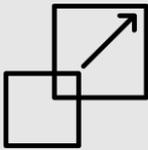


# MUSONI CASE STUDY

TYPE OF INVESTEE	FUNDING ROUND	GRANT AWARD	TYPE OF PRODUCTS
 <p>MICROFINANCE INSTITUTION</p>	 <p>SCALING UP</p>	 <p>\$1.38M</p>	 <p>CREDIT INSURANCE</p>
<h2>INVESTEE PROFILE</h2>			
<p>Musoni Kenya is a mobile-based micro-finance institution whose mission is to grow, build and maximize the potential of businesses of the low-income and unbanked of Kenya through the provision of affordable, flexible and customer-oriented financial services. The FRP supports Musoni in scaling-up its Kilimo Booster loan, a product targeting smallholder and emerging farmers. In addition, the loan is bundled with an insurance product, provided by a third-party company. Musoni provides both group and individual loans, depending on the size of the loan and the farmers’ ability to repay. The company also provides trainings to its customers, helping them increase their financial literacy and management skills, and facilitates agronomic training.</p>			
<h2>METHODOLOGY</h2>			
<p>Insights from this case study are based on the analysis of Musoni reporting data, as well as primary data collected during a field visit of the Thika branch, aiming to inform the design of a baseline questionnaire for an impact study. Focus Group Discussions were conducted with two groups – one comprised of a majority of women, and the second of men. In addition, an individual loan customer and his family were interviewed in order to assess differences between the two categories of customers. Questions on indirect job creations were integrated into the impact study interview guide. Customers interviewed engaged in a range of agricultural activities including subsistence, cash-crop, animal, dairy and egg production as well as trading or other non-agricultural livelihoods.</p>			
<h2>EMERGING EVIDENCE</h2>			
<h3>PATHWAY 1: FACILITATING AGRICULTURAL PRODUCTION</h3>			
<p>Direct Mechanisms</p>			

 Access to agricultural inputs and equipment  Access to commercial markets  Expansion of farm  Crop diversification  Cost and time saving  Access to information and training	<ul style="list-style-type: none"> <li>• Kilimo Booster customers reported having used their loan to buy agricultural assets such as livestock, inputs such as manure, fertiliser, animal feed and pest repellent, and equipment such as chaff cutters or irrigation systems.</li> <li>• While no group lending customers reported having directly used Musoni loans to expand their farm or diversify their production, there is some evidence that these practices were adopted by some of the group members that were more financially capable as a strategy to cope with price instability. This suggest that farmers may use loans for these purposes as they increase their income. This was observed with the individual loan customer, who used the loan to diversify his production from dairy to poultry by investing in a chicken coop and animal feed.</li> <li>• In addition, Kilimo Booster loans can also be bundled with agronomic training, provided by extension officers. Financial training helped groups to successfully repay their loans. This in turn enabled them to borrow greater amounts and invest more into their farm.</li> </ul>
<p style="text-align: center;">Intermediary outcome</p>	<ul style="list-style-type: none"> <li>• Farmers linked their increased investment in agricultural production to improvements in yields. For instance, 35-year old Christine reported having used her Kilimo Booster loan to purchase fertiliser, which significantly improved her production.</li> <li>• The impact study will seek to gather quantitatively significant evidence that access to credit had a positive effect on agricultural production.</li> </ul>
 <p style="text-align: center;">Increase in yield/quality/value of agricultural production</p>	
<p style="text-align: center;">Work opportunities</p>	<ul style="list-style-type: none"> <li>• Group loan customers reported that increased production also improved their income, making agricultural production a more profitable business.</li> <li>• Increased production volumes also increased the need for farm labour. Peter, a coffee farmer who diversified its production to grow other cash crops such as sugar cane, avocado and banana, cited labour as his main production cost. Peter works alongside his wife, and employs two casual workers, three days a week, for a daily rate of Ksh350. The workers are young men who are otherwise unemployed as there is little work opportunity in the area. If he had the financial means, Philip would be able to hire at least two permanent workers. Maximus, the individual loan customer, hires two people full time.</li> <li>• Some farmers even reported directly using the Musoni loan to pay for labour.</li> <li>• While increased production can encourage wage employment, this usually only happens when farmers do not have working age children to help them. Most often, the additional workload benefits family relatives who may be compensated in-kind for their labour.</li> <li>• Increased agricultural production also increased the need for non-production activities such as the sale of the products. One farmer</li> </ul>
 Increase or improvement in work opportunities for direct beneficiaries  Hiring of farm labour  Opportunities outside of the agricultural sector	

	<p>reported that bigger yields meant that his wife spent more time at the market selling vegetables.</p> <ul style="list-style-type: none"> <li>The impact study will collect quantitative data to assess whether the project has resulted in a change in income for the beneficiaries, or increased spending in farm labour.</li> </ul>
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## PATHWAY 2: ENCOURAGE THE RURAL SERVICE SECTOR

<b>Direct Mechanisms</b>	<ul style="list-style-type: none"> <li>Musoni customers did not only borrow money to invest in agricultural production. For example, focus groups also included a fruit trader, a corner shop and a hair salon owner. The Musoni loan enabled them to invest in acquiring a larger stock and pay for bigger vehicles for transport. For example, 45-year-old Philip buys and sells melons and other fruits such as mangoes and oranges. While the stock he bought previously used to fit in a pick-up truck, he is now able to purchase enough fruits to fit in a truck.</li> <li>The increase ability to invest can not only benefit the customer, but also their relatives. For example, a salon owner used the Musoni loan to buy a motorcycle for her unemployed husband in order to start a boda-boda driver business.</li> </ul>
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Willingness to invest</p> </div> <div style="text-align: center;">  <p>Ability to invest</p> </div> <div style="text-align: center;">  <p>Ease of doing business</p> </div> </div>	
<b>Intermediary outcome</b>	<ul style="list-style-type: none"> <li>Business owners reported that larger inventories resulted in increased sales.</li> </ul>
<div style="text-align: center;">  <p>Increase in business activity</p> </div>	
<b>Work opportunities</b>	<ul style="list-style-type: none"> <li>Customers that experienced a growth in business activity also reported having increased their profit – which will be verified through the impact study. In some cases, this additional income was re-invested in the business or in agricultural production.</li> <li>Business growth also created work opportunities for others. For example, Christine, who owns a corner shop, has been able to hire one permanent and one casual employee.</li> </ul>
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Increase and improvement in work opportunities for direct beneficiaries</p> </div> <div style="text-align: center;">  <p>Hiring of labour</p> </div> </div>	

## PATHWAY 3: STRENGTHEN LOCAL ECONOMIES

<ul style="list-style-type: none"> <li>No data was collected on the wider effects of the Kilimo Booster loan on the wider economy. Since customers are engaged in a variety of agricultural and non-agricultural livelihood activities, it is unlikely that a specific value chain will benefit. The fact that groups are based on geographic location rather than type of economic activity however suggest that the increase in income and spending could have a spillover effect at community level.</li> <li>While the impact study might shed some light on the effect of the project on local economies, this aspect of the framework would be best assessed through other methods such as network analysis.</li> </ul>
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Intermediary outcome

Work opportunities



Increased activity along the value chain



Increased spending in the community



Creation of work opportunities along value chains and in supporting services



Creation of work opportunities through spillover effects in local communities