

## India-Brazil FinTech Webinar

Agri-FinTech: Startups Using Technology to  
Provide Critical Services to Agriculture

05 November 2020, 9h00 (BRT), 17h30 (IST)

**Agenda:** To discuss the role of the Agri-FinTechs in promoting financial inclusion and customized financial products to agriculturists, as well as the innovations that have emerged in Brazil and India in the context of the agriculture financing.

### Webinar Viewership:

Platform	YouTube	LinkedIn	Facebook	Total:
Viewers	307	648	2182	<b>2537 viewers</b>

### Key Outcomes and Observations

- Agriculture is a logistics excellence business, and reliability and scalability are the drivers of this industry. Narrower margins and a growing concentration of farmers and agriculturists are leading the industry towards optimizing its processes. The credit needs for farmers to be able to work and sustain are thereby increasing further.
- Along with other inputs, credit is essential for establishing sustainable and profitable farming systems. Easy access to financial services at affordable cost positively affects the productivity, asset formation, income, and food security of the rural poor.

#### India:

- The cost of credit in rural areas is high primarily because of expenditures for customer acquisition, monitoring the lending activity and in recovering credit.
- The next wave of digital products will be where the cost of credit is dispersed among the value chain partners (who will reap the benefits of higher capital investments by farmers) and farmers so that the cost of credit for farmers (and hence the risk perceived by banks) is significantly lower.

#### Brazil:

- Agribusiness in Brazil accounts for 30% of GDP & employs nearly 25% of the workforce. 94% of the Brazilian farmers use cellphones, of which 68% use smartphones, thus emphasizing the digitization currently underway in Brazilian agribusiness.
- Indian and Brazilian agrifintech startups can collaborate on building technologies around the digital payment rails and then scaling the solutions reached in one country to solve the challenges seen in the other economy.

## Discussion Highlights:

### Opening Remarks

#### 1. Ms. Roberta Lima, Head of Science, Technology and Innovation Section, Embassy of Brazil in New Delhi

- Agriculture has shown resilience in face of the global pandemic in Brazil and India by maintaining its growth pace. Since the pandemic has affected the cash flows in overall economy, agriculture financing has become a crucial backbone for sustaining the projected growths in Indian and Brazilian agriculture.
- As agrifintech startups tend to focus on financing the small and medium scale producers, their business model perfectly matches farmers' need to access credit and insurance. Brazil has now more than 500 fintechs, many of whom are already offering tailor-made services for the agriculture sector.

#### 2. Ms. Aastha Grover, Head of Startup India Hub, Invest India

- There are nearly 3000 agricultural startups in India, a majority of whom work in areas like marketplaces, agrifinancing, livestock management, farm management and analytics. A major factor that has fuelled the adoption by farmers of the innovative solutions being provided by these startups is the increased rural smartphone penetration.
- A recent study by ThingAg shows that only 30% of farmers have access to finance from formal sources. Some areas where the upcoming entrepreneurs can focus on in the agrifintech sector are – risk mitigation and assessment, digital crowdfunding, affordable financial services and better crop insurance.

### Panellists

#### 1. Mr. Cleber Oliveira Soares, Director of Innovation, Ministry of Agriculture, Livestock and Food Supply of Brazil

- Agribusiness in Brazil accounts for an average 30% of GDP employs nearly 25% of the workforce. Brazil has nearly 5.5 million farmers, of which 80% are small farmers. 94% of the Brazilian farmers use cellphones, of which 68% use smartphones, thus emphasizing the digitization currently underway in Brazilian agribusiness.
- Brazilian Ministry of Agriculture, Livestock and Food Supply's plan is based on technological tools and innovation to support the development of agriculture, livestock and forest chain in Brazil, focused on 5 pillars – sustainability, bioeconomy, digital, food tech and open innovation.
- One of the biggest challenges that Brazilian and Indian startups can focus on solving in Brazilian agriculture ecosystem is financing credit. Agrifintech startups have a huge scope in Brazil as nearly 3.8 million farmers (mainly small landholders) need access to credit.
- Indian agrifintechs have a good experience of serving small farmers and thus can be a great fit for the credit needs of rural agricultural supply chains in Brazil.

## 2. Dr Isaque Eberhardt, CEO and Co-founder, Agryo

- As a risk intelligence provider in agribusiness, Agryo focuses on working with local finance suppliers to deliver better services to farmers, digitizing the acquisition, control and monitoring process. Agryo is already engaging with mobile partners to deploy its digital infrastructure for banking services in India.
- India and Brazil differ significantly in terms of distribution of lands, weather systems, intra-country distribution of water resources, etc. Agryo is analysing these differences and building the capabilities to evaluate the crop fields to analyse their data of the past 20 years by incorporating the learnings from one country to solve the challenges seen in the other.
- In order to feed nearly 10 billion population in the near future while ensuring the sustainability of environment and natural resources, farmers around the world would need to almost double their productivity in the next 2-3 decades. Here the small farmers provide the maximum opportunity because they have the scope to increase their yields with better tools.
- Indian and Brazilian agrifintech startups can collaborate on building technologies around the digital payment rails and then scaling the solutions reached in one country to solve the challenges seen in the other economy.

## 3. Mr. Arjun Ahluwalia, Co-founder, Jai Kisan

- 880 million people live in rural area of which 70% derive their primary source of livelihood from agri and allied sector. Although agriculture accounts for 16% of India's GDP, over 42% of India's workforce is employed in this sector.
- More than 85% of farmers in India are small and marginal farmers i.e. they hold less than 2 acres of land. 40% of Indian farms are mechanised with varying degrees. Less than 5% of rural Indians have easy access to a bank branch, less than 3.5% have access to insurance products. Because this sector is mainly unorganised and non-digitized, getting data around it is also a significant challenge.
- Bank services find it difficult to reach the farmers due to high acquisition costs for these customers. Because of a lack of digital footprint around farmers to know their lifetime customer value if they undertake the operational costs associated with acquiring a farmer. The solution is to build in a digital product where the cost of credit is dispersed among the value chain partners (who will reap the benefits of higher capital investments by farmers) and farmers so that the cost of credit for farmers (and hence the risk perceived by banks) is significantly lower.
- Indian and Brazilian entrepreneurs must look at collaboration from the start rather than constantly protecting their territory. For rural India and South Asia, Direct-to-Customer (D2C) is a far-off reality till the time the infrastructure networks are set up where every farmer has a smartphone. Here the startups need to engage the middlemen in order to make their solutions reach the farmers.
- Jai Kisan wants to first expand regionally in Southeast Asia and then look at other markets, possibly Latin America in the medium term first beginning with information exchange.

#### 4. Mr. Gills John, Vice President, Nabventures

- Agrifintech in India is a very new sector, with Jai Kisan being a pioneer. Agricredit through fintechs in India has been prevalent in various forms. Traditional agri-credit through physical banks and then micro-finance institutions have faced inherent challenges. Banks have the limitation of having a physical branch-led model where there is a limit to the number of people they can reach out and limit to the scale that you can give finance.
- Both the models suffer from information asymmetry between banks and farmers as well. Agrifintechs are using technology to remove the information asymmetry and remove asset-to-finance in a very cost-effective manner and thus, have democratized access to finance in rural areas.
- Since 1980s till now, the share of long-term credit to agriculture has fallen from 50% to 22% which indicates that farmers are moving from sustenance farming towards a commercial mode of cultivation. By virtue of having lands in excess of 2 hectares, 20 million farmers in India have a commercial orientation. In India, only 17% of the land is being used for commercial crop production which has for the past 8 years consistently beaten traditional foodgrain production.
- In rural India, 10% people lack access to any (formal or informal) sort of financing. Here, fintech players can supplement or even take over the role of banks in providing access to short-term financing at a favourable rate of interest to last-mile customers. Banks can then be freed of their conventional lending cycle to focus more on long-term infrastructure creation for agriculture.
- Today, the cost of credit in rural areas is high primarily because there is a significant cost in acquiring a customer, monitoring the lending activity and in recovering that credit. Nabventures is looking for business model innovations that use any technology which lowers customer acquisition at scale, like satellite data, government infrastructure like Aadhar Stack, India Stack, payment gateway, etc. so that the startup can acquire and service a loan at scale.

## Annexure - I

### Participants

#### Speakers

Ms. Roberta Lima, Head – ST&I Section, Embassy of Brazil in New Delhi

Ms. Aastha Grover, Head of Startup India Hub, Invest India

#### Panellists

Mr. Cleber Oliveira Soares, Director of Innovation, Ministry of Agriculture, Livestock and Food Supply of Brazil (Brazil)

Dr. Isaque Eberhardt, CEO and Co-founder, Agryo (Brazil)

Mr. Arjun Ahluwalia, Co-founder, Jai Kisan (India)

Mr. Gills John, Vice President, Nabventures (India)

#### Moderators

Ms. Nidhi Gupta, Assistant – ST&I Section, Embassy of Brazil in New Delhi

Mr. Agrim Aggarwal, Investment Specialist – BFSI, Invest India

#### Invest India Team

Ms. Shruti Chandra, Sr. AVP & BFSI Lead, Invest India

Ms. Shivangi Jain, AVP & Lead – Partnerships, Startup India, Invest India

Mr. Atharv Mankotia, Sr. Investment Specialist – BFSI, Invest India

Mr. Gautam Anand, Marketing Lead, Startup India

Mr. Binil Mathew, Assistant Manager, Startup India

Ms. Navya Sharma, Associate – Startup India, Invest India