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INNOVATIONS FOR POVERTY ACTION | POLICY MEMO

Agricultural Microfinance in Mali



Well-timed cash grants and loans increased agricultural output in rural Mali

Agricultural productivity in Africa is low despite the existence of improved seeds, fertilizers, and pesticides. As much of the population works in agriculture, encouraging use of these improved technologies could raise productivity and in turn reduce poverty and encourage economic growth. But why do farmers fail to invest in potentially profitable technologies? One reason may be that they do not have enough cash on hand when they need to purchase them and lack access to credit. Microcredit organizations have attempted to address this problem, but the typical microcredit

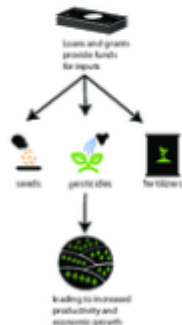
loan contract—where clients must start repayment after a few weeks—is ill-suited for agriculture. Providing farmers with loans at the beginning of the planting season, to be repaid in a lump sum at the time of harvest, could facilitate investment and increased profitability.

Soro Yinkao, a partner of Save the Children in Mali, offers a loan product designed specifically for farmers called *Péri de Campagne*, or “rainy season loan,” to women who join local community associations. The loans are dispersed at the beginning of the agricultural cycle and must be repaid in one lump sum immediately after the harvest.

The evaluation of this program studied whether agricultural microfinance can help relax constraints to technology investment among smallholder farmers in rural Mali through offering credit, either in loan or grant form. The results show that giving some farmers unrestricted cash grants led to significantly higher productivity and profits, suggesting farmers would invest more in their farms if they had more capital. Providing farmers with an innovative loan product also led to a significant increase in farm investments and expenditures, suggesting agricultural loans tailored to farmers’ seasonal cash flow may be an effective way to increase investments in agriculture.

In addition, this research suggests farmers vary in the returns they are able to generate from inputs, and agricultural loans are most effective for farmers with a better-than-average ability to grow their farms.

This evaluation is a prime example of the effective use of microcredit models, and these findings are especially important given that access to microcredit is often low in rural areas when compared to urban areas.



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TOPICS
Credit Access, Financial Inclusion, Agriculture

COUNTRY
Mali

SAMPLE & TIME LINE
198 villages, 2010–2012

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