CREDIT ACCESSIBILITY AND PERFORMANCE OF SMALL SCALE FARMS IN TAITA TAVETA COUNTY, KENYA

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ABSTRACT

Agriculture is considered the backbone of the Kenyan economy since it contributes to approximately 25 percent of the gross domestic product. It earns a significant amount of foreign exchange since it provides for all food supplies in the country in addition to creating employment to almost 70 percent of the entire population in either a direct or an indirect manner. The study therefore focused on evaluating Agricultural credit as well as its effect on small scale farm production in Taita Taveta County. Its aim was to the effect of credit accessibility on performance of small scale farms in Taita Taveta County, Kenya. The specific objectives were to determine the loan pricing influence on small scale farms found in Taita Taveta County, to assess the impacts of loan repayment schedules on performance of small scale farming in Taita Taveta County, to evaluate the influence of record keeping on performance of small scale farming in Taita Taveta County, and to identify the impact of formal lending facilities availability on small scale farming performance in Taita Taveta County. In small scale production there are numerous challenges faced in small scale agriculture among them being lack of information as well as limited resources. In traditional or subsistence farming, there are no crop rotation practices since most of the farmers prefer mixed farming that entails same crop production in all the seasons which in turn leads to the buildup of pest and diseases. As a result, investigations needed to be done to identify the agricultural credit impact in ASAL areas since different regions suffer in different ways. In other words, this study is meant to assess the Agricultural credit and its influence on farms performance in Taita Taveta County, Kenya. The study was anchored on the trade- off theory of capital structure, the theory of Information Asymmetry, Adverse Selection Theory, the Pecking Order Theory, and the demand and Supply Theory. The study utilized descriptive review method. The research targeted 1101 small scale farms living in 4 sub counties across the county. Therefore, a 111 sample size made of small scale farms was used to represent the target population by the use of simple arbitrary sampling to provide for every member of the target population. The data was gathered by using a self-administered questionnaire, analyzed by use of descriptive statistics utilizing graphs and tables. SPSS was used to analyze data through a regression model.

Key Words: *agricultural credit access, agricultural credit, farm, performance, loan pricing, loan repayment schedule, record keeping, small scale farms*

INTRODUCTION

A key enhancement challenge for the past decades has been to increase horticultural competence. One restriction confronting farmers is lack of access to formal credit that will empower them so as to exploit monetary odds which expand the yield levels and in turn move out of insolvency. Small scale agriculturists and the provincial poor have been worried about the design of different money related segment strategies. Rural fund is committed to financing rural related exercises, for example, input supply, creation, preparing and dispersion (Meyer et al., 2015). Little advances to provincial farmers, once in a while legitimize the expenses of lawful activity to bring in a case on land and then sell it.

In Kenya, agriculture keeps on being a key instrument for feasible improvement, destitution decrease and upgraded sustenance security in creating nations. According to a report regarding Food security that was gathered by Kenya Agricultural Research Institute, farming gives 24 percent of the national Gross Domestic Product in particular with 27 percent of GDP in an approximately way using linkages that deal with transporting, administration and transportation related parts (Ademola, et al. 2013). Additionally, the report demonstrates that around 45 percent of Government profits are generated through agribusiness. Moreover, it shows that agriculture offers more than 75 percent of contemporary basic materials and more than half of fare profit. This segment is likewise the biggest participant in the economy. It represents 60 percent of the aggregate business. More than 80 percent of the populace particularly those living in country regions, mostly get their vocation from gardening together with its associated exercises (Kenya Economic Survey, 2012).

Kenya Vision 2030 has perceptibly identified agriculture to be among the six major segments of the monetary feature (alongside tourism, discount and exchange, manufacturing, money related administrations and IT empowered administrations) anticipated that would drive the economy to an anticipated 10 percent development every year over the following two decades. It additionally perceives that there are in excess of 5 million small holders occupied with various kinds of agricultural exercises in the nation. Agriculture is subsequently key to the accomplishment of Vision 2030 whose objective will be acknowledged halfway by the advancement of a creative, economically arranged and present day Agriculture. To make this progress in the cultivating part, farmers require monetary help that usually seems to be slippery and for that reason, commercialization of farming has failed to flourish amongst most agriculturists (Kenya Vision 2030).

The difficulties facing global agriculture in the future decades are impressive, both as a nourishment supplier and more expansively, as a development impetus of building nations. The segment should encourage an anticipated populace of 9 billion folks come 2050. The Food and Agriculture Organization (FAO) estimates that a normal yearly venture amounting to 209 billion dollars is anticipated to cater for projected sustenance demand in 2050 thus a lot more is essential in dispensing the appetite as well as the target impoverishment and malnourishment (FAO, 2015). Additionally, viewed using various normal financial, social, and ecological difficulties, creating nations require long haul supportable, expanded speculation, incorporating interest in Agriculture; and in this setting an extra normal yearly venture of some USD 250 billion every year until the point when 2030 is obligatory (UNCTAD, 2014). Nevertheless, the anticipated

Agricultural endeavor gap is huge and in numerous creating nations will no doubt require larger scale corporate investment, well beyond existing sources.

In many nations, both rich and poor, normal yield is generally little, suggesting that the business is overwhelmed by proprietor worked families that consolidate responsibility for primary methods for generation with management. To be sure, at a worldwide scale, Agriculture is one of couple of businesses construct overpowering based with respect to a family firm form; that is, farms are owner worked and depend to a great extent on family labor (Lipton, 2015). The main reason is the fact that Agricultural invention contains a couple of particular scale (dis) economies, concluding that a range of creation organizations can survive together. There are three rationalizations behind the insistence of the family farm exhibited even in rich countries (Barasa, 2013). First of all, for those who seek to produce surplus, family consultants will probably work harder compared to wage laborers who need exclusive supervision. This is dangerous since Agriculture requires adjustment to smaller scale ambiance as well as a spatially scattered condition. Proprietor administrators likewise have an understanding of neighborhood soil and atmosphere, frequently amassed over ages that provide a favorable spot in appropriate management for the neighboring conditions in addition to the adaptation process after rapid changes have been made to the management in both the economic and regular sites (Danso, & Adomako, 2014). In addition, family cultivates have impressive adaptability to modify work supply to the regularity and yearly inconstancy of creation since family work would more be able to effectively be reallocated to different assignments, on and off the farm.

For poorer, land scarce nations, little homesteads bring more points of interest over large farms, including their more noteworthy monetary proficiency, their commitments to making greater business and employment, diminishing destitution and enhancing food sustainability and their utilization designs which help vitalize the provincial non farming economy (Ibrahim, & Bauer, 2013). The proficiency of littler homesteads has been shown by a noteworthy collection of observational examinations demonstrating a backwards connection between cultivate size and land efficiency. Small farmers regularly accomplish their higher profitability with insufficient capital powers than expansive holdings.

STATEMENT OF THE PROBLEM

In small scale production there are numerous challenges faced in small scale agriculture among them being lack of information as well as limited resources. In traditional or subsistence farming, there are no crop rotation practices since most of the farmers prefer mixed farming that entails same crop production in all the seasons which in turn leads to the buildup of pest and diseases. Land scarcity makes shift cultivation impossible leading to the exhaustion that adversely affects the soil since the farming involves chemical and fertilizers inputs in addition to the high cost incurred in production. As a result, a large number of farmers cannot access certified seeds since they are hardly available besides their cost (Karumbi, 2013). Financial resources access is an important factor that leads to agricultural success thus ensuring capital requirements provision essential in financing its growth. Several research studies have been carried out in this area. According to Kilonzi (2011) issues affecting agriculture can be classified into four major classes which include the natural, social, economic and technical factors. Natural factors which can be considered environmental include climatic issues such as the rainfall amount. Climate change seems to have a significant impact on the Kenyan agriculture which is according to a challenges study conducted by Mabiso et al., 2012) focusing on small scale farms whereby pests and diseases are the cause of continued losses incurred by farmers. The researcher does not consider the affiliation between farm performance and access to agricultural credit access by involving farm performance experienced arid and semi-arid areas such as Taita Taveta County. A negative variance has been on an increase from 2012 all the way to 2016 with the anticipated output in the county together with the real output derived from various products indicating a continuous decrease in agricultural production in Taita Taveta County. The trend has been evident despite the various policies formulated by the county and national government so as to improve the agricultural performance. As a result, investigations needed to be done to identify the agricultural credit impact in ASAL areas since different regions suffer in different ways. In other words, this study is meant to assess the Agricultural credit and its influence on farms performance in Taita Taveta County, Kenya.

OBJECTIVES OF THE STUDY

To determine the effect of credit accessibility on performance of small scale farms in Taita Taveta County, Kenya.

LITERATURE REVIEW

Loan Pricing and Small Scale Farm Performance

Barasa (2013), sought to establish the interest rate that is charged by various financial institutions, types of products as well as assessing the impact of rivalry on loaning organizations with regards to credit access for the SMEs. The study adopted a survey study design to obtain cross-sectional data from credit institutions and SMEs in Nakuru town. A sample of fifty SMEs and 30 monetary institutions were selected utilizing stratified random sampling approach to acquire a representative sample. The assessment observed that MFIs as well as SACCOs are the primary sources of SMEs. Moreover, it found that access to long term credit in banks still remains low. Generally, discoveries have helped in uncovering a positive remarkable connection between the ongoing monetary market rivalries in Kenya together with credit access in SMEs.

An investigation conducted by Ansari et al., (2011) in Khorasan-Razavi Province of Iran found that advanced funds interest rate was an essential factor that influences agricultural credits reimbursements. The study likewise noted that cultivating experiences in business together with the aggregate application of cost happen to be important elements that affect the execution of credit. The investigative proposals illustrated that modalities meant to decrease the cost of financing and other connected credit expenses should be embraced so as to develop the agriculture credit demand. The researchers asserted that, value-based bank costs branded with insurance can be reduced through outsiders' externalization which applies in substitute guarantee. The research further suggested that loan repayments schedules which matched agribusiness cash flows could promote farm credit demand.

Gangata and Matavire, (2013) conducted a study with the objective of confronting the SMEs in getting back from budgetary fundamentals, where they discovered that some SMEs exist with regards to getting to finances from related organizations, the elemental reason being lack of ability to meet loaning provisions, boss among them being insurance security arrangements. An investigation was therefore conducted to identify the challenges faced by Small and Medium Enterprises (SMEs) in attempts to secure credit in Ghana. Based on the reactions derived from questionnaires coursed, it was evident that SMEs found in Ghana with the variables of loan pricing, availability financing institutions and farm performance were similar to SMEs across different nations that are characterized by significant difficulties of securing credit. These issues were revealed using the investigation to incorporate the malfunction of SMEs in giving insurance together with other data essential for the banks.

Loan Repayment Schedule and Farm Performance

An investigation conducted by Karanja (2014) provides the analysis of issues that influence the credit access by Women Entrepreneurs working in Kenya by setting up the lending strategies seemed to be inflexible thus could not address the requirements of lending business visionaries. Guarantee prerequisites that the monetary organizations have embraced don't pull in lending business person borrowers to look for credit benefit, the impact of resoluteness in the loaning sum by the budgetary establishments influences the demand for credit benefits by ladies borrowers, and it was likewise discovered that different parts of the motivation behind the advance were concurred among numerous respondents (over half) to be not good and does not draw in ladies business visionaries.

Christopher et al., (2010) scrutinized agribusiness financing approaches used by the Nigerian legislature. The examination arrangement involved critical endeavors brought about by the government in an attempt enhance the rural settings using projects, plans and foundations are yet to satisfy the budgetary assignment. The researchers approved the requirement for satisfactory extents of strategically focused interests with regards to agribusiness as well as redesigning provincial foundation aimed at supporting the intensity of cultivating efficiency. Langat (2013) study asserted that agribusinesses encounter challenges in credit reimbursement because of business inner inadequacies. Such difficulties weigh on profiling of farmers, as high risk borrowers. It was rational that, when credit reimbursement plans can't represent creation specifics, financing horticultural ventures by utilizing advances with settled reimbursement calendars such settled opportune installments and sums wind up troublesome.

The examination on subsistence cultivating as well as business in Kenya (Nyikal, 2005) derive that, the credit platform is not persuasive in upholding smallholder agribusinesses. This is so since loan specialists do not think about each loaning case individually justify. The discoveries showed that individual factors together with credits office factors happen to be huge determinants in advance failure to pay by small scale farms holders. The investigation recommended a change of the credit market to tailor credit for farms befitting one of a kind farm conditions to sufficiently bolster agriculture.

Ibrahim and Bauer (2013) surveyed access to micro scale credit together with its effect on farm profit among rural agriculturists in dry land of Sudan. The examination additionally dealt with factors that impact profits from agricultural organizations. The researchers studied 200 farm house holds selected using a multi-arrange random sampling technique. After results of the investigation deduced that savings, estimation of benefits and earnings were huge factors deciding agriculturists' credit constraints. The researchers recommended improvement of farm ventures through expanding loan sums farmers could access, to advance agricultural profitability especially the adoption of productive and sustainable innovation.

Record Keeping and Farm Performance

An appropriate arrangement of records keeping appears to be an indispensable portion that monitors various ventures in the present day aggressive as well as challenging business environment. An upright record keeping ensures that business associations assume a legitimate design as well as checking for assets misappropriations of the organization. Ademola et al., (2013) spells out that keeping justifiable books of accounts helps in the survival and development of any business. In order to assure productivity, feasibility and continuing survival of any business association, the management is supposed to look for reliable, relevant, precise and timely monetary data that would ensure basic leadership and organization.

Nkuah (2013) concluded an investigation involving financing of Small and Medium Enterprises (SMEs) in Ghana whereby the determinants and challenges affecting bank credit access were reviewed. The authentic discoveries for the assessment indicated that there is a necessarily, positive affiliation between credit access and specific properties contained in a firm. There are additionally, some money related exercises, for example, business enlistment, documentation/recording, business planning, resource possession, and others that likewise affect vigorously on SMEs right to use to bank credits.

Poor methods of keeping records or lack of access to records related to money will cause timely assets mismanagement together leading to business failure. Poor keeping of records lead to difficulties in separating business transactions with individual transactions (Tout et al., 2014). It is the duty of every entrepreneur to abstain from making use of business resources for personal use to the damage of the business. Therefore, an inclusive bookkeeper who is qualified ought to be involved in bearing this errand. Bookkeepers with higher experience and capabilities have remarkable impact on the indispensable leadership formula used in a business (Tout et al., 2014).

According to Mbroh and Attom, (2012) underscored the requirement for organizations to keep legitimate financial records and contended that appropriate arrangement of financial records give the efficiency of the business together with the choices that are significant in sustaining the business in a given market. Most organizations are enthusiastic on guesstimating their gainfulness as well as deciding the benefit they are supposed to receive in order to fit in the basis of bookkeeping, ideas and standards that ensure reliability of its evaluation. Bookkeeping can develop a business execution according to Abdul-Rahamon and Adejare (2014) who noted that there is a concrete affirmative connection between the small scale venture execution and bookkeeping records. Bookkeeping is necessary for basic management which continually influences the implementation of Small Scale Businesses. Failure of keeping legitimate records by Small Scale Businesses does not have the competence to know whether their firms are growing or remain stagnant. The financial records enable proprietors to determine whether the business fetches profits and whether it has the ability to meet its financial commitments as they fall due.

Availability of Formal Lending Institutions and Farm Performance

A study carried out by Aruwa (2012) with regards to different financing preferences for small and medium business institutions in Nigeria, a random sample of 10 formal and informal sources together with 20 SMEs in Abuja and Kaduna, it was revealed that financing options for SMEs tend to be many with access to funds being a challenge, despite several government initiatives. The study therefore reasoned that satisfactory capital together with credit access remains a major achievement of SMEs.

Mokua (2013) took charge of a study meant to identify the extent to which collateral measures impact on credit financing for SMEs operating in Kisii Town in addition to the extent to which management skills impact on credit financing in the town. The analysis involved deployment of a questionnaire and descriptive survey design to assemble and review data from160 SMEs in Kisii town. The researcher scrutinized 160 organizations that would represent 560 inhabitants involved in small scale organizations through the use of a simple stratified sampling technique. The research discerned that ventures had inadequate funds due to procedure seemed too long to acquire funding from financial institutions.

In an investigation conducted by Matavire et al., (2013), the main aim was to identify challenges confronting SMEs in while trying to access funding from various financial institions; which is a case identified in Belaway, Zimbabwe whereby SMEs disregard the credit anchor so as to fulfil prohibitive money necessities in related organizations, with security being the main issue. Their proposals entailed the legislature that was supposed to assume its part in empowering SMEs so as to involve various finance firms.

According to Makena et al., (2014), in their investigation on challenges facing business women in accessing credit in Kenya: A case of Ruiru Township of Kiambu County, absence of fixed assets was one pf the objectives. Nonetheless, the study discovered that lack of clearly identifiable guarantees such as land was a more significant deterrence to credit access by ladies involved in business. Their proposals stated that the government is supposed to play a vital role in empowering SMEs so that they can acquire loans to cater for their business ventures.

MATERIALS AND METHOD

Study Area

This investigation was conducted in Taita Taveta County that lies roughly 200 km northwest of Mombasa and 360 km southeast of Nairobi. The province covers a zone of 17,083.9 km2, of which a mass 62 percent or 11,100 km2 is inside Tsavo East and Tsavo West National Parks.

Research Design

The research involved descriptive review method which according to Ngechu (2004), it involves an ordinarily organized and a more formal organization that express speculations. It operates as a mixture of research goal, in that it facilitates attributes or wonder portrayals with respect to the populace subject, evaluations of populace extents that contain these disclosure and qualities of relationship between various factors.

Sample Design and Procedure

The study targeted 1101 small scale farms in the 4 sub districts inside the area. The respondents will be farmers in the small scale farms.As indicated by (Kothari, 2004) a delegate test is one which is no less than 10 percent of the populace to the extent it can give at least 30 agents of the populace. The researcher utilized 10 percent of the small scale farms from every one of the self-improvement gatherings. The examination was in a way to utilize a sample size of 110 small scale farms as illustrative of the objective populace by method of stratified random sampling by giving each individual from populace an equal opportunity of being incorporated into the sample. The study used stratified random sampling technique. The sample population was divided into various groups including Mwatate, Voi, Taveta and Wundanyi sub-counties after which random samples were taken based on the number of population in the sub-counties.

Data Collection Instrument

The primary data was gathered through the use of a questionnaire to record the reactions of various respondents'. The questionnaire was to be perfect such that the researcher would offer the respondents some time to react on various things on their extra time nearing in mind that they were regulated to fit in the working hours. The questionnaire was managed by the use of pick and drop method with the Secondary data being derived from previous records, such as the distribution and site from the field of efficiency in horticulture. Secondary data helped in offering collective data with regards to the factors being investigated.

Data Analysis and Presentation

The research was both quantitative and subjective in nature. Once the questionnaires were collected, they were carefully edited to detect errors and omissions for consistency and completeness. The objectives were analyzed therefore, descriptive and inferential statistics were employed to analyze the data in form of percentages and frequencies and then presented in tables, so as to facilitate clear interpretation of results and assist in drawing of conclusions and discussions will follow immediately explaining on the same. Data analysis was done with the help of SPSS version 25.0. Regression was conducted to test the relationship of the variables. The following regression model was used:

$$Y= \alpha_0+ \alpha_1 x_1+\alpha_2 x_2+ \alpha_3 x_3 + €$$

Where**:** Y= Performance; $\alpha_0 =$ Constant; α_1 α_2 α_3 $\alpha_4 =$ Regression coefficients; $x_1 =$ loan pricing; x_2 = loan repayment; x_3 = availability of financial institutions; e = Error term

The data was presented using frequency tables and graphs.

RESEARCH RESULTS

Cost of Credit

Based on the findings, 3.6 percent of all participants strongly disagreed with the opinion that high interest rate charged on loan is a burden to farmers, 8.2 percent disagreed, and 2.7 percent were neutral, 34.5 percent agreed while 50.9 percent strongly agreed. The statement was meant to understand the burden of loan interest on the farmers. According to the results, the majority of farmers believe that high interest rate is burden thus illustrating how the existing loan limit farmers rather than helping them. Secondly, 57.3 percent agreed with the statement that several farm owners lack sufficient financial information and literacy to assess the cost of loans and various financial products provide by banks, 30.9 percent strongly agreed and 11.8 percent did not agree or disagree.

The outcome can be supported by the education level given that the majorities have only attained the primary education. Lack of adequate financial information regarding loans leads to poor choices that limit farmers from accessing credits. Thirdly, 54.5 percent of all participants agreed that inadequate information from banks in the form of prescribed minimum loans amount discourage farmers, 39.1 percent strongly agreed and 6.4 percent were neutral. The findings illustrate that the majority of farmers feel that banks provide little amount of credit which hinder the performance of small scale farms in Taita Taveta county. Lastly, 0.9 percent of the respondents disagreed that several farmers fear obtaining credit from commercial banks due to many hidden charges, 7.3 percent were neutral, 30.9 percent agreed while 60.9 percent strongly agreed.

Loan Repayment Schedules

The findings illustrated that 3.6 percent disagreed with the opinion that lengthy credit procedures discourage farmers, 14.5 percent did not agree or disagree, 34.5 percent agreed while 47.3 percent strongly agreed. Based on the findings, the majority of participants strongly agree that the processes of obtaining credits are lengthy which discourage small scale farms from obtaining loans. Furthermore, 4.5 percent of all respondents strongly disagreed that small scale farms can rarely meet the conditions established by banks which include provision of monetary information concerning their business, 6.4 percent were neutral, 49.1 percent agreed while 40 percent strongly agreed. The outcome of the question explains that banks do not provide adequate information to the small scale farms regarding how to access loan as well as management of money.

Thirdly, 1.8 percent strongly disagreed with the statement farmers need information to recognize the potential suppliers of loans, 2.7 percent disagreed, 10.9 percent were neutral, 43.6 percent agreed and 40.9 percent agreed. Moreover, 2.7 percent strongly disagreed that most farmers lack sufficient financial information on the processes of obtaining credits, 4.5 percent disagreed, 5.5 percent neutral, 49.1 percent agreed and 38.2 percent strongly agreed. Additionally, 34.5 percent were of the opinion that there is bias by financial institutions when assessing farmers for credits as they are regarded as riskier, 44.5 percent strongly agreed, 10percent were neutral, 6.4 percent disagreed and 4.5 strongly disagreed. Finally, the majority of the respondent 58.2percent strongly agreed that time take to create and register the charge on the security pledge to the bank discourage small scale farms from borrowing credits, 30.9 percent agreed, 8.2 percent neutral , 1.8 disagreed while 0.9 percent strongly disagreed.

Records Keeping and Performance

Findings illustrated that 56.4 percent of all respondents strongly agreed that smallest scale farmers do not keep proper records of their farm, 35.5 percent agreed, 7.3 percent were neutral while 0.9 percent strongly disagreed. The findings illustrate that the majority of small scale farms in Taita Taveta do not keep good records for their farms which leads to poor decision making hence poor performance.

Findings further illustrated that 1.8 percent strongly disagreed with the statement that banks ask for business plan in order to approve loans, 1.8 percent disagreed, 10.9 percent did not agree or disagree, 39.1 percent agreed while 46.4 percent strongly agreed. The question illustrates the importance of records keeping in accessing credits from banks. These documents are usually used to support the cause of application and they give surety of the intent of the loan therefore they are an important aspect in the application process.

The findings also illustrated that 34.5 percent were of the opinion that the inability of farmers to provide tangible security prevent them from accessing credits from banks, 55.5 percent strongly agreed, 1.8 percent disagreed while 8.2 percent were neutral. The results illustrates that the majority of small scale farms in Taita Taveta County lacks tangible security to pledge so as to obtain the loans.

Availability of Formal Financial Institutions

Findings regarding to opinions of respondents regarding various statements on availability of formal financial institutions illustrated that 5.5 percent strongly disagreed that there are no formal lending institutions in the rural regions, 35.5 percent disagreed, 0.9 percent were neutral, 40.9 percent agreed while 17.3 percent strongly agreed. The results indicate that there are no lending institutions where farmers are located which may act as the barrier for borrowing credit. Secondly, 56.4 percent were of the opinion that lack of formal financial institutions encourage the utilization of informal sources of credit, 34.5 percent strongly disagreed, 5.5 percent were neutral and 3.6 percent disagreed. Based on the findings, the majority of farmers use informal means of obtaining loan due to lack of formal banks in the region.

Thirdly, 6 percent of all respondents disagreed that interest rate capping in the country has led to high degree of exclusion from loans for small scale farmers, 9.1 percent neutral, 40.9 percent strongly agreed and 45.5 percent agreed. Furthermore, 8.2 percent did not agree or disagree with the statement that interest rates have locked out small scale farms from credits since they are regarded as high risk borrowers, 6.4 percent disagreed, 54.5 percent agreed while 30.9 percent strongly agreed. Moreover, 49.1 percent were of the opinion that inability of farmers to access loans from bank is established by financial institutions mainly via the lending policies, 41.8 percent strongly agreed, while 9.1 percent were neutral. According to the findings, the majority of participants illustrated that lending policies hinder farmers from accessing credits in the region.

Farm Performance

The question was used to help the research make conclusion on the extent to which small scale farms in Taita Taveta County have used loans, as well as making the final conclusion about credit impact on financial performance. According to the findings, 12.7 percent of respondents explained that farmers have access to farm credit very great extent, 40 percent great extent, 23.6 percent moderate extent, 14.5 percent small extent and 9.1 percent no extent. The findings demonstrate that small scale farms in the region have access to farm credit since the majority of respondents confirmed that the access rate is at great extent.

The results further illustrated that 27.3 percent of respondents explained that several institution give loans to farmers at very great extent, 36.4 percent great extent, 18.3 percent moderate extent, 10.9 percent small extent and 7.3 percent no extent. Based on the results, the majority of participants confirmed that banks and other financial institutions are willing to give credit to small scale farms at great extent.

According to the findings on the extent to which farmers have managed to access sufficient farm inputs, 29.1 percent confirmed farmers have obtained enough farm inputs at very great extent, 29.1 percent very great, 11.8 percent small extent, 20 percent moderately and 10.9 percent no extent. The results explain that most farmers in the region have access to enough farm inputs since as confirmed by the majority of the respondents. Findings illustrated that 38.2 percent of all respondents that access to credit has improved farm yield at very great extent, 29.1 percent great extent, 20 percent moderate extent, 7.3 percent small extent and 5.5 percent no extent. Based on the findings, the majority of participants believed that access to credit has a positive impact to the performance of the farm by improving overall yield.

Findings on the extent to which farmers have made high profits from sales indicated that 39.4 percent confirmed to be at very great extent, 26.1 percent great extent, 21.1 percent moderate extent, 9.1 percent small extent and 5.5 percent no extent. Results demonstrate that majority of farmers have made high profits from the sales given that most of the respondents confirmed that. Research results on the extent to which the government has been supporting the provision of loans to small scale farmers indicated that 18.2 percent of all participants describe the support to be small, 3.6 percent not extent, 30.7 percent moderate, 11.8 percent very great and 35.6 percent great extent. The findings illustrate that the administration has been supporting credit provision greatly but not good enough.

INFERENTIAL STATISTICS

The study utilized multiple regression analysis to find out the relationship between the predictor variables and performance of small scale farms in Taita Taveta County. The study utilized SPSS version 24 to generate output of the regression statistics after cleaning and coding data from the field. The coefficient of determination was used to explain how the change in the dependent variable can be explained by the change in the independent variables. The dependent variable for the current study was performance of small scale farms in Taita Taveta County while the independent variables were loan pricing, loan repayment schedule, record keeping and availability of formal financial institution.

Table 1: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	P-value
1	0.8204	0.7799	0.7904	0.4920	31.341	.001

a. Predictors: (Constant), loan pricing, loan repayment schedule, record keeping and availability of formal financial institution.

b. Dependent Variable: Performance of Small Scale Farms in Taita Taveta County

From the results in the table R2=0.7799 that is 77.99% disparity in performance of small scale farms in Taita Taveta County is explained by the independent variable in the model. However, 22.01% unexplained difference in performance of small scale farms in Taita Taveta County is as a result of other unrepresented determinants in the regression model. As per the findings in the above table it can be ascertained that the model is good and can be utilized for the purposes of estimation. From the results in the table a significant relationship was established which is indicated by the variables as depicted by R^2=0.7799 that is 77.99% which shows that a significant relationship exists between the independent variables and the performance of small scale farms in Taita Taveta County.

Table 2: Summary of one-way ANOVA results

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	61.34	4	15.335	79.87	.019[a]
	Residual	19.008	99	0.192		
	Total	80.348	103			

a. Predictors: (Constant), loan pricing, loan repayment schedule, record keeping and availability of formal financial institution.
b. Dependent Variable: Performance of Small Scale Farms in Taita Taveta County

The significance value is 0.019 which is less than 0.05 thus the model is statistically significance in predicting how the factors (loan pricing, loan repayment schedule, record keeping and availability of formal financial institution) impact the performance of small scale farms in Taita Taveta County. The F critical at 5% level of significance was 3.123. Since F calculated is greater than the F critical (value = 79.87), this shows that the overall model was significant.

Table 3: Regression coefficients of the relationship between Credit Accessibility and performance

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
Model 1(Constant)	3.942	0.334		10.841	0.000
Loan pricing	4.662	0.236	0.414	2.679	0.023
Loan repayment schedule	2.322	0.523	0.215	2.412	0.034
Record keeping	2.879	0.295	0.243	2.312	0.021
Availability of formal financial institution	3.221	0.325	0.254	1.548	0.011

a. Dependent Variable: Performance of Small Scale Farms in Taita Taveta County

Based on the SPSS results above, the regression equation is:

$$Y= 3.942 + 4.662X_1 +2.322 X_{2+}2.879 X_3+3.221 X_4$$

From the regression taking the independent variable at constant (loan pricing, loan repayment schedule, record keeping and availability of formal financial institution) constant at zero, performance of small scale farms in Taita Taveta County was 3.942. The data findings analyzed also showed that taking all other independent variables at zero, a unit increase in loan pricing will lead to a 4.662 increase in performance of small scale farms in Taita Taveta County, a unit increase in loan repayment schedule will lead to a 2.322 increase in performance of small scale farms in Taita Taveta County, a unit increase in record keeping will lead to a 2.879 increase in performance of small scale farms in Taita Taveta County, and a unit increase in availability of formal financial institution will lead to a 3.221 increase in performance of small scale farms in Taita Taveta County. This infers that loan pricing contribute the most to performance of small scale farms in Taita Taveta County, followed by availability of formal financial institution. At 5% level of significance and 95% level of confidence loan pricing, loan repayment schedule, record keeping and availability of formal financial institution were all significant on performance of small scale farms in Taita Taveta County.

DISCUSSION OF FINDINGS

The study found that accessibility of the loan/ supply of loanable funds and amount of loan received affected the financial performance of the farm. The study also reveals that the loan repayment period and interest rate charged affected the financial performance of the farm. This is in line with (Cook, 2013) who points out that credit plays an important role in increasing agricultural productivity. Timely availability of credit enables farmers to purchase the required inputs and machinery for carrying out farm operations. The study established that the farmers were able to do planting/start up, market for farm product, investment in value addition activities, and transportation as a result of agricultural credit.

Peril, (2009) postulates that small scale farms face challenges in marketing their surplus produce, because in most cases they are available in small quantities which are uneconomical to market, owing to the high transport costs involved. This therefore makes agricultural credit financing crucial, since it can help the farmers in transportation, making investments, purchasing fertilizers as well as in marketing.

The study deduced that providing rural farmers with credit increased agricultural output and productivity, that agricultural credit financing enhanced timeliness and quality standards, that timely availability of credit enabled farmers to purchase the required inputs and machinery for carrying out farm operations and that for agricultural practice to be meaningful, one of the enabling factors was addressed by availability of adequate credit to finance agricultural production. Wadud (2013) argues that extension of microcredit to the farmers can increase their income through provision of job in dire times that improves access to food. Thus microcredit helps reduce poverty through an increase in food production (availability) and increase in purchasing capability (access) of the farmers.

From the findings, the researcher was able to establish that collateral, basic loan requirements and interest rates are some of the key determinants to credit. Findings showed that majority of the farmers were unable to access credit due to strict loan policies that had requirements in which one way or another they were not able to meet. Collateral for a loan is another major challenge as borrowers are required to attach their assets like land and machinery.

CONCLUSION AND RECOMMENDATION

The study concludes that agricultural loan is an essential instrument that empowers farmers to acquire command over the utilization of working capital, settled capital and consumption goods. The examination additionally infers that credit assumes an essential role in expanding farming efficiency. Opportune accessibility of credit empowers farmers to buy the required sources of inputs and apparatus for completing farm activities. The investigation additionally reasons that through rural credit financing, agrarian efficiency can be expanded, agriculturists livelihoods raised, more individuals encouraged and in reality, the general monetary welfare improved.

The study concluded that farming credit is a fundamental piece of the procedure of modernization of agriculture and commercialization of the rustic economy. The introduction of simple and modest credit is the speediest route for boosting agricultural production. The investigation additionally infers that the agriculture as a division depends more using a loan than some other area of the economy in view of the regular varieties in the famers returns and a changing pattern from subsistence to business cultivating. Credit may give them chance to gain more cash and enhance their way of life. These findings no doubt show agricultural credits access influence the financial performance hence becoming a concept that must be looked in order to improve agriculture and help small scale farms in Taita Taveta County.

Based on the gaps found in the study the researcher recommends that the government, banks as well as other lending institutions should consider the possibility of coming up with policies and procedures geared towards catering for specific credit needs for farmers by developing customized designed loan products targeting farmers. Government owned institutions like Agricultural Finance Corporation and National Bank have to take a principal role in extending credit facilities designed for the agriculture sector. The study also recommends for the establishment of bank branches in rural areas to serve the farming sector may not be possible to the banking institutions thus the formation of farmer’s cooperatives, farmers associations or other forms of group responsibility for the administration and supervision of credit programmes at the local level should be promoted and encouraged. In addition, the emergence of saving and credit cooperatives (SACCOs) and saving and credit groups should be encouraged to cater for other farmers.

Further studies should be undertaken in all the other counties in Kenya aimed at giving conclusive recommendations that would be adopted countrywide. Secondly, further studies should also be done on other factors that impact on successful agricultural credit financing in Kenya. Similar studies focusing on large scale farms in all counties should also be conducted to determine the impact of agricultural credit on their performance. Research should be conducted to establish the availability of financial institution in Taita Taveta County to determine factors that influence attraction of their operations on agriculture in the county. Moreover, the study should also be conducted in banks to establish from their perspective what hindrances exist that limit farmers to access credit compared to other borrowers.

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