



PRESS RELEASE

A REVOLUTION IN THE FINANCING OF SMES

In a move signaling a revolution in the financing of micro, small and medium scale enterprises (MSMEs) Central Bank of Kenya (CBK) Governor Dr. Patrick Njoroge led five commercial banks in launching the pilot phase of a mobile loan product targeting MSMEs.

The mobile-based credit scheme is set to improve access to credit for small-to-midsize enterprises, which have been locked out of the formal credit market because of the informal nature of their records and lack of collateral for secured loans.

The loan product, marketed under the name **Stawi**, will initially be managed by five banks – Commercial Bank of Africa Limited (CBA), the Cooperative Bank of Kenya Limited, Diamond Trust Bank Kenya Limited (DTB), KCB Bank (Kenya) Limited, and NIC Group PLC.

Customers will access the loan through a mobile phone application. The money will then be credited to the customer wallet. Stawi offers unsecured loan products ranging from KSh30,000 up to KSh250,000 with repayment profiles of 1-12 months, **at an interest of 9 percent per annum.**

Customers will be scored and advised of their credit limit. Additionally, they are eligible for a top-up functionality once 80 percent of the loan borrowed has been repaid or track record of three months' repayment.

Speaking during the launch at Gikomba Market, CBK Governor Dr. Patrick Njoroge said that this facility responds to the unique financing needs of MSMEs. He also emphasised that the sector is vital to the Kenyan economy, and the product could not have been launched at a more opportune time.

Dr. Njoroge said: “Until now, lending to MSMEs has been constrained by the lack of reliable information to assess their creditworthiness. The innovation in this product is the use of all data on customers' transactions to fill this gap. In that sense it is revolutionary.”

Dr. Njoroge added that the cooperation between the five banks will allow them to reach out to a growing number of small enterprises, promoting job creation and income generation, with a multiplier effect on the economy.

“Small and mid-size enterprises are the lifeblood of any economy, but many have struggled to secure the necessary financing to continue operations in the current economic climate,” said Dr. Njoroge. “We are excited to work with the five banks to minimize the complexity of developing new and more accessible loan offerings as they bring much-needed capital to this underserved yet vital segment of the market.”

The pilot phase will be two weeks and will involve 3,500 traders in the MSME sector. The second roll-out will be to 10,000 traders, who will be registered by Stawi agents and will be involved in the second round of tests for the app.

"We saw an opportunity to offer neglected yet viable Kenyan-based business additional financing options to continue day-to-day operations, and provide additional capital to maintain and establish long term growth," said KCB Group CEO Joshua Oigara.

"Partnering with the other banks has allowed us to bring a new business line to market while offering the necessary expertise and scalability to meet growing customer demand and strengthening MSME contribution to productivity and inclusive growth."

Dr Gideon Muriuki, CEO of Cooperative Bank, said: "This is the first time we are having a loan with a single-digit interest rate and we hope that in the next phase, we will have all banks on board."

John Gachora, the CEO of NIC Bank, said the banks rallied together after the CBK Governor asked for a way for them to fund SMEs.

"The Governor told us not to come here without a solution for you and we believe this one here will work for you," Mr Gachora told traders at Gikomba Market.

Diamond Trust Bank CEO Nasim Devji said the product would come in handy for the thousands of traders who do not operate bank accounts but need access to loans at friendly rates to expand their businesses.

"We looked at a way to fill that gap and that's how the five of us got together to come up with Stawi. We welcome traders to take this up and to talk to us as we work to see that their financial challenges are eliminated," said Ms Devji.

Jeremy Ngunze, the CEO of CBA, said they had established through research that the market is ready for the product.

"There are thousands of people who have bank accounts but we also know that there are many without. We believe that we have come up with a unique product that will be useful for a lot of those in business that will be accessible without having to go through a complex application process," said Mr Ngunze.

CENTRAL BANK OF KENYA

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