



RECOMMENDATIONS

- Need collateral-free agricultural loan for smallholder farmers
- Need to work with smallholders to enhance their financial literacy and awareness
- Technology could be key for all national banks to provide loans to farmers at reduced interest rates
- Need to develop special financial products (like A-Card) to reach smallholder farmers, especially women farmers

Prothom Alo in cooperation with CARE Bangladesh and Dhaka Ahsania Mission organised a roundtable titled "A-Card: Smallholders' Access to Finance through Bank" on December 7, 2017. Here we publish a summary of the discussions.

A-Card: Smallholders' Access to Finance through Bank

Abdul Quayum, Associate Editor, Prothom Alo & Moderator of the Session

Farmers take loans from money lenders to buy seeds and other necessary agricultural inputs at a higher interest rate and later fail to repay the money, and end up losing their property, including their homes. This has been going on for ages. The government has already taken up various initiatives to provide agricultural credit to farmers. Yet farmers do not always have enough money to buy agricultural inputs and carrying cash is not always safe. The USAID funded Agricultural Extension Supported Activity (AESAs) project implemented by Dhaka Ahsania Mission in partnership with CARE and mPower has introduced the digital Agriculture Card (A-Card), which could be a good solution to the above-mentioned problems. Bank Asia has come forward to support this project as well. In today's roundtable, we will discuss the project and how agricultural credit can be made easily accessible for small holder farmers through modern financial technologies.

Shamsul Alam, Senior Secretary, Member, General Economic Division, Planning Commission

At present around 58 percent farmers are smallholder farmers. The percentage of lease farming has also increased many folds. These farmers usually do not have enough capital to invest in land. As a result, they have to take out loans at very high interest rates which often turn into a vicious cycle and completely ruin them. To address this problem, various small agricultural credit programs have been launched by government and non-government bodies including banks. However, we are still unable to meet the existing demand of agricultural credit. Therefore I must appreciate the A-Card initiative and their innovative approach of using digital technologies in agricultural financing. This is an important step towards digitalization of our agricultural economy.

Quazi Khaliqzaman Ahmad, Chairman, PKSF

The development of agriculture is closely connected with the wellbeing of farmers and agricultural labour. Strong peasant organizations, improved storage facilities and credit availability during harvesting season are three key requirements that need to be fulfilled to improve the condition of our agricultural workers. I must appreciate the A-Card initiative. We should also think about lending credit to farmers during harvesting season since they often have to sell their produce at a low cost to meet expenses and repay loans. It will enable them to store their harvest and sell it at a suitable time and at a fair price.

Bidyuth K. Mahalder, Chief of Party, USAID Agricultural Extension Support Activity Project

Generally smallholder farmers do not have access to microcredit as they do not belong to the vulnerable group. They can't afford bank loans due to high transaction costs and collateral. The A-Card is an effective solution to this problem. It has successfully combined the bank and the microfinance model. This is not just a lending project. We are also training farmers on financial literacy and bringing unbanked farmers into the banking sector. A great achievement of the project is providing credit to women without collateral.

In the A-Card system a farmer with at least 50-decimal land will be eligible for Tk 10,000 loan for a six-month period. A farmer has to submit his/her production and sale plan (household agricultural farming business plan) along with the application as a requirement for the loan. Based on this plan, we provide them with Tk 10,000-20,000 through the A-Card. We have formed Farmer Producer Groups (FPGs) who are registered with MFIs (Micro Finance Institute) and later selected the suitable candidates for the A-Card loan having a bank account opened with Bank Asia supported Agent bank outlet. It ensures trust in the whole lending process. The project also involves potential agriculture input retailers through Near Field Communication (NFC)-enabled smartphones. The farmers can purchase inputs from these retailers using the A-Card.

Khaleida Begum, A-Card beneficiary

Through this project we are getting loans at a relatively lower interest rate (10 percent). We can use the money whenever we need to buy any agricultural input or invest in the farm. I have taken out loans twice through this card. It has benefited my family a lot in improving our farming. I bought a cow with the profits made through the sale of our agricultural produce. There are already 17 members in my group. More people are interested to join us and reap the benefits of the A-Card.

Md Shahjahan, Local Retailer and Service Provider to A-Card Beneficiaries

A-Card is a timely initiative. Earlier I used to sell agricultural inputs on credit as farmers do not always have cash. In case of delayed payment I would incur loss. Now farmers pay in cash through A-Card and my business has prospered significantly. In the last one year sales of my products have increased more than 40 percent. The number of customers has also increased since more farmers are buying from my store following in the footsteps of their A-Card-holder neighbours. Through this system, the paid amount directly goes into my account, which saves time and reduces the hassle of visiting banks.

Tania Sharmin, NTC, Agricultural Extension Support Activity Project, CARE Bangladesh

From our experience of working with farmers we learnt that without timely and adequate access to finance, only training on improved agricultural practices will not bring any positive changes in the agriculture sector. The A-Card model is designed to ensure the access.

Again, the government and NGOs provide various incentives to farmers, but information about these programs do not reach small holder farmers. They also do not know how to secure loans from banks. Under the A-Card initiative, we have trained smallholder farmers on financial literacy and help them to develop agricultural farming business plan which contributes to overcome the above-mentioned barriers and create access to agricultural credit.

The A-Card initiative has already produced many good results. Now we need to work for wider dissemination as the model has the potential to be scaled up throughout the country and bring benefits for millions of small holder farmers.

Kazi Ashraf Hassan, Executive Director, Society Development Committee (SDC), Faridpur

SDC has been providing microfinance services to smallholder farmers for a long time. Through the A-Card initiative we have been successful in combining the services provided by banks and microfinance institutions. The agent banking service of Bank Asia has made it possible to take banking facilities to the grassroots level. We need to continue this cooperation even after the A-Card project ends. If we get a higher percentage of profit made from the agricultural credit service we can easily bear its operational costs.

Mohammad Sayed Shibly, Project Management Specialist and AOR, USAID-Bangladesh

This is the first time the USAID has awarded an agricultural extension project to a Bangladeshi organisation and it has proved to be a successful intervention. In terms of innovation A-Card is an ingenious model developed and implemented by Bidyuth Mahalder, CoP of AESA project with other partners, which can be a revolutionary innovation for providing agricultural credit service. A beneficiary of the project shared with me that "A-Card is power". I fully agree with her. It has empowered small farmers, particularly female farmers. It has increased agricultural productivity of the beneficiary farms by around 35 percent. The use of digital technologies in lending agricultural credits is also a step towards the realisation of the goal of digital Bangladesh. This innovative service should be continued and expanded across the country.

M Ehsanur Rahman, Executive Director, Dhaka Ahsania Mission

Dhaka Ahsania Mission is operating the A-Card project in consortium with CARE and mPower. Bank Asia is also a key partner in the implementation of this project. Initially we started working in Faridpur in cooperation with SDC. Now we have expanded the project to Bhola and Khulna.

Our goal is to create smallholder farmers' easy access to agricultural credit. The usage of credit card by these farmers has broken the myth that illiteracy is a barrier to the adoption and expansion of digital technologies.

There are three challenges that need to be addressed to expand the agricultural credit card service. First, the cash ceiling is very low. We need to increase it to cater to the overall credit demand of farmers. At present we only provide loans for purchasing agricultural inputs. We should diversify its coverage and include payment of agricultural labour and other expenditures in the credit scheme. Finally, we need to fast-track the lending process.

Anowarul Haq, Director, Extreme Rural Poverty Program, CARE Bangladesh

The most important contribution of the A-Card initiative is to link small holder farmers to the formal banking system. The use of improved technologies, products and services is important for a small holder to increase production and A-Card has ensured the money required for this. We shouldn't limit our efforts to agricultural credit only, rather this should open new windows with other financial products such as appropriate savings schemes, investment loans, crop insurance and cattle insurance to these farmers to ensure their financial inclusion with formal institutions.

Increased productivity does not necessarily lead to profit. If farmers do not get fair price, they will not be able to repay loans. Therefore, we should seriously consider facilitating farmers' access to market when we introduce a product such as A Card.

Md Arfan Ali, President & Managing Director, Bank Asia

Bank Asia provides agricultural loans through both the direct banking channel and NGOs. In the latter case we provide money to NGOs and they distribute it. The A-Card is an innovative business model as it has combined the bank and NGOs and now the bank directly provides loans from its portfolio. It has reduced loan processing cost and made it possible to provide Tk 20,000 at 9 percent interest rate. In the A-Card model we have fully digitalised the loan processing and delivery system which has also significantly reduced cost and time of lending. We have also successfully tested Near Field Communication (NFC) technology in Bangladesh through this project where a mobile can be used as a POS

machine. This technology will change the whole scenario of our cash transaction system.

Bank Asia is the pioneer of agent banking in Bangladesh which has taken banking facilities to the grassroots level. We believe access to banking is a fundamental right like five other basic rights such as food, shelter, education, and so on. We are also introducing new financial technologies like NFC. If these efforts continue and a conducive regulatory framework exists, financial inclusion will soon become a reality. We believe in the slogan: Bank account for every citizen.

Nayeem Gawhar Wara, Faculty, Institute of Disaster Management and Vulnerability, Dhaka University

The A-Card project is indeed an innovative solution to the credit problems of smallholder farmers. To improve the service further we need to seriously consider certain issues. First, in this system the farmers have to buy agricultural inputs only from the designated dealers. In that case how can we ensure quality of inputs and responsibility of the dealers? Second, a farmer has to have 50-decimal land to be eligible for this credit scheme. The reality in Bangladesh is that most of the farmers do not have their own land. As a result, the credit facilities do not reach the majority section of the farmers who are marginal farmers. Last but not the least, when the prices of agricultural inputs fluctuate how the A-Card holders and input retailers will cope with that?

Quazi Khaliqzaman Ahmad
The A-Card is an innovation in agricultural credit lending practice. It has set a good example of using technology in financial sector. We all need to support this innovation.

This is a pilot project. So here we have the opportunity to learn strength and weakness of this model through trial and error. I have some particular suggestion about the project. First, we should get rid of projects because it does not give a sustainable solution. Our programmes should be continued as long there is a need of that intervention. The A-Card system should be carried forward even after the end of the project. You should find out a suitable model to make the initiative sustainable.

Secondly, the credit ceiling of A-Card needs to be increased because if you do not pay the required amount the borrowed money will be spent for other purposes. For example, if we lend a farmer BDT 35 thousand how he will be able to buy a cow which generally requires BDT 60-70 thousand. Therefore PKSF have moved away from the micro-credit model. We follow appropriate credit model which means a farmer will get according to his requirement. PKSF provides loan up to BDT 10 lakh which is totally collateral free. We have a strong monitoring system to ensure proper usage and repayment of loan.

Last but not the least, besides lending credit to farmers we should also train them on financial literacy, management of fund and technology usage.

Shamsul Alam
The idea of issuing A-Card is really innovative. It reduces transaction cost and fast track cash flow. Every year the government spends BDT 55,000 crore in the safety net programmes. A-Card can be a good model of disbursing the money.

We should take adequate precautionary measures to prevent misuse of digital financial products. When we use a knowledge-based product the users should have some knowledge about it.