Distinguished guests

Ladies and gentlemen,

Welcome to Amsterdam.

Four years ago, in Antalya, Turkey, I was present for the launch of the SME Finance Forum's Global Membership Network. It has grown well since then.

SME finance has always been one of my priorities since I became the UN Secretary-General's Special Advocate for Inclusive Finance for Development already ten years ago. I am supportive of policies and business practices that enable individuals and small businesses to access and use a broad range of financial services.

We have made progress, but we still have a long way to go.

As of 2017, 30%\[1\] of adults in the world still did not have access to a basic transactional account to help manage and improve their financial lives.

Micro and small businesses are not better off. The SME Finance Forum 2017 report shows that about 40% of formal MSMEs in emerging economies still lack the financing they need to expand their businesses. This financing gap amounts to over 5 trillion dollars every year\[2\]. If we include informal businesses, which many MSMEs around the world are, the numbers become even more staggering at about 8 trillion dollars\[3\]. So, we know that there is a strong demand for MSME finance and we know that they are a huge untapped potential market.

Moreover, closing the MSME finance gap is good for the economy—they generate between 70 and 95 percent of new employment opportunities in emerging markets.

We have seen evidence that MSME finance can be a good business, and the positive impact of serving MSMEs is clear. So why does the MSME finance gap persist?

There is no doubt that access to credit is important. However, credit is not the only success factor to run a business profitably. To survive and grow, MSMEs have complex needs that go beyond credit.

We have evidence that when financial institutions understand the key needs of MSMEs and can offer them effective solutions, in addition to credit, they help them thrive. Here, technology and fintech can present great opportunities.

I would like to share a couple of evidences of how new solutions could better match the supply from financial service providers with the demand from MSMEs, and making them a good business:

**First: MSMEs need access to market.**

On my recent visit to Dhaka, I met with Farzana Deeba, a 23 year-old who learned how to make bags by watching videos online, and then sell them on Facebook. As a young entrepreneur, she needed help with marketing, sales, and delivering products to customers. With no credit history, it was also difficult for her to get the working capital that she needed to grow. She then came across ShopUp, a fintech company that offers merchants an e-commerce platform for lead generation, sales, and delivering goods to customers. With the help
of ShopUp, not only did she get access to credit, but also online administration support and access to new markets.

For innovative financial service providers like ShopUp, merchants’ connections to online marketplaces present an opportunity to use their digital transaction data footprint, such as sales volume, to build a merchant credit profile. In collaboration with BRAC, a microfinance institution, and other financing partners, ShopUp uses this data to make an instant loan offer. The cost of loan origination through ShopUp stands at 4-5% which is significantly lower than traditional microcredit (at around 20%).

**Second: The need for business management tools**

For many micro and small entrepreneurs, back office operations like sales records or inventory management often means handwritten sales ledgers and manual bookkeeping. A study found that even in the US 80% of small businesses are not taking full advantage of digital tools such as data analytics and more sophisticated online tools[4]. This prevents entrepreneurs from knowing their own business growth or sales trends.

In Mexico, Konfío, a fintech company that provides unsecured working capital to SMEs, offers an online platform called Kompás to their clients. Kompás digitizes a client's business billings, while providing a visualization of their sales. It also helps analyze and balance expenses and informs on profit margin - enabling Konfío's MSME clients to make better business decisions and financial planning. This has resulted in a lower delinquency rate.

**Third: Digital payments**

For micro and small merchants around the world, cash payments from customers have been the norm. But handling cash is inefficient, insecure, and costly. On the other hand, the cost of digital payments solutions like a POS machine can be prohibitive.

In Indonesia and India, mobile wallets like Go-Pay, Ovo, Paytm, GooglePay are growing rapidly and changing the payments landscape of MSMEs by deploying low-cost digital payments solutions like QR code. When you go to traditional markets in Jakarta or Mumbai, you can now easily find fruit and vegetable sellers who will accept your mobile money. And again, these automatically captured digital transaction data can now be used to build credit profiles of these merchants.

**Fourth: Need for risk management**

Risk management tools, such as insurance, are critical for MSMEs as a way to deal with shocks such as fire, theft, or illness. Unfortunately, there is still relatively low uptake of insurance among MSMEs, mostly due to cost and lack of awareness.

In Kenya, Mastercard, Unilever, and AXA are partnering to bundle insurance into a digital payment and credit solutions for small retailers around the country. The initiative, called Jaza Duka Protect, aims to provide personal and property protection for the retailers and their families, while at the same time driving working capital take-up and improve repayment behavior.

These are only a couple of examples, but the essence is: Start by putting MSME's needs at the center!

And talking about specific needs: Let us also not forget that women-owned businesses are even more underserved. Understanding their specific needs and challenges will be key to serve them properly and help them grow.

This year’s Forum theme is also very fitting. The convergence of the real and financial sectors in SME finance is indeed opening up new possibilities for innovative partnerships.

In Davos last year, together with 10 CEOs of cross-sector global companies, I launched a partnership that seeks to combine private-private forces to come up with new products and solutions for financial inclusion. The Jaza
Duka Protect initiative that I mentioned is one example of the outcome of the partnership.

The SME Finance Forum has done a great work in building a global network with more than 160 member institutions. The Forum provides a unique platform to promote not only learning and sharing of knowledge and good practices, but also to build partnership between different stakeholders. I hope that as you grow further, we will soon see large-scale, transformational progress in closing the SME finance gap.

I wish you success, and I wish that you can reach scale.


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[3] There is an estimated $2.9 trillion potential demand for finance from informal enterprises in developing countries