

# Executive Summary

Miruka Capital Microfinance is a financial firm that aims to provide small loans, microcredit, and other financial services to small and medium enterprises (SMEs) who lack access to traditional banking institutions. We will be dedicated to promoting economic development and alleviating poverty by offering financial solutions to those who are financially underserved.

SMEs are the backbone of the economy, and they play a vital role in creating jobs and generating economic growth. However, many SMEs lack access or have limited access to the capital they need to grow and succeed. We will provide SMEs with the financial resources they need to start or expand their businesses, and we will also offer them financial training and support to help them succeed.

We believe that everyone deserves the opportunity to achieve financial success, and we are committed to helping SMEs reach their full potential.

# Objectives

Our primary objectives are to:

- **Empowering Micro-Entrepreneurs:** Our primary objective is to provide financial services to micro-entrepreneurs and small businesses in Kenya. By offering accessible and affordable credit, we aim to enable them to grow their businesses, create employment opportunities, and contribute to local economic development.
- **Financial Inclusion for Rural/Sub-urban Communities:** A significant portion of Kenya's population resides in rural and sub-urban areas, where access to traditional banking services is limited. We aim to bridge this gap by extending our microfinance services to underserved rural communities. Our outreach efforts will focus on empowering rural individuals with financial education and relevant financial products to improve their livelihoods.

# Market Opportunity

In Kenya, the demand for microfinance services is substantial, as a significant segment of the adult population faces exclusion from accessing formal and informal financial services and products. According to recent data, the percentage of the adult population excluded from financial services increased to 11.6 percent in 2021, up from 11.0 percent in 2019. This highlights the persistent financial exclusion challenges that many Kenyans still encounter.

However, progress has been made since the 2006 baseline survey when the exclusion rate was as high as 41.3 percent. Despite this improvement, there remains a pressing need to address the remaining exclusion gap and reach out to those who are currently underserved.

Our microfinance institution is uniquely positioned to contribute to bridging this gap and providing essential financial services to those excluded segments of the population. By focusing on financial inclusion initiatives, offering accessible and affordable credit, and providing tailored financial education, our MFI aims to empower micro-entrepreneurs, small businesses, and underserved communities throughout Kenya.

As we strive to address the unique financial challenges faced by Kenyans and offer accessible and affordable credit, we are confident that our microfinance institution can play a pivotal role in fostering financial inclusion, supporting local businesses, and uplifting communities across the nation.

# Unique Value Proposition

We offer a unique and effective set of value propositions that differentiate us from traditional financial institutions. Our UVP is based on our strong commitment to promoting financial inclusion, fostering sustainable economic growth, and empowering underserved SMEs and communities across the country.

- I. **Tailored Financial Solutions for All:** We are aware of the various financial needs and difficulties that different Kenyans face. As such, we design and deliver personalized financial solutions that cater to the diverse requirements of micro-entrepreneurs, small businesses, rural communities, and youth. Our open-door policy guarantees that everyone has access to the right financial products and services, improving livelihoods and promoting economic empowerment.
- II. **Rural/Sub-urban and Last-Mile Access:** Our MFI recognizes the critical importance of reaching the underserved in remote, sub-urban and rural areas. Leveraging technology and a well-established branch network, we extend our services to even the most far-flung communities. By offering last-mile access to financial services, we foster economic development in regions where traditional banking options are limited, creating opportunities for growth and prosperity.
- III. **Customer-Centric Approach:** We prioritize our clients' needs above all else. Our customer-centric approach ensures that each interaction is characterized by transparency, fairness, and empathy. We go beyond offering financial services to building enduring relationships with our clients, providing financial education and guidance to help them make informed decisions and improve their financial well-being.
- IV. **Expertise and Local Knowledge:** With a team of skilled professionals possessing deep insights into the Kenyan market, our MFI possesses an unparalleled understanding of the local economic landscape and cultural dynamics. This expertise enables us to craft

solutions that align with the unique challenges faced by Kenyan entrepreneurs and communities, driving meaningful and sustainable outcomes.

- V. **Collaborative Ecosystem:** We believe in the power of partnerships to drive greater impact. By collaborating with governmental organizations, NGOs, and local community leaders, we create a collaborative ecosystem that amplifies the reach of our financial services and social initiatives. Through these partnerships, we collectively work towards creating a more inclusive and resilient financial ecosystem for all Kenyans.
- VI. **Responsible and Sustainable Growth:** As a responsible financial institution, we prioritize prudent lending practices and risk management. Our commitment to sustainable growth ensures that we maintain financial stability, safeguarding the interests of our investors, clients, and stakeholders. This approach further strengthens our credibility and longevity as a trusted partner in Kenya's economic development.

Our Unique Value Proposition is founded on these principles, demonstrating our unwavering dedication to driving social impact, fostering economic growth, and empowering underserved communities. By choosing our microfinance institution, clients and investors alike contribute to a brighter and more inclusive future, where financial services are accessible to all, and economic prosperity is shared across the nation.

# Financial Projections

As we envision the growth and impact of our microfinance institution, we have developed comprehensive financial projections for the next one year. These projections are based on realistic assumptions, taking into account market demand, our growth trajectory, and the commitment to responsible financial practices.

## Assumptions.

- All figures are presented in Kenyan Shillings (KES).
- The projections cover a period of one year from the inception of our microfinance institution.
- Our focus will be on maintaining steady loan portfolio growth while ensuring a high repayment rate and minimizing defaults.
- Operating expenses will be carefully managed to achieve efficiency and support sustainable growth.

## Income Statement:

<b>Revenue (Interest income on loans)</b>	<b>12,000,000</b>
Other Income	1,000,000

Total Income	13,000,000
Operating Expenses	7,000,000
Provision for Loan Losses	2,000,000
Total Expenses	9,000,000
Net Income Before Taxes	4,000,000
Taxes	800,000

Net Income	3,200,000
------------	-----------

*Figure 1.1 income statement (1 year)*

In the first year of operations, we anticipate generating revenue primarily from interest income on loans, which we estimate to be KES 12,000,000. Additional income, such as fees and commissions, is expected to contribute KES 1,000,000, resulting in a total income of KES 13,000,000.

Operating expenses, including administrative costs and staff salaries, are projected to be KES 7,000,000 in the first year. We have allocated KES 2,000,000 for provisions to cover potential loan losses, as we prioritize responsible lending practices. Consequently, our total expenses in year one are expected to amount to KES 9,000,000.

Taking into account our total expenses, our projected net income before taxes for the first year is KES 4,000,000. After accounting for taxes, we anticipate a net income of KES 3,200,000 in the inaugural year of our microfinance institution.

## Balance Sheet:

Assets		Liabilities and Equity	
Cash and Cash Equivalents	3,000,000	Loans from Investors	10,000,000



Loans Receivable	75,000,000	Deposits from Clients	15,000,000
Other Assets	2,000,000	Other Liabilities	2,000,000
Total Assets	80,000,000	Total Liabilities	27,000,000
Equity			
Paid-in Capital	40,000,000		
Retained Earnings	6,000,000		
Total Equity	46,000,000	Total Liabilities & Equity	80,000,000

*Figure 1.2 Balance sheet (1 year)*

At the beginning of operations, we anticipate having KES 3,000,000 in cash and cash equivalents. Our loans receivable is projected to reach KES 75,000,000, reflecting our commitment to providing financial services to micro-entrepreneurs and underserved communities.

We will raise funds through loans from investors, amounting to KES 10,000,000, and client deposits, totaling KES 15,000,000. Other liabilities are estimated at KES 2,000,000, making our total liabilities KES 27,000,000.

To ensure sufficient capital for growth and financial stability, we plan to raise KES 40,000,000 in paid-in capital and have retained earnings of KES 6,000,000, resulting in a total equity of KES 46,000,000.

#### Cash Flow Statement:

Operating Activities		Financing Activities	
Net Income	3,200,000	New Loans from Investors	15,000,000
Add: Depreciation & Amortization	500,000	Repayment of Loans	4,000,000
Changes in Working Capital	1,000,000	Other Financing Activities	500,000

Net Cash from Operating Activities	4,700,000	Net Cash from Financing Activities	10,500,000
Investing Activities			
Purchase of Fixed Assets	(2,000,000)		
Net Cash from Investing Activities	(2,000,000)		
Net Increase in Cash and Cash Equivalents	2,700,000		
Cash and Cash Equivalents at Beginning	300,000		

Cash and Cash Equivalents at End	3,000,000	
----------------------------------	-----------	--

**Figure 1.3 Cashflow statement (one year)**

Our cash flow projections indicate a net cash inflow from operating activities amounting to KES 4,700,000 in the first year. We will finance our growth through new loans from investors, securing KES 15,000,000 in funds. Additionally, we will receive KES 500,000 from other financing activities.

To support the expansion of our operations, we will invest KES 2,000,000 in fixed assets.

As a result, we expect a net increase in cash and cash equivalents of KES 2,700,000, ending the first year with a total of KES 3,000,000 in cash and cash equivalents.

**Important Note:**

The financial projections have been developed with careful consideration of market dynamics and realistic assumptions. However, these figures are for illustrative purposes only and are subject to change based on actual market conditions, operational performance, and external factors. As we progress with our microfinance institution, we will continuously monitor and update our financial projections to align with our growth trajectory and the changing economic landscape in Kenya.

# Investment Request

As we embark on our journey to create a transformative microfinance institution in Kenya, we seek an investment of KES 10 million to fuel our growth and expand our reach to underserved communities. This investment is crucial to realizing our mission of driving financial inclusion, promoting economic development, and empowering micro-entrepreneurs and small businesses across the nation.

## Purpose of Investment:

The KES 10 million investment will be allocated strategically to the following key areas:

- **Loan Portfolio Expansion:** A significant portion of the investment will be dedicated to expanding our loan portfolio. By providing accessible and affordable credit to micro-entrepreneurs and small businesses, we aim to foster economic growth, create employment opportunities, and uplift communities.
- **Technological Advancements:** To enhance efficiency and improve customer experience, we will invest in cutting-edge financial technology solutions. These advancements will streamline our operations, optimize loan processing, and enable seamless digital interactions with clients.
- **Branch Network Expansion:** We plan to establish additional branches in underserved rural areas, extending our services to reach the last mile. This expansion will enable us to build stronger relationships with clients and cater to the unique financial needs of rural communities.
- **Financial Education and Training:** A portion of the investment will be allocated to financial education and training programs. By empowering our clients with financial

literacy and entrepreneurship skills, we aim to enhance their capacity to manage finances effectively and make informed business decisions.

### **Expected Returns:**

We project attractive returns on the KES 10 million investment. Our prudent financial management practices, focus on risk mitigation, and commitment to responsible lending are designed to ensure sustainable growth and profitability.

We anticipate generating revenue primarily from interest income on loans and other financial products. With a strong emphasis on maintaining a high repayment rate and minimizing defaults, we aim to achieve consistent and favorable returns on investment.

### **Social Impact:**

Beyond financial returns, the investment in our microfinance institution will generate significant social impact. By providing financial services to the financially excluded and promoting sustainable business practices, we contribute to poverty reduction and economic development in Kenya.

The investment will empower micro-entrepreneurs, women, and youth, fostering economic independence and creating opportunities for social and economic advancement.

# Our Team

We are proud to have assembled a diverse and experienced team of professionals who share a passion for driving financial inclusion and making a positive social impact. Our team's collective expertise, local knowledge, and commitment to our mission are the cornerstones of our success.

## Executive Leadership:

1. [Your Name], CEO: With over [X] years of experience in the microfinance sector, I bring a deep understanding of the Kenyan financial landscape and a strong vision for our institution. My leadership ensures that our strategies align with our mission and that we maintain the highest standards of ethical conduct.
2. [Co-founder's Name], COO: As the Chief Operating Officer, [Co-founder's Name] plays a vital role in translating our vision into practical operational strategies. With a proven track record in financial management and business development, [Co-founder's Name] oversees the seamless functioning of our microfinance institution.

## Finance and Risk Management:

1. [Financial Manager's Name], Financial Manager: [Financial Manager's Name] is a seasoned financial expert with a background in microfinance. With a keen eye for financial analysis and risk assessment, [Financial Manager's Name] ensures the institution's financial health and compliance with regulatory standards.
2. [Risk Manager's Name], Risk Manager: [Risk Manager's Name] brings extensive experience in risk management to our team. With a focus on minimizing potential risks while maximizing

opportunities, [Risk Manager's Name] ensures the sustainability of our loan portfolio and business operations.

## Client Relations and Outreach:

1. [Client Relations Manager's Name], Client Relations Manager: [Client Relations Manager's Name] is the driving force behind building strong relationships with our clients. With a deep understanding of the diverse financial needs of our clientele, [Client Relations Manager's Name] ensures that our services are tailored to meet their unique requirements.

2. [Outreach Coordinator's Name], Outreach Coordinator: As the Outreach Coordinator, [Outreach Coordinator's Name] leads our efforts to expand our services to underserved communities. With a strong commitment to financial inclusion, [Outreach Coordinator's Name] ensures that our institution reaches even the most remote regions in Kenya.

## Technology and Innovation:

1. [Technology Manager's Name], Technology Manager: [Technology Manager's Name] is at the forefront of driving technological advancements within our institution. With a background in fintech and a passion for innovation, [Technology Manager's Name] ensures that we leverage cutting-edge technology to enhance our operations and improve customer experience.

## Community Development:

1. [Community Development Manager's Name], Community Development Manager: As the Community Development Manager, [Community Development Manager's Name] plays a vital role in our commitment to social impact. With a background in community engagement and



sustainable development, [Community Development Manager's Name] spearheads initiatives that empower and uplift the communities we serve.

## Advisory Board:

Our Advisory Board comprises esteemed industry experts, financial analysts, and social entrepreneurs who provide strategic guidance and support. Their collective wisdom enriches our decision-making processes and strengthens our ability to achieve our social and financial objectives.

## Conclusion:

We are enthusiastic about the potential of our microfinance institution to drive transformative change in Kenya's financial landscape. With your investment of KES 10 million, we will be one step closer to realizing our vision of a financially inclusive and prosperous nation.

We invite you to join us on this remarkable journey to make a lasting positive impact in Kenya. Together, we can empower individuals, uplift communities, and contribute to the economic development and well-being of the nation.

Thank you for considering our investment request. We look forward to discussing the exciting opportunities that lie ahead and the potential for meaningful social and financial returns.