



**Financing Agriculture Forum 2013:
Profitable Agricultural Banking
Colombo, Sri Lanka**

**Florence Kariuki
August 2013**

Introduction



Equity Bank was founded as Equity Building Society (EBS) in October 1984 and converted to a commercial bank which was dully registered on December 31, 2004 as Equity Bank Limited (EBL)

The Bank is licensed under the Kenya Banking act and currently has subsidiaries in Kenya (156), Uganda (40), South Sudan(9), Rwanda(9) and Tanzania (6)

- Equity Group Foundation-Kenya
- Equity Insurance Agency-Kenya

Vision: To be the champion of the socio-economic prosperity of the people of Africa.

Mission: Statement: We offer inclusive, customer-focused financial services that socially and economically empower our clients and other stakeholders.

Corporate Philosophies



OUR PURPOSE

We exist to transform the lives and livelihoods of our people socially and economically by availing them modern, inclusive financial services that maximize their opportunities.

OUR VISION

To be the champion of the socio-economic prosperity of the people of Africa.

OUR MISSION

We offer inclusive, customer focused financial services that socially and economically empower our clients and other stakeholders.

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Equity Bank Branch Network



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Why Agriculture?



- Constitutes a Large “underserved” market –the Base Of the Pyramid (BOP)
- To promote economic empowerment by redistribution of wealth through access to financial resources and financial inclusion
- Enabling micro enterprises (farmers, processors, transporters etc) to contribute to the economy and be part of the financial system
- A Social responsibility to avail financial services to the lower segment majority of whom are rural community

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Equity Bank Agriculture Loan Products

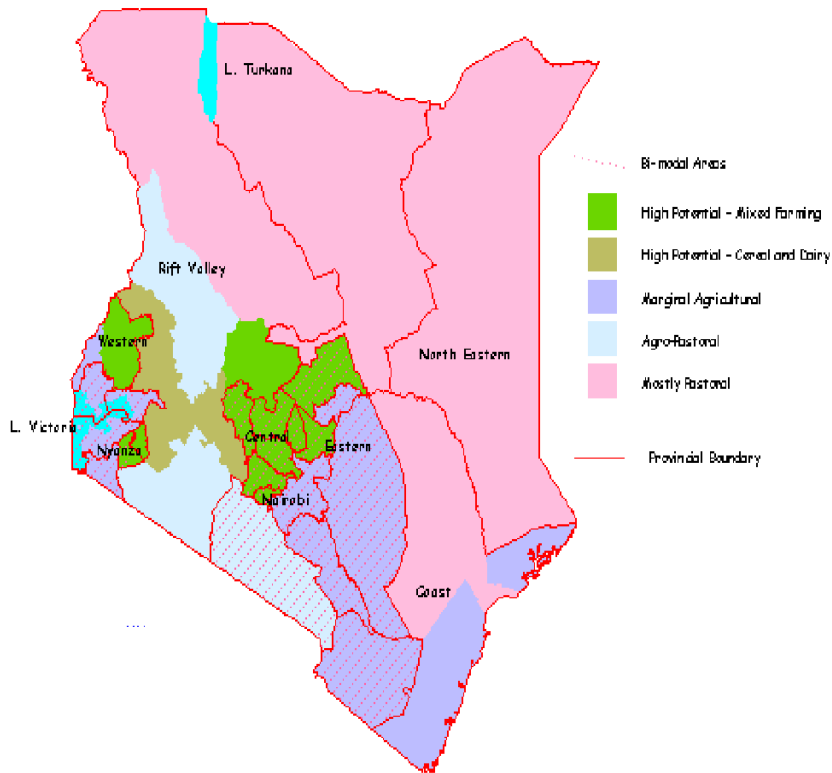


- Farm Input loans
- Micro loans for working capital
- Farm Development loans
- Asset and equipment financing
- Irrigation infrastructure loans

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Kenya's Agro Ecological Zones



- The agriculture sector dominates Kenya's economy
- 15 % of Kenya's total land area has sufficient fertility and rainfall to be farmed
- Principal cash crops are tea, horticultural produce, and coffee
- Main staples include Maize, Potatoes, Wheat and Rice
- Livestock predominates in the semi-arid areas
- Agriculture has been targeted under "Vision 2030" Kenya's current blueprint for the future of economic growth

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“Seasonal based lending for farmers”

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Market segmentation



Agriculture financing in Equity is through value chain approach. This entails focusing on production, value addition until the produce reaches the final consumer.

Agriculture client therefore include;

- Farmer/producers and producer groups
- Farm inputs suppliers
- BDS providers
- Produce buyers
- Processors
- Any other party involved in the chain

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Market segmentation



Farmers

- Small scale but commercial
- Large scale
- Proof of at least one successful season

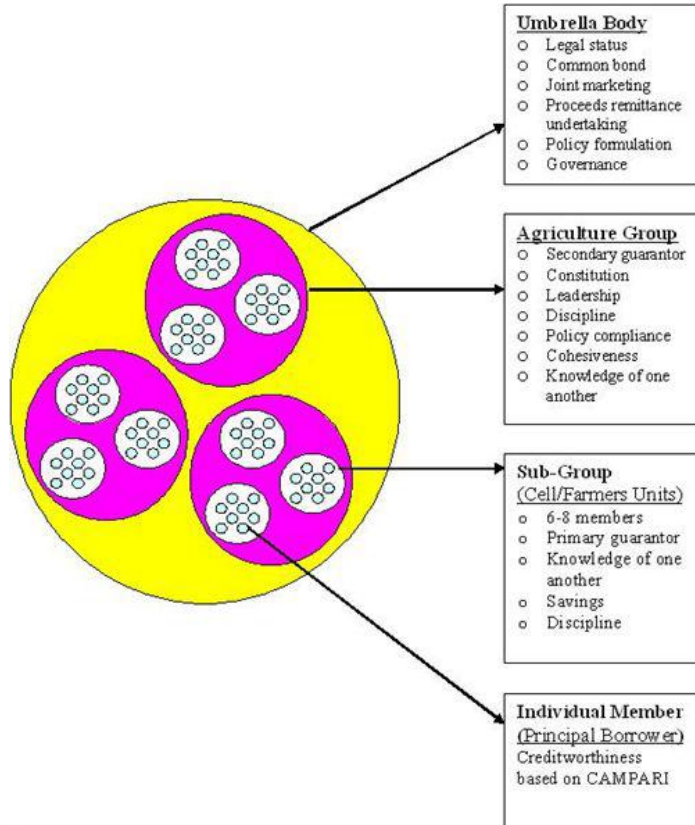
Small & Medium Agricultural Enterprises

- At least one year of operation
- Proper business records
- Licensed /valid operating permits

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Market Segmentation-group Lending Approach

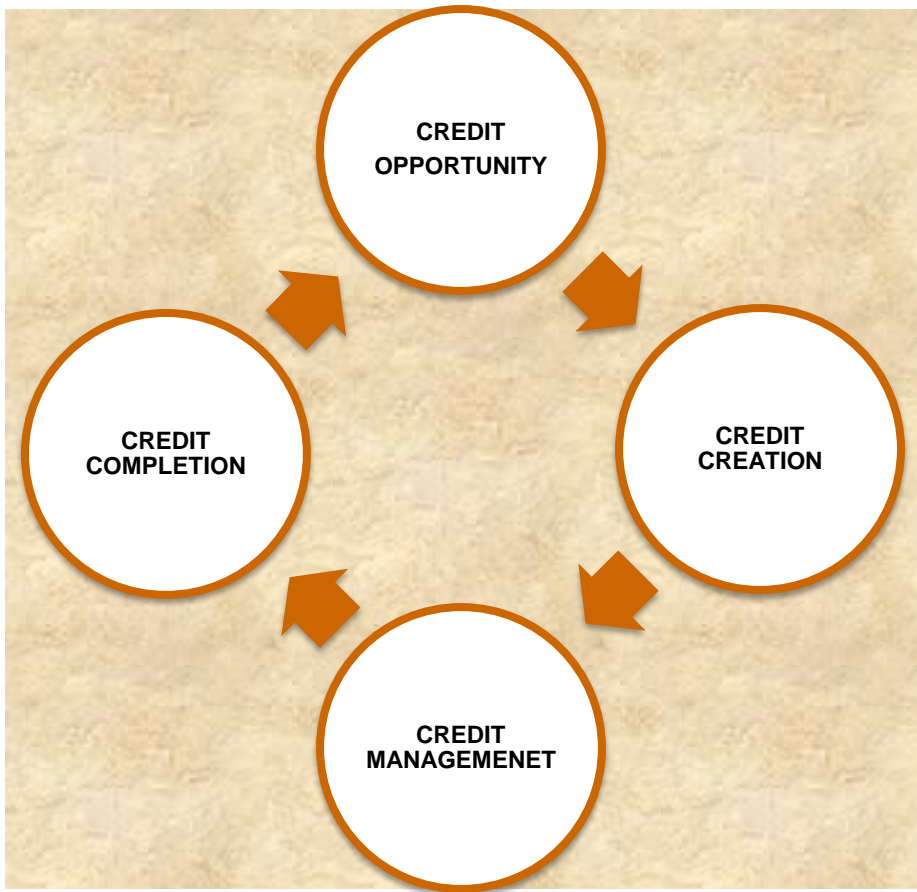


- Economies of scale
- Economies of scope
- Improved loan collection
- Cost effective
- Mitigated information asymmetry
- Reduced risks
- Social collateral

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Lending process



- Credit Opportunity**
- Pre application
 - Application

- Credit Creation**
- Appraisal
 - Analysis

- Credit Management**
- Disbursement
 - Supervision
 - Perfection

- Credit Completion**
- Loan clearance
 - Preparation for another credit opportunity

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Key product features –production loans



- ❖ Loan Amounts:
 - ❖ Collateral requirement :flexibility
 - ❖ Loan Term: matched to the crop/production cycle.
- Charges
- ❖ Credit life insurance
 - ❖ Loan evaluation fees
 - ❖ Interest rates

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Product Development Process



Product development may involve;

- Modification of an existing product, or
- Formulation of an entirely new product

At Equity Bank;

- Market led, innovative and customer focused

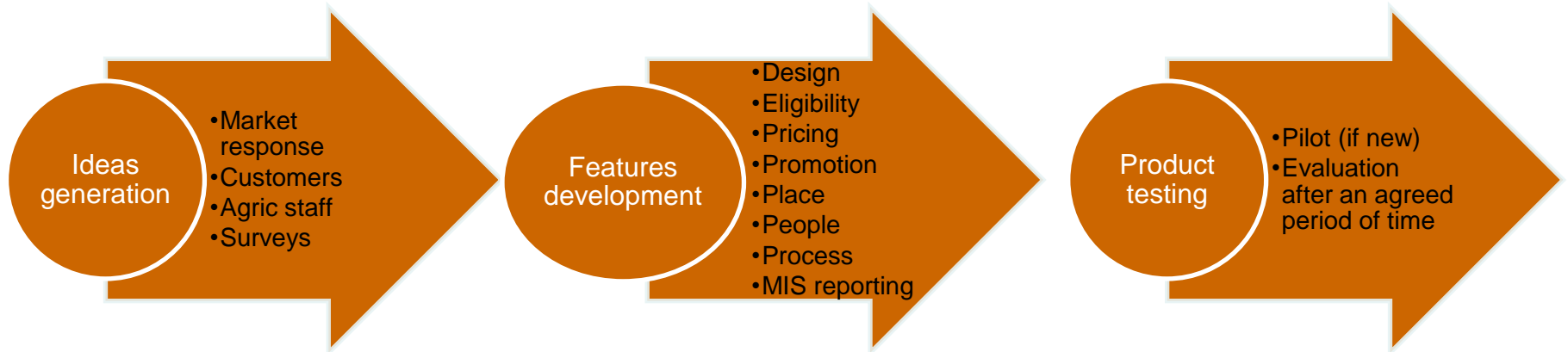
Key questions;

- What do our target customers need/want?
- Is the need within our mandate?
- How do we meet this need/want?
- Tailor made products to suit customer needs.

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Product Development Process



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Loan Administration



Application

- Ensure application is done at least one month before the onset of rains /planting season (non rain-fed farming no very sensitive to seasonality)

Appraisal

- Ensure farm visits are conducted
- Farm input requirement summary including quantities and costs(pro-forma invoice)
- Application of CAMPARI test on the proposal/client

Disbursement & post disbursement

- In tranches as per the stage of crop
- Post disbursement evaluation

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Loan Administration...



Application form

- Client personal information
- Client farming particulars
- Loan particulars
- Credit history
- Financial details
- Production data (past & projected)

Client visits


- Description of farm location
- Farming particulars actual
- Other income sources
- Comments on farm management
- Comments on pledged securities
- SWOT analysis
- Loan officer Recommendations
- Location Maps

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Loan Administration...





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Bank • Your Listening, Caring Partner

AGRICULTURE
LOAN APPLICATION
FORM

FOR OFFICIAL USE ONLY

DATE: _____
 Current Savings A/c No.: _____
 BRANCH: _____
 Sector Name & Code: _____
 Sub-Sector Name & Code: _____
 Industry Name & Code: _____
 Nature of Advance: _____

1 CLIENTS PERSONAL INFORMATION

Applicant's Name (Mr/Mrs/Miss/Dr/Pf) _____ Pin No. _____
 National ID/Passport No. _____
 Marital status: Single Married Widow Divorced Others
 Religion: _____ Nationality: _____
 Date of Birth: _____ Sex: Female Male
 No. of children: _____ Other dependants: _____
 Postal address Current: _____ Permanent: _____ Email: _____
 Tel. (Landline): _____ Mobile: _____ Physical address (Attach sketch map): _____
 Residence: Town _____ Estate _____ House No. _____ Rented Owned

2 EMPLOYMENT DETAILS

Employers Name _____ Telephone _____ Physical address: Town/Street/Building (Attach sketch map) _____
 Designation _____ PF No. _____ Employment terms: Permanent Contract Probation
 Station _____ Department _____ Length of service _____

3 INFORMATION ABOUT THE BUSINESS

Nature of business _____ Type of activity*** _____
 Current postal address _____ Tel. _____ No. of employees (if any) _____
 Description of location _____
 If rented: Lease period _____ Remaining period _____ (Attach copy of lease agreement) _____ Rent payable _____
 Year of establishment (year/month) _____
 ***Poultry, dairy, bee farming, fish farming, etc.

4 LOAN PARTICULARS

Amount applied for (Kshs) _____ Purpose _____
 Cost of project (Kshs) _____ Own contribution (Kshs) _____
 Repayment period _____ Monthly repayments (Kshs) _____

ACCOUNTS IN OTHER BANKS/FINANCIAL INSTITUTION(S)

1	Bank	Branch	Status (Dr/Cr)
1			
2			

LOANS IN THE OTHER BANKS/FINANCIAL INSTITUTION(S)

1	Bank name	Amount advanced	Date advanced	Repayment period	Outstanding amount
1					
2					

(Attach bank statements)

5 SECURITY DETAILS

1	Type	Details	Estimated value
1			
2			

(NB: Attach copies of securities)


6 REFEREES

1	Names	Address	Telephone	Relationship
1				
2				

7 DECLARATION

(We declare that the information given herein is true to the best of my/our knowledge and belief. We further authorise the Bank to verify the information given herein and make reference from any person(s)/institution(s) named herein.)

Name: _____ Signature: _____ Date: _____
 Name: _____ Signature: _____ Date: _____
 Witnessed by Credit officer: _____ Signature: _____ Date: _____



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AGRICULTURE
LOAN
APPRAISAL
FORM

FOR OFFICIAL USE ONLY

DATE: _____
 Current Savings A/c No.: _____
 BRANCH: _____
 Sector Name & Code: _____
 Sub-Sector Name & Code: _____
 Industry Name & Code: _____
 Nature of Advance: _____

1 ACCOUNT OPERATION

Average credit turnover - EBL (Last 6 mths) Kshs _____
 Comments of the Appraisal/Loan officer _____

2 CREDIT HISTORY

Loan No.	Date	Amount granted	Payment mode	Period	Status	Performance

3 NON-AGRICULTURAL RELATED ECONOMIC ACTIVITIES

3.1 NET HOUSE HOLD BUDGET

Monthly Income	Actual	Projected	Monthly Expenses	Actual	Projected
Borrower (net salary)			Rent		
Spouse (net salary)			School fees (Average per month)		
Business (from 6.1)			Transport		
Pensions			Water, Phone, Electricity		
Other Business Income			Food		
Other income			Other loan repayment		
			Other expenses (medical etc)		
Total Income			Total Expenses		
			Net surplus/Deficit (Kshs.)		

(NB: Supply copy of receipts or statement where applicable.)

4 ECONOMIC ACTIVITY DATA

4.1 Information about the last harvest

	Activity 1	Activity 2	Activity 3
	From _____ to _____	From _____ to _____	From _____ to _____
Type of crop/livestock			
Type of product			
Size of production unit			
Total production			
Own consumption			
Net production			
Price per unit			
gross production income			
cost of production			
Net income			

4.2 Production table for proposed loan period

Activity/Project 1:					
Items/Month	1	2	3	4	5
No. of acres/heads/birds					
Expected prodctn/unit/season					
Own consumption					
Units for sale					
Expected price/unit					
Projected income					

(NB: Annex further sheet if necessary)

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Loan Administration...



PRODUCTION INPUTS REQUIREMENTS SUMMARY

(To be used for all loans meant to finance purchase of farm inputs)

APPLICANT'S NAME	
OPERATIVE ACCOUNT NUMBER	
AMOUNT APPLIED FOR	
PURPOSE OF THE LOAN	

INPUTS DESCRIPTION	STAGE OF APPLICATION**	NO. OF UNITS REQUIRED	UNIT COST (KSHS)	TOTAL COST (KSHS)

** Mention the production stage or indicative dates when the inputs shall be utilized by the applicant e.g. Land preparation, during harvesting, April, July e.t.c.

NAME OF THE APPLICANT _____

SIGNATURE _____ DATE _____

NAME OF THE APPRAISING OFFICER _____

SIGNATURE _____ DATE _____



AGRICULTURE LOAN POST DISBURSEMENT EVALUATION FORM

PART A

MEMBER'S NAME	
LOAN ACCOUNT NUMBER	
CURRENT BALANCE	
BASIC LOAN PARTICULARS	
AMOUNT APPROVED	
AMOUNT DISBURSED (Attach a schedule in case of disbursement by phases)	
DATE OF DISBURSEMENT	
MODE OF DISBURSEMENT (is it in cash or direct payment to vendor?)	
PURPOSE OF THE LOAN (Brief description as per the application form)	
LOAN PERFORMANCE (Describe briefly how the account has been performing and its classification)	

PART B

PROJECT PROGRESS SUMMARY

(Tick in the box as appropriate and give a brief description)

Is the borrower able to demonstrate the utilization of the loan? YES NO

Do the funds utilization compare with the initial purpose? YES NO

At what stage is the crop/production incase of inputs financing?

Is there any evident impact on the borrower's cash flow and revenues? YES NO

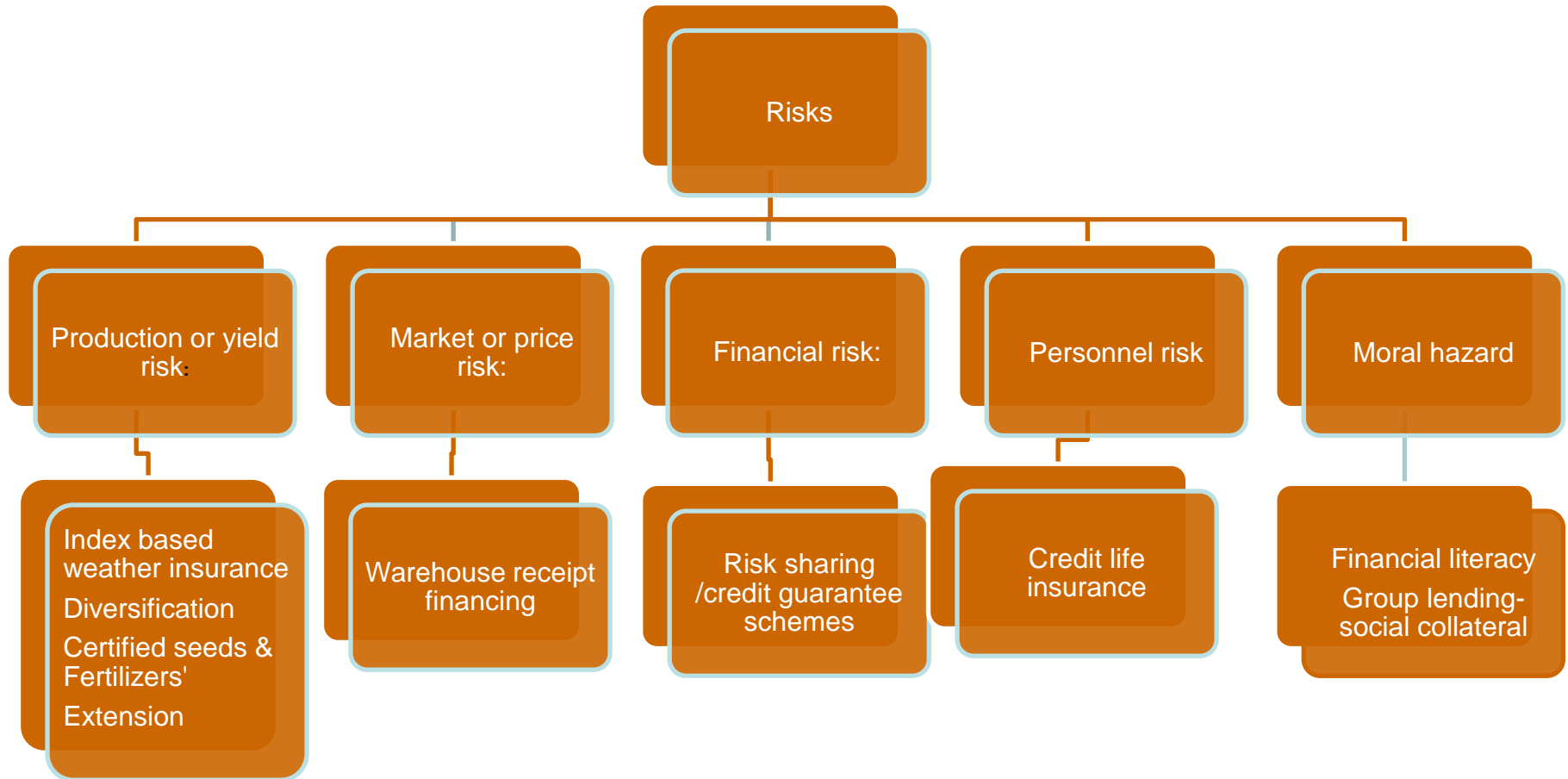
How has this impact affected the loan repayment?

** This form MUST be used for all agricultural loans whose repayment period is more than 3 months.

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Risk management



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Challenges



- Crop failure
- Funds diversion
- Last minute dash for loans
- Side selling of contracted produce
- Over production-Low prices
- Political interference
- Rogue input suppliers
- Lack of extension
- Lack of financial literacy

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Our approach in risk management



- House hold appraisal; diversification,
- Group lending approach-social collateral
- Loan terms and conditions are adjusted to accommodate cyclical/irregular cash flows
- Contractual arrangements to reduce price risk, enhance production quality, and help guarantee repayment
- Collaboration with stakeholders- extension,training,stockists

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Our approach in risk management

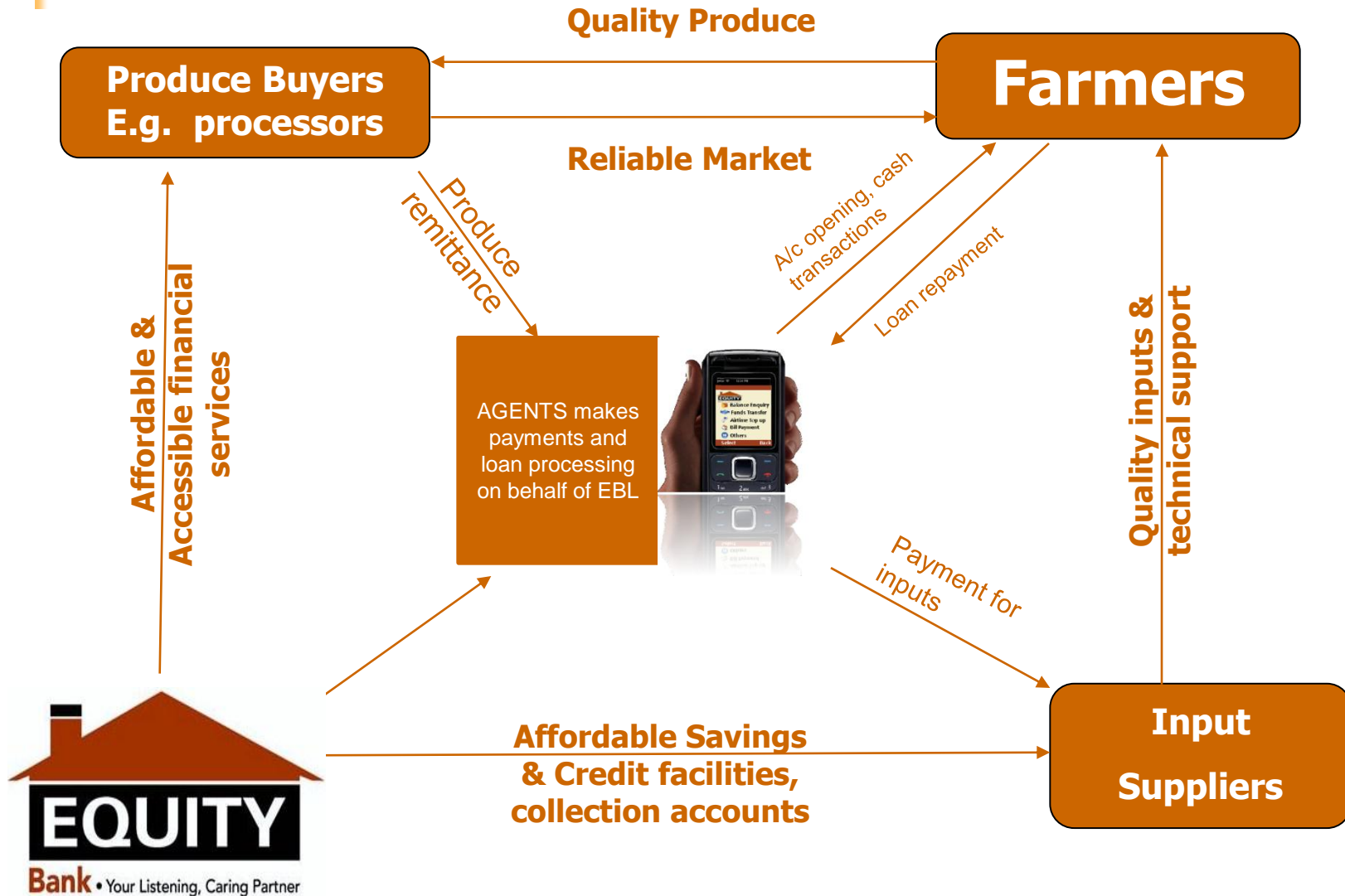


- Insulating agricultural finance from external interference through relationship management.
- Encouraging savings even modest amounts; agency banking, mobile banking
- Financing through value chain-strategic partnerships
- Financial literacy training :debt,savings,budgeting,financial service
- Proper MIS reporting; risk classification

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Financing Agriculture Innovatively



Post disbursement follow-ups



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Financial literacy



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Outreach



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Linkage to market



Agency Banking



Agency Banking



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Thank
You

Email: info@equitybank.co.ke

Website: www.equitybank.co.ke



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