With this loan, I am going to earn money. I will invest in olluco, get good earnings from selling the harvest, and with these earnings, I’ll have some savings.”

—Elmer, farmer from the high plains of the Peruvian Andes and a client of Financiara Edyficar
The Opportunity

Peru’s microfinance industry has been ranked number one for the last 5 years in the Global Microscope, the annual study that analyzes the enabling environment for microfinance in developing countries around the world. However, micro-lending in Peru largely focuses on urban areas, while a quarter of the country’s population in rural areas remains underserved.

More than half of rural households live below the poverty line, and 1.3 million farmers in Peru do not have access to formal financial services. Yet, despite ever-increasing competition among MFIs in the cities, Peruvian MFIs are reluctant to expand to the rural areas.

Local MFIs lack knowledge about agricultural lending, do not have methodology to assess such loans, and perceive lending to farmers as difficult because of specific risks related to weather and price volatility of agricultural products.

In addition, remote locations, poor roads and low population density in Peruvian highlands, or “sierra”, make it hard to reach the clients.

Our Approach

IFC has been working with Financiara Edyficar since 2004, investing a total of $18 million into the institution over the years and playing an instrumental role in Edyficar’s transformation into a commercial MFI. Building on this relationship, Edyficar and IFC launched a new agricultural micro-lending product to expand Edyficar’s reach into Peru’s rural areas. Later another local MFI - Caja Arequipa - started a similar project with IFC support.

Since the beginning of the project in April 2012, IFC has:

- Assisted Financiara Edyficar and Caja Arequipa in designing a micro-loan product tailored to the needs of the smallholder farmers
- Developed methodology for assessment of agri-loans, taking into account specific risks pertaining to farming, such as irregular cash flow due to changes in crop prices and weather
- Helped identify and train over 50 loan officers, many of whom come from farmer families and speak local languages
- Provided advice on incentives and compensation structure for loan officers
- Advised Financiara Edyficar and Caja Arequipa on how to develop agent networks and use temporary kiosks in remote highland areas

As of August 2013, Financiara Edyficar and Caja Arequipa have distributed 2,700 loans totaling $4.1 million. Nearly half of these loans were extended to women.

Building on the initial success in the Caraz area, Financiara Edyficar is now expanding to five more rural areas in Peru - Chulucanas, El Pedregal, La Joya, Sullan, and Tarapoto. At the same time, Caja Arequipa is starting to provide micro-loans in Apurimac, one of the country’s poorest regions.

The example of Financiara Edyficar and Caja Arequipa has demonstrated that lending in the rural areas can be a commercially viable segment, making rural micro-lending more attractive for other market players in Peru and beyond.

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.