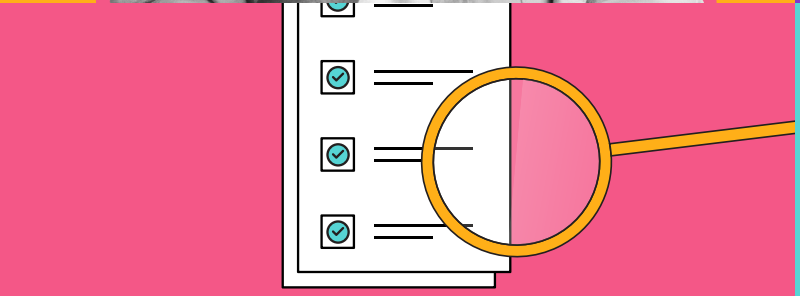
lendsqr

Decoding the struggles of Nigerian lenders and possible solutions









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Introduction

Every day, thousands of Nigerian lenders wake up to face a market that's equal parts promising and precarious. The nation's vast population, entrepreneurial spirit, and rapidly growing SME sector make it an attractive ground for credit services. **Over 40 million MSMEs account for nearly half of Nigeria's GDP**, and many of these businesses rely on credit to survive and grow. Yet, for those tasked with providing that credit, the landscape is fraught with challenges that go beyond mere financial transactions.

Lenders, whether microfinance institutions, Fintech companies, or traditional banks, are the engines powering a significant portion of Nigeria's economic activity. But this comes at a cost. With Nigeria's credit-to-GDP ratio still hovering at a low 18%, the lending ecosystem is constrained by limited access to reliable data, regulatory inconsistencies, and high default risks.

While this creates significant opportunities, it also opens up a set of unique and pressing challenges that are reshaping the industry.

The challenges faced by lenders are not new, but they are evolving. Borrowers, ranging from individuals needing short-term loans to businesses seeking capital, continue to struggle with access to affordable credit. On the other hand, lenders find themselves in a precarious position, constantly balancing the need to provide credit with the risks of default. The difficulty of determining creditworthiness, combined with the lack of a robust regulatory environment, means that lenders must often make decisions with insufficient information, leading to higher risks and lower returns

Why understanding lenders' challenges is critical

In today's Nigeria, lending is not just about interest rates or profit margins; it's about survival. The financial system's health is tied to how well lenders can navigate the murky waters of borrower credibility, regulatory challenges, and economic uncertainty. A system that fails to support lenders risks not only their business sustainability but also the broader economy. A single bad loan can snowball into a cycle of defaults, ultimately eroding trust in the system and driving up the cost of credit.

Moreover, while Nigeria has seen a surge in fintech startups attempting to bridge the credit gap, these technological innovations can only go so far. High default rates, particularly in unsecured lending, pose a significant threat. According to the World Bank, non-performing loans in Nigeria stood at around 3.9% in June 2024. For lenders, this means they must not only focus on growth but also contend with shrinking margins, increased scrutiny, and the continual challenge of debt recovery.



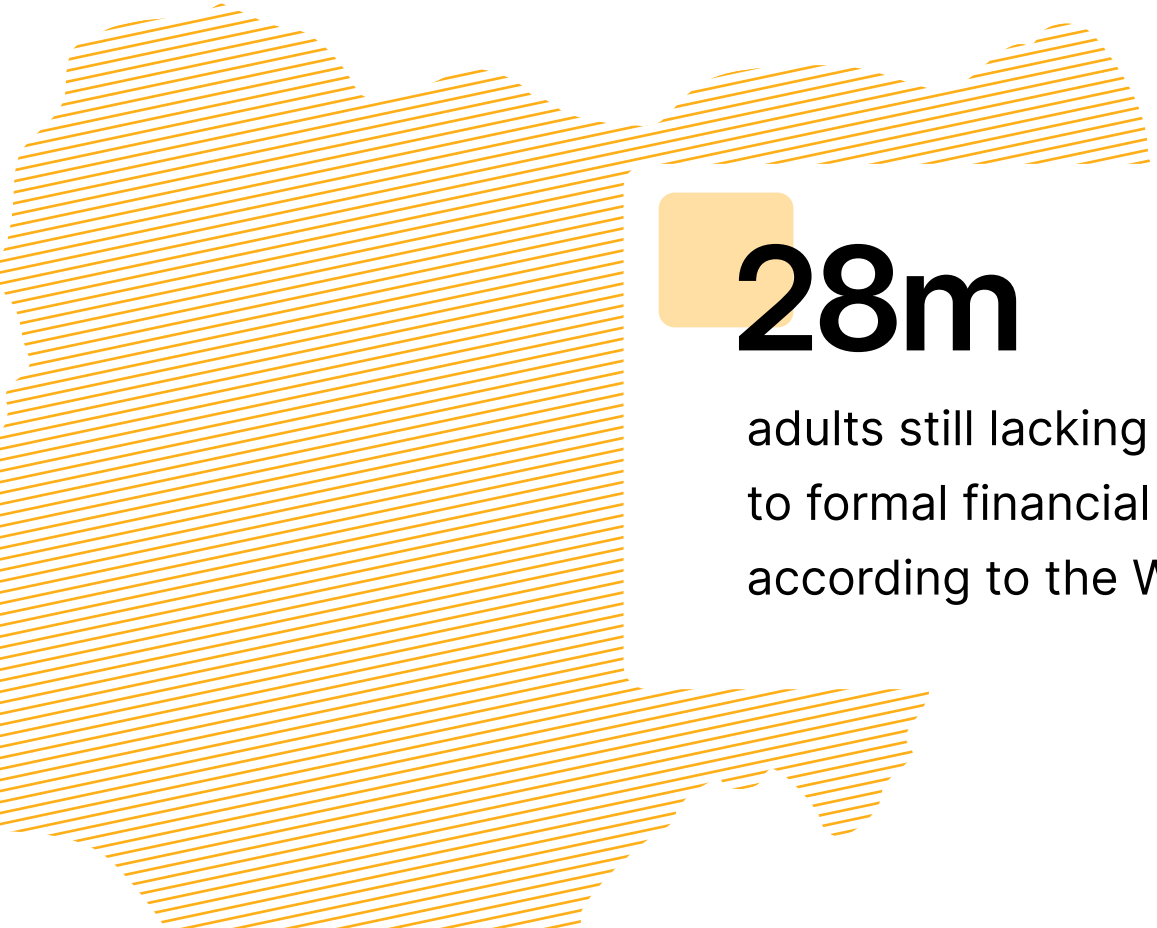
3.9%

Non-performing loans in Nigeria As of June 2024

The lending environment in Nigeria

In an economy as diverse and dynamic as Nigeria's, the lending environment reflects the complexities of its broader ecosystem.

Nigeria is home to one of the largest unbanked populations in the world, with about 28 million adults still lacking access to formal financial services, according to the World Bank.



28m

adults still lacking access to formal financial services, according to the World Bank.

This underbanked population, while offering untapped potential, also adds layers of complexity for lenders. Without comprehensive financial histories or credit scoring systems in place, assessing risk becomes a guessing game for many financial institutions.

But beyond the sheer volume of potential borrowers lies a more significant concern: the gaps in infrastructure and regulatory frameworks that hamper lending operations.

While Nigeria's financial regulatory bodies, such as the Central Bank of Nigeria (CBN), continue to implement policies aimed at strengthening the financial sector, these efforts often fall short of addressing the systemic issues that impact lending institutions. From ambiguous loan recovery processes to the absence of an integrated national credit scoring system, lenders face a maze of obstacles that directly impact their ability to operate efficiently.



Why we conducted this research

In light of these challenges, we set out to gather insights directly from the lending community. Through a series of in-depth conversations with key players in the sector, we have sought to understand the root causes of these challenges. This report presents a comprehensive analysis of the lending landscape in Nigeria, shedding light on the barriers that lenders face and exploring the opportunities that could transform the sector.

Our methodology combined qualitative data with real-world experiences from the lenders on the ground. From SME lenders grappling with the high cost of capital to digital lending platforms navigating the regulatory minefield, this report offers a 360-degree view of the industry. By weaving together expert perspectives and lived experiences, we aim to provide a deeper understanding of the lending sector's pain points and offer actionable insights for policymakers, financial institutions, and borrowers alike.

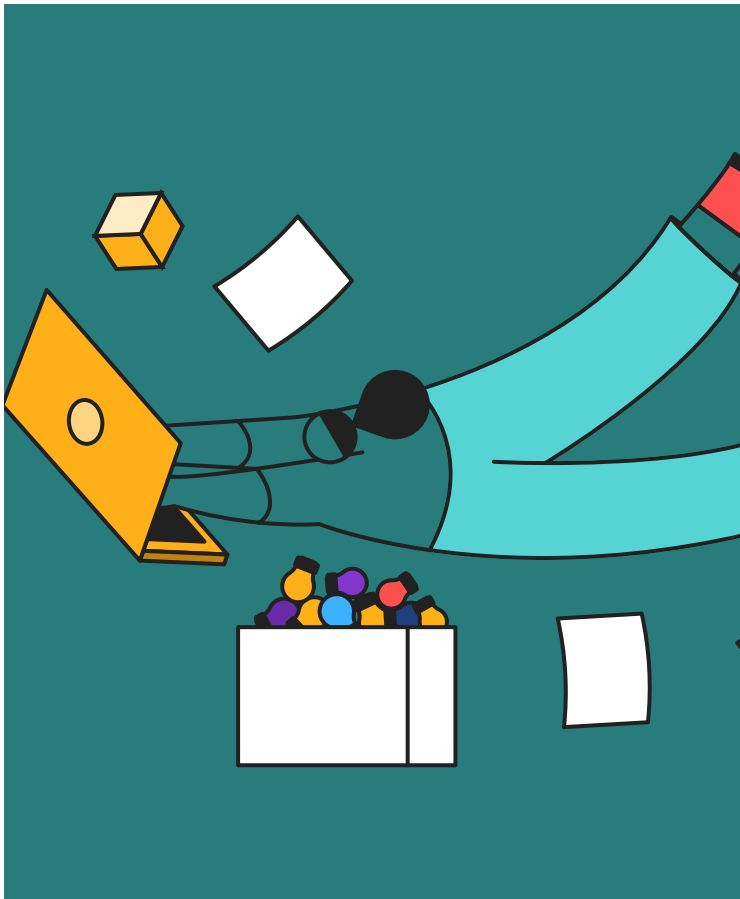
This report offers a 360-degree view of the industry.

Purpose of the report

This report is not just a collection of statistics or a high-level overview of the market. It is a deep dive into the challenges and opportunities within Nigeria's lending ecosystem. Our goal is to highlight the systemic issues that hinder lending and, more importantly, to offer solutions. We aim to bridge the gap between theory and practice, ensuring that the insights gathered here can be put to use by lenders, regulators, and stakeholders across the board.

This is not just a report; it is a call to action for everyone involved in the credit industry, from the smallest microfinance institutions to the largest commercial banks. We hope that this analysis will spark meaningful conversations and drive the necessary reforms to ensure that Nigeria's lending environment evolves to meet the needs of both lenders and borrowers.

As you delve deeper into this report, you will uncover the nuanced issues that lenders face every day, ranging from unreliable credit histories to debt recovery challenges. More importantly, you will gain a clearer understanding of what it will take to create a more robust, sustainable, and inclusive lending ecosystem in Nigeria.



Interview methodology

In order to gain a comprehensive understanding of the key challenges faced by lenders in Nigeria, we conducted a targeted interview process with a selection of industry players. The goal was simple but crucial: to pinpoint the one problem that, as lenders, they would do anything to resolve. By focusing on this primary question, along with a series of follow-up inquiries, we sought to uncover deep, qualitative insights into the operational pain points of lenders.

Our interview pool consisted of stakeholders, representing a cross-section of the Nigerian lending ecosystem and who are members of the MoneyLenders Association of Nigeria:



Commercial lenders serving small businesses and individuals in both urban and rural areas



Fintech companies offering digital lending solutions



Legal practitioners in the lending industry

This diverse mix ensured that we captured perspectives from various types of lenders, each dealing with unique challenges in serving the Nigerian market.

What was asked?

To maintain focus and ensure the interviews were both engaging and productive, we built the discussion around one core question:

What is the one problem that, as a lender, you face that you would pay anything to resolve?

This question aimed to dive straight into the heart of their concerns, helping us understand the most pressing issues. However, to gain deeper context and practical insights into how these problems manifest in day-to-day operations, we followed up with additional questions, including:

- **How has this problem impacted your business or operations?**
- **Why have you not been able to fix this problem on your own?**
- **Are you aware of any existing solutions to this problem?**
- **If yes, why are you not using that solution?**
- **Have you tried any other tactics?**

These follow-up questions helped us identify the root causes of the challenges lenders face, whether operational, technological, or regulatory, and explored why these issues remain unresolved despite the industry's ongoing evolution.

Data collection and analysis

The interviews were conducted via virtual meetings, allowing for flexible engagement. Each interview was recorded, and the conversations were later transcribed to ensure we captured every detail. Once the data was transcribed, we employed qualitative data analysis techniques to identify recurring themes, specific operational challenges, and gaps in existing solutions.

This process allowed us to not only aggregate the common concerns across different types of lenders but also to understand the nuances that make these challenges difficult to overcome. By systematically analyzing the responses, we were able to highlight actionable insights and potential areas for innovation or improvement in the lending space.

In the next section of this report, we'll break down the key challenges that emerged from these interviews and analyze how they affect lenders of all sizes across Nigeria.



Main challenges faced by lenders

PROBLEM 1

Loan recovery challenges

PROBLEM 2

Access to capital

PROBLEM 3

Inefficiencies in credit scoring and credit bureau reporting

PROBLEM 4

The undeniable cost of adopting technology

PROBLEM 1

Loan recovery challenges

One of the most pervasive challenges faced by lenders is the difficulty in recovering loans. This issue cuts across all forms of lending, from personal to business loans, and impacts the very survival of many lending businesses. Loan recovery is a problem so significant that several lenders explicitly mentioned they would “pay anything” to resolve it.

1.1 Loan recovery: A common thread across lenders

One of the most pervasive challenges faced by lenders is the difficulty in recovering loans. This issue cuts across all forms of lending, from personal to business loans, and impacts the very survival of many lending businesses. Loan recovery is a problem so significant that several lenders explicitly mentioned they would “pay anything” to resolve it.

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Another lender echoed this sentiment, emphasizing the importance of quick follow-up as a tactic. “The longer it takes, the more difficult it becomes to recover,” they explained, highlighting the delicate timing aspect in loan recovery. Lenders face the twin problem of late payments and complete defaults, both of which are exacerbated by borrowers’ ability to evade traditional debt collection methods.

> “The longer it takes, the more difficult it becomes to recover

1.2 Defaulters are still running circles around technology

Despite the widespread use of technology to aid in collections, these tools are not foolproof. One lender shared that although technology has helped automate alerts and follow-ups, it is far from a comprehensive solution. “We use automated systems that send alerts to borrowers when they are due, but this does not solve the problem entirely,” they noted, indicating that even with automation, loan recovery remains a tedious process. Another lender stressed the importance of combining technology with effective credit analysis. Their tactic involved weeding out potentially risky borrowers before loans were even disbursed, a process they found to be effective in reducing defaults. However, the resource-intensive nature of this approach makes it difficult to scale, especially for lenders with limited manpower or capital.

Interestingly, some lenders also mentioned that direct debit mandates, initially seen as an efficient solution, are proving unreliable in some cases. There are instances when the NIBSS direct debit system glitches at the time of repayment, so automation delays and affects repayment schedules.

Defaulters evade by keeping accounts unfunded. In response, lenders have begun using multiple direct debit mandates across different accounts to ensure better coverage, but even this does not guarantee full recovery. One lender shared that they required borrowers to set up three direct debit mandates, as well as asking for guarantors to set up their own mandates, further illustrating the lengths to which they must go to protect their capital.

> “We use automated systems that send alerts to borrowers when they are due, but this does not solve the problem entirely,

1.3 Not taking law into their hands might be costing lenders more than they anticipated

Several lenders also identified the bureaucratic and legal complexities of loan recovery as a major impediment. Involving legal authorities, such as the police, often turns into a costly and time-consuming process with uncertain outcomes.

One lender lamented that recovering even a fraction of a loan can come at a significant cost. They gave the example of paying 3.5 million naira to recover 5 million, after accounting for the bureaucratic hurdles, transportation costs for law enforcement, and additional logistics.

> “No guarantee arises even post court trouble and claim; missing mechanics.

This makes lenders hesitant to rely on legal recourse as a primary collection method. Furthermore, some lenders shared their frustrations with Nigeria's credit reporting systems, which they find inconsistent. Without accurate and comprehensive credit data, it becomes difficult to assess the risk profile of borrowers, leading to loans being granted to individuals who may not repay them. One lender raised concerns about how not all lenders report to credit bureaus, which distorts the creditworthiness of potential borrowers. Others expressed frustration that credit bureaus sometimes receive incomplete or outdated information, making it hard for lenders to trust the system fully.

1.4 How this problem affects the survival of lenders and their business models

The impacts of ineffective loan recovery are immense and can threaten the existence of lending businesses. For example, some lenders, particularly those offering nano loans (small, short-term loans), have reported significant financial losses due to loan defaults.

₦5m loss in nano loans.

One lender shared that their company lost 5 million naira in nano loans, leading them to abandon this product altogether and shift their focus to larger ticket loans for SMEs, which they found easier to recover. But even there, the challenges are not entirely eliminated.

The consequences extend beyond financial losses. Another lender mentioned how loan recovery failures halted their operations. "We were forced to stop business entirely because we could not recover funds owed to us," they shared. This speaks to the existential threat posed by the loan recovery challenge, when lenders cannot collect, they cannot continue lending, and the business model collapses.

Moreover, cash flow issues caused by poor loan recovery hinder lenders from accessing new funds or attracting investors. One lender mentioned that despite having investors, their inability to recover loans consistently led to constraints in securing future funding. Investors, too, are wary of the risks associated with loan defaults, which causes them to hold back capital or demand higher returns to compensate for the risk, further tightening cash availability for the lender.

In sum, loan recovery is the Achilles heel of many lending operations, cutting to the very core of their business models. While some have adopted technological solutions, combined them with legal recourse, or adjusted their lending strategies, the problem persists. Without a reliable and scalable solution, lenders will continue to struggle to balance their operations and profitability.

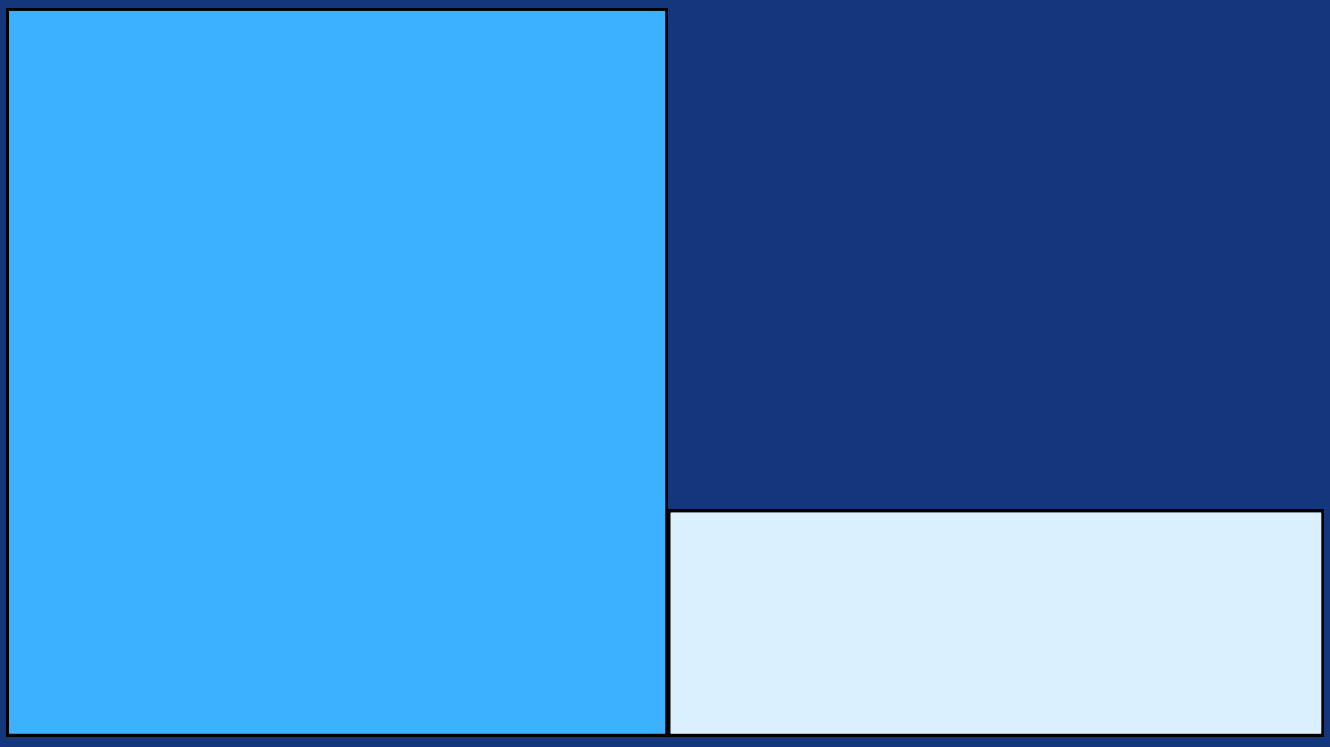
PROBLEM 2

Access to capital

Beyond loan recovery, another pressing challenge for many lenders is the difficulty of accessing capital. Capital is the lifeblood of any lending business, and without it, even the most efficient loan recovery systems or lending technology would not keep the business afloat. This problem has a ripple effect, touching nearly every part of their operations and ultimately limiting their ability to scale or serve a growing market.

2.1 Demand outstrips supply

Several lenders noted that they have far more loan applications than the funds available to meet these requests. One lender mentioned that they often experience cash flow constraints due to the high demand for loans. This is particularly true for SME-focused lenders, who cater to a large segment of businesses in need of credit but are unable to supply sufficient capital. The imbalance between demand and supply puts pressure on their operations and limits their ability to scale



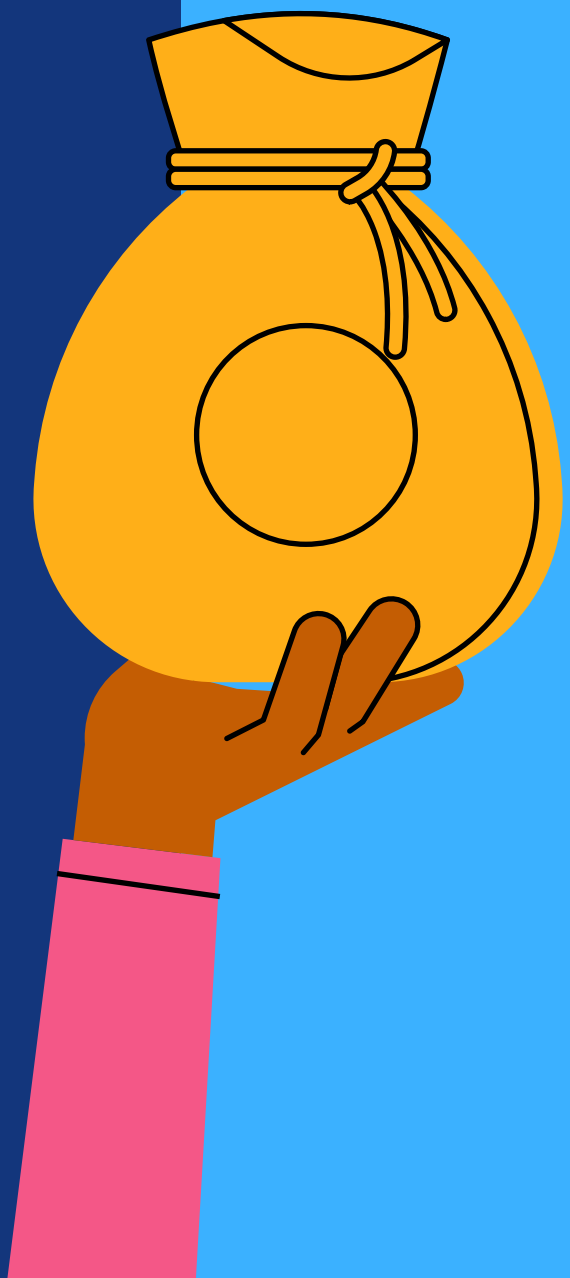
This strain impacts not only business growth but also the lender's reputation. When customers' credit needs cannot be met, especially when they've already been approved for a loan, it creates frustration, reduces trust, and can drive borrowers to look for alternative lenders. The opportunity cost of turning away customers because of insufficient capital is high, and lenders know they are leaving potential revenue on the table.

2.2 The quest for external funding

To address this gap, many lenders have sought out external investors. However, the success rate has been mixed. One lender shared that while they do have some investors, the challenge is that even the investors themselves sometimes face liquidity issues, creating an additional layer of unpredictability.

Another lender shared that they had attempted to negotiate for lower-cost capital with foreign investors, only to find that the Nigerian market's perceived risk made these negotiations difficult. So, raising capital from these investors comes at a cost: higher interest rates, which they then have to pass on to their customers.

This leads to a paradox: lenders want cheap capital to offer affordable loans to their customers, but in chasing external funding, they often end up increasing their own costs, which trickles down to borrowers. It's a vicious cycle, and unless they can tap into cheaper sources of capital, lenders will find it difficult to maintain competitive interest rates while growing their loan books.



2.3 Lenders have to get creative to meet capital needs

In response to these challenges, some lenders have experimented with alternative funding models. One example that stood out was a peer-to-peer lending platform launched by a lender to bridge the capital gap. By allowing individuals and businesses to lend directly to borrowers, they created a new source of funds. However, even this solution has not been able to fully meet the growing demand for credit.

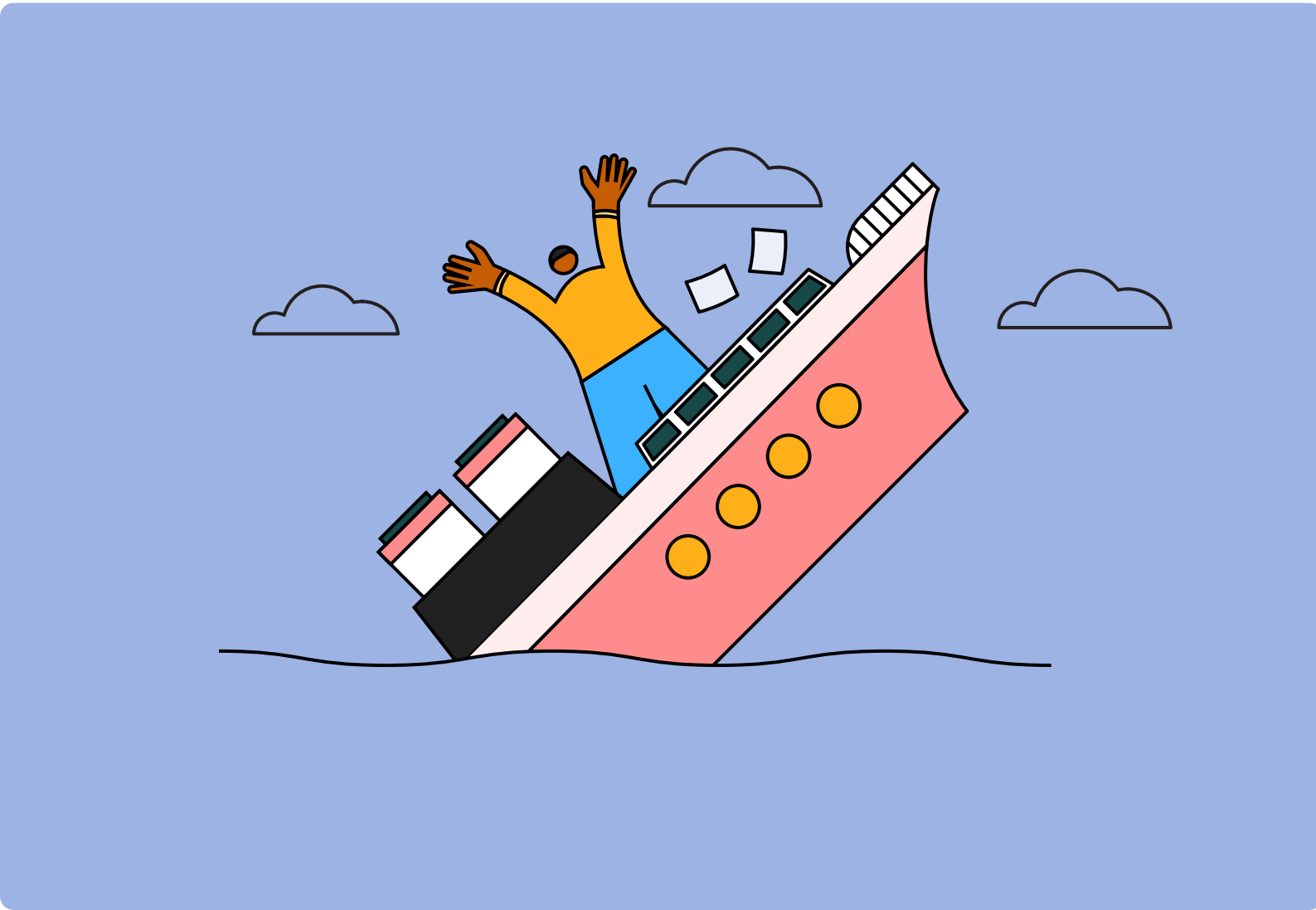
The underlying problem remains that the market is expanding faster than the available capital. The peer-to-peer model, while innovative, has not been able to scale to the level necessary to meet the increasing needs of small businesses and retail customers.

As one lender put it,
"The gap is getting wider because the market is getting bigger, and the solution is not as effective as it should be."

2.4 Consequently, lack of capital is choking business viability

Without access to enough affordable capital, many lenders face an existential threat. They risk being unable to grow or even maintain their operations if they cannot secure enough funds to lend. As lenders are forced to either increase interest rates or turn away borrowers, they become less competitive in the market. This has a direct impact on their long-term viability, especially as larger, more well-funded players can step in and capture market share.

The pressure to secure capital also distracts from other important aspects of running a lending business, such as improving underwriting processes or enhancing customer experience. Lenders are caught in a constant cycle of chasing funds, which hinders their ability to focus on innovation or growth.



PROBLEM 3

Inefficiencies in credit scoring and credit bureau reporting

One of the major revelations from our discussions with lenders is the structural inefficiencies in credit scoring and how credit bureau reporting operates in Nigeria. The challenge here is twofold: while lenders rely on these mechanisms to assess a borrower's risk profile, the existing systems do not always live up to the task. And that creates a ripple effect, lenders end up grappling with higher defaults and bad debt.

3.1 Credit bureaus are not well fed

Think about it: if a lender is flying blind because they cannot trust the information coming from the credit bureaus, that's a big problem. One lender shared that the main issue is not the bureaus themselves but the data flowing to them. A lot of moneylenders either do not report borrower data at all, or when they do, it’s inconsistent. So, the bureaus are left compiling fragmented, incomplete credit histories.

> **A lot of moneylenders either don’t report borrower data at all, or when they do, it’s inconsistent.**

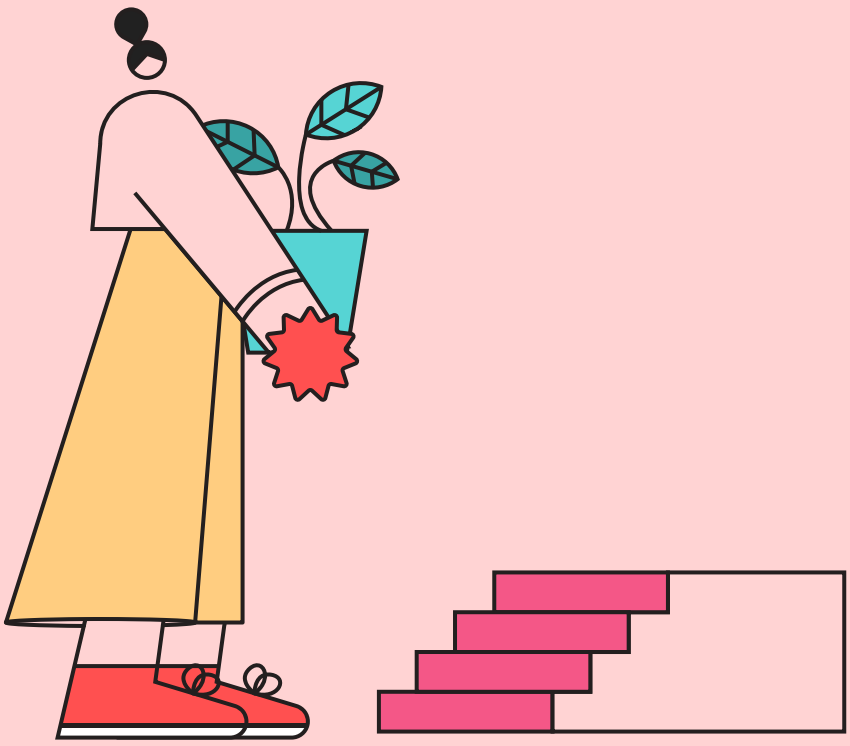
This inconsistency means lenders might approve a loan for someone whose credit history does not fully reflect their risk, possibly because some institutions did not report their defaults or credit behavior. This kind of patchy data leaves the lender exposed, making it harder to differentiate between reliable borrowers and risky ones. And when you’re operating in an already uncertain environment, that added risk can be disastrous for your portfolio.



3.2 Credit scoring is still a work in progress

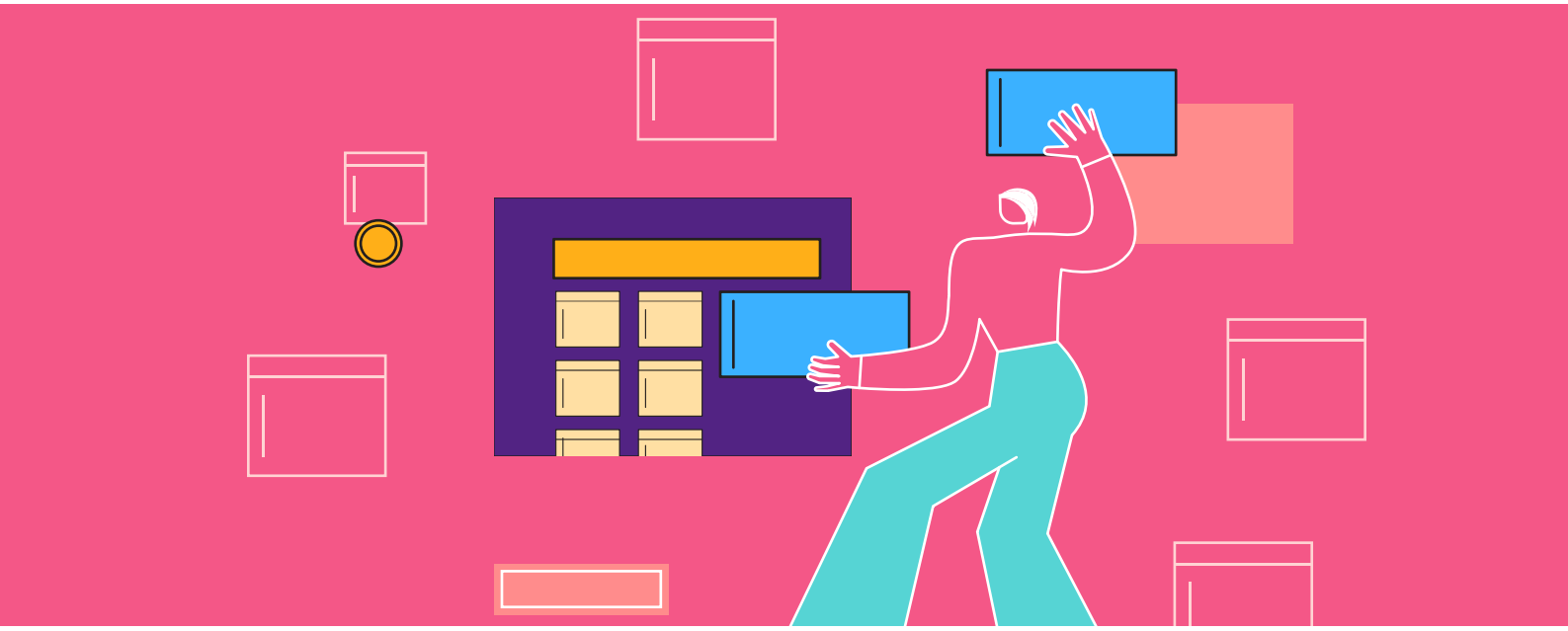
While credit scoring tools exist, several lenders we spoke with admitted that these tools do not adequately capture the full creditworthiness of borrowers. One particularly blunt observation from a lender was that no current solution in Nigeria accurately predicts who will repay their loan across every market segment, from mass-market retail to SMEs. In other words, the tools available today do not scale well across the various lending profiles lenders have to deal with.

This inadequacy pushes many lenders to rely on manual methods, like analyzing bank transaction histories or even requesting guarantors to help them assess risk. While fintechs are stepping in with solutions like APIs for credit scoring or using alternative data points, we're still some way off from having a robust, universal tool that delivers the kind of predictive power lenders need to confidently scale their operations.



3.3 How this hits the bottom line

The harsh reality is that without investing in technology, lenders will struggle to scale. And without scaling, they cannot afford the very technology that could help them grow. It’s a vicious cycle.



Some lenders are trying to bridge the gap by seeking creative payment structures. One lender highlighted that installment-based payments for accessing tech platforms could make the difference between adopting new tools and being left behind. This "pay-as-you-grow" model could allow lenders to onboard essential technology without absorbing the full financial hit upfront. But even then, it’s a short-term solution to a long-term problem because if they do not have the capital to manage subscriptions on a monthly basis, then they fall back to free mode without the premium features they once enjoyed.

In some cases, lenders even find themselves operating in a “patchwork” mode, where they pick and choose which parts of their operation to digitize, so they can take advantage of both digital and traditional lending methods.

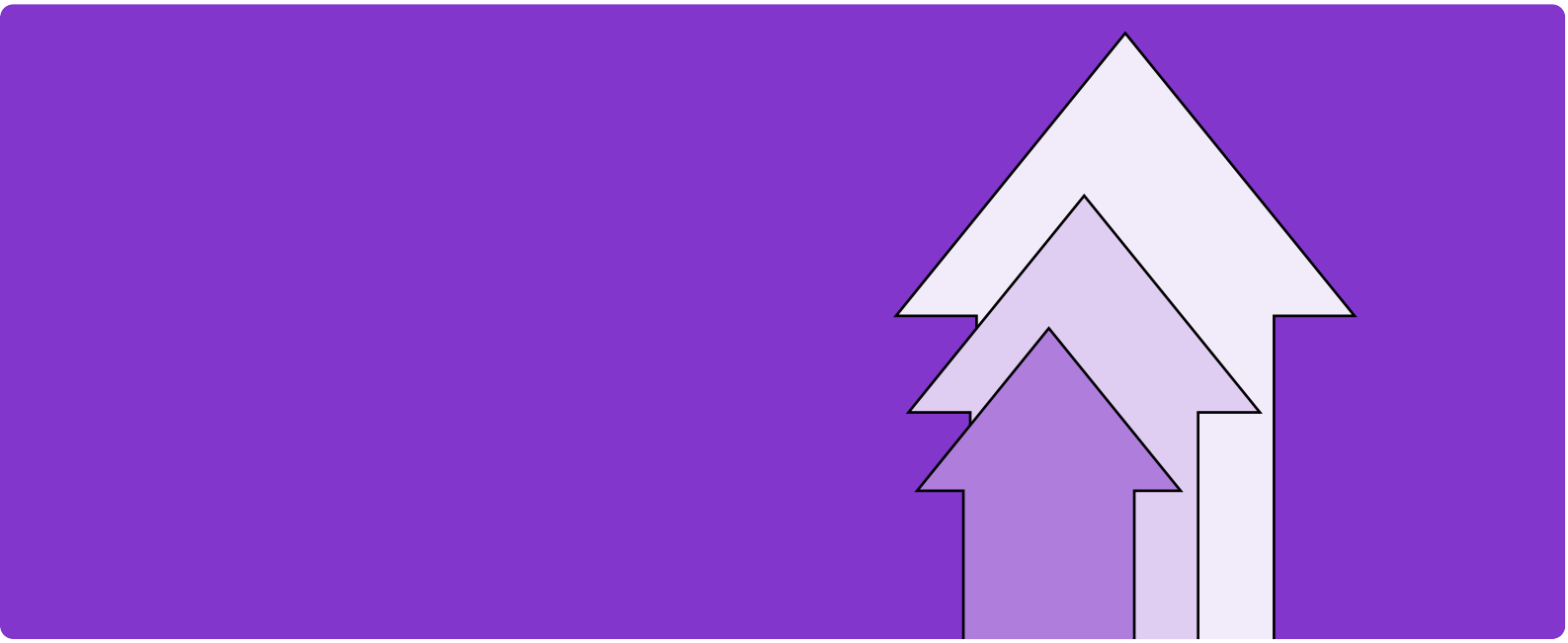
PROBLEM 4

The undeniable cost of adopting technology

One of the less-discussed but equally critical challenges raised by lenders is the high cost associated with adopting lending technology. This problem runs deep. While many lenders understand that technology is crucial for scaling, particularly in a market like Nigeria where digital adoption is key to reaching more customers, the financial burden of implementing these solutions remains a major barrier.

The mind is willing but the purse is weak

Several lenders expressed frustration at how the cost of adopting technology often outweighs the immediate benefits. One lender, for example, mentioned that while there's a clear need for stability and seamless operations, the cost to get there is a heavy burden, especially when cash flow is already tight. Not every lender feels they have the room to take it.



Technology, from lending platforms to credit scoring tools, can significantly improve the efficiency of lending operations. But when you start calculating the price tags, whether it's for integrating with a cutting-edge loan management system or for setting up an API that promises to predict default risk, the numbers do not always align with the capital smaller lenders have available.

In a market where most lending is still happening offline, the question becomes: Is it worth it? For many lenders, it's about survival. They recognize the need for technology but are struggling to justify the expense. The longer they delay, the further they fall behind in a market that's rapidly digitizing.

4.2 Are existing lending tech even built for the majority of Nigerian lenders?

Several lenders expressed frustration at how the cost of adopting technology often outweighs the immediate benefits. One lender, for example, mentioned that while there's a clear need for stability and seamless operations, the cost to get there is a heavy burden, especially when cash flow is already tight. Not every lender feels they have the room to take it.

This means lenders find themselves having to make difficult choices: invest in tech and risk financial strain or remain offline and risk irrelevance.

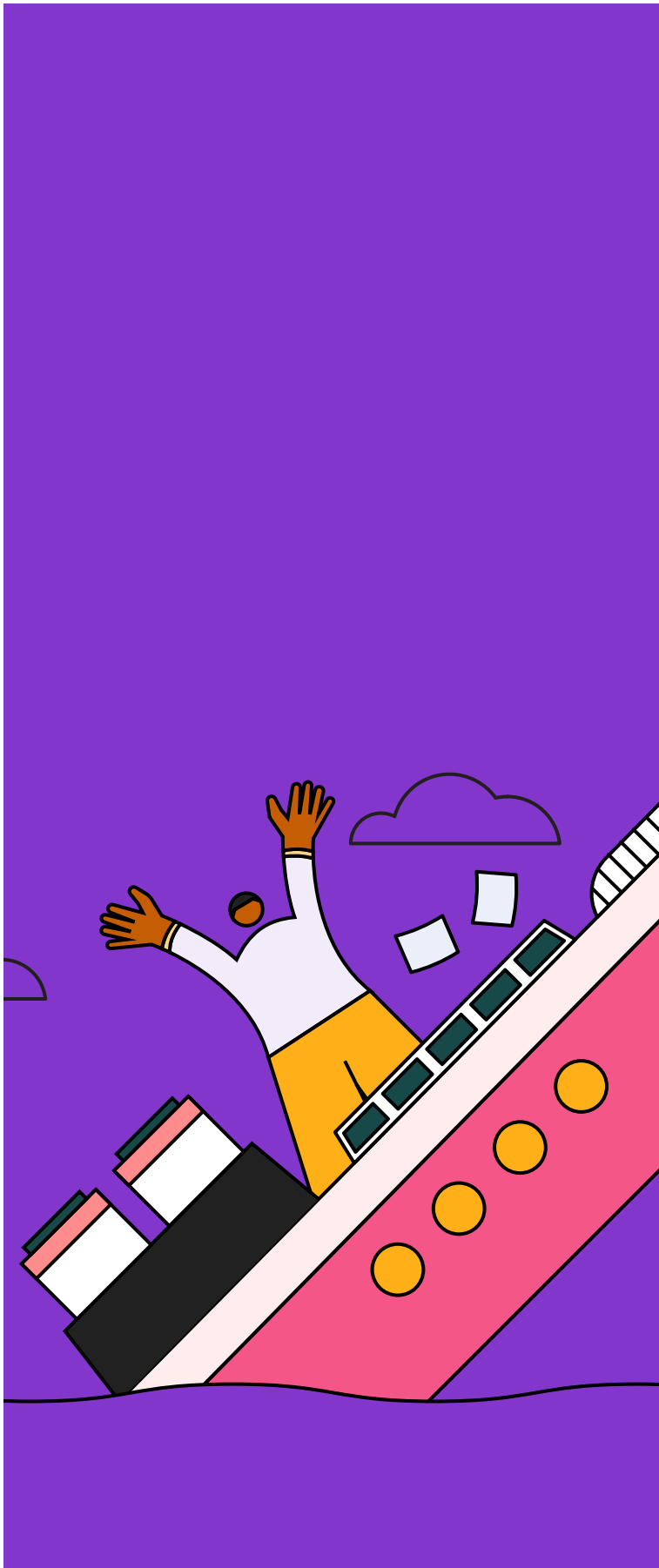


4.3 The catch-22 of tech investment

The harsh reality is that without investing in technology, lenders will struggle to scale. And without scaling, they cannot afford the very technology that could help them grow. It's a vicious cycle.

Some lenders are trying to bridge the gap by seeking creative payment structures. One lender highlighted that installment-based payments for accessing tech platforms could make the difference between adopting new tools and being left behind. This **"pay-as-you-grow"** model could allow lenders to onboard essential technology without absorbing the full financial hit upfront. But even then, it's a short-term solution to a long-term problem because if they do not have the capital to manage subscriptions on a monthly basis, then they fall back to free mode without the premium features they once enjoyed.

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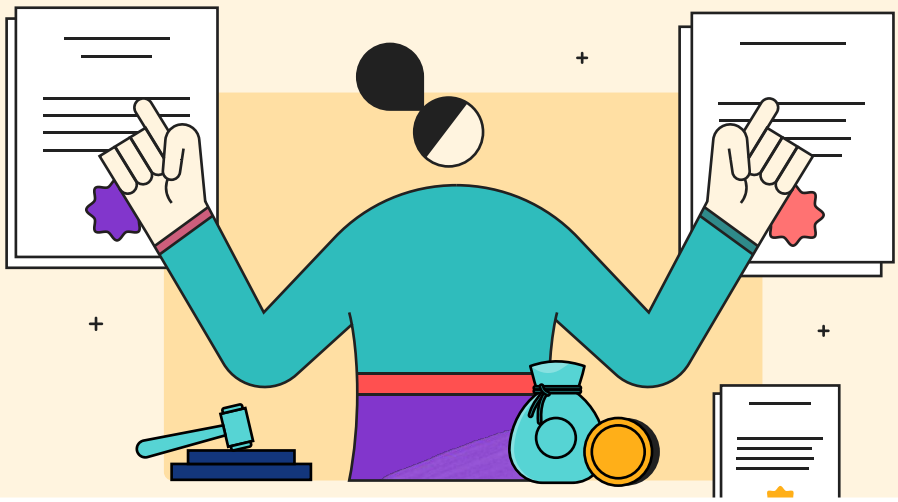
Lenders might lament, but they’re not quiet on potential solutions either

After listening to these insightful interviews, it became clear that while lenders face significant challenges, they’re also thinking creatively about how to overcome them. Here's a breakdown of the key strategies that emerged from these discussions:

1. Relying on one direct debit mandate is too risky. **Do three.**

For one lender, setting up three direct debit mandates on three separate accounts became a practical solution to mitigate defaulters changing banks or running out of funds. This safety net ensures that at least one account is sufficiently funded at the time of debit, which offers some form of assurance for repayment collection.

While this marks a step forward, it does not completely eliminate the problem. The real question is how long before borrowers find another loophole. Defaulters can still refuse to credit their accounts or close them altogether, creating a continuous game of cat and mouse. While direct debit systems bring some level of structure, they require a broader network to address gaps such as dormant or empty accounts.



Ultimately, while direct debit systems remain a key tool for recovery, they are not foolproof. Lenders will need to combine them with other approaches to achieve sustainable success in loan collection.

2. Peer-to-peer lending as a capital solution



Access to capital is one of the more pervasive challenges lenders face. A peer-to-peer (P2P) lending model was introduced by one lender as a way to fill this gap. By allowing individuals and businesses to invest their own funds, lenders can bridge the shortfall in available capital and meet their customers' demands.

Since its launch in 2017, this strategy has shown some success in attracting funds and engaging new players. The P2P platform allows small and medium-sized enterprises (SMEs) to gain access to needed funds, while investors can earn returns. Yet, despite its success, the lender admitted that the growing market size has outpaced the capital this model provides. The expanding market demand continues to widen the gap, revealing that while P2P lending is effective, it is not scalable enough to fully close the gap.

This leads to the inevitable conclusion that while innovative, P2P lending is not a comprehensive solution. Capital remains a finite resource, and without more substantial investment, lenders may find themselves constrained in scaling their operations.

3. Even though they can't predict 100%, credit APIs are useful

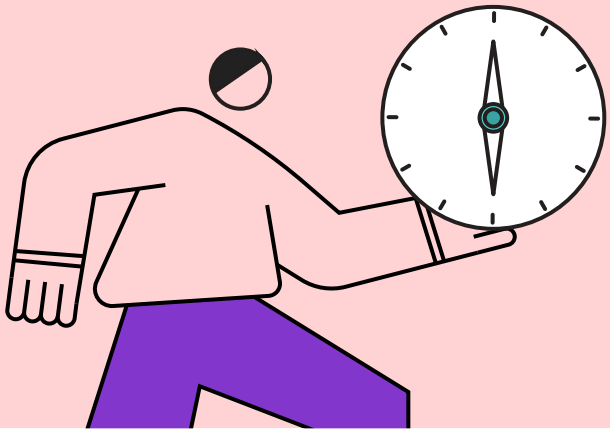
APIs for credit scoring were another solution highlighted by several lenders. These APIs help lenders assess the risk of loan defaults by analyzing financial habits in real-time. One lender mentioned that before credit bureaus and APIs became available, they had to rely on manually inspecting bank statements and conducting due diligence onsite.

While APIs offer a more sophisticated approach to underwriting loans, they have their limitations. As one of the interviewees explained, the problem with these tools is that no one in Nigeria can provide a fully accurate prediction of borrower behavior across all market segments.

What still stands is lenders still need to combine these tools with traditional methods of due diligence to ensure accurate risk profiles of potential borrowers.



4. Insurance companies are stepping in when guarantors can’t

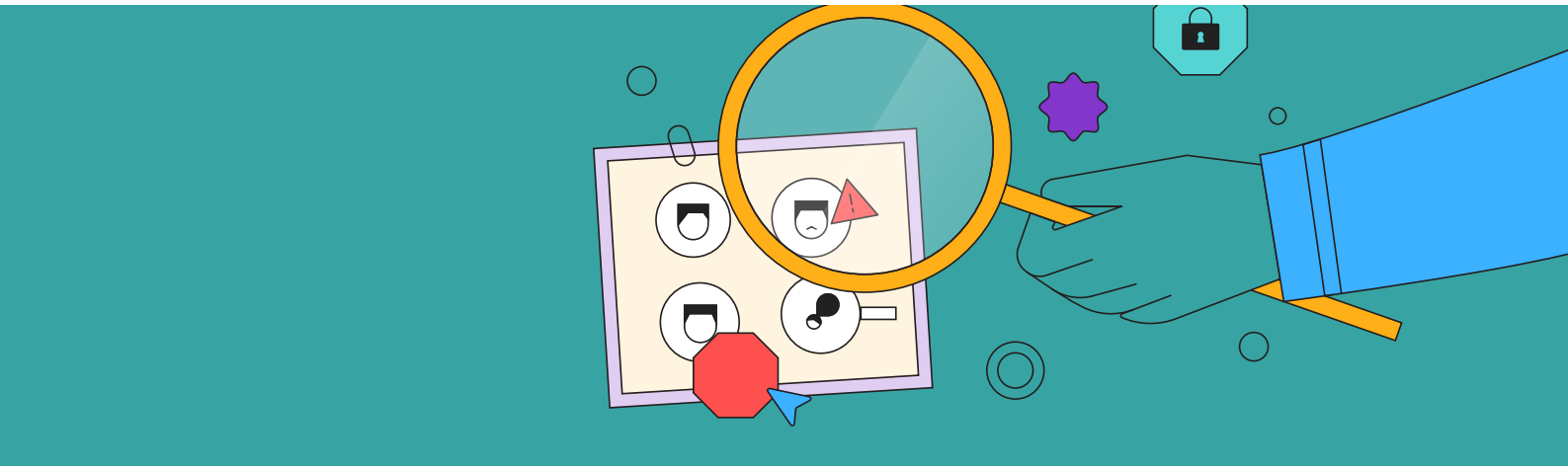


In response to the challenges of collecting repayments, some lenders mentioned guarantors as a critical element of their credit scoring system. This approach requires borrowers to have a third party guarantee their loan, submitting their own financial records and accepting liability in case of default.

For many lenders, this method offers an additional layer of security, especially when direct debit mandates fall through. By requiring both the borrower and a guarantor to submit financial records and sign multiple direct debit mandates, they added an extra layer of security to their lending process. This strategy helped mitigate the risks associated with unreliable credit bureau data.

But, as loan sizes increase and lending portfolios grow, guarantor systems may become less effective. Guarantors might not always have the financial means to cover defaults, and in some cases, may be reluctant to take responsibility. As one lender pointed out, insurance policies are emerging as a more viable alternative to guarantor systems. These policies insure loans in case of default, reducing the need to burden a third party with the responsibility.

5. Smart lenders understand that effective loan collection strategies start from assessing loan applications



Several lenders noted that the key to overcoming many of their challenges lies in having stronger processes before a loan is even disbursed. One interviewee emphasized the importance of a holistic value-chain approach that begins with understanding the borrower, evaluating their creditworthiness, and it's important to match the right loan product to the right profile. Do not give a million bucks to a borrower only worth a thousand.

This approach underscores the value of getting things right from the start—before loans turn sour and recovery becomes a headache. In practice, it means investing time in better customer sourcing, more accurate underwriting, and setting clear repayment terms. Lenders who master this process are far more likely to recover their loans without ever needing to chase defaulters.

6. More spotlight on alternative data for credit scoring



One theme that came up repeatedly was the use of alternative data to improve credit scoring models. This was especially relevant for lenders operating in markets where formal credit histories are either scarce or unreliable.

Several lenders mentioned the importance of using banking transaction data to assess borrower creditworthiness. One lender shared how, before fintech providers like Mono emerged, they developed an in-house due diligence system that analyzed a borrower's financial habits based on bank statements. This system allowed them to differentiate between spenders and savers, who’s more likely to pay.

The idea of developing an in-house credit bureau was also floated during one conversation. A lender suggested that by building proprietary credit scoring models, which take into account alternative data points like bank transaction histories and social data, they could fill the gaps left by existing credit bureaus. This would provide more reliable and relevant credit information, especially for lenders who cater to underserved markets.

Lendsqr's response to the challenges lenders are facing

At Lendsqr, we are continuously evolving to meet the challenges of today's lending environment. We are tackling these problems head-on and providing solutions that allow lenders to not only survive but thrive.

How we're addressing loan recovery by optimizing credit decision-making

Many lenders, such as those running SME loan businesses, highlighted the difficulty of vetting borrowers, especially with inconsistent credit reporting. Lendsqr's Adjutor API service steps in to tackle this challenge head-on.

Adjutor provides critical support for making better credit decisions, offering lenders access to credit decision APIs and KYC validation APIs to help lenders make informed decisions..

Lendsqr also addresses the problem of inconsistent credit checks and variable borrower needs with configurable loan forms. These forms allow lenders to collect diverse data types, from text entries to video uploads, enabling a more tailored and comprehensive credit evaluation process. Lenders can design forms suited to specific loan types, whether for school fees, asset finance, or rent loans, enhancing credit assessment and approval efficiency.

Lenders also worry about bad actors: borrowers who take out loans with no intention of repaying. Our Karma Service was designed to address this issue. Karma is one of the largest blacklists in Nigeria that acts as a blocker against defaulters and fraudsters, ensuring that lenders are not left holding the bag when someone slips through traditional credit checks.

How we're helping lenders expand their reach

Some lenders are trying to balance offline lending processes while digital solutions scale up, which has posed a challenge. To solve this, we introduced our Offline Loan Feature, which allows lenders to expand their customer base and serve individuals who may not have immediate access to digital platforms but still need access to credit. With this feature, lenders can cater to underserved markets, ensuring they do not miss out on potential borrowers. This tool has been transformative for lenders looking to tap into the unbanked population, and we detail it in our article, Reach More Customers with the Lendsqr Offline Loan Feature.



How we're helping lenders address security concerns

As we move towards digitization, the risk of fraud or identity theft becomes higher. In response to this, Lendsqr developed advanced security features to protect both the lender and borrower. Our platform includes built-in fraud detection tools and multi-factor authentication to ensure the right people are accessing the system. In Keep Your Platform Secure and Chase Away Bad Actors, we explore how our features ensure that lenders do not fall victim to fraud.



How we're solving the capital gap

Lenders constantly expressed concerns over funding availability, which stifles their growth. We admit that sometimes Lendsqr makes it feel like technology is all you need to succeed. We know better now.

With this initiative, you can start or expand your lending business capacity without worrying about where and how to raise capital.

We recognized this issue and actively sought to solve it. Through our N1 billion fund launched in August, Lendsqr provided lenders with easy access to capital at affordable rates to boost their operations and business.



Shedding light on the issues does not mean the future is bleak

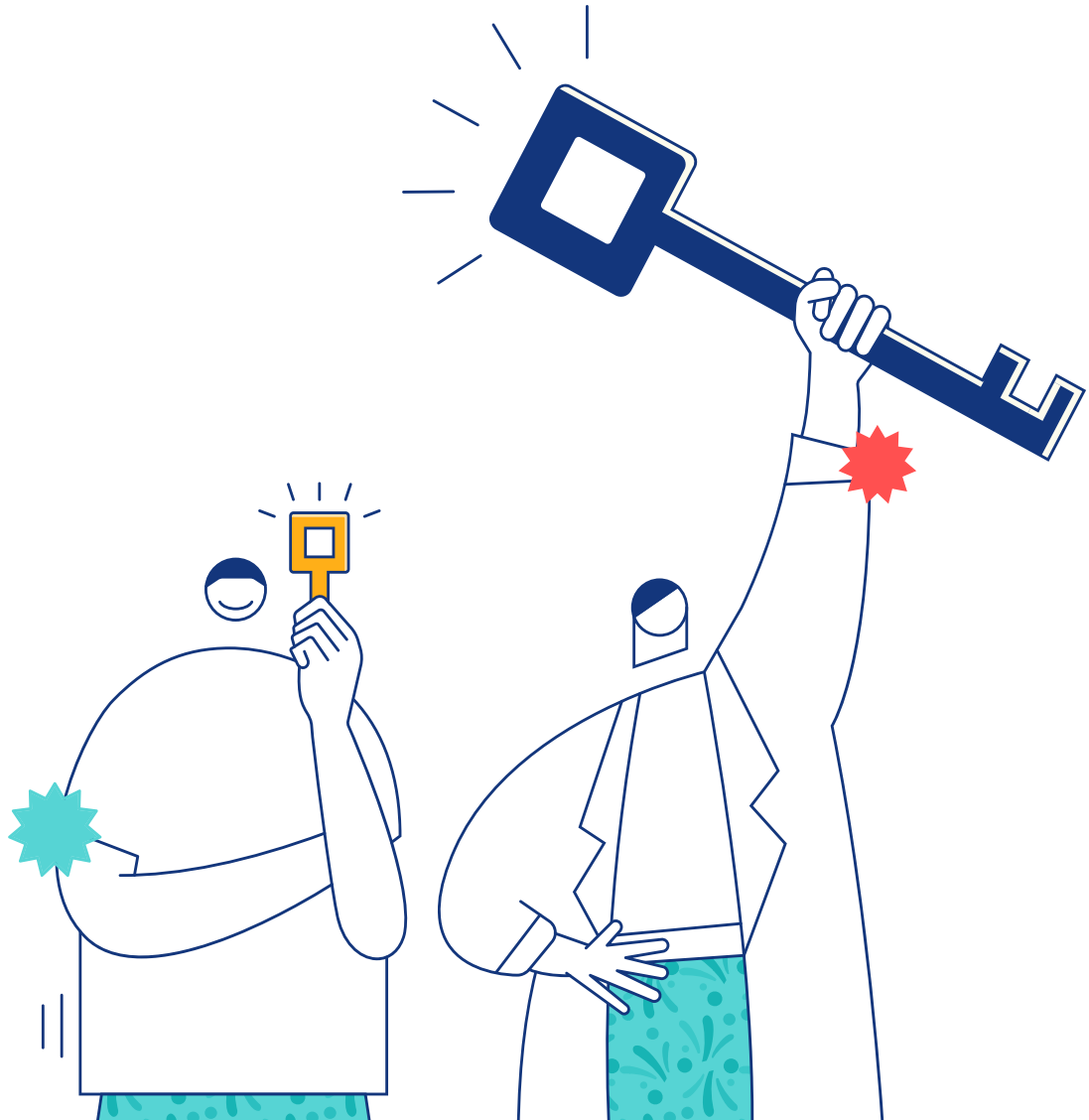
Reflecting on the conversations with lenders, a few clear themes have emerged: lending in Nigeria is undergoing a transformation, but significant hurdles remain. The combination of fragmented credit information, inconsistent loan recovery processes, lack of digitization, and limited access to capital have placed immense pressure on lenders. Yet, it is evident that these challenges, while substantial, are not insurmountable. They signal an industry influx, a transition from traditional, manual processes to more automated and scalable systems.

Lenders are adapting to a rapidly evolving market, but they are also burdened by the very systems meant to support them. Credit bureau inconsistencies, unreliable recovery methods, and slow adoption of technology are compounding existing issues, limiting growth, and increasing operational costs. As we've seen, many lenders are forced to manage these issues creatively, relying on peer-to-peer lending or building in-house tools to bridge the gaps. But even with these solutions, sustainability remains elusive for some, particularly in the face of an expanding market.

But, as the interviews reveal, there is hope in technology, collaboration, and continued innovation. Lendsqr's solutions, whether through automating loan collections with direct debit, improving credit assessments with multiple bureau integrations, or providing flexible disbursement models, are designed to tackle these exact challenges. Our platform is a living response to the most pressing pain points lenders experience daily.

What stands out most is that no single solution can address every issue in the lending ecosystem. Instead, an integrated approach, combining better data, secure platforms, flexible funding, and streamlined operations, is necessary. Lendsqr's commitment to building tools that solve real-world problems, based on the feedback of lenders, shows that we are not just reacting to industry trends but anticipating the future of lending in Nigeria.

In closing, the future of lending in Nigeria is not bleak but brimming with opportunities for those willing to adapt and evolve. Lendsqr is standing shoulder to shoulder with lenders as they navigate the complexities of the modern financial landscape. Our solutions aim not just to ease the burden but to empower lenders to scale, innovate, and ultimately, thrive.



lendsqr

We've cracked
the lending code