

Assessment of access and use of credit amongst smallholder farmers in the Capricorn District
Municipality, of Limpopo Province in South Africa.

By

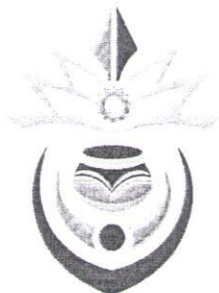
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ABSTRACT

In South Africa, among other things, lack of finance is one of the fundamental problems hampering production, productivity and income of smallholder farmers. Pre and post 1994 South Africa witnessed a number of initiatives that were established to extend financial assistance to the smallholder farmers. The study was pursued to ascertain factors that affect smallholder farmer's access to formal credit sources in the Capricorn District Municipality and also determine the impact of government programmes that are aimed at enhancing access to credit by smallholder farmers. A stratified and quota sampling methods were employed to select 250 smallholder farmers in the Capricorn District Municipality. Structured questionnaires were developed, pre-tested and used for collecting qualitative data for the study from the sampled smallholder farmers. Face to face interviews and field observations were held to generate qualitative data. The data collected was analysed using descriptive statistics. A logistic regression model was run to determine the factors that influence an individual's ability to access credit from formal or informal financial institutions.

The results of the study indicate that 84 (33.6%) of the sampled smallholder farmers were formal and informal credit users, whereas the remaining 166 (66.4%) were non-credit users. Of the respondents who accessed credit, 36.9% did access the credit through government programmes whereas the remaining large proportion (63.1%) failed to access the resource. This finding implies that there are challenges in terms of implementing the programmes to benefit target clients. It was also found that access to credit to female headed households is still limited. From the empirical results factors such as: lending procedures, repayment period, attitude towards risk, need for credit, distance between a borrower and lender, extension contact and value of farm assets were highly significant in influencing access to credit as evidenced by the model output. Therefore, policy aimed to accelerate agricultural development in the study area could be successful if these factors are taken into consideration in order to improve access to credit from the formal financial sources. The results also suggests that the government programmes aimed at enhancing access to credit by the smallholder farmers are dominated by defaults and they are of serious concern to the farmers in the study area. The study recommend as follows:

- *Initiation of policies to provide an enabling environment for increased female participation*
- *Clear outline of services provided by farmers' associations*
- *Assessment of effectiveness of smallholder farming*