

Medical credit fund: Improving healthcare in Africa with flexible loans

Winner: Moving financial markets

What

Medical Credit Fund (MCF) specialises in providing loans and technical assistance to private healthcare SMEs in Africa. A typical customer is a small healthcare provider that needs financing to cover gaps in working capital or to invest in expansion or equipment. The organisation primarily operates in five countries: Kenya, Tanzania, Ghana, Nigeria and Uganda. So far MCF has disbursed US\$140 million in loans.

In 2017, MCF launched Cash Advance, its first digital loan product. Cash Advance operates in Kenya with its partner, CarePay, using Kenya's mobile money system, M-Pesa, to make flexible, unsecured loans for up to six months. Repayments are based on a percentage of a facility's mobile money revenues. After a loan has been repaid, a borrower can apply for the next loan straight away.

Using the same digital lending system as Cash Advance, borrowers can also access financing for equipment and other assets, including laboratory equipment, specialist imaging machines and ambulances. Healthcare providers can rent this equipment to other local clinics, gaining an extra revenue stream and increasing access for patients. The collateral for these loans is the equipment itself.

MCF's success – repayment rates are 94% – demonstrates that such loans are financially sustainable. This sets an example that MCF hopes other financial services providers will follow.

'Medical Credit Fund's Cash Advance loans empower healthcare providers to serve their communities in a flexible way. With loan repayments tied to revenues, the repayments easily tie into their day-to-day operations. Many of the communities covered by these SMEs would not otherwise have access to the healthcare that these loans make available.'

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Why

Through its loan products, MCF aims to create a positive social impact for providers, patients and the broader healthcare system in sub-Saharan Africa. Licensed private facilities are a core provider of services in this area, but they are often unable to get financing from banks because of a lack of collateral or financial records. Female entrepreneurs face particular barriers. This lack of financing affects both the availability of services and the quality of care.

MCF's goal is to improve health outcomes by meeting healthcare providers' need for financing – and in doing so, shift the market for healthcare financing in Africa. In line with this goal, MCF offers technical assistance through its partner, SafeCare, as well as loans. This combination of financing and support helps healthcare providers to grow their business and improve services, meaning that patients can access better care.

In launching Cash Advance, MCF took advantage of the opportunity created by the widespread use of mobile money in Kenya to create scale. This digital loan product has enabled MCF to provide finance to smaller facilities in more remote areas, which are crucial for meeting the healthcare needs of rural, low-income patients.



'Facilities find our loans very convenient because repayment is not in fixed instalments as banks would do. We simply share what patients are paying. If there are no patients today, then it means there is no repayment to make.'

Nick Mutegi
Medical Credit Fund



How

MCF provides its customers with the financing and technical support they need to improve care:

- > MCF collaborates with healthcare providers when developing its products. This helps to ensure that MCF's offerings are based on an understanding of healthcare providers' needs.
- > Technical assistance, offered to larger loan customers, covers both clinical and business areas. MCF works together with SafeCare to apply SafeCare's accredited healthcare standards. With support, facilities prepare quality improvement plans and are regularly assessed to measure improvements.
- > Applicants for loans must be licensed and registered with the relevant authorities. For first-time Cash Advance applicants, MCF's due diligence process includes visiting the customer, conducting Know Your Customer procedures and checking sanctions lists. MCF reviews facilities' mobile money statements, looking at their level of revenues to calculate what they can afford before offering a loan. Some facilities do not use mobile money already, and where this is the case, MCF supports them to set this up.
- > Once a Cash Advance loan is approved, funds in local currency are paid into the customer's account and the customer has a period of up to six months to repay the loan. As most healthcare providers do not have collateral, Cash Advance loans are unsecured. For mobile asset finance loans, the equipment purchased with the loans is the only collateral, and these loans have a longer tenor.
- > For both types of Cash Advance loan, repayment is based on an agreed percentage of a facility's mobile money revenues. Repayment is flexible. The more mobile revenues a facility makes, the earlier its loan is repaid. Once repaid, the facility can opt for a new loan.
- > Dashboards help MCF identify whether a facility is repaying its loan more slowly than expected. The organisation reaches out to the facility to find out what is causing the delays and provide advice if needed. Risk is managed at portfolio level by tracking data, and there is also a natural hedging effect from having a distributed portfolio of small loans.
- > The Cash Advance model has performed well in Kenya. The next step for MCF will be to scale its digital lending by taking its model to other countries.

www.medicalcreditfund.org





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