

2020-07 | Scaling-up Last Mile Supply-Chain Merchants with Affordable Float Financing in Kenya

| | | | |
|--------------------------------|--|------------------------|------------------|
| Partner Financial Institution: | Pesatransact | SCBF Contribution: | CHF139'735 (73%) |
| Grantee: | Pezesha Africa Limited | Matching Contribution: | 27% |
| Country: | Kenya | Theme: | MSME |
| Duration: | October 2020 – September 2022 | Product: | Loans |
| Potential Outreach: | 4'000 merchants | Target Group: | MSMEs |
| Thereof Women: | 50% | | |

CONTEXT

According to Vision 2030 for Kenya, one of the aspirations for the country is to become a regional financial hub by “creating a vibrant and globally competitive financial sector”. In order to achieve this goal, Vision 2030 identifies the need to increase access to affordable financial services and products for a wider section of Kenyans, particularly poor, low-income households and micro-, small- and medium- scale enterprises (MSMEs). While approximately 8 in 10 adults are “financially included” (not least due to the mobile money phenomenon M-PESA), there remains an enormous gap in purposeful financing of MSMEs (USD 19 billion formal sector gap plus an additional USD 10 billion informal sector financing gap in Kenya according to the [World Bank](#)).

This intervention will typically target small retailers (akin to a corner store / mom-and-pop shop / duka / kiosk), working with about USD 100 working capital, located in low-income areas. The merchants are informal shopkeepers who do not keep digital business records and therefore are largely excluded by the formal financial system. The innovations in this partnership will facilitate access to financing to underserved MSMEs through digital channels, alternative credit assessments, and ensuring 100% use of funds for productive purposes (by product design).

CURRENT STATUS OF THE MFI

Pesatransact is a dominant agent network company with 2'000+ merchants in Kenya, redefining the distribution of digital (finance) products, offered by upstream financial service and utility providers. Pesatransact aims to change the agency industry, which traditionally comprises a patchwork of providers, mobile money and agency banking systems resulting in fragmented (cash) merchant services. In response, Pesatransact has built a multi-sided supply platform for vending multiple digital products and accepting bill payments, cash withdrawals and deposits across its online, mobile and point of sale (“POS”) channels, capable of meeting the rapidly evolving needs of corner stores (MSMEs).

In order to scale its business and those of its agents / merchants, it needs to begin offering float financing to its merchants who will in turn be able to meet the demand of their local customers; enabling and facilitating financial inclusion across the low-income end of the supply chain. So far, Pesatransact and Pezesha have developed the initial MVP (Minimum Viable Product) – mainly in the form of manual processes. SCBF support will enable enhancements and automations for scaling, and will also allow Pesatransact to go deeper to the rural areas to target more underserved merchants with the goal of at least 50% being from rural populations and also at least 50% being women-led merchants.

OBJECTIVES AND MAIN ACTIVITIES

The aim of the project is to scale up the number of merchants served by Pesatransact by offering float financing support to the merchants to grow their sales / revenues / incomes, targeting 4'000 new merchants on-boarded and to have benefited from float financing in 2 years. This will be achieved with the support of Pezesha to:

- enhance the credit scoring and decisioning engine customised to this proposition,
- leverage the current technology platform to facilitate real-time data and payments transfers and keep track of transactions in a database,
- determine affordable and scalable marketing channels, and
- establish a feasible business model that works for all stakeholders.

Upon project completion, the financial institution should be in a position to scale to 50'000+ merchants across the country and take its proven product and business model to support financial inclusion in other countries in Africa.

Partnering with:  