



## RAFIKIPAY LTD

### Company Overview

Rafikipay Ltd is an innovative agritech company focused on transforming the Agriculture Sector in Kenya, Founded in 2018. Our mission is to empower smallholder farmers by providing them with the tools, resources, and knowledge necessary to enhance their productivity and sustainability, currently financing over 32,000 and trained over 65,000 smallholder farmers in Kenya.

We have been recognized for our impactful contributions to agriculture, receiving accolades such as the AYuTe Africa Challenge Kenya Award, the Giz Widu 2023 Entrepreneurship Award, the FAO 2022 Agripreneur Champion Award, and the USADF/SKF 2023 Grant Winner Award.

“Our contribution to the agribusinesses sustainability , resilience and climate change adaptation solutions in Kenya through financing is commendable.”

Joshua Gitonga, Founder & CEO Rafikipay Ltd

# **Presentation Title: Improving Access to Finance for MSMEs in Developing Countries**

## **Strengthening Resilience and Accelerating Sustainable Development**

### **Introduction**

**Background:** Micro, Small, and Medium Enterprises (MSMEs) are the backbone of most developing economies, contributing to employment, innovation, and sustainable economic growth.

**Objective:** To discuss strategies for improving access to finance for MSMEs to strengthen their resilience, particularly in times of crises, and accelerate sustainable development.

# Why MSMEs Matter in Developing Economies

## Importance of MSMEs for Economic Growth and Development

### Contribution to Employment:

MSMEs account for about 90% of businesses and 50% of employment globally (ILO, 2020).

In many developing countries, MSMEs employ over 70% of the workforce.

### Economic Contribution:

MSMEs contribute 40% to GDP in developing countries (World Bank, 2021).

They are often key drivers of innovation, inclusivity, and sustainable development.

### Challenges Faced:

Difficulty accessing finance due to inadequate collateral, high interest rates, and limited credit histories.

# Barriers to Accessing Finance for MSMEs

## Key Challenges Hindering Access to Finance

**Lack of Collateral:** MSMEs often lack sufficient assets to offer as collateral, making them less attractive to traditional financial institutions.

**High Interest Rates:** In many developing countries, the cost of borrowing is prohibitive for MSMEs, discouraging investment and growth.

**Information Asymmetry:** Financial institutions often lack reliable data on MSMEs' financial performance, leading to higher perceived risk.

**Financial Literacy:** Low financial literacy among MSME owners and managers limits their ability to navigate complex financial products.

**Regulatory Barriers:** Inefficient regulatory environments and lack of tailored financial products for MSMEs.

# The Role of Finance in MSME Resilience

Finance as a Catalyst for Resilience and Sustainability

## **Enhancing Business Continuity:**

Access to finance enables MSMEs to invest in technology, diversify products, and strengthen supply chains—critical for resilience in times of crisis.

## **Support for Crisis Recovery:**

MSMEs need flexible financial solutions (e.g., grants, low-interest loans, and emergency funding) to weather economic shocks such as pandemics, natural disasters, or political instability.

## **Fostering Sustainable Practices:**

Financial support for green technologies and sustainable practices can help MSMEs contribute to long-term economic sustainability and environmental goals.

# Case Study 1: India - Microfinance and Financial Inclusion

## Case Study: India's Microfinance Sector

**Background:** India has made significant strides in improving financial inclusion for MSMEs, particularly through the microfinance sector.

### Key Initiatives:

**Self-Help Groups (SHGs):** These community-based groups provide financial services to the underserved.

**Microfinance Institutions (MFIs):** Provide small loans with low-interest rates to micro-enterprises.

**PMEGP Scheme:** The Prime Minister's Employment Generation Programme provides financial assistance to small businesses.

### Impact

Over 200 million people have benefited from microfinance, improving access to finance for MSMEs.

In 2020, the Indian government announced a Rs 3 lakh crore MSME loan guarantee scheme, providing liquidity support during the COVID-19 pandemic.

**Challenges:** Despite progress, MFIs face regulatory challenges and high operational costs in rural areas.

## Case Study 2: Kenya - Digital Financial Inclusion for MSMEs

Case Study: Kenya's Use of Digital Finance for MSMEs

**Background:** Kenya has embraced mobile technology to improve access to finance for MSMEs, with mobile money platforms such as M-Pesa leading the way.

### Key Initiatives:

**M-Shwari** :A mobile banking service that provides micro-loans to MSMEs and individuals with no bank accounts.

**KCB Mobi Bank:** Provides banking services through mobile platforms, allowing businesses to access loans and financial products on their mobile phones.

### Impact

MSMEs in Kenya have benefited from the rapid expansion of mobile financial services, improving their access to credit, savings, and insurance.

In 2020, M-Shwari alone had over 20 million active users, demonstrating the effectiveness of digital finance in reaching underserved businesses.

**Challenges:**Digital literacy gaps and access to technology in remote areas remain barriers for full inclusion.



# International Best Practices for Improving Access to Finance

**Title:** Policy Interventions and Financial Innovations

**1. Blended Finance Models:** Combining public and private sector funding to de-risk investments in MSMEs (e.g., development finance institutions, impact investors).

**2. Credit Guarantee Schemes:** Governments can provide partial guarantees to reduce the risk of lending to MSMEs (e.g., the EIB's COSME program in Europe).

**3. Fintech Solutions:** Leveraging digital platforms for peer-to-peer lending, crowdfunding, and blockchain to enhance MSME access to capital.

**4. Capacity Building Programs:** Financial literacy training, business development services, and management training programs to help MSMEs better manage finances.

**5. Tailored Financial Products:** Develop financial products that meet the specific needs of MSMEs, such as working capital loans, trade financing, and long-term investments.



# The Role of the United Nations Policy Recommendations

## UN's Role in Strengthening MSME Resilience

### Policy Recommendations:

- 1. Inclusive Financial Ecosystems:** Support the creation of inclusive financial systems that integrate MSMEs into formal finance markets.
- 2.Regulatory Reform:** Advocate for regulatory frameworks that reduce barriers for MSMEs, such as simplifying registration processes and protecting minority shareholders.
- 3.Capacity Building Support:** Invest in training for MSME owners and financial institutions to improve financial literacy and access to innovative financing tools.
- 4.UN Support Mechanisms:** Provide technical assistance, research, and policy guidance for governments to implement these reforms.  
Facilitate partnerships between international organizations, national governments, and private actors.

# Conclusion: Strengthening MSME Resilience for Sustainable Development

Building a Resilient and Sustainable Future

## Key Takeaways:

MSMEs are vital for economic recovery, employment generation, and sustainable development in developing countries.

- ❖ Access to finance is crucial to enhancing the resilience of MSMEs, particularly in times of crises.
- ❖ Policy reforms and innovative financing mechanisms are essential to bridging the financing gap for MSMEs.

## Call to Action:

The United Nations Department of Economic and Social Affairs must prioritize policies that create an enabling environment for MSMEs to thrive, thus contributing to long-term economic stability and sustainable development.