

Technology to facilitate agricultural financing

Information. Data will be used as new collateral for small holder farmers to access funding.

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KAMPALA. Small holder farmers have for years been unable to access credit, hindering their transformation from subsistence farming to commercial agriculture, sector experts have said.

According to the chief operations officer of aBiTrust, Ms Josephine Mukumbya, whose organisation guarantees credit extended to farmers, small holder farmer financing comes with huge risks, making it unattractive for conventional financial industry players.

"We thought the perceived risks are not as bad until last year when the drought hit really hard. We realised it was not an easy but a possible journey that not many may be prepared to walk through," Ms Mukumbya told a group of technocrats, bankers and microfinance institutions last week.

Available statistics shows that more than 70 per cent of adult Ugandans work in agriculture.

But the kind of agriculture they are involved in is subsistence where they grow food for family use.

However, farmers do not have the money to invest in seeds, fertilisers and silos. And because they do not usually have collateral, it is hard to get loans from local banks.

It is against this background that last week, FinTechs, banks and microfinance institutions as well as players in the agricultural sector met in Kampala to push for use of digital data as an alternative to collateral.

"Data is the new collateral", says Catherine Denis, the co-founder Numinda, in a



Presenting. aBiTrust chief operations officer Josephine Mukumbya (2nd left) delivers her presentation during a panel discussion last week on the use of digital data as an alternative to collateral in financing agriculture. PHOTO BY ERIC DOMINIC BUKENYA

joint statement issued by the United Nations Capital Development Fund, MM4P (Mobile Money for the Poor) programme in partnership with the Consultative Group to Assist the Poor (CGAP) and Laboremus Uganda Ltd.

“It's not about showing us what you own; with this new collateral it's all about showing us what you do,”

CATHERINE DENIS, CO-FOUNDER NUMINDA

Already, new players in the market such as Numinda use historical behavioural data and business performance to predict risk and offer fair and affordable credit to small holder farmers to purchase inputs and other related farming products.

In his presentation, the head of business, dfcu Bank, Mr William Ssekabembe, said banks have to innovate as well as partner with Fintechs do widen financial inclusion.

He said relying on corporate customers is no longer tenable, saying they have no choice but to reach out to small holder farmers. But for this to successfully happen he said technology to ease transaction and reduce the level of risks is inevitable.

And it is in this respect that he called for partnership between Fintechs and the financial industry, saying they all have something to offer the sector and the people.

Mr Nathan Were from CGAP, whose organisation is seeking to advance financial inclusion, said using of farmers' digital data will solve the problem of lack of record, making them eligible for loans.