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# EQUITY BANK'S ECOMOTO LOAN PROGRAM



## EQUITY BANK AT A GLANCE

- Founded in 1984, Equity Bank places financial inclusion at the core of its mission.
- With 170 branches serving 10 million customers in Kenya alone, Equity Bank is one of the largest banks in East Africa.
- In addition to its branches, Equity has 30,000 agents throughout Kenya.
- The EcoMoto loan for cookstoves and solar lights was launched in 2014. Equity plans to scale the loans through the Equitel platform in 2017 with the EcoMoto on Equitel loan application.

## EQUITY BANK'S ECOMOTO LOAN PROGRAM

With more than 10 million customers served through its 170 branches and 30,000 agents in Kenya alone, Equity Bank is one of the largest commercial banks in East Africa, operating in Kenya, Rwanda, Tanzania, Uganda, South Sudan and the Democratic Republic of the Congo. With roots as a microfinance institution (MFI), Equity's mission centers on financial inclusion, working throughout Kenya to reach rural consumers and offer them financial services that can help transform their lives. In 2008, Equity Bank launched the Equity Group Foundation as the social impact arm of Equity Bank, implementing programs that leverage Equity's extensive network to create impact across several sectors, including financial inclusion and the environment.

In 2013, Equity Bank and the Equity Group Foundation formed a partnership with MicroEnergy Credits (MEC) with the objective of providing clean energy financing for end users through a unique product called the EcoMoto Loan. Through the USAID-funded Developing a Sustainable Cookstove Sector (DSCS) grant, Winrock supported the expansion of this program to sell improved cookstove products through Equity's network of branches and retail shops with the marketing and training support of MEC energy officers. The current program offers charcoal-fueled cookstoves ranging from \$35 to \$46USD from BURN, EcoZoom and Envirofit as well as solar lights from Greenlight Planet, d.light, Fenix, and Orb.

Since it began receiving support through the DSCS project, the ***Equity EcoMoto channel has sold over 11,500 improved cookstoves*** (cash and loan sales combined), providing more than \$100,000USD in direct credit to cookstove purchasers.

## DEVELOPING THE ECOMOTO LOAN

The EcoMoto Loan began as a partnership between Equity Group Foundation and Micro Energy Credits. In the initial program design, MEC energy officers worked directly with Equity Bank branches to promote the products. Equity created a simplified one-page loan application form, allowing qualified customers to get a loan within 24 hours. Flexible loan terms were offered for up to 12 months, with customers taking an average of three to six months to repay. An average customer's savings in charcoal expenditures could cover the loan repayment amount in a six-month period. Under the Equity program, customers reported saving approximately \$120USD per year from using the BURN Jikokoa, creating a return on investment of 150 to 235 percent in the first year.

With support from DSCS, the program scaled to more than 100 Equity branches across Kenya, at which point the model of using MEC energy officers to market and manage product sales at branches proved costly and ineffective due to the limited sales generated through branches, which tended to have low foot traffic. In response, Equity shifted its sales focus from branch offices to its network of 30,000 Equity Agents, small retail shops authorized to sell Equity products and services. Under this expanded model, MEC energy officers train and offer sales support to onboard new Equity Agents who are then responsible for direct sales to customers. The Equity Agents promote the stoves in their retail shops and facilitate end user financing by providing loans on Equity Bank's digital/fintech platform – Equitel. Approved loan recipients can now avail of the product instantly, from an Equity EcoMoto Agent shop. Prior to the EcoMoto loan launch on the Equitel platform, loan forms were taken to Equity branch officers for processing and approved loan recipients received a voucher for the stove, which they could redeem at the Equity Agent shop.





In addition to its work with Equity Agents, MEC continues to work with Equity branches to facilitate group lending for cookstoves. MEC energy officers accompany Equity loan officers to group lending meetings, demonstrating the cookstoves and facilitating sales and deliveries. The Equity loan officer works with the group to incorporate the cookstove loans into existing larger loans (such as education or business loans), making lending for the cookstoves easy to add on to the larger loans without additional processing time or application paperwork.

## LESSONS LEARNED

The Equity network of retail shops is developing as a nationwide sales channel for clean energy products. Still, only about 30 percent of the cookstoves sold through the Equity Agents are financed sales. While many Equity clients may not need credit to purchase the stove, Equity sees an opportunity to expand its role in lending to those most in need. Below are the key lessons Equity has learned as it continues to expand efforts to reach low-income consumers with fuel-efficient cookstoves and solar lights.

**Streamline the lending process for end users.** Streamlined lending processes were critical for Equity's consumer-facing loan product. During the initial program development, Equity's loan application process required a seven-page document and approximately two weeks to approve the loan. Seeing the limited demand for loans, Equity reduced this to a single-page loan form that can be processed in 24 hours. Still, the process of applying for the loan at Equity's branch office, waiting for approval and then taking a voucher to authorized Equity Agents was cumbersome for the small loan. Equity's Equitel mobile money platform has automated and further simplified the lending process for these small loans, with the added benefit of increasing its Equitel user base.

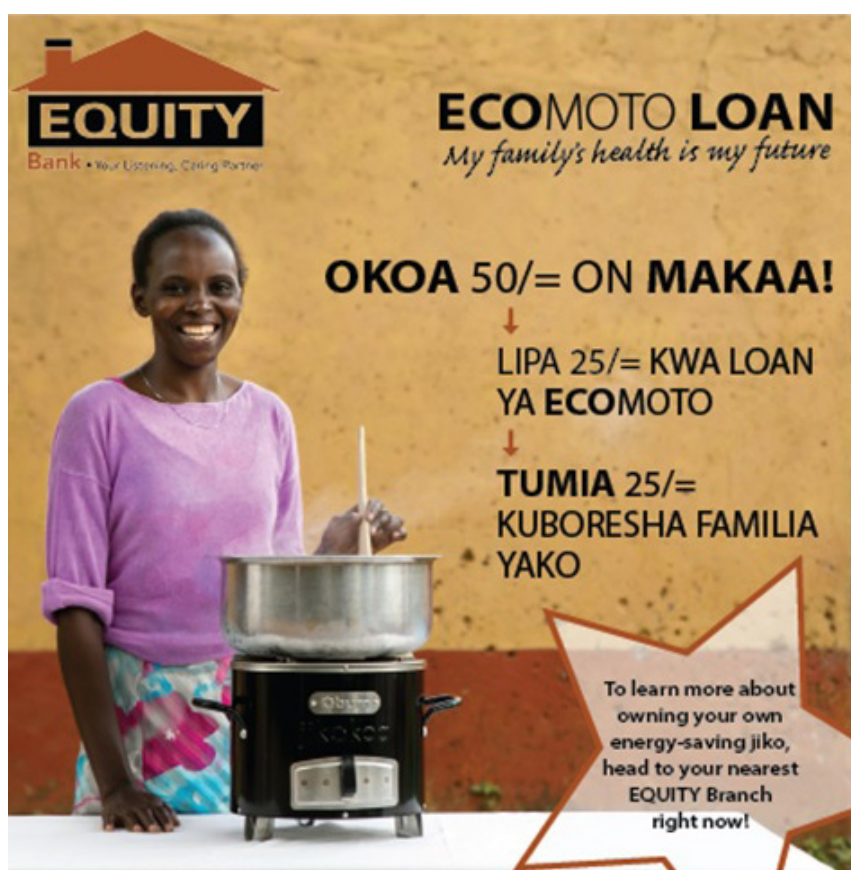
**Leverage local retail locations.** In the initial program design, MEC energy officers were stationed at Equity branches, rotating among a few branches to provide direct product marketing and sales support. As the program scaled, this approach became too expensive and time-consuming. Switching to a shared-margins approach with Equity Agent retailers is proving much more scalable, leveraging the existing retail structure through the Agents and complementing it with MEC's cookstove expertise. MEC energy officers can now focus their time on onboarding new retail agents and training them on sales and after-sales service.

**Place incentives where they most directly impact the relationship with the customer.**

Equity notes that early in the program it focused incentives on loan officers rather than on those responsible for marketing and sales, thus the benefits did not accrue to the stakeholders most empowered to drive sales. The Equity Agent model places more of the product margin at the Agent level, and thus at the primary point of sale for the end user, further incentivizing Agents to make sales and offer good sales and after sales service.

## WHAT'S NEXT FOR EQUITY'S ECOMOTO LOAN

As Equity continues to grow its EcoMoto Loan program, it is leveraging its Equitel mobile money platform to make cookstove loans more accessible to end users. Equity has over 2.5 million subscribers through its Equitel platform and continues to expand its outreach. It will also launch aggressive radio campaigns after the election, to increase awareness of the program across Kenya. The EcoMoto on Equitel loan was recently launched and provides Equity a low-risk way to engage its mobile users and will facilitate lending for fuel-efficient cookstoves through the Equity Agent sales network. Equity has trained its call center staff on the EcoMoto loan process, as well as on the benefits and use of fuel-efficient cookstoves. With this new mobile lending tool, Equity will be able to reach more potential customers with affordable loans for cookstoves.



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**ECOMOTO LOAN**  
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**OKOA 50/= ON MAKAA!**

↓

LIPA 25/= KWA LOAN  
YA ECOMOTO

↓

**TUMIA 25/=**  
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