FINANCING TO SUPPORT WOMEN IN THE AGRICULTURAL SECTOR
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List of Abbreviations

DFID Department for International Development (UK)
FAO Food and Agriculture Organization
FOMIN Multilateral Investment Fund
GIZ German Agency for International Cooperation
ICT Information and communications technology
IDB Interamerican Development Bank
IFAD International Fund for Agricultural Development
IFC International Finance Corporation
IFPRI International Food Policy Research Institute
ILO International Labour Organization
IRLI International Livestock Research Institute
MFI Microfinance institutions
MIS Management Information System
NGO Non-governmental organization
POS Point of sale
UN United Nations
USAID United States Agency for International Development

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Executive Summary

Providing financing to agriculture is challenging for both male and female farmers, however women face some unique challenges. These challenges relate to the role of women in the household which often restricts their control over assets and constrains their available time for productive activities. Their role in the household is often invisible, particularly when it comes to their economic and financial contributions. As such, women have lower access to economic and financial services. These unique challenges make access to finance a much bigger challenge for women compared to men in the agricultural sector.

This paper reviews the existing literature and summarizes the key issues and challenges regarding the access of women to financial services in the agricultural sector. The paper demonstrates that there is a business case to be made for closing the financing gap between men and women in agriculture. It highlights some examples of various private and public initiatives that aim to achieve greater economic growth in agriculture by closing this gap.

Comparing various experiences across a number of institutions that serve female clients in the agricultural sector shows that the same areas and issues that make an institution successful in serving agricultural clients overall also make this institution successful in serving female clients in agriculture. Although this is a pre-condition, it is not the only one. In addition, for an institution to develop capabilities in serving agricultural clients, it needs to identify what the role and contributions of women are in agricultural households. Further the institution needs to adapt this understanding to products, services and delivery channels accordingly. It needs to apply a “gender lens” and see within an agricultural household. It needs to learn how women contribute since their role often tends to be underestimated, even in their own estimation.

Understanding the roles and contributions of women in an agricultural household would facilitate an improved risk assessment of the whole household. It would also present new opportunities to offer financial services to female clients to grow their business and purchase additional products for their households, such as establishing savings accounts, buying insurance products and pension annuities, among others. Adding women as clients requires senior management and shareholder prioritization, a targeted allocation of resources, training, planning, data/metrics and patience in growing this long-run profitable business sub-segment. In addition, it requires that financial institutions perceive women as valuable and profitable clients. In this context, it is important for these institutions to fully understand women’s needs and preferences—and to strategically target them.

Despite the challenges presented in this paper and various solutions being implemented, the potential to achieve greater economic growth by closing the financing gap for women in agriculture is very significant. Closing this gap requires a call to action by policy makers, the private sector, and civil society to prioritize, advocate, and devise solutions for reducing and eventually closing the gender gap in access to finance in the agricultural sector.

Financial institutions alone cannot provide the solution. Indeed, governments and policymakers can influence the establishment of an investment climate favorable to rural women. Public-private cooperation is also necessary to establish an enabling environment to address the human and social capital needs of women.
Financing to Support Women in the Agricultural Sector
Introduction

Numerous studies have presented evidence of the challenges in providing financial services to agricultural and rural households in developing countries. These challenges include: the high cost of servicing clients in low population density rural areas; the systemic risks in agricultural production (for example, weather, price); the lack of information to assess credit risk for smallholder farmers; the lack of farmer organizations; gender bias within institutions and societies; and limited acceptable collateral.

Although both men and women encounter these challenges in the agricultural sector, women face some unique challenges. For instance, on average, they often have lower levels of skills, literacy and education, as well as limited control over productive assets. Their role in the household is often invisible, particularly when it comes to their economic and financial contributions. As such, women have lower access to economic services (for example, extension services, labor saving technologies). Further, because of gender-biased institutional norms, women have limited participation and access to rural organizations, such as farmer and producer organizations and water usage associations. Such organizations often require land ownership as an eligibility condition for membership. These unique challenges make access to finance a much bigger challenge for women compared to men.

This paper reviews the existing literature and summarizes the key issues and challenges regarding the access of women to financial services in the agriculture sector. Whereas more of the existing literature refers to credit, some parts of the literature emphasize the need for other financial services, such as savings, payment systems, remittances, insurance, and so on.

The paper demonstrates that there is a business case to be made for closing the financing gap between men and women in agriculture. It highlights some examples of various private and public initiatives that aim to achieve greater economic growth in agriculture by closing this gap.

Closing this gap requires a call to action by policy makers, the private sector, and civil society to prioritize, advocate, and devise solutions for reducing and eventually closing the gender gap in agriculture. Before presenting the issues regarding access to finance, it will be important to set the stage by outlining the role of women in agriculture and the gender asset gap between men and women in rural areas. It is important to consider these two components before identifying solutions for improving access to finance for women in agriculture.
The Role of Women in Agriculture

To date, there has been considerable work done in presenting and analyzing gender issues in agriculture. Recent publications by the International Food Policy Research Institute (IFPRI), the Food and Agriculture Organization (FAO), The World Bank, Women’s World Banking, Root Capital, the United States Agency for International Development (USAID), the German Agency for International Cooperation (GIZ), the United Kingdom’s Department for International Development (DFID), among others, have shown the important role that women play in the agricultural sector, but highlighting also their unequal access and control, relative to men, to productive resources, assets and opportunities.¹

Women’s World Banking has characterized women’s contributions in agriculture as often invisible, despite women fulfilling a wide range of roles within the household, from doing housework, taking care of the children, working alongside their male counterparts in farming, and supplementing family incomes with side activities (on and off of the farm). Women in agriculture-dependent households are responsible for nutrition, health, education, income generation, child rearing and caring for the family elders. In rural areas, this situation is aggravated by poor or limited basic infrastructure that could facilitate access to financial and produce markets.

Women’s workload and lack of time is often a limiting factor for their full participation in work other than housework activities. It also affects their ability to start or expand a business and request financing. In addition, it is important to consider the intra-household dynamics. Sometimes women’s improved income or financial independence could generate some tension within families, which could be mitigated by encouraging an open dialogue between men and women in the family². An open dialogue can also contribute to raising issues of more balanced contribution between men and women in housework that may free time for women to engage in other activities.

Table 1 summarizes the variation in the roles that women play in agriculture stemming from a more passive role of contributing mostly in terms of housework and some subsistence farming, to being a collaborator (but likely not an equal one) in the family farm, to one that is in full control in the running and management of the farm. In addition to the housework and collaborating in the main activity of the family farm, women are often involved in additional activities that can add up to potentially significant contributions to the family income. For example, women often have a patch of land where they grow and sell vegetables and spices, prepare and sell some foods (jams, cheese, yogurt), and tend their own livestock (chickens for eggs, goats/sheep for milk and cheese). In addition, they sell handicrafts to local markets, work in adjacent farms, or have a small convenience shop in the village.

What studies have found is a disconnect between the economic and financial contributions of women to the household and their perceived role (Women’s World Banking Report 2014). Even these same women underestimate how much they contribute and have difficulty seeing themselves as entrepreneurs. This is also reinforced by certain cultural aspects and norms that create disincentives for women in rural areas to engage in entrepreneurial activities (see Box 1). Both men and women often view the role of women in agricultural-dependent households primarily in terms of housework and helping the male farmer.

However, anecdotal evidence and research findings by the World Bank and the FAO, among others, have shown that women often contribute a significant amount of

¹ According to FAO statistics, women account for 43 percent of the agricultural labor force in developing countries, although in some countries, they account for more than 50 percent, among them, Bangladesh, Burkina Faso, Cameroon, China, Mozambique, Nepal, Nigeria, and Zambia.
² In Zambia for example, private sector companies provided family counseling to help men understand the benefits of women’s income through employment or contract farming.
Incomes to their households. For instance, there is the case of a couple in Latin America where the husband raised the cattle and the wife sold cheese and eggs. The main revenue was thought to be from the husband’s cattle, but after assessing the household, it was discovered that the small but frequent sales of cheese and eggs actually comprised 61 percent of the household income.

Financial institutions that apply the usual assessment of borrowers (such as those done in urban areas for small businesses) often can miss the financial contributions of women in agricultural household production. A better understanding of the role of women in rural households and exactly how these women contribute to the household income would enable financial institutions to better identify financial needs and products to offer, as well as, better assess the creditworthiness of the particular household. In addition, understanding that women lack time will enable financial institutions to explore alternative delivery channels to provide financial services that do not require women spending a lot of time accessing them.

In addition, the literature points out that women’s financial needs go beyond credit. Savings play a very important role in women’s empowerment and welfare improvement. Product design, outreach and delivery — and in particular flexibility, convenience and confidentiality in savings as in the other products — are key for product uptake.

Insurance is an important mitigating tool for women. Women also purchase insurance for themselves as well as other members of their household, although the literature review indicated that not much is known about how women benefit from micro-insurance in terms of household risk management. Regarding remittances, women are important recipients, senders and managers of remittances. Technology-facilitated remittances reduce the risk of theft and even increase privacy for women. Further, the use of mobile payment and mobile banking systems are also very relevant for women clients. These channels help to reduce transaction costs by making transactions faster and more quickly accessible to women clients.

Table 1: Women’s Role in Agriculture Dependent Households

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributor</td>
<td>Focuses mostly on housework, caring for the family and children, and involved in some subsistence farming.</td>
</tr>
<tr>
<td></td>
<td>Unsure on how to start and run a commercial activity, less educated, very little time devoted to commercial activities, if at all.</td>
</tr>
<tr>
<td></td>
<td>Has little mobility and no decision making or control over the use of household resources and assets.</td>
</tr>
<tr>
<td>Collaborator</td>
<td>The farm is jointly managed, and most of the woman’s work is related to work on the farm. However, women are also still taking care of housework and family activities.</td>
</tr>
<tr>
<td></td>
<td>Participates in decisions around farm activities, use of resources and assets.</td>
</tr>
<tr>
<td></td>
<td>May have a small side business (could be within the farm) where she has a bigger/main role.</td>
</tr>
<tr>
<td></td>
<td>Interested in growing her business, but sees it too small to be bankable.</td>
</tr>
<tr>
<td></td>
<td>Has limited mobility.</td>
</tr>
<tr>
<td>Sole or Main Proprietor</td>
<td>Has her own income-generating business in agriculture, which she manages and controls.</td>
</tr>
<tr>
<td></td>
<td>Provides input into family financial decisions and asset usage.</td>
</tr>
<tr>
<td></td>
<td>Wants to invest more and grow the family business and assets.</td>
</tr>
</tbody>
</table>

Source: Adapted from Women’s World Banking Report (2014).
Recent work by IFPRI and the International Livestock Research Institute (ILRI) has identified the importance of assets as key to both accumulating wealth and reducing poverty, as well as managing risks. (IFPRI and ILRI 2013). Their research shows both commonality and variation in men’s and women’s assets. Whereas the type and number of assets held together and individually varies from country to country, it was found that men typically have more control over higher value and larger assets compared to women. For instance, women typically own and control lower value assets, such as small livestock animals.

According to a United Nations (UN) study, barely 20 percent of rural women are owners of a piece of land that they cultivate. Results from projects in the field suggest that women’s ownership of land and decision-making ability about its use affects the adoption of new agricultural varieties and improved practices. It also impacts their ability to control the income from the home vegetable plots or from small animals (for example, from chickens, goats). In another project, the women’s participation in a dairy value chain increased significantly by locating collection points closer to production points, thereby addressing the limited mobility and scarcity of time faced by women dairy producers.

The gap between men and women regarding ownership and control of physical assets also influences women’s ability to access finance. For example, banks typically look for traditional fixed assets, such as land and building ownership to pledge as collateral. In the minority of cases where women do control land or buildings, they may be reluctant to pledge them as collateral toward a loan to grow their business. If there are problems with the loan, they fear they may lose the

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3. See UN (2014). The report also states that only 10 percent of women in rural areas own the land that they cultivate in North Africa, West and Central Africa and the Middle East.
overall wellbeing. For the majority that do not own the land or buildings, banks will not typically consider the lower value assets in the credit risk assessment. This may leave women relying on informal credit sources or very small loans from microfinance institutions that may limit their ability to expand their business.

Women’s limited ownership and control over assets is not only restricted to physical capital. Women also need to develop their human and social capital in rural areas. Training initiatives typically target male farmers, and producer organization structures are also geared more toward male membership and management.

It is often quoted that female farmers receive only 5 percent of the extension services and only 15 percent of the extension workers are women. Only 10 percent of the aid to agriculture targets women farmers. Furthermore, women have less access to technology, inputs and training. This gender gap in access to resources contributes to the often quoted yield gap of 20-30 percent between men and women farmers. 4

Studies have shown the importance of investments in human and social capital for women farmers. On the human capital side, training programs that are designed to address the time constraints of women and offer opportunities for group-based networking have shown some promising results. On the social capital side, projects have introduced the formation and management of different types of producer organizations. For example, Catalina, a coffee producer cooperative in Guatemala associated with Café Feminino (a social-business brand marketing coffee from women) has given the cooperative incentives and resources to offer better prices, training and credit geared toward female members. This has generated greater participation of women in the organization, including more leadership positions.

Recognizing the importance of women in agriculture, several value chains have initiated specific programs that follow the main principles for gender-equitable value chain participation.5 In addition to social entrepreneurs, large local and multinational buyers are recognizing the importance of women in agriculture, including their contributions to value chains. Indeed, there is a clear business case to be made for closing the gap between men and women farmers.

Programs focus on training and providing benefits to women who are producers and suppliers in these value chains. For example, Starbucks works with Conservation International to help women farmer groups cultivate shade-grown coffee in Chiapas, Mexico. Training focused on inter-cropping coffee with fruit trees and other shade-tolerant plants yielded

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4. See FAO (2011). Most studies attribute the yield gap to lower levels of input use, such as input and mechanization usages.
5. The main principles that are often mentioned include: (i) address power relations and task/chore distribution in households; (ii) encourage equitable distribution of housework between men and women; (iii) reach out to women without alienating men and build male support; and (iv) raise awareness and partner with both men and women on the ground to raise the gender agenda.
higher income for the women. Land O’Lakes is working with women cooperatives in Kenya to enhance their farmer level dairy production, milk handling, and financial management. Land O’Lakes also facilitated the purchase of a new milk cooling tank. In its value chain projects, it performs gender analysis and integrates a gender lens throughout the project life cycle. They report that in some of their country programs in Africa, women tend to be better than men in dairy quality control, animal care, and delivering higher quality milk. In its work with value chains, Root Capital, a non-profit social investment fund, has developed a gender scorecard for the producer organizations with whom it works. They offer lending and financial advisory services as tools to increase the impact on women in value chains. In another example, Unilever trained women farmers in India in sustainable agricultural practices.

These are amongst the examples of international companies’ value chains which are seeking ways to increase the participation of women because they see that this improves the overall functioning of their value chains. Many development organizations seek to work with such inclusive value chains or intentionally select value chains that have prospects for higher women participation.

Improving women ownership and decision-making control over the use of assets, and increasing their human and social capital could lead to improved agricultural practices and potentially higher incomes. Also, experiences in the field demonstrate that programs to integrate women into value chains could improve the functioning of the whole value chain.

Providing Finance for Women in Agriculture

Women and men face similar risks and barriers to accessing financial services in the agricultural sector. However, only in the case of women, they face them more acutely (see Table 2 for success factors in agrifinance). The invisible role of women in income generation in agricultural households, the limited ownership and control over assets, the low levels of training (compared to male farmers) and low levels of participation in producer groups, are often presented as important impediments to women in accessing finance. The lack of access to finance, along with lack of training, becomes a limiting factor in women accessing better inputs and achieving higher yields.

Several studies have found that women farmers achieve lower yields than their male counterparts. Differences are attributed to four categories:

- Human capital and technology: limited access to knowledge regarding cultivation practices and limited access to extension.
- Limited access to finance, which lowers the ability to purchase higher quality inputs, invest in mechanization, draft animals and hired labor.
- Less favorable land quality, size and land tenure arrangements, which make it difficult to access investment capital.
- Competing, multiple demands with child care and housework.

Research has also found that women farmers often achieve a somewhat lower price than their male counterparts when they sell their crops. Their pattern of selling is quicker, with less information on prices ahead of the sale (partly because

6. Shade-grown coffee is often associated with greater environmental benefits (for example, lower use of chemical inputs) and could command a price premium. Inter-cropping with shade tolerant crops provides additional income.
7. For example, see Baffes and Maratou-Kolas, 2013, and FAO (2011).
they have limited time to look at market prices). They also spend the proceeds faster, indicating that they need to cover family-related expenses more urgently than their male counterparts.

The highlighted categories create unique obstacles for women in accessing credit in the agricultural sector for either for the short or longer term. Nevertheless, there are examples of successful initiatives by financial institutions to extend credit and other financial services to women clients in the agricultural sector. These financial institutions realized that this market segment is underserved and that women clients can be lower risk, more loyal, purchase multiple products and are overall quite profitable for financial institutions. The key question remains how to further expand women’s access to finance by removing the obstacles that prevent women in agriculture from accessing such services.

Lessons learned can come from looking at the experiences of those financial institutions that have broadened their offering of products and services to women clients in agricultural areas. There are several experiences to mention here, but this paper will focus more on the experiences from the Women’s World Banking, Root Capital/Multilateral Investment Fund (FOMIN) and World Bank/International Finance Corporation (IFC) projects because these experiences are found also among other financial institutions focusing on serving women in agriculture.

The experiences highlight three key areas that can make a difference on how a financial institution approaches women clients in agriculture:

- Market research to understand client needs.
- Offering the right products and services based on market research.
- A dedicated implementation strategy embedded with a gender lens.

8. FOMIN is the Spanish acronym for the Multilateral Investment Fund (Fondo Multilateral de Inversion) of the Interamerican Development Bank.
Market research to Understand Client Needs

Market research that focuses on understanding and analyzing the role of women in agricultural-dependent households is critical to serving this segment well. As noted, women’s role in agriculture is often invisible and undervalued. The Women’s World Banking reports about their projects find that often women contribute small amounts to the household income coming from relatively small activities. However, these small incomes could add up, and indeed account for a sizeable percent of the total household income. Thus, it becomes very important for financial institutions to identify and analyze carefully what women contribute to the household for two key reasons.

First, household incomes can be higher than originally thought with these smaller but more frequent incomes contributing to seasonal cash flow as compared to a larger but lumpier cash income coming from the main crop once or twice a year. Second, financial institutions can find an opportunity to lend to the woman farmer to expand and grow something that now appears to be a small business into something that potentially could become a much larger business. Financial institutions have thought about offering a second loan to the household to grow these small businesses by the woman. However, this may not be as easy as it sounds since research also shows that women tend to be modest about growing their business. They perceive their businesses as too small to take on a loan, and believe that their assets are not good enough as a basis for sufficient collateral. Also, women tend to have limited experience in taking loans and working with financial institutions.

It is important also to recognize that women are a significant source of labor in agriculture (FAO 2011). Developing credit products that allow investments in labor savings technologies could reduce the work load for women, enhance overall farm productivity, and free precious time for other activities.
Offer the Right Products and Services Based on Market Research

The appropriate loan and credit policies. Women’s World Banking reports that their work with three financial institutions in Latin America showed that research was critical in designing or modifying a loan product. In some cases, it led to designing products tailored for specific crops or activities, whereas, in other cases, it was about making sure that both men and women would be eligible for such a loan. It also meant that the financial institution might need to modify its policy to have one loan per household, or require the spouse to sign for a collateral or a guarantee. Therefore, it enabled some financial institutions to move beyond requiring “hard” collateral (for example, land or equipment/machinery) and rely on cash flow analysis for certain amounts of credit to go to women farmers. In terms of loan design, accounting for events in the life cycle of women can have an important impact on the ability to service the loan. For example, the use of grace periods when women may not be capable of being fully active on the farm should be considered.

World Bank work in gender and rural finance suggests that financial institutions could initially consider offering a smaller loan to women to invest in smaller assets or income-generating activities that yield returns in a short period of time. This would help to address and allay women’s possible risk aversion and limited experience with larger assets and larger income-generating activities. This is consistent with many experiences where the initial financing for women often comes from microfinance. However, it is recognized that women need longer term and larger loans to build assets and to invest in bigger farms or non-farm activities. Larger sums may be needed for women to graduate from small-scale activities to larger businesses.

Experience has also shown that financial institutions need to consider providing loans to households to meet the educational expenses and/or social obligations to maintain the household’s social capital and the well-being of the children. As both men and women gain access to these loans, experience has also shown that it may strengthen the men’s responsibility for children and relieve some of the burden of childcare from the women—thereby freeing their time for other activities.

Offerings beyond loan products. Financial institutions also point out that, whereas credit is important, it is not the only thing that most women clients and households involved in agriculture need. Clients engaged in agriculture need financial products that build and protect incomes and assets. This includes access to savings accounts, health insurance, crop and livestock insurance, payment systems (for example, bills, remittances) and pensions. Two of the more cited resources in the literature concern non-credit products for women, such as savings and insurance.

For poor women, access to safe places to save and build assets can be as important as access to credit. Women often are the cash managers of their households, juggling their daily activities while ensuring that school fees and other family expenses are paid promptly. According to Women’s World Banking research and experience, women require a variety of savings mechanisms to meet their needs. They require flexibility to save small and irregular amounts, as well as quick access to their funds when emergencies arise. Yet they also need to look at ways to make some savings perhaps less accessible to reduce the temptation to spend or lend to others. They need saving mechanisms that could bring discipline to help them save larger amounts over time or to save for specific goals. Among the barriers to savings

9. For gender issues in designing loan products, see Mayoux (2008).
10. This is also the more general problem of the missing middle: beyond access to small loans from microfinance institutions (MFIs), in many countries, small businesses face significant constraints in accessing larger loans to grow.
that is often mentioned is the irregular income and small amounts of savings. In this context, there is also the added inconvenience of using a bank due to the distances involved and attendant time constraints. Informal alternatives may be more convenient, but often come with risks. Women’s World Banking experiences with four financial institutions in Colombia, the Dominican Republic, Kenya and Pakistan point to four important factors for successfully launching saving products: (i) research to develop savings products that better serve women; (ii) use marketing and branding to change perceptions; (iii) develop institutional capacity to promote multiple financial products (for example, beyond loans); and (iv) develop new distribution channels to promote savings (Women’s World Banking 2013).

The literature review has revealed that micro-insurance is an important tool for poor women in dealing with risks. Risks and shocks of various types can have a negative impact on the poor, particularly poor women, as their earnings are often irregular. Indeed, sudden death or illness can lead to persistent and cyclical poverty (Mehra and others 2014). Among emerging markets, there are many micro-insurance initiatives relating to health and weather risks, but these have not been evaluated for their impact on women.

According to an International Labour Organization (ILO) estimate, there are around 500 million people currently covered by micro-insurance in the world’s poorest 100 countries, including Brazil, Mexico and South Africa (Mehra and others 2014). However, not much is known about how women benefit from micro-insurance. Mehra and others (2014) who reviewed this literature found no rigorous evaluations that assessed the impact of micro-insurance on women’s economic outcomes. In fact, the existing empirical evidence on how micro-insurance affects clients’ ability to cope with shocks is also very limited, and studies on crop or agricultural insurance do not disaggregate by gender. This is an important knowledge gap for a service that can be crucial for women who are poorer and more vulnerable.

Beyond designing and offering such financial products, clients often need the services that support these products. Most clients in the agricultural sector, and particularly female clients, have very limited access to financial education. In this context, financial institutions need to build this service into their products and services. The lack of financial literacy and education is a very important barrier to women’s access to finance. There is a need for improved financial literacy training to educate women on issues, including explaining financial services and their benefits, household budget management and planning, and managing savings.

In addition to financial literacy and education, agricultural clients, particularly women, need advice on how to build and grow their business. For instance, they need technical assistance on how to increase their yields, grow potential new higher value crops, and how to protect their crops from diseases and other calamities. Providing training courses in partnerships with non-governmental organizations (NGOs) and/or off-takers could become an important factor in better serving both male and female farmers.

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11. For some examples, see Fletschner and Kenney (2011).

12. Off taker in this context of agricultural markets means a lead buying agribusiness firm that has contact with farmers producing for its value chain.
A project study by Root Capital and FOMIN found that women face constraints in joining producer organizations/cooperatives and accessing the benefits of such memberships. (Root Capital and FOMIN 2014) The study finds that when women join cooperatives, they and their households benefit. However, it also finds that women participate significantly less in cooperative governance, leadership and decision making. The study argues that supporting such cooperatives is a way to reach and benefit an important subset of women farmers. It presents some ideas on how cooperatives could address challenges to include and benefit more women in their communities, including:

- Targeting agronomic training to women farmers;
- Supporting women in land acquisition;
- Considering offering an economic incentive such as some price premium;
- Encouraging women’s participation in decision making and leadership roles; and
- Encouraging women to participate in middle-management positions.

Root Capital is an interesting case because, in addition to providing loans to producer organizations, it also delivers financial training and strengthens connections between smallholder farmers and growing agribusinesses. Root Capital is looking to increase women’s participation in producer organizations, realizing that women are underrepresented in these organizations—and that their voice could improve the overall functioning of such organizations.

**Provide alternative delivery channels.** Understanding better the needs of women also brings to light the reach of traditional delivery channels. Women are very short of time given that they have multiple tasks in the agricultural household. This also limits their mobility to travel distances to access financial services. They will need financial institutions to offer services that can be accessed without spending a lot of time going to a rural branch. Their transactions at times can be small and the cost of transportation to a financial institution could outweigh the benefits.

Financial institutions are responding to this challenge by using mobile officers and agent banking services which includes both non-bank correspondents (such as kiosks offering limited banking services) and merchants with point-of-sale (POS) capabilities. Introducing delivery channels that can serve women (and men) in agriculture while keeping costs down is a critical challenge. Mobile and agent banking combined with the use of technology hold a lot of promise in this area.
Embed a Gender Lens into Implementation Strategies

An implementation strategy for financing women in agriculture is quite similar to a strategy to improve access to finance for agriculture aimed at both men and women. From recent IFC research, there are several factors required for introducing financial products for agricultural-dependent households. These range from understanding client needs, to product design, risk management, types of lending officers, and marketing, among others. These factors are also presented in Table 2 of the Annex in this report.

However, as discussed earlier, women face unique challenges (more than men) that require that a strategy with a “gender” lens to address them. A recent World Bank Group study on supporting women in agriculture with information and communications technology (ICT) revealed that a gender analysis was critical to not only understanding differences between men and women, but also in understanding the enormous differences in needs within the group of women—sometimes greater than those between men and women. An effective gender lens builds on understanding the specific needs of women clients and includes: staff training, tailored external communications, senior management buy-in, data to back up the business case, and patience.

Gender Training — staff training beyond the traditional credit analysis. For agricultural lending, it is critical to train loan officers in assessing crop and overall household cash flows, analyzing the risks, and designing payments that meet the cash flow of the household. This means that products may need features such as bullet payments of principle after the harvest, as well as an assessment of whether the household has additional sources of frequent revenues to meet interest payment and living expenses before the main harvest.

The experiences of several financial institutions in agriculture indicate that there is a need for specialized loan officers, including agronomists who are able to understand and assess the needs of farmers. In several cases the agricultural loan officer can be the provider of financial products as well as an adviser. Loan officers can be trained regarding gender issues in rural homes, whereby they are able to ask the right questions to fully understand a woman’s financial contribution to the household. In this regard, they can develop the ability to navigate situations where a woman may not feel comfortable sharing the whole picture of contributions. This gender lens in training can enable loan officers to assess the woman’s contributions to the household cash flows. Indeed, loan officers need to pay extra attention and be able to measure how much women contribute to the income of the household. The loan officer also needs to be able to evaluate the potential growth of a relatively small business operation by the woman, and what might be achieved through funding and perhaps some advice to grow this business. This means considering a specific second loan for the household and/or other financial tools that can harness these small and irregular cash flows for payments, savings, layaways, transfers, and so on.

Tailored messaging and appropriate communication channels. Research has shown that women often obtain their information through informal channels and social networks.

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13. For a detailed study of MFIs in rural areas about what is required to provide financial services to agriculture, see IFC (2014).

14. While the above referenced IFC study focuses on the experiences of microfinance institutions, these lessons and factors of success are also applicable to any financial institution that wants to develop financial products for agricultural dependent households.


16. One lump sum payment of the principle
The Women’s World Banking experiences in Latin America indicate that financial institutions showed improvements in marketing to women in agriculture, primarily by reducing mass market communications and relying more on word of mouth and/or using community events and community social networks to disseminate information about their offerings. Some examples of the use of communication material that attract the attention of potential women clients in rural areas include: radio series and radio jingles, brochures that present messages in a simple manner and with illustrations, community events to encourage networking with existing clients, and referrals from clients in good standing (see Box 2). Finally, case studies have indicated that women are adverse to hard selling tactics, need more time to think and need more information upon which to base their decisions.

Institutional commitment at a high level. An element that is critical to the success of programs to providing financing to women in agriculture is an institutional culture that values women as clients, from the Board of Director members, to senior managers, to loan officers that can provide support along the way to grow women’s businesses. This is not an opportunistic strategy, but rather a longer term commitment that comes with dedicated resources and specific targets. It should form part of the institution’s strategy to serve agriculture and within agriculture for women in this sector.

Experiences from field projects have shown the need to have dedicated training for field staff promoted and supported by senior managers. Having a dedicated senior manager to oversee the agricultural portfolio a particular focus and target on women clients has also been important. The results from the Women’s World Banking institutions in Latin America indicate that re-orienting staff to serve new market segments sometimes hits cultural barriers and norms, and requires constant reinforcement from the top. Leaders of financial institutions talked about the ongoing need to emphasize to their staff that while it may require some additional effort in the near term, there are significant business and social benefits in serving women clients.

Data and targets and metrics…and the business plan. Getting into new market segments requires a financial institution to set appropriate targets and metrics to track progress and make necessary adjustments. Management Information Systems (MIS) need to account for tracking new products and new client sub-segments, including women. Such systems should also track, among other things: repayment rates (for example, to show that women may be low risk clients), products per client (for example, to show that women may buy more products), loan renewal rates/repeat clients (for example, to show that women may be more loyal clients), and so on.

MIS systems can also be used to track loan officer productivity and outreach to ensure that clients are well served. Targets for growing the business need to be set and monitoring the profitability of the women business sub-segment also needs to be tracked. However, targets will not be achieved overnight and it is important for an institution not to set aggressive targets to grow their women sub-segment business. Also, targets and staff bonus systems need to be adjusted so as to not disincentivize loan officers who may want to focus on an “easier business” that they currently know and can do without much of extra effort. As for financing women in agriculture, new incentives need to be created and targets adjusted for loan officers to encourage them to grow this new business, which may take a bit more effort and may grow a bit more slowly, at least initially.

17. Mediae is a company which produces both Shamba Shape-up (a “makeover” reality TV show for small farms in Kenya that highlights agricultural best practice) and Makutano Junction (a soap opera that promotes financial capability). A story line on Makutano Junction in particular has apparently been quite successful at getting women into the banking system. Banks even copied the “Welcome, Women!” banner used by a bank in the program to attract new female customers, and it seems to have worked. In just three months, the show claims that it was able to get 156,000 women to open bank accounts.

18. See quotes from leaders of financial institutions, courtesy of Women’s World Banking in Annex Table 4.
Box 2: A Soap Opera Encourages Women to Save

In an effort to persuade low-income women to open savings accounts, Women’s World Banking partnered with the popular educational Kenyan television drama, Makutano Junction, to promote its “Nawiri Dada”, or “Sisters Achieve” campaign. Set in a traditional Kenyan village, Makutano Junction is produced by the Kenya-based organization Mediae. It uses a soap opera format to educate viewers on important social issues. The show, which airs on the country’s largest channel, reaches 6-8 million viewers each week and features characters and storylines that relate to most low-income Kenyans.

The motivation for “Sisters Achieve” emerged out of research indicating that unfavorable perceptions of the affordability and value of formal financial services, coupled with innumeracy and illiteracy, discouraged low-income women from opening bank accounts. Women’s World Banking drew upon this research to collaborate with Mediae in order to develop a six-episode storyline for Makutano Junction. It featured a bank branch manager who launches a campaign to motivate women to save. The fictional campaign, also entitled “Nawiri Dada”, included a logo, banner, and motto (“Grow, Save, and Achieve”) that was then used at real-world partner bank branches in Kenya. At the end of each episode, a cast member would mention the show’s three partner banks (Equity Bank, Kenya Women Finance Trust DTM, and Family Bank), and encourage viewers to visit one and open an account.

Impact studies conducted following the campaign revealed the power of the media to promote financial behavior change: Among viewers of Makutano Junction, an estimated 138,000 low-income women opened accounts over the course of the campaign. By contrast, there was no measurable change in account ownership among non-viewers. These studies also found an increase in account activity, a reduction in the frequency of account withdrawals, and a greater use of banks to save among low-income female viewers. Importantly, most viewers who opened an account as a result of the Nawiri Dada campaign cited Makutano Junction as a key factor in their decision to open an account, with 38 percent citing it as a primary reason and 62 percent citing it as a secondary reason.

**Patience to grow businesses.** Women have different preferences than men regarding how they buy and use financial products. They also require more information and often discuss and consult with others in their family and social circle before making a decision. It is often mentioned that women can be more conservative and invest in their business only when they are sure they can grow their business and repay the loan. Often, women could finance the early stages of their business ventures through their own and family resources before attempting to get a loan from a bank at some later stage. They are also less likely to pledge either their own or family assets due to the fear they cannot repay the loan, and that these assets would be repossessed by the financial institution. Additionally, women tend to do business through relationships. The time it takes to develop this relationship is an investment in potentially capturing not only the woman’s agricultural financing needs, but also those of her family and side business.

Understanding how to serve women clients requires focus and patience because this business will not grow overnight. Within an institution this usually requires a transformation process because certain things need to be done differently. It is reported that several financial institutions initially considered women clients as risky because what they were doing was mostly informal and such information was not in their systems. Therefore, credit evaluations were difficult. The reliance on formal loan collateral and proof of revenues is much more difficult for women clients. Instead, successful financial institutions found that they needed to develop a better understanding of the activities of women. Specifically, they need to analyze their work and incomes, even though a lot of this is informal and without hard proof.

Successful financial institutions showed that developing a good understanding of what it takes to develop a new business model to serve women clients, carefully planning and implementing the next steps, and being patient in growing this business can be critical to success. A lot of this stems from understanding the activities, roles and needs of women clients within agriculture-dependent households. However, it is also important to understand and account for cultural norms when developing this new business.
Concluding Remarks

Reviewing the experiences and literature thus far, a number of papers have been written about the role of women in the rural and agricultural sector. However, most of the literature has been done from the angle of women’s empowerment, their roles and contributions, and participation in agricultural value chains. Less has been written about access to finance issues, particularly focusing on financing women for productive activities in the agricultural sector.

Comparing various experiences across a number of institutions that have experiences in serving women clients in the agricultural sector shows that the same areas and issues that make an institution successful in serving agricultural clients also make this institution successful in serving women clients in agriculture. However, although this is a pre-condition, it is not the only one. In addition, for an institution to develop capabilities in serving agricultural clients, it needs to identify what the role and contributions of women are in agricultural households. Further, the institution needs to adapt this understanding to products, services and delivery channels accordingly. It needs to apply a “gender lens” and see within an agricultural household how women contribute since their role often tends to be underestimated, including by themselves.

Understanding the roles and contributions of women in an agricultural household would enable improved risk assessment of the whole household. It would also present new opportunities to offer financial services to women clients to grow their business and purchase additional products for the household, such as establishing savings accounts, buying insurance products and pension annuities, among others. Annex, Table 3 highlights the key areas for an institution to adopt to develop its business in financing agricultural households, including what specific adjustments in each of these areas need to be made to enable an institution to focus on attracting women clients in agriculture. Adding women as clients requires senior management and shareholder prioritization, allocation of resources, training, planning, data/metrics and patience in growing this long-run profitable new business sub-segment. It requires a financial institution to perceive women as valuable and profitable clients, to fully understand their needs and preferences and to strategically target these needs.

Action expresses priorities. Despite the challenges presented in this paper and various solutions being implemented, the potential to achieve greater economic growth by closing the financing gap for women in agriculture is very significant. Financial institutions alone cannot provide the solution. Indeed, governments and policymakers can influence the establishment of an investment climate favorable to rural women. Public-private cooperation is also necessary to establish an enabling environment to address the human and social capital needs of women.

Some specific actions for international organizations, donors and policy makers to improve the access of women to finance in the rural areas and agricultural sector are as follows:

• Promote the production of statistical data that quantify the access to finance by women in rural, agricultural areas by including both formal resources as well as informal ones. Currently, statistics on financial inclusion in rural areas, even from formal resources, are very weak. Even if they exist, however, they are not disaggregated by gender.

• Mainstream access to finance issues by women in rural, agriculture areas. Incorporate them into national financial inclusion strategies, and specific programs and projects aimed at promoting development in rural and agriculture areas. Recognize that identifying and addressing particular issues and constraints for women in rural areas/agriculture could potentially unleash greater developmental impact in the agricultural sector and in rural areas in any country.

19. For an example of specific and detailed recommendations based on case studies in four countries in North Africa, see UN (2014).
• Promote women’s legal, economic, political, social and cultural rights. Women’s access and control over assets, cultural norms about their role within a rural household, improved education (financial as well as technical), and so on, are key issues that need to be addressed along with efforts to improve their access to finance.

• Create information programs, training and awareness raising at all levels to sensitize the population — both men and women — about the societal value and benefits of improving women’s rights and empowerment.
Table 2: Factors for the Successful Introduction of Agricultural Finance

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Knowledge of the client.</strong></td>
<td>Although this is important for any lending operation, it is particularly critical for MFIs interested in entering the smallholder lending market to understand the differences between their traditional urban and rural clientele, as well as smallholder farmers.</td>
</tr>
<tr>
<td><strong>Flexible products.</strong></td>
<td>Smallholder lending is not one of uniform offerings. Loan tenor, disbursement, and payment terms need to be adaptable to the diverse profiles of smallholder borrowers.</td>
</tr>
<tr>
<td><strong>Cash flow analysis of the household production unit.</strong></td>
<td>Analyzing the household production unit both allows for matching payment terms to cash flow, and provides a more accurate analysis of the payment capacity and true risk of lending to the smallholder.</td>
</tr>
<tr>
<td><strong>Diversified risk management tactics.</strong></td>
<td>Agricultural lending risks are diverse and need to be mitigated in a variety of ways. MFIs can use a variety of tools in risk management, including: close, field-based client monitoring; portfolio diversification; conservative cash flow analysis; and credit bureaus and credit scoring. In addition, the study findings suggest that an MFI’s collateral should be commensurate with loan sizes and other risk factors, such as client repayment history, crop diversification, and non-agricultural sources of revenue.</td>
</tr>
<tr>
<td><strong>Use of specialized credit officers.</strong></td>
<td>Hiring credit officers with a background in agriculture is generally considered critical. The introduction of additional, specialized staff positions to support portfolio quality may also be necessary.</td>
</tr>
<tr>
<td><strong>Adaptation of loan officer remuneration to incentivize smallholder lending.</strong></td>
<td>Establishing distinct targets for agricultural and commercial portfolios, and/or adjusting the agricultural targets for seasonal variations, may help to incentivize those loan officers conducting agricultural lending.</td>
</tr>
<tr>
<td><strong>Automation of data capture and credit analysis.</strong></td>
<td>Prudent agricultural lending requires the collection and analysis of a significant amount of client, production, and price data. Automation can reduce errors, increase efficiency, and support faster portfolio growth, as well as improve loan application assessment.</td>
</tr>
<tr>
<td><strong>Customization of marketing materials to reflect the target market.</strong></td>
<td>Incorporating images of target clientele can help overcome the mistrust that smallholder farmers often have of financial institutions, including their presumption that financial institutions are not interested in serving them. Local radio broadcasting (at suitable hours), informal events, targeted pamphlets (with door-to-door distribution), and word of mouth can also be considered.</td>
</tr>
<tr>
<td><strong>High-level buy-in.</strong></td>
<td>Successful smallholder lending requires products, approaches, and systems that are distinct from those for microcredit, which in turn, require different mindsets and investment in new tools and systems. In short, what is required is a strong institutional commitment and support by the most senior level management.</td>
</tr>
<tr>
<td><strong>A strong customer service orientation.</strong></td>
<td>Better client orientation can be achieved by providing rapid loan processing and disbursement, personal attention to clients, and customization of products, terms and services to match client needs. The provision of non-financial services is also key. MFIs can compete effectively with subsidized credit from agricultural development banks and differentiate offerings among themselves.</td>
</tr>
</tbody>
</table>

Source: Based on the findings from the IFC (2014) report on “Access to Finance for Smallholder Farmers: Learning for the Experiences of Microfinance Institutions in Latin America”.
<table>
<thead>
<tr>
<th>Area</th>
<th>General Agri-finance</th>
<th>Agri-finance for women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of the client</td>
<td>Understanding the agriculture business and the characteristics of agricultural households.</td>
<td>Understanding the role and contributions of women within agricultural households.</td>
</tr>
<tr>
<td>Product design</td>
<td>Flexible, repayments adjustable to crop cycles and seasonality.</td>
<td>Income from women activities could enable interest payments before the main crops are harvested. Also, consider a second loan to grow women’s businesses.</td>
</tr>
<tr>
<td>Credit risk assessment</td>
<td>Rely more on cash flow analysis of household incomes.</td>
<td>Do not overlook the seemingly small activities of women: income can add up to something potentially significant. Introduce more flexibility regarding the collateral requirement for women clients.</td>
</tr>
<tr>
<td>Marketing channels</td>
<td>Adapt to local conditions, rely on radio, pictorials/brochures, informal gatherings, networking events, door-to-door marketing.</td>
<td>Similar but ensure that the content/format/presentation of information would interest women clients.</td>
</tr>
<tr>
<td>Specialized loan officers</td>
<td>Officers need to have an agricultural background and local knowledge.</td>
<td>Loan officers (male and female) need to receive gender training to understand women’s roles and analyze their contributions in the rural household. There also needs to be more women loan officers.</td>
</tr>
<tr>
<td>MIS and targets plus bonuses</td>
<td>Systems need to track agricultural clients, performance, products, and so on. Also, set specific targets and bonuses for agricultural portfolios.</td>
<td>Systems need to identify and track women clients within an agricultural portfolio (loan performance, loan size, products purchased, profitability, and so on). Also, targets and bonuses need to account for extra efforts to build this portfolio, at least initially.</td>
</tr>
<tr>
<td>High-level buy-in</td>
<td>Agricultural finance as an institutional priority by the Board of Directors, senior managers and staff.</td>
<td>Serving women clients in agriculture as an institutional priority by the Board of Directors, senior managers and staff.</td>
</tr>
</tbody>
</table>

Source: Author of the present paper.
### Table 4: Quotes from Financial Institutions

<table>
<thead>
<tr>
<th>Quote</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>“We noticed that we were at approximately 14-18 percent women in our microfinance portfolio. This number has basically doubled now. And this is because we set it out as an objective to incorporate and make women visible and that is now a reality in our portfolio.”</td>
<td>Carlos Villamayor, Risk Manager, Interfisa Financiera (Paraguay)</td>
</tr>
<tr>
<td>“We believe it is extremely important to invest in this segment (women) because it is an untapped niche right now. Also, it is very important to give these women an opportunity and a chance for inclusion, because, on the one hand, it means good business and, on the other, it helps improve society.”</td>
<td>Aureliano Acosta, Regional Manager, Interfisa Financiera (Paraguay)</td>
</tr>
<tr>
<td>“We’ve seen great opportunity for reaching women, especially in the rural sector, that we know that due to the difficulties faced by the rural economy, traditional banking can hardly make it there.”</td>
<td>Teresa Prada, Executive Director, Fundacion delamujer (Colombia)</td>
</tr>
</tbody>
</table>

Source: Women’s World Banking.
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