

BOSS TALK

AFC managing director on unlocking access to credit for the Kenyan smallholder farmer

INTERVIEW KABUI MWANGI

Agricultural credit remains a critical but underserved pillar of Kenya's economy. While private lenders largely give the sector a wide berth citing high risks, the Agricultural Finance Corporation (AFC) is seeking to assert its position as a lender of last resort for local farmers.

The *Business Daily* sat down with AFC managing director George Kubai to understand where the entity stands on farmer outreach, risks, loan performance, and future of credit for agriculture.

What is the current size of AFC's loan book, and how has it grown over the years?

Currently, AFC's loan book stands at around Sh12 billion, up from approximately Sh8 billion when I assumed office in April 2021. This growth of nearly Sh5 billion within four years reflects the institution's commitment to expanding agricultural financing.

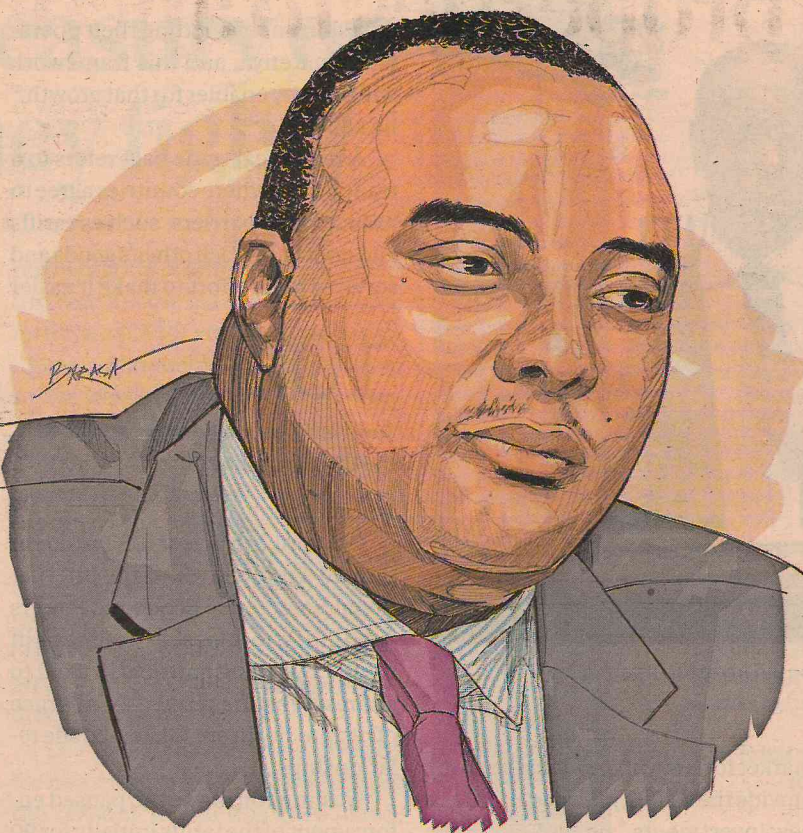
The just-ended financial year was particularly strong, with loan disbursements reaching Sh4.7 billion, supported by fresh funding of about Sh1.64 billion from the government and development partners.

What is the smallest loan amount AFC has ever advanced to a farmer – and are micro-loans available?

The smallest loan AFC has ever extended to a farmer is Sh100,000, but the system can technically process amounts as low as Sh55,000. While there's no official minimum in our credit policy, most direct loans fall above this range.

That said, micro-loans – typically amounts under Sh100,000 – are very much within reach through the sacco and microfinance institutions we fund. This approach allows even the smallest-scale farmers, including those in remote or underserved regions, to access meaningful financial support.

How much does it actually cost a



George Kubai

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farmer to access a loan from AFC, after accounting for processing fees and paperwork?

While we work to ensure that we keep the costs fair, a farmer seeking credit will typically incur additional charges that support project

verification, legal conveyancing, and insurance.

There's a one-time application fee of 0.5 percent of the loan, a conveyancing fee of 1.5 percent, and a nominal charge of Sh50 for each chattels of document prepared.

A credit life insurance premium is also included, calculated at 0.395 percent of the loan amount multiplied by the loan term in years.

How many AFC-backed farmers have access to crop or livestock insurance, and what happens to those that don't in the event of calamities such as drought and other natural disasters?

Crop and livestock insurance remains optional for our clients, largely due to the high premiums that discourage uptake – especially among smallholder farmers.

We, however, offer grace periods or moratoriums on repayments when natural disasters like droughts severely affect farmers' ability to pay. These grace period are not automatic but are granted upon customer request and review based on the scale of the disruption and its direct impact on the client's farming activities.

What is AFC doing right now to ensure smallholder farmers without collateral can access credit?

We understand that collateral remains a major hurdle for many smallholder farmers, and that's why we've built alternative access channels through sacco and microfinance institutions, which act as intermediaries for wholesale loans.

We're also piloting digital loan products to reduce documentation barriers, scaling up warehouse receipt systems, and working with anchor clients to de-risk smaller borrowers.

Our partnerships with government programmes like Enable Youth and the Green Finance Facility (GFF) further allows us to reach collateral-poor farmers with tailored financial solutions, ensuring that no one is excluded from the financing ecosystem.

AFC currently lends at a standard 10 percent rate. Any plans to cut the rates further down in the foreseeable future?

Yes, we're actively working on lowering the lending rates, especially for high-impact segments like youth and climate-smart agriculture. One promising engagement is with Afreximbank

through the Treasury, which would allow us to access affordable capital and pass on the benefits to farmers.

The long-term strategy is to blend concessional financing with government support, bringing interest rates down to levels that make borrowing not just possible, but sustainable for Kenya's agricultural producers.

Cabinet Secretary Mutahi Kagwe has proposed a CDF-style State-backed agriculture fund to be run by AFC, as well as a merger between AFC and the Commodities Fund to improve efficiency. What is your stance on these proposals and are there steps underway to enable such transition?

AFC as an institution has been around for quite a long period of time and I would say that the brand is owned by the Kenyan farmers.

In terms of policy direction, the National Treasury has already directed that kind of thing but I'd say that's a matter that's beyond us as an institution. Having said that, I don't see it fundamentally affecting the way we operate because AFC has the structures that ensure sustainability and continuity.

Those kind of collaborations would, in fact, make AFC a greater institution that is able to impact the farming communities in this country better.

AFC is looking to expand its lending scope to ASAL regions. What's your assessment of the unique risks among these farming communities?

Climate effects – hands down. When drought hits, it can wipe out entire herds. That's why we're working with insurers to bundle in livestock and crop insurance. Our goal is to make sure that even in disaster, farmers can recover and restart. Resilience has to be built into the financing model.

Agriculture receives just above three percent of commercial banks' lending portfolios. What reforms or incentives do you believe could shift commercial banks to provide greater agri-lending?

Agriculture is perceived as high-risk and low-margin. To change that, we need credit guarantee schemes that will absorb some of the risk. These buffers make lending less scary for banks and more sustainable for farmers.

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