



**INDONESIA  
DEVELOPMENT  
FORUM 2018**  
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**KNOWLEDGE  
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# **Pathways to Tackle Regional Disparities Across the Archipelago**

**Unlocking The Potential Of Digital Finance in Agriculture**



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Formal financial institutions typically cite 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





# Access to Credit and Technology

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.

No.	Komoditas	Harga Sebelum	Harga 2017-06-13
2	Beras(Rp/Kg)	Rp 10.592	Rp 10.590 ▼(0.0%)
3	Ayam(Rp/Kg)	Rp 30.123	Rp 30.163 ▲(0.1%)
5	Daging Sapi(Rp/Kg)	Rp 115.734	Rp 115.685 ▼(0.0%)
6	Susu(Rp/Kg)	Rp 6.090	Rp 6.090
7	Gula(Rp/Kg)	Rp 13.420	Rp 13.411 ▼(0.1%)

# Digital Financial Services

## Savings

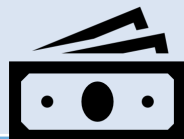


Mobile Wallets  
(cash-in/cash-out)

Term deposits  
(generating interest)

Group savings accounts

## Credit



DCS

Mobile Wallets

VCF  
'vouchers'

## Transfers & Remittances



Mobile wallets

Cashless transactions

Pay for service

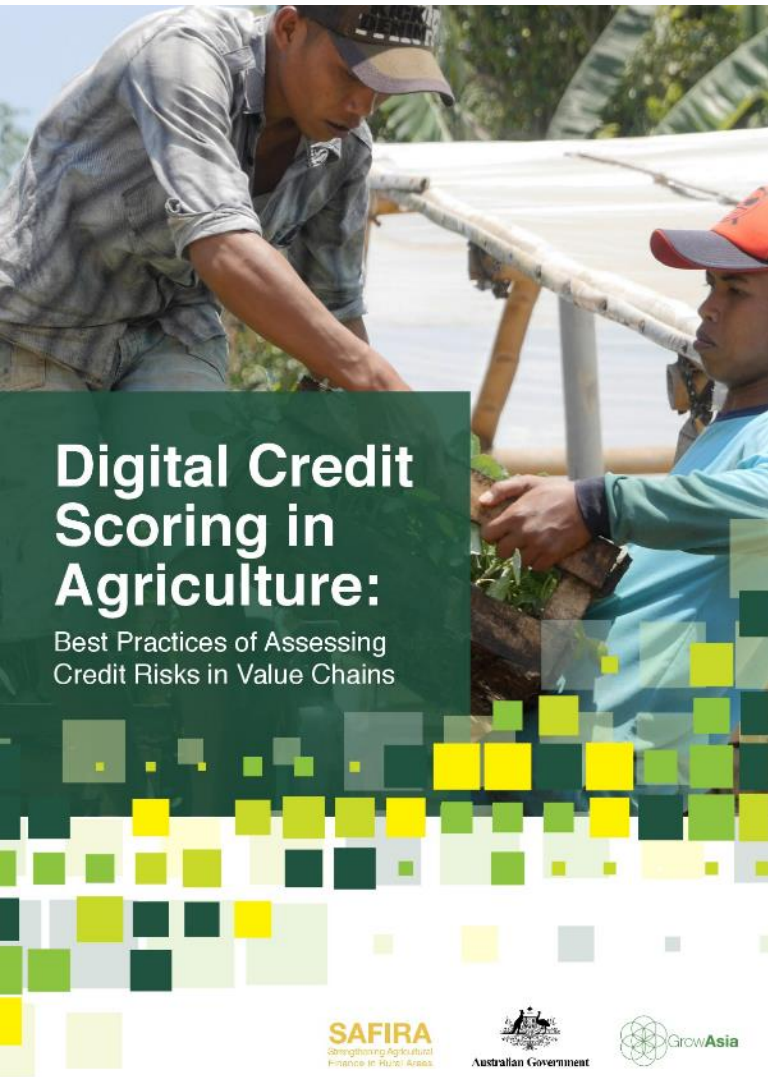
## Insurance



Area Yield Index Insurance:  
Satellite imagery

Weather Index Insurance:  
Weather data

# SAFIRA & GrowAsia Release Report



# 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

### Leverage the data you already have

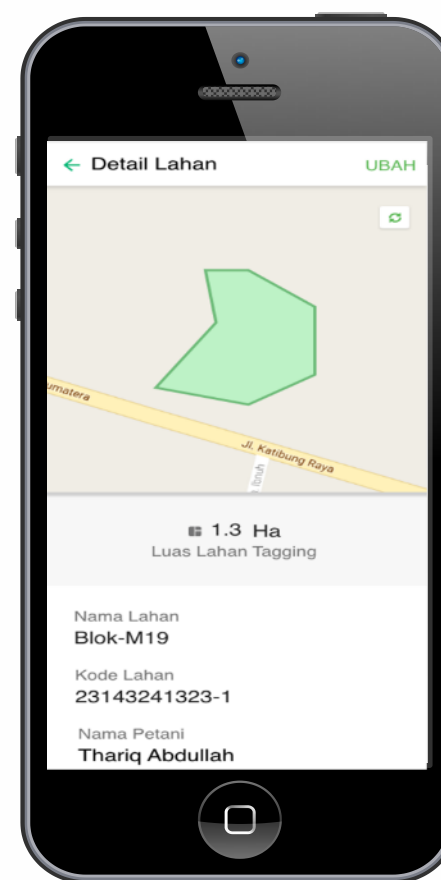
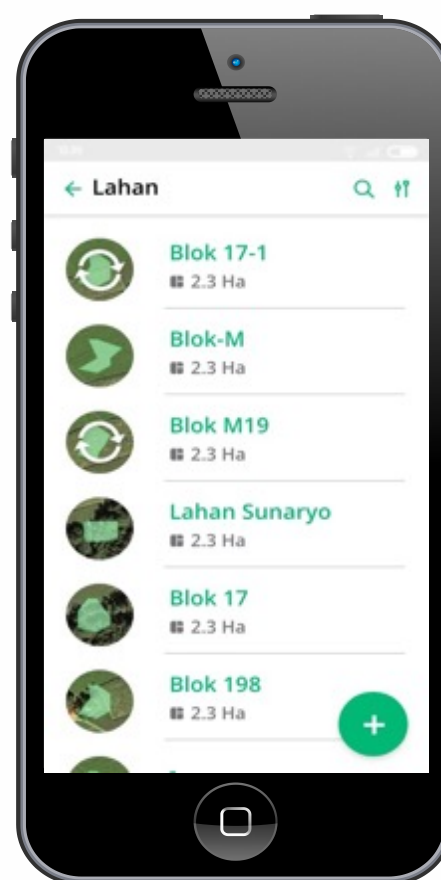
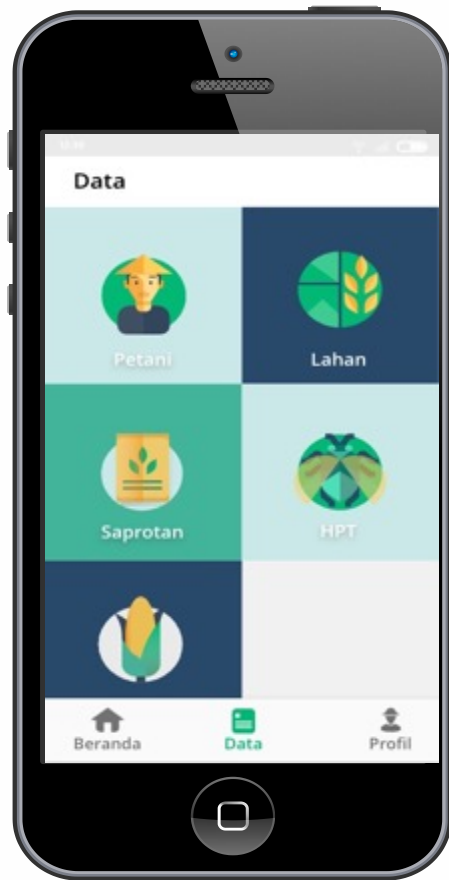
- help farmers secure lower cost credit

## Lenders:

### Leverage data agribusinesses can share:

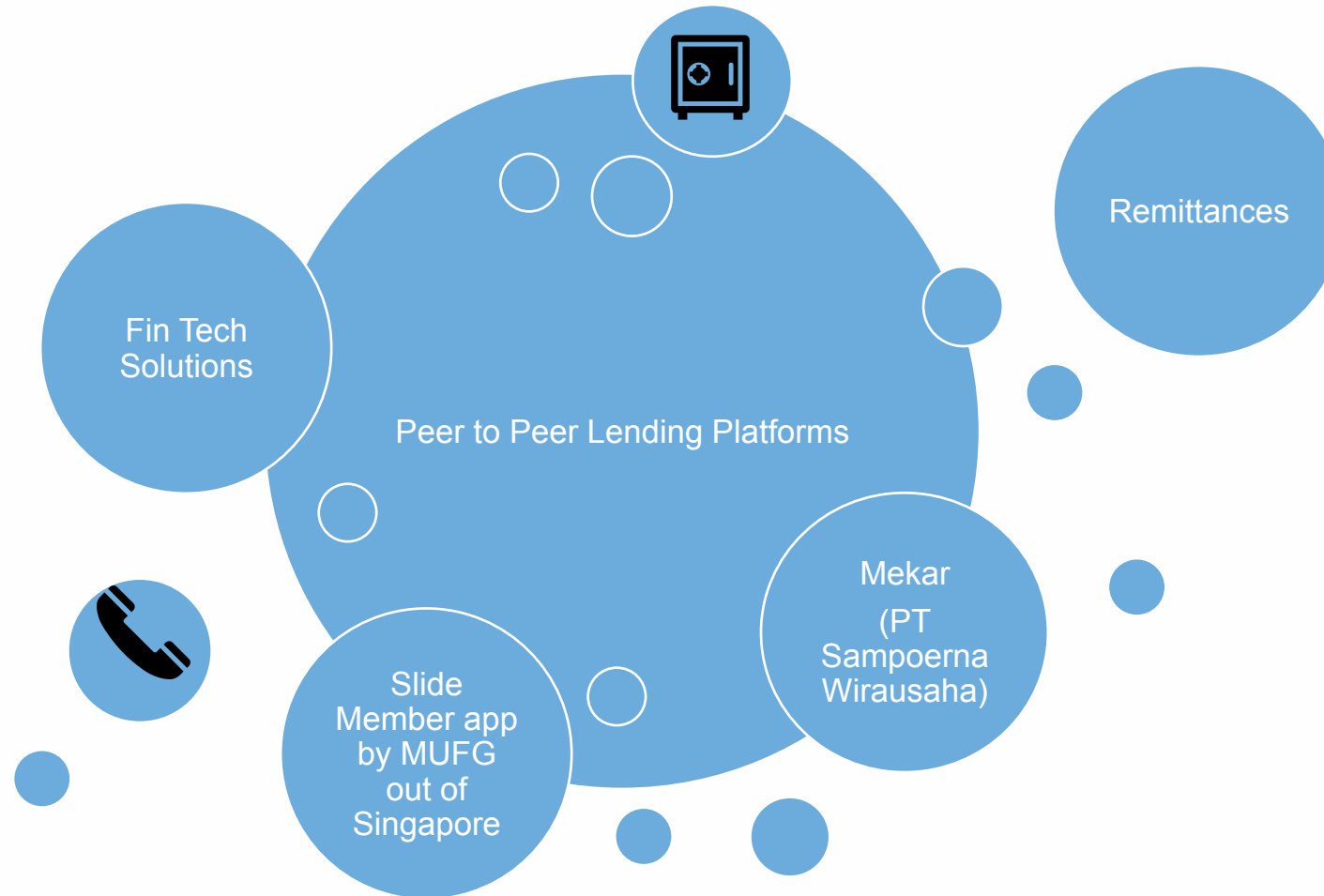
- transaction history
  - demographics
  - training attendance
- ❖ *lower client acquisition costs*
- ❖ *improve risk measurement*

# HARA Application – Farmer's Data



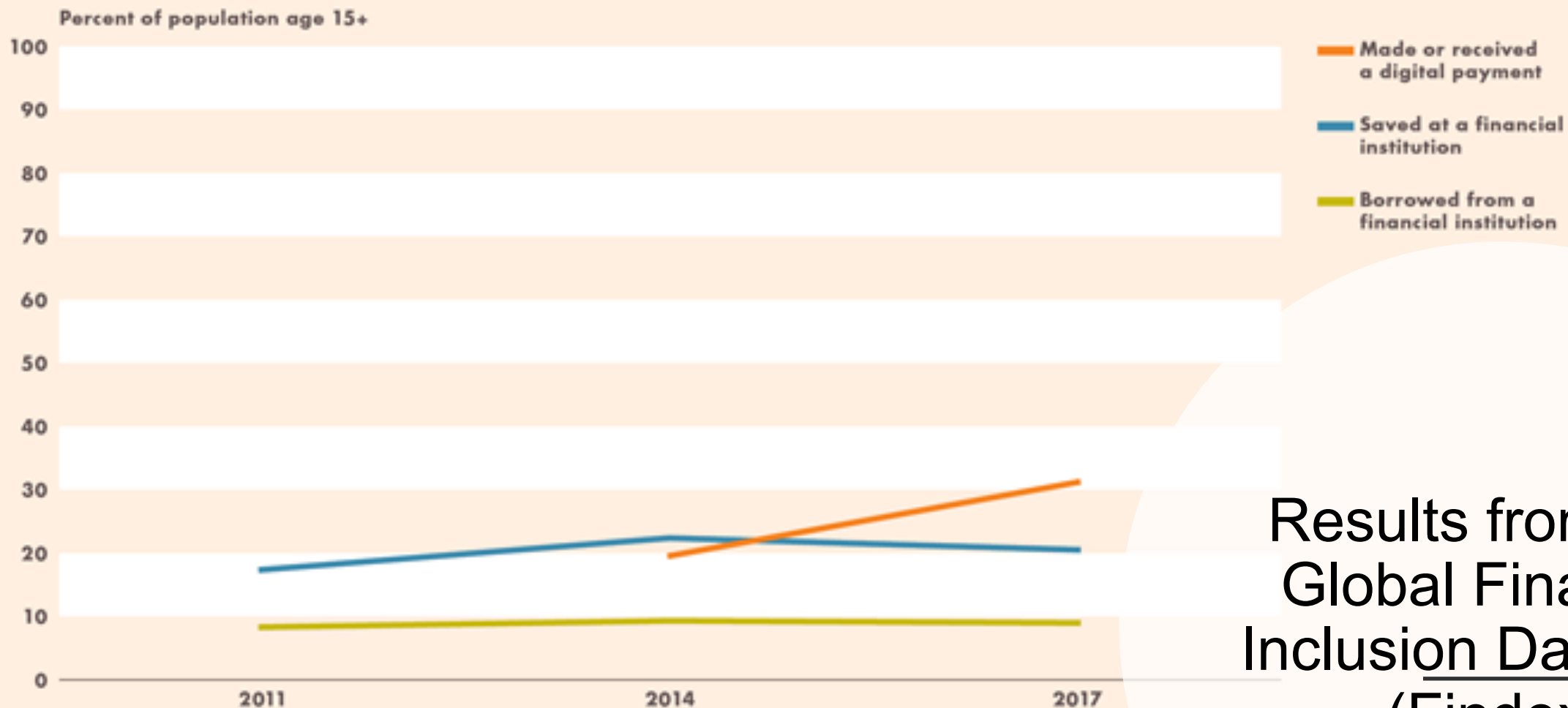


# Further Opportunities in Technology for Agricultural Lending



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.

## Saving, Borrowing, and Digital Payments, 2011–2017 (Developing Countries)



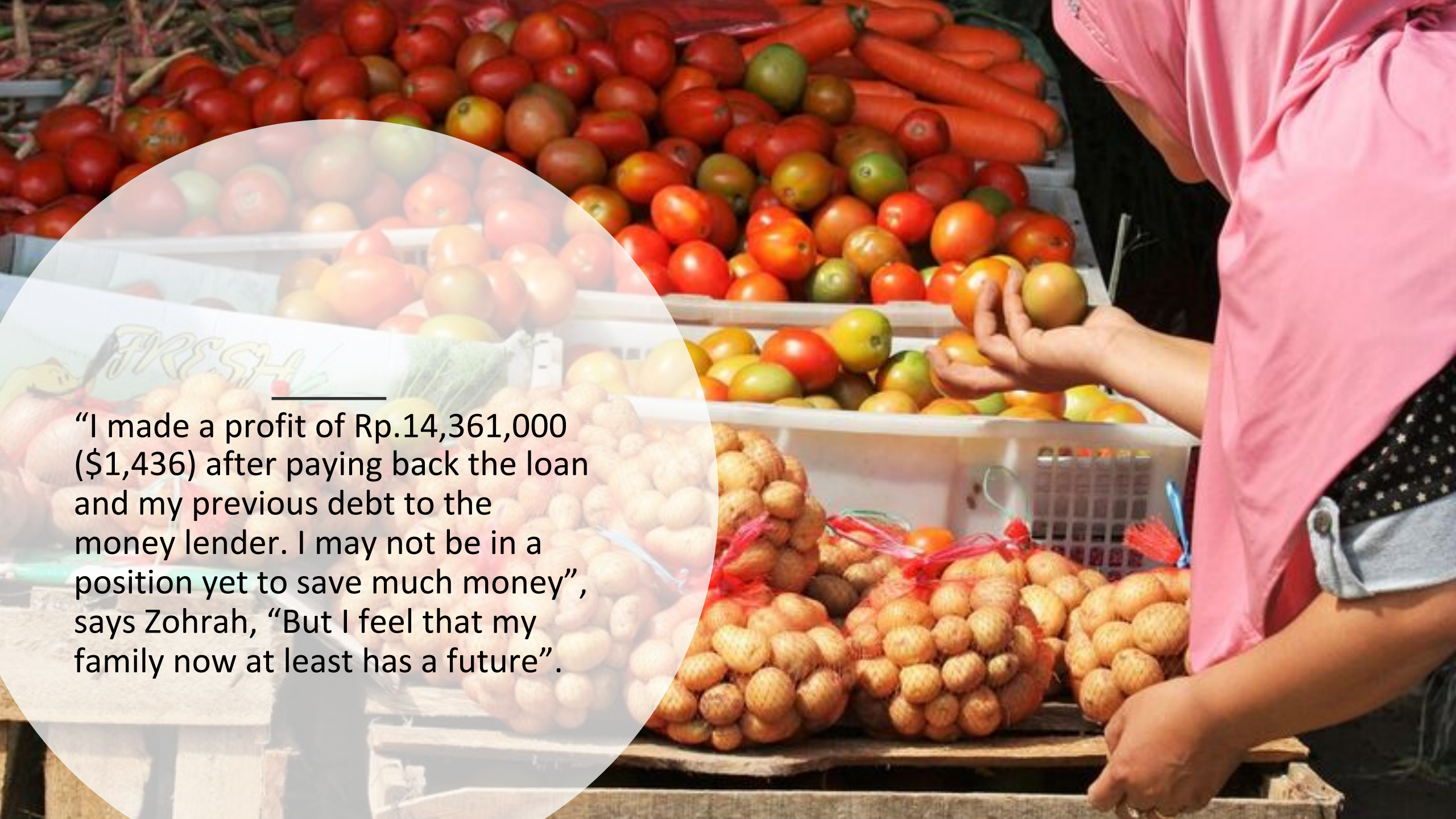
Results from The  
Global Financial  
Inclusion Database  
(Findex)

Source Global Findex 2018. Activity period is the past year.

# Responsible Guidelines

## 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”.



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**Thank you**

