



KALRO/NAVCDP Factsheet No. 035/2024

SOURCES OF CREDIT FOR PYRETHRUM FARMERS

Introduction

- Smallholder farmers need access to credit to enhance their farm operations and increase production. This credit can empower them to acquire improved inputs for planting, including seeds/seedlings, fertilizers, and pesticides. It also enables them to hire labor or rent machinery for essential farm operations such as land preparation, planting, harvesting, and post-harvest activities.
- Below are listed various sources of credit for pyrethrum farmers, along with their respective benefits and drawbacks.

Type	Benefits	Weakness
1. Commercial Banks	<ul style="list-style-type: none">• Commercial banks can provide large loan amounts, making them a good choice for farmers in need of farm equipment.• They offer a range of agricultural products, including leasing options, that are suitable for smallholder farmers.	<ul style="list-style-type: none">• Banks are gradually expanding into agriculture, but they still consider smallholder farmers to be high-risk.• Banks demand collateral, which smallholder farmers may not possess.
2. Microfinance Institutions (MFI)	<ul style="list-style-type: none">• MFI's are more accessible to smallholder farmers as they are typically located in rural areas.• They can offer loans that are better suited to the needs of smallholder farmers.• Many MFIs have created products tailored to the specific requirements of farmers based on their experiences.• Credit is usually guaranteed by a group, allowing small-scale farmers to access financing even without collateral.	<ul style="list-style-type: none">• The interest charged by MFIs might be high.

<p>3. SACCOs <i>Can be member based cooperatives where individuals come together for the purpose of saving their money together.</i></p>	<ul style="list-style-type: none"> • They are mainly situated in rural areas close to small-scale farmers. • Interest rates are usually more favorable than those offered by banks or MFIs. • They promote member savings, which remain within the community. • The customers are the owners. • They serve as an excellent savings and credit model in remote rural areas where small landholders are not adequately served by other financial institutions. 	<ul style="list-style-type: none"> • SACCOs may not have enough capital to provide all the loans required by members when required
<p>4. Village Savings and Loans Associations <i>(Merry Go Rounds Table Banking)</i></p>	<ul style="list-style-type: none"> • They are located in the rural areas, so they are closer to the farmers. • All the money mobilized is usually available for borrowing by fellow village members. 	<ul style="list-style-type: none"> • Accumulating savings is often slow, and therefore funds for borrowing may not be readily available • Terms often don't suit farmers (e.g. terms is mostly between 3- 6 months)
<p>5. Borrowing from friends and relatives</p>	<ul style="list-style-type: none"> • This is normally very cheap, since family and friends might not charge interest • This borrowing is flexible, as the conditions can be determined by mutual agreement between the two parties. 	<ul style="list-style-type: none"> • Friends and relatives might not have the capital required for borrowing. • Failures or delays to pay can cause wrangles between the parties.



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