



SUCCESS STORY: Credit Unions Provide Vital Financing for Small Underserved Agriproducers

Lack of access to affordable finance remains the main challenge faced by small agriproducers in Ukraine, including individual house plot owners. Typically, these agriproducers request small loan amounts, lack formal business structures, and are not registered as legal entities. This makes them less attractive to commercial banks. Thus, they turn to credit unions, which serve communities unbanked by other institutions. However, credit unions are often limited by their size and therefore cannot meet all of the needs of their potential borrowers.

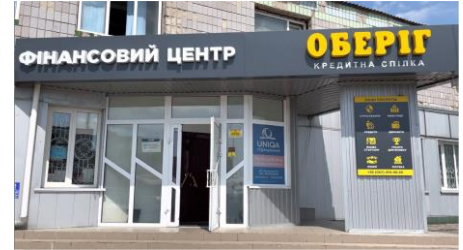
This was the case for Credit Union *Oberig*, operating in Zhytomyr Oblast. The credit union wanted to reach out to a larger number of small agriproducers in the region and diversify its loan portfolio. *Oberig* joined the USAID-funded WOCCU Credit for Agriculture Producers (CAP) Project’s Agrilending Working Group in 2020. Under CAP’s guidance, the credit union began applying international practices in agrilending and marketing, which resulted in a greater number of applications for agriloans. As demand grew, the credit union lacked sufficient liquidity to respond to these agriproducers’ needs. As a result, the credit union applied for a UAH 1.2 million (approx. USD 45,000) loan from a United Credit Union (UCU), which serves as a corporate credit union to meet the short-term liquidity needs of credit unions in Ukraine. The UCU accessed funding from the recently launched USD 1 million USAID-funded Worldwide Foundation for Credit Unions Credit Union Liquidity Activity to help credit unions meet demand for agrilending in their communities. In total, 39 small agriproducers in Zhytomyr Oblast received loans from *Oberig* to support their agribusinesses.

One of these was Valentyna from Tyshiv village, who cultivates various crops in her two hectare (ha) house plot and sells them at the local market. Previously, she had to rent a tractor from other local farmers, which often delayed harvesting and led to lower sale prices. This year with the UAH 65,000 (approx. USD 2,400) loan provided by *Oberig*, Valentyna purchased her own compact tractor. “It has made me independent and now I am able to sell my products at the highest price,” said Valentyna.

Similarly, an agribusiness in Luhyny Town run by two sisters and their husbands faced problems with high production costs due to the rented equipment, which was alleviated with a loan from *Oberig*. Growing crops to feed chickens, ducks and pigs at their seven ha house plot, Oksana, Mariya, Anatoliy, and Serhiy used the UAH 71,000 (approx. USD 2,600) loan to buy their own tractor with a plough and a mower. The loan costs will be fully recouped by the end of the year with higher profits, thus increasing their future income.

Unlike many young couples in Ukraine that migrate to cities for employment and economic opportunities, Taras and Nadiya decided to stay in rural Luhyny Town with their children to work the land. However, Taras and Nadiya needed a compact tractor to start a small grain crop business on their 0.2 ha of land. With a UAH 22,000 (approx. USD 800) loan from *Oberig*, they purchased a preowned mini tractor and harvested their first crops this year.

As Serhiy Zalutsky, CEO of the Credit Union *Oberig* observed: “Underserved people are one of our priorities for financial support. As many of our members live in rural areas, often they are individual house plot owners engaged in small-scale agriproduction. Thanks to the funds received from international programs and donors we are now able to help more of those people.”



Office of Credit Union Oberig, Malyn, Zhytomyr Oblast, July 2021



Agriproducer Valentyna at her house plot, Tyshiv, Zhytomyr Oblast, July 2021



Children of agriproducers Taras and Nadiya on the family-owned mini tractor, Luhyny, Zhytomyr Oblast, July 2021

Photo credit (all photos): CAP Project

Disclaimer:

This success story is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this success story are the sole responsibility of World Council of Credit Unions and do not necessarily reflect the views of USAID or the United States Government.