

UNDERSTANDING THE ACCESS TO FINANCE STATUS QUO

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BENIN CAJÙ – TECHNOSERVE
BENIN



We conducted a survey to understand the status quo of the demand and supply of finance



**WHO DID WE
SURVEY?**

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Financial Institutions

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Benin Cashew Processors



**WHAT DID
ASK?**

- Types of financial products offered
- Plans to finance cashew processing
- Key lending criteria
- Challenges experienced

- Types of finance accessed
- Utilization & working capital needs
- Willingness for equity investment
- Challenges experienced



ACA

BeninCajù
Meilleur cajou, meilleures vies



123 962
804 029
1 296 731
1 859 317
2 499 808
3 227 076
4 050 935
R 28 331

424 963
446 211
468 522
491 948
516 545
542 372
569 491
Start at monthly
Can we do...
467 459
1 005 037
1 620 915
2 324 149
3 124 764
4 033 850
5 063 675
R 35 414

DEEP-DIVE ANALYSIS



Financial Institutions ask...

Is there a financing opportunity in Benin?

~ 30,000 MT

in annual utilized capacity

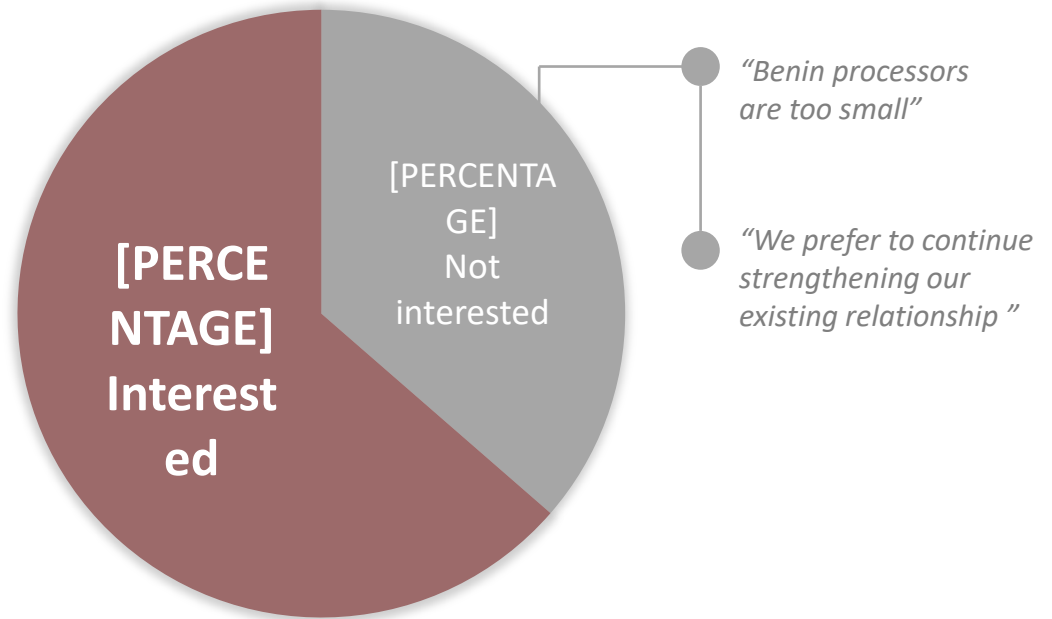
~ \$36M

in annual working capital needs



Processors ask...

Are financial institutions interested in financing us?

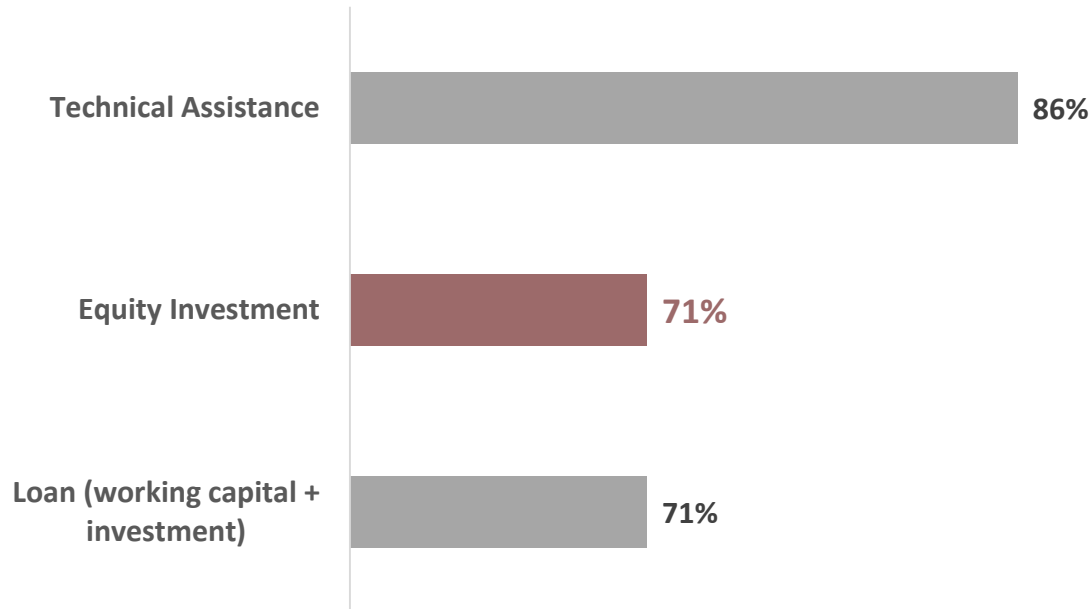


If there is both a financing opportunity in Benin, and considerable FI willingness to lend, where is the gap?



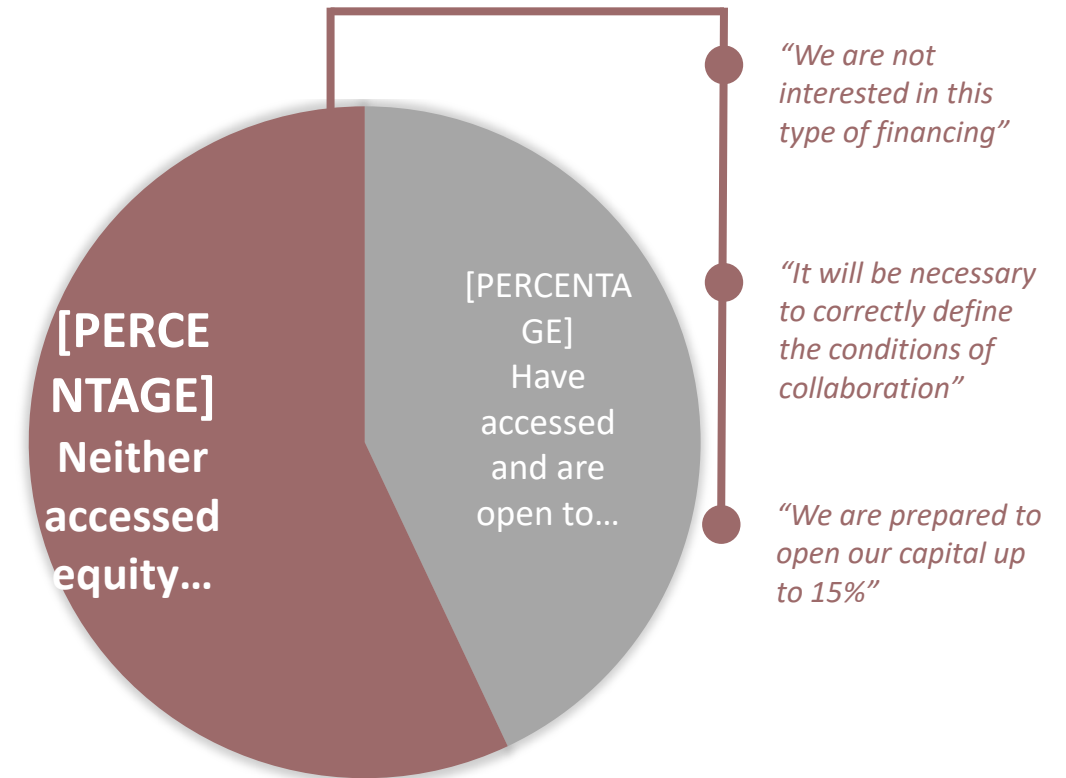
Financial Institutions provide...

Equity investment products offered just as much as traditional loans



Processors access...

Over half have neither accessed nor shown openness to equity investment



Equity investment is
**investment made in
exchange for share capital**

The funds can be **used for
growth or working capital**

1 Equity investment is **more than just money**

2 Equity investment is **not about taking control**

3 Equity investment is **not a one dimensional offering**



Financial Institutions challenges...

The top challenge faced by FIs is due diligence quality & completeness

In terms of due diligence, FIs look for:

1. Proof of buyer relationships
2. International quality certifications
3. Business Plan/Financials in a *complete and timely fashion*



Processors challenges...

The top challenge faced by processors is financing terms

Processors noted top 3 challenges as:

1. High interest rate
2. Timing of disbursement
3. Knowledge of financing options



Financial Institutions key lending criteria...

*"A good business plan with **financial projections; offtaking agreements** and assistance from partners such as Technoserve"*

*"A farmer group and kernel buyer to work on a **linkage program** in the matching fund, **cash flow information** and **financial history**"*

Management to improve, hedging against international price volatility"

*Information on unsold inventory price risk / **measures to mitigate price risk** / impact report / **monthly monitoring reports** "*

"Audited financial statements, a business plan for three years (presenting the principal levers of development and projected financing needs for these developments), offtaking contracts, certificates needed by the market"



Processor comments ...

*" Financial institutions do **not always understand** the cashew processing business. The **disbursement period** is not respected. The **interest rate is too high**"*

*"A **very slow decision** on whether or not to fund"
"Disbursements not made on time"*

*"(...) the **interest rate for repayment**. You plan everything on possibilities, but the reality is sometimes different due to factors you cannot control. You are **forced to comply even when you did not make profit**. You are contracting on a big risk that requires guarantee from you"*

"TOTAL IGNORANCE OF THE CASHEW PROCESSING SECTOR"