



NEADAP Report

Dairy extension by financial institutions

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Introduction

The Netherlands East Africa Dairy Partnership (NEADAP) is committed to supporting dairy advisory services in East Africa. As part of this work, we explored the existing diversity of extension models in the six countries of NEADAP and provided representatives of different dairy advisory services with an opportunity to reflect on their success factors and their own capabilities and performance so they could identify areas for improvement.

Building on this initial analysis and data, we will organize a collaborative process that brings together professionals from East Africa to gain a better understanding of dairy advisory services in the different countries and explore strategies to foster a sustainable and impactful dairy extension service ecosystem. This collaborative effort will shed light on the priority investments required to strengthen different types of dairy extension services and how they can mutually benefit from one another.

Ultimately, our aim is to create a roadmap for decision-makers to foster an environment conducive to dairy farmers thriving and experiencing the positive impact of these services.

This document gives more detail about the dairy advisory services by financial institutions. Find out other parts of the study through these links:

- [Exploring dairy extension in East Africa: study methodology and findings](#)
- [Dairy advisory services: Consultants](#)
- [Dairy advisory services: Cooperatives](#)
- [Dairy advisory services: Digital platforms](#)
- [Dairy advisory services: Financial institutions \(this report\)](#)
- [Dairy advisory services: Input suppliers](#)
- [Dairy advisory services: Processors](#)
- [Back to the overview at NFPCconnects](#)

Key features of financial institutions

NEADAP conducted a survey to map and assess the capacity of financial institutions to deliver sustainable dairy advisory services next to the financial services they offer. **The 11 financial institutions** that responded to the survey are distributed as follows: Burundi (45.45%), Uganda (36.36%) and Kenya (18.18%). **No examples were found in Tanzania, Ethiopia or Rwanda.**

The financial institutions range from :8–11 years (9%); to established: 12–15 years (18%) but have mostly more than 15 years (73%).

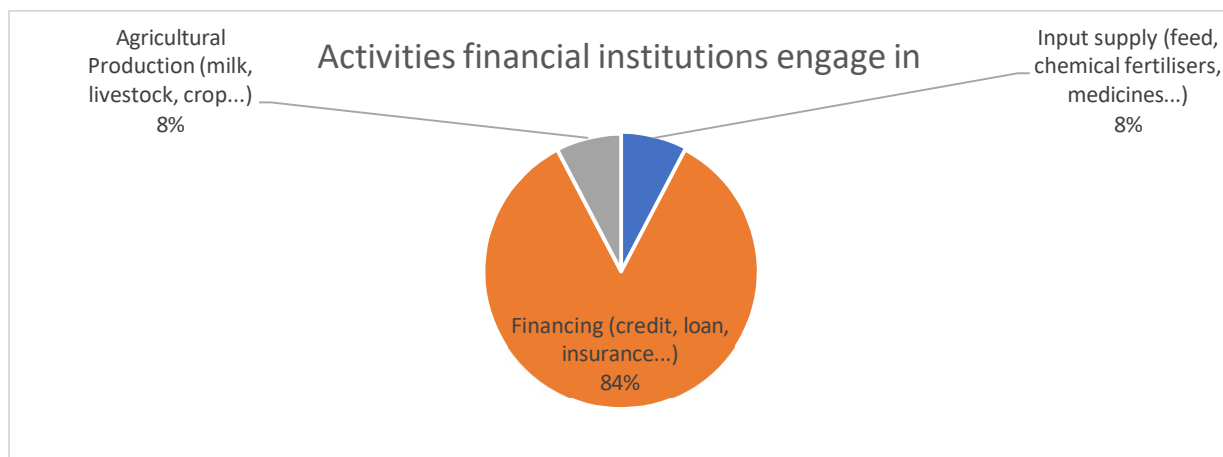


Figure 1: Activities financial institutions engage in

The main activity for the financial institutions is **financing (84%), input supply (8%) and agricultural production (8%)**. **This is a limited diversity of activities** compared to other types of dairy advisory organizations investigated during this study. The financial institutions **mostly target small-scale dairy farmers (62%), members of cooperative societies (23%) and milk handlers (8%)**. They describe their ideal clients as small-scale mixed crop and dairy farmers (31%), medium-scale mixed crop and dairy farmers (23%), small-scale specialized dairy farmers (15%), medium-scale specialized dairy farms (12%) and large-scale specialized dairy farms (12%).

The staff composition in the financial institutions is as follows: **11–30 members (36.36%), 31–50 members (9.09%), 51–100 (18.18%) and >100 staff members (36.36%), testimony of a diverse sample. Female members of staff are distributed as follow 1–5 (9.09%), 11–30 (36.36%), 31–50 (27.27%), 51–100 (9.09%) and >100 (18.18%), so 63% of our sample counts between 11 and 50 females in their organization. Also, financial institutions with numbers of staff younger than 30 are**

distributed as follows: 6–10 members in the organization (27.27%), 11–30 (45.45%) and >100 (18.18%). Hence 72% of the sample count between 6 and 30 young staff.

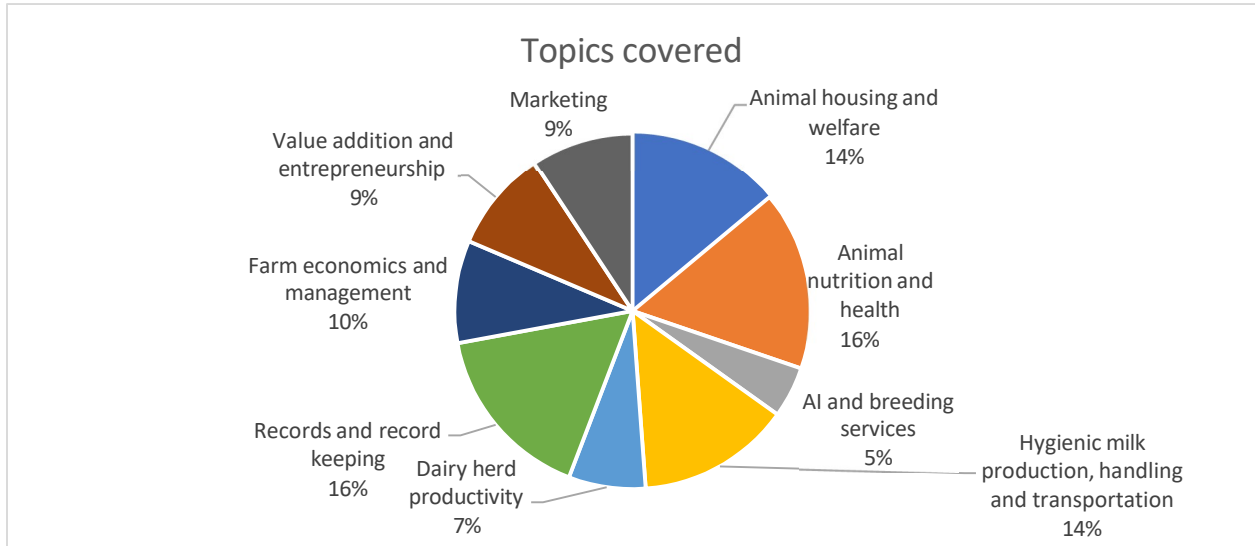


Figure 2: Advisory topic areas

Financial institutions cover a variety of topics in their dairy advisory service delivery, but the main areas are **records and record keeping (16%); animal nutrition and health (16%); animal housing and welfare (14%); and hygienic milk production, handling and transportation (14%)**.

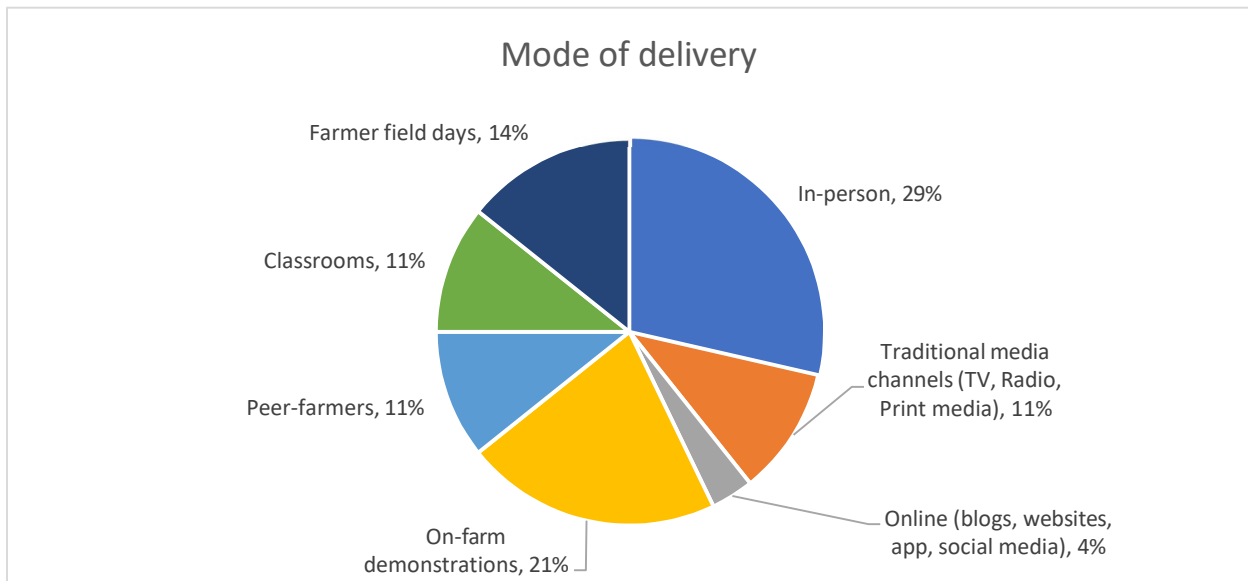


Figure 3: Mode of advisory service delivery

The financial institutions deliver advisory services to middle aged (30–60 year old) dairy farmers and majority male audiences (54.55%) followed by gender-balanced mixed audiences (27.27%) and majority female audiences (18.18%). Of the financial institutions, 90.91% monitor the impact of their advisory services, and do this via follow-up visits (60%) and feedback reports (40%). All of the financial institutions participating in the survey indicated that they collaborate with other actors in the value chain and described their collaboration as mutually beneficial (90%) and good (10%).

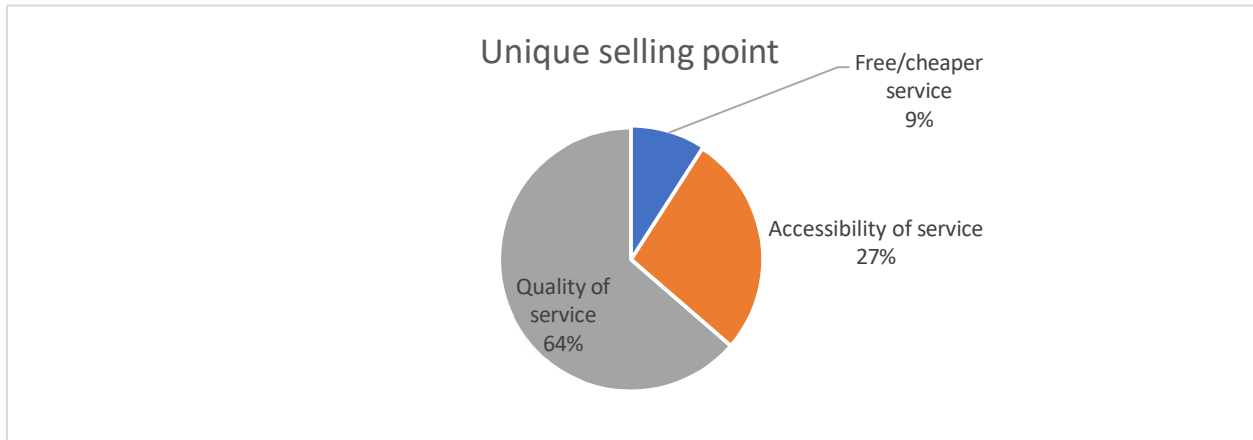


Figure 4: Unique selling point

According to the survey responses, **64% of dairy farmers the financial institutions work with remain loyal to their advisory service due to the quality of service offered**, followed by accessibility of service (27%) and affordability of the advisory service (9%).

SWOT analysis

Strengths (answers = 14) <ul style="list-style-type: none">• client relations (36%)• experienced staff (36%)• service packaging/adaptability (7%)• capital (7%)• strategic location (7%)• trust and reputation (7%)	Weaknesses (answers = 8) <ul style="list-style-type: none">• fund constraints (63%)• farmers unwilling to pay (25%)• inexperience (13%)
Opportunities (answers = 12) <ul style="list-style-type: none">• increased investments in dairy chain (50%)• networking (17%)• increasing demand for dairy extension services (8%)• social capita/trust (8%)• political goodwill (8%)• good management (8%)	Threats (answers = 13) <ul style="list-style-type: none">• natural calamities (31%)• new entrants (23%)• pests and diseases (8%)• resource constraints (8%)• political instability (8%)• poor policies (8%)• limited skilled employees (8%)• poor technologies (8%)

Self-assessment of critical success factors for dairy advisory service provision by financial institutions

The capacity of a financial institution to offer dairy advisory service can be assessed and monitored via the Five Capabilities (5C) framework (Huisman & Ruijschoot, 2013). Five interlinked capabilities, none of which is sufficient by itself, overlap in the assessment of organizational capacity to deliver sustainable dairy advisory service.

The critical factors that can lead to the success of a financial institution in delivering dairy advisory services, as well as factors that hinder this success, were queried during a workshop with the financial institutions engaged in advisory service provision.

1. The capability to act and commit

This capability measures the ability of the financial institution to plan, decide and execute these decisions collectively (as an organization) in order to commit to and act on its mandate.

Critical success factors

- Concessionary rates – special interest rates for farmers
- Staff skills development
- Planning – strategic and operational plans

- Market intelligence
- Documented evidence to support decision-making
- Compliance with government regulations (registration, audited accounts, board, minutes)

Hindering factors

- Lack of planning
- Poor documentation jeopardizes decision-making
- Poor infrastructure
- Communication breakdown
- Risk averseness
- Resource constraints
- Non-compliance by farmers
- Inadequate staff (without proper background)

2. Capability to deliver on development objectives

This capability assesses if the financial institution has the ability to develop, implement and monitor its operations to ensure its growth and the growth of the sector in which it operates.

Critical success factors

- Turnaround time – affects credibility of an organization
- Aligning strategic plans to government policies
- Aligned interest between farmers and the bank
- Adequate and properly trained personnel to disseminate the target objectives
- Allocation of adequate resources and funding to farming activities
- Long-term plans and systematic execution

Hindering factors

- Bank's strategy does not incorporate some of the dairy advisory services or there is a cap on funding certain projects
- High operational costs on dairy advisory services
- Inflation and economic downturn affect the margins on credit facilities
- Bureaucracy brings inefficiencies
- Poor infrastructure
- Government – capping on existing loans affects the projection of the bank

3. Capability to adapt and self-renew

This capability measures the ability of the financial institution to implement monitoring and evaluation structures and learn from the results so as to stay adaptive to environmental changes and remain innovative in dairy advisory service delivery.

Critical success factors

- Improvement of customer service delivery
- Adaptation to change and market evolution
- Embracing digital technologies
- Farmers having milk remittances through banks helps them build a credit profile to improve access to credit
- Collaborations and partnerships with farmers, county governments
- Responsiveness

Hindering factors

- Most farmers are digitally illiterate and when technology changes, they fall behind
- Unwillingness by customers to adopt newer technologies
- Unwillingness to change by bank management
- Uncontrolled occurrences, such as climate change
- Inadequate funding
- Internal politics

4. Capability to relate to external stakeholders

This capability assesses the ability of the financial institution to collaborate with key sector players in order to achieve a sustainable dairy advisory service industry.

Critical success factors

- Credibility of the organization inspires donors to give funding
- Openness to partnership opportunities
- Networking
- Commitment to deliver on contractual obligations
- Investment in research and development

Hindering factors

- Failure to meet contractual obligation leads to loss of credibility
- Unwillingness to change
- Poor produce market disincentivizes the extension service due to poor returns
- Internal politics – competing interests may lead to one party sabotaging the other within the organizations (to meet the targets)
- Front office relations (poor engagement with partners may turn away potential partners)
- Lack of corporate social responsibility activities

5. Capability to achieve coherence

This capability assesses the ability of a financial institution to be united in its mandate to deliver core products and services.

Critical success factors

- Solid reputation
- Participatory approaches in decision-making
- Teamwork and coordination
- Standardized processes of doing things
- Training and capacity building

Hindering factors

- Prohibitive costs of implementing extension service activities
- Inadequate resource allocation and funding
- Inefficiencies – heavy bureaucracy
- Communication breakdown
- Internal politics due to vested interests

Figure 5 summarizes the average capacity of three financial institutions, considered by the sector as successful, that responded to a detailed survey to deliver sustainable dairy advisory services (0 is very poor; 5 is very strong). Via a questionnaire, these financial institutions did a self-assessment and compared their capacity when they first started delivering dairy advisory services (they were all established more than 15 years ago) and the current capacity at the time of the survey.

The results show that successful organizations perceive themselves as having strong to very strong capabilities in the five domains except in their capability to relate to external stakeholders. Since their creation, they have progressed in their ability to deliver on objectives, to adapt and self-renew and to achieve coherence but stayed in a similar stage regarding their capability to relate to external stakeholders, which hinders their success.



Figure 5: Financial institution 5C analysis

Recommendations from professionals for professionals

During a workshop, the financial institutions themselves identified several critical factors that a financial institution should prioritize in the early stages of setting up a dairy advisory service:

- Technology and costs – invest in digitization of projects
- Quality over quantity of products and services – specialize in one product and build it before starting another
- New farming technologies and knowledge transfer – invest in climate smart agriculture
- Begin projects with needs assessment from farmers to inform on intervention areas (background research)
- Partner with service providers to build credibility and offer a complete solution to the farmer
- Increase collaboration between the cooperatives and the processors
- Align policies and products with county government policies to leverage on the agenda

- Train extension staff and equip them to deliver on quality and reputable extension services.

Recommendations drawn from results for decision-makers

- Foster partnerships with other service providers in the dairy sector to enhance access to affordable financing for dairy farmers (concession rates) and other dairy stakeholders
- Increase farmer awareness of financial institution risks and opportunities (e.g. by involving financial institutions more during farmer field days)
- Decision-makers should lobby, advocate and support financial institutions to invest in the dairy sector.

Questions for your organization

We invite you to reflect on the capabilities of your organization:

- What was the capability status of your dairy advisory service when it started?
- What has improved since then?
- What capability is still lacking?

You can use the pdf questionnaire (see intro-methodology report) to guide you in a more detailed reflection.