Funded by:

# BIASHARA PAWA

## SME MASTERCLASS INFOGRAPHIC

| FOCUS | REGION | SECTOR |
| --- | --- | --- |
| Bankability | Kenya | Inclusive Finance |

BUILDING RESILIENT ENTERPRISES

Implementing partners:

SECTION 01

# Financial Challenges

Why most SMEs struggle to bridge the gap between their operations and institutional finance.

01

### INFORMALITY

Operating without formal registration makes SMEs invisible to the formal economy.

02

### RECORD KEEPING

The absence of verifiable statements prevents banks from measuring business health.

03

### CO-MINGLING

Mixing business and household wallets masks the true performance of the enterprise.

04

### COLLATERAL GAP

Lenders still prioritize fixed assets over operational performance or digital history.

05

### HIGH INTEREST RATES

The high cost of perceived risk makes debt service coverage nearly impossible for growing firms.

SECTION 02

# Core Concepts

1. **SEPARATE LEGAL ENTITY**
   Defining the boundary between business liability and personal ownership.

2. **CASH FLOW VS. PROFIT**
   Profit is theory; Cash is the reality required to pay bills today.

3. **MARGIN VS. MARKUP**
   Correctly calculating profitability relative to sales price, not just cost.

4. **DSCR**
   The primary health metric: Can your operations afford the new loan?

5. **ASSET VS. LIABILITY**
   Ensuring investments generate revenue rather than draining cash reserves.

# The 5Cs of Credit

Lenders evaluate these five pillars to determine your business "Bankability."

Pillar 1

**CHARACTER**

Integrity, CRB history & Management experience.

Pillar 2

**CAPACITY**

Cash flow and history of meeting obligations.

Pillar 3

**CAPITAL**

The owner's personal "skin in the game."

Pillar 4

**COLLATERAL**

Assets pledged to secure the financing.

Pillar 5

**CONDITIONS**

Economic climate and loan purpose.

SECTION 04

# Operational Gaps

### DATA VISIBILITY

Missing digital footprints on bank and M-Pesa statements for lender verification.

### INTERNAL CONTROLS

Lack of systems to track inventory and manage receivables, leading to leakages.

### COMPLIANCE & LEGAL

Profitability hidden by nil returns and expired permits, causing high legal risk.

### STRATEGIC PLANNING

Operating without budgets or clear plans on how a loan generates its own repayment.

SECTION 05

# The Checklist

## REQUIRED DOCUMENTATION

- **LEGAL: CR12 & BUSINESS REGISTRATION**
  Current proof of ownership and company status.
- **TAX: VALID COMPLIANCE CERTIFICATE**
  Current KRA status showing zero defaults.
- **BANKING: 12-MONTH CERTIFIED STATEMENTS**
  Verifiable cash flow proof through bank/Till history.
- **OPERATIONS: PERMITS & INDUSTRY CERTS**
  Current Single Business Permit and specialized licenses.

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Supporting Entrepreneurial Ecosystems Development

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RESPONSIBLE BUSINESS CONSULTING

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**Implementing partners:**

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