

17<sup>th</sup> of September

# **SAT4Business**

Improving Smallholder Farmers' Access to Finance Using Satellite Data















Problem Statement

The financial sector often focuses on corporates and SMEs....

270 M smallholders face a finance gap of \$ 170 B ...as smallholders are still considered an unattractive segment due to high operational cost and credit risk



# The SAT4BUSINESS Platform

## **Sat4Business is developing an interactive digital platform that:**

- ❖ Connects **100,000+ smallholder farmers** to financial services at scale
- Provides tools and technology for partner FIs to provide smallholder lending at reduced cost and lower credit risk
- Provides agriculture advice and market information to smallholder farmers to enable them enhance productivity and improve economic livelihoods



**Implementing Partners:** 















# The SAT4BUSINESS Programme

## Loan disbursed and monitoring

Depending on farmer and PFI needs, perform technical assistance and support on-going loan monitoring

#### Loan execution

Support loan approval and execution process with digital tools to improve credit workflow management and process efficiency

## **Product Development**

Co-creation of credit product and financing structure for bankable farmers, tailored to financial needs and repayment capacity; Develop technical assistance for not-yet-bankable farmers

**Sat4Business Platform** 

#### **Access to farmers**

Solidaridad will provide partner FI (PFI) access to smallholder farmers and its VSLA network in Ghana

## **Data collection and analysis**

Data collection includes KYC information required by PFI: in-depth data analysis to gain insights on financial needs, satellite data, farmer cashflows and household economics.

## **Credit scoring**

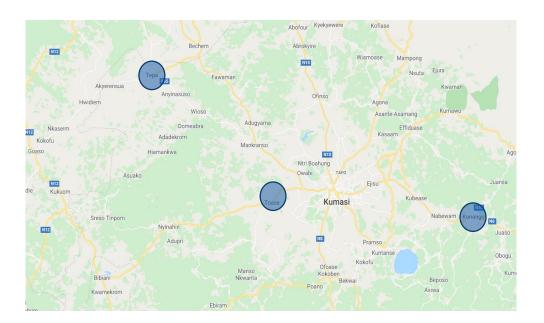
Development of individual credit risk scores and select bankable farmers based on loan repayment capacity; identify not-yet-bankable farmers and interventions needed to reach bankable status.



# The Lending Pilot with Advans Ghana

# advans **The Lending Pilot in summary**:

- ❖ 5000 cocoa farmer profiled located in 3 districts in the Ashanti region
- Farmers are linked to PBC and operate in VSLAs setup by Solidaridad
- Financial Access, Solidaridad and Advans Ghana will cocreate a suitable lending product
- Financial Access will provide its digital solutions (LendXS) to onboard smallholder farmers (credit scoring and onboarding)





# Credit Scoring through LendXS Score

#### **Data Sources**

Applicant basic data



Household profile data



Land
Ownership
& Collateral



Value Chain Data



Soil & Water Maps



Satellite Imaging



Environmental Standards



Land Degradation & Deforestation Assessment



Farm
Management
& Profile



Financial Profile Data



#### **Risk Drivers**

Applicant Profile



Ownership & Collateral



Environmental Risk Score



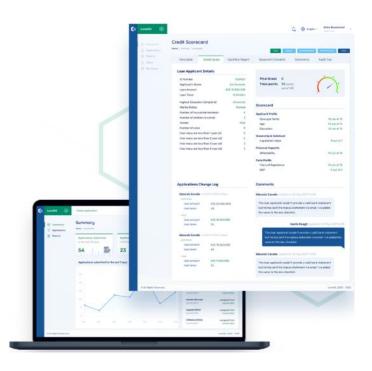
Financial Profile



Agronomic Practices



## **Credit Score**

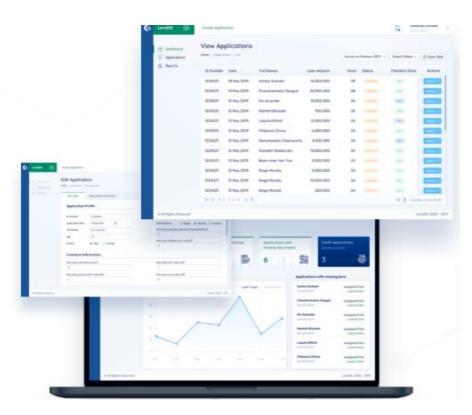






# Digital Onboarding through LendXS Track

- Support of the loan origination, approval and execution process to onboard smallholder farmers
- Make use of GPS location tracking to validate data
- Make us of the LendXS dashboard which digitizes workflow processes, reduces credit turnaround times to ensure financing can be provided timely and efficiently
- Improve overall operational efficiency and reduce physical interaction among staff and clients by digitizing whole credit process from onboarding to loan approval







# Scaling Up

- Develop more sophisticated products for repeat smallholder borrowers following graduation approach
- Integrate satellite data to monitor smallholder portfolio and to mitigate credit risk for financial institutions and impact investors
- Onboard more smallholder farmers, financial institutions and impact investors on the platform
- Role of impact investors is fundamental, as scaling up cannot be done through the existing balance sheet of MFIs: development of investment structures involving ringfenced impact capital will be key to the success of the program



Impact Investor





Partner Financial Institution



# COVID-19 is a threat to financial inclusion for smallholders

MFI Credit Margin Breakdown

Operational Costs: 65%

Financing Costs and Loan Loss Provisions: 25%

Profit 10%

- ❖ Fewer loans disbursed due to **funding and travel limitations**
- Lower loan repayment rates and increased PAR due to local economic disruptions
- More pressure on profitability due to lower loan portfolio growth and higher loan loss provisions
- Operational disruption as working remotely is often not possible due to poor digitization



(M)FIs will have to shift their focus more on cost control and better risk management to maintain profitability and solvency through digitization





CONTACT US

# Get in touch with us

Are you interested to know more about SAT4Business? Get in touch!

# **Our contacts**



federico.lande@financialxs.com



+31 (0)6 4856 0238



akuabenewaa@solidaridadnet work.org



+233 244 988 217





