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**TOPIC TITLE: EXPLORING BARRIERS OF AGRICULTURE CREDIT TO SMALL SCALE FARMERS IN ZAMBIA: A CASE STUDY OF NKEYEMA DISTRICT**

**By**

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# Declaration

I, Maggie Indopu, student number: BDS 162553 hereby declare that the dissertation for Students qualification to be awarded is my own work and that it has not previously been submitted for assessment or completion of any undergraduate qualification to another University or for another qualification.

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# Dedication

My husband and our two awesome children. Further to my parents who inspired me from day one and always made sure that education is a priority. First to my father, you always told me nothing that is satisfying comes without discipline and hard work, to my Mother: I do not really have words to describe her motherhood, all I can say to her is that I would not trade her even for a billion kwacha!

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# Acronyms

BoZ Bank of Zambia

FAO Food and Agriculture Organization

FISP Farmer Input Subsidy Program

GDP Gross Domestic Product

JTI Japan Tobacco International

MFIs Micro-Finance Institutions

MoA Ministry of Agriculture

NGOs Non-Governmental Organizations

SIFAZ Sustainable Intensification of Smallholder Farming System

UNILUS University of Lusaka

ZIAMIS Zambia Integrated Agriculture Management Information System

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# Abstract

The research investigated the barriers of agriculture credit to small scale farmers in Zambia using a case study of Nkeyema district. The study obtained primary data from fifty (50) small-scale farmers and four (4) key informants from four different credit institutions in the research area.The primary objective of this research was to obtain a better understanding of the barriers to agriculture credit in Zambia. Furthermore, the necessary conditions required to improve agriculture were identified. This was mainly done in an attempt to improve the quality of agriculture in the rural areas.

The first objective evaluated the availability of information to small scale farmers on Agriculture Credit from lending institution in NkeyemaDistrict ;the second explored appropriate responses and actions by relavant stakeholders towards scaling-up of Agriculture credit scheme in Nkeyema District. The final objective was to assessed the terms and conditions attached to agriculture credits.

Findings show that small-scale farmers in the area are aware of the credit facilities available in the area, but credit facilities in Nkeyema district are limited. Despite the majority of the respondents being aware of the institutions giving credit, only a few of them had adequate information on agriculture credits to small-scale farmers due to limited infrastructure which affected accessibility.

Findings also show that the government under Ministry of Agriculture is through a Caritas Zambia and Food Agriculture Organisation (FAO) forming cooperatives and aggregation centers to be supported with agriculture inputs while other financial lending institutions are designing loans that can be accessible to the farmers as they are the majority in the area.

More widely, lack of collateral and high interest rates limited farmer’s access to credit while on the other hand some institutions only give credit to people in formal employment, some only give loans to farmers who grow a particular type of crop (tobacco) in the area and the institutions that offer loans to farmers in the area require collateral that some of the farmers are unable to give. Based on the study undertaken, I recommend the government to have a local bank specifically for farmers where they can easily access agricultural credits at a lower interest rate with flexible requirements. When Managed very well this would reduce on the cost of subsidy the government has been paying on behalf of farmers for a long time.

# CHAPTER ONE

# INTRODUCTION

## 1.0 General Introduction

The role of small-scale agriculture in feeding the world and tackling poverty and hunger is a long-debated development issue. Two views form this debate. The first view is of the idea that small-scale agriculture has continued to sustain a large number of people with most low- and middle-income countries depending on food produced by small-scale farmers (Poole, 2017). On the other hand, critics argue that as countries develop, they need to migrate out of agriculture and that jobs and economic development outside agriculture are key to poverty reduction (Collier and Dercon, 2014).

Globally,the agricultural sector employs 76.3% of the extremely poor and 60.7% of the moderately poor people, making it the main employment sector for the poor (Castaneda et al. 2016). These are mainly subsistence farmers and they face significant barriers to entering higher value agricultural activities. Differences in dynamics and structure of small-scale agriculture and poverty are huge when comparisons are made between different regions and countries. 35% of all farms with an average farm size of 0.6 hectares are found in China while 24% of farms with one-third being 0.4 ha or less are found in India and 8% of farms are in Sub-Saharan Africa (Lowder, Skoet and Raney, 2016).

Small-scale farmers in all their diversity are part of a wider food system that is undergoing significant structural transformation. The opportu+nities and risks for the future of small-scale agriculture need to be understood within this wider food systems context. Changes in food systems are being driven by urbanisation, changing diets, new patterns of agricultural and food sector investment, technology, climate change, and resource depletion, along with changes in the wider contexts of political economics, global trade and geopolitics. It’s an astonishing achievement that over the last 50 years food systems have met the huge increased demand for food. It is for this reason that investment in agriculture is worth undertaking because it reduces poverty to a larger extent compared to any other sector more especially in the Sub-Saharan countries. It is worth stating that the food security and human development in the Sub-Saharan is more linked to agriculture because it employs more than half of the entire work force in different countries including Zambia.(OECD/FAO 2016).

With a population of about 18 million in Zambia, where the economic mainstay is agriculture due to high numbers of employment the sector provides there is need for small scale farmers to have easy access to the agriculture credits.

## 1.1 Background of the study

According to the National Agriculture Policy 2012-2030 (NAPD), Zambia is a large, landlocked country in the center of southern Africa with an estimated population of about 17.4 million (2019) and, given its large size, the country is relatively sparsely populated. Zambia achieved lower middle-income status in 2011, following several years of robust economic growth; however, growth has slowed since 2015.

The agriculture sector in Zambia has seen many transformations in times past. From the 1960s onward, food and agricultural subsidies characterized agriculture and were focused heavily on maize as was given the political power of mine worker unions that lobbied for these in response to urban consumers’ preference for maize meal, which developed under colonial era policy (Kean & Wood, 1992). Uniform prices for inputs and crop producer prices and a price differential subsidy were used in government’s support for maize from 1960 to 1990 (Chizuni, 1994).

In Zambia only, about 70 percent of people live in rural areas with agriculture being the main economic activities that later sustain their lives. It is imperative to mention that despite several efforts being put by the government and other stakeholders about 60% of the entire population live in abject poverty. The agriculture sector only offers occupation to at least two third of the labor force and because of that sector’s contribution to the gross domestic product GDP has been declining since 2004 the distribution of the agriculture for the past five years has not placed emphasis on the broad based public investments necessary to stir agriculture growth and transformation (IAPRI, 2017).

Local marketing stations were set up in smallholder farmer areas to purchase maize and from 1967 to 1985, maize subsidies averaged 70 per cent of the retail price. Inefficiencies came about in this policy as not all of Zambia is ecologically suited to growing maize. Some areas were not suited to growing maize so there was a bias production toward maize rather than crops for which there might be a comparative advantage, which led to greater insecurity in the nation’s food supply. Also, farmers in areas poorly suited for maize cultivation were disadvantaged. The uniformed prices discouraged the private sector from engaging themselves in the sector and subsidies and price policies were significant government expenditures and contributed to debt problems in Zambia (Republic of Zambia, 2011).

In 1980, pricing policies aimed at encouraging commercial farm production sharply pivoted toward policies meant to foster smallholder farmer welfare andprevent excessive profits from large-scale commercial farming. In practice, while this particular policy approach may have promoted the welfare of poorer farmers, it also tended to discourage the growth of medium-scale farming. Furthermore, the lack of policy consistency, as was often the case during this time, may have come with adjustment costs and discouraged investment (Kean & Wood, 1992).

Before 1985, land was traditionally allocated through tribal hierarchies, which is now referred to as customary tenure. The Administrative Circular No. 1 of 1985 laid the regulations for a process to obtain government-recognized long-term leases for individuals on customary tenure land. Theoretically, this system would allow smallholder farmers to obtain individual legal recognition of their land capital, which could increase the security of their landholding and unlock their ability to use this asset as collateral for credit. However, the titling process may have been biased toward those with greater financial and social capital, thus adversely aﬀecting the poor and vulnerable while enabling land-grabbing by officials and local elites (Adams, 2003).

Problems with the maize marketing and support system emerged in the mid-1980s. Marketing board costs were increasing, while the large costs associated with fertilizer support subsidies were contributing to macroeconomic problems, particularly hyperinﬂation.To lower government deficits, reforms began in 1990 aimed at reducing maize input subsidies and government involvement in marketing. These reforms were not politically supported in Zambia, as they conﬂicted with the government’s goal of supporting smallholder farmers through crop production support. While maize input subsidies were reduced, they were not removed (Jayne et al., 2007).

Fiscal deficits caused by parastatal losses covered by the government resulted in high inﬂation, which had a disproportionate impact on the poor. Parastatals have a long history in the Zambian economy, covering manufacturing, services, transport, energy, and other sectors, and were set up through the government. Legislation was then passed in 1992 to begin privatizing commercial Parastatals, while eﬀorts also began in the 1990s to reform other Parastatals. Budget pressures brought about by the structural adjustment program resulted in cuts to several ministries, including agriculture, transport, energy, and water, and had a negative impact on agricultural spending (Elliot & Perrault, 2006).

The Lands Act of 1995 was created in response to donor requests to furtherprivatize and deregulate the market for land, with the intention of stimulating investment and agricultural productivity. In practice, the legislation has furthered elites' advantage and benefits, giving investors, local authorities and government officials leverage but excluding local land users (Nolte, 2014). As of 2011, the National Agricultural Policy 2012–2030 reported that only 3 per cent of the country's 1.5 million smallholder farmers had title deeds, noting that this discourages sustainable, long-term land management approaches and prevents access to loans, for which land can be used as collateral (Republic of Zambia, 2011). The transition to title deeds seems to be used largely by urban incomeearners looking for investment, and it has not been accessible to smallholder farmers looking to gain legal security for their land (Sitko& Jayne, 2014).

In 1996, the government moved back into marketing boards with the creation of the Food Reserve Agency (FRA), which was initially designed to hold a strategic reserve of grain to limit price volatility (Tembo et al., 2009). By the early 2000s, the FRA’s mandate had expanded and the agency began to distribute fertilizers and set price ﬂoors in the maize market by acting as a buyer of last resort. The FRA has not always been successful at maintaining stable prices, in part due to the difficult logistics associated with storing large amounts of grain and a lack of analysis of the agricultural market. The Fertilizer Support Program launched in 2002 took over the role of providing subsidized fertilizer to smallholder farmers (World Bank, 2010).

By 2005, the government had again become one of the largest actors in the maize market. The high level of government spending on purchasing grain and providing subsidized fertilizer meant that a lower portion of the public budget was spent on rural infrastructure and agricultural research. Government expenditures on inputs and marketing have not always benefited farmers and consumers. Most inputs were received late by farmers, with costly implications for yields, and the marketing boards have not always been able to keep foods attainable for consumers (World Bank, 2010; Tembo et al., 2009).

The Farmer Input Subsidy Program (FISP) was established in 2009/10 to replace the Fertilizer Support Program (FSP). By 2013, the FISP was providing 51 per cent of fertilizer in the country, up from 19.2 per cent supplied by the FSP in 2002 (Zinnbauer, Mockshell, & Zeller, 2018).Historically, smallholder farmers in Zambia have had very little access to finance. Private credit institutions and smallholder farmers faced barriers, such as the high cost of reaching remote farmers, the high risk of agricultural loans, and low borrower knowledge about credit, that curbed any attempts at resolving these access issues.

In 2010, the Zambia National Commercial Bank and the Zambia National Farmers Union began implementing a collaboratively designed scheme to enable groups of smallholder farmers to receive a seasonal credit for maize (World Bank, 2012). In 2011, the Ministry of Finance and National Planning was developing a plan for a sustainable rural credit institution (Republic of Zambia, 2011). The government released the Rural Finance Policy and Strategy in 2012 in order to facilitate and coordinate rural financial services. The policy takes a market-based approach to providing rural finance (Republic of Zambia, 2012).

During the period of 2004 – 2014, Zambia grew at an average rate of 7.4 percent benefitting from the commodity boom and a broadly stable macroeconomic environment. However, with the fall in global commodity prices and buﬀeted by weather shocks, economic growth has significantly slowed in subsequent years, averaging less than 4 percent. Further, poverty remains high, with a national average poverty rate of 54 percent and a rural poverty rate of 77 percent.

Agriculture is a critical sector in the Zambian economy, but it has not sufficiently supported poverty reduction in rural areas. The agriculture sector employed 48 percent of the working population in 2017. While employment in the sector remains high, the agriculture sector’s contribution to GDP declined from about 17.3 percent in 2004 to 8.2 percent in 2017 (World Bank, 2018).

This coincides with a decline in agriculture’s labor productivity measured as annual value added per worker from US$702 in 2004 to US$584 in 2015 (in constant 2010 US$). The low share of the agriculture sector’s contribution to GDP and the large share of labor force employed in agriculture indicate that most people remain locked into low-productivity subsistence agriculture, which is characterized by lack of access to productive assets, improved inputs and technologies, and markets, as well as a low level of agricultural diversification and skills (World Bank, 2018).

The formal financial sector finances a relatively large share of Zambia’s agricultural GDP. For five years, nearly 30 percent of the agriculture sector’s GDP was financed by commercial banks which was nearly double the ratio of total private sector credit to GDP, which was about 16 percent during the same period. Data for 2016 and 2017 from the BoZ’s Credit Market Monitoring Report (CMMR) database suggests that the share of agricultural GDP financed by the formal financial sector will increase by 1.3 percentage points, if MFIs and other non-banks are added. It would be even higher if financing from investment funds is included. The share of banking sector financing received by the agriculture sector relative to its contribution to GDP exceeds 3.5 and is one of the highest in the world according to the Food and Agriculture Organization (FAO) Agriculture Orientation Index (AoI) for Credit.(FAO, Credit to agriculture 2018)

However, the share of credit ﬂow to small farms is also very low as credit from the formal sector provided to small farms in 2016 and 2017 is estimated to be 7 percent and 8 percent (that is, Kwacha 267 million and Kwacha 386 million), respectively. This estimate includes credit reported to be provided to farms of sizes less than 50 hectares, as well as individuals and households, where the purpose is noted as farming. There could be some underreporting of agricultural credit going to the latter category. .(FAO, Credit to agriculture 2018)

Nonetheless, most of the financing for small farms is likely to be coming from own source financing and financing from informal sources, except for select sub-sectors, such as cotton, where oﬀ-takers (agribusinesses buying the product from farmers) are a major source of financing. Data regarding the number of loans and farms confirms that most small farms do not have access to credit from formal financial service providers. When taken together, the data regarding the number of loans outstanding from the CMMR database with estimates of the number of small farms from Horus (2015) shows that just 3.6 percent of these farmers have access to credit. By contrast, over 90 percent of large farms receive financing. This data is also corroborated by demand side data that shows that just one percent of farmers report borrowing from banks and two percent from non-banks. This suggests that lending from the formal sector to this client segment is negligible as compared to the potential demand.

Though Zambia’s share of the agriculture sector’s GDP financed by the banking sector is among the highest in Africa, over four-fifths of the institutional credit goes to the relatively small number of large commercial farms (approximately 1500) while less than five percent of small and medium scale farms (approximately 384,000) have any access to institutional credit. Similarly, Zambia achieved the largest outreach for agriculture insurance in Africa, reaching nearly 900,000 farmers in 2018, yet, design and implementation weaknesses seem to be severely limiting its benefits for farmers (World Bank, 2019).

The agricultural sector continues to be the backbone of the Zambian economy as it contributes to the growth of the economy and also its exports and it is for this reason that the agriculture sector needs effective and efficient financing in order to move towards the awaited VISION 2030. The essence of this research was to establish the barriers of obtaining financial credits from credit providers faced by small scale farmers at the same time finding out challenges faced by the credit providers in offering the credits. Out of the 70% of people who depend on agriculture, the government only targets less than half to benefit from the FISP programme leaving thousands of farmers with credits alternatives.

Given the critical role the agriculture sector plays in the Zambian economy, employing nearly half of the working population, it is critical that access to finance for small and medium-scale farms is increased and the eﬀectiveness of the agriculture insurance program is ensured. These outcomes can make an important contribution to breaking the low productivity trap in the agriculture sector, protecting livelihoods, and strengthening the sector’s contribution to economic growth and rural poverty reduction. Therefore, this research is necessary to find the barriers facing small-scale farmers in accessing credit and suggest ways in which the small-scale farmers can benefit from Banks and Financial institutions through agriculture credits.

## 1.2 Problem statement

Access to agricultural financing, let alone commercial cash loans to the sector, remains poor in most developing countries such as Zambia.

It is estimated that globally, only 1% of loans from commercial sources go to the agricultural sector. This is at variance with agriculture’s importance in economic growth. Somewhat natural risks contribute to this situation, with agriculture prone to production and marketing risks (FAO, 2017; Braimoh et al. 2018). It is paramount to assert that innovations in agricultural finance such as value chain financing address some of the risks, but even this is not enough to increase finance flows to the sector. There are challenges with the loan product designs and/or its delivery. As with other countries in the Sub Saharan Africa suffers from undersupply of agricultural financing, especially from commercial sources, the share of loans to agriculture is 17%, and this has declined by 13% over the years (Samboko, Sambo &Luhana, 2018). Smallholder farmers are thus the most financially excluded group within agriculture, raising the need for studies to explore and understand dynamics of credit access among farmers.

The focus of this research was to examine the barriers that these farmers face in accessing credit and to investigate their preferences and perceptions regarding credit in order to improve access to the agriculture credits.

## 1.3 General objective

* The overall objective of this study was to explore the barriers of agricultural credit to Small Scale Farmers in Zambia.

## 1.4 Specific Objectives

* To assess the barriers that lead to inaccessibility of Agricultural Credit to Small-scale farmers’ by financial institutions in Nkeyema district.
* To assess the availability of the information on Agricultural Credit to Small Scale Farmers in Nkeyema district.
* To assess the terms and conditions attached to agriculture credits

## Research questions

1. How available is the information of agriculture credit from lending institutions to Small Holder Farmers in Nkeyema district?
2. What are some of the appropriate responses and actions that need to be undertaken by relevant stakeholders towards scaling- up of Agricultural Credit in Nkeyema district?

## 1.6 Definition of Key Terms

**Agriculture Financing.** Refers to the provision of all sorts of services meant to supporting agricultural activities. This includes farming inputs, production services and distribution, wholesale processing and marketing.

**Smallholder farmer**. This refers to farmers who cultivate no more than two hectares of land using agrarian tools. Their production is low and have a little to sell out, their produce is mainly for consumption and a little that is sold in their raw form.

## 1.7 Delimitation and Scope of Study

The study covered smallholder farming households that are in cooperatives and limited to the district boundaries of Nkeyema in Zambia. Thus the study did not involve commercial scale farmers, since the required data was only based on the small holder farmers.

## 1.8 Significance of Study

With the centrality of the agriculture sector in the contribution to national development, the Zambian government has reduced the budget allocation to the agriculture sector. Because of this implications of a spike in both food insecurity and unemployment could arise.

This research is important as it will not only enable the possibility of intervention strategies but may lead to the improvement of Agriculture financing in the country. It is also hoped that the results of this research will also contribute to the existing body of knowledge and provoke further research on the subject of barriers to agriculture credit faced by small scale farmers.

# CHAPTER TWO

# LITERATURE REVIEW

# 2.0 Overview

This chapter discusses the theoretical review, empirical review as well as the conceptual framework for the study. Studies of credit to farmers are reviewed. The review covers some of the experiences in the world, region and in Zambia. It describes the history of credit systems, provision of credit for small-scale farmers in developing countries, types and sources of credit.

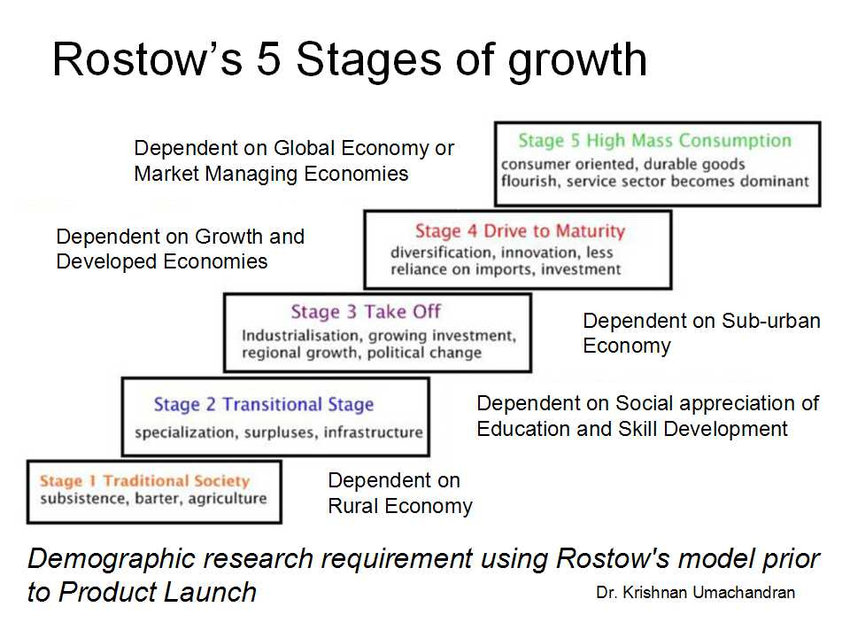
## 2.1Theoretical Review

### 2.1.1 Modernization Theory

The research adopted the use of Rostow’s theory of growth.Rostow’s theory of growth explains that in order for a country to develop it has to go through five stages of growth. The modernisation theory has been defined as a theory that uses a systematic process to move underdeveloped countries to a more sophisticated level of development(Reyes, 2001). For the essence of this study, focus will be made on the first and second stage of growth as it best describes the study area.

Modernization theory was developed in the late 1950s as a reaction to the beginning of failure of many of the prescriptions of development economists by a North American scientist (Rapley 2002, p. 15). The theory emphasizes the importance of political development in the climatic improvement of a nation’s economic standing and acknowledges social and cultural reforms. Despite being a political development theory, modernization theory may also be used for liberal theories. Nevertheless, its main focus is on political development with levels of coverage that consider history, sociology, political sciences in general, and area studies (Berger 2004, p. 87).

According to Chase-Dunn (2000, p.216), theories of modernization are about the change of modern technology and develop institutions and labour habits complementary to industrial production. According to the theory, development is a phased process and considers the impact of modern beliefs on people, families and society as a whole. Reyes (2001, p. 2) referred to Rostow’s (1962) five identified stages, which give shape to the modernisation theory of development:the traditional society; preconditions for take-off; take-off; the road to maturity; and the age of mass consumption. These are shown in the figure below:



**Figure 2.1:** Rostow’s 5 stages of growth (Source: Ojide, 2014)

The first stage of development is the traditional society. This stage is known to be a stage of limited range of production. It is a society that lacks the understanding of environmental capabilities and lacks the necessary technological advancements and is characterized of primitive tools which limit its production. It’s a biased social classification pattern with the political point of focus on a specific region (Rostow 1962, p. 311). Because the first stage has an economy that is largely dominated by the agriculture sector, Rostow recommends that between 5 to 10 percent of the national income is to be allocated to the sector in order to improve income per capita.

The second stage is the transitional stage and is dependent on social appreciation of education and skill development. It is at this stage that science and technology begin to progress. Activities in this stage contribute to economic productivity. Savings and investments in technology and infrastructure characterize this stage. Historically, the events in Europe from two important happenings that occurred after the middle ages: the development of modern science and ideologies and the subsequent land discoveries that led to the increase in trade, and the competitive struggles to avoid becoming European territories are an illustration of the second stage of development (Rostow 1962, p. 312). In other words, the second stage can also be described as the stage of preconditions for take-off.

Third stage is take-off stage and is characterized with the introduction of new and advanced industries that adopt the use of advanced technique such as the growth of cotton textiles, timber cutting and the railroad industry (Rostow 1962, p. 317). It is also a stage of political change, growing investment and regional growth. It is a society that is dependent on a sub-urban economy.

The drive to maturity is the fourth stage and is about diversification, innovation and less reliance on imports. Improved investments characterize this stage. It is a society which recognizes the need for greater security, welfare and leisure to its laboring forces and moves into on age of mass consumption. This leads to the provision of extensive private consumption like durable goods, and an extension of power internationally for the nation (Rostow 1962, p. 323).

The fifth and final stage in the modernization theory is the stage of high mass consumption. It is consumer oriented where durable goods flourish and the service sector becomes dominant. It is a modern society in which accounting plays a vital role as a modern technology.

In Nkeyema district, the main economic activities are farming of various crops and the majority of the farmers in the area are small-scale farmers who lack advanced technology and machinery in their production. Most Farmers in the area do not have access to the machinery that would help them produce high yields in their production and are dependent on simpler farming techniques such as hoes and oxen ploughs. There are currently no banking services in this area apart from the famous village banking. It is evident that Nkeyema district would be positioned in the second stage of Rostow’s theory of growth.

It is important to state that agriculture is important in the first stage because it offers employment to unskilled labor force and a few skilled labor force therefore reducing poverty and contributing to rural development. In order for the district to improve its production and move on to the next stage of productivity, the agriculture sector has to be more mechanized so as to increase output. Savings and investments need to be encouraged in order to increase their contribution to the GDP. External investment and greater exploitation of natural resources is required, Once production is improved, the area can then afford to save and make investments in technology, infrastructure and advanced machinery which are vital for the development of the area and necessitate the move to the next stage of development. To move from this stage, the government needs to increase land and labour productivity for food as an emergence of the industrial sector and the social overhead capital must be strengthened.

The shift from a traditional or subsistence society to the preconditions for take-off stage occurs because technological improvements raise enough output to produce surpluses or profits beyond the subsistence level (Bradfield 1988:21). These surpluses provide for savings and investment, which must grow. The main economic requirement in the transition phase is that the level of investment be raised to ensure self-sustaining development. The main direction of this investment is in infrastructure. According to the World Bank (1994:14), 18 infrastructure represents the ‘wheels’ of economic activity. Furthermore, infrastructure is one of the constraints to development in rural areas. The transition phase is characterised by new methods of cultivation and an improvement in education levels (Davids, Theron and Maphunye 2005:10). The length of this phase depends on the modernisation of resources (Nafzinger 1990:98).

Industrialization creates an environment in which encourages the reorganization of the agricultural sector, it permits a faster growth of technology,entrepreneurial skills and capital formation, and on the other, tends to break down traditional attitudes to life. Sustained industrial development sets conditions that are favourable for the transformation of the agricultural sector and thereby increasing agricultural productivity (Khan, 1966).As growth of industries is stimulated coupled with stable and supportive soial-political framework in later stages, agriculture is developed as a resource saving practice and is recognised for its economic benefits which convinced farmers to adopt it. These benefits include: increased yields, decreased production costs, reduced labour, value addition and increased farm incomes.

The second stage is therefore the most relevant for this research as the objectives and area of study has characteristics in the pre-conditional for take-off stage. Though the theory does not talk of agriculture credits, it fits well as it addresses agricultural development as a cornerstone towards development and growth of any economy.

## 2.2 Empirical Review

### 2.2.1 The role of credit in agricultural development

There is no consensus on the extent to which financial services provision, especially credit can aid in alleviating poverty in the third world countries, this is partly due to the difficulty in measuring the impacts of credit on poverty reduction. Nonetheless it is generally accepted that financial services in rural areas may benefit the marginalised people in either way. There is need therefore to have financial institution invest their financial product in cash or kind to those in need of investment in productive assets especially in rural areas.

According to Zeller and Sharma (1998), agriculture credit facilities could assist smallholder farmers acquire monetary resources without quality collateral or exchanging any asset to benefit from the potential profitable small medium businesses. Making agricultural credit readily available without limitation can bridge the gap between poverty and socially secured life.“

In Zambia, the rural poor generate income from farming and other related activities while the majority have limited food, education and basic health which are the basic fundamental towards human development because of low farming production and financial challenges.(Zambia Development Agency, 2017)

### 2.2.2Access to credit for small holder farmers in the developing countries

In many developing countries, where poverty levels is high access to agriculture loans for small holder farmer has been a nightmare for many years ,(Kumar n.d) supports this view by stating that over one billion smallholder farmer especially in the developing world had little to no access to financial even before the actual financial crisis.

According to the national agriculture policy draft of 2013, small holder farmer rely on the informal lenders to fulfil their credit needs. However, they are provided as a very small loan for a short period of time and especially for consumption. Because poverty hinders small holder from taking advantage from the opportunity that pull them out poverty, government has a role to play in alleviating poverty .With lack of information and missing market, the smallholder farmer cannot get insurance. Without insurance, they cannot rise to the occasion and take what may seem favourable risk for fear of falling below subsistence. (ZDA,2017)

### 2.2.3 Factors limiting access to credit for smallholder farmers in developing countries.

Among many other reason that limit access to agriculture credit is the neglect of the agriculture sector in development priorities in different government. These factors include market failure problems, credit rationing problems, misleading lending policies and institutional constraints.

Studies taken in Mozambiques by Manganhele (1999) and in Tanzania by Mohamed(2003), reports six key common socio-economic enabling factors that can make an individual stand a chance of accessing the credit from the semi-formal and/or formal financial sources. These are terms of credits condition, education level, age, gender, level and source of income and how a farmer informed is degree on. For women in particular they are assessed to ascertain the level of decision making as an individual as this influences chances to access credit.

### 2.2.4Institutional Constraints

This refers to challenges faced when trying to access financial services which are caused by the financial lenders, hence affecting the smallholderfarmers.They are based on two dimensions, namely financial institution specific constraints and barriers arising from the overall institutional environment.

### 2.2.5 Individual finance institutional constraints

This occurs when suitablekinds of monetaryfacilities are not provided. For example, many NGOs working in rural areas of Mozambique are providing credit largely for trading purposes but the most of small holder farmers request credit for investment purposes such automatedtools, tractors and trucks for and feeding purposes (Manganhele,1999) . According to Atieno (2001), Besly (1994) and Claessens (2005), other obstacles to access to credit for smallholder farmers clarifies why many financial institutions have been failing to provide appropriate financial goods and facilities to small holder farmers and other sections in rural areas. They include;

1. Small population making it problematic to offer physical setup in rural areas,
2. The lack of safety in cash transfers and branches which means that financial services cannot be operated commercially and in a money-making fashion,
3. High transaction cost for small volumes meaning that small holder borrowers frequently borrow and repay in small instalments and
4. Small holder farmers and firms in emergingstatesmightpursue financing or insurance for detailed purposes. Major life events such as marriage, health and specific crop coverage, for which agreements are challenging to design.

### 2.2.6 Determinants of Farmer Access to Agricultural Finance

Farmer access and efficient utilization of credit finance is very important in order to increase farm productivity, increase rural household incomes and reducing poverty levels in agricultural societies. However, in Zambia in particular and Africa in general, farmer access to agricultural finance is still low; hence Meyer (2011) and AUC and MFW4A (2012) mentioned that the reasons why agricultural finance has not been able to meet the needs and expectations of clients, is due inaccessible financial credit services and completely no knowledge about it. Thus, the authors reported this in terms of both sustainable access and suitability of financial products and services are mainly; reluctance of financial institutions to lend to the agricultural sector, high risks associated with lending to the agricultural sector especially smallholder farmers who lack collateral and production and political risks prevalent in Africa.”

On the other hand, Taylor et al. (2009) contended that, agricultural finance can be profitable even in a country like Zambia as banks in other countries have revealed. Nonetheless, the agricultural sector demands a specialised, innovative approach and that loan terms must be matched to the agricultural cash cycle, and mechanisms must be built in to guard against the risk of unanticipated variations in prices. “Enlisting examples of such developments such as; the use of non-traditional forms of security, agricultural equipment leasing, developing the agricultural insurance market, developing hedging mechanisms and exploring the use of international lines of credit and risk mitigation.”

It is very important for small holder farmers to easily have access to agricultural credit, in this regard, Sunday et al. (2013) noted that, increasing cost of labour and farm size are significant factors that drive farmers to demand and seek for agricultural credit. The authors explained that this kind of demand for agricultural credit is a result of the ever growing need to sustain the farm business by the investing farmer. However, Nyikal (2007) holds a contrary view, and statesthat smallholder agriculture, characterized by subsistence production, does not exhibit effective demand for credit, and funding it hencenecessitates means other than the competitive credit market.”

Similarly, Ezeh and Anyiro (2013) found a significant difference between women farmers who accessed credit and their counterparts who had no access. The authors mentioned that the former group performed better than the latter when it came to annual farm income, farm size and fertilizer use levels.””

Burritt (2006) classified agricultural finance use by smallholders into three broad categories; production credit (for seed, pesticides, fertilisers, animal traction/tractor services and credit for field production); commercialisation credit (for warehouse credit, fixed term credit and overdraft facility) and lastly transformation credit utilised for processing purposes and usually by processing companies. Non-price attributes of credit institutions and their services such as the types of loans provided and the restrictions on their use, as well as the types of nonfinancial services provided such as training in the management of microenterprises play a larger role.”

### 2.2.7 Agricultural Finance

Globally, the total credit to agriculture disbursed by commercial banks operating in the countries increased from 2.4% in 2016 to 2.9% in 2017. Given that the agriculture sector globally contributed over 4% of Gross Domestic Product (GDP), it appears that agricultural producers face a negative bias in access to credit,(FAO,2018).

The financial support to agriculture in China has diversified channels and forms. Since the Reform in 1978 there has been a split in the functional authority of financial support to agriculture, between the central authority and local government. In recent decades, the scale and structure of financial support to agriculture in China have changed a lot. The total fund supporting agriculture has increased continuously, but its proportion to total state financial expenditure has dropped. At the same time, expenditure for agriculture and related affairs has been increased and expenditure for capital construction has fluctuated.

Recently, there have been changes in financial support to agriculture. Firstly, the input to agriculture has increased. Secondly, focal points for using funds to supports agriculture have been identified. Thirdly, propelling agricultural industrialization forward has been a characteristic of rational structural adjustment of the financial fund supporting agriculture. Fourthly, perfecting the regulation, strengthening management, deepening the reform of financial support to agriculture and agricultural financial affairs. Fifthly, the scale of indirect financial agricultural expenditure, with price subsidy as its main component, has been enlarged continually.

Since new China was founded, especially since China's reform and opening up to the world, agriculture in China has made outstanding achievements. It has fed 22% of the global population, with only 7% of the world’s land. Sustainable and stable development of agriculture in China depends mainly on three factors: rural policy, agricultural science and technology, and fund investment. State financial support for agriculture, as an important part of the fund invested in agriculture, is a main factor that promotes production of agricultural products and rural economic development (Lu Yao, undated).

In Kenya, the agriculture sector contributes 51 percent of the country’s GDP (26 percent directly and 25 percent indirectly) and accounts for 60 percent of employment and 65 percent of exports (World Bank, 2018, p. 35). The sector is dominated by smallholder production on farms of between 0.2 and 3 hectares, which account for 78 percent of total agricultural production and 70 percent of commercial production (World Bank, 2015, pp. 2-3). Agricultural GDP is driven by horticulture and cash crops, but productivity is low, particularly for cereals. Given that most of the poor are in the agriculture sector, productivity also matters for poverty reduction. Agriculture sector growth accounted for the largest share of poverty reduction between 2005 and 2015 (World Bank, 2018, pp. 20, 35).

Historical analysis of agricultural total factor productivity in sub-Saharan Africa shows that Kenya was one of the few countries to record steady, if modest, long-term growth between 1961 and 2008 (Fuglie and Rada, 2013, pp. 15, 37). However, there are concerns that productivity is declining: maize yields per hectare were lower in 2014 than in 1994 (World Bank, 2018, p. 35). Between 1990/92 and 2014/16, Kenya was one of the few countries in sub-Saharan Africa to experience an overall decline in maize yields (Wiggins, 2018, p. 27). More positively, Kenya’s horticulture sub-sector continues to record dynamic growth (Matchmaker Associates, 2017).

According to the 2017 Global Findex database, 81.6 per cent of the 29.6 million Kenyans aged 15 and older have an account with a financial institution or mobile money provider. In rural areas, this figure is slightly lower at 81.2 percent. Financial inclusion is Kenya is the result of high rates of mobile money adoption and use: 72.9 per cent of Kenyans aged 15 and older have a mobile money account and rural figures are similarly high at 72.6 per cent.

Despite the strong presence of mobile money in rural areas, most farmers remain financially excluded. They are often at the bottom of the economic pyramid, yet they are the ones most likely to need access to financial services to finance their core economic activities and earn a living. Access to credit for farmers is often limited due to the perceived high risk of lending to the agricultural sector and farmers’ lack of financial history (Raithatha, 2019).

### 2.2.8 Agricultural Finance in Zambia

It is worth mentioning that Zambia, like many other third world countries experience a challenge of high interest rates (Budget,2013), therefore these rates affects access to the agricultural finance negatively with number of borrowers reducing with low amounts borrowed from the formal financial sector. Maimbo and Mavrota (2003) holds the view that commercial banks in Zambia are concentrated more in urban areas with small branches in provincial centres.

In the year 1992 and 1993, Zambia under took financial sector reforms which saw a marked increase in the number of Microfinance Institutions (MFIs) and by 1999 there were about thirty MFIs (Maimbo and Mavrotas, 2003). Tailor et al. (2009) mentioned that Zambia’s market for agricultural finance is basically dysfunctional. From the farmers’ viewpoint, credit is rare and costly and heavily skewed towards the larger, corporate sector and that Loan terms are often too short to accommodate the long term nature of agriculture, and the dispensation of loan applications by banks often takes too long.

The complete purpose of accessing agricultural finance for smallholder farmers would be to assist operational and capital investment where farmers get credit to buy seed, fertilizer and other equipment during the planting season. Nonetheless, in a number of situations this is not the case, to the extent that many interventions aimed at facilitating farmers’ access to credit have failed to deliver it at the right time and in the right proportions. In light to the former assertions, Meyer (2011) mentioned that except in the case of double or triple cropping, credit gotten after harvest does not directly solve the periodic need for working capital to plant a new crop.

According to the FAO report in 2018, highest level of credit to given to agriculture in any country was 21% of total credit, irrespective of its share in the GDP. Countries having less than 10% flow of credit to agriculture constituted nearly 88% of the reporting countries. In nearly half of the countries in the world, agriculture receives less than 3.2 % of total credit flows in the economy, with nearly 25 countries receiving below 1% of formal credit disbursements (FAO, 2018).

In the recent five years, 2013-2017, the top 10 countries with highest share of agriculture in total credit included three Asian, three African, three Latin American and one Oceania country. Malawi led with agriculture receiving 21.4% of total credit, followed by Kyrgyzstan (19.1%) and Zambia (18.2%).

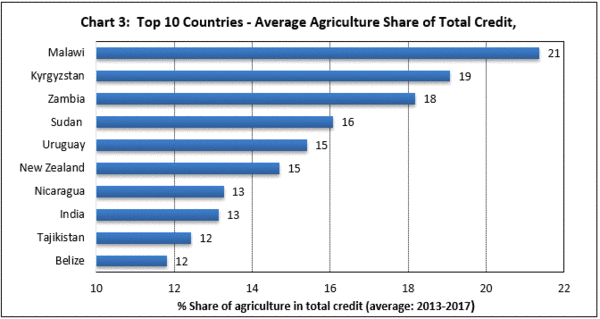


Figure 2.2: Top 10 Countries – Average Agriculture Share of Total Credit.

Source;(*FAO,Credit to agriculture 2018*)

## 

## 2.3 Conceptual Framework

**Access to Agricultural financial credits;** this implies the ability of being able to obtain the financial credits from the lending institutions especially by small holder farmers in this case.

**Requirements for accessing agricultural financial credits**; the necessary requisites that smallholder farmers ought to have so as to obtain the agricultural financial credits.

The independent variable (proxy by agricultural financial credits and availability of information on agricultural financial credits), is postulated to promote the productivity of small holder farmers proxied by increased farm output volumes (from increased production in various value chains) and increased household asset base (assumed to be measured by more assets accumulated by the smallholder farming households).

**MODERATING VARIABLE**

**(Enabling environmental conditions)**

* Environmental and climatic conditions
* Government policies on Agricultural financing credits
* Taxation
* Banking Sector’s attitude towards agricultural financing credits

**INDEPENDENT VARIABLE**

**(Agricultural financial credits)**

Access to Agricultural financial credits

* Requirements for accessing agricultural financial credits
* Ease of access to Agricultural financial credits
* Available incentives on Agricultural financial credits

**DEPENDENT VARIABLE**

**(Productivity)**

* Productivity of small holder farmers
* Increased farm output volume
* Increased household food security

**INDEPENDENT VARIABLE**

**(Availability of information on Agricultural financial credits)**

* Channels of communication to small holder farmers
* Ease access to information on agricultural financial credits
* Cost to obtain information on Agricultural financial credits
* Farmers’ attitudes towards Agricultural financial credits

Figure 2.3: Conceptual framework (***Source*:** This conceptual frame work is adopted and modified to suit the study from Ahnyidoho *et al*. (2015) ‘*Young people, agriculture and employment.’)*

In this regard, this conceptual framework dwells on the fact that access to agricultural financial credits by smallholders in cooperatives are intrinsically linked to the general increment in their farming productivity. When agriculture policies from the government creates an environment where farmers of all status can easily access agriculture credits in various forms by setting favourable standards to be use by financial lenders many farmers will have a wider variety of financial lenders to choose from . Agriculture credits when readily available coupled with good taxation will help farmers make informed decision that will end up increase productivity.

Furthermore, active supply of agriculture credits has a positive influence on the growth of agriculture output and farms income which has proved in many countries. Miah et al (2006) found in its research that farmers in Bangladesh who had easy access to both agriculture credit and information received higher yields compared to non-credit users.

# CHAPTER THREE

# METHODOLOGY

## 3.0 Over view

This chapter deals with the methods of the research, namely the data collection techniques and how the analysis was conducted. An explanation of the methods used to collect data and analyse the data as well as their advantages and disadvantage is presented first. The methodology for the study includes the research design, study population, sample size and selection, sampling techniques and procedure, data collection instruments, data quality control (validity and reliability), procedure of data collection, data analysis and measurement of research variables.

## 3.1 The Research Area

The research was conducted in Nkeyema district of Western province in Zambia. Nkeyema became a district in the year 2013 under the administration of the current regime, before that, Nkeyema was part of Kaoma district in Western province. Kaoma District is known to be the bread basket for whole Western province because of its bumper harvest due to arable land compared to other districts of the province.Even before it became a district,Nkeyema area used to record high yields compared to other areas in Kaoma district.

As of 2018 Nkeyema district had an estimate of 127,604 people with estimate area of 6,252 km. The area was one of the settlement schemes established after independence for the popular tool of agrarian reforms in Zambia. The main economic activities in this area is farming of various crops and hunting as the district shares a boundary with the Kafue National Park of the Central Province.

## 3.2 Research Design

Research design is important because it makes possible the smooth sailing of the various research procedures involved in a research,( Akhta,2016). In order to have true or accurate conclusion the research involved both qualitative and quantitative methods. The study focused on two variables, agricultural financing practices and productivity of small scale farmers of the participating member farmers in Nkeyemadistrict. The design was suitable because it enables collection of both primary and secondary information on several predetermined variables at a single point in time.

## 3.3 Sampling techniques and procedure

Purposively the study focused on smallholder farmers of Nkeyema District. Purposive sampling is a form of a non-probability sampling in which researchers rely on their own judgment when choosing members of the population to participate on their study,(Foley,2018).

This study area was selected because of its main economic activity which is agriculture as in many parts of the Zambian resettlement areas with over 600 small scale farmers. The researcher arrived at a sample size using a sampling table and the information collected represents the majority and gives accurate results.

The sampling technique and procedure was based on simple random sampling principles where individuals were randomly sampled from two cooperatives. This included getting a list of all cooperatives in the district from the District Agriculture Coordinator and from the list a sample size of cooperatives was determined from among cooperatives from which the respondents are engaged in. Then the sample size of respondents was determined from the total number of members of the selected cooperative and the individual respondents were randomly selected by use of probabilistic sampling where every individual has a high possibility of being selected.

## 3.4 Study Population and sample size

According to the institute of work and health,the study population is a complete collection to be studied. (Work and health.,2008) the target area has about 230 small scale farmers belonging to a number of various cooperatives with six registered institutions and these are Agora Microfinance, Atlas Mara Bank, Japanese tobacco international and Caritas Zambia.

## 3.5 Sample size

A sample size is a section or part of the population to be studied (Taherdost,2017) In this study, the sample size was arrived at using a simple random sampling and *n* individuals were be randomly drawn from the target population. The sample was 50 famers representing 23% of the study population.

## 3.6 Data Collection Methods

In this study, a survey was conducted and the data collection techniques included the following; face-to-face interview, key informants interview, survey and observations. These were carried out using tools such as an interview guide and a questionnaire whereby a questionnaire was administered to the respondents with semi structured questions with regards to the study topic.”

## 3.7 Data collection instruments

According to the statistical quality standards data collection instrument refers to the devices used to collect data. The data collection instruments included; interview guides and questionnaires, Key informants’ guides, Focus group discussion, observation checklists.

## 3.8 Validity and reliability

For the purpose of validity and reliability of the research instrument, the researcher ensured that the Questions that were asked were in conformity with the research objectives of the study and a pilot test of the research instrument was conducted and a calculation using office Microsoft excel was computed for question reliability and validity assessment. Repeatability of same finding after several researches with different method will mean the information is reliable.

## 3.9 Data Analysis and processing procedures

The answered questionnaires were checked for uniformity, accuracy and completeness and the exploratory data collected and other discussion from the in depth interviews were also thoroughly recorded. In this research analysis was done manually by using tally tables.

The researcher started by looking at data collected using questionnaires. That is, grouping the open and close-ended questions. Close ended questions were analyzed first as they are simple and straight forward. This involved coding each questions response and then allocating a unique figure to questions and after this, some descriptive measures were done. The analysis of closed ended questions was followed by open ended questions. The data gathered from the questionnaire was checked for consistency, uniformity and accuracy and finally critical analysis of data was done.

### 3.9.1 Quantitative data analysis

In this study data from the questionnaires was arranged, coded, edited for consistency and easiness and later entered using Statistical Package for Social Scientists (SPSS) and Microsoft Excel as well as examining and evaluating qualitative answers from respondents. This involved allocating numerical values to the responses provided by respondents for the ease of data entry and analysis.

### 3.9.2 Qualitative data analysis

### The various responses from the respective respondents were categorized into common themes. Qualitative data, which is descriptive, was obtained from interviews and open-ended questions. Hence, this data was presented in accordance with the objectives of the study and helped to substantiate findings from quantitative data. Some themes and appropriate response from the interview were stated to support the quantitative findings in form of direct quotations from the respondents.

### 3.9.3 Limitation of the Methodology

The anticipated limitation to this methodology is that; it was costly to prepare data collection tools for both qualitative and quantitative data. Thus, the researcher needed adequate time to set various tools of data collection.

## Ethical Considerations

## The researcher abided to ethical values and norms in research, this is because norms promote the aims of research, such as knowledge, truth, and avoidance of error. Therefore, participant’s informed consent was obtained through a letter from the University of Lusaka (UNILUS) administration, then given to respondents/superiors that clearly specified what the research involves, including clearly laid down procedures and explained the ways in which their confidentiality will be assured. The respondent’s names were mentioned anywhere. Respect for intellectual property was adhered to and no use of unpublished data, methods, or results without permission.”

# CHAPTER FOUR

# RESEARCH FINDINGS

## 4.0 Introduction

This chapter discusses the research findings from the study. It presents the descriptive analyses on the socio-economic characteristics of the respondents as well as the problems faced by the camp extension officers, the financial institutions and the small-scale farmers in granting and accessing credit respectively.

## 4.1 Socio-Economic Characteristics

This section gives a brief discussion of the socio-economic characteristics of the  
respondents used for the study.

4.1.1 Sources of Income of Farmer-Respondent

The researcher interviewed a total number of 50 small scale farmers in the area. Agriculture is the main source of income, followed by retail trading and only a few people in the area are in formal employment. The major crops grown are maize and cassava. Other crops are soya beans, groundnuts and vegetables.

Most of the farmers had been engaged in farming for over 10 years, representing 56% of the respondents. Another 40% of the respondents had been engaged in farming for 4 to 9 years and only 4% had been in farming for 3 years or less. Farming is the major source of income for residents of Nkeyema district as most households depend on it for their survival. On a larger scale, some farmers are engaged in tobacco farming. The district is on record to have produced more than 4000 tonnes of tobacco worth over US$5 million in the year 2015 (Lusaka Times, 2015).

### 4.2 Gender of Farmer-Respondents

Majority of the respondents were females as 64% of the respondents were female while the remaining 36% were male (Figure 4.1). This indicates that the majority of the farmers are females and it can be concluded that this is so due to the scale (on a small scale hence less labour intensive) at which small scale farmers operate. The study also revealed that gender is a significant variable and influential factor. Female farmers face higher levels of credit constraints as compared to their male counterparts. This is because male farmers' scale of production are higher than that of their female counterparts and hence are favored by lenders in terms of credit allocation.

Figure 4.1: Gender of respondents

### 4.2.2 The Ages of Farmer-Respondents

The modal age group of the respondents was between 38 to 47 years represented by 38% of the respondents, followed by 48 to 57 years at 26%, while 18% were aged 28 to 37. 20% of the respondents were aged 58 years and above and the remaining 6% were aged 18 to 27. The age distribution of the respondents is evidence that farming is the major activity in the area as people in their prime years are engaged in farming. Age is an important factor in loan accessibility and repayment.The age of respondents was found to be very influential when investigating about factors that influence credit constraint condition of small-scale farmers in the study area. This group can actively work to repay their loans. However, they older they grow, the more they are constrained to pay back their loans. The majority of the respondents represent people aged 38 years and above reflecting and age group of people who have the energy to produce enough farm produce provided they have the needed resources made available to them.

Figure 4.2: Age Distribution

### 4.2.3 Marital Status of Farmer-Respondents

Respondents’ marital status was categorized into five categories namely single, married, separated, divorced and widowed. 58% of the respondents werewidowedwhile 24% were married with those divorced and those single both standing at 8% and the remaining 2% were on separation. Marital status of a farmer affects their accessibility to loans. Only 24% of the respondents were married and it may have an influence on their accessibility of credits from financial institution as shown in figure 4.3 below.

Marital status was found to have a positive influence on the probability that a farmer  
had access to credit. This implies that as one marries, the likelihood of having access  
to credit increases. It is believe that individuals who are married are more likely to be  
stable and lenders are likely to view them as more reliable and responsible such that  
they are less likely to be credit constrained. Hence marital status of the farmer respondents is important in influencing demand for credit facilities as compared to those farmers who are not married.

Figure 4.3: Marital Status

### 4.2.4 Level of Education of Respondents

The results indicate most of respondents had secondary education (44%). 34% out of  
the 50 respondents interviewed had attained tertiary education, 16% attained  
primary education and only 6% had no formal education. Farmers’ education normally influences their demand for credit as there is a positive relationship between farmer education and their demand for credit because farmer’s decision to demand credit improves with increased level of education as they able to understand and follow policies and procedures of these financial institutions.A related study by Bee (2007) found level of education to be significantly related to demand for credit in Tanzania. The implication of these results is that financial institutions in the study area do not target illiterate farmers and that majority of those who have benefited from their credit had some formal education. However, it can be concluded that most of the respondents have received formal education as shown in figure 4.4 below.

Figure 4.4: Level of Education of the respondents

### 4.2.5 Family Size of Respondents

Most farmers’ households had a family size of between 6 to 10 members (76%), followed by households with 11 and above people representing 16% of the respondents and 8% have between 1 to 5 members.The number of persons per respondent’s household as a proxy for family labour exhibit different effects on each group. The number of persons household has positive effects but is insignificant for other farmers. Thus, family labour contributes to crop productivity of farmers. Family size affects loan use and ability to pay back. In large families, there is a possibility of loans diverted to unintended purposes because of many responsibilities resulting from meeting the needs of many members of the family. Hence farmers with large family sizes may have higher loan default rates. This would consequently limit their access to credit.

Figure 4.5: Family size of respondents

### 4.2.6 Number of Years of Farming

Majority of the farmers had been engaged in farming for over 10 years (56%) while 28% had been farming for 2-10 years. 12% had been farming for 4-7years and the remaining 4% had been farming for 1-3 years. Farming experience is said to have significant positive effect on output for farmers but insignificant effect on the productivity of the credit constrained farmers. Experience in farming or number of years in farming is less likely to contribute to output if the farmer is credit-constrained. Figure 4.6 below shows that majority of farmers had many years of experience in farming.

Figure 4.6: Number of Years of Farming

### 4.2.7 Farm Sizes

Out of the 50 farmers interviewed, 56% which was the majority of the farmers had farm sizes of 6-9 hectares, while 26% had farm sizes of 3-5 hectares and 18% had 10 hectares and above.Farm size has an influenced on the accessibility of credit from a credit institution since as it is can be used as a form of collateral for accessing loans. This is because lenders use farm size as an indicator for scale of operation and revenue and consequently farmers' repayment capacity. It is for this reason that lenders tend to offer credit to farmers with larger farm sizes. Alternatively, farmers with larger farm sizes may earn higher revenue and may not need credit, leaving them unconstrained.

Figure 4.7: Farm sizes

## 4.3 Awareness of credit facilities in the district

According to the findings farmers in the study area were aware of the credit facilities such as Agora micro finance, Japan Tobbaco International and Atlasmara bank in the district. Only 16 farmers out of the 50 representing 32% of the respondents had adequate information about the credit facilities and the remaining 34 (68%) did not have adequate information on agriculture credits to small scale farmers. Majority of the respondents (88%) were aware of the institutions that give credit to small-scale farmers while 12% did not know which institutions gave credit to farmers. 36 out of 50 respondents tried to access credit while 14 of them had not. Out of the 36 who had tried to access credit, only 18 of them were granted loans. Some farmers elaborated that they did not try to access credits because they were not aware of the requirements and so they did not explore the possibilities of accessing agriculture credits.

In the research area, the available credit providers were made known to the farmer respondents through information disseminations and meetings conducted by local government, seminars conducted by credit providers, association meetings, neighbors, relatives and friends. The awareness of credit services is relatively important for credit available in a certain community. According to the agriculture camp extension officers interviewed, provision and awareness of credit facilities to farmers influences their access to credit because the farmers can not readily obtain credit if they are not aware of such products and services. Farmers who are not aware of the credit facilities from government resort to borrowing from informal sources within the area. Though the majority of the farmers were aware of the institutions that offer credit to farmers, only 32% of them had adequate information on the credit facilities and therefore this affected their accessibility to credit. Figure 4.8 below depicts that only the minority (32%) were aware of the credit facilities in the study area.

Figure 4.8: Awareness of credit facility by respondents

### **4.3.1 Proximity of the Credit Facility**

Most of the respondents (64%) had to move a distance of 6-10 kilometers in order to reach the credit facilities while 16% of them had to move a distance of 16-20 kilometers to reach the credit facility. 6% had to cover a distance of 11-15 kilometers, while 2% covered between 1-5 kilometers and 12% did not know the distance to the credit facilities. Distance to the agriculture offices had very high relationship with demand for credit facilities. This implied that the shorter the distance to the credit facility the greater the likelihood of farmer demanding agriculture credit. Therefore increasing availability of credit facilities resulting in easy access has greater likelihood of increasing demand for credit facilities.

Figure 4.9: Proximity of the Credit Facility

## 4.4 Number of Times Benefited from Loan Facilities

Only 18 (36%) out of the 50 respondents had benefited from credit facilities. Out of the 18, 14 had only benefitted once and the other 4 had benefitted twice. The remaining 32 had not benefitted from any loan facilities as depicted in figure 4.10 below.

Figure 4.10: Number of Times Benefited from Loan Facilities

## 4.5 Challenges faced by farmers in accessing credit

The challenges faced by farmers in accessing credit facilities were identified and ranked by the study. There were a number of reasons why farmers face challenges in accessing credit facilities. However, five challenges were identified and ranked. These were lack of collateral required, high interest rate, cumbersome procedure, unrealistic terms & conditions and reduction in loan amount requested. Lack of collateral required limits most of the farmers to access credit. 32% of the farmers interviewed agreed that they lack the collateral requested by creditors. Respondents with collateral securities had positive chance of acquiring bigger loans from financial institutions as compared to respondents without collateral securities. The study conducted also revealed that farmer-respondents without collateral securities were less likely to acquire credit facilities applied for and even when given, they were most likely to receive less amount lower than what they have applied for.

High interest rates inhibit farmers from accessing credit facilities. 24% of the respondents agreed that the interest rates were high and the high cost of borrowing remained a dominant constraint to small-scale farmers, interests rate were ranging between 29 percent to 33 percent during the time of research .The study revealed that interest rates had negative significant in the demand of credit in both formal and informal financial institutions in the research area. This implies that high interest rate demanded by the financial institutions prevent farmers from accessing credit facilities in their institutions. However, when interest rate are low more small-scale farmers access credit facilities in other to expand their farm activities, hence high productivity.

The other challenge that affected farmers in accessing credit was the cumbersome procedure they had to go through. Patronage of financial institutions by the farmers is negatively affected by their availability or presence within the research area, cumbersome procedures for opening accounts and loan application procedures. Thus farmers’ access to financial services from various credit facilities can be improved through establishment of more branches and agencies in other communities within the district, and streamlining procedures for accessing their services. The low patronage of credit facilities was attributed to tedious operational modalities and the inability of these financial institutions to offer enough agricultural credit to small-scale farmers. This is followed by unrealistic terms and conditions that the farmers would have to meet in order for them to access credit. Unrealistic demands also affected farmers’ access to credit negatively.

Another issue affecting farmer accessibility to credit is the reduction in loan amount. However, this was not common in the study area. The reduction of amount of loan requested by small-scale farmers is because the higher the loan amount, lower the probability for default. This is because with higher loan amount the farmer would be able to purchase all the necessary inputs to increase productivity and consequently increase earnings which can be used to repay the loan required.

## 4.6 Qualitative interview analysis with camp extensions officers

The researcher carried out an interview with the Agriculture extension officer from Mangango. This was aimed at finding out how credit is allocated to farmers in Nkeyema and the challenges faced in providing credit to farmers. The extension offer emphasized on the need to adopt technology transfer, a broad concept which includes the efficient transfer of agricultural innovations to the farmers and the provision of the prerequisites needed to make adoption possible.Timely training to farmers on agronomic practices and demonstrations are also vital in the provision of better service to farmers.

When it comes to allocation of farm inputs (fertilizer and hybrid maize seed) for each cooperative, depending on the number of farmers registered in a cooperative and these have to be viable small-scale farmers who are cultivating at least 0.5 hectares to 2 hectares and are able to contribute K400 towards FISP and as long as they are registered in the database of the Zambia Integrated Agriculture Management Information System (ZIAMIS). However, farmer access to credit is more dependent on the number of small-scale farmers registered in the ZIAMIS system.

In order to access FISP, the farmer needs to be a member of a cooperative and the recommended membership is 10 farmers and above. Government has also involved potential agro-dealers where farmers go to redeem their inputs. This gives farmers a variety of inputs to choose from and also improves accessibility to credit facilities. Agro dealers are also beneficiaries in this as it creates business and employment to the agro-dealers. Farmers are able to redeem their vouchers at the beginning of the farming season.

Farmers in the area were also receiving sensitization from organizations. The Food and Agriculture Organization (FAO) through a project named Sustainable Intensification of Smallholder Farming System (SIFAZ) is trying to promote farmers to grow legumes (cowpeas, soya beans, groundnuts and beans) at a higher scale and formation of aggregation centers. FAO will link the farmers to the markets once the inputs are aggregated. Kalimwenge and Mangango camps have been selected for this 4 year project and is targeting viable farmers who are able to engage in legume growing. The aim of the project is to encourage farmers to grow legumes as most of them do not grow them due to the lack of markets for legumes. Caritas Zambia is also doing the same in selected camps.

The extension officer outlined some of the challenges that hinder farmer access to credit. These challenges include storage shades, aggregation centers and road network. However, government is responding to these challenges by forming cooperatives, aggregation centers through NGOs such as FAO and Caritas. Saving groups have also been formed to try and help reduce financial challenges faced by the small-scale farmers. ZIAMIS has been created for farmers to redeem their inputs through agro dealers.

## 4.7 Interviews with the financial institutions.

The researcher carried an interview with the regional manager (in charge of Nkeyema, Kaoma, Luampa and Kasempa Districts) for Agora Microfinance Zambia. According to the manager the institution was formed in order to contribute to the economic well-being of the poor through effective provision of appropriate financial services so that they become equal members of the societies. The institution targets small scale farmers and low income entrepreneurs and their loans are not salary based meaning that they care for the social security of unsalaried people.

For a farmer to benefit from their loans they need to be active in farming for at least a minimum of two years with experience. Depending on the capacity of a farmer, Loans can either be gotten on an individual level or by a group of farmers. The loans are in cash/ monetary form and are processed within five working days if all the necessary logistic have been met. Among the logistics to be put in place, before money is given is the issue of collateral that spans from household goods, farm equipment, land, livestock, motor vehicles etc. Once the loan is given the farmer will be given six months before they can start paying back at 30% interest rate and depending on the loan and its terms and conditions, the payment period starts from 3- 36 months.

Asked on whether the institution has reached most of the small scale farmers, the manager responded that he did not have the database of farmers in districts they work in, but they have over 3500 clients in four districts. The institution has given opportunity to small scale farmers to improve their yields by expanding their field and yields through the flexible loans they offer and the institution is conveniently located though a good number of farmers stay far from the lending institution. However, they believe that they are located in the central place and have the infrastructure needed to carry out business.Unfortunately Agora does not have other means to use to reach the farmers to tell them about their products and services except for Facebook and so farmers in remote places do not know about their services though clients share the information with others.

Another interview was conducted with the branch manager for AtlasMara bank. The bank is the only one servicing 6 districts with over 15000 customers. Most of the customers are farmers, seconded by salaried employees from both private and public service and a small number of SMEs. AtlasMara loans are retail in nature are only given to salaried employees in both private and public sector. The bank also gives overdraft loans to small scale entrepreneurs. Currently the bank is in the process of starting to give loans to farmers.Policies and procedures are being formulated together so that the bank can as well serve the farmers.

The third and final interview with lending institutions was conducted with the Japan Tobacco International (JTI) corporate affairs officer. JTI is the biggest firm that supports agriculture ever set and built in western province, Nkeyema district in particular. JTI offers affordable loans to small scale farmers who grow tobacco only. JTI further provide market for the farmers as the organization buys tobacco.

The interview could not proceed as the call cut before the discussion could be concluded. Information from the human resource manager hinted that the organization only buys tobacco from farmers who gets loans from them. The loans are deducted from the sales.

It should be noted that Focus group discussions did not happen due to the COVID-19 (Corona virus) Pandemic.

CHAPTER FIVE

# DISCUSSION OF FINDINGS,CONCLUSIONS AND RECOMMENDATIONS

## 5.0

The main aim of this study was to explore the barriers of agricultural credit to small scale farmers in Nkeyema.

## The main target for the study covered farmers’ knowledge of agricultural credit, appropriate responses and actions by relevant stakeholders towards scaling- up of agriculture credit scheme programmes in Nkeyema district and assess the terms and conditions attached to agriculture credits.

## 5.1 Implications of findings

The characteristics of the small-scale farmers and the locations of the credit facilities in Nkeyema district proved to be significant in the accessibility of credit by the farmers. With the majority of the respondents being female, most of the farmers faced difficulties in accessing credit because most lenders are gender biased towards men when giving loans. This is because male farmers' scale of production are higher than that of their female counterparts and hence are favored by lenders in terms of credit allocation. Other factors such as the marital status of the farmer had an influence in farmers’ accessibility to loans because of the belief that married people are more responsible and reliable.

Household size also matters in loan accessibility as large households are more likely to default on loan repayments. Nkeyema district is characterized by medium to large household numbers making it difficult for the small-scale farmers to manage their farming activities because they have too many dependents. A study by Oyedele et al., (2009) revealed that people who accessed loans and had large household members were credit constrained. According to the study, with increased household size comes higher expenditure on food and other household requirements and this in turn leaves the household heads constrained and affects their loan repayment.

In order to access credit from financial institutions availability of collateral, gender and education of applicant are highly considered. The value of the assets that the farmer has are valued in order to ascertain whether the farmer qualifies for the loan that they are applying for because the value of assets invested in farming activities has a significant relationship with access to bank credit. It can then be concluded that most farmers in Nkeyema district lack the necessary assets needed in order for them to access credits. To increase their chances in accessing credit, farmers in this area need to therefore learn to invest in agriculture assets.

Level of education of the small-scale farmers affects their loan accessibility. Most farmers in the study area at least achieved secondary education which should positively affect their loan accessibility. However, the reality on the ground is different. Despite receiving an education, it is not enough to guarantee them accessibility to credit. Conclusions can be made that the type of education received may not be so relevant to grant them accessibility to credit facilities. In order to improve this, all stakeholders in the agriculture sector need to encourage education and skills training so as to equip the farmers with the necessary skills that will help them increase their productivity.

On the other hand, the financial institutions have not done enough to guarantee loan accessibility to all deserving farmers. The financial institutions are mostly located in areas that that not accessible to the farmers and are not doing enough to make themselves and their products and services known to the farmers. This has contributed to the barriers that the small-scale farmers in Nkeyema district are facing. The credit facility by government through the cooperatives is far-fetched and does not meet the needs of every farmer. The FISP programme comes at a price that is not affordable to every farmer and consists of inputs that do not produce yield in certain localities. It is for this reason that most small-scale famers are unable to access credit and also because some farmers are unable to make the needed contribution to cooperative groups. Government needs to set policies that will allow for farmers to receive inputs that would produce high yields in their localities.

5.2 Conclusion.

Increased productivity in agriculture is vital for the achievement of rapid poverty reduction, national food security and broad-based income growth especially in countries that largely depend on agriculture like Zambia. In order to achieve this, there is need to invest in marketing systems that encourage smallholder investment in productivity-enhancing technologies and agronomic practices, and that encourages investment in the major agricultural commodity value chains. The case in Zambia in which much focus is made on maize production and security thereby ignoring the conditions under which food security is achieved is unfortunate. Research and development, extension and irrigation technology for small-scale farmers and infrastructure development is an important investment in agriculture that should focus on public goods generating significant returns.

To achieve food security there is need for increased efficiency in the production of maize and other crops and livestock. Adaptation options that are specific to the changing environment are needed especially in the southern and western regions of the country because agricultural production in Zambia is mainly rain-fed. Government needs to make adjustments to its FISP programme because farmers are still not able to choose inputs appropriate to their agricultural needs. The development and growth of a sustainable openborder policy for all agricultural commodities oﬀersZambia a great opportunity to close its trade deficitas well as expand the market for farmers. Proper management of the agricultural sector and allowing the sector to operate freely with less intervention from government would encourage increased activity and productivity in the agricultural sector and consequently stabilize staple food prices. This will in turn encourage investments that will help agriculture grow in Zambia, benefiting both farmers and consumers at affordable market prices. This will further lead to major growth in agriculture.

## 5.3 Recommendations

Greater exploitation of natural resources through external investment and good allocation of resources to the agriculture sector will help most of agriculture activity based areas develop. Given the limited government credit programmes in the area, accessibility to credit by small-scale farmers could be improved by providing innovative credit schemes that address problems of small-scale farmers who lack the capacity to access credit, and by reducing long processing times and other requirements. Also, farmer’s access to credit could be improved by eliminating the specific commodity requirements for credit.

Policy measures for improving access to credit should be developed based on farmers' preferences and needs. Institution capacity building for both farmer cooperatives and the farmers should be an integral part of every credit programme that will be provided in order to increase agricultural productivity and income of the farmers.

The government may need to consider conducting an information drive aimed at promoting credit awareness and the establishment of strong and viable farmer cooperatives or credit associations which can play a major role in increasing small-scale farmers' access to credit. In line with this, savings mobilisation programmes should be developed and promoted in the area which will encourage participation and provide incentives for farmers to save and recycle their funds. With the introduction of credit organisations specifically for the farmers would be a powerful tool in the improvement of their accessibility to credit.

Small scale farmers submitted recommendations both to the government and private agriculture credit lending institutions to tie collateral to land only as is it the most common and affordable collateral they can provide. Secondly farmers recommended that agriculture credits not to be in monetary form only but to be in other farming equipment and other farming infrastructure that can easily enable them graduate from depending on rain fed agriculture and FISP, because of unstable prices and with agriculture inputs caused by inflation rates many are the times when money collected from loans cannot even purchase the budgeted item farmers need.

There should be awareness or efficient dissemination of agriculture credit information to farmers so that the traffic should be a two way. Procedure of acquiring the loan should not be cumbersome when the needed collateral is met. Ministry of Agriculture should start holding capacity building meetings with farmers and involve lending institutions as stakeholders so that a good number of farmers are able to get first-hand information that will enable them make informed choice.

Lastly, prices for agriculture inputs should be regulated by the government to ensure they are affordable. The government should also consider opening a national agriculture bank where farmers can save their money at a low cost and be able to get loans with a small interest rate.

## 5.4 Suggestions for Future Research

Future research should investigate into details the type of credit facilities and services for different types of crops in different localities as this would improve farmer outputs because in this study, it was revealed that the access to credit facilities positively influence farmer output.

Firstly, this study focused on exploring barriers to agriculture credits faced by farmers in Nkeyema District, it will be necessary if research is carried out on different credit facilities in different locations as the results of this study is limited to only the Nkeyema district cooperatives and the small-scale farmers in Nkeyema district.

Secondly, another aspect that warrants attention is the use of indigenous farming knowledge by rural people, It is important to integrate the indigenous knowledge in the development of agriculture credits. This is mainly because indigenous knowledge contributes to the reduction of poverty, rural empowerment and sustainable development in the area.

Lastly, there is a need to investigate what are other economic contributors (non-agricultural) and livelihoods rural people of Nkeyema have in order to compare that with the agricultural livelihoods and activities.

**5.5 Limitations of this research**

The major problem encountered in the study was obtaining statistical data on the rural people in Nkeyema District. The fact that the research was being conducted during the Corona-virus (COVID-19) Pandemic focus group meetings never took place while some key respondents kept on rescheduling appointment dates and this affected the budget for the research.

Furthermore, detailed empirical data on income and expenditure patterns, especially for rural areas cannot be obtained.

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# APPENDICES

## Appendix 1: Questionnaire

|  |  |
| --- | --- |
| NO. |  |

**RESPONDENT: SMALL SCALE FARMER**

**UNIVERSITY OF LUSAKA**

**SCHOOL OF EDUCATION, TECHNOLOGY AND SOCIAL SCIENCES**

Dear respondent,

The researcher is a final year student from the University of Lusaka **(UNILUS)** carrying out a research on “**Exploring barriers of agriculture credit to small scale farmers in Zambia. A case study of Nkeyema district**”. We are pleased to inform you that you have been randomly selected as one of our respondents.

With reference to the above subject, you have been randomly selected to participate in this research. Please note that your views will also represent those that have not been selected in this study. Be rest assured that the data being solicited will be purely for academic purposes and will be treated with maximum confidentiality. Your co-operation will be highly appreciated.

|  |
| --- |
| **HOW TO COMPLETE THE QUESTIONNAIRE** |

Some of the questions can be answered by simply ticking the box (☑). If you think that additional comment is necessary, please use the space provided at the end of the questionnaire.

INSTRUCTIONS

1. Do not indicate your name on the questionnaire.
2. Please try as much as possible to answer all the questions and if you have any doubts, please ask the interviewer.
3. Kindly tick the appropriate boxes and were necessary specify to express your views.
4. You are required to give one answer for each question except in some areas where you are required to explain or give more than one answer.

**Section A: Background characteristics**

1. Sex of the respondent: Male [ ] Female [ ]
2. Age at last birth day…………………………………
3. Marital status: Single [ ] Married [ ] Separated [ ] Divorced [ ] Widowed [ ]
4. 5. Highest Educational Attainment: None [ ] Primary [ ] Secondary [ ] College [ ] University [ ]
5. What is the number of your household members? .............

**Section B: Source of household income and Livelihood**

1. What is the main source of your household income? Agriculture [ ] Formal Employment [ ] Retail Trading [ ]
2. How long have you been engaged in farming? Between 1 to 3 years [ ] Between 4 to 7 years [ ] Between 8 to 10 Years [ ] Over 10 years [ ]
3. What’s your farm size? 1 – 2 hectares [ ] 3 – 5 hectares [ ] 6 – 9 hectares [ ] 10 and Above [ ]
4. What are the major crops that you grow? Maize &soya beans [ ] Maize & cassava [ ]

Maize & G/nuts [ ] Vegetables [ ] Others [ ]

1. Why did you decide to grow this crop(s)? More Profitable [ ] Easy to manage/ control [ ]

Readily available [ ]

1. What is your approximate annual income? Below K5, 000 [ ] Between K5, 001 to K7, 000 [ ] Between K7, 001 to K10, 000 [ ] Above 10,000 [ ]
2. How do you use your household income? For consumption [ ] Savings and investment []

**Section C: Benefits of farmers from Agriculture credits.**

1. Do you have adequate information on agricultural credit to small scale farmers? Yes [ ] No [ ]
2. Are you aware of institutions giving credit facilities to small-scale farmers in the  
   area? Yes [ ] No [ ]
3. What is the distance in kilometers of the nearest lending/financial institutions? 1-5 [ ] 6-10 [ ] 11-15 [ ] 16-20 [ ] above 20 [ ] I don’t know [ ]
4. Have you ever benefitted from any loan facility of the bank? Yes [ ] No [ ]
5. If yes, how have you benefitted from the loan? Increased yields [ ] capacity building [ ]
6. How many times have you benefitted? Once [ ] Twice [ ] Thrice [ ] Above thrice [ ]

**Section D: Eligibility of accessing agriculture credits.**

1. Have you tried to access a loan? Yes [ ] No [ ]
2. Were you granted the loan? Yes [ ] No [ ]
3. What is required to access the agriculture credits from the lending institution?

Land on title either customary or state land [] Livestock[ ] Farming equipment [ ]

Economic or capital asset [ ]

1. Have you ever been deprived of adequate credit when you applied for loan? Yes [ ] No [ ]
2. Were you required to provide any form of collateral before loan was granted to you? Yes [ ] No [ ]
3. If yes, what was the value the collateral required? K500- K1500 [ ] K1600- K 3000 [ ]

K3001 – K6000 [ ] K6001 and beyond [ ]

1. Do you think you have what it takes to access the credits? Yes [ ] No [ ]
2. (a) Have agriculture credits affected your crop yields?Yes [ ] No [ ]

(b) If yes, how? Increased quality yields [ ] Low yields due to small land used for production [ ]

**Section E: Accessing of inputs by farmers**

1. What is the source of your farming inputs? FISP [ ] Loans [ ] Savings [ ]
2. Do you face any challenges in acquiring input at the start of the farming season, if so, what are the challenges that you face? Delayed delivery of farming inputs [ ] limited variety of farming inputs [ ] Limited resources to acquire inputs [ ] Hiking of prices for inputs in agro shops [ ]
3. Are you a member of any farmers association? Yes [ ] No [ ]
4. Were you a farmer before joining a cooperative? If yes,how were you farming your crops? Buying from Agro shops [ ] Batter system/exchange other goods with farming inputs[ ]
5. What were the main reasons for your joining the cooperative society? To easily access farming inputs [ ] To learn from others easily during cooperative meetings and workshops [ ]
6. For how long have you been in the cooperative? Less than three years [ ] between 3-5 Years [ ] between 6-9 Years [ ] 10 years and beyond [ ]
7. In instances where you borrowed in order to finance your farming, how many days do you need to receive your loan from financial institutions afterapplication has been submitted? Within a week [ ] within a month [ ] within three months [ ] Beyond three months [ ]
8. Did you face any challenges in accessing credit for your farming? If Yes, what are the challenges that you faced?High interest rates [ ] Lack of collateral required [ ] Cumbersome procedures [ ] Unrealistic Terms andconditions [ ] Reduction in loanamount requested [ ]

**Please rate the challenges faced in accessing credit**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Challenges** | Strongly agree (1) | Agree (2) | Indifferent (3) | Disagree (4) | Strongly Disagree (5) |
| High interest rates |  |  |  |  |  |
| Lack of collateral requirement |  |  |  |  |  |
| Cumbersome procedures |  |  |  |  |  |
| Unrealistic Terms and conditions |  |  |  |  |  |
| Reduction in loan amount requested |  |  |  |  |  |

1. Do you think there is something that has to be done to improve access to agriculture credits? ………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

**THANK YOU FOR YOUR PARTICATION AND CO-OPERATION.**

## Appendix 2: Interview Guide One

**(Camp Extension Officer for Lunyati camp and Mbuyoti Multi-Purpose Cooperative Society)**

**TOPIC: Exploring barriers of agriculture credit to small scale farmers in Zambia; need for transformation: a case study of Nkeyema District.**

Date of interview…………………………………………..

Name of institution………………………………………..

Position held by interviewee……………………………

***QUESTIONS***

1. What role does your organization play in the agricultural development of Nkeyema community?..............................................................................................................................................

2. What is the actual allocation of farm inputs (fertilizer and hybrid maize seed) for each Cooperative?.....................................................................................................................................

3. What is the recommended membership of farmers for each cooperative?..................................

4. Do you think government has enough Farming inputs to cover all the deserving subsistence farmers? ……………………………………………………………………………………………………………

5. When did you receive inputs from government under FISP last farming season?..............................................................................................................................................

6. Do you receive organizations wanting farmers to be sensitized on agriculture credits?............................................................

7. What are some of the challenges that you face with agriculture credits that has affected agricultural development?....................................................................................................................................

8. What are some of the steps that government has taken to improve access of small scale farmers to inputs from money lending institutions and other NGOs?

.............................................................................................................................................................................................................................................................................................................................................

***Thank You for Your Participation.***

## Appendix 3: Interview Guide Two

**FOR FINANCIAL INSTITUTION: (Agora Micro finance, Atlas Mara Bank and Japan Tobacco International)**

**TOPIC: Exploring barriers of agriculture credit to small scale farmers in Zambia: A case study of Nkeyema District.**

Date of interview…………………………………………..

Name of institution………………………………………..

Position held by interviewee……………………………

***QUESTIONS***

1. Being located in an area where agriculture is the major economic activity, has your institution contributed towards agriculture development of the small scale farmer in the area?..............................................................................................................................................
2. If yes how? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. What does it take for a farmer to access a credit from your institution?
4. Do you think you are conveniently located you’re your target customers?.....................................................................................................................................
5. Can the credits be given to individual farmers or they have to belong to a cooperative? ……………….
6. Do you think you have enough resources to cover all the potential small scale farmers? ……………………………………………………………………………………………………………
7. How have you made information about your product and services known to the small scalefarmers? ..............................................................................................................................................
8. Do you at times engage Ministry of Agriculture to disseminate information about your product and services? ............................................................
9. What are some of the challenges that you face with Farmers that get credits from you? ....................................................................................................................................

.....................................................................................................................................................................

***Thank You for Your Participation.***