



## **HNB's Micro Agri-Lending in Rural Sri Lanka**

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## Summary

- Country overview
- Development focus of country
- Current position of HNB agri lending
- Products & services
- Delivery mechanism
- Risk management
- Revenue model
- Critical success factors
- Priorities for scaling up





# **Country Overview**

#### Year 2010

- Population 20.65 Mn
- GDP per capita US\$ 2,399
- GDP growth rate 8%
- Sectorial composition
  - Agriculture 11.9%
  - Industry 28.7%
  - Services 59.3%
- Life expectancy 74 (male 70.3 & female 77.9)
- Literacy rate 91.4%
- Among the top 5 travel destination for 2012 (Kuoni Annual report)





# **Development Focus of Country**

- Increase per capita income to US\$ 4,000 by 2016
- 05 hub concept (naval, aviation, commercial, energy, knowledge)
- Reinstating under utilized corporation and resources
- Tax concession for agri & development lending organizations
- Encouraging local agri produce by imposing tax on agri imports





## **HNB Micro Agri Lending Snapshot as at Dec 2011**

Description	No of Loan	Portfolio (US\$.Mn)
Cultivation	19,137	31.26
Agri process	5,152	20.7
Storage	132	2.57
Animal Husbandry	2,545	3.07
Fisheries	327	1.22
Farm Machinery	393	1.21
Development others	13,106	45.62
TOTAL	40,792	105.65





## **Products and Services**

- Short, medium, long term and seasonal Agri loans (farming, cultivation, livestock etc)
- Tailor-made loan packages for small farmers
- Refinance / Interest subsidy loans (rangovi saviya, agro livestock development etc)
- Micro insurance
- Divisaviya Training programs
  - Financial education
  - Personal development
  - Entrepreneur development
  - Modern agri technology
- Assisting buyback arrangements through corporate partners
- Youth and migrant worker families inclusion for agri sector (Yauwanabhimana & Adishtana)





#### **Financial Literacy Program for Short Term Crop Cultivators**









#### **Launch of Rangovi Saviya**



Farmer Awareness Program and handing over a harvester machine





#### **Delivery Mechanisms**

Agri Outreach & Delivery channels

- Bank has a network of
  - 240 customer centers
  - 122 Microfinance units
  - 400 ATMs
  - 7 Mobile vehicles
  - Online Banking facility
- Field strength -140 field officers









#### **Credit Risk Management**

- Technical competency on bank Risk Management process and the team right down to branch management through to AO's and FO's
- Corporate Partnerships as Stakeholders (Alternate Risk Transfer-ART)
- Graduating smallholder farmers to be commercially viable entrepreneurs.
- Close monitoring of the growth and set-backs and adherence to quick remedial actions. Managing disaster situations, arrange possible relief and re-scheduling of facilities when necessary.
- Mitigate production risks and market risks through its client training programs and linkages with corporate partners.





#### Revenue Model for the Agri Finance Business Line

- Diversity of agri sector (tea, rubber, coconut, spices, farming, cultivation, poultry, dairy, fisheries)
- Direct finance to sectors
- Support services finance (fertilizer, machinery, processing, transport etc)
- Tailor-made packages & pricing based on project s& cash flows
- Spreading risk
  - Market creation
  - Focus on economically viable sectors with continuous demand and cash flow
  - Graduating from micro to SME and commercial levels
- Well organized / follow-up mechanism
- Actively participating government sponsors credit lines (krushi navodaya, kapruka ayojana,)





#### **Three Most Critical Success Factors**

- Commitment and conviction of HNB
  - 120 year history
  - 40 years of commercially viable agri finance
  - Barefoot banker / Gami pubuduwa
  - Trusted partner in progress
- Expertise of staff
  - Experienced / Agri qualified field staff
  - Commitment
  - Continuous and string linkage
- Corporate partnerships
  - MOUs Agri producing / promoting organization
  - Transfer of knowledge and technical expertise









#### Signing of MOU with CIC

Signing of MOU with Hayleys





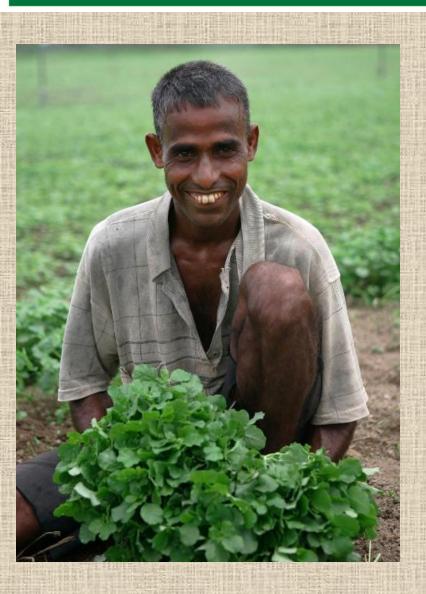


#### **Priorities for Scaling up the Model**

- Increase corporate partnerships
  - Quality products meeting industry standards
  - Commercially viable agri products
  - Creation of ready markets for produce
- Continuous innovation & economic development
  - Complete financial services
  - Financial services for farmers families & community
- Update on technical know-how for both entrepreneurs & field staff
- Traditional to commercially viable agriculture
  - Graduating farmers towards agriculture entrepreneurs
  - Use of modern technology to maximize output







# Enhance Empower Enrich

Thank you!