

INFLECTION POINT:

Unlocking growth in the era of farmer finance

EXECUTIVE SUMMARY



THE INITIATIVE FOR
SMALLHOLDER FINANCE



Rural & Agricultural Finance 
LEARNING LAB

The smallholder finance industry is at an inflection point. The current “era of farmer finance” is characterized by the involvement of a diverse range of actors and the creation of new partnerships, supported by more information and technology than ever before. Even with these developments, however, the gap between the financial needs of smallholders and the supply of financial services is anticipated to remain significant.

Closing the gap will require harnessing the power of today’s diverse and dynamic ecosystem to fundamentally

change the sector’s growth trajectory. Specifically, the smallholder finance industry must move toward a future in which financial service providers engage closely with customers to design and offer appropriate, desirable products through integrated and innovative partnerships supported by more and smarter subsidy.

This briefing note summarizes key findings from *Inflection Point: The Impending Revolution in the Era of Farmer Finance*. Additional detail and examples can be found in the full report.

CONTEXT

The idea itself is not new: access to financial services can improve the lives of smallholder farmers and their families. Starting in the 1950s, many governments established agriculture development banks or capitalized commercial banks, both with mandates to lend to smallholders at below market interest rates. In the 1970s, fueled by past failures, microfinance institutions and some commercial banks began providing microfinance in rural areas. This approach faced challenges, too, as most microfinance providers (with the exception of some in Asia) ultimately did not sustain their outreach to smallholders.

However, a renewed drive at the beginning of the 21st century to connect farmers to financial services has ushered in a new “era of farmer finance.”¹ Stakeholders from the separate silos of agricultural development, financial inclusion, and information and communication technologies for development have found common ground in bringing the tools of financial empowerment to smallholder farmers.

These collaborations have encouraged development and testing of new financing models and technologies. Meanwhile, new global efforts—including the Council on Smallholder Agricultural Finance and the MFI farm finance association, Propagate—are strengthening understanding of the market. The precursor to this study—Dalberg’s 2012 Catalyzing Smallholder Agricultural Finance report—became an important contribution to this research base.

This new study provides a more sophisticated picture of how the smallholder finance space currently operates by describing the key actors and the nature of their interactions, and by conceptualizing these in a new “industry model.” The report **identifies market frictions** across the major components of the “industry model” that continue to inhibit smallholder farmers’ access to financial services and opportunities for removing them, and **rallies sector actors** around the need for more collective action than ever before.²

¹ For additional detail, refer to Annex A in the full report.

² The report takes a global perspective, but notes that individual and collective action required within the broad categories highlighted must be tailored to specific opportunities in each context.

A key finding is that the gap today between smallholder finance supply and need is significant and projected growth of 7% per year for formal finance providers will not significantly cut into it over the next five years.

Today, credit provided by both informal and formal financial institutions, as well as value chain actors, currently only meets an estimated USD 50 billion of the more than USD 200 billion need for smallholder finance in the regions of sub-Saharan Africa, Latin America, and South and Southeast Asia. In addition, agricultural insurance reaches just 10% of smallholders and fewer than 15% have access to a formal savings account.³

However, a new growth trajectory is possible through coordination across today's diverse and dynamic ecosystem. Today's most binding constraints include: a gap between farmer need and demand for financial products, elusive business model returns for financial service providers, and a mismatch between FSP capital needs and the type and volume of capital available from investors. To address, these concerted activity is required around three main themes: *customer centricity*, *progressive partnerships*, and *smart subsidy*, detailed further herein. By doubling growth over current projections (to roughly 14%), formal providers could meet more half the smallholder need by 2025.

CURRENT SNAPSHOT OF FINANCIAL SERVICE DEMAND AND SUPPLY

The agricultural and non-agricultural financing needs of the roughly 270 million smallholder farmers in Latin America, sub-Saharan Africa, and South and Southeast Asia⁴ are estimated to exceed USD 200 billion (Figure 1).⁵

Smallholder farmers are a very diverse group, and finance needs vary accordingly across households, but access to finance can empower smallholders of all descriptions to make critical investments in their farms and households. Credit needs can include short-term working capital for inputs such as seeds and fertilizer; long-term capital for crop renovation, irrigation systems, or other large investments; and non-agricultural expenditures such as school fees, home improvements, important events such as weddings, or family emergencies. In addition to credit, many smallholder households stand to benefit significantly from access to savings accounts, insurance, and mobile transactions.

A diverse set of financial service providers (FSPs) currently offer their services to smallholders, channeling over USD 50 billion of credit to smallholder farmers each year and providing other services such as savings, insurance and mobile payments to millions of farmers (Figure 2). Formal financial institutions—including state banks, microfinance institutions, commercial banks, social lenders, and high-touch NGOs—currently supply

an estimated USD 14 billion in financing, of which 80% is agricultural and 20% is non-agricultural financing. Many of these formal lenders also offer savings accounts to smallholder farmers. Input suppliers, buyers, and other value chain actors are a large source of agricultural working capital, supplying an estimated USD 17 billion in loans of varying formality to commercial smallholders. Finally, roughly USD 25 billion in non-agricultural financing may be available from informal and community-based FSPs.⁷

In addition to credit provision, FSPs bring other critical financial services to smallholder farmers. Savings products are often tied in one way or another to credit, though a few standalone savings solutions for smallholders are beginning to appear. Some 27 million small farmers—nearly all living in India—are covered by agricultural insurance schemes, typically large national programs. Mobile money accounts, meanwhile, are used by roughly 11.5% of rural residents in sub-Saharan Africa, but less than 2% in other developing regions.⁸ They are typically provided by private mobile network operators, though rural penetration in some countries has been driven by government partnerships with mobile network operators to deliver payments to farmers (e.g., fertilizer subsidies in Nigeria⁹).

3 The full report provides detailed sizing and growth estimates in Sections 2-4, and methodology in Annex B

4 Excludes China, Central Asia, and the Middle East and North Africa. For more information, consult Annex B in the full report.

5 Please see Annex B in the full report for a thorough explanation of the sizing methodology and assumptions. This sizing does not include financing needs for other actors in smallholder value chains, such as agro-dealers and processors.

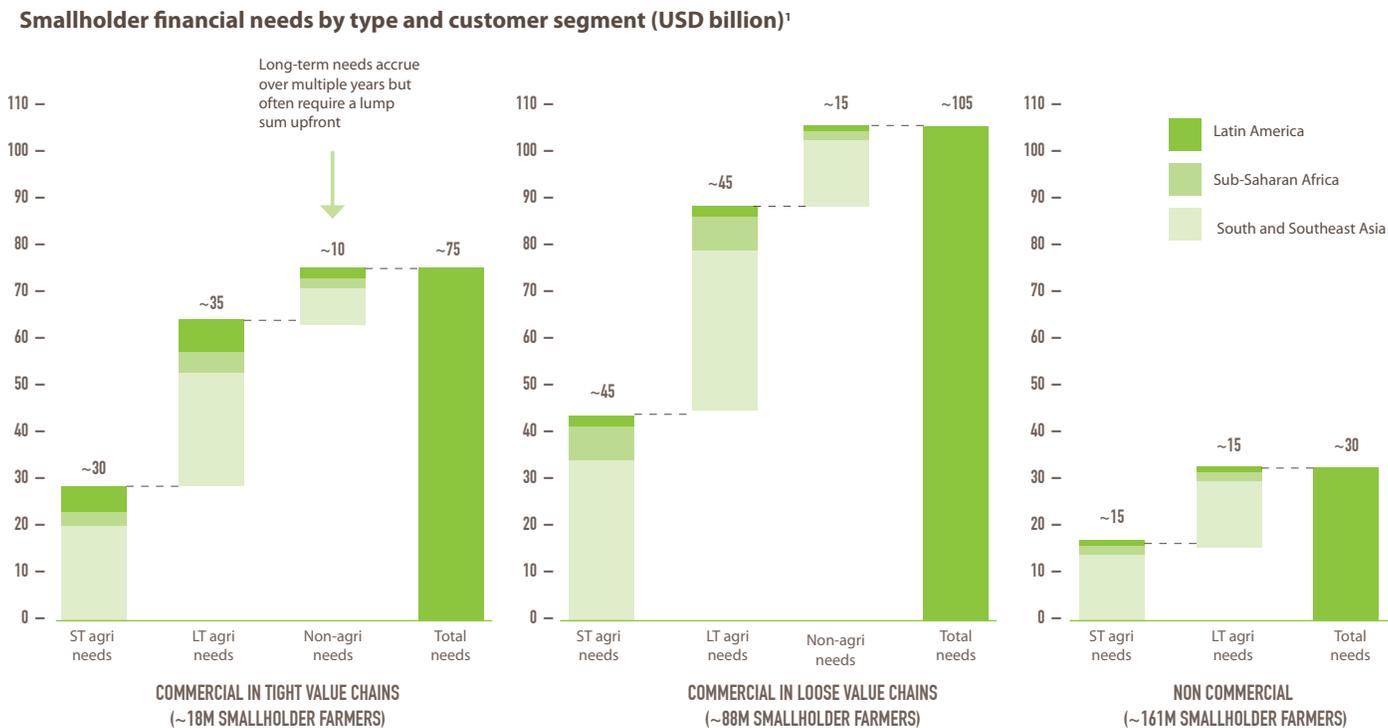
6 Long-term financing here refers to terms longer than one year.

7 Unfortunately, the fragmentation and poor documentation of informal providers only permit an indicative sizing of this segment based on survey data measuring total population access to informal sources of finance.

8 Demircuc-Kunt, Asli, Leora Klapper, Dorothe Singer, and Peter Van Oudheusden, "The Global Findex Database 2014: Measuring Financial Inclusion around the World," Policy Research Working Paper 7255, World Bank, 2015; The Financial Inclusion Insights Program, "Financial inclusion insights tracker surveys," Intermedia, 2014/15.

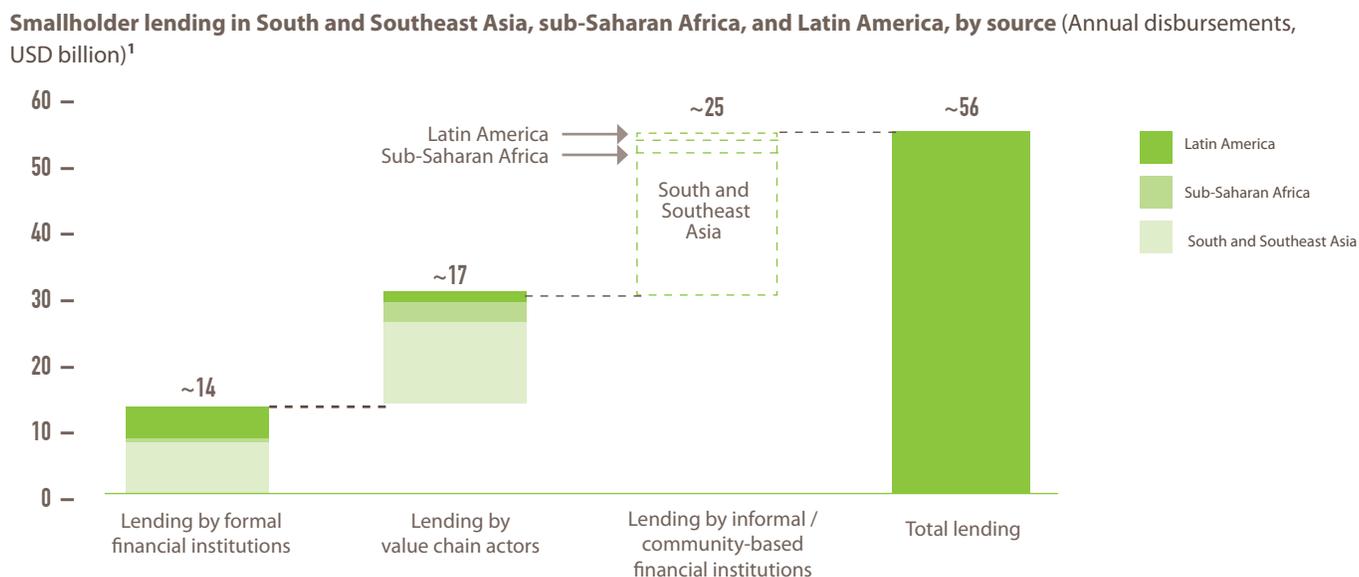
9 Akinboro, Bolaji, "Bringing Mobile Wallets to Nigerian Farmers," Jun. 2014.

Figure 1: SCALE OF SMALLHOLDER FARMER FINANCIAL NEED



1 Excludes China, Central Asia, Middle East and North Africa, and Eastern Europe. Latin America refers to Latin and Central America. Excludes producer group financing needs;
 2 ST agri needs refers to short-term financing needs of less than a year (typically for inputs, harvest and export);
 3 LT agri needs refers to long-term financing needs of more than one year (typically for renovation or equipment);
 4 Non-agri needs refers to general needs not specific to agriculture (e.g., large purchases such as furniture, health-related expenses, or family events such as funerals). Based on the average of "large" purchases for smallholder farmers participating the CGAP financial diaries in Mozambique, Tanzania, and Pakistan and the average bank consumption loans to smallholder farmers (25% of inputs need).
 Source: Christen, Robert Peck and Jamie Anderson, "Segmentation of Smallholder Households: Meeting the Range of Financial Needs in Agricultural Families," CGAP, Apr. 2013; Anderson, Jamie and Wajihah Ahmed, "Smallholder Diaries: Building the Evidence Base with Farming Families in Mozambique, Tanzania, and Pakistan," CGAP, Feb. 2016; Dalberg, "Catalyzing Smallholder Agricultural Finance," Dalberg, Sept. 2012; Lowder, Sarah K., Jakob Skoet and Saumya Singh, "What do we really know about the number and distribution of farms and family farms in the world?" Food and Agriculture Organization of the United Nations, Apr. 2014; Expert interviews; Dalberg analysis.

Figure 2: TOTAL SUPPLY OF SMALLHOLDER FINANCE



1 Excludes China, Central Asia, Middle East and North Africa, and Eastern Europe. Includes financing to producer groups by state banks and commercial banks. Includes agri and non-agri lending.
 Source: "Local bank Financing for Smallholder Farmers: A \$9 Billion Drop in the Ocean," Initiative for Smallholder Finance Briefing 01, Oct. 2013; Rural and Agricultural Finance Learning Lab Smallholder Financial Solutions Database; Annual reports; Expert interviews; Dalberg analysis.

Unfortunately, existing FSP models are unable to meet the needs of a large percentage of smallholder farmers. At present, the total gap in terms of volume is around USD 150 billion; it spans all farmer segments and categories of financing need. Figure 3 quantifies the volume gap for credit. As indicated by the empty bars, there are glaring shortages of lending across all farmer segments and credit needs, though these are particularly pronounced for long-term finance and for noncommercial farmers.

Penetration of insurance, mobile money, and savings also remains very low. Current agri-insurance schemes, including the largest, publicly-run programs, address only a small proportion of smallholders—approximately 10% across Latin America, Asia, and sub-Saharan Africa. In addition, as noted, very few rural households currently use mobile money or formal savings, especially outside sub-Saharan Africa. Globally, fewer than 15% have access to a formal savings account.

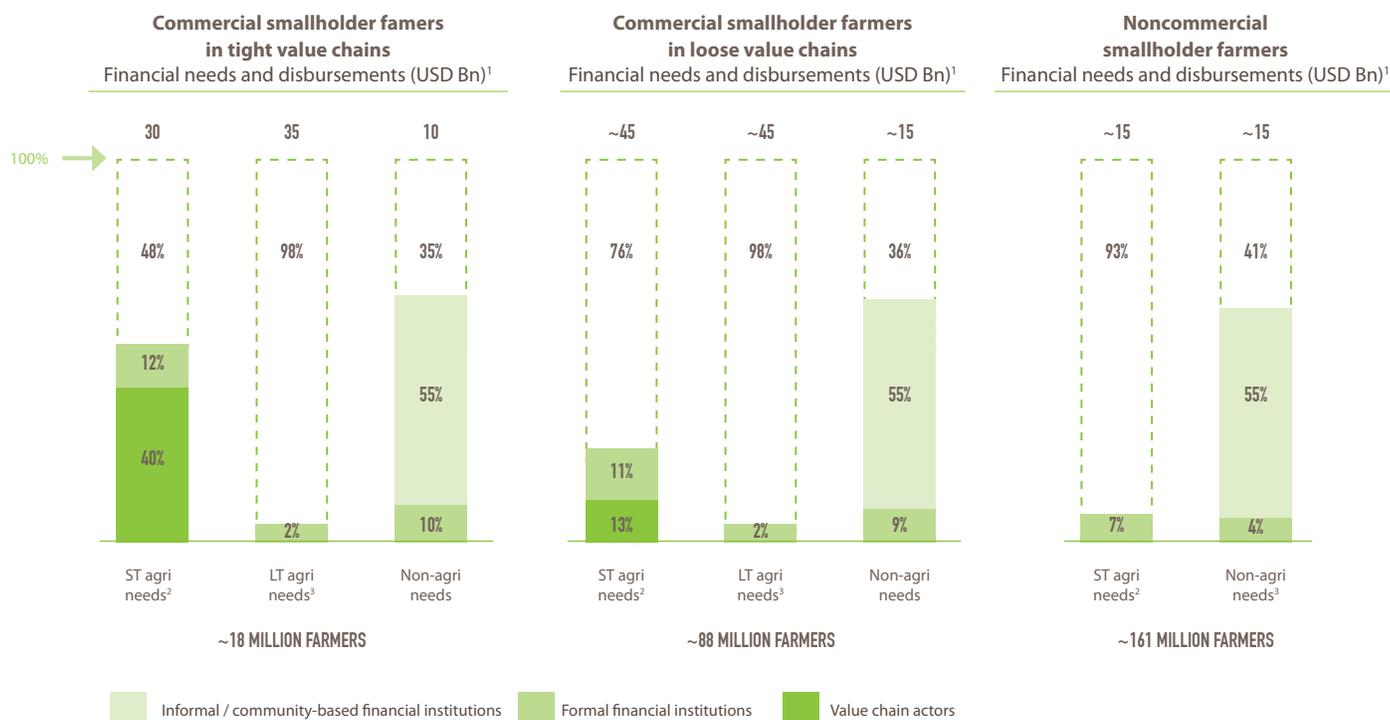
Even when some access to financial services is available to farmers, it may not always be of an acceptable quality. Just because a portion of a bar in Figure 3 is full does not mean that the finance being provided is as flexible or

affordable as it could be. For example, while multinational buyers might offer well-designed purchasing agreements that include support services, such as agronomic training, local traders may demand exceedingly high interest rates for in-kind input loans. In other words, ‘filling the gap’ effectively will also require improving some of the financial services that are already available.

EXISTING AND EMERGING MODELS

Financial service providers tend to vary in their ability to reach different farmer segments or meet a broad set of household needs. Figure 4 and Figure 5 map the FSPs—and the models through which they serve farmers—against those dimensions. The more established models primarily address short-term capital needs through direct lending to farmers and enable access to markets through trade financing for farmer organizations. It is encouraging to see that the more emergent models address a wider range of needs and, in some cases, are able to cater to all farmer segments, or even explicitly target noncommercial smallholders. range of needs and, in some cases, are able to cater to all farmer segments, or even explicitly target noncommercial smallholders.

Figure 3: GAP BETWEEN SMALLHOLDER FINANCING NEED AND SUPPLY¹⁰

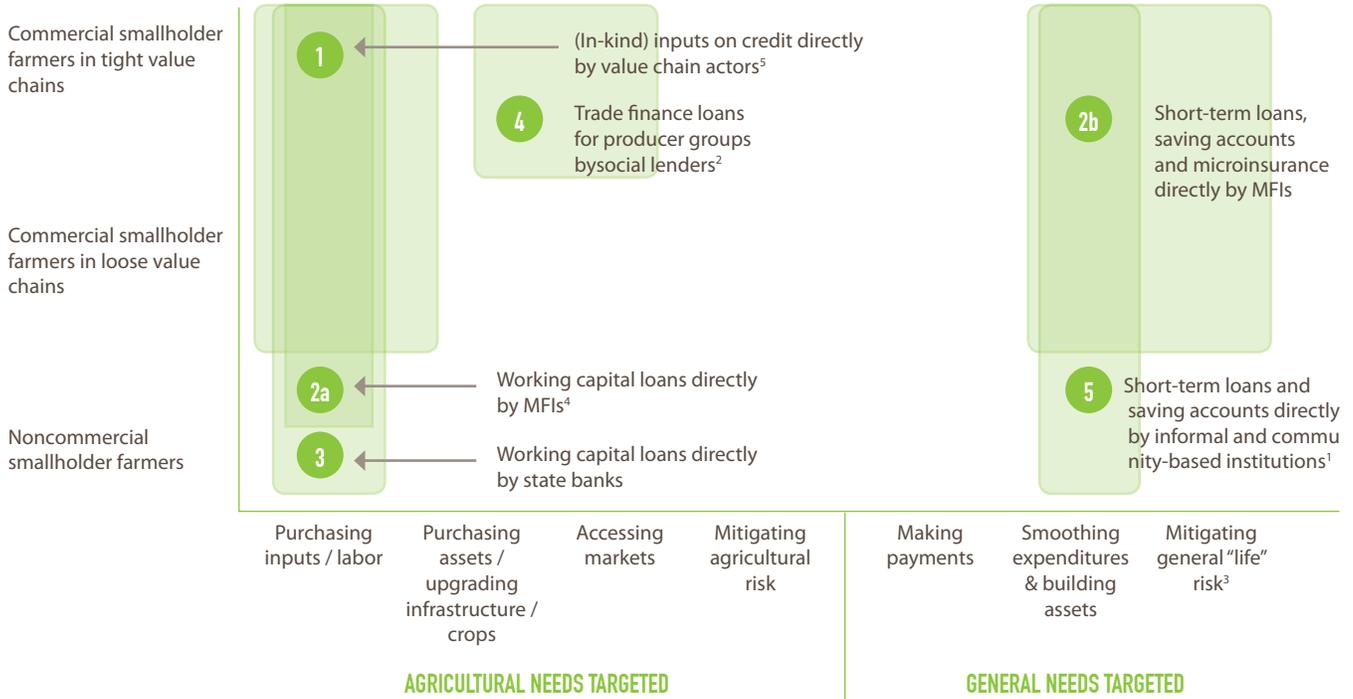


1 Excludes China, Central Asia, Middle East, and North Africa and Eastern Europe. Includes financing to producer groups by state banks and commercial banks.
 2 ST agri needs refers to short term financing needs of less than a year (typically for inputs, harvest and export).
 3 LT agri needs refers to long term financing needs of more than one year (typically for renovation or equipment).
 Notes: Commercial banks and social lenders disbursements counted toward SHFs in tight VCs; state bank financing distribution in proportion to farmer segment needs; MFI agri lending included in loose value chains; MFI non-agri lending distributed in proportion to farmer segment need; “high touch” NGOs included under subsistence. Informal / community-based allocated in proportion to non-agri needs.

10 Annex C in the full report offers a regional breakdown of gaps.

Figure 4: ESTABLISHED SMALLHOLDER FINANCE MODELS BASED ON FARMER SEGMENTS AND NEEDS

SMALLHOLDER SEGMENTS



1 Significant portion used for agriculture purposes even if not specifically targeted or customized to meet agricultural needs;
 2 Have more recently started offering some long-term financing;
 3 Not shown: national safety nets, e.g., food reserves, national health insurance, etc.
 4 Refers to bank and non-bank microfinance institutions;
 5 Some buyers have more recently started offering some long-term finance to increase farmer mechanization.

Figure 5: EMERGING SMALLHOLDER FINANCE MODELS BASED ON FARMER SEGMENTS AND NEEDS

SMALLHOLDER SEGMENTS



1 Includes input suppliers, buyers and outgrower schemes, farmer orgs and warehouses.
 2 MNOs refers to Mobile Network Operators.

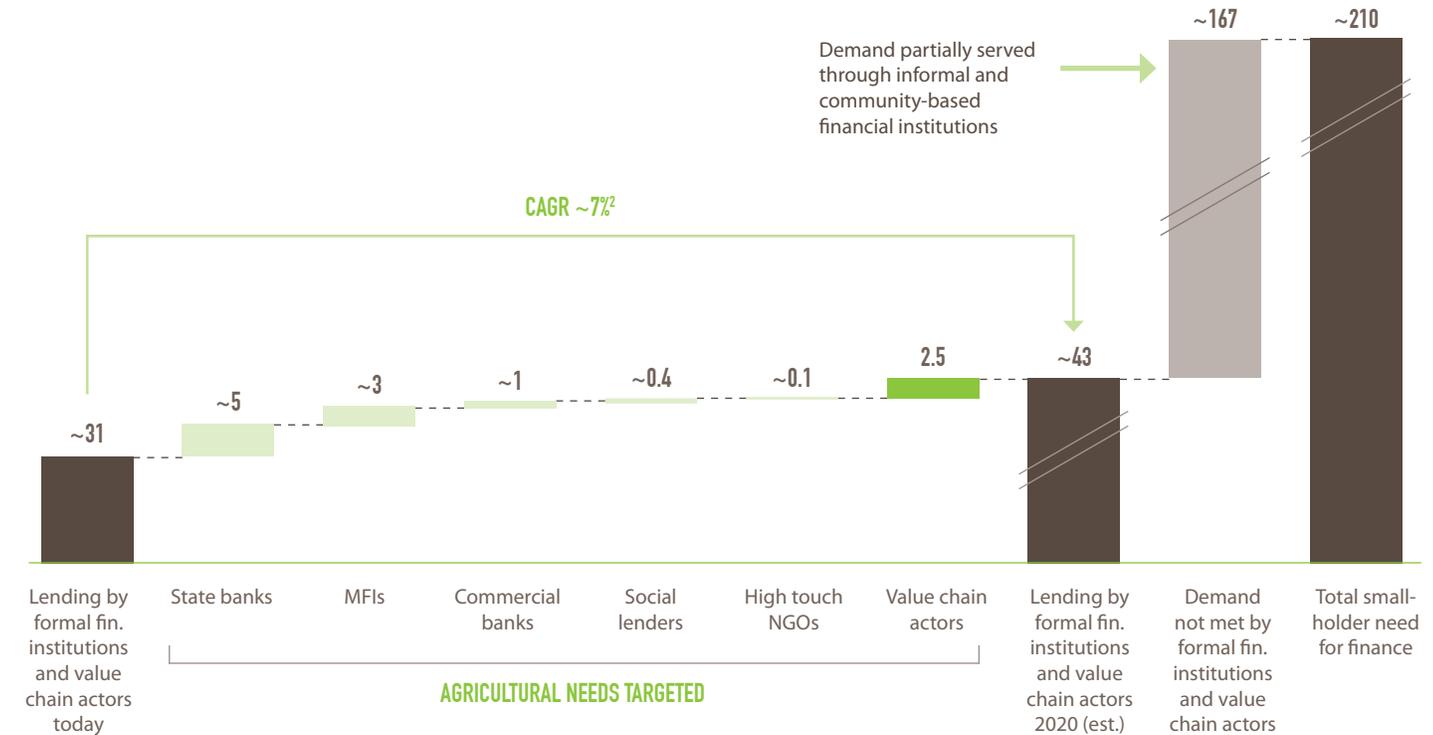
CURRENT GROWTH TRAJECTORY

The industry is more diverse and dynamic than ever, but the gap between the financial needs of smallholders and the supply of financial services is anticipated to remain significant. Overall, stakeholders project existing formal

financial institution and value chain actor credit models to grow by approximately 7% per year until 2020 (see Figure 6). High touch NGOs, social lenders, and commercial banks project the fastest growth, but at current rates, formal and value chain finance would meet less than 20% of total need in five years, holding need constant.

Figure 6: EXPECTED GROWTH IN SMALLHOLDER LENDING

Growth projections for smallholder lending by source 2015-2020 (Annual disbursements, USD billion)¹



¹ Excludes China, Central Asia, Middle East and North Africa, and Eastern Europe;

² CAGR assumptions: state bank market participant projections of ~9%, value chain actors in-line with crop production projections: ~3% export crops, ~2% non-export crops; MFI market participant projections of ~14%; commercial banks in-line with projected growth of retail banking: ~15% in sub-Saharan Africa, ~14% in South and Southeast Asia, ~13% in Latin America; social lenders market participant projections of ~15%; high touch NGOs in line with 2010-2015 growth of ~30-35%.

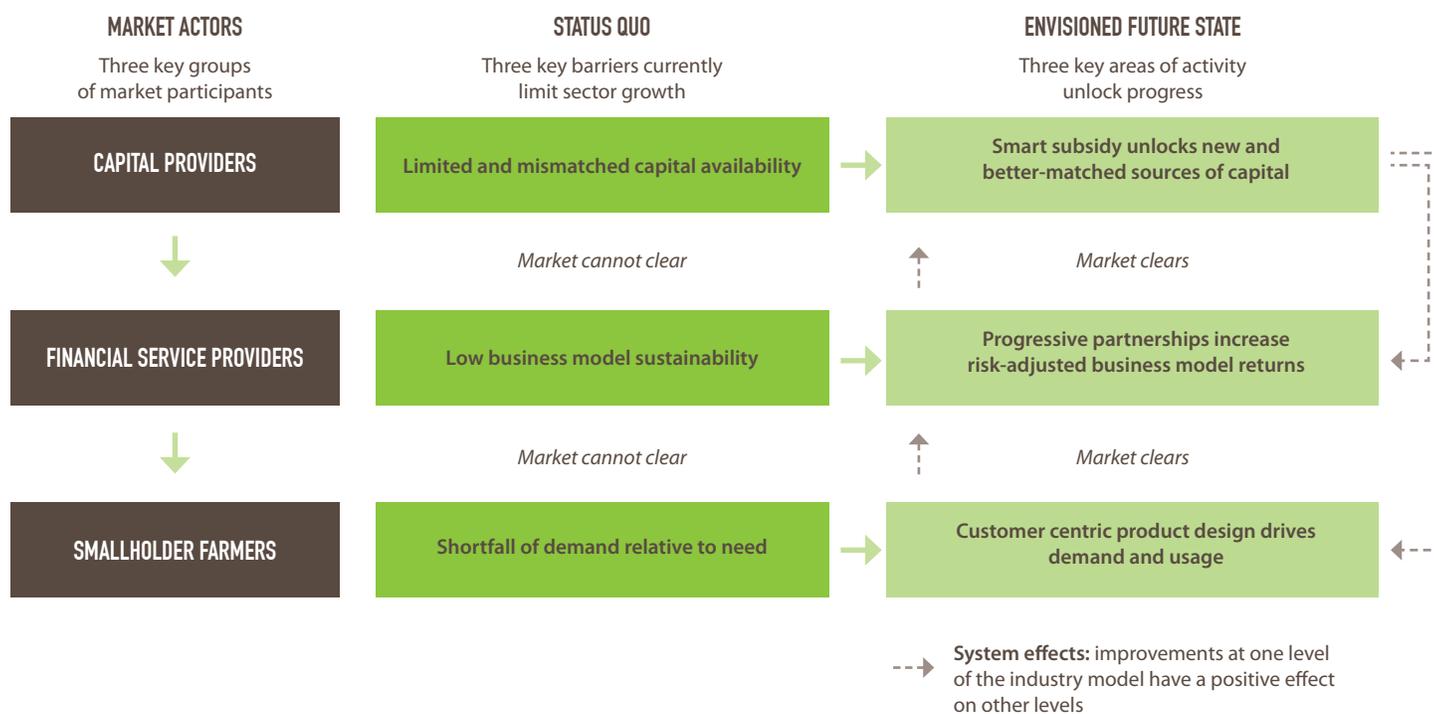
Sources: Expert interviews; "World Supply and Demand Outlook," ICO, 2014; "Current Situation and Medium Term Outlook for Tea," Intergovernmental Group on Tea, FAO, 2012; "Agricultural Outlook 2015-2024," FAO, 2015; "Sector report: banking in Africa," KPMG, 2013; "Retail banking in Asia: actionable insights for new opportunities," McKinsey & Company, 2013; "Growth opportunities despite banking sector slowdown," BMI Research Article; Annual reports; Dalberg analysis.

UNLOCKING GROWTH

The smallholder finance industry needs a fundamental shift in its growth trajectory: a doubling of annual growth to roughly 14% per year would allow formal financial institutions and value chain actors to meet almost a third of the credit need by 2020 and over half the need by 2025. This must be accompanied by rapid growth in non-credit financial services.

Overcoming critical industry barriers to unlocking this level of growth requires a concerted effort across the smallholder financing ecosystem. Due to the high degree of interdependence among the different parts the industry, progress will have to be made against multiple barriers concurrently in order to move the needle (see Figure 7). For instance, increased capital availability from funders and investors will not be impactful unless there is sufficient

Figure 7: MOVING FROM THE STATUS QUO TO AN ENVISIONED FUTURE STATE



absorptive capacity among FSPs and, in turn, smallholder farmers. Similarly, if an FSP designs the perfect product but does not have the capital to deploy it, the product will make little difference in the lives of farmers. In the era of farmer finance—with its diverse set of models, actors, and approaches—it is time to start thinking holistically about what is needed across the ecosystem in order to shape a more ambitious trajectory of what is possible.

More specifically, achieving this ambitious growth will require that the smallholder finance industry move toward a future in which **FSPs engage closely with customers to design and offer appropriate, desirable products through integrated and innovative partnerships supported by more and smarter subsidy**. While not shown in Figure 7, active support from key enablers such as market and research platforms and technical assistance providers will be critical to reaching the envisioned future state by removing market barriers and augmenting the system effects.

The full **Inflection Point** report focuses on three overarching barriers that currently constrain the growth of the sector: (1) the mismatch between farmer need and demand, (2) the low financial returns of FSP business models, and (3) limitations in the available supply of capital. Regulatory and ecosystem factors—for example, poor contract enforcement and underdeveloped customer information ecosystems—represent a fourth barrier holding back the growth of smallholder finance. While not covered extensively in

this report due to context specificity, a true system-wide approach requires policymakers working in parallel with other actors to address barriers in the enabling environment.

- **Barrier 1:** Farmer demand: At present, farmers’ demand or willingness-to-pay for a formal financial service does not always match what appear to be farmers’ needs. A number of factors drive this disparity, including smallholders’ lack of exposure to financial services, mistrust of financial institutions, and/or risk aversion. In addition, at present, a large proportion of smallholder farmers may not have the ability to use capital productively and thus have no incentive to borrow. Finally, the products currently offered by formal FSPs may not align with the requirements of smallholders or may be perceived as inferior to alternatives such as offerings from informal financial institutions, further limiting demand.
- **Barrier 2:** Business model sustainability: FSPs wishing to enter the smallholder finance market face persistent barriers to business model development, including the cost of designing financial products that meet the needs and preferences of smallholder farmers and of building the internal capabilities for engaging effectively (and profitably) with this population. For FSPs that are already serving smallholders, business model sustainability is elusive: while most have demonstrated the potential to deliver some financial returns, these are

almost universally below market rates and expectations. These barriers to business model development and sustainability drive many FSPs to depend on external subsidy, often in the form of grants, guarantees, or concessionary loans.

- **Barrier 3: Capital supply:** For many FSPs, capital availability is a critical barrier to reaching scale. Many investors perceive agriculture as an inherently risky sector, often without acknowledging the wide spectrum of risk within the sector; they also typically have alternative investment options with higher expected returns. In addition, available capital often does not meet FSPs' needs in terms of tenure, currency, or other conditions. Significantly scaling up the sector will require drawing in new—and more suitable—capital sources. To do so, FSPs and capital providers are already looking for opportunities to blend capital, strategically using development finance and philanthropic funds to mobilize private capital flows. However, the process of blending is challenging in its own right due to high search and transaction costs, a lack of transparency and industry standards, and other barriers.

Overcoming these barriers and closing the gap will require harnessing the power of today's diverse and dynamic ecosystem to fundamentally change the sector's growth trajectory. It will require concerted activity around three main themes: **customer centricity, progressive partnerships, and smart subsidy.**

CUSTOMER CENTRICITY

Customer centricity describes an approach to providing solutions based on a deep understanding of customer needs, preferences, and behaviors. Doing so requires that FSPs engage closely with their customers. A number of tools exist to help with this engagement, including focus groups, human centered design (HCD), and customer satisfaction surveys. FSPs' improved understanding will enable them to design financial products that smallholders will want and be able to afford—products that are accompanied by the additional support necessary to ensure that customers know how to use them and that are delivered through channels that farmers trust and can easily access.

By using customer engagement to tailor their approaches to the circumstances and challenges of smallholder farmers, FSPs can begin to close the gap between smallholder demand and need while also mitigating risk and improving the sustainability of their smallholder business models. Smart design can make a product more accessible and desirable, as well as increase

its use. For example, practitioners such as Opportunity International and One Acre Fund have been able to drive adoption and offset farmers' risk aversion—as well as increase the marginal returns on capital—by bundling loans with financial literacy training and/or extension services, building up a strong reputation with other farmers in the area, and guaranteeing market access. In addition, by engaging more closely with customers, FSPs can develop a nuanced understanding of the source and nature of risk, improve their ability to segment risk within target customer groups, and build stronger relationships with customers. For instance, matching loan repayment terms to agricultural cash flows is critical; a recent study by Hystra demonstrates that this model drives much higher repayment rates.¹¹

New customer data are already becoming available in the smallholder finance space, paving the way for greater customer centricity. However more needs to be done to help FSPs incorporate these findings into their operations. Stakeholders such as CGAP and the Rural and Agricultural Finance Learning Lab are investing heavily in improving the sector's understanding of smallholder farmers. It will be critical to find ways to help FSPs to maximize the value of emerging information by incorporating it into their operations. This can be achieved through a combination of dissemination and training, and could be particularly beneficial for value chain actors who may not have experience in data collection or product design. Transparency could greatly supplement these efforts by making available data that already exist but are not public.

PROGRESSIVE PARTNERSHIPS

Progressive partnerships refers to the need for the smallholder finance sector to create and scale more and deeper partnerships designed to strengthen business model sustainability and increase reach. The main goals of progressive partnerships are 1) decreasing risk and cost to serve, 2) distributing remaining cost and risk more effectively, and 3) increasing customer reach. To these ends, every partner brings its own strengths to create mutual value. Since every partner has something at stake, each holds the others accountable. At least two types of partnerships can be used effectively to overcome particular drivers of low business model sustainability:

- Partnerships between financial institutions and value chain actors operating at different points of the smallholder value chain (typically supported by other partners, such as NGOs), and
- Partnerships between different types of financial institutions.

¹¹ "Smallholder Farmers and Business," Hystra, Jul. 2015.

By leveraging the unique strengths of each partner, partnerships between financial institutions and value chain actors can decrease the cost and risk to serve smallholder farmers, as well as distribute the remaining cost and risk more effectively. Within a partnership, cost sharing can be achieved in a number of ways. Figure 8 illustrates this by tracing hypothetical changes in cost-bearing responsibility in moving from a situation in which different stakeholders act independently in pursuit of their own goals (NGO/public agency – smallholder well-being; value chain actor – reliable crop sourcing; financial institution – attracting borrowers) to one in which they collaborate. Partnerships often demonstrate additional benefits as well, including creating more value for participants over time and lowering the overall risk associated with serving smallholder farmers.

The second type of partnership—between different types of financial institutions—can also reduce risk and cost to serve, as well as expand each partner’s reach. Community-based groups are an important provider of financial services to smallholder farmers; increasingly, formal FIs are seeking out opportunities to work with them,¹²

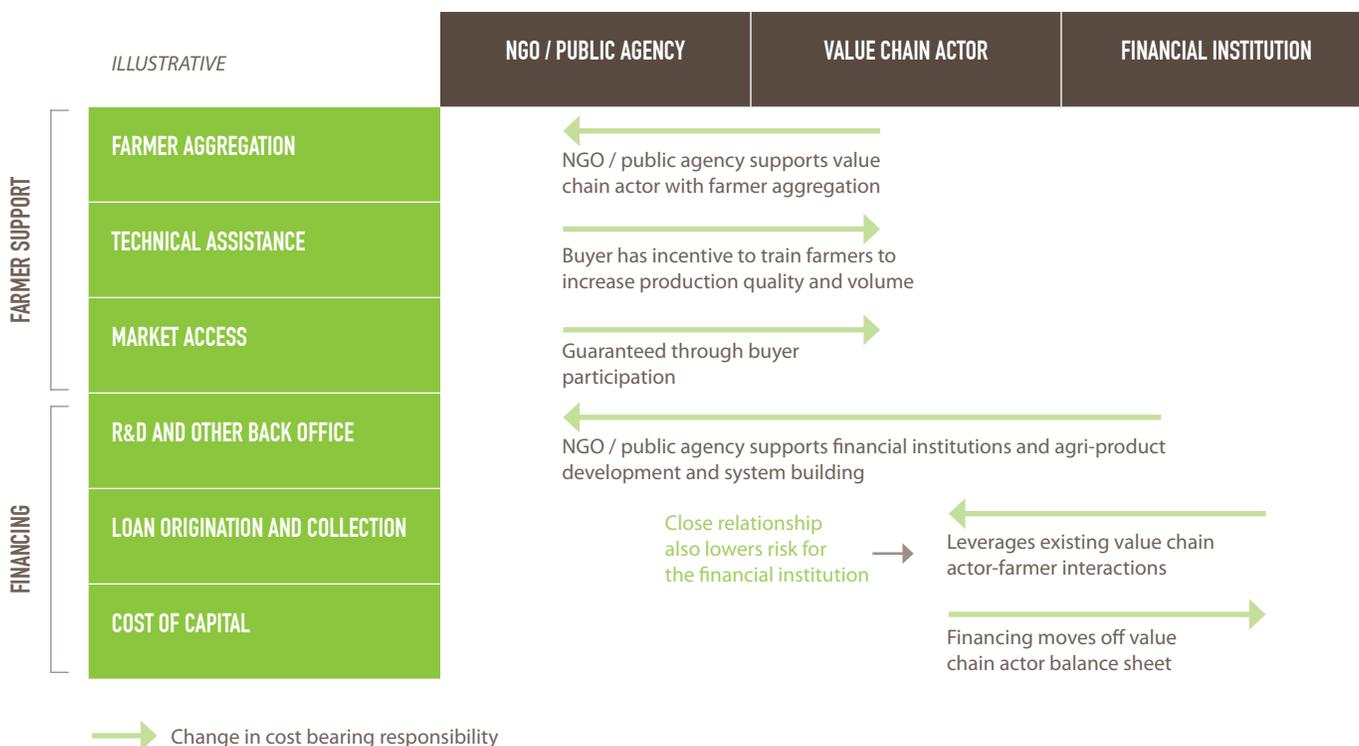
benefitting from their ability to offer access to an aggregate group of customers, strong customer relationships, and historical data on customers. The community-based FIs, in turn, can benefit from improved systems and capabilities, higher levels of return on savings, higher profit margins, and even loan capitalization. New findings on the impact of such partnerships are encouraging. CARE research finds great potential in connecting village savings and loan associations to banks: once linked to a bank, the average savings per VSLA member increase by 40 to 100 percent and the average profit per member doubles.¹³

Ultimately, by lowering the cost and risk to serve farmers, while increasing customer reach and revenue per customer, **partnerships offer the promise of increasing risk-adjusted returns on smallholder finance**; this is critical to attracting more capital to the sector.

SMART SUBSIDY

Even though customer centricity and progressive partnerships will decrease business model dependence on subsidy, the need is unlikely to disappear altogether.

Figure 8: ILLUSTRATION OF HYPOTHETICAL COST SHARING AMONG PARTNERS



Source: Dalberg Analysis.

12 “The State of Linkage Report: The first global mapping of savings group linkage,” Banking on Change, 2016.
 13 “Does the Business Case Hold Up? Examples and evidence from CARE’s experience,” CARE, Nov. 2015.

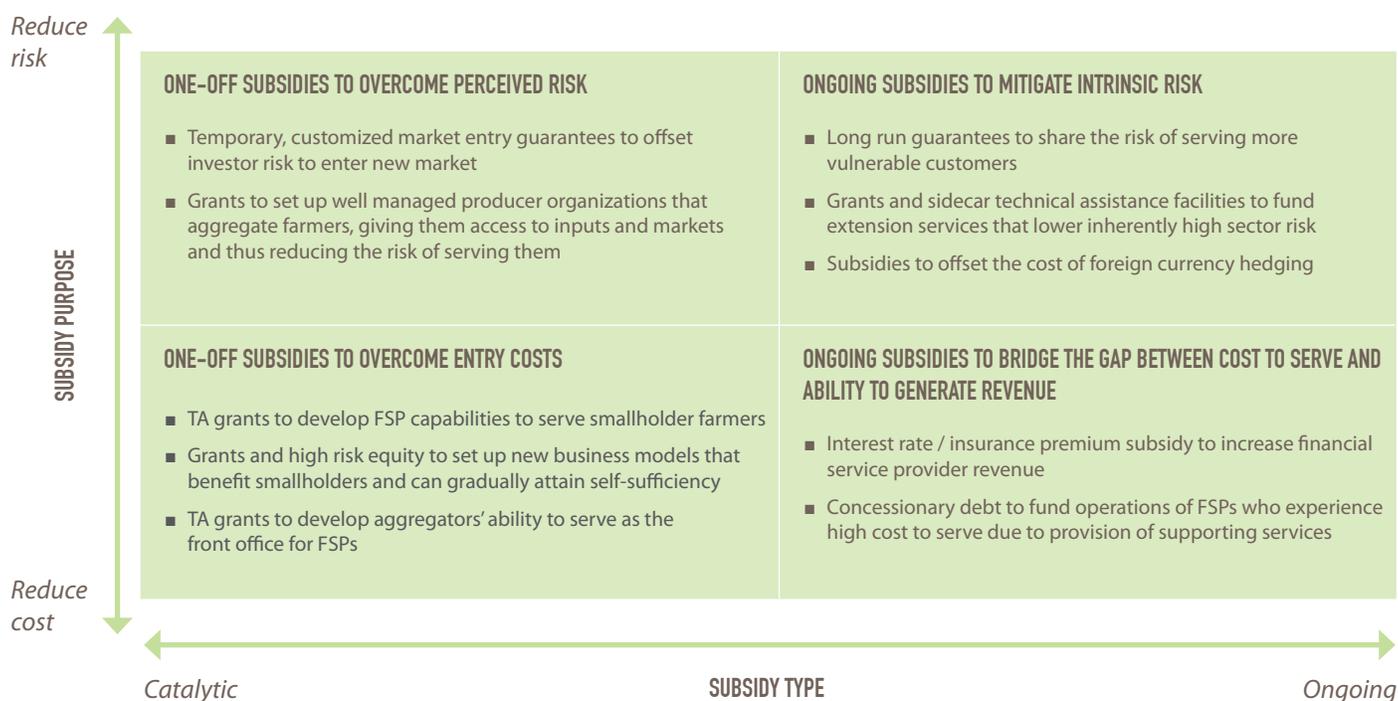
Given this, and in light of the need for significant growth in the smallholder finance sector, considerably more blending of capital is required. By supporting blended finance transactions, public and philanthropic investors can magnify the impact of their own resources; estimates suggest that public capital deployed through blended finance transactions can often attract one to five times the initial amount in private investment, depending on sector risk and the type of public capital provided (e.g., grants may deliver higher ratios).¹⁴

Tangibly increasing capital availability in the sector will require a much more nuanced approach to deploying subsidy within blended finance models. Funders first need to determine the purpose of the subsidy, i.e., what will convince the target private investor to invest. Typically, this falls into one of two categories: offsetting high cost to serve or sharing (or decreasing) risk. Second—and closely

related—funders should consider whether a catalytic or ongoing subsidy is more appropriate. These considerations and examples of associated subsidy options are shown in Figure 9 below.

Increased transparency around business model drivers and associated subsidy needs and uses will be critical to enabling smarter subsidy deployment. To date, there has been a lack of interrogation of business model economics or transparent comparisons of returns across models. Greater transparency is needed to enable the design of appropriate subsidies and attract the capital (both philanthropic / public and private) necessary for blending. More transparency will also help to create a demonstration effect, making it easier for private funders to enter into blended arrangements and for subsidies to be replicated in future. It will therefore be critical to monitor the effectiveness—and the key enablers—of the various subsidies outlined above.

Figure 9: CONSIDERATIONS IN CHOOSING AN APPROPRIATE SUBSIDY TOOL



Source: Climate Policy Initiative: The Global Landscape of Climate Finance, 2015; Dalberg Analysis, 2016.

¹⁴ "The Green Investment Report: The ways and means to unlock private finance for green growth," The World Economic Forum, 2013.

All actors have a critical role to play in moving the sector toward this new vision of financial inclusion for smallholder farmers. Financial service providers should strive to become pioneers in designing relevant products and services, while forging creative partnerships throughout the ecosystem. Public and private funders, meanwhile, should become champions of smart subsidy, seeking out the most effective ways of blending capital to substantially increase the total flow of funding to smallholder finance. Market and research platforms can support sector growth by playing the role of connected savants, sparking learning around actors' most pressing questions and promoting the findings widely to encourage action. Technical assistance providers also have a critical role to play as specialized educators across the ecosystem, arming farmers and FSPs with the knowledge they need to grow. Finally, policymakers have the opportunity to become ecosystem enablers, creating the policies and investment frameworks needed to enhance service provision to smallholder farmers.¹⁵

With insight and coordinated action, the smallholder finance industry has an unprecedented opportunity to unlock new levels of financial access and empowerment for the 450 million smallholder farmers across the developing world.

To fulfill the promise of the era of farmer finance, now is the time to push the sector toward an ambitious new trajectory.

Dalberg Global Development Advisors led this research under guidance from the Initiative for Smallholder Finance (ISF), which is incubated by the Global Development Incubator (GDI), and the Rural and Agricultural Finance Learning Lab, which is jointly implemented by GDI and Dalberg. The study was sponsored by The MasterCard Foundation and USAID.

Study advisory committee and partners include: Access to Finance Rwanda (AFR), AgDevCo, AGRA, Aspen Network of Development Entrepreneurs, The

Bill and Melinda Gates Foundation, Business Action for Africa, Business for Poverty, CGAP, Citi Foundation, Feed the Future, The Ford Foundation, ICCO STARS (Strengthening African Rural Smallholders), KFW, The MasterCard Foundation, The MasterCard Foundation Fund for Rural Prosperity, Mercy Corps, One Acre Fund, Opportunity International, Root Capital, Skoll Foundation, Small Foundation, The Sustainable Trade Initiative, Technoserve, and USAID.

¹⁴ See full report for a more detailed set of recommendations for each stakeholder type.