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# **Funding opportunities for small Gari processors in Nigeria: MARKETS II experience**

By

Dr Farouk Kurawa  
Director, Agricultural Finance  
USAID MARKETS II



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## PRESENTATION OUTLINE

- MARKETS II
- Offices & It's approach
- MARKETS II Commodity Value Chains
- Nigerian Financial Services Market
- What is Micro Credit
- Characteristics of small businesses
- Micro Credit opportunities in Nigeria
- Small Gari Processors
- LAPO, BoA, Fortis MFB & BoI



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## **What is MARKETS II?**

### **Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites II**

- Supports the U.S. Government's Feed the Future (FtF) initiative that addresses critical issues hindering the agricultural sector
- Targets small-scale farmers
- Increases agribusiness competitiveness and sustainability through a value chain approach
- Helps farmers increase yields through on-farm technology, access to inputs and markets
- Strengthens farming, businesses, and industries
- Increase rural incomes and food security



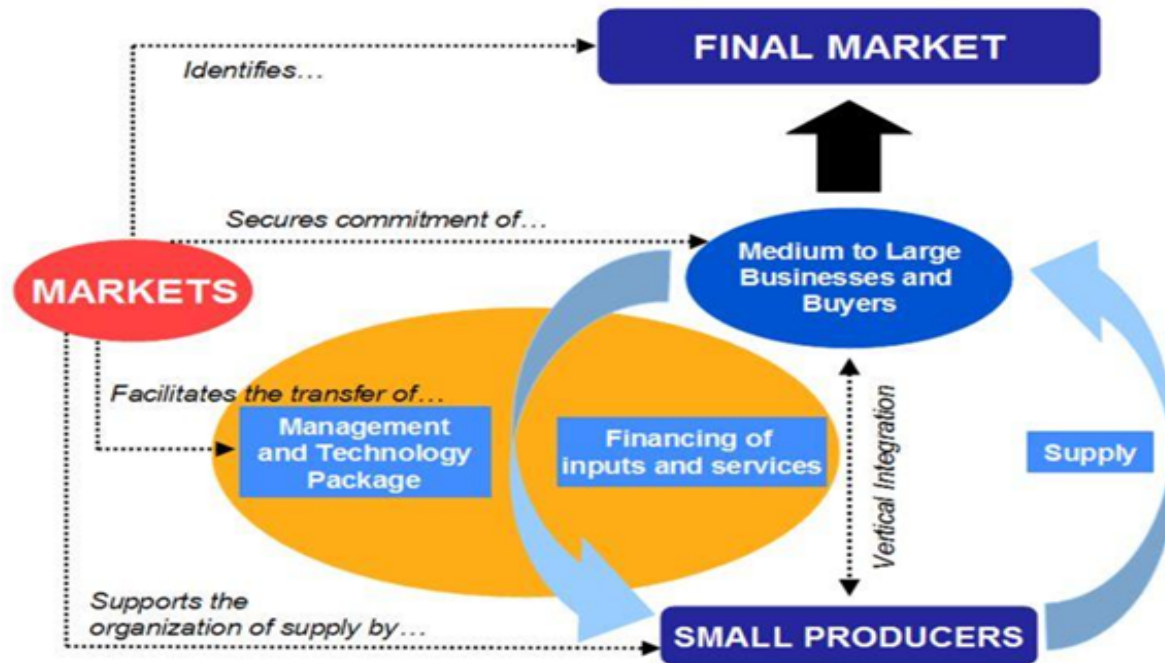
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## MARKETS II OFFICES

- Abuja – Head Office
- Lagos - Southern Regional Office
- Abuja - Mid-Belt Regional Office
- Kano - Northern Regional Office
- Enugu – South East Office
- Warri – Niger Delta Office



## MARKETS APPROACH



**MARKETS** provides services and leverages resources to address value chain constraints and deliver product to market.



## MARKETS II VALUE CHAINS

- Aquaculture
- Cassava - Edo, Ondo, Oyo & FCT
- Cocoa
- Rice
- Sorghum
- Soybean
- Maize



## Financial Institution partners

- Commercial banks
- Micro Finance Banks
- Bank Of Agriculture (BoA)
- Bank Of Industry (BoI)
- Central Bank of Nigeria (CBN)
- Nigerian Agric Insurance Corporation (NAIC)
- Leasing companies
- Agro Processors
- Farmers
- Service Providers
- Governments (local, state and federal)



## **MARKETS II PARTNESHIP AND SUPPORT:**

By:

- Supporting financial institution partners with technical assistance
- Building the capacity of farmers groups and other partners through different tools developed: NAEC, Group Dynamic & Leadership, Agronomic, Financial literacy training, Microenterprise Fundamentals, Household Nutrition and Homestead gardening etc
- Assisting CBN on policy and other related matters
- Working with agro-input dealers
- Extension services & Mechanization
- Other service providers for sustainability





## **Nigerian Financial Services Market:**

- Commercial banks are in most cases unwilling to lend to agriculture due to perceived risk
- They don't understand the sector
- Opportunities in other sectors; oil & gas, manufacturing, telecoms, trading etc
- Preference directed at big ticket transactions where the return is high with 'minimum risk'
- Lack understanding of the rural environment and its business potentials
- Small businesses are highly unstructured with strong loss potential.



## WHAT IS MICRO CREDIT?

- Literally- is lending of small amount of money at low interest rate to new businesses in the developing world.
- More broadly put; Is a variation on traditional credit service that involves; providing small loans to people who would otherwise be unable to secure credit due to mainly lack of collateral and credit history
- In modern world Nigeria; it simply means –lending to the rural community at prescribed central bank of Nigeria approved policy guidelines.



## Small Agric Businesses in Nigeria

- Unstructured
- Do not keep records
- Do not understand their businesses very well
- Considers mainly grants and government support
- Highly mobile
- Do not understand the requirements of the lending institutions
- They think banks are for big businesses
- In most cases rely on trail and error
- No structured cash flow required by lending institutions



## **MICRO CREDIT OPPORTUNITIES FOR SMALL GARI PROCESSORS**

- Lift Above Poverty Organization (LAPO)
- Bank of Agriculture (BoA)
- Fortis Microfinance Bank
- Bank of Industry (BoI)
- others



## Lift Above Poverty Organization (LAPO)

- A product called micro investment
- A small Gari processor can access between N500K-N1 million
- Interest is 2.5% flat on the facility amount
- Tenor of the facility is 12 months
- The bank can negotiate terms to suit the borrower and the lending institution
- Insurance on the facility is compulsory
- Collateral is not required.
- **THIS IS A PRODUCT OF NEGOTIATION WITH LAPO**



## Bank of Agriculture (BoA)

- Processing equipment purchase facility is available from BoA which can fit into what a small Gari processor is looking for;
- An individual can access up to N500K; while Cooperative is up to N5million
- Tenor is not more than 1 years from the date of disbursement
- Interest rate is between 12-14%
- Borrowers can enjoy 40% interest draw back from CBN if repaid on time
- Insurance is compulsory
- The equipment serves as the collateral



## Fortis Microfinance Bank

Small Gari processors can access a facility to buy equipment from Fortis MFB as follows: (a product of MII relationship)

- N2 million is available for Cooperatives to borrow
- Individuals can borrow up to N300K
- Interest rate is 3% flat on the facility
- Tenor is 12 months
- Insurance compulsory
- Equipment is the collateral



## Bank of Industry (BoI)

The bank has a agro mechanization facility which can fit into what a small Gari processor may require;

**Short term facility:** 2 years duration with 12 months moratorium, 75% NIRSAL guarantee, 9% interest rate, 1% processing fee and 1% credit risk guarantee fee(NIRSAL)

**Medium Term facility:** 5 years duration with 12 months moratorium, 50% NIRSAL guarantee, 9% interest rate, 1% processing fee and 1% credit risk guarantee fee (NIRSAL)





## REQUIREMENTS

- Understand your business
- Know each and every components of the equipment
- Understand the cost elements of the equipment
- Know the return on investment and have a repayment plan
- Seek information on opportunities
- Conceive a business idea and have a business plan even if it is unstructured
- Understand the bank requirements and its terms
- Ask a lot of question
- Go for the credit



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**Thank you...**