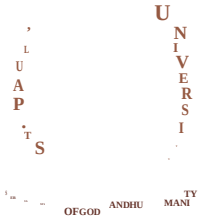
St. Paul's University





AN ANALYSIS OF FACTORS INFLUENCING PERFORMANCE OF CREDIT DELIVERY TO SMALLHOLDER FARMERS:

A comparative study of credit providers in Taita/Taveta County

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ABSTRACT

Microfinance came up as a result of the failure of direct state intervention, often subsidized credit provision in the early 1960's and 1970's. Efforts were directed towards creating new microfinance institutions that were supposed to achieve financial sustainability by charging cost-covering interest rates. In spite of the rapid growth of MFIs, millions of potential clients are still not being served, especially the smallholder farmers. ABD, (2005-2010) was conceived to address this among other issues.

By the end of the programme period, no study had been done to determine the level of satisfaction by the small holder farmers. This study was supposed to address this gap and to contribute to the debate on the factors that influence performance of MFIs in their quest to address the above challenge.

The study found the following as the main influencing factors in agriculture finance (in order of importance); customer relations, grace period, loan repayment period, interest rate, loan amount, banking services and market linkages. Others were that risk mitigation in agricultural financing was critical specifically against adverse weather conditions. Irrigation and micro insurance were seen as important aspects that could reduce the level of risk. A holistic and very well coordinated approach to value chain development was most appropriate. The member based institutions; Sacco and FSA were found not only performing better but had a higher customer satisfaction than SMEP, an NGO/MFI.

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