

# The Situation of Agricultural Financing in Benin. Requirements, Challenges, Actors



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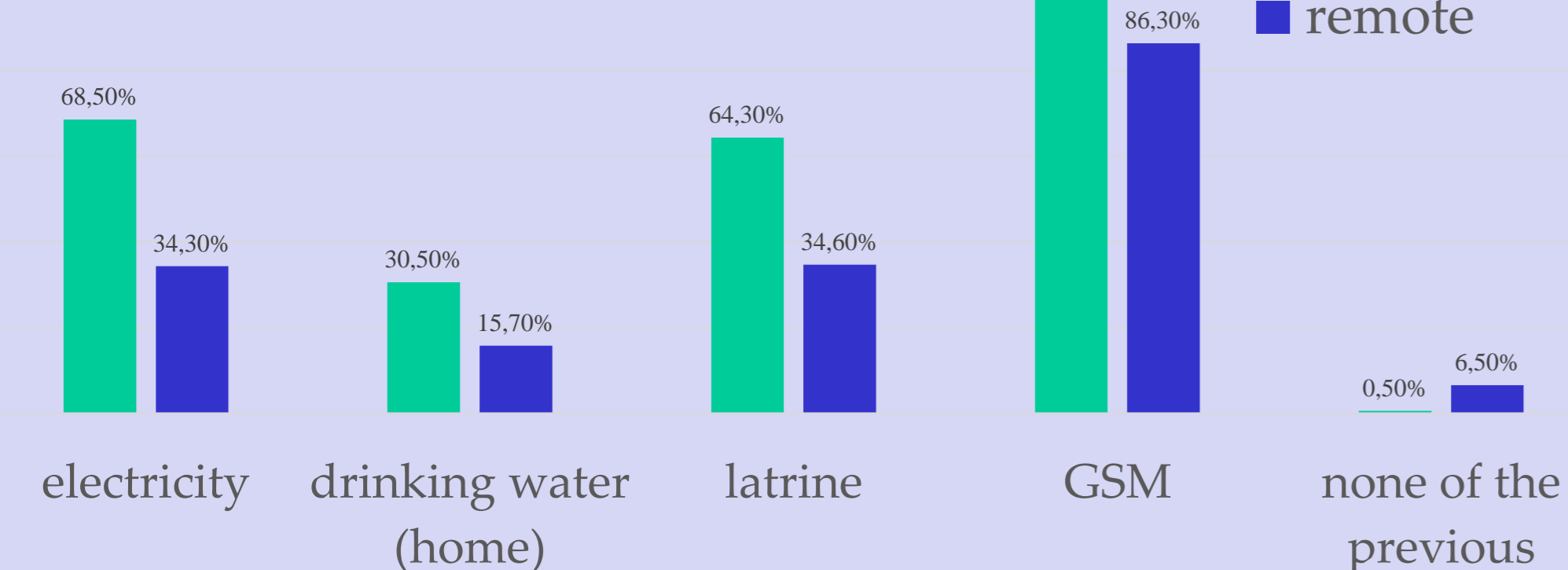
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## Background

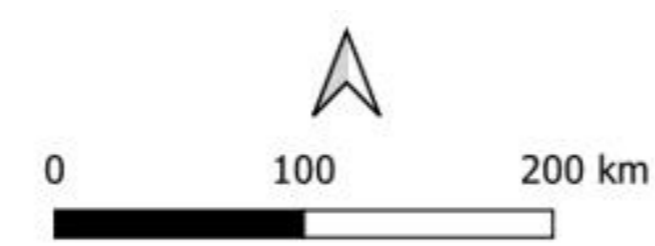
### Benin

- 70% of employment through agricultural production
- 25% are highly food insecure – 45% are vulnerable
- 7,6% undernourished (2018-2020)
- One-sided nutrition remains a crucial challenge; the high workload of women worsens the problem
- Worsening security situation in the North
- Average field size: 3,3 ha

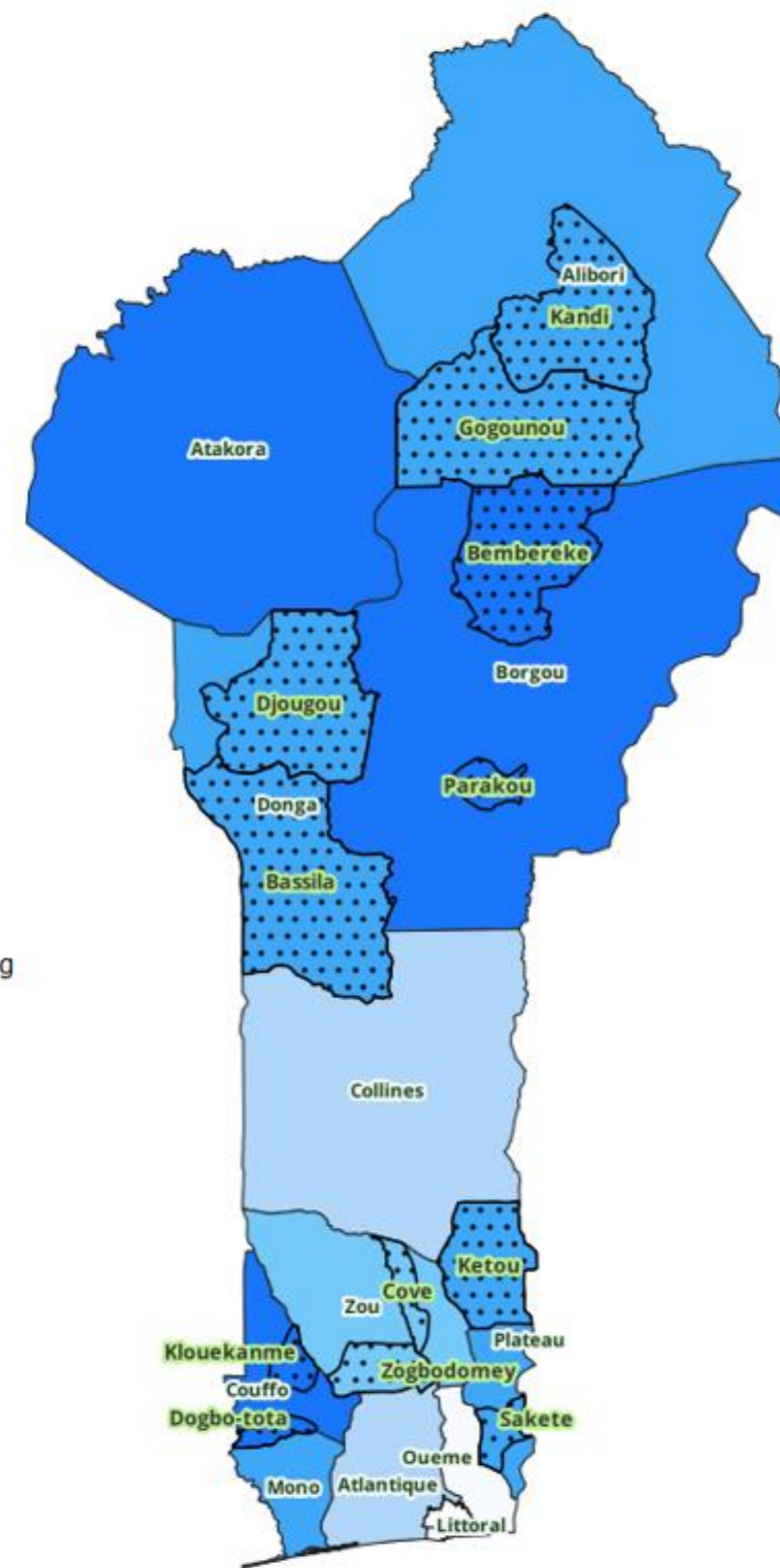
### Access to selected services



### Research Area within Benin: Share of poor people in the communes/districts



Cartography: by Nadia Noor 2023, based on project documents



### Research design

#### Research Objectives:

- Identifying good practices, enabling access of financial services to support the entire agricultural value chain
- Focus on small farms access to urgent needed loans for pre-financing their production, the respective conditions, and the borrowers gains from it.

#### Methods:

- 24 randomly chosen villages in 6 Départements / Provinces
- Quantitative: 1.333 household interviews
- Qualitative: focus group discussions, stakeholder interviews



## Agricultural Financing in Benin

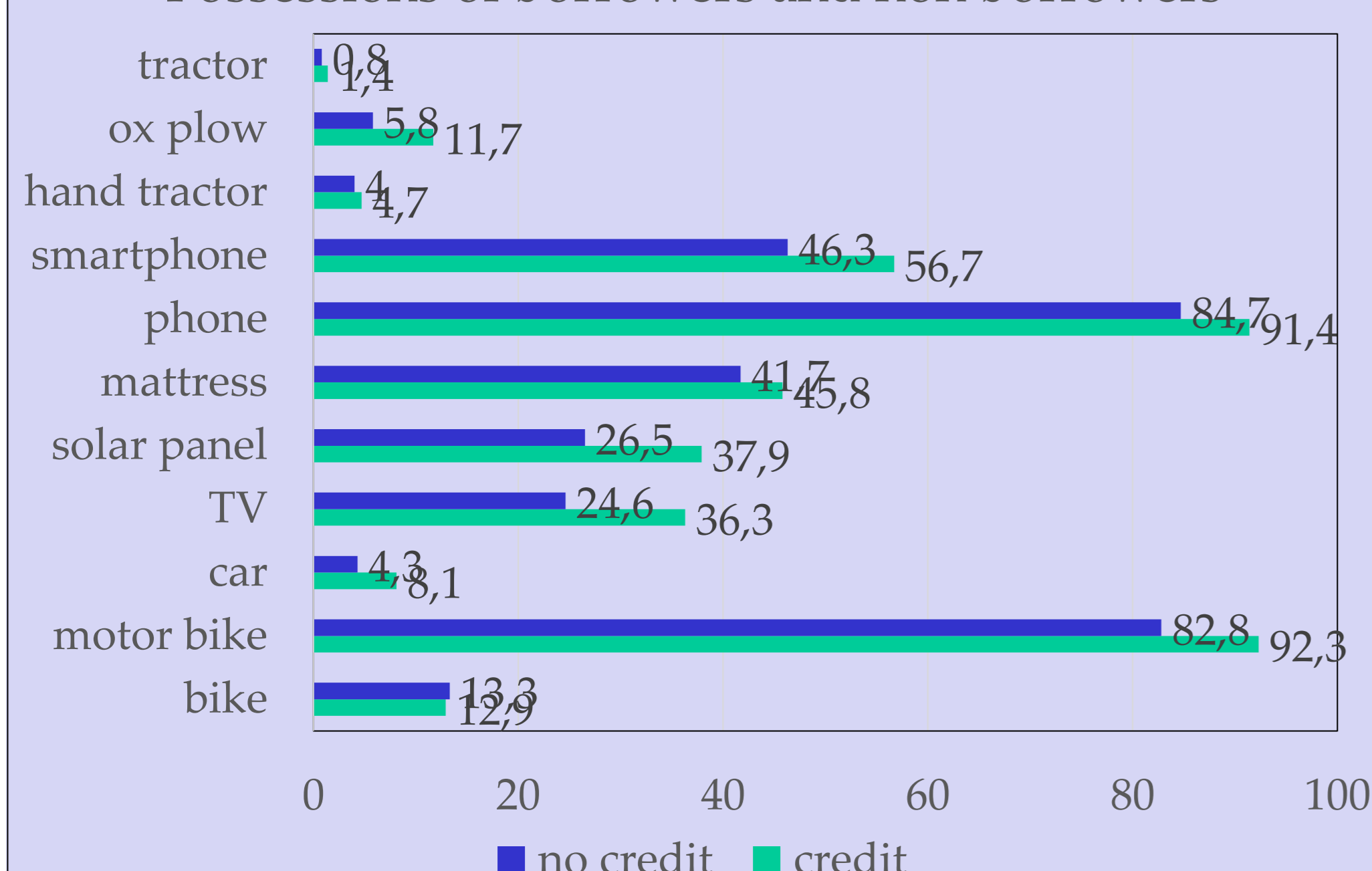
### Underlying Problems

- Farmers need money to finance their agricultural season: ploughing and other work, inputs like seeds and fertilizer, transport
- Almost only saving option available in rural areas is the *tontine*, a rotating savings and credit group
- Male and female farmers feel shy to visit banks / MFI and ask for a loan → mistrust and financial illiteracy
- Banks and MFI reluctant to provide credit for agriculture → ignorance about agriculture; risk of difficult repayment due to climate change etc.
- Credit often paid late and insufficient amount, which can have more negative consequences than no credit overall. Also, inputs are often not available in sufficient quality or amount.
- Digital offers are central for bridging the distances, especially for women-led households.

### Selected Results

- Need and usefulness of credits are especially high in rural areas, the effectiveness in terms of poverty reduction is nonetheless fairly limited and more successful in less rural areas with access to water.

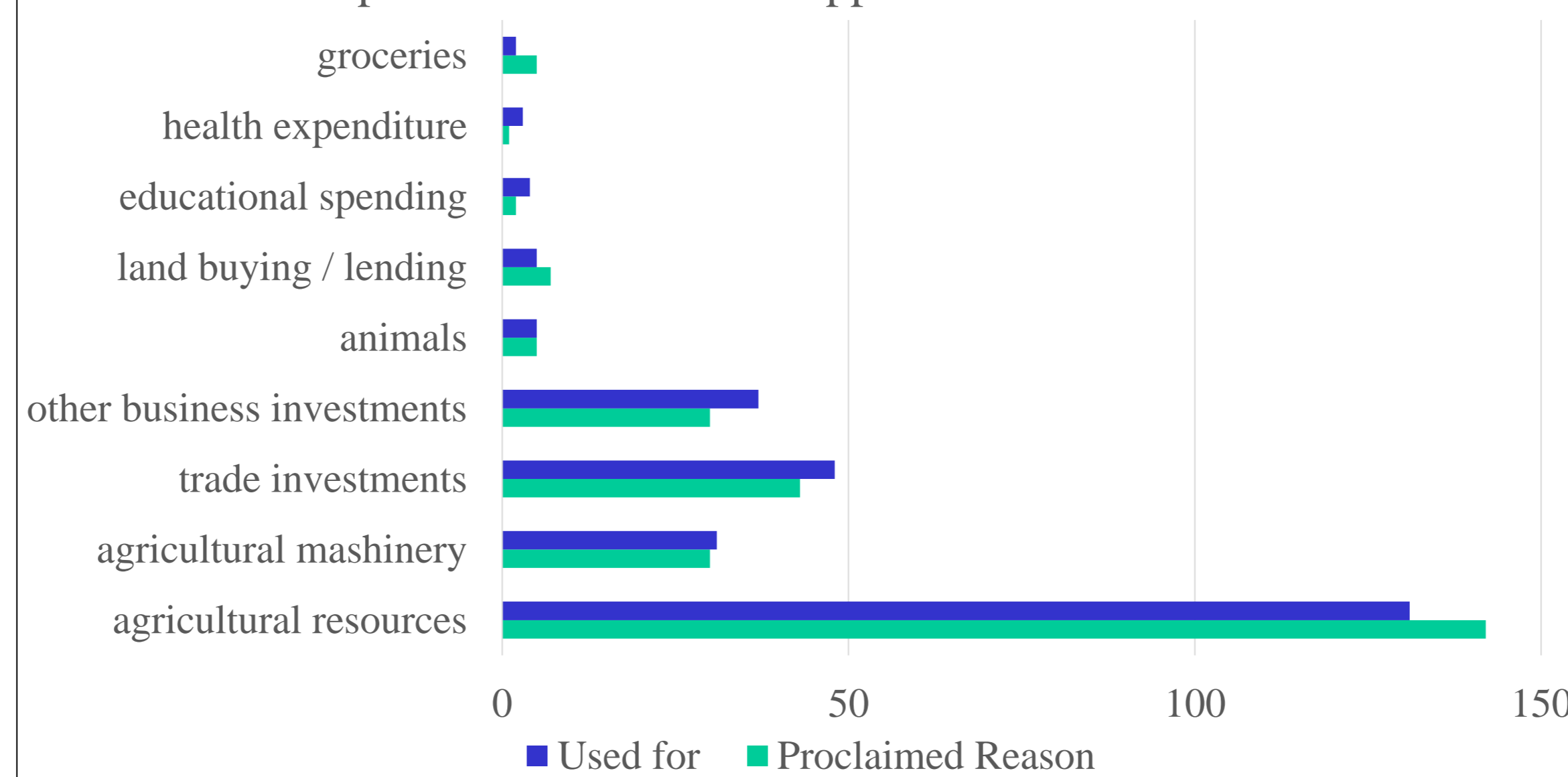
#### Possessions of borrowers and non borrowers



#### Sources of Income



#### Graph: Reasons for credit application and utilisation



### Recommendations

- Provide financial literacy training on a large scale
- GIZ and KfW to continue providing knowledge about agriculture and crop requirements to banks and MFI; overall, financial products should be aligned with the needs of the farmers.
- Use group credit approach only for groups with social cohesion
- Information and contact to the farmers through mobile systems, like a travelling bus, will enhance trust and accessibility.
- Soil and water conservation on fields reduces the risk of crop failure and therefore of repayment failure