The world’s emerging economies do not generate enough formal jobs. Unable to find proper employment, over a billion people remain in poverty. Growth-oriented 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 in particularly acute amongst women-led SMEs. For example in Kenya women access only 9% of available credit despite running 25% of the countries’ SMEs.

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:

1. Lack of understanding about SME customers’ needs and gaps. Very limited customer research has been done and no banks track gender-disaggregated data.

2. Fragmented business model for service the SME sector: SME customers are commonly served by multiple points of contact at a bank.

3. 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.

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.

**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)