



Financial inclusion for agribusiness enterprises

Financial inclusion can be described as a process that enables individuals and businesses have access to financial services. Individuals and businesses alike have access to useful and affordable financial products and services that meet their needs. This means that transactions, savings, loans, insurance and payments must be provided in a responsible and sustainable manner, individuals and businesses can easily access these formal financial services such as deposit and savings accounts, payment services, credit and insurance at the appropriate time.

Financial inclusion is designed as measures to remove the specific limitations that exclude people, such as the socially vulnerable, women and youth, from accessing and using financial services.

Small and Medium Scale agribusiness owners needs to understand the importance of financial inclusion.

It is however important to mention that financial inclusion of small and medium scale agricultural enterprises that add value and create jobs is still a major challenge for SMEs in Nigeria. The food security of Nigeria's over 200 million people depends on smallholder farmers. Despite their importance, most of them struggle to accumulate savings, raise capital, and access credit to invest in economic opportunities, and adopt technologies to increase their production.

According to (Adegbite, Lapepenle and Anderson 2021), a study on financial inclusion of small and medium scale farmers found that 78% of rural smallholder farmers in Nigeria

Agrihub Trove is a bi-monthly publication that explores the key issues and challenges faced by agribusiness owners in Nigeria in recent years and shows how they can change their business models and deal with these challenges innovatively and creatively. Written in an engaging and accessible style, the contributors and staffs of Rural Youth Employment Opportunities: Support to integrated agribusiness hubs in Nigeria (IFAD-Agrihub) have drawn on years of experience in the industry to examine the massive changes in the agribusiness sector and share relevant thoughts.

This issue focuses on financial inclusion of agribusinesses and recommendations on how agribusinesses can easily access financial services. Enjoy your reading.

were financially excluded based on a broader definition, while only a little over 27% met the access indicator, i.e. had formal accounts, but only 25% frequently accessed formal financial services. Similarly, only 31% reported no barriers to financial participation such as high transaction costs, lack of means of identification and long distances.



An agripreneur attending to a customer

Agricultural small- and medium-sized enterprises (agri-SMEs), are critical to the development of more inclusive and sustainable food systems. These businesses are responsible for large sale of inputs, food production, collection and distribution, processing and retail of food products. A healthy small and medium sized agribusiness system can ensure farmers are in a better position to secure inputs, produce what the market demands, and find offtakers for their products.

While there is agreement on the importance of developing agricultural value chains, support for small and medium-sized agribusinesses remains quite mixed. This leaves the establishment of cooperatives as a possible way for individual farmers to enter a value chain. While it is true that banks often display skepticism towards about agricultural SMEs, there are some examples that show that it is possible to provide finance to these SMEs. Take, for example, the long-standing Agricultural Credit Guarantee Scheme Fund (ACGSF), which was introduced by the Central Bank of Nigeria (CBN) to help farmers without



Juliet Akpelu, winner of AgriPitch Competition, Abuja Hub.

collateral to obtain loans from commercial banks. There is also the Alliance for a Green Revolution in Africa (AGRA), which is also working with the CBN and commercial banks to develop the Nigeria Incentive-based Risk-sharing System for Agricultural Lending (NIRSAL). This system was launched in 2012 to support banks in agricultural lending by underwriting risk and providing technical support and training to lenders.

In conclusion,

The general trend for agribusiness in Nigeria has changed remarkably in recent years and will only get better in the years to come. In view of this, IFAD-Agrihub advise young agripreneurs to embrace agribusiness and change the face of agriculture, in order to benefit from the opportunities of financial inclusion through the following;

- i. Establish a cooperative: By establishing and registering a cooperative, young agripreneurs could become cross-grantees for each other. Taking our case study from the IFAD-Agrihub project. The Aqua-Agrihub cooperative was established by 7 beneficiaries of the project in Oyo hub. Each member of the cooperative was able to pay for their equity from the stipend they were paid while at the Hub. They are presenting expecting more funding from one of the financial institutions in Nigeria soon.
- ii. Agripreneurs can also explore digital and online banking platforms that offer financial inclusion opportunities such



The Aqua-Agrihub cooperative group

as business-friendly loans and grants, especially for women

iii. Agripreneurs need to be more expose themselves to financial education and be well informed about financial inclusion, i.e. they must attend workshops, seminars and conferences where financial inclusion is discussed or taught.

iv. Crowdfunding: is the financing of a business or venture by raising small amounts of money from various people, such as family and friends. It is an alternative way of starting a business in the country, but it is yet to become a popular means of securing finances for business start-ups.

For instance if an agripreneur receives 500,000 naira from 5 people (each giving her 100,000 naira) for her fish business. After the production cycle when she sells the fish, she has earned 750,000 naira. She reinvests 500,000 Naira and 30% of the profit (250,000 Naira), that is 75,000 Naira (this is meant for the expansion of the business). She then shares 175,000 Naira profit with the investors in the business, with each investor receiving 35,000 Naira, which she can easily pay back after 3 cycles.

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