



Graduate School
of **BUSINESS**
UNIVERSITY OF CAPE TOWN

Working Paper Series¹

Comparative Assessment of Matching Grants and Microcredit Interventions in Improving Livelihood of Peasant Farmer in Zambia

by

Godfrey Kabengele
Steven Rogers Nabieu

No DEFWPS160007/September, 2016

¹ **Note:** The findings from this working paper does not in any way reflect the views of the Development Finance Centre (DEFIC). The views are only representative of the authors.





Graduate School
of **BUSINESS**
UNIVERSITY OF CAPE TOWN

©Development Finance Centre (DEFIC), GSB, UCT – 2016

Editorial Board

Dr Sean Gossel	–	Graduate School of Business, UCT
Dr Latif Alhassan	–	Graduate School of Business, UCT
Ms Ailie Charteris	–	Graduate School of Business, UCT
Dr Mundia Kabinga	–	Graduate School of Business, UCT
Dr Steven Rogers	–	Graduate School of Business, UCT
Lungelo Gumede	–	Graduate School of Business, UCT

Advisory Board

Professor Nicholas Biekpe	–	Graduate School of Business, UCT
Professor John M. Luiz	–	Graduate School of Business, UCT
Professor Joshua Abor	–	University of Ghana Business School, UG
Professor Charles Adjasi	–	University of Stellenbosch Business School, SU
Professor Matthew Ocran	–	University of Western Cape

Published by:

The Development Finance Centre (DEFIC),
Graduation School of Business, University of Cape Town,
9 Portwood Rd, V & A Waterfront, Cape Town, 8002
Centre webpage: <http://www.gsb.uct.ac.za/s.asp?p=791>

All rights reserved. Any reproduction, publication and reprint in the form of a different publication, whether printed or produced electronically, in whole or in part, is permitted only with the explicit written authorisation of the DEFIC or the authors.

Comparative Assessment of Matching Grants and Microcredit Interventions in Improving Livelihood of Peasant Farmer in Zambia

Godfrey Kabengele and Steven Rogers Nabieu

Abstract

Financing peasant farmers using sustainable and effective approach can reduce poverty level significantly among peasant farmers. Development Institutions and governments deploy various financing models to fund peasant farmers as a means of intervention to alleviate poverty. This study assesses and compares two financing model in *matching grants* and *microcredit* in order to know which model has greater impact in improving livelihoods of peasant farmers. This will help inform policy on the most effective model suited to fund peasant farmers.

The study survey's one hundred and forty-six respondents randomly selected peasant farmers who have accessed funding from Vision Fund Zambia a microcredit institution and Smallholders Agriculture Promotion Program an Institution that provides matching grants. The study is based on assessing livelihood improvement of peasant farmers using Care International framework that is focusing on capabilities, economic activities and assets.

Using descriptive statistics and focus group discussions, the finding shows marginal difference in livelihood improvement between microcredit and matching grants on assets and capabilities of the respondents. Matching grants exhibit higher impact on economic activities of the recipients as compared to microcredit. The study recommends that institutions offering matching grants must consider streamlining the process of project approval and disbursement while microcredit institution must tailor their services to client's needs and charge interest taking into consideration the vulnerability context. Overall matching grants are a better model for financing poor and vulnerable peasant farmers.

Keywords: Grants | Microcredit | Peasant Farmers | Zambia |