

Executive Summary

The Agric MSME Product Paper outlines the **eligibility requirements and risk acceptance criteria** for accessing concessionary financing (working capital and asset finance) under the ₦2 billion Bank of Industry (BOI) on-lending programme through Sterling Bank.

Eligibility Conditions

- **Business Registration:** Applicant must be duly incorporated in Nigeria under CAMA.
- **Operating History:** At least **24 months in business** with **12 months of verifiable transaction history** (not necessarily with Sterling).
- **Turnover Requirement:** Annual turnover must be **at least 400% of the Single Obligor Limit (₦5m)**.
- **Banking Integration:** Must be enrolled on Sterling's payment and collections solutions.
- **Credit Standing:** Clean credit report for both business and promoters on CRMS and at least two private credit bureaus.
- **Loan Size:** Single obligor limit is **₦5 million**, within a **₦2 billion portfolio** spread evenly across Nigeria's 36 states and FCT.
- **Tenor:** Working capital up to 12 months; Asset finance up to 36 months, with up to 2 months moratorium.

Risk Acceptance Criteria

- **Purpose:** To finance working capital (stock/inventory) and asset acquisition for agribusiness MSMEs (primary production excluded).
- **Financial Metrics:**
 - Annual credit turnover \geq ₦20m.
 - Net credit turnover \geq 10% of average monthly turnover.
 - Other borrowings \leq 10% of annual turnover.
 - Loan size \leq 50% of annual turnover.
- **Business Metrics:**
 - Minimum of 2 years in business.
 - At least 1 year banking relationship with evidence of sales inflows.
- **Credit History:** Promoters must have performing loans/clean records.
- **Scoring Threshold:** Minimum **70% rating** required;
 - 70–100% = Accept,
 - 50–69% = Medium (refer for deeper review),
 - Below 50% = Reject.

Collateral & Risk Mitigation

- **Cash Collateral:** 20% (working capital) or 30% equity contribution (asset finance).
- **Undated Cheques** covering facility.
- **Charge on financed assets** (for term loans).
- **Stock hypothecation** (for working capital).
- **Guarantees & Insurance:**
 - NIRSAL (50%), ICGL (60%), or Noor Takaful (100%) credit guarantees.
 - Keyman and asset insurance (GIW/GIT).
 - Personal guarantee of prime mover with notarised net worth.

Portfolio Risk Controls

- **NPL threshold:** $\leq 3\%$.
- **PDO threshold:** $\leq 5\%$.
- **Portfolio Allocation:** 60% existing customers, 40% new customers.
- **Monitoring:** Weekly repayment sweeps into Debt Service Reserve Account (DSRA), regular performance reviews, and joint monitoring with BOI.
- **Geographic Allocation:** Funds spread evenly by state/region, but priority to North West & North Central (due to security risks in North East).

Conclusion

Only established, creditworthy agribusiness MSMEs with strong turnover, clean records, and adequate collateral/guarantees qualify. Risk acceptance is anchored on strict financial ratios, portfolio allocation rules, and robust collateral/insurance structures to protect both Sterling Bank and BOI.