FAILING *the* HUSTLERS

Hustler Fund as a grand political gimmick
disguised as economic empowerment

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KENYA HUMAN RIGHTS
COMMISSION

FAILING *the* HUSTLERS

Executive Summary

The Financial Inclusion Fund, popularly known as the Hustler Fund, was launched on November 30, 2022, with a startup capital of Sh50 billion. Touted as a flagship initiative of the Kenya Kwanza regime, the Fund was designed to provide low-income Kenyans with access to credit. It was central to the bottom-up economic transformation agenda, which was a key campaign promise of the William Ruto administration. The Ruto campaign asserted that the model would uplift livelihoods by directing limited capital where it could make the greatest impact. Such sectors included agriculture, micro, small and medium enterprises, housing, healthcare, the digital economy, and the creative industry.

However, this study found that the Hustler Fund failed to achieve these objectives and proved structurally flawed, economically unsustainable, and politically compromised. By December 2023, over Sh9.6 billion had been disbursed, yet there was no measurable impact on enterprise development or job creation. Loan sizes ranging from Sh500 to Sh1,000 were too small to start or grow businesses, repayment terms of 14 days were unrealistic, and disbursements were poorly matched to actual financial needs. The default rate stood at 68.3 percent, and there was no regulatory framework for loan recovery, with the estimated total cost to the taxpayer reaching 71.5 percent. These statistics pointed to an economic sinkhole.

Furthermore, the study found the Fund's governance to be opaque. The Office of the Auditor General could not render an audit opinion, citing missing documentation and unsupported transactions. There was no publicly disclosed loan allocation formula, no transparency on repayment trends by region or sector, and no clear criteria for performance assessment. The centralization of oversight within Nairobi further disconnected the Fund from the very communities it purported to serve.

This report concludes that the Hustler Fund must be scrapped. Reforming it is insufficient, as its foundational flaws, political motivations, and lack of accountability makes it unfit for continuation.

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List of Abbreviations

BETA	Bottom-Up Economic Transformation Agenda
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poorest
CRB	Credit Reference Bureau
FSD	Financial Sector Deepening
GMELP	Group Micro Enterprise Loan Products
IMELP	Individual Micro Enterprise loan
Sh	Kenya Shilling
KHRC	Kenya Human Rights Commission
KNBS	Kenya National Bureau of Statistics
LPO	Local Purchase Order
LSO	Local Service Order
MFI	Micro Finance Institution
MSE	Micro and Small Enterprises
MSME	Micro Small and Medium Enterprises
PLP	Personal Loan Product
PSASB	Public Sector Accounting Standards Board
SACCO	Savings and Credit Cooperative Organizations
UNSGSA	Special Advocate for Inclusive Finance for Development
WEF	Women Enterprise Fund
YEDF	Youth Enterprise Development Fund

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1.0 INTRODUCTION

Over the past two decades, Kenya has invested heavily in Financial Inclusion Funds, often packaged as state-led empowerment programs to uplift marginalized communities. However, these schemes have frequently failed to deliver fundamental, lasting transformation. Instead, they have tended to serve political interests, offering short-term visibility rather than sustainable impact.

Ozili (2020)[1] defines financial inclusion as "the provision of, and access to, financial services to all members of the population, particularly the poor and the other excluded members of the population." At its core, financial inclusion should ensure that every household and enterprise, regardless of income, can access and benefit from the financial tools needed to improve their lives.

The architecture of Kenya's financial inclusion framework is designed to benefit small, elite microlenders chasing quick profits instead of delivering sustainable change. These exploitative lending practices increase the economic vulnerability of the groups the funds were meant to uplift. This is a betrayal of one of the core principles of public finance, which demands that public money be used prudently, equitably, and with special focus on marginalized groups.

1.1 OVERVIEW OF THE HUSTLER FUND

The Hustler Fund was launched on November 30, 2022, with a startup capital of Sh50 billion. Marketed as a game-changer for low-income Kenyans, the Fund became a flagship initiative of the Kenya Kwanza government, rooted in its bottom-up economic transformation agenda (BETA). The administration promised to invest limited public capital in sectors that would yield the greatest impact, including agriculture, MSMEs, housing, healthcare, the digital superhighway, and the creative economy.

The Hustler Fund was sold to the public as a tool to cushion informal sector players from financial shocks, offering so-called "holistic" solutions to improve livelihoods. It promised to expand access to credit for individuals, MSMEs, SACCOs, and startups to spur economic growth and job creation. Products under the Fund include personal loans, group micro-enterprise loans, and individual micro-enterprise loans for formally registered businesses.

Hustler Fund was launched on November 30, 2022, with a startup capital of Sh50 billion.

1 Ozili, Peterson K, Theories of Financial Inclusion (January 1, 2020). Available at SSRN: https://ssrn.com/abstract=3526548 or http://dx.doi.org/10.2139/ssrn.3526548

According to government-released data, the Hustler Fund has disbursed over Sh36 billion to 21 million individuals, with more than 51,000 groups registered, boasting a total group membership of over 1.1 million people. Around Sh163 million has been disbursed to these groups. But behind these statistics is the fact that the fund, like many state-run financial inclusion programs, is a politically expedient project often rolled out after elections to fulfil campaign promises, not long-term solutions rooted in the lived realities of Kenyans.

While timely access, affordability, and impact are supposedly the cornerstones of the Hustler Fund, the scheme is riddled with contradictions. First-time borrowers are eligible for a meagre Sh500, which can neither start nor grow any serious business. The mandatory deduction of a portion of the loan for savings before the beneficiary can even use it has further sparked outrage. Worse still, beneficiaries must keep borrowing to gradually increase their limit, locking them into a debt cycle. The repayment window is too short, too, placing unnecessary pressure on already struggling borrowers.

Despite Kenya's progress in expanding formal financial services, the structural design of financial inclusion funds like the Hustler Fund appears rigged. Far from empowering the poor, these initiatives increasingly serve a small elite of microlenders. Their profit-first, people-last model is driven by short-term gains and predatory practices, which only worsen the financial vulnerability of low-income groups. This flies in the face of constitutional principles of public finance, which demand that public funds be managed prudently and with special provisions for the marginalized.

What's more, concerns are mounting over the fund's transparency, accountability, and overall ability to push for genuine financial inclusion. Despite the massive public resources committed to it, little information is available on the fund's governance and impact. It is alarming that a program so widely publicized lacks mechanisms for public scrutiny or meaningful oversight.

1.2 OBJECTIVE OF RESEARCH

The overall objective of this research was to examine the state of financial inclusion in Kenya, with a specific focus on the Hustler Fund. The specific objectives were:

- To determine the status and suitability of the financial inclusion funds with a special focus on the Hustler Fund.
- To review the architecture and framework of the existing financial inclusion funds in Kenya
- To develop the parameters for financial inclusion suitable for addressing the needs of the poor, and low-income groups/ households in Kenya.
- To provide recommendations towards the development and implementation of appropriate legal and policy frameworks to foster transparency, accountability, accessibility, affordability, and sustainability of financial inclusion in Kenya.

1.3 SCOPE OF THE WORK

The study concentrated on the Hustler Fund in Kenya and its individual and MSME beneficiaries.

1.4 FINANCIAL INCLUSION AND DEVELOPMENT

Financial inclusion is a key enabler for achieving the Sustainable Development Goals (SDGs) and Kenya's development aspirations under the Vision 2030 economic blueprint. Access to financial services, such as savings, credit, and insurance, enables individuals and households to manage risks and build resilience against economic shocks. Smallholders and large-scale farmers can invest in quality farm inputs such as seeds, fertilizers, equipment, and climate-smart agriculture, thereby improving agricultural productivity and enhancing their ability to manage risks related to crop failure or price fluctuations.

Increased productivity leads to higher incomes, which positively impact economic growth. According to Vision 2030, Kenya aims to sustain an average annual growth rate of 10 percent. Such growth rates would promote food security and poverty reduction across communities. The social pillar of Kenya Vision 2030 seeks to build a just and equitable society with an improved quality of life for all citizens. Financial inclusion contributes to this goal by enabling access to social services, such as healthcare and education, through reduced out-of-pocket expenditures. Families can better afford school fees, uniforms, and other educational expenses, while access to insurance, savings, and credit helps them meet essential health and education needs.

Improvements in agriculture, manufacturing, and services, as envisioned in Vision 2030, can only be realized when entrepreneurs and small businesses have access to affordable and quality financial services. Such access facilitates business start-ups, supports the sustainable growth of enterprises, and leads to job creation, economic expansion, and innovation. Moreover, infrastructure and technology investments, supported through inclusive finance, drive industrialization and economic independence. This accelerates national development, helps reduce gender-based inequalities, and includes historically underserved communities in economic progress.

Financial inclusion is a powerful tool for achieving the UN SDGs, as it empowers individuals and communities to participate meaningfully in the economy, escape poverty, and build sustainable livelihoods.

1.5 FINANCIAL INCLUSION AND THE HUSTLER FUND

Various institutions have defined financial inclusion in slightly different ways. According to the Consultative Group to Assist the Poorest (CGAP), financial inclusion means ensuring universal access to reasonably priced financial services, provided by sound and sustainable institutions. This includes access to savings, investments, credit, and insurance[2]. The World Bank Group defines financial inclusion as the availability and accessibility of valuable and affordable financial products and services, such as transactions, payments, savings, credit, and insurance, delivered responsibly and sustainably to individuals and businesses[3]. The World Bank also emphasizes that financial inclusion is a key enabler in the fight to reduce extreme poverty and promote shared prosperity.

Financially underserved individuals or groups have limited access to formal financial services such as savings accounts, credit, insurance, and payment systems. Financial inclusion seeks to address the needs of these underserved populations. On the other hand, the unserved are entirely excluded from accessing basic financial services, making them particularly vulnerable to economic shocks and unable to leverage financial tools for growth and development.

According to the 2021 World Bank Global Findex, global account ownership has risen to 76 percent of adults aged 15 and above, and 71 percent in developing countries. However, financial exclusion remains most acute among traditionally underserved groups, including the poor and MSMEs[4].

2 https://www.cgap.org/financial-inclusion

3 https://www.worldbank.org/en/news/feature/2023/09/26/digital-financial-inclusion-in-africa-interview-series-tim-masela

4 Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. World Bank Group

It was framed as part of the Bottom-Up Economic Transformation Agenda.

The fund's loans range from KSh 500–50,000 with short 14-day repayment periods.

Objective:

Assess whether the Hustler Fund fulfills its stated purpose and impacts.

Key Insight:

The Fund promised empowerment but provided micro-loans too small and short-term to support real enterprise growth.

As noted by the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), financial exclusion limits individuals' ability to earn, build resilience, and improve their financial health[5].

An inclusive financial system is essential infrastructure for any country, with the potential to transform lives and drive business growth. However, mainstream financial service providers have historically overlooked low-income individuals and other socially and economically marginalized groups. These groups have often been forced to rely on informal, unregulated financial tools, which restrict their ability to access reliable capital or manage financial risk, thereby limiting their economic opportunities.

Encouragingly, policymakers and regulators increasingly prioritize financial inclusion within broader financial sector development strategies. Many governments have introduced comprehensive measures aimed at improving both access to and the effective use of financial services and technologies[6]. Technological innovations, particularly mobile phones and digital platforms, have become powerful enablers of financial inclusion, making it commercially viable to reach underserved populations. A global revolution in consumer financial services is underway.

Interest in promoting financial inclusion has grown significantly in recent years. Kenya, for example, has made major commitments under the Maya Declaration of 2011 and participates in the G20 Financial Inclusion Action Plan through the African Union. These efforts signal growing regional and global momentum toward ensuring that no one is left behind in accessing and benefiting from financial systems.

Working definition of financial inclusion

Financial inclusion refers to the ability of individuals and businesses to access useful and affordable financial products and services that meet their needs, delivered sustainably and responsibly.

5 https://www.unsgsa.org/financial-inclusion

6 Anju Patwardhan. 2018. Handbook of Block chain, Digital Finance, and Inclusion, Volume 1, Academic Press

2.0 METHODOLOGY

This section presents the methodology that was used in achieving the objectives of the study, which are as follows:

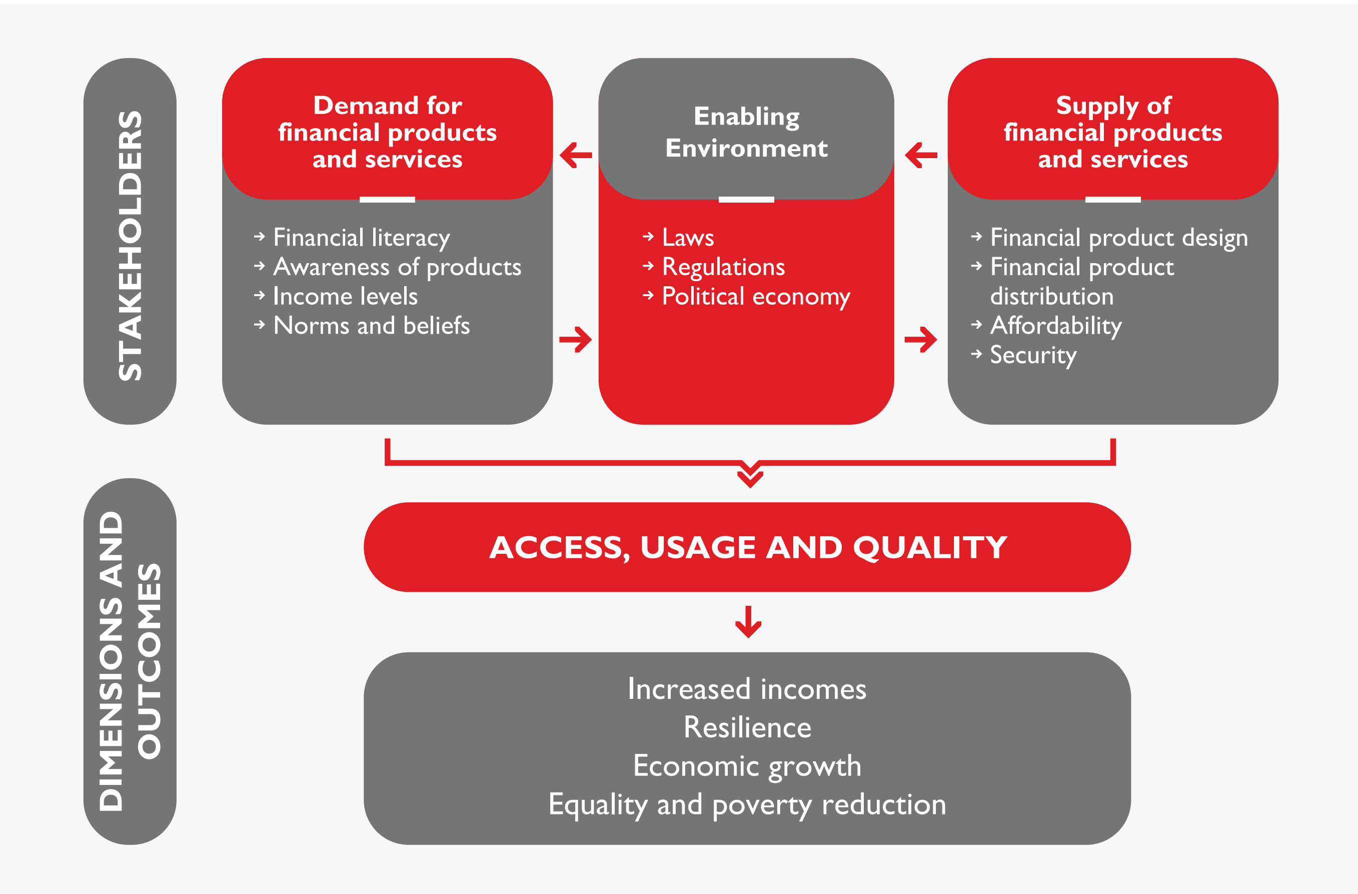
2.1 CONCEPTUAL FRAMEWORK FOR ANALYSIS

To achieve the set objectives, a financial inclusion framework for analysis was developed to understand better the factors influencing financial inclusion, with a specific focus on the Hustler Fund. Consumers of financial products and services often have specific demands and, when well-informed, can make sound financial decisions. Income levels largely influence their choices, although societal norms and beliefs may also shape the type of products and services they seek.

On the supply side, financial service providers design products to meet consumer needs and distribute them through channels such as branch networks, agents, or digital platforms. However, these products may come at a cost, including fees, interest rates, and transaction charges, limiting accessibility for low-income users.

The interaction between financial service providers and consumers occurs within an enabling environment that determines the level of access, usage, and quality of financial services. A supportive ecosystem can lead to increased incomes, greater resilience to economic shocks, sustained economic growth, and a reduction in poverty and inequality.

Figure 1: Conceptual Framework for Financial Inclusion



Source: Author's Compilation

2.2 LITERATURE AND SECONDARY DATA REVIEW

The secondary data review involved a desk-based literature review of published sources and quantitative data analysis from existing datasets. The literature review was designed to address all aspects of financial access comprehensively and was conducted systematically to respond to the research questions outlined under objectives one to three. To support the findings from the literature, the study also analyzed data from existing publicly available and previously published sources. The specific literature reviewed, and the expected information extracted, along with the relevant data sources, are presented below.

Table 1: Sources of Secondary Literature Data

Data Source	Information to be obtained
→ Micro Finance Act (2006) → SACCO Societies Act (2008). → Legal Notice No. 147 of Government Financial Management Women Enterprise Fund (WEF), 2007. → Legal Notice No. 167/2006.- The Youth Enterprise Development Fund established through the Public Financial Management Act Regulations (2006)	Architecture and framework of the existing financial inclusion funds in Kenya.
→ Enterprise Survey (Kenya) 2018 → MSE Tracker Survey 2023 → 2021 Finances Households Survey	Status and suitability of access to finance for low-income persons
→ World Bank Financial Inclusion Strategy → AfDB Financial Inclusion in Africa 2013[7] → Financial Inclusion Strategy Paper 2023-2026, Central Bank of Malaysia → Financial Inclusion and Implementation Roadmap	Parameters for financial inclusion suitable for addressing the needs of the poor and low-income groups/ households in Kenya.

2.3 PRIMARY DATA COLLECTION

Primary data was collected through key informant interviews with various beneficiaries and stakeholders of the Hustler Fund. A purposive sampling approach was adopted, as it was not possible to determine the fund's beneficiaries in advance. Data was collected from the following categories of Hustler Fund stakeholders:

- **Hustler Fund managers**

1. Acting CEO, Financial Inclusion Fund (Hustler Fund)
2. Fund Managers, Financial Inclusion Fund (Hustler Fund)
3. Fund Managers from Safaricom, Telkom, and Airtel

- **Hustler Fund beneficiaries**

1. Personal loan product: Selected boda boda operators and informal/small business entrepreneurs
2. Group micro-enterprise loan product
3. Individual micro-enterprise loan product: Selected boda boda operators and informal and small business entrepreneurs

2.4 SAMPLING OF STUDY RESPONDENTS

The respondents were identified through purposive sampling and consisted of individuals who had benefited from the Hustler Fund under the following categories:

7 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Financial_Inclusion_in_Africa.pdf

- Personal loan product
- Group micro-enterprise loan products
- Individual micro-enterprise loan

2.5 DATA COLLECTION INSTRUMENT

A secondary data checklist was developed for identifying data sources and was presented in the inception report. Primary data was collected from individual and MSME beneficiaries through random sampling. Questionnaires were administered to respondents during key informant interviews.

2.6 DATA ANALYSIS

The qualitative data from the key informant interviews were synthesized to highlight findings on the following themes:

- The architecture and framework of existing financial inclusion funds in Kenya
- The status and suitability of access to finance for low-income individuals
- Key parameters for financial inclusion that effectively address the needs of poor and low-income groups or households in Kenya

2.7 REPORT WRITING

Report writing was a continuous process that began with a literature and secondary data review and was followed by qualitative data analysis. The information generated was synthesized coherently using tables, graphs, diagrams, and charts where necessary. The draft report was subjected to stakeholder validation to verify that their insights were accurately captured.

2.8 LIMITATION OF STUDY

The study faced several limitations:

1. There was a paucity of data for detailed analysis, as the Hustler Fund was only launched in 2022 under the Kenya Kwanza administration.
2. The institutions managing the fund had not produced detailed reports to facilitate a comprehensive analysis.
3. There was a high non-response rate from public sector officials, resulting in heavy reliance on secondary qualitative data and input from non-state actors.

Mixed-method approach: primary data (beneficiary interviews) and secondary sources.

Key informants included fund managers, telecom partners, and borrowers.

Limitation:

Lack of official, detailed reporting from fund administrators.

Key Insight:

Most conclusions rest on indirect evidence due to weak transparency from managing institutions.

3.0 LEGAL AND REGULATORY FRAMEWORK GOVERNING FINANCIAL INCLUSION IN KENYA

Several laws, policies, and regulations guide financial inclusion in Kenya to foster transparency, accountability, accessibility, affordability, and sustainability. These regulations and guidelines ensure transparency among stakeholders involved in financial transactions, including financial institutions, individuals, businesses, and regulatory agencies. The legal, policy, and regulatory frameworks play a critical role in reducing risk exposure for bank creditors, minimizing systemic risks in the financial markets that could lead to bank failures, and curbing the misuse of financial institutions for criminal activities. These frameworks also serve to expand financial inclusion and promote entrepreneurial development across the country or specific regions.

Kenya has enacted various laws to promote financial inclusion. Key among them is the Microfinance Act, 2006, and the Societies Act, 2008. In addition, several legal notices have established funds to enhance access to finance, particularly for women. For instance:

- Legal Notice No. 21 under the Public Finance Management Act, 2014, established the Uwezo Fund and outlines its management and operational framework to enhance women's access to financial resources.
- Legal Notice No. 147 of 2007 created the Women Enterprise Fund (WEF) under the government financial management framework.
- Legal Notice No. 167 of 2006 established the Youth Enterprise Development Fund, which promotes employment creation through enterprise development.
- The Public Finance Management (Financial Inclusion Fund) Regulations, 2022, established the Hustler Fund, which aims to enhance financial access for low-income earners.

This section provides an overview of these laws, policies, and regulations, highlighting their opportunities to advance financial inclusion and the challenges encountered in their implementation and administration.

3.1 LEGAL AND REGULATORY FRAMEWORK

3.1.1 Laws Governing Financial Inclusion

- **Public Finance Management (PFM) Act (2012)**

The Public Finance Management (PFM) Act, 2012, under Section 24(4), empowers the Cabinet Secretary (CS) responsible for finance to establish a national government fund, subject to the approval of the National Assembly. This provision was invoked to create the Hustler Fund through the Public Finance Management (Financial Inclusion Fund) Regulations. These regulations were approved by the National Assembly's Committee on Delegated Legislation in its report dated November 29, 2022.

- **Microfinance Act (2006)**

The Microfinance Act, 2006, is critical in facilitating access to finance for micro and small enterprises by providing a comprehensive framework for micro-finance operations. The Act outlines licensing provisions for deposit-taking microfinance institutions and specialized non-deposit-taking institutions. It sets the qualifications for operating microfinance businesses, the procedures for applying for and renewing licenses, and categorizes types of microfinance activities.

Governance provisions, articulated in Part III (Sections 11–37), cover minimum capital requirements, liquidity thresholds, permitted and prohibited activities, and conditions under which dividends may be declared. The Act stipulates that any individual can apply for a loan, provided they demonstrate the ability to repay, and that such loans must not exceed the institution's core capital.

Microfinance institutions are required to establish boards of directors approved by the Central Bank of Kenya (CBK), which assesses the professional and ethical suitability of directors. MFIs must maintain accounts in local currency, undergo annual audits, and publicly report their performance.

The CBK has broad supervisory powers, including inspecting microfinance institutions' records, books, and documents. In cases of non-compliance, the CBK is empowered to intervene and implement corrective measures. The Act also protects depositors through the Deposit Protection Fund, which all microfinance institutions must contribute. This fund is used to compensate customers in the event of insolvency.

- **SACCO Societies Act (2008)**

The SACCO Societies Act, 2008[8] governs the licensing, regulation, supervision, and promotion of Savings and Credit Cooperative Organizations (SACCOs), and establishes the SACCO Societies Regulatory Authority (SASRA). This Act specifically applies to deposit-taking SACCOs that accept member deposits on a day-to-day basis.

SASRA is mandated to license SACCOs, regulate their operations, and enforce compliance with the law. The Act includes a governance framework similar to that of the Microfinance Act, covering liquidity requirements, loan and credit facility limits, investment thresholds, and financial auditing standards (both internal and external).

SASRA conducts routine inspections of SACCO records and accounts, particularly when there are suspicions of fraud or malpractice. It is also empowered to enforce all laws under the Act.

A key protection under this law is the establishment of a Deposit Guarantee Fund, which covers member deposits up to a maximum of Sh100,000 per member. The total credit balance across all accounts held by a member is protected, although member deposits may be used to offset liabilities if a SACCO is liquidated. SACCOs are further required to publish annual performance reports for public accountability.

3.1.2 Regulations Governing Financial Inclusion

- **Legal Notice No. 147 of 2007 – Government Financial Management (Women Enterprise Fund)**

Legal Notice No. 147 of 2007 established the Women Enterprise Fund (WEF) to provide accessible and affordable credit for women and youth-led businesses at the constituency level. Its main aim is to support the start-up and expansion of enterprises, thereby promoting wealth and employment creation. The fund's core objectives are to[9]:

1. Provide subsidized credit to Kenyan women entrepreneurs for enterprise development.
2. Build the capacity of women entrepreneurs and their organizations.

8 http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/SaccoSocietiesAct_No14of2008.pdf

9 https://wef.go.ke/our-profile/?tk=1739035432

3. Attract and facilitate investment in infrastructure that supports micro, small, and medium enterprises, such as business markets and incubators.
4. Support women-owned MSMEs to develop linkages with large enterprises.
5. Facilitate domestic and international market access for products and services offered by women-led enterprises.

The fund offers several financing products, including Constituency Women Enterprise Scheme Loans, direct loans to women, and Local Purchase Order (LPO) or Local Service Order (LSO) financing for registered companies with at least 70 percent women's ownership.

- **Legal Notice No. 21 of 21st February 2014 – Public Finance Management (Uwezo Fund) Regulations, 2014**

The Uwezo Fund was launched in September 2013 and formally established through Legal Notice No. 21 of 2014 under the Public Finance Management Act. It aims to empower women, youth, and persons with disabilities by expanding access to affordable finance to start and grow their businesses. The Fund also provides capacity-building programs to enhance sustainability and ensure equitable socio-economic transformation at the constituency level.

The main objectives of the Fund are:

1. To expand access to finance for youth, women, and persons with disabilities at the constituency level for business development.
2. To promote gainful self-employment.
3. To model an alternative approach to community-driven development financing.

The Fund is financed through parliamentary appropriations, grants, donations, and income generated by the Fund. It is overseen by the Uwezo Fund Oversight Board, composed of:

- A Chairperson nominated by the Cabinet Secretary and appointed by the President;
- Principal Secretary and two additional persons appointed by the CS for the Ministry of Finance and Planning;
- A woman representative nominated by the CS;
- One representative of persons with disabilities, nominated by the National Council for Persons with Disabilities.

The Board manages fund operations, approves disbursements to constituencies, monitors program activities, prepares performance reports, and ensures loan recovery and enforcement.

- **Legal Notice No. 167 of 2006 – Youth Enterprise Development Fund (YEDF)**

Legal Notice No. 167 of 2006 established the Youth Enterprise Development Fund (YEDF) as a strategy to create employment for youth through enterprise development. This was done through the Public Financial Management Act Regulations (2006)[10]. The fund supports youth entrepreneurship by providing loans and promoting the growth of youth-owned businesses.

10 https://kenyalaw.org/kl/fileadmin/pdfdownloads/bills/2007/The_Youth_Enterprise_Development_Fund.PDF

Key objectives include:

1. Providing loans to microfinance institutions, registered NGOs, and SACCOs for on-lending to youth enterprises.
2. Facilitating investment in commercial infrastructure beneficial to youth enterprises, such as business parks and incubators.
3. Supporting youth-owned MSMEs to build linkages with large enterprises. Promoting the marketing of youth enterprise products and services locally and internationally.
4. Facilitating youth employment in the international labour market.

Through Legal Order No. 63 of 2007, YEDF became a State Corporation under the Ministry of Youth Affairs. It is housed under the State Department for Youth Affairs and the Creative Economy. The fund is financed through parliamentary appropriations, grants, donations, and internally generated income. Each constituency has a Youth Enterprise Development Fund Management Committee, consisting of:

- Sub-County Commissioner;
- Sub-County Development Officer;
- Sub-County Accountant;
- Sub-County representatives from relevant national ministries;
- Ward representatives;
- Two community representatives (male and female);
- One representative of persons with disabilities.

Legal Notice No. 213 of 2022 – Public Finance Management (Financial Inclusion Fund) Regulations

The Financial Inclusion Fund[11], popularly known as the Hustler Fund, was established to provide innovative, affordable financial products and services to underserved and unserved populations. These include credit, savings, insurance, and investment products. The Fund is designed to offer commercially viable and scalable financial solutions without distorting market forces.

The Fund's sources of income include:

- Allocations by the National Assembly;
- Revenue generated from interest, penalties, and other charges;
- Returns from investments made by the Fund.

Management Structure (Part III of the Regulations):

The Fund is governed by an Advisory Board comprising:

- A non-executive Chairperson appointed by the President;
- Principal Secretaries (or their representatives) from the National Treasury, State Department for Trade, and State Department for MSMEs;
- The Attorney-General or a representative;
- Two non-public officers appointed by the Cabinet Secretary for MSMEs;
- A Fund Administrator, who serves as the Secretary to the Board (ex-officio);
- A Chief Executive Officer (CEO) oversees day-to-day operations.

11 https://www.treasury.go.ke/wp-content/uploads/2022/11/PFM-Financial-Inclusion-Fund-Regulations.pdf

Board members serve a three-year renewable term, subject to performance.

Box 1: Objectives of the Hustler Fund

(i) Promote financial inclusion through expanding access to credit by persons, micro, small and medium enterprises, chamas, table banking groups, groups, cooperative societies, associations and start-ups for economic growth and job creation.

(ii) Address the qualitative dimension of financial inclusion, in particular responsible lending and borrowing, ethical practices, consumer rights and financial literacy.

(iii) Strengthen the financial and operational capacity of informal sector membership based financial institutions including cooperative societies, chamas, table banking groups and microfinance institutions.

(iv) Promote market interventions to improve supply of affordable credit to Micro, Small and Medium sized Enterprises (MSMEs) including creditworthiness-based lending, risk pricing, business and financial management skills, and cost of doing business.

(v) Address the low participation of the non-formal wage workforce, namely informal sector entrepreneurs and workers, smallholder farmers, pastoralists, fisherfolk and other self-employed in health insurance and retirement benefit schemes, for the purpose of achieving universal health coverage (UHC) and universal social security.

(vi) Provide for government counterpart funding for the savings for pension component for beneficiaries, who shall be natural persons, of the Fund.

3.2 OPERATIONALIZATION OF HUSTLER FUND

The Hustler Fund is financed through three primary sources: appropriations from Parliament, grants and donations, and internally generated income. Two commercial banks, Kenya Commercial Bank (KCB) and Family Bank, receive the funds from the government via the Ministry of Cooperatives and MSMEs. Lending is facilitated through mobile platforms provided by three telecommunications companies: Safaricom, Airtel, and Telkom.

The Fund aims to offer accessible and affordable financial products to underserved and unserved populations. Its goal is to help individuals meet their financial needs and manage their finances more effectively, improving their overall welfare.

- Several laws support financial inclusion: PFM Act (2013), Microfinance Act (2006), SACCO Societies Act (2008).
- The Hustler Fund was established under the 2022 Financial Inclusion Fund Regulations.

Gaps:

No detailed loan recovery framework; enforcement mechanisms (e.g. freezing borrower's mobile account) are ineffective.

Key Insight:

Regulations allow creation of the Fund but fail to secure accountability or enforce repayment effectively.

How a Sh10,000 loan is allocated

📊 Breakdown of the **Sh10,000** loan:

→ **Sh500**
Total savings **(5%)**

→ **Sh350**
Pension scheme

→ **Sh150**
Short-term savings

Sh9,500
Usable loan amount

📈 **Savings growth incentives:**

Annual interest earned

→ ✅ 9% interest per annum on savings

🏛 Government contribution

→ ✅ **2:1** matching rate

→ For every **Sh1** saved, the government adds **Sh2**

→ Maximum contribution: **Sh6,000** per year

Loan appraisal uses a predetermined formula based on eligibility criteria and creditworthiness. However, the specific appraisal criteria remain unclear. Once approved, loans are disbursed directly to the borrower's mobile wallet.

As outlined earlier, 95 percent of the approved loan amount is credited to the borrower's mobile wallet. At the same time, five percent is allocated to a savings scheme under the Kenya National Entrepreneurs Savings Trust (KNEST). Of this savings portion, 70 percent is directed into a long-term pension scheme, and 30 percent into short-term savings.

For example, for a Sh10,000 loan, Sh500 is set aside for savings, Sh350 goes into the pension scheme, and Sh150 goes into short-term savings. Savers earn nine percent interest per annum, and the government contributes an additional 2:1 match up to a maximum of Sh6,000 per year.

Borrowers are required to repay the loan in full within 14 days. If repayment is not made within this period, the interest rate increases from 8 percent to 9.5 percent starting on day 15. After 30 days of default, the borrower's credit score is invalidated, the account is frozen, and interest continues to accrue. However, under the in duplum rule, the total interest charged cannot exceed the principal amount. Although this repayment structure serves as the Fund's de facto loan recovery mechanism, the Hustler Fund regulations do not contain explicit provisions regarding loan recovery processes.

3.3 OPPORTUNITIES

Access to microfinance in Kenya is governed by a range of laws and regulations that facilitate the participation of public and private sector actors. In the private sector, the Microfinance Act (2006) and the SACCO Societies Act (2008) provide a comprehensive legal framework for the operations of companies involved in providing microfinance services to eligible clients. These laws outline licensing procedures for microfinance institutions and SACCOs, as well as establish regulatory authorities that oversee their management. Both laws set minimum liquid asset holdings requirements relative to member deposits and borrowings, loan and credit facility limits, investment thresholds, and internal and external audit procedures. These provisions help ensure transparency and accountability in the operations of microfinance institutions and SACCOs.

The Central Bank of Kenya provides regulatory oversight for microfinance institutions, while SASRA supervises SACCOs, ensuring compliance with their respective legal frameworks. As part of this oversight, microfinance institutions and SACCOs must publish annual performance reports. In cases of non-compliance, the oversight institutions are empowered to take corrective measures to preserve the financial sector's stability.

On the public sector side, funds appropriated by Parliament—namely the Uwezo Fund, the Youth Enterprise Development Fund (YEDF), and the Hustler Fund—are governed by legal notices establishing governance structures, including oversight boards and implementation committees.

Transparency and accountability in the administration of these public funds are ensured through mandatory annual audits conducted by the Office of the Auditor-General (OAG), per the Public Audit Act, No. 12 of 2003. Furthermore, performance reports for these funds are made publicly available.

3.4 CHALLENGES

The Microfinance Act (2006) and the SACCO Societies Act (2008) are overwhelmingly tilted in favour of private sector actors, who operate with profit-driven motives. These institutions only extend loans to consumers who can prove their ability to repay, effectively locking out low-income earners, informal businesses, and hustlers who lack formal documentation of financial capacity. This entrenched exclusion undermines the very spirit of financial inclusion.

In contrast, public funds such as the Uwezo Fund, YEDF, and the Hustler Fund offer relatively lower interest rates. The Uwezo Fund, for instance, caps its interest at just one percent. While this is commendable for enhancing affordability, the design of these funds is dangerously vulnerable to default risks, which threatens their sustainability in the long term. The Hustler Fund, though more commercialized, caps interest at eight percent per annum, yet the real challenge lies in accountability.

Shockingly, the Hustler Fund regulations remain silent on structured loan recovery mechanisms. The only recourse is freezing a borrower's mobile account, but this is a paper shield. Borrowers can easily dodge repayment by switching service providers, rendering this enforcement measure ineffective and exposing the fund to massive exploitation. Without a robust legal and operational recovery framework, these funds are flying blind, and the taxpayer will ultimately foot the bill.

4.0 TRENDS IN DISBURSEMENT AND REPAYMENTS OF THE HUSTLER FUND

4.1 INTRODUCTION

This section presents the status of loan disbursement and repayment under the Hustler Fund, covering personal and micro, small, and medium enterprise loans issued to individuals and businesses. Additionally, it examines the suitability of the Hustler Fund's financial products in meeting the needs of its intended beneficiaries.

4.2 PERFORMANCE OF THE HUSTLER FUND

- **Disbursement**

The Hustler Fund offers several loan products tailored to different segments of the population. The personal loan product is aimed at individuals in the informal sector, while the individual micro-enterprise loan product is designed for businesses looking to scale their operations. The group micro-enterprise loan product, also known as Hustler Fund ya Vikundi, targets formally recognized groups seeking collective financing for their enterprises.

Additionally, the Fund incorporates a mandatory savings component, where five percent of every loan disbursed is directed towards savings. Of this amount, 30 percent becomes accessible after one year, while the remaining 70 percent is available upon retirement.

Table 2 summarizes the number of Hustler Fund beneficiaries and the total loan amounts disbursed from its launch in November 2022 to December 19, 2022. It is important to note that the available data does not support analysis by economic activity, geographic location, or level of formality. During this period, 16,590,664 transactions were recorded, with 2,693,705 representing repeat customers.

Table 2: Status of Disbursement of Hustler Fund as of December 19, 2022.

Opted-in customers	16,591,441
Total amount disbursed (Sh)	9,583,139,492
Savings account (Sh)	479,032,238

Source: Press release on Hustler Fund, November 2022

The age profile of borrowers was as follows: individuals aged 18–29 constituted 33 percent of the borrowers, while those aged 30–39 made up 30 percent. Borrowers aged 40–49 accounted for 19 percent, those aged 50–59 comprised 10 percent, and individuals over 60 years represented seven percent. Additionally, 51 percent of the borrowers used feature phones, while the remaining 49 percent accessed the service through smartphones.

Table 3: Status of Disbursement of Hustler Fund as of September 2024.

Personal loan product		Group micro-enterprise loan product	
Opted-in customers	23,293,402	Number of registered and completed groups	53,724
		Total number of members registered and completed groups	1,259,092
Amount disbursed (Sh)	52,945,855,160	Amount disbursed (Sh)	179,295,038
Savings account (Sh)	2,282,214,950	Savings account (Sh)	8,964,752

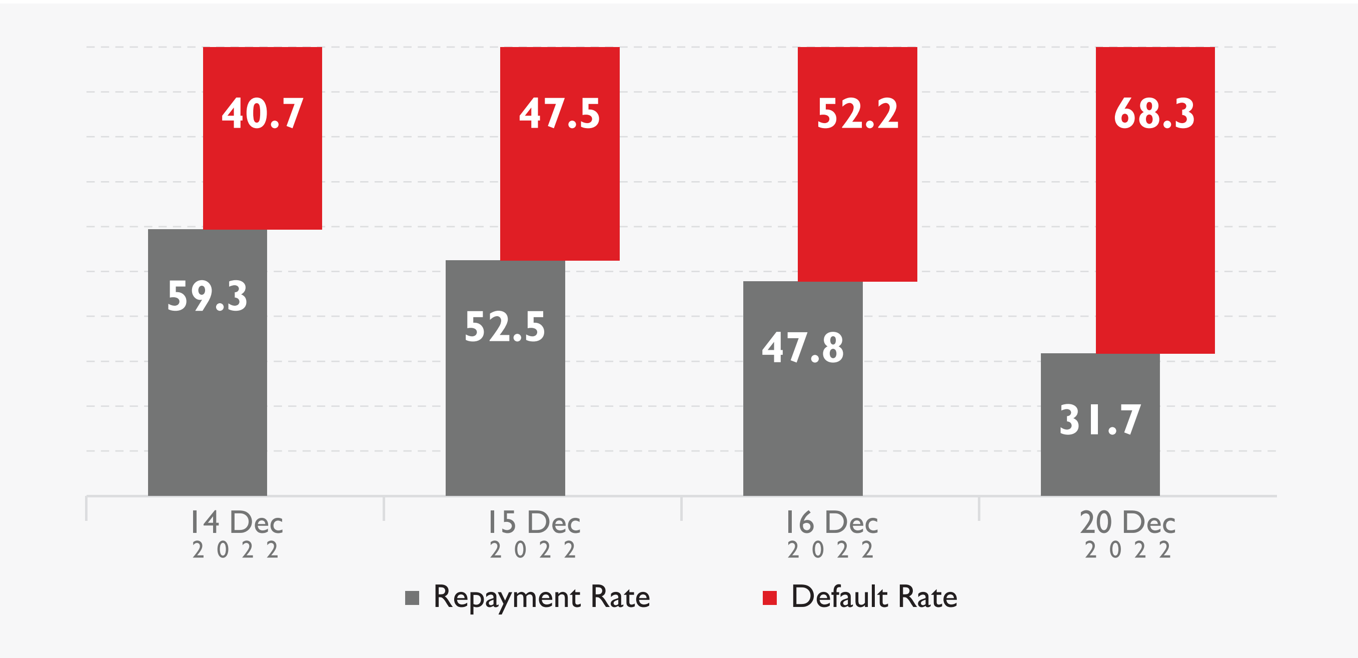
Source: https://www.hustlerfund.go.ke/[12]

Table 3 summarizes the number of Hustler Fund beneficiaries by product type and the total loan amounts disbursed from November 2022 to September 2024. There were significantly more individual beneficiaries under the personal loan product, with approximately 23.3 million individuals, compared to 1.3 million group beneficiaries under the group micro-enterprise loan product. Correspondingly, the total amount disbursed to individuals was substantially higher, reaching Sh52.9 billion, while group micro-enterprise loan product disbursements totalled Sh179.3 million. The personal loan product amounts range from Sh500 to Sh50,000, based on the borrower's credit score.

- **Repayment**

Data from December 2022 indicates that the Hustler Fund repayment rate between December 14 and 20 ranged from 32 percent to 59 percent, suggesting a declining trend in loan repayment over that period.

Figure 2: Percentage Repayment Rate of Hustler Fund



Source: Cytonn Investment and the Ministry of Cooperative and MSME, 2022

The Office of the Auditor General's 2022-23 report indicated that by June 2023, a total of Sh32,015,962,276 had been disbursed through the Hustler Fund, with group loan products accounting for Sh1,189,050. Out of the total disbursed amount, Sh10,950,075,614 remained unpaid, reflecting a default rate of 32.4 percent. As shown in Table 4, most outstanding loans, constituting 78 percent, are over 90 days overdue.

12 Cytonn Investment and Ministry of Cooperative and MSME 2022: Accessed on September 12, 2024

Table 4: Outstanding Loan Receivables From Loan Borrowers by End of June 30, 2023

Period (Days)	Number of loans	Outstanding principal loan amount (Sh)	Percentage (%)
0 - 30	1,433,958	1,265,675,943	12%
31 - 60	609,318	471,554,335	5%
61 - 90	708,989	530,959,097	5%
Above 90	14,193,800	8,219,087,056	78 %
Total	**16,946,065**	**10,487,276,432**	**100%**

Source: Auditor General Report, 2022-23[13]

4.3 PERFOMANCE OF OTHER FINANCIAL INCLUSION FUNDS

The performance of various financial inclusion funds is discussed below, beginning with the Women Enterprise Fund (WEF), as presented in Table 5. Over the five years from 2018-19 to 2022-23, WEF disbursed Sh13.8 billion to 580,111 beneficiaries. Notably, although the fund is specifically intended for women, as its name suggests, approximately 19 percent of the beneficiaries were men. The average repayment rate during this period stood at 92 percent.

Table 5: Women Enterprise Fund, Loans Disbursed and Repaid, and Beneficiaries, 2018-19 to 2022-23

Financial year	Number of groups	Number of beneficiaries			Amount disbursed (Sh in millions)	Amount repaid (Sh in millions)
		Female	Male	Total		
2018-19	13,490	129,432	22,841	152,273	3,085.5	2,626.4
2019-20	10.962	98,109	24,527	122,636	2,787.6	2,717.8
2020-21	12,264	107,931	26,983	134,914	3,248.0	2,940.3
2021-22*	10,650	93,419	23,354	116,773	3,104.0	3,104.6
2022-23+	4,871	42,812	10,703	53,515	1,584.0	1,401.9

Source: Kenya Economic Survey, 2023 (provisional; + estimates)*

Between 2018-19 and 2022-23, a total of Sh2.3 billion was disbursed to 272,754 beneficiaries under the Youth Enterprise Development Fund (YEDF). Of these, 41 percent were female, while the remaining 59 percent were male. The fund recorded an average repayment rate of 78 percent during this period.

Table 6: Youth Enterprise Development Fund Loans Disbursed and Beneficiaries, 2018-19 to 2022-23

Financial Year	Number of beneficiaries			Amount disbursed (Sh in millions)	Amount repaid (Sh in millions)
	Female	Male	Total		
2018-19	18,470	27,706	46,176	323.2	290.1
2019-20	27,048	40,573	67,621	473.3	247.2
2020-21	36,096	48,780	84,876	580.7	520.0
2021-22*	12,129	19,456	31,585	403.6	276.8
2022-23+	18,928	23,568	42,496	543.0	500.0

Source: Kenya Economic Survey, 2023, (provisional; + estimates)*

For the Uwezo Fund (Table 7), a total of Sh2.1 billion was disbursed to 232,231 beneficiaries, and 73 percent were female. Some 21,442 groups received funding—72 percent were women's groups, 26 percent

13 OAG (2023) "Auditor General's Report on National Government Funds 2022/23"

were youth groups, and two percent comprised persons with disabilities (PWDs). The disbursement of funds followed a similar pattern: 73 percent to women, 24 percent to youth, and three percent to PWDs. Since the fund's inception, the estimated repayment rate is 40.6 percent[14].

Table 7: Uwezo Fund Loans Disbursement to Women, Youth and PWD Groups, 2018-19 to 2022-23

	Number of groups				Members			Amount disbursed (Sh in millions)			
Financial year	**Women**	**Youth**	**PWD**	**Total**	**Female**	**Male**	**Total**	**Wom-en**	**Youth**	**PWD**	**Total**
2018/19	1,121	440	41	1,603	5,617	2,259	7,876	110.2	38.5	3.7	152.4
2019/20	3,060	976	106	4,142	31,453	12,641	44,094	325.6	94.6	9.1	429.3
2020/21	4,589	1,671	192	6,452	66,737	26,737	93,474	489.7	157.1	17.7	664.5
2021/22*	3,679	1,433	133	5,245	55,142	21,645	76,787	398.3	133.9	12.7	545.0
2022/23+	3,000	970	30	4,000	9,700	300	10,000	199.2	75.8	9.5	285.0

Source: Kenya Economic Survey, 2023 (provisional; + estimates)*

Although these funds have been established through various legal notices and operate under different administrative frameworks, their target groups are largely similar—primarily women, youth, and persons with disabilities. The Hustler Fund, however, is broader in scope, targeting all Kenyan citizens aged 18 and above.

A common challenge identified by the State Department of Gender Affairs[15] is that beneficiaries often apply for loans from multiple funding sources, increasing the risk of default. While groups formed under Uwezo, YEDF, and WEF are intended to promote entrepreneurial development, accessing multiple loans for the same group can undermine these objectives, as funds are more likely to be diverted from their intended use. These challenges are not unique to these funds and are likely to be encountered under the Hustler Fund.

4.4 LESSONS LEARNT

The glaring paucity of disaggregated data severely limits any meaningful analysis of the Hustler Fund's performance. While it is evident that the fund has reached many beneficiaries, the real question is one of depth versus breadth. Concerns exist about whether the goal is to push loans to as many people as possible or if the priority should be ensuring that these funds meet the financial needs of the intended recipients—whether individual entrepreneurs under the personal loan product, organized groups through the group microenterprise loan products, or microenterprises via the individual microenterprise loan product.

Without routine publication of detailed data—disaggregated by age, sex, location, income level, business type, and size—the Hustler Fund's impact remains hidden behind aggregated statistics. This lack of transparency is unacceptable for a publicly funded initiative.

While the Hustler Fund's interest rate of eight percent per annum, rising to 9.5 percent for defaulters, appears affordable compared to commercial bank rates, the positives end here. The default rate tells a troubling story. By December 2022, a staggering 68.3 percent of loans had not been repaid, far worse than the Youth Enterprise Development Fund's 22 percent and the Women Enterprise Fund's eight percent, though slightly better than the Uwezo Fund's historical 41 percent repayment rate.

14 https://www.uwezo.go.ke/background

15 State Department of Gender Affairs. (2019). Effectiveness of Affirmative Action Funds in Selected Counties.

But the economic implications are damning:

- A 68 percent default rate means that for every Sh500 loan disbursed, Sh340 is effectively lost.
- With the national fiscal deficit already at 3.5 percent of GDP, the government is forced to borrow, mainly through Treasury bills, to keep this initiative afloat. At an average T-bill rate of 8.2 percent (as of December 2022), plus the three percent operational cost mandated by law, the real cost of credit balloons.
- Considering all this, the total estimated cost of the Hustler Fund to the taxpayer is a shocking 71.5 percent (68.3 percent + 8.2 percent + 3 percent – 8 percent). This rough calculation shows that the government runs a loss-making scheme disguised as economic empowerment.

Moreover, the loan repayment period, just 14 days, is unrealistically short. Expecting meaningful micro-enterprise growth within such a tight window is, at best, naive and, at worst, a recipe for financial failure. Without restructuring the loan terms and offering tailored business development support, the fund will unlikely achieve its stated goals.

If the government is truly genuine about empowering Kenyans at the bottom of the pyramid, it must go beyond populist headlines. Partnering with microfinance institutions, integrating quality financial products, offering business development support, and investing in beneficiary training are essential. Otherwise, the Hustler Fund is quickly proving to be another politically convenient but economically unsustainable initiative.

- By Sept 2024, **Sh 53.1 billion** had been disbursed to over **23 million** customers.
- **68.3%** of loans were already in default by Dec 2022.
- Nearly **80%** of arrears were over 90 days past due by June 2023.
- Mandatory savings deducted (**5%**) from disbursements do not benefit most users in the short term.

Key Insight:

“Quick” money became “dead” money: high uptake but near-zero repayment or economic benefit.

5.0 FACTORS AFFECTING DISBURSEMENT AND REPAYMENTS OF THE HUSTLER FUND

Several key parameters are important for effectively addressing the financial needs of low-income individuals and households in Kenya. Drawing from literature, these parameters can be broadly categorized into five pillars:

1. Enabling environment
2. Innovative channels of financial access
3. Quality of financial products
4. Financial literacy and responsibility
5. Expanded uses of financial products and services

5.1 ENABLING ENVIRONMENT

5.1.1 Laws and Regulations

Various laws and regulations govern financial inclusion activities. For the Hustler Fund, the primary legal framework is provided by Legal Notice No. 213 of the Public Finance Management (Financial Inclusion Fund) Regulations, 2022. The Fund is overseen by a governing board responsible for ensuring its effective and efficient management. These regulations outline the criteria that beneficiaries must meet to access the loans. The eligibility requirements are straightforward and easily attainable by most potential beneficiaries. These requirements are detailed in Box 2.

_Box 2:_Requirements to Access Hustler Fund

(i) Must be a Kenyan Citizen of 18 years and above.
(ii) Must hold a valid national identification card
(iii) Must have a registered mobile number from a recognized Mobile Network Operator in Kenya i.e., either Airtel, Safaricom or Telkom.
(iv) Have a mobile money account i.e., either Airtel Money/M-PESA/T-Kash
(v) Have a SIM Card that has been in use for more than 30 days.
(vi) Reside and conduct economic activities in Kenya.
(vii) Location of residence during the onboarding process (where applicable)

This eligibility criterion is notably less stringent than most microfinance institutions and SACCOs. A review of SACCOs such as KIMISITU, Hazina, Chai, Sitima, and Mwalimu, among others, reveals that while they adhere to the Microfinance Act of 2006—requiring beneficiaries to be at least 18 years old and possess valid national IDs—they also demand additional conditions not present in the Hustler Fund. These include collateral requirements such as vehicle logbooks, title deeds, fixed deposit statements, or guarantor consent forms, especially for self-employed applicants.

In contrast, the Hustler Fund does not require any form of collateral. Furthermore, unlike traditional financial institutions, the Hustler Fund lacks clearly defined loan recovery regulations, another area where it significantly diverges. Key informant interviews suggested that while the Hustler Fund regulations are well-intentioned and aim to support low-income individuals, the Fund's implementation remains problematic. Notably, the creation of the Hustler Fund oversight board was triggered by litigation. The lobby group *Operation Linda Ugatuzi* challenged the Fund's legitimacy in court, citing its operation without an advisory or oversight board as mandated by law. This lawsuit prompted President William Ruto to appoint the current advisory board.

The Fund's effectiveness is further undermined by its highly centralized governance structure. With an oversight board based solely in Nairobi, its reach and responsiveness are limited, especially compared to other funds like Uwezo and YEDF, which benefit from decentralized structures with constituency-level committees. To ensure better management and nationwide accessibility, the Hustler Fund would benefit from establishing regional (county-level) committees or integrating existing frameworks. Such reforms would enhance both its effectiveness and efficiency.

5.1.2 The Political Economy of the Hustler Fund

The Kenya Kwanza regime introduced the Hustler Fund as a flagship campaign pledge during the election period. The term "hustler" referred to low-income earners and small-scale entrepreneurs in the informal sector. It positioned President Ruto, then the deputy president, as a leader who understands and is committed to addressing the struggles of ordinary Kenyans. Traditionally, mainstream financial and deposit-taking institutions have considered small-scale traders and informal businesses high-risk borrowers. The "hustler" narrative helped galvanize a broad base of support during the presidential campaign, with many in the electorate believing that the Fund would end their exclusion from formal financial services and shield them from predatory lenders.

The informal sector constitutes a significant portion of the Kenyan economy. Although the absence of reliable data makes it difficult to quantify its full contribution, it is estimated to account for approximately 80 percent of employment. Politically, channeling credit to this sector can be seen as a strategic move to cultivate a large and loyal support base that may be crucial in future elections.

However, several concerns have been raised, especially by technocrats, about the long-term sustainability of the Hustler Fund. First, it is financed directly by the exchequer despite a high default rate. Second, it does not offer financial products tailored to the diverse and evolving needs of its target beneficiaries. Moreover, it lacks critical support services such as business training, financial literacy, and bookkeeping skills, which are essential for entrepreneurial success.

There are also fears that the Fund is being used more as a tool for political patronage—designed to demonstrate that the campaign promise was fulfilled—rather than to foster true self-reliance and economic empowerment for the majority.

Following a Cabinet Circular dated January 21, 2025, issued after the Cabinet meeting at the Kakamega State Lodge, a directive was made to merge the Uwezo Fund, WEF, and YEDF to avoid duplication of roles. Notably, the Hustler Fund was excluded from this merger despite having similar objectives and target groups as the other financial inclusion funds.

Lastly, there is a growing public perception that these funds, particularly the Hustler Fund, are political rewards for voting in the Kenya Kwanza regime, and therefore repayment is unnecessary. This perception further undermines the fund's credibility and sustainability.

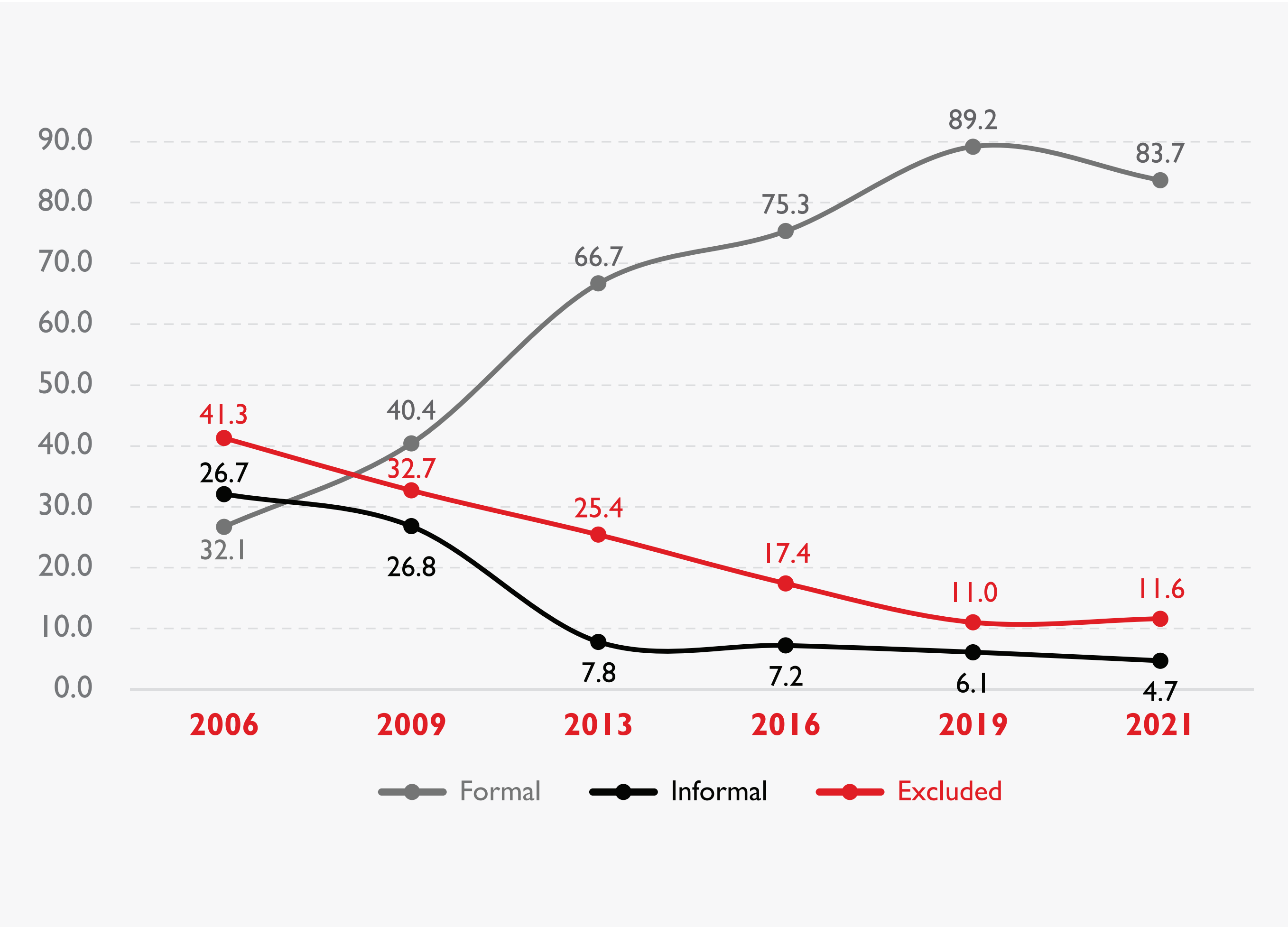
5.2 FINANCIAL ACCESS IN KENYA

Four key dimensions are used to ensure financial inclusion in a society: access, usage, quality, and impact/welfare. According to definitions by Financial Sector Deepening (FSD) and the Kenya National Bureau of Statistics (KNBS):

- Access refers to individuals who have had an active financial account in their name within the last 12 months.
- Usage measures the actual use of a financial account, either in one's name or through someone else's account (indirect usage), within the last 12 months, with at least one provider, formal or informal.
- Quality assesses whether financial products and services are appropriate and aligned with the clients' needs.
- Impact captures the likely outcomes or welfare improvements resulting from the use of financial services, particularly on consumers' financial behavior and well-being.

Figure 3 presents the overall trends in financial access (FinAccess) in Kenya from 2006 to 2021. The data show a consistent increase in formal financial access, alongside a decline in informal access and financial exclusion. The slight dip in formal access observed in 2021 is likely attributable to the economic disruptions caused by the COVID-19 pandemic.

Figure 3: Trends in Financial Access from 2006 to 2021 (%)



Source: 2021 FinAccess Household Survey

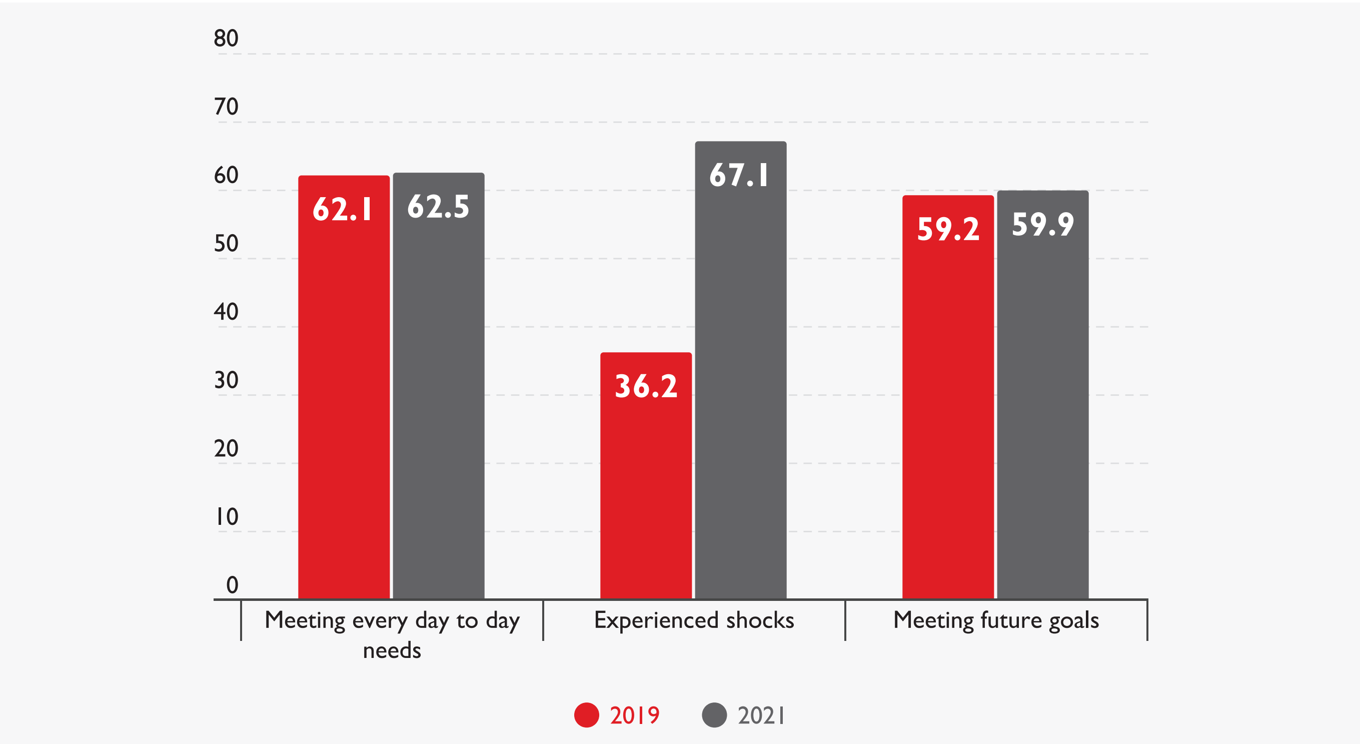
According to the 2021 FinAccess survey[16], the usage of financial services and products across different service providers has been on the rise since 2006. In 2021, mobile money recorded the highest usage at 81.4 percent, followed by traditional banking at 44 percent, and informal groups at 28.7 percent. Other financial services included Fuliza (18.3 percent), pension services including NSSF (10.6 percent), SACCOs (9.6 percent), digital lending apps (2.1 percent), and microfinance institutions (1.7 percent).

Access to finance is supported by complementary services such as financial literacy, budgeting, and financial planning. A client's understanding of financial products and their associated costs is a crucial component of financial literacy. In 2021, 45 percent of individuals who accessed financial services relied on advice from friends and family, 43.3 percent relied on their own knowledge, while only 2.9 percent received guidance from financial institutions. Notably, more women (50 percent than men (39.7 percent) relied on friends and family for financial advice, whereas more men (47.8 percent) than women (39.1 percent) depended on personal knowledge when making financial decisions.

Overall, 66 percent of respondents were able to compute the cost of borrowing, with a majority being male (54.4 percent). A gender gap was also observed in the ability to read and correctly interpret SMS messages containing transaction values and estimated costs: 71.3 percent of men interpreted the messages accurately compared to 61.6 percent of women. Awareness of credit reference bureaus (CRBs) was relatively low, with only 42.1 percent of respondents being aware of CRBs. Among those, just 18.6 percent attempted to access their credit reports.

Figure 4 highlights the primary uses of accessed financial services. In 2021, 62.5 percent of respondents used the funds to meet daily needs, 67.1 percent used them to cope with financial shocks, and 59.9 percent used them to pursue future goals. Compared to 2019, the 2021 findings—collected during the COVID-19 pandemic—show that financial solutions were increasingly used to absorb unexpected shocks.

Figure 4: Role of Finance Accessed in Meeting Daily Needs



16 CBK (2021) "2021 Finaccess Household Survey" https://www.centralbank.go.ke/wp-content/uploads/2022/08/2021-Finaccesss-Survey-Report.pdf

5.3 USAGE OF FINANCIAL PRODUCTS AND SERVICES

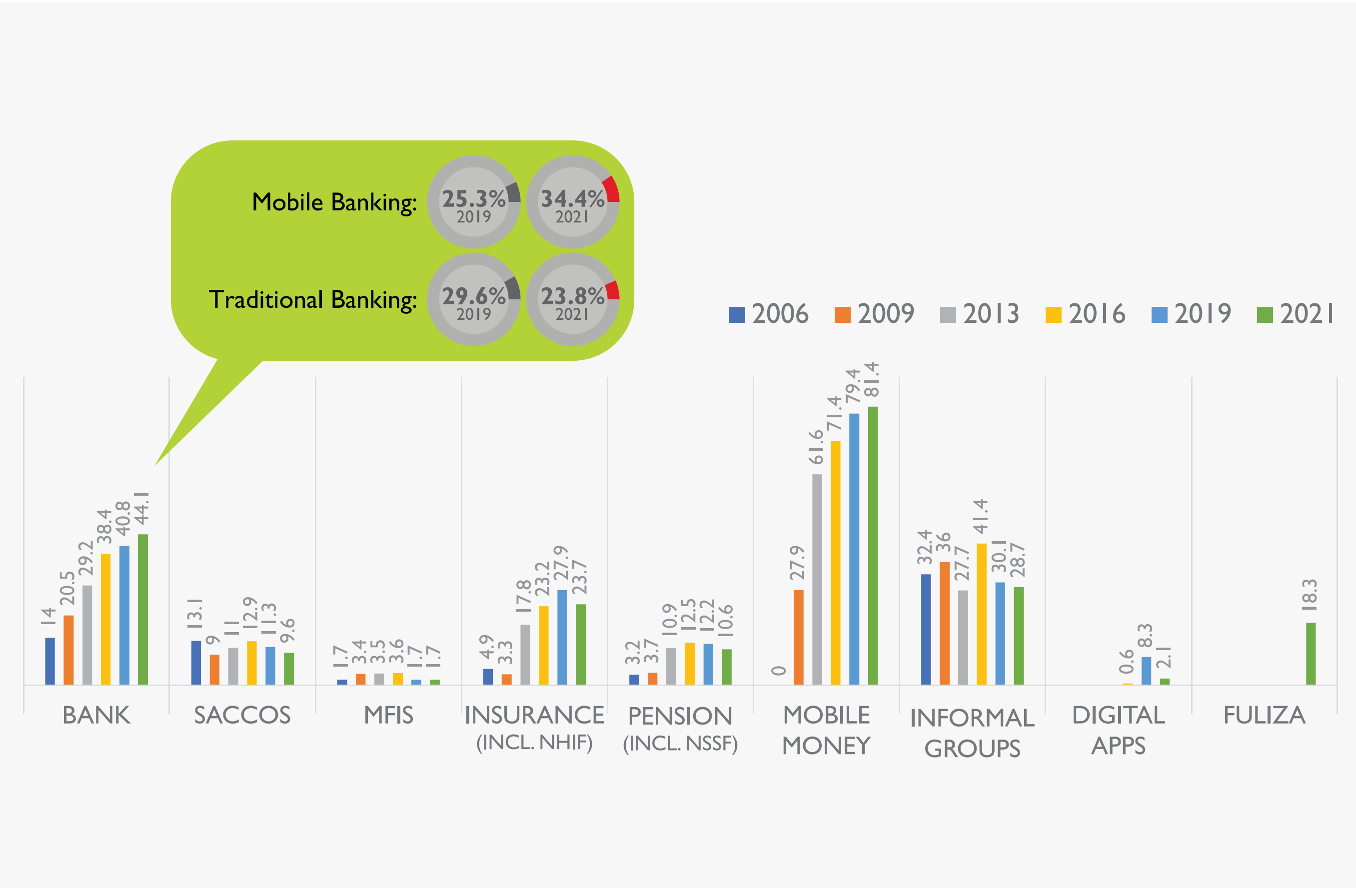
The financial products the population uses broadly include savings, credit, social security, insurance, and investments. The Hustler Fund is a credit facility aimed at increasing financial inclusion. However, several other financial products offer credit or financial access services that individuals and businesses use.

Figure 5 presents the sources of loans for individuals and micro and small enterprises. Groups rely on different sources of credit, although mobile loans remain the most common source for both. Several insights are clear from the survey data collected before implementing the Hustler Fund. Consumers—whether individuals or MSEs—have multiple financial products to choose from. This variety can be viewed positively, as it creates healthy competition for the Hustler Fund and may encourage providing better-quality financial products under the Fund.

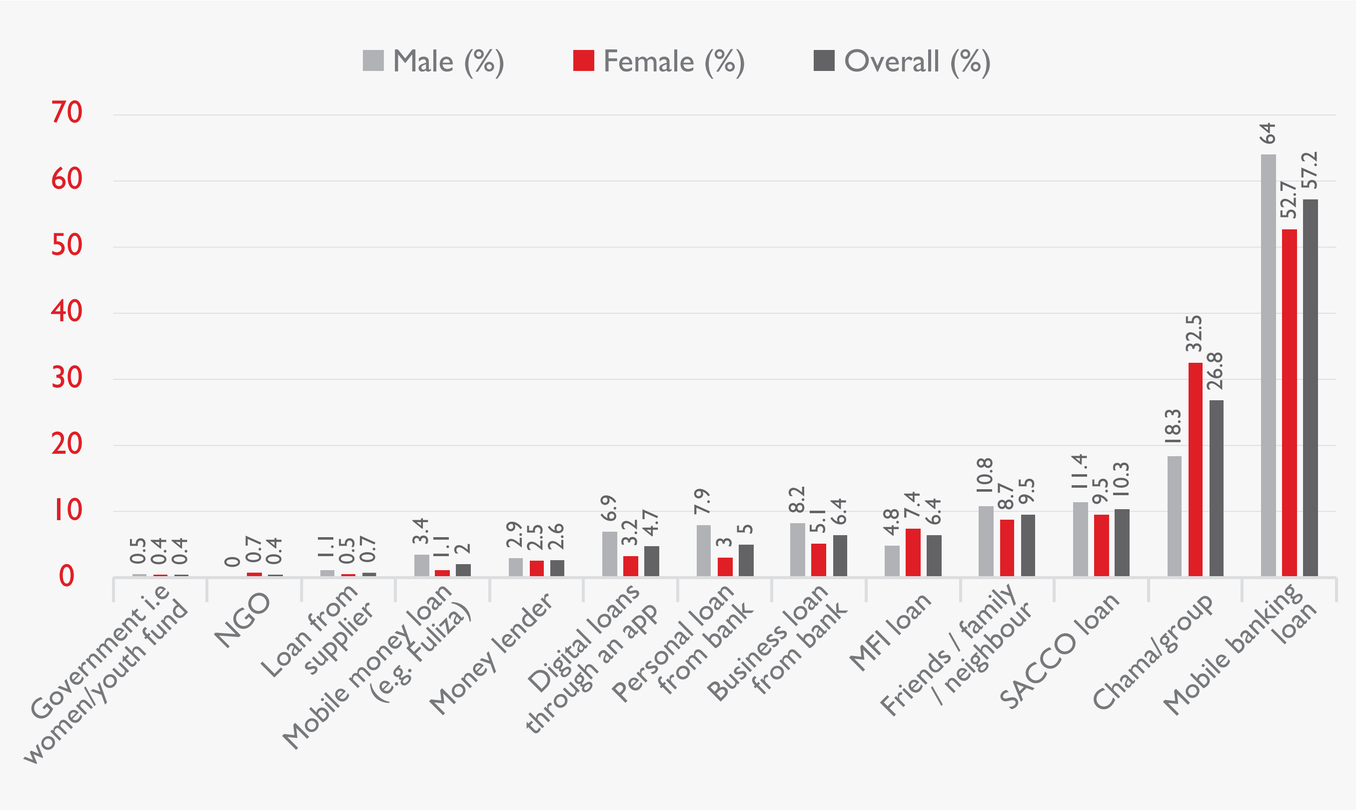
The widespread use of mobile banking loans also suggests that the digital nature of the Hustler Fund is well-suited for uptake by individuals and MSEs. As per its stated objectives, the Hustler Fund aims to provide short-term savings (30 percent of the five percent deducted from the loan advanced), pension savings (70 percent of the five percent), and a government-matched pension contribution at a ratio of 2:1 for non-defaulters, up to a maximum of Sh6,000 annually.

Figure 5: Sources of Loans for Individuals and MSEs

Sources of loans for individuals (2006-2021)



Sources of loans for MSEs (2021)



Source: MSE Tracker Survey 2022; FinAccess Household Survey 2021

5.4 QUALITY OF FINANCIAL PRODUCTS AND SERVICES

Recipients have widely cited low borrowing limits as a major hindrance to using Hustler Fund loans for meaningful business purposes such as start-up, sustenance, or expansion. The loan amounts range from Sh500 to Sh50,000, which may be sufficient for certain personal needs but are largely inadequate for core business operations like working capital or capital investment.

Table 8 presents excerpts of positive and negative experiences shared by beneficiaries of the Hustler Fund. A recurring concern from interviews is that the loan amounts are too small to meet real business needs. Borrowers who can utilize the funds tend to run tiny enterprises requiring minimal restocking. This raises a fundamental question about whether the Hustler Fund effectively supports small business owners in overcoming poverty or improving their livelihoods.

The Hustler Fund originated as a political campaign promise in the Kenya Kwanza manifesto and was swiftly implemented after the new government assumed office. However, public perception of the fund has been heavily shaped by its political branding, with many borrowers viewing it as a political giveaway, which creates a casual attitude toward repayment.

Additionally, limited awareness about Credit Reference Bureaus and the consequences of being listed as a defaulter has not deterred most from defaulting. Findings from the micro and small enterprise tracker survey by the Central Bank of Kenya support this, showing that negative CRB ratings were not considered a major concern among MSEs. Only 31 percent of respondents ranked it as a significant challenge. Instead, the top challenge for MSEs was the high cost or unavailability of business inputs and supplies.

Table 8: Excerpts of Interviews with Hustler Fund Beneficiaries

NEGATIVE STORIES	POSITIVE STORIES
"I found I was eligible to access Sh1,500, which, of course, I accessed and used to buy lunch. I paid it back later anyway." Private university student	*"When I first borrowed from the kitty, I got Sh500. The amount accessible through my phone was Sh475, which wasn't even enough to restock any of the items I sell. I had to pay back the money and borrow frequently to increase my limit. Later, the fund raised my limit to Sh1,000. It may not seem like much, but it has proven useful at times when I need to restock a few items and cover my utility bills.* **A mobile phone accessories shop operator**
"Even though the hustler fund was intended to help businesses, it has provided little benefit to mine. The amount available is insufficient to purchase stock for my shop; I can only use it for emergencies." Joyce Wanja, a first-time borrower of Sh500	*At that time, it was very difficult for me to access affordable credit. So, when they unveiled the fund, I decided to give it a try. My loan limit is Sh1,000, and it has truly helped me, as I was able to start this business, which serves as a source of income for me.* **A sausage vending businessman**
"We are being given Sh300 or Sh500 in the name of Hustler Fund, what business can you start with such an amount?" Hustler Fund beneficiary	*"With the Hustler Fund, most operators can service their motorbikes and purchase small spare parts, and after two weeks, they can repay this loan. We began as individuals and registered as a group with MSEA, allowing us to access more funding individually."* **A boda boda chairman in Nairobi**
"Only those with problems can take that money; I cannot, since I am struggling to get capital. I do not want to be arrested for defaulting on Sh400." Hustler Fund beneficiary	*"The Hustler Fund has helped me increase my stock of pawpaw by Sh500. I sold them and made a profit of Sh500. With Sh1,000, I was able to restock more. I hope to start an M-Pesa business over time.* **A vegetable vendor in the Kilimani area**
"I borrowed Sh500. What business can I use it for? I used it for alcohol, and I will not repay." Hustler Fund beneficiary	
"They are telling us to take the loan. I will take it, but not repay. What will they do to me?" Hustler Fund beneficiary	
"I cannot take the Hustler Fund because, as a vendor, City Council can come and confiscate my goods, and I will not be able to repay. Therefore, it is risky to take the loan as this business does not have a permanent structure." Nairobi business trader	

Source: Tuko beneficiary interviews[17]; Citizen Digital beneficiaries' interviews[18]

Most recipients used Hustler Fund loans for personal expenses rather than business purposes, partly explaining the widespread lack of urgency in repayment. Others remain cautious about borrowing due to the informal and unstable nature of their businesses, particularly those operating without permanent structures. The threat of demolition or confiscation of goods by county authorities, combined with the inability to afford licenses and other operational permits, is a significant deterrent to taking on debt.

17 Tuko Beneficiary interviews https://www.youtube.com/watch?v=TCyX-6mYbx0

18 Citizen Beneficiaries Interviews https://www.youtube.com/watch?v=7yafJKCUU30

This highlights the need for a comprehensive feasibility study, or the use of existing financial access data from the Central Bank of Kenya, to better understand the financial needs of individuals and businesses (by size), assess the key barriers they face, and inform improvements in the design and targeting of the Hustler Fund. Alternatively, a phased implementation of the Hustler Fund could allow for lessons from early roll-outs to inform and refine later phases. This would ensure the Fund evolves to meet better its objectives and the needs of its intended beneficiaries.

Regarding cost, the Hustler Fund offers relatively affordable credit, with an interest rate of eight percent, rising to 9.5 percent for defaulters. This is significantly lower than what is charged by most commercial banks (see Table 9), and markedly cheaper than loans from informal lenders or shylocks, whose rates can soar to 25 percent or higher.

Table 9: Weighted Commercial Bank Lending and Overdraft Rates (%)

Year	Month	Lending	Overdraft	Year	Month	Lending	Overdraft
2023	January	12.77	12.34	2023	November	14.43	14.29
	February	13.06	12.62		December	14.63	14.65
	March	13.09	12.69	2024	January	15.2	15.11
	April	13.1	12.71		February	15.88	15.55
	May	13.21	12.64		March	16.28	15.97
	June	13.31	12.83		April	16.45	16.37
	July	13.5	12.84		May	16.6	16.52
	August	13.83	13.24		June	16.85	16.78
	October	14.16	14.09		July	16.84	16.43

Source: Central Bank of Kenya[19]

5.5 FINANCIAL LITERACY AND RESPONSIBILITY

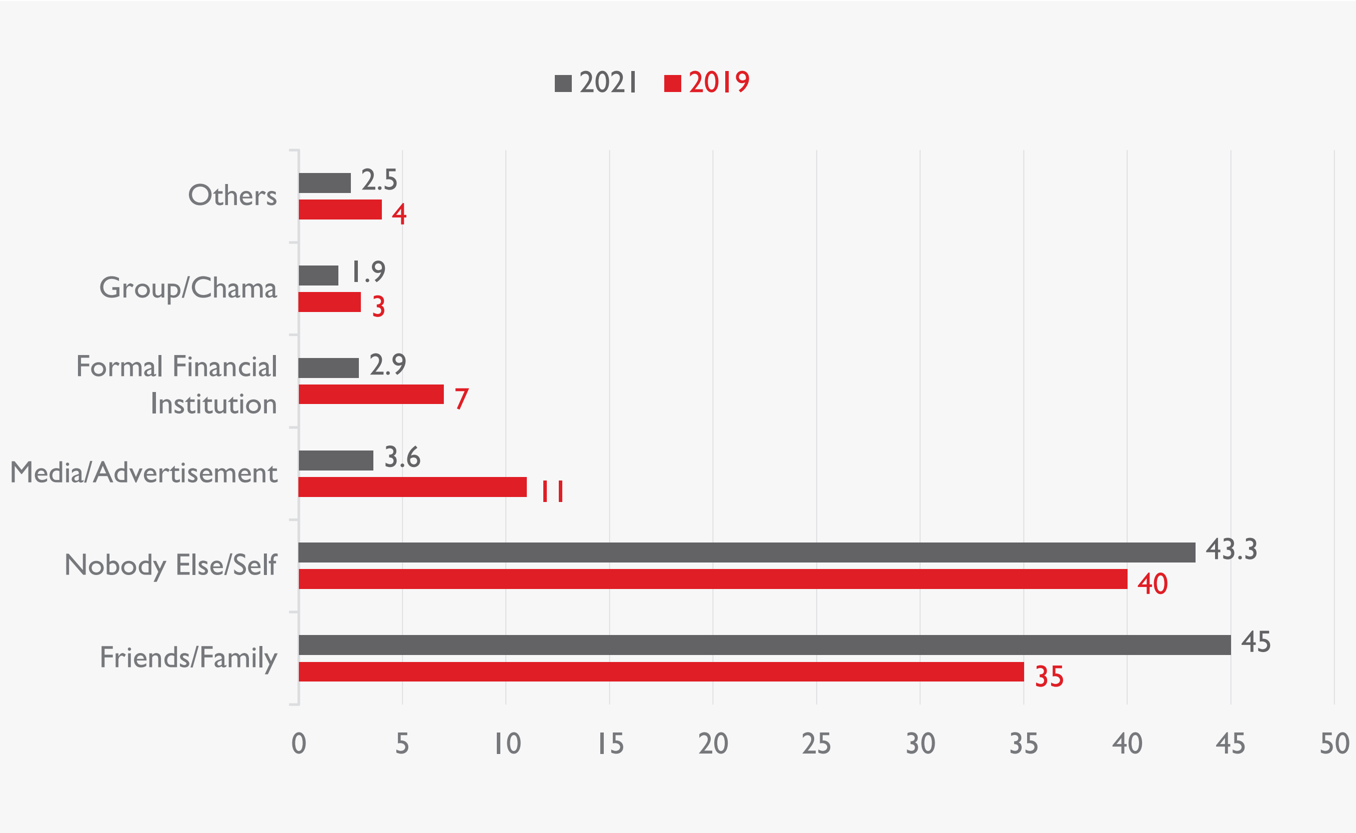
Well-informed and responsible financial consumers who understand and can access financial information that meets their needs are critical to any effective financial inclusion program. Financial literacy can stem from formal education systems and targeted literacy initiatives or networks.

In the case of the Hustler Fund, however, the regulations do not provide a structured financial literacy framework beyond the digital disbursement of funds. This is a significant gap, especially considering the 2021 FinAccess Household Survey, which found that most Kenyans still rely on family and friends (45 percent) or themselves (43.3 percent) for financial advice, while only a slight fraction turn to financial institutions.

Findings from the MSE tracker survey further underline the importance of the government in creating an enabling business environment. Infrastructure provision was ranked as the most important support (25.4 percent), followed by business training (17 percent). Interestingly, younger respondents (ages 18–25) placed the highest value on business training (24.6 percent), compared to 18 percent of those aged 26–35 and only 15 percent of those aged 36 and above.

19 https://www.centralbank.go.ke/commercial-banks-weighted-average-rates/

Figure 6: Sources of Financial Advice



Source: 2021 FinAccess Household Survey

5.6 INNOVATIVE CHANNELS FOR FINANCIAL ACCESS

The Hustler Fund can be considered innovative because it integrates digital technology platforms in partnership with telecommunications companies and the government to reach a broad population. The ability for potential borrowers to access credit through a digital platform is a significant step toward financial inclusion, which enables the government to reach the unserved and underserved segments of the population.

As shown in Annex Table 1, by December 19, 2022, less than three weeks after its November 30, 2022, launch, the Fund had already disbursed Sh9.6 billion to approximately 16.6 million customers. Distribution data by the county and age group (Annex Table 2) further shows the Fund's national reach.

Digital platforms also generate valuable data that can help assess Kenyans' financial behavior, such as what it takes to start a business and which financial products best support sustainability or growth. Additionally, consumer data can inform the design of phased financial solutions tailored to the needs of different borrower segments. While the Hustler Fund currently offers three products—personal loan product, group micro enterprise loan product, and individual micro enterprise loan - the loan amounts remain uniform (Sh500–50,000), despite the differing needs of these groups. Categorizing loan amounts based on borrower type would better align financing with purpose. This can be easily achieved using the existing digital infrastructure of Safaricom, Telkom, and Airtel.

5.7 IMPLICATIONS ON TRANSPARENCY, ACCOUNTABILITY, ACCESSIBILITY, AFFORDABILITY, AND SUSTAINABILITY

Transparency

Transparency demands that any official business conducted by a public institution be made accessible to the public. While legitimate concerns around security and privacy exist, these should not be used as a smokescreen to conceal critical data[20]In the case of the Hustler Fund, reporting remains shallow and opaque. The little information released—primarily through press statements and ministerial speeches—barely scratches the surface and fails to support any meaningful analysis of the Fund's efficiency, effectiveness, or impact. There is no disaggregated data by age, sex, region, income bracket, or type and size of business that would allow a deeper, evidence-based assessment. It simply does not exist in the public domain.

The Hustler Fund secretariat, under the Ministry of Cooperatives and MSMEs, operates in near-total obscurity. Apart from listing board members, there is no clarity on its internal structure. It is not known if there are dedicated full-time staff managing the Fund and whether their job descriptions are clearly defined. Still, Kenyans don't know if key positions have been competitively filled.

Even more troubling is the opaque formula for allocating loans. It is not clear what determines how much a borrower receives, whether it is income or credit history, because the algorithm remains hidden. This secrecy undermines fairness and erodes confidence, especially when beneficiaries repeatedly report that the Fund's financial products are inadequate for their needs.

Accountability

The Office of the Auditor General's 2022-23 report exposes failures that point to systematic mismanagement, opacity, and possibly outright abuse. The report found:

1. No source documents, including cashbooks and general ledgers, were provided to back up the Fund's financial statements.
2. Inconsistent financial reporting, including contradictions in revenue disclosures and poorly structured documents not aligned with the Public Sector Accounting Standards Board (PSASB).
3. A Sh382 million discrepancy in reported interest income.
4. Unsupported balances and unexplained changes in net assets.
5. Unverified cash holdings across five bank accounts and from mobile money operators.
6. Sh8.2 billion in loans unrecovered.
7. Irregular disbursements, including loans issued without ID verification, borrowers receiving additional funds despite unpaid balances, and loans issued above limits to non-compliant individuals.
8. Unauthorized interest charges by Safaricom, in clear violation of existing laws and regulations.
9. Opaque procurement processes. There is no documentation on selecting key service providers.
10. Lack of internal controls, particularly in ICT and risk management.

    The situation is so dire that the Auditor General could not issue a conclusive audit opinion.

20 Johnston M (Undated) "Good Governance Rule of Law and Transparency" Department of Political Science, Colgate University https://etico.iiep.unesco.org/sites/default/files/2017-09/unpan010193.pdf

Box 3: Office of the Auditor General Disclaimer on the Hustler Fund

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES
205. Auditor General Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE
206. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion

Source: OAG Report 2022/23 National Fund

- **Affordability**

At face value, the Hustler Fund appears affordable, with a base interest rate of eight percent and a penalty rate of 9.5 percent for defaulters, significantly lower than rates offered by commercial banks or predatory lenders. However, affordability is compromised when telecom providers like Safaricom reportedly impose charges that exceed the legally prescribed limits. This violates regulations, erodes trust in the platform, and burdens borrowers.

- **Sustainability**

The Hustler Fund, in its current form, is not financially or operationally sustainable. Several critical weaknesses make this clear:

1. Financial intermediation services are lacking, as there is no business development support, financial training, or structured supervision.
2. With a staggering 68.3 percent default rate, the Fund is bleeding money. The numbers don't add up when combined with the cost of operations (estimated at three percent) and the government's borrowing costs to finance the Fund (8.2 percent). The interest income of eight percent from borrowers doesn't even cover the combined expenses. The Fund is running at a loss.

5.8 PRO-POOR PARAMETERS FOR FINANCIAL INCLUSION SUITABLE IN KENYA

Effective pro-poor financial inclusion strategies must ensure that financial products and services are accessible, affordable, and responsive to the needs of the underserved, as explained below:

1. Financial products and services must come with low fees and interest rates to accommodate low-income users. Strong savings components should complement loan products to promote financial stability and long-term sustainability.
2. A comprehensive network of delivery channels, such as mobile money platforms, digital financial services, and agent banking, is critical. These should leverage mobile apps and USSD codes to ensure accessibility for users regardless of location, literacy, or smartphone access.
3. Every financial inclusion initiative must be paired with targeted education. Beneficiaries should be trained in budgeting, saving, responsible borrowing, and basic bookkeeping to push for sustainable entrepreneurial outcomes.
4. Financial products must be designed to reflect the real needs and capacities of target users. Mismatched products contribute to high default rates. Tailoring offerings to user profiles helps reduce this risk.
5. Leveraging digital tools reduces transaction costs, enhances transparency, and streamlines service delivery. Technology also enables better assessment of creditworthiness, even for customers lacking formal financial histories.
6. Financial products must be designed for long-term use. Sustainable models ensure that both service providers and users benefit over time.

6.0 CONCLUSIONS AND RECOMMENDATIONS

6.1 CONCLUSIONS

The evidence presented in this study leads to a singular and inescapable conclusion that the Hustler Fund has failed and should be scrapped. Despite political rhetoric and publicized success stories, the Fund has neither pushed for financial inclusion nor provided meaningful economic empowerment to its target demographic.

Evidence has further shown that there has been a significant misallocation of public funds via the Hustler Fund, with a default rate of 68.3 percent, a net loss of 71.5 percent, and an opaque governance structure flagged by the Auditor General. The Fund's loan products are poorly tailored, the repayment periods are unrealistic, the delivery channels are exclusionary, and the savings component has been widely misunderstood and misused.

The Fund's highly politicized origins and centralized structure further undermine its legitimacy. It does not respond to genuine financial needs; instead, it serves as a post-election reward mechanism and a tool for political messaging. The widespread perception that it is a handout—and therefore repayment is optional—has destroyed the credit discipline and financial education needed for sustainable lending.

Attempts to reform or re-engineer the Fund will not address these fundamental design, political, and legal flaws. As such, scrapping the Hustler Fund is the only viable policy option. Public resources must instead be directed toward well-regulated, accountable, and evidence-based financial inclusion strategies that are decentralized, community-driven, and tailored to actual economic needs.

6.2 RECOMMENDATIONS

1. Parliament and the Executive must decommission the Hustler Fund. The remaining resources should be reallocated to existing, better-structured financial inclusion initiatives with proven performance. Channeling resources into the WEF, YEDF, and Uwezo Fund and integrating lessons from the Hustler Fund's failure would provide value for taxpayers. Even with this reallocation, safeguards must be implemented to prevent political capture, duplication of roles, and misuse of funds.
2. The government must ensure that any public lending scheme includes mandatory financial literacy, training on record keeping, and market access support. There should be phased loan limits tied to demonstrated business growth and repayment capacity so that taxpayers' money is not lost through default.
3. There must be regular publication of disaggregated data (by gender, age, region, loan purpose, repayment) for all financial inclusion funds. The enforcement of procurement, auditing, and disclosure standards across all financial inclusion schemes must also be stringent.

ANNEX

Distribution of Hustler Fund Subscribers by Counties

Annex Table 1: Distribution of Hustler Fund Subscribers by Counties

County	Number of subscribers	Transaction value (Sh in millions)
Baringo	135,550	95.2
Bomet	261,808	176.4
Bungoma	361,379	244.5
Busia	193,357	131.4
Elgeiyo Marakwet	98,964	66.6
Embu	211,323	150.5
Garissa	78,932	48.8
Homa Bay	246,512	157.0
Isiolo	44,516	29.9
Kajiado	321,456	233.2
Kakamega	427,917	288.9
Kericho	254,156	175.1
Kiambu	812,127	651.1
Kilifi	401,397	268.5
Kirinyaga	178,539	125.9
Kisii	303,284	191.2
Kisumu	332,864	223.5
Kitui	302,005	195.6
Kwale	212,256	139.8
Laikipia	128,625	93.0
Lamu	36,318	25.0
Machakos	483,707	354.4
Makueni	255,383	168.2

County	Number of subscribers	Transaction value (Sh in millions)
Mandera	47,566	28.2
Marsabit	50,153	31.0
Meru	449,095	320.5
Migori	237,508	151.8
Mombasa	368,068	267.7
Muranga	260,198	184.2
Nairobi	1,413,118	1,148.6
Nakuru	594,399	454.3
Nandi	243,361	170.7
Narok	263,702	174.3
Nyamira	158,172	100.1
Nyandarua	133,834	95.6
Nyeri	218,677	160.9
Samburu	55,423	34.7
Siaya	228,861	150.2
Taita / Taveta	98,698	68.8
Tana River	67,724	42.1
Tharaka-Nithi	129,362	87.3
Trans-Nzoia	230,987	159.9
Turkana	136,540	82.3
Uasin Gishu	344,227	248.3
Vihiga	118,893	80.3
Wajir	61,580	36.5
West Pokot	78,890	49.6

Source: Press Statement on the Hustler Fund on December 19, 2022

Annex Table 2: Age of Borrowers

AGE	% OF BORROWERS
18-29 years	33%
30-39 years	30%
40-49 years	19%
50-59 years	10%
60-69 years	5%
Over 69 years	2%

Annex Table 3: List of Persons Interviewed (KII and FGDS)

Government Organizations
- CEO Hustler Fund
- CEO Uwezo Fund

Beneficiaries Individuals
- Students – Private and Public University

MSEs
- Bodaboda representatives

Members of Civil Society Organizations

Participant in validation workshop held on November 28, 2024

Pamoja Tutetee Haki

KENYA HUMAN RIGHTS COMMISSION

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