

EQUITY BANK LEADS INDUSTRY IN LENDING TO SMEs

Dr Mwangi was speaking at the launch of a research report prepared by IIA in collaboration with Strathmore Business School on bridging the gap between big business and SMEs. He said issues always simmer in conversation and hardly get beyond talks. “The report is a good reference point for meaningful conversations to find solutions to issues. It is amove towards removing mistrust between Small and Medium Enterprises on the one hand and multinationals on the other,” he said.

The CEO corrected the notion that access to capital is a problem for SMEs. “Access to capital is not a problem. That is a perception that repeated many times begins to look like reality. The problem is the cost of finance which is determined by market forces that are guided by government rate of borrowing through treasury bills and bonds but also driven by inflation.” he said.

He emphasized that although only 24% of loans in Kenya go to SMEs, targeted intervention by Equity Bank has seen the advances to SMEs rise to 72% of the bank’s loans portfolio. “72% of Equity Bank’s lending is dedicated to SMEs. We have segmented SMEs into different categories in order to serve them better,” Dr. Mwangi said.

In his review of the IIA Report Dr Mwangi said 7 out of 10 startup SMEs fail because they are driven by passion rather than reason. “Banks are not driven by passion but by research and guided view of what will work. Unlike the SMEs that borrow from relatives with no intention to repay, banks have a responsibility to protect depositors’ money,” said Dr Mwangi.

Dr Mwangi demonstrated how training 1.4 million entrepreneurs on financial literacy has resulted in significant growth of SMEs. “We have realized for those advanced their savings increased three-fold and their non-performing loans declined.”

The CEO’s sentiments were echoed by University of Nairobi don, Dr Bitange Ndemo who said Dr Mwangi is 100% correct. “Paralysis of analysis sets in when people become very educated and start seeing problems in the wrong places”, he said. He encouraged SMEs to aggregate their products to enjoy economies of scale like big businesses. Lauding Equity Bank for supporting SMEs Dr Ndemo said “a case study should be done on Equity Bank to understand how it is lending money through mobile platforms and supporting the SME sector through tailored services and products.”



(L-R): Martin Mbogo, Country Manager Tullow Oil Kenya; Patricia Ithau, Country Director Invest In Africa Kenya Chapter and Equity Bank CEO Dr. James Mwangi at the formal launch of Invest In Africa Kenya and a research report on the gap between SMEs and big businesses



Equity Bank CEO Dr. James Mwangi (right) confers with University of Nairobi lecturer Dr. Bitange Ndemo (left), during the launch of Invest In Africa Kenya in Nairobi