

Rural and Agricultural Finance Course

Outline of Module 4: Rural and Agriculture Client Loan Risk Analysis

Note to facilitators: This Module 4 introduces the concepts and the formulas and gives participants a chance to practice them in the case study. Module 6 goes much more in-depth on this same material, spending almost all of the class time working on a case study. If you continue with the same students, therefore, it will not be necessary to show the PPTs in Module 6 (except for the last section on guarantees that is not covered in this Module 4).

Topics	Objectives By the end of the block, participants will:	Teaching Aids including Facilitator 's Notes	Reading Material in Binder (doc # if listed)	Reference material on CD Rom (not printed in binder) (doc # if listed)
Report by Volunteer: 5 minutes	Have heard a summary of the key learning points from the previous day, done by one of the participants who volunteered.	Facilitator can be observing previous day's outline to make sure that all the points are covered by the volunteer.		
Block 1: 45 minutes 5 Cs in Loan analysis Risk Analysis	To introduce loan risk analysis	PowerPoint slides # 1 - 14	<ul style="list-style-type: none"> • RF Cost & Sustain Analysis (Doc 4.1) 	
Block 2: 45 minutes 3 Rs and computing the risks Individual client loan analysis	To show that we need to look at the client, the risk, returns and repayment capacity in general for all loans but that amount and type of indicators and analysis varies with term and type of loan.	PowerPoint slides # 15 - 29	<ul style="list-style-type: none"> • Rural Loan Financial Indicator Ratios (Doc 4.2) 	Rural Loan Analysis Indicator Ratios Description (Back 4.1) Lesson 4- RFLC (Back 4.2)
Block 3: 45 minutes Understanding the ratios	Provide skills in assessing and managing the risk through a case study		<ul style="list-style-type: none"> • Rural Loan Analysis Chart (Doc 4.3) • Rabobank Loan Assessment (Doc 4.4) 	Diversification of Rural Portfolio of NCDLF (Back 4.3)

Block 4: 45 minutes Cash flow analysis	Providing skills to carry out a cash flow analysis	Highlight RF Ratios that are needed for the case	<ul style="list-style-type: none"> • Aglend Case study Based on Aglend Toolkit 	Lesson 1- 5 Aglend Toolkit Emerging Models OccasionalPaper_11.pdf (Christen-Pearce) (Back 4.4)
Block 5: 15 minutes Wrap - up	<ul style="list-style-type: none"> • Daily evaluation • Readings for next day 	Make note that the CD contains a Cash Flow based loan planner model for those interested.		Excel Spreadsheet - Cash Flow & Loan Planner - model

Key Teaching points and objectives of the module 4

<p>Blocks 1 – 2 To make the participants aware of the rural and agricultural lending risks. The attention is focused on understanding the concepts of assessing client loan risk. While the actual calculations and a model for determining loan requirements and risks are presented in Module 6, the basis for understanding and rationale are very important teaching points in this module.</p>
<p>Blocks 3 – 4 To use the information presented on the 5 Cs and 3 Rs and work through real-life examples of how a leading agro-finance leader (such as Rabobank) apply these principles. The students then get to practice this with the case study.</p>
<p>Block 5 - To not only review the key concepts but to highlight the topic for those continuing later into Module 6 and for those not continuing to give some pointers on where to get additional information and tools to use in this area when they need them.</p>