

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/>

(832)
RESERVE

[MS]
CREDIT SAVINGS IN RURAL KENYA:
AN EXAMPLE FROM KISII

LIBRARY
21 FEB 1990
Institute of
Development Studies

By

Philip Raikes

IDS Information Resource Unit
University of Sussex
Falmer, Brighton BN1 9RE, UK

PLEASE RETURN BY

14
M148466
15.6.98

WORKING PAPER NO. 466

INSTITUTE FOR DEVELOPMENT STUDIES
UNIVERSITY OF NAIROBI
P.O. Box 30197
NAIROBI, KENYA

March 1989

The views expressed in this paper are those of the author. They should not be interpreted as reflecting the views of Institute for Development Studies, or the University of Nairobi.

This paper is not for quotation without permission of the author, as specified in the Copyright Act, Cap 130 of the Laws of Kenya

ISN = 45946

IDS/WP 466

CREDIT AND SAVINGS IN RURAL KENYA:
AN EXAMPLE FOR KISII

By

Philip Raikes

ABSTRACT

Academic and professional writing on rural credit in Africa and Kenya focuses almost solely on lending through state - or donor-funded institutions. A premise of much of this literature is that credit programmes are needed because lack of credit inhibits agricultural modernization. This paper questions every aspect of this statement. Firstly it is unclear how much of this "rural credit" even increases the funds available to agriculture; when combined with investors' own funds, it may have the opposite effect. Secondly, it is still less clear that the effects of such programmes are positive, especially for poorer peasant farmers. Direct effects are hard to assess, since they are over-shadowed by weightier factors affecting crop production, like international price-trends and the impact of marketing agencies. But "development credit" has had its own negative effect on marketing, through increasing the indebtedness of co-operatives, which then lower prices or provide poorer services to their members.

The main aim of the paper is to show the falsity of the underlying premise; the lack of local credit. In the area studied, a wide variety of mechanisms for borrowing, lending and saving accounts for a far large volume of transactions than donor-funded programmes, even at their late-1970s peak. Much of this is short-term credit, at interest-rates which are often too high for investment in production (as opposed to trading). But this reflects, as much as it directs, the structure of investment opportunities. It is certainly not a lack of credit. Nor is it "just" consumer credit, though one can doubt the usefulness of that distinction, when peasant farm and household are so intimately linked that transactions in one sphere must affect those in the other(s). The combination of formal and informal rural banking structures and mechanisms, which is emerging, seems increasingly capable of meeting the needs of those normally served by such structures. But it seems to offer little to the poorest rural strata except the prospect of indebtedness and quite possibly consequential loss of land.

SAVINGS AND CREDIT IN KISII, WESTERN KENYA

1. Introduction

The discussion of rural credit in developing countries has been dominated, for the past several years, by a debate between two different creditor viewpoints. On the one hand, there is what might be called the "development credit" or "credit as policy" line of thought, which sees credit as a tool for the promotion of development policy, through accelerating the modernization of peasant agriculture. For proponents of this viewpoint, credit agencies are seen as agencies of the developmental state, with interest-rates and other loan conditions to be set as required for policy purposes. In stark opposition to this is what can be termed the "free-market" viewpoint, which is generally critical of state intervention and believes that even state agencies should set interest-rates and terms of lending on the basis of market criteria. In short, debates about rural credit mirror those within development economics as a whole.

As at the international level, so with lending to small peasants, the influence of the market viewpoint has grown enormously since the beginning of the 1980s, paralleling a change from easy money and profligate lending in the 1970s, to tight money, high interest-rates and painful repayment in the 1980s. Practices of the 1970s, which related partly to conjunctural factors of that period, provided the basis for a radical attack on the "Keynesian" development policies of the whole post-war period.¹

1. Factors specific to the 1970s were the vast accumulation of petro-dollars in western banks after the OPEC-inspired oil price-rise of 1973/74, combined with a shift in profit-rates which generated (at least temporarily) a shift in investment from First to Third World. This led to a massive burst of lending and aid-spending in Africa and the remainder of the Third World, much of it ill-directed, which played no small part in generating the debt crisis of the 1980s. (Raikes 1988, esp. Ch. 3).

While a number of interesting issues have emerged from this debate, I shall argue on the basis of evidence from one rural area of Kenya, that neither viewpoint comes very close either to analyzing the situation or to meeting the needs of African peasants. There are a number of reasons for this, many of them related to differences of interest between creditors and debtors or between state institutions and peasants. One basic conceptual problem is the tendency of both creditor viewpoints grossly to oversimplify the conditions and processes at work in peasant societies. Policy-makers, whether Keynesian or neo-classical, are primarily concerned with national economy, and tend to consider only those aspects of the peasant economy which seem relevant to this. This exaggerates the importance of export-crops or other products sold through national agencies, since national statistics tend to under-estimate, or ignore entirely, other economic activities, lumping them together as "subsistence"². It is thus common to hear peasants referred to as (say) "coffee-producers" when that product (or even agriculture as a whole) compose the minor proportion of income and livelihood. From the "policy" viewpoint, investment of household income in childrens' education may seem a "wasteful" diversion of funds away from production. In the more highly populated areas of Western Kenya, it is widely seen by peasant households as the most important investment; one of very few ways out of the trap of declining farm income with population growth and declining size of holdings.

Again, since both Keynesians and neo-classicals are economists and see credit as par excellence an economic institution, they tend to focus solely on the economic aspects of the societies in question, ignoring non-economic relations and processes of relevance to the "economic dimension". For example apparently

2. One finds astonishingly high estimates of the subsistence component of African peasant income, based on the inclusion as "subsistence" of goods and services which are traded, but excluded from national statistics.

"wasteful" consumption or ritual expenditures may be part of a combined strategy on the part of an individual, aimed at increasing economic power, political influence and standing within a community. This relates to the notion of economic rationality held by both schools of economists, and continually recharged by the results of random sample survey³, which is of an unstructured aggregate of individual peasants, working "in parallel" so to speak, each maximizing income without reference to others. This ignores the importance of social relations; of kinship, tribal, gender, patronage, and other linkages and conflicts. In doing so, it totally fails to take account of important mechanisms like the tendency of rural entrepreneurs to spread their activities and risks over as many spheres as possible, both agricultural and non-agricultural, economic and political. Patterns of investment are frequently found which the economist would find sub-optimal⁴, but which have important functions within the local context - increasing security (or avoiding risk), manipulating or maintaining social or political connections, keeping kinsfolk satisfied, ensuring liquidity at times of year when required and many others. Similarly, the narrow economic viewpoint ignores institutional factors which can be of great importance in determining what is "rational economic" behaviour.⁵ The simple notion of "rational peasants" assumes

3. Of course sample surveys have their uses. But as sole means of studying economic or social processes they have the distinct drawback of isolating the sampled farmers from friends, kin, neighbours and social networks.

4. Indeed many such practices are sub-optimal in economic terms. The problem with the narrow analysis is that it fails to look for the reasons why they occur - or to draw the conclusion that an uncomplicated individual "economic rationality" is an inadequate concept for grasping a complex and contradictory social reality.

5. In many African countries, government employees receive housing allowances which are highly significant in determining the demand for housing, and for credit to build or improve it. The level and timing of payments for education is another vital factor, as is the operation (or failure to do so) of parastatal crop marketing boards.

away the social irrationalities which arise in all human communities, out of conflicts of interests and aims - between rich and poor, men and women, crop-producers and livestock-holders etc, and which may be exacerbated by ^{alcohol} intra- or inter-family feuding, theft, tribal conflict etc. Once again, this gives rise to disparities between private and social notions of the "economically beneficial".⁶

To make a realistic assessment of the impact of past credit programmes or the potential for new ones, it is necessary to consider the local economy and society in far more detail than is normally done. In this process, one's view of the credit programmes changes radically as do the questions asked. One has to try to step behind the notion of "credit" and ask how people try to order their flows of production, expenditure and transactions of different sorts so that means will be available to meet the various expected or unexpected needs which may arise. Savings, borrowing and production, will be part but only part of this. This paper charts one such progress, from looking at the impact of project credit, with one District in Kenya as case-study, towards a discussion of trends and processes in Kisii District, with their implications for credit. The presentation is provisional and somewhat tentative, since fieldwork is still in progress and only preliminary analysis of data has yet been possible. It is to no small extent a request for comments and criticisms which can help me to push the study further.

6. For example, it is widely agreed in Kisii that drinking chang'aa (illegal distilled liquor) is an economically and socially harmful practice. Chang'aa drinkers are often chronic drunkards and their families often suffer both poverty and physical abuse. Women are the major victims on both scores, but the women who brew chang'aa see their activity (and rightly so) as one of the most effective means to accumulate money. At one chang'aa shop visited, the proprietress, to all outward appearances dirt poor and a chronic but cheerful drunk, had put three children through primary and secondary school and into urban employment - no mean feat for a widow with minimal education.

2. Development Credit

One of the less questioned articles of faith in mainstream agricultural development theory, is that development is best achieved by, if not indeed co-equal with, the most rapid possible modernization of agricultural production. This refers to new products (export-crops or others suitable for factory-scale processing) but especially to increased use of purchased inputs and equipment; hybrid or other purchased seeds, chemical fertilizers and other agro-chemicals and agricultural machinery. To some, this emphasis may seem so obvious as to be uncontroversial, but as I have tried to demonstrate elsewhere⁷, this is far from true. The issue is not a fundamentalist objection to modern techniques as such - I am well aware of the need to increase productivity in the face of rapidly increasing population. The problem is rather that focus on purchased and often imported inputs and equipment, tends to ignore the finer details (and often even the gross outlines) of the existing cultivation (and social) systems, attempting to replace what existed rather than build upon it. This is normally a vain effort, but it is also nearly always misdirected, not only risking conflicts with pre-existing patterns of land and labour use, but failing to use the specialized knowledge of their area which only inhabitants have.⁸

In the previous section, criticisms were aimed at over-simplified notions of peasant rationality, but these are superior to the notion of the irrational peasant, which underlies many versions

7. See Raikes 1988 *passim*. Most of what I have written on agricultural development over the past fifteen years has had as partial aim, to demonstrate the harmful effects of simple-minded modernization theory.

8. The classic example of this is Tanganyika's Groundnut Scheme, whose architects looked at the small oddly-shaped plots of groundnuts grown by the local *wagogo*, and dismissed this as the untidiness of the native mind, only to find, having wasted millions of pounds on clearing and ploughing thousands of acres (much of it to the long-term detriment of the soil) that these patches were the only places where groundnuts grew well.

of modernization. For along with a tendency to ignore features of existing agricultural systems, is a tendency to ignore what local people want or think, and to use force or "heavy persuasion" in order to get them to innovate "for their own good". Even where force is not used, there is a tendency among innovators (i.e. agricultural extension personnel) trained under modernization notions, to view any failure to "adopt" innovations, as proof of peasants' traditionalism and "resistance to change", which prevents critical scrutiny being turned on the innovations, to find out why they are being rejected. Thus the exalted view of their own superior rationality held by modernizers, inhibits the exercise of that rationality itself. Such views and practices by no means disappeared with colonialism,⁹ even in a country like Kenya, where one might expect market-orientation and registration of land-rights to limit the capacity for enforcement.¹⁰

Development credit is part of this syndrome, since it has as its major purpose to accelerate the diffusion of modernization. The

9. Hyden (1980) is a sophisticated example of this type of thinking. Much of the book is taken up with descriptions of misplaced and harmful interventions by the colonial and post-colonial states. But the conclusion throughout is that the peasantry needs to be "captured", i.e. grabbed by the scruff of the neck and forced to modernize. It must be said that his more recent work backs away from this viewpoint, at least so far as policy is concerned.

10. In reality, a plethora of agricultural regulations exists. During the serious food shortage of 1984, small coffee growers in Central Province were fined for interplanting maize and beans in their coffee. In Kisii in 1988, some extension personnel are threatening peasants for failing to line maize trash in contour bunds against erosion, while last year others were threatening fines for failure to burn it (to prevent disease transmission). In Kisii (as elsewhere) it is forbidden for peasants to uproot coffee (though many have done so). On the other hand the agricultural department can (and sometimes does) uproot peasants' coffee for failure to weed or spray it as required (though the latter is supposed to be done by the co-operative). Fortunately implementation of such policies is relatively rare.

underlying idea is that lack of funds (or high interest-rates for loans) are among the important factors inhibiting peasants from innovation in new crops or purchased inputs. Cheap credit is thus seen as a necessary part of programmes to modernize agriculture, and institutions and programmes set up to provide it for specified, approved purposes. It is common to sugar the innovation pill in such programmes, by subsidizing either the interest rate, or the price of the inputs to be supplied, or both. To make sure that the credit is used "properly" (i.e. for the recommended inputs) it is normally given in kind; the borrower receives bags of seed and fertilizer, bottles of insecticide, pieces of equipment etc, rather than money. This reflects the assumptions that the innovations being recommended, are the sole "economic" factors to be considered, and that peasants cannot be trusted to do what is best for themselves.

Development credit agencies are normally state or parastatal bodies, receiving their funds from the local state and from donor agencies. Where credit is to be aimed at small peasants, it is commonly distributed by or through marketing co-operatives, and this is the case in Kenya. The reasons for this are several. In many cases the main cash-crop of an area (especially if an export-crop) is purchased from peasants through co-operatives, which have a monopoly of primary marketing. Directing credit through the co-operative thus allows "deduction at source" from the proceeds of crops sold through the co-operative, which is thought to improve the probability and speed of repayment. This is a relevant consideration, since most such schemes in Africa are unable to call on any effective collateral security for the loan. Even in those cases where there is registered title to peasant land, and even where it is pledged as security, it is relatively seldom taken in repayment. Small peasant plots are not an attractive asset for state lending agencies, and expropriation of land is normally intensely unpopular politically. Movable property (livestock, tools) is no more satisfactory, since it can usually be moved out of reach long before the lending agency can

get access to it. In reality the "crop mortgage" as the system of deduction-at-source is often known, is not entirely secure either. There are many ways of avoiding repayment, for example by selling produce through a friend, kinsman or neighbour, or by registering and selling at another co-operative society.

Another reason for channelling loans through co-operative societies is that this is said to "reduce administrative costs". This is not generally true. It does reduce the costs to the parastatal lending agency, but by shifting them onto the marketing co-operatives, where they may seem to disappear by being absorbed into the general marketing margin. In this way they are paid by the co-operative membership at large, including those who do not receive the loans, who thus subsidize their recipient fellow members. Where, as is frequently the case, the richer and more politically influential members have superior access to loans, this means a subsidy from the poorer to the richer members. Apart from this, the administration of credit programmes implies an increased flow of funds, foreign exchange and materials through the co-operative, sometimes poorly managed (especially in the heady days of easy money during the mid-1970s) and thus a temptation to corruption and misappropriation. From experience in both Tanzania and Kenya, it seems beyond doubt that the channelling of credit programmes through marketing co-operatives does increase the level of misappropriation and overall marketing costs. Again the costs are paid by the membership in the form of lowered prices for their crops. Since these are often the very crops whose production the credit programme is supposed to be increasing through modernization, it is by no means always obvious that the effect of credit on total production is positive at all.¹¹

11. A very good case could be made that credit programmes have had negative effects on cotton production in both Tanzania and Kenya, through their impact on the operation of marketing co-operatives.

Development credit programmes differ in several ways from commercial lending, or the practices of (say) savings and loan societies. One is the direction from which the initiative comes. Under commercial lending, the borrower approaches his/her bank manager or society with a request for a loan. The latter scrutinizes it primarily in terms of security and other factors affecting the certainty of repayment, and it is only in this respect that the purpose of the loan becomes relevant. With development credit, by contrast, it is the lending agency which devises a programme to give credit to enhance the use of (say) fertilizer on hybrid maize, or insecticides on coffee. In this case, the funds are set aside, the materials bought, the extension service primed, the co-operatives informed and then finally the news is spread to the members of the co-operatives who are invited to apply for loans.¹² Moreover, during the 1970s in Kenya, with plenty of money to distribute, there were often ambitious targets to be met, leading to pressure on personnel to get as much money lent as quickly as possible, and hence pressure on peasants to take loans.¹³

12. At least this is so in theory. In practice (see below), one or more of these steps may have been omitted.

13. In one case, from the late 1970s, and related to me by a Kenyan extension officer, he was involved in distributing loans under the World Bank-funded Integrated Agricultural Development Programme (IADP), which distributed credit through the extension service for hybrid maize and fertilizer, leaving it to the co-operatives to collect repayments. At one point distribution were going slowly due to reluctance on the part of peasants to take loans, many apparently stating that they had had problems with repayments before and were not interested. On reporting this to the supervisor, they were told that the funds had to be distributed before the end of the financial period and that if farmers would not accept loans, they should be told that they were getting grants. Under the circumstances, it is scarcely surprising that repayment rates for IADP credit, at 30% or so, have been the lowest for any of the credit programmes of the 1970s. This also indicates another difference between development and commercial credit. Any private entrepreneur, trying such a trick would probably have gone to jail for swindling. In the development context, such things become merely "regrettable errors".

Another important difference relates to the accumulation (or failure to do so) of funds. Commercial lending has as primary purpose to make profits and accumulate funds. Institutions which fail to achieve this go out of business. With development credit agencies, the situation is entirely otherwise. Administrative costs of lending small amounts to peasants are, at the best of times, higher than for large loans. The requirement to lend in kind, adds considerably to this cost,¹⁴ especially when combined with subsidies on the interest-rate or materials supplied. Most importantly though, rates of repayment under such credit programmes tend to be low. If one goes out to look for innovators/borrowers, and especially if it is necessary to distribute funds rapidly, scrutiny of credit-worthiness tends to fall by the wayside. This combination of factors leads almost inevitably to losses, but unlike the commercial world, these seldom result in credit agencies going out of business. Sometimes the losses are sustained by the lending agency, or by the donor who provided the funds in the first place. In such cases they are added in one way or other to the state's budget deficit, unless made good by donor grant funding.

More often the major losses are sustained by the co-operative society or union through which they were channelled, since the co-operative is normally the prime borrower, on-lending to its members but retaining the obligation to repay the money. (Even when, as in note 13, some other body distributes the loans.) In this case, the sums involved can easily loom very large indeed and have disastrous effects on operations and the crop prices

14. It can also add to the inconvenience of working in the agency. I can remember visiting Tanzania's Rural Development Bank's offices on the eighth floor of an office building in Dar es Salaam, whose lift worked only spasmodically, to find the passages crammed with bags of fertilizer and motor bikes.

received by members.¹⁵

This failure to maintain funds cannot always be read from balance-sheets because the assets side is usually inflated by failure to write off uncollectable debts¹⁶. But from the 1960s, most rural credit programmes and agencies in most of tropical Africa (and probably elsewhere in the Third World) have lost money and had to have the funds replenished at intervals by the state or donors. This has meant that the agencies have been unable to form consistent programmes for themselves, always having to react to the latest whim or fashion in state or development agency practice, as the different agencies focus on individual crops and inputs, "packages" of such, storage, transport, "integrated development", sometimes for a whole country, sometimes for a part region or district, and sometimes for even smaller areas where they have projects going.

3. Small-Farmer Credit in Kenya During the Mid-to-Late 1970s

In Kenya, the donor-funded expansion of small-farmer credit in the mid-1970s overtook and nullified a reorganization of the late 1960s, intended to replace a myriad of small programmes of the time with a more orderly structure. Given the abundance of funds, too many cooks rushed in to supervise the cooking of the broth, each apparently hoping to co-ordinate all the others and Kenya Government as well.

15. In 1983, one co-operative union in Western Province, had accumulated debts (largely though not solely arising from default on credit schemes) amounting to nearly twenty years' gross income. The union was scarcely able to perform its marketing function, while peasants were (justifiably) scared to sell their cotton to it, fearing that their proceeds would be entirely deducted at source for debt-repayment.

16. This is also true of international banks though in recent years, some have been writing off small parts of their uncollectable debts; trying to let the air out of the balloon in small puffs, so that it does not squeak or rasp too loudly.

After a period during which a number of different small-farmer credit programmes operated largely independently from one another, a major step towards coordination was taken with the founding of the Kenya Co-operative Bank (KCB) in 1968, with the express purpose of taking over apex responsibility for most small-farmer lending in the country.¹⁷ This implied a shift away from channelling small-farmer credit through the Agricultural Finance Corporation (AFC), which served and serves large farmers. But AFC continued (and still does) to lend its own and World Bank (IDA) funds to small-farmers.

The first major programme operated by KCB was the Co-operative Production Credit Scheme (CPCS), which was initially funded with money from the Nordic countries, but fairly rapidly became self-funding out of members' savings, developed through a sister project, the Co-operative Savings Scheme (CSS). CPCS/CSS was aimed in the first instance at "progressive" (i.e. richer than usual) farmers in the more advanced areas of the country. In the beginning this meant the coffee, pyrethrum and dairy producing areas of Central Province, whose co-operatives, though hardly beyond criticism, were superior by some way to most of those in other parts of the country.¹⁸ With time, the programme spread to the more successful co-operatives in other parts. In order to assist in the spread of CPCS to areas where members' savings had not yet been developed, a subsidiary loan fund, the Co-operative

17. KCB was registered as a co-operative society in 1965, but licensed to conduct banking business and advanced a starting loan by Kenya Government in 1968. (Society, No. 1 (Sept 1988): p. 17.)

18. An alternative formulation might be that the size of the Central Province coffee societies and the relatively high price of the product, allowed for a certain degree of mismanagement, while leaving some benefit for the farmers. For cotton, whose price (and return to labour) are significantly lower the margin or error is much smaller. Thus in East Africa, cotton co-operatives have normally been far more plagued by mismanagement and corruption than coffee co-operatives.

Development Fund (CDF) was started, again with Nordic funds.

In terms of operational efficiency CPCS/CSS has been and is, by far the most successful of Kenya's small-farmer credit programmes, with the rate of repayment having remained over or near to 90% throughout. There are a number of reasons for this. Firstly, selectivity in terms of co-operatives and farmers, clearly makes for a higher repayment rate. Secondly, there is a relatively elaborate procedure for application involving, among other things, that the prospective borrower be supported by two guarantors. Borrowing is only allowed up to a ceiling, defined in terms of past crop deliveries, to ensure that repayment is within the capacity of the borrower. Thirdly, CPCS funds are lent by the co-operatives themselves, rather than being given at the behest of others. Once saving schemes and banking sections have been developed, co-operatives are primarily lending their own members' savings, so that any major default could have serious consequences for the leadership. This has not always prevented co-operative unions from irresponsible behaviour, and the major risk to the financial stability of CPCS/CSS has more often been from the co-operatives themselves than from member borrowers.¹⁹ Also relevant is that most of the advisors posted to assist with the project have been bankers by training rather than extension personnel, and have seen their function as achieving financial soundness, rather than modernizing agriculture.

The result of this, and of the considerable success in mobilizing members' savings is that in all areas where it operates CPCS/CSS

19. World Bank report of 1985 cites the case of one union whose general account owed the Banking Section (members' savings) over Sh 4.0m, (more than 54% of the latter's loan portfolio). The union was broke and unable to pay even interest on the loan.

is by far the most important source of funds for lending to farmers through the co-operatives. Even by the end of 1984, total members' savings throughout the country amounted to over half a billion shillings, sufficient, according to one Nordic banking advisor, to fund all the active credit schemes within the co-operative sector in Kenya.²⁰ Since then, members' savings in Kisii have more than tripled and for the country as a whole are almost certainly over one billion shillings.

This project was followed, in the mid-1970s by a whole series of others. Best-known was the credit component of the World Bank's Integrated Agricultural Development Programme (IADP). This large and ambitious programme had as overall aim to coordinate agricultural policy towards small-holders, especially outside Central Province, to which end, a steering group was set up within the Ministry of Agriculture with the aim, according to some, of taking over a considerable proportion of total policy-making, and specifically coordinating the activities of other aid donors.²¹

The aim of IADP, and specifically its credit component was to assist "weak" co-operative societies and unions, outside the areas covered by CPCS. Since a "weak" co-operative or union meant one with weak (inexperienced, poorly trained or corrupt) management, even in theory, giving out loans was a risky

20. Ottosson, (1985)

21. Arriving in Kenya in 1977, with a colleague to assess the feasibility of a proposed DANIDA bilateral project, we were directed to IADP, since the project was now included within its orbit and to be sited in accordance with IADP. This would have been fine, had there been any evidence of a firm basis on which to make such decisions, or that it represented Kenyan policy rather than that of the predominantly expatriate steering group. In the event, we were allowed to the site/project where we had been going to in any case, after a morning spent listening to planning rhetoric from the IADP chief expatriate.

business. Distributing them so cavalierly as was done, was about as likely to help as giving whisky to an alcoholic. The credit was largely aimed at food crops (hybrid maize and fertilizer), though with the loans "secured" through an "anchor-crop". That is, loans were given for maize production, but to members of coffee and cotton co-operatives, with repayment to be deducted-at-source from coffee and cotton proceeds. In some cases the loans were distributed by agricultural extension officers (Note 13). In others directly by the co-operatives. But in either case, there was evidence of hasty and inadequate planning.²² In addition to its own inadequacies IADP, and other loan schemes started around the same time in western Kenya, suffered from two external problems. 1977 was the peak of the coffee-boom, when prices were at an all-time high, when coffee was pouring into Kenya illegally from as far away as Zaire and when entrepreneurs (including co-operative officials and committee members) were looking for funds with which to purchase illicit coffee. Another similar problem facing co-operatives in western Kenya was the proximity of Uganda with its shortages and desperate demand for consumer goods and building materials, this fuelling further lucrative illicit trade. The result of all this was that rates of repayment, up to 1984, were below 30% for the country as a whole, although the World Bank had washed its hands of the programme some years before and concentrated on distancing itself from the

22. Further evidence of haste comes from a World Bank Report of March 1977 (completed up to one year previously). Although this report purports to cover all sources of credit to small farmers, and although IADP credits were already being distributed from mid-1976, there is no mention at all of IADP. What makes this omission still more remarkable, given that the Bank was funding IADP, is that by 1977 it was scarcely possible for donor consultants to avoid a formal visit to IADP, with a lecture on the need for coordination by its personnel.

whole episode by throwing the blame onto the Kenyans.²³

Somewhat similar to IADP, in terms of scope and repayment rate, was the USAID-funded Smallholder Production and Services Credit Programme (SPSCP). Apart from this, USAID provides funding for the New Seasonal Credit Scheme, whose purpose is to fund input purchases for cereal crops, and much of which is lent outside the co-operative framework to individual larger farmers.²⁴ The Smallholder Coffee Improvement Programme (SCIP), funded by the World Bank and Commonwealth Development Corporation (CDC) with Kenya Government, had two components; lending to co-operatives for building new coffee factories, and lending to co-operatives for on-lending to members, for improvement of coffee production through pruning and application of chemicals. One can question the general wisdom of programmes to expand coffee production in view of long-term market prospects for the crop, though Kenya Government also strongly favours expansion of production, in spite of producing well over its current ICO quota.²⁵ The coffee

23. Already by 1981, on a subsequent consultancy trip to Kenya, colleagues and I visited a World Bank credit and finance team which seemed unaware that the Bank had had anything whatever to do with the credit fiasco of the late 1970s, though they spoke in severely moralistic terms of the inadequacy of Kenyan institutions.

24. The NSCP was formed to take over the role of the previous Guaranteed Minimum Return scheme, started after the Second World War, to boost settler cereal production. This had assured growers a guaranteed minimum payment per acre, for cereals planted, thus eliminating climatic risk and making loans from commercial banks easy to get. The system was suspended in the late 1970s, because of losses and misuse, but then replaced, since its demise was seen to have had a serious negative effect on cereal production.

25. The issue is complicated by the difficulty of maintaining a quota system. In theory, the producing countries, as a whole, would benefit from restricting production and sales, since the elasticity of demand for coffee (and tea and cocoa) is below unity. In practice, the members of quota restriction programmes tend to cheat one another, largely nullifying the purpose.

factory component seems to have expanded the area over which coffee is grown, but there is little evidence that small-farmer lending under SCIP (or any other credit programme) has significantly affected yield or output (see below). In Kisii, there has been an element of conflict between the two parts, since construction of new factories since 1981 has allowed some farmers who borrowed from SCIP in earlier years to shift factory and thus avoid repayment. However this is a relatively minor and temporary phenomenon. SCIP is thought (though on what evidence is not clear) to have been better organized than IADF, but rates of repayment have not been much better than 50%.

Slightly different in purpose was the Danish-funded Farm Inputs Supply Scheme, which aimed to improve the physical availability of inputs by building input stores for co-operatives in the less commercially developed areas of the country and then providing credit facilities to the co-operatives assisted, to maintain stocks of inputs for sale. This programme was thus not tied to any specific crop or set of inputs, the co-operative being free to choose, within limits, what it would stock.²⁶ While results have been highly variable as between co-operatives and regions of the country, repayment tends to the higher end of the scale, being about 70% for all areas covered, at the end of 1986. Opinions seem divided and experience varied as to achievement of the underlying aim. There have been successes, but also cases where FISS stores were erected within a few hundred metres of existing outlets.

Most of the other programmes were more limited in scope and

26. These limits were in some cases rather broader than the DANIDA advisors would have preferred. During the early 1980s, there were unions in western Kenya which purchased up to 80% building materials, destined largely for the Uganda black-market. On the other hand, one store visited had been stocked according to the advice of the extension service and had been so overstocked with fertilizer for several years that there was scarcely room to move.

funding. A Dutch-funded poultry development loan was countrywide, but relatively small in size. The EEC-funded Machakos Integrated Development Project, operated a credit programme in the District of that name, while the German Kreditanstalt für Wiederaufbau (KfW) provided five times the funds to two settlement schemes in Machakos District. Finally, the Co-operative Bank of Kenya has a number of credit schemes operated out of its own funds, some being for farm purchase, most being for lending to co-operative societies and unions for purchase of transport, processing facilities and working capital.

4. The Impact of the Credit Schemes Started in the 1970s

The generally low rate of repayment, especially for donor-funded schemes, has already been mentioned. Undoubtedly the institutions hardest hit by this were co-operative unions, some of which were almost entirely crippled by debt. As Ottosson (1985:11) put it, "co-operative activity now has an extremely low profile in western Kenya. Societies are heavily and hopelessly indebted and farmers cannot use them to sell their products without risking their dues being chopped by marketing agencies." Ottosson goes on to assert that IADP and SCSCP were "a significant contributing factor to persistent poverty in the areas where the loans were made available through weak co-op societies!". As a former Nordic advisor, he is particularly incensed that the schemes of the mid-1970s "swept away the foundations" being laid under the much more cautious CPCS. He also cites continued harping by the World Bank on corruption in Kenya's co-operatives and asserts "there is to me one single most prominent cause for corruption in Kenya co-ops, and that is: easy access to cash in form of credit from outside" (stressing the World Bank Schemes above).²⁷ Looked

27. Radicals have tended to go for the rhetorical critique of the World Bank, stressing obvious factors like the fact that it represents capitalist interests. It seems of at least as much of projects, often masked by its acknowledged skills in the production of reports. This is not to deny the socially and environmentally destructive impact of some of its projects. But it helps to put in perspective the lofty air of economic expertise with which such criticisms are usually met.

at in these terms, few would disagree on the negative effects of most of the credit programmes of the 1970s, though many would attribute this to petro-dollar induced easy money, rather than the philosophy behind development credit as such.

But all these credit programmes were initiated with the intention of increasing and intensifying agricultural production, is there any evidence that they have done so - or that they have failed to do so?

In fact there is very little firm evidence in either direction, though what there is points to a negative conclusion. In part this relates to the small size of the programmes, few of which covered more than 3-5% of the farmers receive in their areas of operation, in any one year. This sort of coverage, would hardly generate significant increases in production at District or Provincial level.²⁸ But even if far more farmers received credit, it would still be difficult to disentangle the effects on production of credit, from the arguably much more important effects of crop prices and weather. Figures for coffee deliveries show a fairly close relation to prices, which have varied enormously over the past decade and a half. Local production figures can usually be related to prices and weather conditions. In any case, the expectation that credit will have an impact on production depends on the assumption that it is actually used for inputs. That is by no means always the case.

28. The much larger New Seasonal Credit Scheme (see Note above) is claimed to have a significant impact on cereal production. The 1988 Economic Survey states "The combined effects of late and unevenly distributed rains, followed by below normal short rains and a decline in the disbursement of seasonal credit, led to a 25.5% drop in maize production. (between 1986/87 and 1987/88)" (p, 95). But the impact of credit is hard to measure. That of climate is clearly considerable, and one would also wish to know the basis for the production estimate. Deliveries to the National Cereals and Produce Board which should vary more than total production, are said to have fallen by only 3% (ibid. and discussion in Raikes 1988, Chapter 2).

5. An Evaluation of C.P.C.S.

The most thorough and detailed assessment of the impact of small-farmer credit in Kenya, which I have seen, is a study of CPCS by Business and Economic Research (1985). This study, which was commissioned in 1982, covers the period from 1975/76 to 1980/81 and is based on a questionnaire survey of 848 credit recipients and 325 non-recipients in 22 co-operative societies affiliated to nine unions, of which eight operated CPCS, together with 2 non-affiliated co-operative societies. The survey sought to measure the impact of CPCS on production and to find out more generally how it has been received by the interviewed farmers.

Coffee is by far the major crop sold through co-operatives, with over 70% of total turnover by value from 1982-86.²⁹ It is thus not surprising to find CPCS loans heavily dominated by coffee. For the nine CPCS unions, 83% of total lending in the period was to coffee producers, 13% to pyrethrum producers and 2% each for dairy and sugar-cane. The sample survey slightly increased the proportions of dairy and sugar-cane to get a sufficient sample of borrowers. Average loan size varied from Sh 1350 for pyrethrum to Sh 3650 for dairy, with coffee and sugarcane intermediate at about 2800/- and 2700/- respectively. These averages concealed considerable variation, for while 43% of all loans to sample farmers were below 1000/-, 33% of the amount lent went to the 7% receiving over 10,000/-. On average CPCS reached 27% of the active membership of the societies over the seven-year period, giving an average of about 4.5% in any one year. Again the variation was very wide, one society in Machakos providing CPCS loans to 54% of members over the seven years, while one in Kisii supplied no more than 1% over the period. Shortage of funds

29. Republic of Kenya (Statistical Abstract) 1987, p. 116.

seemed not to be a major limitation, as 75% of those qualified to apply for CPCS had not done so, while only 16% of the non-recipients interviewed had applied and been turned down. Uncertainty over the likely benefits of borrowing seemed to be a restraining factor.

The survey compared production and yields for CPCS recipients and non-recipients, from which it emerged that the former had both higher yields and higher production. But this actually speaks against an effect from CPCS, since 85% of recipients only received one CPCS loan during the period and "CPCS loanees had consistently higher mean deliveries and consumed higher quantities of inputs before, during and after acquisition of CPCS loans... (which) therefore appear to have little to do with these differences. "(ibid. 24). Loanees used more inputs because the more "progressive" farmers had been chosen for CPCS in the first place, rather than because CPCS made them so.³⁰

The expectation that CPCS would increase yields and production relies on the assumption that it was used for purchase of inputs. This in turn is based on two controls; that loans are only given for input packages prepared in conjunction with agricultural officers, and that loans are given at least partly in kind. In reality, only 60% of loans were found to have been approved by the Ministry of Agriculture; in many if not most cases, the Ministry was found not to have prepared packages; while "virtually all societies failed to implement the second step

30. It is remarkable that anyone would expect a seasonal input loan once in five to seven years to have any impact on input use, which points to another curious elision in "development credit" thinking. The model behind it relies to no small extent on credit practices in Europe and the USA, where most farmers are permanently in debt and borrow heavily every season for levels of input use which swallow well over half of gross farm revenue. Yet efforts to induce a similar acclimatization to (or dependence on) inputs in the Third World assume that one seasonal credit will achieve the shift.

relating to disbursements in kind." 86% of the recipients of CPCS, claimed to have used the loans in connection with the crops for which they were lent, but this question seems to have been asked in a context in which farmers felt that they should give such an answer, and society officials felt strongly that farmers had exaggerated loan-use on the crop in question. For example, they felt that at least 20% was used for house construction or improvement. Since CPCS recipients consistently used higher levels of inputs with or without a CPCS loan, it may be assumed that even where they did use the loan as intended, - this would have freed other funds for purposes of which one knows nothing. The report concludes that since CPCS cannot be said to have increased gross farm incomes, it would appear to have reduced net incomes by the extent of subsequent repayments. In a strict sense it is of course true that loan repayment would reduce income. But if the loan itself had been used for some desired or productive purpose (whether or not in agriculture), it could to that extent be said to have increased income or welfare. Unfortunately there is no information on this issue.

The survey found, on the basis of a sub-sample that two-thirds of all loans taken had not been fully repaid by the stipulated date, average repayment time being more than double the stipulated period for both seasonal and medium-term loans. About half the larger sample felt that they had benefitted from CPCS loans, though two-thirds thought the amounts they had received too low and half complained that the distribution procedure favoured committee men, indicating a more positive attitude than some were willing to admit.³¹ But the finding that 75% of those qualified to apply for CPCS had not done so indicates some hesitancy about

31. A problem often encountered in rural surveys is the fairly consistent unwillingness of farmers (of whatever size or nationality) to admit that anything has ever gone well.

contracting loans, and uncertainty as to the likely benefits. Since almost all are agreed that CPCS is by far the most efficiently run of Kenya's small-farmer credit schemes, one could conclude that the overall impact of most schemes would have been still less positive.

6. Use of Loan Funds in a Part of Kisii District

As a first step in trying to find out about the impact of credit through co-operatives in Kisii District, I collected information on all loans and repayments from the various phases of three loan programmes operated through several of the 25 societies affiliated to the Kisii Farmer's Co-operative Union (KFCU) from 1976 to 1987. This information covers small-holders in those parts of the District where coffee is grown, since pyrethrum growers in the highlands are covered by another co-operative union (Masaba), while producers of tea, also a higher altitude crop, sell through and receive seasonal advances from the parastatal Kenya Tea Development Authority.³² Larger farmers are covered by loans from the Agricultural Finance Corporation (AFC) and from commercial banks. The data for KFCU did show a drastic decline in lending through the Co-operative Union after 1981, since when most attention has been paid to trying to get back the money previously lent. But to yield much further information, it requires detailed statistical analysis, for which I have as yet had no time.

The present section is thus based on more direct information about farmers' use of loans. Through an assistant, I collected as

32. The KTDA is well-known in the African development literature as an efficient parastatal, and thus something of a rarity. Its reputation for efficiency and honesty in comparison with coffee co-operatives has been among the factors generating a switch from coffee to tea production in Kisii District.

many stories as possible of credit episodes from people in the area surrounding where I have been living and working. In the first instance he interviewed 35 recipients of credit through two different co-operative societies. The sample was not randomly chosen, and consisted largely of people whom he met while hanging around at the local co-operative factory. This was deliberate, as was the decision not to take notes or use a questionnaire. The results of the national survey cited above, indicated that faced with a formal interview, and still worse one in which what one said might be "taken down and used in evidence against you", respondents tended to play safe and claim that they had used loan funds for the prescribed purpose. I was concerned that recipients should feel sufficiently relaxed to say what they had wanted credit for and what they had done with it, in their own words.

During the period under consideration, from the early 1970s, three loan programmes have been in operation among some of the co-operatives in Kisii; CPCS, both short and medium-term, IADP and SCIP. Some respondents referred to loans in the late 1960s which, if correct, would probably refer to a Kfw-funded loan scheme, mainly for the purchase of grade dairy cows.³³ But it seems more likely from other evidence (the composition of the loans) that the respondents said 1967 when they meant 1976, especially since none had yet repaid the loans in full.

In the event, no attempt was made to distinguish between the different programmes, since it rapidly became apparent that few if any of the respondents know which scheme they were borrowing from. To them those were just loans from the co-operative society. Nor did the majority even appear to realize at the time

33. The term "grade" cows is sometimes used to refer to cows of exotic breed (i.e. *bos taurus* rather than *bos indicus* (zebu)), though it should refer to crosses between local and exotic animals. It is normally used to refer to animals with at least half exotic blood.

of application that the loans were to be tied to specific crop programmes or given in kind. Many had to change their plans for use of the loan radically when they found to their chagrin that the loans were to be partly in kind, and generally much smaller than applied for. As one borrower put it:

I saw a notice at the co-operative asking people to apply for loans. I applied for 3000/- to pay my childrens' school-fees, but when they only gave me 400/- and a pair of scissors (coffee pruning secateurs), I thought I might as well buy mabati (corrugated iron sheets) for the roof."

The mention of secateurs would indicate that this was a loan under SCIP; though references to loans which included both bags of maize seed, fertilizers and "scissors" indicate that even the co-operatives may have been confused as to what they were lending, since maize and fertilizer was the preserve of IADP. Dairy cattle, by far the most popular agricultural use of loans would have been a legitimate use of CPCS loans, though from the size of loans, it would seem that several bought cows with IADP or SCIP loans, intended solely for maize or coffee respectively. Of the 26 out of 35 who said what they had planned to do with the loans beforehand, 7 mentioned purchase of dairy cows, 4 mentioned maize, 2 coffee, and one each mentioned "farming" not further specified and purchase of plough-oxen. With some indicating more than one objective, just over half the borrowers mentioned agricultural objectives of one or other sort, while just under half of the mentioned objectives were agricultural. Others were construction or repair (mabati roofing) or houses (7), payment of school fees (4), "business" (2), general household expenditures (1), and "no particular plan" (2).

Of the 14 who stated how much they applied for, the average was sh 4600/-, with a range from 1500/- to 15,000/-. In the event, most got far less than they had applied for and this led to some shift in end-use. 25 stated how much they had received, the loans

ranging in size from 400/- to 2500/- with a mean of almost exactly 1000/-. Nothing was said about the intended duration, but with very few exceptions, these would have been seasonal loans to be paid within one year. Cows (including heifers) were the most frequent and popular use of the funds, with ten of the 35 recipients purchasing one or more from their loans. Given the prices, it does not appear that most of these were grade cows or heifers. Second in line after cows was building or improvement of housing (7 out of 35) followed by payment of school fees (6). Then came hybrid maize (5), though in most cases this was one of multiple uses and enforced on the respondents in question by receipt of loans in kind (bags of seed and fertilizer), the cash being used for something else. Four used all or part of their loan for coffee improvement, one for planting tea and one for "farming". The respondent who had planned to purchase plough-oxen, found the loan inadequate for this purpose, bought a cow and used the (apparently maize-directed) inputs for coffee. Finally one used the loan for "business", two for health-related expenses (one for a local trepanning operation, the other for funeral expenses), two for brideprice on a second wife and four for general consumption purposes including drink. The saddest case was a widow who borrowed 900/-, to improve her coffee. Her two sons took the money by force and spent it on chang'aa, leaving her to spend part of a miserable income on repayment up to the present, with virtually no hope of ever completing. Overall then, slightly over half of the uses of credit were non-agricultural, but given likely use of IADP or SCIP on cattle purchase, it appears that at least two-thirds of all uses were for purposes other than those intended by the loan programme.

Of those who mentioned their satisfaction or otherwise, directly or indirectly, in the course of telling the story, (25 out of the 35) 12 seemed positive, 4 neutral and 9 generally negative. The level of satisfaction had little to do with "correct" use of the loan. Of those who purchased cows, nine out of ten were satisfied, having recouped expenses through sale of calves and

had milk to drink or sell. So were three each of those who had spent the money on housing and school fees and again, three of those who used it on maize plus the farmer who planted tea. But in most cases the satisfaction was dependent on capacity to repay the loan - often from sources other than the investment made with it. The majority of those who gave information had not yet completed repayment (55% versus 45% who had) even though by far the majority of the loans would have been seasonal and the year of borrowing between 1976 (possibly 1967) and 1982. But those who were satisfied tended to be those who had a variety of sources of income (coffee, business, wages etc) so that repayment was not a nagging worry to them (even if not completed). By contrast, of those who did not have such source of income, many were concerned that if the co-operative got serious about extracting loan repayment, they might have to sell a cow or take children from school to do so. By far the commonest complaint (eight respondents) was that the co-operative did not provide accounts. Several clearly felt that they were being cheated and made remarks about having to keep on paying "for ever".

While more of this group of borrowers were pleased with the loans than dissatisfied, a majority had not yet repaid their loans and they were as a group thus responsible for higher marketing costs to the remainder of the co-operative membership. High marketing margins and long delays in payment for coffee are among the commonest complaints one hears from farmers in this area.

One can take the analysis slightly further by looking at possible reasons for the particular patterns of use and non-use found:

Coffee - since 1978/79, world prices of coffee have been too low to encourage expansion of production except when there is frost in Brazil (1986), and the disincentive aggravated in Kisii by high co-operative charges and long delays in payment for coffee. (frequently six months or more). Women do most of the work

on coffee, while their husbands commonly collect the money, another likely disincentive. In the area where the data were collected, the trend for some years has been to ignore or even uproot coffee, replacing it with bananas, sugar-cane or fresh vegetables for local cash sale. Under the circumstances, it is scarcely surprising that few used credit to expand coffee production.

Hybrid Maize and fertilizer for it, are even less likely uses of credit funds in much of Kisii. Most households, grow so little maize, for lack of space that hybrid seed and fertilizer could be purchased with the proceeds of a few days' casual labour, should the men in question choose to do so. Those who would not would scarcely use loan funds for this purpose. Most households do plant hybrid maize, though rather less use fertilizer on it, and those which do not, are generally those at the very bottom of the income-scale, to whom credit would seldom if ever be made available. And even in these cases, it would usually be possible to afford hybrid if the men of the household were to spend "his" income from casual labour on it. Credit for maize and fertilizer are important for larger farmers, but this is outside the scope of the present paper and of little interest to most peasants in Kisii.

By contrast, the uses to which borrowers did put funds seem quite rational. If education is seen as the main potential way out of the small farmers' predicament (as it is) then it makes sense to use borrowed funds to pay for it, especially if one can reckon on being able to take eight years or more to repay a seasonal loan. The same can be said of improvement of housing though it may seem "merely consumption" to some. It rains perhaps 250 days per year in many parts of Kisii, which makes a non-leaking roof well worthwhile. Apart from discomfort, a damp house contributes to sickness, loss of work and expenditure on medicine and hospital visits. A thatched roof remains tight for the first year or two, but thereafter leaks increasingly. When there was common

land, men could re-roof without significant cash costs, but now the thatch must be bought, so that a nabati roof, which would last six to ten years, could even be cheaper in cash terms, once the initial outlay has been made.

Investment in cattle is an interesting case, given that only a minority of those bought seem to have been grade animals. Cows or heifers are a very popular investment in Kisii. Not only do they yield a return in terms of milk to drink or sell and calves to sell or build the herd, but (and this is a major attraction) they can be sold at short notice if the need for cash arises. They are thus often purchased specifically as a short-term investment (or form of savings) when funds are to be put aside for school fees or for a major investment. It is thus hardly surprising that cows with a low proportion of exotic blood are preferred.

Investment in exotic cattle is a long-term venture, requiring further expenditures on a stall, fencing and veterinary medicines, simply to avoid the risk of loss through death from tick-borne disease, with further expenditure on purchased feed necessary to reap the productivity gains. Relatively few purchasers have the money or the intention of spending it on these items, in which case the risk is much reduced by a high proportion of local (more tick-borne disease resistant) breeds.

This type of transaction is mentioned by Paterson (1984), who writes of people in his sample population (in Bunyore, Western Province) as having "placed their savings in.... low risk business investments ... like trading or basket making (which) function in many ways like a savings account, accumulating interest in the form of profit and at the same time allowing the conversion of inventories to cash when required." He also notes that "An investment in hybrid maize has neither the security nor the liquidity of such business investments." (pp. 86-87).

Of course, not all the non-agricultural uses of loan funds can be so justified. Use for consumption, especially drinking, is an obvious case of plain misuse. So does the use of a loan for

brideprice, as one of the borrowers seemed to recognize, bemoaning that he had spent money merely to increase his troubles. On the other hand, use of loan funds on hospital or other health expenses indicates a need for some source of funds to tide people over difficult periods.

To summarize, the co-operative loans schemes as experienced by recipient peasants in one part of Kisii District had little in common with what is supposed, by the planners of the schemes, to have been happening. Those who use the loans for purposes other than the specified are generally regarded by agricultural modernizers as irresponsible "misusers", but this is not necessarily the case. On the contrary several borrowers had well-articulated plans for how to use the several thousand shillings profitably and were frustrated when their applications resulted in only "400/- and a pair of scissors". True there were borrowers who should never have been given the money, but this could easily have been discerned by local co-operative personnel, had they had a mind to do so (chang'aa drinkers are not hard to identify by sight or smell) and had little to do with requirements to use the loan on maize or coffee.

Though I am not able to say just how representative this sample is, the findings are fully in line with most of the conversations I have had about uses of "development credit" both in Kisii and elsewhere. It supports the opinion of Ottosson (1985:13) that "it is doubtful that "agricultural credit" is a valid concept, when smallholders' activities as farmers are largely indistinguishable from their activities as households." He concludes from this that it is time to shift the emphasis in credit programmes from agricultural modernization to banking principles since " earmarked credit is ... often a planner's illusion", and since it is important, especially with programmes like CPCS, which are based on co-operative members' savings to preserve the funds intact. Business and Economic Research also conclude that part of CPCS should be converted into a more general loan fund, lending for

purposes chosen by the borrowers, on the basis of adequate security. From the Kisii sample above, it seems that the main requirement is for medium-term rather than seasonal loans.

This seems to be the direction in which things will go and indeed are already going. The Kisii Farmers' Co-operative Union, Banking Section, repaid all its credit project debts to the Co-operative Bank of Kenya some years ago, and now lends solely on the basis of members' savings. This releases the Union from the requirement to give credit in kind. Its members, so I was informed, and most especially the credit-worthy ones, were simply not interested in borrowing in kind. They had their own plans for what to do with the money and did not wish to waste time selling bags of seed or fertilizer to get cash. What they wanted was medium-term credit in cash.

It thus seems as if small-farmer rural credit in Kisii, and perhaps Kenya, is moving towards a more market-oriented approach, for the richer peasant farmers, which seems likely to be more satisfactory for both borrowers and lending institutions. This leaves the poorer peasants un-catered for, but there is little evidence that project credit did this satisfactorily in any case.

That peasants in Kisii have their own reasons for wishing to borrow from their co-operatives, most totally unrelated to the purposes for which credit projects are initiated, is so obvious, that it could be missed only by looking at peasants through the distorting stereotype whereby development is seen as coequal with agricultural modernization imposed from outside and above, and where peasants are seen solely as "coffee producers" and as "acceptors" or "resistors" of such imposed change. If one is to proceed further in the analysis of credit processes and needs, it becomes necessary to go beyond this simplification and consider aspects of Kisii economy and society.

7. Kisii District, Kenya: A Contradictory reality.

In some ways, Kisii is among the most "developed" Districts in Kenya. It is a hilly area, mostly over 5000 ft above sea level, with the highest overall rural population density in Kenya (about 400 per square Kilometre at the 1979 census and appreciably higher now). The soils are generally of very high fertility and the rainfall among the highest and most reliable in the country (about 1500-2100 mm p.a.). Most of the District is divided into small farms, neatly divided with hedges between both farms and individual fields. Many farms are long and thin, running up and down the slopes of the hills, since farms are sub-divided on inheritance so as to provide a share of the different soils of the catena to all. This gives an unusually tidy and ordered appearance. Common land has virtually disappeared. Cattle are mostly kept and grazed in paddocks (or along the roadsides). erosion scars are rare; there is an abundance of large stone houses along the main roads; planted trees for timber and firewood are common. At this level, it is easy to gain an impression of order, progress and prosperity.

But while this is not entirely misleading, it is but one side of a far more more complex picture. High population density means that mean farm-size is under one hectare, the median well below that and the smallest farms thus microscopic. These averages are constantly falling, since Kisii also has the highest population growth-rate in Kenya, at well over 4% per annum. In many places farm size is shrinking so rapidly that families avoid dividing farms as sons come to maturity, to avoid their becoming simply too narrow to cultivate or hedges taking more than 20% of total land. This, together with significant social and economic differentiation, contributes to a high level of social tension reflected in the statistics for violent crime.³⁴ I have not seen

34. Levine (1959, 1966, 1980) relates violence, among other things, to a repressive pattern of child upbringing and socialization. He also finds relevant the pattern of deference and dominance which accompanies Kisii's rather high level of differentiation, on income, gender and age axes.

recent figures, but for many years, Kisii shared with Meru District the dubious distinction of the highest rates of murder and rape in Kenya. Marital discord and violence are at higher than usual levels, dispensary workers of my acquaintance claiming that a significant proportion of their patients are women who have been severely beaten. Stories of witchcraft and poisoning are widespread, common targets being the successful and men who have left their wives for another woman. How high the rates of drunkenness and alcoholism are is hard to tell, but they seem to be higher than in many other parts of rural Kenya³⁵ and to be related to the pattern of violence. Unsystematic enquiries and conversations indicate that many men have become drunkards as a result of worries and inability to sleep at night, while an apparently high incidence of suicide and self-destructive behaviour are pointers to similar problems.

But this depressing facet is again only one side of the reality. Enormous amounts of energy and ingenuity (not all of it well-directed) are expended in finding solutions to the problems facing people. The hunger for education is as fierce as anywhere in Kenya. Huge numbers of attempts are made to start small businesses. Some peasants are highly innovative and concerned to increase farm returns, though not necessarily, or even usually, by the means recommended by the extension service. Yet the very level of activity on all these fronts has reduced the potential returns. In agriculture, there has been a discernible shift in recent years, away from coffee, towards tea, but especially to sugar-cane, sweet bananas, fruits and vegetables³⁶ for local or national markets, the major limitations being transport costs,

35. D. Paterson, personal communication (discussion of his experience in a very highly populated area of Western Province)

36. This is especially true of the Wanjare lowlands where I have been living.

limited markets and falling farm size. Many of the more promising small business opportunities are hugely oversubscribed with hopeful entrants. The enormous expansion in education since Independence in Kenya has severely reduced the gain in terms of jobs. At Independence and for some years after, completed primary school education was enough at least to be sure of a job. Nowadays there are Form IV (out of six forms in secondary school) leavers employed as casual labourers in Kisii.³⁷

In farming, a major factor limiting increased productivity is gender conflict. Formally, men control almost all farm resources, and the returns from most cash-producing activities. Women have the responsibility of feeding their husbands and families, with husbands often unwilling to contribute either labour or cash. There are men who work hard on their farms, innovate and take an interest in their families. But there are others whose contribution is minimal. Typical for the latter group is to spend a few hours in the morning doing casual work ("contract") for others, to earn enough money to drink ebusa (local beer) or chang'aa (distilled liquor), returning towards nightfall either paralytic or aggressive and in either case flat broke.³⁸

Again one must stress that this latter emphasizes the worst of local social relations. It is scarcely surprising that social

37. This has led to social tensions both generally and in the specific form of a well-known youth criminal gang of a few years back, known as the "kebagos". This word apparently means "young man" in the Kalenjin language, but in this case stood for the Kisii Educated Boys and Girls Organization. Activities included house-breaking, blackmail and extortion.

38. Worst of all is when the day's labour fails to provide a sufficient skinful. In that case the man may come home feeling mean beat his wife to get more money. The saddest person I have met in Kisii was a woman, probably not out of her twenties (though she looked at first sight an old woman), who I gave a ride to hospital after such an episode. It emerged that she was beaten regularly (several times per week), usually when he wanted drinking money, a further background problem being that she had not "given him a boy", having borne three girl children.

drinking should play a substantial part in the leisure of peasants in the area, Television, films, reading materials, light to read by and sufficient literacy to read books are not widespread. Drinking is not merely a matter of dead drunkenness, but also an aid to friendliness, humour and conviviality.³⁹ Women are oppressed in a number of ways, but this does not show in a cowed or repressed manner. Indeed one of the more characteristic sounds of the Kisii countryside is of the voices of women raised as they tell riotous stories and scream with laughter over them.

The above impressions may help to correct the impression of small-holders waiting to be modernized, but tell one little about the structure of Kisii society. What follows is no more than a sketch, based on the work of others, notably Orivis.

8. Kisii: A Historical Sketch

It is a measure of the enormous change in Gusii⁴⁰ society over the present century, that the population is thought to have been no more than about 100,000 around the turn of the century, one fifteenth of the present level. The Gusii are a Bantu-speaking

39. My own visits to local drinking places have always been very pleasant and enjoyable occasions.

4

40. What name to use for the people presents a constant problem. The District is called Kisii and by extension, the people are referred to in English, including by themselves, as "Kisiiis". This is grammatically incorrect, since in their own language (ekegusii) they refer to themselves as "Abagusii". But to do this, when writing in English can lend a misleadingly "anthropological" (or "my tribe") tone. This would be particularly inappropriate in the present context, where the discussion turns around credit and other economic factors, and since Kisii is a highly differentiated society of some 1.5 million people, including among its ranks millionaires, cabinet ministers, senior civil servants, high court judges, Olympic athletes and a substantial middle-class, in addition to peasants petty business persons and rural poor. I have decided to alternate between "Gusii" without the prefix and "Kisii".

people, who are thought, on the basis of oral history and linguistic evidence, to have migrated by degrees to their present mountain homeland, arriving in their present mountain homeland during the late 18th and 19th centuries.⁴¹

In the pre-colonial period, and for some years after, most land in Kisii was uncleared bush and forest. Cultivation was largely for subsistence, based on bush fallowing, and performed, apart from initial clearing, almost entirely by women. While the majority of subsistence in nutritional terms, derived from cropping, based on finger-millet, the focus of Gusii society, and of the men who dominated it, was livestock. The power, wealth and influence of men was related directly to their control over wives and cattle and their production of children, both male to increase the line and its capacity to defend its stock (and raid those of others) and female for bridewealth (in cattle) and to cement ties with other clans through exogamous marriage.⁴²

Livestock gave access to women, on whose labour and fertility the reproduction of the family, lineage and system depended. The clan structure varied over time and between areas of Kisii, which was divided into seven different "tribes". But though larger groupings were important on occasion, especially times of war, polygamous patriarchs appear to have been largely autonomous. In other words, lineages tended to divide and control to be diffused relatively frequently.⁴³ It seems likely that the dissected nature of the topography was among factors disposing to such

41. Simplified, perhaps excessively so, from Ochieng' (1974)

42. See Orvis (1985b) for further detail about this.

43. This seems to have been the case to a greater extent near the boundaries of Kisii territory. Kitutu, in the central highlands of the district, is to a large extent composed of one very large controlling clan.

division, though doubtless not the only one. Oral history indicates that war was frequent, though wars are always likely to be highlighted by oral historians, since peace lacks drama. Moreover, many of the "wars" recounted would have involved no more than a few dozen people. At the same time, there were a number of mechanisms for co-operation in cultivation, both within and between extended families (of the same clan). Most of these seem to have involved common cultivation by women, followed by common drinking by men. (Meyer 1949, Levine 1966: Ch. 2).

The same evidence about the pre-colonial and early colonial periods can be read to imply either that Gusi society was relatively egalitarian (there was no established hierarchy of chiefs or kings) or that it was highly differentiated (it appears that there were considerable differences in wealth and power between different families and between the dominant and subordinate parts of families). Orvis (1987:5) follows Mayer in asserting that "relations between households were rather egalitarian," though he points out that "relations within them were not", stressing distinctions based on gender and age. The Levines (1966), writing about the late 1950s, stress social and economic differences, the contempt of rich for poor, the bitter envy, covered by obsequious behaviour, of poor for rich and the expression of this in poisoning and fear of it. Part of this derives from differences in time and place. The Levines studied Nyaribari in the late colonial period; an area generally stated by Kisii informants to be unusually hierarchical and snobbish, due in part to the influence of a very powerful chief, near whose headquarters the Levines' research was focussed. Orvis (like myself) worked mainly in Wanjare, which would probably be characterized by many local informants as being at the anarchic end of the scale by Kisii standards. Also, by the late colonial period, the beginnings of capitalist accumulation would have begun to emerge, though on a very small scale compared with the present.

But in another sense, this reflects different concerns. The Levines were concerned with differences in wealth and prestige and their effect on behaviour; Orvis with evidence for or against class-formation. From the secondary evidence available, it seems possible, indeed likely, that contemptuous behaviour towards the poor and envy for the wealthy and fortunate, were characteristics of pre-colonial society, even though the degree of economic differentiation would have been far smaller than today and less stable over generations. One would expect a major factor changing behaviour to be Independence and the introduction of elections as a means of achieving positions of power. As so often direct observation yields contradictory results. One certainly observes patterns of contempt/obsequiousness, but then again one also observes many occasions when persons of very different status seen able to relax and enjoy a good laugh together, though especially if there is no old man of high status present.

Age and gender differentiation certainly were and are important. The ideology and social reality of male superiority and control remain unusually direct and forthright to the present, as does the widespread male opinion that provision of (his) food is a wife's obligation, his own only obligation in that respect being to "show her where to cultivate". While by no means universal, there are many men who feel it is simply not their business to spend money on (say) hybrid maize or fertilizer, unless a surplus is being grown for sale (true only on a small minority of large farms). Even so, at least in formal terms, men make all decisions as to how land should be allocated between different crops and uses, leading to a bias in favour of cash products as against household reproduction items, like food-crops and firewood.⁴⁴

44. Woodlots are more frequent in Kisii than in most parts of Kenya, but most are grown for building timber or sale as such. On smaller farms in the more densely populated areas, shortage of wood for cooking is a really serious problem, leading some women to prefer hand-pounding of maize, which wastes both time and grain, through loss of the outer shell, but saves cooking time.

The real power of old men seems to be declining with loosening control over marriage and thus the disposition of women. Orvis (1985b) shows that delays in paying total brideprice have increased very significantly over recent decades, so that nowadays men and women have often been living together for several years before even a start is made. Education has a similar effect, since the younger generation are generally better educated than their parents, this being a major determinant of job potential in modern Kenya. Nevertheless the age hierarchy and means for its social expression have by no means disappeared. Gusii forms of address commonly refer to both age and sex; old man, young married woman, boy child, widow, etc.⁴⁵ There is a requirement for "modesty" (ensoni) between parents and children, to the extent that much of children's socialization comes from grandparents. A father may never enter his married son's house, and the latter should not be disrespectful to his father. The presence of an elder man of high social status can have a dampening effect on social occasions, as the younger men present laugh obediently at his jokes, carefully agree with his opinions and repeat the final lines of his obiter dicta.

The basis of differentiation, as of household reproduction, has changed radically since the beginning of the colonial period. The colonial state struck early and hard at the basis of the livestock economy and society, by levying large fines in cattle and by outlawing the "cattle villages" in which young men were gathered in a sort of limited age-grade system to look after the family's cattle, defend them and raid those of others. This released labour, first for First World War service⁴⁶, and then,

45. The significance can perhaps be gauged by comparison with other social groups, as in a remark overheard. "What I hate about Luos is the way they call each other "omera"". This term means something like "friend", and can be used of men and woman, young and old, high and low status.

46. In the infamous Carrier Corps, whose fatality rate was much higher than those of fighting troops.

with the development of tea plantations in neighbouring Kericho from the 1920s, for migrant labour, which from then on formed an important component of District income. From this period, individual Kisii, especially converts to Christianity, began to seek and find more varied, skilled and somewhat better paid wage labour. Some of these (together with Chiefs and others notables of the local system) began to invest in expanding land-holdings and the beginnings of cash-crop production. This "straddling"⁴⁷ Orvis refers to this phase as the formation of a peasantry, which he asserts has since been destroyed by further pressure on land, which is no longer the main basis of family reproduction, or accumulation of capital. He also asserts that previous communal institutions for insuring family survival have broken down to produce "multi-sectoral households who diversify investment of their limited resources in rather uneconomical ways in order to avoid the insecurity they face as a result of integration into the market economy and the concomitant breakdown of communal institutions." (Orvis 1987:3).

This certainly captures many features of present Gusii society. It is true that most Gusii households are multi-sectoral economic entities. Most depend on wage-labour or business external to the family farm. Few could survive on subsistence production alone and virtually none do so. For most households, the most important single investment which can be made is in the education of children, to give them a chance to get jobs at higher wage levels and with greater permanence than the casual labour which is about all that is available to uneducated young people. Lack of jobs, in turn a major incentive investment in off-farm enterprise of varying sorts, ranging from quite substantial trading, transport and processing, down to (say) the sale of a few bunches of bananas by the roadside.

This shows up in measures of economic structure. The Rural Household Budget Survey of 1981/82, (Economic Survey 1988: (Ch. 3)) shows the proportion of total income, by District, deriving

47. This useful term, coined by M.P. Cowen, to refer specifically to the investment of income from government employment in expanding peasant farm production, has been taken up by Orvis and others to cover the investment of proceeds from non-agricultural employment or enterprise in peasant agriculture. It has been and remains one of the most important means for transfer and accumulation of land in Kisii.

from; farm-enterprise, non-farm-enterprise, wages and salaries and "other sources". Table 1 shows the Districts with the lowest proportion of income deriving from own farm enterprise.

Table 1: Proportion of Income Deriving from Different Sources.

District	Fa-Ent	N-Fa-Ent	W & Sals	Other	Total
Kianbu	29	19	36	17	100
Kisii	31	28	16	25	100
Kwale	33	15	45	6	99
Kirinyaga	36	25	16	23	100
Murang's	38	22	18	22	100
Kilifi /- /-*	38	18	34	11	101
Kakamega	38	17	23	22	100

* Kilifi, Lamu and Tana River Districts, taken together

Kisii has the second lowest proportion of income deriving from farm-enterprise (the average for the country being about 45%). But it also has a rather different structure from most other low-income-from-farming districts. Where Kianbu, (next to Nairobi), Kwale and Kilifi/Tana River/Lamu, (coastal tourist trade), have high proportions of wage and salary earners, Kisii has the highest proportion of income from non-farm enterprise (and from) "other" sources, Kirinyaga being similar in this respect.⁴⁸

This goes together with a surprisingly low rate of out-migration from Kisii, given the high population density. If the proportion of female-headed households is taken as a rough indicator of male out-migration for labour, Kisii ranked, in the early 1980s, 18th out of 28 "districts"⁴⁹, with 25.4% of households female-headed,

48. The "other" category is difficult to interpret, especially as the source cited provides no clues, but probably comprises a mix of remittances and non-farm enterprise. Had it been composed solely of remittances, one would have expected a higher proportion from Kakamega, Siaya, (17%) and other high out-migration Districts.

49. The proportion of female-headed households is a rather rough measure of out-migration. High migration can coexist with a low proportion of female-headed households if a large proportion of migrants take their wives with them, or if other males are put in control of the household in their absence, for purposes of control over labour (or for answers to Rural Census enumerators).

almost exactly halfway between the highest (Siaya with 49.6%) and lowest (Kericho with 12.5%).⁵⁰ Data from population census pyramids indicate that men from Kisii do out-migrate in large numbers in their early twenties, but that they stay away less long than men from high out-migration districts. (Ominde 1968). The same author also showed very low migration rates for Kisii in 1961 (7% for men, compared with 22% for Luhya and 17% for Luo).⁵¹

The above figures show that less than one third of total income in rural Kisii comes from "own-farm-enterprise", while all indicators are that the proportion is likely to fall in the future. If one takes this together with Orvis's demonstration that families with no non-farm income tend to be the poorest, this would seem to bear out his contention that a peasantry, having been formed earlier in the century, is now in process of destruction. But, there is also counter-evidence.

Data like the above tends to exaggerate (and sometimes grossly so) the cash component of income, while it ignores its distribution within the family. Since cash income is largely a male preserve, it is entirely possible that, of a family of (say) seven people, six of them may be living almost entirely from produce and income omitted from such calculations.⁵² That is family income and family reproduction are two different things. Moreover, what keeps families in the situation of peasants is mainly lack of alternatives - and their different defined

50. Worked out from Table 3.1 of Kenya Government (1988a)

51. Far higher rates were shown for Kikuyus 42% male, 40% overall, and Nandis (38% and 37%), but the rather close sex ratios shows that these were largely family migrations, with land transfer at the end of the colonial period.

52. Thanks to Ann Heidenreich for stressing this point.

appearance in the near future. Given the differential opportunities for men and women and their different defined functions within the household division of labour, it seems that even when men are fully integrated into wage-labour or non-farm business, a large proportion of household reproduction may still remain based on peasant agriculture.

9. Credit and Savings: Transactions in Time and Money.

While the above may seem a merely theoretical issue, without practical implications, it does in fact, provide further explanation why much agricultural credit is used (mostly by men) for non-agricultural purposes. It also implies (as turns out to be the case), that with largely separated male and female economies, one would expect to find different patterns of savings and credit transactions between the genders. As always with differentiated societies and those in process of differentiation, one finds different patterns between rich and poor. Credit (and its corollary indebtedness) are among the mechanisms whereby some accumulate while others are dispossessed. There will thus be different patterns for lenders and borrowers, those improving their access to resources and those doing the opposite, those successively improving the organization of resources over time and space and those losing control. One example is the transfer of land in Kisii. Buyers are invariably those with income from outside agriculture, while sellers tend to be those who cannot even subsist from their own farms.⁵³

Both within and between income strata, there is a clear difference in patterns of economic behaviour between men and

53. Orvis (1985b) documents this from a sample survey in Vanjare. My own less formal research in a nearby area confirms the pattern with one addition. Almost without exception, sellers of land are chronic alcoholics, least caring what becomes of their families or themselves.

women. Men have far superior access to money income, whether this be through wage-earning, business or the cash proceeds from farming. As elsewhere in Kenya and the world, the proportion of women declines as one ascends the educational and occupational ladders. There are a small but significant number of wealthy businesswomen, though very few at the top of the pyramid and even fewer who have got there other than as wives of powerful men. In farming again, there are women who run farms on their own, or who have managed to persuade husbands to let them collect tea or coffee proceeds, but they are in the minority.

While women's incomes tend to be far lower, their necessary expenditures often include by far the major proportion if not the total of day-to-day family subsistence/reproduction as well as most of the savings for emergencies like hospitalization. For a husband to contribute to family food expenditures seems exceptional, though probably the incidence rises in cases of serious need. In many cases, a woman will have to provide nearly all funds for clothing for herself and children, apart from arbitrarily timed "presents". The notion of a husband putting a regular amount into the "housekeeping" is most uncommon. But again, the variation between men, like that of their incomes, tends to be far wider than for women. At the top end of the income-scale, some wealthy men provide modern housing, electrical appliances, expensive education and servants, while their wives often have the better-paying jobs. Others keep their wives (or the less favoured ones) at far lower standards than themselves. At the upper-middle level, salary earners will commonly set a portion of their wage aside for savings or repayment of a housing or education loan, after which most of the remainder is strictly "theirs" to spend. As one goes down the scale (which is as much one of responsible behaviour as of income) less is saved and the wage lasts less long, until one reaches the situation referred to by many men as "four days of living and twenty-six of survival", that is four days in which disposable income is spent, followed by a period until the following pay-day, when the man is without

money and dependent on food provided by the wife to survive. Right down at the bottom end of the scale are those men who contribute nothing at all, or even less, since they spend virtually all they earn (usually from casual labour) on drink and then come home drunk and take their wives' savings by force. It is in this light that one has to consider the remark often heard from Kisii men that women "are our savings". By and large both genders see men as more generous but less responsible, while women are penny-pinching but more concerned for emergencies and the future. Indeed this characterization is often followed by anecdotes of how a woman who has denied having so much as five cents, turns out to have several hundred shillings when a child needs hospital treatment. Another common accompaniment is comic stories or ruses of how women can get be tricked out of their money by a sufficiently plausible story.⁵⁴

All this generates rather different patterns of borrowing and saving between the genders in Kisii. As is also true in other areas of economic life (and commonly closely bound up with them) women's credit and savings activities seem far more often to be based on groups, where men's are more often individual. Some examples follow, though this part of the research is yet more preliminary and tentative than the rest.

Male borrowing and lending - 11 cases were collected by a male assistant, ten of the transactions being between men and one with women on both sides. Virtually all were business loans, which is not surprising as this assistant had used his pay to open a small shop and collected stories from other traders nearby. Thus seven borrowed money for trading (shop, butchery, banana-trading), one

54. I had originally set "comic" in quotes but realised that this failed to encompass yet further contradiction. With a good raconteur (and Kisii is not short of them), and especially after a can or two of ebusa, such stories can be very funny - until one considers their implications - which is usually after the event.

for starting capital and six for running costs. Two (including the women) wished to complete land purchases. Another wanted the money for school fees, and did not wish to sell a cow at a time of year when prices were very low (prices of cows tend to fall at times when school-fees are due, which means that they are not quite liquid savings). The last wished to plant vegetables for sale. This was roughly what the loans were used for, except that one borrower saw two grade cows going cheaply after getting the loan and bought them, while the family of another got sick, so that he used the loan on hospital fees.

The lenders were most often businessmen/traders, though there were farmers and wage-workers too. Here the motives were roughly divided into two. Some had money which they had accumulated (sometimes, but not always for a specific purpose) and wished to avoid its burning a hole in their pockets until needed, being distrustful of banks or the Post Office. The remainder lent in order to help out a friend or relative. Three of four cases where no interest was charged fell in this group (the other was a worker who "saved" his money by handing it to a trader who then cheated him out of most of it). In seven out of the 11 cases the transactions were witnessed by outsiders, often elders and with a beer-drinking ceremony to formalize the transaction. The two women called their trader husbands to witness. All those using witnesses got at least the principle back, though some had to call on their assistance to do so. Of those not using witnesses two (half) failed to get their money back.

The loans ranged in size from 800/- to 5000/- with an average of just over 2000/- (almost exactly double the amounts borrowed from the co-operative, cited above). The shortest duration for a loan was one month (1 case), the longest 2 years (3 cases), with three cases of one year. The other three loans had no set duration,, though in one case it was agreed that the money lent (which the lender planned to use for land purchase when a suitable plot came on the market) was to be repayable at two-

weeks notice. The agreed interest-rates were usually stated in monthly terms, or as a total payment at the end of the loan period. In annual terms, they ranged from 10% to 72% with the average about 35%. The two cases of total non-repayment both concerned traders, known for sharp dealing, who deliberately swindled weak men (one probably mentally retarded). All those who had difficulties in repaying, did so eventually, though the woman lender let her client off much of the interest, realizing that she and her husband had genuine difficulties in repaying their loan. Here the two women were business associates and presumably wished to maintain the link. While one must be cautious of generalizing from such a small and non-random sample, it is interesting that one finds a few examples of such a wide spread of "normal" business transactions.

Women's Borrowing and Lending - A still smaller set of nine transactions was collected by a woman assistant. In all except one case the borrowers were women. That one was the "classic" where a woman trader was forced out of business through giving too much credit to unspecified buyers, probably mostly women.⁵⁵ Of the remainder, two had borrowed from men, two from individual women, three from women's groups, one from the Agricultural Finance Corporation and one from an unspecified relative, probably a woman. Here the amounts varied between 150/- and 2200/-. The first was a widow who borrowed 150/- in "tiding-over" consumption loan from a neighbour. Realizing that she would not be able to pay in money, she asked to be allowed to work it off, an arrangement the lender has commonly made with people, since he has a full time job and purchases labour in this way. This differs from a standard piece-work contract only in that the

55. Apart from being a classic throughout the world, this is the subject of one of the most popular prints, sold in markets in Kisii and to be found in many shops. This shows one trader (in eighteenth century breeches and coat) thin and despairing, "I gave credit". The next picture shows another, similarly dressed but fat and satisfied, counting a pile of coins, "I sold only for cash." (or text to that general effect).

money was received before rather than after the work. Four others borrowed varying sums for school-fees or house improvement, but at the same time invested part of the loan in trading or in hiring land and planting crops to earn money to repay the loan - a feature not found among men who borrowed. One other repaid the loan without specifying how, while the other three had not repaid. One was the loan from AFC, about which the respondent did not wish to speak, except to say that it was "the start of her troubles", another borrowed from a banana-trader but had no money to repay. The third had "borrowed" (i.e. begged in disguise) three sums amounting to 2200/- from a richer relative, having no intention to repay "because she can afford it".

Lending by Women's Groups - Another set of examples collected by the same assistant, looks at different women's groups in the area and shows that lending money at interest is rather a common feature. The groups themselves started in a variety of ways and cover different aims and activities. For women who are peasants or lower-level wage-workers, these are most often communal working-groups or cbionbe (sing. ekionbe). They combine to do "contracts" (casual piece-work, either in general, or in one case specifically making roads and digging pit-latrines). In most such cases, some of the money is shared out straight away, while a part is paid each time into a savings/investment fund, from which the group hopes to invest in some communal income-earning project, like a power maize-mill, vegetable plot or fish pond. Two groups already had fish-ponds (since a development project was offering advice and fish cheaply to groups willing to dig the hole). There were also groups of salaried women, who instead of contributing work, put money directly into a common fund, sometimes as savings for long-term investment, in other cases as the working capital for trading. One group purchased maize on farus and sold it (sometimes after storing for a price-rise) at the market. Even here, the long-term aim was to invest in something more fixed, like a power-mill or "hotel" (tea-shop).

In most cases, while the savings fund was building up towards a level sufficient for the planned investment, it would be further augmented by lending out at interest, specially to members, though often also to non-members for an extra fee. The general interest-rate cited was 10% per month, though it appeared that borrowers who took longer were not always charged extra interest. In some cases it was apparently waived in cases of real need. The means of selecting borrowers was invariably "people who are trusted" or similar phrase. Though this did not always prevent default, examples seemed to be rare, presumably because the range of such groups is very local, so that all are known to one another and social pressures thus easy to exert. There seemed to be more cases of officers absconding with the funds than of borrowers defaulting, though the latter was also not common.

Whatever the primary purpose of the group, it commonly included a "contribution club", comprising all or some of the members. Some groups consisted only of contribution clubs. Here a number of women agree to meet at regular intervals and contribute a given sum. Each time, the whole amount is given to one member, who thus has a larger sum for spending on consumer durables (clothes, cooking utensils) than it is normally possible for her to save. The smallest club encountered was B members, each contributing 10/-, (there are also 5/- clubs). The largest was a group of B professional women, contributing 500/- each month.

10. Women's Groups in a Broader Context

In South Wanjare alone, there are said to be over one hundred different women's groups in operation, though many of them would be rather small. This seems to indicate a felt need on the part of women for some means to get together to improve their economic status and lives in general, and there is an abundance of evidence that these needs are real enough.

While the paper has hitherto concentrated on credit and savings

(mostly the former), credit, as such, is probably not the solution to the problems of the poor, or of women. The broader basis of most women's groups would seem to bear this out. In many if not most cases, the aim of the group was not economic alone, ranging from companionship, through adult education to religious uplift and common bible reading (this combined with knitting and sewing articles for sale, with pooling of funds for purchase of wool and other inputs). In several cases group members reported that drunken husbands were what had initially stimulated them to form the group, noting the advantages of having savings out of the house, where they could not find them. At the same time, several groups, especially ebionbe, had a few male members.

These groups perform a whole variety of economic and social functions for their members:

- they provide a focus for long-term investment, holding out the hope of higher income levels when the investment has been made and matured.
- in the meantime, contribution clubs provide access at intervals to larger sums than most members could save by themselves, for purchase of consumer durables.
- the groups also provide a source of loans for emergencies or for special requirements, at rather high interest, though on flexible terms.
- (mentioned by many members) the group activities themselves are congenial and even when they do not involve earning money, prevent the members from spending it (for example on beer).
- the groups sometimes provide some degree of mutual support for their women members in non-economic matter, like ill-treatment by husbands. Even where nothing practical can be achieved, companionship and comfort may be important.

Each of the economic functions would seem to have social and

psychological analogues; raising hopes, reducing risk and increasing mutual help and solidarity.

Women's groups would thus seem an obvious focus for poverty-oriented development policies and assistance from outside - except for the unfortunate tendency of outside aid (unless handled with very great care) to crush what it aims to help. In the case of such small women's groups, the funds available from even NGOs are often so great as totally to distort the purpose and functions of groups. The worst danger is that a group which started with a specific internal purpose may be diverted into dancing attendance on foreign donors (or the state) for assistance which is often not what is needed in any case. For example in one case observed, a registered women's group was made the focus for a whole day's tedious and pointless extension campaign⁵⁶ and then a few days later, kept waiting for most of a day for a large party from the Ministry of Agriculture, including an aid agency man who had travelled the 350 km from Nairobi, for the ceremonial handing over of a few packets of vegetable seed (mostly available in a local shop) for an activity which they had not themselves planned. Much more of this sort of help and one could predict a loss of interest by the members. But this group has been in existence for several years, working together and saving the proceeds to the tune of several thousand shillings.

Another serious problem with external help is that those who come to leadership positions tend to be those who are best at mediating with outsiders, and these are by no means always the

56. To introduce an "improved" maize storage crib, made largely from non-available materials, whose sole useful feature (a rat-guard) could easily have been incorporated into the traditional crib had anyone had the imagination to think of it. Several of the lengthy speeches were given in English which few if any understood and the only benefit most received was a poster with pictures of maize pests. The text was in "scientific" English and thus incomprehensible to people with basic reading skills in Swahili. But at least it had coloured pictures and was usable as wall decoration.

best internal leaders. At worst, groups can be subverted by plausible opportunists who maximize the "take" from external agencies, only to embezzle it. But even without that, the process of mediation tends to separate the leaders from the rest with a serious dampening effect on the enthusiasm of the latter.

A similar problem relates to growth and formalization of groups, even without external aid. One can keep the administration to a minimum when a group consists of (say) ten friends with a few hundred shillings in savings. But when the members increase and the funds grow into the thousands of shillings (as is necessary if significant investments are to be undertaken - a power mill costs at least 15,000/-), problems begin to arise. The temptation to abscond with the funds is one, and though few cases were found, this may be because the information covers only very recent periods, omitting groups which have already broken down from such causes. Another, perhaps more common problem, relates to efforts to avoid the above, through the imposition of bureaucratic controls. Groups can be required to register under one or other formal institutional structure (say that of savings and credit co-operative societies) which impose certain standards of accounting and employee education. This may reduce the risk of embezzlement (though it may not, since the new officials are less bound to the group than before), but at significant costs. Bureaucratization is costly, not only in money terms (wages & salaries, buildings, equipment etc) but also through the increasing separation of the members from the group and their gradual transformation into clients or customers of an administrative entity, with all its deadening implications. Savings banks, savings & credit co-operatives, building societies and the like are necessarily of this nature. But as they take on this character they usually cease to be member-controlled institutions. Moreover, they almost necessarily have to give up (when they ever espoused) the multi-faceted character; mutual help, tidying-over loans, companionship and investment, which is such a valuable attribute of the existing women's groups.

More satisfactory models of institutional growth for groups, they turn out not to be easily transferable. They are usually not solely economic institutions and tend to grow both from specific social structures and from political movements. With growth, the personal fellowship of small groups inevitably fades and must increasingly be supported by a broader ideology, normally political. The most successful cases are commonly part or offspring of political movements, which provide basis for group solidarity at grass-roots level and limit executive tendencies to go for economic efficiency by "betting on the strong". One need hardly add that it is not just any political ideology which provides such a basis, but only one which stresses egalitarianism and grass-roots control. These desirable qualities are almost impossible to instil as "policy", especially as the policy of states or agencies with very different aims and values.⁵⁷

Conclusion

The first half of this paper looked at project credit, with the focus gradually narrowing to one area in one District in Kenya. Having shown in that context, how inappropriate project credit has been, the second half started from the other end, to consider aspects of the District in question, to see if useful conclusions could be drawn about economic and social priorities and how credit fitted into them. It was not and is not my purpose to present policy conclusions. The research is insufficiently advanced, my ideas are not yet sufficiently clear, and this is in any case not an appropriate forum. But I think certain broad policy implications emerge.

57. I had intended at this point to discuss one very successful example of group lending to poor people, the Grameen Bank of Bangladesh. But this paper is already too long and I need to learn more about Grameen Bank. I do think though, that the points about transferability of political/moral movements as "policy" apply.

Simple-minded modernization thinking has shown its harmful effects in many areas of development policy, and credit is no exception. The donor credit programmes operated in Kenya during the 1970s were fairly typical for the period and significantly harmed their victims (or "beneficiaries", as they are commonly termed). As at the national level, debts were incurred during the easy money era of the mid-1970s, through irresponsibility on the part of aid agencies and national states, and also co-operatives and peasants. But it has been the latter which have paid the price, and primarily through deterioration in marketing channels for their products from credit-induced losses.

While this has been the most harmful side of such programmes, tying credit to specified end-uses has been no more realistic or useful. Recipients of credit normally "misuse" it in modernizers' terms, but at the same time, often have better worked out uses than those pushed by the modernizers. Satisfaction (or otherwise) with credit is almost totally unrelated to whether or not it is used as officially intended. All this speaks in favour of what has happened over the past several years in the co-operative sector in Kenya, a move away from "development credit" to "local banking", with an increasing proportion of loans being given for purposes defined by the borrowers, provided they can offer security of repayment. But while this is a solution to the previous credit problem, it does not, as neither did the credit projects, provide solutions to a number of pressing problems, facing Kenya in general but considered here from the specific context of Kisii.

1. It may be rational, given the existing economic structure and relative rates of return, (for men) to invest mainly outside agriculture. But this does little to increase agricultural productivity in an area which will become yet more densely populated in the future, and where many, especially women, lack income-earning alternatives.

2. The development of co-operative credit along the lines sketched will probably aggravate the current bias towards rich peasants and/or men as borrowers. In so doing, it will ensure that even when credit does finance farming it will do so with a bias in favour of "income" rather than "reproduction", further undermining the position of women and further limiting their capacity (as providers of most labour) to increase productivity.

3. This is not to propose credit projects for the poor or for women. Given the tendencies of donors and state agencies, if these are subsidized and do not risk loss of land or other means or production, then they are sure to be hedged about with regulations ensuring their uselessness. "Hard" credit, on the other hand, has been the classic mechanism (through mortgage foreclosure) whereby peasants have been driven off the land. While it can be argued that in Europe and the USA, this has been a means to progress through capitalist industrialization, it is hard to see, given the lack of employment opportunities, how it could be other than a recipe for disaster in contemporary Africa.

4. It is in this respect that women's groups present one of the most interesting possibilities - though one which is highly vulnerable to inappropriate assistance.

If there is one single (aid) policy implication from this paper it is that inappropriate aid policies and projects can easily do more harm than good. The response to crisis should not be to get in there fast and start doing something quickly. Rather it should be to take at least sufficient time to make sure that what is done will help rather than hinder.⁵⁸

58. Of course this does not imply that donors should sit on their hands while people starve. But in any case, when this happens, it is not because some academic has counselled caution but because the political leaders of the starving people are of the wrong complexion - or because civil war prevents access.

R E F E R E N C E S

- Business & Economic Research Co. (1985) - "Final Report on Co-operative Production Credit Scheme Study" submitted to The Ministry of Cooperative Development, Kenya. Mimeo, Nairobi.
- Jones W.O. (1961) - "Economic Man in Africa". Food Research Institute Studies, Stanford, California.
- Levine R.A. & B.B. (1966) - Nyansongo: A Gusii Community in Kenya. New York.
- Macon R.M. (1971) - British Rule in Gusiiland, 1907-63. Unpublished Ph.D. Thesis, Syracuse University, N.Y. Mimeo.
- Mayer P. (1949) - "Two Studies in Applied Anthropology". Mimeo, Manga Camp, Kisii, 1949.
- Ochieng' W.R. (1974) - A Pre-Colonial History of the Gusii of Western Kenya. Nairobi, East African Literature Bureau.
- Orvis S. (1985a) - "Men and Women in a Household Economy: Evidence from Kisii." Institute for Development Studies, University of Nairobi. Working Paper No. 432, Nairobi Mimeo.
- Orvis S. (1985b) - "A Patriarchy Transformed: Reproducing Labor and the Viability of Smallholder Agriculture in Kisii." Institute for Development Studies, University of Nairobi. Working Paper No. 434 Nairobi, Mimeo.
- Orvis S. (1986) - "Men, Women and Agriculture in Kisii, Kenya." Paper for African Studies Association Meeting, Madison, Wisconsin, 29/10 - 2/11/1986. Mimeo.
- Orvis S. (1987) - "State-Peasant Relations in Kenya: The Development Policy Arena." paper presented at the Midwestern Political Science Association Meetings, Chicago, Illinois, April 9-12, 1987.
- Ottosson Olafur (1985) - "Final Report from Teamleader Banking, Kenya/Nordic Co-operative Development Programme". for ministry of Co-operative Development, Kenya, Mimeo.
- Paterson D.B. (1984) - Kinship. Land & Community: The Moral Foundation of the Abaluhya of East Bunyore (Kenya). Ph.D. Thesis, University of Washington.
- Raikes P.L. (1988) - Modernizing Hunger, London, James Currey.
- Republic of Kenya (1987) - Statistical Abstract 1987, Central Bureau of Statistics, Ministry of Planning & National Development, Nairobi, Government Printers.
- Republic of Kenya (1988) - Economic Survey 1988, Central Bureau of Statistics, Ministry of Planning & National Development, Nairobi, Government Printers.