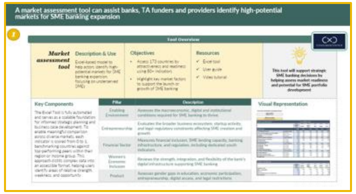
INVEST
The Process for Unleashing SME Banking

Executive Summary for Banks

November 2025

Note: This report was made possible through support from the Argidius Foundation on behalf of the Growth Firms Alliance. It does not necessarily reflect the views of other GFA sponsors, who did not participate in its development.

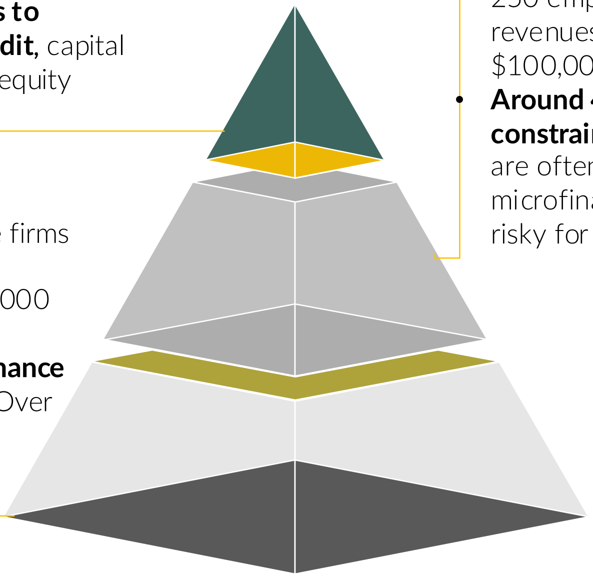
The toolkit includes resources to help banks and other stakeholders apply the INVEST process effectively

	Executive summary	Knowledge product	Toolkit	Toolkit guide
	*A **high-level summary** designed to quickly convey the purpose of the Toolkit and the INVEST process*	*Document that provides the **rationale for the Toolkit** by highlighting the SME banking gap and introducing INVEST as an effective approach to address it*	*An open and public **digital platform** that provides both TA funders and banks with a suite tools to support them through INVEST Process to unleash SME banking.*	*An **overview guide** that introduces the INVEST Toolkit and offers an overview of its contents through descriptive one-pagers for each tool*
Banks	Current piece 			
TA Funders and Providers	*Find the TA funder and TA provider version [here](#).*	*Find the TA funder and TA provider version [here](#).*		*Find the TA funder and TA provider version [here](#).*

Commercial banks can unlock $5.7 trillion by supporting underserved SMEs

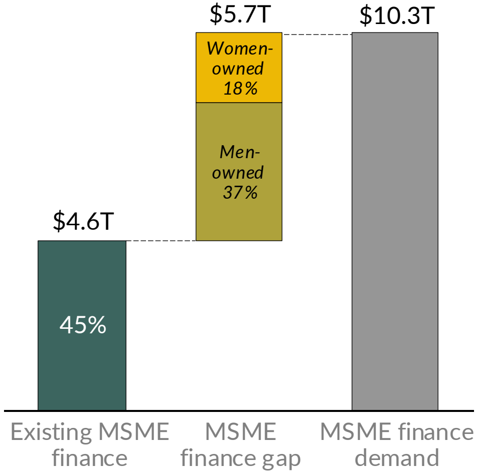
- **Large enterprises** are firms with 250+ employees, usually earning more than $15 million annually
- **They have full access to commercial bank credit**, capital markets, and private equity

- **Microenterprises** are firms with <10 employees, typically under $100,000 in annual revenue
- **They rely on microfinance or informal lenders.** Over 60% have sufficient financing.



- **"The missing middle" SMEs** are firms with 10–250 employees and revenues between $100,000–$15 million
- **Around 44% are credit-constrained** since they are often too large for microfinance but too risky for banks

$5.7 trillion
Annual financing gap for formal MSMEs in emerging economies



The largest gaps are in Latin America, Sub-Saharan Africa, and East Asia & Pacific

<u>**SME definition**</u>: The INVEST Toolkit focuses on formal SMEs, aligning with IFC's SME definition (10–250 employees and annual revenues between $100,000–$15 million). Organizations are encouraged to adapt it as needed to align with their internal SME definitions and country context.

Sources: IFC. (2025). MSME Finance Gap

However, banks struggle to grow SME portfolios because their models are not tailored to SME needs

Overview of existing challenges

Lack of understanding of the heterogeneous market

The SME market includes **a wide range of firms**—based on size, maturity, and industry—**with very different needs and risk profiles**

> *"**SMEs are diverse** in their size and nature, and **their financing needs differ accordingly**. There is **never going to be a single model** that 'fixes' the SME financing gap."*
>
> *– British International Investment*

Lack of SME market segmentation

Banks often do not properly segment the SME market and **develop portfolios that are not reflective of** financial and non-financial product **needs**

> *"**Understanding the needs of SMEs** and getting segmentation working **is very critical to match these with the services offered.**"*
>
> *– Stanbic, Head of Enterprise Banking*

Inability to appropriately price risk

Standard credit scoring and risk tools are not adapted to SME operations (e.g., informal accounting, seasonality), leading to overpricing or exclusion of viable SMEs.

> *"Traditional **risk assessment tools need to be adapted** to take into account sector or geographic specificities."*
>
> *– FERDI*

Lack of investment in SME strategy and business model

Banks often **perceive SMEs as risky and lack the data** or internal tools **to size the opportunity**, leading to **underinvestment** in tailored **program design**.

> *"Banks need to be able to **determine the SME opportunity and have numbers** to justify investing in the business strategy."*
>
> *– KCB Head of SME Banking*

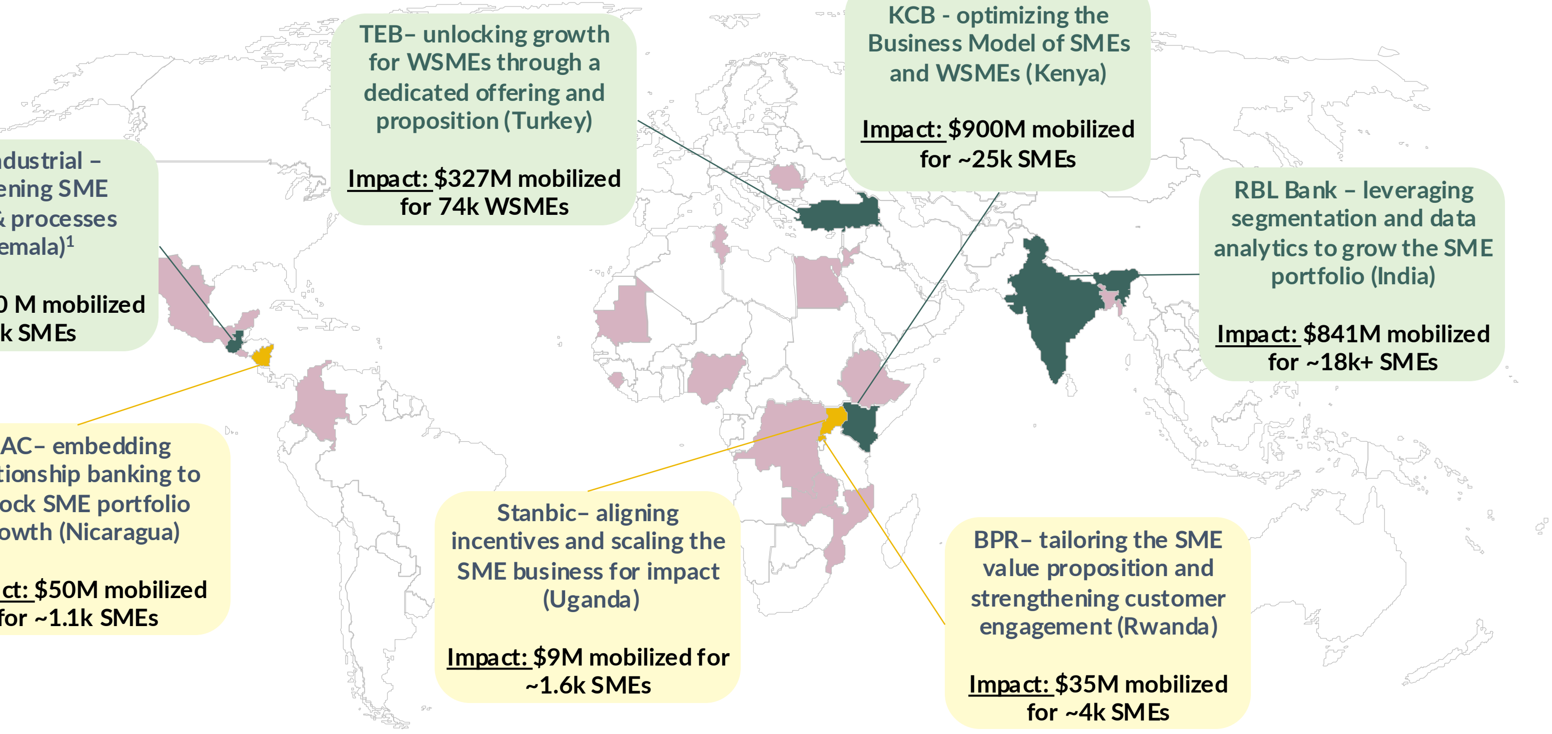
National policies and regulations offer little incentive for banks to serve SMEs. On the contrary, regulatory requirements such as strict collateral rules and loan classification standards discourage lending to agri-SMEs, which already receive less than 10% of commercial credit in East Africa.*

Note: This report and toolkit do not focus on this challenge, as it is primarily an ecosystem-level issue. **Sources:** FERDI. (2023). Financing SMEs in Africa: Rethinking the Role of Development Finance Institutions; BII. (2024). How and why we finance SMEs Aceli Africa. (2022). The Effect of Central Bank Policies on Lending to Agricultural SMEs in East Africa

After reviewing 20+ TA-supported SME banking programs, we identified what drives successful SME propositions

SME banking programs by outcome

High impact | Emerging impact | Additional initiatives reviewed



What good looks like: The exponential growth of KCB's billion-dollar SME banking portfolio

Bank Kenya Commercial Bank

Partners argidius, Women's World Banking, ConsumerCentrix

Outcomes

KCB's SME portfolio grew from $4 million in 2017 to $1.1 billion in 2025, with a $2 billion commitment by 2027

By 2025

Total capital mobilized

$1.1Billion

Repayment behavior
NPLs of 1.5% vs 15% national average

Profitability
SMEs are **KCB's 2nd most profitable segment**

Customer satisfaction
NPS increase to 47 on par with other segments

"The training KCB provided taught us how you can digitally operate a business while you are away, and how to navigate aspects of business advertising through digital platforms."
- Small Enterprise Owner, Female - Machakos

Context and problem

Most banks already have broad SME customer bases that typically hold savings accounts, make regular transactions, and engage with various banking services.

However, banks often miss the opportunity to profitably grow SME lending portfolios due to internal constraints that limit their ability to meet SME financing needs at scale, including:

- *A **lack of understanding of SME needs** and gaps **due to insufficient customer research** and lack of gender-disaggregated data*
- *A **fragmented business model** under which SMEs were commonly served through **multiple points of contact** at a bank*
- *A **lack of SME-appropriate lending products**—e.g., most were collateral based, which often limited access for SMEs that nonetheless had sufficient cash flow*

KCB uncovered a strong untapped opportunity within its existing SME customer base. Of the bank's ~1 million MSME account holders at the end of 2016, only 7% had a loan with the bank and only 1% utilized non-financial services offered through the SME membership program "Biashara Club".

Sources: Dalberg analysis based on interviews with TA funder representatives and internal program document review.

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Approach

Following the assessment, Argidius, WWB, and CCX supported KCB **through a three-year TA program**, starting with a 10-branch pilot and reaching 200+ branches by 2020. The TA **focused on improving KCB's SME offerings by:**

1 Conducting in-depth research and bank diagnostics

KCB began its research phase by:

- **Analyzing the market and segmenting WSMEs to understand** their unique financial and non-financial needs
- **Identifying the bank's capabilities and gaps** in serving WSMEs

2 Designing an optimized business model

Building on its research findings, KCB improved the value proposition of its SME offerings by:

- Upgrading the **bank's use of data and customer management**
- Implementing a new **cash-flow-based credit assessment**
- Shifting toward a **relationship-based management model**
- Upgrading the **non-financial services** offering

3 Building institutional alignment

The bank used a top-down approach to ensure change management at all levels and successfully serve women-owned SMEs by:

- Building staff buy-in through **internal communication campaigns**
- Providing **continuous training** to embed a women-focused culture
- Giving the Biashara Club team a **strategic position** within the bank

Intervention

Strengthening of the portfolio performance management

- **Upgraded its CRM system** to tag clients separately as individuals or businesses and to track gender-disaggregated data, enabling a clearer understanding of its customer base.
- **Designed reports and dashboards** to allow staff across levels to regularly monitor financial and non-financial service performance.
- Worked with the Head of SME Banking to **determine KPIs** and the reports IT and MIS teams should provide to support SME tracking.

Implementation of a cash-flow based credit assessment

- Shifted away from collateral-based credit assessments by **equipping relationship managers with cash-flow-based credit assessment models, visiting businesses** to build deeper understanding, and **introducing credit panels at the branch level** to strengthen assessments.

Development of a relationship-based banking model

- **Developed a relationship management model** which enabled KCB to foster relationships with SMEs, especially WSMEs.
- **Trained** 78 **staff in relationship management** throughout pilots; fully rolled out training to 560+ staff via KCB's training academy.

Expansion of KCB's non-financial services

- **Transformed KCB's Biashara Club into an effective provider of non-financial services** offering business networking and workshops, informed by better needs assessments and a partnership with the African Management Institute (AMI)

Why don't all SME banking programs match KCB's success?
The challenges and lessons learned of building and growing SME segments

Key challenges[1]	Description	Lessons learned
Lacking incentives to align priorities	**Even when banks commit to SME banking, they often lack clear internal incentives and accountability to treat it as a strategic priority.** As a result, SME business lines underperform or fail to reach their full potential.	A — Align incentives to support SME growth
Taking a product-first approach	**Many banks take a product-first approach to SME banking, launching generic offerings without understanding SME segment needs.** This limits their ability to deliver a coherent and compelling value proposition that resonates with SMEs.	B — Follow a process of Research & Diagnostics, Pilot and Refinement, and finally Rollout
Disregarding change management	**Banks often launch SME initiatives without ensuring that they can manage the organizational change this requires.** Without strong change management, these efforts lose momentum and fail to scale.	C — Manage internal change to sustain SME momentum

[1]**Note:** These challenges are based on insights from interviews with banks and TA funders, as well as a review of SME banking program documents.

INVEST is a process roadmap that guides banks through the critical questions at each stage of the SME banking journey

	Research & Diagnostics					Pilot & refinement	Roll out
Steps *(might not be linear)*	Assess the market	Understand the SME segment	Determining the business case	Diagnose bank capabilities	Set up performance tracking	Test and refine	Rollout
Key questions	What does the market look like? What is the overall opportunity?	What are the **key** segments? How do their needs differ?	Which **SME segment is attractive** from a scale and ROI perspective?	What does my organization need to do to **create a strong SME value** proposition?	How will I know if my organization is **achieving its full potential**?	What **adaptations are necessary** to expand market share?	How can these banks **target scale** (e.g., across branches, subsidiaries, new markets)?
Good practices	Understanding high-level **enablers and barriers** to SME finance through **market sizing and assessment**	Establishing through **segmentation** a **clear view of** the **nuanced needs** of a heterogeneous market	Identifying SME segment to target to **establish a healthy and growth-oriented portfolio**	Identifying existing **capability and technology gaps** to be filled to properly serve SMEs through a **bank diagnostic**	Implementing **performance tracking** to measure progress and **assess impact**	Understanding shortcomings and needed **adjustments through pilots** prior to full rollout	Identifying additional opportunities to target **growth and expansion**

Note: The INVEST framework provides a simplified and generalized representation of elements of success applicable to the SME banking journey. It is intended for guiding purposes.

The INVEST approach highlights effective SME banking is a process, not a product, built on key success factors

Research & Diagnostics → **Pilot & refinement** → **Roll out**

Key elements for success

I — **Incentives** – Establish an incentive structure throughout the organization that enables long-term commitment across departments

N — **Non-financial services** – Enhance the value proposition to increase customer loyalty and financial returns

V — **Versatile implementation** – Ensure that a change management structure is in place across departments for implementation

E — **Embed relationship banking** – Implement a customer-centric relationship model that fosters higher customer satisfaction and cross-selling opportunities

S — **Segmentation** – Identify market segments for which there is a strong business model; tailor the value proposition accordingly to nuanced needs and characteristics (e.g., sector, lifecycle stage, formality level, etc.)

T — **Technology** – Leverage data and digital tools to optimize new and existing client identification, credit assessment, and disbursement times—driving market share growth and profitability

The INVEST Toolkit provides banks with tools to apply the INVEST process and strengthen SME banking practices across diverse contexts

Research & Diagnostics | Pilot & refinement | Roll out

Order of use

Tools for TA funders | Tools for banks

To evaluate the market opportunity and identify strategically aligned partners

1. Market assessment
2. Market sizing
3. Partner screening tool
4. Business case

To understand the TA needs of banks to effectively focus capacity building

5. Bank diagnostic
6. Segmentation tool*
7. Enterprise needs assessment
8. Credit risk management primer

*Note : Additional gender-focused resources—such as the WSME segmentation, WSME Toolkit, and additional case studies developed with We Fi Initiative —are available on the INVEST Toolkit website.

"This is the first time I've seen such a comprehensive diagnostic for SME banking – it helps banks understand where they stand and how to move from transactions to real SME partnerships."
- Advisory Services Lead, DFI

"This toolkit is very helpful – it takes out the real lessons, the pain points, and clearly how to overcome them. It's something I would recommend to everyone."
- Senior SME Banking Executive, Sub-Saharan Africa

To effectively track and communicate impact of programs

9. Bank performance dashboard
10. Case study template*

*Note: the case study template can also be leveraged to gain strategic alignment and advocate for program funding.

The INVEST Toolkit can be found here

We extend our gratitude to all partner institutions, funders, and banks whose collaboration and insights made this work possible

Consortium partners

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For more information visit

Thank you!

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