

**SOME ASPECTS OF SMALL-HOLDER CREDIT IN  
GITHUNGURI DIVISION OF KIAMBU DISTRICT.**

**A Dissertation submitted in partial fulfilment of the  
requirements for LL.B. Degree; University of Nairobi.**

**BY**

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**Nairobi**

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## DEDICATION

**To all those whose interest and concern for the peasant is not coloured by pretensions and is more than just academic or intellectual.**



P R E F A C E

It is manifest that much remains to be done if peasants in Kenya can be said to enjoy something like a "decent" standard of living. For too long a lot of rhetoric has been poured over this subject. Needless to add much of it has been "much ado about nothing". It therefore requires the concerted efforts of all those committed souls, whose interest and concern for the peasant is more than just intellectual or academic to effect changes in the face of rural poverty. In this noble task the lawyers should form the vanguard. Their first duty in this calling is to identify and analyse the problems that are so potent in holding the peasants back from the road of economic progress. An identification of the problems that play havoc with our small-holder credit policy is only one aspect of this multifarious struggle.

However no claim can be made as to the completion of this essay before thanks are extended to all those who have contributed directly or indirectly towards the writing of it. The very rigorous supervision of Mr. H. W. O. Okoth Ogenyo inevitably increased the quality of the paper by removing much confusion of thought on my part. And although others might have cursed the day he became their supervisor, mine is only to thank him very much, and to regard him as an indispensable mentor. But nobody with even a slight knowledge of the high and excellent standards of his written word can attribute the shortcomings of this paper to him. Any such failure is solely my responsibility. So much for the academic side.

On the technical aspects, my heartfelt thanks go to my uncle's wife, except for whose understanding, generosity, devotion and determination, the typing of this paper could have become a source of financial embarrassment. She has spent several long and tiring hours of unpaid work. The concern which both, together with her husband, have shown towards the completion of this paper has been a cause for deep gratitude on my part, and the same shall not be forgotten.

## INTRODUCTION

And last but not least, the same can be said of my brother and his wife, who had offered to meet the entire cost of typing the essay, had the other alternatives failed to materialise. To all, I say thank you very much, your reward is in heaven'.

S. N. WAINAINA.

Nairobi, 1977

Briefly stated therefore, the problem this paper seeks to investigate is the theoretical foundations of small holder credit policy in Kenya, the impact of that policy, and finally the impact of that policy in a given area. This kind of study is useful because a part from the fact that agriculture is the mainstay of the nation's economy, the provision of credit to finance small-scale agriculture is part of the government's strategy for rural development whose ultimate objective is to raise the standard of living of the rural population.

Chapter one attempts to formulate the ideological assumptions on which the credit policy is founded.

The second chapter shows how the above said assumptions have influenced the growth and development of the policies that have resulted.

(iii)  
In the implementation of any policy, there is usually a wide gap between theory and practice. This is mostly due to the problems that accompany and sometimes obstruct the implementation exercise.

In the third chapter an attempt has been made to identify some of these problems.

As it has proved impossible to touch on all aspects of credit, the paper has concentrated on those areas that are thought not to have been given adequate attention by the policy makers and administrators. As a result the areas covered are provision and supply of credit; utilization and supervision, provision of extension services, loan repayments. It is also argued that a subsidized credit programme for small-scale farmers can greatly enhance the impact of small-holder credit in agricultural development.



## INTRODUCTION

This paper is an attempt to describe and analyse some aspects of smallholder credit in Githunguri Division of Kiambu District. This area has been chosen because of its long association with land tenure reform, a factor which makes it an ideal testing ground not only for the assumptions on which farm credit policies have always been based but also for evaluating the impact of such credit in agriculture.

Briefly stated therefore, the problem this paper seeks to investigate is the theoretical foundations of small holder credit policy in Kenya, its historical development, and finally the impact of that policy in a given area. This kind of study is useful because a part from the fact that agriculture is the mainstay of the nation's economy, the provision of credit to finance small-scale agriculture is part of the government's strategy for rural development whose ultimate objective is to raise the standard of living of the rural population.

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This paper is the result of an extensive field research which covered four locations of Githunguri, Gatamaiyu, Githiga and Komothai locations of Githunguri Division. It involved face to face interviews with about 100 farmers as well as informal interviews and general observations. Interviews were also conducted with Agricultural Officers of various ranks and functions both in the field and in the headquarters at Githunguri (Division) and Kiambu (District). The interviews with the Assistant Agricultural Officers at the farm level were especially useful in relation to the way extension advice is rendered. Agricultural Finance Corporation officers both at Kiambu Branch Office and Nairobi Headquarters were also interviewed, and the comments on the Commercial Banks resulted from an interview with employees of the local branch of the Kenya Commercial Bank at Githunguri.

In addition data has been drawn from other sources especially where a similar research has been undertaken. This has formed the basis of illustrations, comparisons on conclusions reached, arguments advanced or of a critical comment.

## CHAPTER ONE

### SMALL-HOLDER CREDIT: ITS GENESIS, PURPOSE AND THEORETICAL FOUNDATIONS

In his study on the dynamics of the colonial labour-surplus extraction process, van Zwanenberg writes that,

The development of the European estates could only have been achieved over a long period through the creation of under-development in the African areas. <sup>1</sup>

The Central direction of the colonial policy was to concentrate all resources, political and administrative in settler agriculture. The



African areas became pools of cheap labour, and were also denied all chances of economic development.<sup>2</sup> The neglect of the African areas was manifested in the disturbed social and economic relations, which gradually deteriorated. So deep was this deterioration that this "underdevelopment" was seen as constituting a direct threat to the European Security in the Highlands. The attempts to remedy this situation culminated in what over a period of years has emerged as a small-holder credit policy.<sup>3</sup>

The essence of this policy was , and has continued to be an attempt to sell the peasant farmer a mode of production based on the tenets of capitalism, to be achieved through land tenure reform and provision of credit. Says Colin Leys,

To control and fit them (the peasants) into the wider framework of periphery capitalism called for new policies and institutions. Two central policies were individualization of land tenure and the differential provision of credit. . . . designed to integrate peasant production to the established capitalist framework.<sup>4</sup>

Thus the underlying philosophy for individualization of tenure and need for changes in peasant production relations was essentially a capitalist one, namely that the basis of progress is the individual and his initiative. An individual title to land, so the argument ran would increase his capacity to make positive decisions.<sup>5</sup> The provision of credit would in turn make the decision-making process more effective and fruitful. This argument derives ultimately from that capitalist philosopher of wide renown, Adam Smith. He put it as follows,

A small proprietor . . . . . who knows every part of his little territory, who views it all with the affection which property especially small property naturally inspires and who upon that account takes pleasure not only in cultivating but in

adorning, is generally of all improvers the most industrious, the most intelligent and the most successful.<sup>6</sup>

For Arthur Young the philosophy had the peculiar effect or magic of turning stone into gold, and in our day professor Denman strongly defends the faith. He has argued as follows,

Property rights in the narrow sense meaning private rights or rights analogous to them are in the last analysis the only power by which man can execute positive plans for the use of land and natural resources.<sup>7</sup>

Individualism formed the central thesis of the utilitarians whose maxim 'The greatest possible good of the greatest possible number', emphasized that the yardstick for progress was not society as a whole, but the individual in a society.<sup>8</sup>

In Kenya the importance of agriculture as a major economic asset was recognized from the earliest days of colonialism. To achieve greater happiness through higher standards of living resulting from increased agricultural production, successive governments have instituted several measures. Provision of credit is seen as one such way towards a quick realization of the above objective.

The philosophy we have attempted to expound has given rise to different theories of credit, some of them advanced by scholars of Kenya's small-holder credit scene. These theories can be divided roughly into two, namely the theory of the "need creed" on the one hand and those who are either sceptical or reject wholly or partly the "need creed" theory on the other.

The "need creators" hold the view that small-scale peasant farmers are poor and need assistance, not least Subsidized Credit. Among the views expressed on this subject are those of Clayton, who seems to support it. He has argued at one point that,



In Kenya loan funds are needed by the farmers for such things as the purchase of fencing wire..... it is needed for payment of hired labour .... and to finance the waiting or zero income period before cash crops come into being.<sup>9</sup> (Emphasis added)

Joseph Vastoff is a strong supporter of the "need creed". He has said that,

Small-holders in developing countries face these same problem: Credit facilities upon which the development of their farms often depend are very limited. In this respect Kenya is no exception.<sup>10</sup> (Emphasis added)

And Umalele, a world Bank representative has put the position as follows,

Modernization of agriculture requires large infusions of credit to finance use of purchased inputs .... Because of the size of savings in traditional agriculture ..... increased demand for working capital must largely come from increased supply of credit. Small farmers have meagre internal resources and therefore are most in need of credit for production.<sup>11</sup> (Emphasis added)

Those who attack the "need creed" theory do so for various reasons. Von Pishke for example thinks that, "The blatant need creed statements are based essentially on narrow assumptions about the

nature of the peasant cultivators or subsistence agriculture'.<sup>12</sup> He also accuses the theory of obscuring realities, because for those who support it, a simple finding of fact that the farmers are "poor" is for them enough reason for starting a credit scheme. For him this is the wrong approach.

Others have thought that the approach to small-holder credit should be related to a given situation. That credit should be seen in the wider sense of 'indivisibility' of factors operating at the farm level, like good husbandry including for example early planting, clean weeding at proper times, harvesting in time, good transport and storage facilities. This can then be correlated to time or context in providing credit. An example is Clayton's proposition of credit ".....to finance the waiting or Zero income period ...."<sup>12</sup> which is time-correlated. Clayton also provides a context correlated situation when he urges that the importance of credit should not be over-emphasized while possibilities of rural domestic Savings have not been fully exploited. It is to be noted that he does not say that credit should not be provided to the small farmers.

Ronald Mackinon gives another example of a Context-Correlated situation, viz, the adaptation to new technology. He says that,

Access to external financing resources is likely to be necessary over the one or two years when the change takes place.<sup>13</sup>

Another modification of this theory is that of John Mellor who says that credit should be provided for productive purposes only as opposed to subsistence. Consequently he argues, credit should go to the high and middle income farmers who shall utilize it accordingly. He has argued as follows,



which in effect means that In traditional Agriculture Credit needs  
 in all Kenya's small-scale lie largely with the lowest income farmers  
 and their needs are largely for consumptive  
 credit. With modernization the Credit needs  
 of the medium and high income farmers  
 increase rapidly and their credit needs  
 are for production credit.<sup>14</sup> (Emphasis mine)

As for the relevance of the distinction between consumptive and  
 productive credit, we shall refer to it elsewhere.

The third variant is symbolized by the sceptical (or cynical?)  
 writings of Judith Heyer. While on the face of it it might seem as if  
 they are supporting the "situational" approach, a closer analysis  
 shows that their view point is more extreme. Consider the following  
 statement by Heyer:  
 It is worth posing the question as to how  
 short of capital funds the rural areas are  
 anyway. (Emphasis added). While we  
 talk of shortage of capital on the farm, we  
 also talk of the possibility of mobilizing  
 considerable Savings from the small-holder  
 farming areas in the period of the plan.<sup>15</sup>

And in another paper she advances a similar view. She says,  
 only if it can be shown that farmers are  
 critically short of finance and that there  
 are profitable investment opportunities  
 open to them (and those situations do not  
 usually occur together in Kenya's small-  
 scale farming areas) should a credit  
 scheme be incorporated in a pilot rural  
 development programme.<sup>16</sup>

(vi) high and growing per capital income  
 equitably distributed.

which in effect means that there should not be credit facilities in all Kenya's small-scale farming areas.

The same views are expressed by Arthur Mosher, who makes a fine distinction between the 'accelerators' and 'essentials'. There can and will be some growth in agricultural productivity whenever all of the 'essentials' are present, but without them there would be none. The case is different for 'accelerators.' Each of them is different but not indispensable.

In short the small-scale farmer is not poor, these sceptics assert. It is on this particular that one would wish to differ strongly from them.

The Kenya Government has come out strongly in favour of a rural development strategy that gives credit an important role. This aspect will be examined in the next chapter. However unlike the scholars and theorists, a government must go further and translate theories into policies and then into programmes of action. Every such policy or programme is then judged or evaluated against a background of aims and objectives. For the Kenya Government, such are found in the Sessional Paper on African Socialism,<sup>17</sup> which contains a clear statement of our social and economic ideals. Within a framework of what is referred to as democratic African Socialism the following ultimate goals are sought to be achieved, namely,

- (i) political equality
- (ii) social justice
- (iii) human dignity including freedom of conscience.
- (iv) Freedom from want, disease and exploitation
- (v) Equal opportunities and
- (vi) high and growing per capital income equitably distributed.



The aim is to achieve all of these objectives, not just one or some of them to the exclusion of others. It therefore follows that in devising a strategy for rural development, using credit as one method for increased agricultural production, the necessity of realising the above ideals together should always be remembered.

In the next chapter we shall see how the political philosophy we have attempted to restate has influenced the growth and development of the small-holder credit policy in Kenya from the earliest days of colonialism to the past-independence era.

It is clear that the policy which at this period extended to all farmers in Kenya was that of the colonial state. It is to be expected that such a policy would have denied access to any form of credit, not even from the Government, to the small-holder farmer who was in a state of depression in the years preceding the depression.

It is also clear that the policy of colonialism there was not a policy which was to grow into a tradition of expanding credit facilities to finance a new agricultural revolution. The policy had been proclaimed during the years of the depression, when in order to meet the threat of a collapsing settler agriculture a "small-holder agricultural grant" was established. The colonial Government's struggle was that the policy should have had an institutional and a long-term basis. In the words of the late Sir Evelyn Baring:

The present state of agriculture in Kenya is a direct result of the depression which has impeded more than ever the small-holder farmer's access to credit on any terms which an institution such as the Land Development Bank could supply. Both the Government and the people of the country are in the anxiety to speed the re-formation of the Land Bank.

CHAPTER TWO

HISTORY OF SMALL HOLDER<sup>1</sup> AGRICULTURAL CREDIT  
IN KENYA

A. BACKGROUND

Once the decision was made that settlers were to be the imperial agents in the exploitation of the colony's resources, it became unnecessary to have any conscious or deliberate development policy in the reserves. Any attempt to develop the African areas at this time would have had the effect of conflicting with settler interests;<sup>2</sup> interests which at this period coincided to a large extent with those of the colonial state. As is to be expected Africans were denied access to any form of credit, not even from the Commercial and Merchant Banks that financed settler agriculture in the years preceding the depression.<sup>3</sup>

But from these early periods of colonialism there emerged a policy which was to grow into a tradition of depending on public funds to finance private agricultural activities. The policy became pronounced during the years of the depression, when in order to meet the threat of a collapsing settler agriculture a Land and Agricultural Bank<sup>4</sup> was established. The colonial Government strongly felt that the policy should have both an institutional and a long-term basis. In the words of the then Attorney-General,

The present state of agricultural depression has emphasized more than ever the need for long term agricultural credit on easy terms which an institution such as the Land Bank could supply. Both the Government and country are at one wishing to expedite the creation of the Land Bank.<sup>4b</sup>



The result was that farming activities at first in the Highlands and later on in the rest of the country became almost wholly dependent on funds provided by the Government and hence by international monopoly Capitalism. It is in fact the long series of cautious attempts to incorporate African agriculture into the ambit of international capitalism that forms the basis of our historical investigation.

#### B. CREDIT TO AFRICANS IN GENERAL: THE COLONIAL ATTITUDE

The provisions of Section 26 of the Land and Agricultural Bank Ordinance, 1930, enabled advances to be made to 'natives'. However the conditions laid down for qualification were so onerous that no African could become eligible for a loan. If a "native" resided in a reserve the Local Native Council was required to give its consent. Stringent conditions were also laid down as regards the purposes for which loans could be provided and the security that could be offered.

But even the above obstacles notwithstanding, the colonial policy was to deny Africans access to credit except under the most restrictive conditions. As early as 1903 Commissioner Elliot had enacted the credit Trade With Natives Ordinance<sup>5</sup> limiting the power to enter into a contract of Sale of Goods with an African, unless the value of the contract was two hundred shillings or less, or otherwise the contract had been approved by a District Commissioner. In 1948, the Credit to Africans (control) ordinance<sup>6</sup> was enacted limiting the amount of money that could be advanced by a non-African to an African to two hundred shillings. The object of the enactment was said to be the protection of the "unsophisticated" African, but as Mr. Mathu<sup>7</sup> protested in the Legislative Council it had the effect of frustrating the efforts of the African to get credit<sup>8</sup>, so much so that when Swynnerton reported

a few years later there was little or no indebtedness of the Africans to the other races. This legislation was gradually relaxed and eventually repealed in 1960. Meanwhile the Committee on Credit to Africans had given its report:

C: REPORT OF COMMITTEE ON CREDIT TO AFRICANS

The report of the Committee on Credit to Africans was the first real attempt at forging a policy of extending Credit facilities for agriculture to Africans.

Reporting in October 1949 it noted that there was little private borrowing by Africans from non-Africans and also how restricted the access to public funds was. The Committee therefore felt that a greater infusion of capital and guidance could lead to increased agricultural production in the African areas. But as was to happen in future the question of security emerged as one of great difficulty for the Committee. What could Africans be required to offer as security against the loans? The approach the Committee took on this question was dictated by strongly held assumptions that expresses a whole philosophy of individualism. Africans, the Committee argued could not be expected at that stage of their development to give land as a security. This is because the land was 'communally' owned and therefore could not be freely transferred in the market. The nature of the transaction required that land be used as a commodity of exchange. The approach anticipated what in fact became a planner's Dogma in the years to come, namely, that only land could form the basis of an adequate security for a loan. If it was impossible to offer land as a security, the next best alternative was the individual, and characteristically the Committee fell back on 'personal character.' And again true to the assumptions of the underlying philosophy, this concept was to form the basis of the differential provision of credit, which was to prove a crucial factor influencing the direction of the small-holder credit policy especially in the years of independence.



The Committee expressed its thinking on this matter as follows,

We consider, therefore that as land can only be taken as security in very limited cases, the main security must be that of personal character. For this reason we strongly recommend that a part from the co-operative Societies, loans should be made only to selected individuals who are known to be good farmers and responsible persons and whose credentials have been carefully examined at location and District levels.<sup>9</sup>

(Emphasis added)

Following these recommendations short-term credit was made available to Africans in some areas of Kenya through the African Land Development Board, ALDEV,<sup>10</sup> in 1953. The loans were provided on the basis of personal security and it is estimated that between 1948-1959, a total of £77,506 was lent to small-scale African farmers in different parts of Kenya.<sup>11</sup> However, no long-term loans were provided and in fact no full-fledged or consistent policy of extending credit to Africans appeared until R. J. M. Swynnerton, Assistant Director of Agriculture, made his recommendations in 1954.<sup>12</sup>

#### D: THE SWYNNERTON PLAN

The Swynnerton plan formed the next major step towards a clearly defined small-holder credit policy. The plan is important in two ways. First it marked a kind of breakthrough in the attempts to provide agricultural credit to Africans. Secondly, the recommendations formed the foundation of the small holder credit policy that operates in Kenya today.

Swynnerton's terms of reference did not include the formulation of a credit policy for African Areas. His was to find ways and means

of re-organizing African agriculture in the light of the threat it posed to the settler security in the Highlands. He was therefore involved in a far wider inquiry that persisted the whole period of colonialism, namely, "How could Imperialism be made to work in Kenya?" In the circumstances Swynnerton recommended a land tenure reform programme whose central direction was the granting of individual titles to land. He felt that the future African farmer, must be provided with such security of tenure through an indefeasible title as will encourage him to invest his labour and profits into the development of his farm and as will enable him to offer it as security against such financial credits as he may wish to secure. <sup>12a</sup>

But an individual title to land was not itself enough, for crucial to the success of the land reform programme was the provision of credit. The report said in part,

If Africans are to develop their lands to their full potential they will require much greater access to finance and if they achieve titles to their lands in economic units, much greater facilities should be made available for them for borrowing against the security of their land. <sup>13</sup>

This followed upon the finding of Swynnerton that in the past "..... government policy has been to maintain the tribal system of tenure so that all the people have had bits of land and to prevent the African from borrowing money against the security of his land".<sup>14</sup> As a result there was no Agricultural Indebtedness of the African to the other races. Swynnerton wanted a reversal of this policy. He therefore explained that,

.....



In future, if these recommendations are accepted, former government policy will be reversed and able and energetic or rich Africans will be able to acquire more land and bad or poor farmers less, creating a landed and a land less class. This is a normal step in the evolution of a country.<sup>15</sup>

It was hoped that the benefits to accrue would be tremendous, not least the political ones, a fact that was clearly recognized by Swynnerton, saying that, "In the long term the greatest gain from the participation of the African Community in the running of its own agricultural industries will be a politically contented and stable Community."<sup>16</sup>

This amounted to providing an economic solution to a political problem as John Harberston was later to describe it.

The important thing however is of course that provision of credit became an integral part of the land reform programme and was in a way to influence its direction and orientation in the years to come. It was left to Sorrenson to observe that,

As was soon to become obvious agricultural credit could hardly be issued to individuals if the title to land was to be vested in some vague entity called the kinship group, the community or the tribe. Yet the issue of agricultural credit was essential if farming was to be adequately capitalized and improved.<sup>17</sup>

(Emphasis added)

The recommendations of Swynnerton received great impetus from the findings of the East African Royal Commission, 1955<sup>18</sup>, and two years later by the working party on African Land Tenure both of whom supported the land reform programme.

The Royal Commission for example assumed that the security offered against a loan must be "negotiable", because of the contractual nature of the transaction. It attacked the existing features of African land tenure as being "..... ant-individualistic and communalistic in tendency ....." and therefore a hindrance to progress.

Finally the International Bank of Reconstruction and Development (IBRD) Mission, 1962 while recommending the creation of an "Agricultural Credit Corporation" endorsed the conclusions of Swynnerton saying that,

With the agricultural development programme....., by far the best economic results will be forthcoming from investment in African farming, consolidation, enclosure and development along the lines set out under the Swynnerton plan. <sup>20</sup>

### THE POST-INDEPENDENCE PERIOD

The dynamics of the decolonization process with the major theme of "Continuity" ensured that these policies continued to the post-independence era. <sup>20b</sup>

Credit and especially small-holder credit is still regarded as occupying a central place in the government's continuing efforts to register land. It has been indicated that the views of the Kenya Government lean heavily towards the "need creed" theory. The 1966-1970 for example acknowledged the place of credit in agricultural development. The plan said that,

Land Consolidation and registration is an integral part of the government's programme for developing small-holder agriculture. In order that its full beneficial impact may



be realized, land consolidation and registration must be followed up with land improvement agricultural credit and extension services.<sup>21</sup> (Emphasis added)

The influence of Swynnerton is clearly discernible in this government thinking on a strategy for agricultural development. The 1970-74 plan had put the same emphasis on credit. The argument was put forward as follows:

If farmers are to adopt improved farming methods such as the use of Improved Livestock, better seeds, pesticides, etc, they will require credit especially short-term credit to help them purchase these.<sup>22</sup> (Emphasis added)

And the 1974-78 plan was no less explicit. It stated in part,

Expansion of agricultural credit programme during the new plan period will promote the development and intensification of Agricultural production, . . . . . The Provision to small-scale farmers of credit facilities especially for seasonal inputs is a most important task facing the credit institutions.<sup>23</sup> (Emphasis added)

The amount of money allocated by the planners for agricultural credit during the 1974-78 plan underlines the importance attached to credit. During the plan period K£19 million was allocated, which is in fact three times larger than the amount allocated in the 1970-74 period.

This however was not a new strategy for the 70's, for even as early as 1965 the Kenya Government, in the Sessional Paper No. 10 had indicated its willingness to continue with the land reform programme

and the place of credit in it. In devising a strategy for agricultural development the government was ready to shift the emphasis from settlement and transfer to what it called "development". The result of the shift in policy would be that, "..... Consolidation and registration will make credit and modern methods of agriculture possible.....," 24 and the Government had no doubt that, "to revolutionize agriculture in Kenya by developing under utilized land through consolidation and development ....., credit will be required", 25

The next chapter will focus on attempts to implement the small-holder credit policy we have discussed. The basis of our discussion will be the Githunguri Division of Kiambu District. The concern is to evaluate both the performance of the Agricultural Finance Corporation and the impact of credit in small-holder agriculture. To do this we propose to examine especially the supply of credit to the farmers by the Agricultural Finance Corporation and the administration of credit in the field. It is hoped that this approach will assist in demonstrating some of the problems connected with small-holder credit policy in Kenya both at the institutional and the farm levels.



## CHAPTER THREE

### THE PROVISION AND ADMINISTRATION OF SMALL-HOLDER CREDIT IN GITHUNGURI

It is already indicated that this chapter will concentrate on the supply and administration of credit. In discussing supply we shall examine not only the factors that inhibit the performance of the Agricultural Finance Corporation but also those that influence the distribution of credit in the sense of who gets or does not get credit. The next half of the chapter will evaluate the impact of credit under the wide heading of supervision and some its important aspects like utilization and extension advice.

#### A: INTRODUCTION OF THE STUDY AREA:

Githunguri Division is one of the earliest areas to be covered by the land tenure reform programme. By 1960 the process involving land adjudication, consolidation and registration had been completed. This in itself is not surprising if it is remembered for example that Chief Magugu Waweru<sup>1</sup>, one of the most persistent advocates of individualization of tenure, came from this area. Following upon registration and granting of title-deeds farmers started applying for loans according to the Swynnerton formula. Side by side with the Agricultural Finance Corporation lending, advances from the Commercial banks and co-operatives have also grown tremendously. In February 1977, for example, Mr. Michuki, Chairman of Kenya Commercial Bank is reported to have said at Githunguri that advances from the local branch of the Bank had grown from Shs. 500,000 to Shs. 13,305,000 in the ten years between 1966-1976. He indicated that most of the advances were for agricultural purposes in the Division.<sup>1a</sup>

Important as lending by commercial banks is in the Division



this paper will however concentrate on the operations of the Agricultural Finance Corporation .

## B: THE AGRICULTURAL FINANCE CORPORATION

### 1. HISTORY AND FORMATION

In the previous chapter we saw how credit was channelled to the African areas by the African Land Development Board (ALDEV) This continued up to 1959, when its functions were taken over by the Board of Agriculture (Non Scheduled Areas). In 1963 the A. F. C. was formed through an amendment to the Agricultural Credit Act, 1931<sup>2</sup>, following the recommendations of the International Bank of Reconstruction and Development (IBRD) Mission in 1962. The Board of Agriculture (Non-Scheduled Areas) and the Board of Agriculture (Scheduled Areas) were then merged to form the Central Agricultural Board. Its special function was to cater for the credit needs of the small-scale farmers, because credit to large farmers was already being handled by a multiplicity of lending organizations especially the Land and Agricultural Bank. In 1969 by the Agricultural Finance Corporation Act, (Cap. 323) the A. F. C. was reconstituted with wider powers when it took over the lending functions of the Land and Agricultural Bank which ceased to exist.<sup>3</sup>

The Agricultural Finance Corporation has its headquarters in Nairobi and several branch and sub-branch offices in what is called Kenya's principal agricultural Districts.<sup>4</sup> The Board of Directors reports to the Minister of Agriculture, although in its day to day matters it works closely with the Ministry of Finance and Economic Planning especially the Treasury. It also consults with the office of the President, through the Supervisor of Statutory Bodies.<sup>5</sup>

The organization receives most of its funds in form of loans from the Kenya Government. However S14(1) of the Agricultural Finance Corporation Act, enacts that the Agricultural Finance



Corporation has power '.....with the concurrence of and subject to such limitations as may be imposed by the Treasury, to borrow money or obtain credit either in Kenya or abroad .....

and as a result the Agricultural Finance Corporation borrows money from external donors on its own initiative.

Thus the Agricultural Finance Corporation was given a crucial place as the only large public lending organization to the small-scale farmers and for this reason we shall examine its formation and operations and then attempt to evaluate its performance.

## 2: THE LOAN APPLICATION PROCEDURE

In the field an agricultural extension officer sells a loan application form to the intending borrower. The same is forwarded to the Loan Advisory Committee comprising the A.F.C. branch manager, the Senior Extension Officers and some members of the District Agricultural Committee to be reviewed. The application is then forwarded to the head office for formal approval or rejection.<sup>6</sup> The screening process is aimed at ensuring that the loans go to those farmers who are not likely to default in their loan repayments, the generally so called "progressive" farmers. This however does not necessarily mean that they are better in farming than the others. The A.F.C. requires land as a security and usually as first mortgage. As of 1966 loans to small-farmers are only provided in kind and not in cash. A.F.C. loans carry a slightly lower rate of interest than those of comparable organizations. (see for example table 5 below).

The organization operates a centralized accounting system at the headquarters from where farmers are notified and reminded that their instalment-repayments are about to fall or have fallen due. The ultimate sanction for failure to meet loan repayment is of course enclosure, but this is only rarely resorted to.<sup>7</sup>

## C: THE SUPPLY OF CREDIT

What factors shape and determine the amount of credit that is available for distribution to the farmers? Is the available credit for example rationed, and if so on what basis is this done? Through non-market or market criteria? How far is the A.F.C., especially its institutional set up suited to finance small-holder agriculture as compared to more locally based organizations like co-operative societies? Does this set up (institutional) inhibit its performance? Is the actual machinery used by the A.F.C. to reach the small-scale farmers the most effective. What alternatives are there, for example as regards the question of the allegedly high costs of administering a small-holder credit project? In attempting to investigate the bearing of these problems, we shall in fact be involved in the difficult task of evaluating the performance of the A.F.C. with a view to making some recommendations in our conclusion.

### 1: SHORTAGE OF LOAN FUNDS

Among the most important factor is the shortage of funds available for distribution to the small-scale farmers. The problem affects those small-farmers outside the settlement schemes. In 1972 for example only 14,500 farmers were reached by the A.F.C., although the sector was also served by other agencies. (For some of these organizations see Table 1). This small lending was restricted to medium-term loans with no arrangements for short or long term loans. This was not all, for "..... more than 70% of these loans were used for purchase of high grade dairy-cattle or related investment."<sup>8</sup>

The Kenya Government, while negotiating a world Bank loan in 1966 was hoping that "..... if the credit scheme is successful the Government is confident that funds can be raised to expend it to cover eventually to one-half of the peasant populations....."



But although the eventuality was not explained, by 1970 it is clear that such confidence had been shattered. In this connection the 1970-1974 plan said, 'Not only have arrears on loan repayments been excessive, but the A. F. C. has been able to supply credit to only a small proportion of small-scale farmers.<sup>10</sup> As it turned out, this proportion was indeed small, amounting to only '.... a little more than 1% of all small-scale farmers .....'<sup>11</sup> according to the 1974-1978 plan. The situation has remained virtually unchanged for years. As a result there is intense competition for the little funds available, which of necessity gives rise to a rationing process. The said process manifests itself through a selection criteria based on non-market forces. It requires of the prospective borrower the following considerations:

- (i) Capacity to repay, which is based on the calculations of expected returns from the undertaking financed by the loan.
- (ii) Character, primarily the borrower's willingness to adhere to the repayment schedule.
- (iii) Collateral security, which is contemplated as giving recourse to the lender for his principal and interest if the farmer defaults or dies or is unable to operate his farm or business to the requisite levels of profit, and
- (iv) Capital or assets of the borrower referring to the ability of the borrower to support the investment through his own finances in addition to the loan.<sup>12</sup>

The aim of these criteria is to determine the creditworthiness of the borrower and the screening process undertaken by the A. F. C as regards

loan applications ensures just this. An assessment officer is sent to the field to determine the creditworthiness of a farmer if the loan exceeds £250. The banks also do it. During such visits attempts are made to impress the officer by appearing to be "progressive", a factor that will influence the amount of money one will be allowed to borrow.<sup>13</sup>

An important aspect of the provision of credit is the requirement of security. This as we have seen elsewhere becomes a real problem in dealing with poor small-scale farmers. For the colonial agronomist, nothing short of land itself could form an adequate security and hence, the individualization process. It is here intended to inquire whether land is still regarded as an adequate security or whether the present-day lenders require something more in addition to land. The evidence suggests that land, per se, is not enough. The 56 unsuccessful loan applicants I interviewed, covering four locations of Githunguri Division were absolute proprietors with registered individual titles.<sup>14</sup> It would seem that their major handicap was failure to satisfy the non-market considerations in the rationing process. They were possessed of no loose assets, no extra-farm income and were generally poor. In short there was no prospect of their being able to repay the loan if advanced, and were therefore accordingly disqualified.

Why then, we may ask ourselves, do the lending agencies, especially the A.F.C. still insist on land being provided as a security? The colonial planner's argument was that registration of land on individual basis would of itself release more credit for investment in small-holder agriculture.<sup>15</sup> On the face of it this would seem to be the reason behind the insistence by the World Bank group and other foreign lenders,<sup>16</sup> in the early days of independence, that they could only lend against registered titles. However looking at it more deeply and also retrospectively from the experience of the last few years, such an argument is not impressive and cannot stand.



One would be more inclined to think that the argument was offered as a justification for the negative attitude of these lending bodies as relates to the financing of the small-scale sector. It is regarded as a very risky undertaking, chances being that the investment will fail to yield enough monetary profits. If such an eventuality occurred, land being the only recourse in conditions of relative poverty, should be within the reach of the lender. Registration of land has had very little effect or influence on the flow of credit. This is true of Githunguri. Referring generally to the situation as a whole, the Mission on Land Consolidation and Registration warned that,

Arguments that registration should be accelerated on the grounds that it will lead to rapid increase in development through the rise of bank credit should not therefore be given too much weight.<sup>17</sup>

Funds are also rationed by restricting borrowing to purely cash enterprises as opposed to Subsistence. In Githunguri this is done by allowing borrowing for only high grade cattle for dairy and sometimes for cash crops like the newly introduced passion fruit growing.<sup>18</sup>

We have mentioned that the distinction is inadequate and unreal for peasant economies. This and similar classifications between production and consumption credit have been attacked on several grounds. Consider the following statement as an example of such attacks:

It is only at later stages of Agricultural development that the productive element in agricultural credit gradually increases. As long as agriculture is not a business but a way of life . . . . . it will be impossible to draw a clear border line between credit for consumptive and credit for productive



What happens is that the rationing process effectively eliminates the bottom strata of the farmers, the genuine small-scale farmers who really need credit facilities especially to get started, from benefiting from the credit facilities. An example is the 56 loan applicants from Githunguri we have mentioned. The elimination is done by restricting the available credit to the "..... 12% to 15% in the upper quartile of small-holders," usually consisting of rich farmers, traders, other businessmen, and local teachers. All these groups of people enjoy non-agricultural incomes. It is because of this very reason that Kenya's small-holder credit project has been appropriately been described as "..... a useful method of redistributing income in favour of those who are fortunate enough to already own sufficient resources to meet the minimum required for credit recipients." 20

## 2: OTHER FACTORS

At the institutional level several factors inhibit the A. F. C. from performing its functions properly and efficiently. Some of the factors result from the centralized nature of the Corporation. Almost all decisions, big or small, are made at the head office, with the consequence that delays are numerous. Small loans, for example of as little as £50, must be given formal approval at the head office. The centralized accounting system also causes delays in preparation of instalment remainders, sometimes for as long as four to six months. At Githunguri the A. F. C. has failed to establish a form of organization that will give it real contact with the farmers at the village-level. Its field staff is only thinly spread over the area, consisting of less than five officers who are stationed not at Githunguri but at Kiambu Township. Consequently the Agricultural Finance Corporation has failed to tap enough information and local knowledge that could be useful in running a successful small-holder credit project in the Division. This is reflected in the investment propositions of the organization which are often not well thought out;<sup>21</sup> the loans disbursed are not followed up with adequate



supervision and loan-repayment collection alternatives have been neglected. Perhaps this lack of real contact between the lender and the loanee is the greatest handicap to a successful small-holder credit operations in the Division.

To judge the performance of such a complex body as the Agricultural Finance Corporation, with several and differing functions is really difficult, unless it is established a relevant criteria for doing so. Several criteria can be used to judge corporate performance. Robert G. Pozen, for example identifies four such criteria as obtains in British legal theory.<sup>22</sup> Perhaps the most relevant for our purposes here is what he calls "business efficiency", which in some cases might exclude the profits made in monetary terms because occasionally ".....public Corporations are legally obligated to follow government directives aimed at broader social and political goals."

The relevance of the above is that the Agricultural Finance Corporation was set up with the specific objective of reaching as large a number of small-scale farmers as possible within a short period because of some felt "..... broader social and political goals..."<sup>23</sup> However even giving allowance for the difficulties of judging corporate performance under the head of 'business efficiency' and the goal of reaching as many small farmers as possible, rather than the returns in form of monetary profits, still one cannot fail to notice how the Agricultural Fiance Corporation has over the years concentrated on financing large-scale farmers at the expense of the small-holders. ) (see for example Table 2 on Disbursements of Agricultured Finance Corporation loans for the year ending March 1972) As Table 2, below, shows, for the year ending March, 1972, the disbursements to small-scale farmers was only a mere 29.9% of the total Agricultrual Finance Corporation disbursements for the period. The rest went to large-scale farmers. Judith Heyer has also estimated that,

about 75% of the short and medium credit extended in 1972 went on to large farms ... It was estimated that less than two hundred and fifty thousand small-holders outside settlement schemes had access to small-holder credit in 1972 and that these 12-15% were in the upper quartile of small-holders in terms of farm-size and income. Moreover these 12-15% do not have access to very large loans through the formal credit system.<sup>24</sup>

But of course the estimate of two hundred and fifty thousand farmers include those covered by other formal sources of credit like the commercial banks and the Co-operatives. (See Table 1 below for these other sources). Again in 1972 the Agricultural Finance Corporation lent a large £12.0 million to only about 2,500 large-scale farmers and ranchers and a tiny £2.5 million to 14,500 small-scale farmers.<sup>25</sup> In the same period, viz 1971-72 season, about K£3.1 million was made available to 5,500 maize and wheat farmers under the Guaranteed Minimum Returns (GMR) programme, which is essentially a scheme for large-scale farmers. All this shows that the large-scale sector has more than its just share of loans establishing at least a prima facie case for reversing the trend. This inability of the Agricultural Finance Corporation to operate a successful small-holder credit scheme could be one reason why the planners allocated only a meagre sum for small-holder credit development in the 1974-1978 plan period (see Table 3 on Agricultural Finance Corporation's planned Development, 1974-78 plan). During the plan period K£5 million was allocated to the small-scale farmers while an equal sum was to go to the relatively smaller number of large-scale farmers.

It is often argued that the situation of imbalance prevails because small-scale lending is of recent origin compared to large-



scale lending; but over the years the Agricultural Finance Corporation has not even attempted to shift the balance in favour of small-scale farmers. It is for example now 16 years since lending started in Githunguri and 14 years since the Agricultural Finance Corporation started its operations in the area. It is also argued that servicing a large number of small loans is very costly, but the Agricultural Finance Corporation has not experimented with other alternatives in order to reduce costs. Some such alternatives are suggested in the conclusion.

Several other factors do influence and ultimately determine the success or failure of a small-holder credit programme. These others could for example include marketing channels, pricing policies and other consumer incentives, transport and storage facilities. In fact it has been asserted and we think correctly so, that,

Credit schemes can only succeed if combined with whole package of inputs and services necessary to the success of the farm developments that are being financed.<sup>26</sup>

This half of the chapter has argued that the performance of the Agricultural Finance Corporation small-holder credit programme in Githunguri, as elsewhere, has fallen short of the expected standards. Several factors have been identified as affecting or inhibiting its performance. The next half will make an evaluation of the impact of credit in the Division. In particular the section will argue that supervision of credit is crucial to the successful operation of a small-holder credit project. Emphasis will be laid on the rather important aspects of supervision, namely extension advice and utilization of credit.

TABLE I: ESTIMATE OF ANNUAL LOANS TO SMALL-

1971 - 1972

CREDIT SOURCE	£'000	000 K.S.S.
Commercial Banks	2,500	9
Input Suppliers	1,000	5
Settlement Fund Trustees	1,277	n.a
Guaranteed Minimum Return	750 <sup>a</sup>	5
Agricultural Finance Corporation	475	10
Co-operative Production Credit	200	35
Co-operative General	100 <sup>b</sup>	55
Kenya Tea Development Authority	100	21
Pyrethrum Board	30	10
TOTAL	5,975	n.a

a: Probably an over-estimate at half the total GMR for small loans

b: Probably an under-estimate of general co-operative loans

Republic of Kenya; Department of settlement, Annual Reports

A.F.C.: Annual Reports;  
Donaldson and Von Bishke;  
Small-farmer credit in Kenya, 1973



TABLE 2: DISBURSEMENTS ON AFC LOANS: YEAR ENDING MARCH 1971

LARGE - SCALE LOANS	KSH. MI LION
Land Purchase and Development	19.62
Range Development IDA 129	1.78
KFW	.87
T O T A L	22.27
SMALL SCALE LOANS	
AFC Small-scale	1.75
IDA 105 small-holder project	7.36
KFW Small-scale	.38
T O T A L	9.50
TOTAL DISBURSEMENT	31.76

Small scale as % of total disbursement 29.9%

Source Von Pishke: Small-Farmer Credit in

Kenya

TABLE: 3 A.F.C. PLANNED DEVELOPMENT EXPENDITURE, 1974-78

PERIOD	72/73 Estimates	73/74	74/75	75/76	76/77	77/78	PLAN TOTAL KE 000
Large scale farmers loans Land purchase and Development	362	1604	600	800	1000	1000	5004
Range Areas and Mediums, Short Medium term loans	476	555	1300	1900	2800	2562	9117
Small-scale Areas; short term loans	99	764	650	780	1150	1800	5144
Total Estimates	937	2921	2550	3480	4950	5362	19265

SOURCE: Republic of Kenya, 1974/78 Development Plan



## D: THE IMPACT OF CREDIT IN GITHUNGURI

In discussing the impact of credit from the point of view of supervision and its related aspects like utilization, need for extension services and the loan-repayments situation it comes out clearly that these factors have a general importance to any small-holder credit scheme operations, and even how successful it will turn out; to be. The approach taken on loan repayment is to regard the eventuality of successful loan-repayment as forming the foundation of present approaches to small-holder credit. It is therefore argued that supervision of credit has the powerful effect of determining the rate at which loans will be repaid.

### 1. SUPERVISION; CREDIT UTILIZATION AND THE NEED FOR EXTENSION SERVICES.

The 'Sceptics' of small-holder credit have argued further that the real constraint in small-holder agricultural development is not shortage of credit funds but lack of supervision and especially extension advice. Credit it is urged is only an "accelerator", not an "essential". While not wishing to engage in a rather sterile controversy as to how credit should or can be classified, our contention is that no amount of supervision without provision of credit will give small-holder agriculture a breakthrough. It must of necessity be supervision of projects financed through loan funds. Reason for taking this position will come out when we discuss the need for subsidized credit to small-farmers. Perhaps the fault lies with the implementation of the credit policy rather than in its mere existence.

However we hasten to add that our argument does not seek to diminish the place of supervision in any well integrated small-holder credit development scheme. My field research in Githunguri increasingly made it clear that lack of adequate extension advice has greatly hampered the success of the Agricultural Finance Corporation high grade dairy cattle project in the Division.<sup>27</sup> It is especially afflicted by a high mortality rate. For example the 45 farmers



I interviewed in this respect had between them about 100 cows, bought by Agricultural Finance Corporation funds. However only about 53 cows were alive at that time. Some had died of tickborne diseases and several died while calving. Although the veterinary officers at Githunguri Divisional headquarters ought to advise farmers on the breed that is suitable for the borrower's area, and a certificate should be produced to show that the animal is healthy, this is often not done. Again conditions change from one farm to the next, such that it is very difficult to carry out a detailed survey for every farm. The greatest handicap is however, the standard of husbandry that is or ought to be practised, especially the application of spraying chemicals for tick-borne diseases.<sup>28</sup> With the shortage of veterinary officers that is experienced in the rural areas, the lack of advice in this respect is a permanent phenomenon. There is for example only one fully qualified veterinary officer for the whole Division,<sup>29</sup> who cannot possibly handle all the cases that arise, especially the complicated ones relating to calving. However as regards to tickborne diseases the situation is bound to improve in future with the increased construction of "Harambee" cattle dips, as is happening at present in the area.

What about other aspects of farming, for example crop development, which is also financed by the Agricultural Finance Corporation? Here the problem is not really one of shortage of extension personnel, like in the dairy cattle project. Here the problem is that of inadequate training of the officers employed. The situation can be demonstrated by examining the same in the country at large, which as I found is applicable to Githunguri. In 1973 for example it was estimated that there were about 5,500 extension agents in direct contact with 1.7 million farmers or one extension agent to every 310 farmers in average. In fact this concentration could be higher in Githunguri. But the working party in Extension services in



1970 had estimated that 50% of the extension workers in the field were either "..... completely untrained or had their training so long ago as to be equivalent to untrained."<sup>30</sup> In fact a number of these officers at Githunguri are old men who started their career during the colonial period. These officers are replaced very slowly. And even then, the young men who replace them are not very different. One even wonders whether the calibre of these young officers with their low level of formal education is such that they can acquire that innovative capacity needed in handling the peasant's agricultural problems.<sup>31</sup>

Other factors that affect the provision of adequate extension advice in other parts of the country are also operative in Githunguri. For example the effectiveness of the extension agents is further reduced by technical problems that plague agricultural administration in Kenya, and especially the Extension Department of the Ministry of Agriculture. They generally cover the absence of support and control.<sup>32</sup> The field officers suffer lack of such support services like vehicles, petrol and operational guidelines, for although in connection with the latter there is a requirement for elaborate farm information accompanying the loan application form, the Agricultural Finance Corporation field staff is so overworked that such is not often prepared or is done improperly. And even if the guidelines were prepared well, they would soon become outdated, giving rise for a need to prepare new ones.<sup>33</sup>

As for control the extension agents get little or no supervision in the field with the result that their effectiveness both in the standards of advice given and the number of hours expended in giving advice are greatly reduced, and cases of wrong advice not rare,<sup>34</sup> although this could be an attribute of their low qualifications.

This poor performance of the Assistant Agricultural Officers in the field is aggravated by limited contact with their superior



officers in the Divisional headquarters at Githunguri or the District headquarters at Kiambu Township. Lack of feed back information detracts from innovations of method and approach.<sup>35</sup>

The methods used in offering extension services are not efficient. For example the one of individual farm visits, used by extension agents in the area is inefficient and wasteful, for only a small number of farmers can be reached due to the lack support services especially motor-vehicles, a fact which greatly hampers the movement of the agents from one farm to the next. In some areas even vehicles would not make a lot of difference, given the state of the infrastructure and particularly the poor standard of the roads. Of course it has been argued that the concentration on a few well-off farmers will have diffusion benefits for those not benefiting directly from such a device. Schonherr has however shown that such diffusion, if at all there is, is weak, because inter alia "..... the better farmers have been alienated from the rest of the community."<sup>36</sup> Suggestions for improvements have ranged from demonstrations rather than verbal communications,<sup>37</sup> and group as opposed to individual based methods.<sup>38</sup> In this respect of group approach more use could be made of the nearby Waruhiu Farmers' Training Centre, situated a few miles outside Githunguri Township, if it were expanded to handle large groups of farmers.

The tendency to concentrate on only a small proportion of farmers regarded as "progressive" and who are likely to seek after and be more receptive to advice was recognized by the 1970-74 plan. It said in part,

The aim of the extension service will be to reach a very high proportion of Kenya's farmers during the plan period. Previous tendency to concentrate attention on the more progressive farmers will be avoided..... The extension



services will be placing more reliance on the mass media group approaches rather than the individual farm visits.<sup>39</sup>

The 1974-78 plan added that emphasis would be placed on improving "..... quality and effectiveness and not on increasing the scale of operations".<sup>40</sup>

Despite such awareness on the part of the policy makers the situation at Githunguri remains virtually unchanged, and attempts to change for example to the method of demonstrations is frustrated by the factors we have discussed, prominent among them being the reliance on old, untrained or badly trained officers to give effect to the novel approaches.

On the actual expenditure of the credit advanced some farmers related how they had diverted loan funds to other purposes and although no exact figure is available as to the actual amount diverted, it would seem that the practice is widespread, and that a farmer might buy only one cow instead of two or three as agreed upon with the Agricultural Finance Corporation.<sup>41</sup>

It will then be clear that a small-scale farmer who is affected by all the shortcomings discussed above will find it extremely difficult to meet his loan-repayment instalments when they fall due. The situation is worsened by the poor loan collection methods employed by the Agricultural Finance Corporation. In the next section we shall attempt to explore further this apparent connection between the supervision of credit and loan repayment and locate its real bearing in our small holder credit structure.

## 2: THE LOAN REPAYMENT SITUATION

Table 4 below represents the sort of situation we have mentioned about the loan repayment situation. For the shown periods the collection ratio was less than 65% of the total disbursements of that particular period. Again every Friday in the Daily Nation<sup>42</sup> the



Agricultural Finance Corporation carries a list of those farmers against whom foreclosure proceedings have been initiated. A closer examination of such lists will show that most of them are small-holders - by the size of the land that was mortgaged as security, and the area where the land is situated. Some such proceedings have been initiated against farmers in Githunguri. This is not because the small-scale farmers default more than the large-scale farmers. Von Pishke has for example argued that the Agricultural Finance Corporation takes a hard-line on small-scale farmers because of the high administrative costs incurred in servicing their loans. However the real reason would seem to me to be the political connections and in fact the political nature of the large scale farmers and farms themselves, which militates against the same kind of approach to non-repayment as is used against the defaulting peasants. It seems that in the circumstances the Agricultural Finance Corporation prefers to write off the loans than enforce repayment through foreclosure. It is estimated that the Agricultural Finance Corporation forecloses ten small-scale farms and ten large-scale every month but rarely are any of the farms ever sold eventually.<sup>43</sup>

What this section asserts is that the possibility of successful loan repayment is the critical presupposition on which the structure of our credit policy to small-scale farmers is founded. A lot of energy is directed towards the inquiry as to whether the intending borrower will ever be able to pay the loan. If the results of the inquiry are positive and a loan is advanced, the matter seems to end there. The possibility of meeting repayments then becomes the end of our credit policy to small-farmers. How the funds are provided or spent by the farmers become merely incidental factors in a more important consideration, whether the loan will in fact be repaid. This we submit creates a gap in our credit policies. Till the time of repayment comes there is very little concern with the farmer. But when

when improves then more funds will be invested in this sector, and before increasing the chances of the bottom strata of the sector to enjoy this advantage.



it comes as it always does, it is usually too late to remedy the situation. The cattle might already have died or the crops ruined beyond recall or loan funds misdirected to other uses. What we want to put forward is that usually the small-scale farmers do not have the capacity to repay the loans. They have already been denied that capacity not only by the fact that they are poor and ignorant but also because the supervision was poor, inadequate or absent. How can these farmers be helped to acquire that capacity to repay when the loan matures? I think it is a question of those complementary factors that should accompany a well formulated small-holder credit programme we have mentioned elsewhere in this chapter. But far more important is the question of peasant education especially on sound agricultural practises. We cannot possibly hope to achieve an agrarian revolution without its being spear-headed by an educational revolution in peasant ranks. Such has been the key to the agrarian/social revolutions in China, Mexico, Cuba and Russia. But perhaps this is in itself a far cry, for the success of such educational revolutions was more than anything else due to the fact that they were accompanied by radical transformations in the social structures of the whole society as E.H. Jacoby has related in one of his books.<sup>44</sup> In Kenya we dare not go to such lengths, if for nothing else because such an approach smacks of "Socialism", which is regarded as a threat to the interests of both the local petty-bourgeoisie classes and of the international monopoly capital.

The point is that the poor repayment penalises not those who have failed to pay back their loans, and remember it is the "upper quartile" of the peasant society who have access to credit, but rather it continues to deny the mass of the peasants, who need the loans to get started, the benefit of the facilities. If the situation improves then more funds will be invested in this sector, and therefore increasing the chances of the bottom strata of the society to enjoy this advantage.



TABLE 4:

A.F.C. SMALL-SCALE LOAN PORTFOLIO PERFORMANCE 1966/67-72

	In Sh. Millions				
	1966/69	1969/69	1969/70	1970/71	Aug.31, 1972
Loans approved	n.a	2.750	1.1314	1.314	
Disbursements	n.a	n.a	n.a	1.754	
Outstanding at end of period	4.074	6.408	6.680	7.468	7.166
Instalments falling due	n.a	1.408	1.734	2.236	
Collections	n.a	.538	.900	1.424	
Collection ratio(%)	n.a	38.2	51.9	63.7	
Arrears at end of period	.870	1.372	2.204	3.016	3.678

SOURCE: A.F.C. ANNUAL Reports and Internal Documents

Von Pishke: Small Farmer Credit in Kenya

NB. In some cases these figures are approximations

Finance Corporation is to make everyone go for it, the demand is not reached by the supply and the poor who are supposed to benefit from such credit in fact do not. The rate of interest as provided by the Agricultural Finance Corporation (see figure 5 below) is inarguably about three times as high as to reflect the genuine cost of credit. It is contended that there is a case for providing a certain group, for example, the poor, with a credit programme properly designed and operated to reach them should be initiated.<sup>21</sup> So let us agree with this. But it is asserted that no case for subsidised credit exists for the small-scale farmers in Kenya.



Throughout our discussion we have referred to the small-scale farmers' as if this was a homogenous group calling for the same kind of treatment. But the rural population is increasingly becoming stratified<sup>45</sup> as even the reference to the 'upper quartile' of peasant society indicates. The phrase is Judith Heyer's, who is by no means a student of class formations in peasant societies. But she concedes however unwillingly that the same is happening. What she does not do is to ponder the logical outcome of this emerging phenomenon as far as the social relations in the rural population and indeed the society as a whole is concerned. It is this "cream" of the peasant society, what in other countries would perhaps for ideological emphasis be referred to as the 'Kulaks'<sup>46</sup> or rich peasants that has so far benefited from small-holder credit. For the rest of the peasant population whose common feature is utter or total deprivation we call for a subsidized credit programme on a grand-scale, if they are to be lifted from the state of mass poverty.

#### E. THE CASE FOR SUBSIDIZED CREDIT

It is often argued that provision of credit on commercial or opportunity cost terms will result in increased supply of credit into agriculture because this will attract more investors. This it is argued will make sure that only those who can afford will go for the highly priced credit. The result of the cheap credit offered by the Agricultural Finance Corporation today is to make everyone go for it, the demand is not matched by the supply and the poor who are supposed to benefit from such a policy in fact do not. The rate of interest as provided by the Agricultural Finance Corporation (see figure 5 below) it is argued should therefore be made to reflect the genuine cost of credit. It is then said that if there is a case for subsidizing a certain group, for example, the poor, then a credit programme properly designed and operated to reach them should be initiated.<sup>41</sup> So far we agree entirely. But it is asserted that no case for subsidized credit exists for the small-scale farmers in Kenya.



or the argument is taken further to the effect that even when such a credit programme is established it should only continue to be financed if the returns are sufficiently high both to cover the high cost of providing it and also to provide a justification for expending such scarce resources over other development priorities,<sup>48</sup>

we take strong exception. The reason is that we think the argument advanced above as being founded on a double misconception. First that the small scale farmers (meaning the bottom strata of rural society) are not poor. It is submitted that they are poor and if support of the obvious is required reference should be made to the I.L.O. Report of 1972 on Employment, Incomes and Equality.<sup>49</sup> They therefore need great assistance if they are going to raise their dismal standard of living and it would be unrealistic, even in a land of unmitigated free enterprise capitalism to expect them to do it on their own. This mission on Land Consolidation, perhaps prompted by this realisation warned that,

it is unsatisfactory to expect farmers to provide their own funds for this purpose; there is usually such a shortage of ready cash that few farmers can afford to plan more than a small acreage of annual cash crops.<sup>50</sup>

In fact one would go further and urge a GMR<sup>51</sup> type of subsidy for this group of farmers. The Kenya Tea Development Authority (K.T.D.A.) small-holder tea production is a "pointer" to the potential that lies unutilized or under utilized in this sector. To date more than 70% of the tea exported from Kenya is produced from the small-holders. Not even that, the quality of the tea has increased several times over that produced in the large estates. It also shows that the small-farm sector has the ability to compete with or even supersede the large-scale sector in terms of contributing to both the national production



targets and the increasing export figures. Jacoby has also argued rather convincingly that "..... the future of agriculture in under-developed countries is determined by the social and economic development of the peasant community as a whole." 52

The second misconception is the assumption, (implied) that every policy measure or undertaking can only be judged (or justified) by the level of profits it realizes in monetary terms. We think that there are other criteria, like social or political desirability or necessity. We have already referred to Robert Pozen's argument that a corporations "business efficiency" can be evaluated by criteria based on the "broader social and political goals". The massive response by the colonial government, for example, to the threat of a collapsing settler economy in the years of the depression in the early thirties could only be justified politically. 53 It is submitted that similar considerations apply to the small-holder credit programme we are advocating. In fact the mood that should prevail is captured vividly in the following words of Nyerere:

We are not a company seeking profits,  
we are country seeking development. 54

The length of the chapter has endeavoured to identify the problems that have hampered the implementation of our small-holder credit policy. It is by now apparent that we have eschewed all mention of 'advanced technology', and whether credit should be provided to effect this kind of innovation. No reference has been made to fertilizers or tractors for example, although we are dealing with agricultural development. The omission is however deliberate. The intention is to underline the fact that we are concerned with the social-economic relations of peasant society and also emphasize the irrelevancy of western technology in such societies. Western technology can only be introduced with only the most undesirable of consequences, like the subjection of the peasant sector into even greater hold by the international monopoly capital. Emphasizing on these aspects of



agricultural development in peasant societies, Susan George, a researcher on agrobusiness, has explained that,

Many development 'experts' see the elimination of hunger as a question of technology. 'Give them enough fertilizers, pesticides, and tractors', they say, 'and the problem will be solved.' They seldom recognize that any technological innovation has an impact on the social structure, and that if specific steps are not taken to prevent it, technology will benefit only cash crop production and the wealthiest farmers. Such questions as, 'who can pay for fertilizer, machinery etc? Are not asked. So long as the poorest bottom half of the population in poor countries is not given adequate access to land, inputs, credit, and a fair market price, people will continue to go hungry.

Susan George concludes her essay with a sad note. She says,

There is no hope for eradicating hunger via technology - because it is not a technical problem. It is a question of economic and social justice at every level. Some where in the world, ten thousand people die every day because these truths have not been recognized. 55

As we proceed to make final submissions and policy recommendations it should be remembered that the aim of our rural re-organization programme should be to eliminate mass starvation and widespread malnutrition in what is essentially a rural peasant society.



TABLE 5: SELECTED COMPARATIVE RATES OF INTEREST

LENDER OR SCHEME	Agricultural Settlement Funds	GMR	APC	Commercial Banks	ICDC	Co-operative Production credit scheme	Residential Mortgages	KFA	New farm Machinery H.P
RATE PER ANNUM	6%	8%	6% to Apr 11 1967	8-10%	8-9%	8-12%	8%-11% and above	10%	Above 15%
			7% to Dec. 1972						
			8% from Jan. to April 1973						

SOURCE: VON FISHKE: Farm Credit in Kenya;Poor Farmer Paradox; IDS



## FINAL SUBMISSIONS AND POLICY PRESCRIPTIONS

We cannot claim to have exhausted this wide but important field. However the ground we have covered justifies the making of a submission that the situation as it obtains at Githunguri gives a reasonable overall picture of the problems that affect the operations of the small-holder credit policy in a peasant society like Kenya. On this basis one can therefore safely generalise in suggesting principles that should guide a well-formulated small-holder credit programme in this country.

The function of credit as a strategy for agricultural development in the small-scale areas should aim at a realisation of our social, economic and political objectives in the most effective way. To the extent that this is true, it is asserted that the views similar or analogous to those expressed by the "need creeders" are realistic, although the view of the 'sceptics' and others also have a place in formulating a suitable small-holder credit programme. However in our attempts to translate policies and principles into programmes of action, the relevance of the colonial-inherited policies should be given profound consideration. Reliance on such policies can only detract from the achievement of our own stated goals. One could even go further and say that in using such policies we may be losing more than we are gaining. An example is the Government's persistence at individualising the land tenure system even where social and economic conditions makes it most suitable. The objective will then be only one, to raise the

Also needed is a re-appraisal of the present distribution of credit for agriculture. As between the small-scale farmers and the large-scale farmers (indeed if we must have them: the large farms) the balance should be tilted in favour of the former. They comprise the larger but poorer section of the society. The problem of high cost of administering a small holder credit policy, while recognized as such, does not mean that it is incapable of being solved.



Ways can be suggested by which the costs can be greatly reduced. For one the centralized organization of the Agricultural Finance Corporation magnifies the problem. Apart from decentralization, by giving more powers to the branches at the District level, the Agricultural Finance Corporation could make use of and work through or in coordination with other organizations like the marketing co-operatives and the commercial banks both in supplying credit and collecting repayments. The same organizations, especially the co-operatives could be used on an agency basis to fill the gap that exists between the Agricultural Finance Corporation and its clientele at the village level in form of knowledge and much needed contact.

A GMR<sup>1a</sup> type of subsidy for small-scale farmers would somehow minimise the far reaching effects especially as regards stratification and income distribution in the peasant ranks, that result or are likely to result from the present selective criteria for providing credit. For needless to add the present method of differential provision of credit (in fact a brain child of the colonial planners) inevitably leads to stratification and growth of classes in rural society.

It is also urged that once our credit policy is put in the correct perspective the difference between consumptive and productive credit and that between subsidized and high cost credit for small-holders becomes merely one of terminology and therefore largely irrelevant. The objective will then be only one, to raise the standard of living of the peasantry. For one can add without any contradiction that for as long as the subsistence sector is impoverished then for that long will attempts to bring the peasants into the cash economy and raise their per capita income be frustrated.

There is also a need to invest more in extension services, not so much in increasing the number of personnel trained except in the specialized fields like veterinary or research services, but rather in



terms of quality of the extension services. This would for example require a deliberate attempt by the Government to phase out the old or poorly trained extension agents.

The credit policy we advocate is that which reflects a nation-building strategy that is not so intensely capitalistic, but rather that is founded on the tenets of socialism.<sup>1</sup> On the strength of this conviction, we therefore reject a credit policy directed towards the support of the relatively few and rather 'enterprising' pioneer or so called "progressive" farmers. It should aim at promoting the progress of the whole group, and enabling all to move forward harmoniously and co-operatively. This is because our society recognizes other social and economic values besides mere "happiness" founded on accumulation of wealth by a few individuals.<sup>2</sup>

Consistently with the above therefore the nation-building strategy advanced by among others, Rodney Wilson<sup>3</sup>, that we should encourage, and not hinder the accumulation of wealth by a few now, and later tax it, presumably "progressively", as modern economic jargon calls it, in order or in a bid to redistribute it equitably is rejected. Quite apart from the obvious difficulty of dismantling entrenched class structures, Roling and Chege have indicated that one consequence of inequity in peasant societies is that, "Relative prosperity for some implies the relative poverty of the rest"<sup>4</sup>. This gives rise to permanently "polarized" societies. And in a recent article, one, James Grant, has argued vehemently against such a theory as a development model. He showed for example how,

the trickle down theory of development whereby the poor supposedly benefit from the overall economic growth or policies benefiting the rich is proving utterly inadequate to the needs of the poorer halves of the population in developing countries ..... country after country reveal the same pattern of relatively



high growth rates combined both with a failure to meet other major needs with domestic inequities in the distribution of economic and social benefits.<sup>5</sup>

Grant cites Kenya as one such example. The warning he gives to ruling middle-class elites in developing Third world countries, which we also endorse, is that the policies formulated should combine growth with equity for otherwise those who bear the brunt of such policies will one day look to China for a solution.

2. Rodney, How Europe Underdeveloped Africa.
  - Richard Wolf, Britain in Kenya 1895-1930.
  - M. F. C. Shaw, The Origins of European Settlement.
  3. K. J. M. Swynerton, A plan to Accelerate the Development of African Agriculture, Government Printer, 1953.
  4. Colin Leys, Underdevelopment in Kenya: The Political Economy of Neo-colonialism, 1964-71 (Ithaca, London 1973).
  5. For a different view see H. W. G. Owen Ogawa Property Theory and Land use Analysis, 1987 University of Nairobi.
  6. John Rawls, The Veil of Ignorance.
  7. Denham, H. R., Origins of Ownership, Quoted in Owen-Ogawa's Property Theory.
  8. See generally John Stuart Mill, Utilita, London, edited by Mary Wollstone, London.
- It is of interest that John Rawls in his book Theory of Justice shows how the Utilitarian principle conflicts with 'Justice as Fairness'.
9. E. Clayton, American Development in Peasant Economies: Some Lessons from Kenya (Oxford: Pergamon Press) 1971.
  10. J. Vastoff, Small Farm Credit and Development: some Experiences in E. Africa with Special Reference to Kenya, 1970.



CHAPTER ONE. FOOTNOTES

1. R.M.A. Van Zwanenberg: Colonial capitalism and Labour in Kenya 1919-1939
2. See generally on Colonisation as a dynamic process:
  - Frantz Fanon, The Wretched of the Earth (penguin, 1973)
  - F. Lugard The Dual Mandate
  - The Rise of Our East African Empire
  - W. Rodney How Europe Underdeveloped Africa:
  - Richard Wolf Britain and Kenya 1870-1930
  - M.P.K. Sorrenson: The Origins of European Settlement
3. R.J.M. Swynnerton A plan to intensify the Development of African Agriculture, Government Printer 1953
4. Colin Leys, Underdevelopment in Kenya; The Political Economy of Neo-Colonialism, 1964-71 (Heinman, London (1975)
5. For a different view see H. W. O. Okoth Ogendo Property Theory and Land use Analysis, IDS? University of Nairobi
6. Adam Smith; The Wealth of Nations.
7. Denman, D, R, Origins of Ownership; Quoted in Okoth-Ogendo's Property Theory; Supra
8. See generally John Stuart Mill, Utilitarianism; edited by Mary Warinck, London.  
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9. E. Clayton: Agrarian Development in Peasant Economies : Some lessons from Kenya: (Oxford pergamon Press) Pg 131
10. J. Vastoff: Small Farm Credit and Development some Experiences in E. Africa with Special Reference to Kenya Pg 21



11. Uma Lele: **Role of Credit and Marketing Functions in Agricultural Development.** Quoted by Von Pishke: **Financing Rural Development, infra.**
12. Von Pishke: **A critical survey of Approaches to the Role of Credit in Financing Rural Development in Financing Rural Development, infra Pg 7.**
13. See Von Pishke *Ibid* Pg 13
14. Von Pishke *Ibid* pg 14
15. Judith Heyer: **Kenyas Agricultural Development Policy in East African Economic Renew Vol. II, 1966**
16. Heyer: **Small-holder credit in Kenya Agriculture working paper No 85, IDS 1973**
17. **African Socialism and its Application to Planning Government Printer, 1966.**
18. **Secretary's Committee on Credit for Africans, Government Printer, 1949**
19. The Board started as the African Settlement Board. Later its name was changed to African Land utilisation Board (1946-47) and then to African utilisation and settlement Board (1947-52) and lastly it became the African Land Development Board (1952-1962)
20. See Chal and Mwanjoni, *supra* pp 112-115
21. **Ways to benefit the Development of African Agriculture, (Government Printer, 1957).**
22. *Ibid* p. 25
23. *Ibid* p. 45
24. *Ibid* p. 40
25. *Ibid* p. 5
26. M. P. K. Sorrenson; **Land Reform in Kikuyu Country.**
27. **East Africa's Royal Commission Report, 1952-55**



CHAPTER TWO: Footnotes

1. During the Colonial period Small-scale farmer referred literally to all African farmers in the reserves, where they all lived. Today official Classification regards large-scale farms as consisting of more than 20 acres in the farmers 'white' Highlands except those subdivided for settlement. All others are regarded as 'small farmers' or farms.
2. See Von Zwanenberg; op cit. chapter one.
3. See Van Zwanenberg: Agricultural History of Kenya.
4. Land and Agricultural Bank ordinance; Act no 3 of 1931.
- 4B See Legislative Council debates, 20th November 1930.
- 5 Ordinance No.1, 1903
6. Ordinance No. 67, 1948
7. Legislative Council debates, 1948
8. See Ghai and McCauslan, Public Law and Political Change in Kenya, p.110.
9. Report of the Committee on Credit for Africans, Government Printer, 1949
10. The Board started as the African Settlement Board. Later its name was changed to African Land utilisation Board (1946-47) and then to African utilisation and settlement Board (1947-53) and lastly it became the African Land Development Board (ALDEV) 1953-1962
11. See Ghai and McCauslan, supra pp 112;115.
12. A plan to Intensify the Development of African Agriculture, (Government Printer, 1955).
13. I bid p. 55
14. I bid p. 48
15. I bid p. 10
16. I bid p. 8
17. M.P.K. Sorrenson; Land Reform in Kikuyu Country.
18. East African Royal Commission Report, 1954-55



## CHAPTER 3 FOOTNOTES

19. Report of working party on African Land tenure, 1957-58
20. Report of an economic Survey Mission, December, 1962
- 20b On 'Continuity', see the following especially, Garry wasser-  
man: (1) The Independence Bargain: Kenya Europeans and  
the land issue 1960-62 in Journal of Commonwealth  
political studies  
(2) The politics of consensual Decolonization: The African  
Review Vol. 5 (No.1) 1975. Interview with  
(3) Continuity and counter insurgency: Canadian Journal  
of African Studies; Vol 7 (No.1), 1973 Harbeson, J. W.  
Nation building in Kenya.
21. 1966-1970 plan, *infra*.
22. 1970-74 plan, *infra*.
23. 1970-78 plan, *infra*
24. Sessional Paper No. 10 on African Socialism 1965.
25. *I bid*.
- ii. Development plan 71-78 *supra* p. 212
- iii. Van Nislae, Small farmer credit in Kenya *op. cit.*
- iv. This attempt to influence the field officers might take other  
direct and subtle forms. Like the arrangement that the officer,  
say a bank official will recommend a large loan but will in  
reality divert a small percentage (usually 10%) of the funds  
advanced for his personal use. I think the MP for the area was  
referred to this practice during the visit to the Area by the  
Chairman of Kenya Commercial Bank in February 1977 when he  
expressed his belief that corrupt bank officials who in the  
course of their work, prey on borrowers, have been warned.
- v. The Localities covered were Githunguri, Garamaigu, Githiga  
and Kororoi.



CHAPTER 3: FOOTNOTES

- 1a See Sorrenson, Land Reform; op.cit, chapter II
- 1 See the Daily Nation, February 11, 1977
- 2 The act had set up the Land and Agricultural Bank.
3. See 548 of Agricultural Finance Corporation Act, Cap. 323 (Revised 1970) Laws of Kenya.
4. In 1972 The Agricultural Finance Corporation had 12 branches and 25 sub-branches.
5. This information was elicited from an interview I held with Agricultural Finance Corporation's lawyer.
6. The procedure is given in detail in Von Pishke Small Farmer Credit in Kenya.
7. What usually happens is that relatives combine and give a kind of loan to the borrower
8. Republic of Kenya, Development plan, 1974-1978: Pg 215.
9. Republic of Kenya, Development plan 1966-70 pg 132
10. Republic of Kenya, Development plan 1970-1974 pg 216
11. Development plan 74-78 supra pg. 212
12. Von Pishke, Small Farmer credit in Kenya op.cit.
13. This attempt to influence the field officers might take other direct and subtle forms. Like the arrangement that the officer, say a Bank official will recommend a large loan but will in turn get an agreed percentage (usually 10%) of the funds advanced for his personal use. I think the MP for the area was referring to this practice during the visit to the Area by the Chairman of Kenya Commercial Bank in February 1977 when he was quoted as saying that 'corrupt bank officials who in the course of their work, prey on borrowers, have been warned.'
14. The Locations covered were Githunguri, Gatamafyu, Githiga and Komothai.



- 15 For example Swynnerton: see chapter 2: supra.
16. Referred in the Report of the Mission on Land Consolidation and Registration in Kenya 1905-66 (The Lawrence Report) Government Printer, Nairobi, 1966. They were expressly named as the IDA of World Bank, USAID; Swedish International Development Agency; and West German Government in the 1970/74 Plan; supra
17. Lawrence Report *ibid*
18. This project was started in Githunguri recently.
19. Ronald Tinnermier and Chris Douswell in Small Farmer credit: workshop Report No. 1, New York: Quoted in Von Pishke Financing Rural Development, Makerere University Kampala, 1975 pg. 14
20. L. D Smith: An Overview of Agricultural Development policy in Agricultural Development in Kenya: An Economic Assessment: Edited by J. Heyer; Maitha; and Senga.
21. For example, the reference the high cattle mortality rate in Githunguri and also the Pine apple Scheme which proved disastrous and was abandoned.
22. Robert C. Pozen: Legal Choices of state enterprises in the Third World (1st Ed. 1976, New York University, )
23. *Ibid* pg. 26
24. Judith Heyer and J.K. Waweru: Small Farms in Agricultural Development in Kenya supra.
25. 1974/78 plan supra pg. 212
26. Heyer; Development of small Farm Areas in Agricultural Development of Kenya.
27. Gatamaiyu and Githunguri Division were exceptionally affected.
28. I gathered that there is a variety of spraying chemicals e.g. Gamatox and Kupatox and others, and that the effectiveness of each of them depends on the type of tick prevalent in the area, and the degree to which the cows are exposed to this menace.



Advice on this usually not forthcoming.

29. He is stationed at Githunguri Township and expected to cover all the parts of the Division.
30. See Heyer, Development of small Farms. *supra*
31. Most of them have only 7 years primary education and a one or two weeks course in a Farmers Training Centre e.g. Waruhlu Farmers Training Centre.
32. Hopcraft P.N. Human Resources and Technical Skills in Agricultural Development: An evaluation of Educational investments in Kenya's small-farm sector; PH.D Dissertation, Stanford.
33. The Agricultural Finance Corporation is also short of trained personnel to prepare Farm budgets.
34. See Watts E.R. Agricultural Extension in Embu District of Kenya in East African Journal of Rural Development vol, 1969 Leonard, D.K. The Work performance of Junior Agricultural Extension staff in Western Province: IDS Discussion Paper No. 109, 1971
35. Leonard, D.K. Rural Administration in Kenya: A political Appraisal (East African Literature Bureau, 1974)
36. Schonherr, S and Mbugua, E.S. staff Training for more Efficient Extension, IDS working Paper No. 186, 1974
37. Schonherr, S and Mbugua, E.S. Extension Methods of spread up Diffusion of Agricultural Innovations: IDS Discussion Paper No. 200, 1974 University of Nairobi.
38. Hopcraft, P.N. *Supra*.
39. 70/74 plan *supra* pg. 219
40. 74/78 plan *supra* pp 206-207
41. This is done through collusion with the vendor of the items one which the loan was given. He presents the invoice against which he is supposed to be paid at the Agricultural Finance Corporation



branch office, and then gets a portion of the loan funds although he did not actually sell anything to the borrower or what he sold was of a lower price than what the invoice showed.

42. One copy might contain as many as forty names.
43. See Von Pishke, *Small Farmer credit*; supra
44. Ench H. Jacoby: Man and Land: The Fundamental Issue in Development pp 309-310
45. *Rolling and Chege: Innovation in Kenya's small-Farms: A strategy for Equitable Rural Development*, IDS working Paper No. 84, 1973; University of Nairobi.
46. For Tanzania for example, see H. V. E. Thoden van Helzen; staff, *Kulaks and peasants: A study of political field in Socialism in Tanzania Part II* (East African publishing house, 1973)
47. Judith Heyer argues for such a policy at every conceivable opportunity; see for example *Small holder credit in Kenya*, IDS working Paper No, 85, 1973. University of Nairobi.  
*Marketing policies in Agricultural Development of Kenya and Development of Small-scale Areas in the same publication*
48. Ibid
49. ILO Report (International Labour Office, Geneva, 1972)
50. Lawrence Report; Supra.
51. The Guaranteed Minimum Return Scheme is a short-term credit and insurance scheme through which seasonal inputs into large-scale maize and wheat production are financed. It is funded by the cereals and sugar Finance Corporation a statutory body now, founded in 1953; The Agricultural Finance acts as agent of the Corporation. Majority of GMR advances go large scale Farmers. In 1971/72 season £3.1 million was advanced to farmers with a minimum of 6 hectares of wheat and maize. The Sh. 350 in January 1975 and in 1976 to Sh. 500 by a Presidential Directive.
52. Jacoby supra, pg. 306.

53. See a good account of the response in Van Zwanenburg;  
Colonial Capitalism and Labour in Kenya 1919-39 Supra.  
pp 11-34
54. Quoted in B. Ngotyana: Strategy for Rural Development in  
Socialism in Tanzania Part II supra pg. 122
55. See the issue of AFRICA, March 1977; an article entitled  
How the Other Half Starves
58. For some criticisms of the second paper, see, e.g., 1973  
see for example that statement:  
"Individuals derive satisfaction not only from the  
goods they consume but also from those they accumulate."  
1. Rainey Wilson, Land Control in Kenya's small-scale  
farming areas, IDP - University of Nairobi  
2. Robert N. Chacha, R. E. - Innovation for Kenya's small farms  
Strategy for Equitable Rural  
Development IDP working paper  
No. 24, 1971 - University of Nairobi  
3. Quoted by Robert N. Chacha, ibid.



Conclusions: Footnotes

1. On what we mean by socialism see for example the views of President Nyerere (1) Freedom and Development (2) Freedom and Socialism especially the essay entitled "The Purpose is Man."
- 1a See footnotes 51, chapter III
2. For some contradictions in the sessional paper, no. 10, 1965 see for example that statement:  
 Individuals derive satisfaction not only from the goods they consume but also from those they accumulate.
3. Rodney Wilson Land Control in Kenya's small-scale Areas: IDS University of Nairobi
4. Roling N: Chege F. E. Innovation for Kenya's small farms: Strategy for Equitable Rural Development IDS Working paper No. 84, 1971 University of Nairobi
5. Quoted by Roling and Chege, *Ibid.*

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