

MAKERERE  
INSTITUTE OF  
SOCIAL RESEARCH



R.D.R. 4. (831)

Miss D. Hunt,  
Post-graduate Student in  
Economics,  
Makerere University College.

A Preliminary Note on Research into Agricultural Credit Schemes in Uganda.

This paper is divided into two sections: in the first an attempt has been made to outline the development and operation of the two agricultural credit schemes in existence in Uganda; the second outlines briefly the objects and the planned methods of research into the schemes, and notes some of the difficulties which it is expected will be encountered. Much of the paper is based on visits made during the last two months to seven districts in which the schemes have been operating. The purpose of these visits was to make a preliminary survey of the information available before planning more detailed studies in four or five districts. Considerable help was received during the two months from the Department of Cooperative Development.

SECTION A

1. The Cooperative Credit Scheme.

The Cooperative Credit Scheme was introduced in Uganda in 1961, following advice given in a report by Mr. J.C. Ryan of the Reserve Bank of India. Prior to the introduction of the Scheme some of the primary marketing societies had been making loans to members for agricultural and social purposes\*. These loans /and were not always successfully administered, particularly in Bugisu there was a record of default.

Acting on the recommendation of the Ryan Report that primary marketing societies should nonetheless be selected as "the institution through which agricultural credit has to be provided in Uganda," the Cooperative Department organised a Pilot Credit Scheme for the provision of loans to members of the primaries. By selecting a lending unit which is both numerically and geographically small the scheme appears to have largely overcome the difficulty of policing small, unsecured loans. This has been one of the problems to beset agricultural lending in Uganda for the last fifteen years. Ninety-seven credit worthy societies were selected to provide loans to members in the 1962/63 financial year.<sup>1</sup> Certain regulations were imposed to restrict loans to members likely to repay. To be eligible, a member is required to have belonged to his society and to have marketed through it for at least three years. The maximum value of the loan is restricted to two-thirds of the borrower's average annual marketings over the past three years or ten times his share-holding whichever is the less. If a member falls in default the society can deduct this amount from the sale proceeds of any crops which he markets through the society. Since most of the societies operating the scheme do not have enough funds of their own to lend to members, they are individually authorised to borrow from the Uganda Credit and Savings Bank for a maximum period of twelve months. The societies borrow at

\* In 1959, 445 out of 1,535 primary marketing societies made loans totalling 667,461/-.

1. In that year over 7,000 loans were made and in the following year, 17,204.

6% or 7% p.a. (according to the market rate) and lend at 12% p.a. The sum which they can draw from the Bank is approved by the Registrar, having due regard to each society's past lending experience. The income earned from the difference between the two rates of interest is intended to go towards the expenses of operating the Scheme. For the first three years of participation the Government subsidises the salary of the paid manager which every society in the Scheme is required to employ. Each year courses in the operation of the Scheme are arranged for the society managers, providing explanations of the paper-work involved in administering the loans, of the regulations that have to be observed when approving an application, and the procedure for collections.

Since the introduction of the Cooperative Credit Scheme observers of its operation have held that two criteria will establish its success or failure: its repayment record, and the effect that the Scheme has on production. The repayment record has been good. Excluding the Group Farms, over 90% of the loans made so far have been repaid on time. On the Group Farms, the regulations have in some cases been relaxed to allow societies which would not normally have been accepted to take part in the scheme to operate the farm. Similarly loans have been made to members on the farms before they were strictly eligible. Although most Group Farms have a good repayment record, a few are seriously in default.

However, while the repayment record is good, those who expected to see a large increase in production in the first few years of the Scheme's operation will have been disappointed. The initial impact has been more educational than economic. The loans granted have been small, ranging from about 30/- to 1,000/- \*. They are granted for a year or less, for current production purposes. The aim of the Department of Cooperative Development is that farmers should become accustomed to borrowing from "Seed time to harvest". The Department's policy has been to restrict the size of the loans in the initial stages of the scheme in order to reduce the risk of default, and to provide a period during which farmers can be educated in loan management. The main educational benefits obtained have been the spreading of the knowledge of elementary book-keeping to society managers and committees, and education in the procedure of obtaining loans and the obligations involved, for borrowing members. These benefits have not been spread uniformly throughout the country; the standards of administration of the loans and repayment vary, often according to the attention given to education and supervision by district staff. The administration of the scheme in the field is organised as follows: each district should have, working under the District Cooperative Officer, a Cooperative Credit Officer. He in turn has beneath him a number of cooperative assistants and supervisors to each of whom is assigned the supervision of several societies. The Credit Scheme regulations require that each society should be visited at least once a month. At these visits the books are checked and the visiting official points out the mistakes he has found to the manager/who in addition to being reprimanded also have explained to them the correct method of procedure. /and committee

\* A minimum value of 100/- has now been established.

Many societies are not visited this often ( frequently because the junior staff have inadequate transport and/or the district is short of staff) but the majority are visited often enough to keep a check on their operations. Loans are allowed only for productive purposes. Their use even for the payment of school fees is discouraged. This regulation has been observed by most societies, and it seems that the majority of farmers who have come into contact with the scheme now realise that the loans drawn should not be used for anything other than crop production.

So far, the limit to the size of the loans, while ensuring that only suitable sums are handled by farmers with limited financial experience, has undoubtedly also restricted their impact on individual output. In order to obtain an increase in individual output, it seems that in some districts larger and possibly longer loans could be made in selected societies. This would increase the responsibility of the manager and committee, since it is they who decide what proportion, if any, of an individual loan application should be granted, but the extent to which they can increase any of the loans will depend on making more funds available for use by the Scheme.

The operation of the Credit Scheme is at present broadly divisible into two sections:- the areas where loans have been made for cotton production, and those where they have been made to coffee-growers. ( To these two must now be added the few societies that are making loans for ...bacco) The problems that have arisen in the two sectors differ in certain respects. In the coffee growing areas, farmers, while acknowledging the usefulness of the loans in assisting them to improve the productivity of their trees, through the purchase of mulch, fertilizer and insecticide, demonstrate the limited effect of small loans, and also the need to extend the repayment period for deep-mulching. Most of these societies have some funds of their own with which to augment their Bank loans, and make on average individual loans of 200/- to 300/- ( some of the better farmers have successfully used loans of 1,000/-). While this is larger than in the cotton areas, the farmers claim that it is not enough. On all the coffee shambas that were visited in Masaka District early in August the farmers demonstrated the difference between the number of berries and the colour and thickness of the leaves on the mulched and unmulched trees. Those trees that were unmulched were generally in poor condition, accentuated by this year's drought, from which mulching would have given some protection. The loans had normally permitted farmers to mulch less than one quarter of their crop. The farmers were members of societies some of which are successfully operating the Credit Scheme for the fourth year. In these societies it seems that a larger loan with the repayment burden spread over a longer period, could be made to selected farmers.

In the cotton growing areas the average size loan is smaller:- about 150/-. These societies have virtually no funds of their own with which to augment their Bank loans because their annual surpluses have lately been swallowed up each year in shares in their Unions. ( The number of ginneries owned by the Unions is rapidly expanding, and any financial support which they can obtain in the form of shares bought by the individual primary societies is urgently needed).

The farmers agreed that the Scheme has already benefited production. On a small scale, it has assisted them in increasing plot rotation, in opening more land, and in buying spray-pumps and insecticide. The purposes for which loans are drawn in this sector recur annually and there was not the same pressure for an extension of the loan period ( although some farmers wanted the period extended so that they could grow other crops, e.g. sugar cane, as well). Larger annual loans could be used particularly for the following purposes:-

1. To enable a farmer to open more of his land at the optimum time through hiring a tractor, ox-ploughs or labourers.
2. To enable him to maintain a higher standard of weeding. ( About 30 farmers in Lango were asked whether they considered that labourers paid cash gave a higher standard of work than those paid with posho. They were unanimous in their preference for cash-labour. Under the traditional system some labourers arrive intoxicated, and the numbers are always larger than necessary. For both reasons supervision is almost impossible. For cash it is easier to obtain labourers whenever necessary, and payment can be withheld until the work is done to the farmer's satisfaction. It has also been calculated that payment in cash costs less than half the expenditure necessary to purchase sufficient millet to brew beer for weeding an acre of cotton).
3. To enable farmers to reserve some of their loan for picking and sorting the the cotton. At present the loan is used by end of weeding period. The farmer then has to rely on his family, his neighbours, or labourers paid with beer, to assist him with picking and sorting. Many farmers said that after using loan their to expand their cotton plots and to weed the crop, they had experienced difficulty in harvesting. Part of the value of the expanded crop is obviously lost if the crop is then inadequately picked and sorted. In this respect most of the farmers cannot be blamed for bad management of their funds since their loans are too small in the first place for it to be worth spreading expenditure over the whole production cycle.

The demand for larger loans is illustrated by the annual increase in their bank loan which almost at societies request. Particularly in the cotton growing areas societies do not at present grant the full amount requested by individual borrowers because the funds available do not permit them to do so. The risk that borrowers of larger loans will default is reduced for the following reasons. The Cooperative Credit Scheme is designed so that a loan defaulter should be under pressure from his two sureties, from the society manager and committee, and from the other members who are prevented from drawing a new loan until a fixed percentage of the old loans are repaid. Provision is also made for the declaration of a dispute between the society and a persistent defaulter. After the declaration an appeal can be made to the Registrar of Cooperatives, or his appointee, for arbitration and the subsequent ruling is legally binding. Admittedly this procedure is not yet understood by all societies, and some prefer to take defaulters to the local courts. Presumably the Department as and when it permits an increase in the size of some individual loans will ensure that the societies making those loans are aware of the arbitration facilities provided by the Department. The risk of default is reduced further the greater the loyalty

of members to their society when marketing their crop. In the future this can only improve, as the Unions are to be given a larger and larger share of the cotton/processing industries. Since the unions will generally only buy from the primary societies, this will severely reduce competition from those outside traders who are at present buying for the private processors. These safe-guards do not eliminate the risk of default, but they do make of the co-operative societies a good medium for the provision of loans to peasant farmers.

## 2. The Progressive Farmers' Loans Scheme.

The Progressive Farmers' Loan Scheme was introduced in 1961 and, with modifications made in 1962 continued to issue loans to farmers until further expansion of the Scheme was stopped by the Uganda Credit and Savings Bank in January 1964. This action was the immediate result of the Scheme's default record: the shortfall in repayment left insufficient funds available for re-lending. High default rates had already affected the provision of loans to Ugandan farmers throughout the 1950's, from the time when, soon after its establishment, the Uganda Credit and Savings Bank first engaged on a small scale in the provision of medium-term loans to farmers. By 1955 it was clear that the loans made to the farmers were falling in arrears. The Bank did not have adequate staff to police the loans, nor qualified personnel to advise farmers on their use and was, therefore unwilling to continue to use its own funds for this type of loan. In the same year, however, it became agent to the Government for the administration of the African Loans Fund, part of the purpose of which was to provide loans to farmers who, chiefly because they had inadequate security, were not considered a good lending risk by the commercial banks. Unfortunately a high default rate was again experienced and in 1960 the Agricultural Department therefore decided that it would combine with the Uganda Credit and Savings Bank in administering a scheme for agricultural lending.

After ten years of comparatively unsuccessful lending to farmers it was hoped that the Progressive Farmers' Loans Scheme by defining the farmers who were to qualify for loans, by providing careful initial assessment of a project, and by the introduction of regular advisory visits to farmers who had received loans, would start an improved phase.

The Scheme was introduced by the Agricultural Department on the advice of Mr. Tyson of the Technical Cooperative Administration, who visited Uganda in October 1960. He suggested that the notion of 'Supervised Credit', already prevalent in the U.S.A. should be applied to agricultural lending in Uganda. The object of the Scheme as first stated was to provide short-term loans of no minimum value and a maximum value that was to be determined by the African Loans Fund Area Committees\*. The loans were to be made to farmers who fulfilled the  
/and coffee

\* The Area Committees of the A.L.F. were appointed in 1955 to provide the U.C.S.B. with an informed opinion as to the merits and reliability of individual borrowers. They consisted of senior local government officials in each district.

definition of a Progressive or Emergent farmer, and who with the assistance of the Agricultural Department staff, had drawn up a viable project which the loan would be used to finance.

The funds for these loans have come from the African Loans Fund and the two I.C.A. Revolving Funds. The loans were not to be used for current purposes but to finance a lasting improvement to the farm. As far as possible they were to be made in kind, and ready cash was to be handled by the farmer as little as possible; loans for labour hire, which required that the farmer draw cash to pay the labourers were discouraged unless they were essential to the project, for instance, to clear land or erect buildings or fencing. Certain retailers were selected in each district and an agreement made with them that on presentation of a form signed by the District Agricultural Officer they would supply to the bearer the articles listed on the form: spray-pumps, ox-ploughs, wheelbarrows, etc. After doing so the retailer would then present another form at the local branch of the Uganda Credit and Savings Bank, and would be paid from the farmers loan account.

In 1962 new instructions for the administration of the Scheme were issued, which took into account the establishment of the Cooperative Credit Scheme. A minimum value of 500/- was now required of all loans under the Progressive Farmers' Loan Scheme. The two schemes were to be complementary and farmers were to be granted loans only through the Schemes. No farmer was allowed to obtain a loan simultaneously from the two sources. In 1962 also the guarantee by the made Kingdom Government and District Administrations of 50% of the loans from the African Loans Fund and I.C.A. Funds (previously required for all loans made from the Funds) was specifically removed from loans made under the Progressive Farmers' Loans Scheme. Any loan that was or is to be recovered must now be recovered in full by the Bank from the farmer\*.

Although loans were only to be made to 'progressive' farmers the qualifications that were necessary in order to obtain this classification were never clearly defined.

The definition given by the Agricultural Department when the scheme was established was that a farmer must be hard working, willing to adopt new techniques, and ready to accept the advice and recommendations of the Agricultural Department staff. In some areas it was apparently a matter of prestige for an Agricultural Assistant to register as many of his farmers as possible as 'progressive' in order to give a glowing impression of his area. Rumour has it that local pressure was also sometimes brought to bear on the assistant to register certain farmers. Both these factors pushed the standard downwards. If a more precise definition could have been found, requiring for example that the farmer should neither have nor acquire any other employment, that he should have at least one member of his family providing full time assistance on the farm, and that the farm should already be yielding a minimum annual income, loans might have gone to farmers of more uniform standard.

\* The Local Governments are still liable to pay 50% of a bad debt on a loan made before this amendment, and some branches are still asking them to do so.

The value of the loans that have been granted under the scheme extended approximately from 1,500/- to 25,000/-. Some farmers have received two loans. The large loans of 18,000/- to 25,000/- have been comparatively few and were mostly used for the purchase of tractors. The smaller loans were granted for a variety of purposes, particularly the purchase of equipment of various kinds; oxen and ploughs, polyculteur outfits, fencing, maize mills, coffee drying trays, and so on. If a farmer wished to apply for a loan, he was visited by the assistant agricultural officer for his area (or quite frequently, and contrary to regulations, the agricultural assistant). The staff member, when he was satisfied that the project was viable and that the farmer was both determined to carry it through and ready to listen to the advice of the Department, assisted the farmer to prepare an elementary farm budget and a plan for the use of the loan. These were submitted as part of the loan application, which gave details of the farmer's income in the previous year, and of large items of expenditure both on and off the farm (school fees were generally the most important single item), plus a few details on the farm's location, layout and condition. The purpose of the requested loan was explained and a breakdown of costs given, and a plan for repayment suggested. The standard of drawing up of these applications varied. If the application met with the approval of the District Agricultural Officer it was submitted to the African Loan Fund Area Committee and if they also approved it, it was passed finally to the Credit and Savings Bank, where it still stood the risk of rejection. This procedure, which was intended to ensure that loans only went to suitable farmers (which they did not) unfortunately tended to delay the granting of approved loans.

The following list taken from a loan application in Bugisu gives an idea of how a 4,500/- loan might be used in mixed coffee and cotton growing area, an unusual item being that part of the loan was to be used to purchase land. The requirements were:-

To purchase oxen (4)	1,700/-
1 plough	}
3 bentall seeders Harrows	
1 wheel barrow	
1 watering can	
4 coffee trays	
3 acres of land	1,600/-
To built 1 cattle kraal	800/-
	400/-
	<u>4,500/-</u>

The kraal was to shelter oxen and to provide a collecting place for manure which could then be taken (in the wheel barrow) to the coffee trees. The oxen and polyculteur equipment were to be used on the rest of the shamba, where cotton, the farmers was growing grains and ground nuts, using only hand labour. It was hoped that by increasing both the efficiency of cultivation and the acreage under cash-crops, the farmer would raise his output and enjoy an increase in income. The purposes, apart from the purchase of land, are typical of a great many applications. Some of these loans have been successful others not. It seems that the fault was not always in the plans themselves, although these

were sometimes overambitious, and tried to achieve too many improvements simultaneously. Often however the failure was due to one or more of the following:

1. The initial assessment by the Agricultural Assistant or Assistant Agricultural Officer of the farmer's ability to use the loan successfully.
2. A subsequent change in the farmer's attitude.
3. Inadequate supervision and assistance
4. Extremely bad weather, leading to a serious crop failure.
5. Disease or death of the oxen.
6. Sale of the oxen ( usually to pay bride-price or settle another debt)
7. Acquisition by the farmer of another full time job.
8. Movement to another area.
9. Ill health
10. Other factors ( In one case the diversion of poorly constructed anti-malarial drains across the farmer's land, leading to perennial flooding.)

Some farmers are consistently in default others only spasmodically. A farmer may fall temporarily into default because he has to meet another heavy item of expenditure at the same time as the loan instalment. The Credit and Savings Bank generally send three notices before notifying a defaulter that his property will be seized. In most cases Branch Managers have been unwilling to take the final step of seizure and sale of a farmer's security, believing that the price fetched a will be too low, that the Bank will become unpopular and the where shamba is put up for sale the other farmers in the area will ensure that no one buys it. Thus the Bank has been unable, and unwilling, to make a stern example of bad debt defaulters. When the Scheme was established in 1961 it was stipulated that default was to be the responsibility of the Agricultural Officers. The Department staff however, were unwilling to undertake the policing of the loans in addition to the supervision of their use, feeling that this was a task more suitable for the Bank. If the staff were to be made responsible for debt collection, this would damage relations with the farmers. This was probably true; but it was also true that of the two bodies, the Bank and the Department, it was the latter if either that had the staff available for policing. In the event it appears that few farmers were actually visited when their instalments became overdue. This and inadequate supervision appear to have been the main causes of the scheme's failure.

Loans of the size and duration of those made under the Progressive Farmer's Scheme need continuous supervision. With the repayments spread out over up to five years a farmer must be regularly visited in order to ensure that his initial enthusiasm does not wane and that if something does go wrong ( for instance if a crop fails) the cropping pattern and/or the repayment plan can be readjusted. That early enthusiasm does wane is illustrated by the number of loans that were not taken up. At September 1963 these totalled approximately 30% of all loans approved. Some farmers were discouraged by the time taken to approve the loan and the distance that had to be travelled to perform the necessary formalities at the Bank and collect the equipment purchased. But once the loan was granted, the standard of supervision in any case



of its use appears to have varied widely. Some farmers live in outlying areas and are hard to reach. This is a real problem for an agricultural assistant who may only have a push bicycle for transport. However a farmer who has bought equipment of the kind cited in the sample loan has many problems. To benefit from the new equipment he must know how to make simple adjustments and how to maintain it. If he has bought oxen he must keep them healthy and must make the most of their assistance through ploughing early, planting mechanically and evenly and weeding regularly. Sometimes equipment is put on one side when it needs only a slight adjustment. A number of farmers far from receiving regular visits, were lost track of. When in 1964 an attempt was made to trace the farmers and provide monthly reports on their repayment position it was found that some had left their area, that others had given up farming, and others had wasted their loans and let their shambas deteriorate to the point where their cash income was minimal.

In these circumstances it was decided to make no more new loans, at least until the repayment position improved. It seems safe to assume, however, that within the next few years medium-term loans will again be made available to some farmers. Unless the farmers who receive the loans are more carefully selected and supervised, and show more understanding of the responsibilities of using borrowed funds, the loans are not likely to be more successful than those that already been made. There is, however, a good chance that many of the new loans will go to farmers who have already made satisfactory use of loans granted under the Cooperative Credit Scheme. If this does occur, and the Departments of Agriculture and Cooperative Development are able to cooperate in the administration of a single scheme (with staff from the Agricultural Department providing regular supervision for all medium term loans) then it may be hoped that the scheme, if developed slowly and with due attention to the number supervisory staff available, will succeed.

#### SECTION B

The objects of doing research into the two agricultural credit schemes in Uganda are different in so far as the two schemes have provided different types of credit and that while one appears to have been successful, the other has not. It is hoped that it will be possible to find out why the Cooperative Credit Scheme has to date done well, to ascertain in what alternative ways it can develop, and to predict which of these is most likely to succeed. Up to now, the Scheme has been expanded quite slowly and the loans made have all been small and short-term. Given a limited increase in the funds available for lending, three things could happen: (1) through increasing the number of societies in the scheme there could be an increase in the total number of small, short-term loans, whether distributed evenly throughout the country or concentrated in a few districts; (2) there could be an increase in the amount lent by the Bank to some of the societies now operating the scheme; this would enable more members to borrow and allow some of them to obtain larger loans; (3) some societies could be allowed to make medium-term loans; this would tie-up some of the Credit Scheme funds for a longer period, and some of the money now available for relending annually would

only become available after two or three years. The present administration of the Scheme will be examined and attention given to its over all cost and requirements in Department personnel. An attempt will be made to distinguish the following aspects of its operation: administration, overall cost, educational impact, effect on production, default, loss of funds from bad debts, and any other effects.

It should also be possible to find out why the second scheme that has been providing credit, the Progressive Farmers' Loans Scheme, has failed, with the object of ascertaining the main difficulties that must be overcome before a medium-term credit scheme can be successful. These problems are not only relevant to Uganda but apply in a number of developing countries. A detailed study of the difficulties of providing agricultural credit in Uganda should help to bring to light which of these difficulties are "universal" and which are particular to this country. For instance it appears that sufficient acknowledgement is not always given to the need to educate farmers in the formalities and responsibility of borrowing, and in the need to plan in detail for the use of a loan and budget for repayments. This is something which must be done in any country that is to introduce or regularise the provision of agricultural credit. It is a need which the Government itself must budget for, since it must make allowance for (i) departmental staff time taken up in education and supervision (ii) the fact that the introduction of credit will very often not have a noticeable effect on production in the short run (iii) that in the initial stages a new scheme may cost the Government more than it can earn either directly, from interest charges (if these accrue to the Government), or indirectly from taxation of increased output and income.

Despite the fact that the initial impact of agricultural credit on production will usually be low its effect on production is of considerable interest since the ultimate object of providing credit is to raise output. During eight or nine months of field work an attempt will be made to assess not only the other effects\* of the two agricultural credit schemes, but also the extent if any to which they have increased production. This will be the hardest part of the survey. It would be difficult to assert that agricultural credit when provided over a period of years normally is unproductive, but unless one is working in a country where farmers keep detailed and sophisticated accounts. (including in these estimates for loss of crops due to bad weather, broken machinery, etc.) it is probably impossible to estimate the exact effect on output.

\* These include the educational impact of both schemes and the effect on membership of the cooperative movement and on total share-holdings and sales through the societies. It appears that the Cooperative Credit Scheme has already led to an increase in all of these.

The comparison of yearly totals of crops passing through a primary marketing society or through a processing plant or of output for the country as a whole is insufficient because so many other factors can affect these figures. These other factors include the effect of weather on the crops and the area of land cultivated. In the 1938 Uganda achieved a record output of cotton, which has not been surpassed, but in that year virtually no agricultural credit was made available. This than year, with more agricultural loans made in any previous year, the drought will probably severely reduce the national output for both cotton and coffee. figures

At the individual level a number of factors can effect output. For cotton production alone these include correct timing of ploughing, correct spacing and thinning, regular weeding and complete picking of the crop; to these must be added the possible effects of bad weather, ill health, failure to devote sufficient time to farming, the departure of members of the family who had previously provided assistance, break-down of equipment, death of oxen, and accidents such as burning or damage by straying cattle etc. The provision of a loan is only one among many factors influencing individual output. This has to be remembered when a farmer is being asked to give figures for his crop sales over the past years. These figures themselves cannot always be verified by reference to the farmer's record of sales through his society. The record may be misleading if (i) several other farmers have sold through his name (ii) the same farmer belongs to two societies under different names and sells through both (iii) the farmer has sold part of his crop to an outside trader or (iv) the records have simply been badly kept. Neither, it is not possible to judge the effect of the Cooperative Credit Scheme only by comparing the total sales for a society over a period of years, on the assumption that external factors affecting individual sales will be constant. One of the beneficial effects of the scheme has been to increase the loyalty of members who wish to borrow. This can increase the society's total sales without any increase in production.

However, if exact figures for the effect of loans on production cannot be obtained, useful approximate figures almost certainly can. Through talking to Department staff, society managers and committees and individual farmers, it is generally possible to ascertain where and when any of the factors mentioned in the previous paragraph have been operative. Sometimes information given by one farmer can be used to clarify another farmer's response. It has been found also that when members of a Cooperative Society are interviewed individually but with others in the group listening, several memories are better than one. This last point will not be of much assistance when interviewing Progressive Farmers, but in the four districts in which this scheme is to be studied it has already been verified that the records kept on individual farmers are reasonably good.

The notes given below give a brief skeleton (not exhaustive) of points that will be noted in examining each scheme. In examining the impact on production of the Cooperative Credit Scheme it is expected that considerable difference will be shown between increases in output on and off the Group Farms. The reasons for the differences are not immediately connected with the loans, expect that these are generally larger on the farms. The Group Farms not only provided greater and facilities for mechanical cultivation, but also expert supervision and advice and a fair amount of persuasion and ordering of the farmers to perform the right operation

at the right time.

Cooperative Credit Scheme

1. a Administration and Cost.

- (i) Source of funds
- (ii) Supervision
- (iii) Cost to Government in staff time and bad debts
- (iv) Efficiency of administration at society level

b Educational Impact

- (i) Efficiency of loan management
- (ii) Observation of regulations for lending
- (iii) Understanding of technicalities ( e.g. duties of sureties)
- (iv) Standard of book-keeping
- (v) Readiness of members to repay

c Impact on Production

- (i) Way in which loans used
- (ii) Effect of individual loans of various sizes on output, taking into account the possible effects of other factors on production.

d Default

- (i) Number of societies that default to the Bank. The amount involved and average delay before the loan in default is paid off.
- (ii) Same as above for repayments to the societies by individual borrowers
- (iii) Causes of default: bad weather, bad management, irresponsible committee, etc.
- (iv) Action taken against defaulters: approach made to sureties; use made of the local courts, or of the Department's facilities for arbitration.

e Additional Effects

- (i) Increase in sales through the society
- (ii) Increase in share-holdings
- (iii) Increase in membership

Progressive Farmers' Loans Scheme

a Administration and Cost

- i. Source of funds
- ii. Assessment of projects
- iii. System of approval
- iv. Procedure for drawing loan
- v. Supervision
- vi. Collection
- vii. Cost to Government in staff time and bad debts

b Educational Impact

- i. Extent to which farmers are employing improved methods as a result of receiving a loan
- ii. Extent to which these changes have had a demonstration effect

c Impact on Production

- i. Has the borrower increased his output?
- ii. If so, has output increased by more than the value of the loan?
- iii. Has any of the equipment been hired out for use by other farmers?

## d Default

- i. Extent of default
- ii. Reasons for default

In order to collect information on these points, four or five districts will be selected and visited for a period of approximately two months each. Selection of the districts will be based mainly on variations in crop production between coffee and cotton and on records of success in administering the two schemes. The schemes will be examined in the same areas, with one exception; one district has operated the Progressive Farmers' Loans Scheme on slightly different lines and with greater success than others. In this case the Cooperative Credit Scheme will be examined in a neighbouring district, where it has already been possible to do some initial interviewing. An attempt will be made to follow-up these interviews. The districts that have been provisionally selected are Masaka, Busoga, Bunyoro, Teso ( Progressive Farmers Scheme) and Lango ( Cooperative Credit Scheme) Short visits will be made to Bugisu, where some unusually large loans ( of up to 1,500/-) have been under the Cooperative Credit Scheme for cotton production, to Ankole where it is claimed that borrowers under the same Scheme have doubled their sales in three years, and to Toro where the scheme has a bad default record.

Although at present most loans granted are for coffee and cotton production an examination will also be made of the provision of loans to tobacco and tea growers. With these loans the risk of default is minimised by an agreement that is made between the growers and the factory, to the effect that loan repayments will be made direct by the factory to the bank from the farmers proceeds of sale of the individual <sup>farmer's</sup> processed crop. No repayments of principal have yet been made loans on the tea loans. These are medium-term for the purchase and planting of bushes and a four-year moratorium is granted until the bushes begin to yield. The tobacco growers, who have been receiving short term loans for some time, are now being organised into cooperatives and will soon all be borrowing through the Cooperative Credit Scheme.

In the four districts selected a sample of cooperative societies and individual members farmers will be selected and the individual farmers will be interviewed. The sample ~~frames~~ for the Cooperative Credit Scheme will be lists of those societies in each district which entered the Scheme in its first two years of operation, and, within the societies selected, a list of the borrowers in the current year. Approximately ten societies will be taken per district. It is hoped to spend two days with each, and to interview about twenty farmers. Results will be worked out first by districts; ideally from two hundred responses. In each district, interviewing will spread over about six weeks.

A sample of progressive farmers will also be selected and interviewed in each district. The frame will be a list of farmers who received loans within a certain time period, and will be restricted to one or two gombololas. It is hoped that it will be possible to interview fifteen to twenty per district.

farmers

These interviews are expected to take longer than those for the Cooperative Credit Scheme. It should be possible to supplement them with information on other farmers obtainable at the District Agricultural Offices.

In addition to the interviews, reference will also be made to District records, to the District staff, and to the local branches of the Uganda Credit and Savings Bank.

It is appreciated that accurate information will sometimes be hard to obtain and that it will not be possible to verify all the responses. Most of the figures will be obtained from farmers who do not keep records and in the few cases where records have been kept they belong to the better farmers. If conclusions were based on answers given only by these farmers, the results would probably be biased optimistically. Certain checks are already available; for the Cooperative Credit Scheme there are records of sales by individual farmer which each society keeps. Admittedly these are not always complete; if they are complete they will not necessarily reveal a farmer's total output of his main crop unless the area is one in which there are no outside buyers. Even in this case it is possible for several farmers to sell through one name, or for a farmer to belong under different names to two societies. For the Progressive Farmers Loan Scheme a few are expected to have records, and there exist in addition records on individual farmers at the District Agricultural Offices which will help in checking their answers.

It is hoped that it will be possible to provide an additional check on answers through follow-up interviews. These have not yet been planned in detail but it is presumed that the frequency at which they will be necessary will vary according to the size and purpose of the loan, and the crops grown.

A farmer's requirements for finance may be short-term or medium-term, and for a variety of purposes. Most current operations in Uganda, and some more permanent developments, are still financed by the farmers themselves. During the survey an attempt will be made to assess the extent to which the needs for various types of credit are satisfied and where the main gaps lie. The timing of credit and the ways in which it has proved possible to circumvent the commercial bank's normal requirements for security will be examined also.

3 / farmers

PROVISIONAL SURVEY COSTS

	1965/66	1966/67	Total
	£	£	£
<u>Salaries</u>			
18 Enumerators @ 200/- per month	2,160	2,160	4,320
2 Senior Enumerators @ 500/- per month	300	300	600
Secondary Schoolboys @ 200/- per 3 weeks	300	300	600
Clerical Assistance	530	530	1,060
Equipment	20	-	20
Travel and Hotel Expenses	300	300	600
Economist's salary (Makerere)	-	-	-
Stationery (Makerere)	-	-	-
Computer Costs (Makerere)	-	-	-
<b>TOTALS</b>	<b>3,610</b>	<b>3,590</b>	<b>7,200</b>

---

This work is licensed under a  
Creative Commons  
Attribution – NonCommercial - NoDerivs 3.0 Licence.

To view a copy of the licence please see:  
<http://creativecommons.org/licenses/by-nc-nd/3.0/>