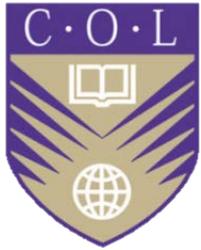


7th Africa Agricultural Science Week (7AASW)

FARA

Mainstreaming IAR4D and IP as a Lever for the Transformation of
Smallholder farmers to Business Farmers in Africa:
Institutional and Financial Strategy



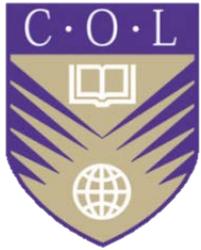
Smallholders' Transformation to Business Enterprise in Africa:

A Reality or a Mental Illusion?

14th June 2016

Presented by
K. Balasubramanian
Commonwealth of Learning





Based on a study
by

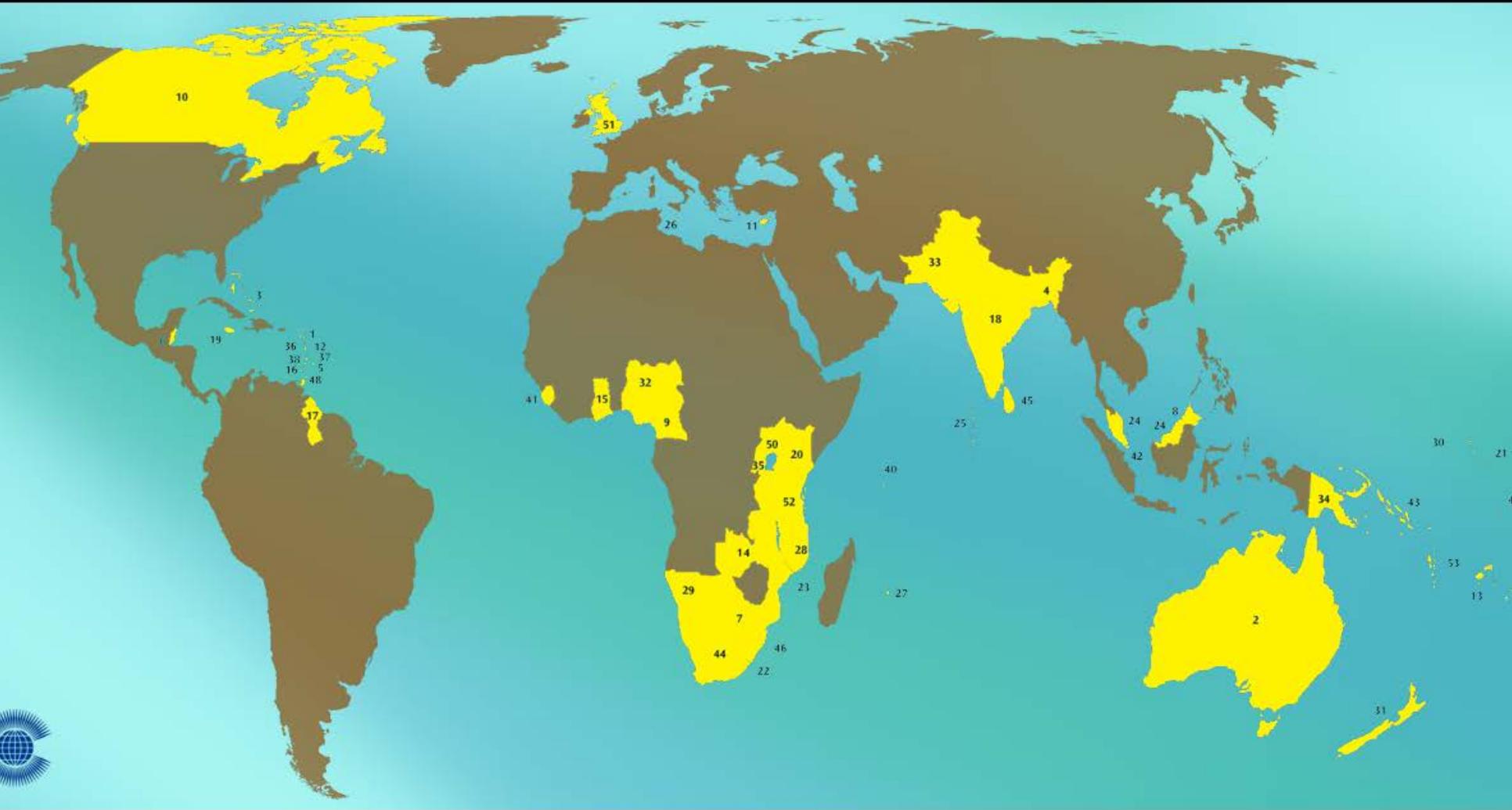
Carr, Alexis M., Tenzin Yindok**, Rosemary Atieno*, James Onyango and
K. Balasubramanian

in *Lifelong Learning for Farmers (L3F)* Programme facilitated by Kenya Aids Intervention and Prevention Project (KAIPPG); Makerere University, Uganda; Siaya Seed Savings and Credit Cooperative Society, Kenya; Ugunja Community Resource Centre, Kenya; Matumaini Mapya, Tanzania and Ghana Agricultural Workers Union (GAWU).

* University of Nairobi. ** Consultant. Others are from COL



The Commonwealth



THE COMMONWEALTH COMPRISES 53 DEVELOPED AND DEVELOPING NATIONS AROUND THE WORLD

COL: An Intergovernmental Organization



To help Commonwealth governments and institutions use various technologies to improve access to learning leading to sustainable development.

Business Enterprises among Smallholders

- Africa has a long history
- But now.....

MSME & Agriculture as Driving Force for Economic Development

Country	Employment in SMEs	Contribution to GDP	Exports
	%	%	%
Japan	70	68	40
USA	52	50	30
UK	53	52	27
H/Kong	78	51	37
India	79	40	38
Nigeria	75	10	3

Eluhaiwe, Paul N. (2013). Access to finance: Challenges of Lending to MSMEs & Agricultural Enterprises. Presentation made in the Niger Delta Development Forum.
Retrieved on 1, June 2016 from <http://www.nddforum.org/images/files/Background-Paper-1-on-Access-to-Finance-Challenges-of-Lending-to-MSMEs-Agricultural-Enterprises-by-Paul-Eluhaiwe-CBN.pdf>



Who is an entrepreneur?

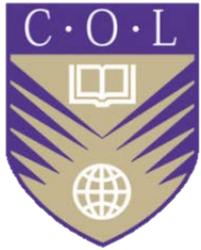
a person who combines the factors of production such as land, labour, capital and organisation for producing and marketing goods and services to maximise profit.

Who is a smallholder?

- A subsistence farmer focusing on loss-minimisation strategies rather than on profit-maximization
- Hence transition to profit maximization requires substantial support system

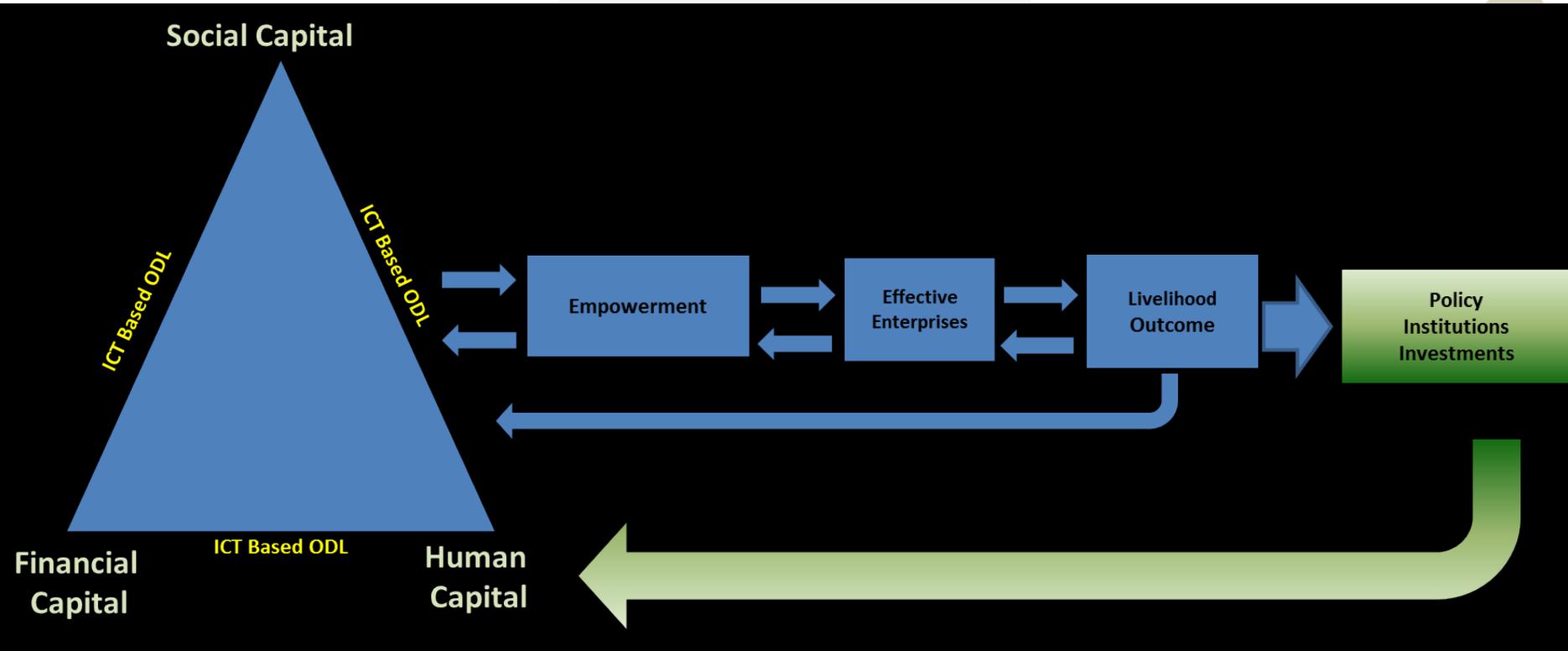
Support System for the Transition

- Capital mobilization
- Capacity Building
- Infrastructure Support
- Value-Chain Linkages



Are they enough???

COL's Lifelong Learning for Farmers (L3F)



L3F: Win-Win Situation for Secondary Stakeholders

Financial Institutions	Lower NPA-Enhanced credit umbrella
Marketing Institutions	Scale advantage-Lesser transaction cost
ICT Institutions	Larger Usage of ICT-enhances business
Universities and research institutions	Strengthens the third role-translate research into field reality
Knowledge Infomediaries	Less dependent on external support- self-sustainability-Towards social enterprise



L3F and Financial Institutions

COL proposed the following hypothesis to the Financial Institutions:

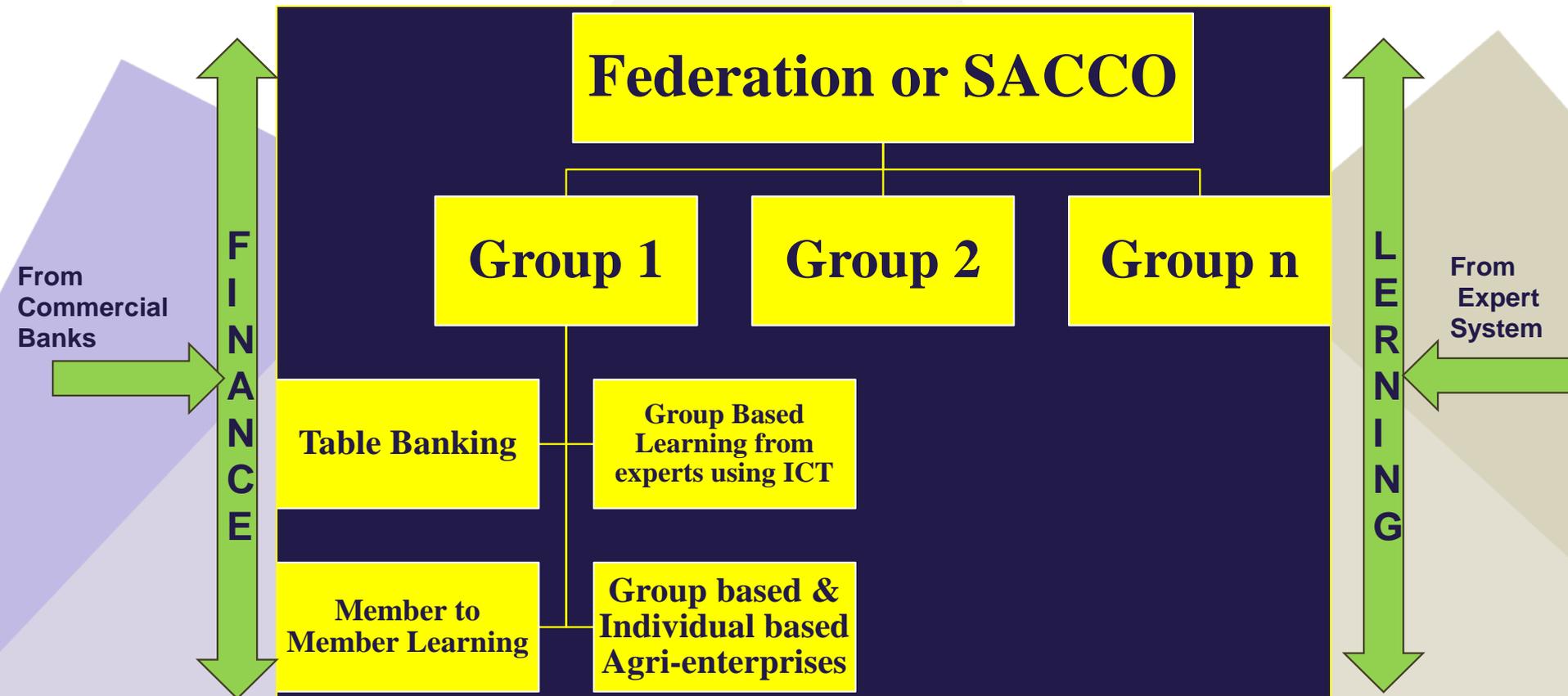
If rural agricultural credit is blended with appropriate capacity building the performance of rural credit would be much better vis-à-vis productivity, returns and non-performing assets (NPA) levels.

Capacity building would also enlarge the market for bank credit among small and marginal farmers and among other marginalized section of the rural poor.

The modern ICT though structures such as rural internet kiosks, rural telecentres, mobile phones, community radios etc can facilitate the capacity building process in a spatial-temporal context which are financially viable, economically feasible and socially acceptable.

L3F Approach :

Come together, learn, then borrow, run profitable enterprise, repay, & expand



From Micro to Macro



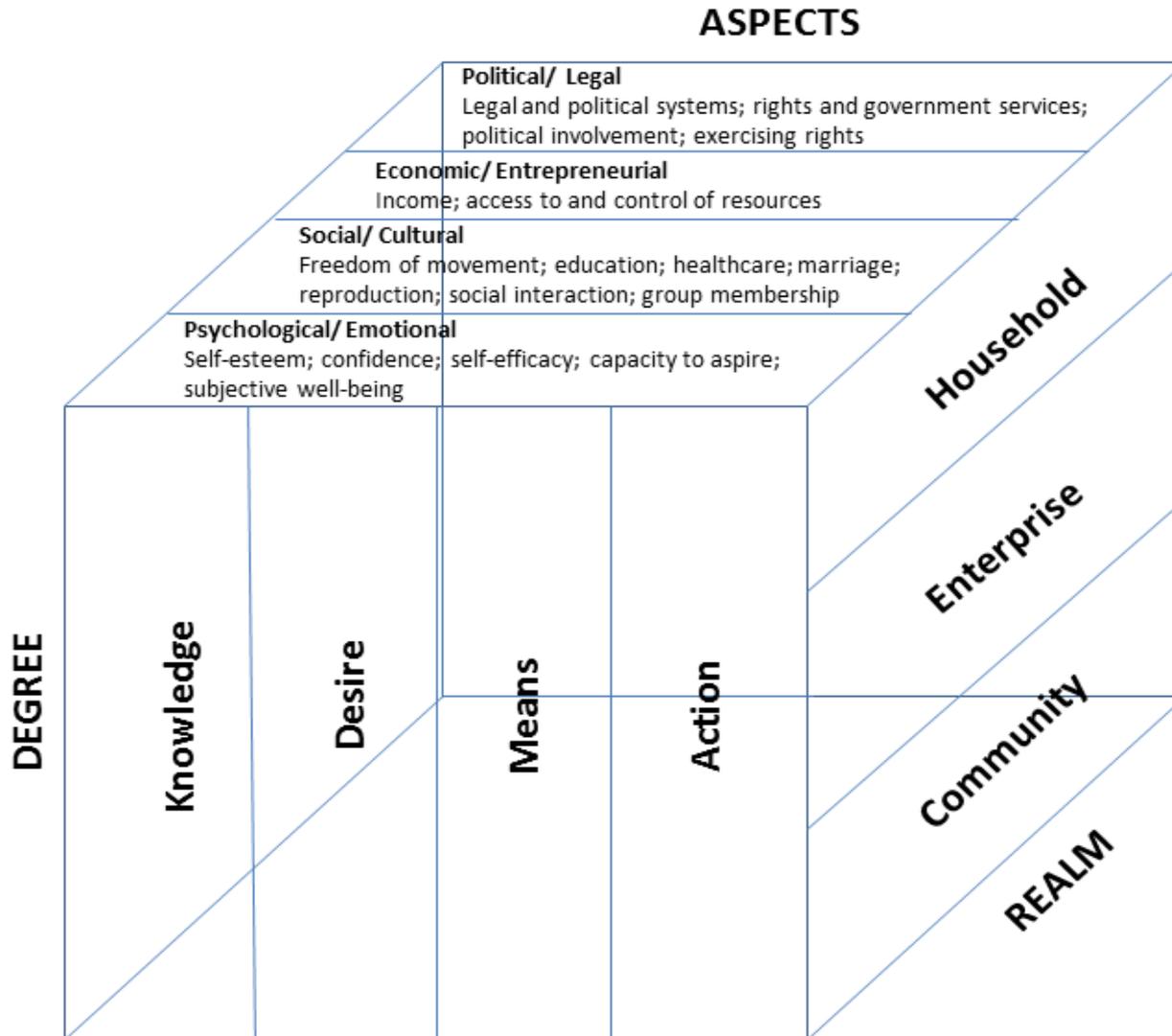
Empowerment as an Outcome

- Empowerment-“the expansion in people’s ability to make strategic life choices” in terms of three interrelated dimensions—resources, agency and achievements. (Naila Kabeer, 1999)

Kabeer, N. (1999). Resources, agency, achievement: Reflections on the measurement of women's empowerment. *Development and Change*, 30(3), 435-464.



COL's 3 Dimensional Model of Empowerment



Index: 0 to 1

0: Disempowered
1: Fully Empowered



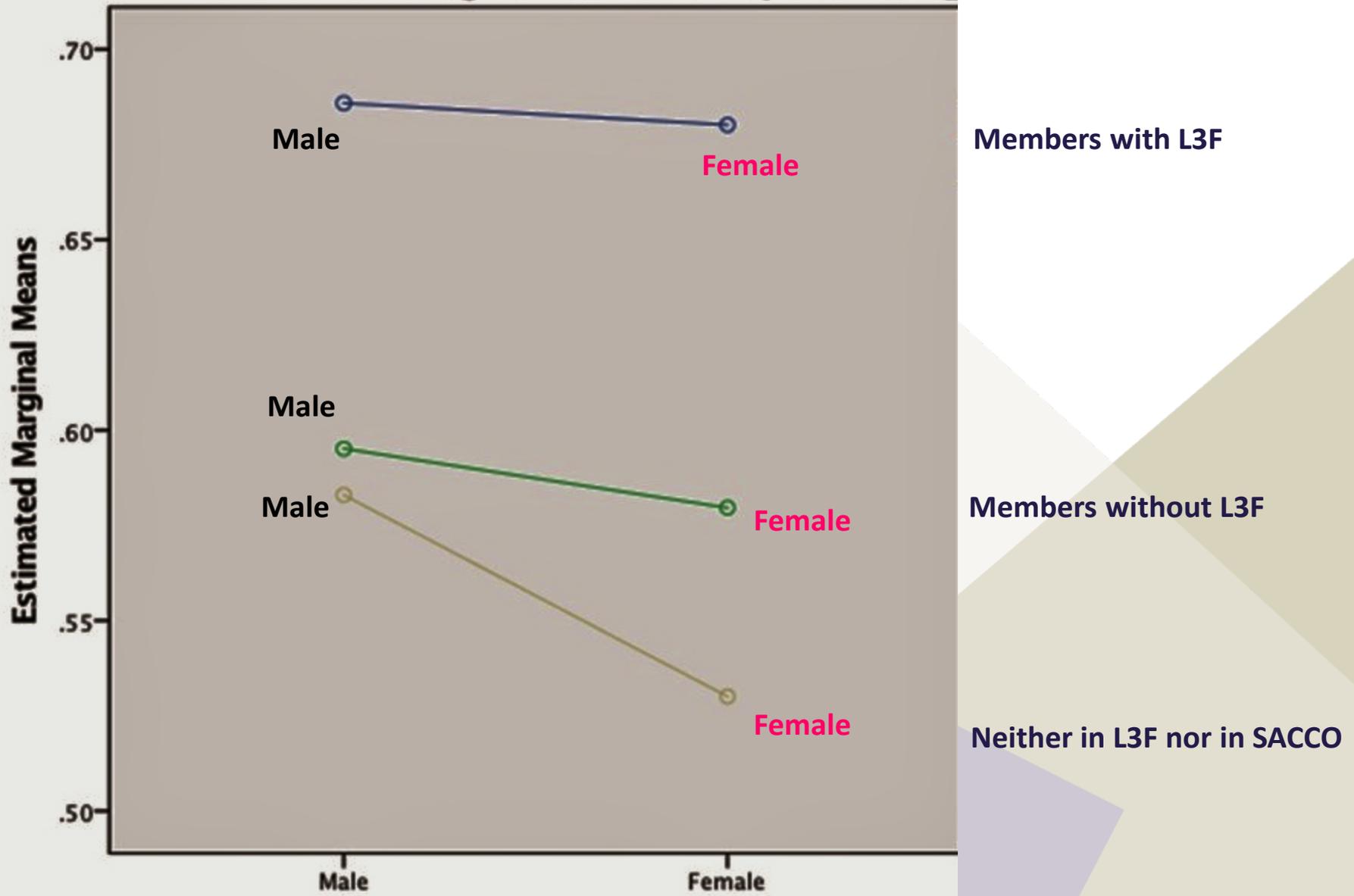
The Study: Among the Backyard Poultry Enterprises in Western Kenya

Sample	Capitals
L3F Group	Social + Financial + Human Capital
In SACCOs But Not in L3F	Social + Financial but no structured Human capital
Neither in SACCOs Nor in L3F	Partly Financial- No structured social-No structured Human Capital

Within the same socio-economic and agro-ecological background



Estimated Marginal Means of empowerment

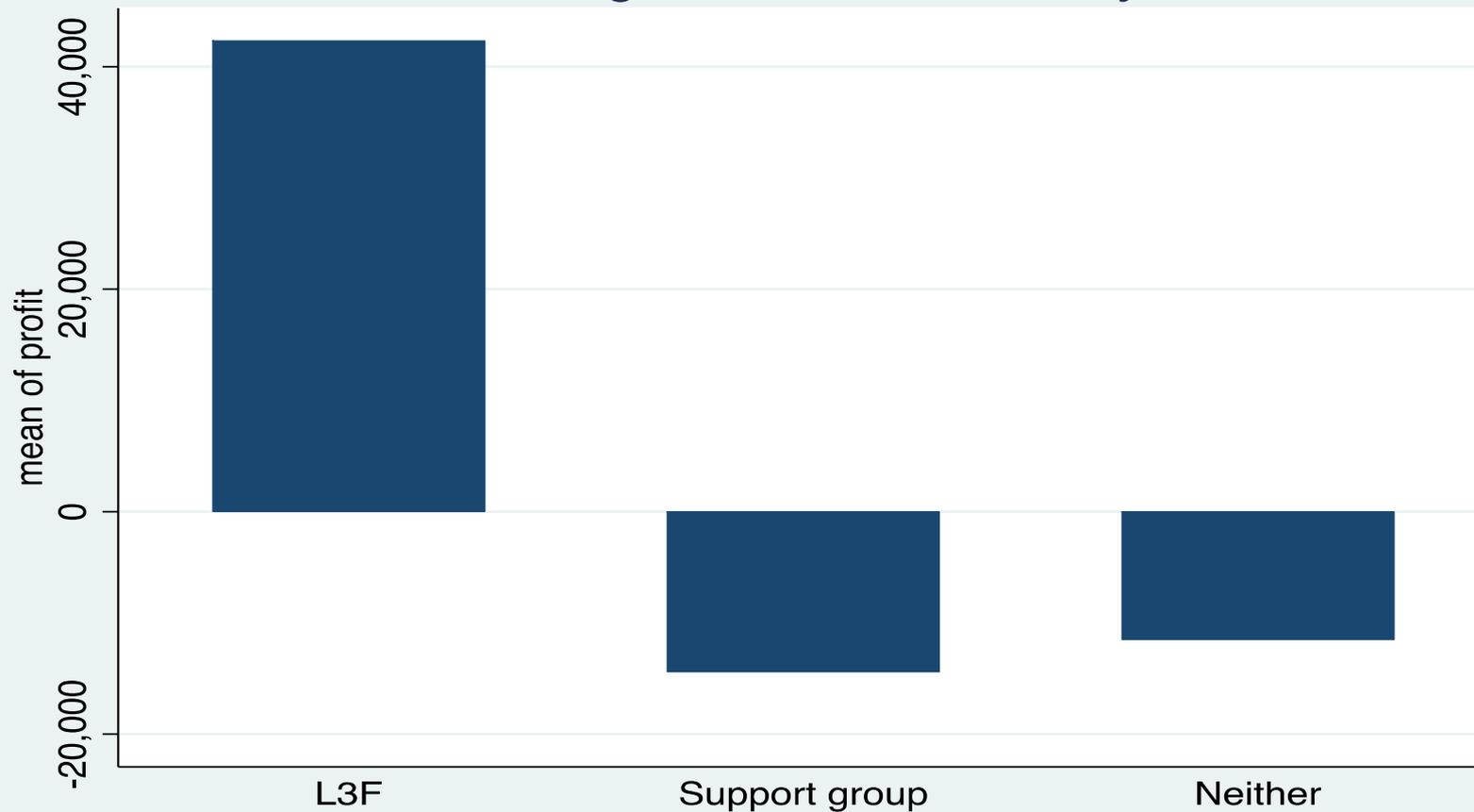


Multiple Regression Analysis shows the determining role of L3F in empowerment



Profit of the Enterprises

Average Profit From Poultry



Profit Efficiency by Groups

Predicted profit efficiency	Log profit approach
Average	65.8%
Average - L3F farmers	67.0%
Average – In SACCO but not in L3F	64.7%
Average – non-L3F/SHG	64.0%

- **Statistically Significant differences**

Estimates of Stochastic Frontier Profit Function

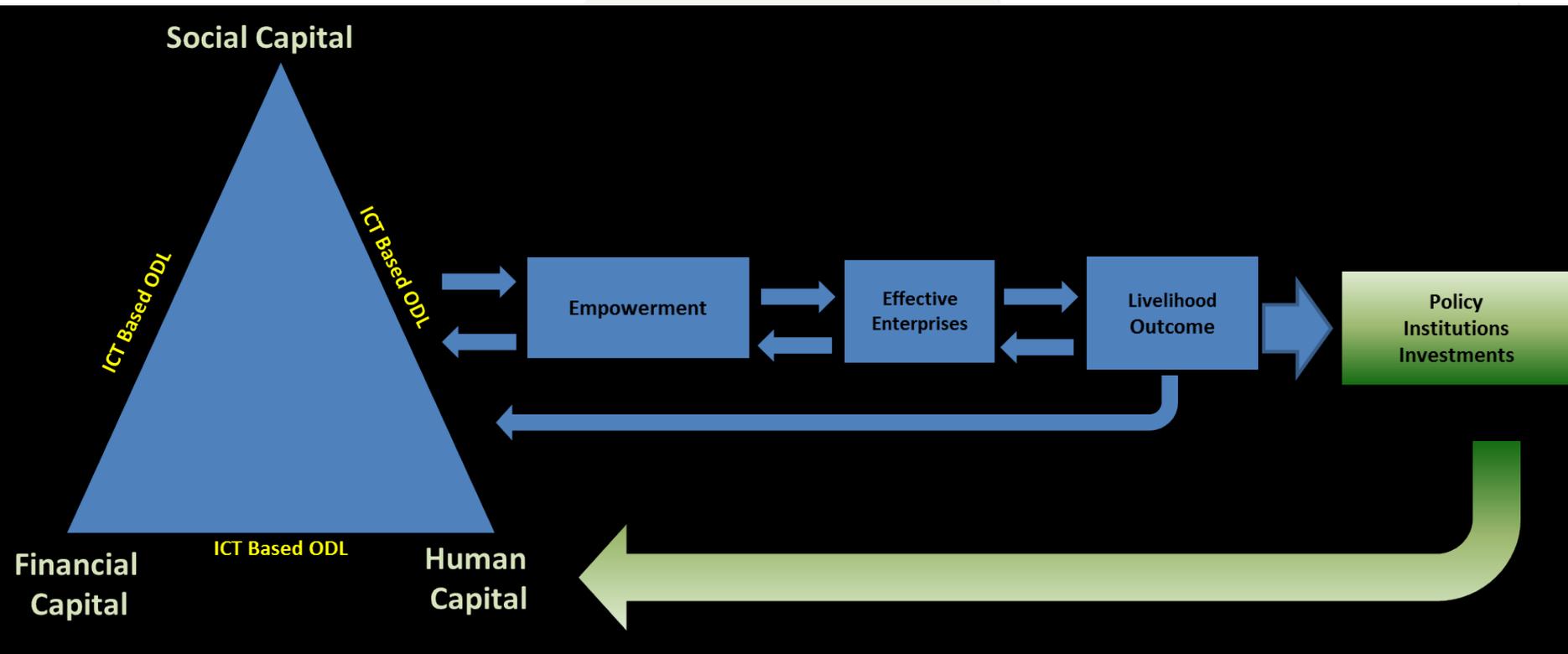
Dependent Variable	Log profit ^a		IHS of profit ^b	
	Coefficient	s.e.	Coefficient	s.e.
Log number of birds bought in 2014	1.105***	(0.157)	1.171***	(0.169)
Log family labor in 2014-15	0.061	(0.228)	0.032	(0.244)
Log hired labor days in 2014-15	0.359***	(0.081)	0.395***	(0.087)
Log empowerment index	2.284***	(0.780)	2.455***	(0.829)
Log purchase price of birds in 2014	0.109**	(0.044)	0.121**	(0.048)
Log wage for hired labor in 2014-15	-0.267***	(0.063)	-0.293***	(0.068)
Log negative profit indicator	-0.990***	(2.113)	-2.122***	(0.024)
Intercept	8.032***	(0.022)	9.033***	(1.729)
Sample size	210		210	

^a Equals zero if profit is negative.

^b IHS of profit is defined as $\ln(\text{profit} + \sqrt{\text{profit}^2 + 1})$

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

COL's Lifelong Learning for Farmers (L3F)



OUTCOMES & IMPACTS IN LAST SIX YEARS

In India

Every **\$1** invested in learning, facilitation and networking resulted in **\$9** worth of income and assets

100% Prompt Repayments to Financial Institutions which earned **8 times more income** from L3F farmers for the same product compared to non L3F farmers in the same region

Cost of Training and Capacity Building: **Six time Lesser** than that of the agricultural extension and bank trainings

Banks & Mobile companies beginning to invest in L3F



Improved Food Security in Kenya & Uganda

From Mental Illusion to Reality

The Problem

**Holistic Perspectives of
Communities**

Vs

**The sectoral approaches
(in spite of systems
framework) of
knowledge and
development agencies**

The Solution

**Holistic Perspectives of
Communities**

+

**Holistic Approach in
Development**



Indian farmer learning through mobile phone



Kenyan farmer learning through mobile phone

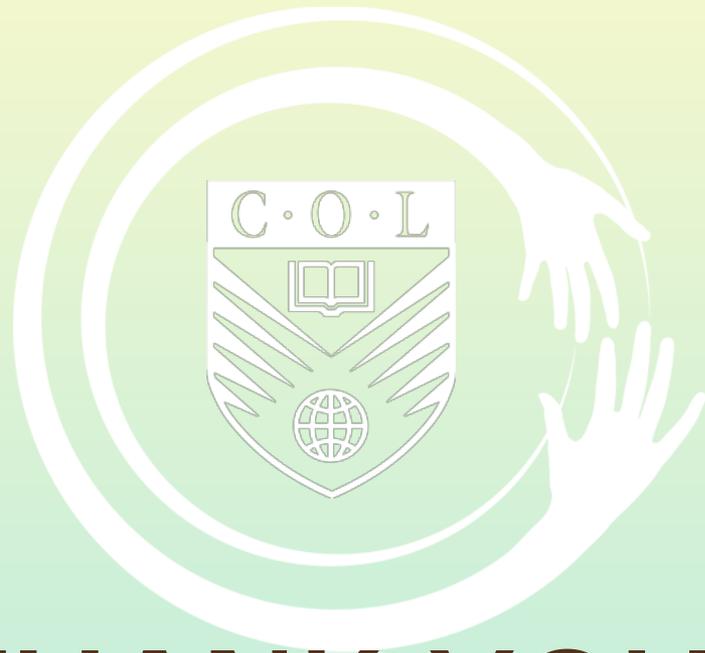


Group based learning in Kenya

L3F farmers together to negotiate with banks-India

L3F enterprise in Uganda





THANK YOU

