


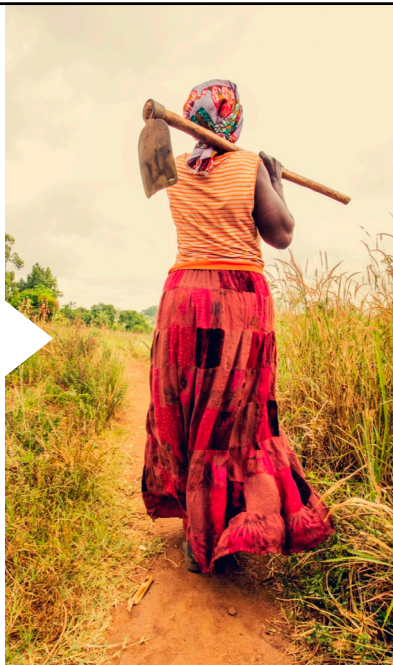


CHALLENGES IN LENDING TO SMEs
Finance for All : Promoting financial inclusion in Central Africa
Presenter Tineyi Mawocha | March 2015



OUTLINE

- Urwego Opportunity Bank overview
- Challenges faced by banks / SME
- Possible solutions
- Measures to limit risks to portfolio
- Institutional & Regulatory factors
- Questions



URWEGO OPPORTUNITY BANK

First and largest microfinance bank in Rwanda

- Owned by Opportunity International, Hope International & World Relief
- 12 branches + 6 planned
- 18 ATMs
- Over 200 agents
- 32 Sales offices nationwide
- Mobile banking platform – mVISA mHose
- Access to over 300 ATMs via RSwitsch



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WHAT ARE THE MAIN CHALLENGES BANKS FACE WHEN LENDING TO SMEs

Responding to challenges faced by SMEs in accessing finance

- Lack of / inadequate collateral
- Lack of / inadequate financial information and record-keeping
- Deficient business management knowledge
- Lack of / inadequate deposit or own contribution
- Start-ups
- Proximity of Bank to clients
- Banks too daunting – lack of confidence



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POSSIBLE SOLUTIONS

Responding to challenges faced by SMEs in accessing finance

- Use of guarantee and risk sharing facilities, social collateral
- Providing training and mentoring – UOB's Holistic Life Improvement
- Training and information sharing through groups and forums
- Opening targeted savings
- For Start-ups – use of all above methods
- Mobile banking solutions and agents
- Recruiting from local communities, common language and background, plus training



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MEASURES TO LIMIT RISK TO THE PORTFOLIO

Methods used in Rwanda

- Thorough assessment, Getting to know the client
- Use of 99 year leases , land title and movable security where possible
- Sector concentration caps – portfolio diversification
- Partnering like minded-organisations, capacity building and risk-sharing eg. DOT, Kiva
- Partnering local authorities to ensure moral suasion and enforcement in return for assisting them to achieve development targets
- Effective collection and mobile reminders



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INSTITUTIONAL & REGULATORY ISSUES

- Creating an enabling environment for lending
e.g. Credit Reference Bureaus
- Ensuring Banks' adequate provisioning
- Reasonable & sustainable pricing for SMEs
by banks

