

# INVEST

## The Process for Unleashing SME Banking

Executive Summary for Banks




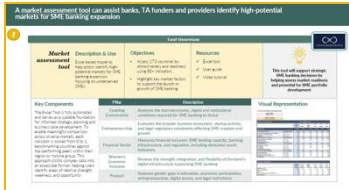
November 2025



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



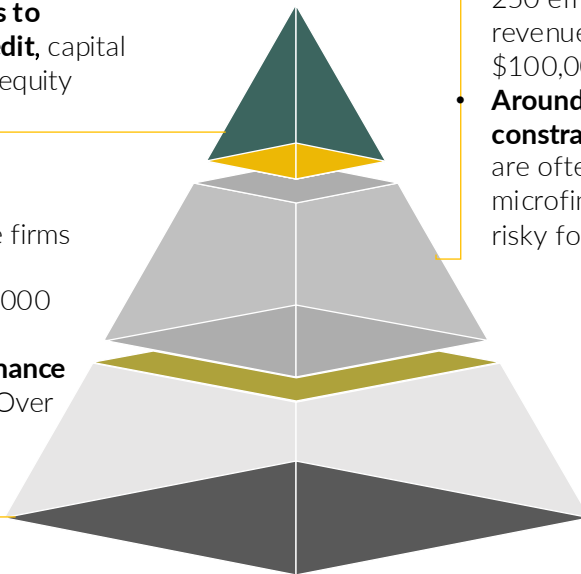
	Executive summary	Knowledge product	Toolkit	Toolkit guide
	<i>A high-level summary designed to quickly convey the purpose of the Toolkit and the INVEST process</i>	<i>Document that provides the <b>rationale for the Toolkit</b> by highlighting the SME banking gap and introducing INVEST as an effective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

# Commercial banks can unlock \$5.7 trillion by supporting underserved SMEs

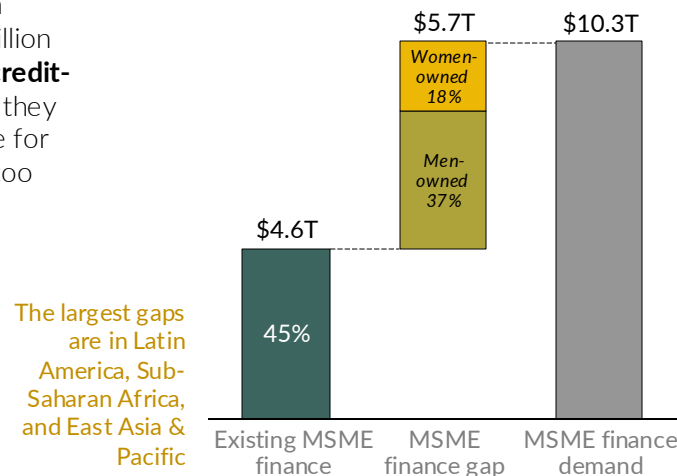
- **Large enterprises** are firms with 250+ employees, usually earning more than \$15 million annually
- **They have full access to commercial bank credit**, capital markets, and private equity

- **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



**SME definition:** 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.

# 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



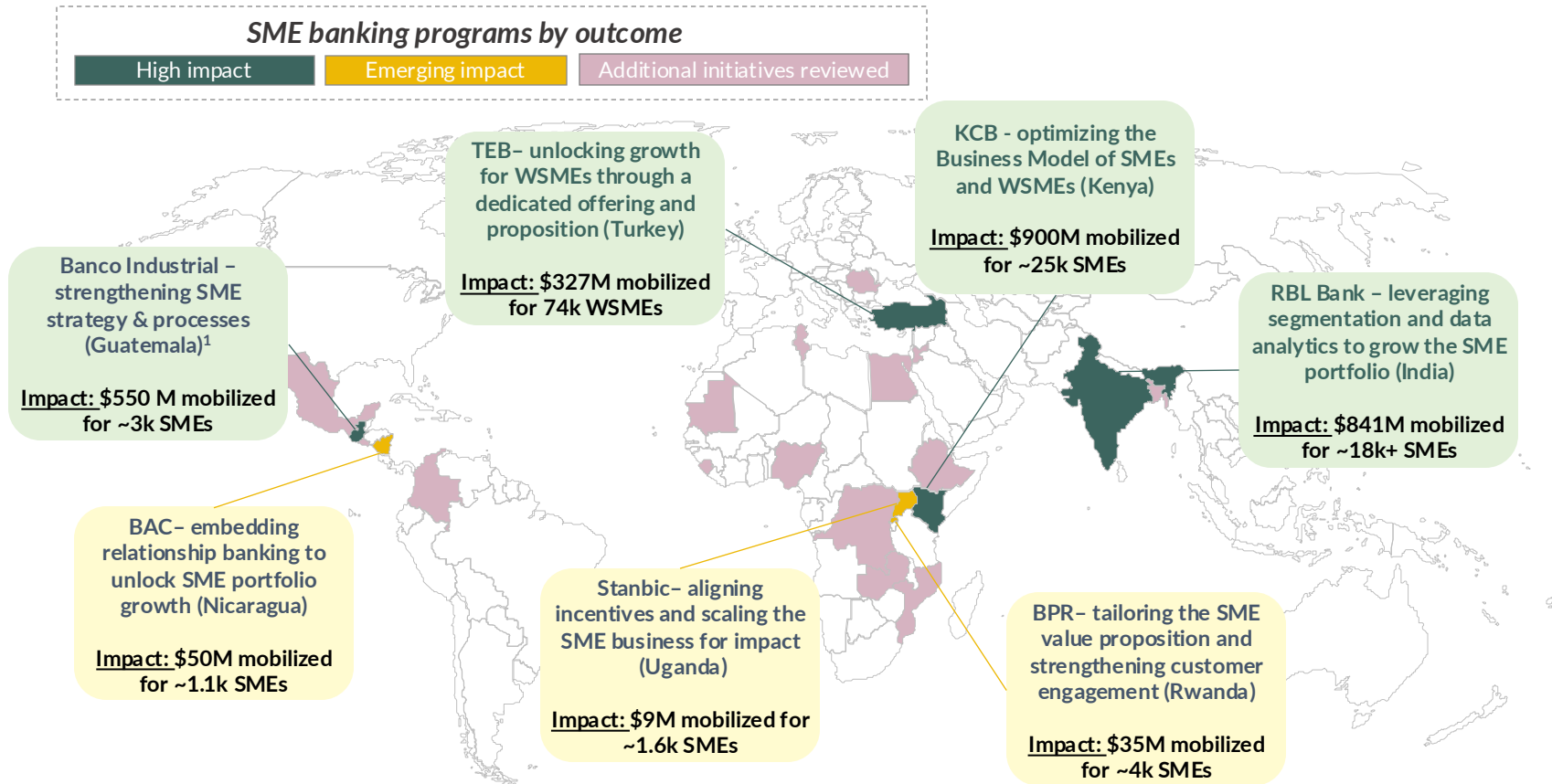
Banks often **perceive SMEs as risky** and **lack the data or internal tools to size the opportunity**, leading to **underinvestment in tailored program design**.

*“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.\*

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



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



Partners



**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 2<sup>nd</sup> 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".





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



Partners



argidius



Women's  
World  
Banking



## 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<sup>1</sup>

Lacking incentives to align priorities

Taking a product-first approach

Disregarding change management

### Description

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.

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.

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.

### Lessons learned

A

Align incentives to support SME growth

B

Follow a process of Research & Diagnostics, Pilot and Refinement, and finally Rollout

C

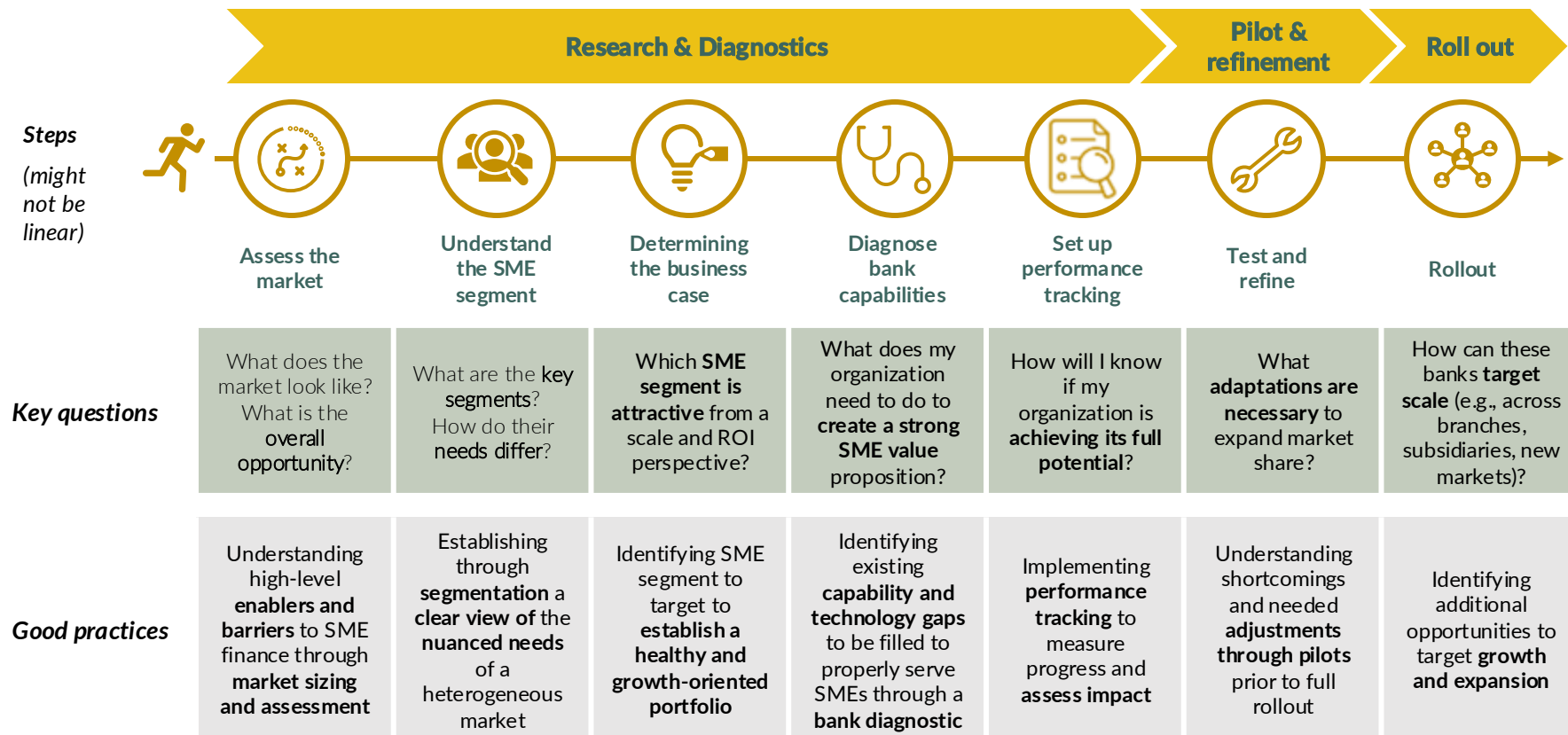
Manage internal change to sustain SME momentum

<sup>1</sup>Note: These challenges are based on insights from interviews with banks and TA funders, as well as a review of SME banking program documents.





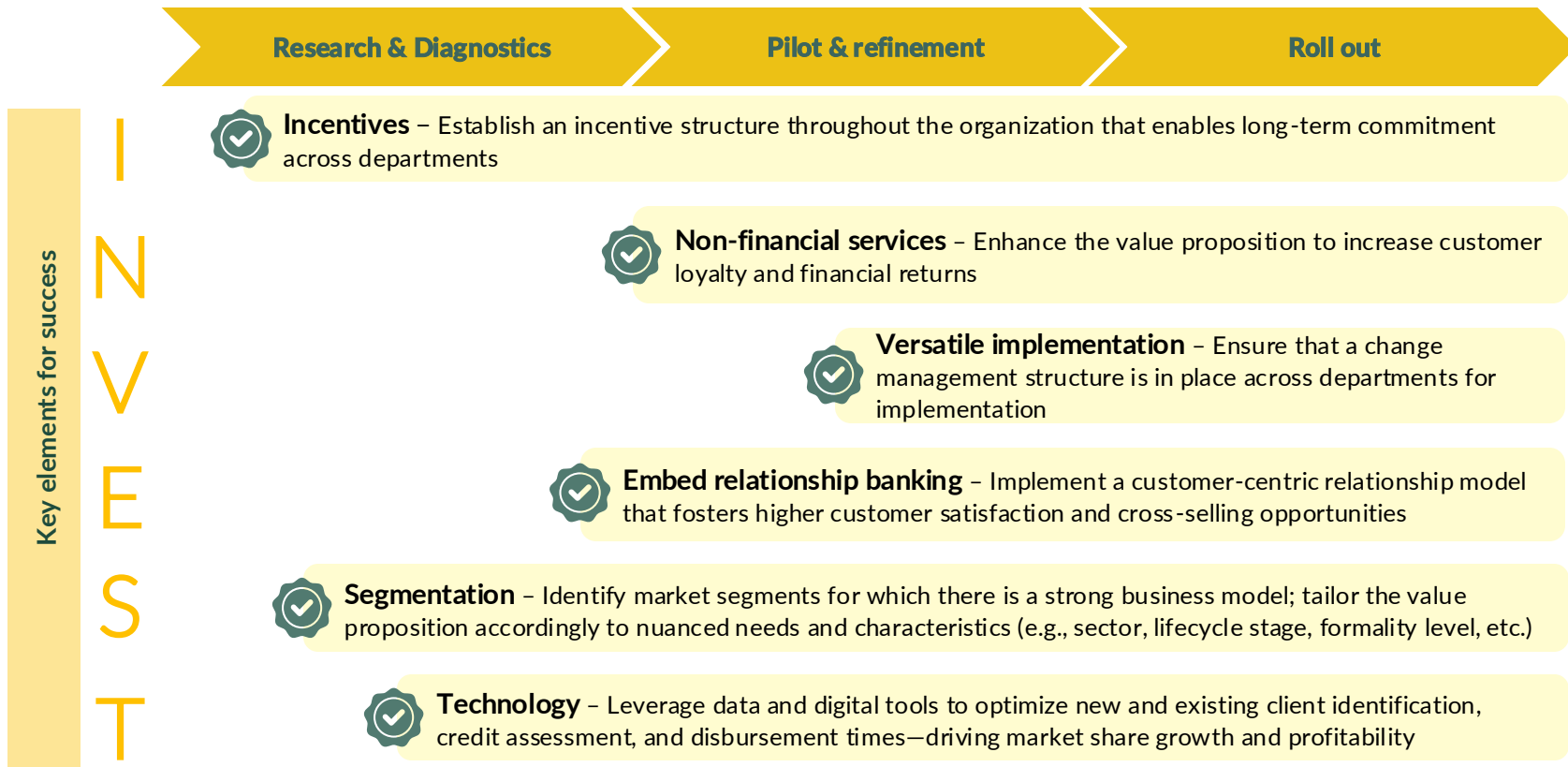
# INVEST is a process roadmap that guides banks through the critical questions at each stage of the SME banking journey



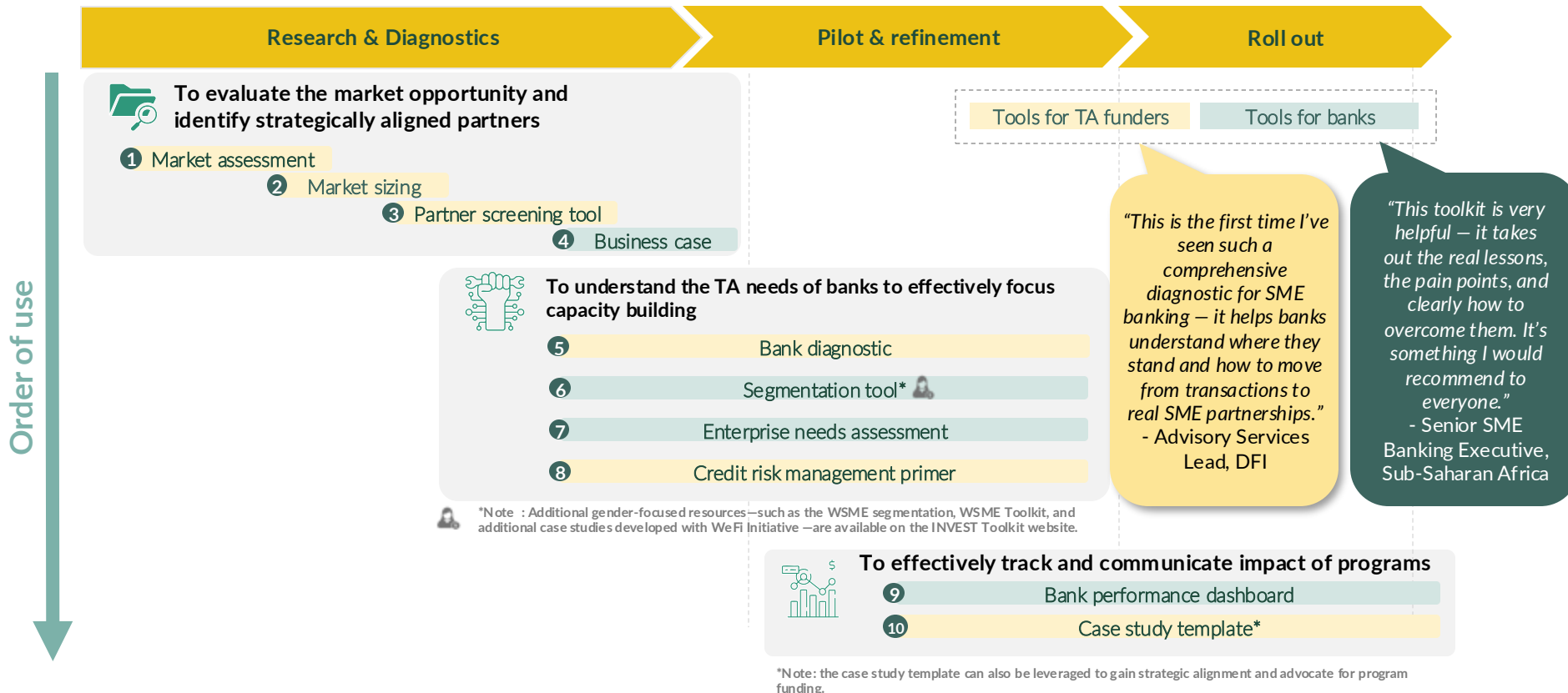
Note: The INVEST framework provides a simplified and generalized representation of elements of success applicable to the SME banking journey. It is intended for guiding purposes.



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



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



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



## Participating institutions / banks



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*For more  
information visit*



*Thank you!*

**Dalberg**

