



Financial literacy skills transforming farmers' business performance

Farming is a complex business which requires accurate records and careful financial management. Without good monitoring of income and expenses it is impossible to track the performance of farm activities and make informed decisions. Smallholder sesame farmers in North-West Ethiopia are managing their farm without structurally recording and analysing costs. The insufficient insight into income and expenditures results in taking uninformed decisions and facing unnecessary risks. Moreover, the lack of data and reliable financial records makes it difficult for farmers to access finance from financial institutions. This makes them depended on informal money lenders (IML's) that charge extremely high interest rates. To improve the recording culture among sesame farmers, Benefit-SBN developed a financial literacy program that provides farmers with the necessary materials and skills to record and analyse their costs and revenues so they can run their farm as a business and improve profitability.

Financial literacy skills and training:

The financial literacy programme of Benefit-SBN started in 2015 in close collaboration with unions, primary cooperatives and Cooperative Promotion Office (CPO). After four years, around 20,000 farmers are trained and the Ministry of Agriculture (MoA) decided to integrate cost recording in the national extension package for farmers.

Through the financial literacy training the culture of cost recording and profit calculation improved in sesame production areas. Farmers and cooperatives became more aware of its importance to increase income. Moreover, the activity evolved into a household activity involving men, women and children. This increases the involvement of women in agro-economic decision making and transparency of farm household revenues.

A cashbook and training manual were developed and improved over the years based on the feedback of trained farmers, trainers and other stakeholders. The recording book contains of recording and analysis tables. The manual explains how to record your costs, fill the tables and perform the financial calculations. Sesame Farmer 'Henok Selit' is used as an example throughout the material to explain every step, which helps to facilitate context based learning. The financial literacy training is delivered through a cascaded approach using a 'Training of trainers' (Tots) methodology to rapidly scale the number of farmers trained.

Primary objectives:

1. Strengthen farm businesses:

Enable farmers to run their farm as a business and make informed business decisions to increase farm profitability.

2. Improving access to formal finance:

Through recording financial transactions farmers can prove their credibility and justify the requested loan for investments in the farming business.

3. Reduce farm business risks:

To overcome challenging and unforeseen events, recording helps to plan ahead and establish a more long term viable farming business.

4. Develop a saving culture:

Improved profitability, planning of future expenditures and access to finance increases the need to save cash in a safe and secure place. The mobilization of farmer savings stimulates farming business development and resilience. Moreover, idle cash is mobilized for re-investments. This can also reduce the inappropriate use of household income.

Training approach and activities

Several steps are critical in the implementation of financial literacy training for smallholder farmers.

1. Training materials

The development of training materials is a challenging process and time consuming. It is difficult to find the right balance between incorporating detailed calculations for sound business analysis while ensuring they remain feasible for the majority of the trainees, who overall have lower levels of literacy.

The developed financial literacy materials consist of a cashbook and manual, which are structured along five steps:

- Step 1: Cost recording
- Step 2: Cash flow analysis
- Step 3: Profit or loss (family labour + capital assets + stock inventory)
- Step 4: In-kind payments and credit costs
- Step 5: Decisions for next season



Example farmer Henok

Step one takes place during the season, while step two up to five are calculated at the end of the season based on the recorded information. The different steps can be completed according to the capacity of each trainee. For instance, even though the concept of depreciation was simplified as much as possible the experience is that this remains a difficult topic for a considerable group of smallholders. The manual describes all steps and calculations which allows farmers to refer back and check how to perform them properly after the training.

The materials were printed in regional local languages (Amharic and Tigrinya) as pocket size booklets. The manual is completely water resistant and the cashbook has a water resistant cover to make them more durable and ensure the manual can be used for several years.

2. Training of Trainers (Tot)

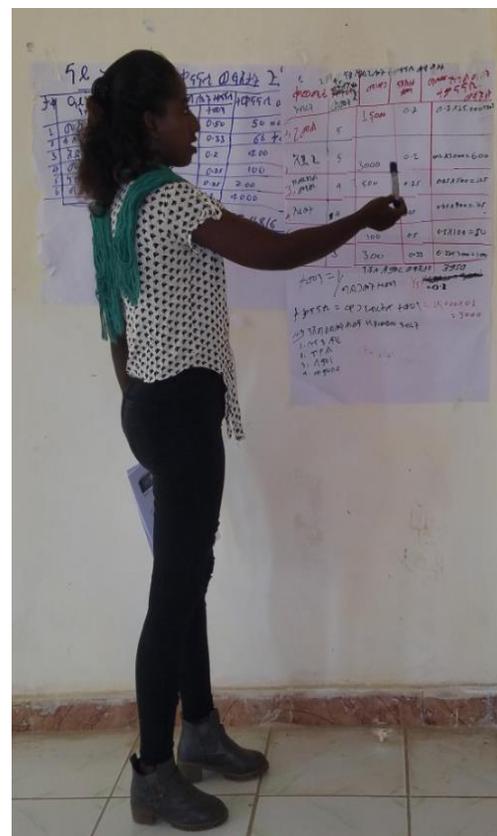
The applied training implementation strategy is based on a cascaded approach, starting with a training of trainers. Farmer cooperatives select the trainers that will train other member farmers. These are generally cooperative employees.

The selection of trainers is an important step to guarantee a qualitative and successful implementation. The required skills, time investment and capacity of the trainers are important criteria that will determine the quality of the provided training to farmers. Therefore, a basic profile of appropriate candidates including preferred educational background and position within the farmer organization was developed.

The selected trainers are trained on the financial literacy content as well as on training and facilitation skills. Planning and management of training timings, logistics and financials is also requested. The level of understanding of trainers was tested at the end of the training and they were invited for training sessions in consecutive years to refresh and improve their knowledge and skills. High staff turnover was a challenge to maintain the developed knowledge and capacity for several seasons, making motivation and ongoing support of the trainers crucial.

Key facts:

- Four years implementation period
- Two regions: Amhara and Tigray
- 13 woreda's
- 10 unions
- 99 cooperatives
- More than 200 trainers trained
- Around 20,000 farmers trained which is 13% of the targeted sesame farmer households
- Almost 1,400 training days
- Around 2,000 peer to peer sessions
- MoU with regional CPA signed
- Support of 19 focal persons of CPO
- 758 professionals of MoA trained
- More than 20,000 manuals and 30,000 recording books printed
- Additional 15,000 cashbooks and 15,000 manuals provided to MoA



3. Farmer trainings

Trainers are expected to train two groups per crop season, each consisting of 25 farmers. Farmers are selected by trainers and cooperative board members with support of CPO focal persons.

Two separate training sessions are organized to share the financial literacy content in phases, corresponding to the agricultural seasonal activities. At the beginning of the season the relevant information for step one: cash recording is shared. This includes the proper documentation of invested family labour. After harvesting and before the marketing season, the more difficult steps to calculate profit or loss are introduced. When the season comes to an end, loans have to be repaid and preparation for the next year is promoted through an estimation of the expected farm production costs and re-investment of profits.

The training methodology is a student-centred approach, which means that the farmers practice actively with recording and perform the analyses during the training.

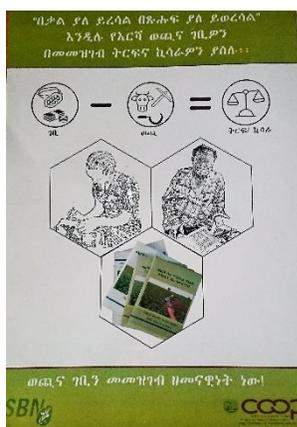
4. Peer – to – Peer learning (P2P)

Based on adult learning theory and practice, several P2P sessions are organized throughout the season. Facilitated by the trainer, trainees can discuss questions, experiences and the progress among each other.

5. Awareness creation and technical support

Collaboration agreements were signed with local stakeholders to support and strengthen the training activity. This includes different levels of the Cooperative Promotion Agency (regional, woreda and kebele) and Cooperative Unions (unions, cooperatives). Trainers were supported by CPO focal persons, union and cooperative board members and Benefit-SBN staff members.

To promote financial literacy training and recording habits posters were developed and distributed to the cooperatives. Also, a recognition ceremony was organized where more than 800 farmers who recorded their production costs and made cost benefit analysis correctly, received an award of recognition and shared the benefits of attending the training and recording farm costs to fellow farmers.



6. Reflection and evaluation

Yearly reflection sessions were organized to collect feedback from the stakeholders on the training materials and implementation strategy. This was essential to continuously improve the approach and activities. Samples of completed cash books were collected to gain insight in the recording performance and production costs.

Stakeholder benefits:

Continuation of providing Financial Literacy Training to smallholder farmers depends on the perceived and experienced benefits of the key stakeholders. Testimonials provided insight in the strongest arguments that underly the year on year increasing demand among farmers and stakeholders to be included in the training. The points below summarize the most important ones:

Farmers

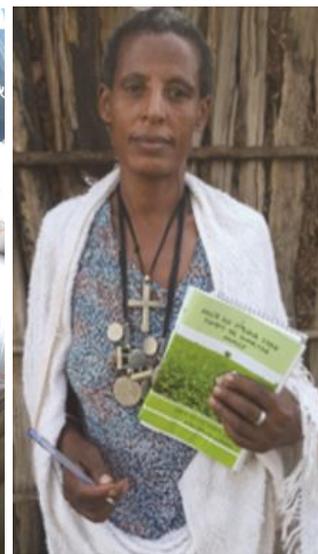
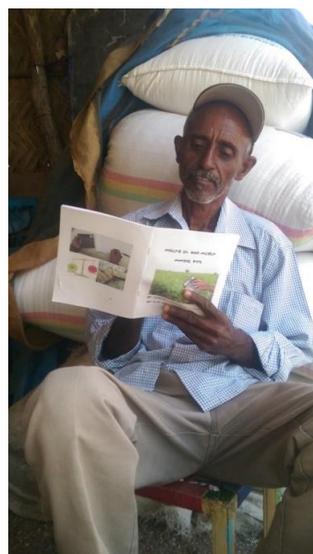
- Profitable farming approach improving income
- Improved business decisions
- Better plan for the future
- Financial inclusion through access to formal finance
- Financial security
- Increased productivity
- Acquiring skills for effective money management (incl private/household benefits)

Financial institutions

- insight in farm business investments and cash flow needs
- reliable production cost estimations
- objective criteria to evaluate farmer credibility
- saving mobilization

Union/cooperatives

- Economically stronger member farmers
- Improved membership relationships
- Increased access to financial resources
- Profitability improvement



Lessons learned

- *Take sufficient time to develop training materials and improve these materials every year, based on farmer feedback.* The biggest challenge is to find the right balance between detailed calculations and easy to understand content for the majority of trainees. Region and crop specific examples help farmers to relate to the content.
- *Align training provision with the agricultural season.* Overlap of the financial literacy training with peak moments in the agricultural season affects attendance rates. Training should be provided in steps and start just before the beginning of the season to ensure farmers record all activities.
- *Adopt a household training approach to support farmers with a limited level of literacy.* Smallholders farmers with a limited level of literacy can have difficulty to understand the training. To stimulate the support of wives or children with recording and calculation each farmer is invited to bring a family member to the training. This improves the inclusiveness and effectiveness of financial literacy training.
- *Follow a cascading training approach to reach a large number of farmers.* Through a training of trainers more farmers can be reached. Careful selection and technical support are needed to ensure the quality of the training provision.
- *Collaboration with stakeholders is critical for effective training implementation.* Planning, budgeting, implementation and evaluation of performance have been done together with the relevant stakeholders, such as farmers' cooperatives, unions and Woreda CPO.
- *Financial literacy training improves the relationship between farmers and their organizations.* The activity is liked by farmers and their organizations. As cooperative by-law includes capacity development farmers appreciate the efforts of their organizations to facilitate this.
- *Shared investment on printing costs of training materials.* Cooperatives are ready to invest in the printing costs of record books. Farmers who were trained before have started to buy cash-books from their cooperatives.
- *Carefully design and plan institutionalisation of the activity with permanent local partners.* In the example of Ethiopia, financial literacy training could be scaled up by BoA, as part of the national and regional extension strategy. The distribution of training materials and cascading of training sessions requires strict follow up and support.
- *Measure and strengthen stakeholder benefits to increase adoption.* For instance systemic integration of training and recording materials within the credit procedures of financial institutions to establish an additional pull factor for farmers to adopt and apply what they learn, as it may improve their access to (input) finance.

Way forward

To ensure sustainability, below are some important considerations that require close collaboration among the key stakeholders: farmers, farmer organizations, cooperative promotion agencies, policy makers and the financial sector. A better understanding on how capacity building of farmers in financial literacy will help strengthen the cooperatives and unions is crucial. Intensive discussion among these parties is needed to share responsibilities and assign appropriate resources and focal persons at different levels.

- CPO partner for maintaining qualitative training provision and coordination.
- Unions and cooperatives responsible for allocating resources towards the capacity building of members and awareness creation.
- Ministry of Agriculture as key partner to integrate financial literacy in training curriculum for farmer extension workers to expand to new regions, crop types and non-members.
- Financial institutions can reinforce financial literacy practices through credit and saving service provision based on cashbook information. Investigate the potential alignment of recording books to formats of financial institutions and sponsorship for printing training materials.



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