



Photo Credit: Mercy Corps Indonesia
Corn Harvest in Dompu District

AGRI-FIN MOBILE INDONESIA

Scalable Business Models in Financial and Agricultural Services

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In Indonesia, Mercy Corps Agri-Fin Mobile program successfully worked with private sector financial service providers, quality input providers and agricultural e-extension provides to develop and iterate a business model for increased access to finance and rural advisory services in commercially viable ways. Through this Innovation, 2,873 smallholder farmer in Indonesia accessed loans and farming tips which resulted in increased in increased production by 11% based on 2017 study conducted by Palladium and Syngenta. And as a result of this impact, regulators and private actors where influenced to promote and adopt similar products, all the more increasing impact. The innovative business model has been documented [here](#).

Government authorities finding synergies with government programs, financial institutions eager to expand customer and financial services having attended site visits and accessed learning documents have actively promoted the business model developed and gone on to replicate similar models in Sumbawa Island. Besides sharing learnings, Mercy Corps has also supported the replication efforts of the other financial institutions. This piece summarizes the steps to influence and replication.

The Stakeholders

On 24 March 2017, the Indonesian Financial Services Authority (OJK) launched the AKSI Pangan Program. The name “AKSI Pangan” is an Indonesian acronym for “Acceleration, Synergy and Financial Inclusion in Food”, which is part of the follow-up of the Action Synergy for the People’s Economy program launched by the President of Indonesia in April 2016 and part of the implementation of the National Financial Inclusion Strategy (SNKI), also launched by the President in November 2016. It is expected that the AKSI Pangan Program will become a national movement to introduce and implement a value chain financing scheme to accelerate financial access and increase financing to the Agriculture sector, specifically for eleven main commodities including rice, corn, soybeans, and sugarcane.



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Implementing value chain financing business model

Since late 2014, the Agri-Fin Mobile Program, together with Bank OKE Indonesia (previously Bank Andara), Syngenta Indonesia, BPR Pesisir Akbar (a Rural Bank), ACA Asuransi, 8villages, 23 grain traders, and PISAgrro, has been facilitating access to bundled services (microfinance loan, good agriculture practices, agriculture inputs, crop insurance, market linkage and financial literacy) for corn farmers in Dompu District, Bima District, Bima City and Sumbawa District. The corn farmers in this region plant corn only once a year, as they depend on the rainy season.

Exposure visit by regulators and other stakeholders

On 23 May 2017, the OJK conducted a field visit to Dompu District and witnessed the corn harvest activity that is being cultivated applying the value chain financing scheme facilitated by the Agri-Fin Mobile Program and its partners. Together with the Deputy Chairman and Members of the OJK Board of Commissioners and the Head of Dompu District, around 200 participants representing financial institutions (BRI, Bank Mandiri, BNI, JAMKRINDO), agricultural extension workers, and farmers took part in the field visit and harvest activity conducted in Tolokalo village, Kempo Subdistrict, Dompu District.

Feedback from visiting stakeholders

“I see that the value chain financing scheme facilitated by Mercy Corps Indonesia, Syngenta Indonesia, Bank Andara, BPR Pesisir Akbar, ACA Asuransi, and 8villages is suitable to resolve the various problems in our food production, as it focuses on an integrated and interrelated process from upstream to downstream, by involving banks, insurance, farmers, seedling suppliers, and grain traders and makes good use of information technology in agriculture,” said Rahmat Waluyanto, Deputy Chairman of the OJK Board of Commissioners 2012-2017. Dompu District is a major corn producing area in West Nusa Tenggara province and is the first location of the OJK’s AKSI Pangan program implementation.

Stakeholders replicate and promote Agri-Fin Mobile models

The agricultural financing model for corn farmers in Sumbawa Island was replicated in partnership with another commercial bank and non-bank financial institution.

Since October 2017, the program has facilitated the discussion between Indonesia's Bank BRI and Syngenta to replicate the model's replication in Sumbawa Island starting with one district in South Sulawesi Province.

Due to the alignment of the business model to the OJK's Program 'AKSI PANGAN' in May 2017, OJK has promoted this Agri-Fin mobile – private sector partnership model to other commercial banks and province/district governments.



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Corn Harvest with OJK's Vice Chairman, Head of Dompu District, Bank Andara and BPR Pesisir Akbar Representatives

Progress on replication in Sumbawa

After Agri-Fin mobile conducted demand assessment in one district in South Sulawesi, Sumbawa, a risk sharing mechanism and financing scheme was agreed by Bank BRI and Syngenta in (December 2017 – January 2018). Since February 2018 Syngenta field team started to identify the potential corn farmers and grain traders in North Luwu District who are interested to participate and the Agri-Fin Mobile Program started to prepare the partnership agreement.

The replication pilot started on March 30th 2018 after discussions on the Partnership Agreement concept, closed system on the loan repayment

mechanism proposed by Bank BRI, and socialization to the corn farmers and grain traders. The signing of the credit agreements and distribution of cash, seed and crop protection to the farmers began on May 24th, 2018. Today Bank BRI has reached 83 corn farmers with loans totalling Rp 730.5 million (US\$56,192) resulting in 121.75 HA being planted.

Impact

Since the 1st planting season, the agricultural financing model facilitated by the Agri-Fin Mobile Program has reached 2,873 corn farmers (5,440 HA) and total loan disbursed was Rp 48.7 billion (US\$ 3.7 million). Based on the Social Impact Assessment conducted by Palladium (method used to compare farmers who participated for 1 planting cycle, 2 or 3 planting cycle and control), the yield increased 11% and incomes increased 17% (report was produced in November 2017).

Other financial institutions like Indonesia EXIM Banks found this as an opportunity to provide capital to rural banks who subsequently lend to farmers. In Sumbawa Island, while the Indonesia EXIM Bank has provided loan Rp 3.5 billion (US\$ 268,000) to the rural bank to on lend to corn farmers, so the total loan disbursed by the rural bank for the 4th planting cycle was Rp 23.5 billion and reached 1,228 corn farmers (2,350HA).