

KCB's Inclusive Lending Journey for Women Entrepreneurs

Micro, Small, and Medium Enterprises (MSMEs) are central to Kenya's economy, contributing nearly half of employment and about one-third of GDP. Yet MSMEs - especially those led by women - face persistent barriers to finance. During 2016-2019, the International Finance Corporation (IFC) estimated a 30% financing gap between men- and women-owned businesses, highlighting systemic constraints on women's growth.

A key barrier is collateral. While women have legal property rights, norms often limit their control over assets, excluding them from collateral-based lending. At the same time, financial institutions relied on rigid credit criteria - such as audited statements and account turnover - and offered limited tailored products or support. Additional constraints included limited use of sex-disaggregated data, weak understanding of women-led businesses among loan officers, and inconsistent customer interactions. Together, these factors restricted women's access to credit and weakened relationships with formal institutions.

Kenya Commercial Bank (KCB) reflected both the challenge and opportunity. Although it had a large MSME client base, relatively few accessed business credit, with women particularly underrepresented.

Quick facts

Barriers addressed



Product & Market Design

- Poor understanding of women's financial needs
- Low utilization of gender-disaggregated data (GDD)
- Lack of reliable & high quality in-person services



Entry and Capability Barriers

- Low data footprint among women

Segment focus

1 2 3 4

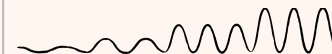
Geography

Kenya

Sources

N/A

Customer Journey Relevance



Key stakeholders involved

Kenya Commercial Bank (KCB)

KCB

Overview (cont.)

To address this, KCB redesigned its MSME offering. It replaced collateral-heavy lending with a cashflow-based approach and introduced relationship management for loan officers. The model also integrated non-financial support - such as training and networking - to help women effectively use and grow credit.

This combined approach - pairing tailored financial products with targeted support - expanded access while strengthening business capacity. Outcomes from pilot and rollout phases show improved loan uptake, stronger portfolio quality, and measurable growth among women-led MSMEs.

Key activities

To address barriers limiting women's engagement with formal finance, KCB and Women's World Banking implemented a coordinated set of product, delivery, and systems changes.

- **Product and credit methodology redesign:** KCB shifted from collateral-heavy lending to a **cashflow-based approach**, assessing businesses on income and expenses rather than assets or audited statements. This expanded access for women entrepreneurs who lacked formal collateral.

- **Strengthening delivery through relationship management:** Loan officers were repositioned as relationship managers, supported by training on the new methodology and client engagement practices. This improved understanding of MSME needs and enabled more tailored support for women-led businesses.
- **Integrated business support services:** The model combined finance with non-financial support, including training (e.g., Grow Your Business) and networking through the Biashara Club, helping entrepreneurs build skills and use credit effectively.
- **Improved gender data systems:** KCB strengthened its tracking of sex-disaggregated data beyond sole proprietors, enabling better monitoring of women's participation and more informed portfolio decisions.

Outcomes/results

Expanded access and strong portfolio performance: Piloted in 2017 and scaled to 90 branches, the new MSME model significantly increased women's access to credit. Women's share of MSME loans rose from 22% to 51%, with 3,676 loans disbursed (KES 10.8 billion / ~\$98M) and low non-performing loans at 1.5%. This shows that gender-intentional design can expand inclusion without compromising performance.

KCB

Outcomes/results (cont.)

Business growth and job creation: Access to credit translated into tangible business gains. Borrowing MSMEs saw average annual revenue growth of 10% and increased employment, with median staff size rising from fewer than four to eight. More than one-third of Biashara Club members expanded to multiple locations, reflecting increased scale and stability.

Improved entrepreneur capability and confidence: Entrepreneurs - especially women - reported stronger skills in financial management, operations, and customer care, alongside increased confidence in running and growing their businesses. **Women's decision-making authority also strengthened**, rising from 86% reporting full involvement in business decisions in 2017 to 100% by 2019.

Integrated support driving sustained outcomes: These gains were reinforced by non-financial services, including training and networking through the Biashara Club and the Grow Your Business program. Expanded membership and structured support helped entrepreneurs translate access to credit into sustained business growth.

Institutional change at KCB: The initiative also strengthened KCB's internal capacity. The bank introduced **sex-disaggregated data tracking and trained over 560 staff in cashflow-based lending and relationship management**, embedding a more customer-centered, gender-intentional approach across its operations.

Key enabling environment factors for the intervention

The success of the KCB MSME proposition was shaped not only by the design of the intervention but also by a supportive environment that created the right conditions for change. Several external factors were especially important:

- **A large and underserved MSME market:** Kenya's MSME sector, and in particular women-led enterprises, represented both a pressing development need and a commercial opportunity. The persistent financing gap created strong demand for new approaches to lending.
- **National policy priorities:** Government commitment to financial inclusion and MSME growth created a policy environment that encouraged innovation. These national priorities aligned with KCB's strategy, supporting the case for a new MSME proposition.
- **Ecosystem momentum:** Development partners and donors were actively promoting financial inclusion and women's economic empowerment in Kenya, helping to reinforce the importance of KCB's initiative and providing external validation of its approach.

KCB

Potential for scale/replicability

The KCB project demonstrates strong potential for replication, offering practical insights for financial institutions seeking to expand inclusion in similar markets. By tackling barriers that are common across many developing economies, the initiative provides a model that can be adapted and applied more widely.

- **Transferable solutions to common barriers:** The project demonstrated that innovations such as cashflow-based lending and improved gender data systems can address structural issues that many financial institutions face in emerging markets. Because these barriers are not unique to Kenya, the solutions tested by KCB have clear potential for adoption in other contexts.
- **Relevance across underserved markets:** By designing for MSMEs - and in particular women-led MSMEs - the initiative targeted a segment that is both vital to economic growth and consistently overlooked by traditional finance. Similar conditions exist in many regions, which increases the likelihood that this approach can be replicated successfully.
- **Flexibility of the lending model:** The cashflow-based methodology proved effective in settings where enterprises lack formal collateral

or extensive documentation. Its adaptable nature means it can be tailored to different market structures and regulatory environments, supporting replication in diverse contexts while maintaining financial sustainability.

Challenges encountered during the program

Implementing an innovative financial solution of this scale inevitably involved challenges, and the KCB project was no exception. While the initiative achieved important successes, several hurdles emerged during the pilot and rollout that needed to be managed carefully.

- **Cultural shift to cashflow-based lending:** Moving from a collateral-driven model to a cashflow-based methodology required a significant adjustment across the institution. Staff who were long accustomed to traditional lending practices had to adopt new ways of assessing risk and engaging with clients, making change management a central part of the project.
- **Coordination during rollout:** Early phases of the pilot and rollout revealed coordination challenges among different functions, along with competing demands on branch staff. These issues sometimes slowed implementation, but they also provided learning that strengthened internal alignment as the program matured.

KCB

Challenges encountered during the program (cont.)

- **Data gaps and monitoring limitations:** KCB's systems initially had limited capacity to capture and analyze gender-disaggregated data, and reporting on portfolio performance was not always timely. These gaps hindered real-time monitoring and learning in the early stages. Over time, the bank addressed them by introducing new gender data fields and strengthening reporting systems to improve performance management

Recommendations from the research

The experience of the KCB MSME proposition offers guidance for other institutions seeking to design gender-intentional financial solutions. The following lessons highlight how challenges encountered during implementation can be turned into opportunities for learning and adaptation.

- **Invest in structured change management:** Introducing cashflow-based lending requires more than a new methodology - it calls for a deliberate change process. Institutions considering such a shift may want to pair technical training with structured communication and support for staff, particularly credit officers, to build confidence in applying new practices and to embed them consistently across the organization.
- **Plan early for gender data systems:** Effective tracking of women's engagement depends on data systems that capture and analyze gender-disaggregated information. KCB's experience showed that limited gender data reduced visibility in the early stages. Future initiatives may benefit from planning system adjustments at the outset and ensuring that staff are trained to use gender data in decision-making.

Exemplar/ Project name

Recommendations from the research

- **Build agile monitoring and reporting mechanisms:** Real-time monitoring is essential for adaptive management. Where data gaps slow decision-making, institutions risk missing opportunities to refine products and approaches. Establishing integrated monitoring and reporting systems from the start can help future initiatives respond quickly to emerging trends and client needs.
- **Secure leadership buy-in and cross-team alignment:** Sustained change is unlikely without strong leadership support. Projects may gain momentum by ensuring visible commitment from senior executives and building alignment across business units so that new approaches are not siloed but become part of institutional strategy.
- **Complement credit with business development support:** Finally, the project reinforced that women entrepreneurs often need more than finance alone. Complementary services such as business training, mentoring, and peer networks can strengthen skills and confidence, helping clients use credit more effectively and sustain growth. Future programs may wish to consider how non-financial services can be integrated into product offerings to deepen impact.

“

By pairing responsive financial products with targeted support services, the project sought to expand access to loans and strengthen the resilience and growth potential of women-led MSMEs.