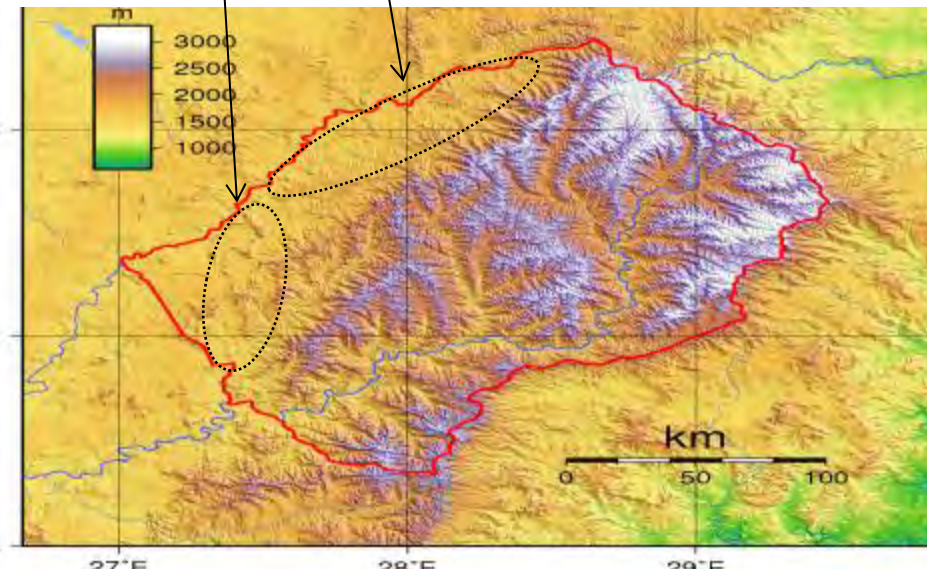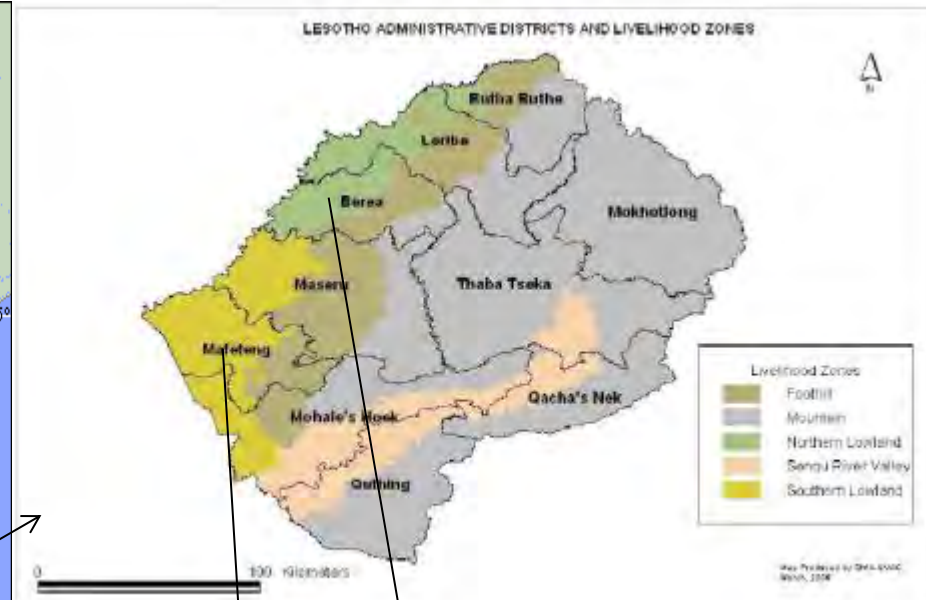# Access to Credit and Agricultural Production in Lesotho

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Innovasie deur diversiteit ®

Content

- ➢ Introduction
    - ➢ Orientation
    - ➢ Important statistics
    - ➢ Problem statement
    - ➢ Objective
- ➢ Methodological approach and data
    - ➢ Overview
    - ➢ Data specification
- ➢ Results
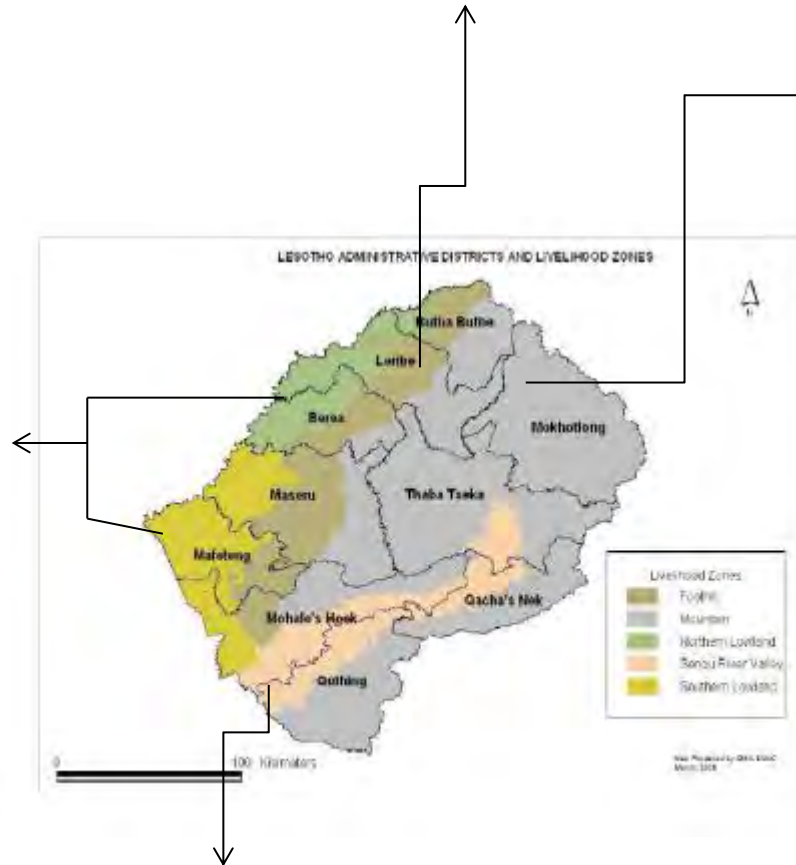- ➢ Conclusions and Recommendations

Introduction

South Africa, Lesotho, and Swaziland

0   100   200   300   400
Kilometers
© World Sites Atlas (sitesatlas.com)

LESOTHO ADMINISTRATIVE DISTRICTS AND LIVELIHOOD ZONES

Livelihood Zones
Foothill
Mountain
Northern Lowland
Senqu River Valley
Southern Lowland

Introduction: Important statistics

Poverty = 41%

Poverty = 55%

Poverty = 43% – 51%;
Main source of
livelihood =
agriculture;

LESOTHO ADMINISTRATIVE DISTRICTS AND LIVELIHOOD ZONES

Butha Buthe

Leribe

Berea

Mokhotlong

Maseru

Thaba Tseka

Mafeteng

Mohale's Hoek

Gacha's Nek

Quthing

Livelihood Zones
Foothill
Mountain
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Southern Lowland

Agricultural contribute :
16% to national GDP;
15% of total exports;
57% of the labour force;
70-86% population livelihoods,
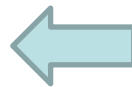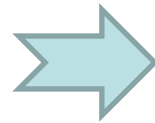
10% commercial farming
operations

Poverty = 50%
agricultural output not sufficient to meet local demand; mainly
dependant on food aid to sustain livelihoods

Introduction

➢ Agricultural sector is underperforming -Why?

Aim

➢ Examine factors that influence small-scale farmers ' access to credit- make   suggestion for interventions to improve rural financial markets

Methodology and Data

- Primary and secondary data;

- Primary data –household survey;

- Random sampling- 30% of all villages in the region ;

- Stratified random sampling to select borrowers from non-borrowers ;

- Principle component regression and logistic regression model
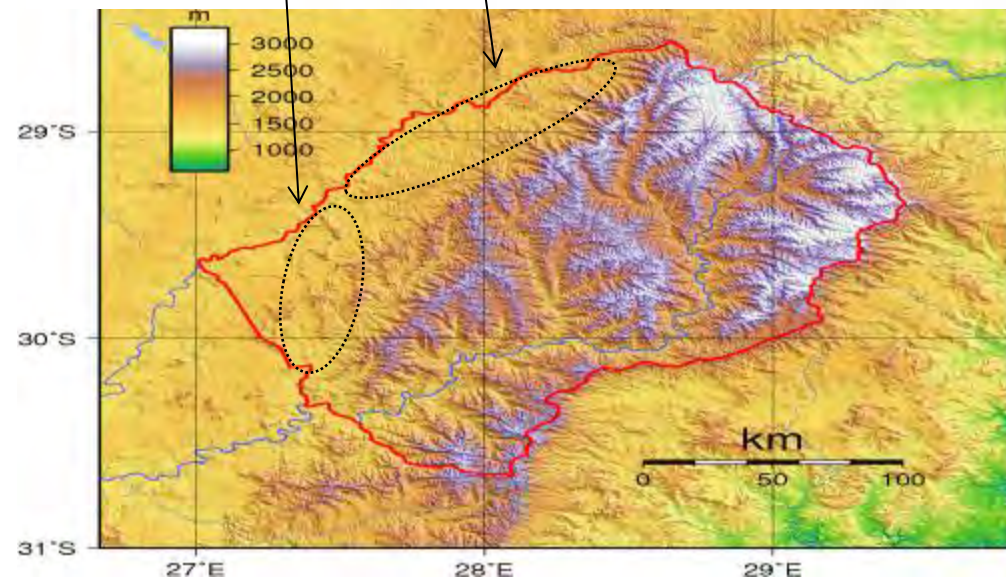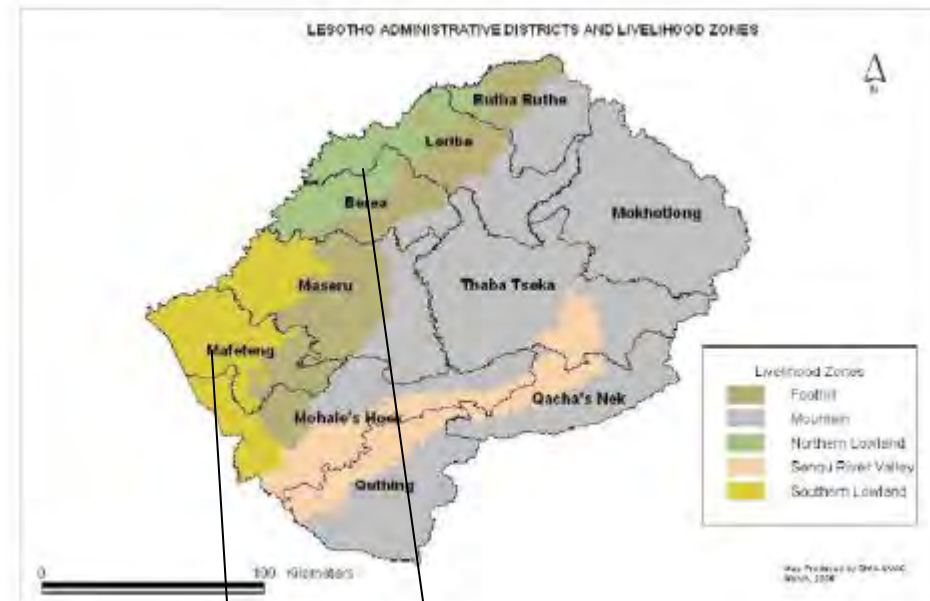
Data specifications-credit status equation

Dependant variable	A Priori Expectation	Sign
1 = access to loan / 0 = otherwise		
Independent variable		
Age of household head (years)	Negative – older farmers not as active	-
Farming income (previous years)	High farm income may reduce demand for credit and at the same time create demand in quest to expand	+/-
Non-farm income (previous year)	Non-farm income is expected to reduce demand for credit and can be used to purchase cash inputs	-
Financial assets (savings)	Savings can influence the supply and demand size differently	+/-
Remittances and pension	This variable is expected to reduce the demand for credit	-
Farm size in hectares	Farm size is expected to positively affect the amount of the loan, as there is greater need for variable cash inputs, and it is expected to increase capital access	+
Family labour stock	The effect of family labour stock is indeterminate.	+/-

Land ownership (Dummy: 1 = title deed, 0 = otherwise)	Ownership as opposed to rental and other forms of access to land is expected to increase the long-run investment incentives and the collateral value of the land to lenders. Its sign is expected to be positive.	+
Awareness of credit facilities in the area (Dummy: 1 = Yes, 0 = No)	Farmers' awareness of credit channels available in their area is likely to have a positive bearing on their accessibility to credit.	+
Gender (Dummy: 1 = female, 0 = male)	Males are expected to have greater access to credit than females; hence the gender sign is expected to be positive.	+
Education (Dummy: 1 = formal education, 0 = otherwise)	Literacy status is expected to positively influence farmers' access to credit institutions because literate farmers are assumed to have a better technical knowledge of and information about markets and facilities provided by financial institutions.	+
Repayment (Dummy: 1 = good repayment record, 0 = bad repayment record)	Good repayment record is expected to positively affect borrowing. The coefficient is expected to be positive.	+

Results

Variables	Coefficient	Std. Error	t-ratio	Probability
Constant	**-1.8869**	**0.4711**	**-4.0051**	**0.0001**
Gender	0.1763	0.3492	0.5048	0.6149
Age	-0.3049	0.2553	-1.1941	0.2356
Farm income	1.0021	0.2189	4.5785	0.0001***
Non-farm income	-0.0064	0.3779	-0.0169	0.0865*
Remittances and pension	-0.2188	0.4056	0.5393	0.0910*
Savings	-0.5657	0.3332	-1.6978	0.0930*
Awareness	-0.1528	0.2562	-0.5962	0.5525
Educational level	-0.1661	0.2538	-0.6546	0.5144
Tenure	-0.6586	0.2025	-3.2523	0.0016***
Farm size	0.7784	0.2070	3.7605	0.0003***
Household size	-0.4063	0.3619	-1.1228	0.2645
Family labour	-0.3271	0.2677	-1.2218	0.0249**
Repayment	-0.8569	0.2090	-4.0999	0.0001***
Log likelihood	-23.7282			

***Significant at 1%; ** at 5%; * at 10%

Conclusions and recommendations

➢ Ability to access credit is influence by several supply and demand side factors!

➢ Require additional institutional arrangements:

  ➢ Interventions by government and development partners – credit guaranteed schemes to build banks confidence in rural regions ;

  ➢ Financial infrastructure;

  ➢ Appropriate financial institutions and products;

  ➢ Product development and pricing.