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# The Credit for Agriculture Producers Project

## SUCCESS STORY

### Locally focused credit unions as centers of economic development in rural Ukraine

June 2018



The “Koriukivska” CU employees participate in a training on new credit products.



Mykola Dubovyk, an agricultural producer, demonstrates his farming techniques to Tetyana Savchenko, the President of the “Koryukivska” CU and to Mira Ness, a CAP Project expert, during June 2018.

(Photo credit: Mykola Zarytskyi, CAP Project)

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The Koriukivka District Credit Union stands out among USAID’s Credit for Agriculture Producers (CAP) Project’s partner credit unions (CUs). The CU is the only source of financing for local agricultural producers in the Chernigiv oblast (region), and also caters to local entrepreneurs, making its development crucial for providing access to finance for small producers. Despite its limited resources, the Koriukivka CU actively seeks to meet the economic needs of its members within its small city. The CAP Project trained the CU on new agricultural lending approaches, including credit lines – a new service the CU now offers in addition to regular, fixed-amount loans. CU member farmers may prefer loans in cash, but due to a limit on cash payments by the National Bank of Ukraine, the newly available credit lines help farmers gradually receive timely financing when needed.

Mr. Mykola Dubovyk, a farmer, has been a Koriukivka CU member for over 14 years. In March 2018 the CU issued him a credit line for the first time, in the amount of UAH 81,000 (\$3,050) that was disbursed in two installments. "This is the first time when we offered a credit line to Mykola, and he became interested, as his production cycle requires a gradual supply of inputs, and it is not easy for him to foresee when the best price is available," says Tetyana Savchenko, the President of the CU.

The credit line offered more flexibility in planning Mr. Dubovyk’s farming operations, as he had financing available that allowed him to capitalize on market opportunities, such as obtaining lower prices for agricultural inputs including seeds and fertilizers. The use of the credit line rather than a fixed amount loan allowed Mr. Dubovyk to maximize farming outputs, including acquiring more arable land and implementing advanced cultivation techniques. His land under cultivation increased from 2 to 17 hectares, enabling him to apply technology that does not require plowing to grow potatoes on 2 hectares of land and to use the remaining 15 hectares of land to plant oats. Using the CU’s new product also allows him to develop his woodworking business, diversifying his income sources and risks.

Cooperation with the CU appeals to Mykola due to the CU’s simplicity, timely disbursement of loans, and customer-centric approach. Previous use of regular loans to finance his working capital needs one-by-one was time consuming and less cost effective. Credit lines allow for easier management of working capital and are more cost effective for small operations as they can meet farming needs in a timely manner. "Banks have hidden payments on loans and, moreover, reluctantly accept early repayments. I cannot get flexible financing required by my production process from the bank. And the CU provides me the best opportunity for accelerated development of my farm," Mykola noted.

