

## **Mobile Lending App Branch Partners With Visa, Announces \$170 Million In Fresh Funding**

Branch International, a fintech startup that assesses creditworthiness using smartphone data, has raised \$170 million in Series C financing and announced a new partnership with Visa. Foundation Capital and Visa led the round, which also included B Capital, Andreessen Horowitz, Formation 8 and Trinity Ventures.

With more than 3 million customers and more than 15 million loans issued in Kenya, Nigeria, Tanzania, Mexico, and India, Branch is working to expand access to credit in countries where the average middle class borrower might not have a credit history or even a bank account. Matt Flannery, Branch's cofounder and CEO, says he took his inspiration for Branch in part from the success of M-Pesa, a mobile money service that launched in Kenya more than 10 years ago.

Easy access to credit helps create room for small businesses to grow. "They'll take a \$50 loan, go to the market, buy a bunch of stuff, make meals at their restaurant and then two weeks later do it again," says Flannery of a typical Branch borrower. With a loan from Branch, a merchant might be able to invest in supplemental stock and a taxi driver might be able to gas up his car in advance of payday.

Flannery is also a founder of the pioneer microfinance organization Kiva, and says his time at the nonprofit helped him see the need for the product Branch is offering. "I spent years traveling to Cambodia or Peru or Nigeria visiting borrowers taking loans from microfinance institutions," he says. "I knew that this was a customer that banks weren't really serving."

Branch isn't the only company to recognize this opportunity. Tala, founded in 2013, also offers smartphone-based lending in many of the same regions where Branch operates and has disbursed some \$500 million in loans. PaySense offers a similar service in India, as does OneFi in Nigeria.

After a potential borrower downloads the app and verifies their identity, Branch's machine learning algorithms determines their creditworthiness and can grant loan approval within minutes. Of course, this quick and easy process comes with a price: data. Branch uses smartphone data like text messages, call logs, contacts, and GPS alongside a borrower's loan repayment history to make its determinations. Loan durations range from a few weeks to more than a year, and the typical loan amount hovers around \$50.

Currently, Branch borrowers might visit a local convenience store or bank to retrieve their loan using a code sent to their smartphone. But with Visa on board, Branch will now have access to a global network of ATMs so that borrowers will be able to withdraw funds from an

ATM using “virtual” Visa credentials within that code, no physical debit card or bank account required. As part of the new partnership, Branch will also offer preferential loan terms to merchants who accept Visa on mobile phones in Kenya, Tanzania, and Nigeria.

“As we look to the future, we are looking for the opportunity to reach people who are outside of the formal economy or in places that are underserved,” says Bill Sheedy, Visa’s executive vice president of strategy, of the new investment with Branch. “It’s about tapping into their distribution to help shape the future of microfinance.”

Branch launched its operations in India last month and has added more than 30,000 users so far via word of mouth. “I think it speaks to the latent demand,” says Flannery of the quick uptake. Branch plans to use this new round of capital to continue to build its presence in India as well as in Latin America (Branch is already operating in Mexico).

Alex Rampell, a general partner at investor Andreessen Horowitz, says the potential of Branch’s business model has only become clearer as Branch grows: “The idea has become even better as time has gone on, and the market uptake shows it.”

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