

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

“The MSME sector in Kenya is a major contributor to socioeconomic development, providing 50% of the country’s employment and contributing 28.5% of its GDP in 2016. Despite its importance, the MSME sector faces constraints such as lack of access to capital and the lack of an enabling policy environment that limit the growth of MSMEs. Access to finance is an even greater challenge for women-owned MSMEs. In 2017, there was a 30% gap in financing between men and women-owned businesses. “One of the key barriers to accessing credit among women-owned MSMEs in Kenya is collateral”; lack of property rights and norms, and cultural constraints result in women being effectively disenfranchised (WWB, 2020).

“Women's World Banking (WWB) developed a multipronged solution in cooperation with Kenya Commercial Bank (KCB) to address identified business challenges and customer needs.”

## Quick facts

### Barriers addressed



*Prerequisites*

[Lack of credit history >](#)



*Social norms*

[Biases that center men as financial customers >](#)

### Segment focus

1 2 3 4

### Geography

[Kenya >](#)

### Sources

[WWB, 2020.](#)

### Customer Journey Relevance



### Key stakeholders involved

Kenya Commercial Bank (KCB),  
Women's World Banking (WWB)

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## Key activities

In partnership, WWB and KCB conducted the following:

- Analyzed administrative data, interviews with bank staff at all levels, and focus group discussions with customers and potential customers (both male and female) to identify concrete business challenges and customer needs.
- Used insights to develop a multipronged proposition that was piloted in five branches in April 2017, expanded to five additional branches in October 2017, and had been rolled out to 207 branches by the end of 2020.

The proposition consists of four primary components:

- “Development of a relationship management model that 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”

## Outcomes/results

- Participation increase in decision-making on business growth, finances, employees and inventory for women-led businesses.
- Women’s access to credit increased. “At the start of the program, only 22% 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% of the MSME loan portfolio.”
- Impact on women-led businesses:
  - 10% annual average growth rate of 70% of bigger businesses
  - Increase in median profits: 17% in good months, 10% in bad months

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## Key enabling environment factors for the intervention

- KCB is a major African commercial bank with a strong commitment to serve the women's market. KCB saw a strong business case for improving the offer for women-led businesses as only 22% of borrowers were women and only 9.6% of SME account holders had loans.
- The strong partnership between KCB and WWB enabled success.

## Key design elements and principles that led to successful outcomes

- Close monitoring of numbers during the pilot phase of the program allowed the bank to confirm the business case early on
- The process of testing and iterating the models/techniques in a few branches, and then incorporating improvements and rolling it out to more branches

## Challenges encountered during the program

- At the beginning, KCB was not collecting sex-disaggregated data on their clients making it impossible to know their gender performance and to do something about it. However, the systems were changed so as to make sex-disaggregated data collection part of the usual process.
- A disconnect between the credit risk staff at headquarters (where loan applications were approved) and the branch staff (where applications were prepared) at the early part of the project. "Credit panels at the branch level were initiated to support rigorous credit assessments and credit risk staff were included where possible to ensure applications met their standards."

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## Challenges encountered during the program (cont.)

- Bankers at the branch level weren't focused on broadening their loan client base because their attention was on multiple other tasks, such as loan renewals, opening accounts or handling customer inquiries. KCB created a dedicated salesforce whose goals were consistent with the goals of the new proposition to broaden their loan client base.

## Recommendations from the research

For FSPs:

- Change in portfolio requires communication at all levels to ensure there is alignment and buy-in from staff at all levels. Gender sensitization training for staff, and increase in quality and frequency of communications to ensure understanding of the proposition bank-wide – including the sharing of best practices from regions already successfully implementing the proposition are some potential interventions.
- Experiment with new lending methodologies and ensure tight coordination and collaboration between branch staff and the Credit Risk Department.