

## WEBINAR

### SUITABLE DIGITAL TECHNOLOGY SOLUTIONS TO PROMOTE SMALLHOLDER FINANCE IN ASIA

Date: 26 April 2021

Time: 15.00-16.30 hrs. Bangkok time (GMT+7 hrs.)

#### CONCEPT NOTE

#### RATIONALE:

Innovations in digital technology-enabled solutions proved to be one of the most potent vehicles to provide financial services for the smallholders and other actors in the agricultural value chains at a lower cost, increase speed, security and transparency. These technologies also support the financial institutions to develop more tailored financial services and scale up their reach out in the hinterlands. Digital technology for delivering financial services are generally characterized by low marginal costs and greater transparency with the likelihood of responding to both the supply-side barriers to access to financial services.<sup>1</sup> as well as the demand-side barriers<sup>2</sup>.

Most of the financial institutions in the Asia-Pacific region are leveraging the high mobile phone penetration for delivering 'Mobile Money' services which have been considered as the most significant contribution of digital technology. Currently, Asia hosts 473 million registered accounts, making up almost half of all mobile money accounts globally<sup>3</sup>. These accounts are a potentially important basis for delivering financial services, such as payments, credit, cross border remittances and insurances to the smallholders.

The Coronavirus pandemic (COVID-19) has a significant disruptive and negative structural and economic impact on countries around the world, and Asian countries are no exception to this chaotic economic downturn. The national governments imposed various restrictions to contain the impact of this pandemic, and food remains an essential item. The agriculture sector plays a central role in ensuring that existing supply chains are maintained. Over the last few years, Asian countries have made important progress in adopting the latest technological innovations in delivering financial services, which has been proven to be a boon for both the financial institutions and the smallholders to continue their services during the current disaster time.

In this age of open banking and digital ecosystems, financial institutions are finding that partnerships are critical to success in extending their footprint, delivering superior products, and gaining access to new customers and new types of information for improving delivery. Several technology providers

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<sup>1</sup> For example, high operating costs, old-age business models, limited competition and innovations, etc.

<sup>2</sup> This includes volatile and small incomes for the poor, lack of identity, trust and formality and geographical barriers.

<sup>3</sup> <https://www.paymentscardsandmobile.com/the-mobile-money-landscape-in-asia/>

were offering digital payment platforms partner with the local banks embracing modern methods of reaching their customer base. The digital value-added services (VAS) with a non-financial, information focus – such as agricultural extension and market linkages – typically offered in parallel or as part of a 'service bundle'. Technology providers and Mobile Network Operators (MNOs) interact with the bank and non-bank financial institutions, agribusinesses, cooperatives and non-governmental organizations (NGOs) in new partnership formations.

The recent survey conducted by APRACA shows that the regulations and guidelines for using financial technologies in most APRACA member countries are extremely friendly and supportive. However, there is a varying degree of ease of doing business due to the internal systems and procedures. Access to internet facilities and electricity in rural areas of some countries (for example, Laos, Myanmar, Nepal, Cambodia etc.) are also sometimes posing huge problems for the technology providers and the financial institutions to serve the rural clients. Innovations by the locally based digital technology service providers<sup>4</sup> are also sometimes being hampered due to lack of capital investments in Fintech (Bangladesh, Myanmar and Nepal etc.)

Many smallholders in Asia engaged in agriculture, which is extremely complex in its risk profile in the region with a scanty level of available data, which makes this more vulnerable than other sectors of the economy. The farmers cannot access the risk-mitigating tools resulting in low access to the financial services as most smallholders and small-scale agribusinesses do not meet formal banks' risk rating requirements. The other important issues for the smallholders not able to link themselves with the formal financial system as the land records<sup>5</sup> They are not well documented, along with the non-availability of their farm activity record, financial transactions, formal credit histories etc. Introducing suitable digital technology could address these issues and make seamless access to finance by the smallholders and their value chain actors in the agriculture sector.

Apart from the efficiency and mass reach out potential, digital technology proved to support a variety of productivity gains agriculture sector. However, most of the countries in Asia are extremely laggard in acceptance/adaptation of these digital technologies and behind the growth curve. Despite positive developments in introducing online banking, mobile banking, digital payment and remittance services, these unprecedented times may force the agriculture sector to embrace this form of technology to improve efficiency and transparency.

The current COVID-19 pandemic has amplified the urgency of utilizing digital financial services to keep financial systems functioning and respond to limitations of access to finance faced by the rural sector and address the issues related to social distancing, falling demand, reduced input supply, and rising uncertainty. Simultaneously, these suitable digital technologies must be designed and implemented carefully to manage their risks, particularly for the rural poor and vulnerable section of the farming community. The technology and financial service providers are mindful of the facts mentioned above. They are developing digital financial services suitable to their target clients within the relevant legal and regulatory frameworks that can allow most people to benefit from digital financial services and ensure a competitive ecosystem.

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<sup>4</sup> Mainly the start-up companies.

<sup>5</sup> The land is considered to be the most important collateral security for financial institutions.

## OBJECTIVES:

The webinar will provide a platform for the financial institutions, central banks, commercial banks, digital financial service providers in the Asia-Pacific region to discuss their practical experiences, innovations and good practices. Primarily, the speakers will discuss:

- The digital trends and innovations for financial inclusion of smallholder farmers, rural enterprises, SMEs and other enterprises engaged in agribusiness and its value chains;
- The role of the financial service providers/facilitators (central banks and other public agencies) to provide policy support during the implementation of financial services through digital technologies;
- Challenges to adopt the innovative tools and practices for scaling financial services to the excluded category of enterprises including the 'missing middle';
- The digital tools and techniques adopted by the financial service providers (FSPs) to enhance financial literacy and assess the risks of financing small ticket enterprises.

## SPEAKERS:

The speakers for this webinar are featuring the leaders from the financial institutions in the region actively involved in using digital technologies to reach out to their clientele, representative from international agency promoting digital financial services and digital service providers. They will discuss their experiences on the current challenges and successes in scaling up digital technology-supported financial services for smallholders and rural enterprises including SMEs. This webinar is a bilateral event and will be jointly hosted by APRACA and CABFIN Partnership.

**Opening remarks (5 mins):** *Mr. Jun He*, Policy Officer, ESP/FAO (on behalf of CABFIN Partnership)

**Speaker 1 (15 mins):** *Mr. William Marvin*, Deputy Director of the Finance Division, The Food and Agriculture Organization of the United Nations (FAO);

**Speaker 2 (15 mins):** *Mr. Challa Sreenivasulu Setty*, Managing Director (Retail & Digital Banking), State Bank of India (SBI);

**Speaker 3 (15 mins):** *Mr. Yao Wei*, Deputy General Manager of Industrial Client Department, Agricultural Development Bank of China (ADBC);

**Moderator:** *Mr. Prasun Kumar Das*, Secretary General, Asia Pacific Rural and Agricultural Credit Association (APRACA)

## REGISTRATION:

Online registration: <https://forms.gle/J5EJCXrzv9HJBePX9>

[Click here to join the webinar](#) via Microsoft Teams Meeting.

### Notes:

- The webinar will be delivered in English language. The questions may be asked in English
- Please feel free to extend the invitation to any of your team members who may benefit from joining the webinar.
- Please contact Mr. Kittisak ([kittisak@apraca.org](mailto:kittisak@apraca.org)) and Ms. Lixia Yang ([lixia.yang@fao.org](mailto:lixia.yang@fao.org)) for any queries related to this webinar.