Uganda's Numida encourages app usage with access to loans

By Tom Jackson   18 Aug 2017

Last week was a big week for Ugandan fintech startup Numida, as it was declared winner of the Kampala leg of the Seedstars World competition, securing its place at the global final in Switzerland next year where it stands the chance of securing US$500,000 in funding.

[Numida](link), however, is getting used to success. The startup has already secured US$140,000 in funding from angel investors, and is in the process of raising a US$500,000 seed round. The startup has seen 15% week-on-week growth since March, and has disbursed 160 small business loans to 105 clients with a 99% repayment rate.

So what exactly does Numida – launched in early 2016 – do? It offers credit-constrained Ugandan entrepreneurs access to a personal financial management app, and offers unsecured loans based on usage.

Users can access credit after only seven days of app use, but the longer and more often they use Numida, the higher loan principals and better terms they are offered.

"Entrepreneurs who continue tracking their finances while repaying their loans also get better terms on larger principals. Loans are disbursed and repaid via mobile money through the app," co-founder Mina Shahid told Disrupt Africa.

The Numida team is stacked with expertise, coming from organisations such as the World Bank and Acumen, and schools such as Harvard and the University of Waterloo. Its three co-founders have previously founded social enterprises in Africa, and collectively have over 15 years of experience working to solve systemic problems that keep people poor in Ghana, Mali, Burkina Faso, Zambia, Uganda and Rwanda.

"We are deeply committed to unlocking the potential of African small businesses through convenient and fair credit," Shahid said.

Cost of credit

Numida's reason for existence is the fact that the cost of credit in Uganda is prohibitive, and an obstacle to firm growth. The World Bank identifies the resulting limited access to credit as the most significant constraint to doing business in Uganda.

"This problem is especially acute for small and medium businesses, which tend to employ most of the workforce in developing economies," Shahid said. "High interest rates, rigid collateral requirements, and confusing fee structures hold back Ugandan SME owners from accessing credit and growing their firms."

Indeed, this is a common problem across Africa, with access to credit often poor due to the lack of a mature finance market and limited credit bureaus, constraining economic growth.

Numida is going up against loan sharks and alternative mobile lenders such as Tala, Branch and JUMO, which offer smaller loans, in a bid to solve this problem. Currently only operating in Uganda, it plans to scale to other East African countries – such as Kenya and Rwanda – in 2018.

The Numida app is free to use for entrepreneurs, with the startup making money through interest charges to businesses that borrow through the app. Loans range from US$25 to US$1,500 USD on a one to three month term, with interest charged at between five and 15% per month.

"With continued use of the app and successful repayment, each subsequent loan and term length increases, and the interest rate decreases in relation to the entrepreneur's repayment performance, financial management behaviour, and cash flows," Shahid said. "Loans are disbursed within 24 hours via mobile money, offering a level of convenience unheard of in the African SME lending sector."

Digital skill

Numida started earning revenue in March, and has earned approximately US$500 in interest revenue since then. Shahid said as the startup's loan book grows, revenues have been nearly doubling month-on-month.

He said the startup's biggest challenge had been the low digital skill level of Ugandan small business owners, and the complexities associated with building a tech company in a marketplace where the internet is not fully open.

"For many of our users, Numida is the first productivity app they've ever downloaded. Most of our users have only been loading social bundles that give access to WhatsApp, Twitter, and Facebook, but not the whole internet, which means we've faced a bit of friction with explaining to users that in order to be connected to the whole internet, they need to buy unrestricted internet bundles - which due to the lack of net neutrality laws in Uganda - are significantly more expensive," Shahid said.

"We have built Numida to be as light as possible and our apps download size is only 7MB. At the same time we've had to consciously design Numida to be simple enough to be used by first-time smartphone owners and app users, which is no easy feat!"