Innovative data collection ways to help farmers access credit

By Faridah Kulabako

Entities that collect bio-data from individuals seeking financial products, have been urged to get innovative data and standardise data collection so as to reduce costs and increase farmers' access to credit.

Smallholder farmers are financially excluded because of the perceived risk of the agriculture sector and lack of data to help mitigate the risks associated with agriculture.

Speaking during the fourth Fintech4AG consultative meeting recently, Robert Kintu, the FitInsights managing director, said smallholder farmers have failed to access credit and other financial products because service providers lack access to farmers' personal data.

The event organised by Consultative Group to Assist the Poor (CGAP), United Nations Capital Development Fund (UNCDF), mobile money for the poor (MM4P) programme and Laboremus Uganda and brought together stakeholders from agriculture, finance and technology sectors to discuss major trends at the intersection of agricultural finance and technology.

Kintu noted that while personal data is a key ingredient in extending financial services, data collection remains an expensive investment. He said stakeholders need to collaborate through pooling resources to lower costs.

A farmer weeds his garden. Smallholder farmers fail to access credit because service providers cannot access their required personal data

MobiPay AgroSys managing director Eric Agyei, said stakeholders should consider standardisation and data certification to have a uniform way on how data can be collected to support financial institutions.

"You find that each entity has differing Know-Your-Customer requirements. One goes for biometrics yet another one is interested in the customer's face. At the end of the day, one financial service provider cannot rely on bio-data collected by another. This is too expensive as institutions invest a lot in data collection," Agyei said.

To ease stakeholder data collection efforts, CGAP launched the smallholder families data hub, which provides resources for stakeholders interested in developing financial products and services especially for smallholder farmers.

The hub has over 300,000 data points that can be explored by interested stakeholders.

The smallholder finance lead, Nathan Were, noted that smallholder families make up the largest potential market for financial services in many developing countries. He added that the hub will enable financial institutions look for promising business opportunities to develop products for smallholders.

Were said without the information needed to identify high potential customers, financial institutions are unable to make lending decisions at scale. He said by leveraging alternative data, financial service providers will be able to reach many smallholders at scale and low cost.

The Laboremus managing director, Bram Van Den Bosch, said the National Identification and Registration Authority (NIRA) needs to make its database accessible to banks and other financial stakeholders to enable them innovate products that are relevant to particular target markets.

Early this year, the NIRA manager in charge of information systems Grace Nanyanzi, noted that the Authority had built an interface to enable information sharing among interested institutions, upon fulfillment of legal process.

As at the beginning of the year, the authority had registered 18 million Ugandans for national identification cards, which information can be helpful to financial service providers.