



Viffa Consult
Unlocking Africa's Entrepreneurship Spirit



HUSTLER FUND

The First Impressions

Acknowledgment

Deepest gratitude to the Viffa team that worked tirelessly to bring the report to fruition.

About Viffa Consult

Viffa Consult is a Kenyan-based management consultancy that is dedicated to developing Small and Medium Enterprises (SMEs) and start-ups in Africa. We believe that African businesses can transform their socio-economic status through profitable trade and business engagement.

Since our inception, we have had a positive impact on the Kenyan entrepreneurial ecosystem through our policy and strategic opinion pieces, SME policy advocacy at local and international levels, and consultancy services. We have supported over 500 SMEs in Sub-Saharan Africa and are committed to helping alleviate the challenges faced by these businesses.

Our approach combines granular research with practical support, including corporate engagement, market intelligence, and direct support. Our goal is to build a knowledge base that can inform SME and start-up policies and help these businesses succeed.

2023 Viffa Consult Limited, Nairobi, Kenya

Email: info@viffaconsult.co.ke

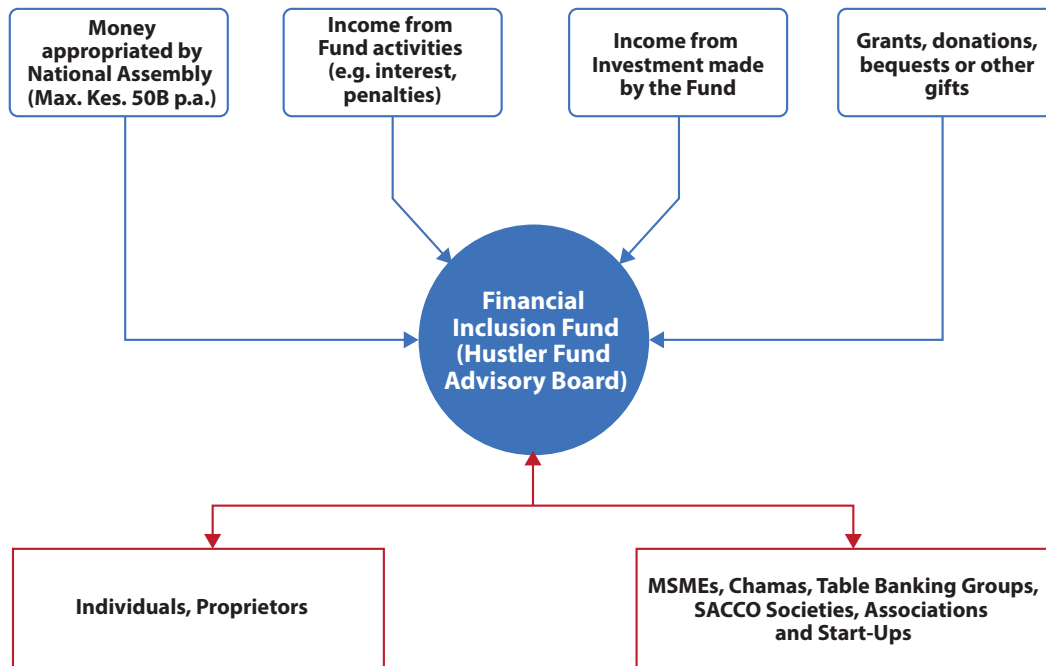
Website: www.viffaconsult.co.ke

Twitter: [@ViffaConsult](https://twitter.com/ViffaConsult)

Introduction

The Financial Inclusion Fund, popularly known as the Hustler Fund, is a state-backed loan programme that allows Kenyan citizens borrow money through their mobile phones. It was launched on November 30th 2022 and has since disbursed over KES 14 billion in loans. Government’s commitment is to disburse up to KES 50 billion per

year in loans. The first phase targeted individuals with loans of KES 500 – 50,000 over 14 days at an annual interest of 8%. 5% of amount borrowed is placed into savings accounts (30% of savings amount placed in short-term savings and 70% as pension remittance).



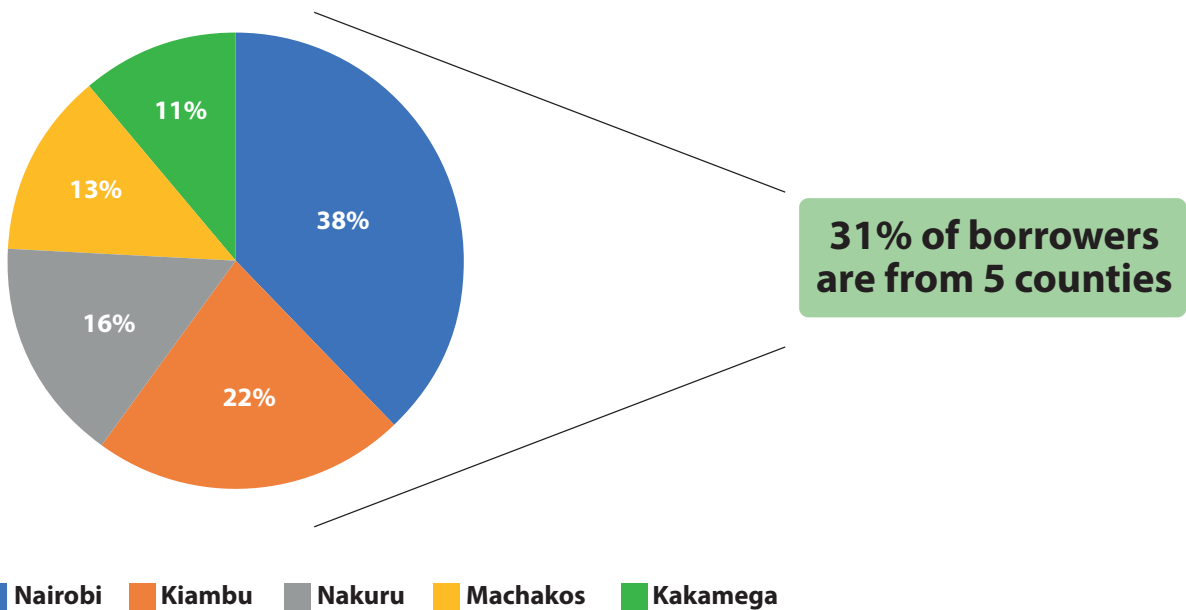
Source: *The Public Finance Management (Financial Inclusion Fund) Regulations, 2022*

According to a statement released by the Ministry of Cooperatives and MSME Development, 17 million Kenyans had registered to the fund, and 14.44 million were already borrowing as of 13th January 2023. More men than women have borrowed from the fund, and 63.9 percent of borrowers are aged between 18 – 39 years. Of concern is the reported loan repayment rate which variates significantly from industry averages.

Introduction

Hustler Fund loans disbursed:	KES 13+ Billion
Automated savings (based on loans):	KES 0.697+ Billion
Hustler Fund loan repayments:	50.57%
Mobile-loans repayments industry average:	92%
Commercial banks average NPL ratio:	13%

TOP 5 COUNTIES

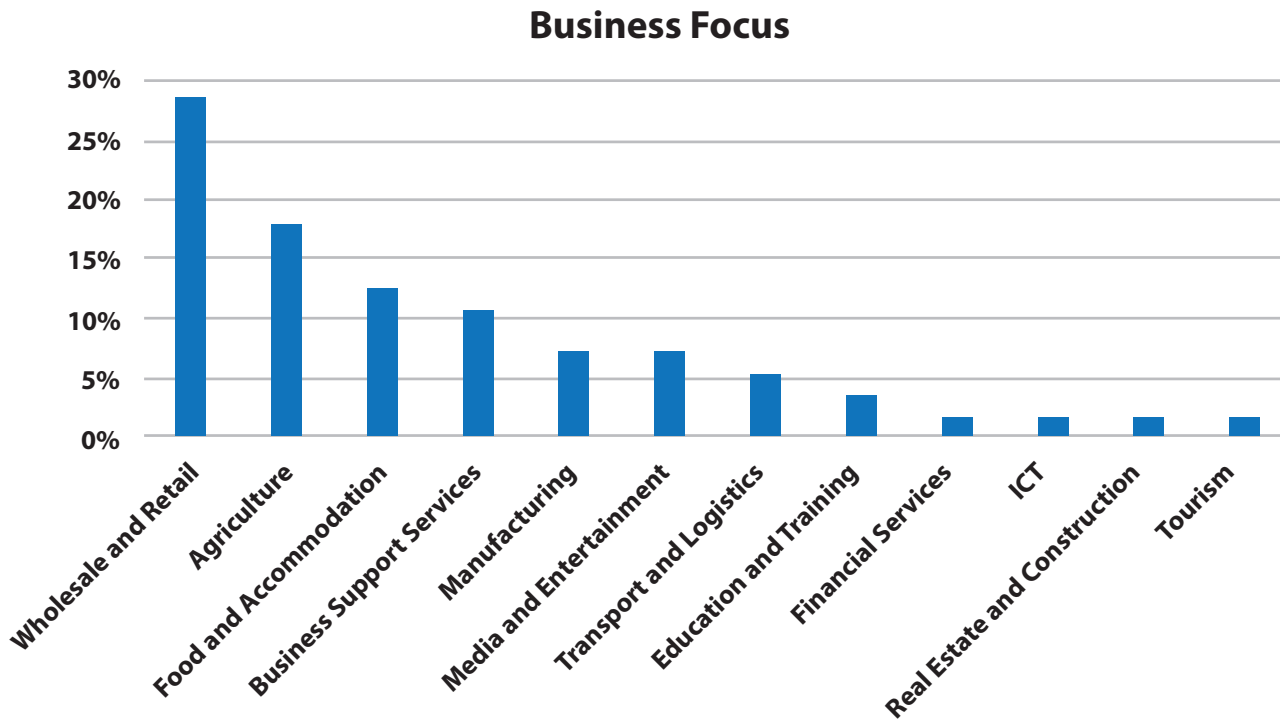


Ministry of Cooperatives and MSME Development

Viffa Consult conducted a survey to learn more on how Kenyans received the Hustler Fund. This report documents our findings.

SURVEY PARTICIPANTS

Viffa Consult conducted an online survey targeting MSMEs across the country.



70% of respondents align stated their core business being in Wholesale and Retail, Agriculture, Food and Accommodation, and Business Support Services. A survey on MSMEs conducted by the Kenya National Bureau of Statistics (KNBS) revealed that majority of small businesses are in the aforementioned industries.

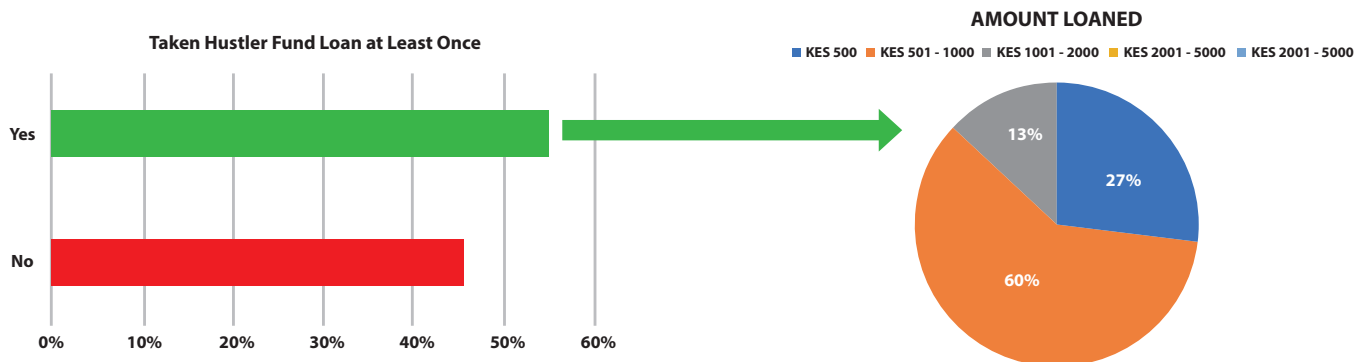
35.6% of respondents are based in Nairobi which is consistent with the fact that Nairobi County has the highest number of MSMEs. Majority of the respondents were the business owners,

with 39% identifying themselves as either minority shareholders or employees.

50% of our respondents have been in business for 2 – 5 years. 44% have 2 – 5 employees and 56% state that they are not negatively listed in any Credit Reference Bureau.

The top five sources of small loans, as per our survey responses, are KCB M-PESA, M-Shwari, Tala, M-PESA Fuliza and Branch.

HUSTLER FUND LOAN



55% of businesses reported to have borrowed from the Hustler Fund at least once. 63% of those who borrowed declared that they repaid their loans on time. 47% of the borrowers stated that they have borrowed from the Fund more than once.

Though the government advertises the Hustler Fund loan limits as being KES 500 – KES 50,000, none of the businesses have been able to obtain more than KES 2,000. Majority were able to obtain between KES 501 – KES 1,000.

- KES 2,000 is not useful for many businesses. A survey on MSMEs conducted by the Kenya National Bureau of Statistics (KNBS) indicated

that many small businesses require start-up or expansion funding of at least KES 50,000.

- To obtain higher loan limits, one is required to build a credit history on the platform. Promoters of the Hustler Fund have previously stated that one can increase their limits through cycles of borrowing and repayments. This is expensive to the borrower since he/she needs to borrow and pay interest on amounts they do not need severally in order to qualify for a useful loan amount.

Given the amounts that were available to borrowers, it then follows that a paltry 30% of those who borrowed used the funds for business purposes.

HUSTLER FUND LOAN

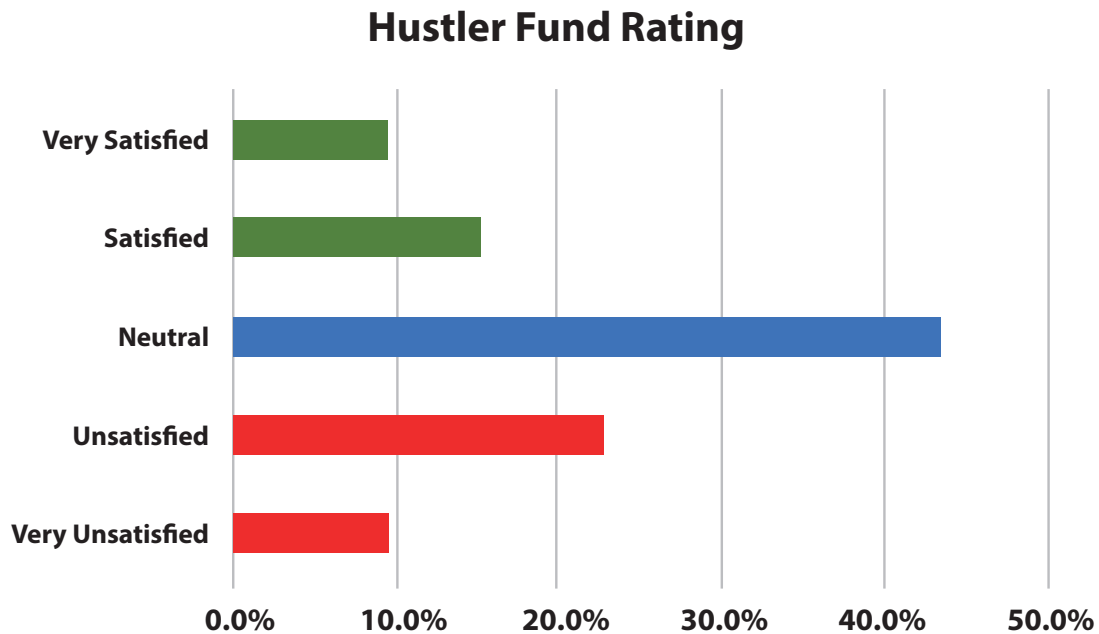
This may have been used for “petty cash” expenses. The rest used the loan for personal needs.

Majority of those who failed to repay were mainly driven by political sentiments – where they borrowed

without the intention to repay. They considered the cash to be a social stipend from government – now that government declared that no extreme measures would be taken against loan defaulters.



ATTITUDES TOWARDS HUSTLER FUND



Hustler Fund has a 24.5% approval as majority opt to “wait and see”. As it stands, 32% of MSMEs are not satisfied with the Fund. The Hustler Fund was positioned to assist Kenyans venture into business or expand their existing businesses. However, the facility has not met their expectations – with bulk of the complaints being the loan limit is way below the promised KES 50,000/-.

60% of businesses reported that they faced challenges with the Fund. We have grouped their feedback into System Issues, Product Issues and Privacy Concerns.

System Issues

There were challenges in accessing the Fund upon roll out – perhaps due to traffic on the system. The Ministry of Cooperative and MSME Development reported that KES 408 million was borrowed within 24 hours of the Fund’s launch. A good number of businesses reported that transaction failures persisted over a long time thus discouraging their patronage of the Fund. Failures highlighted include incomplete registrations, lack of system responses and slow responses.

Product Issues

The greatest challenge is the amount

ATTITUDES TOWARDS HUSTLER FUND

offered in loans is inadequate for business use. Those not involved in Wholesale and Retail trade add that the loan period of 14 days is too short compared to their production-to-sales cycles. Vegetable farmers, for instance, require at least three to four months from planting to generate income. We also found that mobile-loans are perceived to be consumer loans thus a number of businesses were not immediately drawn to explore Hustler Fund for business loans.

Privacy Concerns

The requirement to invoke mobile money service PINs at the time of registration was of great concern. Entrepreneurs are jittery that their PINs may have been compromised and thus third-parties have unfettered access to their mobile money. Some tried to mitigate this through use of alternative mobile numbers (separate from their main mobile money service). Plans by KRA to analyse mobile money data for taxation purposes had a number of entrepreneurs want to opt out of the Fund for fear that the KRA would use

their mobile money PINs to peruse through accounts. However, with the absence of an “Opt Out” feature in the Hustler Fund service menu, some are considering discontinuing use of mobile money accounts that are linked to the Hustler Fund.



LOOKING AHEAD

What is most anticipated is the roll out of products that suit businesses as evidenced by the responses to our survey. Public statements made by various state officials indicate that the roll out will happen within February 2023 and will allow businesses to borrow between KES 100,000 and KES 2.5 Million.

- The proposed amounts should be able to meet the needs of MSMEs. What remains to be seen is structuring of loan tenures for specific sectors such as Agriculture, and Manufacturing who typically have longer production-to-sales cycles compared to Retail and Wholesale Trade.

- The government intends to increase manufacturing contribution to GDP from 7.2% to 15% by 2026 through promotion of MSMEs involved in manufacturing, and agro-processing.

The Kenya Revenue Authority intends to grow collections through, among other measures, targeting MSMEs and agricultural sector. This calls for formalization of businesses and stepping up reporting. Our survey

revealed apprehensiveness among MSMEs in sharing data that may be used for taxation purposes which may impact some of the initiatives that the government has rolled out.

- The Finance Act 2022 mandates KRA to capture data from mobile money platforms as a means of monitoring undeclared incomes. There are concerns that mobile money data may not reflect incomes – e.g. where a driver regularly receives funds from his/her employers to run errands (fuelling vehicle, servicing vehicle, supermarket purchases). The risk here is that a section of the public may reduce use of digital payments so as to remain under the radar.

- The government has embarked on a farmer registration exercise. Those who comply will be eligible for agriculture sector subsidies. Smallholder farmers may opt to offer just enough information to qualify for subsidies.

- MSE Authority is required to register MSMEs for purposes of planning future interventions. The traction has not been visible, three years since the formation of the Authority.

LOOKING AHEAD

County governments, particularly upcountry regions, will need to stimulate investment. There is a concentration of businesses in the greater Nairobi metropolitan region which needs to be reduced.

- Entrepreneurs need to be informed of investment opportunities in the different counties. It may mean a national mapping of opportunities per county.
- The county governments need to accelerate harmonization of trade licenses and permits for MSMEs for formalization of businesses to take root. One license should cover all activities an MSME would like to carry out within an industry.
- Licensing of businesses should be accompanied with guides on permissible activities – including any zoning that is being applied. For instance, a county may opt to host hawkers at a particular location. This will work towards reducing friction between entrepreneurs and county officials.





Viffa Consult Limited
www.viffaconsult.co.ke
One Padmore Place, George Padmore Road
info@viffaconsult.co.ke
Tel: +254 769 713 936

