

2020-16 | Access to Affordable Working Capital for Smallholder Farmers in Indonesia

Partner Financial Institution:	Sayurbox	SCBF Contribution:	CHF 133'371 (35%)
Grantee:	AwanTunai	Matching Contribution:	65%
Country:	Indonesia	Theme:	Agriculture
Duration:	December 2020 – November 2022	Product:	Loans
Potential Outreach:	5'000 MSME Farmers	Target Group:	Smallholder Farmers
Thereof Women:	30%		

CONTEXT

Roughly 60% of the Indonesian population has a bank account, but 77% of those are considered dormant according to the 2017 UNSGSA Annual Report. Financial inclusion has recently exceeded 75% with the wider definition of digital wallets / digital payments / fintech loans. However, active utilisation remains an issue. In addition, the numerous attempts by major Indonesian banks to serve the MSME segment has typically ended with excessive credit losses, as banks are unable to obtain the data needed for traditional credit underwriting. Danamon was the first bank in Indonesia to serve the MSME segment in 2004 with its DSP unit (Danamon Simpan Pinjam). Since then, other private banks also followed this movement. In 2007, the Indonesian Government launched a micro lending program through their large state-owned banks. Even though, these banks have served MSMEs since 2004, MSME businesses in Indonesia still have problems accessing credit from banks. The Indonesian central bank publication titled "Profil Bisnis UMKM (MSME Business Profile)" referenced that from 56 million MSME in Indonesia, only 30% were able to access formal credit. Specifically, most farmers do not qualify for KUR ("People's Business Loans" – loans to MSMEs) and other government subsidized programs due to a variety of compliance requirements, namely business registration (surat ijin usaha) and at times, a tax file number (NPWP).

CURRENT STATUS OF THE MFI

AwanTunai is a financially inclusive fintech platform digitizing supply chain transaction data in the FMCG and basic food staple verticals. With this digitized inventory purchase data, AwanTunai is able to underwrite unbanked MSMEs at low cost and high predictability - enabling low interest financing for the mass Indonesian unbanked market. AwanTunai's mission is to digitize the traditional supply chain to provide low cost working capital and digitized operations to MSMEs, in order to help them grow and become prosperous. Currently, Awantunai is in the growth phase (with a 840% yoy growth rate) and offers both merchants and suppliers financing.

This project helps Awantunai and Sayurbox (as the agricultural aggregator) fund the necessary technical work to adapt data capture and MSME risk assessment systems currently serving downstream traditional grocery stores for the upstream micro farmer segment.

OBJECTIVES AND MAIN ACTIVITIES

This project aims to provide micro farmers with access to low-cost formal invoice financing. Once credit models are tested with a portfolio of 5'000 micro farmer loans, a major objective is to open this financing program for all major Indonesian banks to participate. AwanTunai's technical assistance is to develop the data capture infrastructure that supports a bankable credit model. Deploying such infrastructure among agricultural supply chain partners can open the large MSME segment to the banking sector. National coverage would mean around 19 million of unbanked micro farmers to finally be able to access affordable finance funded by low-cost bank capital.

The overall goal is to responsibly up-scale accessibility of affordable and sustainable working capital to the MSME farmers with SCBF's intervention. The main activities include development of a basic system infrastructure (i.e., app development), risk and data modelling, carrying out sales and marketing activities. Upon project completion, the financial institution should be in a position to provide greater accessibility to affordable working capital for MSME farmers in Indonesia.

Partnering with:

