



Women's World Banking

MAKING FINANCE WORK FOR WOMEN™



# Empowering MSMEs

Creating a Better Banking Experience for Women-Led  
Micro, Small, and Medium Enterprises in Kenya

November 2020



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# FOREWORD

*KCB Group PLC is guided by three important principles in all our operations — inspiration, simplicity, and friendliness.*

As we have grown our institution to serve more customers, our primary goal has remained the same — to enable progress through these principles. For women-led businesses in our region, growth is a challenge. Women continue to face financing gaps for their businesses, and KCB has sought to address this through strategic engagement and product design to meet women's needs.

The stakes are high, with macroeconomic implications. According to the IFC, over 20 percent of working-age women in Sub-Saharan Africa are entrepreneurs, so the challenge of finance for growth of women's businesses has ripple effects across entire economies. We optimize financial services for this customer segment, and offer additional business services like training, resources, and mentoring. Through these, our work has the power to transform individuals, families, communities, and nations.

I am thrilled that we are making public this research because it accurately describes our commitment to women-centered product design and evaluates our success against our goals. Using the findings, financial services providers can learn from our example. We hope this collaboration with Women's World Banking inspires ambitious goals for women's financial inclusion. Most importantly, we hope this spurs action toward women's economic empowerment and business development.

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Joshua Oigara  
Group Chief Executive Officer and Managing Director  
KCB Group PLC

# INTRODUCTION

*Women's World Banking partnered with Kenya Commercial Bank (KCB) from 2016 to 2019 to optimize financial and business support services for women-led micro, small, and medium-sized enterprises (MSMEs) in Kenya.*

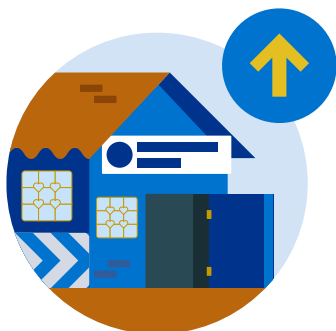
An accompanying research effort evaluated the effectiveness of program implementation and the resulting outcomes for KCB's MSME customers, especially women.

Our research found that a combination of financial and business support services for MSMEs provides opportunities for both customers and the institution. In the short-term, this program expands access to a range of services for MSMEs, particularly women-led MSMEs. It increases customer satisfaction with the institution and drives profit. In the long-term, this program contributes to the business growth of MSMEs, supports the economic empowerment of women business owners, and provides a roadmap for financial institutions in Kenya and other regional markets to better serve the MSME segment.



# KEY INSIGHTS

Together, KCB and Women's World Banking explored the idea that financial products and support services designed for women would empower her. The proposition combined tailored financial services like business credit with support services like business networking and training. As we deployed and tested this proposition, we found that:



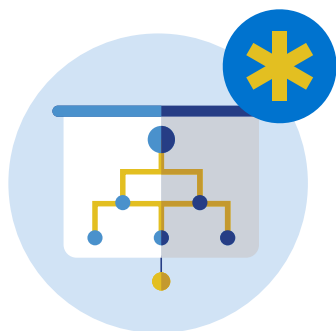
## *Enhanced services for MSMEs can support business objectives of a financial institution and positively impact MSME growth*

For KCB, the new proposition enabled them to maintain their MSME portfolio in the face of a challenging lending environment, and ensure the quality of that portfolio in terms of repayment. Further, the majority of enterprises that received loans from KCB under the new proposition experienced growth in terms of revenue and number of employees, with a median annualized growth rate of 10%.



## *Financial institutions have an important role to play in advancing outcomes for women-led MSMEs*

We found evidence to support that advancing economic empowerment is a realistic goal for financial institutions. Under this program, lending to women increased and customers felt that the financial institution was addressing their business needs. The institution began tracking gender among their MSME customers, and as a result has data on which to make decisions that will increase success among women-led MSMEs. Once rolled out, women-led businesses received 51 percent of loans during the project. This is a strong result, when compared to 2015 data, which showed that only 22 percent of loans disbursed to SMEs owned by sole proprietors were women<sup>1</sup>. The empowerment framework that KCB and Women's World Banking deployed to measure the effectiveness of the intervention proved to be a useful lens through which to describe multi-dimensional outcomes.



## *Enhanced services to MSMEs require a multi-level organizational strategy*

The solution that KCB deployed was complex insofar as it included a new relationship management model, a new lending methodology, additional business support services, and a gender framework. It involved an updated core banking system, staff training, increased communication between departments, and multiple partnerships. Given its complexity, the solution required buy-in at all levels of the financial institution. To have greatest impact, institutions must display the same intentionality across all levels and implement in all branches.



## *MSME customers and institutions are especially vulnerable to shocks*

While outcomes of an offering such as KCB's can be positive for MSME customers and financial institutions, credit solutions such as this are subject to external risks such as changes to the regulatory environment. This project faced a number of challenges due to the regulatory and economic environment in Kenya, which resulted in reduced targets for loan disbursements. While the intervention garnered positive results, both KCB and Women's World Banking learned firsthand the necessity of adapting expectations in highly volatile environments.

<sup>1</sup>Prior to the project with Women's World Banking, KCB only tracked the gender of sole proprietors, and no gender data was available for the stakeholders of firms. During the project, Women's World Banking supported KCB to track more comprehensive gender data, to better understand service to both women-owned and women-led enterprises.



# BACKGROUND

## *MSMEs in Kenya drive economic growth but receive limited financial and business support*

In Kenya, the MSME sector is a major contributor to socioeconomic development, providing 50 percent of Kenya's employment and contributing 28.5 percent of its GDP in 2016<sup>2</sup>. Despite its importance, the MSME sector faces constraints. Lack of access to capital and the lack of an enabling policy environment decrease the ease of doing business. Without access to financial and business support services, growth of MSMEs is limited.

The access to finance challenge is even greater for women-owned MSMEs. Research conducted by the IFC in 2017 indicated that there is a 30 percent gap in financing between men and women-owned businesses<sup>3</sup>. One of the key barriers to accessing credit among women-owned MSMEs in Kenya is collateral – women have de jure property rights in Kenya, but de facto norms and cultural constraints result in women being effectively disenfranchised.

A market sizing analysis conducted by Women's World Banking in 2016 indicates there are approximately 300,000 to 400,000 registered MSMEs in Kenya served by about 40 commercial banks. Through the market sizing analysis, Women's World Banking identified seven main constraints to serving MSMEs with credit:



Limited use of lending methodologies that provide alternative ways of assessing MSMEs' credit worthiness



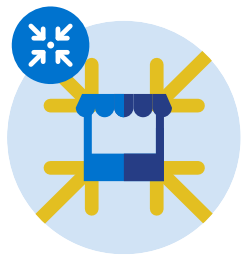
Limited understanding among loan officers of the unique needs of MSME customers



Bank regulations that disincentivize banks to lend to MSMEs

<sup>2</sup>Kenya National Bureau of Statistics, 2017: <https://www.undp.org/content/dam/kenya/docs/IEG/MSME%20SURVEY%202016%20-%20HIGHLIGHTS%20OF%20BASIC%20REPORT.pdf>

<sup>3</sup>International Finance Corporation. "Women-Owned SMEs: A Business Opportunity for Financial Institutions: A Market and Credit Gap Assessment and IFC's Portfolio Gender Baseline." Washington, DC: IFC, 2014. <https://www.ifc.org/wps/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf>



Lack of focus on new and emerging subsegments



Lack of intentional targeting of this subsegment



Institutional use of traditional lending methodologies



Contextual cultural norms

Only a few of the commercial banks serving the MSME sector in Kenya have a targeted approach to MSMEs. The market primarily offers deposit products with little to no differentiation of loan products and a limited offering of additional business support services. Women's World Banking identified KCB, the largest bank in Kenya, as a strong project partner because of its history, brand, regional network, and stable operations. Through the partnership, both organizations recognized the potential for KCB to position itself as a trustworthy and customer-friendly choice for women-led MSMEs.



# SOLUTION

## *KCB and Women's World Banking's MSME solution*

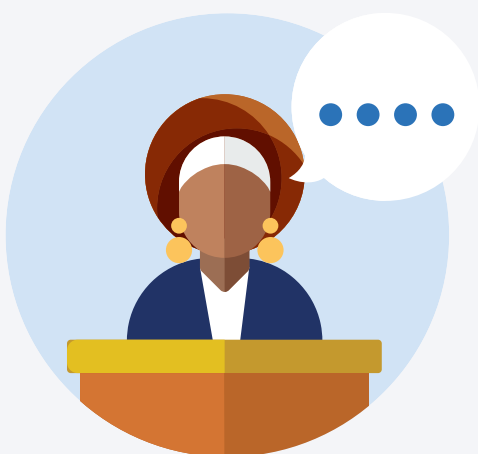
Women's World Banking developed a multipronged solution in cooperation with KCB to address identified business challenges and customer needs. The proposition included four primary components. These four components each relied on a clear identification of a problem or challenge, and the solution required KCB and Women's World Banking to iterate and optimize a solution.



Development of a **relationship management** model enabled KCB to foster relationships with business customers, especially women



Implementation of a **new cash flow-based credit assessment methodology** to support lending to women-led MSMEs



Demonstration that **non-financial business support services** are integral to serving business customers



Cultivation of a **strategic gender focus**

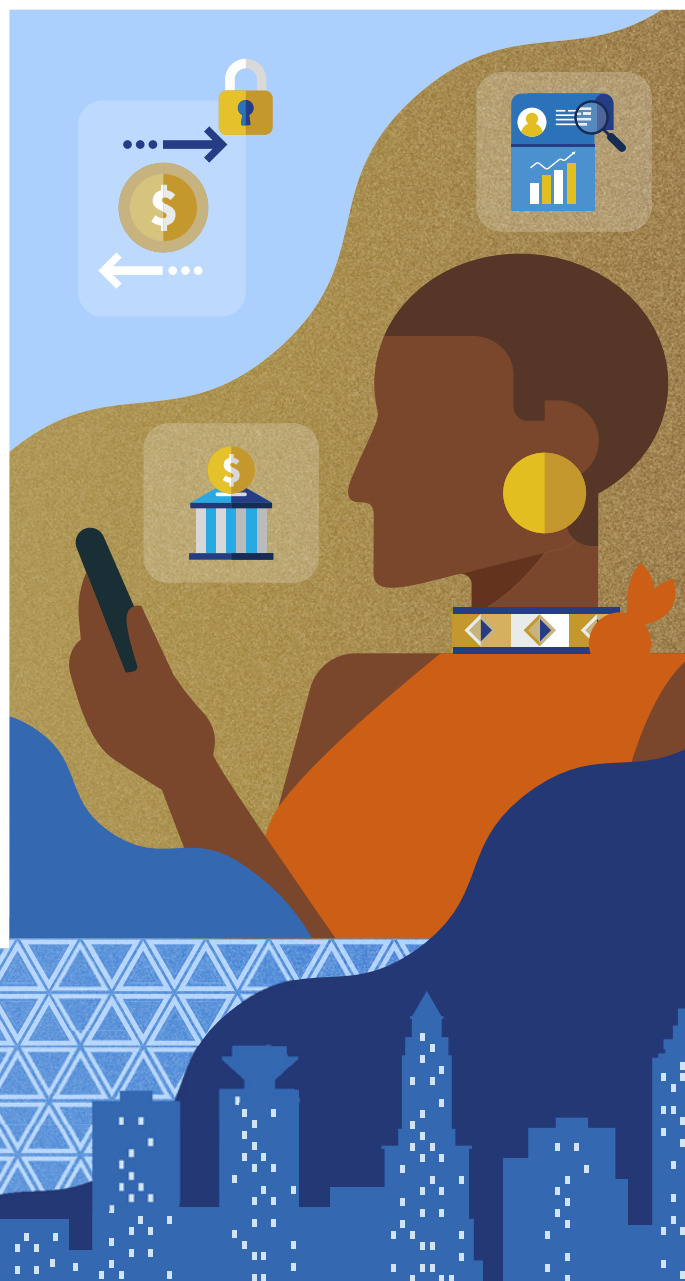




## Relationship management

Customer research indicated MSME owners share some key priorities when choosing a bank. First, they want representatives who understand their businesses. Second, they want a dedicated point person who can respond to both their business and personal financial needs. Finally, they want confidentiality. These priorities are in addition to the product features and efficiency that most customers look for.

KCB and Women's World Banking responded to these priorities by transforming MSME bankers into relationship managers, encouraging them to take a comprehensive view of customers' businesses and needs. The project team deployed scripts for relationship managers to follow up with customers and promote cross-selling of additional products. Women's World Banking initially trained 78 staff in relationship management, and KCB's Training Academy further trained additional staff for the rollout of the proposition, resulting in a total of 566 trained KCB staff. The relationship management training focused on how to establish and maintain long-term relationships that provide value to an identified group of MSMEs, maximizing commercial benefit to both the bank and its customers. The training covered topics such as approaching and understanding customers, communicating effectively, selling and cross-selling, and following up.



## Cash flow-based credit assessment methodology

Previously, KCB determined the credit worthiness of prospective customers through account turnover of the business accounts held at the bank and traditional collateral. These criteria not only limited the bank's visibility of the true size and potential of the businesses, but also affected the ability of women-led MSMEs to access credit. KCB was also using audited accounts on which to base lending, but the majority of women-owned MSMEs do not keep audited financial accounts.

Together, Women's World Banking and KCB adapted the credit assessment to a cash flow-based methodology. The change brought relationship managers out from behind their desks and into their customers' businesses, enabling them to gain a deeper understanding of these

businesses and make stronger credit recommendations. A total of 566 relationship managers were trained in the new methodology. KCB initiated credit panels at the branch level to support rigorous credit assessments and serve as an important learning forum for branch staff as they become more familiar with the new methodology. Credit Risk staff were included wherever possible to ensure applications met their standards before being transferred from the branch to Credit Risk for approval. In addition, the project team provided capacity building for field coaches. KCB deployed these coaches as branches launched the proposition to ensure the new approach was properly implemented.

Feedback from both headquarters and branch staff on the impact of the credit methodology indicates that the new proposition has supported a more thorough and accurate evaluation of credit worthiness and allowed for stronger risk assessment. These improvements are especially notable given the lending environment in the market and at the bank.





## Non-financial business support services

KCB provides business support to customers through their Biashara (“business”) Club. The Biashara Club offers a variety of services, including seminars and workshops, business trips, networking opportunities, negotiated forex rates, a corporate credit card for eligible customers, and personalized banking services such as a dedicated queue at branches. From the project start through December 31, 2019, 3,422 customers joined the Biashara Club from the proposition branches, bringing the total membership to 11,091 customers.

An assessment of the Biashara Club aimed to identify gaps and opportunities in curriculum, outreach and delivery. The assessment found that while the club was a strong resource for MSMEs, customers wanted more information on practical business challenges such as taxation, regulation, and personal finances. Additionally, customers expressed a desire for additional access to networks through the club. The assessment indicated the need for tracking of membership status and activities. As a result, the project supported management of the Biashara Club through KCB’s Customer Relationship Management (CRM) system. The system was amended to include a marker indicating a customer is a Biashara Club member, and incorporated room to note areas of interest and event attendance. This system better facilitated the work of the Biashara Club Relationship Managers, who were previously extracting and managing data manually.

Beyond existing Biashara Club activities, KCB partnered with the African Management Initiative (AMI) to offer the Grow Your Business Programme, a 6-month blended learning program, to Biashara Club members. Cohort from December 2017 to June 2018 included the first 34 participants, of which 13 were women. The second cohort from March to September 2018 had again 34 participants, of which 19 were women.



## Strategic gender focus

The proposition enabled the bank to better understand their current outreach and service to women-led MSMEs as well as areas for improvement. Called the “Women’s Proposition” internally, the program included a gender sensitization training, which addressed unconscious bias, affecting the way that bankers choose which customers to target and how to manage those customers.

The training also covered how relationship managers can be sensitive to gender, when to consider market-specific factors, whether decisions might include potential biases, why to focus on women customers, and how to apply the gender module within the relationship management model.

To ensure the proposition met the objective of serving women-led MSMEs, KCB updated its core banking system to be able to track whether businesses were, in fact, “women-owned” or “women-led”. This update included collecting detailed data related to the gender of the business shareholders and building rules into the system to assign gender to business accounts (using the IFC definition of a woman-owned or woman-led business). As of December 2019, the data fields are currently mandatory, and rules to assign gender have been implemented. While it will take some time to ensure the quality of the data being collected and reported, this data will enable the bank staff to begin to understand their gender performance.



# RESULTS

*The proposition was effective in meeting the business goals of KCB, as well as the objective of supporting women-led MSMEs to grow their businesses.*

The introduction of the proposition started with a pilot in five branches in April 2017 and expanded to an additional five branches in October 2017. Following the success of the pilot, KCB rolled out the proposition to an additional 90 branches over the next two years. As of December 31, 2019, KCB had disbursed 3,676 loans valuing KES 10.8 billion (about \$98 million U.S. dollars) under this new approach, with non-performing loans of only 1.5 percent. Under the initiative, there were 75,683 accounts opened with a total of KES 8.9 billion (\$82 million U.S. dollars) in deposits (see Table 1 for details).

From the bank's perspective, there were two key criteria for success of the proposition: the ability to maintain their MSME portfolio in the face of a challenging lending environment in Kenya, and the quality of that portfolio in terms of repayment.



**Table 1:  
KCB Proposition Summary**

Total loans disbursed	Value of loans disbursed	Non-Performing Loans	No of accounts opened	Value of deposits	Net promoter score
3,676	KES 10.8B	1.5%	75,683	KES 8.9B	47

Note: Information current as of December 2019. Source: KCB (2020).



## 1 MSME Portfolio



An interest rate cap was introduced by the Central Bank of Kenya in September 2016 in an effort to help small traders access capital at affordable rates. This cap was reduced further over the life of the project and stood at 4 percentage points above the Central Bank of Kenya's rate of approximately 9 percent for some time. Consistent with the industry response, these interest rate caps affected KCB's appetite for lending over the course of the project<sup>4</sup>. However, the SME portfolio was able to be maintained, especially in branches utilizing the new cash flow-based lending methodology. Branch managers from pilot branches reported higher rates of loan approvals, prompting other branches to request to be trained on the new methodology.

## 2 Portfolio Quality



Non-performing loans (NPL) was 1.5 percent, indicating that the methodology has continued to enable KCB branch staff to identify borrowers with strong repayment capacity while also expanding access.

*Further, the project achieved two additional objectives — increasing lending to women, and promoting the growth of the MSMEs receiving the financial and business support services.*

## 3 Increased Lending to Women



Over the course of the proposition, women's access to credit increased. When the program first started, only 22 percent of MSME loans to sole proprietors went to women. In branches where the new proposition was rolled out, lending to women-led businesses grew to over 50 percent of the MSME loan portfolio. While the new data includes lending to women-led businesses (owned by multiple partners), which was previously unavailable data, we believe this still represents a significant increase in overall lending to women. This increase could be attributed to a number of factors, but two that stand out are, first, cash flow-based lending which increased data on businesses and, second, the gender sensitization training provided to staff at the relevant branches.

## 4 Enterprise Growth



We also saw growth in businesses that received the proposition. Looking specifically at slightly larger loans, as of December 31, 2019, 70 percent of businesses with annual turnover of KSH 6 million and above had grown. Overall, these larger businesses had an annualized average growth rate of 10 percent.

These results have demonstrated the value of the proposition, and KCB is planning to roll out the proposition to over 210 branches in 2020.

<sup>4</sup>The Central Bank removed the interest rate caps in November 2019, and lending was expected to increase in early 2020.



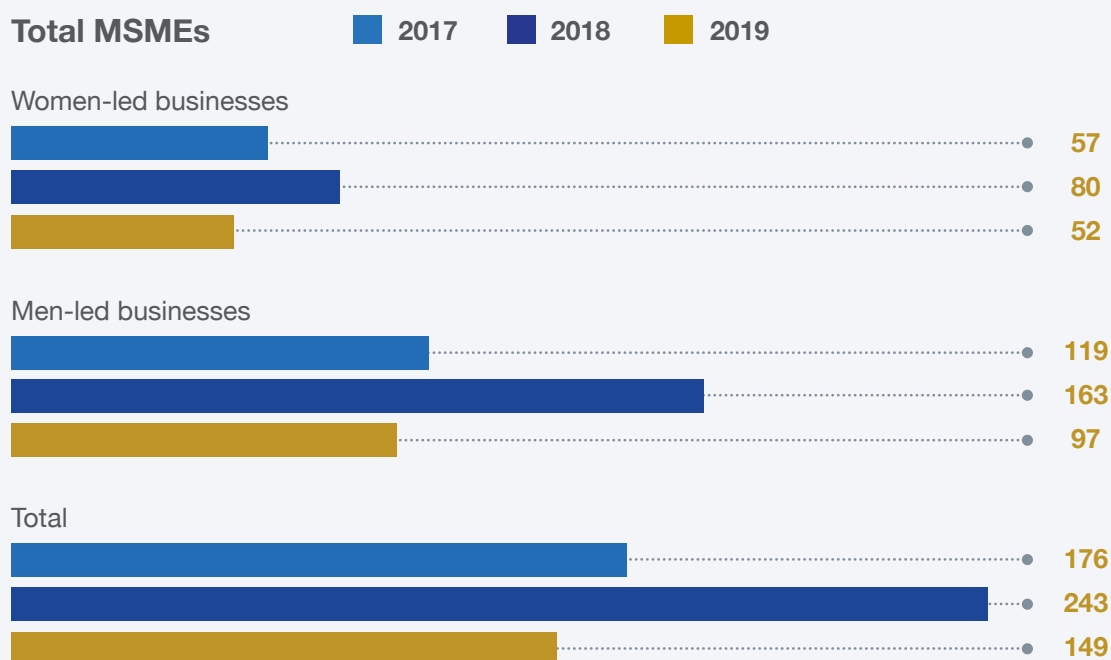
# ASSESSMENT METHODOLOGY

*To further understand the outcomes experienced by MSME customers, Women's World Banking conducted a mixed-methods evaluation of the program. The evaluation included two main components: a survey and qualitative interviews.*

## Survey

The evaluation included 568 face-to-face interviews with KCB's MSME customers in three consecutive years in Nairobi, Machakos, and Kiambu<sup>5</sup>. Women's World Banking engaged a local research firm to conduct the quantitative research. We tracked 72 of the same businesses across all years, while the remaining MSMEs surveyed changed over time. Table 2 shows the total number of interviews conducted in each year. Across all years, one-third of the sample are businesses that are women-led.

**Table 2: Survey sample (Number of interviews)**



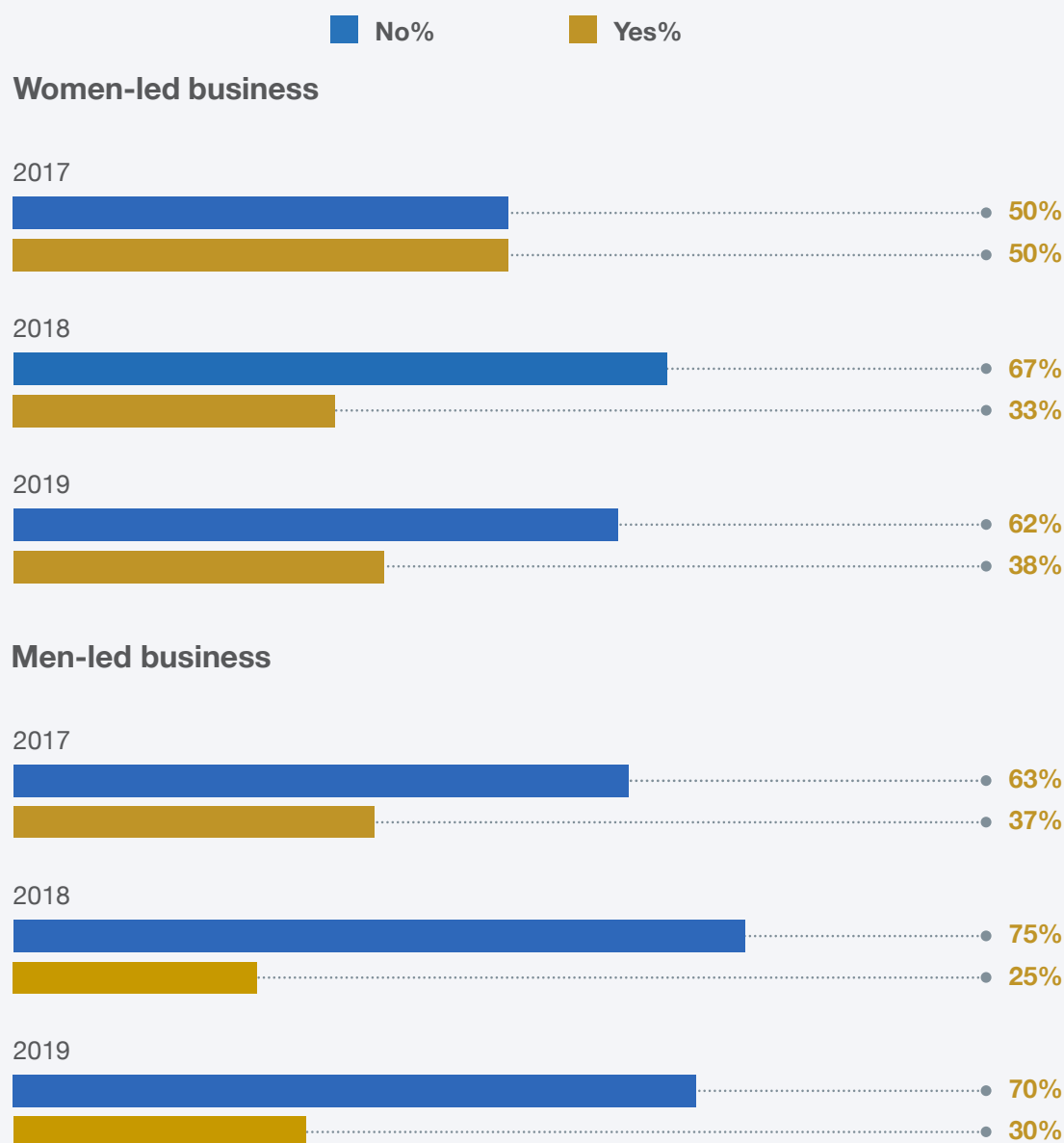
<sup>5</sup>The team collaborated with a local research firm, Brooklyn Economics, to develop the survey questionnaire, select the sample, coordinate with KCB for outreach, and administer the survey to MSME customers. Brooklyn Economics conducted the baseline survey in September/October 2017, the mid-line in May/June 2018, and the end-line survey in July/August 2019.





Among those surveyed all three years, women-led businesses were more likely to have taken a loan from KCB than businesses led by men (see Table 3). Among respondents, smaller MSMEs were more likely to use loan services whereas larger MSMEs were more likely to use the Biashara Club services. During 2018, we saw a drop in borrowing within the sample, which then picked up again in 2019. Notably, more than 50 percent of both men and women-led businesses that took a loan at KCB during the three-year survey period did so more than once, indicating that the relationship management helped to retain customers.

**Table 3: Descriptive statistics for men and women-led businesses (KCB loan)**



Note: Includes only respondents interviewed in all three years.

## Qualitative research

The evaluation included qualitative research with KCB clients, to complement the quantitative survey findings. Women's World Banking engaged an external firm to conduct the qualitative research, just as we engaged a firm to conduct the quantitative research<sup>6</sup>. The firm conducted a total of 15 individual interviews with respondents selected to enable deeper insights on key themes identified from the survey results. The interviewed businesses consisted of seven male-led, seven women-led, and one co-led business.

<sup>6</sup>The team collaborated with a local research firm, African Stats, to conduct the qualitative research, including assisting with the research instruments and conducting the interviews.



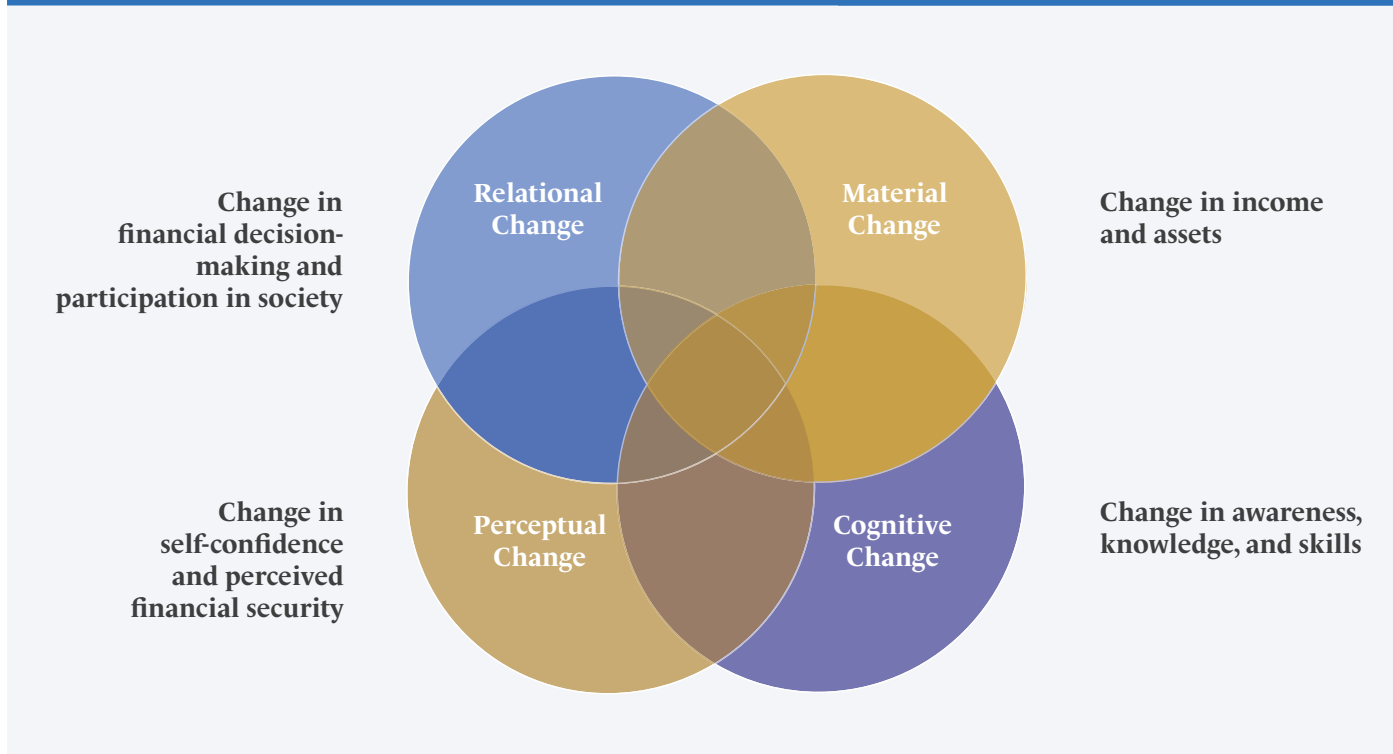
## OUTCOMES

### *Customer outcomes: Business growth and economic empowerment*

The evaluation focused on key economic and personal outcomes among MSME customers who accessed the optimized financial and business support offered by KCB.

Women's World Banking employs Martha A. Chen's<sup>7</sup> model for women's economic empowerment that measures change along four dimensions: material, cognitive, perceptual and relational change.

**Figure 1:  
Empowerment Framework**



A key objective of the program was to support the growth of MSMEs, demonstrating material change in their businesses. We measured business growth through annual profit, number of employees and number of outlets.

<sup>7</sup>Chen, Martha Alter, and Simeen Mahmud. *Assessing change in women's lives: a conceptual framework*. BRAC-ICDDR, B Joint Research Project, 1995.





## Profit

We found that KCB's SME customers experienced modest increases in profit, although profit did fluctuate over the course of the study, reflecting the changing economic environment and election-related unrest in Kenya<sup>8</sup>. MSME respondents estimated their profits in a good month and their profits in a bad month during the 12 months preceding the interview. Among the businesses interviewed in all years, median profits decreased in 2018 and picked up again in 2019 reporting a 17 percent increase compared to 2017 profits for good months.

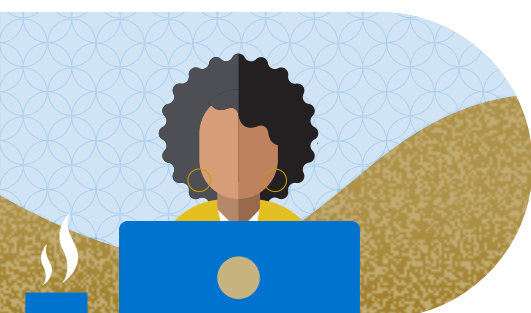
Median profits in bad months remained relatively stable over the first two years and increased by 10 percent in 2019 (see Table 4). Fluctuation in profits in good months holds for both women-led and men-led businesses, although women-led businesses started with lower profits in 2017 than men-led businesses. In bad months, median profits decreased more for women than for men during the survey period. Since women-led businesses tend to be smaller, this finding may be reflective of smaller businesses in general being more vulnerable to economic shocks.

**Table 4:**  
**MSME profits in good and bad months (KES)**

	Median profits in good months	Median profits in bad months
<b>2017</b>	<b>150,000</b>	<b>50,000</b>
<b>2018</b>	<b>90,000</b>	<b>50,000</b>
<b>2019</b>	<b>175,000</b>	<b>55,000</b>

Note: Includes only respondents interviewed in all three years.

<sup>8</sup>In 2017, a highly contested presidential election led to political unrest across the country. The unrest led to broad economic challenges due to security issues. MSMEs were particularly affected, as many businesses that receive government contracts were not paid.



## Number of employees

Among the sample interviewed all three years, the median number of employees for businesses increased slightly, from 5 to 7.25 employees<sup>9</sup> (see Table 5). While women-led businesses showed a decrease in median number of employees during the survey period from 4.5 to 3, men-led businesses increased the number of employees from 5 to 8.5. This difference could point to smaller businesses having a harder time recovering from a challenging economic context.

MSMEs that took loans had higher growth in their employees. Businesses that had obtained loans from KCB within the preceding 12 months showed a large increase in their median number of employees from 3.75 to 8 compared to the increase from 5 to 7 employees in businesses that did not take loans from KCB. This is an indication that businesses that were growing were taking loans from KCB. Biashara Club members reported a larger median number of employees compared to businesses that were not part of the Biashara Club.

**Table 5:**  
**Number of employees for MSMEs (2017-2019)**

	Women-led MSME (median)	Men-led MSME (median)	Overall MSME (median)
<b>2017</b>	<b>4.50</b>	<b>5.00</b>	<b>5.00</b>
<b>2018</b>	<b>3.75</b>	<b>7.00</b>	<b>6.75</b>
<b>2019</b>	<b>3.50</b>	<b>8.50</b>	<b>7.25</b>

Note: Includes only respondents interviewed in all three years.

<sup>9</sup>The number of employees was calculated by counting the number of full-time employees and adding part-time employees at a discounted weight.



## MSME footprint

The majority of MSMEs in our sample reported maintaining only one outlet or business location over the entire survey period (see Table 6). In 2019, however, more businesses reported at least six outlets, which can be explained by an increase in businesses focused on mobile money. Consistent with having fewer employees, women-led businesses also reported fewer outlets or business locations than men-led businesses. Over the survey period, businesses with more outlets were more likely to take loans from KCB than businesses with fewer outlets. Nearly 40 percent of Biashara Club MSMEs had more than one outlet at the end of the research period.

In the qualitative interviews, KCB customers reported that they valued borrowing from KCB and that loans were helping them grow their businesses. In particular, they appreciated the long repayment period, which mitigated cash flow challenges.

**Table 6:**  
**Number of outlets for MSME interviewed in every year**

### Number of outlets (percent of businesses)

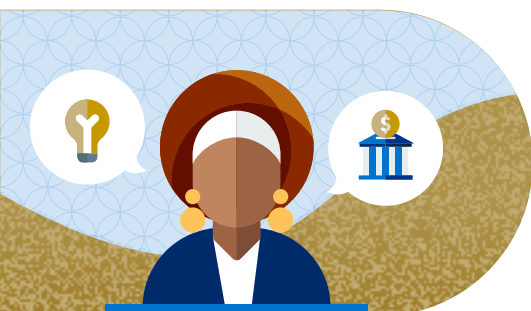
	1	2	3	4	5	6+
2017	68%	21%	7%	3%	1%	0%
2018	76%	19%	1%	0%	3%	0%
2019	68%	13%	7%	7%	0%	6%

Note: Includes only respondents interviewed in all three years.



*“I got a loan from KCB, and it helped to improve my business because I was to repay in a period of two years. If I get another one for one or two years this can make my business to grow very well.”*

Micro Enterprise,  
Male - Nairobi



## Perceived business skills

Business owners and managers also gained knowledge and skills as they accessed KCB services, leading to both cognitive and perceptual changes, especially among women. Respondents ranked their skills in a variety of areas, including operational management, financial management, ability to navigate regulations, marketing, and customer care, and assembled this ranking into an index. While there was some positive movement in the respondents' confidence in their ability to use these skills from 2017 to 2018, these gains disappeared in 2019 for both men and women-led MSMEs (see Table 7).

However, men and women differed in their perception of their skills. Among women-led businesses, perceptions about their business skills across all years were higher than for men-led businesses. As this sample was composed of active customers from 2017 on, the difference could stem from self-selection of more confident women customers.

In terms of perceived business skills, we do not see a notable difference between businesses that took a KCB loan and businesses that did not take a loan. Experience in doing business was also highly linked to perceived business skills. Some interviewees attributed increased business skills to their experience, even though the sample showed differences between skills perception that could be explained by having taken a loan or not. As one customer said:



*“When you start a business, you must know a little bit of everything; or learn it over time. The more you do it the more experienced you get. That’s what has happened.”*

Micro Enterprise,  
Male - Nairobi

**Table 7:**  
**Perceived business skills (2017-2019)**

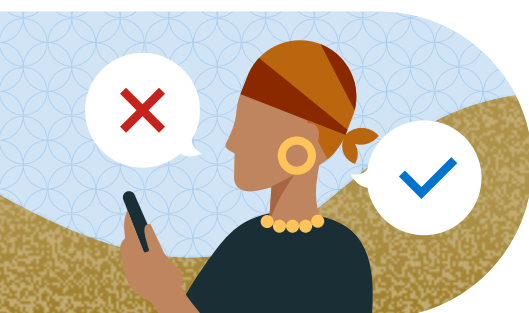
### Women-led MSME

Index	0	0.4	0.6	0.8	1
2017	5%	9%	14%	27%	45%
2018	0%	9%	0%	23%	68%
2019	9%	5%	9%	18%	59%

### Men-led MSME

Index	0	0.2	0.4	0.6	0.8	1
2017	10%	0%	10%	25%	20%	35%
2018	3%	0%	10%	13%	8%	68%
2019	10%	5%	8%	10%	25%	43%

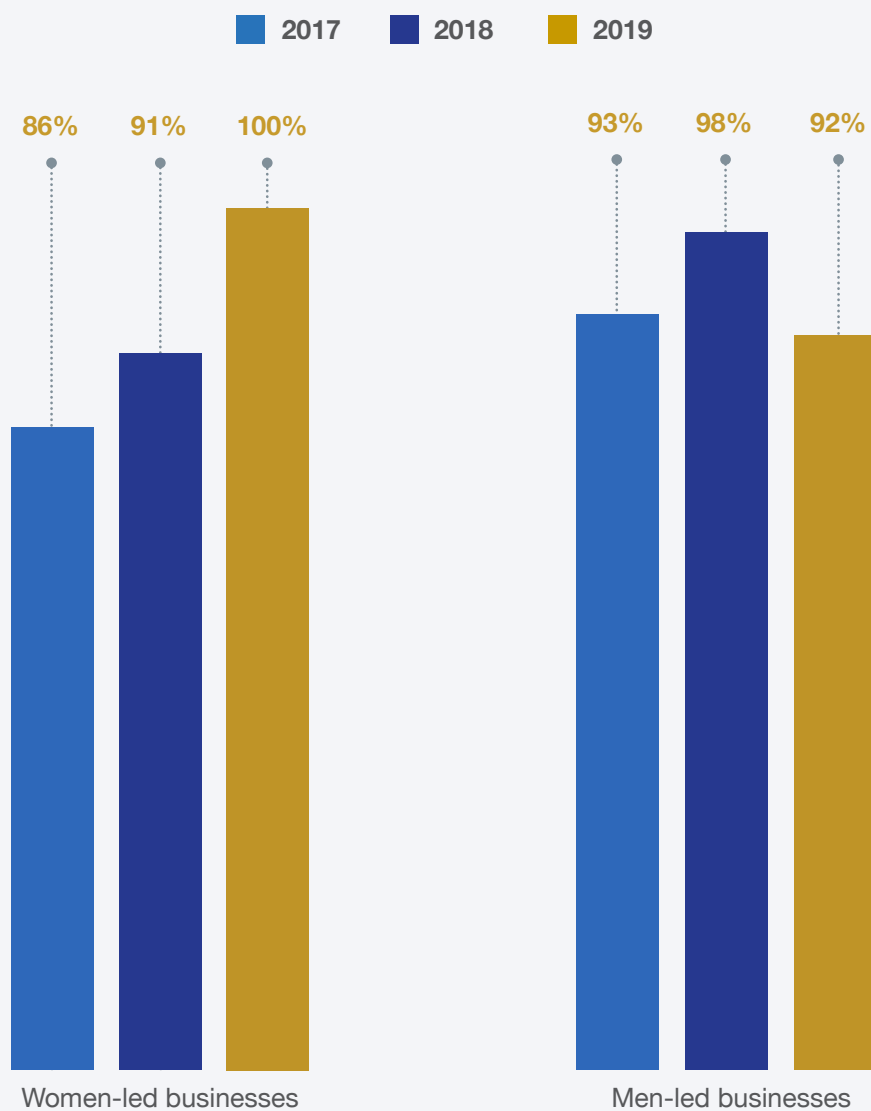
Note: Includes only respondents interviewed in all three years.



## Decision-making

The evaluation measured relational changes experienced by business owners, especially women. This was measured through asking the respondents to which extent they participate in decision-making on business growth, finances, employees and inventory/service provision. The decision-making index was constructed by averaging the instances in which the respondent said they participated in decision-making to some degree. For businesses interviewed every year, participation in all decision areas increased. Women-led businesses benefited most as 100 percent of women-led businesses reported participating in all types of decisions by 2019, up from 86 percent in 2017 (see Table 8).

**Table 8: Decision-making index among MSME leaders (2017-2019)**



Note: Includes only respondents interviewed in all three years.



## Outcomes for the financial service providers

Women's World Banking recognizes the importance of ensuring that positive customer outcomes are reflected in the business needs of the institution. This proposition was resource intensive, involving changes to the core banking and CRM systems, loan portfolio, staff training, and additional customer offerings. Nevertheless, KCB recognized the value in the proposition and has since rolled out the solution to 100 of its branches, planning to reach over 210 branches by the end of 2020. A few of the ways the proposition added value to the institution include:

## Customer service

A survey of MSME customers found that the percentage who reported having had an excellent experience with KCB staff handling their requests and applications grew from 20 to 29 percent between 2017 and 2019. As one customer put it:



***“They are professional and responsive, I have a relationship manager, and my interaction in the branch is always positive because I go to the express Biashara Club counter.”***

Small Enterprise,  
Male - Nairobi

Other customers had a less positive experience, but understand that their experience was linked to special economic circumstances:



***“So they lack consistency in giving response to an inquiry. And then, definitely because of the interest rates, they have also been very nonresponsive to businesses, and we don't know whether that will change, but either way it's just time and we will see.”***

Small Enterprise,  
Female - Nairobi

Overall, customer experience improved significantly over the course of the program. KCB surveys with SME customers found that satisfaction increased over time and Net Promoter Score (likelihood to recommend) had increased from a score of 2 to a score of 47 in 2019.





## Customer loyalty

The Biashara Club increased in relevance among the interviewed businesses over the survey period, for both men and women-led MSME survey respondents as shown in Table 9. At the outset, 25 percent of the surveyed women-led MSMEs were part of the Biashara Club. By 2019, this number had grown to 38 percent. For men, the increase in membership was even greater, growing from 29 percent to 52 percent between 2017 and 2019. This increase in Biashara Club membership indicates that the services and networking opportunities of the club are meeting KCB customers' needs.

The survey of MSME customers found that awareness of the Biashara Club went from 26 to 82 percent over the course of the project. The respondents learned about the club from bank relationship managers and other business people. In 2019, respondents who had loans from KCB had a higher awareness of the Biashara Club (94 percent) compared to those who did not have loans (75 percent). For businesses interviewed in 2017 and 2019, membership in the club increased from 29 to 47 percent. Of the Biashara Club members in 2019, over 41 percent attended Biashara Club trainings and/or seminars.

KCB customers who participated in workshops and trainings through the Biashara Club found them very useful. As KCB customers recount:



*“After attending the training sessions, I learned a lot about management. My only technical expertise was early childhood teaching and not in business management. Based on the training, I formed a management committee comprising staff and parents. Half of the members of the committee were males because I found them good in building and infrastructure development and the other half were females who had some strengths in managing finance. Since then I found management of the school very efficient.”*

Small Enterprise,  
Female - Machakos



*“The training KCB gave us a tip on how you can operate a business while you are away through digital ways of managing business. There is also an aspect of using digital platform of advertising business.”*

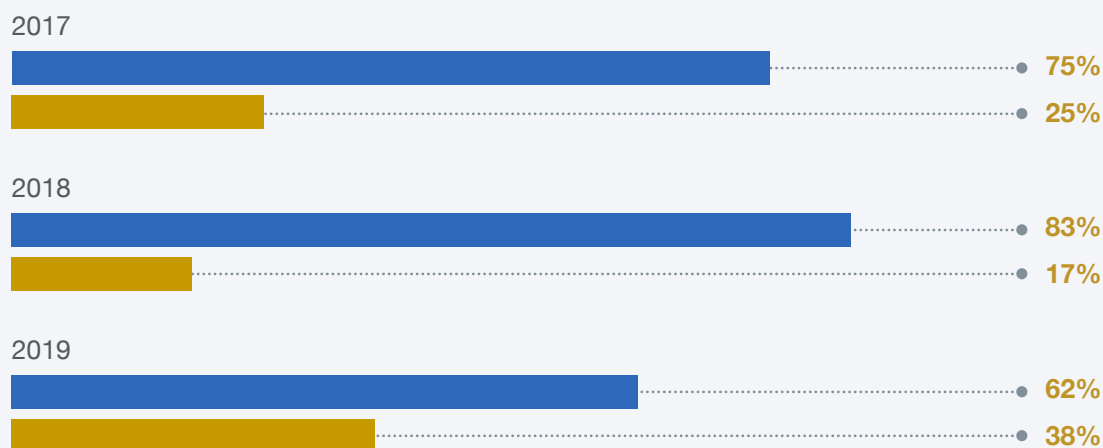
Small Enterprise,  
Female - Machakos



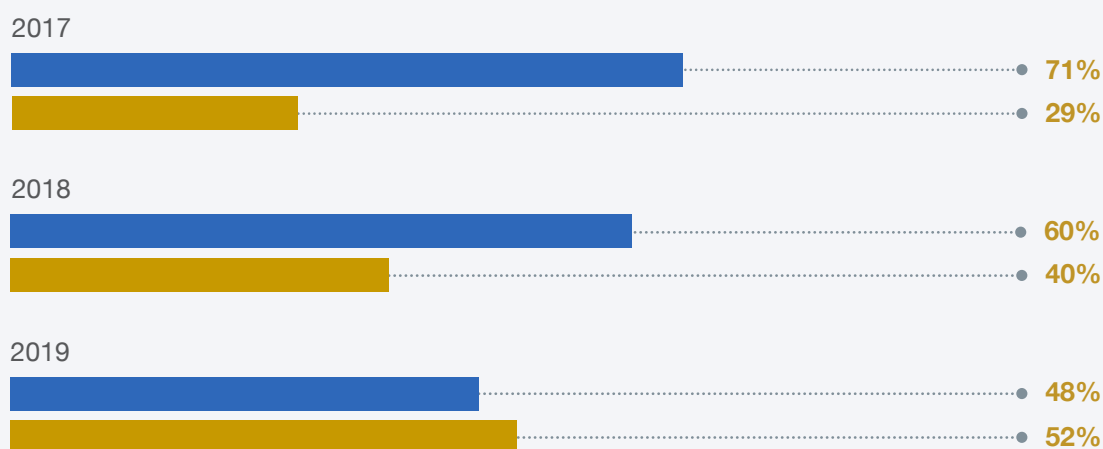
**Table 9: Descriptive statistics on  
Biashara Club membership for men and women-led businesses**

■ No%      ■ Yes%

### Women-led business



### Men-led business



Note: Includes only respondents interviewed in all three years.



## Recommendations for Financial Service Providers

*While the project focused on one institution in the context of Kenya, the analysis has implications for financial services providers supporting MSMEs around the world.*

1

Change in portfolio requires communication at all levels

2

New lending methodologies are worth the experiment

3

Coaching requires testing and iteration before full rollout

4

Internal and external challenges will disrupt results

5

Staff who take ownership will be more effective



1

### Change in portfolio requires communication at all levels:

The dramatic difference in lending rates to women in branches that received gender sensitization training versus those that did not receive it underscores the importance of staff communication. Institutions can increase quality and frequency of communications to ensure understanding of the proposition bank-wide, including sharing of best practices from regions already successfully implementing the proposition.

2

### New lending methodologies are worth the experiment:

The cash flow-based methodology that the institution employed differed from its traditional credit assessment methodology. This methodology improved lending, without increasing NPL. Maintaining success requires tight coordination and collaboration between branch staff and the Credit Risk Department.





3

## Coaching requires testing and iteration before full rollout:

As part of the proposition, the team tested a number of different coaching and support techniques. Once these techniques are refined, institutions can implement a full rollout.

4

## Internal and external challenges will disrupt results:

Institutions should expect both internal and external challenges to disrupt plans. Some of these challenges can be anticipated, such as staff turnover planning.



5

## Staff who take ownership will be more effective:

Assigning staff to specific customers was effective in increasing loyalty and engagement. Staff ownership of the changes is a critical component of the success of this. For KCB, this means implementation of the Branch Excellence Model, a model whereby branch staff are responsible for the business and personal needs of all business customers.



These recommendations can help socially-focused financial services providers to pursue one of the most elusive challenges in financial inclusion — how to facilitate growth of MSMEs. We found that with these changes — tailored financial services alongside support services like business networking and training — positive growth in businesses and a number of other economic empowerment indicators are possible. While these findings are encouraging, it is worth noting KCB's extraordinary efforts to achieve the results. The intervention was a significant investment, and we credit much of the success of the program to KCB's tenacity and commitment to serving and facilitating growth among women entrepreneurs. We hope this evidence encourages other financial institutions to invest in their women customers in these and other ways.



**Women's World Banking**

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## Empowering MSMEs

**Creating a Better Banking Experience for Women-Led  
Micro, Small and Medium Enterprises in Kenya**