MODULE 2 UNIT 3
Video 1 Transcript

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What finance market problem did Lidya aim to solve?

TUNDE KEHINDE: My background is e-commerce. So, I started Jumia, which is the biggest e-commerce platform on the African continent. And a consistent theme from my days at Jumia, also around a logistics business, was well-run businesses struggled to raise capital to grow. Traditional finance is not set up to untangle the web of small business finance, put it in a context that's trusted and clear, and then make a decision at a timeline businesses wanted. And we said to ourselves, "There's so much data coming off these businesses. It's easy to verify, authenticate, analyze that data and help businesses get a same-day decision to access finance."

What are Lidya's biggest milestones so far?

KEHINDE: We're now approaching a hundred million dollars' worth of credits given to small businesses in our markets. We also expanded into multiple countries. So, it's very rare for an African business to expand out of Africa into Europe. But the real big milestone is the amount of data we've been able to collect. So, we've now collected probably about 350 million unique transaction data points on SMEs. And this is very important because it gives us insights into what SMEs in Eastern Europe and the Middle East and Africa wants. And what we've seen is, really, they want to save time, they want to save costs, and they also want the data displayed in a way that they can make decisions that help them unlock growth.

What are some of the biggest unforeseen challenges that Lidya has faced?

KEHINDE: So, I think we under-anticipated the impact of regulation, right? Because every country we're in has a different approach to regulation for FinTech, right? So, on the one hand, you understand the role of the regulator which is to protect the customer. And on the other hand, as entrepreneurs, we're trying to innovate and move as quickly as possible. So, there's an inherent tension there.

The second thing is building a global business. So, we are now 50 people who live across 6 different countries. And you can imagine just building a culture, building a team, and operating with one voice.

I think that the third thing now is how do you build for the customer in a way that achieves their goals? And how do you begin to untangle and unpack the detail you're seeing? So, we started out with credits. Well, very quickly, we saw that our customers actually had other problems. So, how do you validate that thesis, translate it into product, and deliver it at the speed the customer wants, which in today's world is still same day.

What is the next big challenge that Lidya 2.0 aims to solve?

KEHINDE: So, the main theme that we're building behind is finance on demand, right? And what that means for us is we've seen that in our everyday lives, we now want to press a button and get our Uber to come, our Amazon package, same day. We think the same thing is going to happen to finance. We think that's the customer expectation that "I want to press a button and get same day settlement so that I can manage my working capital. I want to press a button

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and be able to get credit the same day. I want to automate my accounting so I'm not having to spend four months to prepare my books and do my audits." So, that's what we're building towards.

So, what that means is essentially we use data to identify well-run businesses, then we offer them instant credit, inexpensive payments, and forecasting so they can grow faster. So, that's the next step in our evolution. But, overall, the theme that we're chasing is finance on demand.

What have been some of the unintended use cases for Lidya's FinTech?

KEHINDE: Day one we started out as an invoice discounting company. So, literally, "I've done a job and waiting to get paid. Can you advance me some capital?" We didn't see product market fit there. We then said, "Let's try point of sale financing." So literally we give you a point of sale and based on the inflows through that point of sale we can finance you. There was not enough distribution.

And then we kind of stumbled on financing based on bank accounts, because what we saw was, at the time I think there were 45 million bank accounts in Nigeria. So, you had distribution. And those bank accounts were spitting out so much data, and so we said, "Look, okay, fine. We'll do cash flow financing based on bank accounts," and that has evolved into so many use cases.

So, we see use cases in funding power, which for us is gas stations who are looking to buy stock. We see use cases in funding e-commerce. We see case use cases in banking 2.0. So, mobile money agents who are looking for floats so they can do cash-in cash-out across the country. And we keep seeing new use cases. We just found that at an entity who is recycling plastic bottles into textiles and leather goods and exporting those goods from Nigeria around the world.

So, it really says to me, if you can give financing to the entrepreneurs, to the businesses, they will figure out what to do with it. And so, our goal is just to make sure, "Look, we are not over levering you, so we're being a responsible lender. We are there for you to give you better rates and higher amounts as you grow," and then they will figure out the rest.

How does Lidya 2.0 enable SMEs access to global economies?

KEHINDE: So, we're in Nigeria, we're in Eastern Europe. The credit gap alone, so not even for SMEs, not counting payments or services, is over 400 billion dollars, right? And so, you can imagine the impact you can have in these economies on growth, on job creation, if you can sustainably and consistently get credit into these small businesses. So, the traditional lenders and banks have tried to find a way to get money to small businesses, and the small businesses too who are well-run are trying to figure out a way to access that financing.

The insight that we've seen is, one, it's just extremely difficult to untangle small business financing, build trust around the numbers, and then present it in a way that, as a lender, you can see that this is actually a well-run business. Two, a big theme we're seeing is there's this massive digitization of data and of payments. So, particularly in Africa, you're seeing a lot of payments go from cash to mobile money to digital payments. There's going to be this treasure

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trove of data where literally you can begin to assess these businesses same day, give them a wide variety of financial services.

An interesting piece for people like us is, as that transition happens, all these small businesses who are moving from cash to digital, are now going to be looking for all-in-one finance. So, that's essentially what Lidya 2.0 is. All-in-one finance where literally I can see all my bank accounts in one view, I can recall some of my books quickly, I can access credits all from one dashboard. Once you solve that, you can imagine what that means for inclusion, for economic growth, and for job creation.

What has been the largest regulatory risk in launching a FinTech solution for individuals across countries?

KEHINDE: The one that comes to mind is how can we really have one market? We're now in a global world, right? So, you're seeing businesses who transact in multiple currencies. They're present and they have customers in multiple jurisdictions. And it's very difficult to travel with these customers, because you have, in the African context, 50 different countries, different currencies, different approaches to setting up in each country.

We also trade a lot with Europe, with Asia, and with the States. So, how can you create an environment where literally it's borderless, right? And, of course, that requires so much coordination and collaboration across multiple different governments who are at different stages. What if I could wave a magic wand and have one currency or one market that will be the one?

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Page 4 of 4

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