

PRODUCT UP-SCALING SUPPORT – FACTSHEET

Product Up-scaling Support	2018-04: Customized loans to smallholder farmers for solar-powered water pumps
Country / Region	Tanzania
Partner Financial Institution/s	Biashara na Fedha Ltd (Kenya)
Grantee	Venture South International
Overall Budget	CHF 179'372 (27% self-contribution)
SCBF Contribution	CHF 131'772 (63% SCBF funding share)
Date of Approval	15.1.2018
Duration	3.2018 until 8.2019, extended to 12.2021
Context	<p>The Bank of Tanzania (BOT) has created an enabling environment for financial inclusion since 2008. Mobile money is the main driver of digital and financial inclusion with 54% of Tanzanians financially included in 2016. Financial inclusion is substantially lower among rural population in general and smallholder farmers in particular face difficulties in accessing credit.</p> <p>This intervention seeks to develop asset-backed lending as a means of financing the acquisition of solar-powered equipment for productive use by smallholder farmers in Tanzania. Biashara na Fedha already has a portfolio of solar product end- user loans in Kenya. effectively pioneering this type of lending. At the same time, as loan repayments are done through mobile wallets as part of a PAYGO platform, the intervention contributes to financial inclusion and the diffusion of PAYGO technology.</p>
Current Status of the MFI	Biashara na Fedha Ltd. was incorporated in 2015. It is dedicated to financing the purchase of solar powered equipment (solar home systems, fishing lights, water pumps) by end-users living mostly in rural areas. It has a partnership to finance end-users of solar products with one supplier in Kenya and one in Tanzania (Simusolar). Through this intervention it aims to grow its lending portfolio adding a new product to its portfolio (loans for solar powered water pumps) and to deepen its relationship with Simusolar in Tanzania. At the end client level, increased financing availability of water pumps helps farmers to increase their output, improve regional food supply and generate a saleable surplus (income generation).
Objective and Main Activities	<p>Biashara na Fedha Ltd. and Simusolar (TZ) Ltd. aim to develop, test and scale up customized loan products designed to finance the acquisition of solar-powered water pumps by smallholder farmers around Lake Victoria (Mwanza, Kagera, Shinyanga, Mara administrative regions). The customization will take into account the crop cycles and smallholder farmer credit profiles.</p> <p>Product development will be followed by a trial phase / proof of concept in the field. The more successful water pumps and loan products will be scaled up. Simusolar's projected sales of water pumps with financing to rural household is 500 units in 2018, rising to 1'000 units at project end. Rural household size averaging 5 persons, the project impacts the lives of some 5'000 people by August 2019. Three years after the project's end (2022), Simusolar's sales estimates imply having reached estimated 85'000 people.</p> <p>Biashara na Fedha (VSK) Ltd. is interested in financing the purchase of water pumps by smallholder farmers and, in doing so, help to scale Simusolar's business model by providing working capital. Upon project completion, the financial institution aims to have an outstanding loan portfolio (OLP) of USD 1.2 million in Tanzania.</p>