



4G CAPITAL

Africa's Fastest Fintech



**Social Impact Evaluation
September 2018**

Who we are...

Since 2013 4G Capital has been developing and supporting MSMEs in East Africa by providing financial literacy and business training along with working capital to help their businesses grow sustainably.

Each 4G Capital client receives a bespoke programme of business training which enables them to use our credit to positively grow their business. We look at their current life and business stage to give them the relevant information to help them on their journey. Clients on average increase their revenues 82% on a 12-month period, allowing access to a better life.

Conventional financial service providers see this as an insurmountable challenge. However, we see it as an opportunity. By using our proprietorial machine learning system, we've found ways to use data from multiple sources to design credit products at scale which are optimized for segments, business risk, timescale and affordability.

4G Capital is forecast to lend \$40m to small and medium size business over the next 12 months. Uniquely, since inception, 4G Capital have consistently achieved >94% collections without having to refinance its customers.

- 82% increase in revenue
- >94% collection rates at PAR30 without need to refinance
- 74% of Customers are women
- 82% Repeat Customers
- 72% Rural Clients
- 87% Report increased sales
- 94% Increased financial literacy
- Net Promoter Score 72
- 296,781 loans since inception
- \$36M worth of loans to date
- Total customers 47,160



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Financial Inclusion in Africa

Financial inclusion refers to all initiatives that make financial services available, accessible and affordable to all segments of the population.

Financial inclusion is urgently needed to ensure that economic growth performance is inclusive and sustained, across the world, but particularly where exclusion prevents access to basic education, health and energy services.

Africa is the world's second fastest growing region after Asia, with annual GDP growth rates in excess of 5% over the last decade.

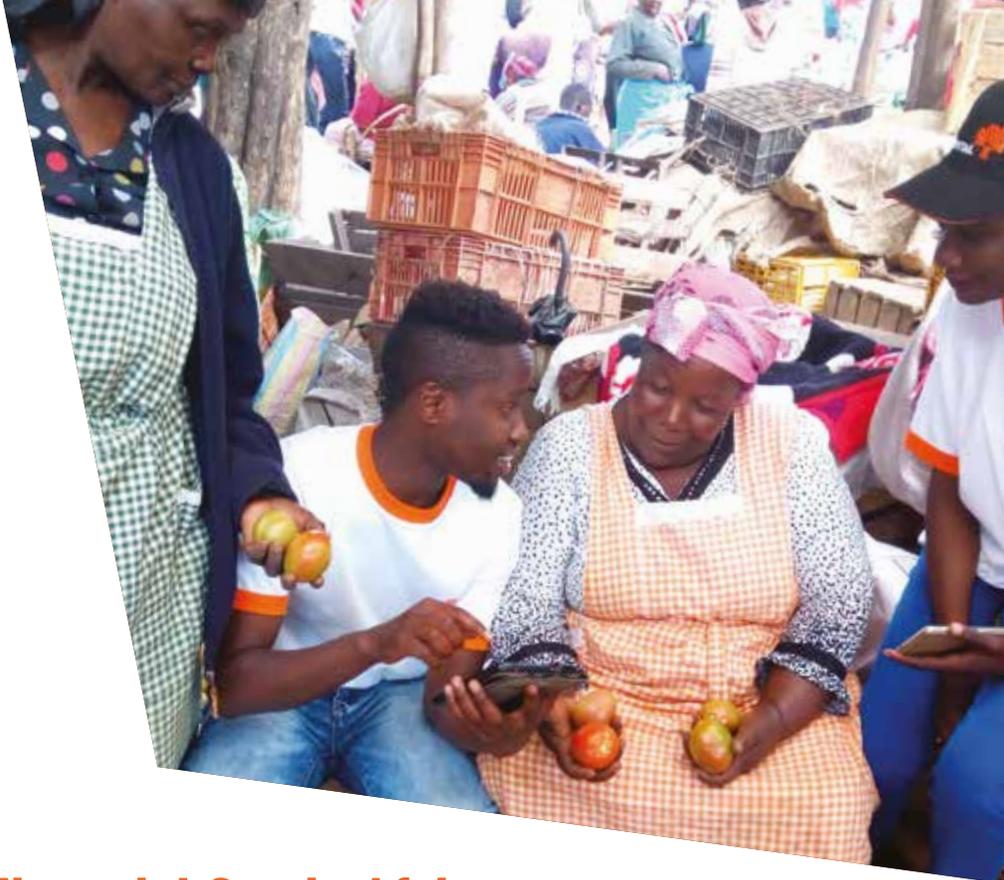
Despite this, consistent progress has not translated into shared prosperity, nor better livelihoods for the majority of Africans.

Financial services incentivise greater household savings, unlocks the potential of entrepreneurs, and enables more people to invest in themselves and their families.

In Kenya, MSMEs (annual turnover of less than \$ 4,854 and less than ten employees) and SMEs (annual turnover in the range \$ 4,854 - \$ 48,543 and between ten and fifty employees) face significant funding challenges despite being the main engine of employment creation.

According to the World Bank, between 2015 and 2016, 87.3% of all jobs created in Kenya were in the MSME-dominated informal segment of the economy.





Financial Gap in Africa

According to the SME Finance Forum, MSMEs across Sub-Saharan Africa face significant funding challenges despite counting for more than 38% of GDP.

The MSME finance gap in Kenya is over \$19bn, making it the largest in Eastern Africa, and larger than many in a number of peers in Sub-Saharan Africa.

It is almost impossible for MSMEs to access credit without high collateral and data requirements. Most rely on family/own funds to drive operations (72% of MSMEs rely on family for capital). Shortage of funding is the main reason for closure of business (accounting for 30% of closures).

Kenya

MSME Finance Gap as % of GDP:	30.48%
MSME Finance Gap:	\$19,3 Bn
Micro Finance Gap:	\$1,08 Bn
SME Finance Gap:	\$18,2 Bn

The Barriers

Within Africa, the most common reason for SMEs and MSMEs not having a formal bank account is the lack of enough revenue to warrant one.

It is also well known that banking costs, distance to services and insufficient documentation play a big part in why business owners find themselves excluded from the formal financial sector.

Almost all traditional formal lenders require collateral to secure business loans, but a large proportion of the population does not have such collateral.

Extreme low levels of financial literacy and business acumen also stand in the way of enterprise development and sustainability.

As a result this segment of the economy, which contributes over 38% to GDP, does not have the data to support formal credit services nor the collateral to secure loans and therefore they are immediately excluded.



Our Solution

4G Capital's proprietorial machine learning technology delivers high fidelity insights from traditionally 'data dark' sectors.

We are able to design scalable credit products and services optimized for individual clients, taking into account business risks, timescales and affordability.

After due diligence, using only mobile money, our working capital loans can be accessed in under two minutes with either smart or feature phones.

Our credit products provide 100% unsecured instant access credit for working capital. Loans are risk-based, rate capped and designed to ensure each client increases take-home earnings to

grow their business and improve access to education, food, water and services.

We work directly with not only individual business owners but also through vendor and distributor partnerships to provide credit lines for producers and wholesalers. We use their validated data and networks to pass benefits to both end-clients and our partners.

As part of our solution, we give business training, delivered through a progressive syllabus designed in partnership with our customers via our mobile apps and via face-to-face in the field.

Fact

Africa is at the forefront of mobile financial services and critical to improving financial inclusion.

According to the Central Bank of Kenya, there are around 44 million mobile money accounts in Kenya, within a population of 49.7 million. As of September 2018, Ksh327million across 146million transactions take place monthly.



Our Mission

To provide the best products and services for customer business growth

Our Vision

To digitize the Base of the Pyramid by providing a suite of financial services and business tools to connect the African informal economy to the world

We are expanding our range of services to include insurance, mobile money management and a digital business toolkit to connect clients with the on-demand online economy.



- Well used credit creates wealth.
- Poorly administered credit creates debt-dependency and fuels poverty.
- Our loans operate within strict affordability limits based on data, and our training helps clients maximise returns from the working capital we provide.

4G Capital is on target to positively impact over 1 million people by 2020.

Our Standards

Digital financial products and providers have the capacity to change the lives of the underserved.

Improving the quality of services offered by upholding client protection and increasing trust between consumers and providers is vital to ensuring we have the positive impact intended.

4G Capital, together with its partner, the Smart Campaign, are drawing upon deep understanding and experience to create a set of standards by identifying relevant current Client Protection Principles and adapting others to meet the needs of customers and the industry.



"Self-sovereignty over digital identity is the most important new human right to defend in our always-connected world. Data security measures are the keystone to civil society in the 21st century, and the bedrock of rule of law, personal and financial security and individual autonomy. Our virtual-selves are as crucial to our future as our physical lives."

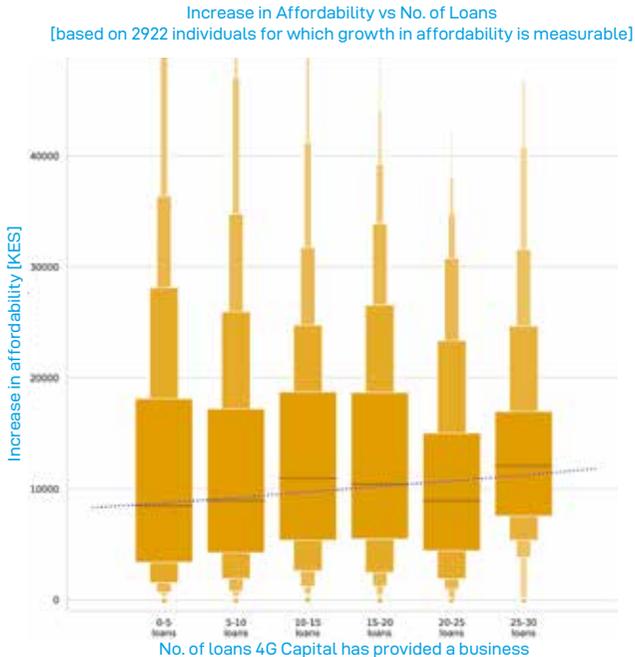
Wayne Hennessy-Barrett, CEO and Founder of 4G Capital



Our Results

We are able to measure the impact our working capital credit and business training has on the businesses we serve.

Our customers showed an increase in working capital credit affordability as they continue to use our services.



Other findings:

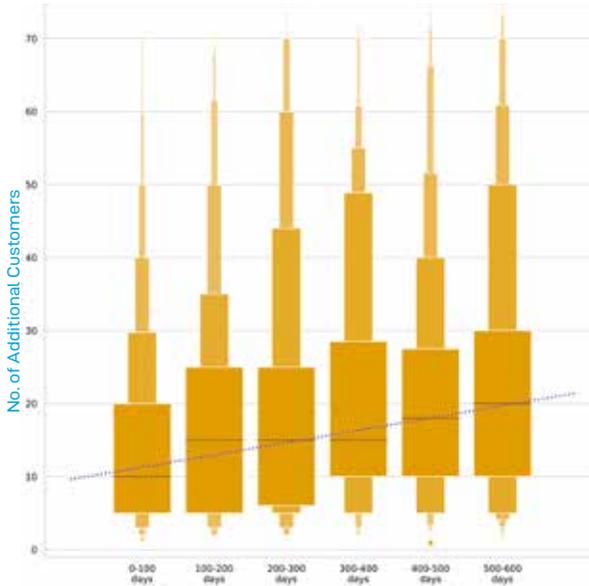
According to one of our recent partner surveys, customers saw an 82% increase in revenue over the course of one year.

4G Capital consistently achieves very high collection rates, >94% at PAR30 without the need to refinance.

74% of our customers are women

94% benefit from increased financial literacy

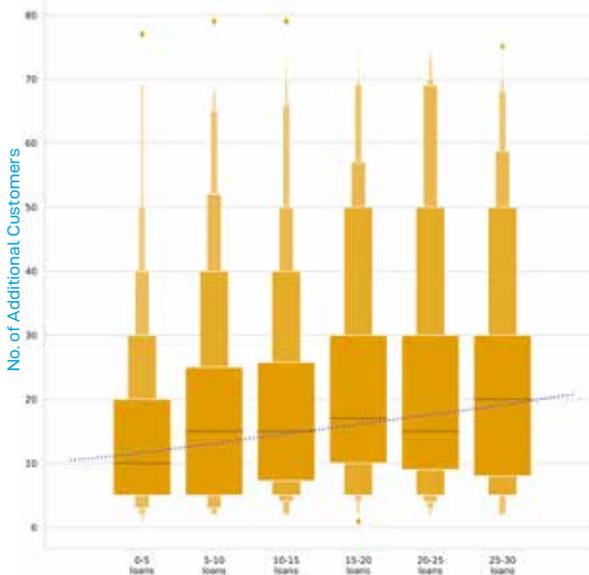
Increase in No. of Customers vs Duration of Relationship
 [based on 2380 individuals for which growth in daily customers is measurable]



Duration [in days] a business has been a customer of 4G Capital

Our customers report an increase in people they serve. MSMEs and SMEs benefit from working with 4G Capital over a period of time and from multiple microloans.

Increase in No. of Customers vs No. of Loans
 [based on 2380 individuals for which growth in daily customers is measurable]



No. of loans 4G Capital has provided a business

Lives Changed

Alice Kamau

Alice owns a shop selling shoes & beauty products and is an mpesa agent in Limuru Market.

Alice took her first loan of Ksh20,000 in May of 2017 having run her business for 4 years. Before Alice became a 4G Customer, she could only afford to have around 42 pairs of shoes in stock. With 4G Capital, Alice now has, on average, 500 hundred pairs for sale and has leased a larger store. In 16 months she has accessed and repaid 13 microloans with 4G Capital, a total value of Ksh340,000.

"4G has really helped me to boost my business. I have been able to take loans of between khs 20.000 and khs 35,000."

Previously, Alice had not been able to access any financial support for her business. With the help of 4G Capital, her business has been sustainably growing in stages.

"After a couple of months, I hired one person to support me because I have to also do the M-Pesa transactions".

Alice became an M-PESA agent in April 2018 and is planning to become an Equity Bank agent in the near future.

Alice received financial training by 4G Capital and has not only learned to keep records and budget for her business operations, but also how to increase her profits and reduce unnecessary costs.



Alice states that because the loans were the right size for her needs, she has never struggled with repayments. She can save enough to pay back the microloans while improving her quality of life.

"I can now afford to pay my two daughters' university fees. I also bought a car which I am planning to run as a taxi service once I have hired a driver. This is something I have dreamed of doing for a long time."



Kenneth Mugambi

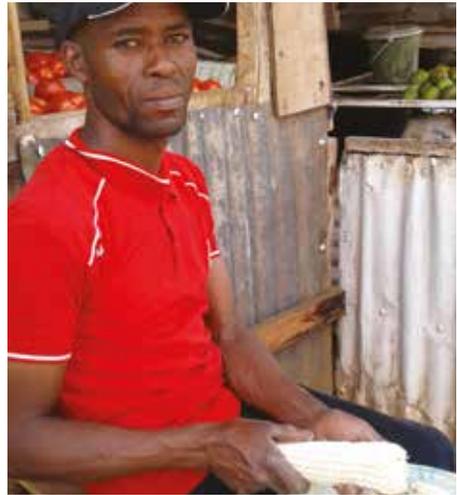
Kenneth Mugambi was one of the first clients at 4G Capital's Ruiru branch. He runs his own vegetable shop and eatery in the centre of Ruiru.

Kenneth has been utilising 4G Capital working capital credit on a monthly basis since 2015. His first microloan was of Ksh5,000 in July 2015 and since then has accessed and repaid a total of Ksh522,500. The highest microloan he has had to date is of ksh 25,000.

Kenneth firmly believes that 4G Capital has helped his business grow and develop. He said he has been able to expand at a sustainable rate and allowed him to borrow extra capital to open an eatery. Kenneth's eatery is located adjacent to his store, allowing him to sell meals as well groceries.

Thanks to the microloans from 4G Capital, Kenneth has been able to purchase not only more stock, but also a greater variety of products. Prior to this, Kenneth could only afford simple groceries and had no permanent structure for his shop.

"4G Capital has been hugely beneficial and the staff of Ruiru branch are very friendly and supportive"



Kenneth's life has improved greatly due to the profit he has made from these loans. He is now able to educate his child and enjoys access to better healthcare. Kenneth believes that thanks to the opening of his eatery he has *"more friends"* in his community and created a social hub for local people.

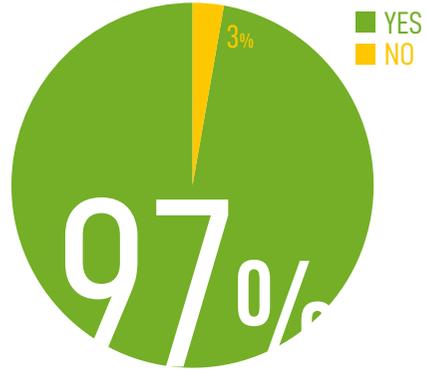
He has more customers and a more stable, profitable business as a result of the training provided by 4G Capital. He has noticed an improvement in his business planning, effectiveness and ability to keep a log book of his stocks. Kenneth has found 4G Capital's effect on his business *"hugely beneficial"*.

sounds
good!

Customer Survey

We conducted a customer survey in September 2018. We asked how their lives had changed since working with 4G Capital. Here are a handful of the 222 responses we received.

Has working with 4G Capital helped grow your business? 126 responses



“Through the profits from increased sales. Am able to afford better housing ”

“I have taken my son through college through the profits I get as a result of business finance and training i receive from 4G-Capital ”

“With the high inflation i have been able to increase profits and meet my personal and business obligation without having to sacrifice one for the other ”

“Helps me buy food for my cows when business is boosted am able to meet such expenses ”

“I have grown very much financially because my profit margin is very high now and I can now save for future investments ”

“I am now in a position to create employment ”

“I am getting referrals and even supplying wholesale ”

“The loan has assisted me get more stock from which I am able to earn more and bring food to my table and live good ”

“I have been able to stand on my own without borrowing people's money for help. Plus my business profit has enabled me pay school fees and household utilities without having to strain ”

“I have purchased 3 water tanks ”

“I have opened a second business ”

Our Partners & Associations

4G Capital has developed strong partnerships and associations since 2013. We are proud to support their endeavours as we work together to unlock vital human capital across Africa.

We also invite aggregator partners. We provide working capital financing to their clients through our seamless IT integration.

Please reach out to us at contact@4g-capital.com if you're interested in partnering with 4G to provide receivables credit or financing opportunities to your clients in our East African markets.





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