

ACCELERATING SMALLHOLDER FARMER PROSPERITY THROUGH INNOVATIVE FINANCING AND MECHANIZATION

Heifer International, in partnership with Hello Tractor, has introduced an innovative blended financing model aimed at improving access to agricultural machinery for smallholder farmers and boosting entrepreneurship for youth in Africa. This is the central theme of the Financial Benchmarking Report by Aceli Africa conducted in 2024. The report, which examines the commercial viability and social impact of Hello Tractor's Pay-as-You-Go model, highlights how a blended approach to financing enables young entrepreneurs to provide much-needed mechanisation services to rural communities. Central to this initiative is AYuTe Africa NextGen, Heifer Africa's flagship program that supports the growth of innovative agribusinesses through incubation, catalytic financing, and strategic partnerships. By fostering scalable agritech solutions, the program seeks to address persistent challenges faced by smallholder farmers and drive inclusive growth across the agricultural sector.

Deployed initially in Nigeria, Kenya, and Uganda and now expanded to Rwanda, this model has grown through Hello Tractor's innovative digital platforms, which connects tractor owners with smallholder farmers in real time. By combining technology, financing, and youth entrepreneurship, the model addresses longstanding barriers to mechanization access while generating employment and improving agricultural productivity.

The 2024 Aceli Africa Financial Benchmarking Report offers independent, data-driven validation of this approach. The report reviewed **32,600 loans across five East and Southern African countries**, with a specific focus on **72 loans issued to Hello Tractor clients**, ranging from \$10,000 to \$2 million. These loans achieved a **7.2% net profitability**, outperforming the **-6.8% benchmark** for non-bank financial institutions. Hello

Tractor also reported **0% expected credit losses and 100% first-time borrowers**, clear signs of strong client targeting, robust risk management, and meaningful financial inclusion. Additionally, the supported SMEs have created over **200 full-time jobs**, many held by youth and women.

This success affirms the effectiveness of Heifer's approach: investing early in promising agritech solutions through AYuTe Africa and scaling them through strategic partnerships and locally driven models. Hello Tractor's trajectory of unlocking more value and profit pools within the agricultural supply chain is a powerful case study of what is possible when innovation meets opportunity.

As the data confirms, youth-led digital solutions like Hello Tractor's are not only bankable, they are transformative. The AYuTe vision is working. Now is the time to deepen investment in such models to accelerate inclusive agricultural transformation across Africa.



Deployed in
Nigeria, Kenya,
Uganda, and
Rwanda

32,600

Loans valued at
\$1.97 billion

200

Full-time jobs
created

72

Loans issued
to Hello Tractor
clients



Five Countries across
East and Southern
African Countries

SCOPE OF REPORT ANALYSIS

This benchmarking analysis covers:



72 loans issued by Hello Tractor between 2020 and 2023



Loan sizes from \$10,000 to \$2 million, representing 0.2% of the broader 32,600-loan dataset across East and Southern Africa



Comparative insights from Kenya, Uganda, Rwanda, Tanzania, and Zambia

KEY INSIGHTS AND DATA



1. PORTFOLIO COMPOSITION AND REACH

- 1 As of 2023, Hello Tractor had 33 active agri-SME loans valued at \$1.7 million.
- 2 A total of 88 loans valued at \$2.5 million have been registered under the model.
- 3 All loans supported downstream agribusinesses (e.g., tractor operators providing services), unlike many peer lenders that serve a mix of production and post-production segments.
- 4 The average loan size was \$52,000, with a tenor of 60 months.

2. CLIENT PROFILE

100% First Time Clients

100% of borrowers were first-time clients with no credit history.

49% of other NBFI Loans Issued

In contrast, only 49% of other Non-Bank Financial Institution (NBFI) loans were issued to new borrowers, highlighting the partnership's focus on financial inclusion and youth engagement.



Hello Tractor's financing model is powered by real-time data from its fleet management platform, allowing for asset-based underwriting rather than traditional credit checks. Each tractor's earnings, service history, and usage patterns are tracked through digital tools, enabling underwriting decisions based on the asset's income-generating potential.

Automation and data integration significantly reduce servicing costs, while bespoke scoring models ensure that even borrowers with no formal financial records can access capital. This is especially important in rural markets where conventional financial institutions have limited reach or risk appetite.

3. LOAN CHARACTERISTICS

1 76% of Hello Tractor loans fell within the \$50K–\$200K range.

2 The average interest rate was 14.6%, significantly lower than the NBFI average of 22.3%.

3 Origination costs were 1%, and lifetime servicing costs were 2.3%—both below industry norms.

4 Expected credit losses were 0%, indicating strong portfolio performance.

5 Cost of funds was 4.5%, compared to 8.2% for non-bank financial institutions.

4. PROFITABILITY

7.2%
Net Profitability

The PAYG model, as implemented by Hello Tractor, yielded a net profitability of 7.2%, outperforming the NBFi benchmark of -6.8%.

-6.8%
NBFi Benchmark

This confirms the commercial viability of the model when implemented with operational efficiency and customer-focused design.

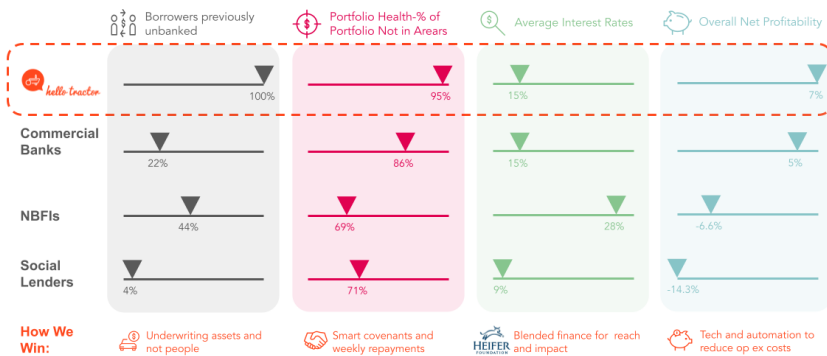


5. SOLUTION EFFECTIVENESS: PAYG/HELLO TRACTOR VS. OTHER LENDERS

Solution

PAYG vs. Other Ag Lenders¹

According to a recent Aceli and Dalberg benchmarking report, Hello Tractor is outperforming commercial banks, NBFIs (non-banking financial institutions), and impact lenders.



¹ The Aceli 2024 Benchmarking Report is based on an analysis of ~32.6K loans, with a combined value of \$1.975M USD, issued between 2020 and 2023 by 41 banks, non-banking financial institutions, and social lenders

The report highlights the superior performance of the PAYG model compared to other agri-lending approaches:

Higher Revenue Efficiency:

Despite smaller ticket sizes, Hello Tractor loans generate better margins due to reduced losses and improved client targeting.

Stronger Inclusion:

Serves newer, underserved borrower segments with no credit history while maintaining healthy loan performance.

6. EMPLOYMENT AND INCLUSION

1 The 88 supported SMEs created 200 full-time jobs, including 39 for women. Hello Tractor has achieved meaningful gender inclusion, with women comprising one-third of the PAYG portfolio. Down payment assistance is used strategically to reduce barriers for underrepresented groups, including youth and women, to enter the mechanization ecosystem as tractor owners.

2 Additionally, Hello Tractor uses behavior-linked incentives to accelerate adoption of climate-smart agriculture. Borrowers offering services like ripping, no-till, and minimal tillage are eligible for full down payment waivers, encouraging sustainable practices while de-risking the transition. These tools create alignment between climate goals and financial inclusion at the last mile.

3 The initiative contributes to gender equity and youth employment, with female tractor operators trained and actively participating in the value chain.



BLENDING FINANCE AS A STRATEGIC LEVER

1. The Hello Tractor PAYG model is made viable and scalable through a blended finance approach that lowers the cost of capital in high-interest-rate markets. In many African countries, government risk-free rates exceed 15–20%, which makes it prohibitively expensive for smallholder farmers—particularly grain producers—to access capital through traditional lenders.
2. Blended financing combines catalytic grants or concessional debt with commercial capital. This structure allows Hello Tractor to offer affordable interest rates to entrepreneurs by absorbing early-stage risks through first-loss guarantees and other de-risking instruments. These mechanisms are especially important in markets where government programs do not subsidize crop insurance or guarantee commodity prices through programs like ethanol blending or biofuel initiatives.
3. As a result, Hello Tractor's average interest rate is 14.6%, significantly below market benchmarks of 22.3%, while maintaining 0% expected credit losses. This makes PAYG not only inclusive and impactful—but also financially resilient.

VERTICAL INTEGRATION TO UNLOCK SUPPLY CHAIN VALUE

1. Hello Tractor sources tractors directly from manufacturers, bypassing traditional distribution channels that include Original Equipment Manufacturers (OEMs), distributors, and local dealers. This not only reduces the landed cost of tractors but also enables bundling with implements and digital services at lower prices.
2. As both financier and platform operator, Hello Tractor captures more value across the lifecycle of the asset—without relying solely on net interest margin as traditional lenders do. This positions the company to offer competitively priced financing that's aligned with long-term customer success.

FX RISK MITIGATION THROUGH PORTFOLIO HEDGING

1. A critical enabler of cost-effective lending is Hello Tractor's portfolio-level Foreign Exchange (FX) risk strategy. The PAYG portfolio is capitalized in a mix of currencies—USD, EUR, UGX, KES, NGN, and RWF—creating a self-hedging mechanism where currency fluctuations are often offset by counterbalancing movements.
2. Rather than incurring the high cost of external hedging for the full portfolio, Hello Tractor provisions for the net FX exposure based on historical correlation analysis. This approach significantly reduces the cost of capital while maintaining a robust risk buffer.

CONCLUSION

This report demonstrates the impact of the Heifer International and Hello Tractor partnership in expanding access to agricultural finance and mechanization services through a commercially sustainable and socially impactful model. The findings validate the PAYG approach as a scalable solution for increasing productivity, promoting rural employment, and deepening financial inclusion in agriculture.

For stakeholders committed to improving Africa's agricultural systems, this report offers both evidence of concept and a call to support and scale models that integrate innovation, inclusion, and sound financial design to deliver long-term impact for smallholder communities.