



**argidius**

BY PORTICUS



A photograph of a woman with dark hair tied back, wearing a purple zip-up sweater over a blue and white checkered apron. She is looking slightly to her right with a thoughtful expression. The background is dark and out of focus.

# Credit Risk Management Primer

*SME Banking Toolkit*

October 2025

# Contents

<b>Introduction .....</b>	<b>3</b>
<b>Key SME Banking Risks .....</b>	<b>4</b>
<b>Difficulty assessing SME creditworthiness.....</b>	<b>4</b>
<b>Lack of collateral or enforceable security .....</b>	<b>5</b>
<b>Limited internal capacity for SME credit risk management .....</b>	<b>5</b>
<b>Credit risk mitigation strategies .....</b>	<b>6</b>
1. <b>Ensuring a robust SME banking delivery unit .....</b>	<b>7</b>
2. <b>Developing and deploying credit scoring and rating models .....</b>	<b>8</b>
3. <b>Using alternative and non-traditional credit scoring data .....</b>	<b>9</b>
4. <b>Adopting cash-flow-based lending techniques.....</b>	<b>10</b>
5. <b>Streamlining and optimizing credit workflows to cut delays and reduce costs ....</b>	<b>11</b>
6. <b>Deploying supply chain and alternative financing structures .....</b>	<b>12</b>
7. <b>Accepting movable assets.....</b>	<b>13</b>
8. <b>Using credit guarantees and risk-sharing .....</b>	<b>14</b>
<b>When do they work best?.....</b>	<b>17</b>
<b>Small enterprises.....</b>	<b>17</b>
<b>Medium enterprises.....</b>	<b>18</b>
<b>Women-led SMEs .....</b>	<b>18</b>
<b>Agribusinesses.....</b>	<b>19</b>
<b>Other considerations .....</b>	<b>21</b>
<b>Additional resources .....</b>	<b>23</b>



## Introduction

SMEs drive economic growth in emerging markets, powering job creation, innovation, and local development.<sup>1</sup> However, their growth is often constrained by limited access to finance. With a \$5.7 trillion financing gap, SMEs frequently do not qualify for existing commercial financial schemes.<sup>2</sup>

**Credit risk, the perceived or actual likelihood that a borrower will fail to repay, is one of the most significant obstacles blocking SME access to finance.** Many banks report that working with SMEs is challenging because they often lack reliable financial records and sufficient collateral. As a result, banks may find it difficult to accurately assess credit risk, in part due to limited understanding of SMEs and inadequate tools and processes for evaluating their needs and repayment capacity.

**The primer is intended to support technical assistance (TA) funders when designing SME banking programs and banks entering the SME banking space by helping them enhance their risk management processes.** It does so by identifying key risks that limit SME lending, presenting proven credit risk management practices, and illustrating the role of TA in mitigating and scaling risk management through real-world examples.

**This primer outlines three core credit risks commonly faced by banks:** difficulty assessing SME creditworthiness, lack of collateral or enforceable security, and weak risk management delivery capacity. The risks are accompanied by risk management practices that have been adopted by banks and supported by TA funders across diverse geographies.<sup>3</sup>

**The primer seeks to support TA funders and their partner banks in exploring how internal processes can be adjusted to deliver a strong SME value proposition.** The primer aims to support institutions that are either new to SME banking or working with banks entering space by providing a foundational understanding of SME credit risk management. **It's not a step-by-step manual;** rather, it is meant to inform and strengthen existing credit risk management processes, recognizing that credit risk management is an ongoing and context-specific effort. While not comprehensive, it serves as a starting point to be complemented with additional resources and tailored analysis.

<sup>1</sup> SMEs account for 70% of firms, 70% of jobs, and 35% of GDP in emerging economies. IGC. (2024). Why do SMEs Matter?

<sup>2</sup> IFC. (2025). [MSME Finance Gap](#).

<sup>3</sup> These insights are grounded in an extensive literature review and interviews with banks and development actors.



## Key SME Banking Risks

While working with SMEs presents a range of challenges, banks consistently point to two key factors that make this segment particularly difficult to serve: the challenge of **assessing SME creditworthiness due to limited information**, and the **limited collateral SMEs can offer to secure loans**. Overcoming these barriers requires banks to adapt their internal processes and value propositions to better understand and meet the specific needs of SMEs. However, this transformation introduces a third critical challenge: **weak internal capacity to effectively shift business models toward the SME market and manage credit risk**. This section explores these three core risks, drawing on insights from banks and development actors.

### Difficulty assessing SME creditworthiness

**Banks often struggle to evaluate the true creditworthiness of SMEs due to severe information asymmetry.** Unlike large corporations, most SMEs lack audited financial statements or credit histories, have limited information on credit bureaus, and often operate in the informal economy.<sup>4</sup> Without reliable information, loan officers face significant uncertainty about an SME's ability and willingness to repay, often leading them to reject loan requests by default.<sup>5</sup>

This inability to accurately assess SME creditworthiness leads to overly cautious lending practices and limits the growth of SME portfolios. For example, according to the World Bank, SME loans account for just 11 percent of total bank lending in developing countries,<sup>6</sup> despite the potential to unlock over \$270 billion in annual banking revenue from this segment across emerging markets.<sup>7</sup> However, banks can overcome this barrier by adapting their credit assessment approaches to better align with the realities of SME operations,<sup>8</sup> as outlined in the following section.

<sup>4</sup> The World Bank. (2008). [How Do Banks Serve SMEs? Business and Risk Management Models](#)

<sup>5</sup> World Bank. (2017). [MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises.](#)

<sup>6</sup> World Bank. (2017). [MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises.](#)

<sup>7</sup> Bain & Company. (2016). [Divide and conquer: A Guide to Winning SME Banking Strategies](#).

<sup>8</sup> Kearney. (2023). [Small but mighty: Why banks need to rethink how they serve SMEs.](#)

## Lack of collateral or enforceable security

**Many SMEs in developing countries lack sufficient assets to meet banks' typical collateral requirements.** They often operate informally, lease rather than own property, or hold assets that are not easily registered or liquidated, such as inventory or equipment.<sup>9</sup> Banks generally rely on traditional forms of collateral, such as real estate, to protect themselves against potential losses if a borrower defaults. As a result, SMEs are often considered high-risk borrowers, which leads to high rejection rates, shorter loan tenors, or smaller loan sizes that fall short of SMEs' needs.<sup>10</sup>

Without access to the financial resources required to grow, SMEs remain trapped in a cycle where they are unable to invest in the assets banks typically require as collateral. According to the IFC, more than 65 million firms in developing countries, equivalent to 40% of formal MSMEs, have unmet financing needs, in part because they lack bank-acceptable collateral, which restricts their ability to invest in machinery, expand operations, or formalize their businesses.<sup>11</sup> However, there are better ways for banks to assess and manage SME credit risk that do not depend solely on traditional collateral, such as evaluating movable assets, analyzing cash flows, or considering the strength of the SME's client base.<sup>12</sup> By adopting these approaches, banks can more effectively serve the SME segment while still managing risk.

## Limited internal capacity for SME credit risk management

**Many banks in developing countries struggle to serve SMEs efficiently due to internal capacity constraints in credit risk management.** Even when banks are willing to lend and able to assess SME risk, they often lack dedicated SME units, tailored credit risk management frameworks, or specialized tools.<sup>13</sup> SMEs are frequently grouped under broader retail or corporate banking divisions, where staff may lack the training, mandate, or systems to address the specific needs of this segment. Nearly 60% of banks serving SMEs do not have a dedicated SME business unit or strategy, which limits their ability to develop a clear SME risk framework and scale SME lending effectively.<sup>14</sup> This weak institutional setup reduces the bank's ability to segment SME customers, apply fit-for-purpose underwriting practices, and build a viable SME portfolio.

The inability to process SME loans effectively can result in higher operating costs, missed opportunities to serve viable clients, and weaker portfolio performance. Strengthening credit risk management for SMEs requires targeted investments in specialized teams, streamlined processes, and enabling technologies such as credit scoring tools and loan management systems.<sup>15</sup> TA can play a vital role in helping banks develop these capabilities.

---

<sup>9</sup> World Bank. (2017). [MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises.](#)

<sup>10</sup> OECD. (2022). [Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard.](#)

<sup>11</sup> IFC. (2025). [MSME Finance Gap.](#)

<sup>12</sup> Kearney. (2023). [Small but mighty: Why banks need to rethink how they serve SMEs](#)

<sup>13</sup> World Bank. (2017). [MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises.](#)

<sup>14</sup> IFC. (2019). [Banking on SMEs: Trends and Challenges.](#)

<sup>15</sup> Bain & Company. (2019). [Divide and conquer: Targeting disruptive SME growth in emerging markets](#)



## Credit risk mitigation strategies

Effectively managing credit risk is essential for banks seeking to build sustainable and profitable SME portfolios. Traditional risk management approaches often do not align with the realities of SMEs, leading to overly restrictive lending practices and missed opportunities. This section presents practical credit risk management strategies that banks have successfully applied to address the three core challenges outlined earlier: assessing SME creditworthiness, managing limited collateral, and strengthening internal capacity. The risk management practices are based on real-world examples, industry research, and lessons learned from banks and development actors who have adapted their models to better serve SMEs.

The table below summarizes the main credit risk management practices identified and maps them to the specific risks they address. These are organized as a sequence of building blocks, starting with foundational internal measures that banks can implement independently, and progressing toward more advanced strategies that require engagement with external actors.

**Table 1. Credit risk mitigation strategies mapped to key SME credit risks**

✓ Relevance of strategies by segment	Difficulty assessing SME creditworthiness	Lack of collateral	Limited risk management capacity
1. Ensuring a robust SME unit	✓		✓
2. Adapting credit scoring and rating models	✓		
3. Using alternative data sources	✓	✓	
4. Adopting cash-flow lending techniques	✓	✓	
5. Streamlining SME operations	✓		✓
6. Deploying alternative financing structures	✓	✓	
7. Accepting movable assets as collateral		✓	
8- Participating in risk sharing schemes	✓		✓

## 1. Ensuring a robust SME banking delivery unit

Creating a focused organizational unit for SME banking and ensuring that staff are properly trained can significantly enhance service delivery and credit risk management for this segment. A dedicated and well-prepared team builds the internal capacity required to understand SME clients, tailor products and services to their needs, and capture the broader financial opportunity this market represents.<sup>16</sup>

**Banks should establish an SME unit with its own management structure, defined performance targets, and specialized personnel**, including relationship managers and credit analysts dedicated exclusively to SME clients.<sup>17</sup> The unit should have operational autonomy, clear leadership oversight, and sufficient resources to develop and manage a growing SME portfolio. Building such a team typically requires investment in onboarding, ongoing training, external expertise, and a strategic realignment to ensure that the SME business is prioritized and supported across the institution.<sup>18</sup>

**All banks entering the SME banking space should consider a robust SME unit as the backbone of their SME operations.** Before making investments in staffing and training, bank leadership must be aligned on the business case for SME banking within their specific market, including the whitespace opportunity across SME segments and the existing competitive landscape.<sup>19</sup> This foundation enables the bank to design a focused team with a strong value proposition and a clear mandate. To ensure the success of the SME unit, banks should define and track key performance indicators such as customer acquisition, portfolio growth, non-performing loan (NPL) ratios, and cross-sell rates. These metrics help monitor progress, support strategic decision-making, and allow for continuous improvement in team composition and internal processes.<sup>20</sup>

### Spotlight 1 – Building a team capable of expanding SME lending in West Africa<sup>21</sup>

Atlantic Business International (ABI) is one of the largest banking groups in West Africa, with subsidiaries across eight African countries. In 2017, IFC partnered with ABI to strengthen its SME banking capabilities by establishing an SME banking unit focused on expanding SME lending across the region, particularly in the agricultural sector. This unit was created separately from the corporate and retail divisions and was given a clear mandate to develop SME-specific products, manage SME relationship centers, and tailor risk management practices to the needs of smaller businesses. The creation of a permanent unit significantly improved ABI's SME outreach across its eight subsidiaries. As of 2022, ABI reported an SME loan portfolio of more than \$3 million, reflecting a 10% increase from the previous year.

<sup>16</sup> IFC. (2019). [Banking on SMEs: Trends and Challenges](#).

<sup>17</sup> [IFC. \(2022\). Banking on SMEs: Driving Growth, Creating Jobs. Global SME Finance Facility Progress Report. UK Aid & Government of the Netherlands.](#)

<sup>18</sup> IFC. (2022). [Banking on SMEs: Driving Growth, Creating Jobs. Global SME Finance Facility Progress Report](#). UK Aid & Government of the Netherlands.

<sup>19</sup> Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs](#).

<sup>20</sup> IFC. (2020). [Non-Financial Services: The Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks](#).

<sup>21</sup> IFC. (2022). [Banking on SMEs: Driving Growth, Creating Jobs. Global SME Finance Facility Progress Report](#). UK Aid & Government of the Netherlands.

**TA implication:** IFC supported ABI in the strategic planning and business model design of the SME banking unit. IFC also provided training modules to build the capacity of ABI's staff in SME banking practices, helping to ensure the initiative's long-term sustainability and impact.



More information on the case study can be found [here](#)

## 2. Developing and deploying credit scoring and rating models

**Developing credit scoring and rating models tailored to SMEs allows banks to move beyond rigid, traditional underwriting practices that often exclude smaller or informal businesses.** Unlike corporate clients, SMEs typically lack audited financial statements or formal credit histories, making standard scoring models ineffective.

**To address this, banks can design bespoke credit assessment models that incorporate SME-specific metrics and alternative data sources.** These models may evaluate factors such as cash flow variability, business longevity, ownership structure, client concentration, and payment history with suppliers or utility providers.<sup>22</sup> Incorporating these variables requires adjustments to data collection processes and a reconfiguration of risk frameworks to reflect the realities of SME operations.

**Building SME-tailored scoring or rating systems requires investment and alignment with the bank's target SME segments.** If developed in-house, credit and SME teams must ensure a deep understanding of SME needs and operating conditions to construct models that account for both financial and non-financial indicators. These tools can support more efficient credit readiness assessments and help in identifying opportunities for cross-selling.<sup>23</sup> Alternatively, banks can collaborate with fintechs or data specialists to develop innovative scoring algorithms and predictive models.<sup>24</sup> While either approach can be costly, both represent strategic investments for banks committed to growing their SME portfolios securely and profitably.

### Spotlight 2 – Leveraging data-driven models to assess SME creditworthiness in India<sup>25</sup>

In India, IFC partnered with Mintifi, a fintech company specializing in supply chain financing solutions for MSMEs, to enhance credit assessment processes using machine learning and data analytics. Mintifi extracts transactional data from corporate partners and MSMEs and cash-flow patterns to determine the risk profile of MSMEs. This approach allows a secure assessment of SME creditworthiness where traditional financial data is limited or unavailable. To date, Mintifi has provided over 16,500 loans to SMEs, a significant increase from the 3,500 loans reported in its first two years of operation.

<sup>22</sup> OECD. (2022). [Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard](#).

<sup>23</sup> OECD. (2022). [Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard](#).

<sup>24</sup> World Bank. (2017). [MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises](#).

<sup>25</sup> IFC. (2022). [Banking on SMEs: Driving Growth, Creating Jobs. Global SME Finance Facility Progress Report](#). UK Aid & Government of the Netherlands.

**TA implication:** In 2019, IFC invested equity in Mintifi to support the company's growth and enable it to reach more MSMEs with credit solutions. IFC also provided TA to help Mintifi strengthen its data management capabilities and analytics infrastructure. As part of this support, IFC developed a credit scorecard model, which was tested with 1,400 loans to further refine the credit assessment process. This effort helped Mintifi institutionalize its alternative credit scoring and rating model, enabling the company to serve more SMEs with uncollateralized loans.



More information on the case study can be found [here](#).

### 3. Using alternative and non-traditional credit scoring data

Assessing unconventional data from SMEs can help banks analyze SME behavior more comprehensively and determine their lending capacity, particularly in contexts where formal records are limited or unavailable. By broadening data requirements and being innovative in data gathering, banks can expand their SME portfolios using alternative inputs for SME's creditworthiness and security assessments.<sup>26</sup>

Rather than relying solely on traditional inputs such as financial statements or loan performance, banks can integrate alternative data points that provide real-time insights into SME operations. These may include mobile money usage, utility payment records, inventory turnover, supply chain transactions, e-commerce activity, or point-of-sale data.<sup>27</sup> Some innovative lenders have even piloted psychometric assessments or monitored digital footprints, such as social media behavior, to assess borrower intent and discipline.<sup>28</sup>

However, the use of alternative data should be targeted and context-specific. For early-stage, informal, or thin-file SMEs, these unconventional sources may offer critical visibility where traditional indicators are unavailable or misleading. In contrast, for more established SMEs with robust documentation and credit history, traditional data remains more predictive and appropriate.<sup>29</sup> A hybrid model that blends traditional and alternative scoring elements, tailored to the SME's segment and maturity, can offer banks a scalable and risk-managed path to expanding lending while improving credit decision-making.

#### Spotlight 3 – Leveraging personal data for SME lending in Kenya<sup>30</sup>

Kenya Commercial Bank (KCB), the country's largest commercial bank, partnered with Argidius, Women's World Banking (WWB), and ConsumerCentriX (CCX) to strengthen its SME offering. As part of this effort, KCB transformed its SME lending approach by harnessing internal customer data that had historically been classified under personal banking and was therefore inaccessible

<sup>26</sup> EY. (2021). [The five-step journey to SME banking transformation](#).

<sup>27</sup> Deloitte. (2022). [Bridging the SME finance gap in the GCC](#).

<sup>28</sup> IDB Invest. (2018). [Are Psychometric Tools a Viable Screening Method for Small and Medium Enterprise Lending? Evidence from Peru](#).

<sup>29</sup> IFC. (2019). [Banking on SMEs: Trends and Challenges](#).

<sup>30</sup> GIZ. (2021). [Women's Financial Inclusion Toolkit: Paving the way for women's economic empowerment](#); IFC. (2020). [Non-Financial Services: The Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks](#). FMO

to SME lending teams. By reclassifying and integrating transaction histories and account behaviors from existing clients into SME credit assessments, KCB built more accurate risk profiles for businesses lacking audited financial statements or traditional collateral. This internal alternative data, complemented by on-site business visits from relationship managers, enabled the bank to develop a more complete picture of client operations and repayment capacity. The strategy contributed to KCB's deeper understanding of SME needs, enabling it to reach more than 30,000 SMEs, mobilize over \$1 billion in capital, and position SME banking as its second most profitable segment.<sup>31</sup>

**TA Implication:** Targeted TA from Argidius, WWB, and CCX, enabled KCB's success. The TA team identified gaps in KCB's SME banking processes and co-designed an optimized business model built on performance management through segmentation and live data, cash-flow-based credit assessment, relationship banking, and a comprehensive non-financial service offering. They also guided change management efforts and trained staff to integrate the alternative data methodology and other SME-focused practices into everyday lending decisions, ensuring the reforms were embedded and scalable across the bank's operations.



More information on the case study can be found [here](#) and [here](#).

## 4. Adopting cash-flow-based lending techniques

Using cash-flow-based lending practices is essential for banks seeking to initiate, grow, or optimize their SME portfolios, as these approaches better reflect the economic realities of small businesses. By focusing on an SME's ability to generate consistent cash flows, banks can more accurately assess revenue potential and creditworthiness, even when formal financial statements are weak or traditional collateral is unavailable.<sup>32</sup>

Implementing cash-flow-based lending requires banks to build models that estimate future income streams using historical transaction patterns and operational performance. These models should incorporate indicators such as income stability, expense coverage, and the ability to meet financial obligations.<sup>33</sup> To be effective, models must be tailored to the bank's operating context and supported by credit policies that recognize the value of transactional data in credit decision making.<sup>34</sup> In parallel, credit officers need specialized training to interpret cash-flow dynamics, accounting for seasonality, working capital cycles, and long-term business viability.

Incorporating cash-flow-based analysis into the bank's SME value proposition may be resource-intensive at the outset. It requires investments in staff capacity, data infrastructure, and process redesign.<sup>35</sup> However, this approach is particularly valuable in markets where SMEs lack formal documentation or immovable collateral. When applied effectively, it enhances credit access for viable enterprises and improves risk-adjusted returns for the bank.

<sup>31</sup> Argidius & CCX. (2024). Project monitoring data and interviews (confidential).

<sup>32</sup> IFC. (2019). [Banking on SMEs: Trends and Challenges](#).

<sup>33</sup> CGAP. (2019). [Digital Credit Models for Small Businesses](#).

<sup>34</sup> IFC. (2019). [Banking on SMEs: Trends and Challenges](#).

<sup>35</sup> IFC. (2019). [Banking on SMEs: Trends and Challenges](#).

#### **Spotlight 4 – Introducing digital cash-flow based practices for SME and W-SME lending<sup>36</sup>**

In Nigeria, Access Bank pioneered a fully digital, cash-flow-based lending model for SMEs that reengineered the loan process to prioritize business cash flows over fixed assets. The algorithm relied on analysis of SME transaction histories from business bank accounts to determine credit capacity and predict repayment behavior. Between 2021 and 2023, Access Bank disbursed over 20,000 digital loans to more than 15,500 SMEs, 30% of which were women-owned businesses. The portfolio maintained a 99% repayment rate, and 45% of recipients became repeat borrowers. The model significantly reduced turnaround time for loan approvals, compressing what previously took weeks into a matter of days due to full digitization.

**TA Implication:** The World Bank and the Women Entrepreneurs Finance Initiative (We-Fi) collaborated with Access Bank to co-develop the cash-flow lending algorithm, ensuring regulatory alignment and gender-intentional design. The partnership also supported IT system upgrades and capacity-building for staff, enabling the bank to operationalize the model and sustainably scale SME lending, with a particular focus on women-led enterprises.



More information on the case can be found [here](#).

## **5. Streamlining and optimizing credit workflows to cut delays and reduce costs**

**Streamlining and optimizing workflows can transform SME lending into a scalable and profitable business line.** Many banks miss viable SME opportunities or view these portfolios as unattractive due to slow, costly, and opaque credit processes. Common inefficiencies include excessive documentation requirements, lengthy decision-making cycles, and manual underwriting procedures, all of which create friction and make banks less appealing to SMEs.<sup>37</sup>

**Reengineering the SME loan process begins with identifying bottlenecks in the credit journey, from application through to disbursement.** Each stage should be mapped and evaluated in terms of time, cost, and value added. From there, targeted reforms may include digitizing loan applications, automating credit assessments, and implementing tiered approval systems based on risk profiles.<sup>38</sup> Ultimately, the key to reducing delays and cutting costs lies in adopting a carefully designed, SME-specific business model that focuses on offering products and services aligned with SME needs and smooths the overall credit experience.<sup>39</sup>

**This transformation typically involves moving away from manual, labor-intensive steps in favor of digital tools that enable faster and more consistent credit evaluation and delivery.** Partnering with technology providers or fintechs can be especially beneficial, as they offer ready-to-deploy digital

<sup>36</sup> World Bank. (2024). [From Collateral to Cashflow: Expanding Access to Finance for Nigeria's Female Business Owners](#). Gender Innovation Lab

<sup>37</sup> Investment Innovation Institute. (2024). [Addressing the SME Funding Gap](#).

<sup>38</sup> McKinsey & Company. (2022). [How banks can reimagine lending to small and medium-size enterprises](#).

<sup>39</sup> Simon Kucher. (2025). [Better Growth in Retail and SME Banking](#).

credit processes with faster decision-making and improved customer experience. While such streamlining requires upfront investment, the long-term benefits, such as reduced operational costs, faster turnaround times, and greater capacity to process higher volumes, can significantly enhance profitability and customer satisfaction in the SME segment.<sup>40</sup>

### Spotlight 5 – Driving SME growth through digital transformation in Senegal<sup>41</sup>

Microcred Senegal (MCSN), a microfinance-oriented bank, underwent a major digital transformation in 2015 to better serve peri-urban and rural entrepreneurs. Key initiatives included launching mobile applications for account opening and loan processing and deploying a network of relationship bankers equipped with tablets and biometric devices to open accounts and capture loan applications on the spot. Additionally, MCSN introduced client data management systems, allowing loan officers to easily access and analyze client information. As a result, MCSN significantly improved internal efficiency, achieving 30% more loan disbursements per month through digital channels. The bank also expanded its customer base in rural areas, reaching tens of thousands of active SME borrowers by 2017.

**TA Implication:** The Mastercard Foundation provided funding and strategic guidance for MCSN's innovation lab and digital finance rollout. This support enabled in-depth research on SME needs and allowed MCSN to prototype and test its digital solutions. Staff training on the new digital systems ensured smooth organizational change and long-term adoption.



More information on the case study can be found [here](#).

## 6. Deploying supply chain and alternative financing structures

**Supply chain finance (SCF) and alternative financing products can unlock working capital for SMEs and support their growth trajectories by acknowledging the unique operational dynamics of these businesses.<sup>42</sup>** SCF products like factoring, reverse factoring, and inventory finance allow SMEs to leverage their receivables or confirmed purchase orders to obtain liquidity, often without requiring additional collateral.<sup>43</sup> This allows SMEs to access working capital more quickly than through traditional loans and strengthens SMEs' relationships within their supply chain by building financing on trade flows and commercial relationships.

**To successfully deploy SCF solutions, banks must adapt their internal policies and operational processes.** This includes updating credit frameworks to accept receivables, confirmed orders, or inventory as security, and designing products that consider the credit strength of the SME's commercial partners, such as buyers or anchor firms, rather than relying solely on the SME's

<sup>40</sup> Deloitte. (2024). [Meeting small business banking needs](#).

<sup>41</sup> MasterCard Foundation. (2018). [Microcred Senegal – Case Study](#).

<sup>42</sup> Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs](#).

<sup>43</sup> World Bank. (2021). [Supply Chain Finance by Development Banks and Public Entities](#).

financial statements.<sup>44</sup> Banks also need robust systems to track invoice issuance, confirmations, and payment flows, along with staff who are trained in SCF practices and risk assessment.

**SCF is particularly effective in sectors with well-structured value chains, such as manufacturing, agribusiness, and retail distribution.** While it may not be suitable for all SME clients, it is highly relevant for those seeking to scale operations and facing short-term liquidity constraints.<sup>45</sup> Integrating SCF into a bank's SME strategy requires a clear segmentation approach and alignment with the bank's overall value proposition for SMEs.

#### **Spotlight 6 – Expanding SME access to finance through supply chain programs in Mexico<sup>46</sup>**

In Mexico, SMEs often face challenges in accessing affordable financing due to limited collateral and perceived credit risks. To address this, Nacional Financiera (NAFIN), a state-owned development bank, implemented the "Cadenas Productivas" program, leveraging reverse factoring to support SME suppliers. Through this initiative, large buyers with strong credit profiles register approved invoices on NAFIN's digital platform, enabling SME suppliers to receive early payments from participating financial institutions based on the buyer's creditworthiness rather than their own. During 2018, the program benefited more than 20,000 SMEs, and \$10.29 billion was granted to SMEs. Over time, NAFIN has been collaborating with central banks in several countries, providing knowledge to implement similar programs.

**TA implication:** The World Bank supported NAFIN by providing TA to refine the program's design and develop risk-sharing mechanisms to scale the platform. The project emphasized learning and innovation to enhance NAFIN's ability to design and deliver effective microfinance services tailored to the needs of underserved entrepreneurs.



More information on the case study can be found [here](#).

## **7. Accepting movable assets**

**Accepting movable assets as collateral can significantly expand banks' ability to lend to SMEs that lack access to fixed property, such as land or buildings.** Movable assets, including machinery, vehicles, inventory, and accounts receivable, are often better aligned with the operational and productive base of SMEs, making them a practical and more inclusive form of security that reduces overreliance on traditional collateral.<sup>47</sup>

**Where regulations permit, banks can incorporate movable assets into their lending practices by revising credit policies and establishing appropriate valuation and monitoring systems.** To manage the risks associated with movable collateral, banks should implement procedures to verify asset legitimacy and condition, often through relationship-based lending, site visits, and regular client

<sup>44</sup> CGAP. (2019). [Digital Credit Models for Small Businesses](#).

<sup>45</sup> Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs](#).

<sup>46</sup> World Bank. (2021). [Supply Chain Finance by Development Banks and Public Entities](#).

<sup>47</sup> World Bank. (2019). [Secured Transactions, Collateral Registries and Movable Asset-Based Financing: Knowledge Guide](#).

engagement.<sup>48</sup> Collateral management systems can be used to track asset depreciation, ownership, and enforceability in case of default. When available, centralized collateral registries can support this practice by clarifying ownership status and reducing the risk of conflicting claims.<sup>49</sup>

**However, the effectiveness of movable asset-based lending depends heavily on the broader legal and regulatory framework.** In many markets, there are still gaps in collateral registry systems, asset enforcement procedures, and legal recognition of movable property in secured lending. In such cases, banks should begin by assessing the operational feasibility of accepting movable assets and identifying specific legal or institutional barriers.<sup>50</sup> This process often requires collaboration with policymakers and TA providers to advocate for reforms and build the necessary infrastructure to support this form of lending.<sup>51</sup>

### Spotlight 7 – Institutionalizing movable assets as a form of collateral in Nigeria<sup>52</sup>

The Central Bank of Nigeria (CBN) initiated a series of reforms in 2007 to improve access to credit for MSMEs. A key milestone was the enactment of the Secured Transactions in Movable Assets Act and the establishment of the National Collateral Registry (NCR), which allowed banks to accept movable assets as collateral and helped reduce the high cost of credit. As a result, nearly 11,000 SMEs and over 100,000 micro-enterprises were able to secure loans using their movable assets. The strengthened regulatory environment and the operationalization of the collateral registry facilitated over \$700 million in SME financing.

**TA Implication:** IFC and the World Bank provided four years of TA and advisory services to the CBN to help strengthen Nigeria's financial infrastructure and institutionalize movable asset lending. These partners also launched a national campaign to improve financial literacy and delivered specialized training to banks and financial institutions on SME credit assessment and reporting. By the end of the project, cumulative data inquiries at the NCR exceeded six million, and over \$5 billion in movable assets had been registered.



More information on the case study can be found [here](#).

## 8. Using credit guarantees and risk-sharing

**Banks can reduce their exposure to SME credit risk by participating in third-party credit guarantee schemes.** These programs, often funded by governments or development institutions, share a portion of the default risk with the lender, improving the perceived risk profile of SME borrowers. As a result, banks are more inclined to extend credit to SMEs, and lending terms can become more

<sup>48</sup> World Bank. (2019). [Secured Transactions, Collateral Registries and Movable Asset-Based Financing: Knowledge Guide](#).

<sup>49</sup> World Bank. (2017). [MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises](#).

<sup>50</sup> Deloitte. (2022). [Bridging the SME finance gap in the GCC](#).

<sup>51</sup> World Bank. (2017). [MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises](#).

<sup>52</sup> IFC. (2022). [Banking on SMEs: Driving Growth, Creating Jobs. Global SME Finance Facility Progress Report](#). UK Aid & Government of the Netherlands.

favorable for the borrower.<sup>53</sup> This dual effect can increase both the supply of financing and its accessibility for underserved enterprises.

**In addition to guarantees, some schemes offer origination incentives to further stimulate SME lending, particularly in high-risk or hard-to-reach segments.** These incentives typically take the form of upfront or performance-based payments provided to banks for each eligible loan they originate. They are especially effective in offsetting the higher operational costs and perceived risks involved in serving small or informal businesses. When used alongside guarantees, origination incentives strengthen the financial case for banks by addressing both credit risk and cost barriers. For example, Aceli Africa employs a combination of first-loss guarantees and origination incentives to support lending to agricultural SMEs that would otherwise fall outside banks' risk or profitability thresholds.<sup>54</sup>

**These instruments are frequently supported by TA, which strengthens the processes and capabilities banks need to deliver SME banking effectively.**<sup>55</sup> This includes supporting the development of robust SME banking approaches that integrate non-financial services, relationship-based models, customer segmentation, and leverage digital tools and resources, among others. TA also helps banks adjust credit policies, risk frameworks, and operational processes to meet scheme requirements, while building capacity to assess risk, underwrite SME loans, and manage reporting and compliance. By ensuring banks have strong SME propositions, TA can enhance the overall success of guarantees and risk-sharing schemes.

**To participate in these schemes for their SME segments, banks can apply for accreditation with scheme managers** such as national governments, central banks, development finance institutions (e.g., IFC, EBRD, AfDB), regional guarantee funds (e.g., African Guarantee Fund, Asian Credit Guarantee Foundation), or international programs. Once accredited, the bank and scheme operator agree on key parameters including coverage ratios, incentive structures, risk-sharing terms, and implementation protocols.<sup>56</sup> When strong underlying processes are in place, these instruments enable banks to lend more confidently to higher-risk SMEs while mitigating potential losses.

### **Spotlight 8 – Supporting national credit guarantee schemes in Mongolia<sup>57</sup>**

In Mongolia, SMEs represent 50% of total employment, yet up to 90% do not have regular access to finance through banks. To address this challenge and expand access to finance for this segment, the Credit Guarantee Fund of Mongolia developed a credit guarantee scheme to support banks in offering discounted, long-term loans with favorable conditions to SMEs by providing guarantees that cover half of the collateral requirement. The first loan guarantee was issued in October 2017, and within just one year, more than \$14 million in guarantees and loans worth \$24.8 million were secured, with over 40% directed to women-owned companies and 29% to businesses in rural areas. Through this initiative, SMEs can now access guaranteed loans with maturities of up to 10 years, three times longer than the typically hard-to-obtain commercial bank loans. In the following years and with the support of ADB, the Fund of Mongolia aims to provide \$432 million in loan guarantees to SMEs and create approximately 13,000 jobs.

<sup>53</sup> Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs](#).

<sup>54</sup> Aceli Africa. (2025). [Agricultural SME Lending in East & Southern Africa](#).

<sup>55</sup> IFC. (2022). [Banking on SMEs: Driving Growth, Creating Jobs. Global SME Finance Facility Progress Report](#). UK Aid & Government of the Netherlands.

<sup>56</sup> ADB. (2022). [Financing Small and Medium-Sized Enterprises in Asia and the Pacific: Credit Guarantee Schemes](#).

<sup>57</sup> ADB. (2022). [Financing Small and Medium-Sized Enterprises in Asia and the Pacific: Credit Guarantee Schemes](#).

**TA implication:** ADB supported the Ministry of Finance of Mongolia in developing and implementing the credit guarantee scheme for SME banking through both direct lending and TA focused on strengthening the Fund's capacity. This support helped the Fund establish the national credit guarantee framework and provided training to staff to ensure sustainable delivery.



More information on the case study can be found [here](#) and [here](#).



## When do they work best?

Credit risk mitigation approaches are not one-size-fits-all. The suitability and effectiveness of each practice depend on the type of enterprise, the geographic context, and the specific characteristics of the industry. This section provides tailored guidance on which risk mitigation approaches tend to work best for common SME segments. Some practices, such as ensuring a robust and well-prepared SME unit and streamlining SME operations, are broadly applicable across all SME segments, as they strengthen the bank's overall capacity and readiness to serve SMEs effectively.

### Small enterprises

**Traditional banks typically perceive small businesses as high-risk.** They often lack credit history and adequate collateral, making it difficult for lenders to assess their creditworthiness. Due to the relatively small size of loans requested by these firms, banks often cannot justify investing in more detailed or alternative forms of due diligence.<sup>58</sup> As a result, small enterprises account for a significant share of the SME financing gap.<sup>59</sup>

Two strategies stand out as particularly relevant for managing credit risk in this segment. First, adopting **cash-flow lending techniques** is essential, as many small firms are unable to meet traditional collateral requirements but can provide data on their operating revenues.<sup>60</sup> Second, participating in **risk-sharing schemes** such as credit guarantee funds is highly effective. By enabling a third party, often a government or development institution, to absorb part of the default risk, these schemes make it more attractive for banks to extend credit to small firms they would otherwise deem too risky.<sup>61</sup>

Indonesia's Kredit Usaha Rakyat (KUR) program illustrates the impact of reducing the perceived risk profile of small enterprises. One of the world's largest MSME lending schemes, KUR has disbursed over 50 million small loans totaling more than 100 billion US dollars since 2007. The program combines capped interest rates with partial government guarantees to participating banks. This arrangement allowed banks to issue first-time loans to many small entrepreneurs who lacked formal

<sup>58</sup> CGAP. (2013). [MSMEs: Big Opportunity in Small Lending](#).

<sup>59</sup> Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs](#).

<sup>60</sup> Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs](#).

<sup>61</sup> Dalberg. (2015). [IFC Global SME Finance Initiative Midterm Review](#).

credit records or collateral. An impact evaluation of KUR revealed that most of its borrowers had never previously accessed bank loans.<sup>62</sup> This demonstrates how risk-sharing mechanisms can successfully bring underserved small businesses into the formal credit market.

## Medium enterprises

Medium-sized enterprises generally have more financial records and assets than micro firms, but they still fall short of the profile of large corporates. While many have stable revenues and growing demand, standard corporate lending processes are often too rigid, too slow, or too reliant on hard collateral, creating a mismatch between what these firms require and what most banks are equipped to deliver.<sup>63</sup>

One effective way of serving medium enterprises is by **deploying supply chain financing**, as they often need working capital and equipment financing that may exceed their available collateral. Products like factoring, invoice discounting, and leasing can bridge this gap by shifting the credit risk from the SME to the SME's reputable buyer or supplier.<sup>64</sup> By using such alternatives, lenders can support medium enterprises that are still developing credit histories by securing loans with the enterprise's sales or assets rather than relying solely on traditional collateral.

One illustrative example of supply chain financing for medium enterprises is the EBRD's Trade Facilitation Programme, which has supported the development of factoring markets across eight economies, including Egypt, Morocco, Ukraine, and Romania. The program has helped catalyze over €1.7 billion in supply chain finance and factoring transactions by partnering with local financial institutions to offer working capital solutions based on receivables.<sup>65</sup> This approach has been especially effective for medium-sized firms that face barriers to traditional credit due to insufficient collateral, but that maintain strong commercial relationships with large buyers. By tying finance to verified invoices or purchase orders, factoring reduces lender risk and improves liquidity for suppliers.

## Women-led SMEs

Women-led SMEs often face persistent structural barriers to finance, including limited ownership of collateral, smaller and younger businesses, exclusion from formal networks, and gender biases embedded in traditional credit practices.<sup>66</sup> These constraints reflect systemic gaps in how financial systems engage with women entrepreneurs. In addition, women-led businesses are more likely to operate informally, resulting in thin credit histories and limited access to formal property ownership, making them less likely to qualify under standard lending criteria.<sup>67</sup>

**Accepting movable assets** as collateral is a strategy that can be particularly useful for women-owned SMEs, as many cannot offer immovable property such as land or buildings. Allowing other forms of collateral, such as equipment, inventory, or even gold jewelry, can be a game-changer because it aligns financial requirements with the assets women are more likely to own and control. For

---

<sup>62</sup> The World Bank Group. (2024). [Can Public Credit Schemes Improve Access to Finance for Small Businesses? Evidence from Indonesia.](#)

<sup>63</sup> Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs.](#)

<sup>64</sup> Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs.](#)

<sup>65</sup> EBRD. (2024). [Factoring and supply chain finance.](#)

<sup>66</sup> The World Bank Group. (2025). [The Gendered Impact of Social Norms on Financial Access and Capital Misallocation.](#) & IFC. (2025).

[MSME Finance Gap.](#)

<sup>67</sup> We-Fi. (2022). [Supporting Women Entrepreneurs in Developing Countries: What Works?](#)

example, the Bank of Palestine’s “Felestineya” women’s banking program provided loans that were either collateral-free or secured using gold jewelry, alongside training, mentoring, and tailored financial services.<sup>68</sup> Through this initiative, several enterprises obtained loans as large as \$400,000, without needing to pledge real estate. These loans enabled women entrepreneurs to invest in business infrastructure, open or expand factories, and hire more workers.

Another key strategy is participating in risk-sharing schemes targeted at women entrepreneurs. **Credit guarantee facilities and performance-based incentives** have been designed to reduce lenders’ perceived risk when financing women-owned businesses. A critical element of these programs has been the inclusion of TA to help banks design and implement gender-intentional lending practices.<sup>69</sup> These include tailored loan products, relationship-based lending models, and services for women entrepreneurs, with a strong focus on non-financial support.<sup>70</sup> For example, the Women Entrepreneurs Opportunity Facility (WEOF), a joint initiative of IFC and Goldman Sachs’ 10,000 Women, not only provides risk-sharing capital but also funds TA that helps partner financial institutions develop women-focused value propositions.<sup>71</sup> These included capacity building, coaching, mentorship, and access to supportive networks alongside financial products, creating a holistic support structure for women entrepreneurs. Participating banks have reported both strong repayment rates and improved portfolio diversity.

## Agribusinesses

Agribusiness-oriented SMEs (such as farms, agri-processors, and input dealers) present unique credit risks that make traditional lending models less effective. Agricultural income is seasonal and weather-dependent, leading to volatile cash flows. Many agribusiness SMEs operate in rural areas on customary land, which often cannot be used as formal collateral due to unclear title or low liquidation value. As a result, banks perceive agribusiness lending as high-risk and have tended to limit credit to the sector.<sup>72</sup>

Incorporating **cash-flow-based credit assessments** can help to better reflect the nature of agri-SMEs and increase lending to this subsegment. Unlike many other businesses that have regular monthly income, farmers receive most of their income during harvest season, perhaps only two or three months, while expenses (e.g., seeds, fertilizers, labor, and equipment maintenance) occur throughout the year. By using cash-flow-based models, banks can account for seasonal gaps and make more accurate credit assessments.<sup>73</sup> For instance, Stanbic Nigeria’s agribusiness lending team works with agri-SMEs to understand inflow timing (e.g., post-harvest bulk sales) and aligns financing, accordingly, improving affordability and minimizing default risk.<sup>74</sup>

**Deploying alternative financing structures** is also extremely relevant for agribusiness SMEs. Rather than lending solely to a farmer based on their balance sheet, the bank might lend against a forward contract with a reputable commodity buyer or use warehouse receipt financing, where harvested

---

<sup>68</sup> IFC. (2017). [Banking on Women: Creating Value for Banks and Boosting Economic Growth](#).

<sup>69</sup> IFC. (2022). [Banking on SMEs: Driving Growth, Creating Jobs. Global SME Finance Facility Progress Report](#). UK Aid & Government of the Netherlands.

<sup>70</sup> IFC. (2017). [Banking on Women: Creating Value for Banks and Boosting Economic Growth](#).

<sup>71</sup> Goldman Sachs. (2019). [IFC & Goldman Sachs 10,000 Women: Investing in Women’s Business Growth](#). IFC.

<sup>72</sup> Aceli Africa. (2022). [Incentivising Lenders: The Case of the Catalytic Market Facility Aceli Africa](#).

<sup>73</sup> Aceli Africa. (2020). [Bridging the Financing Gap: Unlocking the Impact Potential of Agricultural SMEs in Africa](#).

<sup>74</sup> Stanbic IBTC Bank. (2023). [Stanbic IBTC supports Nigerian farmers to boost agriculture value chain](#).

goods stored in a certified warehouse serve as collateral.<sup>75</sup> For example, the World Bank's deep-dive research on warehouse receipt systems in Eastern and Southern Africa found that such mechanisms enabled farmers and agri-SMEs to access post-harvest financing without land-based collateral. In Zambia, borrowers using certified receipts to store maize and other crops were able to secure short-term loans at lower risk to lenders, as the collateral was liquid, verified, and backed by a functioning storage and legal framework.<sup>76</sup>

Participating in **structured risk-sharing mechanisms**, particularly those that compensate lenders for the higher origination and perceived default risk of agricultural lending, can also catalyze greater credit flows into this challenging sector.<sup>77</sup> Aceli Africa does this by providing financial incentives and first-loss coverage, ranging from 8 to 14 percent of loan value, to financial institutions that lend to agricultural SMEs meeting specific impact criteria. This has enabled over 2,000 loans totaling more than \$150 million to be issued to agri-SMEs across East Africa, with a majority going to first-time borrowers who would not otherwise qualify for commercial finance.<sup>78</sup>

---

<sup>75</sup> The World Bank Group. (2019). [Implementing Effective Warehouse Receipt Financing Systems: Lessons from a pilot WRS project in the Senegal River Valley](#).

<sup>76</sup> The World Bank Group. (2019). [Implementing Effective Warehouse Receipt Financing Systems: Lessons from a pilot WRS project in the Senegal River Valley](#).

<sup>77</sup> Aceli Africa. (2022). [Incentivising Lenders: The Case of the Catalytic Market Facility Aceli Africa](#).

<sup>78</sup> Aceli Africa. (2025). [Aceli Africa Year 3 Learning Report](#).



## Other considerations

While the strategies presented in this primer focus primarily on credit risk management, several broader considerations also shape the effectiveness and sustainability of SME lending programs. These dimensions emerged from lessons learned by TA funders, TA providers, and banks, and findings distilled throughout the INVEST process.

### Credit Risk and External Factors

Credit risk rarely exists in isolation. Political instability, regulatory changes, and environmental shocks often exacerbate SME repayment risks. For example, agribusinesses face climate-related risks that directly affect their cash flow and ability to service debt. Likewise, sudden policy shifts, such as adjustments to collateral requirements or interest rate caps, can reshape lending models. Banks and funders should therefore consider these macro-level risks when designing credit strategies and incorporate stress-testing into portfolio planning.

### Institutional Buy-in and Leadership Support

SME banking initiatives often falter without senior management commitment. Credit risk management reforms require investments in systems, staff capacity, and sometimes regulatory engagement. For these efforts to succeed, SME banking must be framed as a strategic priority, with leadership backing, clear incentives, and KPIs integrated into performance management across the organization.

When leadership buy-in is secured, the resources needed for change management, staff training, and relationship-based banking models are more likely to be mobilized. This alignment enables banks to embed SME-focused practices into daily operations, creating the conditions for SME banking to succeed at scale.

### Profitability and Business Case

To ensure institutional buy-in, leadership support, and long-term viability, banks need a clear profitability pathway. As highlighted in the INVEST process, successful programs demonstrate not only increased loan volumes but also sustainable revenue streams. This requires attention to:

- **Cost-benefit analysis and segmentation:** Serving SMEs profitably depends on identifying which sub-segments (micro, small, medium, women-led, agribusiness, etc.) align with the bank's capacity and strategy. Each group has distinct credit needs and operating realities, so effective segmentation helps banks allocate resources where both financial returns and development impact are achievable.
- **Scalability of risk management tools:** Tools such as cash-flow lending and SME-specific credit scoring models can lower transaction costs and increase efficiency, but their benefits materialize only when scaled across multiple branches or markets. Banks must invest in digital platforms, standardized processes, and staff training to make these tools cost-effective at scale.
- **Cross-sell opportunities:** Profitability often comes not from lending alone, but from offering SMEs a suite of services, such as deposits, transaction banking, trade finance, or insurance. These services both strengthen client relationships and diversify revenue streams, reducing reliance on interest income. Cross-sell strategies also improve portfolio performance, as clients with multiple product relationships tend to be more loyal and less likely to default.

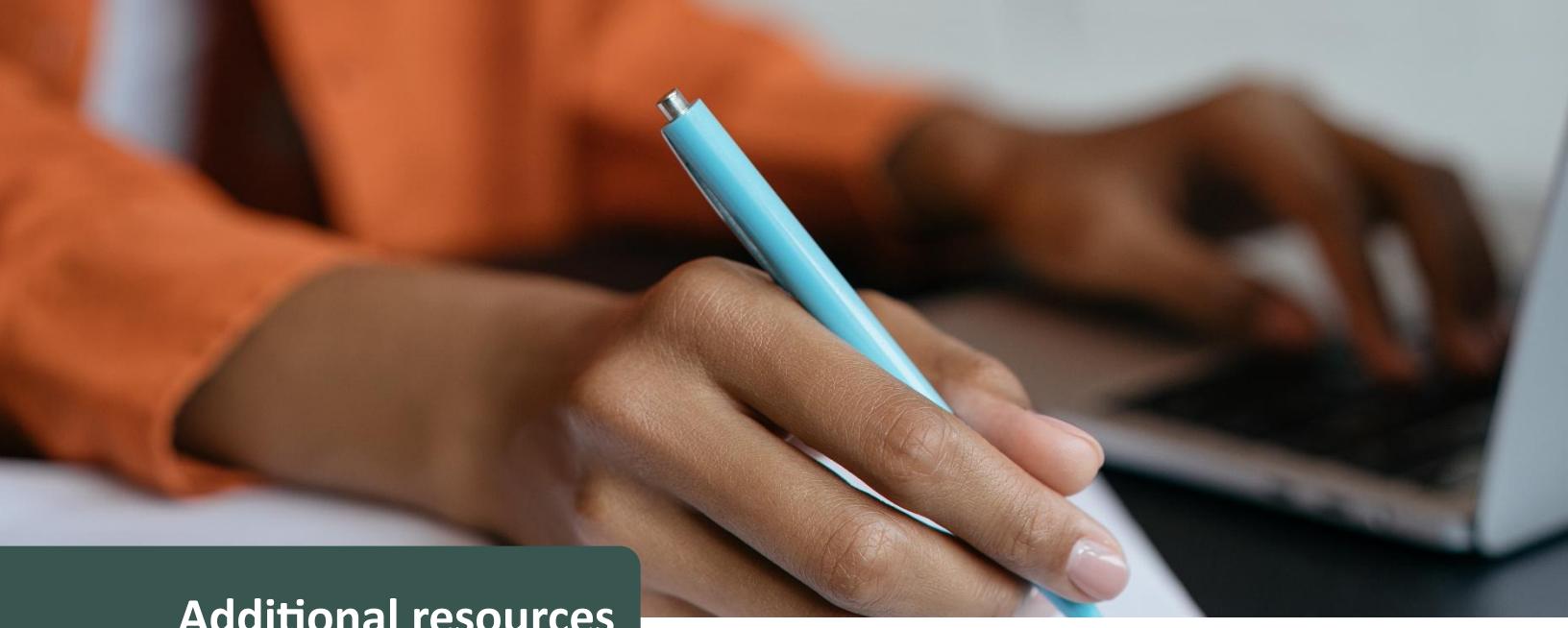
Without a strong business case, SME lending risks being deprioritized within banks, even when supported by external TA.

### Regulatory and Policy Environment

Finally, the regulatory context is a critical enabler. Banks operate within standards and rules, such as collateral requirements, loan classification criteria, and data-sharing regulations, that may not always accommodate innovative approaches to SME finance. To navigate this environment, TA funders, TA providers, and banks can:

- Engage with regulators to expand acceptance of alternative data and movable collateral.
- Advocate for credit guarantee schemes and other blended finance instruments that share risk.
- Leverage digital public infrastructure, such as ID systems, e-KYC, and credit bureaus, to reduce information asymmetries.
- Monitor emerging data protection and digital finance regulations, which increasingly shape how SME data can be collected and used.

Entering the SME market and strengthening SME credit risk management requires more than technical tools. It demands recognition of broader systemic risks, a strong business case for long-term viability, institution-wide buy-in and leadership support, and an enabling regulatory framework. By integrating these considerations, funders and banks can design SME banking strategies that are not only safer but also more sustainable and scalable.



## Additional resources

The following reports, case studies, and research papers provide further reading on SME credit risk management, innovative lending practices, and enabling policy frameworks.

### General SME Finance & Credit Risk Resources

- Aceli Africa. (2020). [Bridging the Financing Gap: Unlocking the Impact Potential of Agricultural SMEs in Africa](#)
- Aceli Africa. (2022). [Incentivising Lenders: The Case of the Catalytic Market Facility Aceli Africa.](#)
- Aceli Africa. (2025): [Agricultural SME Lending in East & Southern Africa](#)
- Bain & Company. (2016). *Divide and Conquer: A Guide to Winning SME Banking Strategies*
- CGAP. (2019). [Digital Credit Models for Small Businesses](#)
- Collaborative for Frontier Finance. (2020). [The Missing Middle: Segmenting Enterprises to Better Understand Their Financial Needs.](#)
- Dalberg. (2015). [IFC Global SME Finance Initiative Midterm Review](#)
- Deloitte. (2022). [Bridging the SME Finance Gap in the GCC](#)
- EBRD. (2024). [Factoring and Supply Chain Finance](#)
- EY. (2021). [The Five-Step Journey to SME Banking Transformation](#)
- IDB Invest. (2018). [Are Psychometric Tools a Viable Screening Method for SME Lending?](#)
- International Growth Centre (IGC). (2024). [Why do SMEs Matter?](#)
- IFC. (2017). [Banking on Women: Creating Value for Banks and Boosting Economic Growth](#)
- IFC. (2019). [Banking on SMEs: Trends and Challenges](#)
- IFC. (2020). [Non-Financial Services: The Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks](#)
- IFC. (2022). [Banking on SMEs: Driving Growth, Creating Jobs. Global SME Finance Facility Progress Report. UK Aid & Government of the Netherlands.](#)
- IFC. (2025). [MSME Finance Gap](#)
- Kearney. (2024). [Small but Mighty: Why Banks Need to Rethink How They Serve SMEs](#)
- McKinsey & Company. (2022). [How Banks Can Reimagine SME Lending](#)
- OECD. (2022). [Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard](#)
- Simon Kucher. (2025). [Better Growth in Retail and SME Banking](#)
- We-Fi. (2022). [Supporting Women Entrepreneurs in Developing Countries: What Works?](#)

- World Bank. (2008). [\*How Do Banks Serve SMEs? Business and Risk Management Models\*](#)
- World Bank. (2017). [\*MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing MSMEs\*](#)

### **Case Study Resources**

- Access Bank (Nigeria): [World Bank From Collateral to Cashflow](#)
- Atlantic Business International (West Africa): [IFC Banking on SMEs](#)
- Bank of Palestine (“Felestineya” program): [IFC Banking on Women](#)
- Central Bank of Nigeria (CBN): [IFC Banking on SMEs](#)
- Credit Guarantee Fund (Mongolia): [ADB Credit Guarantee Schemes](#)
- EBRD Trade Facilitation Programme: [EBRD Trade Finance](#)
- Kenya Commercial Bank (KCB, Kenya): [Women’s Financial Inclusion Toolkit \(GIZ/IFC\)](#)
- Kredit Usaha Rakyat (KUR, Indonesia): [World Bank SME Lending in Indonesia](#)
- Microcred Senegal (MCSN): [Mastercard Foundation Case Studies](#)
- Mintifi (India): [IFC Banking on SMEs](#)
- Nacional Financiera (NAFIN, Mexico): [World Bank Supply Chain Finance by Development Banks](#)
- Stanbic Nigeria (Agribusiness): [Stanbic IBTC Bank Agriculture Finance](#)
- Women Entrepreneurs Opportunity Facility (WEOF): [IFC & Goldman Sachs 10,000 Women](#)
- World Bank (Warehouse Receipt Financing): [World Bank Warehouse Receipt Systems](#)