



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF AGRICULTURAL AND FOOD SCIENCES

**SECOND YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT
2020/2021 ACADEMIC YEAR**

REGULAR

COURSE CODE: AAE 3223

COURSE TITLE: AGRICULTURAL FINANCE

EXAM VENUE:

STREAM: BSC. Agribusiness management

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer ALL questions in section A and ANY other 2 Questions in section B**
- 2. Candidates are advised not to write on question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

SECTION A

[30 MARKS]

Answer ALL questions from this section

1a. Explain the following in relation to agricultural finance and credit:

- (a) Explain briefly the concept of agricultural finance [3 marks]
- (b) What are some reasons why the study of agricultural finance is vital to an agribusiness. [3marks]
- b. (i) Explain some SIX sources of agricultural finance. [3 marks]
(ii) Describe the term leverage [3marks]
- c. Citing relevant example, outline the concept of vertical integration. [4 marks]
- d. Outline reasons why banks and other institutions shy away from financing agriculture [5marks]
- e. Outline the THREE major financial decisions taken by a manager. [6marks]
- f. Differentiate informal sources of finance from Micro financial institution. [3 marks]

SECTION B

[40 MARKS]

1. Answer ANY TWO questions in this section

- 2a. A borrower may have good repaying capacity but defective repayment plan proposed by the lender would render him to become defaulter, Identify and explain these plans [10 marks]
 - b. Illustrate in detail factors that lead to poor debt-servicing capacity [10 marks]
- 3a. Discuss the major principles of farm finance [7 marks]
 - b. Outline the instruments that may support agricultural finance [10 marks]
 - c. Describe some TWO costs of capital as viewed by a borrower. [3marks]
- 4a. Discuss the focal areas in agricultural finance to enable smooth financing. [10 marks]
 - b. Discuss the FIVE considerations in credit analysis [10marks]



COURSE OUTLINE

AAE 3223: Agricultural Finance

42 Hours

FINANCIAL SERVICES: Capital, Savings and credit in agriculture, Role of credit (utilization of funds within the farm business; Acquisition of funds through borrowing); Classification of credit; Economic feasibility tests of credit proposal (The Rs –Returns, Repayments, Risk bearing ability in credit analysis); The Cs – Capacity, Collateral, Character, Condition and Common sense; The Ps – Purpose, Person, Projections, Payments, Protection security); Interest rates and cost of borrowing / Lending; Financial Leverage, Forward planning; Challenges and approaches to small farm finance; Microfinance (issues to consider: designing and monitoring financial products and services; Measuring performance and monitoring financial products and services; Measuring Performance and managing Viability).

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Course purpose:

- 1) To expose students to the basic concepts and principles of regulatory environment that each of the financial intermediaries serving agriculture operate in
- 2) To equip students with basic tools for analyzing problems related to agricultural finance and credit
- 3) To equip students with analytical skills in agricultural finance for solving financial challenges / problems in agribusiness
- 4) To understand financial concepts and the practical applications of finance for career growth in the agribusiness or agricultural production sectors

Course description:

Week	Topic/Subject	Expected Learning Outcome	Activities

1	a)Introduction to; Capital, Savings and credit in agriculture, b)Role of credit (utilization of funds within the farm business);	Knowledge of basic concepts of capital, savings and role of credit	<ul style="list-style-type: none"> • Class discussion • brainstorming out examples
2&3	a)Acquisition of funds through borrowing); b)Classification of credit; c)Economic feasibility tests of credit proposal (The Rs –Returns, Repayments, d)Risk bearing ability in credit analysis);	Knowledge of the concept and application of importance of borrowing, feasibility tests and Risk bearing.	<ul style="list-style-type: none"> • Class discussion • Citing out relevant practical examples in and organizations assisting farmers in Kenya today
4	a)The Cs – Capacity, Collateral, Character, Condition and Common sense; b)The Ps – Purpose, Person, Projections, Payments, Protection security);	Appreciate the role played by proper identification of the Cs and The Ps in agricultural financing.	<ul style="list-style-type: none"> • Class discussion • Working out examples
5&6	a) Interest rates and cost of borrowing / Lending; Financial Leverage, Forward planning b) CAT1	The relevance of cost of borrowing in farming enterprises.	<ul style="list-style-type: none"> • Class discussion • Working out examples
7&8	a) Forward planning; b) Challenges and approaches to small farm finance;	To understand the challenges facing farming finance.	<ul style="list-style-type: none"> • Class discussion • Working out examples
9&10	a)Microfinance (issues to consider: designing and monitoring financial products and services; b)CAT 2	Importance of MFIs in agricultural finance.	<ul style="list-style-type: none"> • Class discussion • Working out examples
11&12	a) Measuring performance and monitoring financial products and services; Measuring Performance and managing Viability.	Measuring performance of agricultural finance and monitoring progress	<ul style="list-style-type: none"> • Class discussion • Working out examples

Mode of Course Delivery

1. Lecture will introduce material on the formal aspects of the unit. Notes will be given to students through E-learning and note taking during lectures.
2. Group discussions will be used to work out problems during lectures and practical sessions.
3. Class assignments and take aways

Course Evaluation

Type	Weight (%)
Examination	70
CATs	20
Assignments	10

REFERENCES:

Lecturer: Signature _____ Date _____
Chairman, DPAFS _____ Date _____

Teaching strategy and methodology: Lectures, Case studies, Practical, Group discussions and presentations, e- learning platform

Assessment type	weighting
CAT & Tests	30%
Examination	70%
Total	100%

Course Texts

1. Battles R.W., Thompson, Jr. Robert, C. (2000). *Fundamentals of agribusiness finance*. 1st ed. Wiley-Blackwell.
2. Johi, S.S. and Moore C.V., (1970). *Essentials of Farm Financial Management*, Today & Tommorow's Printers and Publishers, New Delhi.

Texts for Further Reading

1. William, G. M. and Nelson A, G. (1960). *Agricultural Finance*, The Iowa State University Press, Ames, Iowa
2. Moss, B.C. (2013). *Agricultural finance*. Routledge.