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USAID announces grant for IPA Evaluation in Kenya

Pilot project will implement and evaluate two trust-building tools in trade credit for small shop-owners

Today the United States Agency for International Development (USAID)'s Development Innovation Ventures (DIV) announced that it will fund an IPA project intending to facilitate small business growth in Kenya. The initiative will implement a trade credit product that incorporates mobile technology, and evaluate its effectiveness for micro-retailers. On a broader scale, the investigators hope to “provide evidence on whether the sustainable expansion of trade credit has the potential to increase incomes of small scale entrepreneurs in Kenya and other low-income countries.”

Many Kenyan shops and kiosks purchase small quantities of non-perishable goods at high frequency for resale. Access to trade credit could help these small shopkeepers grow their inventory and expand. However, they typically face challenges in obtaining trade credit due to the inconvenience of frequent in-person repayment and the cost to the trade creditor of monitoring payment. Led by IPA Researchers Tavneet Suri, William Jack, and Christopher Woodruff and program partner Financial Sector Deepening (FSD) Kenya, this project will overcome these barriers by:

- Using a mobile banking solution offered by Equity Bank that allows credits to be extended, and high-frequency repayments to be made via mobile phone technology, and
- Reducing the cost of monitoring for the creditor by building payment tracking directly into existing supply chain management technology.

The project will provide short-term trade credit to a sample of retail outlets, freeing up working capital for other short-term uses that could contribute to business growth. If proven successful by IPA’s evaluation, the product will be scaled immediately by the project partners, while our researchers noted that “the increasing availability of mobile payments systems makes scalability throughout and beyond Kenya feasible.”



As featured during USAID's **Public Private Partnership Week**, IPA and FSD will partner with Coca-Cola Bottling Company (CCBC) and [Equity Bank](#) to provide trade credit to a sample of retail outlets. Equity's in-house mobile banking platform, a competitor to the more widely known M-PESA network, will be used to execute loan transactions, while CCBC will build real-time payment monitoring directly into its central inventory management technology. The electronic system will provide a quicker response if and when borrowers fall behind on payments, making the product more viable for a larger number of retailers and thus enabling access to trade credit for more small entrepreneurs.

Read up on specific details of the evaluation on the project's [Summary Page](#).

Related links

- [USAID announcement](#)
- [USAID Impact Blog post](#)

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