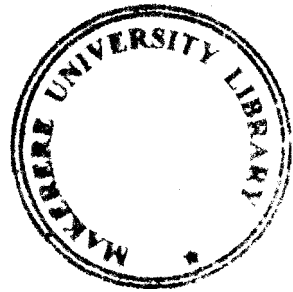


PERFORMANCE OF AGRICULTURAL INPUT BUSINESSES IN
EASTERN UGANDA: THE EFFECT OF CREDIT

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ABSTRACT

The challenge for Uganda in the 21st century is reducing poverty, improving food security, promoting economic growth and protecting the environment. The transformation of the Ugandan agricultural sector with the aim of poverty eradication seeks to increase productivity through agricultural intensification (use of agricultural inputs). However, the agricultural input distribution network is constrained by lack of affordable finance, making input business development difficult. To address the gap in finance, development partners like AT Uganda and ADC/IDEA have intervened in input distribution. One such intervention is the Agent Training and Input Network (ATAIN), a credit and training program for agricultural input traders. Cross sectional data collected from 133 rural agricultural input traders in Eastern Uganda, were used to determine the effect of credit on the performance of agricultural input businesses, with the specific objective of (i) examining the socio-economic and demographic characteristics of agricultural input traders/ their firms, (ii) determining the financial position and performance of input firms and (iii) determining factors that influence performance of the input firms. The data were analyzed using descriptive statistics, financial ratios and regression analysis. 30% of traders purchased 25% of total stock on supplier credit, while 70% said credit comprised 15% and less of total stock. 76% of traders sold inputs on credit. Financial ratio analysis indicates that ATAIN beneficiary firms are in a better financial position than the non-ATAIN firms. Regression analysis found that gender of trader; use of supplier credit, education, entrepreneurial experience, location of the business premise and use of trend analysis were positively and significantly associated with performance. Age was significant and negatively associated with performance. Major occupation of the proprietor was a significant predictor of performance. Population density was found to have no influence on performance. These are important factors that stakeholders could consider in establishing a viable and sustainable credit component essential for agricultural input inventories.