

INSTITUTIONAL LENDING POLICIES AND THE USE OF CREDIT FUNDS AMONG SMALL SCALE FARMERS IN NAKURU DISTRICT, KENYA

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1. Introduction

The basic misconception underlying the traditional approach to agricultural credit policy was the belief that restrictive regulations in agricultural product markets could be overcome by equally restrictive intervention in the financial markets (Schmidt and Kropp, 1987). The failure to properly identify the credit needs of the target group has been widely blamed for the lack of success for many agricultural credit programmes in the less developed countries. In most credit programmes, loans were offered according to perceived needs, restricted to specific activities and not based on the amount of cash that the farmers could be reasonably expected to repay after the funded investment. Yet, meeting the credit needs or demand by farmers has often been the main reasons for soliciting support for credit programmes by development agencies and governments. It is important that formal loans be better suited to the borrowers' needs for them to be acceptable to the clientele.

Credit demand by farmers depends on many factors, among which the level of development of the region, the forms of production and the extent of market integration are important (Schmidt and Kropp, 1987; Adams 1988). To make a realistic assessment of the impact of the past credit or potential for the new ones, it is therefore necessary to consider the local economy in terms of how people (try to) order their flows of production, expenditure and different transactions. This will indicate the activities for which farmers need external financing. In most cases, the demand for credit is not in accordance with what the financial institutions usually supply. According to Roberts (1985), agricultural lenders should be organised so as to be able to recognise the productive lending opportunities in their areas of operation. Only then can the existing financial institutions be seen in terms of their roles as suppliers in meeting the demands of the target groups. Discovering what the clientele requires is also the basis for a marketing approach to banking and lending since it helps to identify the best risk borrowers and hence to optimise income. This further leads to greater allocative efficiency in lending operations through a clear identification of the true credit demand, which is measured by the borrowers ability to manage credit-financed investment and thus to service the debt. This identification of the farmer's strengths and weaknesses as a manager in the context of his enterprises and in relation to his resources is the basis for a market oriented approach to lending which is necessary for productive lending.

Although borrowers do not always utilise funds in ways which promote development as defined by the lenders, it is still difficult to judge which uses are beneficial to the whole economy. Many policy makers have an interest in working towards a good and meaningful

use of credit funds. Specifications on use, reduced interest rates for specific projects, extension of loans in kind, and supervision of credit are among the methods used to control the use of funds. A basic conceptual problem with such measures however is the tendency by credit institutions and policy makers to oversimplify the processes at work in peasant agriculture, thus giving credit for specific purposes/enterprises which may only be a small proportion of the farmers' source of income (Raikes, 1989). The nature of credit demand by any target group should therefore direct the kind of financial services offered by any institution.

The provision of agricultural credit to farmers in Kenya has been justified as an important means towards the realisation of increased agricultural production (Republic of Kenya, 1986; 1989 a). It is mainly regulated through the formulation of policy guide-lines to the financial institutions regarding their contribution to the agricultural sector. However, whereas lack of credit funds has been identified as one of the problems to the farmers, inefficient administration of credit programmes has been a major issue for both the institutions involved and the borrowers. The credit provision mechanism in the country has had various shortcomings due to government interventions which result in the nonprice credit rationing (Republic of Kenya, 1989b). The use of appointed marketing agents to recover loans, emphasis on tangible security and land as collateral, in addition to giving loans for specific purposes are the main aspects of this policy. This has worked mainly against the small scale farmers who are left with little opportunity to select the credit programme tailored to their uncertain situation (Ruigu 1979; Von Pischke 1974). The result has been that farmers do not use credit funds for purposes stated in the loan agreement. This paper uses cross sectional field survey data to analyse the effect of institutional lending practices on farmers' decisions either to use credit for predesigned purposes, or not.

2. Institutional Lending Policies and the Supply of Credit to Farmers in Kenya

Agricultural credit is defined by the Central Bank of Kenya as lending for primary production and includes direct lending to farm enterprise, agricultural cooperatives, or to parastatals for onlending. For the different credit programmes administered by both AFC and the cooperative societies, the lending policies have specific objectives they are meant to achieve especially the use of credit funds for purposes specified by the institutions, and the repayment of credit. The main policy issues considered here are eligibility criteria, security requirements, credit terms and conditions, which are meant to ensure that only farmers in good standing have access to credit facilities. These conditions also attempt to

ensure the continued viability of the schemes through fixing borrowing limits and restricting loan usage by granting credit for only specific purposes.

2.1 Eligibility Criteria

Among the main credit institutions, credit is granted only for activities for which there is an established official market to ensure easy recovery, and this is reinforced by emphasis on credit use as stated in the application agreement. Credit is issued only for specific purposes by all the programmes surveyed and farmers not participating in such activities are automatically disqualified. Although this is justified by the institutions as being intended to promote certain activities and ensure loan repayment, it tends to create false demand for funds by farmers which are then diverted to other uses. The other concern is that without adequate supervision, the success of such programmes in ensuring that credit is used for the intended purposes is not guaranteed. This is a rationing device which effectively eliminates those farmers who do not participate in the financed enterprise, ignoring the farmers production potentials and opportunities. The major apparent shortcoming of this condition is that it gives no room for the farmer to adjust his activities according to his potentials and economic opportunities available to him. In addition, targeted credit also contributes to poor loan recovery because institutions evaluate themselves in terms of the loans made and borrowers in turn respond by ignoring loan repayment (Meyer, 1988). Granting loans for specific purposes only ignores the necessary consideration of the investment potential of a particular enterprise.

2.2 Security/Collateral Requirements

The security requirements for the credit programmes provide a major source of restriction for farmers to credit. Apart from the cooperative societies where the only security required is the hypothecation of the marketed produce, land title deed is the main form of collateral required for credit. Hence farmers who have no title deed have only the cooperatives as the only source of credit. However, crop hypothecation also has the disadvantage that farmers are restricted to market their produce only through the cooperatives despite the relatively low prices, delayed payments, and high marketing costs which they have to incur compared to other marketing channels. Its main advantage from the cooperative point of view is that it acts as a sure way of facilitating loan recovery. However, the farmers' ability to repay the loan fluctuates with the performance of the hypothecated crop, both in production and price.

The reliance on land title deed as collateral instead of the prospective capacity of the farmer to repay the loan as lending criteria reduces the need by the institution to distinguish varying degrees of risk situations in determining chargeable interest rates.

The use of land rather than productive capacity also means that borrowers quickly reach the borrowing limit based on farm size, even though their capacity to use additional funds has not been fully exploited. A section of the farmers is therefore quickly rationed out. The use of land title deeds is further limited in its usefulness in ensuring loan repayment (Ruigu, 1979). This means that using land as collateral only ensures that farmers without registered land do not qualify for credit, but fails to ensure full loan repayment by those who receive it.

2.3 Lending Terms and Conditions

The nature of credit disbursement is one of the major means by which the lenders ensure the use of credit according to intended purposes and the eventual repayment of the loans. However, despite attaching a great deal of importance to the correct use of credit, there is no effective mechanism to ensure it. The amount of loan disbursed is equated to one third of the farm assets and farmers are disqualified from getting any loan so long as they have outstanding debt from any institution. These requirements are meant to ensure that the farmers' debt burden does not exceed his ability to repay the loan from his farm assets. Its other implication however is that it does not always ensure adequate funds for the activity financed.

The minimum amount of credit disbursed to any farmer from any programme is fixed either in relation to the value of the farm enterprise, or equated to the farmers' previous production. While this condition is intended to ensure that the loan goes only to the farmers whose production potential can generate enough funds to repay the loan, it encourages only farmers with at least a minimum level of production to get loans. Farmers who do not meet this condition are therefore automatically rationed out without considering their current ability to use funds and generate income. By restricting the minimum amount disbursed, such criteria ignores the differences in the farmers' managerial capability which is important in the successful use of the loan funds by the farmers. Farmers with low levels of production could still be efficient users of resources, but are only limited by lack of resources. Basing the amount of credit disbursed on the value of marketed produce only also has the shortcoming that it ignores the unmarketed part of the total production. This criterion excludes a large section of the farmers from certain credit schemes.

The maximum amount that can be disbursed for these programmes is also set. The

limiting of the loan size with respect to maximum amount disbursed is intended to ensure that as many farmers as possible who qualify have access to credit and that farmers are not overburdened with credit beyond their ability to repay. Whereas this provides a typical case of nonprice credit rationing, its major shortcoming is that the amount disbursed is not based on the cost of the intended investment and where the latter exceeds the amount disbursed, the result is either incomplete projects or diversion of the credit funds from the intended uses (see Raikes, 1989; Atieno, 1994, forthcoming).

Setting the amount disbursed as not exceeding a proportion of the farmers' production in the previous three years also does not consider the factors responsible for the previous production record. Where the low production has been a result of lack of financial resources, this might only work to reinforce the already existing inequality. Together with setting of the maximum amount disbursed, this criteria does not ensure maximum exploitation of the farmers' production potential. It therefore ensures that only farmers at a particular level of production have access to farm credit.

3. Methodology

3.1 *Specification of the Model*

Different factors influence the farmers' decision to use funds in a particular way given the scarcity of financial resources and the different profitability of different farm enterprises. The decision to use credit funds as originally intended at the loan agreement can be characterised as a dichotomous choice between two mutually exclusive alternatives. Predicting and explaining these kinds of decisions requires special kinds of models to identify the relevant economic factors and provide information on the magnitude of their effect. An appropriate model to analyse this type of decision problem is the qualitative response model known as the discrete or binary model.

In specifying a binary decision model, a random variable, Y (dependent variable), takes the value of 1 if the event occurs and 0 if otherwise. The probit probability function has been used to analyse binary choice models because of its simplicity and advantages. The dependent variable takes only the values of 1 or 0. In addition, the probability of an event occurring depends on a vector of independent variables X_i , and a vector of unknown parameters U_i (Akinola, 1987). A probit model was therefore used to estimate the significance of the various factors determining the use of credit by the farmers.

The probit model has several desirable characteristics. The disturbance term is homoscedastic, unlike in the linear probability model. In addition, the magnitude of the

effect of the explanatory factors depends upon the value of the economic unit and the magnitude of the estimated coefficient β . That is, an increase in the i^{th} farmer's income will either increase or decrease his probability of using funds as originally intended, but the magnitude of increase or decrease is determined not only by the change in income, but also by its initial value (Hill and Kau, 1973; Gujarati, 1988; Judge et al., 1988).

The probit model is derived from the following relationship.¹ The probability of an event occurring (in this case the probability that a farmer will use credit as intended or not) depends on an unobserved utility index I , which is determined by a number of independent variables (X_i). This can be expressed as:

$$I_i = \beta_0 + \beta_i X_i \quad (1)$$

The unobserved utility index I is related to the farmers' decision as follows:

Let $Y_i = 1$ if the farmer uses credit as originally intended,
 $Y_i = 0$ if otherwise

It is assumed that for each farmer, there is a minimum level of I , given as I^* , below which the event will not occur. then

$$\begin{aligned} Y_i &= 1 \text{ if } I^* \leq I, \text{ and} \\ Y_i &= 0 \text{ if } I^* > I \end{aligned} \quad (2)$$

Since the only observable data is on Y_i and X_i , the coefficient β_i can be estimated as follows:

$$I = \beta_0 + \beta_i X_i + U \quad (3)$$

Therefore

$$\begin{aligned} Y_i &= \beta_0 + \beta_i X_i + U \text{ if } I \geq I^* \\ Y_i &= 0 \text{ otherwise} \end{aligned} \quad (4)$$

1. See Gujarati (1988, pp. 492) for a detailed derivation of the probit model.

The mathematical model for estimation used is that specified by Maddala (1991, pp. 221) as follows:

$$Y_i = \beta_i X_i + U \text{ if } \beta_i X_i + U \geq 0, \quad (5)$$

$Y_i = 0$ if otherwise

$$\text{This can be written as } Y_i = \beta_0 + \beta_i X_i + U \quad (6)$$

where $E(U) = 0$

Equation (5) specified above states that the probability that the event Y_i will occur depends on a number of factors represented by X_i . Y_i is defined as the farmers' decision variable taking the values 1 and 0. The parameter β_i can then be estimated using the probit method.

The estimated function then becomes:

$$E(Y_i) = \beta_0 + \beta_i X_i + U \quad (7)$$

with both zero and non-zero values of Y_i used, and

Y_i = the decision to use credit as intended or not, with

$Y_i = 1$ if credit is used as intended,

$Y_i = 0$ if otherwise;

β = the parameter to be estimated showing the probability that credit will be used as originally intended or not;

X_i = the vector of explanatory variables;

U = the disturbance term.

The function therefore estimates the probability that Y_i will take the value of one or zero given the predictor variables. This model was used to analyse the factors determining the use of credit funds by farmers. This is presented in section 4 below.

3.2 Data and Variable Definitions

The data used in this study was collected from a field survey, using a structured questionnaire which was administered to sampled farmers who had received credit from the AFC and selected cooperative societies.

The variables used in the analysis are defined as follows:

The explanatory variables are defined as follows:

- Farm income is gross value of farm production during the period of study;
- Farming experience is number of years engaged in the same farming activity by the farmer;
- Farm investment is value in Kshs of farm infrastructure, purchases and maintenance of farm machinery and other implements;
- Difference in loan received is the difference between amount applied for and that received;
- Nature of disbursement is classified as to whether credit is given in cash, kind or both. These are classified into two dummies as follows:
 - Cash Disbursement = 1 if credit is given all in cash, 0 if otherwise;
 - Disbursement in Kind = 1 if credit is given all in kind, 0 if otherwise;
- Loan package is composed of other services accompanying credit and classified as to whether credit is given alone, credit with supervision only, or credit with supervision and advice on credit use. Two dummies are used to reflect the effect of these different categories as follows:
 - Credit package 1 = 1 if credit is given with supervision only
 - Credit package 1 = 0 if otherwise
 - Credit package 2 = 1 if credit is given with supervision and advice on use
 - Credit package 2 = 0 if otherwise

4. Analysis of the Significance of Factors Influencing Credit Use by Farmers

An analysis of the various factors intended by the credit institutions to direct the use of loan funds by farmers was undertaken with the aim of determining the direction, magnitude and the significance of their effect on credit use by farmers.

As explained in section 3 above, a probit analysis of the factors influencing credit use was performed. The model used in this analysis is derived from Maddala (1983). The model is specified as follows:

$$Y_i = \beta_i X_i + U \text{ if } \beta_i X_i + U > 0, \\ Y_i = 0 \text{ otherwise.}$$

Credit use is then defined as a bivariate variable taking two values as follows:

2. See Koutsoyiannis (1987, p. 284) and Gujarati (1988, pp.432), for the use of dummy variables.

$Y_i = 1$ where credit is used as intended at the application time,

$Y_i = 0$ where otherwise.

The functional relationship estimated is specified as:

$Y_i = f(\text{Farm income, Farming experience, farm investment, the difference in loan received, nature of loan disbursement, and loan package})$. Table 1 gives results of the probit estimation.

Table 1: Results of the Probit Estimation of Factors Influencing Credit Use by Farmers in the District Kenya, 1991

Variable	AFC (n=46)		Cooperatives (n=26)	
	Coefficient	T-value	Coefficient	T-value
Constant	5.94	3.858**	-2.38	-1.641
Farm income	-.69	-2.862**	.36	1.091+
Farming experience	-.81	-2.147*	.33	1.079+
Value of farm investment	-.09	-.187	.03	.179
Difference in loan received	-.42	-1.477+	-.49	-2.156*
Disbursement in cash	-.14	-2.027*	-.84	-4.059**
Disbursement in kind	.07	.807	.85	4.073**
Loan Package 1	.08	1.068	.13	.552
Loan Package 2	.07	.789	.02	.211
χ^2	79.98**		40.58**	

** Significant at the 1 %-level. * Significant at the 5 %-level. + Significant at the 20 %-level.

The dependent variable is defined as credit use where:

- Credit use = 1 for right use; = 0 for diversion.

Source:

Computed from survey data, 1992.

From the AFC sample, all the variables had the expected signs. The χ^2 is statistically significant at the 1 %-level showing that the specified variables are statistically significant in explaining the use of credit funds among the farmers. The coefficient of farm income is negative and statistically significant, implying that as farm income increases, the probability that these farmers will divert credit funds to other uses, not specified on the application agreement, also increases. It is also apparent from the results that at low income levels, these farmers are likely to use credit as intended but as their income increase above a certain level, they are likely to divert credit to other uses for which the loan was not given. This implies that above a certain level of income, higher incomes are likely to be associated

with loan diversion and specifying credit use does not necessarily change it. The same argument is true for farming experience which also has a negative coefficient and is statistically significant. The value of farm investment, although having a negative coefficient, is not statistically significant.

The difference in loan received, has a negative coefficient but is only statistically significant at the 20 %-level. The negative coefficient implies that the higher the difference between the amount of loan applied for and the amount received by the farmer, the higher the probability that farmers will not use loans for the originally intended purposes, but will divert them to other uses. Nature of credit disbursement is presented as either cash disbursement or disbursement in kind. The coefficient of cash disbursement is negative and statistically significant, implying that the probability of a farmer diverting credit funds increases when credit is disbursed in cash. The dummy for disbursement in kind has a positive coefficient but is not statistically significant. This may mean that the nature of disbursement has no significant effect on the diversion of credit funds among these farmers. In this case, the objective of restricting farmers to obtain inputs from specific dealers as a way of ensuring that the loan is used as intended is defeated. The two categories of loan package both have positive coefficients, but are not statistically significant. Considering the components of loan package in this case as supervision and advice provided with credit, this result means that among this group of farmers, providing credit as a package is not significant in determining whether they use credit as intended or not. This can be attributed to the fact that these services are not provided in sufficient quantities such that they can have a significant impact on farmers' decisions on how to use credit.

Among the cooperative farmers, the results present a different scenario. The x^2 is also statistically significant showing the significance of the specified variables in explaining the farmers' decision to use funds as stated or to divert it. Among the specified variables, all coefficients have the expected signs but only the variables the difference in loan received, cash disbursement, and disbursement in kind are statistically significant. Difference in loan received has a negative coefficient and is statistically significant) implying that as the difference between the amount applied for and that received increases, the probability that these farmers will divert credit from intended uses also increases. The nature of credit disbursement, cash and kind are both statistically significant, with cash disbursement having a negative coefficient, showing that credit disbursement in cash increases the probability of loan diversion by these farmers, while disbursement in kind has a positive coefficient, implying a decreasing probability of loan diversion by farmers where credit is disbursed in kind.

Unlike among the AFC farmers, farm income has a positive coefficient implying that as farm income increases, the probability that farmers will use credit as intended also increases among these farmers. This variable is only statistically significant however, at the 20%-level of significance. The value of farm investment and farming experience also have positive coefficients but are not statistically significant. The coefficients of the two dummies for the loan package are positive but not statistically significant, just like in the case of the AFC farmers. This is not expected, but can be attributed to the components of credit package which is mainly supervision and advice during the loan period. The fact that this variable is not significant can be attributed to the fact that these services are not always given in sufficient levels such that they do not play a significant role in the farmers' decisions as to whether to use credit as required by the institution or not. A possible explanation of this result is that the credit package given to farmers is not adequate to have any significant influence on how farmers use credit funds.³

These results show the difference between different groups of farmers in terms of the factors influencing their decision to use credit as intended by the institutions. The AFC farmers, with higher levels of farm resources, display a tendency to divert credit to other uses as their income increases, while the reverse is true for the cooperative farmers with relatively lower farm resources. This can be explained by the fact that at higher incomes, AFC farmers are able to supplement credit funds with their resources and undertake other activities for which credit was not originally intended. Since credit is disbursed for predesigned purposes, it also favours those farmers with higher farm resources who are more likely to provide the financed enterprises thus qualifying them for the earmarked credit. This is a reflection of the disparity between the existing credit demand and the supply of funds. Hence it appears that at low income levels, increasing income is likely to result in the use of credit as intended, but above a certain level of income, the increasing income will result in increased tendency towards diversion of credit funds.

5. Conclusions and Recommendations

The results of the probit estimation reveal that the factors influencing the probability that farmers will use credit funds as intended by the institutions differ between the farmers receiving credit from the AFC and the cooperative societies. For those receiving credit from the AFC, farm income and farming experience are significant, with higher income increasing the probability that farmers will divert loan from the intended uses. This

3. See also Aguilar and Bigsten (1993 p. 299), for another possible explanation of the insignificance of extension.

observation leads to two main possible conclusions.

The first and most important is that the lending terms and conditions imposed by the institutions as a way of controlling credit use by farmers and ensuring credit repayment are not fully effective in achieving this objective. Farmers with higher economic power (as reflected by higher income) are still able to divert credit to their favoured use.

The second is that since farmers with higher incomes are more likely to divert credit to other uses, and the lending criteria favour farmers with higher incomes, these criteria tend to implicitly perpetuate the diversion of funds to other uses while at the same time rationing the small scale farmers from receiving credit.

Among the cooperative farmers, inadequacy of credit funds disbursed and the nature of credit disbursement are significant factors in determining the use of credit funds by farmers. This calls for stronger coordination between different credit institutions in order to identify the relevant credit conditions for the different categories of farmers they serve. As has earlier been shown, farmers can still meet the required criteria to receive credit, but fail to use it as required by the loan agreement.

These results show that although these lending conditions may work in specific cases to ensure credit use for specified purposes, using uniform criteria for programmes serving different categories of farmers may not be appropriate. There is therefore need to improve the credit provision mechanism, with emphasis in the following areas:

Improving the lending policies in order to expand the accessibility of farmers to credit and address the demand for credit by farmers more effectively. The lending terms and conditions which specify the loan disbursement criteria and form, credit purpose, and repayment terms should be tailored to the farmers' production needs and potentials in light of the existing economic incentives. The criteria for determining the amount of credit disbursed for any enterprise should be reconsidered. The cost of the financed activity should be a strong determinant of the amount of funds disbursed. Specifically, credit meant for crop production should be adequate to cover the production costs incurred by the farmer if he is to use the level of inputs which ensure maximum benefits.

The provision of credit for specific purposes is not necessarily the best method of ensuring profitable credit use since the results of the study prove that it is not effective in ensuring credit use for the specified purpose. It is therefore recommended that farmers should be provided with credit on the basis of their ability to use additional resources productively as reflected by the production potential and profitability of their whole farm enterprises. The economic incentives available to farmers should direct the activities for which they use credit.

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Abstract

Agricultural credit in Kenya has been regarded as an important means for increasing farm production especially among small scale farmers whose lack of adequate financial resources is seen as one of the constraints hindering increased agricultural production. Various policy measures have been used to direct credit funds to specific agricultural enterprises and types of farmers as a means of ensuring that farmers use credit funds in such a way as to realise maximum benefits. This paper evaluates the effects of such policies on the actual use of credit funds by farmers, using cross-sectional farm survey data from a rural area in Kenya. Results of the study show that the restrictive lending practices employed by the institutions are not necessarily effective in ensuring the use of credit funds for purposes intended by the institutions. It is further shown that different categories of farmers respond differently to specific factors in their decisions to use credit funds. It concludes that credit should be provided to farmers on the basis of their production potential, with the market conditions left to direct their investment decisions.

LES POLITIQUES DE CRÉDIT INSTITUTIONNEL ET L'UTILISATION DES FONDS DE CRÉDIT PAR LES PETITS EXPLOITANTS AGRICOLES DANS LE NAKURU DISTRICT DU KENYA**Résumé**

Au Kenya, le crédit agricole a toujours été considéré comme un moyen important pour augmenter la production agricole surtout parmi les petits exploitants agricoles dont le manque de ressources financières adéquates a toujours été vu comme une contrainte majeure empêchant la croissance de la production agricole. Dans le temps, on a adopté plusieurs mesures pour acheminer des fonds de crédit vers certaines entreprises agricoles et certains types d'exploitants dans le but de s'assurer que les exploitants utilisent les fonds de crédit pour réaliser le maximum de bénéfices. Cet article se propose d'évaluer les effets de ces politiques sur l'utilisation effective des fonds de la part des exploitants sur la base des données relatives à un échantillon représentant tous les types de fermes existant dans une zone rurale du Kenya. Les résultats de l'étude montrent que les politiques restrictives de crédit adoptées par les institutions de crédit ne sont pas nécessairement efficaces pour assurer que les fonds de crédit soient utilisés pour le but prévu par les institutions elles-mêmes. L'étude semble également démontrer que les différentes catégories d'exploitants réagissent de façon différente à des facteurs spécifiques quand il s'agit de prendre des décisions concernant l'utilisation des fonds de crédit. L'auteur conclut qu'on devrait octroyer le crédit aux exploitants agricoles sur la base de leur potentiel de production, tout en laissant aux conditions de marché d'influencer leurs décisions d'investissement.

Books received

Maxwell FRY, *Emancipating the Banking System and Developing Markets for Government Debt*. Routledge, London 1997, pages XVIII + 280, Hb: £. 45.00, ISBN 0 415 15640 8; Pb: £. 14.99, ISBN 0 415 15641 6.

Contents: Part I: Introduction and Debt-Deficit Dynamics, 1. Why Develop Markets for Government Debt? Overview and Summary, 2. Debts, Deficits, Inflation and Growth, Part II: Captive and Foreign Markets, 3. The Central Bank and Inflationary Finance, 4. Financial Repression, 5. Foreign Debt Accumulation, Part III: Developing Voluntary Domestic Markets, 6. Prerequisites, Persuasion and Pitfalls, 7. The Players and the Markets, 8. Roles for the Central Bank.

Meine Pieter van DIJK, Roberta RABELLOTTI, *Enterprise Clusters and Networks in Developing Countries*.

Frank Cass, London 1997, 304 pages, Pb: £. 22.50 ISBN 0 7146 4333 5. EADI-book series: 20.

Contents: 1. Clusters and Networks as Sources of Co-operation and Technology Diffusion for Small Enterprises in Developing Countries, Part I: Clusters, External Economies and Co-operation, 2. Clusters of Enterprises Within Systems of Production and Distribution: Collective Efficiency and Transaction Costs, 3. Footwear Industrial Districts in Italy and Mexico, 4. The Significance of Spatial Clustering: External Economies in the Peruvian Small-Scale Clothing Industry, Part II: Flexible Specialisation, Networks or Ghettos? 5. Opportunities for Women in Ouagadougou's Informal Sector: An Analysis Based on the Flexible Specialisation Concept, 6. Industrial District or Garment Ghetto? Nairobi's Mini-Manufacturers, 7. Small Enterprise Associations and Networks: Evidence from Accra, Part. III: Examples: Technology, Credit and Internationalisation, 8. Trust Building in Tanzania's Informal Credit Transactions, 9. Enterprise Networks and Technological Change: Aspects of Light Engineering and Metal Working in Accra, 10. From SMEs to Industrial Districts in the Process of internationalisation: Theory and Practice.

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53 pp.

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— This is followed by an overview of women's limited use of formal financial markets for borrowing and savings, and existing constraints on the supply of credit to women in Chapter 3.

— Chapter 4 discusses women's demand for credit, its assessment and promotion, with reference to both institutional credit and to savings.

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