



# Access to finance for farmers' organizations

EVIDENCE FROM A MULTI-COUNTRY SURVEY



March 2023



This survey was made possible by the  
generous contributions of our donors.



# Contents

---

Acknowledgements.....	4
Acronym list.....	5
List of Figures.....	6
1. Introduction.....	7
1.1 Background .....	7
1.2 Key findings.....	7
1.3 Scope and objectives .....	9
1.4 Survey methodology and participation.....	10
2. Analysis of survey results .....	14
2.1 Caveats for data interpretation .....	14
2.2 Existing access to finance .....	14
2.3 Financing gaps.....	19
2.4 Member financing.....	25
3. Conclusions.....	28
3.1 Access to finance.....	28
3.2 Financing gaps.....	29
3.3 Member finance.....	29
3.4 Regional perspectives .....	30
Annex 1: Representation of farmers' organizations in India.....	31
Regulatory framework .....	31
FOs surveyed .....	32
Membership representation in survey .....	32

# Acknowledgements

---

This study was conducted by Michael von During, Technical Specialist at SAFIN, with the support of Antonella Cianciotta, Technical Specialist for the Farmers' Organizations for Africa, Caribbean and Pacific programme (FO4ACP) and Frank Rubio, Senior Technical Specialist for IFAD's Private Sector Advisory and Implementation Unit (PAI). Special thanks to Manab Chakraborty, agri-value chain and finance consultant, and Antonio Cesare, consultant for IFAD's PAI unit, for support provided in processing survey data. We are particularly grateful to the following institutions for their valuable support in identifying and onboarding participating farmers' organizations in the survey and collecting survey data: ACCESS Development Services and the Self-Employed Women's Association (SEWA) in India; the Asian Farmers' Association for Sustainable Rural Development (AFA) in Cambodia, Mongolia and Philippines; AgriCord in West Africa, with direct participation from the agri-agencies Association sénégalaise pour la promotion du développement par la base (ASPRODEB) and the Agriculteurs français et développement international (AFDI) in Côte d'Ivoire, the Gambia and Senegal.

# Acronym list

---

<b>AFA</b>	Asian Farmers' Association for Sustainable Rural Development
<b>AFDI</b>	Agriculteurs français et développement international
<b>ASPRODEB</b>	Association sénégalaise pour la promotion du développement par la base
<b>DFI</b>	Development Finance Institution
<b>ESA</b>	Eastern and Southern Africa (ESA)
<b>FO</b>	Farmers' Organization
<b>FO4ACP</b>	Farmers' Organizations for Africa, Caribbean and Pacific programme
<b>FPOs</b>	Farmer Producer Organizations
<b>IFAD</b>	International Fund for Agricultural Development
<b>MFI</b>	Microfinance Institution
<b>PAI</b>	Private Sector Advisory and Implementation Unit of IFAD
<b>SAFIN</b>	Smallholder and Agri-SME Finance and Investment Network
<b>SEA</b>	South-East Asia
<b>SEWA</b>	Self-Employed Women's Association
<b>SME</b>	Small And/Or Medium-Sized Enterprise
<b>US\$</b>	United States dollar



# List of Figures

<b>Figure 1:</b> Sample distribution of FO types .....	12
<b>Figure 2:</b> Sample distribution of FO membership sizes .....	12
<b>Figure 3:</b> Sample distribution of FO membership gender and youth .....	13
<b>Figure 4:</b> Percentages of FOs accessing funding ranges by region .....	15
<b>Figure 5:</b> Median amounts of funding accessed (US\$).....	15
<b>Figure 6:</b> Total funding according to annual sales (West Africa and SEA, US\$).....	16
<b>Figure 7:</b> Total funding according to number of members (West Africa and SEA, US\$) .....	16
<b>Figure 8:</b> Total funding according to proportion of women members (West Africa and SEA, US\$) ....	17
<b>Figure 9:</b> Total funding according to proportion of youth members (West Africa and SEA, US\$) .....	17
<b>Figure 10:</b> Access to finance by source (percentage of FOs by region).....	18
<b>Figure 11:</b> Access to finance of more than US\$70,000 by source.....	18
<b>Figure 12:</b> Financing gap (percentage of FOs).....	19
<b>Figure 13:</b> Access to suitable sources of finance (Yes/No) .....	20
<b>Figure 14:</b> Financial product need.....	20
<b>Figure 15:</b> Challenges faced in accessing finance (percentage of FOs).....	22
<b>Figure 16:</b> Access to digital finance and challenges .....	23
<b>Figure 17:</b> Access to digital finance and amount of financing accessed.....	24
<b>Figure 18:</b> Climate-related interventions .....	24
<b>Figure 19:</b> Percentage FOs financing members by type.....	26
<b>Figure 20:</b> Average amount of loans per FO type in each region (US\$) .....	26
<b>Figure 21:</b> Challenges faced in financing members (percentage of FOs) .....	27
<b>Figure 22:</b> Products FOs would offer members if they could (percentage of FOs) .....	27

# 1 Introduction

## 1.1 Background

The present study on access to finance for farmers' organizations (FOs) offers an analysis of data collected through a survey of 220 institutions across 12 countries in West Africa, Asia and the Pacific. The survey builds on an initial effort (Phase 1) conducted in 7 countries in Eastern and Southern Africa with the shared purpose of better understanding the current financing gaps and needs of FOs to identify appropriate courses of action and ensure continual access to appropriate and sustainable financing. This work is the result of a collaborative initiative between the Smallholder and Agri-SME Finance and Investment Network (SAFIN) Network, IFAD's Private Sector Advisory and Implementation Unit (PAI) and the Farmers' Organizations for Africa, Caribbean and Pacific programme (FO4ACP).

## 1.2 Key findings

The findings below reflect the most significant trends identified through analysis of the survey results. In cases where data collected were only partial or not sufficiently representative of a region's ecosystem related to FOs' access to finance, these results were generally omitted. This particularly applies to India, for which data were provided only from a small subset of institutional types, and the Pacific, which contributed only 11 institutions with mostly incomplete surveys.

### > Current access to finance

1. **Access to finance is higher when FOs can source predominantly from formal financial service providers:** 90 per cent of FOs surveyed in South-East Asia (SEA), which primarily source funding from formal local providers (public and private), raised over US\$70,000 in total funding, while this was true for only 12 per cent of FOs in West Africa, which rely on a broader range of sources, including informal and local money lenders. This appears to support the hypothesis that sourcing from larger and more established financial institutions can unlock larger volumes of funding.
2. **SEA reports higher access to finance than other regions surveyed.** FOs in SEA reported receiving higher average amounts of financing than any other region covered, including 3.4 times the average amount accessed by FOs in West Africa. This likely reflects a more mature financial ecosystem and policy environment in relation to funding the agricultural sector and production activities in SEA.

### > Remaining gaps and product needs

3. **The gap between the amount of financing needs reported and the amount raised is generally higher for African FOs than others:** 70 per cent of FOs in SEA and India reported that more than half their financing needs are being met, while 70 per cent of those in Africa reported meeting less than half of their needs. This finding reinforces the differences in access to finance observed between these regions.



4. **Working capital loans registered the highest FO demand of any product.** This applies to all regions covered, but is most significant in SEA where wider access and more flexible terms (e.g. longer repayment periods) allow for more versatile use of the products. This supports the assumption of a more mature and supportive financial and policy environment in SEA in terms of agriculture finance.
5. **Financial product needs reported in Africa are more diverse than in Asia.** FOs in East and West Africa conveyed a need for working capital, fixed asset loans and trade finance (in that order), whereas in Asia (SEA and India) FOs almost exclusively identified working capital. This likely reflects differences in access, whereby FOs in Asia seek **more** of a product that is readily available (working capital), while for those in Africa access to any type of product is more limited.

### > Key challenges

---

6. **Top challenges to increased access include perceived high interest rates and heavy collateral requirements.** Both challenges top the list in all regions covered by the survey, although other issues – such as difficulties completing the application process or the cost of applying for loans – also feature prominently depending on region-specific circumstances.

### > Member financing

---

7. **FOs' finance to members reveals a need for more risk mitigation tools.** Although working capital topped the list of product needs to be delivered by FOs to their members in all regions, FOs in West Africa and SEA gave a high priority to emergency loans and insurance products that would support their members through unforeseen events.

### > Green finance and digital solutions

---

8. **Sources of green or climate finance were not available to most FOs, although most reported engaging in climate-related activities.** Nearly 60 per cent of FOs reported addressing the impacts of climate change, especially through adaptation and reforestation projects, but only 2.7 per cent of them reported receiving any type of dedicated financing.
9. **Access to finance through digital solutions decreases the number of challenges identified by FOs.** In particular, FOs with access to digital finance do not consistently report high interest rate s as a significant challenge. However, they are more likely to highlight difficulties with completing the application process. Furthermore, FOs with digital access generally display greater access to finance, though the advantage appears to decrease for larger institutions raising over US\$70,000.



### 1.3 Scope and objectives

Access to financial services is a significant challenge for smallholders, including poor women and young people, who constitute the majority of farmers in developing countries. It is estimated that less than 10 per cent of rural poor households have access to the most basic financial services.<sup>1</sup> Many of these households earn their income from farming activities, either operating independently or as part of an organized structure known as a farmers' organization (FOs, see Box 1). Like agricultural small and medium-sized enterprises (agri-SMEs), these member-based organizations face difficulties in accessing funding that is adapted to their needs from traditional financial service providers, mainly due to their size, legal status and focus on the agricultural sector. Yet, access to finance is fundamental to develop and maintain the necessary infrastructure, equipment and services that they provide to their members to help smallholders produce, purchase, store, process and better market their products.

In an effort to better understand the extent of the gap in access to finance for FOs, IFAD's Private Sector Advisory and Implementation Unit (PAI), in collaboration with the Farmers' Organizations for Africa, Caribbean and Pacific programme (FO4ACP),<sup>2</sup> conducted the first phase of an access to finance survey in 2021. The objective of the study was "to better understand the current financing gaps and needs of preselected FOs to identify appropriate courses of action that address these gaps – and ensure continual access to appropriate and sustainable financing" (IFAD Access to Finance Survey – Phase 1). This initial study focused on Anglophone Eastern and Southern Africa (ESA). A second phase was launched in 2022 with additional support from the Smallholder and Agri-SME Finance and Investment Network (SAFIN) with the objective of building on the findings from Phase 1, while expanding the geographic focus to Western Africa, SEA, India and the Pacific. Ultimately, it is expected that this effort will inform collaborative solutions that will ensure greater access to appropriate and sustainable sources of financing for rural FOs.

#### Box 1: IFAD definition of farmers' organizations (FOs)

FOs are autonomous membership-based professional organizations, structured on either a commodity or territorial basis. Their members include smallholders, family farmers and rural producers, including pastoralists, artisanal fishers, landless people and Indigenous Peoples. And they constitute all forms of producers' associations, cooperatives, unions and federations.

(Source: [www.ifad.org/en/producer-organizations](http://www.ifad.org/en/producer-organizations))

1 IFAD, *Inclusive Rural Finance Policy* (Rome: International Fund for Agricultural Development, 2021). IFC, *Access to Finance for Smallholder Farmers Learning from the Experiences of Microfinance Institutions in Latin America* (Washington: International Finance Corporation, 2014).

2 For more information on the FO4ACP programme, see: [www.ifad.org/en/web/knowledge/-/publication/the-fo4acp-programme](http://www.ifad.org/en/web/knowledge/-/publication/the-fo4acp-programme).



## **1.4 Survey methodology and participation**

For both phases of the survey, a questionnaire was distributed via Survey Monkey, a third-party online survey software tool. Over the survey implementation period, participants were contacted via four touch points: (1) survey launch, (2) survey reminder, (3) calls to clarify the process and answer questions, and (4) reminder of final closure of the survey. During the period of survey data analysis, collected data were cleaned and compiled for review. For Phase 2, delays were encountered throughout the project timeline, primarily linked to changes in consultants. Two consultants were hired to work on the survey design and data analysis to bring in the right expertise. Finally, once initial results were available, two workshops were organized in Africa and Asia with representatives of participating FOs to validate and interpret preliminary findings.

Phase 1 successfully collected data from **45 institutions across 7 countries** (Eswatini, Kenya, Lesotho, Malawi, South Africa, Uganda and the United Republic of Tanzania). FOs accounted for a total membership base of 525,708 farmers, including 40 per cent women and 27 per cent youth (under 35 years of age).

Phase 2 added a further **220 responses from 12 countries**, including 76 from West Africa (Côte d'Ivoire, the Gambia, Senegal), 133 from Asia (Cambodia, India, Mongolia, Philippines) and 11 from the Pacific (Fiji, Papua New Guinea, Samoa, Timor-Leste, Tonga). The survey was conducted with direct support from local partners SAFIN and FO4ACP, including ACCESS Development Services and the Self-Employed Women's Association (SEWA) in India, and the Asian Farmers' Association for Sustainable Rural Development (AFA) in Cambodia, Mongolia and Philippines. In West Africa, support

was provided by AgriCord, with direct participation from the agri-agencies Association sénégalaise pour la promotion du développement par la base (ASPRODEB) and the Agriculteurs français et développement international (AFDI) in Côte d'Ivoire, the Gambia and Senegal.

Survey respondents covered a wide range of different types of FOs, such as cooperatives, associations, federations, unions and farmer producer organizations (FPOs). The membership base for Phase 2 totalled 6.67 million farmers, of which women represented 83 per cent and youth (under 30 years of age) 17 per cent, although it should be noted that data collected from India has an outsized influence on Phase 2 data (see annex 1 for more details). Table 1 presents information related to the characteristics of the FOs surveyed.

**TABLE 1**

**Summary of phases 1 and 2 of the survey work**

<b>PHASE 1</b>	<b>7 countries:</b> Eswatini, Kenya, Lesotho, Malawi, South Africa, Uganda and United Republic of Tanzania	US\$3.04 M (n=45)	43% coops, 38% associations, 9% unions, 9% others <sup>a</sup>	<b>525,708</b> farmers total Membership range per FO: < 100 to 90,000 members <sup>b</sup>	40% women; 27% youth (under 35)	US\$61 M in total annual sales Average sales per FO US\$1.95 M <sup>c</sup>
<b>PHASE 2</b>	<b>12 countries:</b> Cambodia, Côte d'Ivoire, Fiji, the Gambia, India, Mongolia, Papua New Guinea, Philippines, Samoa, Senegal, Timor-Leste, Tonga	US\$67.03 M (n=220)	53% coops, 13% associations, 16% FPOs/ farmer producer companies (FPCs), 3% federations, 2% unions, 1% society 12% others <sup>a</sup>	6.67 M farmers total Membership range: 1,318 (Samoa) to 4.8 M (India) <sup>3</sup>	83% women; <sup>d</sup> 17% youth (under 30)	US\$67 M in total annual sales Average sales per FO: US\$0.30 M

M, million.

- a. "Other" category refers to organization types that are not coops, associations, union, federations, farmer producers' organizations (FPO)/FPCs.
- b. Outliers include one national organization of one apex organization with 90,000 members and one union representing 78,000 members.
- c. Average sales in Phase 2 lower because smaller FOs were targeted.
- d. Outliers include India, which accounts for 4.83 M members. Of the 43 organizations reporting from India, 19 were affiliates of Self-Employed Women's Association (SEWA). Excluding SEWA members, women would represent 40 per cent of FO members in the survey.

## Survey sample distribution (Phase 1 and 2) >

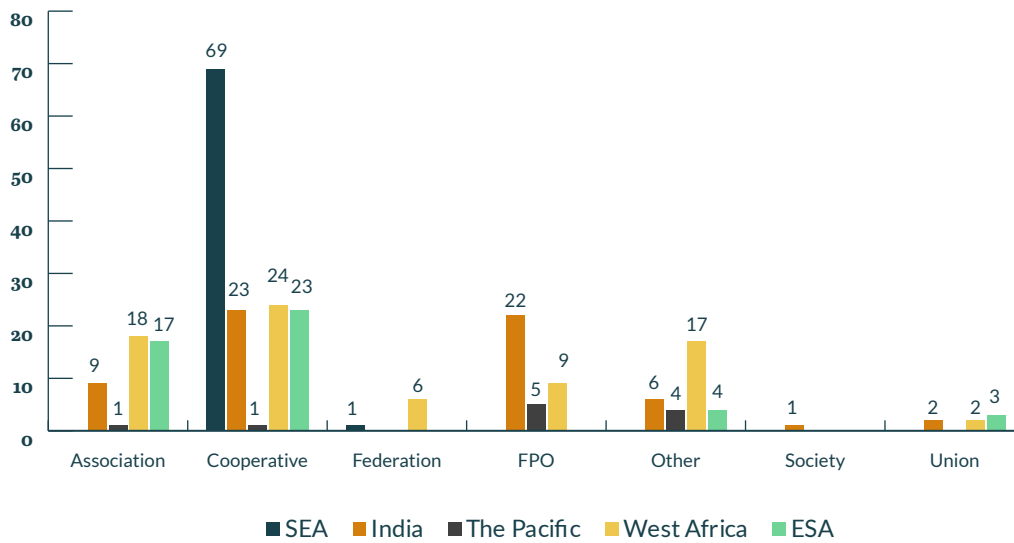


Figure 1: Sample distribution of FO types

## Highlights from sample distribution

- » **Cooperatives** represent 53 per cent (117 of 220) of all FOs surveyed in Phase 2.
- » **West Africa** has the widest distribution of FO types (including 24 coops), while **ESA** has the second widest.
- » **SEA** contributed 69 coops, representing 59 per cent of all cooperatives covered in Phase 2.
- » **India** is split between two types of FOs (FPOs and women's cooperatives) that are difficult to compare with FOs in other regions due to the country's unique regulatory and policy environment that affect the legal status and financing of FOs.
- » **The Pacific** has very limited representation, accounting for 5 per cent of FOs (11) in the survey.

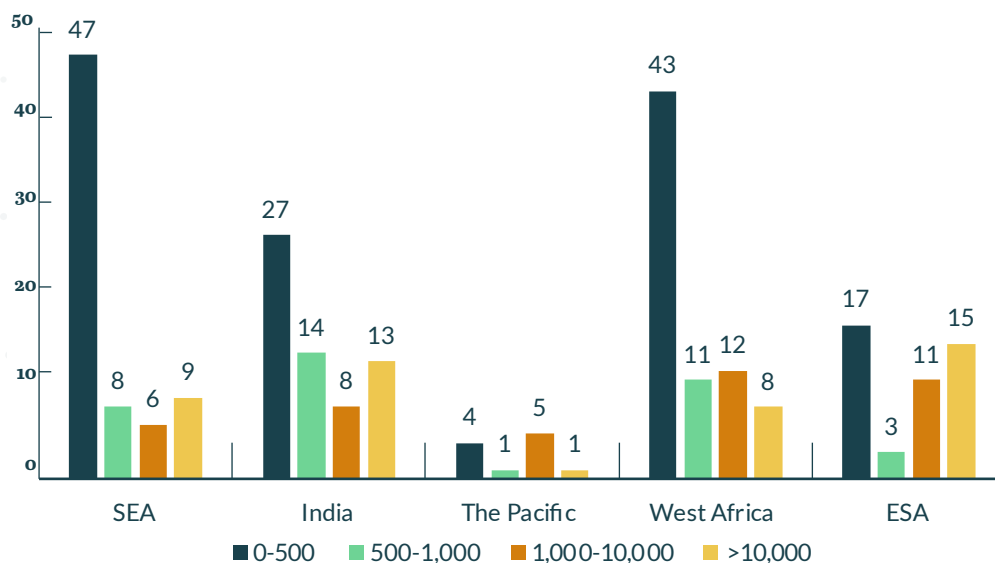


Figure 2: Sample distribution of FO membership sizes



- » **West Africa** and **SEA** include a large majority of smaller FOs (< 500 members)
- » **ESA** provided a majority of larger FOs (56 per cent > 1,000 members and 32 per cent over 10,000)
- » **India** alone accounted for 72.4 per cent of all members included in Phase 2 (4.8 million of 6.7 million)

### Representation of women and youth:

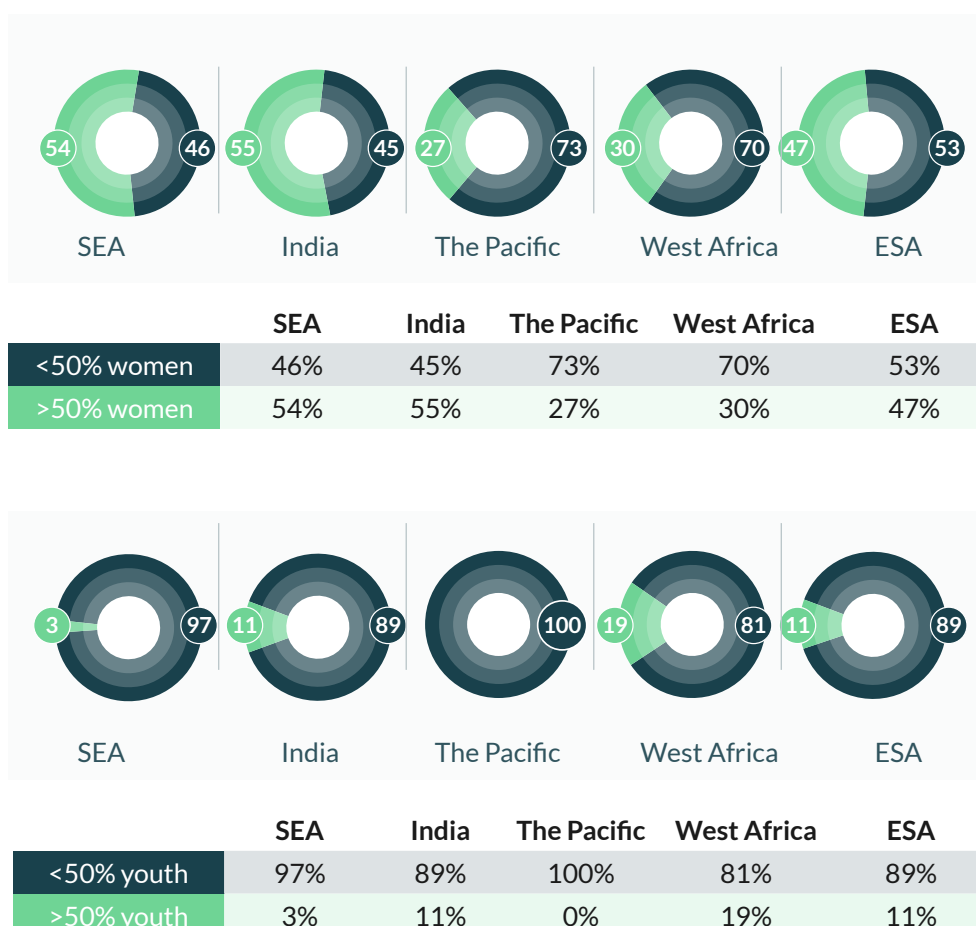


Figure 3: Sample distribution of FO membership gender and youth

- » **ESA** and **West Africa** report among the lowest representation of **women**, but some of the highest in **youth** from the FOs covered.
- » **India** stands out with the highest representation of **women**, due largely to the contribution of SEWA (a women-led association), but also has a relatively high showing for **youth**.
- » **SEA** and **the Pacific** show limited engagement of **youth**, with the Pacific displaying a similar limitation for **women**.

## 2 Analysis of survey results

### 2.1 Caveats for data interpretation

- » **Compiling Phases 1 and 2:** The analysis presented in this report is based on survey results from Phase 2. Data and findings from Phase 1 have been incorporated where possible. However, the Phase 2 review differs in two major ways from Phase 1: (1) the wider geographic coverage did not allow for a detailed country by country review, and (2) many questions were either reformulated or newly introduced in an effort improve on the initial effort. A detailed review of survey data from Phase 1 can be found in the IFAD Access to Finance Survey
- » **Representation of India:** Due to the sheer size and complexity of the country, as well as a number of unique characteristics affecting the local financial regulatory framework, the structure of its FOs and their membership representation, survey results from Indian FOs have been treated separately in this report and warrant special consideration (see annex 1 for more information on the representation of Indian FOs).
- » **Representation of the Pacific:** By contrast to India, the Pacific only contributed 11 FOs to the survey, or 5 per cent of total respondents, across five island nations. Furthermore, many of the participating FOs failed to fully complete the survey, leading to partial information. This is likely explained by the fact that no local support was provided to FOs for survey completion in this region. For this reason responses from this region have not been included in the following survey findings.

### 2.2 Existing access to finance

#### Amounts >

The distribution of amounts of financing accessed by FOs in each region confirms that funding is indeed available to FOs. However, it also reveals clear and contrasting trends across different regions (figure 4). In particular, SEA shows a clear advantage with a majority of FOs (60 per cent) having accessed more than US\$30,000, including 42 per cent raising over US\$70,000 in the last year and only 12 per cent accessed less than US\$10,000. This is despite having a majority of smaller FOs represented in the sample (67 per cent under 500 members). This evidence of greater access is reflected in the high median amount of US\$42,500 in funding sourced (figure 5).

This stands in stark contrast to the trend in Africa and India, where nearly half the FOs surveyed accessed less than US\$10,000. India in particular shows the clearest decrease in the proportion of FOs accessing larger amounts, culminating in only 8 per cent of institutions having raised more than US\$70,000. This points to very limited fundraising capacity by FOs, which seems to be supported by a median of US\$2,500. However, consultations with practitioners in India revealed two important factors to consider when interpreting these results. First, most producers access

funding directly from the formal financial sector due to specific policies in place in the country. Second, FOs included in the survey are not representative of access to finance for FOs in the country due to specific circumstances related to their legal structure and membership composition. See annex 1 for further details on these factors.

In West Africa, the trend is similar to India, although slightly less severe. Survey results show that 75 per cent of FOs in the region accessed less than US\$30,000, underlining the difficulties faced by institutions in the region to access larger and more reliable sources of funding. This is further supported by the median amount raised of US\$12,500. As in SEA, FOs surveyed in West Africa are mostly quite small (58 per cent under 500 members). Meanwhile in ESA, the picture is more complex, as 49 per cent of FOs accessed less than US\$10,000, which is the second largest proportion after India. However, 26 per cent reached more than US\$70,000, the largest segment after SEA. This somewhat reflects the survey distribution in terms of FO sizes for the region, where 37 per cent of FOs have under 500 members and 33 per cent have over 10,000. Yet the median amount raised is US\$9,840, lower even than West Africa, which seems to emphasize a challenging environment overall for accessing finance.

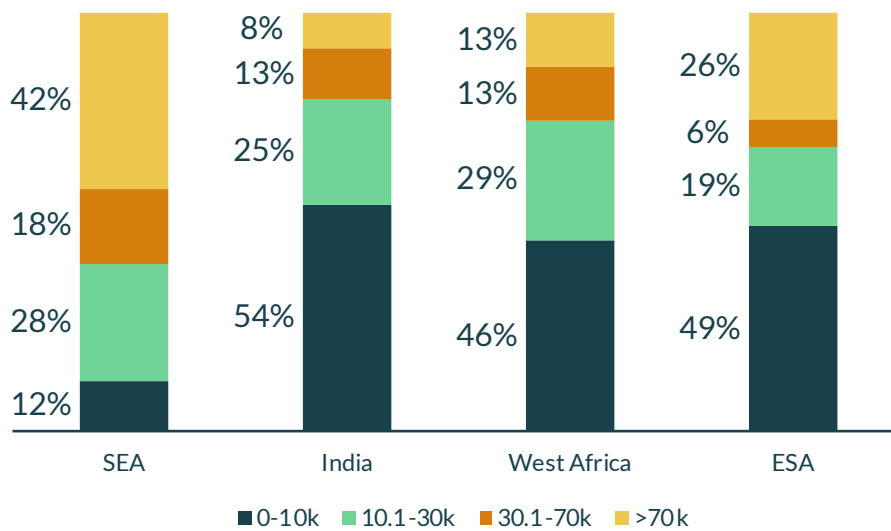


Figure 4: Percentages of FOs accessing funding ranges by region

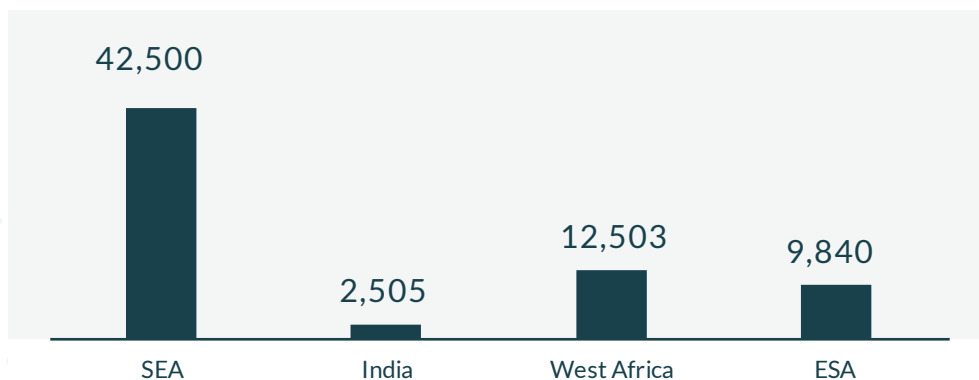


Figure 5: Median amounts of funding accessed (US\$)



## Determinant factors >

### Total annual income

Data collected show very limited correlation between annual sales reported by FOs and their access to finance. In West Africa, the relationship is particularly absent (figure 6), likely reflecting the limited level of access overall. However, some level of relationship is evident in SEA.

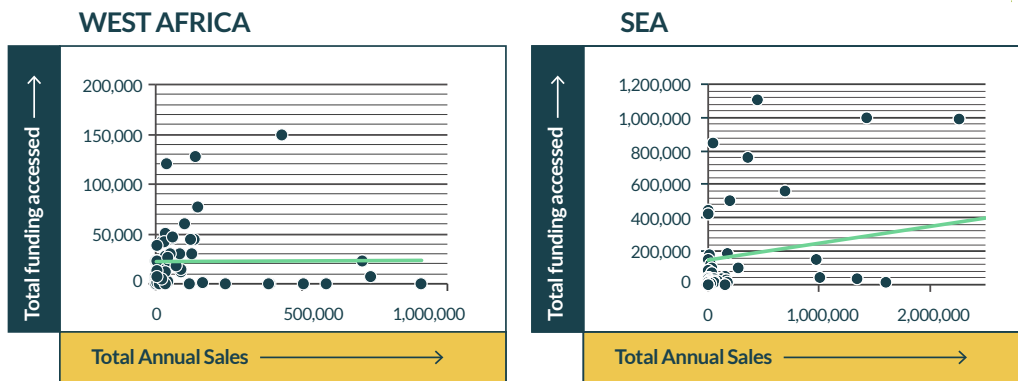


Figure 6: Total funding according to annual sales (West Africa and SEA, US\$)

### Total membership size

In SEA, total membership size is a significant driver of access to finance according to survey responses, with larger institutions accessing more funding (figure 7). However, the same was not found in West Africa where more members did not appear to lead to larger volumes of funding accessed, likely reflecting once again very low access overall.

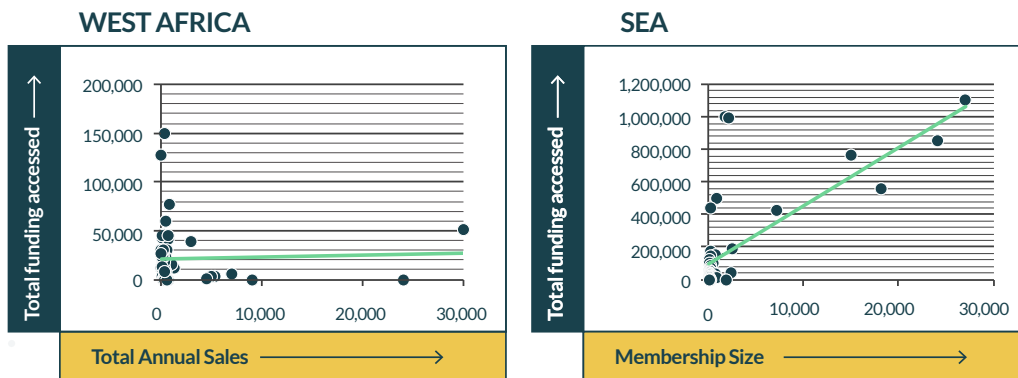


Figure 7: Total funding according to number of members (West Africa and SEA, US\$)

### Proportion of women members

The variation in the amount of funding accessed by FOs according to the proportion of women members was inconsistent between West Africa and SEA. Indeed, data from West Africa show a very slight negative relationship (figure 8), where less access is observed by FOs with larger female membership. The opposite was found in SEA with somewhat of a stronger correlation, where FOs with more women members reported larger amounts of funding.

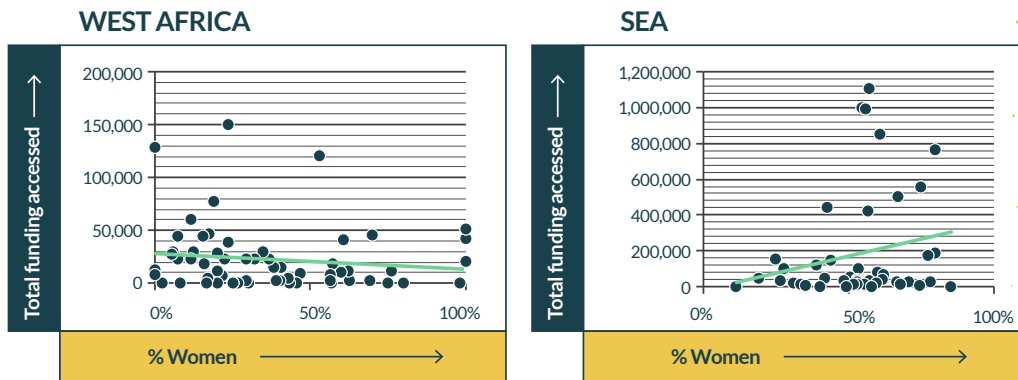


Figure 8: Total funding according to proportion of women members (West Africa and SEA, US\$)

### Proportion of youth members

According to data collected for FOs in West Africa and SEA, the relationship between the amount of funding accessed and the proportion of youth under 30 years of age is negative (figure 9), though the actual statistical correlation is quite small for the sample observed.

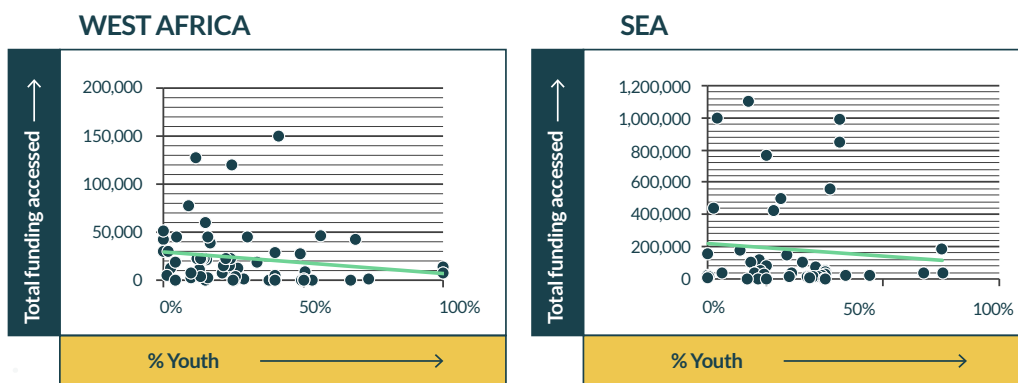


Figure 9: Total funding according to proportion of youth members (West Africa and SEA, US\$)

### Sources (by region) >

Survey responses suggest that in countries with higher access to finance based on volumes (see “Amounts” above), sources primarily include formal providers from the private and public sectors (figure 10). For FOs in SEA, these include commercial banks (34 per cent of FOs in the region) and microfinance institutions (MFIs, 17 per cent), along with national governments (20 per cent) and development finance institutions (DFIs, 13 per cent). The category “other” (39 per cent) includes local agricultural and rural development banks, as well as community savings groups and financial cooperatives.

Conversely, FOs in West Africa, which have lower access on average, report accessing a much wider range of sources, including providers outside of the formal financial system such as NGOs (28 per cent), local money lenders (18 per cent) and informal

lenders (15 per cent). Here, “other” (31 per cent) include reinvestment of the FO’s own equity, and funding secured from specialized producer groups operating in the peanut value chain in Senegal. In ESA, FOs stand out for their reliance on government sources of funding (78 per cent), which seems to ensure a minimal level of access particularly for smaller FOs, but does not seem to guarantee access to other sources or larger amounts (see “Amounts” above). In India, findings are less clear, partly due to the incomplete responses to this question.

These findings support the hypothesis that access to formal sources leads to larger amounts of funding being secured, and a greater coverage of financing needs being met (see “Perceived gap” below). This is particularly evident in figure 11, which shows funding sources for FOs having accessed over US\$70,000, and further emphasizes the importance of commercial banks for larger amounts. SEA and West Africa are in sharp contrast again around the role of government, with a large role in SEA (52 per cent) and a more muted one in West Africa (13 per cent). Meanwhile, ESA falls somewhere in the middle on both access to banks (75 per cent) and government (33 per cent) sources of funding.

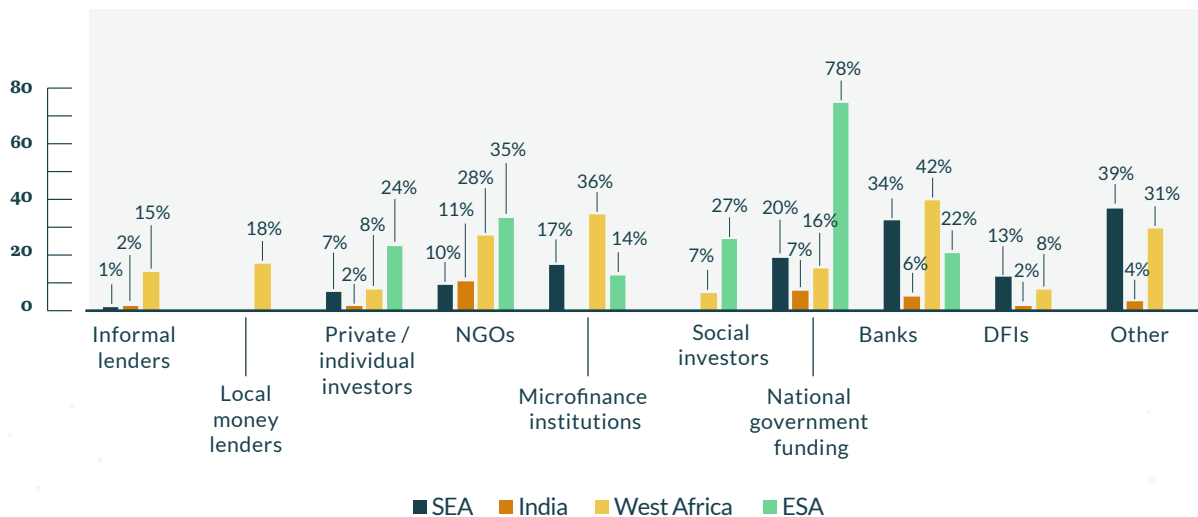


Figure 10: Access to finance by source (percentage of FOs by region)

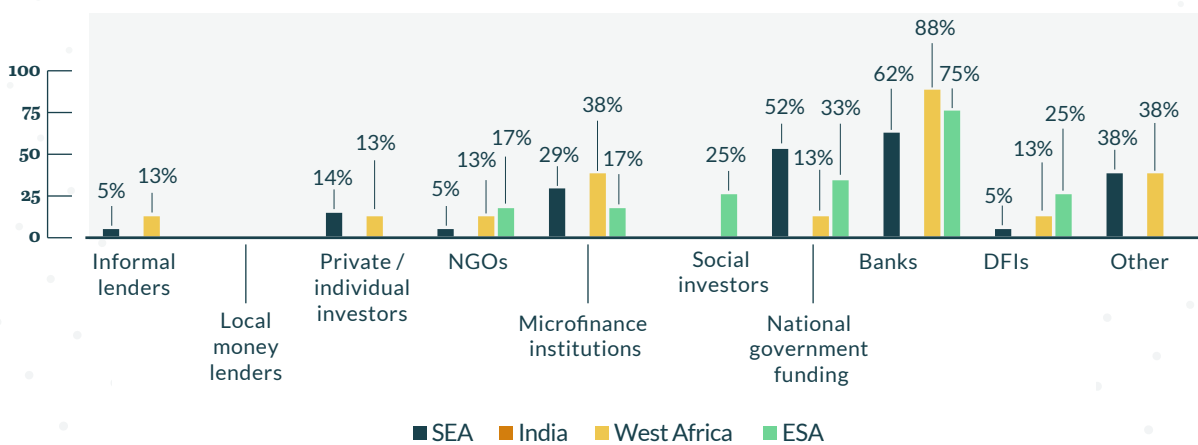


Figure 11: Access to finance of more than US\$70,000 by source

## 2.3 Financing gaps

### Perceived gaps >

The perceived gap was measured by asking FOs to indicate what percentage of their financial needs were still unmet. The responses were organized in ranges of unmet finance (figure 12). Results broadly support the findings on existing access to finance: 70 per cent of FOs in SEA, which reported the highest average amount accessed, said that more than 50 per cent of their financing requirements are being met. When asked whether they could access suitable sources of finance to meet their needs, 67 per cent of FOs in SEA answered “yes” (figure 13). In India, 73 per cent of FOs reported that existing access covered over 50 per cent of their requirements, despite averaging the lowest amount accessed. Furthermore, 56 per cent of FOs in India felt they could access suitable sources. This, however, aligns with feedback received on the exceptional nature of the FOs surveyed in that country (see annex 1), including their limited potential for growth and the existing access to finance by farmers for production activities, which combine to limit the amount of financing required by FOs.

In Africa these trends are reversed, reflecting a higher percentage of unmet needs. In West Africa, 71 per cent of FOs reported that over 50 per cent of their financing needs were unmet, while 93 per cent confirmed their inability to access suitable sources of finance. This supports the findings on existing access to finance, both in terms of amounts and the wider range of sources sought. In ESA, a slightly lower proportion (66 per cent) of FOs report over 50 per cent of their needs as unmet. This lower percentage could be explained by the widespread access to government sources, which cover a larger portion of the needs of smaller institutions.

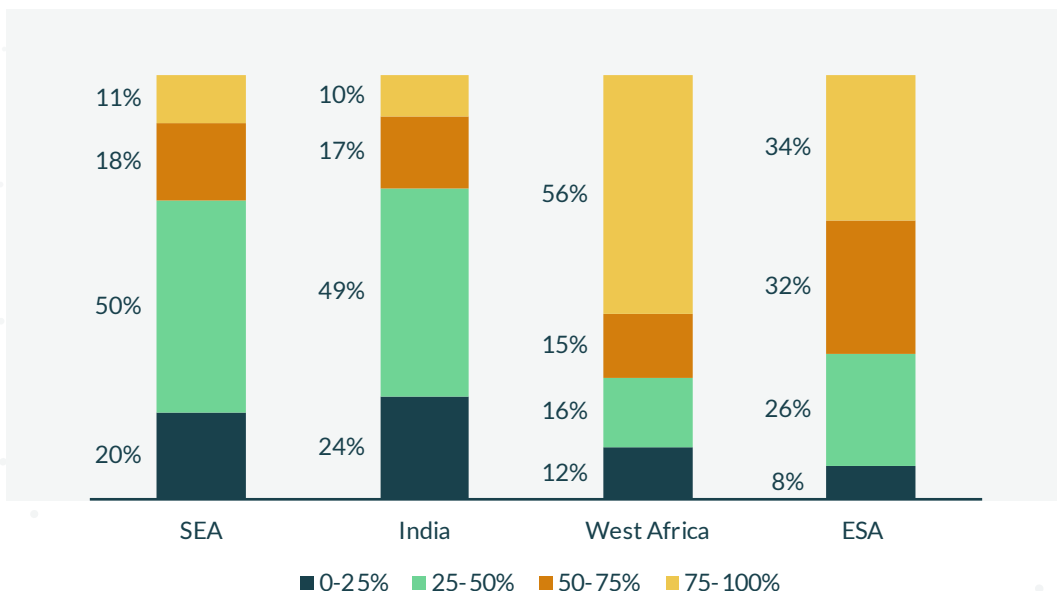


Figure 12: Financing gap (percentage of FOs)

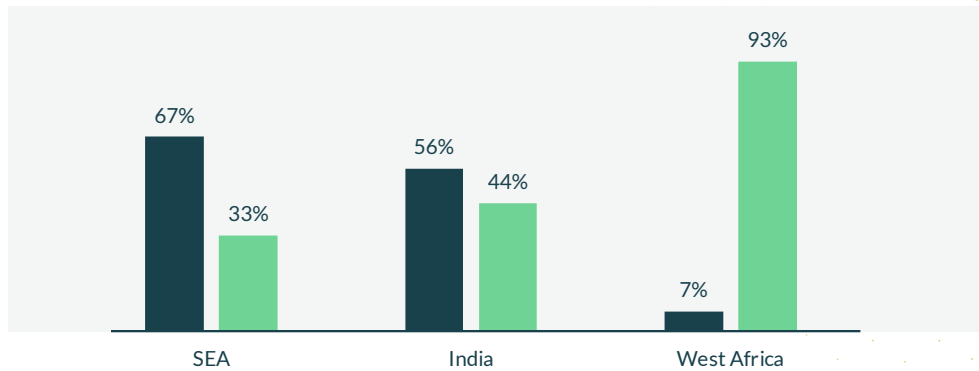


Figure 13: Access to suitable sources of finance (Yes/No)

### Financing needs >

Working capital loans are the most demanded product by FOs across all regions (figure 14). In SEA, demand is slightly less pronounced with only 52 per cent of FOs, which is explained by the widespread availability of working capital, primarily provided through formal financial institutions. A possible interpretation of this is that the development of a relationship and presumably a credit rating with such institutions has led to loans being provided on more flexible terms. Indeed, the maximum repayment period of loans in SEA, which relates almost exclusively to working capital, averages 24 months. This allows for more versatile use of the product, thereby reducing demand for alternatives (e.g. trade finance or fixed asset loans). However, a reliance on shorter-term funding may limit growth potential for FOs in this region over time.

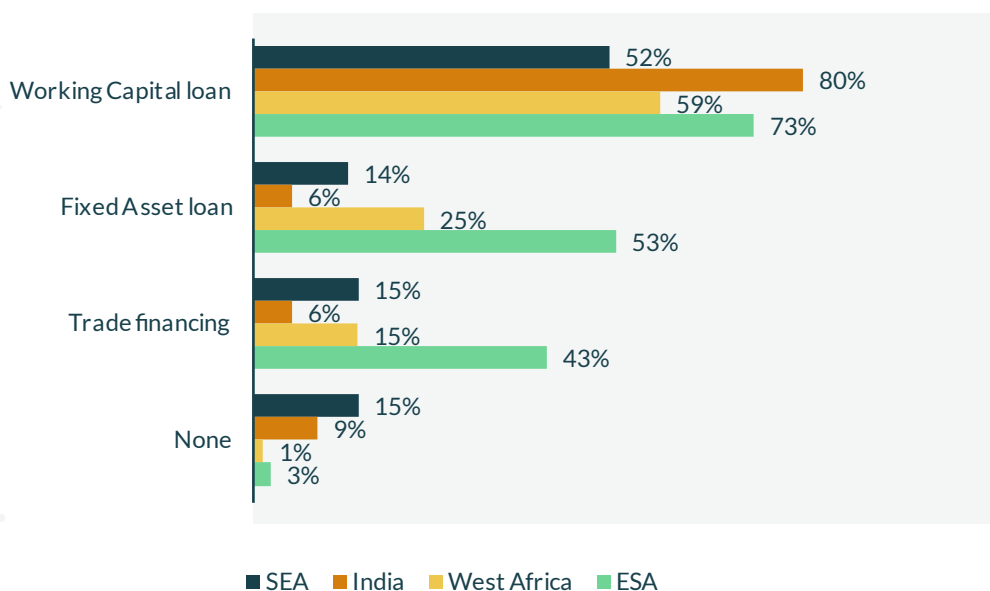


Figure 14: Financial product need

FOs in India appear to follow a more extreme version of the same trend, with 80 per cent of FOs reporting a need for working capital, which is already on offer from financial institutions, even though the average maximum repayment period of loans is only 9 months.

In Africa, demand for working capital loans remains strong. However, demand for other products is also strong. For example, 53 per cent of FOs in ESA and 25 per cent in West African reported a need for fixed asset loans. Demand for trade finance remains high in ESA as reported by 43 per cent of respondents there, and 15 per cent in West Africa (on par with SEA). The interpretation that emerges from Phase 1 findings for ESA (which was supported by consultations with practitioners in West Africa) is that lower access to financing overall has led respondents to provide a more layered picture of their needs. Indeed, with maximum repayment terms averaging 12 months in West Africa, current sources of funding do not allow for much use beyond immediate needs. Survey results from Phase 1 confirm that for most FOs surveyed “financing is short-term financing for less than 3 years”. Furthermore, the report concludes that “most FOs require mid-term or long-term financing of 3+ years, but are unable to access it”.

- » The priority order given across FOs in Asia and Africa is unsurprising, as working capital is always in high demand to fund ongoing operations, and has likely only increased as a result of ongoing crises, including climate change (see “Green finance” below) and the COVID-19 pandemic, as FOs borrow to keep businesses afloat. Long-term funding for fixed assets and capital expenditure is typically on limited offer to FOs and other SMEs operating in agriculture given the high risk associated with the sector, and is often substituted with grant funding, which can be easier to raise, but has not been adequately captured in this survey exercise. Finally, trade finance is typically in high demand by FOs given their commercial engagement with value chain actors, both up- and downstream. However, it comes in third place probably because it is already provided through these same actors, rather than originating from financial institutions, and therefore not fully accounted for in this survey.

### **Challenges in accessing finance >**

---

High interest rates and difficulties complying with guarantee/collateral requirements are among the top challenges faced by FOs surveyed across all regions (figure 15). Specifically, interest rates were flagged by 83 per cent of FOs in West Africa, 52 per cent in India and 39 per cent in SEA. Collateral requirements affected 74 per cent of FOs in West Africa, 46 per cent in India and 56 per cent in SEA. However, some region-specific trends emerge as well, including difficulties in completing the application process, which appears as the second major challenge for FOs in India (51 per cent) and SEA (41 per cent). According to local practitioners, these are issues faced mostly by smaller and/or less mature organizations. However, it does support the suggestion that sources of financing are readily available if difficult to access.

In West Africa, the cost of borrowing was flagged as a particular issue for 55 per cent of FOs. Among other costs related to applying for financing (e.g. accountant fees, lawyer fees, certifications), this particular finding has been explained as being related to the

expense of developing a convincing business proposal to present to potential financial sector investors, which are otherwise reluctant to engage in the agricultural sector. Such business proposals are often outsourced to third party consultants. The Phase 1 report highlights interest rates and collateral requirements as the top issues for 51 per cent of FOs in ESA. According to the report, “lack of available information on financing opportunities and complex application processes were also the two most highly ranked in terms of the biggest challenges faced”. Because questions were grouped differently for Phase 1 in ESA, the answers have not been included in figure 15.

It is also worth mentioning which types of challenges did **not** appear as key concerns for most FOs across regions. These included lack of lenders offering financial services or located too far away, which only seemed to affect FOs in West Africa. Similarly, FOs did not appear to face significant difficulty in providing adequate information required by the lenders, such as financial statement or banking information, although 21 per cent of FOs in ESA had difficulty understanding application requirements. Some 13 per cent of respondents in India reported they were unwilling to expose their FOs to external lending.

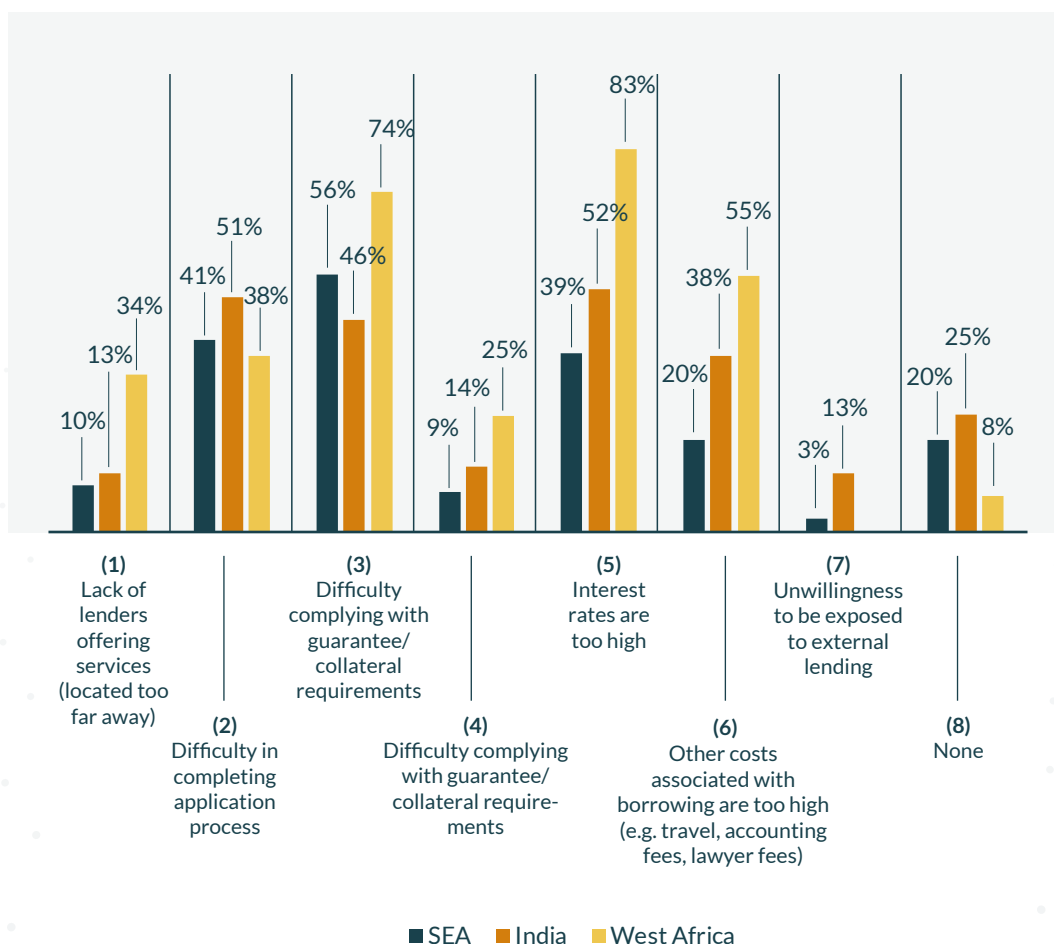


Figure 15: Challenges faced in accessing finance (percentage of FOs)



## Digital access to financial services >

A comparison of the types of challenges faced by FOs that benefit from digital access to certain financial services from those that do not reveals a distinct decrease across nearly all categories (figure 16). FOs with access to digital finance reported the most significant drop (16 per cent) in the challenge posed by high interest rates. A possible explanation is that digital service providers can afford to charge lower rates because they face lower portfolio administration costs than their physical counterparts. Another notable point is the reported increase in the difficulty of completing the application process (+4 per cent) for FOs with access to digital services. This may be linked to the fact that applicants are less familiar with the technical nature of a purely digital process, which may also provide fewer options for recourse to direct assistance. Another possible reason is that certain digital solutions may suffer from technical issues that complicate the application process.

Another finding from the survey is that access to digital finance appears to be related to an FOs' maturity and overall fundraising capacity (figure 17). Indeed, access nearly doubles for FOs having raised between US\$30,000 and US\$70,000, compared with smaller organizations that have accessed under US\$10,000. It is notable that access to digital finance seems to dip again beyond US\$70,000, which could be related to the limited range of products and amounts of funding available from digital sources to meet the needs of larger organizations.

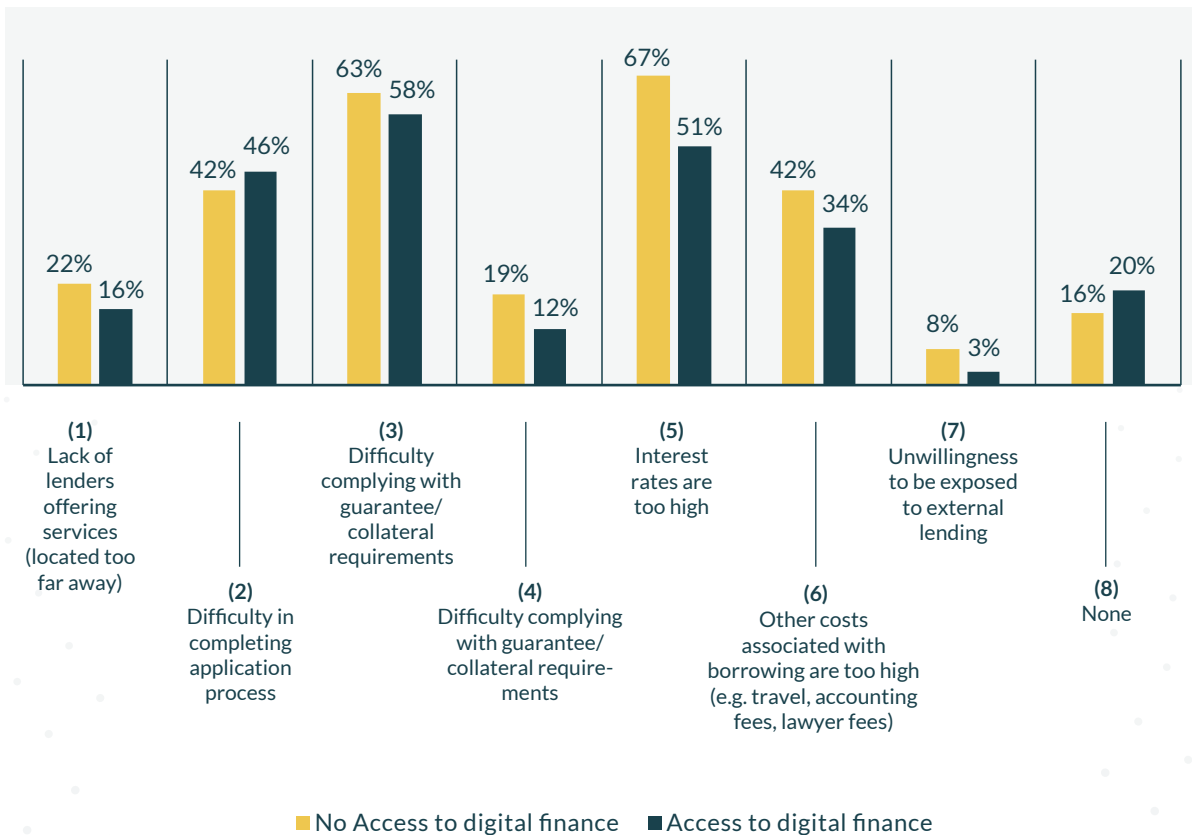


Figure 16: Access to digital finance and challenges

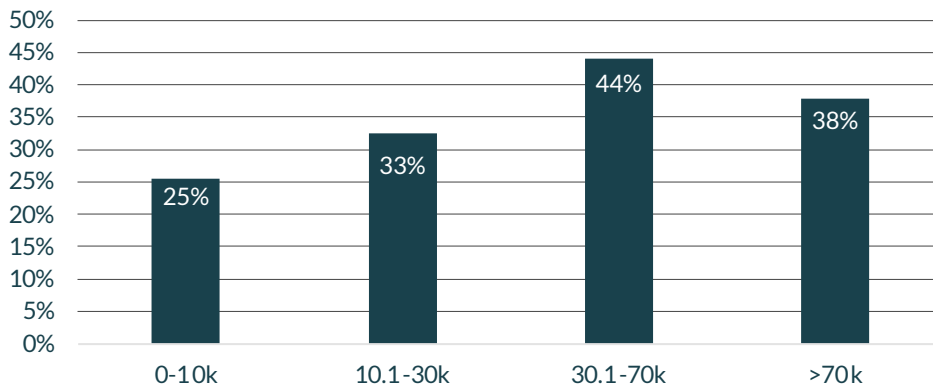


Figure 17: Access to digital finance and amount of financing accessed

### Green finance >

A section on green finance was added to the survey for Phase 2, which revealed that most FOs across all regions are actively involved in projects that address the impacts of climate change. Figure 18 reflects the range of interventions that FOs have actively pursued over the past year. Respondents indicated that such activities focused primarily on climate adaptation, as reported by 49 per cent, 37 per cent and 62 per cent of FOs in SEA, India and West Africa, respectively. In West Africa they equally focus on reforestation (54 per cent). However, a surprising finding is that only 2.7 per cent of total FOs covered in Phase 2 (or 6 of 220 surveyed) reported receiving dedicated sources of green finance. Of these, four were in SEA, one in India and one in West Africa.

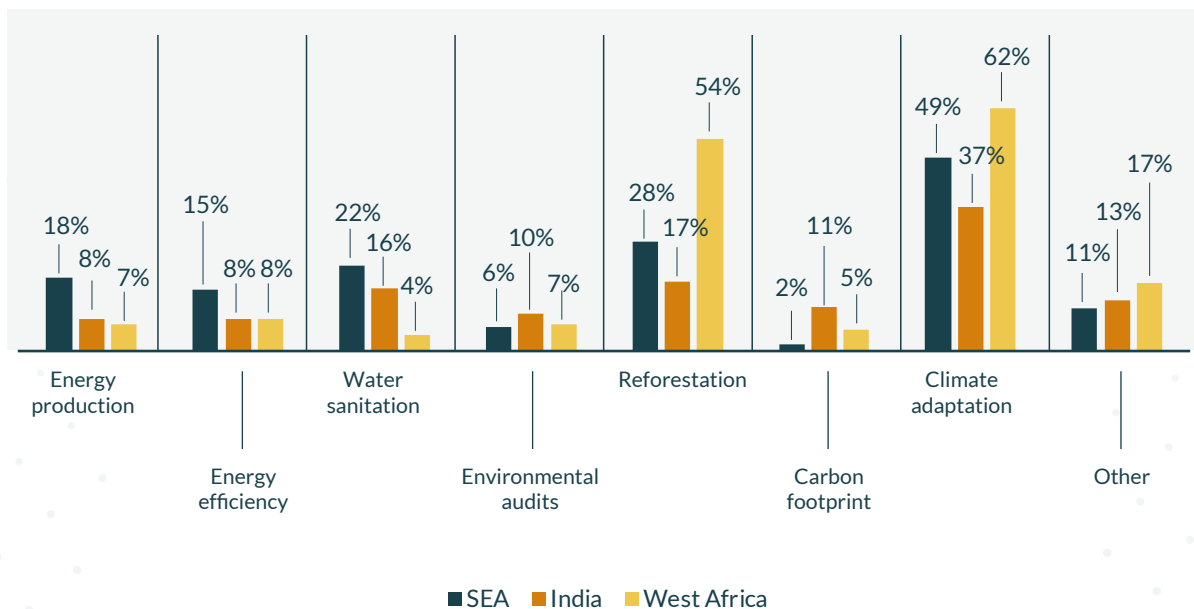


Figure 18: Climate-related interventions

Different interpretations were provided for different regions, although all confirm that FOs of all types consider climate change a priority and are actively invested in addressing its impact. In SEA, FOs commented that sources of green finance were not widely available. But when they are, access is often conditional on stringent requirements related to their use, which do not always align with FO needs. Furthermore, their pricing is not generally competitive with alternative sources of funding available from formal financial institutions. FOs in India in particular have confronted numerous climate shocks in recent years, which have translated into a higher demand for working capital and increased demand for emergency funding.

In West Africa, FOs reported that most climate-related initiatives were linked to projects led and funded by international development organizations. While dedicated sources of green finance are not readily available in the region, funding for FOs is often provided through the project. That said, practitioners shared that the implementation of green practices can add additional costs that are not covered through the project. For example, financing from a project will generally add to existing debt, which may be more difficult to repay if the project's implementation affects producers' yields and/or income, even if only temporarily, through the introduction of significant changes to their method of production (e.g. new inputs, equipment or commodities).

## 2.4 Member financing

### Provision of finance to members >

Figure 19 shows the percentage of FOs providing financial services to their members according to type of activity by region.

Considering the number of FOs included under each category (see figure 1) a number of trends become evident. From a regional perspective, SEA shows the highest provision of financial services to members, with 87 per cent of all FOs, all of which are cooperatives. In addition, FOs in SEA report the largest average portfolio of loans to members at over US\$1.3 million. In India, few FOs provide finance to their members, primarily due to the availability of access from formal financial institutions. Unsurprisingly, their average loan portfolio is quite small at US\$112,738.

FOs in Africa have a strong showing in lending to members, particularly by cooperatives (67 per cent) and producer organizations (78 per cent) in West Africa, as well as "others" which mostly correspond to producer groups in the peanut value chain (82 per cent). However, the size of their portfolios is much smaller than in SEA, averaging US\$889,467 across all FO types (figure 20). In fact, a closer look at the breakdown shows that the 18 associations represented in the region average only US\$148,000, while the 24 cooperatives average just US\$56,000. The larger amounts come from the 17 "other" institutions, which average over US\$2 million. In Phase 1, some 45 per cent of FOs in ESA reported providing credit services to members, with the strongest showing among cooperatives (100 per cent) and associations (92 per cent). No further details are available.

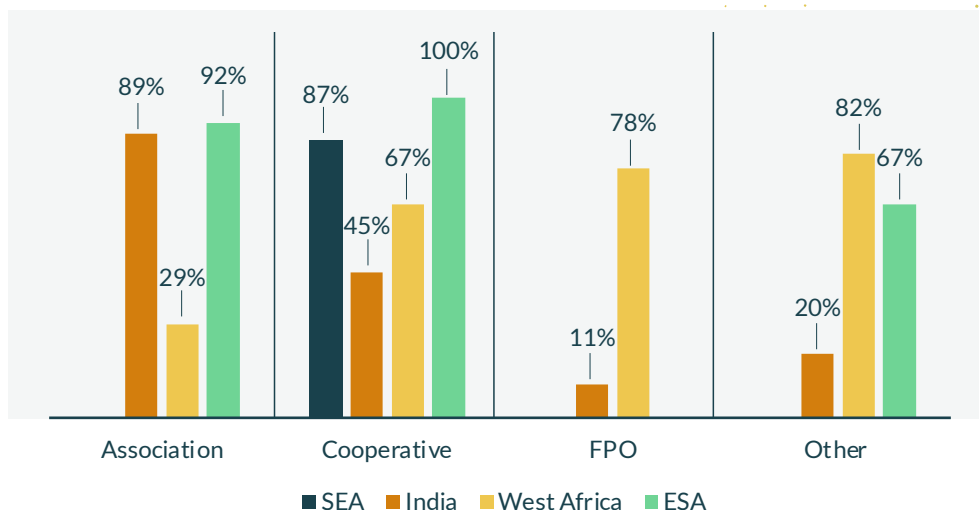


Figure 19: Percentage FOs financing members by type

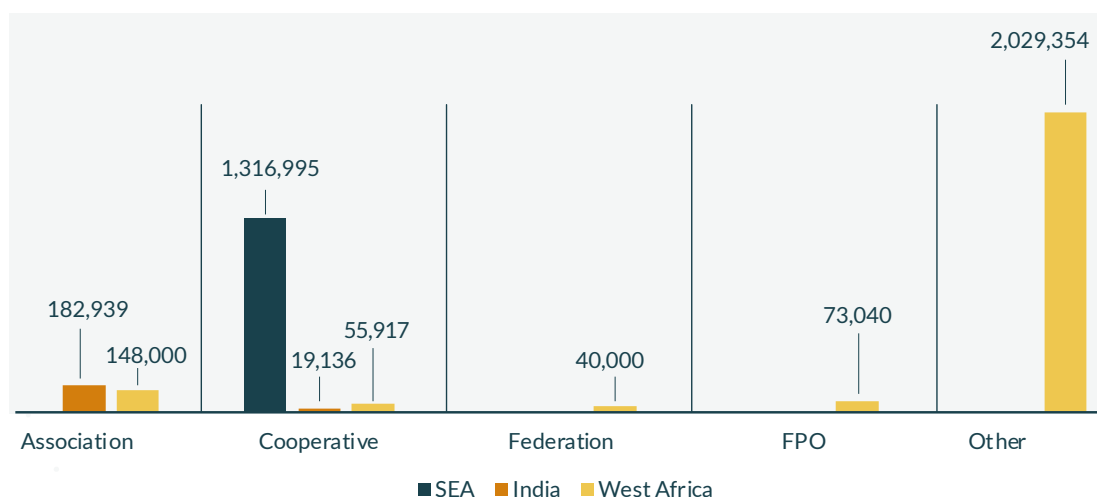


Figure 20: Average amount of loans per FO type in each region (US\$)

### Challenges in financing members >

Key constraints to the provision of financial services to members vary across regions (figure 21). In SEA, liquidity constraints were reported most (54 per cent of FOs), which aligns with the large loan portfolios FOs manage in SEA. In India, responses focused on lack of staff training (43 per cent), while members' access to alternative sources (38 per cent) and regulatory constraints (38 per cent) both featured prominently. In West Africa, regulatory constraints were reported by a large majority of FOs (77 per cent). Lack of adequate staff training came in second (59 per cent), followed by low demand from members (49 per cent). This is despite a relatively large proportion of FOs providing financial services to members across different activities. In Phase 1, key challenges in ESA focused mainly on lack of liquidity (67 per cent of FOs), with staff training and regulatory constraints (25 per cent each). Due to differences in the way questions were formulated, ESA results are not included in figure 21.

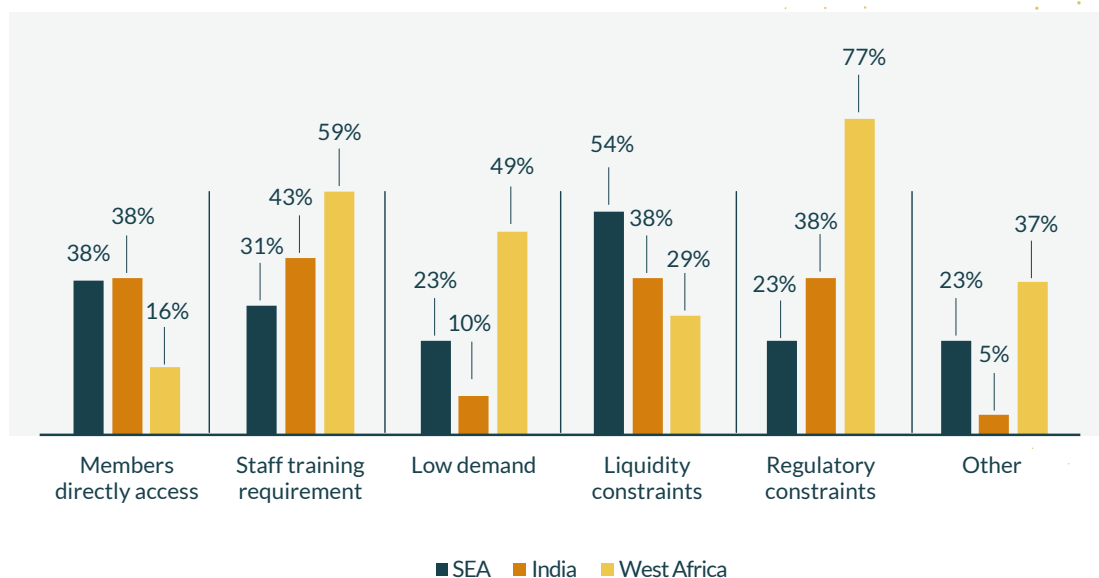


Figure 21: Challenges faced in financing members (percentage of FOs)

### Financial products for FO members >

When asked what products FOs would like to offer their members (that they currently do not offer), the most consistent response over the regions covered was working capital loans (figure 22). However, emergency loans featured as the most requested product by 63 per cent of FOs in SEA and 66 per cent in West Africa, and second highest in India (35 per cent), which reflects the prevalence of exceptional or unforeseen needs from farmers related to the COVID-19 pandemic and the growing impact of climate change. FOs in West Africa reported a particularly high demand for insurance (59 per cent), although all other categories of financial products also registered highly.

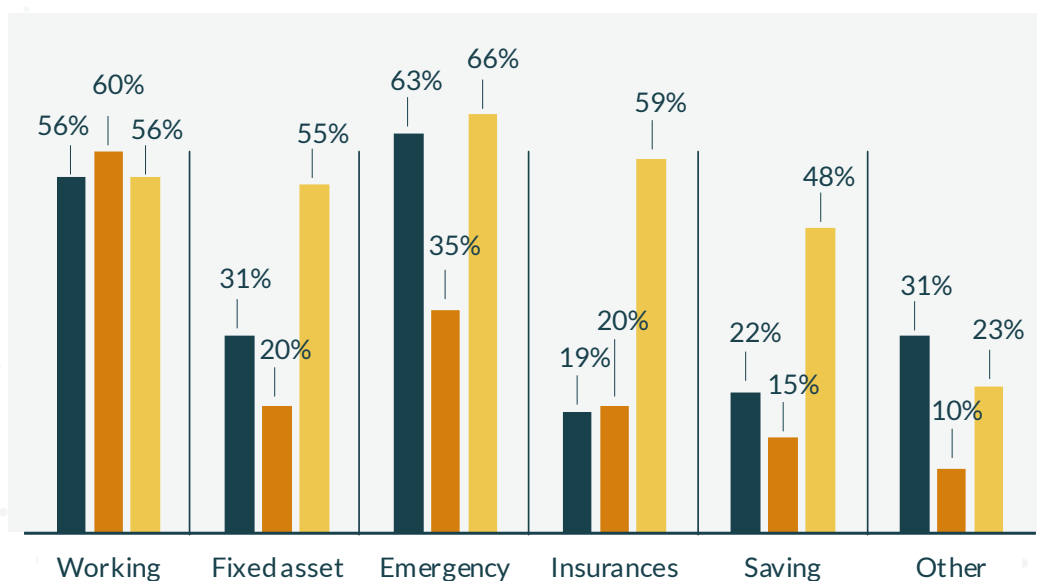


Figure 22: Products FOs would offer members if they could (percentage of FOs)





## 3 Conclusions

The following conclusions are based on the analysis of data collected through two surveys conducted in 2021 (Phase 1) and 2022 (Phase 2), covering a total of 265 FOs across 19 countries in 5 regions. They are also guided by feedback gathered through subsequent workshops with participating organizations to validate and interpret data findings. At a high level, responses from FOs seem to confirm the following.

### 3.1 Access to finance

Many FOs are successful in accessing financing, though few are able to source sufficient amounts to meet their perceived needs – 63 per cent of FOs surveyed for this study reported accessing funding sources.

- » **The level of access is greatly influenced by the maturity of the financial ecosystem and policy environment as it relates to funding the agricultural sector.** Efforts to improve the status quo could include developing and sharing knowledge on the positive correlation of specific tools and policies with access to finance for FOs, and building capacity through training local financial institutions in servicing the agricultural sector and more accurately assessing sector-specific risks, and advocacy around new policy design.

## 3.2 Financing gaps

Greater access does lead to lower perceived gaps in finance for FOs and a more broadly shared sense of being able to access suitable sources of finance. This is evident in the stark contrast between Asia and Africa in the responses provided by FOs on these parameters.

- » **Though working capital is the most widely available and the most in-demand product by FOs globally, a broader range of accessible products could open up new areas of growth and development for FOs.** Solutions could include the development of direct funding solutions through blended structures that aim to provide alternative products, such as long-term loans, to establish a positive track record and incentivize the engagement of local financial service providers.
- » **The top challenges identified by FOs in accessing finance include interest rates and collateral requirements.** Interventions in this area could include the introduction or promotion of digital finance solutions, which are reported to lower the overall challenges in accessing finance according to survey responses. Other challenges, such as completing the application process, could be addressed through targeted technical assistance to FOs.
- » **Green finance solutions are not widely available to FOs despite evidence that most actively engage in activities to address the impact of climate change on their members' activities.** Innovative approaches could include the design of dedicated financial products adapted to local needs, offered at pricing competitive with commercial sources. With additional technical assistance, FOs and their members could be trained on new production techniques to more effectively fight the effects of climate change and build resilience for the organization and its members to future shocks.

## 3.3 Member finance

The provision of financial services to members appears to primarily be a function of the FO's legal structure, with cooperatives leading other FO types. Furthermore, the size of member loan portfolios appears to be closely related to the FOs' access to finance and wider regional disparities.

- » **Challenges encountered by FOs to provide financial services to members appear to be directly related to local circumstances in terms of liquidity and regulatory constraints, with staff technical capacity featuring most prominently.** Technical assistance solutions aimed at training FO staff in best practices related to smallholder lending could improve the quality and efficiency of financial services offered to their members.
- » **The financial services FOs most wanted to offer their members were emergency loans and working capital.** This finding supports reports of increased concerns by FOs and their members related to the impact of external shocks in the wake of cumulative crises including climate change, COVID-19, inflation and the war in Ukraine. Technical assistance support could be provided directly to FOs for the design of products and services to reduce the risks faced by members, including emergency loans, insurance and savings accounts.



### 3.4 Regional perspectives

At a regional level, the wide range of differences observed in terms of FOs' financing needs and challenges suggests that to effectively impact their access to finance, potential solutions will need to be developed with a strict geographic focus. Below is a summary of some regional trends from the survey responses.

#### South-East Asia >

---

FOs across the three countries covered in SEA (Cambodia, Mongolia and Philippines) reported the highest amount of funding accessed, and one of the smallest gaps in financing to meet their needs. Funding sources predominantly came from formal institutions in the private (banks and MFIs) and public sectors (government programmes and agricultural banks) in the form of working capital loans, which retained the highest demand from FOs across financial products. Beyond interest rates and collateral requirements, FOs identified the application process as one of the top three challenges. The widest range of climate-related activities was reported in this region, though access to green finance was only marginally higher than in other regions. A large majority of FOs in SEA provide financing solutions to their members, and liquidity constraints were mentioned as the main challenge to providing more.

#### West Africa >

---

FOs from this region are characterized by relatively low access to finance in volume, which is sourced from a wide variety of providers including informal actors (e.g. money lenders and NGOs). This is due to a low level of expertise and engagement from formal institutions such as banks and MFIs related to the agricultural sector, which results in a large reported gap in funding. While most FO demand is for working capital loans, a quarter of respondents also flagged a need for fixed asset loans. Key challenges in securing funding are related to the high cost of developing an application given the high bar to convince potential funders, which are generally reluctant to invest in agriculture. Climate-related interventions by FOs are widespread and largely focused on reforestation and adaptation initiatives, though access to green finance is almost completely absent. Funding to members is widespread although regulatory constraints and lack of staff training are reported as key challenges.

#### East and Southern Africa >

---

In ESA, FOs report a slightly lower access to finance than their West African counterparts in terms of average amounts, with sources equally diverse, but with more direct support from the government. Yet, the gap in finance reported is slightly less. Product demand is less focused on working capital than in any other region, with significant interest in fixed asset loans and trade finance. The main challenges cited for accessing finance are the complexity of application processes. A large majority of FOs reported that they provided finance to their members, with liquidity issues and lack of income from credit operations reported as the biggest challenges.



## Annex 1: Representation of farmers' organizations in India

### Regulatory framework

While each country is characterized by its own regulatory and policy framework, India stands out for certain specific rules that impact access to finance in the agriculture sector, including the following.

- » **Restrictions on foreign direct investment:** These limitations affect the ability of international investors (e.g. social investors and development finance institutions) to invest directly in local institutions, including FOs.
- » **Priority sector lending policy:** The national banking policy in India mandates that formal financial entities invest a percentage of their credit in specific target sectors. Agriculture is considered a key priority sector, resulting in much of the country's production activities being financed directly from financial institutions. Although FO financing also qualifies for priority sector funding, direct financing from commercial banks has remained limited.

## FOs surveyed

- » India also stands out for the types of FOs included in the survey, which are not representative of the broader diversity of FOs in the country, particularly in terms of funding needs.
- » **Farmer producer organizations** represent 35 per cent of Indian respondents in the survey. They are generally quite small (averaging 740 members) and constrained in their ability to grow, particularly due to restriction on equity contributions outside of their membership, and on access to commercial lending. This results in low access to finance, due to high perception of risk by financial institutions, and low demand for funding given the limited activities performed and growth capacity.
- » **Self-Employed Women's Association (SEWA)** represents 36 per cent of FOs covered in India. SEWA is a federation of unions and associations working with women producers in the informal sector. The federation also provides financing to members that struggle with access to formal bank loans.

## Membership representation in survey

FOs selected for this survey in India have an undue influence on the membership representation of the full sample of FOs in Phase 2. In particular, Indian FOs affect the following.

- » **Total and average membership:** Indian FOs account for 72.4 per cent of total number of FO members reported across all regions covered by Phase 2 (i.e. 4.83 million of 6.67 million total farmers reported). This is largely due to two unions operating under SEWA, which alone contribute 2.13 million members (32 per cent of total survey members).
- » **Women representation:** FOs selected in India for this survey are largely mission driven to drive women's inclusivity, and collectively reported 99.7 per cent female membership. While this is not representative of Indian FOs as a whole, the result has a significant impact on total survey results by suggesting an overall average women representation of 83 per cent. Without India the average would in fact be 40 per cent.







**International Fund for Agricultural Development,**  
Via Paolo di Dono, 44, 00142 Rome, Italy  
[www.ifad.org](http://www.ifad.org)

**Smallholder and Agri-SME Finance and Investment Network**  
Email: [safincoordinationteam@ifad.org](mailto:safincoordinationteam@ifad.org)  
[www.safinetwork.org](http://www.safinetwork.org)

**Farmers' Organizations for Africa, Caribbean and Pacific**  
Email: [a.cianciotta@ifad.org](mailto:a.cianciotta@ifad.org)

---