Lendo Driver to Financial Inclusion for Farmers

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In recent years with the realization that more than three-quarters of the poorest around the globe live in rural areas and most are smallholder farmers working less than two acres, financial inclusion has risen to the forefront of public debate. They often lack the seeds, machinery, livestock, and finance they need to grow, so they struggle to emerge from poverty. The current banking system has shown its limitations in extending services to this population, failing to provide appropriate financial products to both the bottom of the pyramid and the emerging middle class across the world. At the same time Internet, Social Media and Smartphone penetration have been growing exponentially, allowing disruptive new players to enter the market and offer potential solutions to address this problem.

Many barriers prevent banks from providing effective financial inclusion to farmers — a core for inclusive and sustainable economic progress in many countries. What would then be the most effective strategy to improve access to financial services? According to the World Bank, the three main areas of focus should be financial education, a better legal framework with credit information, and investment in new lending technologies.

Taking a closer look to farmers, the main reason why they would not be able to access funding is the risk. Financial institutions very often fail to assess the risk. In addition to the lack of formal data, farmers would not have the type of collateral that lenders would typically look for to define their creditworthiness. Many smallholder farmers, for instance, would tend to rent their land, preventing them from putting up title deeds. It is within these challenges that Lenddo finds its roots.

The journey of Lenddo started in 2010 when Jeff Stewart and Richard Eldridge discovered the challenges many of the middle class were having in accessing credit from traditional financial institutions which typically had to rely on predatory lenders to meet their credit requirements. After a year of research to better understand the challenges of both the consumer and the financial institutions three major trends became evident to them:

1. The middle class was large and predicted to grow even faster

2. Financial Institutions faced barriers in extending credit as the majority of the market either had no credit score or were 'thin file' with low credit scores and

3. The majority of the consumers have vast amounts of digital data that could be used, with permission, to assess creditworthiness.

Lenddo was then launched the following year with the vision of enabling improved financial inclusion for at least a billion people around the world. They started to build a proprietary platform to consume the vast amounts of non-traditional data and hired some of the world's top Ph.D.'s to build algorithms to predict creditworthiness. Part of this was the establishment of an online lending company that extended credit to the underbanked and unbanked in the Philippines, Mexico, and Colombia, which in addition to directly improving lives was used to collect the data and test hypothesis. Lenddo's data scientists were able to produce impressive results beyond expectations, proving the assumptions that features based on non-traditional data could be predictive and add to a standard credit score, and significantly improve the assessment of creditworthiness.

After four years of successful online lending experience and proven predictable creditworthiness algorithms, the demand for non-traditional data based credit decisioning was also increasing across many regions. To address this opportunity and fast track its journey towards providing better financial access to 1bn people around the world, Lenddo divested its lending operations and started to offer its platform and services to other companies. Banks, telecommunication companies, eCommerce platforms and credit card issuers now use Lenddo to process tens of thousands of applicants a month, achieving greater financial inclusion in 15 countries and counting.

By using non-traditional data to make thousands of creditworthy farmers discoverable to lenders for the first time, Lenddo is revolutionizing the way financial institutions reach, assess, and ultimately extend credit to farmers with little to no formal credit histories in developing markets. The use of Lenddo's disruptive technology creates immediate benefits for financial service providers and unlocks financial inclusion for the emerging middle class worldwide.

It allows financial institutions to start serving new underserved markets by allowing them to deploy their products and services with the additional information for segmentation, identify verification and underwriting. Since the information is immediately processed and returned to the service provider using a completely transparent opt-in process, the decisioning is happening instantly through real-time approval. A direct consequence to this new workflow is also better efficiency, lower costs, improved customer service, and scalability. In the case of farmers, a wide range of information could be considered, like seed and fertilizer expenses, their livestock, their revenues, plot dimensions, and personal details. Having this information available on a digital format would allow the creation of bespoke models that would combined data on weather, soil conditions, typical vegetation levels for a specific area, and so on. Lenddo would use the information gathered from farmers to build predictive credit models that financial institutions could use to provide loans.

Since the beginning, it has been crucial for Lenddo to ensure that end users provide opt-in permissions and be acutely aware of the trade-off they have to make to access these financial services. As highlighted in the report "Big Data, Small Credit" from Omidyar, "most consumers are willing to exchange their data—even their most closely held, confidential data— in exchange for bigger or better loans."

In terms of reach, because Lenddo's disruptive technology leverages new sources of digital data to enable financial service providers to access and serve new and underserved market segments, the opportunity for positive returns can be seen in the regions where Lenddo is operating. A lot

of people from the agricultural sector in emerging markets are moving from the rural area to cities with the belief that job opportunities would be better. The reality may be a lot different, as cities would not have enough work to offer. Technology, by modernizing the farming industry, can help encourage young people to farm and support the development of rural areas.

There are already tangible effects to the work Lenddo has been doing since its creation. Apart from allowing farmers that are unbanked and lack access to basic financial services and credit facilities to be served by financial institutions, Lenddo has become one of the world's thought leaders in using technology and big data for financial inclusion, slowly establishing new standards and modernizing the financial services sector. The recognition by regulators of how this new technology can drive financial inclusion is another example of the progress moving forward.

Another area in which Lenddo has impact is Identity verification where requirements are not only a barrier to Financial Inclusion from a cost perspective but pose several challenges of maintaining quality when deployed in the field. Lenddo's Social Verification harnesses a vast amount of digital information about an individual and using its complex algorithms, can instantly evaluate millions of data points increasing accuracy in real-time. This cutting-edge technology can help financial service providers and other organizations achieve significant cost reductions while meeting compliance and business control requirements.

If it is undeniable that many improvements have been made to allow more farmers to get access to financial services, we have only scratched the surface with over 2 billion people underserved. The access to financial services now needs to be coupled with financial literacy and overall improvement of financial capability. The future of financial inclusion relies on the ability to implement new habits among the emerging economies to ensure the right use of these services, and Lenddo, with its credit score and verification technology, is one part of the overall solution.

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