

# Understanding SME Lending behaviour in Kenya

[March 2023]



# Introduction and Acknowledgement

This survey was conducted by GLend in close collaboration with AWIBA Network over the period of February 2023 in Kenya.

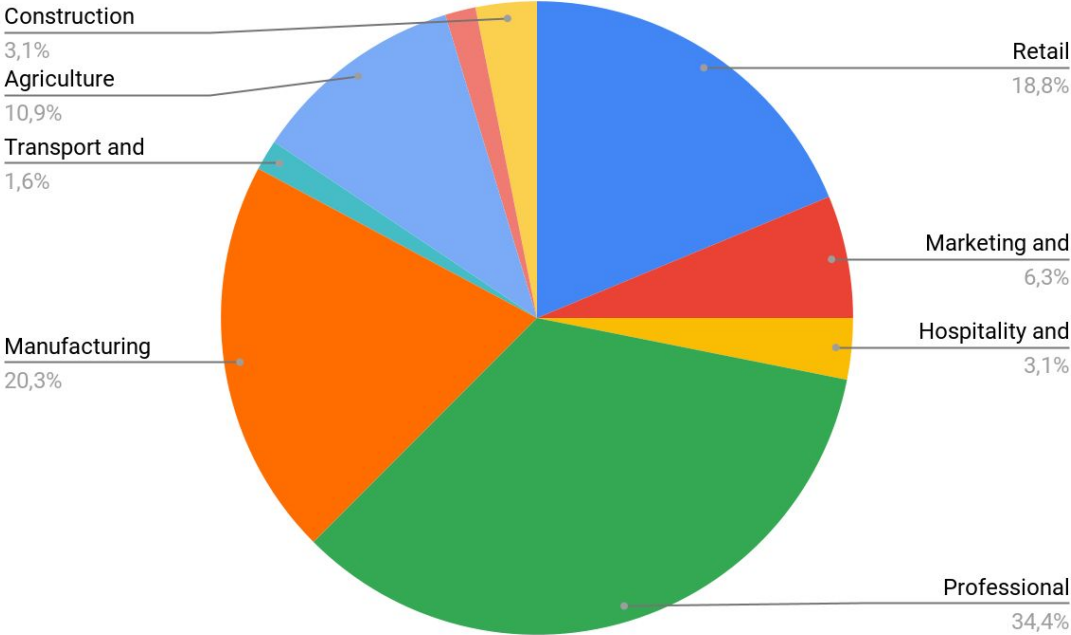
GLend is very grateful for the support provided by Margaret Gitonga and Pauline Laibon. Without their help this initial survey investigating the lending behaviour of Kenyan SMEs wouldn't have been possible.

Additional research and surveys should be carried out in future with the aim to get an even larger sample size to get an even more holistic perspective of Kenyan SMEs.

# Executive Summary

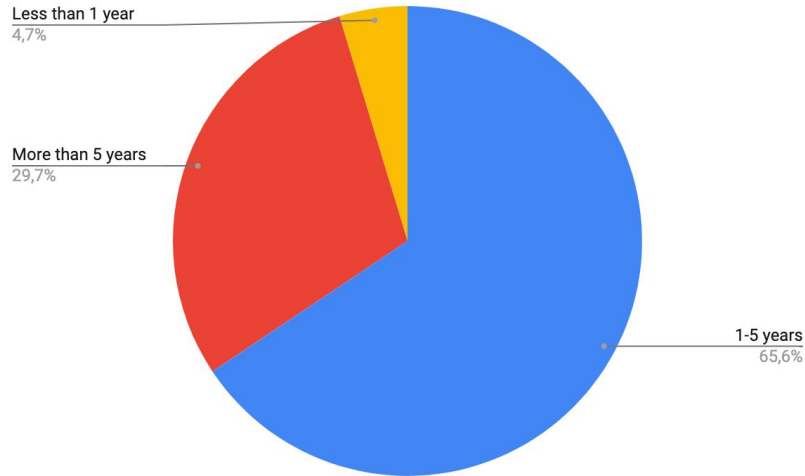
- 61.5% of the businesses need some type of financing at least every 3-6 Months.
- Although collateral is required for the majority of loan applications 63% of SMEs were not able to provide the required securities.
- Typical payment terms go up to 60 days – while only 38% of Customers actually pay on time.
- Only 19% of SMEs have an overdraft facility, however they use it frequently the majority utilizing it every month.
- 78% of SME owners approach friends and family or other business owners in their close networks for guarantees.
- 87% of SMEs require a boost in financing to buy stock with 2/3 of SMEs required financing of more than Ksh 500,000.
- Next to Banks and MFIs being preferred lenders almost 40% of SME Owners would take loans from Friends and Family or other Businesses.
- 51% of SMEs have digitized the financial side of their business while Quickbooks is the most commonly used Accounting System.
- 64% of the surveyed businesses have received Business Training & 68% are willing to pay for additional Financial Management Training.

# The survey predominantly addressed SMEs in the Professional Service, Manufacturing and Retail Industry

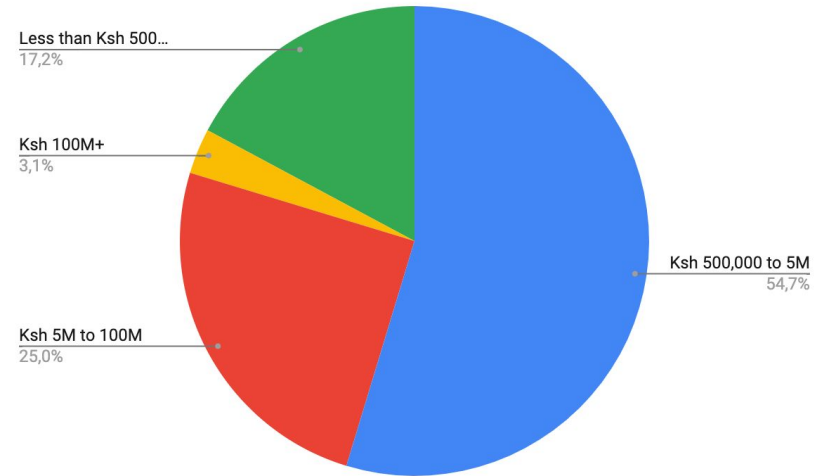


# The majority of businesses surveyed were operating for several years and had mostly turnovers of at least Ksh 500,000

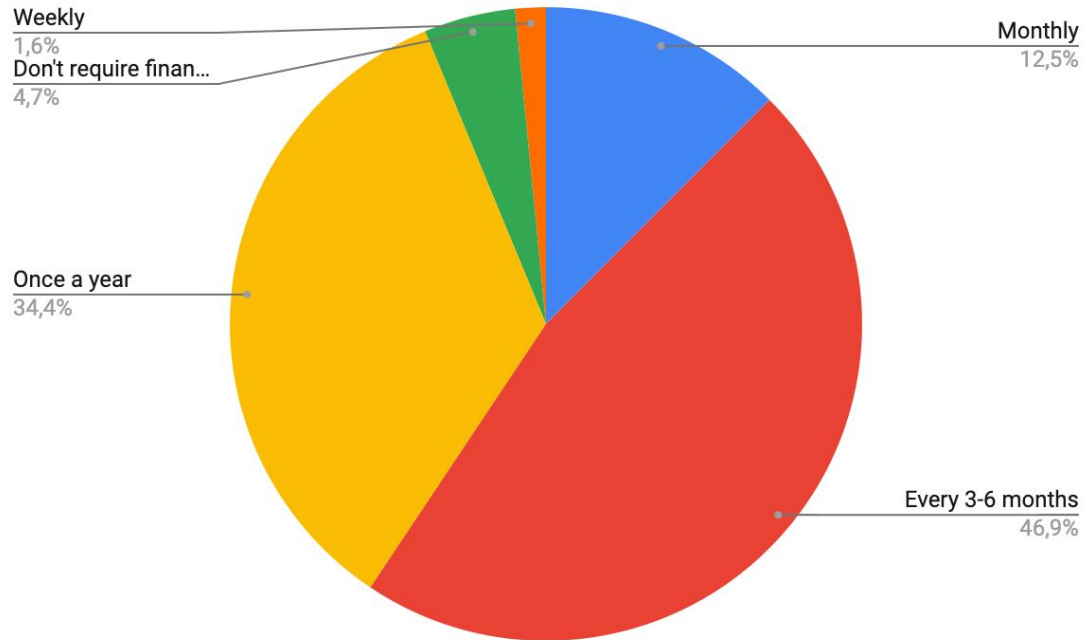
## How long has your business been operating?



## What is your annual turnover?



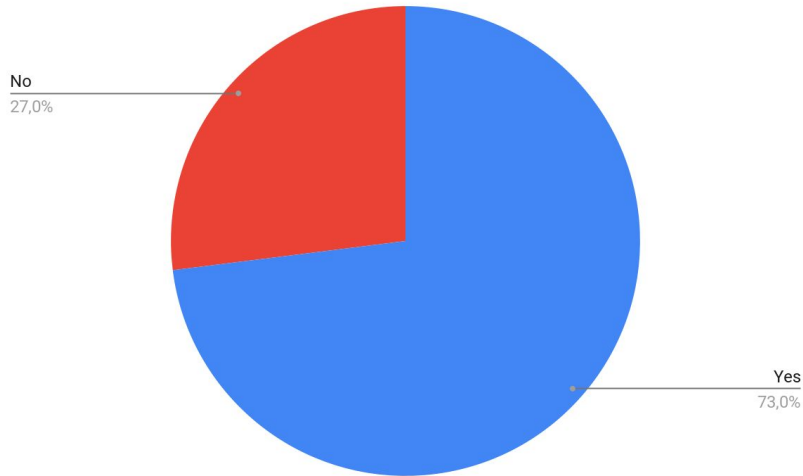
# 61% of SMEs require financing at least once every 6 months



# Although collateral is required for the majority of loan applications 63% of SMEs were not able to provide the required securities

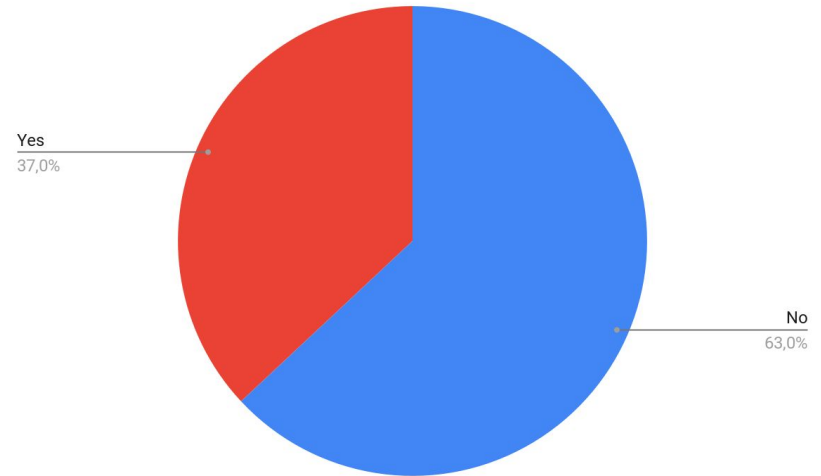
**Was collateral required to take out a loan?**

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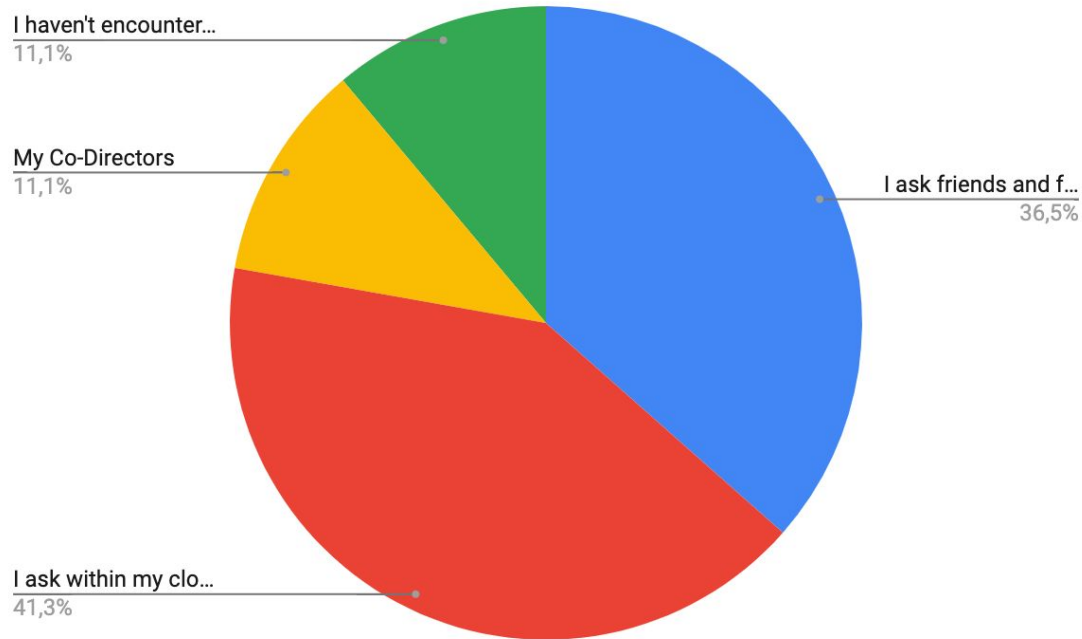


**Where you able to provide collateral?**

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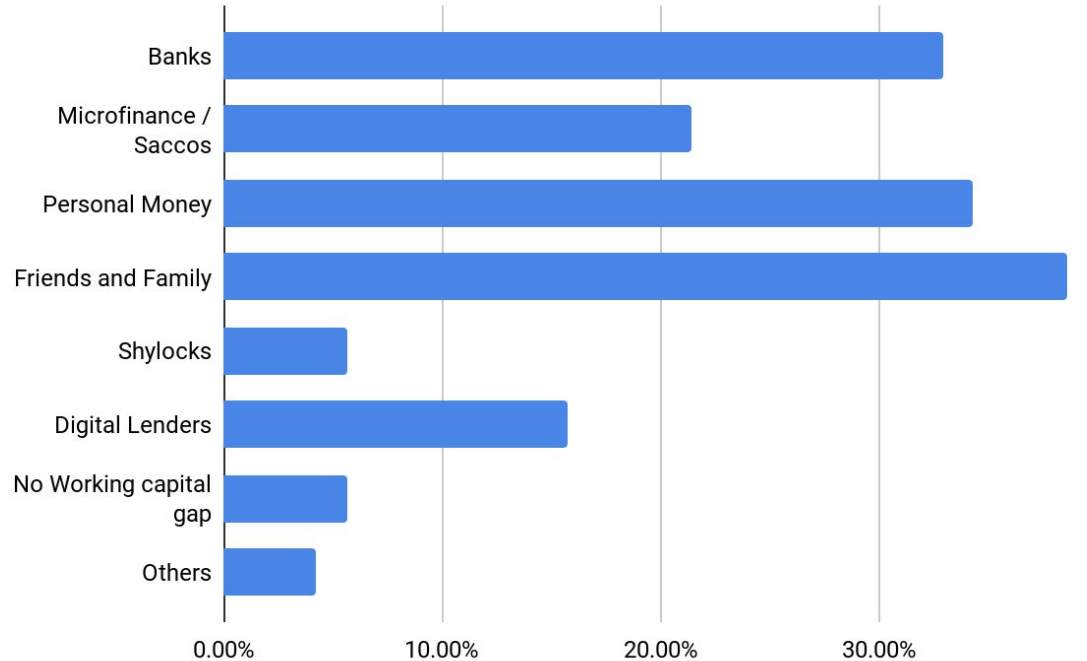


# 78% of SME owners approach friends and family or other business owners in their close networks for guarantees





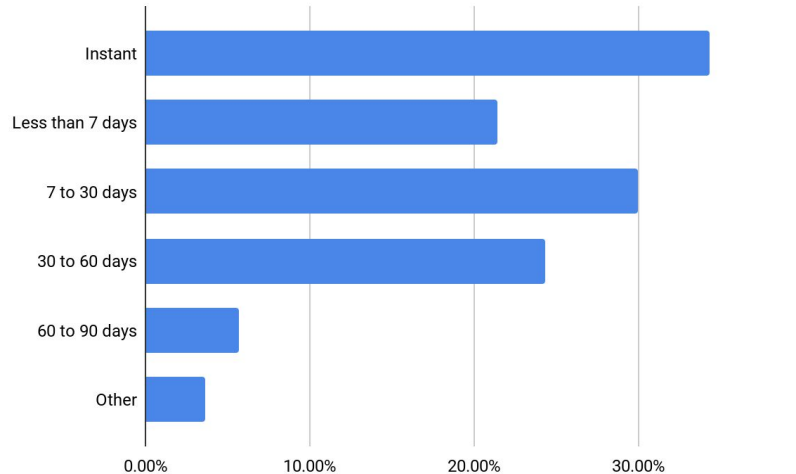
# When not having access to collateral SMEs predominantly take out loans with Family and Friends



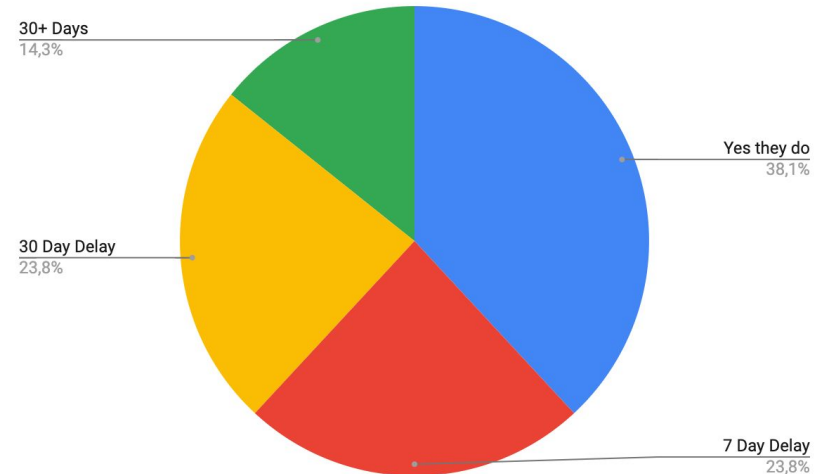
Multiple Answers were possible

# Typical payment terms go up to 60 days – while only 38% of Customers actually pay on time

## What are your payment terms?



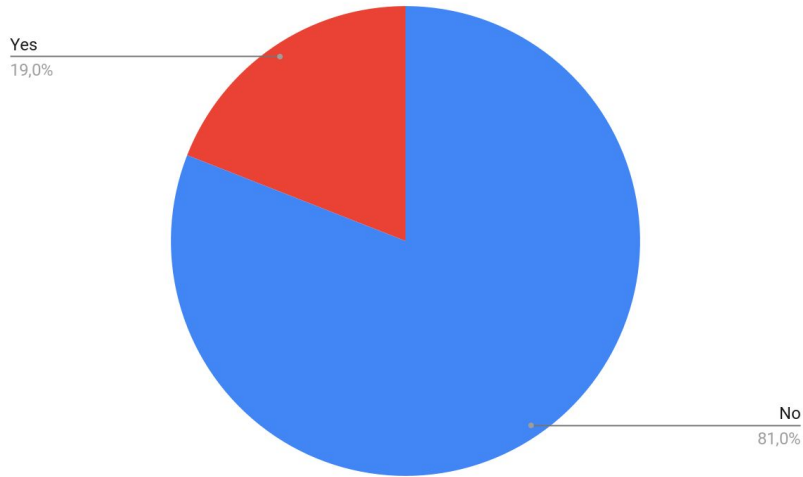
## Do you customers pay on time?



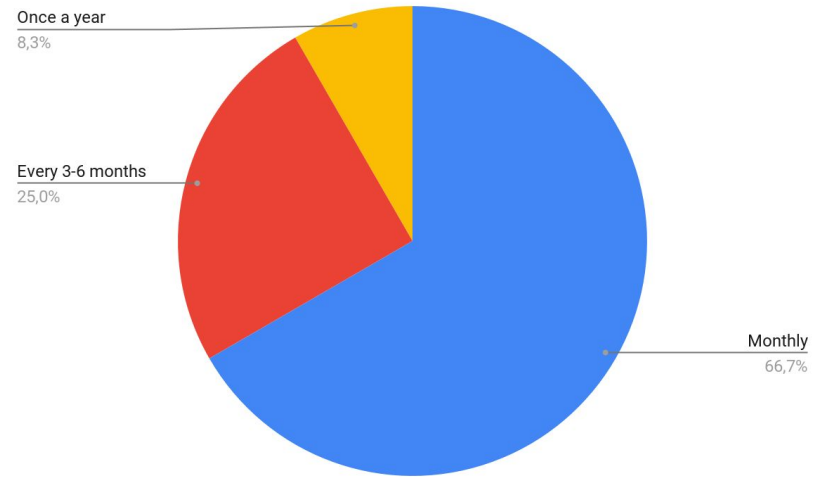
Multiple Answers were possible for the question “What are your payment terms?”

# Only 19% of SMEs have an overdraft facility, however they you ist frequently the majority utilizing it every month

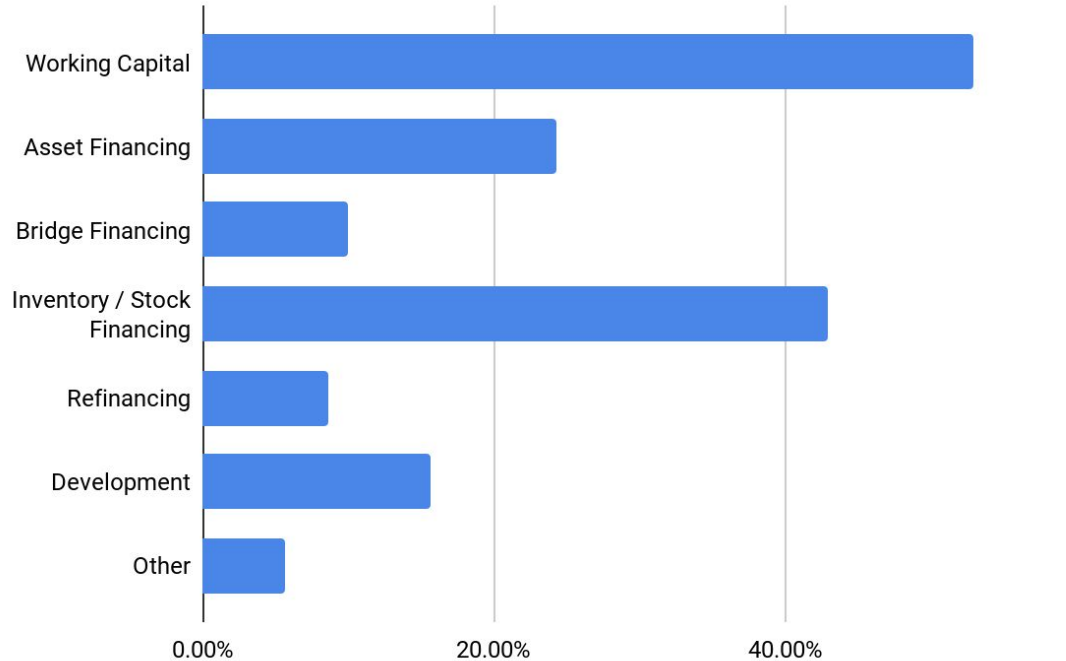
### Do you have an overdraft facility?



### How often do you access your overdraft?

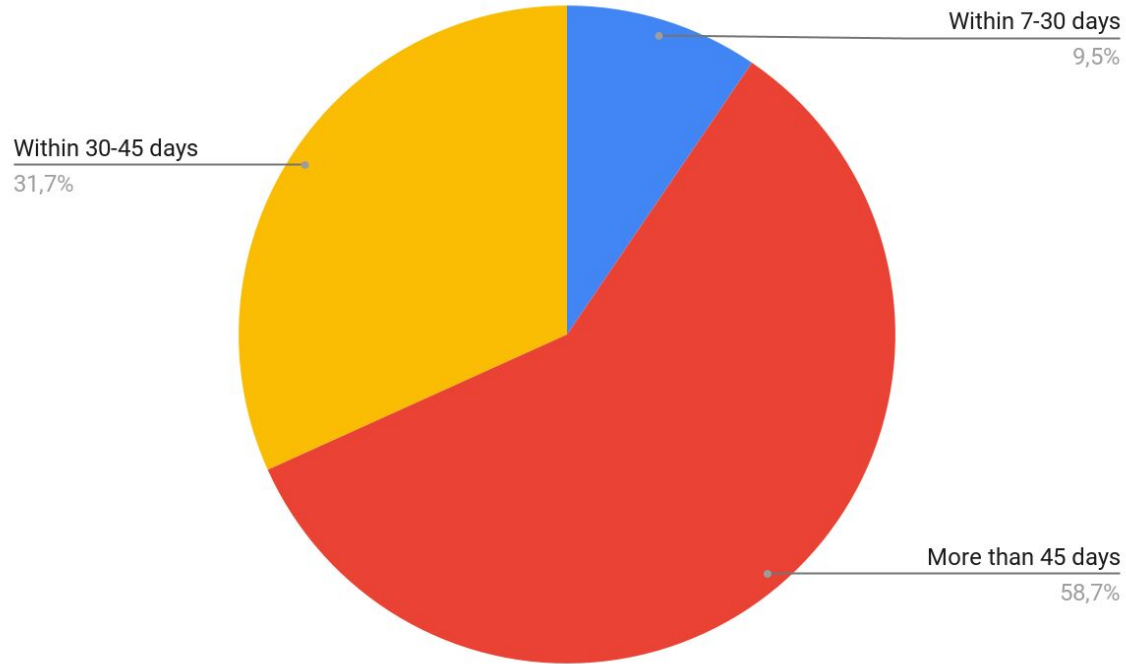


# The majority of SMEs require Working Capital loans of Inventory/Stock financing



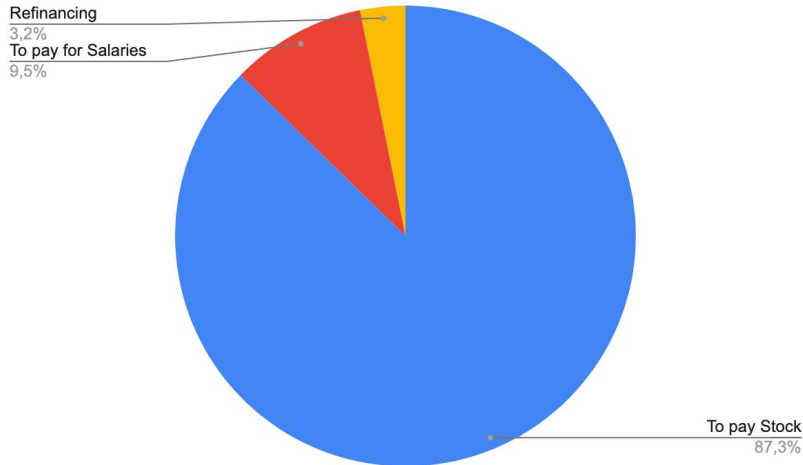
Multiple Answers were possible

# 40% of SMEs would be able to repay a working capital loan within 45 days

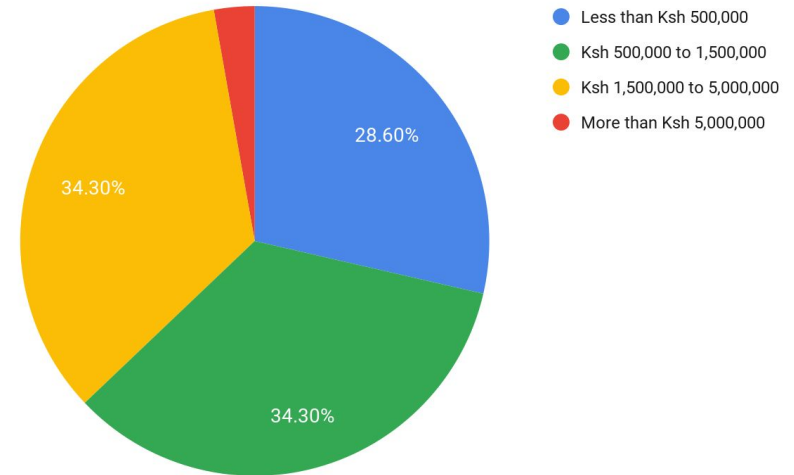


# 87% of SMEs require a boost in financing to buy stock with 2/3 of SMEs required financing of more than Ksh 500,000

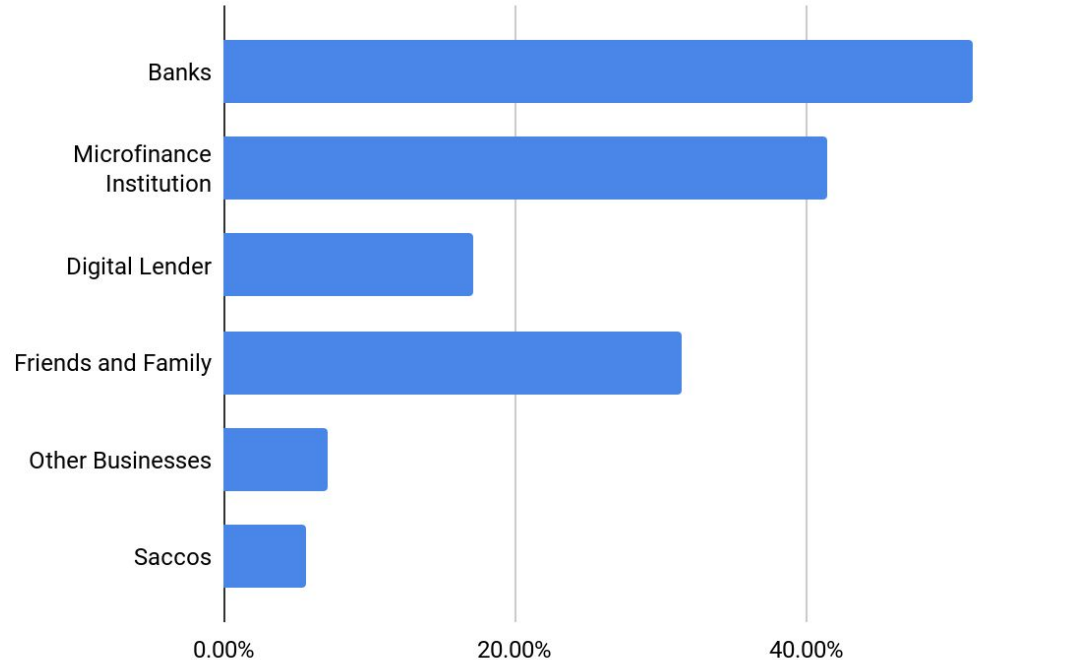
## What do you need a working Capital loan for?



## What amount do you typically require?



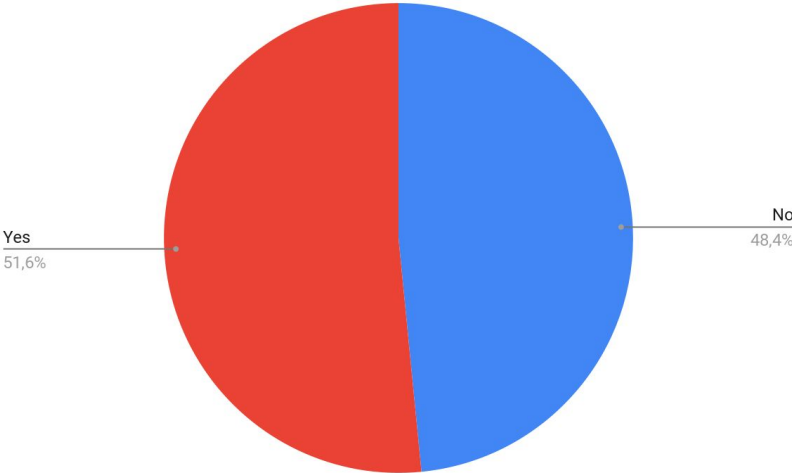
# Next to Banks and MFIs being preferred lenders almost 40% of SME Owners would take loans from Friends and Family or other Businesses



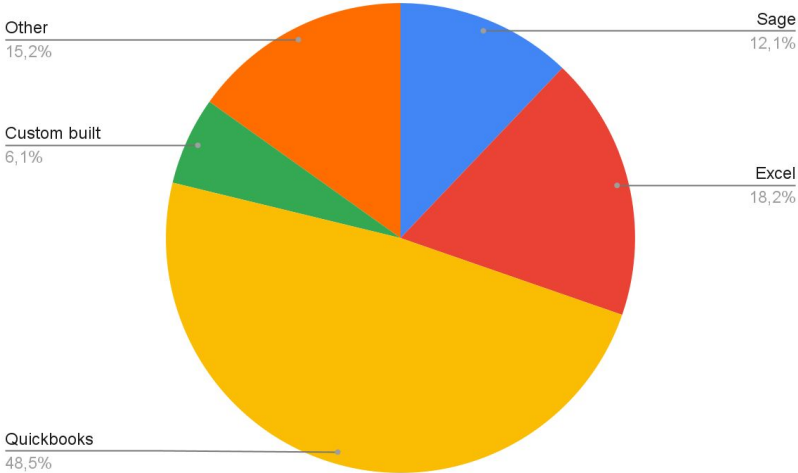
Multiple Answers were possible

# 51% of SMEs have digitized the financial side of their business while Quickbooks is the most commonly used Accounting System

**Do you have a digital POS or Accounting system?**

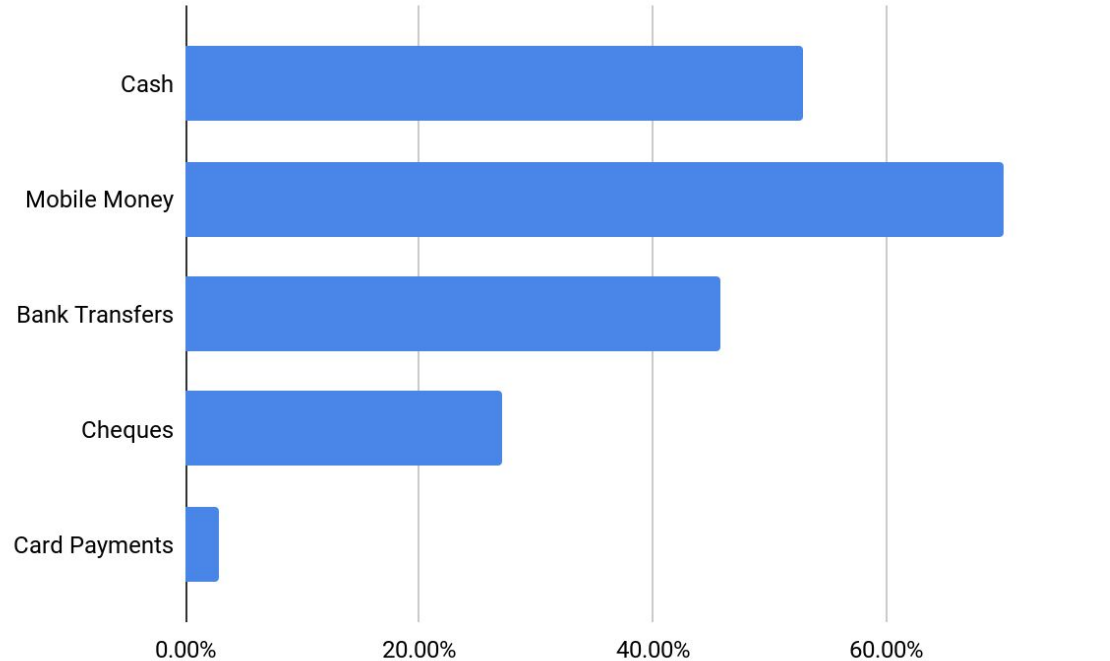


**Which Accounting System do you use?**



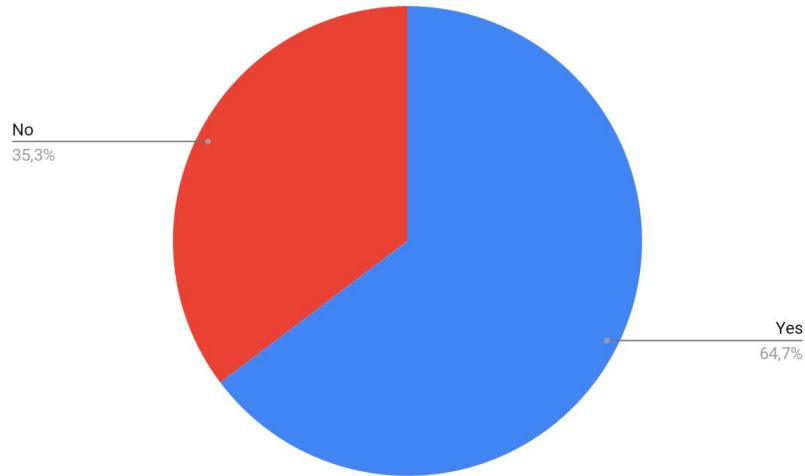


# SMEs are still rely on payments in cash however the accepted payment modalities are widely spread

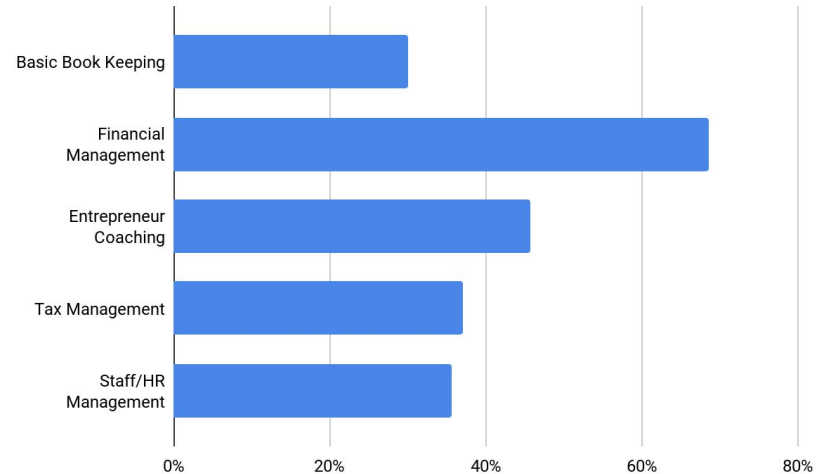


# 64% of the surveyed businesses have received Business Training & 68% are willing to pay for additional Financial Management Training

## Have you received any Business Training?



## What type of training would you pay for?



Multiple Answers were possible for the question “What type of training would you pay for?”

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