CASTING A WIDER NET: DIGITAL LOAN HELPS NIGERIAN FISH-SELLER EXPAND HER BUSINESS

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Tucked away in the bustling Ijesha Market in Lagos, Flora Edojah's small catfish stall seems as humble as its quiet owner. Yet waters run deep with the 53-year-old businesswoman—and not just in her catfish pens. With 30 years of experience and a strong entrepreneurial drive, she is a successful businesswoman who leads the local fish-selling community.

But Ms. Edojah's ambitions to expand her operation beyond her local market were stymied for the same reason as many small businesses—lack of collateral or a credit history means banks are unwilling to provide the credit needed to grow. Which is where an innovative home-grown fintech company called Lidya came in.

Launched in 2016 to close the credit gap for small and medium-sized businesses in emerging markets like Nigeria, Lidya is breaking new ground among fintechs by using an entirely digital platform to serve untapped customers like Ms. Edojah.

Instead of focusing on collateral or credit history, Lidya analyzed the digital footprint created by Ms. Edojah's online purchases of supplies—basically using data collected through the value chain. They determined that she was a reliable businesswoman and an excellent bet for credit. Within 24 hours of her application, they had recommended and approved a loan—with every step of the process taking place online.

Since receiving her first Lidya loan of 1 million Naira (US$2,800) at the start of 2017, Ms. Edojah's income has jumped 21 percent. She is now able to sell her fish to a broader range of customers and has applied for a license to sell to large hotels and supermarkets. When she met with the Special Advocate in late 2017, she was on her third loan from Lidya, her staff had expanded to five, and she was making ambitious plans to establish her own fish farm.

Lidya's model could have a transformational impact throughout Nigeria, where informal credit is predominant. (Just 24 percent of borrowers in 2016 used a formal financial institution.) And few financial products or services are customized for lower-income customers, including those who have no financial track record, like Ms. Edojah.

For our ambitious catfish seller, transformation is already here—thanks to an innovative financial company that looked beyond traditional metrics to serve a growing business.

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