



Record keeping and cost-benefit analysis for better farmer household performance

Case overview

In the past four years (2015-19), Benefit-SBN has promoted farmers' financial literacy in the sesame producing woredas of Amhara and Tigray regions. Thus far, more than 15,000 farmers have been trained and have started to record their costs and do cost-benefit analysis of their farm activities. For 2019, the plan is to reach more than 5,000 new farmers, with involvement of both men and women. The activity has been done in close collaboration with primary cooperatives, unions and Cooperative Promotion Offices (CPO).

Background

The production and credit cost study conducted in the first phase of the programme showed that most sesame farmers in Northwest Ethiopia have limited financial literacy and do not make a financial analysis of their farm activities. As a result, most farmers do not make informed and proactive decisions on farm investments. Farmers' inability to approach farming as a business, coupled with poor saving habits, result in subsistence living circumstances. Cognizant of this challenge, Benefit-SBN, in collaboration with unions and Woreda Cooperative Promotion Offices (CPO), has rolled out financial literacy trainings on cost-recording and profitability calculations, starting with 104 farmers in 2015. In 2018 the number of farmers exceed 15,000.

Objectives

The main objective of this activity is to educate farmers in financial literacy so that they can record their farm expenditures and incomes and conduct cost benefit analysis. Specifically, this activity is designed and implemented to support sesame farmers to: (i) Better plan and approach farm activities as business decisions; (ii) Realize improved access to formal finance; (iii) Make informed and proactive decisions and (iv) Develop/improve a saving culture.

Achievements

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. The activity evolved into a household activity involving men, women and children. This increases the involvement of women in agro-economic decision making and the likelihood of getting their share of farm household revenues.

Trained farmers started to calculate expenditures producing an accurate financial overview of their farm business. Based on cost benefit analysis, they make better informed decisions for future farm activities. For example, Mr. Zewdu Wonde, one of the 2018 trained and recognised farmers in financial literacy from Jahimala kebele, Jawi woreda said that the training helped

him and other trained farmers to learn whether their farm activity is profitable or not. “In the past, I did not calculate the costs I incurred for different activities. This year, I took the training and recorded all my costs including labour costs. I have learnt that my farm activity was not profitable. Now, I have come to realise which crop is profitable in the current market price. I used family labour and this helped me to increase my profit.”



Farm business record keeping is making farmers more eligible to loans. These practices help to develop trust between farmers, primary cooperatives and unions and financial institutions. Based on the experience from Benefit-SBN’s financial literacy activity, the importance of cost recording is recognized and included in the national extension package.

For further scaling out and institutionalization, collaboration has started with the Ministry of Agriculture and Natural Resources (MoANR) and regional Bureaus of Agriculture (BoA). Over 15,000 cash recording books and manuals were published for the MoANR to pursue the training through the regional BoA in other areas. ToT have been given to development agents in sesame producing areas of Tigray and Amhara regions.

What worked well?

- Cascading training approach made it possible to reach a large number of farmers. Financial literacy training is well accepted by farmers and their organizations. Thus far more than 15,000 farmers have been reached. This is 10 percent of the targeted farmer households. The reached farmers are from 10 farmer cooperative unions (100 cooperatives) in 13 woredas of Northwest Ethiopia.
- Collaboration with stakeholders. Planning, implementation and evaluation of performance have been done together with the relevant stakeholders such as farmers’ cooperatives, unions and Woreda CPO.
- Better relationship between farmers and their organizations. The activity is liked by farmers and their organizations. It has improved membership relationships. Henock Asfaw, a member of Hamusit Cooperative from Misrak Belesa emphasised on the importance of the training and the need to change people’s attitude. He said farmers are lucky to have this training for free. “It is an important lesson. We should not hesitate to take it even with some fee.”
- 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.

What didn’t work well?

- Not all relevant stakeholders were equally committed. The distribution of training materials and cascading of training sessions did not go as expected via the BoA.
- Smallholders farmers limited level of literacy can affect the effectiveness of the training.
- Overlap of the financial literacy training with peak moments in the agricultural season affected the activity during the first years but was later improved.

Recommendations

- 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.
- Realize close collaboration with local stakeholders to coordinate and plan the cascading approach of financial literacy training that facilitates rapid scaling (CPO, Unions, 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.
- 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.
- To improve the sustainability of the activity, the unions, cooperatives, CPOs, financial institutions and BoA need to have a better understanding on how capacity building of farmers in financial literacy will help strengthen the cooperatives and unions. Intensive discussion with these parties is needed to assign appropriate resources and focal persons at different levels to reach more farmers.