

# Financing smallholder production: A comparison of individual and group credit schemes in Zimbabwe

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First published: April/June 1986

<https://doi.org/10.1002/pad.4230060202>



## Abstract

Credit programmes aimed at individual smallholders in Africa have had disappointing results, particularly with regard to loan repayment. This article enquires whether group lending under terms of joint liability is a more effective approach. Data are derived from the performance of smallholder credit schemes in Zimbabwe in the period 1980–1984. The findings are as follows: (a) access to credit is easier for small farmers if they belong to voluntary agricultural associations; (b) loans issued on terms of joint liability have lower administrative costs; (c) most importantly, joint liability arrangements lead to higher repayment rates than schemes based on individual liability; (d) although joint liability is better enforced by mandatory sanction than by selective incentive, this advantage is offset by a disintegrative effect on farmer organizations. The conclusion is that a policy of group lending is generally more viable than an individual approach, but only in the context of the creation and strengthening of local farmer institutions.

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