Financial Inclusion for Smallholder Farmers: LESSONS LEARNED, CHALLENGES AND OPPORTUNITIES

WEDNESDAY, APRIL 19 • 9-10:30 A.M. EDT/1-2:30 P.M. GMT
SMALLHOLDER FARMERS

- Estimated 500 million farmers who farm less than 5 acres in size.
- Produce 80% of the world’s food supply.
- Use approx. 12% of the world’s arable land.
- Women make up 43% of agricultural labor.

Estimated Funding Gap: $170 Billion

Financial Markets provide an estimated $50 Billion

Only $14 Billion from Formal Financial Institutions

OVERALL NEED  CURRENT FUNDING  BIGGEST CHALLENGE
CHALLENGES FOR SHFs

- Considered too risky
- Limited assets to pledge
- FI’s have limited physical presence in regions
- Need for specialized financial products
- Cultural barriers to borrowing money
- Low average loan size
Blended Capital Approach

Donors

Investors & Lenders

Community-based lenders, CDFIs, MFIs, Cooperatives

Farmers, Cooperatives and Farmer-Owned Agribusinesses
Leveraging Resources:
$94.9 million of Third-Party Capital*

HEIFER IMPACT CAPITAL's GLOBAL PRESENCE

**Note:** The data included in this graphic is as of 06/30/22

*This figure is as of 09/30/22*
In Senegal, supporting rural women starts with reshaping gender norms

Chloé Gueguen
CGAP Consultant, Women In Rural and Agricultural Livelihood (WIRAL)
Meet Mariama

“During rainy season, I go to the rice field until my body is tired. During dry season, I grow vegetables to feed my family and sometimes to sell at the market.”

“it is my husband who decides what to grow each year. He is my husband, so I’m under his guardianship.”
For MyAGRO, Mariama’s story is a familiar one...

• myAGRO provides smallholder farmers with integrated packages of improved seeds, fertilizer and training to enable them to increase their agricultural productivity and income.

• Customers use a layaway payment method to purchase their packages in flexible instalments, ‘little by little’.

• In Mali, women represent >70% of the customer base, but in Senegal MyAgro realised that only about 25% of its farmer clients were women.

• MyAGRO partnered with CGAP to explore how they could expand the company’s outreach to Senegalese women, combining human-centered design and gender norms analyses.
To understand the norms Senegalese women face, myAGRO started by listening to their communities and unpacked 3 gender norms:

**NORM 1** on household decision-making:

“Men should be the primary decision-makers and financial providers for the family”

**NORM 2** on agricultural responsibilities

“Women are expected to primarily cultivate crops for household consumption while men manage cash crops”

**NORM 3** on Financial Behaviors

“Women don’t have any savings of their own”
Tackling norms, one input package at a time...

- **Messaging targeted at men** that positions women's enrolment in myAgro as contributing to ‘overall household well-being’.

- **Leveraging informal savings groups** to empower women to take control of their finances and agricultural investments.

- **Testing whether new flexible package offerings** – like vegetable inputs and livestock that allow women to stay closer to home and don’t require much land – can better meet women’s needs, as well as their time and mobility constraints.

- **Recruiting more female agents** to overcome men’s unease with male agents interacting with their wives in their absence.

- **Using sex-disaggregated performance data** to ensure myAGRO’s agricultural products and services address the specific barriers and ambitions of women farmers.
Thank you

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FINANCIAL INCLUSION FOR SMALLHOLDER FARMERS

Farmer Cooperatives Facilitated Credit in Nepal

Heifer Nepal

Prakash Katwal, Business Development & Access to Finance Lead
Heifer International Nepal
• Heifer supported two shipments of high-yielding breeds of pigs, cattle and sheep, parent stock of poultry and an incubator in 1957.

• Since its office establishment in 1997, Heifer Nepal has constantly supported an underserved population.

320,000+ Families
12,500+ Self Help Groups
267 Cooperatives
3 District Unions
1 Apex body
Heifer Nepal initiated the Access to Finance Program in 2009, which linked farmers with BFIs, and strategically partnered with them in 2018 to improve smallholder access to affordable finance.
INTERVENTIONS

• Support farmers through **bundled services**
  - Technical trainings, market linkage, co-finance transport vehicles, market infrastructures, and technologies for value addition, etc.
  - Facilitate crop and livestock insurance for farmers in collaboration with insurance companies, LG/Coop

• Execute **formal agreements** at different levels among Heifer, BFIs, and cooperatives

• Support BFIs to **design financial products** for the missing middle (ticket size between NPR 200K-1,000K)

• Develop and mobilize **local service providers** for credit facilitation

• Develop, implement, and monitor **joint action plans**
RESULTS

- Collaboration with 21 BFIs
- USD 75.6 million – agreement
- USD 15 million – mobilized
RESULTS

- Reached 29 districts, engaging 185 co-ops and 35 local governments

- Strengthened management capacity of cooperatives

- Increased shareholders, share capital and savings:
  - Share capital increased by 1.33 times; savings increased from NPR 146m to NPR 230m; loan portfolio increased by 1.6 times
  - Increased profits by 1.6 times in two years

- Additional finance availability contributed significantly to the increase in profits
LEARNINGS

• Heifer's assistance and **social capital** reduce credit costs for BFIs and smallholder farmers.

• **Corporate guarantee** is an evolving, low-risk, high-performance lending alternative for smallholders and BFIs.

• **Trust** between farmers, cooperatives, and BFIs is crucial to continue the initiative.

• Intended use of credit ensures farmer credit payback.

• **Affordable finance** empowers entrepreneurs to expand farms, create stable income, and improve nutrition and education.
• **Credit lending decline** and **budget shortages** affect concessional credit scheme availability.

• Exploring and partnering with **third-party guarantors** for financing cooperatives to get secure in case of credit default as a corporate guarantor.

• Establishment of a **farmer-owned bank** for securing finance from national and international sources.

• Access to international funding institutions and investors is feasible due to the strong **social capital** formation and dedication of coops and farmers.
THANK YOU!
Credit design for smallholder farmers

Karla Breceda
El Buen Socio

We are a social enterprise working towards financial inclusion for smallholder farmers in Mexico

We provide flexible tailor-made medium size affordable loans and financial education.

In collaboration with NGOs, we have given the opportunity to many smallholder farmers to become agents of their own change.
Hatching Hope México: Credits for smallholder farmers to double egg producing capacity

Farmers had previously received a starter flock of laying hens and training with no cost from Heifer.

- 75% women
- 1 out of 3 received credit for the 1° time
- 35% opened their first bank account to receive the credit
- 40% registered with the tax authority to receive the credit
Credits addressed all the barriers smallholders faced to access finance

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<thead>
<tr>
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<th>What smallholders could access</th>
<th>What was offered</th>
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<tbody>
<tr>
<td><strong>Interest rate</strong></td>
<td>60% annual</td>
<td>15% annual</td>
</tr>
<tr>
<td><strong>Amortization schedule</strong></td>
<td>Weekly or bi-weekly payments, no grace period</td>
<td>Grace period and monthly payments aligned with hens’ productivity</td>
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<tr>
<td><strong>Loan amount</strong></td>
<td>Too small for first time borrowers or fixed</td>
<td>~4x MFI initial amount&lt;br&gt;Farm expansion investment divided in 2 disbursements to reduce risk</td>
</tr>
<tr>
<td><strong>Borrowing capacity</strong></td>
<td>MFI: Not considered, risk of over-indebtheness&lt;br&gt;Bank: analyzed with financial statements</td>
<td>Borrowing capacity determined by farm profitability using M&amp;E data</td>
</tr>
<tr>
<td><strong>Requirements</strong></td>
<td>Bank: financial statements, collateral, credit history&lt;br&gt;MFI: group lending</td>
<td>No collateral or credit history required&lt;br&gt;Helped open bank account and formalize status with tax authority</td>
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Offering credits to farmers to buy more of what they had received for free is like asking people to pay for airplane meals

- Not everybody will want to pay for what was free before.
- Those willing to pay want a better/different product.
- Not everybody interested will receive the loan.
- Grace period was appreciated, but farmers preferred constant monthly payments instead of payments aligned to egg sales.
- Birds were purchased in bulk then given as part of the credit. Good intention, not so good outcome.
Willingness of impact investor to bear the risk of providing access to finance is key.

Even if return on investment from providing tailor made credits is low, it frees up philanthropic resources while providing access to finance over many years.
Community Pass

Heifer International, Financial Inclusion Webinar

Daniel Huba, Head of Community Pass Sub Saharan Africa
Mastercard Community Pass (CP)

Community Pass is a digital platform that facilitate the delivery of critical services to marginalized communities, individuals and businesses.

Community Pass looks at the individual, and all her roles. The platform provides a common safe, secure and intuitive experience for her, by engaging with our robust set of products.

The platform is made up of consumer-facing digital products that address pain points for users across five sectors — facilitating everything from a farmer's access to agricultural inputs purchased on credit to streamlined tracking of vaccines received.

Platform benefits

- **Interoperable Infrastructure**
  A shared digital infrastructure for use across sectors and service providers.

- **Designed for Remote Communities**
  Overcomes barriers, such as inconsistent power, connectivity and high cost to serve.

- **Safe and Secure**
  Leverages the highest standards of data privacy and security to give users informed control.

- **Seamless User Experience**
  Designed to be used across sectors and service providers, putting the user at the centre.
Community Pass is a set of platform services that enable digital inclusion and a network of off-line services.

- Provides a unique digital credential enabling the consumer to initiate a transaction that accesses services, even when off-line.

- The customer can uniquely identify and authenticate consumers via biometrics, pin or PIN.

- The consumer's credential and data is securely housed on a cost QR or low-cost card to lower acquisition cost. This can easily ladder to mobile as market context allows.

- The credential is used across multiple MC and 3rd party applications that deliver services to marginalized communities and is accepted on common, interoperable, low-cost acceptance devices, lowering total cost to serve.

**Use cases:**
- School Pass
- Wellness Pass
- Farm Pass
- Commerce Pass
- Aid Pass

**Digital rails:**
interoperable, offline

**Service providers:**
- Global & local, public & private

![Diagram with icons and labels](image-url)
Community Pass enables a multitude of Service Providers to expand their access and reach, reduce costs, and realise new revenue opportunities.

Types of Service Providers enabled through Community Pass:

- Financial Institutions
- FinTechs, AgTechs, HealthTechs
- MNOs
- International Development Organisations
- Donors
- Technology/Implementation Partners
- Governments

OVERALL BENEFITS:

- Increases access and reach
  Designed to operate in remote communities, including ones with limited connectivity and electricity.

- Reduces the cost of service delivery
  A shared digital infrastructure for use across sectors and Service Providers reduces the cost to serve for everyone.

- Improves operational efficiency
  The interoperable infrastructure is designed to be used across sectors and Service Providers, putting the user at the centre.

- Provides access to segment data
  Secure data management, and aggregated and anonymised data analytics provide critical insights on remote communities and programme performance — enabling Financial Institutions to extend credit and other financial services to digitally excluded consumers and merchants.
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