

# A STITCH IN TIME



  
The Right Kind

 **এজেন্ট** ব্যাংকিং  
আপনার দোরগোড়ায়

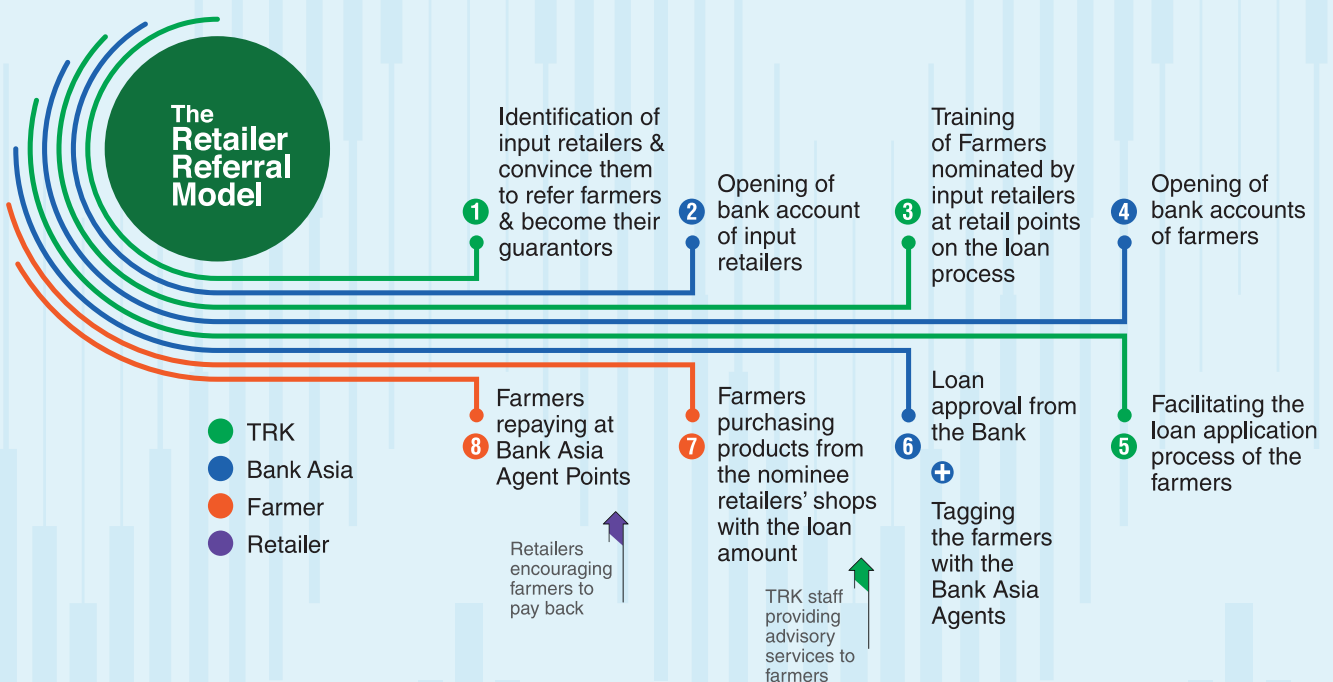
 **ব্যাংক এশিয়া**

# A Stitch in Time

Since mid October 2019, with the advent of the project supported by WorldFish/Bangladesh Aquaculture Activity (BAA), Bank Asia aimed to provide rural fish farmers collateral-free affordable loan packages at an annual 9% interest rate with flexible repayment options. As is usually the case, farmers take loans from informal channels or from microfinance institutions at a high rate. It should be noted that such regular loan packages in the market rely on a monthly or weekly repayment schedule. However this notion becomes impractical for agro loans, where investment to harvest constitutes a considerable lead time. This is where the loan product from Bank Asia Limited becomes so attractive.

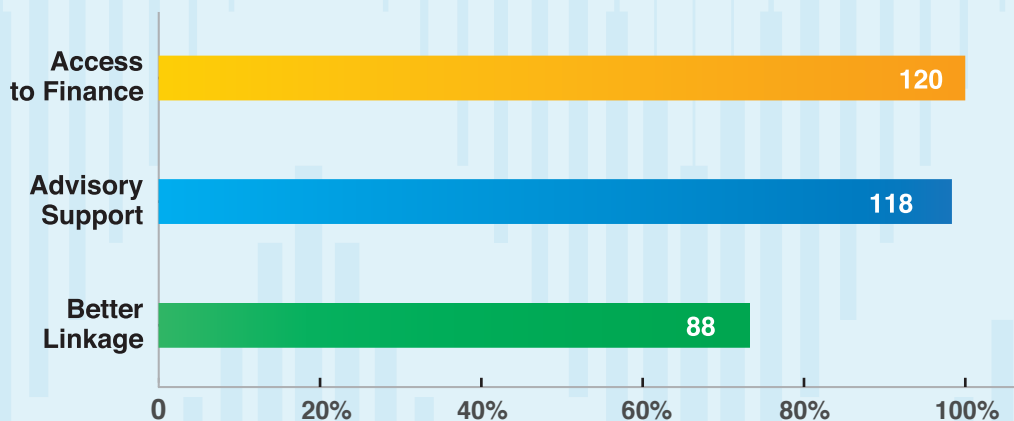
**But how could Bank Asia be sure that the recipients would repay the loan?** There is no data, no transactional history available for such small borrowers, which makes it difficult for any bank to assess the loan applications. This is where the project set out to change this perspective by introducing an innovative approach that would revitalize the financing market in rural economies. Through this project, The Right Kind helped Bank Asia identify and build rapport with several established aqua-input retailers within various regions of the three districts of the project area. The plan was to get these retailers to identify deserving farmers as potential loanees from Bank Asia. In the absence of collateral, Bank Asia needed to leverage the one thing that farmers had an ample supply of: social recognition, credibility in the community and of course, the guarantee from retailers who could vouch for the farmers' business acumen.

**But the question remained as to what was the benefit of this process to the retailers themselves? Why would they be guarantors of loans received by farmers?** Bank Asia outfitted every single retailer with a smartphone (with the Bank Asia micromerchant app pre-installed) and a biometric device. The loans would be digital and the only place the money could be spent, would be through these micromerchants. There are pros and cons to this model, but this is the incentive the retailers got for taking the risk to become guarantors on the farmers' behalf. Retailers endorsed their star customers, banking on their year-long relationship, and therefore, providing a better service to their loyal customer-base.



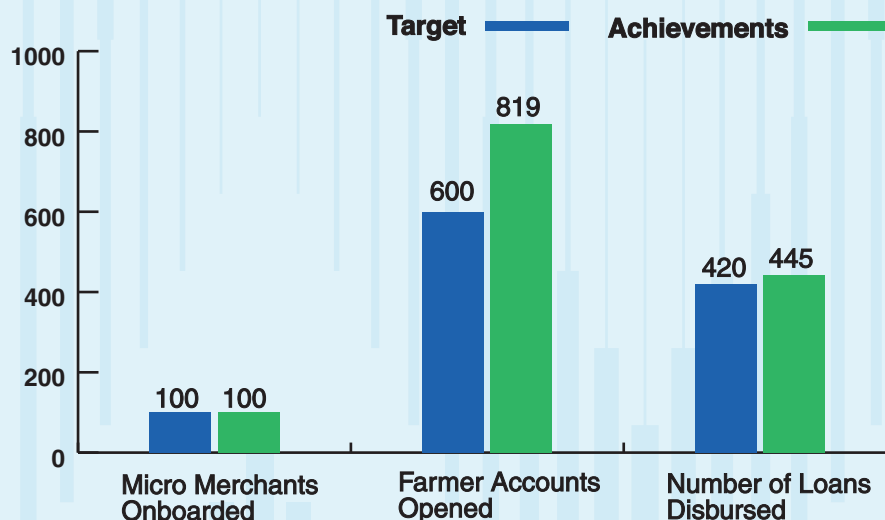
It was not enough however, to simply identify, enlist and provide funding to farmers. An inefficient farm would slowly but surely continue losing money regardless of the support that it received. Here, The Right Kind provided advisory services to farmers to optimize their farming practices, improve their yields and fetch better prices at the market. With the money they made, farmers were able to pay back their loans on time whilst enjoying a healthy profit. This stresses on the importance of advisory services to be packaged with loan products for rural farmers, which has been reflected in our survey as well. At the end of the 1.5 years long project, The Right Kind conducted a survey among 120 respondents over the three districts of the project, which is more than 25% of the total project beneficiaries. Farmers showed almost equal interest in receiving loan products and advisory support.

**Question: What was the most useful component of this project to you?**

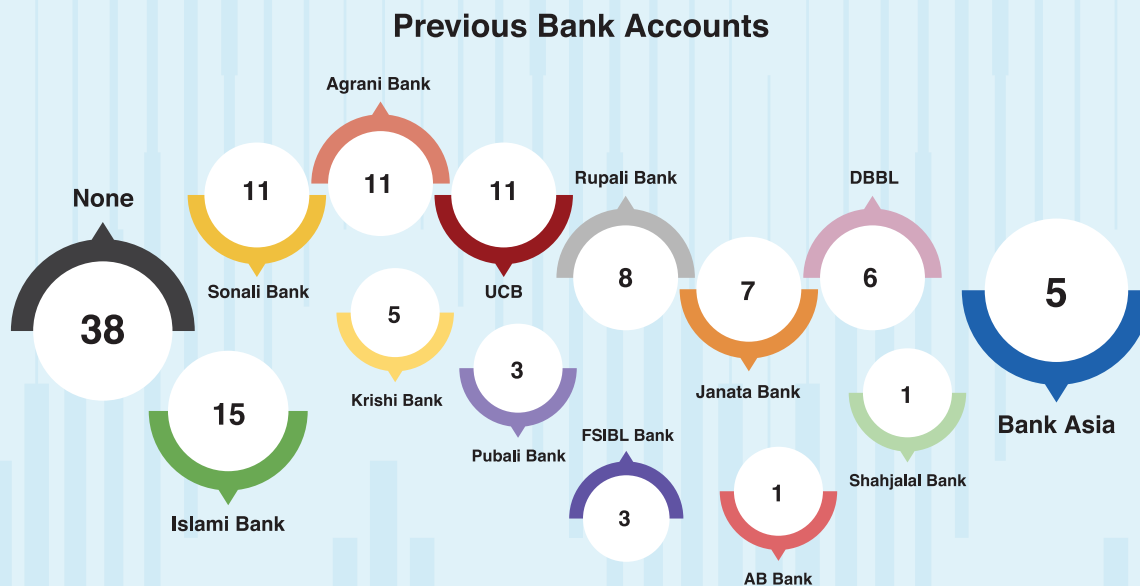


Almost every single farmer replied that advisory services were indispensable for them and that the loan process was quite convenient. One of the minor issues raised was the digital payment system. It was difficult for farmers to grasp the subtle nuances of digital money as the prospect of not dealing in cash was very new to them. **Therefore, only numbers do not justify the success of the project because this project brought hundreds of farmers and input retailers into the digital payment ecosystem.**

All in all, the project was a resounding success. Even during the pandemic, the recovery rate was 99%. Not only the targets have been achieved, but a meaningful and sustainable change has been brought into the region. Based on the success and rapport created by The Right Kind in the first phase, Bank Asia has commissioned a target of providing BDT 3.5 crore to these existing farmers.



As seen in the survey, such a project not only helps beneficiaries with access to finance, but also helps banks access untapped customers in order to further grow their businesses. The following picture shows bank accounts held by farmers before our intervention. **And thanks to the project, all farmers covered by the project are now customers of Bank Asia.**



Through the help of The Right Kind’s field engagement team, farmers who were once without basic bank accounts, have been initiated into the world of financing through informative orientation sessions and hands-on demonstrations. They are taught how to apply for, check the status of and use their loan funds. Financial literacy is a powerful tool that can not only help them access finance, but also budget their limited income, control household expenses and plan for future savings. Through this project, many farmers who were once struggling with finances at home, now have better financial literacy as well as better know-how to access external financing to grow and sustain their farm/business.

## Blooming Future



There is significant demand for access to finance especially in the rural market. In the beginning and on pen and paper, many aspects of the project such as the collateral free loans, retailer-referral model, farmer monitoring, advisory support may have begged caution, but by the end, each in their own rights were sources of small, meaningful victories. Farmers want to become financially independent in their businesses and to do this, they need two things: (i) capital and (ii) advisory support. Once beneficiaries understood that flexible loans could be facilitated in an easy manner, they became eager for a new loan. Throughout the many case studies that have been collected, one sentiment has always rung true: beneficiaries dream of applying for more loans and expanding their farms for a better and brighter tomorrow.

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