

## Customer-centric and responsible digital credit solutions for urban and rural non-farm entrepreneurs and smallholder farmers

Analysis report from research on digital credit users in Indonesia, India, and Kenya

September, 2022

# Executive summary (1)

## About the study

- MSC conducted a comprehensive assessment of the state of digital credit for borrowers, with support from various donors and development partners. The assessment focused specifically on female digital credit users in key markets, such as Indonesia, India, and Kenya.
- MSC assessed the needs and preferences of borrowers for credit, the role of digital credit in meeting their borrowing needs, and the attributes of ideal digital credit solutions.
- We identified learning points that tackle systemic challenges and structural barriers to the access and use of digital credit.

## Approach and methodology

MSC used a combination of desk research, literature review, qualitative research with digital credit users, and stakeholder interviews to:

- Build contextual knowledge on the state of the digital credit ecosystem, trends, performance, and opportunities
- Define factors on the demand and supply sides that enable or constrain the growth of the digital credit sector.
- Identify best practices across digital credit business models, product contours, processes, and policy and regulations.
- Assess the role of credit and its impact on the household's financial health.
- Define the use-cases of credit and the adequacy of digital credit in meeting the needs of low- and moderate-income populations.
- Review the digital credit models across the focus countries (Indonesia, India, and Kenya) based on the type of institution offering digital credit, the frontend channel, and the source of funds for on-lending.
- Define key user personas and their needs, aspirations, and behaviors.
- Identify the attributes the users prefer to choose and use digital credit solutions.
- Assess the constraints financial service providers struggle with while delivering digital credit.
- Identify opportunities to deepen digital credit for the key segments.

## Executive summary (2)

### Key findings

- Low- and moderate-income households require credit for various use-cases. A household's income and expense patterns and the attributes of the credit product impact its financial health.
- Good (optimal) and bad (suboptimal, detrimental, and hazardous) credit models depend on attributes, such as cost to the borrower, use of funds, the lender's process for assessing repayment ability, the flexibility of repayment schedules, returns on investment compared to the cost of funds to the institution, and attribution of risk to different players in the loan process.
- Low- and moderate-income populations have routine, salient, and aspirational goals. Digital credit solutions in their current form are optimal for most routine goals and some salient goals. Digital credit solutions are suboptimal or detrimental for aspirational goals, such as asset building.
- Digital credit models across the focus countries (Indonesia, India, and Kenya) depend on the type of institution offering digital credit, the frontend channel, and the source of funds for on-lending.
- The three key personas for this study are non-farm rural entrepreneurs, non-farm urban entrepreneurs, and semi-subsistence smallholder farmers. Each persona has diverse social, economic, and financial lives coupled with vastly different needs, aspirations, and behaviors, which lead to differences in how they demand various financial services.
- Considering the differences in digital skills and access alongside business aspirations highlights the opportunities and challenges these personas face.
- Non-farm rural entrepreneurs prefer affordable, flexible, and easy-to-understand credit products. Non-farm urban entrepreneurs require easy access to credit and flexible solutions to meet their needs. Semi-subsistence smallholder farmers prefer affordable loan products and repayments that match their volatile income cycle.
- Providers face several constraints in meeting the needs of these personas. Primary among them are limited digital footprint, lack of financial records to assess creditworthiness, high operational and financial costs, and inadequate credit information sharing among the actors.

# Executive summary (3)

## Key recommendations

Based on our analysis of the digital credit landscape, we recommend the following to deepen digital credit for the key segments:

- **Research, innovations, design, pilot, and implementation**
  - Support UI and UX innovations on existing digital agriculture lending platforms through research, pilots, and scaled interventions
  - Pilot catalytic online-to-offline models for digital credit
  - Back marketplace models to scale to enable price discovery
  - Research, disseminate knowledge of, and adopt best practices on gender-neutral credit-scoring platforms
  - Provide product development support to expand the range of financing solutions available to meet different use-cases
  - Provide digital transformation support to high-potential microfinance institutions and banks that serve the mass market
  - Research and support pilots to test social commerce data for digital lending
- **Partnerships**
  - Support data analytics providers to partner with financial institutions to design solutions for entrepreneurs and farmers
  - Enable catalytic partnerships between AgTech firms and financial service providers for an integrated solution
- **Funding**
  - Set up an innovation or challenge fund to encourage new business models for digital lending for agriculture
- **Policy support**
  - Provide research and policy support to strengthen consumer protection on digital credit
  - Provide policy support and pilots to efficiently deliver existing government lending programs on agriculture through digital channels
  - Provide policy and implementation support to test how government programs are delivered through catalytic partnerships with FinTechs.
  - Provide policy support to incentivize FinTechs that lend to excluded segments

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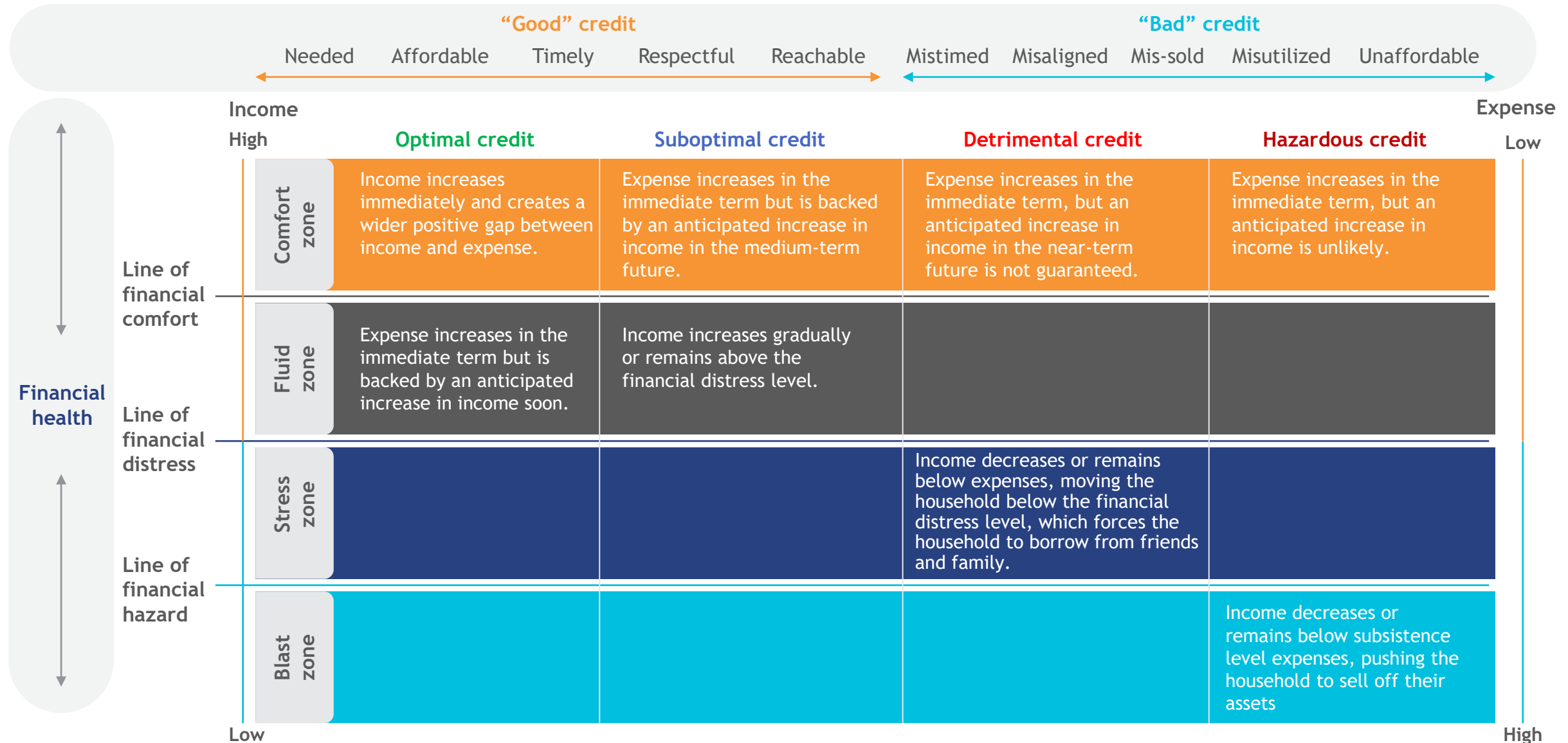
## Opportunities to deepen digital credit for the key segments

- ▶ Recommendations to deepen digital credit for the key segments



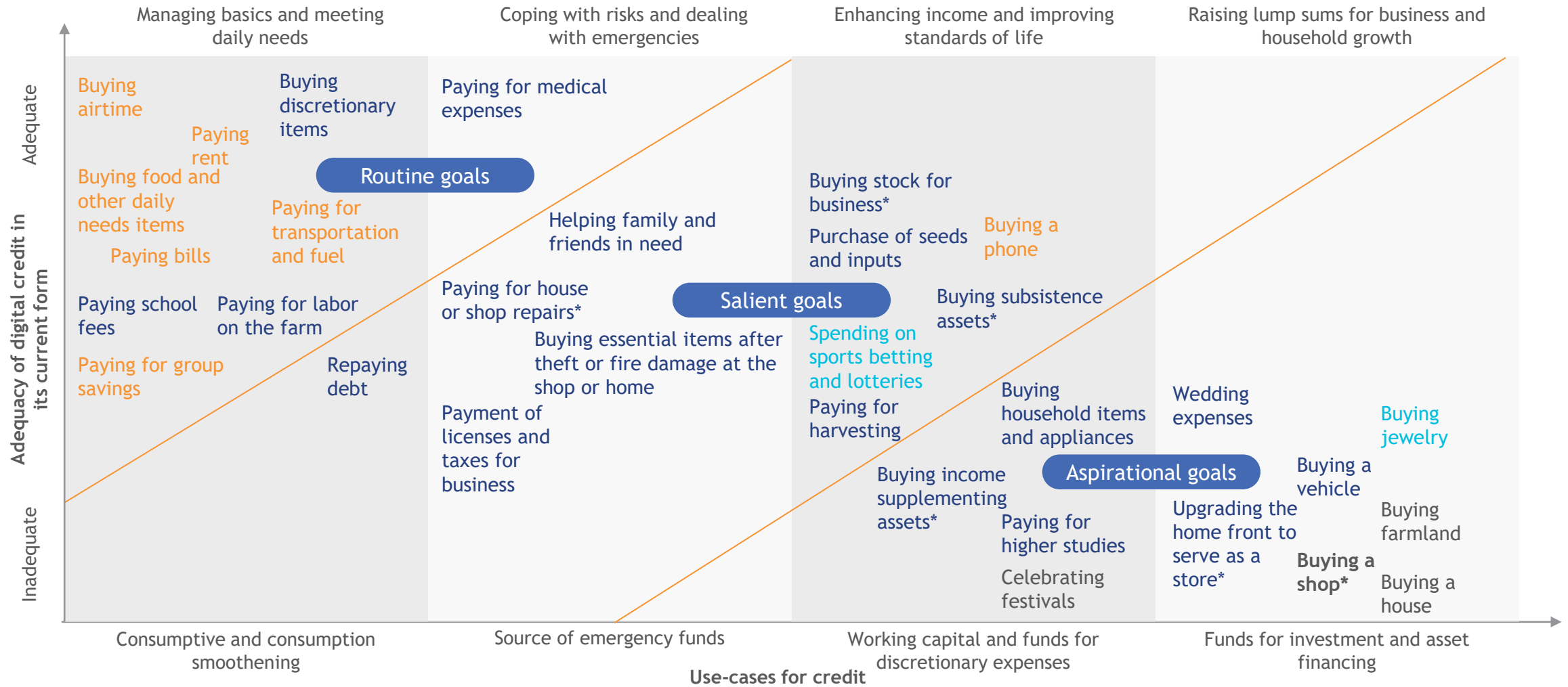
# 1. Types of credit and adequacy of digital credit

# Credit and its impact on the household's financial health



Source: MSC analysis

# Use-cases of credit and adequacy of digital credit in meeting the needs of low- and moderate-income populations



Source: [Effect of digital credit on poverty reduction among low-income borrowers in Kenya](#), [Making digital credit truly responsible](#) by MSC, MSC field research and analysis  
 \*marked ones are where specific enterprise digital lending products, such as invoice financing, pay later, PoS lending, digital mortgage, and supply-chain financing are available



A woman with short black hair is sitting in a shop, surrounded by numerous clear plastic jars with colorful lids (red, orange, blue, yellow) containing various goods. She is looking towards the camera with a slight smile. The background shows shelves stocked with various items, suggesting a small-scale retail or food storage environment.

## 2. Digital credit models across the focus countries (Indonesia, India, and Kenya)

# Digital credit models across the focus countries (Indonesia, India, and Kenya) depend on the type of institution offering digital credit, the frontend channel, and the source of funds for on-lending

Type	Bank digital credit	MNO-facilitated digital credit	FinTech digital credit for users (B2C)	FinTech digital credit for enterprises and value chain actors (B2B)	P2P and crowdfunding platforms
Partners and their roles	<ul style="list-style-type: none"> <li>A bank manages the process end to end</li> <li>In some cases, the bank works with third-party providers, such as credit scoring firms and debt collection firms</li> </ul>	<ul style="list-style-type: none"> <li>An MNO serves as the face of the offering</li> <li>A bank manages the compliance, risk assessment, and backend</li> <li>Third-party service providers, such as debt collection firms could be included in the mix as well</li> </ul>	<ul style="list-style-type: none"> <li>A FinTech manages the frontend and backend</li> </ul>	<ul style="list-style-type: none"> <li>A FinTech offers a platform for merchants to access invoice discounting and supply chain financing.</li> <li>In some cases, FinTechs partner with third-party providers, mobile network operators, and debt collection firms</li> </ul>	<ul style="list-style-type: none"> <li>A FinTech offers a digital lending infrastructure and marketplace to connect borrowers and lenders</li> <li>The marketplace has firms providing digital credit scoring facilities as well</li> </ul>
Frontend	<ul style="list-style-type: none"> <li>The bank manages the frontend and onboards or serves the customers</li> </ul>	<ul style="list-style-type: none"> <li>The MNO manages the frontend and onboards or serves the customers</li> </ul>	<ul style="list-style-type: none"> <li>The FinTech manages the frontend and onboards or serves the customers</li> </ul>	<ul style="list-style-type: none"> <li>The FinTech manages the frontend, backend, and onboarding of the borrowers</li> </ul>	<ul style="list-style-type: none"> <li>The FinTech manages the frontend and backend for borrowers and lenders</li> </ul>
Risk share	<ul style="list-style-type: none"> <li>The bank shares the entire risk and revenues</li> </ul>	<ul style="list-style-type: none"> <li>The bank bears the credit risk</li> <li>The MNO and the bank do not share revenue</li> </ul>	<ul style="list-style-type: none"> <li>The FinTech shares the entire risk and revenues</li> </ul>	<ul style="list-style-type: none"> <li>The FinTech bears the credit risk, but the revenue is shared with mobile network operators and other partners</li> </ul>	<ul style="list-style-type: none"> <li>Lenders who could be high-net-worth individuals, digital investors, the general public, and institutions bear the risk</li> </ul>
User interface	<ul style="list-style-type: none"> <li>USSD</li> <li>App</li> <li>Internet banking portal</li> </ul>	<ul style="list-style-type: none"> <li>Mostly USSD and SIM toolkit (STK)</li> <li>App</li> </ul>	<ul style="list-style-type: none"> <li>Mostly app</li> </ul>	<ul style="list-style-type: none"> <li>App</li> <li>Internet portal</li> </ul>	<ul style="list-style-type: none"> <li>App</li> <li>Internet portal</li> </ul>
Typical interest rates (APR)	<ul style="list-style-type: none"> <li>13-75% per annum</li> <li>Higher than the average lending rate</li> <li>Lower than MNO-facilitated and FinTech digital credit</li> </ul>	<ul style="list-style-type: none"> <li>13-300% per annum</li> <li>Higher than the average lending rate</li> <li>Lower than FinTech digital credit</li> </ul>	<ul style="list-style-type: none"> <li>13-300% per annum</li> <li>Highest in the market</li> </ul>	<ul style="list-style-type: none"> <li>10-100% per annum</li> </ul>	<ul style="list-style-type: none"> <li>8-25% per annum</li> </ul>
Source of capital	Bank	Bank	Investors	Investors	Individuals and institutions participating in P2P lending
Examples	<ul style="list-style-type: none"> <li>Eazzy Loan by Equity Bank, Stawi by a consortium of banks in Kenya</li> <li>ICICI Bank, IDFC First Bank, Bank of Baroda, and 811 by Kotak Mahindra Bank in India</li> <li>Ceria (BRI), Mandiri-Shopee Credit Cards (Bank Mandiri) in Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>M-Shwari and Fuliza by Safaricom and NCBA in Kenya</li> <li>Loans facilitated by BCNMs for various banks in India</li> </ul>	<ul style="list-style-type: none"> <li>Branch in Kenya</li> <li>Lendingkart in India</li> </ul>	<ul style="list-style-type: none"> <li>Kopo Kopo, Asante, Imfact, and DigiFarm in Kenya</li> <li>Capital Float, Shubhloans, and PayU in India</li> </ul>	<ul style="list-style-type: none"> <li>Pezesha Marketplace and DigiFarm in Kenya</li> <li>Faircent, PaisaDukan, and Lendbox in India</li> </ul>

Source: MSC analysis



### 3. Key market segments and their personas

# Our three personas have diverse social, economic, and financial lives coupled with vastly different needs, aspirations, and behaviors

## Non-farm rural entrepreneur

- Earns less than USD 5 on average per day
- Independently owns a microbusiness or contributes actively to managing business operations together with the spouse or another family member
- Has access to a basic bank account but has limited digital skills
- Uses a combination of formal and informal channels for financial services

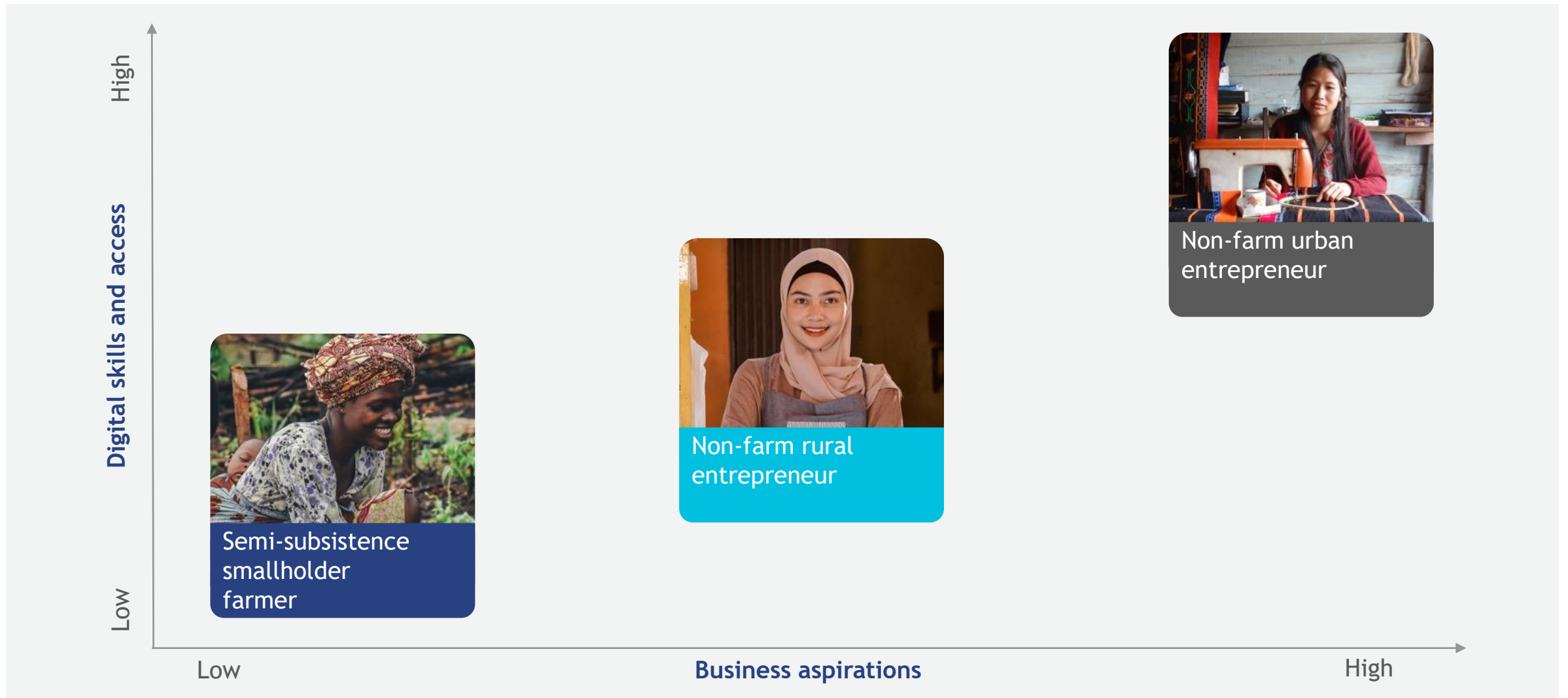
## Non-farm urban entrepreneur

- Earns an average income of less than or equal to USD 5 per day
- Independently owns a micro, informal business
- Aspires to be more competitive in their business and is willing to try new products and processes
- Has access to basic banking services that they use and is comfortable with digital interfaces
- Prefers formal channels for credit

## Semi-subsistence smallholder farmer

- Generates a small surplus that is sold in local markets
- Grows subsistence crops (staples—paddy, wheat, and maize) primarily
- Has limited access to markets
- Uses informal debt sources in the value chain, such as traders and middlemen
- Has relatively lower digital access and skills
- Has access to semi-formal financial services that they use—savings groups and cooperatives

# Comparing digital skills and access with business aspirations highlights opportunities and challenges that these segments face



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# Persona map:

Non-farm rural  
microentrepreneurs—an  
example from Indonesia

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# Meet Kiki, a non-farm rural entrepreneur from Indonesia

## Profile



- ▶ **Kiki**, a mother of two, owns a food stall in a traditional market in Lembang. She sells Indonesian cuisine from her food cart and doubles as a homemaker. She uses social media to promote her stall and targets nearby locations.
- ▶ She is 40 years old, has a high-school certificate, lives in a rural area, owns a smartphone, and makes about USD 250 per month.

## Prominent personality traits

- ▶ Between household chores and her food business, Kiki spends almost 14-16 hours trying to balance her role as a mother and businesswoman.
- ▶ She uses her business income to support her family, especially her children's education and other family lifecycle goals.
- ▶ Kiki has limited capacities to use digital tools and platforms and often depends on other family members (husband and children) for more complex tasks.
- ▶ She is relatively empowered within her household, and her husband supports her in most financial and business decisions.

## Business aspirations

- ▶ She aspires to convert her existing skills into a formal business to contribute more to her family's income.
- ▶ She wants to grow her business to process more orders and build a local brand that she could operate from her home instead of going to the market every day. She wants to employ 1-2 helpers.

## Financial life and needs

- ▶ Kiki has a rich and diverse financial life to manage her needs. She has multiple financial goals on both personal and business fronts and uses several avenues to achieve these goals.
- ▶ Her key financial needs are payment for children's education, festive celebrations, renovations of her business premises, emergency expenses, working capital for business expansion, enhancements to the product line, and purchase of raw material in bulk to reduce costs, and home extension.

## Financial avenues used

- ▶ She uses multiple financial avenues, such as savings box, cash-at-home, ROSCAs, informal borrowing from friends and family, borrowing from banks, MFIs, and FinTechs, subsidized credit from public sector banks.
- ▶ Her exposure to formal sources of credit is limited. She finds digital credit and payments somewhat intimidating.
- ▶ Her options for traditional and digital credit are limited and do not entirely meet her business requirements and hence tend to be inadequate for her needs.

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# Persona map:

Non-farm urban  
microentrepreneurs—an  
example from India

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# Meet Shalini, a non-farm urban entrepreneur from India

## Profile



## Prominent personality traits

## Business aspirations

## Financial life and needs

## Financial avenues used

- ▶ Shalini, mother to two children, lives in Bengaluru. Her husband is in a low-paying government job while she manufactures and sells home decoration and handicraft items. She has an entrepreneurial spirit and dreams of making it big with her business.
- ▶ She is 32 years old, has a high-school certificate, lives in an urban area, owns a smartphone, and makes about USD 300 per month.

- ▶ She is well aware of her competition and wants to invest in anything that could help her scale up her business.
- ▶ She uses her business income to support the family's daily expenses; she maximizes savings for her children's higher education. Second on the list is the dream of owning a house.
- ▶ Shalini's digital use is limited to accepting digital payments and using social media and messaging apps to advertise goods.
- ▶ She is an independent businesswoman and is relatively confident about her personal and business finances.

- ▶ She aspires to scale up her business to secure her family's financial future.
- ▶ She wants to employ paid workers so she gets more time for her family without compromising her business performance.

- ▶ She has big dreams but wants to reduce her borrowing. She wants to reduce her dependency on loans for her multiple financial goals.
- ▶ Her key financial needs are to pay monthly rent and utility bills for her house and shop, set aside a lump sum for the annual visit to her mother, save up to take advantage of opportunities during the festive season, address medical emergencies for her immediate family and dependent parents, buy an advanced sewing machine, a laptop for designing and online sales, and furniture for her shop, and buy her dream home in the city.

- ▶ Shalini uses multiple financial avenues. She uses her personal and business account, occasionally borrows from friends and family, borrows from suppliers by negotiating longer payment terms, uses digital credit, invests small amounts in gold ornaments, borrows informally from friends and family, borrows through FinTechs and banks that can help her to buy now and pay later, uses ROSCAs, and uses fixed deposits in a bank to help her build a lump sum for the down payment.
- ▶ Shalini has many options for formal credit and knows about them, but most are suboptimal. Like her friends, she too wants to try digital credit.

See [Annex 2](#) for more details about the personas

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# Persona map:

Semi-subsistence rural farmer—an example from Kenya

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# Meet Veronica, a semi-subsistence rural farmer from Kenya

Profile		Prominent personality traits	Business aspirations	Financial life and needs	Financial avenues used
<ul style="list-style-type: none"> <li>▶ Veronica is a 36-year-old female semi-subsistence farmer. She is in the dairy farming business along with her husband and sells surplus milk in the local markets.</li> <li>▶ She is 36 years old, has a senior high-school certificate, lives in a rural area, owns a feature phone, and makes about USD 350 per month.</li> </ul>		<ul style="list-style-type: none"> <li>▶ She is young and ambitious. She wants the best for her children.</li> <li>▶ Her husband takes care of major expenses. She uses her income from the farm to buy inputs, such as animal feed, and for family expenses.</li> <li>▶ She owns a feature phone. However, she understands how her husband uses his smartphone to conduct digital transactions.</li> <li>▶ She feels she still has a lot to learn before she can start managing her farm independently.</li> <li>▶ She depends on her husband in most aspects of business and for household financial management.</li> </ul>	<ul style="list-style-type: none"> <li>▶ She wants to move from semi-subsistence to semi-commercial farming to contribute more to her family's income.</li> <li>▶ She wants to employ one or two farm workers and set up a small processing unit to manufacture dairy products like cheese and butter and sell them locally.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Her financial goals are diverse and cut across personal and farm needs. She uses several avenues to try to achieve such goals.</li> <li>▶ Her key financial needs are to build a buffer to deal with household emergencies, such as disease outbreaks in livestock and medical emergencies, routine payment for animal feed and artificial insemination, purchase additional livestock to scale up the dairy business, invest in equipment, such as chaff cutters and milking machines to increase efficiency, and invest in milk processing equipment and a processing plant to capture more value and market.</li> </ul>	<ul style="list-style-type: none"> <li>▶ She uses several financial avenues, such as borrowing from family and friends, cooperative loans, savings groups, FinTech loans, commercial bank agri-business loans, MFI agri-business loans, and asset finance loans from commercial banks.</li> <li>▶ She is a member of a cooperative. She has started to sell some of her surplus milk to the cooperative and has access to milk advance loans—short-term loans to dairy farmers. These loans are affordable and quick.</li> <li>▶ She knows about traditional forms of credit from banks and other financial service providers. She has accessed a group loan from a microfinance institution.</li> <li>▶ She knows about formal digital credit and can access these products. She only tried the “mobile loan” once but found it too expensive.</li> </ul>

See [Annex 2](#) for more details about the personas



## 4. Attributes digital credit users prefer

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# Attributes preferred:

Non-farm rural microentrepreneurs—an example from Indonesia

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# In an ideal state, Kiki needs access to affordable, flexible, and easy-to-understand credit products

## Renovate business premise

### Unsecured:

Kiki lacks collateral to take loans apart from some jewelry, which may not be enough.

### Simplified eligibility criteria:

In the past, when Kiki has approached banks, she has been asked to register her business formally and maintain books of accounts—a requirement she struggles to meet.

### Affordable interest rates:

Kiki pays 7% to 9% on loans taken from cooperatives. She expects similar pricing on credit products. A tad higher interest rate may work, but anything exceeding 12%-14% is not feasible.

### Quality of communication:

Kiki wants the service provider to address all her queries patiently.

## Working capital for business expansion

### Quick turnaround time:

Usually, Kiki needs additional working capital during the festive season to process bulk orders and expand the menu. Time is precious for her; she prefers to avoid elaborate paperwork.

### Non-financial support:

Kiki values business development support (capacity-building, bookkeeping, networking etc.) as it could help expand her business.

### Adequacy of amount:

Kiki does not want to go to many institutions to meet her credit needs for a particular business use-case.

## Home extension

### Smaller down payment:

While Kiki and her husband have saved some money to buy a house, they cannot afford a 10% down payment.

### The flexibility to buy land or a house: Simplified eligibility criteria:

Kiki and her husband have not yet decided if they would purchase land and construct their own home or buy a ready-to-move-in option. They want flexibility for either choice.

### Longer tenure:

Since it is a long-term commitment, Kiki wants the loan term to be longer, so she can meet installment obligations comfortably.

### Availability of government subsidy:

Kiki wants to avail of lower interest rates offered by the government on affordable housing finance.

# While individual products have some variations\*, the overarching design and delivery processes are similar across product clusters

Product features	Government programs	Traditional microfinance loans	Digital working capital loans	Crowdfunding P2P loans
Typical loan amount	USD 500-3,000, unsecured	USD 200-1,750, unsecured	USD 200-2,000, unsecured	USD 150-3,000, unsecured
Loan tenure	One to five years	One to two years	Three to 12 months	Three to 18 months
Interest rates	6-11% p.a.	20-50% p.a.	16-36% p.a.	8-18% p.a.
Credit assessment	Manual cash flow analysis based on consultation with the borrower and credit bureau checks	Manual cash flow analysis based on consultation with the borrower and credit bureau checks	AI and ML-based credit scoring coupled with social and digital profiling	Platform mediated risk assessment, primarily cash-flow based
Channels of delivery	Public sector banks or designated private sector entities	Field branches and doorstep delivery through field officers	Self-service (mobile applications)	Offline (at least for the rural segment) registration and risk assessment and self-service model for funding
Loan delivery process	Non-digital	Non-digital, except for frontend data collection and entry process that may be digital for more mature and large MFIs.	Digital process from sourcing and disbursements to repayments; some providers may also do physical verification	Offline sourcing, digital process for funding and disbursements, online or offline payments

\* While the overall loan Tenure or amount or pricing limits vary considerably between different products under a product category, we have considered typical ranges to compare products, especially for the segment under consideration

# The different options available to Kiki fall short of her expectations

Attributes that matter to Kiki	Product fitment index											
	Government programs			Traditional microfinance loans			Digital working capital loans			Crowdfunded P2P loans		
Accessibility	■	■	■	■	■	■	■	■	■	■	■	■
Affordability	■	■	■	■	■	■	■	■	■	■	■	■
Eligibility criteria and documentation	■	■	■	■	■	■	■	■	■	■	■	■
Adequacy of amount	■	■	■	■	■	■	■	■	■	■	■	■
Turnaround time and ease of processes	■	■	■	■	■	■	■	■	■	■	■	■
Business development support	■	■	■	■	■	■	■	■	■	■	■	■
<b>Desired state for Kiki</b>	Kiki can get customized offers based on her context, while the documentation and approval processes are quick.			Kiki can get loans at an affordable rate and on a cycle that suits her, unlike group loans.			Kiki needs someone to subdue her fears about digital credit and help her understand and apply for digital loans.			Kiki needs someone to help her understand and apply for digital loans, and she expects a fast turnaround time.		
<b>Product fit</b>	Suboptimal			Suboptimal			Detrimental			Suboptimal		



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# Attributes preferred:

Non-farm urban  
microentrepreneurs—an  
example from India

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# Shalini wants easy access to credit and flexible solutions to meet her needs

## Advances for short-term liquidity

### Ease of process:

Time is crucial for Shalini's business. Any loan process that takes more than a day or two is unlikely to help her cause.

### An assurance of safety:

Shalini has heard many negative stories about online lending. She wants to feel assured of safety before she applies for digital loans.

### Flexible repayments:

Shalini wants the flexibility to repay her loans. Most lenders levy penal charges for pre-payment and part-payment of EMIs, which are detrimental to her financial health. She wants to be able to repay more during high-income months and vice-versa.

## Investment capital for business

### Transparent credit assessment process:

Lenders should be able to ascertain their credit limit adequately and create a partnership with relevant online and offline stores from where Shalini buys furniture or electronics, or appliances.

### Flexible repayment:

Shalini seeks an extended warranty with the financing option. This will make her secure, and she can use the assets more intensively for her business.

### Unsecured:

Shalini wants access to loans without having to pledge any collateral as she does not own a home, a vehicle, or any other asset (except for a small amount of gold).

## Buy home

### Affordable:

Shalini saves regularly to reduce dependency on larger loans. She feels that banks, especially the public sector, are the best option as they are the most affordable, reliable, and transparent for home loans.

### Process simplicity:

Since her business is informal, Shalini lacks income proof documents that banks ask for. Instead, she wants banks to assess her repayment capacity from her savings and credit history.

### Avail government subsidy:

Shalini has heard of housing finance subsidies from the government, on housing loans, especially for middle-income groups. She wants information on access to such schemes.

## Though multiple providers offer credit to this segment—most products are either too standardized, or the loan size is inadequate for Shalini—or both

Product features	Government programs	Traditional microenterprise (individual) loans	Digital working capital and crowd-funded P2P loans	Buy now pay later (BNPL)
Typical loan amount	USD 500-3,000, unsecured	USD 650-4,000, unsecured	USD 200-2,000, unsecured	Up to USD 1,000, unsecured
Loan Tenor	One to five years	One to three years	Three to twelve months	Up to 12 months
Interest rates	6-11% p.a.	18%-35% p.a.	16-36% p.a.	6%-36% p.a.
Credit assessment	Manual cash flow analysis based on consultation with the borrower and credit bureau checks	Largely based on credit bureau checks and quick cash flow analysis, followed by informal checks	AI and ML-based credit scoring engines coupled with social and digital profiling	Alternative data for credit scoring, including digital payments, social networks, social media activity
Channels of delivery	Public sector banks or designated private sector entities	Branches and doorstep delivery through field officers	Self-service (mobile applications)	E-commerce platforms and retailer outlets of retail commodities.
Loan delivery process	Non-digital	Semi-digital; except for sourcing (in some cases), most other processes are non-digital	Digital processes from sourcing and disbursements to repayments. Some providers conduct a physical verification	Mostly digital from sourcing till disbursement, repayment via automated cheque clearance mandates, which are sometimes signed manually

\* While the overall loan tenure or amount or pricing limits vary a lot between different products under a specific product category, typical ranges have been considered for comparing products, especially for the segment under consideration

# The different options available to Shalini fall short of her expectations

Attributes that matter to Shalini	Product fitment index			
	Government-subsidized loan initiatives	Traditional microenterprise loans	Digital working capital and crowdfunded P2P loans	BNPL
Collateral requirements				
Affordability				
Turnaround time and ease of process				
Repayment flexibility				
Protection against fraud and malpractices				
<b>Desired state for Shalini</b>	Shalini gets a loan with easy documentation, terms and conditions are communicated. However, it takes time to access these loans.	Shalini can get an adequate loan and top-up amounts and repay them flexibly when needed.	Shalini trusts the providers and believes she will not be defrauded; the lender helps her complete the process.	Shalini wants to be able to buy electronic items and sewing machines for her business and have flexible repayment terms.
<b>Product fit</b>	Suboptimal	Suboptimal	<b>Detrimental</b>	Suboptimal

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## Attributes preferred:

Semi-subsistence rural farmer—an example from Kenya

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# Since Veronica is a smallholder farmer, she prefers affordable loan products and repayments that match her income cycle

## Purchase of additional livestock

### Affordable:

Veronica prefers highly affordable products she can comfortably pay for from her dairy farm income.

### Value-added services:

Veronica prefers value-added services, such as farm advisory services, insurance, and veterinary services, which the providers can offer alongside the loan.

### Long loan tenure:

Veronica prefers a long loan tenure of more than 12 months to realize the value and repay the loan from the dairy farm income.

### Flexible repayment options:

Veronica wants flexible repayment options so she can repay loans as per her cash flows. She finds fixed monthly payments burdensome.

## Invest in small machinery

### 100% financing:

Financial service providers usually finance between 50% to 70% of the asset cost. She prefers a product that will give her 100% financing.

### Minimal collateral requirements:

Veronica prefers assets to be used as collateral.

### Simplified terms and transparency:

Veronica feels that the terms and conditions are often unclear, and the total costs are not shared upfront.

## Dealing with emergencies

### Quick disbursement:

Veronica needs quick disbursement for dealing with personal emergencies, such as children's medical bills.

### Affordable:

Veronica prefers highly affordable products she can manage comfortably with her income from the dairy farm.

### Accessibility:

Veronica prefers loan products that she can access conveniently from her mobile device without having to deal with volumes of paperwork.

### Collection mechanism:

Veronica prefers loan products from providers that do not use coercive methods to collect the loan when it is due but rather those who can understand her situation.

# Veronica has access to a wide range of loans, but none meet her requirements

Attributes that matter to Veronica	Product fitment index											
	Generic digital loans			Farm input loans			Dairy and livestock loans			Farm assets loans		
Accessibility	■	■	■	■	■	■	■	■	■	■	■	■
Affordability	■	■	■	■	■	■	■	■	■	■	■	■
Eligibility criteria and documentation	■	■	■	■	■	■	■	■	■	■	■	■
Repayment flexibility	■	■	■	■	■	■	■	■	■	■	■	■
Turnaround time and ease of processes	■	■	■	■	■	■	■	■	■	■	■	■
Value-added services	■	■	■	■	■	■	■	■	■	■	■	■
Loan tenure	■	■	■	■	■	■	■	■	■	■	■	■
<b>Desired state for Veronica</b>	While Veronica appreciates the accessibility of digital credit, she seeks longer tenures, affordability, and value-added services.			Veronica desires affordability and flexible repayment terms.			Veronica desires easy eligibility criteria and value-added services.			Veronica desires easy eligibility criteria, flexible repayments, and longer loan tenures.		
<b>Product fit</b>	Detrimental			Suboptimal			Suboptimal			Suboptimal		

# Credit products have different features that affect the access and usage by smallholder farmers, such as Veronica

Product features	Digital loans	Farm input loans	Dairy and livestock loans	Farm assets loans
Typical loan amount	USD 50-300, unsecured	USD 50-1,000, secured	USD 50-2,500, secured	USD 500-50,000, secured
Loan Tenor	Average of 30 days	6 months	1 to 2 years	1 to 2 years
Interest rates	13-300% p.a	20-50% p.a.	16-36% p.a.	10-30% p.a.
Credit assessment	Primarily based on credit scores generated by financial transaction history	Primarily based on milk yield as the loan is for inputs purchase for her dairy business	Based on milk yield and financial transaction history	Based on transaction history and collateral valuation
Channels of delivery	Mobile phone and Internet banking	Mobile phone and field branches	Field branches	Field branches
Loan delivery process	Digital application and disbursement	Digital application and disbursement, manual verification	Digital application and disbursement, manual verification	Manual application, verification, and disbursement

\* While the overall loan tenure or amount or pricing limits vary considerably between different products under a specific product category, typical ranges have been considered for comparing products, especially for the segment under consideration





## 5. Constraints in delivering digital credit

# Constraints providers face as they deliver on urban non-farm entrepreneurs' expectations

Available products	Constraints in delivering loans that would meet urban non-farm entrepreneurs' requirements		
	Macro	Meso	Micro
Subsidized microenterprise loans under government programs	<ul style="list-style-type: none"> <li>Inadequate amounts and ineffective channels (India)</li> <li>Policy restrictions on the use of the private sector (Indonesia)</li> </ul>	<ul style="list-style-type: none"> <li>Delivery is done via banks and NBFCs that do not want to serve the microenterprises segment (India)</li> </ul>	<ul style="list-style-type: none"> <li>Lack of effective credit assessment methods (India)</li> <li>Lack of innovation in delivery processes and reliance on traditional channels for delivery (common to all geographies)</li> </ul>
Traditional microenterprise loans through NBFCs and banks	<ul style="list-style-type: none"> <li>Hesitation on the part of banks and mainstream NBFCs to serve informal microenterprises (India)</li> <li>Regulatory restrictions for MFIs and SFBs on non-qualifying portfolios (India)</li> </ul>	<ul style="list-style-type: none"> <li>Difficulties of lenders to assess first-time borrowers; because most businesses are informal, they lack verifiable records of business transactions (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>High cost of doorstep servicing for individual microenterprises (India)</li> <li>Low digital uptake by customers, preference for cash (Indonesia, India)</li> </ul>
Digital working capital and crowdfunded P2P loans	<ul style="list-style-type: none"> <li>Inadequate regulatory and administrative push to eliminate fraudulent players (India)</li> <li>Most microenterprises are informal (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Limited ability to translate digital trails or data to assess borrowers meaningfully (common to all geographies)</li> <li>Inability to use social commerce data (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Negative perception due to illegal and unethical practices (common to all geographies)</li> <li>Lack of tailored products (common to all geographies)</li> </ul>
Buy-now-pay-later (BNPL)	<ul style="list-style-type: none"> <li>Lack of regulations to define pricing limits on BNPL (India)</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate sharing of credit information (Indonesia, India)</li> <li>Inadequate digital identity infrastructure (Indonesia, Kenya)</li> </ul>	<ul style="list-style-type: none"> <li>Low digital uptake and digital footprints of customers (India)</li> </ul>

# Constraints that providers face to deliver on rural non-farm entrepreneurs' expectations

Available products	Constraints in delivering loans that would meet rural non-farm entrepreneur's requirements		
	Macro	Meso	Micro
Subsidized microenterprise loans under government programs	<ul style="list-style-type: none"> <li>Policy restrictions on channeling loans through the private sector (Indonesia)</li> </ul>	<ul style="list-style-type: none"> <li>Underutilization of agent networks for loan delivery (Indonesia, Kenya)</li> </ul>	<ul style="list-style-type: none"> <li>Lack of innovation in delivery processes and reliance on traditional channels for delivery (common to all geographies)</li> </ul>
Traditional microfinance loans (group-based)	<ul style="list-style-type: none"> <li>Regulatory restrictions on product mix and collateral requirements (Indonesia)</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate credit information sharing (Indonesia)</li> <li>Inadequate CICO infrastructure in rural areas (Indonesia, India)</li> </ul>	<ul style="list-style-type: none"> <li>Resource constraints for digital transformation (common to all geographies)</li> <li>High cost of capital (Indonesia, Kenya)</li> <li>High operational costs (Indonesia, Kenya)</li> </ul>
Digital working capital loans	<ul style="list-style-type: none"> <li>Lack of policy incentive and push to serve the underserved segments (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate credit info sharing (Indonesia)</li> <li>Poor digital identity infrastructure (Indonesia, Kenya)</li> <li>Limited digital trails and data (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Investor push dissuades providers from serving rural segments (Indonesia)</li> <li>Lack of appropriate products (Kenya)</li> <li>High cost of capital (common to all geographies)</li> </ul>
Crowdfunding P2P loans	<ul style="list-style-type: none"> <li>Lack of regulations to define rules of the game and hence drive innovations (Kenya)</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate credit info sharing (Indonesia)</li> <li>Digital identity infrastructure (Indonesia, Kenya)</li> </ul>	<ul style="list-style-type: none"> <li>Lack of awareness of such platforms (common to all geographies)</li> <li>Inadequate field resources for sourcing, risk assessment, and repayments monitoring (common to all geographies)</li> </ul>

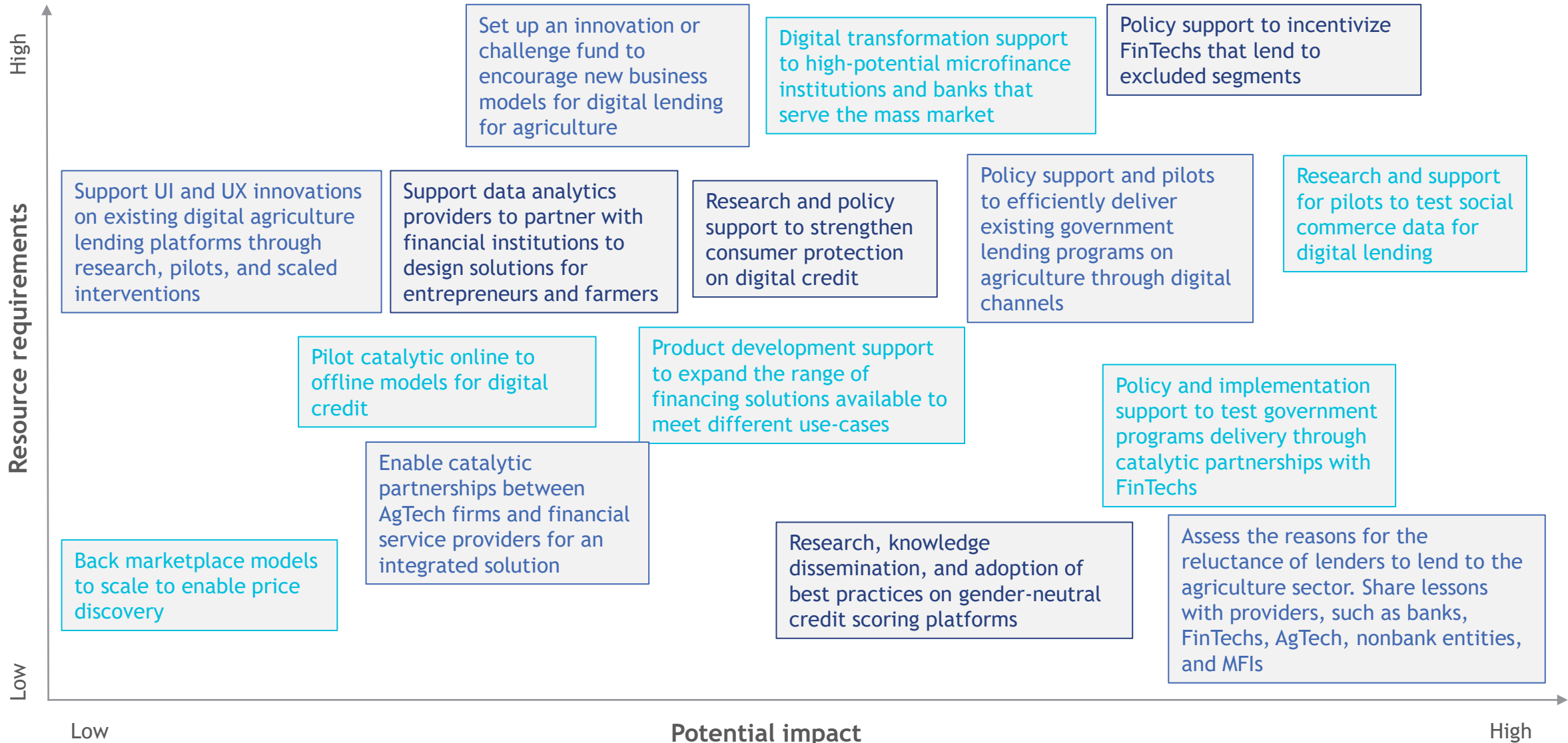
# Constraints that providers face to deliver on smallholder farmers' expectations

Available products	Constraints in delivering loans that would meet smallholder farmers' requirements		
	Macro	Meso	Micro
Digital loans	<ul style="list-style-type: none"> <li>Restrictions on access to CRB for non-regulated credit-only MFIs (Kenya)</li> </ul>	<ul style="list-style-type: none"> <li>Low portfolio and credit quality as loans are based on credit scores built on incomplete financial transaction history (common to all geographies)</li> <li>High cost of capital (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Lack of incentives by providers because of a perception among lenders that rural farmers are a risky segment to lend to (common to all geographies)</li> <li>Inadequate credit information sharing (common to all geographies)</li> </ul>
Farm input loans	<ul style="list-style-type: none"> <li>Lack of policy incentives and push to serve rural farmers because of high income volatility (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>High non-performing loans due to weather-related and other risks (common to all geographies)</li> <li>Absence of risk-mitigation products, such as weather insurance (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Low appetite to serve rural clients because of high administrative costs for low-value input loans (common to all geographies)</li> </ul>
Dairy and livestock loans	<ul style="list-style-type: none"> <li>Lack of standard definition and categorization of farm-level assets to determine what can be charged as collateral (Kenya)</li> </ul>	<ul style="list-style-type: none"> <li>Lack of credible value chains that could provide necessary support and data in loan sourcing and credit decision making (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Low appetite to serve rural clients because of high administrative costs (common to all geographies)</li> </ul>
Farm assets loans	<ul style="list-style-type: none"> <li>Lack of policy incentives and push to serve rural farmers because of high income volatility (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Deterioration in quality of encumbered asset charged as collateral due to wear and tear (common to all geographies)</li> </ul>	<ul style="list-style-type: none"> <li>Low appetite and perceived risk to serve rural smallholder farmers because of high administrative costs (common to all geographies)</li> </ul>

## 6. Opportunities to deepen digital credit for the key segments



# Opportunities to deepen digital credit for the key segments and personas








■ Set of common opportunities across all segments
 ■ Urban and rural personas
 ■ Smallholder farmers



## **Annex 1: Funding support for the study**

# Annex 1: Funding support for the study

This study has been generously funded by the Bill & Melinda Gates Foundation, AFD, SPTF, and the Smart Campaign, a project of the Center for Financial Inclusion at Accion. MSC also cofunded portions of the work.

	<p>The Bill &amp; Melinda Gates Foundation is a private philanthropic foundation established in 2000 by Microsoft cofounders Bill Gates and Melinda French Gates. It focuses its grantmaking and advocacy efforts on eliminating global inequities and increasing opportunities for those in need through programs that address, for example, global agricultural and economic development, medical research and public health initiatives in developing countries, and the improvement of education and access to information in the United States.</p>
	<p>AFD funds, supports, and accelerates the transitions to a fairer and more sustainable world. Focusing on climate, biodiversity, peace, education, urban development, health, and governance, AFD's teams carry out more than 4,000 projects in France's overseas departments and territories and another 115 countries. In this way, AFD contributes to the commitment of France and French people to support the sustainable development goals.</p>
	<p>SPTF is a nonprofit membership organization with more than 3,000 members from all over the world. Our members come from every stakeholder group in inclusive finance. SPTF engages with these stakeholders to develop and promote standards and good practices for responsible inclusive finance to make financial services safer and more beneficial for clients.</p>
	<p>Accion is a global nonprofit committed to creating a financially inclusive world, with a pioneering legacy in microfinance and fintech impact investing. The Smart Campaign is a global effort to unite financial leaders around a common goal: to keep clients as the driving force of the industry. It works with financial leaders from around the world to provide institutions with the tools and resources they need to deliver transparent, respectful, and prudent financial services to all clients.</p>
	<p>MSC (MicroSave Consulting) is a boutique consulting firm that has, for 20 years, pushed the world towards meaningful financial, social, and economic inclusion. With 11 offices around the globe and about 190 staff of different nationalities and varied expertise, we are proud to be working in over 50 developing countries. We partner with participants in financial services ecosystems to achieve sustainable performance improvements and unlock enduring value. Our clients include governments, donors, private-sector corporations, and local businesses.</p>

**Recommended citation:** MSC (2022). *Customer-centric and responsible digital credit solutions for urban and rural non-farm entrepreneurs and smallholder farmers: Analysis report from research on digital credit users in Indonesia, India, and Kenya*

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## Annex 2: Details of the personas

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# Persona map:

Non-farm rural  
microentrepreneurs—  
example from Indonesia

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# Kiki aspires to convert her existing skills into a formal business so she can contribute more to her family's income

Kiki, a mother of two kids, owns a food stall in a traditional market in Lembang. She sells Indonesian cuisine from her food cart and doubles up as a homemaker. She uses social media to promote her stall and targets nearby locations



**Prominent personality traits**

-  **Hardworking**  
Between household chores and her food business, Kiki spends almost 14-16 hours trying to balance her role as a mother and businesswoman.
-  **Family orientation**  
The income earned from business supports her family, especially her children's education and other lifecycle goals of the family.
-  **Digital novice**  
Kiki has limited capacities to use digital tools and platforms and often depends on other family members (husband and children) for more complex tasks.

**Aspirations**

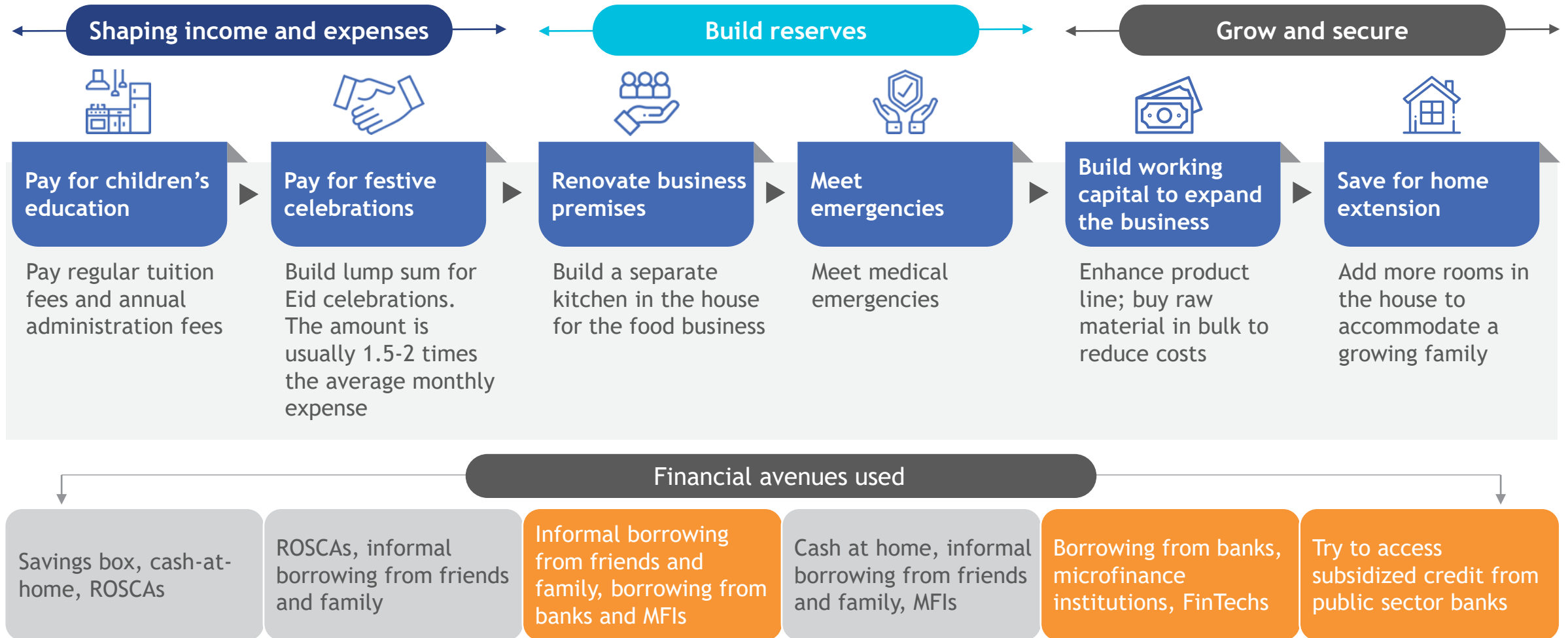


Kiki wants to grow her business to process more orders and build a local brand that allows her to operate from her home instead of going to the market every day. She wants to employ one or two helpers.



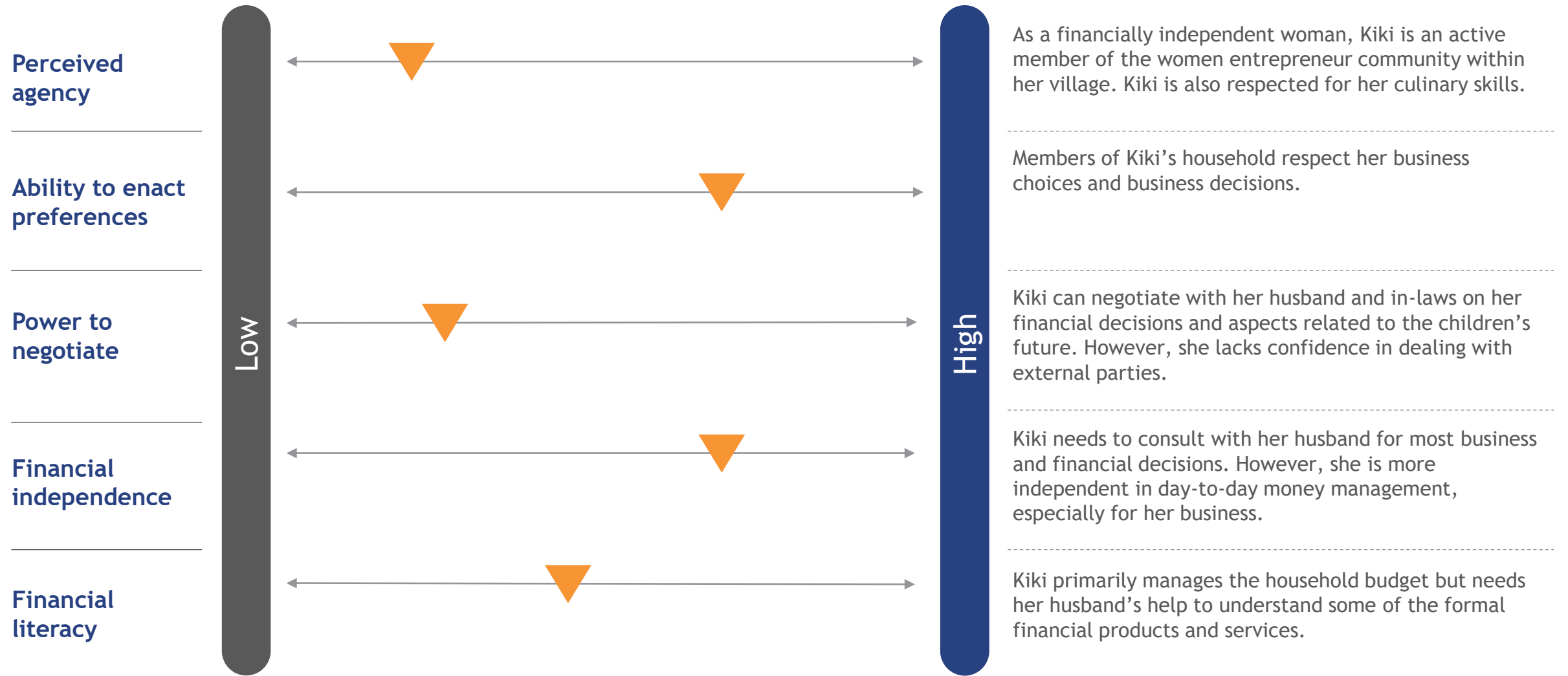
# Kiki has a rich and diverse financial life to manage her needs

Kiki has multiple financial goals on both personal and business fronts and uses a variety of avenues to achieve these goals



Reliance on formal credit ■ High ■ Low





# Kiki is relatively empowered within her household, and her husband supports her in most financial and business decisions



\* Adapted from Women's World Banking framework on women empowerment

# Kiki's exposure to formal credit sources is limited; she feels slightly intimidated when it comes to digital credit and payments



	Credit	Knowledge	Access	Usage*	
 <b>Semi-formal</b> (credit unions, cooperatives)		■ ■ ■	■ ■ ■	■ ■ ■	<p>Kiki is a regular member of the local savings and loan cooperative. She can borrow a small amount from the cooperative from time to time at affordable interest rates. However, the cooperative lacks funds for more significant loan amounts.</p>
 <b>Formal - Traditional</b> (Bank, NBFCs)		■ ■ ■	■ ■ ■	■ ■ ■	<p>Kiki knows about state-owned banks' subsidized credit for microenterprises, but her past few applications were rejected as she did not meet loan requirements. She has, however, borrowed from a nonbank finance company (NBFC) once by pledging her gold jewelry.</p>
 <b>Formal - Digital</b> (FinTechs, digital banks)		■ ■ ■	■ ■ ■	■ ■ ■	<p>Kiki has seen promotional content on digital credit on her social media accounts. She has also heard about it from her friends. However, she is a bit intimidated by negative media on the practices adopted by digital credit providers. Also, she is not confident about her digital skills and fears something might go wrong in the process.</p>
<b>Digital payments</b>					
 <b>Digital payments</b> (e-wallet, mobile banking, ATMs, Agents)		■ ■ ■	■ ■ ■	■ ■ ■	<p>She has an ATM card she can use herself, although her children and husband had to initially support her. She has also registered for a GoPay e-wallet but has never used it.</p>

# Kiki's options for traditional and digital credit are limited; they do not meet her business requirements entirely and hence tend to be suboptimal to her needs

Renovate  
business  
premise

Working  
capital for  
business  
expansion

## Subsidized microenterprise loans under government programs

The state budget typically funds these loan programs. The government usually assigns a set of institutions to distribute these loans. The program targets microenterprises that may not be able to afford credit at commercial terms.

- [Kredit Usaha Rakyat](#) and [PNM Mekaar](#) (Indonesia)
- [Mudra loans](#) (India)
- [Women Enterprise Fund](#) (Kenya)

## Traditional microfinance loans (group-based)

Registered microfinance institutions give loans through their branches in a group setting. Some MFIs may attempt to digitize some parts of the loan delivery process (repayments, origination).

- [Mitra Bisnis Keluarga](#) (Indonesia)
- [Sonata Microfinance](#) (India)
- [KWFT](#), [Musoni](#) (Kenya)

## Digital working capital loans

Nonbank finance companies or mainstream banks offer this product. Microenterprises can apply for such loans digitally through the provider's mobile application.

- [BFI Selfi](#), [BRI KECE](#) (Indonesia)
- [Sub-K](#), [Arth](#) (India)
- [Stawi](#) and [Jaza Duka](#) (Kenya)

## Crowdfunded P2P loans

These products work on peer-to-peer or crowdfunding principles and help microenterprises to raise debt capital by providing a digital platform that connects borrowers with lenders or investors.

- [Modalku](#) (Indonesia)
- [Rangde](#), [Faircent](#) (India)
- [Pezesha](#) (Kenya)

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## Persona map:

Non-farm urban  
microentrepreneurs—  
example from India

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# Shalini aspires to scale up her business to help her secure her family's financial future

Shalini, mother to two children, lives in Bengaluru. Her husband is in a low-paying government job while she manufactures and sells home decoration and handicraft items. She has an entrepreneurial spirit and dreams of making it big with her business



## Prominent personality traits



Ambitious



Goal oriented



Digital early adopter

Shalini is well aware of her competition and wants to invest in a way that will help her scale up her business.

The income from her business supports the family's daily expenses; she maximizes savings for her children's higher education. She also aspires to own a house.

Shalini's digital use is limited to accepting digital payments and using social media and messaging apps to advertise goods.

## Aspirations



Shalini wants to scale up her business (both online and offline). She wants to employ paid workers, so she gets more time for her family without compromising her business performance.

## Demographic pattern

32 years

High school

Urban

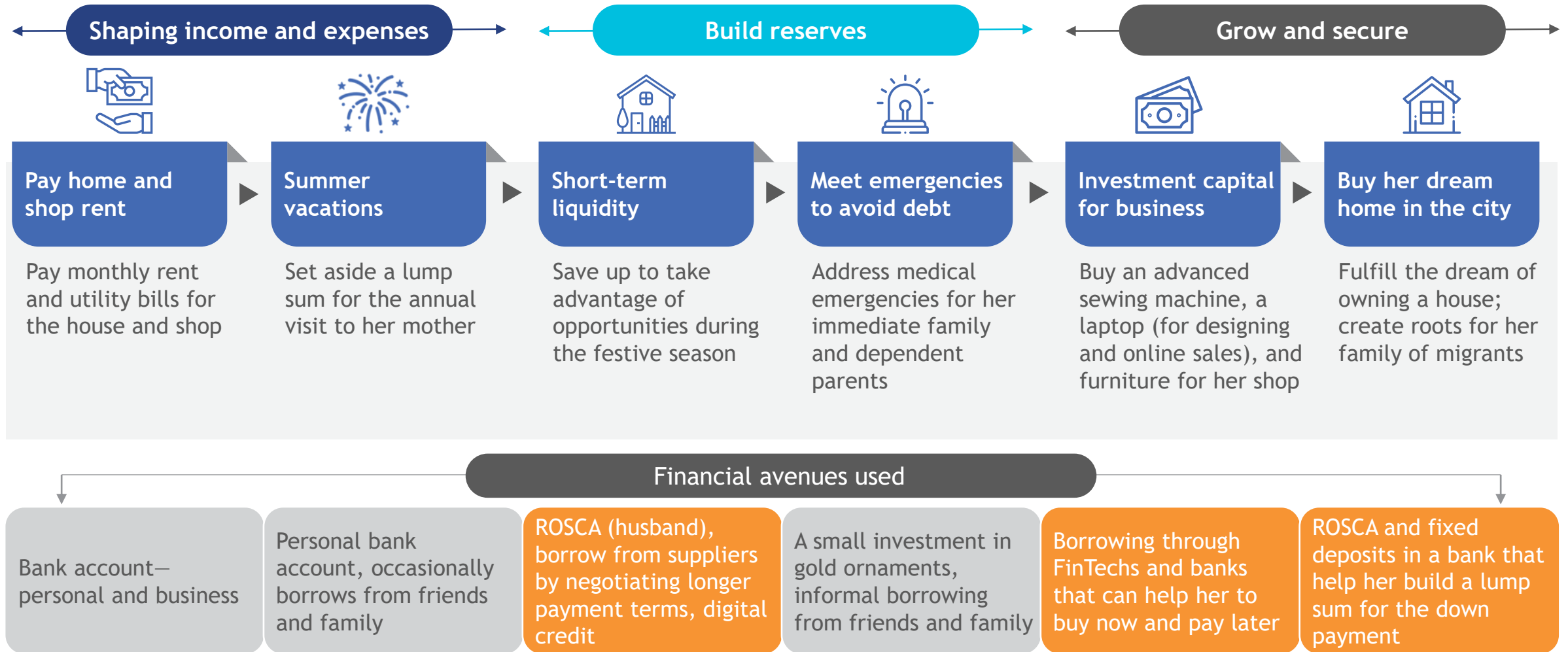
Smartphone owner

Female

Income (monthly)  
< USD 300

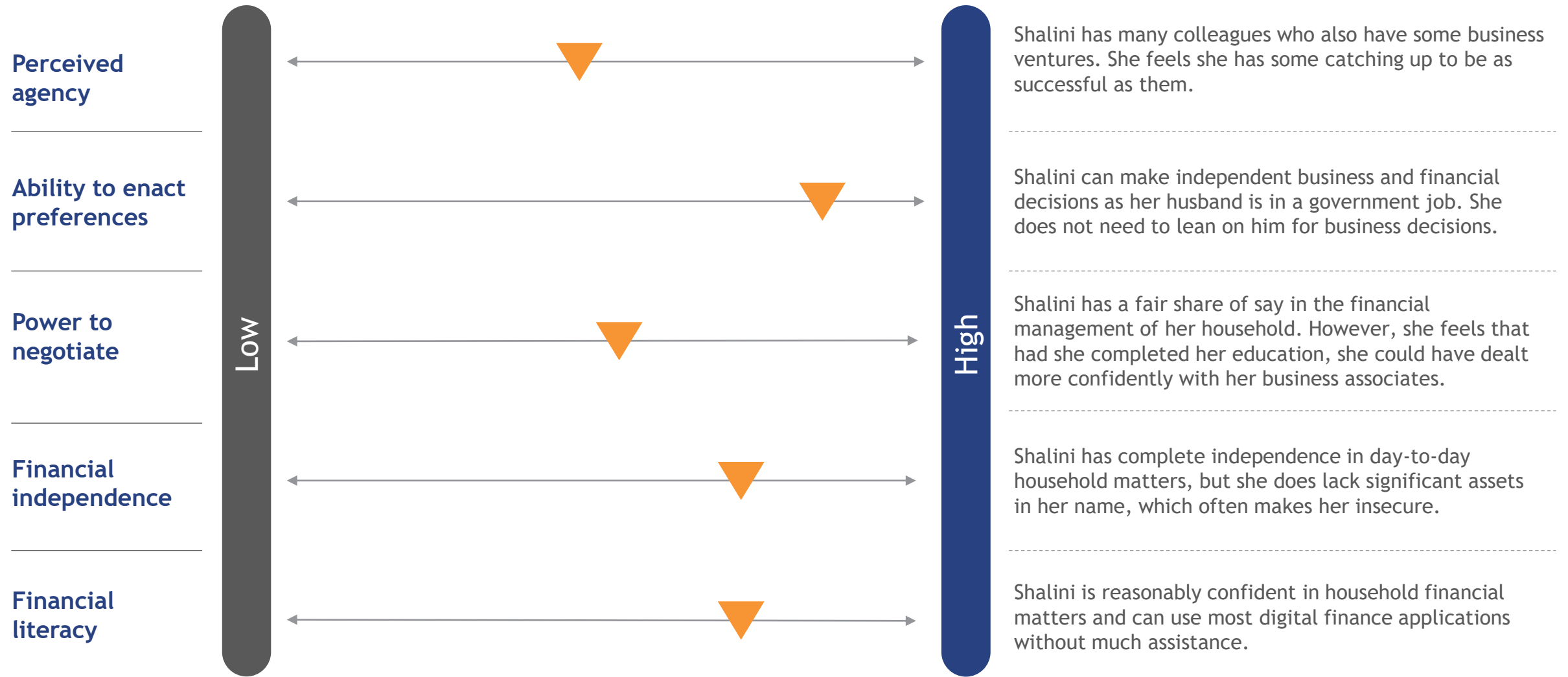
# Shalini has big dreams but wants to reduce her borrowing

For her multiple financial goals, Shalini would like to reduce her dependency on loans



Reliance on formal credit ■ High ■ Low





# Shalini is an independent businesswoman and is relatively confident about her personal and business finances



\* Adapted from Women's World Banking framework on women empowerment

# Shalini knows about most formal sources of credit; like her friends, she wants to try digital credit



	Credit	Knowledge	Access	Usage	
 <b>Informal</b> (friends and family, suppliers)		■ ■ ■	■ ■ ■	■ ■ ■	Shalini buys stock regularly on credit from her suppliers. She also borrows occasionally from friends and family, which she feels is a good source of credit due to fast access, privacy, and repayment flexibility.
 <b>Formal - Traditional</b> (Banks, NBFCs)		■ ■ ■	■ ■ ■	■ ■ ■	Shalini has taken an individual business loan from a small finance bank. She knows about larger loans for microenterprises by banks and NBFCs but feels the eligibility criteria and documentary requirements are too steep for her.
 <b>Formal - Digital</b> (FinTechs, banks, NBFCs)		■ ■ ■	■ ■ ■	■ ■ ■	Shalini knows about digital credit as some of her friends have taken short-term credit from a payments service provider based on their transaction history on the payments platform app. Some field agents have also approached her at a mall to enroll for a credit card to buy home appliances.
 <b>Digital payments</b> (e-wallet, mobile banking, ATMs)		■ ■ ■	■ ■ ■	■ ■ ■	Shalini started accepting digital payments as many customers do not carry cash. Over the past year, she has grown confident with digital payments and prefers them over cash due to its convenience.

# Shalini's has many options when it comes to formal credit, but most are suboptimal

Advances for short-term liquidity

Investment capital for business

## Subsidized microenterprise loans under government programs

These loan programs are usually sponsored by the central government and rolled out via mainstream financial service providers: banks, NBFIs, and MFIs. Such loans offer substantial subsidies in interest rates that target microenterprises and low-income households.

- [Kredit Usaha Rakyat](#) and [Ultra Mikro loans](#) (Indonesia)
- [Mudra loans](#) (India)
- [Women Enterprise Fund](#) (Kenya)

## Traditional microenterprise loans through NBFCs and banks

MFIs, NBFCs, SFBs, and banks provide such loans through physical branches with doorstep services in the case of MFIs and SFBs. Credit assessment happens via credit bureau check and cash flow assessments of the business and the household. Collateral requirements are mandated beyond a certain threshold limit.

- [Bank BJB](#), [Bank Mandiri](#) (Indonesia)
- [Ujjivan](#) (India)
- [KCB](#) (Kenya)

## Digital working capital loans\*

Non-bank finance companies or mainstream banks usually implement these. Microenterprises can apply for such loans digitally through the provider's mobile app.

- [BFI Selfi](#), [BRI KECE](#) (Indonesia)
- [Sub-K](#), [Arth](#) (India)
- [Stawi](#) and [Jaza Duka](#) (Kenya)

## Buy now, pay later (BNPL) loans\*

Microenterprises avail of both formal and informal BNPL offerings regularly. Supplier credit is a dominant arrangement, and BNPL schemes for buying appliances and household goods are also increasingly used, as are BNPL schemes over e-commerce and payments platforms.

- [Kredivo](#) (Indonesia)
- [Amazon Pay](#), [Paytm](#), [Zest](#) (India)
- [Lipa Later](#) (Kenya)

\* For analysis, we restrict our scope to productive use-cases alone. However, we can do a similar analysis for credit needed for consumption purposes

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# Persona map:

Semi-subsistence rural farmer—example from Kenya

---



# Veronica wants to move from semi-subsistence to semi-commercial farming to contribute more to her family's income

Veronica is a 36-year-old female semi-subsistence farmer. She is in the dairy farming business along with her husband. Veronica sells surplus milk in the local markets.



A young and ambitious lady



Family-oriented person



Understand digital technology

## Prominent personality traits

Veronica is young and ambitious. She wants the best for her children.

Her husband takes care of major expenses. They use the income from the farm to buy inputs, such as animal feed and handle family expenses.

She owns a feature phone. However, she understands how her husband uses his smartphone to conduct digital transactions.

## Aspirations



Veronica wants to grow her business to semi-commercial farming. She wants to employ one or two farm workers and set up a small processing unit to manufacture dairy products like cheese and butter and sell them locally.

## Demographic pattern

36 years

Senior high school

Rural

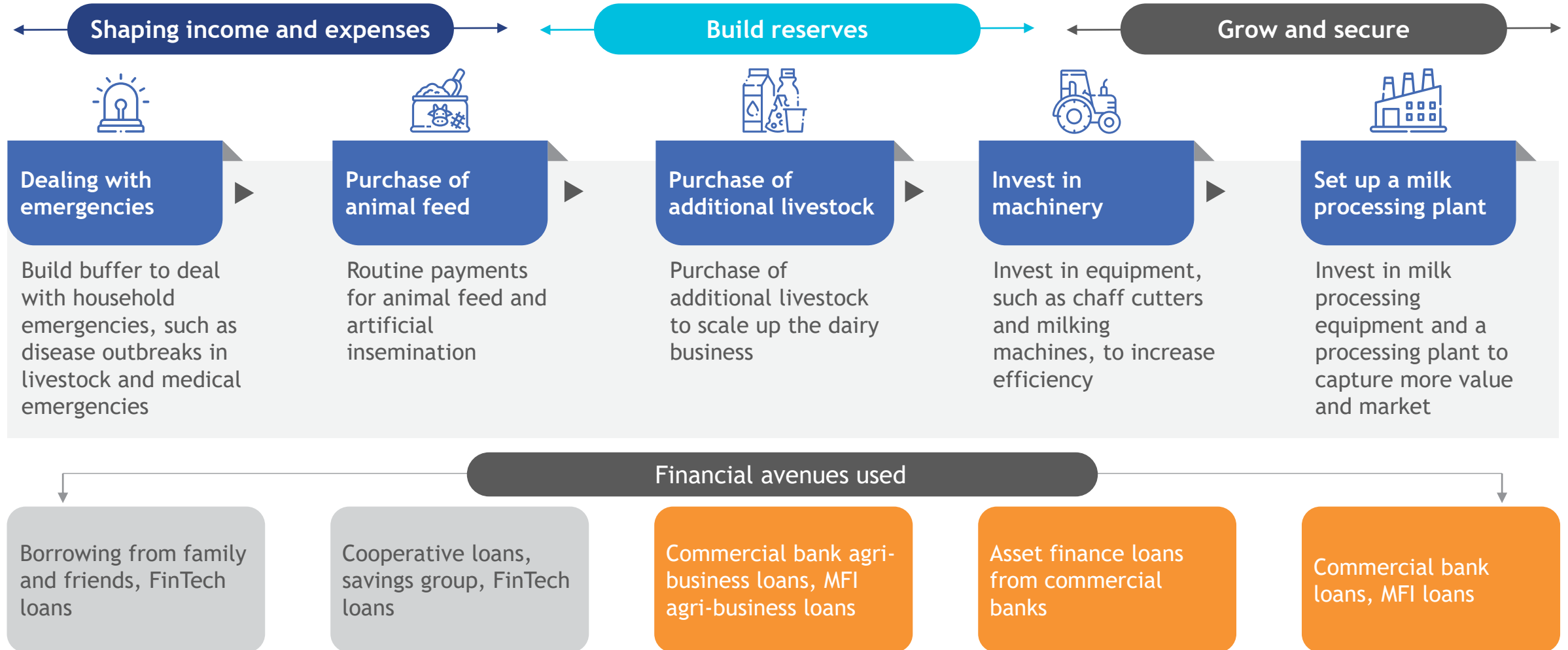
Feature phone owner

Female

Income (monthly) <USD 350

# Veronica's financial goals are diverse and cut across personal and farm needs

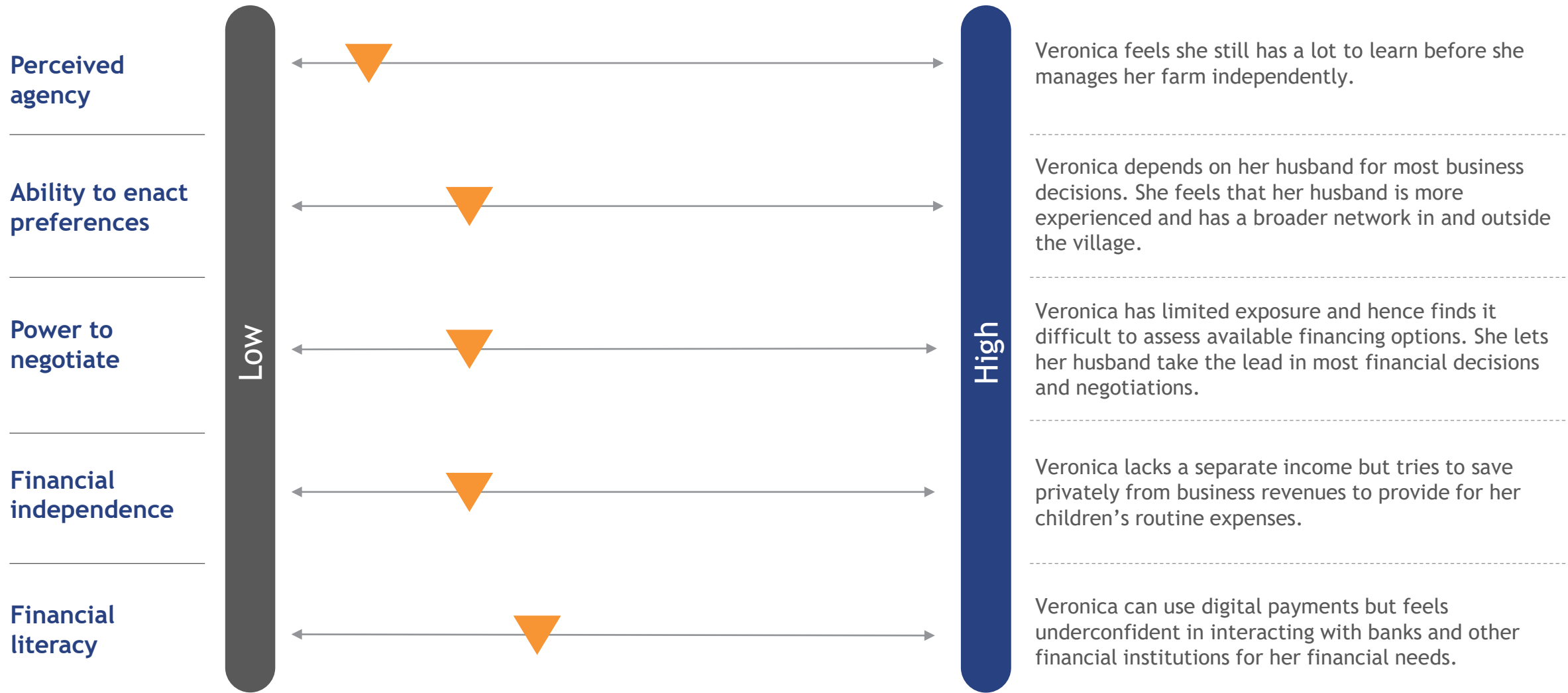
Veronica has financial goals on both personal and farming fronts, and she uses a variety of avenues to try to achieve them.



Reliance on formal credit ■ High ■ Low







# Veronica depends on her husband in most aspects of business and for household financial management



\* Adapted from the framework on women empowerment by Women's World Banking

# Veronica has some exposure to digital financial services and is curious about other use-cases for DFS



	Credit	Knowledge	Access	Usage*	
 <b>Semi-formal</b> (Cooperatives)		■ ■ ■	■ ■ ■	■ ■ ■	Veronica is a member of a cooperative. She has started to sell some of the surplus milk from her farm to the cooperative and has access to the milk advance loans—short-term loans to dairy farmers. It is affordable and quick.
 <b>Formal - Traditional</b> (Bank)		■ ■ ■	■ ■ ■	■ ■ ■	Veronica knows about traditional forms of credit from banks and other financial service providers. She has accessed a group loan from a microfinance institution.
 <b>Formal - Digital</b> (FinTechs, Mobile payments)		■ ■ ■	■ ■ ■	■ ■ ■	Veronica knows about formal digital credit and can access these products. She only tried the “mobile loan” once but found it too steep.
 <b>Digital payments</b> (e-wallet, mobile banking, ATMs, Agents)		■ ■ ■	■ ■ ■	■ ■ ■	She has access to mobile financial services and uses it regularly to send money, receive payments, and pay at local stores, among other uses.

# Veronica has several options in terms of formal credit, but the available options tend to be suboptimal

Purchase of additional livestock

Invest in small machinery

## Generic digital loans

These are loans issued by banks, FinTechs, and MNOs. Digital application, assessment, and disbursement. Borrowers use the loans for various emergency and consumptive needs.

- [BFI Selfi](#) (Indonesia)
- [Sub-K](#) (India)
- [M-Shwari, KCB M-Pesa](#) (Kenya)

## Farm input loans

These are loans designed for smallholder farmers to provide access to farm inputs, such as meals for livestock. The lenders use the digital and manual application, assessment, and disbursement methods.

- [Tanifund](#) (Indonesia)
- [Kisan credit card loan](#) (India)
- [DigiFarm, Juhudi Kilimo](#) (Kenya)

## Dairy and livestock loans

Commercial banks, microfinance institutions, and SACCOs issue dairy and livestock loans to smallholder farmers. Borrowers can apply digitally. Lenders use manual assessment and disbursement methods.

- [Amartha](#) (Indonesia)
- [Dairy farm loan](#) by Lendingkart in India
- [KCB livestock farming loan, Kilimo booster loan](#) by Musoni (Kenya)

## Farm assets loans

Commercial banks, microfinance institutions, and SACCOs offer farm asset loans to enable the farmers to acquire farm assets. Lenders use the manual application, assessment, and disbursement methods at the field branches.

- [BRI bank](#) (Indonesia)
- [Farm mechanization loan](#) by SBI
- [Agri-business asset-financing loan](#) (Kenya)

\* For analysis, we restrict our scope to productive credit alone. However, we can do a similar analysis for credit needed for consumption purposes.

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# MSC is recognized as the world's local expert in economic, social, and financial inclusion



International financial, social, and economic inclusion consulting firm with **20+** years of experience



**>200** staff in **11** offices around the world



Projects in **~65** developing countries

## Our impact so far

**>550**  
clients

**>1,000**  
publications

Assisted development of digital G2P services used by **>875 million** people

Implemented **>875 DFS** projects

Developed **>275 FI products** and channels now used by **>55 million** people

Trained **>10,500** leading FI specialists globally

## Some of our partners and clients



-  MSC head offices
-  MSC offices
-  Impact areas



[MSC corporate brochure](#) | Contact us at [info@microsave.net](mailto:info@microsave.net)

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