



## SNAPSHOT

# Farmer-Owned and Operated Rural Banks Open Doors

**With legal registration of rural village banks, Honduran producers are expanding economic opportunities in rural communities.**



*Photo by Fintrac Inc.*

Rigoberto Enamorado is now the president of the Caja de Credito Sociedad Unidad Familiar Las Crucitas, Santa Bárbara with 19 members.

**“With our savings we are going to buy our own land and stop renting.”**

*Rigoberto Enamorado, agricultural producer*

The majority of Honduran farmers have difficulty accessing credit because they lack the collateral that banks require to guarantee a loan. Often the only guarantee available is their own crop, which is generally an unattractive option to both the banks and the farmers – who are at risk of not covering the loan because of unexpected weather, disease outbreaks or market price fluctuations.

Therefore investing in expanding their own production activities is often seen as an unreachable goal for many rural smallholders. To facilitate access to credit, USAID-ACCESO specialists are assisting producer groups in existing or new rural village credit and savings banks obtain the legal registration documents. As an official “*caja rural*,” farmers can apply for funds at a national bank and negotiate official contracts with formal buyers.

Rigoberto Enamorado is part of a group of farmers growing tomato and coffee in Las Crucitas, Santa Bárbara. With the help of USAID-ACCESO specialists, the group formed the *Caja de Crédito Sociedad Unida Familiar, Las Crucitas* in September 2012. The 19 members started in September 2012 with \$252 in capital generated from crop sales and member contributions.

With total savings now up to \$4,300, the group is working to raise more capital and is participating in training activities to improve their accounting and management practices. Their ultimate goal is to purchase the plot they currently rent. Some of the farmers had tried taking out small loans from local banks, but they were denied because of lack of collateral.

“We have support from the project technicians, they are helping with the production technology and the business operations; with our savings we are going to buy our own land and stop renting,” said Rigoberto Enamorado.

Rural banks have the added benefit of serving as safety nets for families and communities. Many allow members to take out small personal loans from a special fund to cover unexpected health costs through a promissory note and contract. Loans to project clients from rural banks total \$755,534, with an average loan size of \$416; loans to women make up 20 percent of the value and 24 percent of the volume. As of December 2013, USAID-ACCESO has assisted 4,817 clients obtain 6,905 loans totaling US\$8.68 million from more than 250 sources – rural village banks make up 11.5 percent of the total loan value.

USAID-ACCESO has worked with 44 rural banks in Lempira and Santa Barbara in legalization and training activities for 388 people, including 132 women. Across the six departments supported by the project, a total of 128 rural banks have been legally registered with the help of USAID-ACCESO and 113 more are in various stages of the process.