
The socio-economic determinants of agricultural productivity: a case of orange farming

Makueni County

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Abstract

Agriculture is the most underutilized sector yet it has the potential of creating jobs for millions of unemployed Kenyans. It accounts directly for about 26% of Kenya's GDP and another 26% indirectly. It provides jobs to 80% of the population and generates 60% of Kenya's export earnings. In addition, it provides 45% of the government's revenue. For the economy to develop in the 21st century, this sector must not be neglected. Agricultural output in developing countries is low, especially in Kenya, due to small holdings, adoption of traditional methods of farming, lack of irrigation facilities, low modern farm technologies etc. As a result, this contributes to small yields and no savings or small savings. In Africa, one of the most difficult challenges facing smallholder farmers in boosting their agricultural productivity is the lack of finance. Credit is an important instrument that enables farmers to acquire commands over the use of working capital, fixed capital and consumption goods. The study seeks to establish the role of agricultural finance in agricultural productivity, using orange farming in Makueni as a case study. The study employs regression analysis using cross sectional data. The study looked at the effect of the loan amount, interest rates, provision of training and collateral on agricultural productivity. The study determined that loan amount had a significant positive effect on agricultural productivity ($B=0.872$, $P<0.001$), collateral had a significant positive effect on agricultural productivity ($B=0.182$, $P=0.03$), training services had a significant positive effect on agricultural productivity ($B=0.142$, $P=0.001$). Lastly, the interest rate had a negative significant effect on agricultural productivity ($B=-0.001$, $P<0.001$). It is therefore recommended that Kenya should develop appropriate credit policies with a great focus on sustainable development with agriculture in focus as it plays a fundamental role in Kenya's economy.

Keywords: agriculture, economy, Makueni county

