PROMOTING MSME FORMALIZATION THROUGH THE COOPERATIVE ENTERPRISE MODEL WORKSHOP

March 2021



INTRODUCTION

Msme Business Profiles



- **Number of MSMEs:** There are 7.4 million MSMEs in Kenya; 1.5 million of these businesses are licensed by the 47 county governments and about 5.9 million are unlicensed. This indicates that there is a high number of undocumented businesses operating informally in Kenya.
- **MSME Categories:** Micro Constitutes 92.1% of licensed MSMEs operated by owner with few or no worker. Small establishments, account for 7.2 per cent of the total licensed MSMEs Medium establishments only account for 0.7 per cent of the total number of licensed MSMEs.
- Distribution of MSMEs by County: Are concentrated in Nairobi, Mombasa Kiambu, Nakuru, Kakamega
 i.e. Major Towns.
- **MSMEs Ownership:** Micro-sized establishments had the highest proportion of sole proprietorship at 73.2 per cent while small and medium enterprises had 37.3 per cent and 25.4 per cent of their businesses, respectively, under sole proprietorship.
- Business Capital: Licensed businesses require higher start-up capital compared to the unlicensed ones.
- **Business Records:** Most MSMEs keep some records though these records vary in form and consistency with which they are kept. The most common records are purchases day book, monthly purchases ledgers, cash books and petty cash books.
- *Employment in the MSME sector:* Total employment in the sector is estimated at 14.9 million persons.
- Value of MSME output: MSME sector contribution is high to the national economy. In 2015, the value of the MSME's output is estimated at KSh 3,371.7 billion against a national output of KSh 9,971.4. This represents a contribution of 33.8 per cent.

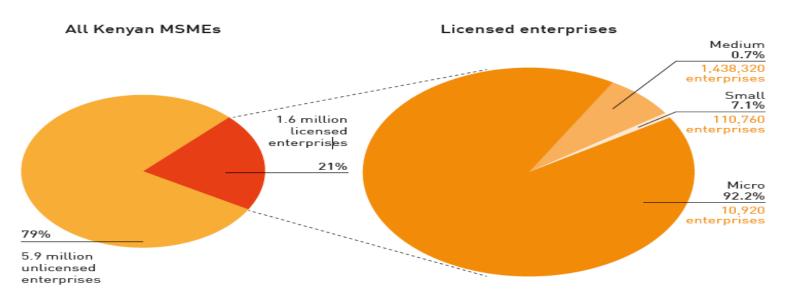
CHALLENGES IN BANKING SMEs IN KENYA



Dynamic SME Sector	Fast Evolving SME Needs	Regulatory/Govent Policies
SME s are highly sensitive to changes in economic environment, usually operate in in risky markets with higher rate of failure	SME needs are evolving very Fast and loans are not their sole expectation	Banks are uncertain on th implications of these regulations
Are the most challenging customer segment to Acquire	SME expects banks to offer innovative and personalized services and sound banks advice on banking solutions	Additional cost incurred in Implementing regulatory requirements and training ie ALM,PROCAMLA
Are heterogeneous, active in large number of economic sectors and difficult to segment using traditional banking models	SME expects excellent services to be provided by bank which a times are costly	Delayed payment by National, County and Quasi Govt bodies payment to Suppliers/Contractors who are SMEs

GROWING MSMEs IN KENYA





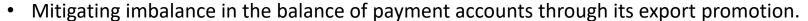
- 1.6 million licensed enterprises i.e. 21% of total MSMEs in Kenya
- Over 90% are Micro therefore focus is to grow them to **SMALL and MEDIUM**
- 7.1% of the Licensed are small and 0.7% are Medium enterprises.

IPC - Internationale Projekt Consult GmbH

IMPORTANCE OF STRONG MSMES ENTITIES IN KENYA



- Development of strong local economies
- Job creation and Social Stability
- Help Country achieve Big 4 Agenda



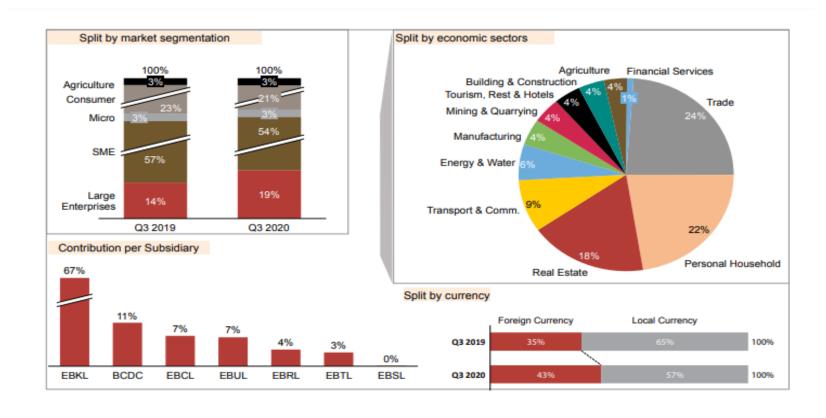
- Assist in distribution of income and wealth.
- Innovation and Risk Taking



EQUITY'S POSITION

EQUITY'S ASSETS QUALITY







EQUITY'S APPROACH TO SMEs NEEDS



Digital

Digital Is King-Accelerating Digital Adoption



Restructure

• Introduce new experiences for distressed customers I.e. Restructuring Loans and client Advisories services by RMS and BCA



Partners

 Global success requires smart partners and collaboration i.e. G.o.K ,MCF,IFC,KNCCI,MSEA



Ecosystem

• Entrenching of Ecosystem in the banking



Payments

 Accelerate the omnichannel(multiple ways for customers to transact) business model, which has become essential rather than optional)



Relationship

Realign RMs to match new market conditions(Emerging

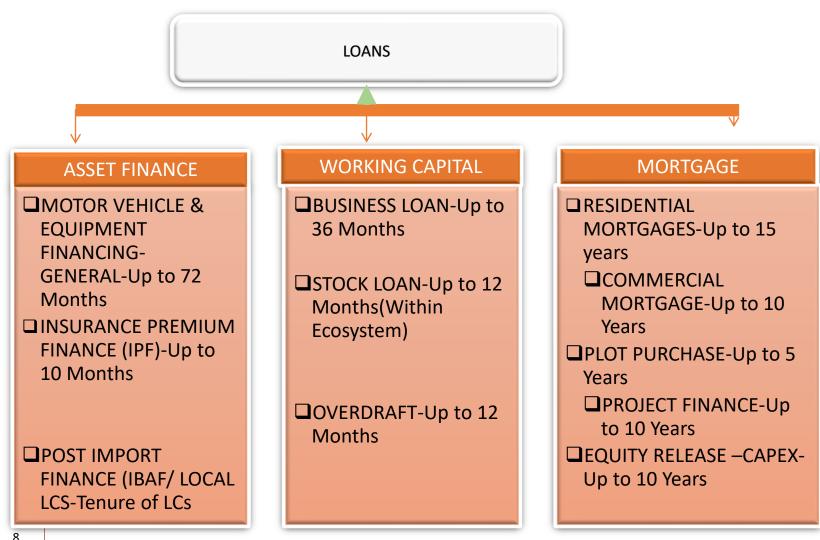
ideas		
Training Education	Advice Enablement	International Markets
		New Products
• Events	 Opportunities 	
 Competition 	 Marketing 	 Higher Margins
• Grants	Collateral	 Higher Volumes
· Encouraging Risk	Asset Building	Migrate to

Adaptive

Need to be adaptive-New Normal in Business Banking



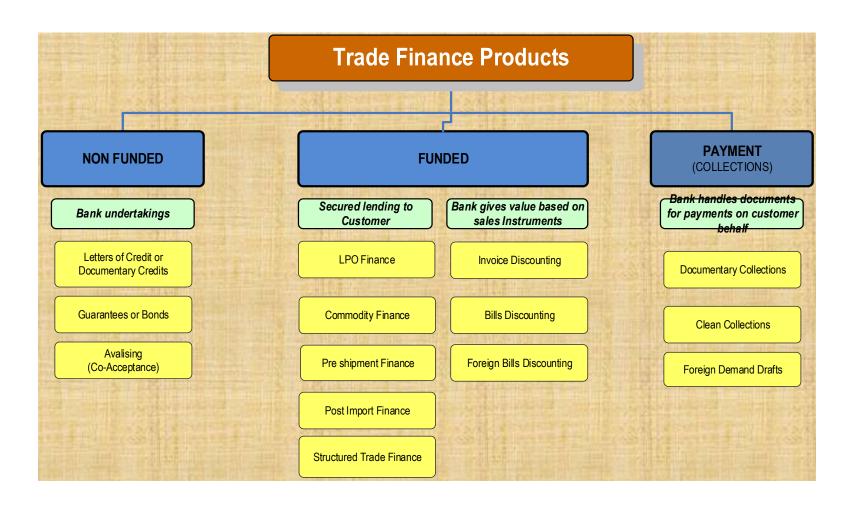
Financing SMEs the Equity Way- Product Offering



PRODUCT OFFERING

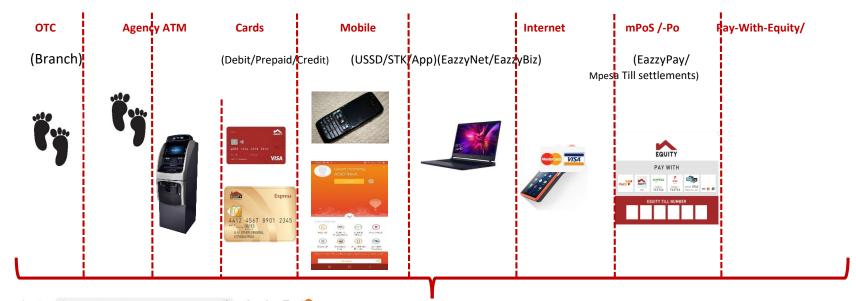
TRADE FINANCE















Payment Platforms

OTHER PRODUCTS













Equity Boosts Government Efforts against COVID-19 Pandemic











Health Response

Waived fees on mobile banking transactions to discourage use of cash; leveraged of our health clinics to support educational awareness

Social Response

Equity Group Foundation, Mastercard and Dr. James Mwangi family contribution to the COVID-19 fund totalling Kshs 1.4 Billion

Loan restructuring

In response to the challenging operating environment for customers we have identified borrowers impacted by COVID-19 who account for 45% of our loan portfolio

Capital buffers

In response to the global and regional uncertain operating environment, we have enhanced core capital buffers by withdrawal of 2019 dividend amounting to Kshs 9.5 Billion

Risk management

In response to a challenging operating outlook we have enhanced our provisioning intensity to proactively manage emerging risks

Thank you

