

## PRODUCT UP-SCALING SUPPORT – FACTSHEET

<b>Product Up-scaling Support</b>	<b>2017-04: Venture South product up-scaling for solar lending</b>
<b>Country / Region</b>	Kenya
<b>Partner Financial Institution/s</b>	Biashara na Fedha
<b>Grantee</b>	Venture South International
<b>Overall Budget</b>	CHF 145'364 (23% self-contribution)
<b>SCBF Contribution</b>	CHF 112'584 (77% SCBF funding share)
<b>Date of Approval</b>	18.5.2017
<b>Duration</b>	07.2017 until 04.2018
<b>Context</b>	<p>The number of Kenyans formally included by the financial system has grown by 50% in the last ten years. 58.4% of Kenyan's aged 15 or older held a mobile account in 2014. Formal inclusion and exclusion differs across the regions. Formal inclusion is over 70% in most parts of the country, with formal inclusion in the western regions is slightly lower. The northern parts of the country continue to face higher levels of exclusion, up to about 52%. Solar lighting has grown exponentially in recent years, how there is relatively little financing from MFIs almost no financing for SMEs to purchase solar products.</p> <p>Most solar off-grid products distribution companies are selling the solar home systems with a repayment schedule with monthly installments. For this they must commit substantial working capital to finance the product and cash cycle. As capital is also needed on the sourcing side of the components for the end product, this end user financing activity is limiting their potential of expanding their own businesses. As demand is picking up and the market is growing rapidly, companies focus on gaining market share in the existing countries of operation and then expanding to new countries. Having their capital tied up in loan portfolio reduces their ability to expand and forces them to spend their time on an area out of their core competency. Because of the larger amounts of capital required for solar systems designed for small businesses, loan products for MSMEs have not been developed. VSK is opening up a new market and novel approach in its desire to work with several solar companies.</p> <p>Biashara's role in this sector is to finance the solar space and help that sector expand. By providing financing to several mid-sized solar players Biashara helps level the playing field and avoid over concentration by the largest solar providers.</p>
<b>Current Status of the MFI</b>	<p>Biashara na Fedha makes loans for solar products in partnership with local solar companies. Extending the loans to the end users helps the solar companies manage their working capital and helps them grow faster. Biashara has a small but growing solar loan portfolio.</p> <p>Biashara will use this project to develop solar loan products MSMEs and extend their base of solar partners.</p>
<b>Objective and Main Activities</b>	<p>The project will a) perfect the lender / solar company partnership model b) develop loan products for the MSME sector c) expand lending into northern Kenya d) explore the partnerships other solar suppliers e) develop data that will attract investors into this space.</p> <p>Upon project completion, the financial institution should be in a position to make loans to MSMEs for solar products and grow this new product niche.</p>