

Abstract

Kenya's economy has for a long time relied on rain-fed agriculture which is however possible on arable land which constitutes only 20% of land cover, the remaining 80% being semi-arid in nature. There are several rivers that pass through semi-arid regions which are not utilized in irrigation purposes. Majority of farmers in semi-arid region are poor and cannot be in a position to start irrigation without assistance from government and other credit institutions. Farmers need money to purchase farm inputs, pay workers and other farm operational cost. The money could easily be obtained on credit from institutional credit. This paper analyzes the effect of institutional credit to farmers in irrigated areas on expansion of agricultural production output with specific reference to Bura Irrigation and Settlement Project (BISP) using cross sectional data collected from 70 farmers using questionnaire survey. The results of the study indicate that credit, improves production capacity among maize farmers while increased labor and other inputs utilization leads to reduced production capacity among the farmers. At the same time the findings suggest that increasing input combinations reduces the output levels, hence, decreasing returns to scale among the maize farmers.