

# Asset financing breathing new life into agriculture

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Finance experts have urged government and private investors to embrace leasing as a way of improving agricultural production and productivity.

The experts argue that during times of economic turmoil, unemployment and little purchasing power, leasing, due to its special economic nature, can significantly improve the development of the agricultural sector.

The director Rentco Leasing Company Uganda Ltd, Mr Elly Omega, says leasing and asset financing can ensure the acquisition of affordable productive assets by

small holder farmers and SMEs.

"Management of equipment presents a three-pronged challenge to organisations whether in agriculture or factories, especially the cost of acquisition and actual management," he said.

Mr Omega said organisations are realising that focus on core business is critical for growth and the leasing model allows organizations to access much needed tools for their growth while giving accounting and financial benefits.

He says equipment such as excavators, graders, building equipment, standalone fridges, medical equipment, ATM machines, marine equipment, generators, furniture, spares and maintenance, equip-

ment, mechanical equipment and mining equipment can be acquired through leasing.

Leasing allows the farmers to put to use assets such as tractors, harrows, planters, silos, and color-sorters while paying for them in installments over an agreed period of time.

The manager asset finance at NC Bank Uganda Limited, Mr Willy Kizito, says all the user / lessee have to do is to put down a certain percentage of the cost of the asset (usually 10 per cent- 30 per cent) depending on the type of asset and the rest is financed by the bank (lessor).

Mr Kizito says a very important factor to note under leasing is that

payments can be structured to match the lessee's cash flow cycle, which is usually monthly, quarterly and sometimes bi-annually. Spot / balloon payments are also acceptable, he says.

"Under an operating lease structure, the asset is not registered on the lessee's balance sheet. All they have to do is just expense the monthly rental payments, ruling out the stress of having to incur depreciation costs," he says.

Mr Kizito says the client has an option to purchase the asset at the end of the lease tenor.

Where the assets are not VAT exempt, the client has an opportunity to claim VAT that is charged on the monthly rentals and fees.

"NC Bank has opened up opportunities to any individual / business entity that would wish to acquire an asset, including but not limited to; we have built good schemes and synergies with the various suppliers of super brands of farming tools, equipment, Grain-processors, machinery, silos to mention. These include those within and out of country."

"We have also ensured that we process applications within the shortest turn-around time, a key commitment to our customers. With the increase in competition, especially in agriculture, it is paramount that every agriculturalist goes mechanical and leasing is the quickest option," he adds.