



**WEBINAR**

# 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**



**Prakash Katwal**



**Karla Breceda**



El buen socio



**Chloé Gueguen**



**Daniel Huba**



community pass

powered by mastercard

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## 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

OVERALL NEED

Financial Markets  
provide an  
estimated  
\$50 Billion

CURRENT FUNDING

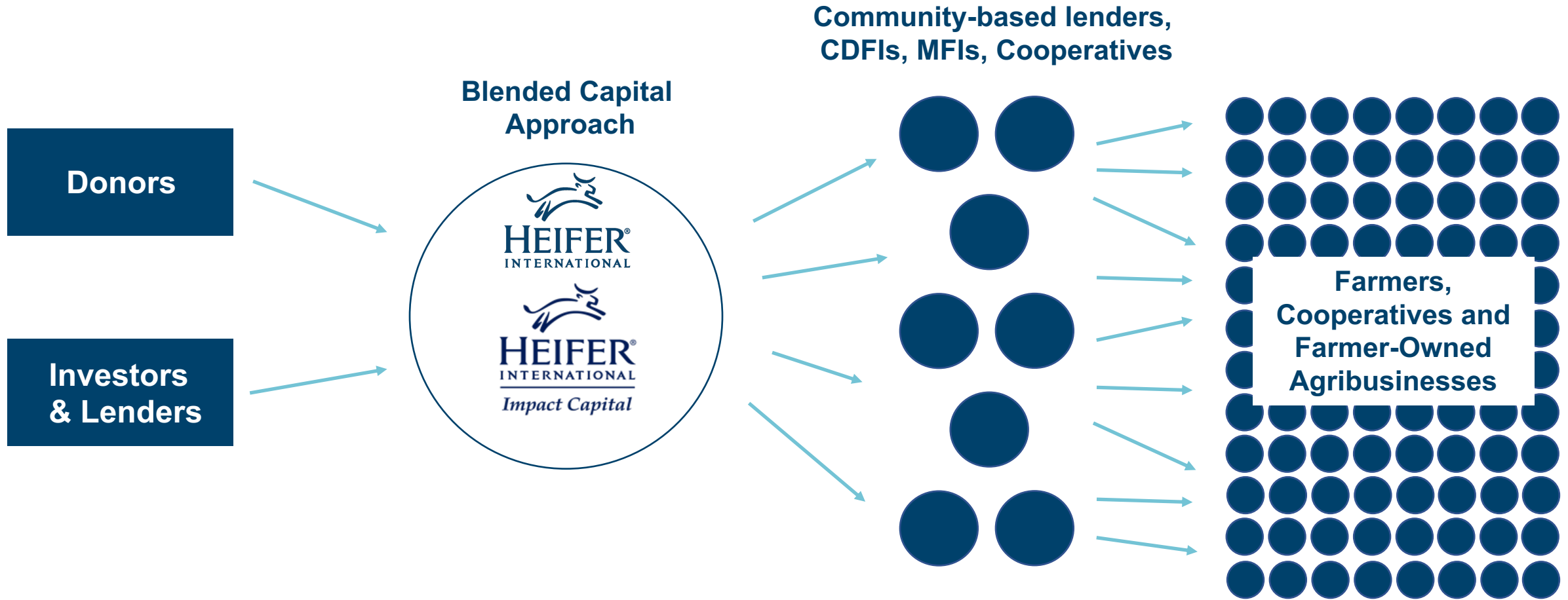
Only \$14 Billion  
from Formal  
Financial  
Institutions

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





Direct Investment    Leveraged Capital

### UNITED STATES



### AFRICA



Leveraging Resources:  
\$94.9 million of Third-Party Capital\*

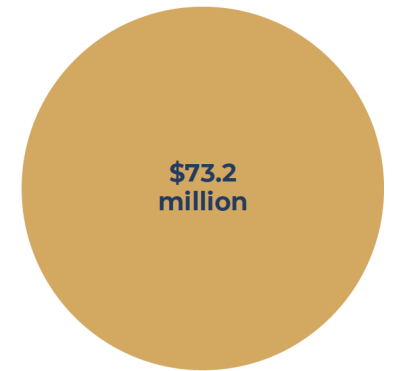
### THE AMERICAS



### ASIA



a low-interest



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**

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**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...

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- 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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To learn more, please visit [cgap.org](https://cgap.org)

Connect with us on these social channels:





## Farmer Cooperatives Facilitated Credit in Nepal

Heifer Nepal

**Prakash Katwal, Business Development & Access to Finance Lead  
Heifer International Nepal**

# HEIFER HISTORY IN 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.

- 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**



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





- 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

- 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<sup>o</sup> 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

	What smallholders could access	What was offered
<b>Interest rate</b>	60% annual	15% annual
<b>Amortization schedule</b>	Weekly or bi-weekly payments, no grace period	Grace period and monthly payments aligned with hens' productivity
<b>Loan amount</b>	Too small for first time borrowers or fixed	~4x MFI initial amount Farm expansion investment divided in 2 disbursements to reduce risk
<b>Borrowing capacity</b>	MFI: Not considered, risk of over-indebtedness Bank: analyzed with financial statements	Borrowing capacity determined by farm profitability using M&E data
<b>Requirements</b>	Bank: financial statements, collateral, credit history MFI: group lending	No collateral or credit history required Helped open bank account and formalize status with tax authority



# Graduating from grants to credits

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.

**Humanitarian**  
Requires access to basic services like food and shelter



**Healthcare Clinic**  
In need of basic healthcare access



**Parent**  
Desires a quality education for her children



**Consumer**  
Desires access to credit to stabilise income flows



**Micro-merchant Owner**  
Lacks access to working capital



**Farmer**  
Requires marketplace access to get a fair rate

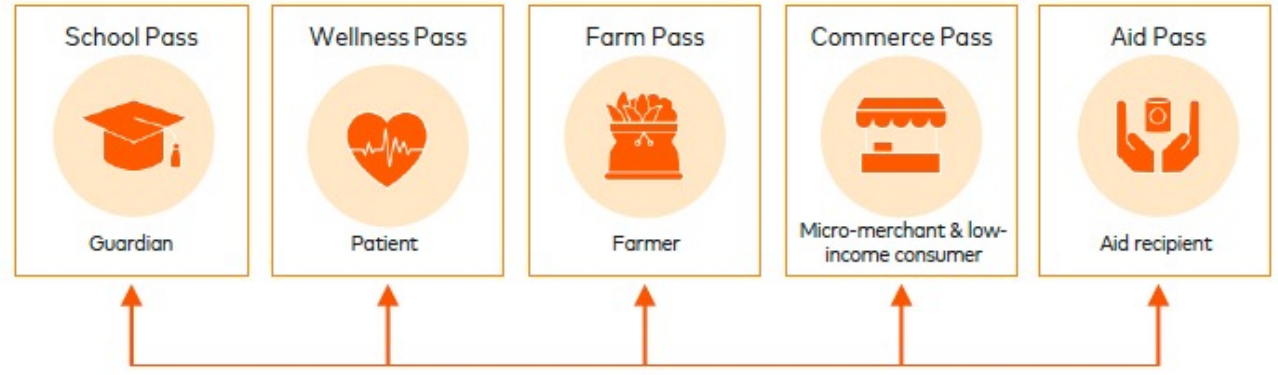


## KEY FEATURES

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 PII
- The consumers credential and data is securely housed on no 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 3<sup>rd</sup> 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:**  
CP digital credential accepted by MC & 3<sup>rd</sup> Party Applications



**Digital rails:**  
interoperable, offline



**Service providers:**  
global & local, public & private



## SERVICE PROVIDER BENEFITS

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:

- Financials 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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