

# A-CARD

## AN AWARD WINNING SOLUTION FOR FARMER'S ACCESS TO FORMAL FINANCIAL SECTOR

10% Interest Rate

No collateral

6 months to repay

Access to Capital

Access for women



## BACKGROUND

About 80% of the rural people in Bangladesh relies on Micro Finance Institutions (MFIs) for traditional loans. There are more than 693 licensed MFIs which disbursed USD 8.4 billion to their 34 million active borrowers. However, the effectiveness of microfinance has come under serious controversy because rather than benefitting the poor rural farmers, it is trapping them into vicious cycle of debt with extremely high interest payments and stringent repayment times. A recent study conducted by the Agriculture Extension Support Activity (AESAs) on access to microfinance found that despite its socio-economic importance, smallholder farmers in Bangladesh tend to have little or no access to formal credit. This limits their capacity to invest in better technologies and inputs, resulting in low production and income. This lack of access is mostly due to high interest rates, overlapping loans, insufficient repayment periods and lack of attention to creating products and outreach suitable for smallholder farmers. To resolve this, Agricultural Extension Support Activity Project started a new initiative called "A-CARD: Smallholders Access to finance through Banks" which helped around 5000 farmers to receive loan with very nominal interest rate and farmer friendly repayment system from formal banking channel and purchase right input at right time.

**FIND OUT HOW IT WORKS**

# THE EVOLUTION

The USAID Agricultural Extension Support Activity (AESAs) project began implementation in 2012 in the southwest region of Bangladesh, which was a Feed the Future (FtF) Zone of Influence (a region afflicted with poverty and with increasing soil and water salinity). In addition to the regular project initiatives, the project was struggling to find a way to resolve farmer's financial problems. The project tried different available options, but nothing completely solved the problem. After approaching different financial institutions for support, the project initiated a new intervention with Bank Asia (a national formal financial institution) named "Smallholders Access to finance through Banks"—for short known as "A-card." The initiative supports agricultural lending to farmers through a formal banking channel so that farmers are able to access the necessary credit to purchase agricultural inputs with minimum costs and flexible payment terms.

A-card offered loans to farmers at an less than 10% annual interest with a flexible payback period over six-months, unlike standard MFI loans, which generally have an annual percentage rate of 25-31% and require weekly repayments over a 46-weeks time period.

## A CARD MODEL/STEPS



**CARE ORGANIZES & TRAINS FARMER GROUPS**  
and collect data on the need of the loan by the farmers



**IDENTIFY LOCAL MARKET ACTORS & ORIENT THEM WITH A-CARD**  
these LMAs provide support to A-Card farms



**IDENTIFY AGENTS IN COLLABORATION WITH BANK**  
starts educated agents on A-Card



**STRIKE A TRIPARTITE PACT AMONG AGENTS, LMA & COMMERCIAL BANK**  
care takes care of farmer training while agents and Bank start working on bank account opening and loan proposal development



**FARMERS & LMAs OPEN BANK ACCOUNT & RECEIVES A-CARD**  
A-Cards are provided based on the advice of agents



**FARMERS PURCHASE AGRO INPUTS & SERVICES FROM LMAs**  
LMAs use a mobile app to scan the A-Card and conducts an account-to-account cash transfer and Farmers pay back loan after season

# KEY FEATURES

- Create opportunity for the smallholder farmers to participate in the formal banking system
- Less than 10% yearly interest rate
- Flexible repayment system based on cropping season/production cycle
- Use of Near Field Communications (NFC) enabled mobile phones for purchasing agricultural inputs
- Finger print verification technology to identify intended farmers
- Integrated access to banking system for farmers and local market actors
- The card is unusable for buying anything else other than agricultural inputs or services
- Collateral free loan for small holder farmers, specially for the women

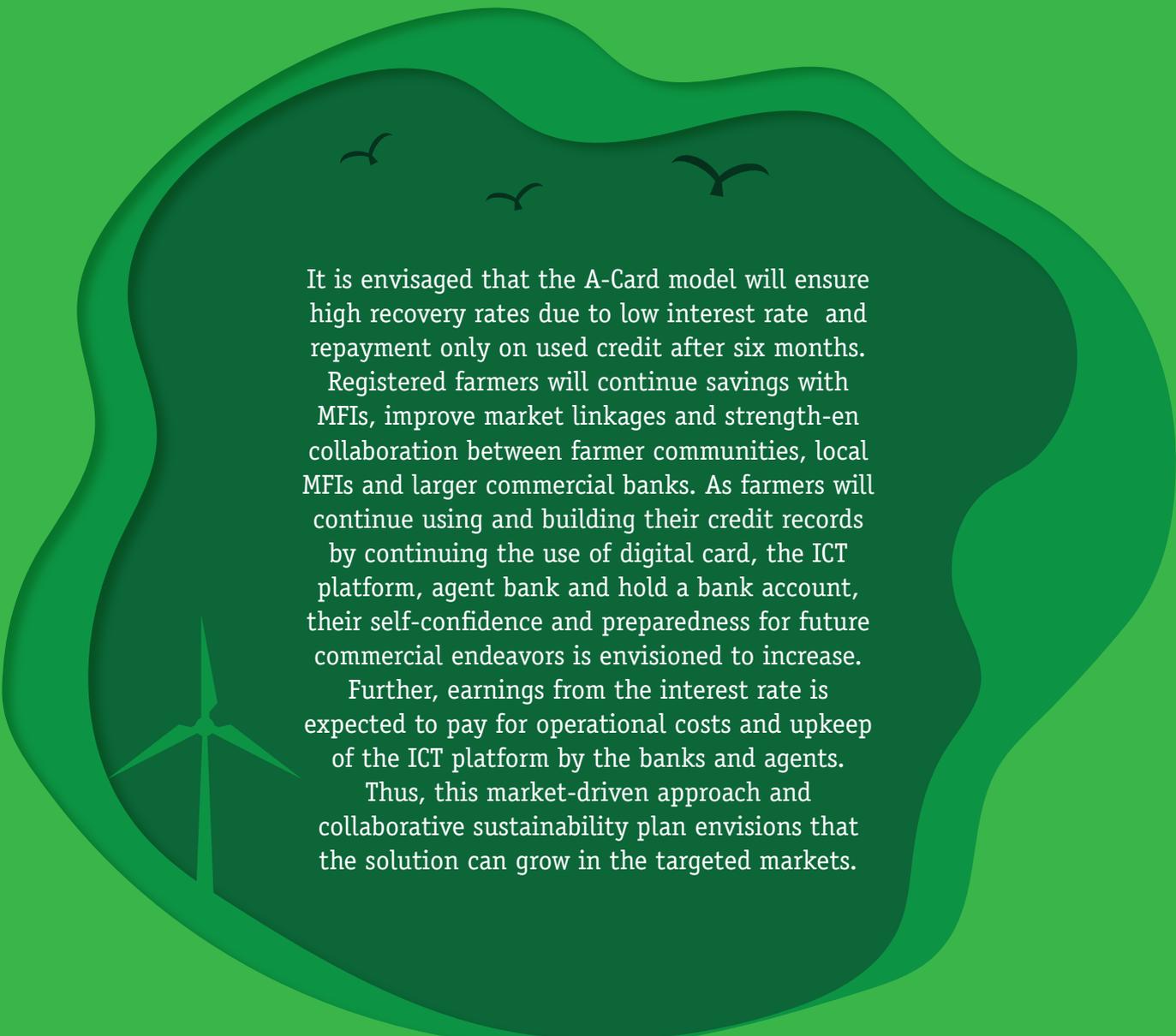
# KEY RESULTS



# CHALLENGES

- Natural disaster like flood, cyclone and drought may affect farmers productions and hence repayment
- Agent banks interest for the A-Card operation is cooperatively low
- Bank's ownership, specially among the field level staff due to lack of incentive

# SUSTAINABILITY



It is envisaged that the A-Card model will ensure high recovery rates due to low interest rate and repayment only on used credit after six months.

Registered farmers will continue savings with MFIs, improve market linkages and strength-en collaboration between farmer communities, local MFIs and larger commercial banks. As farmers will continue using and building their credit records by continuing the use of digital card, the ICT platform, agent bank and hold a bank account, their self-confidence and preparedness for future commercial endeavors is envisioned to increase.

Further, earnings from the interest rate is expected to pay for operational costs and upkeep of the ICT platform by the banks and agents.

Thus, this market-driven approach and collaborative sustainability plan envisions that the solution can grow in the targeted markets.