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Financial needs of farmers in Benin and how financial institutions try to respond to them

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Abstract

In Benin, poverty and food insecurity are still mainly a rural phenomenon with a poverty rate of 44,2 % in rural areas vs. 31,4 % in urban areas. Generally, farm productivity is low. Smallholder farmers often lack the financial resources to invest in their farms to increase productivity. They lack the resources to mechanise, diversify or increase their production or irrigate their fields. They do not have the money, labour and inputs for it. The offers of banks and micro-finance institutions on the other hand are not always adapted to farmers' needs.

A team from INEF, University of Duisburg-Essen, analysed the needs and constraints of male and female farmers to invest in their farms in 24 communities in six Départments of the country. They looked into savings opportunities, investment preferences, risk avoidance, strategies to manage the repayment as well as the credit benefits of farmers. At the same time, the team looked into the offers of financial institutions regarding agriculture and the relations between farmers and financial institutions, which are quite often characterised by ignorance and mistrust.

The possibility to receive credits for agriculture does not only provide a huge potential for farmers to increase their yields and thus their income, but can also put them into the trap of repayment pressure and indebtedness. In case of repayment failure, they may have to take up another credit for repayment or even risk to lose their land. Innovative ideas and lessons are derived from the research results and can be adapted to other contexts to provide solutions for farmers and financial institutions.

Keywords: Agricultural finance, Benin, savings and credit, smallholder farmers