

## **Kageno Microloan Program**

### **Overview**

Kageno's Microloan program began in March 2008, and is an essential element of Kageno's mission of transforming communities through health, environmental, and venture activities. The project primarily involves small groups of women and to date has funded 110 loans and has a default rate of less than a 1%. In addition to providing capital, the program teaches basic business skills, including book keeping and interest calculations. The program also requires participation in group savings plans and weekly support meetings. Going forward, entrepreneurs in Rusinga, who have successfully repaid their loans will be offered the opportunity for a larger loan. In 2009, health insurance will be offered as a complimentary product.

Kageno's microloan program leverages its portfolio of services, including education, healthcare, sanitation, and clean water. Kageno built infrastructure provides access to previously non-existent services, creating a more conducive environment for business development. The Kageno model provides skills and a safety net to encourage entrepreneurial risk taking coupled with the underpinnings for a healthy, thriving community with a future.

Kageno plans to expand the microloan program in 2009 in Rusinga and to introduce it in Banda, Rwanda as funding permits.

### **Background**

The primary economic activities on Rusinga Island revolve around the fishing industry. A vital component of the industry has been the exchange of fish for sex. As a result, the spread of HIV/AIDS infections along the shores of Lake Victoria reached a peak in 2007 of approximately 42% of the population. The unfortunate byproduct has been orphaned children and the extreme impoverishment of families.

While men fish, women are the primary conduits in other aspects of the industry which we label "fish drying" and incorporate buying, processing and selling fish. Lack of capital to purchase fish and pricing information for subsequent resale of their products leaves them vulnerable to paying exorbitant fees to the fisherman and receiving below market prices for the processed fish. This resulting squeeze forces the women to cover shortfalls at either end by the exchange of sex.

The Kageno Microloan program has emerged as a significant business enterprise, not only providing capital for the purchase of fish, but also access to technology and market data for both the purchase and resale of related products. The success of these ventures has encouraged other businesses as well. After fishing, the largest areas of entrepreneurship are dried grains and cereals, followed by shopkeepers and itinerant salespeople. Those involved in the Kageno microloan program have increased their household income, stopped trading sex for fish, and diminished health issues in their

families and serve as role models for the community as they look forward to improved living standards for the community at large.

## Operations

Kageno's microloan program empowers people to start small businesses that generate immediate and long term income. Proposed participants write simple and realistic business plans. As part of the review process each business segment is considered in order to avoid concentration and cannibalization of businesses within the community. The plans are reviewed and narrowed to a smaller group by a committee of 12 women, already successful members of the program. Subsequently, the Program Manager along with the Kageno Country Director, determine new participants. Each loan is charged a monthly interest rate of 5%, as well as a partial principal repayment, the amount of which is determined between Kageno and the participant. The term of each loan varies but does not exceed 6 months. As each group is funded another group prepares to apply for the program.

## 2008 Snapshot

The microloan program was initially funded with \$6,508. In one year it has almost reached breakeven ( $\$5,823/\$6,508= 89\%$ ). 110 loans were funded. 43 have been fully paid back, half are still being serviced, and just 1 has missed payments of over 4 months. The average and median loan size was \$66. 45% of the loans were \$50, 21% were \$66, and 34% were \$83.

2008 summary	USD
Total Capital Deployed (re-investing)	\$ 7,117
Payments Received (Principle and Interest)	\$ 5,823
Cumulative Gain (Deficit)	\$ (1,294)
Interest Earned From Completed Loans	\$ 414
Initial Investment	\$ 6,508
One Year ROI	6%

## Portfolio by Loan Size



The loans were spread primarily among the fishing industry, dried grains and cereals, and other commercial activities (shopkeepers and itinerant salespeople).

## Portfolio By Business Segment

