

# LoanTank



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## Executive Summary

LoanTank is a fintech startup aiming to expand financial access to unbanked and underserved communities globally through an innovative peer-to-peer microlending platform. By connecting individual lenders looking to support small businesses with entrepreneurs in need of microloans, LoanTank provides a faster, fairer way for borrowers to access credit while offering lenders social impact returns.

Powered by proprietary machine learning technology for credit risk assessment, LoanTank significantly lowers the high costs microfinance institutions face in manually vetting borrowers. This allows for more efficient distribution of capital and oversight at scale.

With 1.4 billion unbanked adults worldwide and the microfinance market growing over 10% annually, there is immense potential to responsibly expand financial inclusion. LoanTank ultimately seeks to bridge the lending gap through cooperation among key stakeholders.

## Problem - The Lending Gap

Over 1.4 billion adults globally lack access to formal financial services [[World Bank Global Findex Database 2021](#)]. Despite promising advances in financial inclusion over the last decade, 50% of adults in developing economies couldn't access emergency funds if needed, indicating immense unmet credit needs.

While microfinance presents immense potential for financial inclusion, costs remain prohibitively high for many microfinance institutions to sustainably scale impact. Tasks like manual underwriting processes, customer vetting and analysis, and capital sourcing and allocation put immense resource strains on institutions, especially in rural markets.

This results in a slow, inefficient distribution of capital that fails to match investment opportunities with values-aligned individuals looking to lend and invest for impact.

## Solution and Value Proposition

LoanTank introduces a cooperative fintech approach to alleviate common microlending problems through an efficient peer-to-peer lending platform. Powered by proprietary ML-based credit scoring algorithms and digital processes, LoanTank facilitates matches between creditworthy microentrepreneurs and a global network of impact-driven individual lenders seeking opportunities. Specifically, the platform:

- Provides fair market interest rates by connecting borrowers directly with lenders
- Increases efficiency and dramatically lowers costs associated with manual underwriting and analysis
- Matches capital to responsible investment opportunities often overlooked
- Incentivizes on-time repayments via robust digital repayment tracking

LoanTank hopes to facilitate this platform by partnering with three target customer profiles: borrowers, lenders, and institutional partners.

**For borrowers**, this population is composed of unbanked microentrepreneurs (especially in emerging economies). They lack access to affordable lines of credit or trust in government entities. Unfortunately, a large section of this population are taken advantage of by predatory lending institutions. LoanTank offers borrowers:

- Fast access to capital with limited requirements
- Fair market loan rates, more affordable than predatory lenders
- Opportunity that traditional banks fail to provide
- Seamless integration into daily practices with both a mobile application and a backed plugin for MFIs, both existing touchpoints for borrowers

**For lenders**, this population is composed of socially/environmentally conscious investors who are more comfortable with higher-risk investments. LoanTank offers individual lenders:

- Unique impact investment in microentrepreneurs
- Automated investment risk assessment
- Robust digital repayment tracking system

**For institutional partners**, including MFIs, NGOs, and Community development financial institutions (CDFIs), LoanTank offers

- Automated borrower analysis and credit scoring
- Direct access to individual lenders aligned with their mission
- Significant operational efficiency improvements

## **Social Impact & Stakeholders**

As a mission-driven financial inclusion platform, LoanTank's success depends on optimizing value across a diverse range of stakeholders. Thoughtful collaboration and win-win relationships provide the foundation for scale and sustained impact over the long term.

**Microentrepreneurs & Unbanked Communities** are the direct recipients of increased access to responsible finance through LoanTank. By connecting these groups with values-aligned lenders seeking opportunities for impact, we project improving income growth for microentrepreneurs and facilitating poverty reduction in the communities served. Tying entrepreneurial success directly to more affordable and swift lines of credit unlocks significant development potential.

**Individual Investors & Philanthropic Funds** represent the supply side of capital enabling LoanTank's lending activity. By providing a platform for retail lenders to deploy into remote investment opportunities often overlooked, we not only project robust returns averaging 10-15% annually for these partners, but also the immense social impact this influx of responsibly aligned capital can achieve. Democratizing access expands resources for those most in need.

**Microfinance Institutions** serve as LoanTank's on-the-ground partners working directly with local microentrepreneurs. Through automation and improved efficiency, our model projects a decrease in operating costs for these groups alongside an increase in the number of entrepreneurs able to be funded annually. Freeing up resources allows specialized MFIs and nonprofits to expand sustainable programming aligned with their philanthropic missions.

**Financial Services Firms, Regulators & Researchers**, although not directly placing loans themselves, have immense infrastructure and policy interests in seeing sustainable financial inclusion platforms take hold globally. By collaborating closely with companies providing payment rails, blockchain utilities, compliance tools and more, LoanTank aims to showcase a model for responsible digital finance in emerging economies. Likewise, working transparently with regulators and leading academics provides learnings to inform a new era of progressive, "win-win" policymaking

**Third-party and Freelance Business Service Providers** will get early access to a pre-vetted pool of innovators in some of the world's fastest-growing markets, ensuring reliable payouts in this informal marketplace. In return, their services give microentrepreneurs a much-needed "next step" resource after receiving funds, a missing element that has kept most microfinance-based innovations from creating upward mobility. This is another "win-win" we plan to bring into the ecosystem over time.

## **Market Research and Growth**

### **Global Microfinance Market Size**

Currently valued at \$228.8 billion as of 2023 [[Factmr](#)]

Estimated to reach \$650 billion by 2033

Has grown at ~11% CAGR historically

### **Global P2P Lending Market Size**

\$153 billion generated loan originations in 2022 [[Allied Research](#) ]

Projected to reach \$1.7 trillion by 2032

Estimated CAGR of 27.5%

## Digital/Mobile Penetration

71% globally have access to mobile internet

Ranges from near ubiquity in North America to ~45% penetration in South Asia

## Low-Tech Borrower Estimates

While mobile internet access is rising steadily, key geographies still have significant segments of borrowers with limited digital access. LoanTank's unique interfacing with MFIs enables the ability to provide services to these markets provided 2G feature phone access, notably in India (500M+) and Sub-Saharan Africa (350M+).

## Business Model, Partnerships, and Go-To-Market Strategy

### Competitive Landscape

#### Kiva:

As a leading provider in the global microfinance space, Kiva relies fully on partner field organizations and lacks direct oversight over borrowers. This increases the likelihood of delinquency and fraud. LoanTank's peer-to-peer model lets lenders monitor repayment to incentivize discipline while our algorithms model risk

#### Tala:

Tala is another peer-to-peer lending service with expansion in Kenya, India, and Mexico. However, This application requires a high level of digitalization for potential borrowers, excluding a large population base of emerging markets. LoanTank's unique integration with MFI operations alleviates this concern, providing financial access to basic mobile environments.

#### M-Pesa:

M-Pesa is a cash exchange platform propagated by the Kenyan government, without any further credit analysis. LoanTank provides a full digital economic identity and microcredit history to catalyze entrepreneurial growth

## Costs

There are currently no direct costs with the application. However, many costs will be incurred as we begin to expand into international markets.

Below is a breakdown of potential costs for during the first few years of LoanTank's life.

1. Human Capital
  - a. Software Developers (3): \$90,000 - \$120,000 each
  - b. UI/UX (1): \$60,000 - \$90,000
  - c. Regional Account Managers (3): \$70,000 - \$100,000
  - d. Total Human Capital Cost: \$520,000 - \$730,000**
2. Technical Maintenance
  - a. Server Costs: \$12,500 - \$25,000
  - b. Software Licenses: \$7,500 - \$15,000
  - c. Total Technical Maintenance Cost: \$20,000 - \$40,000**

3. Marketing
  - a. Grassroots through strategic partners: \$5,000 - \$10,000
  - b. Microfinance Institution Customer Success Training: \$10,00 - \$20,000
  - c. Search Engine Optimization: \$12,000 - \$18,000
  - d. Total Marketing Costs: \$27,000 - \$48,000**
4. Financial and Legal Compliance
  - a. Legal and consulting fees: \$10,000 - \$15,000
  - b. Insurance: \$3,000 - \$5,000
  - c. Purchase of old licenses from defunct MFI: \$120,000 - \$2,000,000 each
  - d. Total Financial and Legal Compliance Costs: \$13,000 - \$20,000, + ~\$1M Per Account Manager in Mature Market**
5. Third-Party Success
  - a. SMS Messaging \$500 - \$2,000
  - b. Translation APIs: \$600 - \$4,000
  - c. Stripe/Fintech API Integration: \$12,000 - \$15,000
  - d. Freelance Service API Integration: \$200-\$500
  - e. Total Third-Party Success Cost: \$13,300 - \$21,500**

## Revenues

Due to placing ourselves in the financial sector, particularly in emerging markets and more price-sensitive socio-economic regions, we need to be hyper-vigilant on how our pricing strategy would impact the outcomes for our microentrepreneur clients. Having exorbitant fees on borrowers is not only antithetical to our mission, it leads to lower repayment, dissatisfaction among lenders, and ultimately a severing of our network effect. Thus, we plan to capture value through other parts of the value chain.

**Loan Applicant Vetting for MFIs** - By automating the risk assessment process, MFIs would save hundreds of thousands per month on manual vetting, going out into rural communities, and processing paperwork. We would capitalize on those savings, charging MFIs for this service and to be hosted on our platform.

**Take Rate on Funds Repaid**- Through the LoanTank platform, individual retail investors gain access to high-impact, highly reliable investment opportunities. We would take a small percentage of any interest accrued.

**Additional Client Services Fee** - Another point of differentiation we are building out is the additional client services feature, where micro-entrepreneurs get access to cheap or free-lanced versions of critical job functions needed for success. Borrowers can opt-into these services in exchange for a small percentage of future earnings over the following two years. As far as free-lance service providers, they would pay a fee to be hosted on the LoanTank platform.

## Go To Market Strategy

### Philadelphia Partner Organization Launch

Philadelphia roots provide built-in testing ground in one of America's most underbanked cities. Local partners like The Economic Justice Partnership (TEJP) and Philadelphia Financial Empowerment Center

will offer invaluable early feedback connecting underserved communities with responsive financial products.

### **Talent Up Africa**

Talent Up Africa is an HR and job-training firm that provides easy access to top-end technical talent in Africa. Leveraging their capabilities would enable micro-entrepreneurs to be trained and quickly find top-end technical talent as their ventures begin to scale.

### **Fidutam**

As a leader in values-driven approaches for mobilizing responsible technology, Fidutam is a youth-led group shaping financial and digital policy both domestically and abroad. Specifically, they enable financial transactions by embedding banking information onto SIM cards, expanding access to low-tech/low-financial infrastructure communities. By already having strong ties with this startup, we hope to bolster our technological prospects, connect with digitally enabled youths in emerging economies, and position LoanTank as fintech policy emerges.

### **Wharton ESG Initiative**

Lastly, we are in ongoing collaboration with several researchers within the Penn Global and Wharton Environmental, Social and Governance (ESG) Initiative.

### **Timeline**

- 1. February 2024 - August 2024:** Complete Prototype as part of Senior Design
- 2. June 2024 - August 2024:** Soft Launch in Philadelphia, Coordinating with TEJP to help micro entrepreneurs in the local area
- 3. August 2024 - December 2024:** Tweak modeling, the launch of international product
- 4. January 2025 - August 2025:** Acquisition of additional banking licenses to scale to new markets