



How do microcredit interventions impact agricultural risk management strategies among smallholder farmers? Review of African evidence

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Towards multi-functional agro-ecosystems promoting climate-resilient futures

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Introduction

- ❑ Limited access to finance is one of the major factors contributing to poverty in Africa (Bateman et al., 2019).
- ❑ Smallholder farmers face persistent risks including unpredictable weather patterns, price volatility, pests, market information, and limited access to modern technologies (Sonwa et al., 2017)
- ❑ Theoretical Foundations: Financial inclusion, credit rationing, sustainable livelihoods, risk management, and technology adoption theories collectively explain how credit enables farmers to invest, diversify, and build resilience (Giorgioni et al, 2017)
- ❑ The study review highlights the microcredit dual role in fostering economic participation and addressing social inequalities by offering a roadmap for inclusive, sustainable, and gender-based financial ideas for all stakeholders



Pic 1: Table Banking (ROSCAS)



Pic 2: Educating a Farmer

Methodology

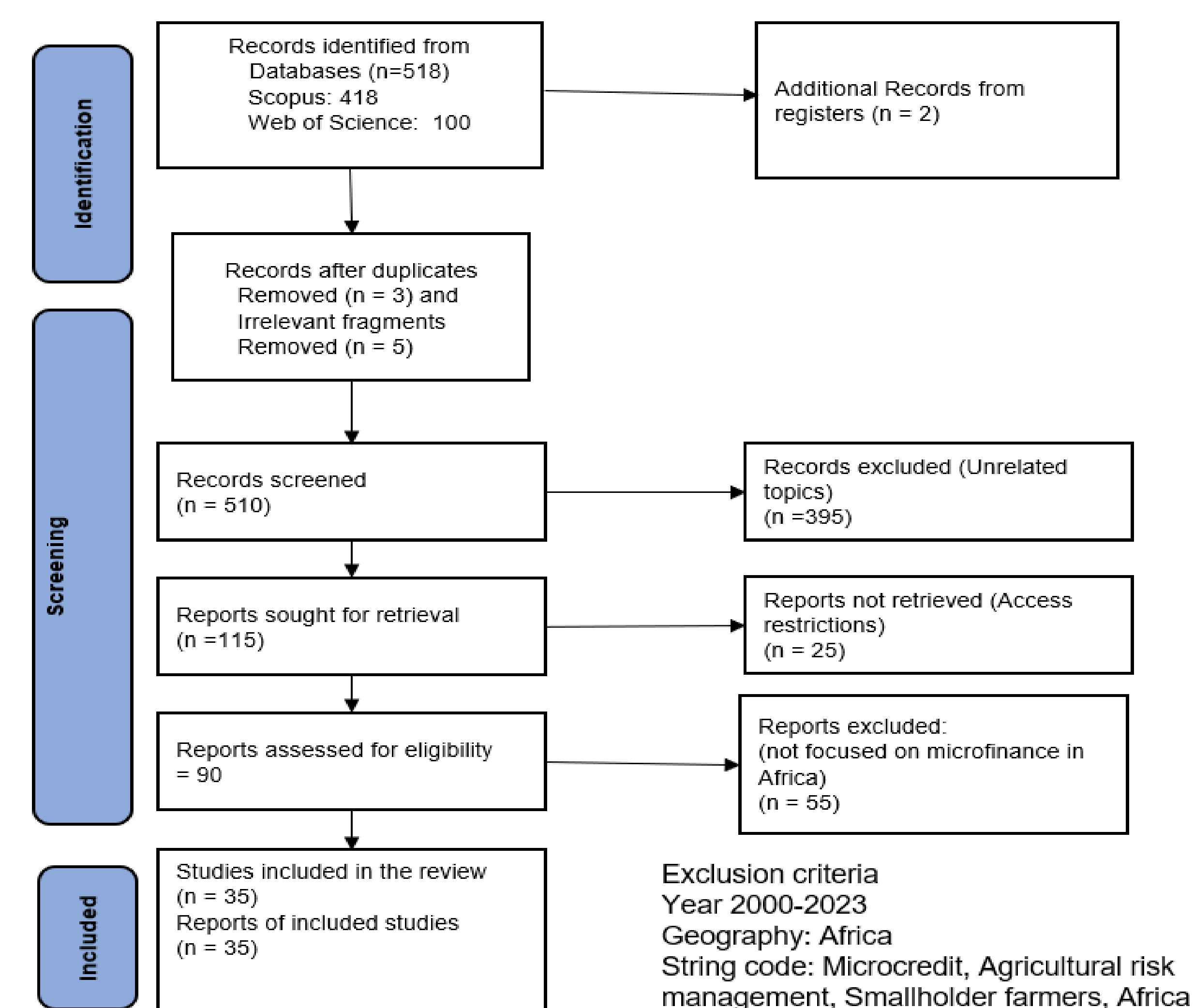


Figure 1: The Prisma Protocol Flowchart Page et al.(2021)

RESULTS

Table 1: Policy and Institutional Frameworks Supporting Agricultural Credit

Policy Area	Primary Intent	Main Benefits	Key Challenges
Access to Credit	Provide financial capital	Input purchase, productivity increase	Collateral barriers, limited rural credit
Interest Rates & Repayment Terms	Regulate lending conditions	Encourages credit uptake	High interest, non-seasonal repayment
Capacity Building & Training	Improve farmer knowledge & skills	Higher yields, tech adoption	Limited rural reach, extension shortage
Government & NGO Initiatives	Strategic agricultural development	Inputs access, irrigation, markets	Bureaucracy, duplication, corruption
Risk Mitigation	Protect farmers from shocks & losses	Income stability, climate resilience	Low insurance adoption, tech literacy

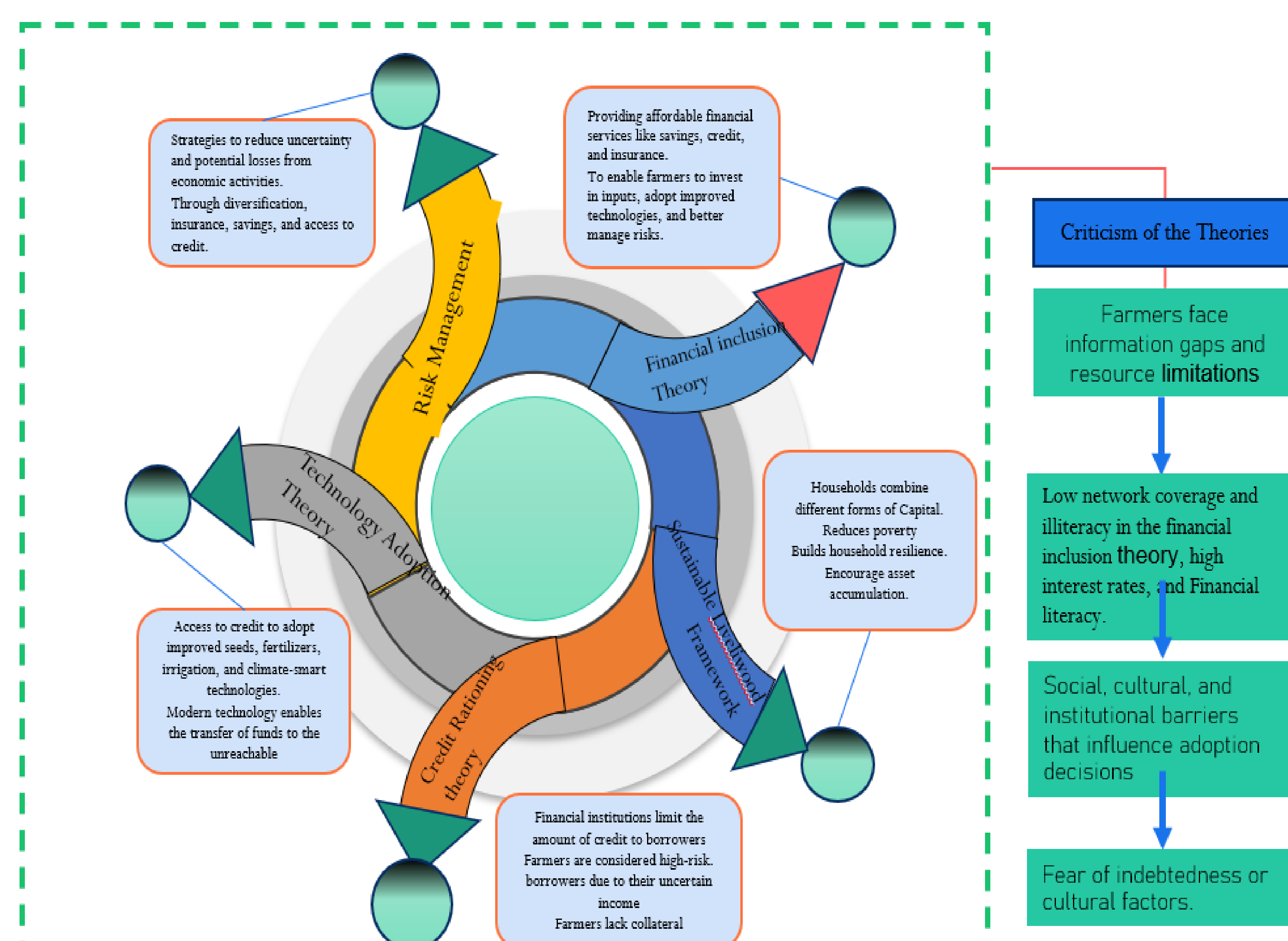


Figure 2: Underpinning Theories in Microfinance Management

Conclusion

- ❑ Microcredit policies have expanded financial access for smallholder farmers, but affordability remains a determining factor in their effectiveness
- ❑ Flexible interest rates and repayment structures aligned with agricultural cycles significantly reduce default risk and dependency on informal lenders
- ❑ Risk-mitigation measures, including insurance and diversification incentives, are crucial for safeguarding farmers from climate and price shocks that threaten loan repayment
- ❑ Ultimately, microcredit is not a standalone solution; its success depends on an integrated policy ecosystem that addresses structural barriers, enhances resilience, and empowers farmers economically

References

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