

## 6 Aims/ Objectives of the “Agricultural Finance” Course

The principal objective of this course is to impart knowledge and expertise in the field of agricultural finance. It enables the student to understand the business planning and financial management of an agri-business; become aware of the international models for gauging agricultural debt and the role of the regulator in agricultural financing.

### Specific Objectives

After the successful completion of the course, participants will:

- Have a basic understanding of
  - Role of agriculture in the economic development of Pakistan
  - Impact of agriculture on the macroeconomic indicators
  - Nature and scope of financial management in agri-business
- Understand the functions of agricultural lending products
- Have the capacity to assess investment analysis and projections
- Understand the level and type of risk analysis a bank must perform while evaluating agri-business financing
- Understand agri value chain finance and its different business models
- Understand the factors a bank must keep in mind when marketing agricultural banking products
- Understand the role of the regulator in agricultural financing.

# 6.1 Syllabus

## Agricultural Finance

### Course Topics

1. Sector Overview
  - a) Role of agriculture in the context of the global economy
  - b) Agricultural sub sectors
  - c) Impact of agriculture on the macroeconomic indicators
  - d) Role of agricultural sector in the economic development of Pakistan
  - e) Problems faced by the agricultural sector of Pakistan
  - f) The impact of agri-finance on the sector
  - g) Economic and social cost-benefit analysis of the agriculture sector in Pakistan
  - h) Input-output ratio analysis in agriculture sector of Pakistan
  - i) Analysis and evaluation of agriculture and industrial inter-relationship
  - j) Applicable taxes on the agri-sector
  
2. Agri-business Financial Management
  - a) Nature and scope of financial management in the agri-business
  - b) Information flows and financial statements of an agri-business
  - c) Models of agricultural finance
    - i) State run
    - ii) Commercially driven
  - d) Analysis of financial statements, key ratios and break-even
  - e) Good governance practices in agri-finance
  
3. Agricultural Credit Market
  - a) Analysis of credit estimation by provincial governments
  - b) Sources of agricultural credit (formal and informal)
  - c) Role of NGOs and specialized institutions in agricultural lending
  - d) Role of commercial banks in agricultural lending
  - e) Cooperative farming financing
  - f) Corporate farming financing
  - g) Contract farming - methods and procedures
  - h) Group lending system - methods and procedures
  - i) Marketing and commercial development of lending products
  
4. Financing Agri-business
  - a) Categories and functions of agriculture lending products
  - b) Credit policy for lending to agri-sector
  - c) Formulating credit proposal and testing its economic feasibility
  - d) Cash flow based evaluation for agricultural finance
  - e) Investment analysis; projections
  - f) Risk analysis
  - g) Classification and provisioning in agri-financing / agri-business
  - h) Credit risk management and liquidity management
  - i) Impact of support and market based prices on the repayment capacity of the borrower

5. Credit Instruments and Legal Documentation
  - a) Legal documentations
    - i) Securities, collaterals and sureties
    - ii) CIB report
    - iii) Warehouse receipts
  - b) Passbook and related acts
  - c) Historical perspective and contemporary practices of land management in Pakistan
  - d) Charge creation procedure of revenue office
  
6. Risk Management and Insurance for Farmers
  - a) Risk management strategies
    - i) Types of risk and uncertainty in agriculture
    - ii) Evaluating risky situations
    - iii) Reducing risk and uncertainties
  - b) Credit Analysis and debit servicing capacity
  - c) Analyzing a credit line
  - d) Analyzing repayment capacity
    - i) Debt structure and balance
  - e) Principles of insurance
  - f) Crop Insurance - Global perspective
  - g) Types of crop insurance
  - h) Crop loan insurance in Pakistan
  - i) Livestock insurance
  - j) Life insurance
  
7. Agri Value Chain Finance
  - a) Defining value chain finance (VCF)
  - b) Opportunities in value chain finance
  - c) Value chain business models
    - i) producer-driven model
    - ii) buyer-driven model
    - iii) facilitator-driven model
    - iv) integrated model
  
8. Agricultural Finance and the State Bank of Pakistan
  - a) Structure for agricultural financing
  - b) Role of State Bank of Pakistan in agricultural financing
    - i) Credit guarantee scheme
  - c) Indicative credit target allocations for banks
    - ii) Bases for indicative credit target allocation
  - d) Revolving credit scheme
  - e) Prudential Regulations for agricultural credit
  - f) Islamic financing for agriculture
  - g) Purpose-wise and province-wise credit targets

## 6.2 Specific Learning Objectives (SLOs)

### Agricultural Finance

Specific Learning Objectives	Candidates Learning Outcome	Cognitive Level		
1	Sector Overview	Candidates should be able to:		
		K	U	A
	a. Define 'agriculture', its sub sectors in a broad sense	*		
	b. Discuss the role of agriculture in global economy		*	
	c. Discuss the role played by agriculture on employment for agriculture based developing countries		*	
	d. Discuss the role played by agriculture on the national output (GDP) and income for agriculture based developing countries		*	
	e. Determine the role of agricultural sector in the overall economic development of Pakistan		*	
	f. Identify the problems faced by the agricultural sector of Pakistan and suggest possible solutions		*	
	g. Determine the role played by agricultural finance in strengthening the agricultural sector		*	
	h. Discuss the role of financial institutions with regard to the agribusiness needs in Pakistan		*	
	i. Perform Input-Output ratio analysis of the agriculture sector of Pakistan			*
	j. Analyze and evaluate agriculture and industrial inter relationship			*
	k. Explain the importance of levying taxes on the agriculture sector and discuss its consequences		*	
2	Agribusiness Financial Management	K	U	A
	a. Explain the nature and scope of financial management in agricultural finance		*	
	b. Discuss the prevalent models of agricultural finance		*	
	c. Identify the advantages for state run and commercially driven models of agricultural finance	*		
	d. Discuss the importance of analyzing financial statements for agricultural activities		*	
	e. Identify the key financial ratios for agricultural activities	*		
	f. Describe the importance of performing break-even analysis for agricultural activities		*	
	g. Discuss best practices in agricultural financial management		*	

3	Agricultural Credit Market	Candidates should be able to:	K	U	A
		a. Explain the procedure for agricultural credit estimation undertaken by provincial governments		*	
		b. Describe the formal sources available for agricultural credit		*	
		c. Explain the informal sources available for agricultural credit		*	
		d. Explain the role of NGOs, specialized institutions and commercial banks in agricultural finance		*	
		e. Differentiate between cooperative financing and corporate farming financing		*	
		f. Describe contract farming and its related methods and procedures		*	
		g. Describe group lending system and its related methods and procedures		*	
		h. Discuss the factors that banks must consider when marketing their agricultural finance products		*	
4	Financing Agribusiness	Candidates should be able to:	K	U	A
		a. Describe the categories of agricultural lending products available in the market and name few available products		*	
		b. Explain the developments in agricultural lending products offered by banks		*	
		c. State the functions of agricultural lending products	*		
		d. Explain the main parts of an agricultural loan credit proposal		*	
		e. Analyze the economic feasibility of an agricultural loan credit proposal			*
		f. Discuss the importance of cash flow based evaluation for agricultural finance		*	
		g. Identify and explain the key principles of investment for agricultural activities		*	
		h. Explain the level and type of risk analysis a bank must perform while evaluating agricultural activities for financing		*	
		i. Describe the features of securities, collaterals, sureties and warehouse receipts in making credit decisions for agribusiness		*	
		j. Analyze the economic feasibility for a short term financial plan for an agribusiness			*
		k. Analyze the economic feasibility for a long term financial plan for an agribusiness			*
		l. Discuss different risk evaluation techniques used in agricultural financing		*	
		m. Explain risk management techniques for an agribusiness		*	
		n. State the classification and provisioning of loans in an agricultural finance portfolio	*		
		o. Explain the importance of CIB report		*	
		p. Discuss the impact of support and market based prices on the repayment capacity of the borrower		*	
		q. Discuss the presence of inherent credit risks when lending to a farmer		*	
		r. Recall the method of taxation with respect to an agribusiness model	*		

5	Credit Instruments and Legal Documentations	Candidates should be able to:	K	U	A
		a. Describe the legal documentations pertinent to agricultural loans		*	
		b. Explain the concept and characteristics of a passbook and related acts		*	
		c. Discuss the historical perspective and contemporary practices of land management in Pakistan		*	
		d. Describe the charge creation procedure of a revenue office		*	
		e. Discuss the importance of capital budgeting when evaluating a credit for agricultural financing		*	
6	Risk management and Insurance for farmers	Candidates should be able to:	K	U	A
		a. List the risks and explain uncertainty that exists in agricultural industry	*		
		b. Describe the process adopted by banks for evaluating risks in agricultural finance		*	
		c. Describe the process used by banks to analyze an agriculture credit line		*	
		d. Describe the process used by banks to analyze repayment capacity of a farmer		*	
		e. Discuss the debt structures and average loan size in agricultural finance		*	
		f. Describe the risk mitigating strategies used to reduce risks and uncertainties in agricultural finance		*	
		g. Explain the principles of insurance as applied on agricultural products		*	
		h. Describe crop insurance, crop loan insurance, livestock insurance and life insurance		*	
		i. Discuss the global outlook on crop insurance		*	
		j. Describe the types of crop insurance		*	
		k. Explain crop loan insurance in Pakistan		*	
		l. Explain livestock insurance in Pakistan		*	
7	Agri Value Chain finance	Candidates should be able to:	K	U	A
		a. Define value chain finance	*		
		b. Discuss the opportunities that exist in value chain finance		*	
		c. List the value chain business models used in agricultural finance	*		
		d. Describe the producer driven value chain model used in agricultural finance		*	
		e. Describe the buyer driven value chain model used in agricultural finance		*	
		f. Describe the facilitator driven value chain model used in agricultural finance		*	
		g. Discuss agricultural industry value chain and implications on credit requirements		*	
		h. Describe the integrated value chain model used in agricultural finance		*	

8	Agricultural Finance and the State Bank of Pakistan	Candidates should be able to:	K	U	A
		a. Discuss the role of Islamic financing in agricultural financing sector		*	
		b. Discuss the role of SBP in supporting agricultural finance practices in Pakistan		*	
		c. Explain the concept of revolving credit scheme available for farmers		*	
		d. Recall the salient features of 'Prudential Regulations for Agricultural Credit'	*		
		e. Describe SBP's 'Credit guarantee scheme' for agricultural finance		*	
		f. Describe the bases for methodology of allocating indicative agri credit targets		*	
		g. Discuss the indicative credit targets and discuss the concept of purpose-wise and province wise credit targets		*	