

“my 15min chat with a bank CEO”

Samuel Kimani, CEO - Jamii Bora Bank

Chat Summary

Thursday, 26th July 2012

Topic: Financial Inclusion

Time: 10:00am –11:00am



If you had the opportunity to chat with a Bank CEO, what would you talk about?

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1. *Financing for Startups, Entrepreneurs and Youth*
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Financing for Startups, Entrepreneurs and Youth

Cechoat: A question has come in from email...why do banks deny innovative entrepreneurs with biz plans funding?

shiques: what are the requirements one needs when approaching a bank for startup loans? and to what limit can banks issue the loans at?

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Financing for Startups, Entrepreneurs and Youth (Continued)

SamuelKimani: We get most of our money from depositors, so we need to be prudent with how we use our funds. We look at various variables...We look at ability to pay, track record, project viability, and collateral, character of the borrower, among other things...on character, it's about credit history of the borrower, which is past loans, repayment.

Wawerusam: what if you are new to an industry with no previous loan repayments history.but with a clear profit forecast

tonzkush: What advice in relation and approach would you give for someone who is in need of finance lending for the first time?

SamuelKimani: Let's unpack the business plan a bit further...a business plan is like a feasibility study, but there's the practice, and the two are very different that is where the real issues are. That is why you might find it hard to get financing on the basis of a business plan...the bank will want to know about your ability to execute the plan

tonzkush: I think the banks are rather choosy in giving finance disadvantaged and low income segments while not considering market areas and ideas for the entrepreneurs

SamuelKimani: tonzkush thank you for your question but that is not true..many banks today target the lower end of the market, because they feel it makes business sense to go to that end of the market...banks like jamii bora have micro products for these segments...sorry, micro products

wawerusam: so what is the way forward for a start up

michaelngigi: My past experience has been; Banks are more willing to give funds to start a new business as compared to ongoing concerns which in my opinion is a more stable investment especially if it has a good credit history and profit forecast...

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Financing for Startups, Entrepreneurs and Youth (Continued)

SamuelKimani: for start-ups, what they go for is venture capitalists, who don't borrow, they get equity, so they benefit from the start-up's success. They don't give debt capital.

Shiques: What is the difference between what YDF (Youth Development Fund) vis-a-vie me coming to banks for startup funding?

SamuelKimani: Thank you for your question about youth funds. This fund is a Govt. programme, to get the youth into productive activities...because of this you will find that there could be a difference between loans given through this fund, and commercial banks...the youth fund limits you to a certain amount, but banks offer more flexibility in terms of loan size, because we look at you as an individual, and that's important. Actually, studies show that bank products in terms of financial inclusion are more effective than informal ones. This is because banks don't limit you. For example, a chama only allows you to borrow depending on how much you save...and banks don't do that. Also bank loans are usually used for investment, but chamas usually fund consumption.

Advise for Small to Medium-sized Enterprises (SMEs)

Toni: What if I already have an ongoing business venture that's doing ok but there's not a lot of record keeping but yet I need the bank to add more capital. What to do?

SamuelKimani: Thank you toni. it's important to keep your records because that's what you would give a bank to assess your history. I'd advise people to begin operating bank accounts as early as possible, to create a credit history that banks can refer to. Keep records of your expenses, what you save, your investment, to help banks assess your credit history.

Toni: Should the records be professionally done?

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Advise for SMEs (Continued)

SamuelKimani:record keeping doesn't have to be done by a professional...just keep basic records, how much you're earning, saving, spending. you don't even need accounting knowledge to do this....and if you have access to the internet, you can download simple record-keeping packages for free, which are meant for non-professionals.

jwahome: Hi I didn't see a response to my question on financing for specialised equipment

SamuelKimani: jawahome, most banks have asset-based financed facilities, where they finance the purchase of equipment, which is then taken collateral....eg if buying manufacturing equipment, that equipment will be the collateral, and banks will finance between 60-80% of the cost.

jwahome: Thanks Samuel, my experience has been they shy away from specialised equipment. they argue the resell of such equipment is relatively low.

Interest Rates

Jayne21: What is the impact of the interest rates that cbk executed on loans to yours? What was your reaction?

GOR: since the interest rates are still high do you still intend to offer affordable mortgage rate?

SamuelKimani: ... we had a spike in interest rates last year, driven by inflation and instability of exchange rates....banks saw a decrease in appetite for loans....but last month there was a reduction in the CBR rates and now the base rates are coming down. we see this continuing to happen for the rest of the year.

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Interest Rates (Continued)

wawerusam: is it fair for unsecured loan base lending rate to be much higher

SamuelKimani: thank you waweru for your question....interest rates are determined by a number of factors....these are cost of funds, banks' operating expenses, and credit risk...on credit risk, the lowest risk is on loans secured by cash. the greatest risk is with unsecured loans, because the bank's fallback position is just the guarantee of the customer.

Jay: Hey, anything about mortgages?

SamuelKimani: thank you Jay....I'm very passionate about mortgages....the problem is how people conceptualise the needs for the lower end market....what people in this market need are decent housing, with water, electricity, clean bath and toilet.....not a mansion. so we need to start thinking about micro-mortgages, to get these people in decent housing they can afford....people shy away from mortgages because they can't afford them....but if you can access an affordable mortgage, then you won't shy away from taking a mortgage

Mobile & Internet Banking

Ceochat: A question came in on how secure is mobile and Internet banking

SamuelKimani: on mobile and internet banking, I admit that security is important...these two are quite secure, but users also need to be careful. ..users need to use secure networks, protect their passwords, changing their passwords often, and basically being careful when using the internet and their mobiles....we are increasingly pushing more products and services through the internet and mobile phones, because they are cost effective

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Mobile and Internet Banking (Continued)

CapitalFM: Bishop K asked: Has Jamii Bora integrated mobile banking and Mobile money in its products.

SamuelKimani: CapitalFM, thank you....mobile banking is becoming increasingly important to the provision of micro products....at Jamii Bora we have integrated a mobile banking platform which allows you to deposit and withdraw using your phone, and we're currently testing lending through mobile phones.

Banks and Financial Inclusion

vmusumba: Hello Mr CEO. Do you consider unregistered groups who may have a good business plan?

SamuelKimani: thank you vmusumba...banks do consider unregistered groups when it comes to accessing loans...90 per cent of groups we lend to at Jamii Bora are unregistered.... they come together in groups of 4, 5 or more for purposes of guaranteeing each other, so we are able to give them unsecured loans....so we do lend to such groups

CapitalFM: Regina asked: how does Jamii Bora target the underserved market segment of low-income earners

SamuelKimani: Regina thank you for your question. Jamii Bora situates branches in those areas where you'll find the lower end of the market...we have branches in mathare, kayole, kariobangi, kibera, etc....apart from our head office in the city centre, you'll find most of our branches close to our target market ...we go straight to the grassroots level, so you'll find a bank agent in whichever neighborhood you are in

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Banks and Financial Inclusion (Continued)

Toni: Which institutions are best for middle income earners that you'd recommend?

SamuelKimani: Toni, different banks offer different products, so it depends on one's specific needs....we have 43 banks, so if you shop around you'll find something best suited for you!

Cechoat: Welcome Chris Kirubi...We are chatting about Financial Inclusion

Shique: If i may ask : what is financial inclusion to those (like me) who don't know?

SamuelKimani: what this market needs when it comes to financial inclusion, is first and foremost, education....we need to educate especially the lower end of the market on banking, and move past mobile money services...many people shy away from banks because, for instance, they think they can't afford to bank, or banks don't offer enough to encourage savings....we need to let people know more about how to access financial products....many of the people who started with Jamii Bora have grown financially, because we offer them just what they need, and they slowly grow in affluence....KBA should do more in terms of education, and we at Jamii Bora are working with them to do this...we need to change the perception of bankers, we want to be seen as people who care ...not just people who are there to make money....there is a triple bottom line. we must have a social impact, care about the environment, as well as make profits....let's be fair, many banks are already doing this, but we're not telling our stories of how are also helping the society

CKirubi: I agree Samuel, the banks need to educate the people about the products they offer as well as engage them in different ways...support their projects and other CSR activities.

SamuelKimani: thanks CKirubi...banks are already doing a lot, but yes, we need to educate more

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Banks and Financial Inclusion (Continued)

CKirubi: But what are you doing for the women out there? You do know they are the ones who save a lot of money as compared to the man who is quick to drink it

SamuelKimani: CKirubi, we have 300,000 customers...out of those, 220,000 are women. we are the largest partners of the women enterprise fund....we believe everyone can succeed, and we believe in the woman....we just need to facilitate them , and the key to unlocking poverty is definitely the woman.

CKirubi: that's very wise... I hope the women in urban and rural areas know of this.

shiques: what's your take on entrepreneurship funding esp with the youth

CKirubi: Someone asked about the young people...what are you doing for them as a bank? And how are you integrating them in it.... These are your target people because they are the future entrepreneurs of this country

SamuelKimani: thank you shiques and CKirubi, we acknowledge that youth are integral to the development of this country....this is an untapped market, and we are developing products targeted specifically at the youth....stay tuned!

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(Continued)

Wrap up Comments

CKirubi: Samuel thank you for that. So when we meet, you know I will be on your case concerning the young people. They need to be supported by the financial institutions and that way they will feel empowered to better their lives.

Cechoat: Thank you all...a great discussion....So we will stay tuned to see the latest and greatest (from) Jamii...Final comments?

Toni: It's been a pleasure chatting with you CEO Sam. Good stuff!

Cechoat: Thank you Samuel Kimani...Thank you all for logging in...we have been on since 10 am, this is @nurumugambi with KBA happy to moderate these sessions

SamuelKimani: thanks for having me, thank you all for your questions. Have a good day!

Cechoat: Our next chat is at 2pm, we will have Isaac Awuondo chatting about Investments

Unanswered Questions:

Unfortunately there were several questions that the CEO did not get to answer due to time constraints. Therefore, the following questions will be addressed by the KBA via Online Posts, including Podcast response:

CapitalFM: Samson Raro asked on Facebook: what are banks doing to ensure financial inclusion through innovation

vmusumba: Tell me more about lending using mobile phones.

Toni: So the most important thing to consider when taking a mortgage is the interest rate? or there are other more important things to consider?

shiques: where does one get financial inclusion for agribusiness?

michaelngigi: Why is it difficult to get project financing from banks especially in a situation where you want to acquire an ongoing concern?