

An aerial photograph of a valley in Madagascar, showing extensive terraced rice fields. The terraces are arranged in a grid-like pattern on the slopes of the hills, with some fields appearing green and others brown. The background shows more terraced fields and a small village nestled in the valley.

# **DOES MICROFINANCE MEET THE NEEDS OF MALAGASY FARMERS ?**

**Mamy RAJOHANESA – PCA of FIFATA  
MADAGASCAR**

# Madagascar in numbers

- 19 millions inhabitants
- 587 000 km<sup>2</sup>
- Annual GDP of US\$ 250 per capita
- Literacy rate of 35%, even lower in rural areas
- Birth rate of 6 children/woman

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# Agriculture in Madagascar

- 14 million people rely on agriculture (70% of the population)
- Agriculture is the primary economic sector
- Rice cultivated by 90% of all farms
- Less than 4% of land cultivated
- Access to land and agricultural services difficult

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# MALAGASY AGRICULTURE: PRIMARILY FAMILY FARMS

**One family:**

- Generally cultivates less than 1 ha
- Is composed of 5/6 people
- Labors manually on plots that are scattered
- Uses very little fertilizer and practically no improved seeds

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# FIKAMBANANA FAMPIVOARANA NY TANTSAHA

(Association for the advancement of peasants)

- Founded in 1989
- One of 4 apex peasant organizations in Madagascar
- 108 000 members in 10 regions (out of a total of 22)
- Promotes “family, professional and competitive agriculture”
- Services to members: historically, credit has been primary service to members

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# FIFATA and the CECAMs

- In 1987, farmers from Vakinankaratra were seeking solutions to their finance problems
- They created two solidarity groups to borrow from 2 NGOs
- In 1989, they joined FIFATA
- In 1990, the first village savings and credit banks opened
- In 1991, activities expand to new regions
- In 1993, the CECAMs (*Caisses d'Epargne et de Crédit Agricole Mutuels* or Savings and Agricultural Credit Cooperative Societies) are founded

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# MICROCREDIT IN MADAGASCAR

- Is a reality in many regions
  - Today, there are microfinance institutions in nearly every region
- A diversified range of credit is offered to
  - Buy material
  - Finance plantation
  - Stock harvests
  - Solve social problems...

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# AGRICULTURAL MICROCREDIT: A GENUINE NEED

- Fills a real need, peasant need finance for their productive activities
- Without it, development would be impossible in rural areas
- FIFATA is convinced of the importance of ag mc:
  - Recently, FIFATA spoke out on behalf of its member base in defense of the need to maintain agricultural credit supply, which was under threat in some regions of Madagascar

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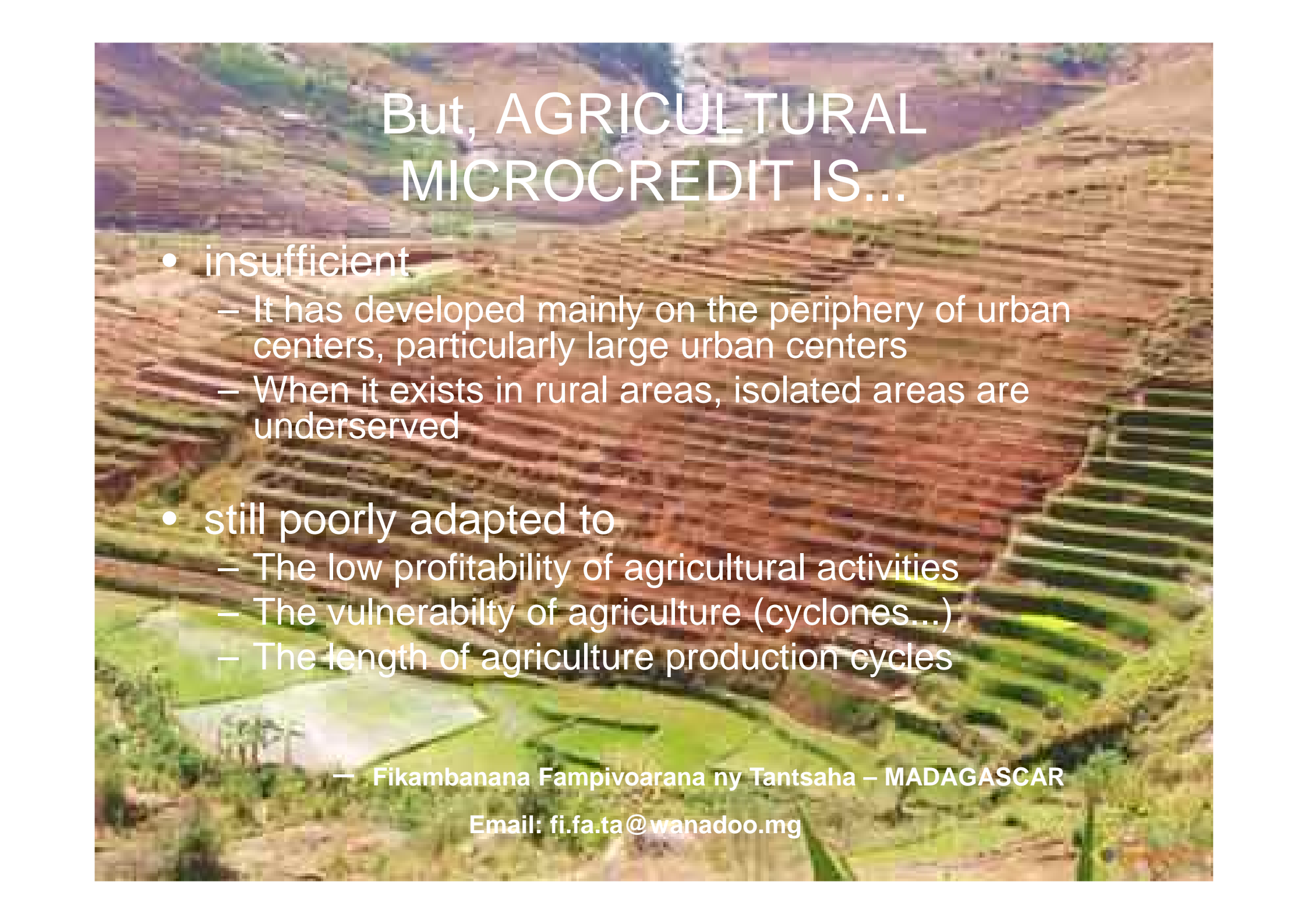
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# MICROCREDIT BOOSTS AGRICULTURE

- When it is used in dynamic supply chains
- Certain products are deemed better than others. Users like in particular :
  - Cooperative hire-purchase product (LVM) to invest in equipment
  - Storage credit in Village Community Granaries (GCV)

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An aerial photograph of a valley in Madagascar, showing extensive terraced rice fields. The terraces are arranged in a grid-like pattern on the slopes of the hills, with some areas appearing to be under construction or recently harvested. The colors range from vibrant green to brownish-red, indicating different stages of the agricultural cycle. The text is overlaid on the upper portion of the image.

# But, AGRICULTURAL MICROCREDIT IS...

- insufficient
  - It has developed mainly on the periphery of urban centers, particularly large urban centers
  - When it exists in rural areas, isolated areas are underserved
- still poorly adapted to
  - The low profitability of agricultural activities
  - The vulnerability of agriculture (cyclones...)
  - The length of agriculture production cycles

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# MICROCREDIT STILL MISUSED BY PEASANTS

- Farmers are unfamiliar with financial mechanisms
- Peasants perceive MFIs as “external” institutions
- Procedures are distant from the users’ reality and not well understood
- Use of agricultural loans for consumption

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# To invest and be willing to borrow, peasants need confidence in the future

- They first need...
  - Decent prices
  - Transparency and stability of the rules of the game

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# PEASANT MFI FOCUSED ON SERVICES FOR PEASANTS

- Today, to reach a “richer” clientele, we are observing :
  - Creation of new products for commercial purposes, home renovation...
  - A move towards larger cities
- Why not, if this enables:
  - Better quality services for farmers (information, follow-up)
  - To be closer to the client

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# BETTER ADAPTED AGRICULTURAL CREDIT

- Loan applications reflect more realistic projects
- More complete information
- Lower interest rates
- Shorter loan applications
- Disbursement when the client needs it

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An aerial photograph of a valley in Madagascar, showing extensive terraced rice fields. The terraces are arranged in a grid-like pattern on the slopes of the hills, with some fields appearing lush green and others more brownish, possibly due to soil or water levels. A small body of water is visible in the lower left corner. The overall scene is a typical agricultural landscape in a mountainous region.

# AGRICULTURAL CREDIT COMPLEMENTARY TO A VARIETY OF SERVICES FOR FARMERS

- Land access
- Training (in credit use and loan management)
- Information
- Access to inputs
- Market access
- Advisory services to family farmers

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# WHAT ABOUT OTHER FINANCING MECHANISMS?

- For the many particularly vulnerable Malagachy peasants
- Forced to consume nearly all their production
- Still very far from the idea of wanting to “produce to sell”

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An aerial photograph of a vast terraced rice paddy system in Madagascar. The terraces are arranged in a grid-like pattern across a valley, with some areas showing lush green rice plants and others appearing as brown, tilled earth. The surrounding landscape is hilly and forested.

THANK YOU FOR YOUR ATTENTION

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