

# \$2 billion for women entrepreneurs from our \$1 million- case study from Argidius' portfolio



## CONTEXT

**The world's emerging economies do not generate enough formal jobs.** Unable to find proper employment, **over a billion people remain in poverty.** Growth-orientated Small and Medium Sized Enterprises (SMEs) hold the **most potential** for creating the formal jobs needed.

In developed countries SMEs receive support to address their needs and encourage their growth. However, in developing countries **SMEs lack access to finance.** The IFC estimates the **finance gap** for formal SMEs outside OECD countries to be \$700-850 billion.

The lack of financial resources is particularly acute amongst **women-led SMEs.** For example in Kenya women access only 9% of available credit despite running 25% of the countries' SMEs.

## PROBLEM

The NGO **Women's World Banking**, with support from Argidius, undertook a field study to better understand the problem in Kenya, constraints that have prevented or limited banks from better serving SMEs, and identify and assess opportunities for a bank to better meet the financial needs of women SMEs. The study found:

- Lack of understanding about SME customers'** needs and gaps. Very limited customer research has been done and no banks track gender-disaggregated data.
- Fragmented business model for service the SME sector:** SME customers are commonly served by multiple points of contact at a bank.
- Limited lending products **exclude SMEs without collateral, especially women.** Women may have strong SMEs with sufficient cash flow, but very often lack collateral. Women in Kenya individually hold only 1% of registered land titles, increasing to just 5-6% for those jointly held with their husbands.

## INTERVENTION

In response, Argidius supported Women's World Banking in a 3-year project to provide strategic technical assistance to Kenya Commercial Bank (KCB)- the country's largest to improve its SME offer. The intervention:

- Better segmented the SME market** through market research and an assessment of KCB
- Developed a **relationship management model** which enabled KCB to foster relationships with SMEs, especially women-led SMEs.
- Implemented a more accessible SME financing product by developing a new **cash flow-based credit assessment methodology**
- Transformed KCB's business member club into an effective provider of **non-financial business support services** to meet additional SME needs.

## RESULT

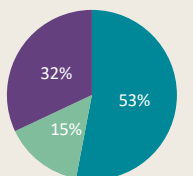
- Leveraged **\$500 million and counting in new finance for women-led SMEs.** These enterprises are growing and **creating employment.**
- Project is central case study for **IFC's flagship report**, and a new operating possibility for the IFC to apply to other banks around the world
- New knowledge** generated and shared on how to support banks to develop and implement effective SME strategies that can be sustainably rolled out.
- Lessons are being applied** to projects working with a further 6 financial institutions in East Africa and Latin America, including working through two of Africa's largest banking groups

## LESSONS LEARNED

- Huge **leverage potential working with Banks**
- Segmentation** is key
- Product design follows** key segment identification
- Banks operate surprisingly ancient systems. implementation likely to need **enhanced CRM**
- Must align with the **strategic interest of the institution**
- Its challenging - traditional bank and microfinance models are not set up for lending to Small and Medium Sized Enterprises (SMEs)

## Distribution of funding

- Staff costs
- Contractors
- Travel, expenses & overhead



As of 2022

Funds spent



\$820,000

Estimated affected individuals



1.7 million

Planned reach



5k enterprises

Reached



13k enterprises