

Farmers and businesses in Ethiopia are now able to borrow money from United Bank SC against agriculture products and goods stored at warehouses of the Ethiopian Commodity Exchange (ECX) through “warehouse receipt financing.”

Warehouse receipt financing, also known as inventory credit, is the use of securely stored goods as loan collateral. The farmers and businesses will store their produce at one of the eight warehouses of the ECX, for which they will be issued receipts that can be presented to an eligible bank to draw a loan.

The agreement signed between the ECX and United Bank on June 23, 2010, makes United the first of such banks.

The bank, according to the agreement, will grant loans amounting to 80pc of the value of the stored produce. Berhanu Getaneh, president of United Bank, and Eleni Gabre-Madhin(PhD), CEO of the ECX, signed the agreement.

The new system will cater to up to 96pc of businesses and farmers who have had to use loan sharks to secure the loans that they needed, according to Eleni.

The ECX invited all commercial banks in September 2009 to participate in the pilot phase of this new programme in Ethiopia. Out of those that showed an interest, United Bank SC and the Commercial Bank of Ethiopia (CBE) were selected for readiness to provide the service. The number of branches of United Bank's branches, totally 42, and the fact that it is one of the first banks in Ethiopia to implement information communication technology (ICT) to facilitate its services were said to be the criteria that qualified it as the first bank to sign the agreement.

The CBE is expected to sign the agreement within the next two weeks.

United Bank was incorporated as a share company on September 1998. At the time of its establishment, UB's authorised capital was 100 million Br. As of June 30, 2009, the bank's

assets totalled 4.7 billion Br and its total capital was 520 million Br.