



Rural & Agricultural Finance
LEARNING LAB



July 20, 2017 Unanswered EFL/Juhudi Webinar questions

In this document you will see that the EFL and Juhudi Kilimo team have responded to questions that were not answered during the July 20 EFL/Juhudi webinar in red font. If you have any remaining questions please email malia.bachesta@globaldevincubator.org who will connect you with the appropriate individual.

For more information about the webinar, including the webinar presentation and recording, please read our blog [here](#).

1. Q: For EFL psychometric tests more generally, do you expect people to figure out the test eventually? Similar to the issue with personality tests? People figure out what is valued and then answer that way.

A: Ensuring reliable application responses is a primary focus for EFL. Examples of the continually-changing methods to ensure applicants and loan officers cannot cheat:

- Content randomization: Every application includes different questions and ordering. It is also impossible for applicants to share or sell their results.
 - There are no obvious right or wrong answers: Not only are the questions designed to prevent gaming, the application collects answer patterns to detect and incorporate attempts.
 - Identity verification: EFL uses technology to collect and verify applicant information, preventing an individual from completing the application under a different name as well as repeated attempts by one individual.
 - Answer pattern analysis: the scoring system detects when loan officers have been assisting applicants, as well as when answers display unusual and unlikely patterns.
 - You can read more about this [here](#):
2. Q: How can a lender use psychometric testing in the US given the lending rules?
A: Unfortunately, EFL is focused on working in developing countries for the time being.
 3. Q: Given that Juhudi Kilimo lends to smallholder farmers, does this tool assess agricultural related risk?

A: Unfortunately, the EFL tool doesn't assess agricultural related risks. When we come up with the project plan, high default rate was one of the risks in pre-contract matrix. Even with established methods such as the 5C's of credit, rural smallholder farmers' risk profiles are still high due to complex factors like weather and price volatility. The mitigation strategy for the EFL project was leveraging Juhudi's internal process and procedures for follow up and recovery of collateral. Thorough business appraisal and collateral review (loan guarantee fund, chattel mortgage, group guarantors, and external guarantors) was also an implied mitigation strategy. To date, the portfolio at risk above 30 days rate of the project's portfolio is lower than the institution's, which is at 4.1%.

4. Q: For non-smart phone, are the results as effective?

A: Yes. We see that our models can predict risk on the feature phone (see the Equity Bank case study we presented in the webinar) and on the web (see example with Ecuadorian bank Pichincha [here](#)), as well as on a tablet or smartphone.

5. Q: Were there any gender differences in taking the assessment among the Juhudi Kilimo clients?

A: So far, we've conducted the EFL test on 5,911 applicants, 3265 (55%) of whom are women, and there are no major gender differences to speak of. However, we've noticed the average loan size women are applying for (\$480) is lower than the average loan size men are applying for (\$620).

6. Q: How can the EFL model work for those who cannot read given that there are 1 Bn people who are illiterate?

A: We are constantly considering how to better serve people across a spectrum of abilities. We are currently able to serve illiterate clients using our loan officer-assisted tablet assessment. In the case of an illiterate client, the loan officer will read the questions and answers out loud to the client and input the client's answer on the tablet. We are also considering new ways to administer the assessment via voice only.

7. Q: Did you face any challenges when translating the EFL questions / tests from text into images

A: It required a lot of research and field testing but it was important to make the assessment more customer friendly and interactive. Here is a blog post that explains how we came up with this new content: [The EFL application, demystified](#)

8. Q: How scalable is this if a loan officer is required at every application. Is, or will this ultimately be automated to allow remote acceptance?

A: We have different types of assessments available depending on the Financial Institution's needs and stage in the digital journey. While we do offer a tablet-based loan officer assessment to institutions who are dispensing loans through loan officers, we are focused on working with FI's to help them lend over remote and digital channels such as

web, mobile, and SMS/USSD. Juhudi, for example, started out using our loan officer guided assessment and is moving to pilot a remote assessment over SMS in the next couple of months.

9. Q: How much did it cost Juhudi to implement this? If not available, what is the IRR on the project?

A: Our budget for this project is to disburse \$250,000 worth of loans in the 2 year pilot period. Implementing costs such as project staff cost, ICT cost, marketing, and distribution, professional fees etc. vary greatly depending on your business model and your project approach. For example, Juhudi's major cost is staff costs (budget \$96,000), which we could have fully avoided if our approach was to use our own loan officers to administer the tests. My advice for anyone who wants to test the EFL credit assessment is to reach out to EFL, let them understand your business model, understand their product, work together to tailor your implementation approach, then come up with budget estimates.

10. Q: How could an organization go about estimating how much it would cost them to implement this?

A: Pricing is dependant on multiple parameters. If you are interested in getting more information on the product and on pricing please email camille.osullivan@eflglobal.com and check out our website www.eflglobal.com.

11. Q: Can you describe the proposed next steps for handling test takers who become uncomfortable with test questions and would drop off? For example, will Juhudi train a cadre of loan officers to handle just these types of cases?

A: The number of clients that drop off because the assessment makes them feel uncomfortable is quite minimal. Usually, the stakes are high for people taking the EFL assessment as, in many cases, this could be their only opportunity to earn credit – so applicants are willing to give it the time and attention needed. And they do. When people take the EFL credit assessment on a web or mobile device, we see 65-80% completion for those who start the assessment. This is much higher than the conversion process for other online experiences. For a more detailed answer please review our blog post: [Will my client take the EFL credit assessment?](#)

In addition to the above answer:

99% of the 5911 tests we've conducted were completed. We've had about 60 cases of clients dropping off - some because they were uncomfortable with some of the questions asked. My proposed steps for handling such cases are two: in the short-term, the test administrator to ask the loan officer to step in and reassure the client of the purpose/intention of the test (clients trust and respect loan

officers); if that doesn't work, the test administrator to share his/her experience with the project team so as to get ideas on how to rephrase such questions to subsequent test takers. In Juhudi, the project team has a whatsapp group and it's quite interesting to see how very effective it is in helping our test administrators overcome several day-to-day challenges they face.

12. Q: How many more clients (percentage) are you able to give loans that otherwise would have been excluded by the traditional credit appraisal tools.

A: Around 80% of our partners use us to increase acceptance rate and therefore to lend safely to people that they would have otherwise rejected.

13. Q: What has been the cost reduction in loan processing for Juhudi using EFL?

A: I must confess that the impact we've really been keen on as we apply EFL's psychometric assessment is removing a number of barriers and lowering the threshold for Juhudi to extend our services to a vast, underserved population in the rural agriculture sector. Once we extend our loans to a substantial number of clients, the cost reduction analysis will form part of the lessons learnt from this exercise, which we will share so that it can be used by other organizations wishing to replicate this model. However, I would like to add that certain partners of EFL have seen a reduction in turnaround time by up to 79% with EFL. As an example, [here](#) is a link to a case study with EFL's Indonesian partner.

14. Q: Do you (Juhudi) take any form of collateral? Or has EFL eliminated the need for collateral?

A: Juhudi still requires their clients to have collateral - but the amount of collateral required for high EFL scorers is reduced. The way our partners use EFL very much depends on their risk appetite. In many cases, no collateral is required. You can find different examples of how Financial Institutions have been using the tool in the following [case studies](#).

15. Q: What is the cost structure of EFL when dealing with small Microfinance companies in Zimbabwe?

A: The cost is dependent on multiple criteria. Please email me at camille.osullivan@eflglobal.com for more information.

16. Q: Does EFL enable queries? What happens if one does not understand a question and would like clarification?

A: On every screen of the assessment, EFL offers instructions for use to ensure comprehension.

17. Q: Have you considered including other automated data streams such as satellite imagery in you scoring models ?

A: We want to make it as easy as possible for all low-risk business people and consumers, anywhere in the world to send a reliable signal of “trust me” to a financial institution. From the end client’s perspective it is very hard to get a financial institution’s attention and trust in the absence of a credit score. Psychometric data - EFL’s first source of predictive signal - has opened a path for hundreds of thousands of people to enter the financial sector. In the last years we added “behavioral data”: the interactions of an individual with the psychometric assessment. This proved to be enormously predictive. We now gather third party data that we can layer into our score, such as social and mobile data and we will continue to look for more data sources.

18. Q: How does EFL work with Juhudi Kilimo (JK)? Is it just for the design/setup of the model, or also for the ongoing management/assessment of customers?

A: Our partnership with JK is ongoing - We help with the implementation, which involves building the assessment for JK, integrating it and setting JK up to receive scores. We then collect data in order to build a customized model for JK’s population. Lastly, on a monthly basis, we monitor the model performance and a dedicated Account Manager will help JK understand how best to use the score.

19. Q: How stable over time are scores? Are there recommended intervals for retesting? (does consumer need to take a new test for each new loan?)

A: Character is something that doesn’t really change overtime and we therefore only require the applicant to take the assessment once.