

25 years as an impact entrepreneur: closer to getting it right

A four-part series on financing rural livelihoods, learning from failure and making impact last.

Part 1. PAYGo: impact or harm?

25 years as an impact entrepreneur. This year marks 25 years of doing what people so nicely call ‘impact entrepreneurship’: trying to earn money by solving a social problem. I am extremely grateful that this choice landed in my lap. In four parts, I want to share the most important lessons from those years.

Solar in rural Africa: a no-brainer. In 2001, I set up a microcredit bank in Ghana for ProCredit. We focused on small entrepreneurs in the big cities. I noticed that people in the countryside often lacked access to both microcredit and the electricity grid (even though Ghana has been an access to energy frontrunner). With the sun shining so strongly and predictably, surely solar would be a logical solution?

But who is going to pay for it? Solar panels were becoming more affordable, but for most rural households, paying for the purchase in one go remained impossible. With little access to financing, distributors targeting rural customers had few options other than providing credit themselves. From 2010, this began happening on a larger scale with Pay-As-You-Go technology, or PAYGo.

All the boxes were ticked. The idea behind PAYGo is simple: offer customers a solar home system on instalments and switch it off when they fail to meet their payment obligations. The expectation was that weekly payments would be lower than what customers had been spending on candles, batteries and kerosene. Impact investors jumped on it. Fighting poverty, making the world greener and dreaming of solid financial returns at the same time.

But could the customer repay? PAYGo companies grew fast. Because their funders cared most about the number of households reached, that became the key success metric and goal. Credit checks were stripped back further and further to push up sales. Many people received a system, but far from all could afford it. In 2025, MAF-Lab calculated, using a database of five million PAYGo contracts, that only 51% had been fully repaid at one and a half times the original loan term ([source](#)).

The consequences land with the customer. On average, only 72% of the total invoiced amount comes back ([source](#)). That is a problem for companies, but the consequences can be even more painful for customers. Particularly when customers have had little education and limited financial knowledge, lenders must assess affordability and clearly explain what happens when paying becomes impossible. A signature under a contract is not enough. Without that protection, a customer can get stuck with unaffordable obligations and eventually lose the product, without recovering the money already paid. Part of an already tight household budget is lost, while the lasting ownership they hoped for never materialises. Customers who keep paying also bear the costs of others’ payment problems through higher prices. Are we really doing these customers a favour?

This has to stop, I thought five years ago. Since then, through PAYGo Lab, now Micro Asset Finance (MAF) Lab, we have introduced better credit management at over 40 last mile distributors. And it worked: repayment rates rose by around 7 percentage points on average. But when we returned some time later, most improvements had been scaled back. Why? The pressure to increase sales keeps winning over the long-term goal of keeping the portfolio healthy and protecting customers.

My own company fell into the same trap. SolarNow started with sound credit standards and grew at its peak to 60 rural branches and over 1,200 employees across Uganda and Kenya. Growth attracted investors, but every credit sale required us to fund most of the purchase upfront. The more we sold, the more working capital we needed.

When cracks appeared in the credit portfolio, the pressure to grow remained. More sales brought in down payments and helped persuade investors to write new cheques. Growth also masked repayment problems: new loans dominated the portfolio, while problems with older loans took time to emerge. Meanwhile, many colleagues were rewarded more for sales than for credit quality.

We became trapped in a cycle. New sales eased today's cash shortage but increased tomorrow's funding needs. When customers failed to repay, the gap widened, and so did the pressure to sell. Our credit standards proved too weak to withstand that pressure. Eventually, the company closed its doors in 2025. We learned the hard way that growth is only sustainable if credit quality keeps up.

Who guards credit quality? Microcredit institutions also actively seek customers. Their loan officers also have to sell. But in a well-run credit institution, staff and the board are explicitly held accountable for whether customers can repay. That responsibility must counterbalance the pressure to issue new loans. Many PAYGo companies are organised first and foremost as distributors: rewards, targets and direction from boards and investors revolve mainly around revenue and growth. Credit quality comes after that. At MAF-Lab, we regularly saw CEOs instructing credit teams to approve more applications or lowering down payments to stimulate sales.

What do we count as impact? The emphasis on growth is built into how success is measured. Many PAYGo funders count every new household reached as 'social impact'. Whether that household can afford the payments and eventually own the product receives far less attention. Yet that is where the promise to the customer is fulfilled. A healthy credit portfolio is therefore a key measure of social impact. Blaming poor repayment on 'our customers are simply poor' turns responsibility upside down. Poor credit management can leave customers with debts they cannot afford, making them poorer. Their limited means are precisely why careful lending matters. Otherwise, we blame customers for our own mistakes and build companies that grow fast but do not last.

Subsidies can aggravate the incentive problem. Customer poverty is often cited as a reason for poor repayment and for subsidising PAYGo products. Through results-based financing (RBF), companies receive subsidies for qualifying sales or installations, allowing them to lower prices. That can bring solar within reach of households otherwise left out. But when every new sale brings in extra money, it can also increase the incentive to approve customers who cannot afford the remaining payments. In MAF-Lab's benchmarking studies, we found a clear correlation between the presence of RBF programmes and higher default rates.

Subsidies can also postpone necessary change. Companies that depend on subsidies may struggle to survive when those programmes end. Customers are then left without after-sales support or anyone to honour their warranties. Meanwhile, subsidies can reduce the pressure to fix the underlying business model, delaying the innovation needed to make it sustainable.

Have we not seen this before? As I watched the pressure to sell push aside responsible lending, I found myself thinking about my years in microcredit. Credit discipline was not automatic there either. We started with good intentions and learned painfully why we needed rules and accountability. In the next part, I will tell you what went wrong there and what the PAYGo sector can learn from it.