



# **FINANCE AND DEVELOPMENT IN THE RURAL AND POST-HARVESTING SUPPLY-CHAIN**

**Mario Masini**

**Università degli Studi di Bergamo  
Presidente A.D.E.I.M.F.**



# **“POST-HARVESTING TO CONSUMER” WHAT IS THE MEANING FOR BANKS?**

**An interesting perspective in order to:**

- **Develop their operations on an intersectoral-international basis**
- **Contribute in a relevant way to development and economic growth**



## A superficial view

Both loyalty to a vision of inclusive economic growth and economics and business sense point to agriculture as the starting point for reasoning on this subject.

However, agriculture does not seem to evoke a picture of dynamic and strategically relevant banking

neither in mature economies  
nor in the emerging economies



# Signals of change

both in advanced economies

- smaller banks with stronger ties to their rural environments
- larger banks developing niche multi-specialist strategies or, less frequently, global focussed strategies

and in emerging economies

- financial institutions changing from public budget entities into financial firms



key goals are: impact, outreach *and* sustainability

- converging/cross fertilization of models: e.g. upgrading of microfinance, downscaling of commercial banking



# Towards a better perception of agriculture

The narrow perception of the potential for banking is based on a vision of agriculture which is

**not analytical enough**

**nor systematic enough**



## 2 key considerations on agriculture

1. **Agriculture is a very diversified world**
  - a structural feature common to all segments is the relevance of broader supply-chain linkages
  - supply-chain linkages are
    - intersectoral
    - international



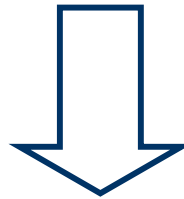
# Positioning in agriculture

<b>POSITIONING</b>	<b>DEVELOPMENT DRIVERS</b>	<b>SUSTAINABILITY FACTORS</b>	<b>DISTINCTIVE CHARACTERS OF FINANCIAL APPROACH</b>
<b>“STRATEGIC SUPPLIES”</b>	Political choice	Public support and regulation	Program/subsidized finance
<b>TECHNOLOGY DRIVEN</b>	R&D	R&D	Venture capital Industry value chain
<b>NICHE</b>	Wealth and culture	Food industry integration + distribution channel control	Value chain financing
<b>ECO-ORIENTED</b>	Values and culture	Communication + distribution channel control	Value chain financing
<b>ENVIRONMENTALLY RELEVANT</b>	Political choice + change in social structure	Public support + leisure industry integration	Program/project financing Tourism value chain financing



## 2 key considerations on agriculture

**2. The incidence of agricultural /rural population in fast-growing economies is very high**



relevance of transition  
from an agricultural (sector based) economy  
to a rural (territory based) economy



# Rate of economic growth and rural population

COUNTRY	YEAR	NON-URBAN POP. (%)	YEARS	AVR ANN % GROWTH
<u>Afghanistan</u>	2005	77,10	2000-2007	11,50
<u>Angola</u>		46,70		13,10
<u>Armenia</u>		35,90		12,70
<u>Azerbaijan</u>		48,50		17,20
<u>Belarus</u>		27,70		8,30
<u>Cambodia</u>		80,30		9,80
<u>Chad</u>		74,70		12,20
<u>China</u>		59,60		10,20
<u>Ethiopia</u>		84,00		7,50
<u>Georgia</u>		47,80		8,30
<u>India</u>		71,30		7,80
<u>Kazakhstan</u>		42,70		10,00
<u>Lithuania</u>		33,40		8,00
<u>Mozambique</u>		65,50		8,00
<u>Myanmar</u>		69,30		9,20
<u>Sierra Leone</u>		59,30		11,20
<u>Sudan</u>		59,20		7,10
<u>Tajikistan</u>		75,30		8,80
<u>Ukraine</u>		32,20		7,60
<u>UAE</u>		23,30		8,20
<u>Vietnam</u>	73,60	7,80		



# What banks can do

**Banks in economies where agriculture still counts for a large percentage of GDP and employment:**

supply chain banking  
and  
rural district banking



risk diversification

+

growth opportunities

+

improvement of customer quality



# What banks can do

**Banks in economies where agriculture counts for a smaller percentage of GDP and employment:**

refocussing on specialized segments



broadening of customer base

+

internationalization

+

improvement of customer quality



## What banks can do

An interesting outcome of this new perspective:

banking over “the post-harvest to consumers” supply-chain



increased opportunities for **co-operative competition** between financial institutions in different regions and in different stages of development