

Reimagining Prefinance for Shea Cooperatives: A Multi stakeholder Approach to Building Sustainable Shea Businesses



Photo: GSA co-operative opening a bank account

A key aspect of developing the business acumen of shea cooperatives and transforming them into sustainable micro and small enterprises has to do with building the capacity of the cooperatives to access and manage financing, allowing them to invest in their shea businesses, for continuous growth and expansion. However, access to capital remains a critical challenge for shea cooperatives, not least because of the perception of high risk and low creditworthiness associated with agricultural lending. Shea cooperatives rely on pre-financing from buyers, which is rarely available and further engenders an over dependence on buyers. Similarly, credit from Village Saving and Loans Associations (VSLAs) tends to be relatively low, compelling women shea collectors to access credit from high interest and exploitative sources such as loan sharks.

In response to these limitations and to ensure that women collectors are integrated into mainstream financial services, the Shea Business Empowerment Program (SBEP) has developed a credit facility for the participating shea cooperatives in partnership with [Advans Ghana](#), a financial institution that focuses on Micro, Small and Medium Enterprises (MSMEs). The working capital loan product is tailored to the needs and peculiarities of shea cooperatives. Designed through extensive discussions between Advans Ghana, buyers and the cooperatives, the facility offers an interest rate of 2.5% per month. The

facility is underwritten by buyers with a risk share of 30/70 between the buyer and Advans Ghana respectively.



Photo: Loan signing!

Beyond serving as guarantors, the involvement of the private sector also allows cooperatives to receive the credit to repay their loans in kind, with the shea kernels aggregated. This offers additional comfort to the women shea collectors and especially to young people who have become risk averse and suspicious of lenders. As part of this pilot phase, over GHS 500,000 has been disbursed to 12 cooperatives, reaching 1,937 women collectors, with 574 being young women between the ages of 18-35 years. *“Initially when they mentioned the loan, I was not interested because my own mother went through a lot of stress every time she borrowed money from people in the village. But with this new bank [referring to Advans] they came to sit down with us to discuss the loan and their interest rate is even lower than what we get with VSLA!”* Rashida Eliasu, Mangsungsim Shea Cooperative.

Like Rashida Eliasu, many women share similar sentiments and hesitation toward loan offers from private financial institutions. The loan product designed by Advans Ghana provides flexibility on repayment and affordable interest rates to women shea collectors to transform their shea business activities by providing financial resources at the beginning of the shea season. This helps the women collectors address short term needs for their supply chain efficiency and support other farming activities. Reducing the reliance on high cost debt, improves overall financial stability and acts as a catalyst for co-operatives, enabling them to scale up their business, innovate and achieve long term success. Maintaining a track record of securing and repaying small loans not only instills trust but also

formalises and legitimises the operations of small businesses, demonstrating their credibility to potential partners and stakeholders.

While access to financial products like these is building the overall financial management capacity of the cooperatives and their credit history, it is particularly important for the young people joining the cooperatives. Accessing credit for their shea activities has not only transformed their perception of the opportunities available within the industry, but it is also building the confidence of young people to seek out financing for additional income generating activities.



Photo: Undergoing financial literacy training

"I am the secretary/treasurer of my cooperative so when the money from Advans Ghana was ready, I went to the bank with our President to withdraw it. We had all the documents they needed, and the process was not difficult. Now I know that if I have all the right documents, I can walk into the bank and ask them questions and I don't have to be afraid." Issah Rashida, Sunzailila Kpiengu Shea Cooperative.

Drawing upon lessons learned from this first disbursement cycle, Advans Ghana and private sector partners put in place procedures to address delays in processing and receipt of loans by the cooperatives and identified alternative loan repayment options for cooperatives that may be affected by low yields, due to unpredictable shea fruiting cycles. Evidently, re-imagining pre financing for shea cooperatives is a long term, iterative process, requiring collaboration between the key stakeholders, particularly the shea cooperatives.