

Micro-credit Empowering Farmers in Developing Countries

By Laura Johnston Monchuk for the Canadian Federation of Agriculture

What do Cambodian green beans, a Tajikistan greenhouse, and the 2006 Nobel Peace Prize have in common? Each was made possible through micro-credit.

Through micro-credit, relatively small loans are extended to low-income people who have no collateral and little access to formal banking sources. An increasing number of agriculture producers in developing countries are using micro-credit to develop more profitable businesses.

“For farmers in Canada and abroad, access to capital is key for building an agricultural business,” said Bob Friesen, president of the Canadian Federation of Agriculture. “While Canadian farmers are able to obtain credit to leverage inputs through to the end of the production cycle, farmers in developing countries historically have not had access to formal lending institutions or collateral. As a result, developing country farmers struggle to obtain inputs necessary to start and maintain a viable business.

“Micro-credit is allowing farmers to develop and gain ownership of their activities, from production and natural resource management to processing and marketing,” Friesen said. “Micro-financial services are helping family farmers around the world better control their destinies and strengthen their communities.”

Canadians have contributed financial and human resources toward successful micro-credit programs in developing countries. For example, the Canadian International Development Agency (CIDA) has long supported community finance projects in Europe, Asia, the Americas and Africa.

Through World Relief Canada (WRC), CIDA supports projects to provide micro-credit to the poor in Bangladesh, Mozambique, Rwanda, Vietnam, and Cambodia. Through these projects, clientele who are ignored by traditional banks have gained access to financial services that benefit their families and communities.

Mil Saveourn, her husband and three children live on the outskirts of Phnom Penh, Cambodia. Saveourn found it difficult to buy fertilizer, bamboo stakes and other materials needed to produce good crops. There was barely enough to feed her family and nothing left to sell in the market. With her first loan of only \$20 through Credit Cambodia, a WRC-supported micro-credit program, she was able to buy the materials she needed for that year, produce a good crop and pay back the loan. For the past six years she has taken out a small loan for inputs that has made her bean-growing business a prosperous enterprise. Through increased yields, she is able to sell her produce in the nearby Phnom Penh market, pay her children’s school fees and provide healthy foods for her family and neighbors.

CIDA also supported efforts to set up the First Microfinance Bank of Tajikistan, the first micro-credit institution in Central Asia. The bank has helped launch thousands of micro-enterprises, such as greenhouses, hardware stores and pharmacies and has supplied up-front input costs for farmers in this developing country.

In October 2006, Bangladeshi economist Muhammad Yunus, and the Grameen Bank he created, won the Nobel Peace Prize for altering conventional lending rules by making loans available to women and men who previously had been considered “un-bankable.”

Yunus started the Grammen Bank in his home village 30 years ago, loaning as little as \$9 at a time to the community’s poorest to start income-generating activities. Today the bank claims it has lent \$5.72 billion to 6.61 million borrowers through 2,226 branches with a 98 percent repayment rate over the past three decades. Yunus’s pioneering use of micro-credit has become a worldwide model.

Upon declaring Yunus and the Grameen Bank winners of the Peace Prize, the Nobel selection committee said, “Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means. Yunus’s long-term vision is to eliminate poverty in the world. That vision cannot be realized by means of micro-credit alone. But Muhammad Yunus and Grameen Bank have shown that, in the continuing efforts to achieve it, micro-credit must play a major part.”

-30-

PHOTO CAPTION:

Cambodia farmer Mil Saveourn and her family were able to develop a prosperous bean-growing business through a World Relief Canada-supported micro-credit program that provides small loans to poor families to help start or expand a business. *Photo: World Relief Canada*