

# Promoting financial inclusion through wholesale lending: the AFC experience



*Carolyne Mwangi, Founder and Director of Kimplanter Seedlings and Nurseries, pictured at her farm holding healthy tomato seedlings. PHOTO CREDIT AFC*

## By George Kubai

**T**he Agricultural Finance Corporation (AFC) is a State corporation established to provide sustainable and accessible credit to Kenya's agricultural sector. As a development finance institution (DFI), AFC plays a strategic role in advancing food security, agricultural commercialisation, and rural economic transformation in line with national development priorities.

The corporation operates through

a nationwide branch network, with over 48 branches distributed across multiple regions to ensure proximity to farmers, agribusinesses, cooperatives, and other value chain actors. This decentralised structure enables AFC to respond to diverse agro-ecological and production systems across the country.

Historically, AFC's core business model was retail lending, extending credit directly to individual farmers and agribusinesses. Key products have included:

- Seasonal crop and livestock production loans
- Agribusiness and value addition financing
- Asset financing for farm machinery and equipment
- Development loans for irrigation and infrastructure

In recent years, AFC has expanded its product suite to strengthen financial inclusion, enhance risk management, and increase developmental impact.



## Transition to wholesale lending and financial inclusion

AFC is scaling its impact. Through a strategic partnership with the Alliance for a Green Revolution in Africa (AGRA), the corporation has launched a new Wholesale Lending Credit Model. This move signals a fundamental evolution: that AFC is transitioning from a traditional retail lender into a sophisticated, multi-channel powerhouse for agricultural finance.

Under the wholesale model, AFC extends bulk credit facilities to anchor institutions, including savings and credit cooperative societies (SACCOs), cooperatives, microfinance institutions (MFIs), and structured off-takers. These intermediaries on-lend to their members, many of whom lack traditional collateral such as titled land or fixed assets.

The new model significantly expands the reach of credit by swapping rigid traditional requirements for social collateral and group-based guarantees. By utilising the localised appraisal systems of cooperatives, AFC is successfully onboarding previously 'unbankable' rural entrepreneurs and farmers into the formal financial ecosystem.

The shift to a wholesale approach didn't just work—it scaled. AFC has seen its reach jump from roughly 119,000 clients to a transformative 213,000, a clear testament to the model's inclusive design. Beyond the raw data, the new system is leaner; by tapping into existing local partnerships, AFC has significantly lowered the cost of doing business while maximising its footprint on the ground.

Importantly, the wholesale architecture has attracted development partners and the Government of Kenya programmes, including initiatives such as the Rural Kenya Financial Inclusion Facility Project (RK-FINFA), which utilise AFC's intermediary capacity

to channel concessional resources to priority agricultural value chains.

Complementary financial inclusion products

In addition to wholesale lending, AFC has developed innovative products aimed at broadening access and strengthening agricultural value chains:

### 1. Warehouse Receipt

Financing (WRF) - This innovative, non-collateralised lending model allows farmers and aggregators to leverage certified warehouse receipts as primary security. By transforming harvested commodities into a liquid asset, WRF effectively mitigates post-harvest losses and eliminates the need for 'distress sales.' Ultimately, this product strengthens agricultural markets by enhancing farmer liquidity, increasing bargaining power, and expanding financial inclusion through democratised access to credit.

### 2. Asset Financing

AFC supports the acquisition of productive assets such as tractors, irrigation systems, processing machinery, and mechanisation equipment. The financed asset serves as partial security, enabling investment without conventional collateral.

### 3. Structured and Value Chain

Financing - AFC is aligning lending to anchor-led value chains to mitigate market risk and enhance repayment performance through off-take agreements.

### Green financing and sustainability agenda

In line with national climate commitments and evolving global finance trends, AFC is actively integrating green financing into its portfolio. The corporation is supporting climate-smart agriculture through financing of irrigation systems, renewable energy solutions, water harvesting technologies,

conservation agriculture practices, and environmentally sustainable agribusiness investments.

Green lending not only strengthens resilience to climate shocks but also positions AFC to access blended finance and climate funds that prioritise sustainable agricultural transformation.

### SSCI certification and institutional strengthening

In a move to bolster its governance and global standing, AFC earned the Sustainability Standards and Certification Initiative (SSCI) accreditation from the European Organisation for Sustainable Development (EOSD) in late 2025. This certification signals a deep integration of global best practices into every role at the corporation. By streamlining internal controls and risk management, AFC is effectively clearing the path for increased investor confidence and new development finance partnerships.

### Conclusion

The evolution from a retail-only lender to a diversified, multi-channel agricultural development finance institution has significantly strengthened AFC's role in promoting financial inclusion. The wholesale lending model, complemented by warehouse receipt financing, asset financing, green lending, and structured value chain products, has expanded outreach, reduced collateral barriers, and enhanced developmental impact.

Through strategic partnerships, institutional reforms, and product innovation, AFC continues to play a central role in deepening access to agricultural finance and advancing Kenya's food security and rural transformation agenda.

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