Financing Mechanisms Series:
DOMESTIC REMITTANCES
linked to input supply purchases

Are there any financing mechanisms that can support farmers to become more productive?

Sure! There are lots of options! .... Bank loans. Buyers giving farmers inputs and deducting the cost from crop sales. Informal or formal savings. Even selling mechanisms like pre-paid and layaways.

But let me tell you about my current favorite ... Remittances!

Aha - you mean when family and friends in one country send money to people in another country?

Yes ... except I'm talking about domestic remittances! ... Urban to rural kind of stuff!

There are huge amounts of funds being sent from urban areas to rural areas.

Part of the money is often intended to be used for agricultural purposes.

Hi Zola. I'm sending money to Ayanda 'cos she is family and I know she needs to buy more seeds.

Cool! This is super helpful!

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But it is often used for other purposes instead …

But, er… our cousin was sick so we bought medicine … 

… and we needed to pay school fees …

Money is often sent using mobile money, airtime, or formal or informal money wiring services.

Press confirm to send the money now.

You’ve got money!

An inputs dealer might realize how much cash is flowing from urban to rural family members!

Whew! That’s a lot of moola!

What if urban families paid me for inputs directly and I then deliver these to their rural family members?

The inputs dealer could research ways to market to families sending money.

Seems like a great way to grow my business … while farmers get the inputs they need to grow food to eat and crops for sale!

Let’s do some market research… hmm, I’ll start on focus groups with urban family members.

Aha - I could promote a new way for families to manage remittances by linking to methods they already use to send funds

I’ll start by running a promotion with a local mobile money supplier!

Let’s let urban families know that instead of sending money directly to rural families for inputs it is more sensible to buy inputs for them, directly from me instead…

The inputs dealer organizes a promotional offer to sell to urban family members.

I’ll use testimonial advertising so urban family members know I’m trustworthy.

Aha!

Now I see! The inputs dealer takes orders from urban family members that are delivered or picked up in the rural areas by other friends or family! Excellent!

The inputs dealer delivers the inputs to the rural family or has them for pick up at their closest store.

Farmers pick up or receive the inputs based on identity check or receipt provided by their urban family.

 Farmers sign-off that they received everything in good order.

Yay

Here you go …

Inputs just in time for harvesting season!

Yes! I got it!
The inputs dealer has a simple text message system to keep the urban family up-to-date on the purchase.

Great! Our family just received the package of inputs and will get the land preparation services done next week.

The inputs dealer could offer additional technical support that the urban family members can buy.

Hmm?

Okay, okay, so this sounds cool, but what is it really achieving?

Remittances linked to inputs ... increase the amount of cash in the system that is actually used for productive investments.

Sounds glorious! Let’s get this going!

Remittances linked to inputs ... lower the misuse of remittances intended for ag production ...

Sure, but just realize that there are potential risks that you may want to be aware of!

Risks? What risks? Oh no... go and burst my bubble!

Remittances linked to inputs ... Allow inputs dealers to grow their businesses by becoming more customer/farmer driven.

In case your rural family are smallholders that need a little extra technical assistance...

... reducing tensions between rural and urban families.

If the inputs dealer misuses cash or mismanages cashflow ... it could create big disputes between family members and increase distrust throughout the system.

Grrrrr... Cheat!

Maybe you’re just saying you didn’t get the goods!

The inputs dealer could struggle with managing their increased inventory ... which can increase levels of distrust between farmers and inputs dealers.

Where are my seeds? Are you cheating my family?

Ineffective, inappropriate or improperly applied inputs products/services that do not provide a return to the farmer are likely to create disputes ...