

# Standard Bank launches SME Quick Loan in Africa

The Standard Bank Group is launching a new lending facility that uses a psychometric assessment to provide loans to small and medium enterprises (SMEs) in Africa with the aim to revolutionise the way finance is advanced to the largely informal business sector.



Amrei Botha, head of SME Banking Africa at Standard Bank, says the new facility, called SME Quick Loan, will set a new precedent in SME financing, and change the way banks provide finance to the sector on the continent.

The SME Quick Loan uses a psychometric profile of a client, which is then used to assess his or her willingness to repay the loan and is aimed at enabling entrepreneurs to speedily access much-needed finance. The facility, which has been piloted and launched in Kenya, Ghana, Nigeria and Tanzania over the last year, has provided unsecured loans of up to US\$30 000 to African SMEs, at the same time ensuring the psychometric test is adapted for local market and SME trading conditions.

"Standard Bank has made a strategic decision to use the psychometric basis for advancing SME Quick Loans to offer loans to previously unbanked and underserved wholesalers and retailers, especially female entrepreneurs. Trader markets provide unprecedented access to SMEs with thousands of consumers trading in a concentrated geographical area," says Botha.

Providing access to finance to SMEs has traditionally been challenging in African markets due to the lack of financial statements, credit history, lack of credit bureau data and collateral among SMEs.

"The key driver of growth in most emerging markets around the world is SMEs and the opportunity for us to bank this sector in African countries where we are represented is significant. Many small business owners continually tell us that the one aspect that constrains their growth is access to finance. We are making a difference in the lives of customers by approving loans, in a simple, convenient and affordable way," says Botha.

She adds that a number of differences set the loan apart from other more traditional lending: it is a completely unsecured facility; the application process is significantly simpler and condensed; bank staff visit clients to circumvent the branch application process; it takes up to three days for applications to be approved, and the pricing is about half of what is charged for similar loans in the market.

## Moving into the informal business sector

"The SME Quick Loan offers the greatest access to finance for all SMEs, allowing them to expand their businesses. Through this approach, Standard Bank is now able to move into the informal business sector and tap into this largely unbanked market. While we have seen that most financial institutions tend to cherry-pick certain businesses that are easy to finance and have higher and quicker returns, we are now providing unsecured loans to businesses across the entire SME spectrum," says Ms Botha.

"As a result, Standard Bank has reduced its loan disbursement process from weeks to less than three days, reduced application forms from 19 pages to two, and now offers unsecured loans of between \$300 and \$30 000 to SMEs in Africa, allowing the bank to serve all businesses across the SME spectrum."

The SME Quick Loan has been launched in the four-country pilot stage to more than 9000 SME owners. Loans to the value of \$30-million to more than 4880 businesses have already been disbursed.

Botha says, "If traditional lending guidelines were used to assess these businesses, 84% of the loan applications received would have been declined. To date, 556 SMEs have already successfully repaid their loans and received a second facility to grow their business to the next level."

Standard Bank will be extending the psychometric solution into a further 10 countries: Zambia, Uganda, Malawi, Botswana, Swaziland, Lesotho, Namibia, Mozambique, Zimbabwe and South Africa in the next year and believes the portfolio can grow to at least to R1-billion in loans.

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