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HNB's Micro Agri-Lending in Rural Sri Lanka

Chandula Abeywickrema

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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



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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)



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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



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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



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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)



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Financial Literacy Program for Short Term Crop Cultivators





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Launch of Rangovi Saviya



Farmer Awareness Program and handing over a harvester machine





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AGRIFIN
Agriculture Finance Support Facility

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





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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.



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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,)



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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



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Signing of MOU with CIC



Signing of MOU with Hayleys





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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



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**Enhance
Empower
Enrich**

Thank you!