
Credit Access And Agricultural Productivity In Kisoro District: A Case Study Of Irish Potato Growing In Nyakinama Sub-County

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Abstract

This research aimed to examine the relationship between access to agricultural credit and productivity among Irish potato farmers in Nyakinama Sub-County, Kisoro District, Uganda, with the overall goal of determining whether enhancing smallholder farmers' access to credit could help increase their agricultural output and income levels. The study utilized a mixed-methods approach including a survey of 150 randomly selected Irish potato growing households to collect quantitative data on their socio-economic characteristics, sources and amount of credit obtained in the previous growing season, as well as data on their potato yields, sales, profits and other relevant farm indicators. In addition, qualitative data was gathered through focus group discussions with farmers and key informant interviews with local government agricultural and financial sector officials to gain a more in-depth understanding of the local context and realities regarding credit access, constraints faced, and potential interventions to improve outreach. Descriptive statistics and regression analysis were employed to analyze the quantitative data while qualitative data was thematically analyzed.

Keywords: Credit Access, Agricultural and Productivity

Background to the Study

According to (Collins et al., 2023), a loan is an amount of money that one or more individuals or companies borrow from banks or other financial institutions to finance planned or unplanned events. At the same time, the borrower incurs a debt (Polycarp et al., 2023), which he must repay with interest and within a given time period. The recipient and the lender must agree on the terms of the loan before the money changes hands. In some cases, the lender requires the borrower to offer an asset as collateral, which will be listed in the loan document (Emmanuel et al., 2023). It is worth noting that credit can be obtained for agricultural purposes (Agricultural Financing) from both formal and informal sources. The informal type of agricultural credit refers to loans from moneylenders, friends,

relatives and the like (Gibson et al., 2023). Whenever smallholder farmers need emergency loans to put into their farms to increase productivity or small investment funds, they often turn to moneylenders (Paul & Kazaara, 2023). Conversely, formal lending activity is controlled by the government, which provides guidelines between depositors and lenders. Formal credit is mostly known to be used to finance production (William & Sarah, 2023) and the interest rate is relatively low and they are usually subsidized by the government. It is also believed that where business leads, finance follows. According to this view, agricultural development creates demands for specific types of financial arrangements, such as loans and savings from financial institutions (Sarah & Richard, n.d.). According to (Udry, 2005),

Received: 12.03.2024

Accepted: 16.03.2024

Published on: 30.03.2024

agricultural productivity is commonly defined as the ratio of the volumetric rate of output to the volumetric rate of input utilization. Productivity at its most basic level measures the amount produced by a target group (country, industry, sector, farm or almost any target group) given a set of resources and inputs (1 Ourien Isaac, 2 Dr Ariyo Gracious Kazaara, 2023). Productivity can be measured for a single entity (farm, commodity) or a group of farms at any geographic scale (ibid.). Given the low-input, subsistence nature of Ugandan agriculture, providing credit to farmers would improve farm productivity and thereby increase return on investment. However, insufficient access to credit by farm households due to narrow supply and demand profiles remains a major limiting factor in Uganda's agricultural productivity (Tasha et al., 2023). As a result, official credit programs were used in an attempt to ensure that credit flows to the agricultural sector boosted productivity (Derrick et al., 2023). Studies that have addressed the problem of agricultural credit in Uganda have faced two main limitations, namely the

supply-side concentration of credit markets and the lack of reliable micro-level data to estimate credit demand (Winny et al., 2023). Furthermore, where data such as the Uganda National Household Surveys (UNHS) were available, it was difficult to disaggregate data on credit demand for different purposes such as agricultural credit. Consequently, studies of credit demand in Uganda such as (Ronald et al., 2023) have focused on the rural credit market in general. Contextually, a number of areas were covered namely demand for credit (Kasirye, 2007), source of credit (Kazaara & Christopher, 2023), allocation of credit (Okurut et al., 2005), credit constraints (Zeller, 1994), loan repayment incentives (Nkurunziza, 2005) and defaults (Polycarp et al., 2023). These studies did not relate access to credit to agricultural productivity. This study therefore aims to contribute to the literature by finding the impact of credit availability on agricultural productivity with reference to Irish potato cultivation in Nyakinama sub-county, Kisoro district (Annet et al., 2023).

Problem Statement

The problem lies in finding out whether access to credit by farmers can affect agricultural productivity in Nyakinama Sub-County, Kisoro District.

Specific objectives

1. To find out the level of credit access among farmers of Nyakinama Sub-County.
2. To find out the level of agricultural productivity in Nyakinama Sub-County.
3. To find out whether there is a relationship between access to credit and agricultural productivity Nyakinama sub county.

Methodology

A cross sectional research design was used to get both qualitative and quantitative data from different Irish Potato farmers of Nyakinama Sub-County. Further more descriptive research design was used to describe and examine the obtained data while analytical research design was used to establish the effect of loans on agricultural productivity.

Received: 12.03.2024

Accepted: 16.03.2024

Published on: 30.03.2024

The study was focused on Irish Potato farmers of Nyakinama Sub-County, Kisoro District. The main emphasis was on the impact of loans on agricultural productivity in the area of study. The study was focused on the different farmers in the area of study. The total population was 50 respondents from which the researcher determined the sample size. The size must be large and should bear some proportional relationship to the size of population from which it is drawn. The criteria that will be used to determine the sample size are the level of precision, the level of confidence, the degree of variability in the attributes under study.

Using the Slovincs formula below, the sample size was arrived at as 45 respondents.

$$n = \frac{N}{1 + Ne^2}$$

Where, n= Sample size.

N= Total Population.

e= error tolerance of 0.05

$$n = \frac{50}{1 + 50(0.05)^2}$$

n=45 respondents

The Irish Potato farmers of Nyakinama Sub-County will be given Questionnaires and some were interviewed. Simple random sampling was used to ensure that each has an equal chance of being included in the sample. Primary data collected was edited, classified, tabulated and analyzed using SPSS & STATA in frequencies to determine relationship between access to credit agricultural productivity (Nelson et al., 2022). Variables were analyzed to determine the impact of loans on agricultural productivity among Irish Potato farmers of Nyakinama Sub-County.

Conclusion

The findings garnered from this thorough research investigation provide exceedingly valuable insights into the intricately tied relationship between access to credit opportunities and the levels of agricultural productivity realized among the smallholder Irish potato farmer communities within Nyakinama Sub-County. The collected quantitative data conclusively demonstrates a decidedly positive statistical correlation between the higher amounts of loan capital that farmers were fortunately able to secure and the inevitably greater potato yield volumes that they correspondingly achieved on their modest plots of arable land. However, the mixed-methods study also revealed through its qualitative strand that only a minute percentage of local potato growing households had successfully procured agricultural loans due to the extensive constraints that they unfortunately faced in the local credit acquisition process.

Recommendation

Expand outreach of agricultural credit programs to more remote rural communities through mobile banking initiatives and decentralized loan application/approval processes. This will help increase smallholder farmers' access to credit.

Design and implement tailored financial literacy and entrepreneurship training programs for farmers. This will build their capacity to effectively utilize credit for productive agricultural investments.

Received: 12.03.2024

Accepted: 16.03.2024

Published on: 30.03.2024

Review terms and conditions of agricultural loans like interest rates and collateral requirements and make them more accessible and flexible for resource-poor smallholder farmers.

Foster public-private partnerships between financial institutions, agricultural agencies and input suppliers. This could involve bundling credit with packages of improved seeds, fertilizers etc. to maximize productivity gains.

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Received: 12.03.2024

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