Assessment On The Level Of Financial Providers Access Strategy On Farmers Economic Empowerment Among Small Scale Tea Farmers In Kisii County- Kenya

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Abstract
Economic empowerment remains an important goal for any Government. Agriculture is a major source of income for Kenyans. Various agencies have carried many interventions to ease financial accessibility. The study used a sample of 398 tea farmers in Kisii to investigate their economic empowerment in focus areas of enhancing the Service levels of Financial Access. The study adopted a descriptive research design and the findings were presented in descriptive and inferential statistics. Findings showed that there was significant positive relationship between the financial service providers' accessibility strategies and economic empowerment. Conclusion was that enhanced level of access to financial service providers is vital for economic empowerment of the farmers. The study recommends that financial institutions should develop financial products that are relevant to the needs of tea farmers to increase their finances. The state and non-state actors should sustain their FA interventions for yielding significant contribution to economic empowerment.

Keywords: Economic Empowerment, Financial Access strategy, Financial Providers, Tea Farmers

1.0 Introduction

1.1 Background of the study

Economic empowerment is an important goal for any Government. Agriculture is the main source of food as well as income of Kenya's economy.Financial service providers are institutions that can provide funds to farmers; such as commercial Banks, cooperatives, NGOs, ROSCAS, money lenders, friends and relatives for their economic empowerment. Tagoe *et al*. (2005), access to finance enable individual farmers to do what they desire to do and is gradually being recognized as a significant aspect of economic development.

In India the "broad approach to financial inclusion aims at 'connecting people' with the banking system and not just credit dispensation; giving people access to payments system and portray financial inclusion as a viable business model and opportunity" Reserve Bank of India, (2008). Access could include access to various financial products and services, bank accounts, bank credit, savings products, remittances and payment services, insurance services, home mortgage and financial advisory services.Adeleke *et al.,*(2002), postulated that small scale farmers in four countries of East Africa depend on savings from their low incomes, which limits opportunities for expansion. Because of lack of collateral and/or credit history, most farmers are bypassed not only by commercial and national development banks, but also by formal micro-credit institutions. In addition to own sources, farmers thus rely on incomes of friends and relatives, remittances, and informal money lenders.

In all countries studied, the share of commercial banks' loans to agriculture has been very low compared to manufacturing, trade, and other services sectors, hampering expansion and technology adoption. For example, in Kenya, the lack of capital and access to affordable credit is cited by small-scale as the main factor behind the low productivity in agriculture. Access to formal credit in Tanzania and Ethiopia is mainly confined to large urban centers, where collateral requirements are high. In Uganda, high interest rates inhibit agricultural investments. While more recently micro-finance institutions have taken financial services to millions of previously un-bankable clients due to innovative instruments, they have so far largely failed to reach poorer rural areas and/or small scale agricultural producers whose livelihoods are characterized by highly seasonal investments, risks, and returns (Peacock *et al.,* 2004).

In Kenya, in order to give farmers access to financial services for their economic empowerment, the government has demonstrated commitment to supporting and reviving the agricultural sector as articulated in the Economic Recovery Strategy for Wealth and Employment Creation (ERS-WEC, 2003-2007) that ideally set the stage for the revival of the agricultural sector. This was followed by an elaborate Strategy for Revitalizing Agriculture (SRA, 2004 - 2014) which formed the framework for reforms and formulation of programs in the sector.

Vision 2030 has agriculture as one of the key sectors expected to contribute to achieving the desired 10 percent annual economic growth rate for the country. It proposes that small-scale agriculture should be transformed from its current subsistence level, marked by low productivity and low added-value to an innovative, commercially-oriented, internationally competitive and modern agricultural sector. And to achieve this dream critical access to financial service strategies is vital. In Kisii county vision: agriculture is a modern, innovative, diversified, market-focused and profitable agriculture sector. Mission: To promote a highly agricultural system that is efficient in resource management and creation of employment and food security (Department of Agriculture; Kisii County, 2017).

In Kisii County, over 80% of the population depends on agriculture for their livelihood – both as a source of food as well as income. However, due to high population density coupled with relatively small farm sizes in the County, it is becoming more and more challenging for the sector to continue being an effective pillar for food security and income generation. This calls for new and innovative ways of producing more (food) with less (land) and adding value to what is produced. This requires agricultural producers in the County to operate in a technologically advanced environment while constantly diversifying their enterprise portfolios in order to meet the increasing demand for food as well as household income through financial accessibility strategies on farmers' economic empowerment specifically tea farmers who are the majority in the county and were the units of the study.

1.2 Statement of the problem

Access to financial services plays a critical role in leading to economic empowerment among many farmers in Kisii County, Kenya. According to the international finance corporation (2011), three quarters of the world's poor that live in rural areas, 80 % directly or indirectly depend on agriculture as their main source of income and employment. Demirgüç-Kunt et al. (2008), poised that in many third world countries financial access is still limited to only 20–50 percent of the population, excluding many poor individuals and SMEs. According to Robinson (2001) banking services in developing nations reach less than 20% of the population. Small scale tea farmers in Kisii face many challenges in accessing financial services including limited access to financial markets. Despite the numerous reforms undertaken by the Government and the donor community, including financial sector reforms, many rural farmers mostly tea growers have remained underpowered due to limited capacity to access safety nets like loans to mitigate against households, hunger and disease in spite of the availability of several sources of agricultural financing. Maintenance of the farms, harvesting of tea and transportation to buying centers, market competition from tea brokers, lack of proper financial education, diminishing land size, proportion of household heads by sex is against women, population (housing census, 2009) are the problems that are facing smallholder farmers in Kisii. This study was set to find out financial service access strategies for economic empowerment among small scale tea farmers in Kisii County.

1.3 Objectives of the study

1.3.1 General Objective

The broad objective of this study was to analyze financial services accessibility strategies on economic empowerment among small scale agricultural tea farmers in Kisii County-Kenya.

1.3.2 Specific Objectives

i. To analyze the level of financial providers access strategy on economic empowerment among small scale tea farmers in Kisii County- Kenya.
ii. To identify the physical proximity and awareness of financial service access strategy on economic empowerment among small scale tea farmers in Kisii county-Kenya.
iii. To establish the effect of economic factors on access to financial service strategy on economic empowerment among small scale tea farmers in Kisii County- Kenya.
iv. To analyze the influence of social factors on access to financial services strategy on economic empowerment among small scale tea farmers in Kisii County- Kenya.
v. To establish the effect of moderating factors on the relationship between financial accessibility strategy and economic empowerment among small scale tea farmers in Kisii County- Kenya.
vi. To determine the joint influence of financial service accessibility on economic empowerment among small scale tea farmers in Kisii County -Kenya

2.0 Literature Review

2.1 Empirical review

Critical financial service access strategies for farmers empowerment was to be met through funding that consists of internal and external resources which are comprised of three sub-sectors: the formal, semi-formal and informal sector. The formal financial sector falls under the banking law and regulation and supervision of financial authorities. It includes various kinds of banks (commercial, development, specialized, regional, co-operative), insurance companies, social security schemes, pension funds, and in some countries, capital markets. In many countries, the formal sector is largely urban-based and organized primarily to supply financial needs of the wealthier population and larger corporations.

The organizations in the semi-formal sector are not included in the arrangement stated in the formal sector above. In Kisii county institutions that may offer finance to this sector are either licensed or supervised. They charge exorbitant interest rates and charges. They operate under particular laws and regulations. This sector includes: credit unions, non-governmental organizations and microfinance institutions (MFIs). The latter often originate from NGOs and semi-formal sector operates in urban as well as rural areas and is mostly dependent on subsidies and assistance from governments or donors.

The informal sector is characterized, in general, by social structures, individual operators, ease of access, simple procedures, rapid transactions, and flexible loan terms and amounts. It includes local member-based organizations such as rotating savings and credit associations and self-help organizations. Individual informal moneylenders are also widely found in developing countries, although they are more prevalent in some countries such as Kenya. There are many types of informal moneylenders, including pawnbrokers, shopkeepers, traders and landlords. They usually charge steep interest rates, sometimes running up to 100% a month.

Lastly, there are relatives, friends, and neighbors from whom those in need can borrow, although primarily for emergencies or special purposes rather than for ongoing working capital needs. In this situation, lenders tend to provide small loans at no or low interest, but they may expect non-financial obligations in return for their credit (Robertson, 2001).

Financial service access strategy is critical in empowering tea farmers economically to meet their financial needs, such as school fees, buy house hold items, food and etcetera. According to Meyer (2011), agricultural finance refers to financial services, including savings, transfers, insurance and loans, potentially needed to power and move the agricultural sector, that is to say farming and farm-related activities including input supply, processing, wholesaling, and marketing. Most of these activities are conducted in rural areas where smallholder farmers dominate.

In access to financial services for farmers' empowerment, small scale tea farmers need to invest in financial markets. Demirgüç-Kunt (2003) observed that large and liquid stock markets encourage the acquisition of information by making firm-specific information more profitable. Second, financial systems monitor firm behavior and exert corporate governance. To the extent that shareholders and creditors in a firm can effectively monitor and influence how the managers of the firm use the funds they provided to exercise corporate governance, they will have greater incentive to provide the funds in the first place. Stock markets can also serve as a power to align the interests of firm mangers with those of firm owners.

By enabling risk diversification across firms and industries, financial systems can influence the allocation of resources and hence economic growth; financial markets and intermediaries also mitigate liquidity risk, and induce savers to invest in high-return projects requiring a long-term commitment of capital. Highly liquid markets for stocks, bonds, and demand deposits transform these financial instruments into investments and into high-return, long-term projects. Therefore, access to finance can contribute to narrow economic growth and broader social development (Demirgüç-Kunt and Levine, 2008). According to the Inclusive Growth and Development Report 2017, prolonged lack of investment causes real damage to the economy. Low investment dampens demand, slowing growth and putting pressure on employment. In the long run, a lack of investment can hollow out the productive capacity of the economy.

Low investment can also negatively affect inclusiveness. On the asset side, a lack of investment opportunities pushes interest rates down and asset prices up, disproportionately benefiting high net-worth households while pushing, for instance, home ownership out of reach for many. On the income side, a good share of investment tends to be in construction activity– a sector that provides jobs and incomes for low-skilled segments of the population. And investment can drive productivity –and hence incomes – for all. To stimulate business investment, the macroeconomic outlook and aggregate demand need to improve first. This has implications for both monetary and fiscal policy, but also for redistributive and pre-distributive policies that put money into the hands of those who spend. Unambiguous regulatory signals can trigger investment. For instance, clear carbon pricing pathways can encourage businesses to invest in energy and emissions saving products, services, and technologies.

A study by Mukata Wamulume (2014), in Zambia in the agricultural sector shows that about 80% of the population exclusively dependent on agricultural related livelihoods many of whom are poor people in the rural country side. In order to improve the status of poverty and improve rural lives, access to rural finance and intensity of stallholders' participation in the financial markets are very important components. Increased Access to rural finance therefore should focus on improving access to banking services and credit in rural areas so that farmers will economically be empowered.

From the foregoing literature, the level of financial providers' service accessibility strategy for economic empowerment among small scale tea farmers in Kisii County in terms of enhancing economic empowerment among small scale tea farmers has not been fully investigated. As such, this study aims to investigate the level of financial service accessibility strategy on small scale tea farmers' economic empowerment in Kisii County-Kenya.

3.0 Research methodology

The research is expected to describe the variables in a situation of interest to the researcher. Thus this study is descriptive in nature. Descriptive study is appropriate because the nature of the problem was well known and the objective is clearly specified, Kothari (2004).In this study, the target population comprised of 77035 small scale tea farmers in Kisii County. Using Yemane (1967) formula, the researcher has a sample size of 398 respondents distributed as under:

Table 1: Distribution of respondents

Target Population Category	Constituency	Target Population	Sample Size	Selection Method
Nyamache Factory main Nyamache branch-Itumbe	Bobasi	16454	85	Randomly selected
		12409	64	Randomly selected
Ogembo main	Machogechache, Machoge,	15854	81.9	Randomly

factory Ogembo branch-Eberege	borabu South mugirango Bonchari			Selected
		11805	60.99	Randomly selected
Kiamokama main factory Branch-Rianyamwamu	Nyaribarimasaba Nyaribarichache	12176	60.907	Randomly selected
		8337	43.07	Randomly selected
Total		77035	398	

In this study, the researcher employed stratified sampling and simple random sampling techniques. Observation and questionnaires were used in data collection. Data collected was analyzed in tabulated form with the aid of simple percentages, tables, bar graphs and pie charts.

4.0 Results and findings

4.1 Response rate

The researcher distributed a total of 398 questionnaires to the respondents out of which 269 were correctly filled and returned back. This represented a response rate of 67.6 %. According to Babbie (1990), a response rate of 60% is good, 70% very good and 50% adequate for analysis and reporting from manual surveys. Thus the response rate was deemed sufficient for further analysis of the research objectives.

4.2 Descriptive statistics

When respondents were asked how much they earned from tea farming per month majority of them indicated that39(14.5%) earned below 0-500, 61(22.7%) earned Ksh501-1000, 56(20.8%) earned KShs 1001-1500, 74(27.5%) earned KShs 1500-2000, 20(7.4%) earned Ksh2001-2500, 16(5.9%) earned Ksh2501-3000 while only 3(1.1%) earned above Ksh3000 per month from tea farming in Kisii County. This implies that there has been consistent disparity in earnings along income categories. However, it was observed that those earning ksh.1500-2000 do not depend on their tea farms alone but also buy/pick tea leaves from hired farms. A paltry 14.4% earned above ksh.2000.

4.3 Factor analysis

Principal component analysis extraction method with varimax rotation method was used where validity was assessed by examining the factor loadings to see if the items in the scale loaded highly on the construct. Table2 presents the results of the analysis for the number of items that had significant loading on each component factor.

Table 4.2.14: Rotated Component Matrix for Measures of Level of financial providers

Level of financial providers items	**Component**			
	1	2	3	4
a) Small scale tea farmers in Kisii county depend on the level of financial providers for their economic empowerment	.561			
b) Small scale tea farmers in Kisii county depend on commercial banks for their economic empowerment				.885

c) Small scale tea farmers in Kisii county depend on Microfinance (cooperatives, SACCOs, ROSCAs) for their economic empowerment		.693		
d) Small scale tea farmers in Kisii county depend on remittances from friends and relatives for their economic empowerment				.520
e) Small scale tea farmers in Kisii county depend on Government, Donors, NGOs for their economic empowerment			.845	
f) Small scale tea farmers in Kisii county depend on Insurance for their economic empowerment		.781		
g) Small scale tea farmers in Kisii county depend on collateral security for their economic empowerment		.583		
h) Small scale tea farmers in Kisii county depend on other financial institutions that have no tailor made products that suit their needs for their economic empowerment	.727			
i) Small scale tea farmers in Kisii county depend on interest rates for their economic empowerment	.746			

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

The results on Table 2 show that the factor loadings of level of financial providers' items range from 0.520 to 0.885. All the nine items met the loadings cut-off of 0.4 and were thus retained for analysis. Four factors had Eigen values which are greater than 1 and their extraction sums of squared loadings were greater than 1. Factor 1 had the highest extraction sums of squared loadings of 2.586, which represents 28.738 percent of variation. Factor 4 had the lowest extraction sums of squared loadings of 1.069 representing 11.877 percent of variance. The extraction sums of squared loadings of other factors were between the range of 2.586 and 0.426. The contributing power of these other factors to the explanation of the variance in the variables was significantly considered.

4.1 Summary of the findings

Level of access to financial providers 44.9% of the respondents agree while 19.3% are neutral and 35.7% disagree. 45% of the total respondents agree that they depend on level of Financial access to financial services provided whereas they are closely followed by those who disagree by 35.7% of the respondents. It is clear that the understanding of the level of access is equal to low, that is why 19.3% of the respondents are neutral.

It was found that majority of small scale tea farmers in Kisii County do not depend on commercial banks for their financial needs. 67.7% disagree that commercial banks play any part in their economic empowerment. However, they get the funds from microfinance institutions, SACCOs and ROSCAS. Also 22.3% were neutral while 10% agreed. The 10% reflects those who get some assistance from commercial banks.It is clear that small scale farmers in Kisii depend on micro-finance (cooperatives, Sacco and ROSCAS) for their, financial requirements. This is because it is easier to borrow, than larger institutions processing of finances from these institutions is faster and the proximity to them is closer and interest rate is low and educating farmers on financial matters is cheap.A small fraction of the farmers in Kisii depend on remittances from friends and relatives.76.9% do not benefit from this source.

Further, 74% of the respondents clearly indicate that hardly do they depend on NGO's, donors and government for their financial access. Only 8.6% of respondents acknowledge that they depend on government, donors, NGO's which are not very significant. 52.4% of the respondents are neutral which means that they do not understand about insurance. 37.2% disagree. This is because they do not know all they have been told and they do not want. However, a small fraction of 10.4% agrees that insurance can play an important part in their economic empowerment. This population has been reached by insurance.50.2% of the respondents agree that they used collateral security to access finance. The collateral security mentioned here is mortgage on property, vehicles or motor cycles, individual guarantors, lean on future tea suppliers. However, 38.6% of the respondents disagreed. These are people who want to get easier ways of getting financial assistance from the formal sector. These people have had bad experience when defaulting in payment of their previous loans and they do not want to put any collateral to be followed later and no one would lend them.

It was found that 43.1% of the respondents are neutral meaning they may not be aware of tailor made products from financial institutions. 35.7% of the respondents disagree that they depend on tailor made products that suit their needs. 21.2% of the respondents agree that they depend on other financial institutions that have no tailor made products that suit their needs. It is clear that interest rates do not affect small scale tea farmers in Kisii County. 50.5% disagree that interest rates have a part to play in their economic empowerment. 43.0% are neutral. It is true that various interest rates paid on various loans borrowed by the farmers are as high as 120% and yet the net profit is less than 15%. This means that the farmers are clearly affected by interest rates though they do not respond so.

5.0 Conclusions and Recommendations

5. 1 Conclusion

The first objective of the study was to analyze the influence of level of access to financial providers on economic empowerment among small scale tea farmers in Kisii County. Majority of respondents agreed that small scale tea farmers depend on the level of financial providers for their economic empowerment. The respondents disagreed that small scale tea farmers depend on commercial banks for their economic empowerment. In addition, respondents agreed that small scale tea farmers depend on microfinance (cooperatives, SACCOs, ROSCAs) for their economic empowerment with some of the respondents being in disagreement that small scale tea farmers depend on remittances from friends and relatives for their economic empowerment. The findings revealed that small scale tea farmers do not depend on government, donors, NGOs for their economic empowerment. There was neutrality among the respondents on whether small scale tea farmers depend on insurance for their economic empowerment with a fair majority being in agreement that small scale tea farmers depend on collateral security for their economic empowerment. Further, it was not clear among respondents on whether small scale tea farmers depended on other financial institutions that have no tailor made products that suit their needs while some respondents were in disagreement that small scale tea farmers in Kisii County depend on interest rates for their economic empowerment. Level of access to financial services providers has a significant individual influence on economic empowerment among tea farmers in Kisii County. This was evidenced by the statistically significant positive relationship as shown in the individual regression model. The correlation between the influence of level of access to financial services providers and economic empowerment was found to be moderate, positive and statistically significant.

It was concluded that the influence of level of access to financial providers has a significant influence on economic empowerment among tea farmers. There exists a positive significant relationship between level of access to financial service providers and economic empowerment among small-scale tea farmers. It can be concluded that the level of access to financial service providers is a significant aspect in enhancing economic empowerment among tea farmers in Kisii County. Commercial and microfinance banks have not deeply ensured financial inclusion among tea farmers with majority of tea farmers indicating that they have majorly depended on SACCOs and ROSCAs for financial services thus enhancing the wellbeing of the tea farmers in terms of economic empowerment. It can be concluded that there has not been dependence among small scale tea farmers on remittances from friends and relatives for their economic empowerment. Moreover, conclusions can be made that most financial institutions have no absolute tailor made financial products which suit the needs of small scale tea farmers.

5.2 Recommendations

Based on the research findings, the following recommendations were made: It was recommended that strategically commercial banks and microfinance banks should develop financial products that are tailor made to the needs of tea farmers to increase financial inclusion among rural based small scale tea farmers. Through need based product development the commercial banks will be able to attract potential tea farmers as clients. The findings indicate tea farmers are oriented towards SACCOs for financial services accessibility strategies. It was recommended that tea farmers should take crop insurance policies to cushion themselves against probable losses that may thus enhance their economic empowerment since they will receive compensation in case of any uncertainty.

The study employed a case study approach of Kisii County; it is recommended that this study be carried on a broader scale in Kenya. Yin (2003) asserts that a single case study finding cannot be generalized in comparison to multiple case studies. In determination of measurable indicators under each variable of the study, qualitative research was used. The study recommends further research to test and validate the research findings using a quantitative approach.

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