ENTERPRISE ZAMBIA CHALLENGE FUND (EZCF)

LEARNING PAPER INNOVATIVE FINANCING FOR SMALLHOLDER FARMERS

AUGUST 2025

ENTERPRISE Zambia Challenge Fund

Unlocking green and inclusive growth in agribusiness, agroforestry and aquaculture

CONTENTS

1. INTRODUCTION

Agriculture in Zambia employs approximately 70% of the population (Zambian Development Agency 2024), but only contributed 2.8% to the country's Gross Domestic Product (GDP) in 2023.

Smallholder farmers (SHFs) dominate the sector. They remain excluded from formal financial systems, limiting their ability to invest in productivity-enhancing technologies, access quality inputs, or expand their operations as formal financial institutions struggle to meet their needs. This persistent lack of tailored financing solutions is a major constraint to the development of the smallholder segment of the agricultural sector (Chanda 2024).

1.1. BARRIERS TO FINANCE

In Zambia, it is estimated that 43% of SHFs in rural communities remain financially excluded, with women disproportionately affected (ADA Microfinance 2024).

There are several barriers that contribute to the exclusion of Zambian SHFs from formal financial systems. These barriers can be divided into 2 groupings:

1. **Institutional/market-level barriers**: Those that make rural lending unattractive or unviable for financial institutions.
2. **Farmer-level barriers:** Those that make SHFs less "credit-ready" or creditworthy in the eyes of the lenders.

These barriers are often interlinked, further burdening the effect of financial exclusion

Institutional/market-level barriers

Financial institutions in Zambia, such as commercial banks, microfinance institutions, and development finance institutions, face significant challenges in extending credit to widely dispersed SHFs. The high cost and risk of rural lending are major barriers. Providing many small loans in remote areas is often expensive due to underdeveloped infrastructure, limited digital connectivity, and the high transaction costs incurred per client. Furthermore, information asymmetry is a critical issue as most SHFs operate informally and lack formal financial records or prior credit histories, and are unable to provide conventional collateral such as land titles or registered assets (Olteanu 2022).

These structural challenges make it difficult for financial institutions to accurately assess risk and design appropriate products. Many lenders acknowledge that traditional banking models are not well suited for agricultural clients, particularly smallholders. Several Zambian financial institutions have noted that smallholder lending does not align with their risk frameworks or operational capabilities. Farmers typically cannot meet collateral requirements, and rural financial infrastructure, such as bank branches or agent networks, is sparse, limiting outreach. As a result, SHFs remain underserved, and the sector continues to operate well below its productive potential.

It has also been noted that lenders perceive agriculture as high-risk, as it is prone to droughts, price volatility and crop failure. The 2013 Zambia Enterprise Survey highlighted that agricultural farmers experienced double the rate of rejection of loan applications, compared to other streams (World Bank Group 2019). Furthermore, it has been estimated that less than 10% of formal bank lending in Zambia goes to agriculture, with rural smallholders and women particularly underserved (Olteanu 2022). Instead, most rural credit is informal or through value-chain actors. Where rural lending does occur, interest rates tend to be high to cover risk and costs, as it was found that microfinance institutions often charge effective annual rates of

120%-180%, which is far above commercial bank rates (AgLeaseCo 2025).

Farmer-Level Barriers

On the demand side, SHFs themselves face constraints that limit their ability to access and utilise financial services. Major barriers are low levels of income and a lack of savings. Many Zambian SHFs operate at subsistence and therefore have limited capacity to take on debt. Even in cases where some form of collateral is available, it is either insufficient or in a form which cannot be easily liquidated, thus not making it acceptable for a lender (Pomeroy et al. 2020). Furthermore, credit providers to borrowers in the agriculture sector have limited instruments to mitigate the various types of risks faced in agriculture lending, therefore the credit providers guard themselves through excessive credit rationing and lean more on traditional collateral. Additionally, rural assets are less desirable by lenders due to legal and administrative challenges coupled with cultural factors, which make it more difficult to register such assets as collateral (Pomeroy et al. 2020).

Another barrier faced by many farmers is low financial literacy and confidence with formal credit. It has been estimated that only 8% of small-scale farmers in Zambia demonstrate high financial knowledge, with 92% scoring poorly on financial literacy assessments (Sakala and Mpembele, 2022). This therefore pushes farmers again not use formal financial services and rely on informal sources for loans and savings. Without basic financial skills, farmers are less able to budget, keep records, or assess the risks and benefits of borrowing, leading to suboptimal investment in seeds, fertilisers, and technology. In addition to this, information gaps and trust gaps discourage financial uptake, as rural communities may distrust formal institutions or be unaware of the various products available. Furthermore, gender has been seen to compound this issue, with women farmers often having less access to land or assets and facing significant cultural barriers, which has resulted in lower financial inclusion rates (ADA Microfinance 2024).

1.2. NEED FOR INNOVATIVE FINANCE

Empowering SHFs in Zambia hinges on delivering innovative finance products, which use appropriate technology and robust capacity building, to address the barriers above. Innovative financing models are emerging to reach farmers who lack collateral or credit history.

It is in this context that the Enterprise Zambia Challenge Fund (EZCF) was launched as part of the European Union's Zambia Agro-business Smallholder Support (ABSO) programme. Co-financed by the EU and the European Investment Bank (EIB), EZCF's mandate is to support increased participation of SHFs in market-integrated, nutrition-sensitive value chains and to improve their access to finance, services, inputs, and investment opportunities.

One key area emerging from the EZCF has been the development and uptake of innovative financing mechanisms by its beneficiaries. Through its challenge fund model, EZCF provided matching grants that enabled agribusinesses and financial institutions to pilot and scale financial innovations tailored to SHFs. These included mechanisms such as embedded input credit, digital credit scoring, and asset leasing. By drawing on the experiences of EZCF-supported companies, this paper explores how these approaches have been utilised to address long-standing financing barriers faced by SHFs in Zambia

1.3. PURPOSE OF REPORT

The purpose of this learning paper is to highlight the innovative finance mechanisms available to SHFs in Zambia, with a particular focus on those supported through EZCF. It will examine how these mechanisms performed against expectations, identify any unexpected outcomes, and discuss where they may have underperformed and why. The paper will draw on selected case studies, including Farm Depot, Good Nature Agro, and Growmore, to illustrate practical lessons and provide recommendations for donors, financial institutions, and policymakers seeking to expand inclusive finance for SHFs.

2.INNOVATIVE FINANCING MODELS

A range of innovative financing mechanisms has emerged to bridge this gap and help farmers invest in their productivity. Three major categories stand out: digital financial services that leverage mobile technology and fintech solutions, impact investments that blend social and commercial capital to fund smallholders and agribusinesses, and contract farming/out-grower schemes. These approaches are already making tangible differences on the ground in Zambia.

2.1. DIGITAL FINANCIAL SERVICES: MOBILE MONEY AND FINTECH INNOVATIONS

Mobile Money

Digital finance is transforming how Zambian farmers save, borrow, and transact. With mobile phone penetration rising, mobile money services have become a vital financial channel even in rural communities. As it currently stands, mobile money adoption has been a key driver of Zambia's recent surge in financial inclusion, contributing to a 69.4% financial inclusion rate nationally (UNDP 2024). For farmers who are often unbanked, services like MTN's Mobile Money (MoMo) offer a convenient platform to receive payments for crops, pay suppliers, and increasingly, access credit.

In July 2025, MTN Mobile Money Zambia, in partnership with fintech provider JUMO, launched "Kwanisa Na MoMo," a mobile overdraft facility designed for underserved individuals and micro-businesses, a category that includes many SHFs (News Ghana 2025). This service uses AI-driven analysis of users' transaction histories to automatically tailor credit offers to each customer's usage pattern (News Ghana 2025). Furthermore, it works on basic mobile phones, allowing farmers to participate without needing internet access or smartphones. According to MTN Zambia, the platform immediately expanded financial access for *over 1.2 million* existing MoMo users, positioning the mobile wallet as "a comprehensive lending marketplace" (Africa Digest News 2025).

Early results show promise that mobile-enabled credit reduces transaction failures and stimulates grassroots entrepreneurship. A 2025 review of integrated credit and digital finance found that digital loan programs enable farmers to purchase improved inputs and repay loans in alignment with harvest cycles, leading to yield increases of up to 20 % and greater financial resilience (Adesiyan 2025). As the review notes, these data-driven digital finance tools therefore provide smallholders "a stepping-stone to financial inclusion," improving livelihoods and fostering entrepreneurial activity (Adesiyan 2025).

Fintech Solutions

Beyond mobile money services, Zambia is also experiencing a rise in fintech solutions tailored to smallholders' needs. These are innovative digital platforms that provide farming communities with financial tools, market linkages, and credit risk assessments designed for their specific context. A leading example of this new wave is the Maano Virtual Farmers' Market (VFM). Developed by the World Food Programme and partners such as Digital Paygo and ZANACO, Maano is a digital trading platform that helps SHFs in Zambia navigate value chains by combining market access, insurance and e-learning tools (Nalwimba 2024). The platform runs on USSD, which means farmers can access it with any basic mobile phone and do not need a smartphone or mobile data.

The platform also bundles a range of services, including crop and medical insurance, bulk messaging, e-learning modules and advertising, to meet farmers' broader needs. Following pilot implementations in the Eastern, Southern, and Central provinces, the platform reached over 1,000 farmers and attracted active use by commodity buyers. Additionally, the World Food Programme onboarded a further 5,101 SHFs. By 2023 the number of registered farmers reached 99,016, nearly half of whom were women, highlighting the platform's nationwide impact and its ability to operate on basic phones even in remote areas with poor connectivity (Nalwimba 2024).

Other initiatives include Lima Links, an ICT platform that provides live crop prices, equipment listings and disease alerts via basic phones, and AgriPay, a farmer-focused mobile money product developed by ZANACO with Mercy Corps that offers account opening, savings, market linkages and agronomic information (Nalwimba 2024). These platforms demonstrate how Zambia's agri-fintech ecosystem is evolving from simple person-to-person transfers to integrated services that combine finance, information and markets. Collectively, they are helping SHFs build digital footprints, improve cash flow, and access inputs and insurance needed for more resilient and profitable farming.

2.2. IMPACT INVESTMENT AND BLENDED FINANCE

Impact Investment

In parallel with digital solutions, impact investors are playing an increasing role in mobilising capital for Zambia's smallholders and agri-businesses. In the Zambian agriculture sector, this often takes the shape of socially responsible funds, development finance institutions, and public-private partnerships that channel affordable financing into farmer-focused businesses.

One approach has been for impact investors to support agricultural SMEs that work with smallholders, thus indirectly benefiting thousands of farmers. For example, AgDevCo, an agribusiness impact investor operating in sub-Saharan Africa, provides "patient capital", which is long-term loans and equity, to early-stage agri-enterprises with the potential for high development impact (Blended Finance Taskforce 2021). In Zambia, AgDevCo's investments have included farm input suppliers and commodity processors that source from small farmers. To amplify impact, AgDevCo also launched a dedicated Smallholder Development Unit (SDU) to de-risk out-grower schemes that link smallholders to markets (Blended Finance Taskforce 2021).

Another avenue of innovative finance is the rise of fintech-focused impact investments, where social investors back tech startups that serve farmers. A recent example comes from Apollo Agriculture, a Kenya-based agri-fintech that expanded into Zambia. Apollo provides a bundle of services to smallholders, combining input financing, weather-index insurance, and agronomic advice via mobile phone, all aimed at boosting farm productivity and income (Triodos Investment Management 2025). By blending development-oriented funding with a fintech business model, this investment aims to make financing more efficient and farm yields more resilient. Already, Apollo has deployed 200 field officers and served over 28,000 Zambian farmers within its first phases, contributing to a combined 400,000 farmers served across Zambia (Triodos Investment Management 2025).

Blended Finance Models

Investors are also exploring blended finance models in Zambia's agricultural sector that involve public or donor funds as a first-loss or guarantee layer to attract private investors. For instance, global funds like the Acumen Resilient Agriculture Fund (ARAF) have used an anchor investment from the Green Climate Fund to absorb initial risk, therefore encouraging private investors to co-invest in smallholder agribusinesses (Blended Finance Taskforce 2021). Similar approaches are being introduced in Zambia through programs by development banks and agencies. For example, Zambia National Commercial Bank (Zanaco) launched a €30 million agriculture investment initiative backed by the European Investment Bank and EU. The program provided a €15 million credit line alongside technical assistance, explicitly aimed at financing smallholders and agri-SMEs (EU 2021). The initiative also features a risk-sharing facility and training to strengthen Zanaco's smallholder lending capacity.

2.3. OUT-GROWER SCHEMES

Contract farming and value-chain financing are widely used in Zambia to finance smallholders through their relationship with agribusinesses. Under these arrangements, which are often called out-grower schemes, a large agribusiness contracts a group of SHFs to grow a particular crop and provides them with the necessary inputs on credit. These inputs range from seed, fertilizer, agro-chemicals and in some cases, capacity building to grow the required crops. In return, the farmer agrees to sell the harvest to the buyer, which then deducts the inputs costs (Garth 2022). Evidence from recent value-chain programs shows that farmers appreciate receiving inputs and extension services from the buyer and prefer repaying through a voucher or loan linked to the harvest (IFC 2024).

Zambia has a strong history of such out-grower financing, especially in cash crops like cotton, tobacco, sugarcane, and maize. ShareAfrica, a UK charitable organisation formed in 2002, provides an Out-growers Scheme that has been operating for several years to boost cash-crop yields. The programme offers three levels of support: full sponsorship, part sponsorship, and seed loans. It provides combinations of seed, fertiliser, herbicides, training, and transport, plus equipment loans for oxen, shellers, bags, and scales. Participating farmers also receive small loans for hired labour during planting and harvesting, and benefit from a guaranteed purchase agreement at the end of the season, with the buyer paying about 10 % above the market price (ShareAfrica 2025)

In the sugar sector, Zambia Sugar Plc (Illovo) has integrated out-grower schemes in the Mazabuka region. Launched in 2008 with support from the European Union, the scheme organised 94 SHFs into an irrigation cooperative. The cooperative received a combination of grant and loan financing to develop sugarcane fields. In addition to this, Zambia Sugar purchases the cane and gradually deducts input costs, resulting in significant income gains for participating farmers.

3. ROLE OF ENTERPRISE ZAMBIA CHALLENGE FUND

Within the wider scope of EZCF to strengthen smallholder participation in market-integrated value chains, one of the clearest lessons has been the role of innovative finance. Many of the mechanisms highlighted above have also been piloted or scaled through EZCF-supported projects. At the same time, supported companies have surfaced additional approaches that complement and deepen Zambia's financing landscape.

Through its competitive matching grants, EZCF enabled companies to scale mechanisms such as embedded input credit tied to off-take, digital credit scoring to build alternative credit histories, asset leasing models for mechanisation, and bundled insurance products. Each of these innovations represents a response to the longstanding barriers that SHFs face in accessing finance.

3.1. FARM DEPOT

Background

Farm Depot is an established agro-input retailer serving Zambia's SHFs. With a network of 23 outlets across the Copperbelt, North Western, and Luapula Provinces, the company supplies a wide range of poultry, livestock, and cropping inputs. Its services extend beyond sales, with each outlet providing in-store veterinary officers and trained shopkeepers who advise on livestock farming and crop management. Farm Depot also hosts bi-annual farmer training seminars, highlighting its role not only as a retailer but also as a source of technical knowledge for more than 35,000 active customers in both peri-urban and rural areas.

With support from EZCF, Farm Depot embarked on an expansion plan. The project accomplished the following:

- Expanded farmer access to inputs, credit, and extension through 11 new stores, an online farmer management platform, and a subscription-based Farmer Support System.
- Reached 40,000 new SHFs, with 36,000 benefitting from financial services and 3,165 already engaged via the call-centre store.
- Partnered with Inde Credit to scale smallholder loans, enabling farmers to grow poultry businesses and strengthen financial inclusion.
- Demonstrated high customer satisfaction with the loan scheme, confirmed by impact studies in Kitwe and Solwezi.

Innovative Finance in Practice

Under the EZCF project, Farm Depot implemented several innovative financing approaches, with five standout designs:

Retail-embedded, product-based credit aligned to poultry cashflows

Rather than issue cash loans, Farm Depot worked with a third-party lender to finance input bundles, such as day-old chicks, feed, vaccines, and vet support, disbursed at the counter. Customers contributed 20% of their own equity, while the remaining 80% was financed over 10 weeks, matching a 6 to 8-week broiler cycle plus a short grace period. Origination and basic assessment happened in-store, where staff were familiar with farmers' production patterns and could couple credit with husbandry advice. In practice, this lowered transaction costs for smallholders, as there was no separate bank trip needed, and tied repayment to the moment birds were market-ready.

Alternative underwriting and portfolio visibility from point-of-sale data

A cloud point of sale (POS) rolled out in 2018 began capturing farmer identities and purchase histories. Farm Depot then built CHECK, an internal tool to coordinate extension visits, profile borrowers, and track a "loan-book" view, therefore creating the database for non-collateral, behaviour-based lending and for tighter monitoring and evaluation of repayment cohorts. This data layer was crucial for moving from informal store knowledge to systematic risk management and targeted follow-up

Partnership financing

Instead of financing loans to SHFs internally, Farm Deport partnered with Inde Credit, a lender with B2B roots in invoice discounting, which helped the portfolio scale to an estimated US$850k across 650 smallholders. But performance deteriorated and Inde exited the partnership in 2024. A key lesson was misaligned accountability, as the legal loan sat between the farmer and Inde, yet the day-to-day relationship and expectations about support sat with Farm Depot. Without early delinquency alerts or a shared collections book, repayment discipline decreased. Farm Depot is now exploring a lender with stronger B2C experience, like Madison Finance, and testing a small internal book to see whether repayment improves when farmers owe the retailer they know, not a distant financier.

Bundled insurance and smarter screening

To cushion production and income shocks, Farm Depot plans to bundle insurance into the input-credit offer. Insights from the field helped improve how borrowers were grouped. Some salaried individuals, who were previously considered low-risk, were found to have multiple loans, making them more vulnerable than expected. As a result, relying on job type as a shortcut for creditworthiness is no longer sufficient. Instead, lending decisions should be based on affordability assessments and debt checks grounded in actual cashflow data. Cultural uncertainty toward credit among first-time borrowers surfaced, reinforcing the need to pair finance with practical credit-use coaching and progressive limits that grow with performance. As one internal note put it, "many farmers are scared to take out credit… and don't learn how to manage credit" unless supported.

3.2 GOOD NATURE AGRO

Background

Good Nature Agro (GNA) is a Zambia-based seed and commodity business specialising in legumes such as soybeans, groundnuts, beans, and cowpea. The company generates about 95% of its revenue from seed sales under the Good Nature Seed brand, investing heavily in locally adapted, climate-resilient, and higher-yielding genetics. In 2017, GNA expanded into crop processing and trading under the Good Nature Source brand, becoming a primary processor of beans and groundnuts. Ahead of the harvest of 2020, it sold seed and provided extension services to 1,800 smallholders, purchasing from 300 of them directly while linking the remaining 1,500 to alternative buyers.

Under EZCF, GNA achieved the following:

- Strengthened farmer support through training of extension agents, demo plots, bank cards for 4,600 farmers, and a digital platform improving service delivery and market linkages.
- Purchased 21,062 MT of soybeans, groundnuts, and beans from 23,046 SHFs, paying out ZMW168.6m, approximately EUR10.8m, with yields 56% above targets.
- Secured US$3m from EDFI Agrifi for warehouse construction and seed processing expansion.

Innovative Finance in Practice

There are several innovative finance mechanisms that GNA has established under the EZCF:

Guaranteed purchase + input finance embedded in the value chain

By contracting seed growers and guaranteeing 100% of seed purchases, GNA effectively turns offtake into a risk-sharing instrument that supports input financing. Farmers can take input packages such as seed and fertiliser, with confidence in repayment at harvest, as costs can be netted out against a contracted sale. This guarantee ("purchase of 100% of seeds from farmers") is central to the finance logic, as it secures cashflow and reduces side-selling incentives.

Productivity Digital platform + alternative data to unlock bank credit

Another innovative solution has been GNA's digital platform and farmer profiling capability. Using this data, GNA linked 4,000 farmers to financing from Standard Chartered, showing how trusted alternative data, such as yields, training records, delivery history, can reduce information asymmetry for lenders and bring down the cost of credit for smallholders. In parallel, GNA is building a USSD module, allowing farmers without smartphones to access farm profiles, local crop prices, and market information, thereby broadening the data/finance on-ramp to anyone with a basic phone.

3.3 GROWMORE TECHNOLOGIES

Background

Growmore Technologies Ltd is a supplier of agricultural, industrial, and irrigation equipment established in 2018. Growmore serves both commercial and SHFs, offering sales plus after-sales support and maintenance. Historically, Growmore's direct engagement with SHFs has been limited, with most interactions occurring via NGO projects that purchased machinery (e.g., tractors) and distributed it to farmer networks. Growmore complements sales with usage seminars to demonstrate equipment and good practice.

Through the EZCF-supported project, Growmore aimed to increase its reach by promoting mechanised services to 8,700 SHFs in Luapula Province, targeting an additional 8,700 ha of land under production.

Furthermore, the project had realised the following components:

- Created 15 full-time jobs out of a target of 31 and trained 105 lead farmers in horticulture and equipment maintenance (target: 60).
- Reached over 5,000 farmers with climate-smart agriculture training delivered through lead farmers.
- Generated more than €1.4m in equipment sales.
- Expanded operations by opening new branches in Mumbwa and Mpongwe.

Innovative Finance in Practice

Within its EZCF-supported project, Growmore integrated a set of innovative finance mechanisms:

Supplier-backed, pay-after-harvest credit to SHFs

Growmore's transaction model offers up to 50% credit with repayment after the first harvest. To ensure effective delivery at the community level, the company lined up supplier credit, a €300,000 supplier credit line including from Kickstart and one or two additional suppliers, specifically to pass on 50% credit at zero interest to smallholders. This allows the tool itself to function as collateral, while seasonal cashflow timing is reflected in the repayment schedule. This approach shifts financing from cash loans to equipment credit aligned with cropping cycles, and furthermore, blends supplier working capital with grant co-finance, lowering the effective cost of end-user finance where bank credit is expensive.

Lead-farmer leasing/on-lending as a community finance mechanism

By encouraging lead farmers to buy on 50% credit and then on-lend/rent pumps, planters, and small implements to neighbours, Growmore's design creates a micro-leasing/service model at community level. For peers who cannot afford an outright purchase, even on 50% credit, short-term access becomes possible through small service fees. This improves utilisation of assets, spreads repayments over more users, and turns a single financed asset into a village-level productivity service.

4. LESSONS LEARNED

Innovative financing mechanisms used by Farm Depot, GNA, and Growmore Technologies in Zambia have provided significant results and lessons. These case studies show what works in smallholder finance, what challenges arise, and why certain approaches succeeded or fell short.

Embedding finance in value chains can unlock smallholder productivity

GNA demonstrated that bundling input finance with guaranteed offtake leads to significant gains. By providing quality seed and fertiliser on credit and pledging to buy 100% of the harvest, GNA enabled legume farmers to triple their yields. This highlights that tackling multiple constraints simultaneously, such as access to inputs, knowledge, and markets, can dramatically improve outcomes. When farmers know they have a ready buyer, their risk of taking credit drops, and repayment is secured via crop sales. However, this approach works best with strong institutional capacity. GNA's success hinged on intensive farmer training, a robust aggregation network, and diligent monitoring of production and quality.

Aligning credit products to farmers' cash flows lowers default risk

Both Farm Depot and Growmore tailored credit to agricultural cycles. Farm Depot's poultry loans were structured over an estimated 10 weeks to match a broiler grow-out cycle, and Growmore offered 50% equipment credit for pumps and planters repaid after harvest. This timing alignment meant farmers could repay once their chickens were sold or crops harvested, rather than scrambling for cash upfront. In practice, such product-based credit reduced barriers to adoption, as farmers obtained inputs or equipment when needed and paid later from farm revenues.

Growmore found that most farmers met their instalments because the asset itself served as collateral, and borrowers were keen to avoid losing valuable tools. When necessary, Growmore restructured repayment schedules and maintained an ageing report, managing to avoid any need for debt collectors. The lesson is that financing tied directly to the crop/asset and its income stream can achieve high repayment if well-structured, although it presumes farmers face no catastrophic losses in that season.

Partnership design and incentive alignment are critical

Farm Depot's model relied on a third-party microfinance partner to endorse in-store input loans. Initially, this partnership helped scale credit to about 650 farmers. However, performance deteriorated when accountability was misaligned. The loans legally sat with the MFI, but Farm Depot's staff were the ones interacting with farmers daily. Without a shared credit risk system or a clear role in collections, repayments suffered, and the lender eventually exited the agreement. This highlights that when an agribusiness partners with a financier, both need visibility and agreed protocols for credit monitoring and recovery.

The “hands-on” party should either share risk or have prompt access to portfolio data and levers; otherwise, support to borrowers can fall through the cracks. Farm Depot’s response was to seek a new finance partner with a retail focus and even experiment with a small in-house credit book to see if familiarity improves repayment.

Market linkages must be secured to mitigate default risk

Linking credit to assured markets is a proven success factor in out-grower schemes, such as those found in Zambia’s cotton and sugar out-grower programs, which have long provided inputs on credit and deducted them at harvest. The case studies reaffirm this. GNA’s guaranteed purchase agreements helped maintain repayment, as farmers couldn’t easily divert their crop and had a transparent deduction at sale. By contrast, Farm Depot’s attempt to link poultry farmers to off-takers revealed challenges. The poultry market proved volatile, and when Zambia’s power shortages forced many small urban chicken buyers to halt operations, demand dropped, leaving farmers with unsold birds when loan instalments were due. In addition, organising scattered smallholders to supply larger buyers was more difficult than anticipated in poultry. This led to some farmers being unable to repay on time, not due to a lack of effort, but rather because of market failures. Therefore, it is recommended that credit programs for production must proactively arrange stable market outlets through aggregation, forward purchase contracts, or backup buyers to prevent inventory gluts turning into loan defaults.

Data and digital platforms can enhance credit inclusion, but require trust and uptake

A significant innovation from these cases is the use of farmer data to unlock finance. Farm Depot’s rollout of a cloud-based POS system enabled collection of farmer purchase histories and performance tracking, forming a basis for alternative credit scoring and portfolio monitoring. This transition from store clerk knowledge to a data-driven approach allowed more systematic risk management and targeting of credit to reliable customers.

Similarly, GNA’s digital farmer profiling not only improved its internal extension services but also convinced Standard Chartered to lend to 4,000 of its growers, using operational records to assess creditworthiness instead of formal credit scores. This shows the potential of fintech and data in bridging the finance gap.

Furthermore, GNA had to invest in USSD mobile access because many farmers lacked smartphones, ensuring even basic phone users could benefit from the platform. Trust and training were crucial to get farmers enrolled and using these tools. In essence, alternative data can reduce information asymmetry and lower borrowing costs, but only if paired with farmer buy-in and digital literacy. The Zambian context of high mobile money use is a favourable factor, yet it must still bridge rural digital divides to fully realise this potential.

Wrap-around services and risk mitigation improve financial outcomes

All three companies coupled finance with non-financial support, underlining a key lesson that credit alone is not enough for smallholders. Farm Depot, for example, provided in-store veterinary advice and a subscription advisory service alongside its input loans, which helped borrowers improve livestock farming and feel more confident in taking credit. Even so, Farm Depot observed that many first-time borrowers were “scared to take out credit” and lacked basic skills in managing loans. This cultural hesitancy is a common barrier in Zambia. The company found that hands-on coaching, gradual loan limits, and demonstrating the benefits of credit were needed to turn wary farmers into responsible borrowers.

Likewise, GNA’s extensive farmer training, which included agronomy and business skills, was integral to its success. Higher yields and repayment rates came from farmers applying new techniques and understanding their obligations. Growmore’s model leveraged lead farmers to spread knowledge on equipment use and maintenance, creating local champions who could assist peers. Additionally, mitigating external risks through insurance or other means emerged as vital. Farm Depot plans to bundle crop/livestock insurance with its credit going forward, after learning how droughts, disease, or price swings can quickly derail repayment without a safety net.

5. RECOMMENDATIONS

Building on the findings above, the following recommendations are offered for stakeholders looking to expand and improve innovative finance for smallholders:

For Donors and Development Partners

It is recommended that donors and development partners continue to use catalytic funding to de-risk innovative finance pilots for smallholders. Donors should prioritise investments that bundle credit with extension services, market access, and insurance, since integrated models have shown superior impact on farmer productivity and repayment. Flexible grant funding can encourage agribusinesses and lenders to experiment with such approaches that they might consider too risky on their own. It is also recommended that donors support the development of shared data infrastructure. This could include funding the expansion of mobile networks or fintech solutions into rural areas, building on Zambia's successes with mobile money and digital credit scoring.

Policy advocacy also plays a critical role. Donors can work with the government to improve the enabling environment, such as promoting rural credit guarantee schemes, strengthening contract enforcement for out-grower arrangements, and expanding crop insurance programs. By using policies that lower the structural barriers, like lack of collateral or high lending costs, donors and international finance institutions can help crowd-in more sustainable private-sector lending to this segment.

For Agribusiness Companies

Agribusinesses working with smallholders are encouraged to view themselves not just as buyers or input suppliers, but as financial facilitators in the value chain. These firms should leverage their on-the-ground presence and trust with farmers to design finance products aligned with production cycles, as Farm Depot did for poultry and GNA for seed crops, and to serve as an intermediary for credit. Specifically, agribusinesses can partner with financial institutions to offer input credit or equipment leasing, but they must negotiate clear responsibility-sharing.

As learned from Farm Depot's experience, if the agribusiness' field staff will be the primary touchpoint for farmers, then mechanisms for monitoring loans and co-responsibility for collections should be in place. Agribusinesses are also advised to invest in farmer data systems. For example, digitising sales records, loan repayments, and farm performance can become a valuable asset to secure external financing or insurance for their farmer network.

Another recommendation is to incorporate farmer training and financial literacy into their business model. Simple initiatives like pre-season credit orientations, regular technical assistance visits, and demo plots can pay dividends by increasing yields, and therefore income, and building a repayment culture among first-time borrowers.

Finally, when expanding into innovative finance, firms need to ensure they have the internal capacity to manage these new services. This might mean hiring credit officers or forming joint ventures with microfinance providers, rather than assuming existing sales teams can handle financial portfolios on top of their regular duties.

For Financial Institutions

Banks and microfinance institutions in Zambia should build on the emerging evidence that smallholders are bankable with the right approach. Rather than viewing SHFs only through a high-risk lens, financial institutions can partner with agribusinesses or cooperatives that have deep knowledge of farmers.

The Growmore case showed that when the asset financed is used as collateral and farmers see direct productivity benefits, default rates can remain low. Financial institutions should thus consider asset-financing or inventory-credit schemes where the loan is tied to specific productive assets or outputs.

Additionally, financial institutions are advised to incorporate alternative data analytics into their credit scoring for rural clients. Data from agro-companies, mobile wallets, or satellite imagery for crop health, can assist or replace conventional credit history. Pilots like GNA's collaboration with Standard Chartered indicate that leveraging non-traditional data can enable lending to those without formal bank records.

Finally, financial institutions, together with regulators and donors, should support the scaling of crop insurance and other risk transfer tools. Bundling insurance with loans, at an affordable cost, possibly subsidised initially, will protect both the farmer and the lender against weather or price shocks, therefore encouraging more confident lending in the agriculture sector.

For Implementers and Program Designers

It is recommended that NGOs, project implementers, and government programs pilot innovative models on a small scale, monitor them closely, and improve the design before scaling up. For example, a program introducing community-level equipment leasing, like Growmore's lead farmer model, should start with a few communities to test assumptions around social dynamics, repayment sharing, and equipment maintenance. Implementers need to provide strong support in the early phases. This might include training lead farmers not only in technical use of equipment but also in basic bookkeeping and conflict resolution, so they can effectively act as local service providers.

Across all interventions, implementers should integrate financial education for farmers. Simple modules on budgeting, loan management, and the use of credit can be delivered alongside farming training sessions, leveraging existing farmer group structures. This helps address the widespread low financial literacy that hampers uptake of formal finance.

Moreover, project designers should pay attention to gender and youth inclusion in financial programs. Tailoring products and outreach to women and young farmers can increase overall impact, as these groups often face additional barriers in accessing credit.

6. CONCLUSION

Zambia's experience under the EZCF shows that innovative finance for SHFs works best when it is embedded in real markets, informed by data, and paired with practical support. Across all cases, it was seen that seasonally aligned, in-kind credit and asset financing, such as Farm Depot and Growmore, were found to reduce adoption barriers and improve repayment rates.

Three cross-cutting lessons stand out. First, finance is a bundle, not a product, as credit only sticks when delivered with technical support, market access, and risk-sharing instruments. Second, partnerships must be supported for accountability, clarity on who creates, who supports, and who collects. Third, data is an asset and simple, controlled information systems, like those from POS to USSD platforms, reduce information asymmetry, support more accurate credit assessment, and crowd in matching capital.

Looking forward, the learning paper highlighted that in order for innovative finance to be successful, it should deepen its focus on value-chain–anchored finance, continue attracting lenders through blended finance and guarantees, expand digital infrastructure that makes farmers visible and creditworthy, and introduce learning functions that allow models to evolve when conditions change. If stakeholders keep finance tied to market realities, evidence, and farmer capability, the innovations piloted here can grow into sustainable systems that can help Zambian smallholders invest and increase their production and profits.

6. REFERENCES

ADA Microfinance, July 4. https://www.ada-microfinance.org/en/ssnup-project-completion-financial-inclusion-zambian-smallholder-farmers.

Adesiyan, Taiwo. 2025. "Leveraging Agricultural Credit and Digital Finance for Enhancing Smallholder Productivity and Rural Economic Growth." *International Journal of Research Publication and Reviews* 6 (8): 642–67. https://doi.org/10.55248/gengpi.6.0825.3090.

Africa Digest News. 2025. *How Fast Can You Get Cash with Kwanisa Na MoMo? – Africa Digest News*. July 29. https://fintechnews.co.ke/how-fast-can-you-get-cash-with-kwanisa-na-momo/.

AgLeaseCo. 2025. "AgLeaseCo Webpage." Starter. https://www.agleaseco.com/.

Blended Finance Taskforce. 2021. "Impact Investing — Impact Investing." Blended Finance Taskforce, April 27. https://www.blendedfinance.earth/impact-investing/tag/Impact+Investing.

Chanda, Richard. 2024. "A Study of the Factors That Affect Agribusiness Financing in Zambia: A Case Study of SHFs in Chibombo District." The University of Zambia. https://dspace.unza.zm/handle/123456789/8849.

EU. 2021. "Zambia: Thousands of Smallholders to Benefit from EUR 30 Million (635m ZK) Agriculture Investment Initiative Launched by Zanaco and Team Europe." European Investment Bank, October 5. https://www.eib.org/en/press/all/2021-323-thousands-of-zambian-smallholders-to-benefit-from-eur-30-million-635m-zk-agriculture-investment-initiative-launched-by-zanaco-and-team-europe.

Garth, Cannon. 2022. *Outcomes of the Interventions*. 2 (4).

IFC. 2024. *Digitizing Value Chain Payments for SHFs in Ethiopia*.

Nalwimba, Nkumbu. 2024. *Digital Technology in Zambian Agriculture: A Scoping Report*. https://plaas.org.za/wp-content/uploads/2024/05/Working-Paper-66-Digital-Technology-in-Zambian-Agriculture-Nalwimba.pdf.

News Ghana. 2025. "Zambia Launches Mobile Overdraft to Boost Financial Inclusion." *Https://Www.Newsghana.Com.Gh/*, July 29. https://www.newsghana.com.gh/zambia-launches-mobile-overdraft-to-boost-financial-inclusion/.

Olteanu, Cosmin. 2022. "Rural Finance in Zambia | LinkedIn." Blog. Rural Finance in Zambia. https://www.linkedin.com/pulse/rural-finance-zambia-cosmin-olteanu/.

Pomeroy, Robert, Carlos Arango, Cristopher G. Lomboy, and Steve Box. 2020. "Financial Inclusion to Build Economic Resilience in Small-Scale Fisheries." *Marine Policy* 118 (August): 103982. https://doi.org/10.1016/j.marpol.2020.103982.

Sakala, Eledy, and Stephen C. Mpembele,. 2022. *Financial Literacy amongst Small Scale Farmers in Zambia*. https://www.ijbmm.com/paper/July2022/8340436330.pdf.

ShareAfrica. 2025. "Supporting Farmers in Zambia." *ShareAfrica*. https://shareafrica.com/supporting-farmers-in-zambia/.

Triodos Investment Management. 2025. "Investment Hivos-Triodos Fonds Apollo Agriculture Zambia." May 19. https://www.triodos-im.com/articles/2025/investment-hivos-triodos-fonds-apollo-agriculture.