

Juhudi Kilimo and BlueOrchard case study

Author/s: 2X Global

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Key information:

Type of actor: Investee company

Investment type: Private market, debt finance

Operates in: Kenya

Sectors: Agriculture / Microfinance

Scene set

Juhudi Kilimo was founded in 2004 as a simple agriculture microlending initiative to serve rural Kenyan farmers who could not access formal financing due to a number of economic, social and environmental barriers, including their remoteness (lack of infrastructure), limited market access, poor climatic conditions, lack of agronomic data, low literacy, lack of collateral or borrowing history, and poor or no financial records.

Later in 2009, Juhudi evolved into a credit organisation and, as of 2022, is one of Kenya's leading microfinance institutions, serving more than 49,000 households through 48 branches across the country. Their mission is to improve the livelihoods of rural smallholder farmers and micro entrepreneurs by providing wealth-creating financial solutions. As of 2022, their client base consists mainly of women (68%) living in rural areas of Kenya.

Juhudi offers a range of products through both group lending and individual loans, which account for 70% and 30% of their portfolio respectively. They support their clients by providing agribusiness working capital; crop and animal farming loans for farming inputs; asset finance, including farming equipment loans for tractors, motor vehicles and water plants; and green energy financing products for biogas and solar water pump solutions, solar TVs, solar lighting, and energy-saving cook stoves.

Impact investor BlueOrchard provided its first debt financing to Juhudi in 2021 to help them further support their clients in the micro and SME segments. These funds were vital following the disruption of many of their clients' businesses in the wake of the COVID-19 pandemic.

Approach and Impacts

Representing about 33% of Kenya's GDP, the agriculture sector employs more than 40% of the total population and 70% of the rural population.⁸⁸ Juhudi's work recognises that climate change is already causing devastating impacts on these people's livelihoods, through for instance, more frequent and severe droughts and irregular rainfall.

In addition to providing specialised financial products, Juhudi also provides business management, technical and financial literacy training to rural smallholder farmers and micro entrepreneurs. The company delivers technical training to 40 to 50% of their clients, helping them improve their farming capabilities. This includes training from technical specialists via dedicated training days covering which crops to plant in each season, how to use different farming inputs effectively, and specialist farming techniques to improve crop yield and resilience. Juhudi also collaborates with county governments and the private sector to design and deliver weather data and e-learning content for their farmers, and will soon have its own e-learning platform, helping them democratise access to learning across their entire client base.

At the core of Juhudi's approach is an acknowledgement of the challenges faced by Kenyan female small holder farmers and micro-entrepreneurs. The business is committed to addressing this injustice, and their products and services are designed to promote equitable access to capital for these female farmers as well as their ownership of solutions.

Since women typically have limited or no access to collateral, the institution offers the majority of their loans through a 'group lending' methodology, similar to the Grameen model. The products offered aim to improve women's lives by saving them time and effort completing tasks they typically carry out due to societal gender norms: duties of family care, water and fuel collection. This includes for instance, the financing of water tanks for clean and safe water, reducing the burden on women to collect water for their families; energy saving cook-stoves, reducing the time women spend on collecting firewood (one of the main sources of deforestation in Africa); and solar lighting solutions, which help to reduce kerosene usage and support children's education.

Key takeaways

Juhudi Kilimo clearly demonstrates that there is value in – and a positive impact that can be derived from – considering the customer life cycle holistically, rather than focussing on a credit only perspective.

The institution's approach is driven by both impact and commercial considerations, which are highly interlinked. Helping their clients succeed, for instance by upskilling them on specialist farming practices, not only positively impacts clients' livelihoods, but also leads to increased customer retention, referrals and lower default rates.

What's next?

For the future, Juhudi has plans to expand their outreach to over 100,000 customers by 2025, growing their branch network to 55 (from an existing 48) and thereby firmly establishing themselves as a household name in Kenya. In the long term, the institution has ambitions to expand beyond the Kenyan market into other East African countries.

Juhudi is well aware of the challenges their clients face as a result of climate change and are constantly thinking about new products and services to improve their livelihoods. Future launches may include insurance products (such as crop insurance) and be supplemented by a build-out of the e-learning platform, enabling all clients to access learning on how to adopt climatesmart farming practices and adapt their business models in the context of climate change. This will increase their clients' ability to cope with future climate risks.