Agriculture contributes more than 25 percent of the country's GDP and employs nearly 40-54 percent of the labour force, according to the Economic Survey of 2025. PHOTO CREDIT: ACELI AFRICA.

Old data is blinding agri-finance leaders, it's time to change the lens

By Maarten Susan

As we approach the third Financing Agri-Food Systems Sustainably (FINAS) Conference in Nairobi from June 30 to July 2, one theme keeps returning to the centre of our discussions: data. Not the shortage of capital, not the risk appetite of lenders and not the courage of banks.

Data, as many would agree, is invaluable. It helps shape policy, drive investment decisions, and determine where money flows and where it doesn't. Yet, the data we have been using to describe agricultural finance in Kenya and Africa is, at best, incomplete.

For nearly two decades, a single statistic has dominated this conversation in Kenya. Agriculture contributes more than 25 percent of the country's GDP and employs nearly 40-54 percent of the labour force, according to the Economic Survey of 2025. Yet commercial banks allocate only around 3.5 percent of their loan portfolios to this vital sector. I first used that graph almost 15 years ago, during the Finance for Agriculture programme.

Until today, very little has changed, and the conclusion follows automatically: banks are ignoring agriculture, presumably because they view it as too risky. Climate volatility, fragmented markets and price uncertainty. If only lenders would become more ambitious, more innovative, perhaps more courageous, the gap would begin to close. That assumption is wrong on several counts.

A statistic that doesn't tell the whole story

Commercial banks report their sectoral lending to the central bank using the International Standard Industrial Classification (ISIC) codes. Under this structure, agriculture captures primary production: crops, livestock, and fisheries. Full stop. But agricultural economies do not stop at the farm gate. Input suppliers typically appear under trade. Aggregators and logistics providers fall under the transport & storage category. Food processors sit in manufacturing while export financing for tea, coffee, avocados, and flowers appears under trade. A bank lending to a food processor that sources milk from thousands of smallholder dairy farmers is, by this classification, financing manufacturing and not agriculture.

The result is that a substantial portion of the agricultural value chain finance becomes statistically invisible. The central bank reporting takes a production view of agriculture. A value chain lens would tell a very different story. We can therefore say with some confidence that commercial banks are financing considerably more agriculture than the 3.5 percent figure implies. We simply cannot see it.

The do's and don'ts for banks

There is a second problem embedded in the data, and it concerns the

Many banks genuinely struggle with direct smallholder lending. Photo Credit: Aceli Africa.

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nature of agriculture itself. According to the Kenya National Bureau of Statistics (KNBS), agriculture contributed approximately KES 3.6 trillion to Kenya's economy in 2024. But only around KES 690 billion of that represents what KNBS calls recorded marketed production. That is the segment entering formal market systems. It's traceable, measurable and aggregable. Broadly speaking, it is the only segment that can realistically meet prudential banking requirements.

The remaining portion, nearly 80 percent of agricultural output, lies outside the structures that banks naturally rely on. It is informal, difficult to verify, and very hard to underwrite at scale. No amount of ambition or innovation changes that underlying reality.

Many banks genuinely struggle with direct smallholder lending. Most lack the rural footprint to do it efficiently. Loan origination costs rise. Monitoring costs rise. Smaller loan sizes further compress the economics. The result is credit that is simply too expensive for farmers to absorb. Agriculture needs patient capital, often at single-digit interest rates. Most commercial banks were never designed to provide that.

Where banks are better positioned is downstream, in the post-harvest economy. Processing, packaging, storage, logistics, distribution. Financing agricultural SMEs operating in these spaces increasingly resembles conventional SME lending. Production risk has already been absorbed. Climate exposure drops. Yield uncertainty disappears. A handful of banks have built strong capabilities here. Most have not, but the pathway is clearer.

The institutions we overlooked

This discussion brings us to an uncomfortable conclusion. Commercial banks will not bridge the agricultural finance gap. Not because they are unwilling, but because most were never designed to. Asking them to solve a structural problem they are ill-equipped to address, while simultaneously criticising them for falling short of a statistical benchmark that undercounts their actual contribution, is a poor basis for policy.

In Kenya, part of the solution has been in plain sight for decades. According to Sacco Societies Regulatory Authority (SASRA) information of 2025, SACCOs already possess what most banks lack: a dense rural presence, local relationships, genuine community trust, and operating models built around proximity to farmers. They are not a perfect answer. They have their own constraints around capital, governance, and scale. But they represent a category of institutions that is structurally better suited to the problem we keep misattributing to banks.

That said, the real question facing agricultural finance in Africa is not why banks are not stepping up - it is whether we have spent 15 years looking at a wider landscape through a lens that is too narrow. Widening that view is where FINAS's work begins.

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