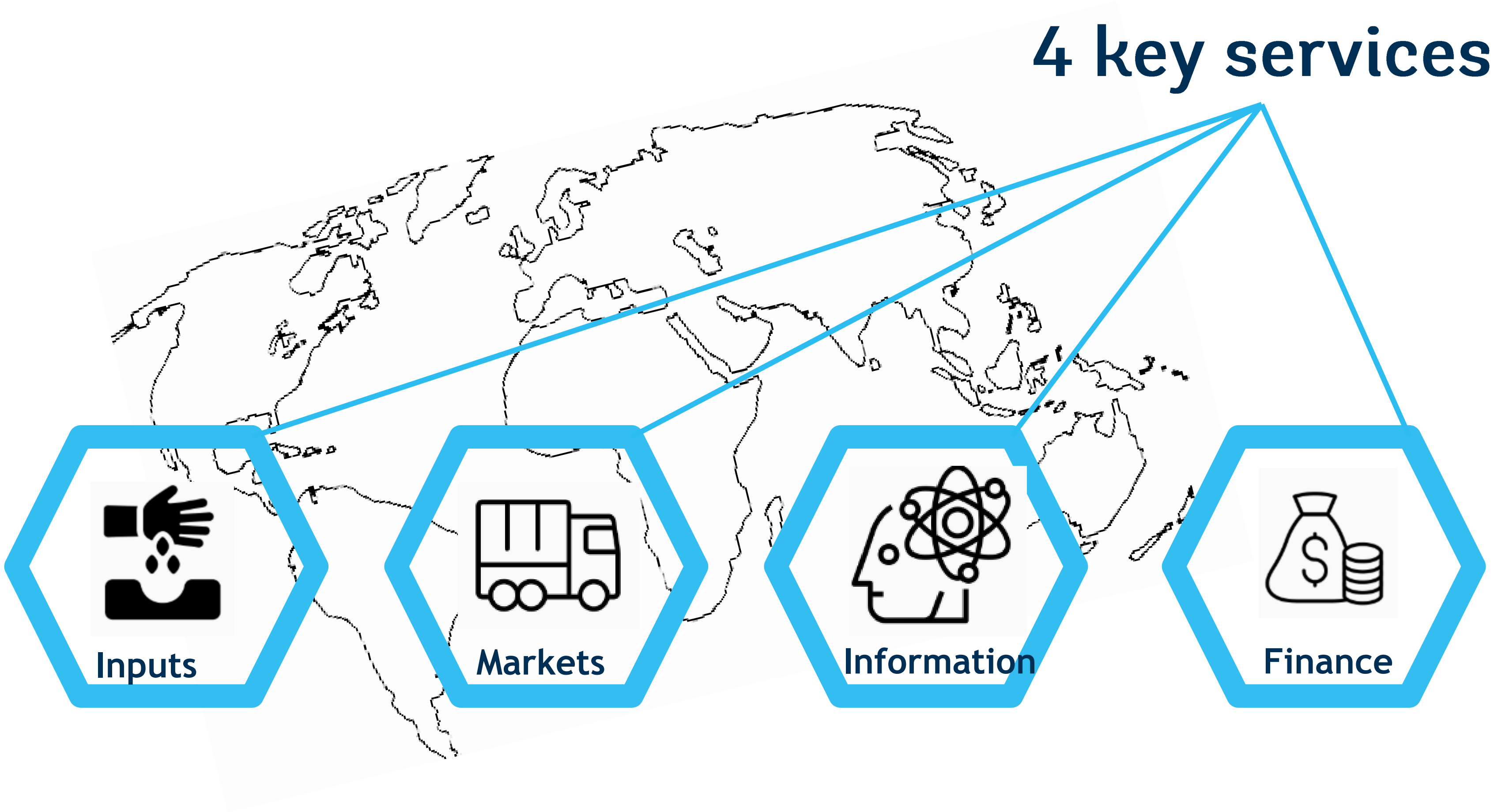
How can digital platforms facilitate financing along agricultural value chains?

What is the issue?

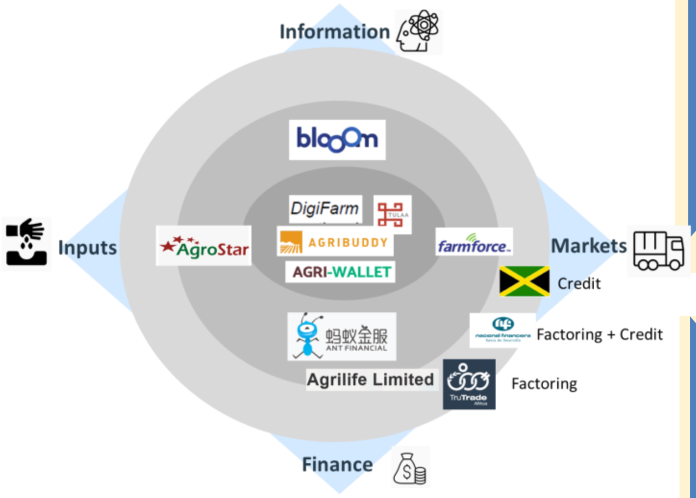
- Small holder farmers and micro small businesses lack:
  - Collateral
  - Financial data, financial records
  - Reliable transaction records
  - Credit history
- For these reasons it is very hard for financial institutions to do credit risk assessment and assess capacity to repay (cannot assess PD and LGD)
- Reliance on the microfinance model, with physical presence, which often leads to high operating costs
- Digital technologies, such as digital payments, bring new data that financial institutions can process for loans

Platforms may offer 4 types of services to farmers and agribusinesses



WORLD BANK GROUP

Most platforms aim at providing a package of services, as way to both maximize impact and economic viability



Economic viability

Plateforms

Input suppliers

Offtakers

Data providers

Financial institutions

Social impact

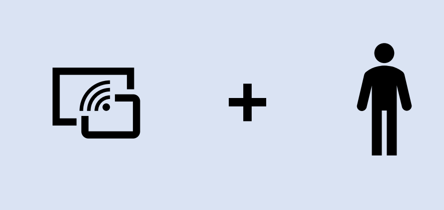
- Farmers are faced with a **variety of constraints** that cannot be addressed in isolation
- Farmers generally prefer **using only one platform**

In order to provide a package of services, most platforms prefer developing partnerships, but such approach is also source of delays and risks.

Depending on the core expertise of the platform, partnerships are often necessary

However, creating strategic partnerships takes time and may generate risks

Platforms rely on a strong physical network in order to generate trust and fulfill task that require face to face interactions



What role?

- Onboarding/collecting information
- Physical transactions
- Training

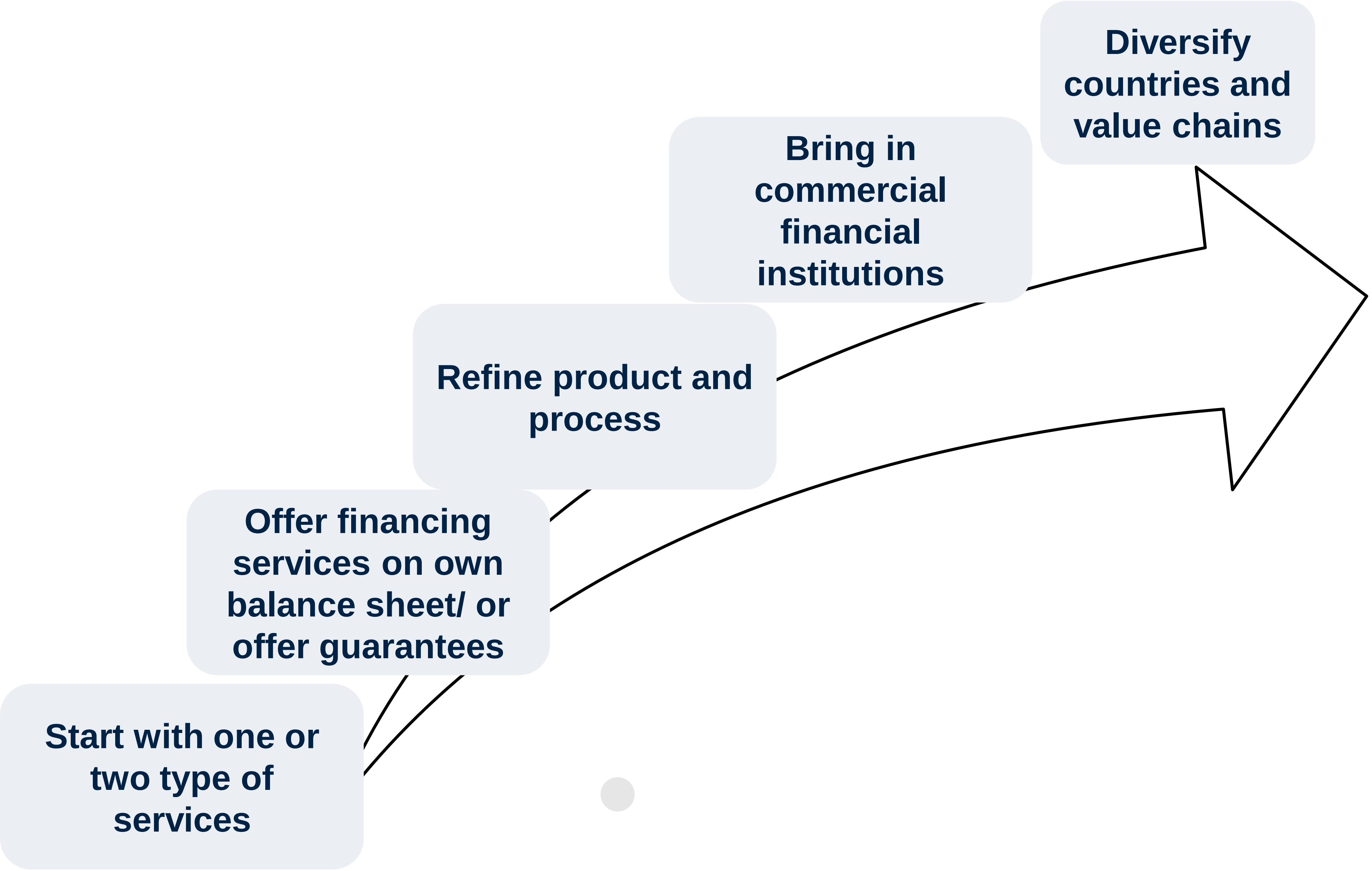
What level of control?

- Own network
- Micro-entrepreneurs/partners
- Hybrid models

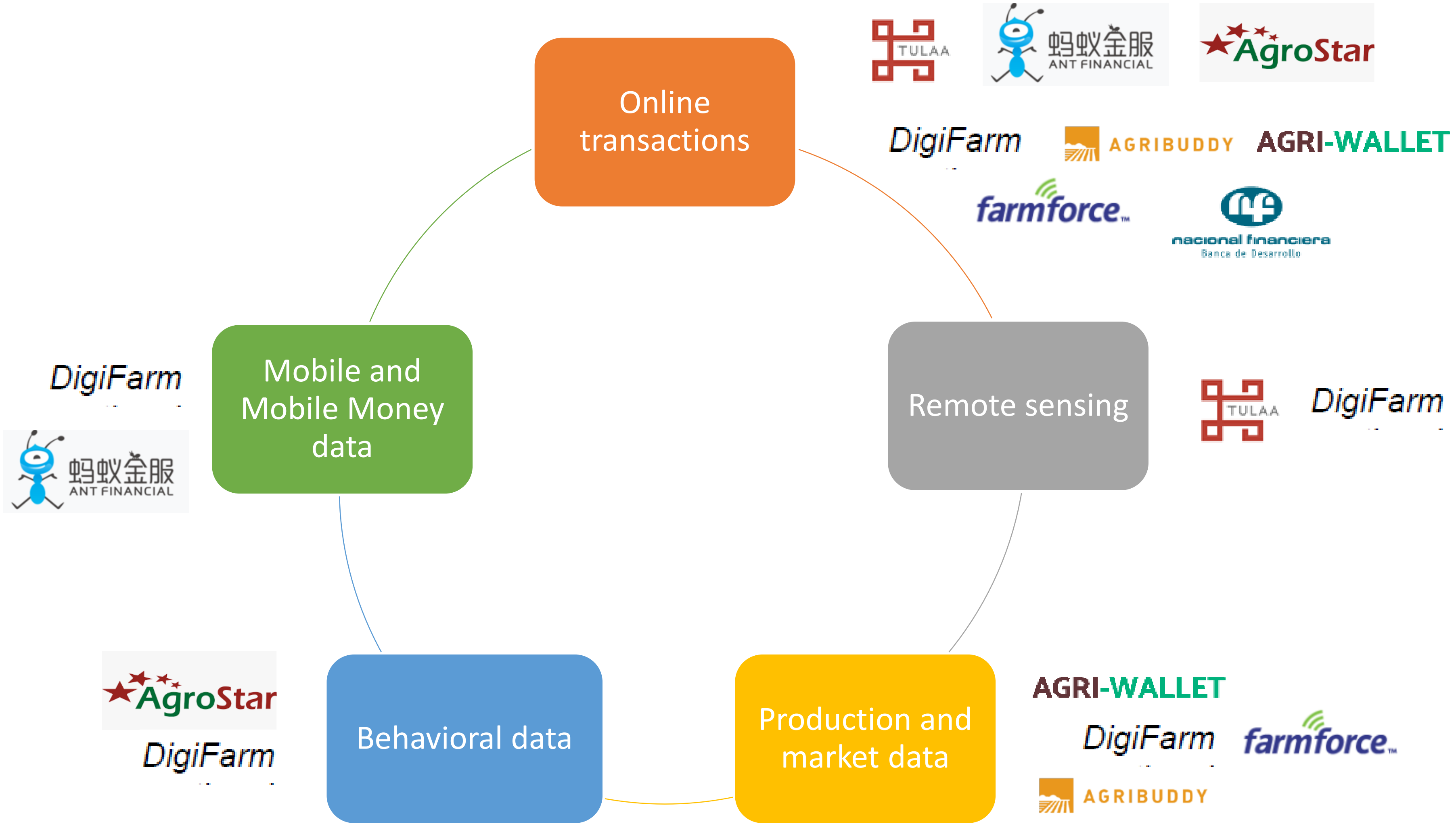
How to scale-up?

- Limits of « own network »

Platforms usually use a phased approach for financing



Platforms use various sources of data for credit analysis



Volume of financing is generally larger when platforms partner with financial institutions

Own financing

DigiFarm

AGRI-WALLET

Financial institutions

TULAA

蚂蚁金服 ANT FINANCIAL

Value chain financing

farmforce

Partnerships with financial institutions

AGRIBUDDY

AgroStar

nacional financiera
Banca de Desarrollo

farmforce