

ACCESS TO FINANCE CHALLENGE –Submission Format

A. Contact Details

Applicant name:	Paul Muhia
Name of the organisation (if any):	Transformers
Type of organisation (producer organisation, NGO, company etc.):	Other
Number of farmers represented:	10,000+
Region that you work in:	Nyeri, kahawa wendani, kiserian
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B. Pre-Financing Opportunities

What is pre-financing and how can we create awareness of the existing financing opportunities to coffee/cocoa farmers. (Max 200 words).

In finance pre-financing is the securing of funding before project begins, the practice of arranging funding in advance of the start date of a project. It can also be defined as the money paid in advance by customers to help finance a project the future products of which the customer contracts to buy by making additional payments.

To create awareness to coffee/cocoa farmers of the existing financial opportunities we need to:

- a) Use digital media i.e. Television and radio to communicate to farmers especially using the local channels as most farmers come from rural areas.
- b) Taking advantage of the existence of farming groups and association and use them to address the many farmers who are members of such groups.
- c) Holding agricultural trade fairs and seminars regularly and educate farmers on the existing financial opportunities to assist them.
- d) Nowadays farmers are able to use online platforms such as blogs to get information. We can use this to send information to farmers as the niche is

large are we are guaranteed that the information will reach the targeted group.

- e) Currently majority of the farmers have social accounts like facebook and some have pages where they post what they grow. We can use these social platforms and send information addressing all farmers of the existing pre-financial opportunities as well as give them updates of the same.

C. Most limiting constraints

What is/are the most important constraint(s) that limit financial access to coffee/cocoa farmers? e.g. what prevents farmers from applying for financial assistance for their agricultural activities? (Max 200 words).

Limitation to financial access by coffee/cocoa farmers is attributed by factors such as:

- a. Lack of financial trust from financial institutions as most small scale farmers do not have credit profiles documents that most financiers seek before they can give loans.
- b. Fear of defraud by financial institutions. Most small scale farmers have little assets that can act as a security in case they are not able to pay back the loan. This makes lenders shun away from assisting small scale farmers financially.
- c. Most financial institutions are afraid of investing in agriculture as they tend to view its success being relied on natural phenomena and we know you can't rely on natural activities, who knows it might not rain as was expected and this means no harvest for the farmers and hence there will delayed payments, something most financial institutions would not like to be involved in.

what prevents farmers from applying for financial assistance for their agricultural activities

Most farmers do not apply for financial assistance simply because some of them are denied the access to finance as they are termed not eligible.

Most financial lending institution tend to have lengthy legal procedure for one to be able to get a loan.

Also, it has been a culture that banks and other financial institution tend to recognize organization more than individuals thus most small scale farmers are forced to join groups and SACCO so that they can be considered and this can prevent farmers from accessing finance as not every farmer is of the idea of being in Sacco's or groups.

**D. Please describe your strategy to increase pre-financing support
Describe the minimum necessary requirements for accessing financial support
that are part of your strategy. Describe the benefits of getting pre-finance
support and provide details where possible (Max 400 words).**

Our organization aims at liaising with financial institution as well as cooperative societies and act as a link between them and small scale farmers. Since most small scale farmers do not have credit profiles which is checked when giving out funds, our strategy aims at coming at the rescue and act as their mediators. Most financial institutions have no information about their customers but since we know our customers (farmers) well and their agricultural activities we are able to use this pool of information and connect farmers to financial institutions.

We plan on partnering with companies that sell seeds and fertilizers so that we are able to give farmers all the resources they need at no cost and let them start farming. After harvesting their produce we provide market solution for their produce and take a small percentage out of the returns to cater for the seeds and fertilizers they used. This will attract even youth who might be having only small portions of land but find it challenging to get the starting capital.

In order for small farmers to be able to access finance through our initiative all they need is to register with us independently or as a group and will make arrangements on visiting their farms and see what they are doing in their farms instead of just believing on written information. After visiting their farm we will be able to identify those that are capable of survival and thus eligible for getting financial support. Comparing this with the traditional method where farmers had to carry reports of their agricultural activity which locked many farmers out, our strategy aims at opening opportunities to all farmers regardless of whether they are starters or continuing farmers.

Benefits of getting pre-finance support.

Ease of access to finance like never before. Since our strategy aims at giving assurance and making it easier for farmer's to access finance it is with no doubt that farmers are assured of easy and transparency in accessing finance without much of a hustle.

Increase in coffee/cocoa supply in the market. As the demand for coffee increases worldwide there is need to supply more in the market thus pre-finance support comes into rescue by ensuring that more farmers including the youths engage in agricultural activities thus being able to meet the demand.

Pre-finance support give a conducive environment and hope for those wanting to join agriculture as a means of living as long as they have a piece of land. This goes a long way supporting the start of their endeavors and promises them of good returns. This will increase government revenues besides uplifting the living standards of many farmers.

Pre-finance support will open up business and partnership among the stakeholders involved. As we collaborate with Agricultural institutions and financial institutions increase in returns will be experienced as more and more farmers join hands and produce more from their farms. Thus financial institutions will loan more and companies such as seed and fertilizers companies will sell more since many people will be involved in farming.

E. Describe your ideas for a support program (training, seminars etc). Can you describe what adoption and/or extension strategies, if any, you would recommend to help farmers adopt to your pre-financing strategy? (Max 300 words).

Our pre-finance strategy is aimed at farmers who are in groups or exists as individuals. In order to ensure that our strategy of easing access to finance is met we plan on setting up places on every county where we can hold workshops and seminars to train farmers on various topics such as financial literacy.

These workshops will be held on regular basis where we will be inviting potential investors and professions in agriculture sector to deliver information to farmers and the opportunities that exists for them.

Currently we are working on a software that will help farmers assess if what they are about to start growing will bring the desired profits or not and mostly be able to determine the amount of money they need to finance their activities. This will contribute a lot in helping them assess and manage the limited finance they have thus saving them a lot of money. Farmers will be assured of abundant harvest when they are pre-financed and they will be willing to try any farming activity.

F. Impact of your strategies to the coffee farmer

What are the impacts of your strategies to the farmers? (Max. 200 words)

There will be enormous returns by farmers as the strategy allows farmers to access finance at the right time seeing an end to uprooting of coffee as has been seen recently in the country. The ease of access to finance according to our strategy will also contribute a lot in ensuring that farmer's activities are never delayed.

Farmers will be able to acquire machineries and fertilizers when they need them thus there will be a continuous farming activity without any failure due to lack of funds.

Farmers will also be assured of a ready market as we have catered this in our supply chain where we inform farmers of the market prices and new markets when they emerge.

The living standards of farmers will be raised. Most farmers are considered to be poor with poor living standards. Our strategy of pre-finance support will go a long way changing the lives of many farmers as they will be making good returns of the much effort they put in their farms.

Apart from pre-financing support farmers will also enjoy the vast depth of financial literacy from our organization through seminars and workshops that we will be conducting.

Farmers will also be introduced to new methods and ways in which they can still earn money as they await harvest of the perennial crops that take long before the first harvest. This will ensure that farmers will get a steady cash flow income to be able to finance and maintain their activities.

G. Strategies sustainability by other organizations / farmers

Please describe up to what extent your strategies to increase pre-financing is sustainable? What are the risks involved? (Max. 200 words)

Increased ease of finance access will result in a high number of small scale farmers seeking to get loans to finance their activities. Due to this high demand for loans financial institutions will experience increase in revenues from loans given to farmers through partnership and collaboration with us.

Partnership and connections will increase among parties involved in the pre-finance support. Financial institution will have more clients at their disposal as more and more people join farming due to the ease access of finance and a market solution put in place.

Organizations such as seed and fertilizers companies will be guaranteed of a ready market for their products at all times due to the huge demand that will arise with the ease of access to finance as more people enter in the agricultural sector.

As the demand for agricultural produce is on the rise there will be more people entering the agriculture sector to meet this demand and the cycle will contain thus self-sustainable.

Risks involved.

Giving software solutions by predicting output of a farm depends on natural activities such as availability of rainfall. There are times when drought spells crawls in when no one expected and our prediction model might fail farmers thus ending up losing farmers money that they had obtained.

Default in payment of loans by the farmers may be experienced but this can be mitigated by putting corrective measures such as taking control of the farming activity until we are able to repay the loan.

If you have any documents or visual materials (such as a PowerPoint, video, or photo) that you feel would support your application, please add it as an appendix to this submission format.