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Intervention Area Brief: Financial Services

Between 2014-18,
10,650 char households
accessed seasonal agricultural loans
worth **BDT 270 million.**

Background

Access to appropriate financial services is a pressing issue for northern char¹ dwellers who depend on agriculture for their livelihoods. Banks and Microfinance Institutions (MFIs) hardly cater to the chars due to high costs of operation, limited financial capacity of char dwellers and risks of credit recovery. Before the advent of M4C, char dwellers could either borrow from local money lenders at an exorbitant 10% monthly interest or acquire long-term weekly/monthly installment-based loan products from MFIs in the few areas they were present. Neither of these helped the poor farmers who need appropriate financial products to invest in/ expand commercial agricultural activities, i.e. cultivating crops or cattle rearing, accessing quality agro-inputs or improving production and post-harvest/ processing services, and accessing high-quality, high-value markets. The lack of capital also deterred value chain actors (retailers, traders) from supplying quality agro-inputs or sourcing quality agro-products from the chars.

M4C's Approach

M4C initially approached state/ commercial banks to expand coverage of branch/ mobile banking. However, low interest rates of agricultural loans under branch banking and focus of mobile banking solely on financial transaction limited those prospects. M4C pursued a pilot on community savings but later abandoned this as the amount of savings proved to be insignificant, and the model unscalable without heavy involvement of the project. M4C, thereafter, supported two MFIs in setting up branches on the chars by offering a nominal financial incentive for providing seasonal agricultural loans. M4C also helped the MFIs in identifying the right borrowers by facilitating close collaboration with agro-value chain actors. The shift in portfolio helped the MFIs to operate feasibly and the farmers to enhance income through better investment. Increased demand and better financial performance of the branches convinced leading MFIs to start offering seasonal agricultural loans from new as well as existing branches.








¹Chars are riverine land, susceptible to erosion and soil deposition, which remain disconnected from the mainland either seasonally or throughout the year.

Implemented by



Partnerships and Key Achievements

- Since 2014, M4C has partnered with five financial institutions namely National Development Programme (NDP), Gram Unnayan Karma (GUK) Bogura, United Finance, SKS Foundation and BRAC Microfinance to promote, and thereby increase farmers' access to, appropriate financial products i.e. seasonal agricultural loans.
- M4C is also supporting NDP and BRAC MF to test various loan repayment options and to integrate market facilitation activities in microfinance operation, to develop new products and processes, and thereby facilitate the mainstreaming of agricultural loan products.

Financial Service Providers	Partnership Duration	New Branches Set up on the Chars	Existing Branches Catering to the Chars	No. of Borrowers Reached	Total Loan Disbursed (BDT)
	2014 - Till date	Naturpara (2014) Monsumnagar (2017) Maizbari (2017)	Belkuchi Mesra Sirajganj Sadar	5,300	124.0 Million
	2015 - 2017	Bohail (2015)		2,100	41.0 Million
	2015 - till date	Bohail (2015)		1,550	62.0 Million
	2016 - Till date		Tengrakandi, Deluabari, Bhorotkhali, Sundarganj, Panchpir	660	16.5 Million
	2017 - Till date		Belkuchi, Sundarganj, Horikhali, Bhitobanda, Jatrapur, Thetrai, Paglar Haat	1,040	24.0 Million

Lessons and Way Forward

- Facilitating microfinance operation in disconnected, erosion and climatic hazard prone locations like chars posed several challenges for M4C. However, these have been largely mitigated by understanding the target market (location, customer profile, cash flows), offering the right loan products (tenure, loan size, installments), setting up the right processes (borrower selection, loan disbursement, repayment) and making seasonal plans to reach minimum borrower and disbursement target.
- Engaging value chain actors to ensure agro-input/output products and services played an important role in risk mitigation. Thus, M4C has already taken the initiative to integrate market facilitation activities in microfinance operation, but realizes the need for capacity building and inclusion of managerial staff for value chain assessment, activity design and monitoring.
- M4C organised a "Microfinance Meet" to disseminate the lessons among prospective MFIs and Palli Karma Sahayak Foundation (PKSF). M4C plans to work further with PKSF to design incentives for MFIs to expand to such remote areas and to inform their future program design. M4C also has plans to bring out a handbook on Agri-financing for the microfinance staff.

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