



New financial tools for credit unions help alleviate lack of collateral of small agribusiness producers

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Employees of CU “Kredyt-Soyuz” taking part in CAP Project trainings, 2017-2018.

In Ukraine, lack of collateral significantly restricts access to credit for small and medium-sized agribusinesses. Banks often refuse to collaborate with small farmers and agribusinesses, so credit unions (CUs), due to their personalized approach, can be more flexible. However, as loan size and risk increases, CUs are also beginning to demand collateralization, which presents new challenges.

Agrarian receipts can become a part of the solution. A notarized agrarian receipt allows a borrower to pledge future crops as collateral on a loan. In Ukraine, this tool is promoted by the International Finance Corporation (IFC) and is widely used by banks. CUs were reluctant to use agrarian receipts, due to lack of understanding and an inadequate legal framework to formalize and document receipts. The CAP project, together with IFC and national CU associations, worked to create such a framework, which was approved in December 2018 by the National Commission for the State Regulation of Financial Services CU Markets, the CU market regulator.



Volodymyr Molodyk, agricultural producer, meets with IFC Project Manager Helen Fairlamb in his office.

With CAP’s support, CUs and their members joined an IFC training session on agrarian receipts. Farmer Volodymyr Molodyk learned how to use agrarian receipts to secure a larger loan at his local CU. Following the training, he applied for a loan of UAH 800,000 (USD 29,962), previously beyond his reach due to his lack of collateral. This loan, which was UAH 300,000 (USD 11,236) more than the amount he was eligible for in 2018, enabled him to better meet his business needs with the purchase of mineral fertilizers, protection agents, and fuel.

Mr. Molodyk used the agrarian receipt for 166 tons of a future wheat harvest, in addition to agricultural machinery, to secure the loan. He notes: “Thanks to agrarian receipts, there were no problems with collateral. I also borrow from banks, but in the CU it is easier with collateral. Here, they are more loyal to the borrower, while banks want real estate as collateral.”



Maryna Hai, Director of the Zolotoniska Branch of the CU “Kredyt-Soyuz” (Source: CAP Project, CU “Kredyt-Soyuz,” Rostyslav Koss)

Maryna Hai, Director of the Zolotoniska Branch of the CU “Kredyt-Soyuz,” who issued a loan to Volodymyr Molodyk, also heard about agrarian receipts for the first time during an IFC training. Shortly after, Ms. Hai began offering the new instrument to the CU members. She notes: “People are simply afraid because of lack of knowledge. Some think that the loan is granted on the security of land. Therefore, we have to explain in person and through publications in local newspapers.”

Using agrarian receipts, CAP is enabling CU partners across the project to increase their agri-lending volumes and efficiency. CAP is also supporting farmers with opportunities to grow their businesses and livelihoods.

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