INVEST
The Process for Unleashing SME Banking

Executive Summary for Funders

November 2025

argidius GFA GROWTH FIRMS ALLIANCE Dalberg CONSUMERCENTRIX GSG IMPACT

Note: This report was made possible through support from the Argidius Foundation on behalf of the Growth Firms Alliance. It does not necessarily reflect the views of other GFA sponsors, who did not participate in its development.

INVEST comprises a set of knowledge products and tools to support Banks and their Funders and Supporters through the process of understanding SME markets and developing profitable value propositions

	Executive summary	Knowledge product	Toolkit	Toolkit guide
	*A **high-level summary** designed to provide an overview of the INVEST Process and accompanying Toolkit*	*Document that **highlights the SME banking gap, and describes INVEST as an effective approach to address it,** backed by evaluations and case studies*	*An open and public **digital platform** that provides both TA funders and banks with a suite tools to support them through INVEST Process to unleash SME banking.*	*An **overview guide** that introduces the INVEST Toolkit and offers an overview of its contents through descriptive one-pagers for each tool*
TA Funders and Providers	Current piece 			
Banks	*Find the bank version [here](#).*	*Find the bank version [here](#).*		*Find the bank version [here](#).*

SMEs are the backbone of emerging economies, yet they remain trapped in the missing middle due to a $5.7 trillion financing gap

In emerging economies, SMEs represent:

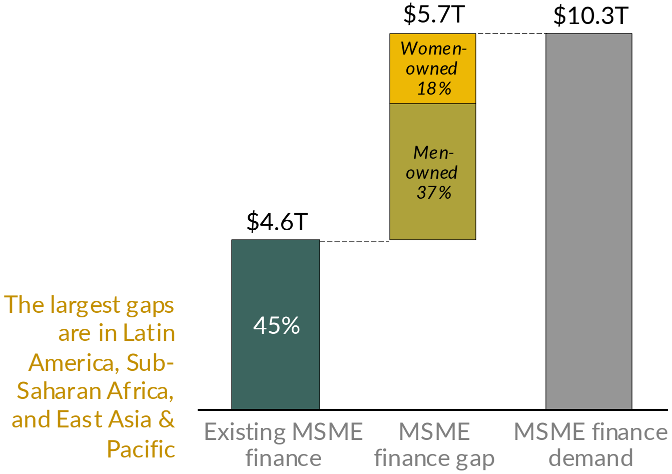
70% of jobs

70% of businesses

35% of GDP

Strengthening SMEs in LMICs supports **production** across value chains, boosts **productivity**, and improves **livelihoods** for underserved groups.

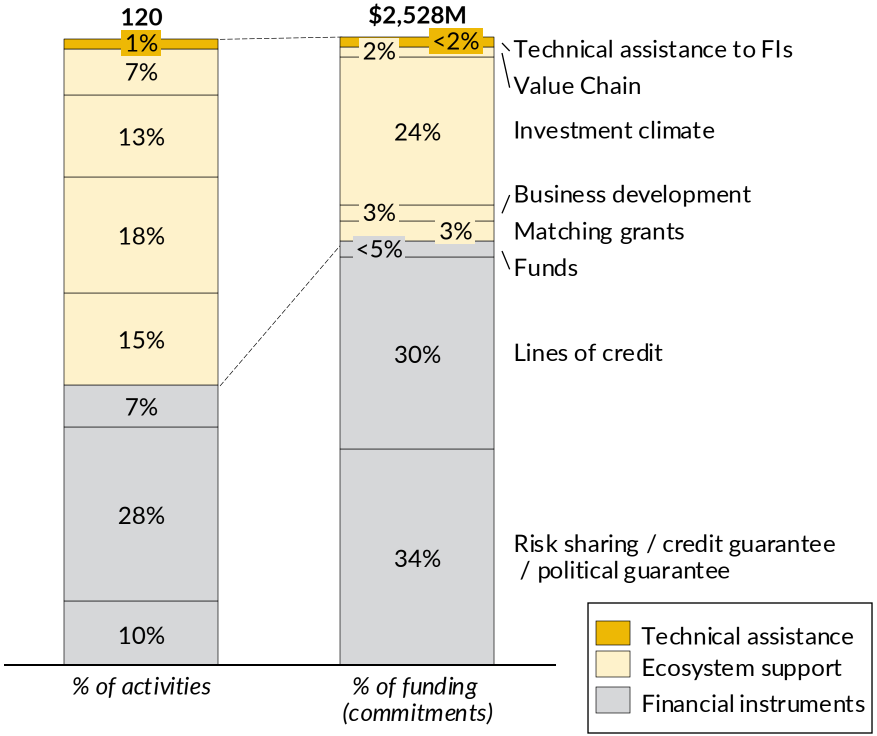
The +$5.7 trillion annual financing gap leaves SMEs trapped in the missing middle and **unable to access financial products** and **non-financial services** required to grow their businesses



Sources: IGC. (2024). Why do SMEs Matter; McKinsey Global Institute. (2024). A microscope on small businesses: Spotting opportunities to boost productivity; The Cherie Blair Foundation. (2024). Empowered or Undermined? Women Entrepreneurs & the Digital Economy; Reardon. (2021). Quiet Revolution by SMEs in the midstream of value chains in developing regions: wholesale markets, wholesalers, logistics, and processing

Funders rarely provide technical assistance (TA) to banks, overlooking a key opportunity to strengthen SME banking propositions

World Bank Group* SME interventions evaluated, by type of support
(Projects Evaluated by IEG 2014–18, #, $M)



- Funders have **focused on providing funding** (e.g., lines of credit) **and advisory services** for ecosystem and institutional change (e.g., business environment reforms)
- **TA to financial institutions is often overlooked, though necessary** to help banks improve their SME proposition and provide impactful, long-term SME banking

__TA helps lenders__ to adapt their business models __to serve high-impact SME segments in a commercially viable way__
British International Investment

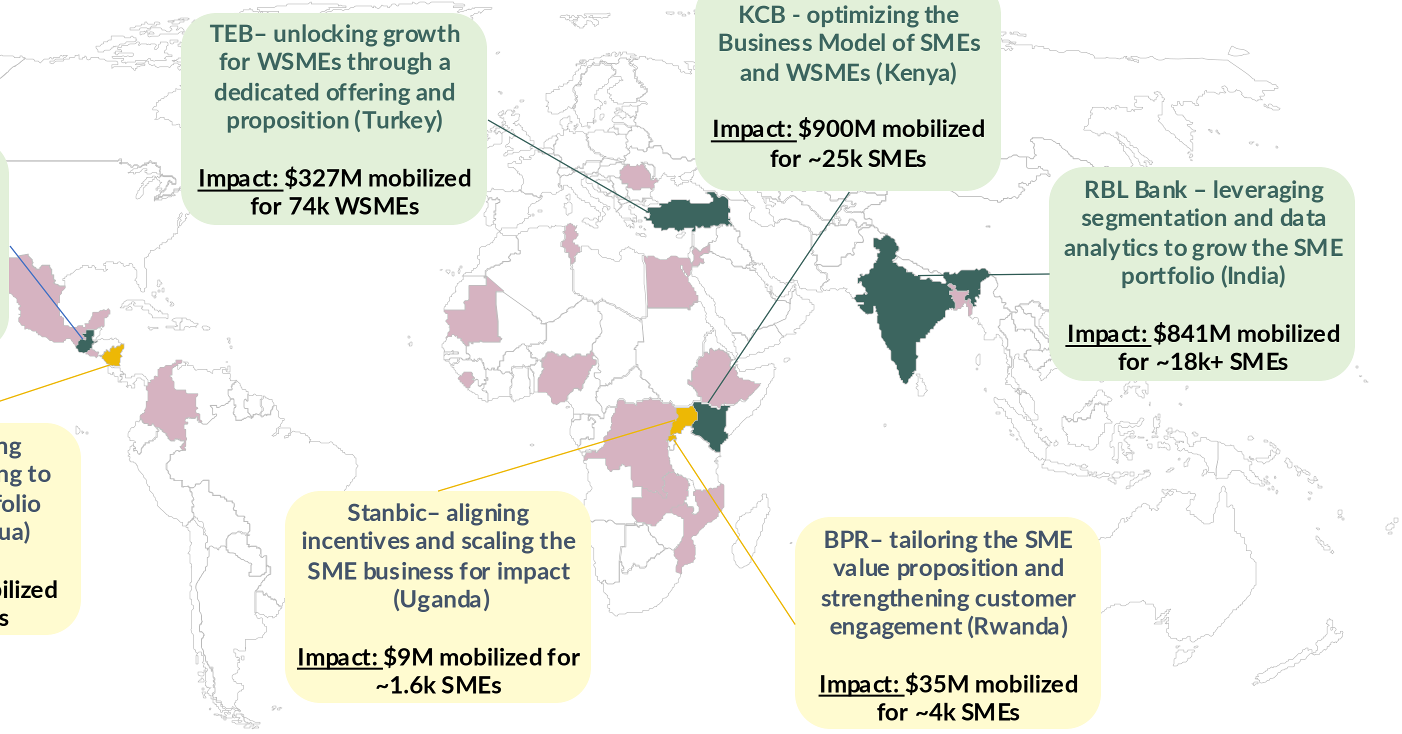
DFIs can play a __catalytic role by offering TA focused on capacity building__ (i.e., staff training, risk assessment development) lowering upfront costs and __improving SME banking delivery__
FERDI

Note: *Includes interventions carried out by WB Lending, IFC Investment Services, and MIGA
Sources: World Bank Group. (2019). Support for Small and Medium Enterprises A Synthesis of Evaluative Findings; FERDI. (2023). Financing SMEs in Africa: Rethinking the Role of Development Finance Institutions; BII. (2024). How and why we finance SMEs

After reviewing 20+ TA-supported SME banking programs, we identified what drives successful SME propositions

SME banking programs by outcome

High impact | Emerging impact | Additional initiatives reviewed



Banco Industrial – strengthening SME strategy & processes (Guatemala)[1]

Impact: $550 M mobilized for ~3k SMEs

TEB– unlocking growth for WSMEs through a dedicated offering and proposition (Turkey)

Impact: $327M mobilized for 74k WSMEs

KCB - optimizing the Business Model of SMEs and WSMEs (Kenya)

Impact: $900M mobilized for ~25k SMEs

RBL Bank – leveraging segmentation and data analytics to grow the SME portfolio (India)

Impact: $841M mobilized for ~18k+ SMEs

BAC– embedding relationship banking to unlock SME portfolio growth (Nicaragua)

Impact: $50M mobilized for ~1.1k SMEs

Stanbic– aligning incentives and scaling the SME business for impact (Uganda)

Impact: $9M mobilized for ~1.6k SMEs

BPR– tailoring the SME value proposition and strengthening customer engagement (Rwanda)

Impact: $35M mobilized for ~4k SMEs

What good looks like: The exponential growth of KCB's billion-dollar SME banking portfolio

Bank KCB Kenya Commercial Bank

Partners argidius by PORTICUS · Women's World Banking · CONSUMERCENTRIX

Outcomes *KCB's SME portfolio grew from $4 million in 2017 to $1.1 billion in 2025, with a $2 billion commitment by 2027*

By 2025

SMEs are **KCB's 2nd most profitable segment**

Total capital mobilized	*$1.1Billion*
Funds allocated to WSMEs	*$550M*
SMEs served	*30k*
Full time jobs created	*67k*

"It is like walking into a totally different bank."
- Small Enterprise Owner, Female - Machakos

Context and problem

In Kenya, **SMEs (and in particular, WSMEs) lacked financial resources** in large part because **banks did not offer products and services tailored to their needs**.

In 2016, Women's World Banking, with the support of Argidius, partnered with Kenya Commercial Bank (KCB) to conduct a field study to **understand the constraints** that limited banks from better serving SMEs. These included:

- *A lack of understanding of SME needs and gaps **due to** insufficient customer research and lack of gender-disaggregated data*
- *A fragmented business model under which SMEs were commonly served through **multiple points of contact** at a bank*
- *A lack of SME-appropriate lending products—e.g., most were collateral based, which often limited access for SMEs that nonetheless had sufficient cash flow*

The assessment indicated that KCB had **tremendous potential to further serve existing customers.** Of the bank's ~1 million MSME account holders at the end of 2016, only 7% had a loan with the bank and only 1% utilized non-financial services offered through the SME membership program "Biashara Club".

Sources: Dalberg analysis based on interviews with TA funder representatives and internal program document review.

What good looks like: The exponential growth of KCB's billion-dollar SME banking portfolio

Bank Kenya Commercial Bank

Partners argidius, Women's World Banking, ConsumerCentrix

Approach

Following the assessment, Argidius, WWB, and CCX supported KCB **through a three-year TA program**, starting with a 10-branch pilot and reaching 200+ branches by 2020. The TA **focused on improving KCB's SME offerings by:**

1 Conducting in-depth research and bank diagnostics

KCB began its research phase by:

- **Analyzing the market and segmenting WSMEs to understand** their unique financial and non-financial needs
- **Identifying the bank's capabilities and gaps** in serving WSMEs

2 Designing an optimized business model

Building on its research findings, KCB improved the value proposition of its SME offerings by:

- Upgrading the **bank's use of data and customer management**
- Implementing a new **cash-flow-based credit assessment**
- Shifting toward a **relationship-based management model**
- Upgrading the **non-financial services** offering

3 Building institutional alignment

The bank used a top-down approach to ensure change management at all levels and successfully serve women-owned SMEs by:

- Building staff buy-in through **internal communication campaigns**
- Providing **continuous training** to embed a women-focused culture
- Giving the Biashara Club team a **strategic position** within the bank

Intervention

Strengthening of the portfolio performance management

- **Upgraded its CRM system** to tag clients separately as individuals or businesses and to track gender-disaggregated data, enabling a clearer understanding of its customer base.
- **Designed reports and dashboards** to allow staff across levels to regularly monitor financial and non-financial service performance.
- Worked with the Head of SME Banking to **determine KPIs** and the reports IT and MIS teams should provide to support SME tracking.

Implementation of a cash-flow based credit assessment

- Shifted away from collateral-based credit assessments by **equipping relationship managers with cash-flow-based credit assessment models, visiting businesses** to build deeper understanding, and **introducing credit panels at the branch level** to strengthen assessments.

Development of a relationship-based banking model

- **Developed a relationship management model** which enabled KCB to foster relationships with SMEs, especially WSMEs.
- **Trained** 78 **staff in relationship management** throughout pilots; fully rolled out training to 560+ staff via KCB's training academy.

Expansion of KCB's non-financial services

- **Transformed KCB's Biashara Club into an effective provider of non-financial services** offering business networking and workshops, informed by better needs assessments and a partnership with the African Management Institute (AMI)

Why don't all SME banking programs match KCB's success?
The challenges and lessons learned of building and growing SME segments

Key challenges[1]	Description	Lessons learned
Lacking incentives to align priorities	**Even when banks commit to SME banking, they often lack clear internal incentives and accountability to treat it as a strategic priority.** As a result, SME business lines underperform or fail to reach their full potential.	A — Focus efforts on banks with strong internal incentives to develop and expand SME banking
Taking a product-first approach	**Many banks and their backers take a product-first approach to SME banking. Launching generic offerings without appropriate market, institutional, and client level analysis.** This limits the ability to develop coherent and compelling value proposition that resonate with banks and SMEs.	B — Follow a process of Research & Diagnostics, Pilot and Refinement, and finally Rollout
Disregarding change management	**Banks often launch SME initiatives without ensuring that they can manage the organizational change this requires.** Without strong change management, these efforts lose momentum and fail to scale.	C — Manage internal change to sustain SME momentum

[1]**Note:** These challenges are based on insights from interviews with banks and TA funders, as well as a review of SME banking program documents.

INVEST is a process that supports funders and TA providers through the key steps and critical questions at each stage of the SME banking journey

	Research & Diagnostics					**Pilot & refinement**	**Roll out**
Steps *(might not be linear)*	Assess the market	Understand the SME segment	Identify strategically aligned banks	Diagnose bank capabilities	Set up performance tracking	Test and refine	Rollout
Key questions	What does the market look like? What is the **overall opportunity**?	What are the **key segments**? How do their **needs differ**?	Which banks are **internally incentivized** to establish themselves in these markets?	What do these banks need to do **to create a strong SME value** proposition?	**How will these banks know if they are succeeding?**	What **adaptations are necessary** to expand market share?	How can these banks **target scale** (e.g., across branches, subsidiaries, new markets)?
Good practices	Understanding high-level **enablers and barriers** to SME finance through **market sizing and assessment**	Establishing through **segmentation** a **clear view of** the **nuanced needs** of a heterogeneous market	**Assessing potential bank partners** that are **strategically aligned and have the right incentives** throughout the organization	Identifying existing **capability and technology gaps** to be filled to properly serve SMEs through a **bank diagnostic**	Implementing **performance tracking** to measure progress and **assess impact**	Understanding shortcomings and needed **adjustments through pilots** prior to full rollout	Identifying additional opportunities to **target growth and expansion**

Note: The INVEST framework provides a simplified and generalized representation of elements of success applicable to the SME banking journey. It is intended for guiding purposes.

The INVEST approach highlights effective SME banking is a process, not a product, built on key success factors

Research & Diagnostics → Pilot & refinement → Roll out

Key elements for success

I – **Incentives** – Identify bank partners that are strategically aligned and internally incentivized to establish themselves in these markets

*A critical **1st step** is selecting the right bank partner(s)*

N – **Non-financial services** – Enhance the value proposition to increase customer loyalty and financial returns

V – **Versatile implementation** – Ensure that a change management structure is in place across departments for implementation

E – **Embed relationship banking** – Implement a customer-centric relationship model that fosters higher customer satisfaction and cross-selling opportunities

S – **Segmentation** – Identify market segments for which there is a strong business model; tailor the value proposition accordingly to nuanced needs and characteristics (e.g., sector, lifecycle stage, formality level, etc.)

T – **Technology** – Leverage data and digital tools to optimize new and existing client identification, credit assessment, and disbursement times—driving market share growth and profitability

The INVEST Toolkit provides funders and TA providers with tools to apply the INVEST process and strengthen SME banking practices across diverse contexts

Research & Diagnostics | Pilot & refinement | Roll out

Order of use

Tools for TA funders | Tools for banks

To evaluate the market opportunity and identify strategically aligned partners

1. Market assessment
2. Market sizing
3. Partner screening tool
4. Business case

To understand the TA needs of banks to effectively focus capacity building

5. Bank diagnostic
6. Segmentation tool*
7. Enterprise needs assessment
8. Credit risk management primer

*Note : Additional gender-focused resources—such as the WSME segmentation, WSME Toolkit, and additional case studies developed with We Fi Initiative —are available on the INVEST Toolkit website.

To effectively track and communicate impact of programs

9. Bank performance dashboard
10. Case study template*

*Note: the case study template can also be leveraged to gain strategic alignment and advocate for program funding.

"This is the first time I've seen such a comprehensive diagnostic for SME banking – it helps banks understand where they stand and how to move from transactions to real SME partnerships."
- Advisory Services Lead, DFI

"This toolkit is very helpful – it takes out the real lessons, the pain points, and clearly how to overcome them. It's something I would recommend to everyone."
- Senior SME Banking Executive, Sub-Saharan Africa

The INVEST Toolkit [can be found here]

We extend our gratitude to all partner institutions, funders, and banks whose collaboration and insights made this work possible

Consortium partners

Participating institutions / banks

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For more information visit

Thank you!

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