

Press Release

DBN Advocates Capacity Building as a Tool for Increased Lending to SMEs

Business and financial experts at the recent Development Bank of Nigeria Capacity Building Webinar have tasked financial institutions on the need to engage more in capacity building initiatives for SMEs to develop their business expertise and provide them more access to finance. They also emphasized the need for behavioral change from micro and small enterprises in Nigeria, by tasking them to incorporate the knowledge acquired at development training sessions into their daily business routine to make them more attractive and loan worthy for banks to avail funding to them.

The DBN MSME Webinar which is the 3rd series is a capacity-building initiative aimed at building synergy between financial institutions, Micro, Small, and Medium Scale Enterprises, and other stakeholders to upscale their interactions to facilitate funding to this critical sub-sector of the Nigeria economy.

The interactive session moderated by DBN Assistant Chief Economist, Professor Joseph Nnanna, also had in attendance, Director General of Small and Medium Enterprises Development Agency of Nigeria, Dr. Dikko Radda represented by Director, Enterprise Development and Promotion; Mr. Monday Ewans, CEO, Protégé Professional Limited, Ms. Nwamaka Onyiuke; Independent Non-Executive Director, DBN, Dr. Oladimeji Alo, and Divisional Head South-South GTBank, Mrs. Ndidi Ukaonu.

In her presentation, Onyiuke explained that capacity development of SMEs will help them build the required structure for their business, aid their leadership development, help MSMEs scale up and ultimately help them to utilize their resources in the right way. Speaking on the core of capacity building as a funding tool, Dr. Alo stated that banks need to know that the needs of the micro small and medium enterprises often differ depending on their scale. Dr. Alo stressed that it is in the enlightened self-interest of financial institutions to develop the capacity of MSMEs.

“Some of the financial institutions say they have the funds to lend but the SMEs are not coming for the funds. The banks need to know the special needs of the sector and, also know that lending to the sector is not plug-and-play. The banks do very well when they deal with highly structured organizations, but when they deal with the SMEs, there is a level of frustration because the basic things are not there. Therefore,

when you develop their capacity and they do better, they not only create employment, they end up creating a bigger base of customers for the banks". He further added that 'Banks make mistakes of thinking that lending is all that is required by SMEs, but there are lots of things they require which financial institutions can help with. I know in some climes where financial institutions help small businesses get cheap or free software that helps them keep their book and this makes it easier for the bank to work with them based on available data for informed lending decisions."

On if the financial institutions are ready to place further emphasis on capacity building to facilitate more access to finance for SMEs, Ukaonu said though banks are profit-driven enterprises, capacity building for SMEs is a base that currently interests the banks and the majority of the banks are making a lot of effort in that regard. She further explained that lending to SMEs is becoming data-driven, as collateral is being faced out of some loan segments. According to her, "banks make money from lending. The major issue for the bank is risk assessment and this is where the character comes in. The character here is not just about integrity, but also the discipline that shows the ability to manage set structures. It is not just about teaching, but for them to operationalize what they are taught. Most SMEs cannot separate themselves from their businesses, and this is a real issue for banks".

According to her, "collateral is being faced out in some loan categories, as the focus is shifting from traditional banking practice to how Fintechs are leveraging technology to drive lending. A lot of the banks now run databased lending. The advantage of this is that there are almost zero human interfaces in accessing them. They are being accessed based on the story your data is telling us about you. Therefore, the business structure is now more important than before; how you make or receive payment. Data and algorithms that banks apply help determine if the business sector and individual is good enough to lend to."

Making his submission on how SMEDAN has helped SMEs in the area of capacity building and access to finance, the Director-General represented by Monday Ewans, said there are 41.5 million MSMEs across the country out of which 41.4 million representing 99.8% are strictly micro-enterprises. Most of these micro enterprises he noted are informal.

"Less than 10% can boast of being formal and this has to do with their ability to access finance. This is an issue we are handling at the agency level to ensure a transition from micro to small, medium, and large so that they can be able to access formal finance.



We also discovered that these micro enterprises employ about 59.6 million persons which are about 76.5% of the Nigerian labour force.

Right now, we are carrying out a census to properly capture these MSMEs to complement the national survey. We are doing this through the MSMEs Mass Registration Survey currently ongoing,” he stated. He added that those who register are given certificates with a unique identification number. This he said will enable them to access government intervention funds.

The DG also pointed out that having access to capacity building is key for SMEs, though the cost of training for SMEs is huge and most of the micro-businesses cannot afford the fees. He said SMEDAN is encouraging trainers to reduce their costs and, also putting measures in place to certify the trainers to ensure qualitative training.

The DBN Webinar series is part of the Bank’s overall stakeholder engagement strategy aimed at providing capacity building and advisory services to all the players in the MSME Ecosystem to ensure they are empowered to remain in business through this unprecedented period. Commenting on the Webinar, the Managing Director/CEO, Tony Okpanachi reiterated the Bank’s commitment to creating an enabling platform for cross-fertilization of ideas. According to him, ‘As the primary wholesale Development Bank in Nigeria, DBN will continue to play a leadership role in the provision of access to finance to the underserved Micro, Small and Medium Scale Enterprise through efficient collaboration with Participating Financial Institutions (PFIs). We will also, continue to provide the much-needed expertise through our capacity building programmes in line with our mandate and brand promise.” He added.

The Development Bank of Nigeria is a development finance institution, established by the Federal Government in collaboration with global development partners to address the major financing challenges facing Micro, Small, and Medium Scale Enterprises (MSMEs) in Nigeria. DBN carries out this function by providing financial institutions, predominantly Deposit-Money Banks, Microfinance Banks, and other financial institutions with funding facilities designed to meet the needs of this segment.