



# Accès Banque

MADAGASCAR • GROUPE ACCÈS

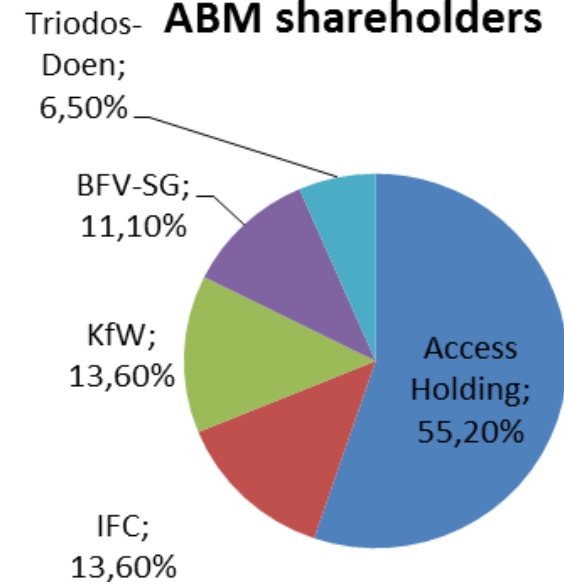
## **Lending to agricultural clients using a cash-flow model: Lessons from ABM**

AgriFin Webinar  
June 24th, 2015



- Fully fledged MSME bank created in 2007
- Current, saving & term desposit accounts, money transfer services
- Credit portfolio of USD 30.2 million
- Individual lending based on site visits, cash-flow and balance sheet assessments

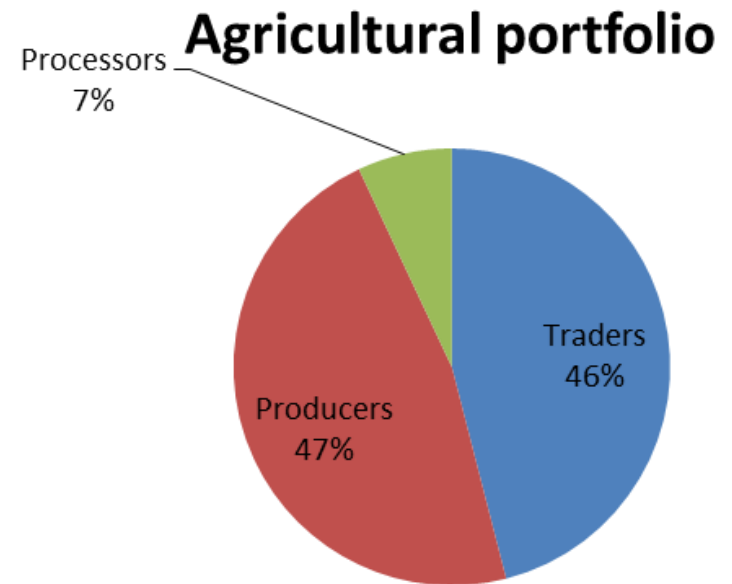
## ABM shareholders







- Represents 18% of total bank's portfolio (USD 5.2 m.; 8 444 clients)
- 6% total portfolio (4 316 clients) under the agricultural product line and assessed with the CFB-ACA methodology
  - ✓ Purpose of the loan is working capital for 90% of clients.
  - ✓ 94% of them are small cultivators.
  - ✓ Good portfolio quality (PAR 30: 2%)





- 70% of Malagasy population is employed in the agricultural sector.
- The CFB Micro loan methodology is too standardized for small agricultural clients with irregular investment returns.
- Frequent loan repayments was considered as key for a high portfolio quality.
- Most Malagasy farmers in the central region have diversified sources of income and cultivate various types of crop.
- A comprehensive approach was judged appropriate to capture main risks.



- Main part of the income must be generated through (primary) agricultural production.
- Client uses the loan for agricultural production purposes.





- Consideration of future cash-flow to determine repayment capacity (min. 12 months)
  - ✓ Past cash-flow would be misrepresentative for small agricultors.
  - ✓ A crop calendar is jointly established (for all income sources).
- Flexible repayment schedule: principal grace periods and irregular installments allowed.
- Frequency and purpose of monitoring visits

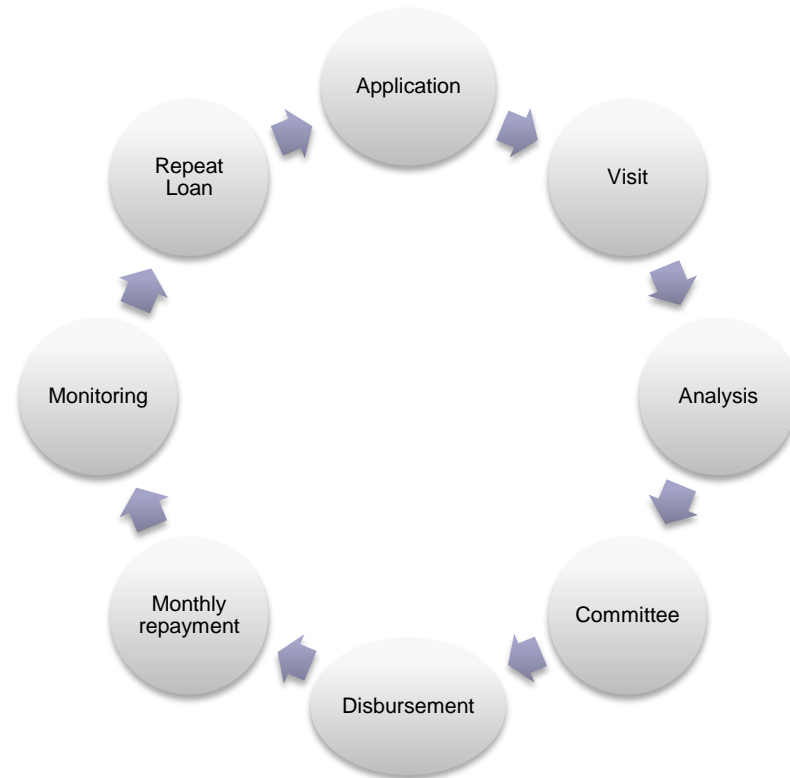


- Specific product line managed through specially trained Agricultural Loan Officers.
  - ✓ both in-house and external trainings are necessary.
  - ✓ slightly higher compensation than standard loan officers
- Loan officers travel to clients' farms by motorcycle.
- ABM serves clients within a 30km radius of the nearest rural branch.
- Higher pricing to compensate higher operational costs and lower amounts.

# The Cash Flow based Agricultural Credit Analysis (CFB-ACA) – Loan Process



ABM views the loan process as a recurring cycle.





# The Cash Flow based Agricultural Credit Analysis (CFB-ACA) – The Agro Matrix



Additional cross-checks are made by comparing client's information with regional market data available through NGO's and farmer's associations.

Nbre mois projeté	24	juin-15	juil.-15	août-15	sept.-15
<b>CASH au début</b>	<b>3.000.000</b>	3.000.000,00	59.500	1.670.100	3.243.700
Vente Paddy ( kg )	720				2.160.000
Vente Paddy ( kg )	620				
<b>RESULTAT BRUT</b>					<b>2.160.000</b>
Engrais Organique ( chrt )	10.000				
gasoil	3.000				
Miasa tanana ( jr )	3.000				
Manetsa ( jr )	3.000				
miava+desermone	1				
mijinja+manonta	3.000				
Mikapoka ( jr )	3.000	72.000			
Transport local ( - )	3.000	225.000			
vidin gony	1.200				
<b>Total Coût Operationnel</b>		<b>297.000</b>			
<b>RESULTAT NET</b>		<b>-297.000</b>			<b>2.160.000</b>
Vente haicot ( kg )	2.200				
<b>RESULTAT BRUT</b>					
miasa tanana	3.000	45.000			
NPK (kg)	2.500	25.000			
semence (kapoaka)	700	49.000			
mamboly	3.000		30.000		
miava-insecticide	1			40.000	
mioty	3.000				
mitaona	3.000				
Mikapoka ( jr )	3.000				
location	1				
<b>Total Coût Operationnel</b>		<b>119.000</b>	<b>30.000</b>	<b>40.000</b>	
<b>RESULTAT NET</b>		<b>-119.000</b>	<b>-30.000</b>	<b>-40.000</b>	



- A household simple BS is built for each borrower.
  - ✓ Current assets are mainly composed of savings, stored crops & crops to be harvested.
  - ✓ Fixed assets include animals, implements and land (if the farmer has purchased/leased the land in the last 5 years).
  - ✓ Liabilities: can hardly be identified through credit bureau information

In most cases, the land is hereditary with no documentation proving the ownership and with values that are difficult to determine.



- Collateral
  - ✓ Small farmers have little collateral and of questionable value.
  - ✓ ABM includes most common household items, basic equipment and cattle.
  - ✓ Cattle used as collateral is recorded as such in the registry.
- Basic ratios are also calculated to assess client's solvability.





- Lending to small farmers in Madagascar is not riskier than non-agricultural borrowers when they are adequately addressed.
- Flexible repayment schedules adapted to client's periodic return on investment seem to increase portfolio quality.
- The CFB-ACA allowed ABM to attract additional customers around the branch existing network.
- Highly trained and experienced staff is primordial.
- Climatic risks did not strongly affect the portfolio quality up to now.



- The lending methodology is very work-intensive and time consuming.
- Farm (and loan) sizes remain small, additionally increasing the lending cost per client.
- The methodology requires a lot of specific regional and sub-regional knowledge.
- Higher transaction costs due to larger distances and lower population densities limit the outreach.



- ABM CFB-ACA's model works in a sustainable way and is replicable in regions where farmers diversify (agricultural) income sources.
- There is need to simplify and automatize the methodology.
  - ✓ Data collection to develop scoring systems
  - ✓ Technical cards
- Exploring other ways of reaching out farmers is crucial to overcome the higher operational costs .
  - ✓ Supply chain approaches & intermediaries
  - ✓ Alternative branchless channels for transactions





Thank you!