

The Chithumba Model: Combining Pre-Harvest Financing, GAP Training, and Access to Markets for Smallholder Farmers in Malawi



THE CHITHUMBA MODEL

Between 2015 and 2018, ATL, in partnership with the Agricultural Commodity Exchange for Africa (ACE), implemented a non-traditional finance mechanism called the Chithumba model in five districts across Malawi. As Figure 1 illustrates, the Chithumba model offers a bundled service that includes loans, inputs, GAP training, and marketing services. The model served a total of 7,400 smallholder soya farmers over three seasons.

ABOUT THIS BRIEF

MEDA's **INNOVATE** project is a three-year initiative assessing the potential of non-traditional finance to stimulate agricultural innovation adoption among smallholder farmers in South Asia, South America and East Africa.

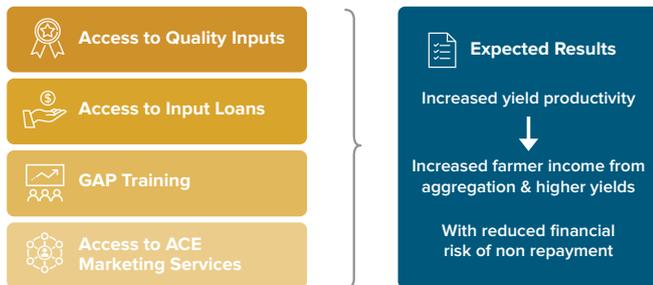
MEDA's partners across these regions have tested products or services targeted towards smallholder farmers or produced case studies documenting learning from ongoing or completed non-traditional finance projects and initiatives.

This summary builds on a case study conducted by Agronomy Technology Limited (ATL) titled: [A Case Study of the Chithumba Model: a non-traditional finance mechanism to improve access to farm inputs in Malawi](#).¹ The publication was published in July 2019 and a [webinar discussion](#) with ATL and MEDA was held in September 2019.

- 1. Pre-Harvest Finance for Farm Inputs** – To improve agricultural productivity, selected farmers that met screening criteria received an inputs package on credit. It included soybean seed and inoculant, which clients repaid in-kind upon harvest with bags of grain.
- 2. Agricultural Extension Services** – To ensure efficient use of inputs, enrolled farmers received GAP information through a combination of training days, field visits, demonstration plots, and customized agri-extension messages distributed via SMS.
- 3. Market Assistance** – To improve accessibility to more favourable market prices, enrolled farmers received trainings on ACE services (i.e. trade facilitation, warehouse receipt system and market information) and SMS messages about market prices and trade opportunities. These services were provided free of charge for all clients.

¹ "A Case Study of the Chithumba Model: a non-traditional finance mechanism to improve access to farm inputs in Malawi." Agronomy Technology Limited (ATL, 2019. <https://www.meda.org/innovate/innovate-resources/821-partner-publication-a-case-study-of-the-chithumba-model-a-non-traditional-finance-mechanism-to-improve-access-to-farm-inputs-in-malawi/file>).

FIGURE 1. The Chithumba Model



KEY FINDINGS FROM CASE STUDY SURVEYS AND FOCUS GROUP DISCUSSIONS

Input credit repayment rates were over 90% across all farmer groups for 2015-2018.

However, farmers perceived Chithumba as expensive relative to other input supply schemes and willingness to participate in the model depended on the availability of cheaper input supply schemes.

Although 99% of clients claimed that the GAP information was useful, only 21% adopted the full set of recommendations presented during trainings. Women adopted GAP at a much lower rate than men (15% vs 28%). The majority (64%) of those who did not implement the full set of practices stated that the reason was that they were “more labor intensive.”

Among all respondents, 21% used ACE marketing services in the previous season to sell their yields, while 71% utilized local vendors to market their soybeans. Adoption of ACE marketing services was much higher among farmers groups near the ACE offices in Lilongwe (83%) versus elsewhere (9%).

RELEVANCE TO INNOVATE’S LEARNING THEMES

ATL’s experience with the Chithumba model in Malawi illustrates some important lessons for INNOVATE’s learning agenda.

Customer Centricity and Adaptive GAP

ATL’s experience highlights the importance of developing customer-centric, unit-level metrics to generate valuable insights. Capturing a more holistic perspective of farmer behavior and decision-making can provide much needed depth to help explain commonly reported top line “vanity” metrics, which tend to emphasize “how much” or “how many” of a result was observed. For example, ATL analyzed rates of GAP adoption, as well as reasons for applying or not applying GAP knowledge. Had ATL only collected information on the number of farmers that received agri-input credits or GAP training, ATL would not have captured this disconnect between expressed desire or “felt needs” for GAP and actual behavior and application.

A related lesson is that multiple factors (e.g., gender, location) can have a significant impact on farmers’ willingness to incorporate GAP or to adopt new marketing practices. Taking a customer-centric approach can help shed light on the underlying influences that drive smallholder decision-making and how differences among farmers also affect these decisions.

RECOMMENDATIONS

Agri-Input Credit Design & Implementation

- **Target** areas with little presence of development partners and/or inputs supply schemes to limit competition.
- **Diversify** the loan portfolio and increase customization. For example, offer inputs (e.g. chemicals) that are more difficult for prospective customers to source.
- **Increase** understanding of how inputs directly impact a farmer's bottom line in terms of what the credit costs and how it contributes to increased yield and higher revenue.
- **Target** areas in close proximity to aggregation centers to maximize ability to repay in-kind.
- **Develop** a stronger risk mitigation strategy for credit default or weak repayment rates.

Marketing Assistance

- **Strengthen** how assistance is provided through enhanced understanding of relevant post-harvest activities.
- **Define** the value proposition of marketing assistance in a way that is better aligned to needs and behavior patterns of specific client segments.
- **Explore** offering services exclusively to clients located nearer to urban centers and within closer proximity to ACE's operational footprint.
- **Investigate** further and/or test whether farmer perceptions or knowledge gaps about markets are driving lack of adoption.

Agri-Extension Services

- **Modify** training content to make it more relevant to specific target groups.
- **Identify** ways to limit costs associated with training attendance.
- **Strengthen** farming profiles of potential customers to better align GAP training content and objectives to specific segments.
- **Test** the effectiveness of customized GAP trainings, especially for women, that account for labor and cost constraints.
- **Show** incremental changes farmers can make to achieve more significant results.
- **Diversify** the loan portfolio to increase relevance of recommendations to a larger client profile. Consider including pest and disease management inputs under the loan offer.



KEY LESSONS FOR STAKEHOLDERS

Stakeholder Type	Agri-Input Credit Products	GAP Training /Information	Marketing Services
Agri-Inputs Credit Issuer	Demand among farmers may be strong yet highly elastic depending on available alternatives, timeliness and efficiency of agri-inputs supply	Bundling GAP training and information with credit has merit but demand may remain unchanged if credit is offered as a stand-alone offering instead of bundled	Bundling marketing assistance with credit may also have merit; but, as with GAP, there may not be a strong correlation between offering marketing services and higher demand for input credit among certain farming communities
Implementing Organizations	Farmers’ input needs may vary (seed vs. fertilizer vs. pesticides). Ensuring access to the appropriate inputs on credit is as important as when they physically receive the inputs	Spend adequate time documenting basic assumptions about current farmer patterns, needs, and capacity at the outset, customize approaches based on this understanding, and actively monitor whether content is being transferred, retained and applied	Strong demand exists for market information, specifically market prices and opportunities; strengthening market assistance may require better defining client segments and better articulation of the value of the marketing service; consider training to enable clients to gain a deeper understanding of market functioning
Private Companies / Agribusinesses		Enterprises without an existing agri-extension agent network should carefully weigh the feasibility and practicality of serving as a distribution channel for GAP training	Assess how prospective clients currently market their crop harvests to anticipate how best to sensitize and explain the benefits associated with an alternative marketing channel; ensure that the approach accounts for the current ways they market their crops and the associated costs

About MEDA

Since 1953, Mennonite Economic Development Associates (MEDA) has been implementing effective market-driven programs which have enabled millions of people around the world to realize their economic and social aspirations. MEDA combines innovative private sector solutions with a commitment to the advancement of excluded, low-income and disadvantaged communities. As a dynamic technical innovator, MEDA has expertise in market systems and value chains, climate-smart agriculture, inclusive and green finance, impact investing, women’s empowerment, and youth workforce development. MEDA partners with local private, public and civil society actors, strengthening individuals, institutions, communities and ecosystems, and thereby contributing to sustainable and inclusive systemic change.



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Its head office is located in Ottawa, Canada, while four regional offices keep us close to our work. They are located in Montevideo, Uruguay; Kenya; Amman, Jordan; and New Delhi, India.

