

# Linking agricultural machinery suppliers to local cooperatives to provide farmers with access to finance at reasonable interest rates

## Context

Access to finance has always been a limiting factor in the sales of small agriculture machinery. Farmers don't have easy access to finance and hence are not able to purchase machines that reduce cost and increase productivity. Providing access to finance at a reasonable interest rate could potentially lead to increase in the use and sales of agriculture machinery.

A small research into the subject conducted by Samarth-NMDP showed that by establishing linkages between the suppliers and financial service providers there are possibilities of improving sales of machines. The findings were based on [a] meetings with machinery suppliers to assess the types of machines available in the market, the average cost of these machines, availability of stock (machines and spare parts), availability of after sales support and the suppliers' willingness to work with local cooperatives and financial institutes; and [b] through business and financial assessment of eight cooperatives of Ilam, Jhapa and Morang and their readiness to work with Agriculture Machinery suppliers to increase sales of machines.

## Workshop to connect local financial cooperatives with agriculture machinery suppliers

To connect local financial cooperatives with agriculture machinery suppliers, two workshops were held on June 1st and June 2nd in Ilam and Jhapa respectively. Through the workshop, six agricultural machinery suppliers met with three cooperative in Ilam and five cooperatives in Jhapa.

The workshop introduced the types of machineries available in the market and the benefits of using machinery to increase productivity to the cooperatives. The two parties also explored ways to work together to benefit from sales of their machinery.

Potential working modalities that came out from the workshop:

- Cooperatives will design a loan product so that farmers can get access to finance to purchase various machinery
- Agriculture Machinery Suppliers will provide commission to the cooperatives for providing loan at a lower interest rate
- Agriculture Machinery Suppliers will arrange field demonstrations for cooperatives and train their staff so that they can transfer knowledge to farmers
- Cooperatives can alternatively buy the machinery and rent it out to the farmers

Immediate gains from the workshop: One cooperative from Ilam ordered 500 Purdue Improved Crops Storage (PICS) bags right after the workshop. Another cooperative is set to order 80,000 PICS bags to distribute to their members. A local dealer ordered 50 sets of corn thresher.

Samarth will continue to facilitate between interested agriculture machinery supplier and cooperatives and continue to raise awareness on the benefits and need of agri-mechanization.

## Development impact

Local cooperatives can play an instrumental role in ensuring access to finance for farmers. If farmers are able to increase productivity and efficiency and utilize the otherwise fallow land then they will be able to increase income and perhaps even be involved in commercial agriculture. Access to finance at reasonable interest rates to the farmers will be another step towards development of agriculture sector through mechanization.

### Annex:

**Venue:** Ilam and Jhapa

#### Participants:

1. Mr. Madhusudan Singh Basnyat, Program Director, Directorate of Agricultural Engineering
2. Mr. Bishnu Kumar Shrestha, Consultant
3. Mr. Nil Kantha Sharma, Agriculture Specialist

#### Agricultural Machinery Suppliers:

1. BTL Trade Pvt. Ltd - Mr. Swoyambhu Krishna Shrestha
2. NAF Seeds - Mr. Gautam Maharjan
3. Om Stores - Mr. Rabi Shrestha
4. Krishi Sansar Nepal - Mr. Prakash Chandra Khatiwada
5. Dahal Trading Concern - Mr. Durga Dahal
6. Nepal Thopa Sinchai Pvt. Ltd – Mr. Khoj Raj Katwal

#### Cooperatives:

1. Adarsha Multipurpose, Ilam
2. Satidevi Multi purpose, Ilam
3. Prakriti Krishi, Ilam
4. Sahara Sacos, Jhapa
5. Purba Nepal Multi, Jhapa
6. Mechi Kisan Multi, Mechi
7. Phadani Sacos, Morang
8. Sana Kishan Krishi, Morang

#### Facilitator:

Samarth – NMDP