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INNOVATING ASSET FINANCE INCLUSION: A gender-sensitive credit assessment in irrigated agricultural value chains

CULTIVATING EQUALITY CONFERENCE 2021

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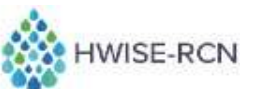
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WOMEN'S ACCESS TO CREDIT

Studies points to lack of credit as a primary constraint for smallholder, women farmers to:

- Adapt to climate change
- Expand production and increase income
- Invest in labor-saving technologies



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CONSTRAINTS TO CREDIT FOR WOMEN FARMERS

- Women farmers lack credit requirements: bank account, documented collateral, significant land holdings, education
- Intra-household dynamics may discourage significant credit based investment for women
- Banks and input suppliers often do not target women farmers
- Substantial assets and equipment require capital investment beyond lending limits of local organizations, such as village saving and loan



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ARE THE 'SOLUTIONS' ENABLING WOMEN TO ACCESS CREDIT?

Research Question:

Does asset-based finance enable access to non-collateral credit for women farmers and value chain actors for productive assets?

Sub-questions:

- What asset-based finance and related tools are available?
- How are these being applied by companies and financial institutions?
- Are those tools internally 'gender sensitive'?
- Do women have higher access to credit through those tools?



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CASE STUDY: SMALL SCALE SOLAR IRRIGATION PUMP ASSET-BASED FINANCE TOOLS

- Touted as climate-smart, adaptable, labor saving, profitable
- Solar irrigation pump companies are expanding into frontier markets
- Companies often use 'new' tools and instruments: asset-based finance, mobile money platform payments, Pay-as-you-go, extended warranties with after sales services and farmer training



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STUDY METHODS

- 1) Literature review: Gender and finance literature to identify factors that enable women to repay loans (focus on what enhances repayment rather than constraints to access)
- 2) Analysis of tool(s) available: Relative to findings of Part 1
- 3) Action research: Studying the response of women and men farmers to tools in collaboration with a private partner

Timeframe: 2020 – 2023 (Part 1 & 2 complete; Part 3 on going)



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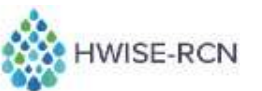


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INTERIM RESEARCH RESULTS





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PART 1. REVIEW OF POTENTIAL INDICATORS OF WOMEN'S FINANCIAL MANAGEMENT CAPACITY

- Participation in organizations and social networks
- Experience with savings and loans
- Financial literacy
- Non-farm income
- Diversified farm income
- Access to other credit to pay for complementary inputs



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TOOL 1: CREDIT SCORECARD TOOL: RISK MANAGEMENT TOOL FOR COMPANIES THAT PROVIDE ASSETS ON A PAYMENT SYSTEM WITHOUT COLLATERAL

Description of key criteria:

- Collateral or savings
- Land holding (e.g. size)
- Profit/loss history
- Documentation of on-farm income, sales, etc.

Observations:

- Resembles standard criteria of formal finance institutions that require collateral
- Misses many of the criteria that measure women's credit worthiness
- Credit review designed for individual and not groups



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TOOL 2: ASSET-BASED, NON-COLLATERAL FINANCE INSTRUMENT

Description of instrument design:

- Terms and conditions of asset offered on non-collateral, direct finance to client
- 25% downpayment required
- Uniform monthly payments for 1 to 3 years
- Warranty, regular servicing, training

Observations in the field:

- Most farmers lack documents for farm costs and revenue
- Most farmers cannot manage downpayment, uniform monthly payments
- Women purchase pumps for multiple uses



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PART 3. ACTION RESEARCH OBSERVATIONS

- Off the shelf financial tools and instruments tend to exclude women and many men farmers
- Companies adapting tools and instruments to enable women and men farmers to qualify for and repay credit

Tool 1.

- Additional criteria added that are more responsive to women farmers
- Allowing alternatives to standard documentation on profit/loss & costs/revenues
- Women farmers 'rejected' by standard scorecard are reviewed and reconsidered.

Tool 2.

- Reduce the downpayment, allow flexible monthly or seasonal payments
- Multiple companies now partner to bundle inputs under the financial instrument



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SUMMARY OF INTERIM FINDINGS

- Non-collateral credit products do not necessarily overcome the main constraints limiting women's access to credit for assets
- Financial instruments using new approaches may still be unresponsive to women farmers and value chain actors
- Knowledge sharing through multi-stakeholder dialogues is raising awareness about women as a market segment
- Reaching women as clients requires targeted marketing and finance approach, e.g. changing how information is shared
- Innovative companies are adapting their marketing and financial tools to expand their client base to include women



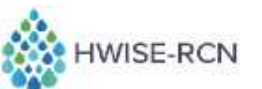
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Acknowledgement:
 The authors of this study would like to thank USAID and the Feed the Future Innovation Lab for Small Scale Irrigation for supporting this research. The presentation represents the views of the researchers and not those of the funding agency. We also extend our appreciation to our private sector partners - PEG Africa in Ghana and Rensys Engineering in Ethiopia - for collaborating in the action research, and to the smallholder farmers who are investing in solar irrigation and sharing their experiences. Visit: ilssi.tamu.edu



Thank you!

