

September 2019

## SUCCESS STORY:

### Innovative Partnership Improves Access to Credit for Farmers in Myanmar



Sesame farmers tending crop in Magway

Agriculture employs more than 50% of Myanmar's workforce. However, limited access to credit is stifling agricultural growth and depressing incomes for farmers.

Just over a fifth of smallholder farmers have access to bank credit, forcing the vast majority to rely on unregulated credit sources, often with high interest rates that can reach up to 20% per month.

Access is only part of the problem. Because conventional credit products are not designed to ensure that loan disbursements coincide with the stages of the growing cycle, farmers face challenges accessing credit when they need it.

"Bank loan money only comes after the harvest, which is not the right time, so we go to private banks and loan sharks. Government banks have increased the amount they are willing to loan, but the time frame is still a problem," said Maw Maw, a female smallholder farmer from Magway.

Repayment schedules pose another problem for farmers, who can only repay loans at the end of the growing cycle. Most loan products require regular interest payments, forcing farmers to sell their produce when prices are low.

In early 2019, in collaboration with the Ayeyawaddy Farmers Development Bank (A Bank) and the Magway Regional Farmer Development Association (RFDA), the UK aid-

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funded DaNa Facility partnered with the Interchurch Organisation for Development Cooperation (iCCO) and the Network Activities Group (NAG) to introduce an innovative value chain financing model for sesame farmers in Magway Region.

The model inserts a formal credit provider – in this case A Bank – into the value chain. The credit provider is able to understand and respond to the needs and constraints of farmers, and structures its loans accordingly.

"There are a lot of benefits with this loan. We get the money at the right time; when we need it. It's the first time we could get this type of loan," said RFDA Committee Member, Daw Tin Nyunt.

The model also addresses the problem of loan collateral for women farmers. Around 10% of RFDA's members are households headed by women. Most are widows or elderly women who are not listed on land-use certificates. To overcome this barrier, A Bank accepts RFDA's confirmation of an individual's right to cultivate the land as security, enabling women to access the loans they need.

With technical support from DaNa, A Bank launched a first-of-its-kind input financing programme for 3,415 farmers from nearly 60 villages in Magway. The total amount of credit provided was 976,947,672 MMK (£491,882). Farmers will pay 1.47% in interest per month through unsecured loans.

This is lower than the interest rate offered through existing credit products, and disbursement and repayment instalments are scheduled to coincide with key stages of the growing cycle.

With half the Myanmar population employed in the agricultural sector, access to finance is essential for development. Access to credit offers smallholder farmers the chance to expand production, increase their incomes, and lift themselves and their families out of poverty.