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Branchless Banking

Bringing digital financial services directly to farmers' doorsteps

An agrovet BLB agent opening a bank account of a new customer in Kanchanpur district, Nepal.

THE CHALLENGE

Access to financial services is key to building farmers' resilience, yet only 36% of Nepalis use banks and formal channels. Nepal's mostly rural population takes credit from the informal sector where interest rates can soar to 48%, while others store cash at home. This is due to distance from banks, banking fees, low literacy levels, and socio-cultural barriers that make farmers hesitant to approach formal banks.

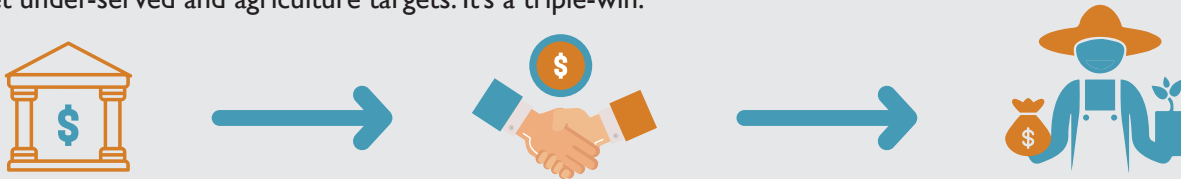
Commercial banks are committed to reaching the under-served and providing agriculture-specific loans, but they lack the appropriate networks and technical knowledge needed to do so. Further, the operational costs to open full-time branches to directly reach these segments are far too high.

THE SOLUTION

Branchless Banking (BLB) brings financial services to hard-to-reach customers through mobile agents who operate from existing businesses. Despite some success, BLB has struggled to reach farmers and the agriculture sector. The Feed the Future Knowledge-based Integrated Sustainable Agriculture in Nepal (KISAN) II Project stepped in to help banks fill this gap. Through a no-cost partnership with Laxmi Bank, KISAN II is helping them expand BLB to directly serve farming communities through the project's extensive network of 57 agrovet in 25 districts. Agrovet bring an existing farmer customer base, as well as the necessary expertise to oversee agricultural loans.

THE INNOVATION: A TRIPLE-WIN

Together, KISAN II and Laxmi Bank identified agrovet to serve as BLB agents. Nepal's central bank reviewed and approved agents, to ensure adherence to national banking standards. Selected agents are given a digital tablet, plus training on how to handle the devices and provide secure digital financial services, such as deposits, withdrawals, loan processing, and loan repayment. Once operational, farmers can easily approach their familiar agrovet to enroll in financial services that help expand and sustain their farming livelihoods. It also boosts the agrovet's sales and customer base, while enabling banks to better meet under-served and agriculture targets. It's a triple-win.



Bank joins hands with local agrovet BLB agents to provide financial services to underserved farmers.

“Agrovets are friends to farmers, and their outlets serve as a common meeting point for hundreds of farmers.” –Bidha Sharma, Laxmi Bank representative

IMPACT

BLB results from 2018 to date:



“After working as a BLB agent for Laxmi Bank, our transactions have increased by 75% compared to last fiscal year. People now have access to interest-subsidized loans. Farmers are happy.” - Ms. Mira DC Chhetri, BLB agent, Dang

SUSTAINABILITY: DESIGNED TO LAST






With incentives built into the model from all sides, BLB was designed to succeed, sustain, and scale.

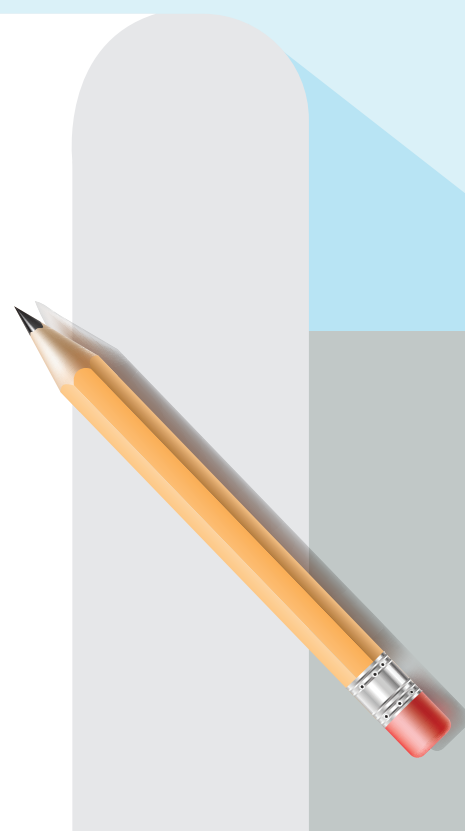
BLB was an existing strategy to meet banks' 'deprived sectors' targets, while also aligning with Nepal's digital banking and e-commerce priorities. Through a no-cost partnership that requires no development resources, KISAN II linked banks to its existing network of established agrovets to better reach deprived and rural populations and to disburse agriculture loans. Through BLB, banks meet their targets, while agrovet agents enjoy financial incentives and business growth, and farmers gain access to formal

financial services to expand and sustain their production.

All parties have an incentive to engage, and benefit from the promotion and continuation of BLB. Ongoing support to BLB agents helps them adapt and respond to unexpected constraints, such as the current COVID-19 crisis and nationwide lockdown, which has severely limited access to agri-inputs, support, and financial services for farmers. Despite the challenges, BLB agents have managed to keep their doors open and handle increased demand for their services, while ensuring adequate safety precautions.

FACT SHEET

-  With links to rural communities and farmer networks, banks can better meet their 10% agriculture loan and 5% deprived sectors targets.
-  Agrovet agents enjoy financial incentives from the bank, including a monthly allowance towards overhead costs, a service charge for transactions, and interest and collateral-free overdrafts.
-  Agrovets earn additional revenue for core business through agri-input sales.
-  With access to financing, farmers can invest in technologies and inputs to expand, diversify, and scale their farms.
-  By promoting BLB, banks align with Nepal's digital ambitions and priorities to promote e-commerce in the agriculture sector.



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