

Promoting financial inclusion: Improving farmers' lives through the SLLC-linked loan product

With Second Level Land Certification (SLLC), farmers gain increased security of tenure: this incentivises them to invest more in their land

To allow for this productive investment to take place, the Land Investment for Transformation (LIFT) programme is working with micro finance institutions (MFIs) to roll out an innovative financial product: the SLLC-linked individual loan.

Accessing longer terms and larger size loans allows farmers to increase the productivity of their land, graduate from subsistence farming, and become more commercially oriented.

LIFT partner MFIs: ACSI, Aggar, DECSI, OCSSCO, OMO, PEACE and Wasasa.

 **57 branches** are offering the SLLC loan to farmers.

 **2,400 farmers** have accessed credit through the new product.

 **ETB 60.6 million** disbursed by partner MFIs.

Data as of June 2017

The benefits of the SLLC-linked individual loan for farmers

- 1 Increased investment into productive farming:** The flexibility and larger loan sizes allow farmers to source appropriate levels and quality of agricultural inputs, expand the amount of land being put into more productive use and invest in other productive activities to diversify risk and increase their revenue.
- 2 Increased level of savings:** To access the SLLC-linked individual loan product, farmers need to open a mandatory savings account with a minimum savings amount required every month, in addition to any voluntary savings.
- 3 Increased levels of financial inclusion:** Unbanked farmers have started to become clients of MFIs as a result of their interest in the benefits of the SLLC-linked loan product. Farmers also have access to other financial services such as savings products and micro-insurance.
- 4 Increased financial literacy:** The training that farmers receive to access the new loan product allows them to increase their financial literacy. They gain skills that allow them to better calculate cost of production, understand their rights and obligations and how other financial products work (e.g. credit life insurance) and manage their loans.
- 5 Diversification of risk:** Farmers have started to engage in different off-farm businesses which lead to better cashflow and increased household income. This reduces vulnerability as farmers have alternative sources of income in the event of crop failure.
- 6 Increased participation and empowerment of women:** Female headed households are accessing credit in a way that was not possible under group lending schemes. Even women in male headed households are empowered, as they need to be involved in every step of the process (training, loan approval, signing, etc.).
- 7 Enhanced value of the SLLC:** Farmers are aware that having the SLLC is a pre-condition for accessing the new financial product: this increases their willingness to access and collect their SLLC.

To minimise the risk of default by farmers and protect them from over indebtedness



MFIs liaise with land administration offices to ensure that the SLLC is **only pledged once**.



MFIs apply their **strict internal screening** and due diligence policies to all applications.

Clients receive **financial literacy sessions** on general features of the product (awareness stage), specifics of the loan product (application stage) and obligation to repay and consequences of default (contract signing stage).



All clients must open a **savings account**.



Depending on the MFI, clients must buy **credit life insurance**.

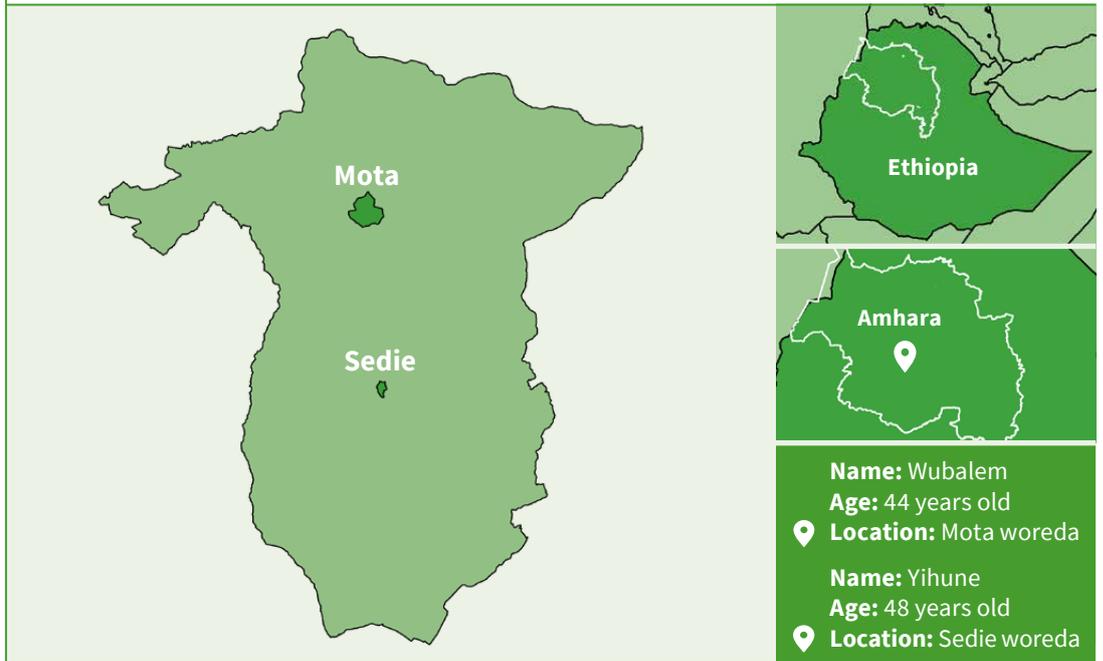
MFIs undertake **close monitoring** of loan and business performance. If the business is facing difficulties, clients receive support and advice on how to improve their performance.



To further minimise the risk for farmers, LIFT is working with ATA/Kifiya to improve and expand their agricultural insurance product. We are also exploring options to test other agriculture-related insurance products.

Stories from the field

These are stories from farmers who are accessing the loan. They showcase the product's potential to improve the lives of rural dwellers in Ethiopia.



Wubalem is a 44-year old widow. She has four children. She owns two hectares of land and pledged the produce of the land of one hectare to access a three-year loan of ETB 30,000 from ACSI. Wubalem is using the loan for animal fattening. She bought three cows for ETB 29,000, one sheep for ETB 1,000 and now has an additional two calves and three sheep. She has also hired labour to help manage her growing business. In addition, she has managed to save ETB 10,000 with ACSI so she can pay back her debt in case her business runs into trouble.

Wubalem currently plans to settle the loan ahead of term and apply for another, larger loan. She says: *“My plan is big. If ACSI continues to help us, I want to expand and have a water pump for irrigation purposes”*.



Yihune is 48 years old. He has two hectares of land and six dependants. Before the SLLC-linked loan product became available, Yihune was only able to access ETB 8,000 through group-based loans. But this amount was not enough to keep farming his land and expand his business for animal fattening, so he closed the latter. In early 2017 he obtained an ETB 50,000 loan from ACSI that allowed him to continue farming his land and develop a new business in butter trading. He has already paid back ETB 28,000 and in six months he has made a profit of ETB 10,000.

He said that the SLLC-linked individual loan product “changes the life of people”. He is now planning to take another loan (even larger than the current one, if possible) to further expand his thriving butter business.

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This loan changes the life of people.

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Yihune: engaging in butter trading



References: Persha L, Greif A, Huntington H, “Assessing the impact of Second-Level Land Certification in Ethiopia”, Paper prepared for presentation at the “2017 WORLD BANK CONFERENCE ON LAND AND POVERTY”, The World Bank—Washington DC, March 2017. **LIFT findings and research** (contact Solyana Amsalu on Solyana.Amsalu@liftethiopia.com).