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

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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
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
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 APPRAOCH

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 Institutions in Nigeria

- 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 PARTNERSHIP 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 trial 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 component 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 questions
- Go for the credit
Thank you...