ssnup
Smallholder Safety Net
Upscaling Programme

IMPROVING ACCESS TO FINANCIAL SERVICES WITH A DIGITALISED FIELD DATA CAPTURE AND CREDIT SCORING SYSTEM IN KENYA

Financial services   Internal management

Beneficiary organisation

ECLOF Kenya Limited is a Microfinance Institution (MFI), which provides financial and related non-financial services to the economically active vulnerable communities in all sectors of the Kenyan economy. Initially registered in 1994, ECLOF's endeavor is to uplift the large rural masses by extending credit in different forms with special thrust to agriculture, SMEs, and social impact sectors. It currently serves over 30,000 borrowers and 60,000 savers located in 33 out of 47 Counties in Kenya. ECLOF's clients are engaged in retail trade, agriculture, and service businesses, with greater growth constantly coming from rural areas.

The challenge

ECLOF faced significant challenges in expanding its reach and improving its financial performance due to inefficiencies in its core banking system (CBS). Although ECLOF had a modern CBS in place, it only connected certain branches, limiting its ability to scale operations and effectively serve a broader customer base. The outdated management approaches and manual processes slowed down key functions, such as customer onboarding and engagement, creating a bottleneck in acquiring new clients. This hindered ECLOF's growth and financial performance, as the lengthy client evaluation process led to customer dissatisfaction. For smallholder farmers, onboarding delays created barriers to financing, reducing ECLOF's ability to attract and retain clients in a competitive microfinance market.

The proposed solution

ECLOF aims to address these issues through digitalization, automation of processes, and enhancing mobile services to improve efficiency and customer experience. The proposed solution is the development and implementation of new modules into the existing CBS, including **Field Data Capture** and **Credit Scoring,** connecting all branches with head office to better serve clients. Field Data Capture will eliminate paperwork within the onboarding process of clients and improve data collection to benefit the daily work of the field staff. The creation of the Credit Scoring system will facilitate the analysis of customers' credit ratings based on the information available in the application for loans, on accounts, bank statements and other activities over time and customer profile.

The expected outcomes of the project were:

1. **Streamlined loan application** and approval process
2. **Enhanced loan officer** and branch staff performance and productivity
3. **Improved operational effectiveness** and reduced loan processing TAT (Turn-around-Time) for ECLOF clients
4. **Enhanced branch loyalty** through improved customer service
5. **Attraction of 5,000 new clients** (60% from rural areas, half of them women)
6. **Growth of ECLOF portfolio by 20%**

IMPACT INVESTOR

alterfin
Investing in
sustainable development

BENEFICIARY ORGANISATION

ECLOF Kenya Limited
serving a total of **9,614**
smallholder farmers

Kenya

AGRICULTURAL VALUE CHAIN

Multiple

START DATE

August 2023

END DATE

March 2024

TOTAL EXPENDITURE

€ 63,800
Including € 47,850 (75%)
financed by SSNUP

key results

1 **integrated MFI Expert Mobile App to operate on a single platform** leading to the reduction of TAT loan processing for ECLOF clients:

Registration of clients from their location eliminating the need for them to visit a branch office

Digital forms filling out and live scanning scanning and uploading of documents in the system via the Mobile App

Automatic authenticity checks and creditworthiness assessment

Encryption, synchronisation and transmission of data to the CBS for loan approval

Loans processing and approval, and storage of data

SDGs supported by the project

1. No poverty
1.4 Access to basic services, including microfinance

2. Zero hunger
2.3 Improving agricultural productivity and increasing smallholder farmers' income

8. Decent work and economic growth
8.10 Capacity building for financial institution

103 (10% women) **loan officers and branch staff trained** to the use of the Field Data Capture and Credit Scoring modules on the MFI Expert Mobile App

37 (35% women) **loan officers hired** following the implementation of the project

5,552 **new clients, including 43% smallholder farmers becoming new customers of ECLOF services** following the implementation of the project, and **representing 25% of ECLOF's current smallholder farmers clients**

KES 252,873,842 (EUR 1,790,130) **of credit amount** disbursed to smallholder farmers during the project

An increase of 3 percentage points **in the share of agriculture in ECLOF's portfolio** between 2022 and 2024

lessons learnt

✓ **Providing field staff with real-time data access is an enabler for effective clients serving**

By empowering field staff with real-time access to data and credit scoring information through an integrated system, MFIs can boost decision-making and productivity among their teams. The use of mobile platforms also allows on-the-spot delivery of informed decisions related to loan granting to both current and potential clients, extending both prospect base and scope of action.

✓ **The deployment of mobile MFI services is key in the onboarding of smallholder farmer clients in rural areas**

As well as improving interaction with current and potential customers by meeting them outside MFI branches, effective and system-integrated itinerant services allow to offer immediate tailored financial products to future clients. In the case of remote smallholder farmers especially, this service is decisive in the choice to purchase or not an MFI product.

✓ **Regular review and collaborative design of credit scoring parameters are essential to ensure accuracy and fairness**

While automated credit scoring systems enhance the precision of credit assessments by leveraging diverse data sources, incorrect parameter settings can significantly distort outcomes. Involving cross-functional teams in designing and periodically reviewing these parameters helps mitigate biases—particularly those tied to social or demographic factors—and ensures the scoring remains equitable and aligned with evolving lending goals. Current limitations, such as the inability to categorize clients by sector, should also be addressed for more granular analysis.

Outlook

Ensuring the continued success of the Credit Scoring App will require strong data privacy and security practices, including regulatory compliance, transparent data usage, user consent, and robust cybersecurity measures such as regular audits and staff training.

Enhanced credit scoring based on customer data analysis is already contributing to improved loan approvals and the deployment of new digital lending solutions, ahead of scheduled algorithm updates.