Pathways to Tackle Regional Disparities Across the Archipelago

Unlocking The Potential Of Digital Finance in Agriculture
Formal financial institutions typically site the high transaction costs and higher perceived risk as rationale for restricting lending to agriculture.
Access to finance is necessary for shifting from subsistence to commercial agriculture.
Despite being located (mostly) in rural areas, individuals involved in agriculture have access to mobile technology as well as credit.

67% of individuals involved in agriculture borrow and have borrowed in the last 12 months. Farmers are slightly more likely to borrow than non-farmers.

Close to half (48%) of adults involved in agriculture own a simple mobile phone (feature phone), while another 21% are able to access or use phones owned by another member of their household.

DFS can reach rural users as well as formalize informal transactions by creating a record and operating under existing regulations for FFS.

Some 14% of adults engaged in agriculture across the four provinces own a smartphone, and another 7% are able to use one that is owned by another member of their household.
Savings
- Mobile Wallets (cash-in/cash-out)
- Term deposits (generating interest)
- Group savings accounts

Credit
- DCS
- Mobile Wallets
- VCF ‘vouchers’

Transfers & Remittances
- Mobile wallets
- Cashless transactions
- Pay for service

Insurance
- Area Yield Index
  - Insurance: Satellite imagery
- Weather Index
  - Insurance: Weather data
Digital Credit Scoring in Agriculture:
Best Practices of Assessing Credit Risks in Value Chains

SAFIRA & GrowAsia Release Report

Penilaian Kredit Digital di Sektor Pertanian:
Praktik Terbaik Penilaian Risiko Kredit dalam Rantai Nilai

SAFIRA
Strengthening Agricultural Finance in Rural Areas

Australian Government
Kementerian PPN/ Bappenas
Digital Credit Scoring: Opportunities

**Agribusinesses:**

Make electronic payments and extending credit to farmers

- traceability
- reduced theft
- farmer gets verifiable cash flow record
- easier than cash for lenders to collect

**Lenders:**

Leverage data agribusinesses can share:

- transaction history
- demographics
- training attendance

- lower client acquisition costs
- improve risk measurement

**Leverage the data you already have**

- help farmers secure lower cost credit
Further Opportunities in Technology for Agricultural Lending

While big data and credit scoring applications can reduce risk, other forms of technology also have the ability to reduce transaction costs and physical limitations of infrastructure. Further expanding the potential customer base.
Results from The Global Financial Inclusion Database (Findex)
The **Guidelines for Investing in Responsible Digital Financial Services**

- promoting fair and transparent pricing and better disclosure of terms and conditions for customers,
- preventing people taking on more debt than they can comfortably manage,
- increasing their financial literacy,
- establishing customer identity, data privacy and security standards,
- fostering a proportionate legal and regulatory framework,
- and enabling the interoperability of digital financial services.
“I made a profit of Rp.14,361,000 ($1,436) after paying back the loan and my previous debt to the money lender. I may not be in a position yet to save much money”, says Zohrah, “But I feel that my family now at least has a future”.
Thank you