



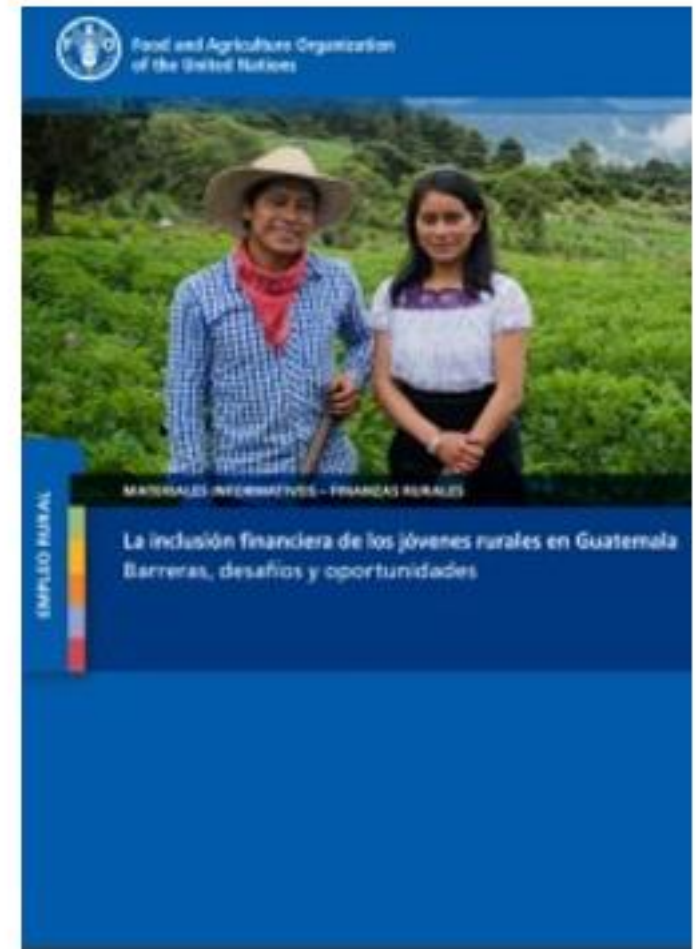
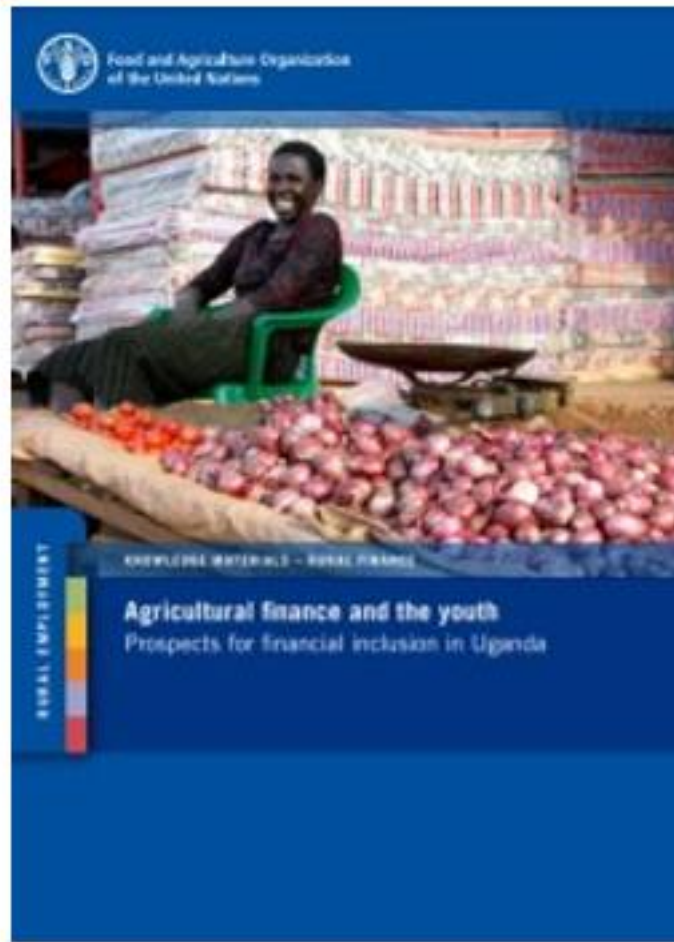
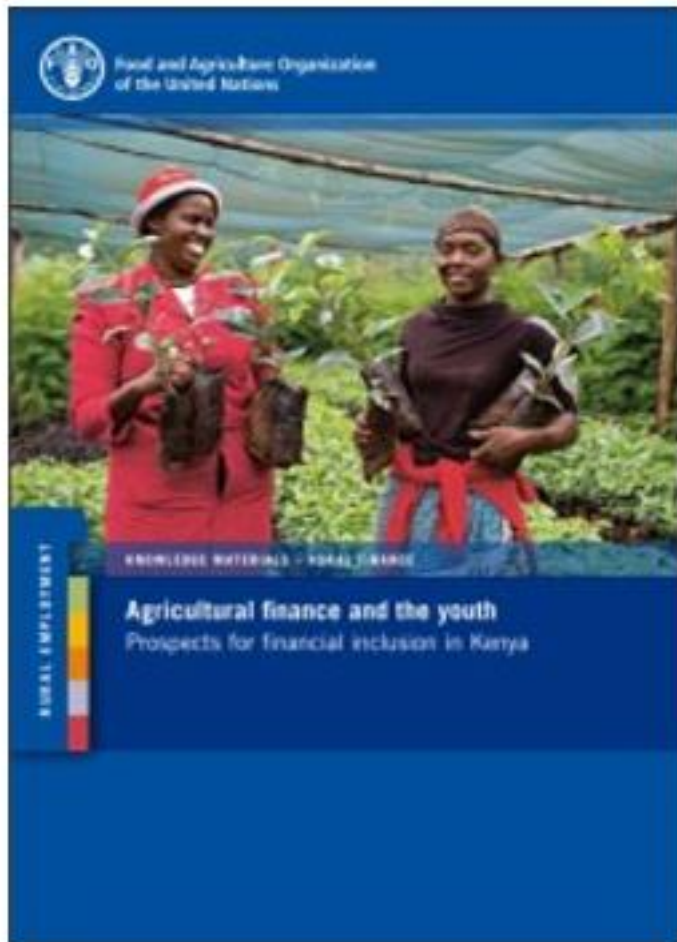
Food and Agriculture
Organization of the
United Nations

Access to agricultural finance for young entrepreneurs in developing and emerging contexts

A decorative graphic in the bottom-left corner of the slide. It consists of a 3D-rendered green field with a path leading into the distance, set against a blue sky with white clouds. The field is tilted and appears to be floating or layered over the white background of the slide.

Niclas Benni – Rural Finance Specialist
RISE TEAM of FAO (Rural Institutions, Services and Empowerment)
Inclusive Rural Transformation and Gender Equality Division
Virtual event - 19 May 2021

A bridge for FAO's engagement in youth finance provision



Commonalities: critical, ubiquitous barriers that prevent youth from accessing agricultural finance

Inability to meet collateral requirements

Lack of fixed assets among youth (land, housing); lack of starting capital; few options for using alternative collateral (e.g. livestock); lack of access to existing commercial channels.

High interest rates and rigid repayment conditions

Lack of tailored products (e.g. junior accounts); scarce variety of informal products; lack of complementary products such as insurance.

Regulatory barriers

Weak financial consumer protection, especially for youth; age limitations; weak access to ID; no credit bureaus.

Low levels of financial literacy

Weaker social networks; weaker business planning capabilities; scarcer business education.

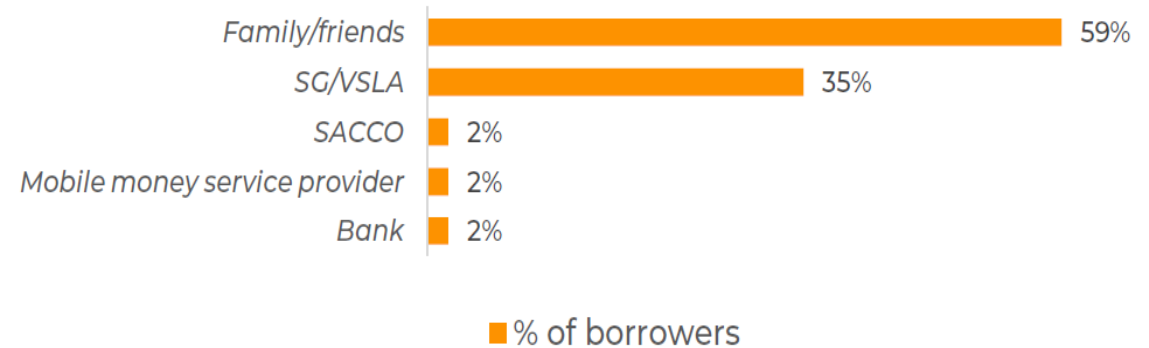
Supply-side barriers

Bias against lending to youth and to agriculture; lack of granular data on young clients; lack of in-house expertise

As a result...

- The majority of youth rely on “**informal**” financial service providers to see their needs satisfied...
- These products are more costly, less flexible and varied than their formal counterparts;
- They are usually unable to support the evolution of an agri-business from the start-up to the expansion phase (e.g. by providing capital to purchase processing equipment);
- They are extremely dependent on the capacity to tap into existing socioeconomic networks and contacts...which are almost always weaker for youth compared to their older counterparts.

Main sources of credit for youth in Uganda (2019 data)

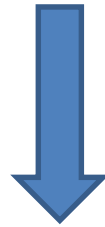


Commonalities: view of agriculture as a low-profit, labor-intensive activity associated to a low social status

Scarce perception on the part of youth on the **business potential** linked to agripreneurship...and scarce support on the part of governments in reversing this scenario.



Existing educational systems (e.g. vocational schools, universities) lack the capacity to properly teach how to develop high-return, tech-intensive agribusinesses



Lack of notions on the potential of **export-friendly, processed agricultural products**



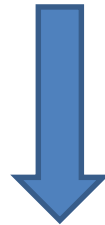
Challenges in establishing **profitable market channels** (both domestic and international)

Commonalities: scarce performance of youth-focused financial facilities

In all three countries analyzed (and in several others) the main financial facilities set up by governments to foster access to agricultural financing for young entrepreneurs have met with scarce results: low levels of repayment, fund diversion, low rates of disbursement...



Incorrect perception on the part of youth that the funds provided are *grants*, and not loans (i.e. low levels of reimbursement)



Critical cases of embezzlement and corruption;



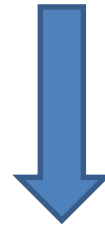
Very mixed results on the impact of these facilities on jobs and enterprise creation (i.e. challenges in assessing *development additionality*)

Commonalities: greatest challenges to inclusion at the nexus between youth-specific and gender-specific constraints to financial access

Young girls face both *unique* constraints when seeking to access agricultural finance due to their gender and age, as well as *heightened* ones among those that are faced by rural actors in general



Legal discriminations and cultural discriminations; social biases; weaker socioeconomic networks.



Lower starting capital; higher challenges in accessing FIs' branches; lower levels of financial literacy and digital literacy

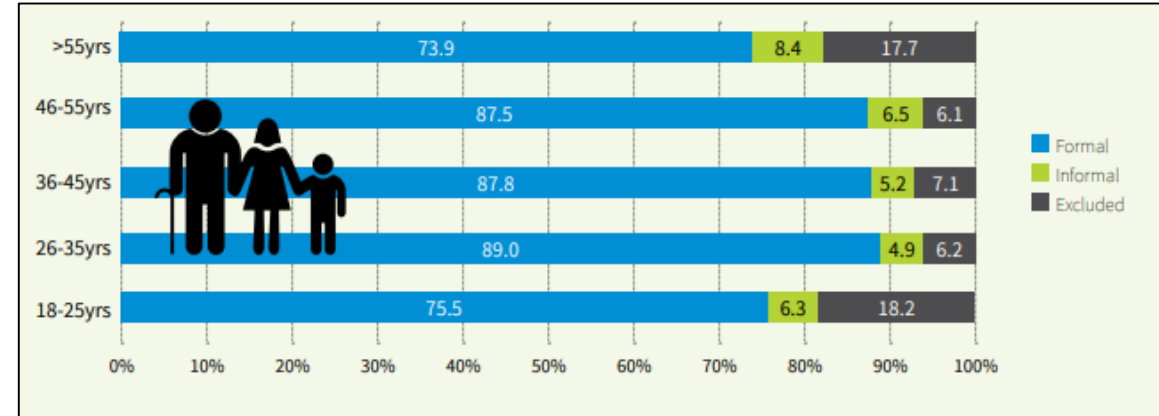


Scarcer access to guarantors; less availability of regular sources of income;

Sample scenario: Kenya

- The most promising scenario for youth-specific financial provision of the three countries analyzed, although several critical constraints still exist;
- Government efforts to stem the high levels of rural youth unemployment and job informality, scarce youth engagement in agriculture, and a strong rural-to-urban migration phenomenon;
- Youth in the 18-25 age category show the **lowest rates of formal financial inclusion**, although levels of formal inclusion are overall high

Rates of financial inclusion according to age category (2019)



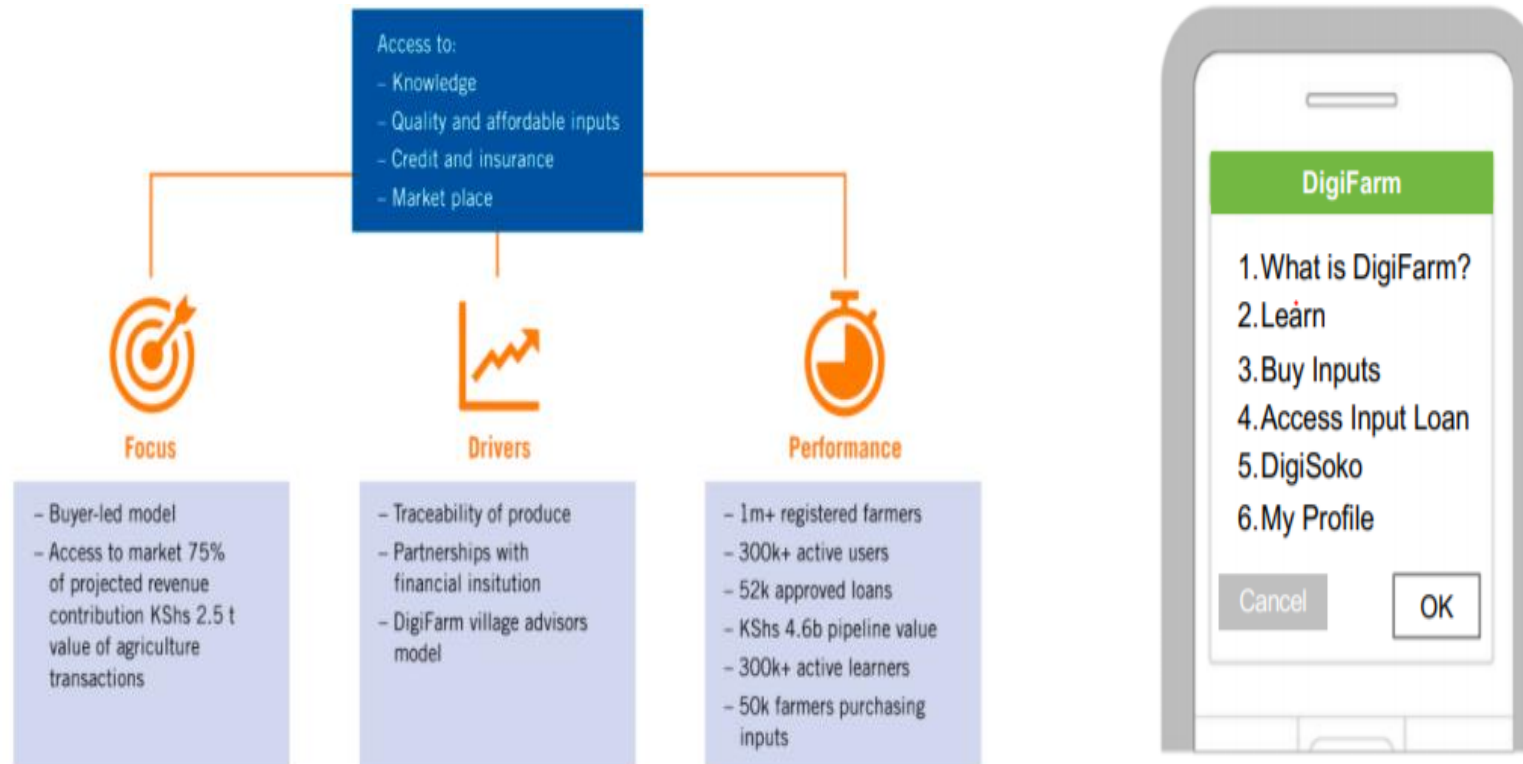
Share of mobile banking users (phone owners) by age category (%)



Promising D4Ag innovations that focus on youth: DigiFarm

A “one-stop shop” that provides farmers with a suite of services through a network of digital and physical partners, which include direct input purchase (e.g. seed, fertilizers, agro-chemicals), input credit, harvest cash loans, crop insurance, business training, access to soil testing, customized information on agricultural best practices, and linkages to market channels.

DigiFarm’s strategic model and a sample interface of its mobile platform



Some recommendations that are valid for all countries analyzed..

- *Refine public data collection mechanisms to produce more granular data on rural youth;*
- *Promote agent banking as a tool for youth financial inclusion;*
- *Foster a youth-specific offer of financial services among formal FIs by promoting internal restructuring;*
- *Refine the development of D4Ag innovations that follow a youth-sensitive approach*

Two more studies in the series in the pipeline

- **Promoting access to agricultural finance for youth in developing countries - A synthesis of lessons and experiences:** a review of the latest literature on agricultural finance for youth, with case studies and lessons from the three country–level assessments;
- **Assessing the state of youth financial inclusion in developing contexts - Methodological guidelines:** a practical guide on how to develop assessments of the youth financial inclusion scenario at country level, building on the lessons learned during the design of the country-level studies.

Please find the links to the studies in the chat...

