints is ensuring a functional credit bureau for evaluating and tracking the credit history of borrowers. The major limitation to the achievement of the financial inclusion strategy is limited financial support for the full implementation of the strategy to spread financial services to the rural poor. The Central Bank of Liberia has made some strides toward the achievement of its objectives related to the national financial inclusion strategy by establishing a credit bureau. The overarching objective of this study is to identify the determinants and limitations to the supply side of finance for Liberia's rural market and proffer solutions to harness those determinants that are not working with the implementation of the national financial inclusion strategy by the Central Bank of Liberia. Furthermore, this paper contributes to the literature on rural finance in driving sustainable economic development in developing countries. This paper is structured into three cardinal parts: section one encompasses the background, section two covers the literature review, which underpins the study, and section three concludes the study. Financial inclusion is a concept of novelty in Liberia. Though there are rural community financial institutions in Liberia, there are no research studies conducted regarding the assessment of the performance of these institutions. Further research is needed to be conducted to explore this area of the rural finance market in Liberia.

Background

With the compelling need for the diversification of the Liberian economy as a result of global shocks which continue to affect the country's traditional exports such as diamond, iron ore, and palm oil, a shift to robust nationwide agricultural activities to diversify the country's economic base will suffice in boosting the country's Gross Domestic Product (GDP) and creating job opportunities for the youthful population that constitutes over 65% of Liberia's population as evidenced by the 2008 National Population & Census Report.

Financial inclusion could ideally be harnessed in this context to propel this envisioned economic transformation. It is no doubt to assert that the improvement of financial inclusion in Liberia has the potential to concretize the resilience of the Liberian economy against external shocks by supporting economic diversification through a private sector-led development approach which will expand credit options and risk sharing between enterprises and households. The Agenda for Transformation (AfT), which is now being supplanted by the Pro-Poor Agenda for Prosperity and Development (PAPD), Liberia's medium development strategy envisioned access to financial services as a paramount driver for private sector development, job creation, and gender equality [1].

In spite of the implementation of the national financial inclusion strategy (NFIS) by the Central Bank of Liberia (CBL) through the use of the Mobile Money platform and the creation of rural community financial institutions, the population of Liberia from age 15 and above with no bank accounts is still significant. This means that a huge portion of Liberia's populace is found outside of the formal banking sector. In 2011, the percentage of Liberians aged 15 and above with bank accounts, including Mobile Money alone or in conjunction with someone else, was 14.68%. The percentage increased in 2017 to 28.16% and further increased to 44.2% in 2021 [2].

Ironically, financial institutions, such as commercial banks which are mainly needed to channel financial services to the rural population, have limited physical presence across the country. From a broader context, the limited presence of commercial banks across the fifteen counties of Liberia is principally accounted for by factors such as low profitability for the last several years, poor asset quality, weak lender protection, lack of money market, poor infrastructure, weak communication, and difficult land registration scheme [1].

The year 2020 was marred by uncertainty in the global economy, which was basically due to the Covid-19 pandemic, which led to the shrinkage in investment and business levels. This was also compounded by trade tension between two world superpowers: USA and China as well as the post-Brexit developments that occurred in the Euro Zone [3]. Notwithstanding, with the dwindling effect of Covid-19 in 2021, the global economy changed to a positive outlook due to the recovery from the pandemic. Global economic growth was projected at 4.3 percent in advanced economies, 6.3 percent in emerging and developing economies, and 3.2 percent in sub-Sahara Africa largely on the expectation of containment of the pandemic and other recovery-supported policies. Similarly, from the angle of inflation, at the end of 2021, inflation in advanced economies was projected at 1.3 percent, while in emerging markets and developing economies, it is projected at 4.2 percent [3].

On the domestic front, the economy of Liberia was projected to contract further by 3.0 percent from a contraction of 2.5 percent recorded in 2019. The deteriorating conditions in the tertiary sector, coupled with the uncertainty of the Covid-19 pandemic, induced a downward trend in the Liberian economy and is currently exacerbated by Russia's invasion of Ukraine a major food basket of the world. At the end of 2019, the country's inflation rate was reduced to 13.1 percent due to the monetary stability of the exchange rate and favorable prices of oil. Liberia's 2021 economic outlook seems to be positive, with an estimated growth rate of 3.2 predicated upon activities in both manufacturing and the service industry that make up of small and medium-sized enterprises, and inflation is estimated to reduce to a single digit based on the sustenance of the CBL rigid monetary policy reform [3]. In the face of Liberia's rebound from the effect of Covid-19, ubiquitous poverty lingers in Liberia at an increasing rate. It was reported in 2016 that an estimated 44% of Liberians were living on less than $2 dollars a day, and this projection was anticipated to attain 52 percent in 2021 [4]. With Liberia's current focus on achieving sustainable development and growth, with agriculture and manufacturing being pivotal to the country's economic growth, there is a heavy reliance on the private sector, which predominantly comprises small and medium-sized enterprises (SMEs) with 112,532 taxpayers as of 2020 [5] to stimulate the anticipated growth level. Paradoxically, SMEs in Liberia are confronted with challenges such as weak managerial capabilities, an unskilled workforce, fragmented markets, limited diversification, limited access to capital and credit, and limited market information [6].

Pillar two of the Pro-Poor Agenda for Prosperity and Development (PAPD), which is the National Development Plan of Liberia, articulates a call for the need to increase productivity via value chain intervention with a focus on agricultural production and marketing. This seeks to improve access to finance for SMEs as a long-term strategy for alleviating poverty and food insecurity. Without a doubt, investment in agriculture for SMEs, poverty alleviation for rural populations, and food security are the principal drivers of the supply of finance for the rural market in Liberia [6].

Literature Review

Theoretical Literature Review on Determinants and Limitations to the Supply Side of finance for Liberia's Rural Market

The Determinants of the Supply of Finance for Liberia's Rural Market

An enormous number of SMEs in Liberia are found in the agricultural sector. These businesses continue to serve as engines for Liberia’s economic growth through the provision of job opportunities, poverty reduction, and food security. What remains paradoxical for these SMEs is that they are mainly faced with capital and credit constraints to unlock their growth and expansion. These capital and credit constraints affect the supply side of rural finance in terms of outreach, penetration, infrastructure, accessibility, technology, and financial literacy.

Outreach

Financial institutions in Liberia are grappling with reputational risk regarding customer service. Many banks in Liberia, if not all, are popularly rated for having poor customer service. With the advent and institutionalization of the financial inclusion strategy in Liberia, there are no adequate visible outreach activities or programs to educate the rural population about the availability of rural finance. It is indicated by [7-9] that with the use of outreach programs, banks or financial institutions are able to provide the needed knowledge and information to resolve or simplify the qualms of consumers. By that, these financial institutions can become effective in the involvement of the rural market in financial inclusion. In the same vein, [10] carried out several studies that focused on the indicators of outreach that are integral to financial inclusion. With a similar focus, [11] drew an inference that banks’ lending models are faced with huge challenges stemming from outreach. As such, it becomes a hypothesis that there is a nexus between outreach and financial inclusion.

Penetration

An important aspect of the supply of financial services in the eyes of financial inclusion is the term penetration. This term suggests the deepness to which the bank can provide financial services and products to the populace. This profundity can be measured or determined by demographic, cultural as well as other factors that inhibit the flow of finance. In their respective studies, [12] and [13] formed a linkage between the economic growth of a nation to the financial inclusion of rural households. They further acknowledged that penetration is a key determinant of financial inclusion. [11] examined and noted the various forms of financial inclusion predicated upon the different levels of penetration. In a nutshell, penetration is measured by the extent to which the supply of financial services is adequate to meet the needs of households. One of the main indicators of financial inclusion is the segment of the population from 15 years and above with bank accounts, including Mobile Money, exclusively or in conjunction with someone else. Liberia has a low score (44.2%) as of 2021when it comes to meeting this indicator. The achievement of the overall objective of financial inclusion through the supply side of finance to the rural market will remain elusive if the emphasis is mainly placed on the accessibility of financial services rather than their adequacy.

Availability

The financial inclusion ecosystem of Liberia continues to be challenged by poor public and private investments in the area of infrastructure, including roads, communication channels, technology, and electricity. It is proven that the accessibility or the lack of proper structure for supplying financial products and services to every individual is the fundamental factor for the creation of financial inclusion or exclusion. In order to identify and address the access and barriers to financial inclusion, [12] conducted a study that observed that financial exclusion results from the lack of financial products for some sections of the population. Consequently, it is hypothesized that the availability of financial products and services is an important aspect of financial inclusion. [13-15] all developed an index of financial inclusion with the usage of availability as a measurement of financial inclusion.

Accessibility

Liberia's financial landscape is not well developed as commercial banks are disproportionately dispersed across Liberia so do the rural community financial institutions. For commercial banks, their limited presence is mainly due to low profitability, weak lender protection, poor infrastructure, poor asset quality, and more [1]. [7], viewed the term accessibility as the combination of physical aspects such as the distance to bank branches, ATMs, and necessary documentation, among many others. From the perspective of a developing country, [19] found that access to affordable banking services and innovation can lead to total financial inclusion. Similarly, the obtainment of financial services validates inclusion [20], and [13] opined that access to financial services enables individuals economically. In the eyes of financial inclusion, accessibility is the convenience and ease of using the available banking services. Broadly speaking, there are always products and services that are available to consumers. However, every service is not accessible. This is due to a variety of reasons unique to different groups of consumers.

Technology

With the continuous advancement in global technology aimed at revolutionizing business processes, time minimization, cost reduction, and improved products and services, the banking technologies for Liberia's rural market are still lagging behind other banking sectors in sub-Saharan Africa. As a consequence, traditional baking is still heavily practiced in rural Liberia. Though the Central Bank has introduced Mobile Money and other digital financial services, the impact on rural baking is minimal. The technology aspect of financial inclusion encompasses innovative technologies in the banking sector, like internet banking and mobile banking. The improvement of financial inclusion is seen as being heavily dependent on these new technologies [14]. Obviously, [21] found that the advent of social media has a huge impact on access to and use of financial services. [22] proposed the use of technology as a result of its potential to make available financial services in remote areas. [23, 24] in their studies, identified technology as an important and positively influential factor of financial inclusion.

Financial Literacy

A significant portion of the rural dwellers in Liberia lacks financial literacy due to limited training opportunities to hone their financial management skills to either manage their personal or business finance. This gap is negatively impacting their ability to develop competitive loan proposals. This impinges on their ability to access finance. By definition, financial literacy is the dimension to which households and individuals are educated or informed of the knowledge and skills needed to manage finances and make informed financial decisions. [14] revealed that financial literacy is a key determining factor for financial inclusion and exclusion. On the other hand, [25] inferred that financial literacy is not as important as its utilization. A similar study conducted by [24, 26; 27] pointed out that financial attitude, financial behavior, and financial knowledge define the level of financial literacy, which then determines financial inclusion.

The Limitations to the Supply side of finance for Rural Markets

Limitations to the supply side of rural finance form an integral part of many financial theoretical and empirical pieces of literature. In this article, a few of these works of literature have been considered.

These important pieces of literature attributed the limitations to the supply of finance for the rural market to low levels of education, skills training, and experience, demographic aging, imperfect information, uncertainty, and risk aversion, limited access to land and capital as well as occupation/residential choice paradigm [28-30].

Low Levels of Education, Skills Training

It is generally believed that labor in rural markets in developing and least developed countries is to a greater extent, made up of non-skilled labor, which is being provided by those possessing a diminutive degree of formal education or vocational training which falls beneath the national threshold with huge dissimilitude in relation to setting characterized by urbanization. Frankly speaking, a dismal agricultural output coupled with choices regarding types of work is spurred by poor skills, which often results in low wages and salaries and fluctuations in employment activities. With respect to entry into the non-farm economy, education is a key factor. [29, 31-37] indicated that education being represented by knowledge and skills are favorably and greatly linked to the involvement in rural non-agricultural wage employment. Also, [38-40] argued that this reduces participation in activities centered around agriculture. This suggests that the ability of the workforce to assume non-farm-related activities is limited by low employable skills.

Empirical evidence indicates that during the period of transition in economies, the movement of labor declined more than anticipated. This drew the attention of [34] to dwell on the significance of structural constraints involving the inter-sectorial labor movement in Slovenia and inferred that the strictness in labor supply results from the poor educational accomplishment of farm holders. This causes a similarly uncompetitive situation in the off-farm labor market.

[41] theorized that broad and specialized education, as well as vocational training along with experience from a job, influence the movement and cost allocation of labor. According to [42], this characterizes a great hurdle to the movement of labor and to well-organized labor allocation. Those shifting from agriculture and seeking alternative employment opportunities are faced with hindrances arising from insufficient human capital which fails to provide the needed skilled labor. According to studies carried out by [43], unemployment lingers amongst workers found in the lowest education and skills brackets of the workforce. This comes as a consequence of their inability to access different jobs.

Demographic Aging

It is accentuated the aging of the population as a drawback for rural settings [44]. Demographic aging miniaturizes the future provision of labor and employment levels of the working population. This gives rise to slow economic development and reduces output. Another key factor that exacerbates this situation is the movement of skilled workers to the cities to pursue better opportunities. With agriculture being the major source of employment for rural dwellers, the shifting of skilled workers through urbanization leaves the sector with few workforce and limited skills with predominantly old folks. The resultant effect has been poor labor allocation in relation to agricultural activities, thus causing destitution with respect to human capital when considering other sectors of the economy [30].

Imperfect Information

[45] found that the inability of labor to move and unemployment is caused by the lack of perfect information regarding the location and presence of employment opportunities. The field of agriculture involves huge costs related to the search for employment, and the varying demand for labor in the context of farm-related production creates unpredictability surrounding the acquisition of wage labor [31]. It is very salient to emphasize that the financial structure of any economy is largely dependent on adequate sharing of information across lenders and borrowers in the loan market. Informational disequilibrium creates binding constraints for the supply of finance. Informational frictions create challenges to the delineation between high- and low-quality investment projects which makes investment decisions difficult. Investments that are heavily private

informational-based have a riskier nature. They often result in internal finance constraints due to disequilibrium and threaten the existence of the loan market owing to the issues of adverse selection, which gives rise to moral hazards. As a result, agents who have projects characterized by the likelihood of great feat become victims of the challenges of underinvestment due to credit rationing amongst loan seekers. The allocation of investment in an economy with private information is not optimal. This leads to a slow pace in the growth of an economy with imperfect information than one with full information.

Uncertainty and Risk Aversion

Economic theory notes that the choices farmers make to allocate their labor are premised on the desire to increase their utility. This pushes them to segment their supply of labor into on-farm- and non-farm activities in a way that ensures equilibrium for marginal returns on all activities. For risk-averse farmers, limited time is apportioned to activities that are characterized by more risks with the same returns. This suggests that farmers will prefer working in areas with small risks and lower wages [46]. The absence of perfect insurance against risk engenders a major limitation for rural households since the means to reduce differences in production plans are underdeveloped [47]. [48] points out that with suitable access to risk insurance, rural households are likely to withhold innovation, avoiding the espousal of innovative activities or the extension of new ones. From another perspective, poorer farmers tend to supplant higher probable yields, related to greater risks, with safer investments [45].

Limited Access to Land and Capital

One of the outstanding challenges that continue to adversely affect the supply side of rural finance for rural markets is limited access to land which is compounded by the lack of capacity to access credit. This constrains farmers' ability to invest in technology and equipment and their modernization [49]. Moreover, this inability affects farmers when it comes to investing in start-up business ventures and other off-farm activities that produce inflows [46].

The Limitations to the Supply Side of finance for Liberia's Rural Market

With specificity, the below factors contribute to the limitation of the supply side of rural finance in Liberia in general.

No Creditworthiness Information

Historically, Liberia had never had credit rating agencies since its existence dating from 1822. By that, for lenders, there is virtually no creditworthiness information available due to the lack of a comprehensive database for borrowers' credit history. The credit bureau established by the Central Bank of Liberia (CBL) is in the process of upgrading the credit reference system. With the coming effect of the national identification system, it is highly likely that this will add value to the modernization of the credit reference system for Liberia [50].

Weak Enforcement of Judicial Contract and Corporate Transparency

Sadly, pervasive corruption in Liberia has undermined the judicial system with a cross-cut devastating effect. Judicial contract enforcement and corporate transparency are weak, resulting in poor protection of lenders. As of 2020, Liberia scored 35.2% in enforcing contracts as compared to Ghana, Sierra Leone, Kenya, and Rwanda, with scores of 54%,55.9%, 58.9%, and 69.1%, respectively [51].

The High NPL Rate Combined with Liberia's Weak Insolvency Scheme

The Central of Liberia (CBL) annual reports over the last five years have pointed to high non-performance loans (NPLs) ratio to total loans. Particularly, the CBL 2021 annual report cited that the financial sector of Liberia remains challenged by rising in non-performing loans (NPLs), with NPLs ratio to total loans increasing from 21.17 percent in 2020 to 22.41 in 2021. Notably, the high NPL rate combined with Liberia's weak insolvency scheme weighs on the balance sheet of banks, making lending more difficult and non-inclusive. These factors make catering to smaller, less publicly known operators, such as households and MSMEs, riskier.

Land Ownership

For many years, land rights and ownership became a source of conflict and in extreme cases, resulted in the loss of lives amongst contending parties. However, in recent years, the establishment of the Land Authority has created clear mechanisms to avoid and mitigate conflicts associated with land ownership. Currently, land ownership rights are not well defined under the current law, and there is a very limited secondary market for land and real estate, partly because non-citizens (notably the Lebanese and Indian minorities who are very active in the business) cannot own real estate. Furthermore, all privately held land plots in Liberia are not mapped and registered in the immovable property registry, and there is no legal system that requires verification of the identity of the parties to a property transaction [52].

Poor Corporate Transparency

The general public perception of corporate transparency is very poor, and the recovery rate at the time of bankruptcy is very low. The CBL is being perceived as not providing the public and the markets with all relevant information on its strategy, assessments, and policy decisions as well as its procedures in an open, clear, and timely manner [1].

Low Financial Literacy

The ability to understand and make use of a variety of financial skills, including personal financial management, budgeting, and investing, is crucial. Also, the ability to comprehend financial principles and concepts, such as the time value of money, compound interest, managing debt, and financial planning, can boost one's capacity to access finance through the presentation of a convincing business plan. In Liberia, financial literacy is generally low, and individuals and SMEs have limited capacity to prepare good business plans and convincing investment opportunities [1].

Research Method

The method used for this study is searching for the literature on rural finance. A systematic review was carried out. To ensure that this study is informed by sufficient theoretical underpinning, several books, theses, journals, articles, and reports related to the determinants and supply side of rural finance were sought, gathered, and thoroughly reviewed by the author. Moreover, an interview was held with the Manager of the rural community financial institution in Sanniquellie as a representation of key stakeholders of the rural community financial institutions of Liberia. Also, the author's personal knowledge and observations regarding the trend of rural finance in Liberia were utilized as sources of information in the development of this article. The outcome of these reviews, interviews, personal knowledge, and observations formed the core basis for the literature review and findings of this study. This study was carried out in Liberia with a specific focus on the rural setting.

Results

The results/findings from the study through a systematic literature review are presented under two major classifications:

1. Determinants for the supply of finance for Liberia's rural market- The study found that the supply of finance for Liberia's rural market is majorly influenced by the following:
    a) Outreach,
    b) Penetration,
    c) Availability,
    d) Accessibility,
    e) Technology and,
    f) Financial literacy.

2. Limitations to the supply side of finance for Liberia's rural market-The study established that the limitations to the supply side of finance for the rural market of Liberia include:
   a) Lack of creditworthiness information,
   b) Weak Enforcement of Judicial contract,
   c) High NPL rate combined with Liberia's weak insolvency scheme,
   d) Land ownership,
   e) Poor Corporate transparency,
   f) Low financial literacy.

Discussion

Notably, the combination of various factors, including outreach, penetration, availability, accessibility, technology, and financial literacy, make up the determinants of finance for the rural market of Liberia. Since the inception of the national financial inclusion strategy by the Central Bank of Liberia, which is fundamentally meant to make financial services accessible to all segments of Liberia society with much affordability and convenience, there has not been adequate visibility of outreach programs across the country to educate and sensitize the populace regarding the accessibility of financial services. This has rendered a certain portion of citizens, especially the rural population, incapable of obtaining the needed financial services to suit their needs. The provision of financial services has not fully penetrated all nooks and crannies of Liberia. The country covers 38,000 square miles with fifteen (15) political sub-divisions and a population of about 5 million. Currently, there are only twelve (12) rural community financial institutions found in only eight of the fifteen counties. This disproportionate distribution of the rural community financial institutions speaks volumes of the lack of penetration of financial services in rural Liberia. The level to which financial services are needed to be readily available remains another daunting situation in Liberia. The availability of financial services does not commiserate with the needs of the populace. The infrastructure for the ecosystem of financial inclusion should provide accessibility to reduce the time and costs associated with accessing finance. The case for Liberia is antithetical or opposite. People seeking financial services, especially the rural populace, are constrained to travel longer distances with bad topography, which involves long hours and huge costs. The overall technological landscape for the banking sector is poor. The rural banking sector has not been adequately modernized. These rural financial institutions had not migrated to the use of modern banking technologies. These gaps affect their ability to expand financial services to rural dwellers. Finally, the supply of finance for the rural market of Liberia is being impacted by the level of financial literacy amongst the rural populace. Generally, the rural populace of Liberia lacks the requisite financial literacy when it comes to financial management. This is due to limited training opportunities to hone their capacities to adequately manage their personal and corporate finances to their advantage. Admittedly, these determinants for the supply of finance for the rural market of Liberia are not working effectively. Policy actions are needed to harness these determinants for the effective and efficient flow of financial services to the rural populace of Liberia.

It is important to divulge that the lack of creditworthiness information, weak enforcement of a judicial contract, high non-performing loans rate combined with Liberia's weak insolvency scheme, land ownership, poor corporate transparency, and low financial literacy play a contributory role to the limitations to the supply side of finance for Liberia's rural market. Firstly, Liberia has been struggling for many years to establish credit rating institutions that assess, compile, and store the creditworthiness and history of borrowers and potential borrowers. Though there currently exists a credit bureau at the Central Bank of Liberia, there are no creditworthiness records upon which lending institutions could base their decisions to lend to those seeking loans. This challenge is adversely affecting the lending capacity of banks. This, in turn affects the supply of finance to the rural market. Secondly, another outstanding disgusting constraint to the flow of financial services to the rural populace in Liberia is the degree of rampant corruption across all sectors of Liberian society. The business environment or financial sector of Liberia is no exception. This had led to a weak judicial system and poor enforcement of contracts in the case of default by a party to a contract. As a result, banks cannot get adequate and timely redress in the default of loans for repayment. This continues to limit banks and other lending organizations from expanding their loan portfolios. Thirdly, the annual reports of the Central Bank of Liberia for the past several years have indicated a persistent increase in the ratio of non-performing loans to the total loan portfolios of commercial banks. The imperfect information that subsists between lenders and borrowers and the inability of lenders to incur the high cost of monitoring the projects of various borrowers gives rise to adverse selection and moral hazards, which subsequently accounts for loan defaults. The resultant effect of this is the use of collateral and credit rationing, which limits the flow of financial services to the rural market. Fourthly, Land ownership still remains a major source of conflict in Liberia, which is affecting the spread of banks across the country, mainly in the rural parts of Liberia. While it is true that the Government of Liberia had made some gains in tackling this through the creation of the Land Authority and the new Land Act that contains mechanisms for land ownership, rights, and conflict resolution, more needs to be done. Persistent fraudulent sales and resale of land as well as tribal conflicts surrounding land, are on the increase in Liberia. In the face of these, commercial banks feel jittery and disinclined to get embroiled in land conflict or fraud, which could cause reputational risk and financial losses for them. Due to this, commercial banks have a limited presence in the rural parts of Liberia. Fifthly, Liberia has a low functional literacy rate. In the midst of this, the Central Bank of Liberia and the commercial banks have not done much to promote corporate transparency regarding their operations, strategies, assessments, and policy decisions. For example, less than a year following the ushering in of the current government, there was a widespread public perception of missing 16 billion Liberia Dollars coupled with a huge liquidity shortage that affected all commercial banks in Liberia and eroded public confidence in the banking sector. The Central Bank and commercial banks did not do well in providing transparent and synchronized information to the public about these situations. Consequently, for fear of bank failure, the public made huge withdrawals from commercial banks and resorted to saving money in their homes. This badly affected the banks and worsened the liquidity crisis in Liberia until the intervention of IMF and USAID through technical support strengthened the financial system of the country, thus restoring public confidence in the banking sector. Lastly, many of the borrowers in the rural parts of Liberia are noted to possess a low level of financial literacy. This impinges on their ability to access sizeable loans needed to support their endeavors aimed at supporting their livelihoods. Specifically, they are unable to develop competitive business plans and loan proposals that will enhance their chances of attracting sizeable loans.

Conclusion

The achievability of sustainable development and economic growth in Liberia greatly hinges on sizable investment in agriculture. In this case, a substantial and unhindered flow of financial services to the country's agricultural SMEs and other segments of the rustic population is the best antidote for driving income-generating activities such as job creation and savings for the rural populace. Incontestably, a boost in agricultural activities through the supply of financial services to the rural market will significantly enhance the country's capacity to adequately mobilize domestic resources to support the national budget in the sectorial allocation of strategic resources to spur the desired level of national transformation. Interestingly, this endeavor will tackle and alleviate the pervasive degree of poverty and food insecurity that Liberia is currently experiencing. This research paper excavated that investment in agriculture for SMEs, poverty eradication, and food security are the fundamental determinants of the supply of finance for Liberia's rural market. Most importantly, the study concludes that creditworthiness information, weak judicial enforcement of contracts and corporate transparency, land ownership, high non-performing loans, and financial literacy are the principal constraints confronted by the rural market of Liberia in accessing financial services to support their livelihoods. This paper posits that the Government of Liberia, through the Central Bank of Liberia, is incrementally getting on the right trajectory to mend these constraints with the advent of the national financial strategy (NFIS), which was espoused a few years ago. In summation, this paper calls for a more solidified and concerted effort to be exerted by the Government of Liberia and its development partners in strengthening the implementation of the NFIS through the vibrant policy design supported by empirical data to address these challenges head-on aimed at improving the financial ecosystem for the rural dwellers of Liberia which will ineluctably bolster sustainable development and economic growth.

Acknowledgment

I am highly indebted to God for endowing me with the wisdom and courage to develop this article. I remain grateful to Prof. Doctor Oluseye Samuel Ajuwon for the technical guidance given to me throughout the compilation of the research article. Finally, I am thankful to my family for the moral support accorded me while undertaking this research endeavor.

Conflict of Interest

I write to categorically state that I do not have any personal relationship with any of the editors of the Publishing House. Also, I have no commercial, legal or financial relationship with the publication business involving the Publishing House. I am a bona fide student of Texila American University. As part of the partial requirements for a Ph.D., I am required to publish two articles.

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