

Gender access to formal credit and its impact on cross-border bean marketing in East Africa: Case study of western Kenya and eastern Uganda

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Abstract

Common bean (*Phaseolus vulgaris* L.) is an important legume crop in East and Central Africa, providing protein, calories and cash income for rural households. Smallholder farmers in Kenya and Uganda have adopted improved bean varieties. However, the demand for common bean in Kenyan market far outstrips local supply and the country is a net importer from Uganda and Tanzania. There is high potential in cross-border bean business between Kenya and Uganda. However, this potential has not been exploited due to high capital requirements and lack of access to credit. Lack of access to credit impairs the ability of traders to absorb risks and pool these risks across traders. The objectives of this study were to investigate the factors limiting gender accessibility to formal credit, and to determine (indirectly) the impact of formal credit on investments and gender involvement in cross-border bean trade. Purposeful and systematic random sampling methods were used to select the study districts and bean traders respectively. One hundred and six respondents were interviewed using structured questionnaires. The study covered the credit programmes of seven micro-finance institutions namely, Centenary and FOCCAS in Uganda, WEDCO (CARE-KENYA), K-REP (NGO) BFDP, KWFT and Rural Trust Bank (RTB) in Kenya, in the districts of Mbale, Kapchorwa, Busia and Bungoma. Descriptive statistics were used to analyse the data using Statistical Package for Social Scientists (SPSS) computer programs. The results revealed that 60.4 % of the participants in cross-border bean trade were men while 39.6 % were women. Further analysis indicated that 10.4 % of the respondents had access to credit and only 4.7 % of them were women. The results further revealed that only 15% of those who engage in long distance wholesaling in cross-border bean business between Kenya and Uganda are women. It is concluded that limited credit institutions, high interest, legal and institutional constraints limit gender access to formal credit in cross-border trade.

Key words: Gender, local supply, markets access to credit, *Phaseolus vulgaris*

Introduction

In Kenya, common bean is the most important pulse and second to maize as food crop (GOK, 1998). The national annual demand for common bean has been estimated at 500,000 metric tonnes, but the actual annual production is only about 125,000 metric tonnes (Muasya, 2001). The total area under bean cultivation in Kenya is estimated at 500,000 ha (GOK, 1998) leading to actual bean yield of 250 kg ha⁻¹ partly under mixed cropping. In pure stands, yields of 700kg ha⁻¹ have been reported (Muasya, 2001). This yield is low compared to a potential yield of up to 5000kg ha⁻¹.

Such high yields have already been achieved in other countries, such as Mexico under field conditions (Muasya, 2001).

Bean consumption in Eastern and Southern Africa exceeds 50 kilograms per person per year, reaching 66 kilograms per person in parts of Kisii district of Kenya (Wortmann, 1998). Bean also contributes 30% of the dietary energy in Eastern and Southern Africa (Wandel and Holmboe-Ottesen, 1992). Apart from being a cheap source of protein, bean forms a good source of income for farm families. In Uganda, bean is a major source of food security, readily available and popular food to both the urban and

rural population. In 1987, Food and Agriculture Organization (FAO) estimated Uganda's bean consumption at 29.3 kg per capita (Kirkby, 1987). However, recent studies show that the per capita consumption in Uganda's Nabongo area is 58kg (David, 1999). In Burundi bean consumption is considered one of the highest in the world at 65kg of dry beans per inhabitant per year providing the main source of protein (Baert, 1989). Beans provide about 25% of the total calories and 45% of the protein intake of the diet of many Ugandans. The crop is also an important source of income in Uganda due to the increasing demands both in the domestic and export markets (NARO, 2000).

It is also known that smallholder farmers have adopted some of the released varieties from research institutions. However, the demand for common bean in Kenyan market far outstrips local supply and the country is a net importer from Uganda and Tanzania (ECABREN, 2000). An efficient marketing system is an important means of raising the incomes for farmers. This enables them to allocate productive resources according to their comparative advantages and invest in modern inputs to enhance their productivity. Access to formal credit enables traders to acquire both starting and working capital, which they can use to invest and improve their business. This study was conducted to assess gender accessibility to formal credit and determine its impact on cross-border bean marketing in the border districts of Western Kenya and Eastern Uganda. The objectives of the study were to investigate the factors limiting gender accessibility to formal credit, and to determine (indirectly) the impact of formal credit on investments and gender involvement in cross-border bean trade in the study area.

Methodology

The study area

This study was conducted in Bungoma and Busia districts of western Kenya and Mbale and Kapchorwa districts of eastern Uganda between March and June 2002. Primary and secondary data sources were utilised. The primary data were obtained in a survey from 106 bean traders using structured questionnaires. Purposive sampling method was used to select the study districts while systematic random sampling procedure was used to select the bean traders. The major wholesale and retail markets in the study area were identified and selected. Retail traders and wholesalers were identified using the volume of beans they handle. In every market the first respondent was picked arbitrarily and the next respondent was picked by skipping one. The study covered the credit programmes of seven micro-finance institutions namely, Centenary and FOCCAS in Uganda, WEDCO (CARE-KENYA), K-REP (NGO) BFDP, KWFT and Rural Trust Bank (RTB) in Kenya. The districts covered were Mbale and Kapchorwa in Uganda and Busia and Bungoma in Kenya. Descriptive statistics were used to

analyse the data using Statistical Package for Social Scientists (SPSS) computer programs.

Results and discussion

Gender representation of respondent traders

The results of the survey indicated that the bean business is male dominated in Uganda with 90% of the respondent traders being men. However, women dominated the wholesale business in Kenya with 78.3% of the respondent traders being women. In Uganda only 10% of the respondent traders were women in the bean business while in Kenya 21.7% of the respondent traders were men (Table 1). The situation in Uganda can be explained by the fact that marketing of beans at wholesale level requires a substantial degree of investment which men are more capable of raising than women. However, the scenario was different in Kenya. The explanation to this could be that most men in Kenya consider bean marketing as women's work hence most men engage in other businesses.

Capital Requirements

The amount of capital required to enable a trader enter into the cross-border bean business is quite high (Table 2). The least starting capital invested by traders in Uganda was \$23.8 while in Kenya the least starting capital was \$15.9. However, the starting capital fluctuated among the respondent traders. Most respondents were not able to enter the cross-border bean business due to high capital requirements. This calls for the need to have access to formal credit.

Gender Accessibility to credit in Cross-Border Bean Marketing

Formal credit accessibility is limited in the study area to both men and women due to the limited number of credit institutions. However women in cross-border bean trade were more affected in Uganda than in Kenya, while men were more affected in Kenya. This is due to the strict conditions set by credit institutions such as collateral, which most credit agencies require as a form of security for credit. Further more most credit institutions require that such collateral be in form of title deed, bank account, vehicle license or log book, which most women lack. Land ownership is discriminated against women in most African societies with men being sole owners. This fact makes it even harder for them to own title deeds. This is supported by the fact that those who had access to credit were 10.4% and only 4.7% were women (Appendix table 3). Among the conditions that locked out many traders from accessing credit were, limited credit facilities, lack of collateral as security and high interest rates.

Credit institutions covered in the study area

Seven micro-finance credit institutions were covered in both Uganda and Kenya as shown in Table 4 (Appendix). These

Table 1. Gender Representation in cross-border Bean Marketing

| Gender | Uganda | | Kenya | | Both Uganda and Kenya | |
|--------|--------|-------|-------|-------|-----------------------|-------|
| | No. | % | No. | % | No | % |
| Male | 54 | 90 | 10 | 21.7 | 64 | 60.4 |
| Female | 6 | 10 | 36 | 78.3 | 46 | 39.6 |
| Total | 60 | 100.0 | 46 | 100.0 | 106 | 100.0 |

Source: Author's survey data, 2002

Table 2: Distribution of bean traders as per their starting capital

| Level of starting capital (US\$) and Number of Traders in each level. | | | | | | |
|---|--------|------------|-----------|-----------|----------|----------------------|
| Markets | (US\$) | 23.8-155.9 | 156-371.9 | 372-580.9 | 581-1744 | Total No of traders |
| Uganda | Male | 13 | 17 | 13 | 11 | 54 |
| | Female | 2 | 3 | 1 | 0 | 6 |
| | Total | 15 | 20 | 14 | 11 | 60 |
| Kenya | (US\$) | 15.9-36.9 | 37-68.9 | 69-225.9 | 226-375 | Total No. of traders |
| | Male | 2 | 3 | 2 | 3 | 10 |
| | Female | 17 | 9 | 8 | 2 | 36 |
| | Total | 19 | 12 | 10 | 5 | 46 |

Table 3. Gender accessibility to credit in cross-border bean marketing

| Gender | Uganda | | | Kenya | | | Both Uganda and Kenya | | |
|--------|--------|-----------|-----|-------|-----------|------|-----------------------|-----------|------|
| | No | Credit No | % | No | Credit No | % | No | Credit No | % |
| Male | 54 | 5 | 8.3 | 10 | 1 | 2.2 | 64 | 6 | 5.7 |
| Female | 6 | 0 | 0.0 | 36 | 5 | 10.9 | 46 | 5 | 4.7 |
| Total | 60 | 5 | 8.3 | 46 | 6 | 13.1 | 106 | 11 | 10.4 |

Table 4. credit agencies

| Uganda | Interest | No | Kenya | Interest | No |
|----------------|----------|----|------------------------------------|----------|----|
| Centenary Bank | 22% | 4 | WEDCO (CARE-Kenya) | 15% | 1 |
| FOCCAS | 18% | 1 | K-REP (NGO) | 15% | 2 |
| | | | BFDP (Bungoma Family Dev. Program) | 15% | 1 |
| | | | Kenya Women Finance Trust | 16% | 1 |
| | | | Rural Trust Bank | 15% | 1 |

Table 5. Gender and long distance wholesaling

| Country | Market | Gender | | | | |
|---------|---------------|--------|-----|--------|----|-------|
| | | Male | | Female | | Total |
| | | No | % | No | % | No |
| Uganda | Sironko | 20 | 100 | Nil | 0 | 20 |
| | Lwakhakha | 18 | 90 | 2 | 10 | 20 |
| Kenya | Busia B/point | 14 | 70 | 6 | 30 | 20 |
| | Chwele | 16 | 80 | 4 | 20 | 20 |

micro-finance institutions however, only advanced credit to limited number of traders who could afford to meet their conditions such as security and interest rates. These requirements were not met by most bean traders hence were inaccessible to credit.

Legal and Institutional Constraints

In both Kenya and Uganda, a number of constraints exist. Institutional restrictions in form of lengthy documentation procedures involved in the issuance of licenses coupled with high clearance fees, harassment by public officials and customs authorities forces many traders to shy away from seeking formal credit and resort to informal crossing points. Local councils particularly in Busia border point have instituted local taxes at the unofficial crossing points. This makes traders to incur more costs that were not planned for and therefore many fear that if they go for credit they may lose out and have their property auctioned by credit agencies. Rent seeking practices among Public officials at the major border crossing points and cumbersome import/export procedures discourage many traders from seeking formal credit to expand their business with the contention that they can trade in small volumes and pass their beans through undesignated routes. Instability of foreign exchange rates make traders not to plan well for their business, given that credit agencies charge high interest rates, which many traders fear that if they go for credit their profits would be used to repay such credit than to expand their business. Therefore legal and institutional constraints limit gender access to formal credit, which prevent many potential men and women from expanding their bean business volume, hence impact negatively on gender involvement in cross-border bean trade in the study area.

Gender and long distance wholesaling

Members of this group of market participants were observed at Sironko market in Uganda, Lwakhakha border point in Uganda, Malaba border point, Busia border point and Chwele market in Kenya. Interviews with a number of them revealed that most of the long distance wholesalers in Uganda were men while women were very few. At Sironko market, Uganda all the 20 long distance wholesalers observed and interviewed were men while at Lwakhakha border point only 2 out of 20 traders were women. In Kenya at Busia border point all the traders who were observed and interviewed were from Kenya and out of 20, only 6 were women and 14 were men. At Chwele market only 4 out of 20 were women while 16 were men (Appendix table 5). The explanation to the above findings is that long distance wholesaling requires high capital investment to which few women can afford, while most males are more capable of raising such an amount than women although both men and women may be inaccessible to formal credit. Besides, business management, buying and selling, assembling and shipping requires one to stay several days

on the way coupled with the fact that most women have more responsibilities with families, makes it difficult for most of them to engage in long distance wholesaling.

Volume of cross-border bean Trade

The formal bean trade across the border of Uganda and Kenya is small. According to a recent study by Ackello-Ogut (1997), the annual average of the formal trade figures between Kenya and Uganda from 1983 to 1993 period may account for less than 12% of the total trade between the two countries, while informal trade constituted about 4.5% of Kenya's national production figures for beans. The explanations to this scenario are that capital requirements for one to enter into the cross-border bean trade are high. Accessibility to formal credit to enable one to raise such capital is limited. This limitation is partly due to the legal and institutional constraints discussed in the previous section, which prevent potential traders from applying for formal credit in the study area. This in turn leads to most bean traders passing their beans through unofficial crossing points thereby reducing the formal cross-border bean volume and increasing the informal cross-border bean trade volume. Table 6 (Appendix) shows trends of Cross-border formal and informal bean exports to Kenya over the period 1990-1998.

Analysis of Table 6 reveals that formal bean exports from Uganda to Kenya increased from 2,132 metric tonnes in 1990 to 2,855 metric tonnes in 1991, then fluctuated between 1,723 metric tonnes in 1992 to 678 metric tonnes in 1995, while informal bean exports increased between 1990 to 1992, decreased in 1993 and fluctuated again up to 1995. During the time when formal exports were increasing between 1996 and 1998, informal bean exports were declining. The explanation to this scenario is that the formal bean exports increase was attributed to improved trade relations and the strengthening of the East African Common market at the time and the lifting of export ban to Kenya. It was noted that nearly 22,000 metric tons of beans were exported through the three border points. Busia was ranked first among the three border points in bean exports followed by Malaba then Lwakhakha. Table 7 (Appendix) summarizes the volumes of formal and informal bean exports that crossed from Uganda to Kenya in 1999, while Table 8 shows the annual export volumes at the three border points.

In depth analysis of Table 9 and Table 10 indicates that the informal volume of beans exported from Uganda to Kenya in 2000 was more than the formal bean volume in three border points, Suam, Malaba and Lwakhakha, while in the year 2001, informal volume of beans exported was more than the formal volume in all the four border points. However, the total formal volume was more than the informal volume in the year 2000. The informal trade thrives due in part to the physical nature of the border points, reluctance on the part of customs officials to record what they call "small" transactions, lengthy documentation

Table 6. Cross-border bean exports & value to Kenya: 1990-1998

| Year | Formal (Mt) | % of total | Value (US\$Mil.) | Informal (Mt) | % of total | Total (Mt) |
|------|-------------|------------|------------------|---------------|------------|------------|
| 1990 | 2,132 | 24.4 | 0.97 | 6,593 | 75.6 | 8,725 |
| 1991 | 2,855 | 13.6 | 0.84 | 18,165 | 86.4 | 21,022 |
| 1992 | 1,723 | 4.7 | 0.52 | 34,955 | 95.3 | 36,678 |
| 1993 | 767 | 8.6 | 0.2 | 8,112 | 91.4 | 8,879 |
| 1994 | 3,343 | 23.9 | 1.17 | 10,659 | 76.1 | 14,002 |
| 1995 | 678 | 2.7 | 0.5 | 4,663 | 87.3 | 5,341 |
| 1996 | 2,442 | 17.7 | - | 11,372 | 82.3 | 13,314 |
| 1997 | 2,592 | 19.6 | - | 10,658 | 80.4 | 13,250 |
| 1998 | 2,743 | 21.6 | - | 9,944 | 78.4 | 12,687 |

Source: Agribusiness Development Center (ADC)/ IDEA project (2000)

Table 7: Estimated 1999 Cross- border Bean exports to Kenya

| Border point | Volume of Beans (Metric tones) | | |
|--------------|--------------------------------|---------------|--------|
| | Formal | 1999 Informal | Total |
| Lwakhakha | - | 801 | 801 |
| Malaba | 2,245 | 3,570 | 5,815 |
| Busia | 8,132 | 7,150 | 15,282 |
| Suam | - | - | - |

Source: (Agribusiness Development Center (ADC)/ IDEA project (2000)

Table 8. Estimated annual Cross-border Bean exports to Kenya

| Border point | Range (Metric tonnes/annum) | Informal Trade as % of Total |
|--------------|-----------------------------|------------------------------|
| Lwakhakha | 170-800 | 100 |
| Malaba | 4000-6000 | 41-61 |
| Busia | 6500-15000 | 45-47 |

Source: Agribusiness Development Center (ADC)/ IDEA Project, (2000)

Table 9. Cross- border bean exports to Kenya and value in 2000

| | Suam | Busia | Malaba | Lwakhakha | Total |
|---------------------------|-------|--------|--------|-----------|--------|
| Formal volume (Mt) | 239 | 17,668 | 107 | 702 | 18,716 |
| Formal value (US\$ Mil.) | 0.047 | 4.03 | 0.035 | 0.172 | 4.284 |
| Informal volume (Mt) | 378 | 11,640 | 1,733 | 1,322 | 15,073 |
| Informal value US\$ Mil.) | 0.036 | 2.20 | 0.535 | 0.313 | 3.08 |
| Total volume (Mt) | 617 | 29,308 | 1,840 | 2,024 | 33,789 |
| Total value (US\$ Mil.) | 0.083 | 6.23 | 0.57 | 0.485 | 7.37 |

Source: Foodnet (2002)

Table 10. Cross-border bean exports to Kenya and value in 2001

| | Suam | Busia | Malaba | Lwakhakha | Total |
|---------------------------|------|-------|--------|-----------|--------|
| Formal volume (Mt) | 0 | 2,868 | 261 | 323 | 3,452 |
| Formal value (US\$ Mil.) | 0 | 0.841 | 0.055 | 0.086 | 0.982 |
| Informal volume (Mt) | 0 | 4,360 | 4,035 | 416 | 8,811 |
| Informal value (US\$Mil.) | 0 | 1.191 | 0.88 | 0.106 | 2.177 |
| Total volume (Mt) | 0 | 7,228 | 4,296 | 739 | 12,263 |
| Total value (US\$ Mil.) | 0 | 2.032 | 0.935 | 0.192 | 3.159 |

Source: Foodnet, (2002)

procedures and the reluctance on the part of the traders to avoid paying what they term as high “clearance fees”. It was noted that some of the border points did not have up-to-date data on exports. This was observed particularly in Suam border point. The estimates of the informal volume of cross-border bean trade reported here suggest that more than half of this trade was not registered, implying a serious omission in the calculation of both countries Gross Domestic product (GDP). Therefore, there exists a big potential in cross-border bean trade between Kenya and Uganda, and strengthening of regional co-operation initiatives will enhance the realization of this potential.

Conclusions

Limited Credit institutions, lack of collateral in form of security high, interest rates and legal and institutional constraints are factors limiting gender accessibility to formal credit in Cross-border bean marketing in western Kenya and eastern Uganda. This has impacted negatively on both men and women by locking out most of them from involvement and expanding the cross-border bean trade volume. However, there is potential in cross-border bean trade between Kenya and Uganda, which could be exploited through regional co-operation. Focus should be directed to elimination of trade obstacles such as legal and institutional constraints, which increase transaction costs and limit accessibility to credit for importers and exporters.

The private and government sectors should be encouraged to increase Credit institutions, which should also provide favourable conditions such as allowing any one who belongs to an organized group and has shares to be used as collateral (security) and charging low interest rates to enable most traders have access to credit to promote regional trade.

The two governments should enact laws, which would not discriminate women in land ownership by providing them with title deeds so they have more access to credit by using them as collateral.

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