

## G20 GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

# Action Plan for Micro, Small, and Medium Enterprise Financing



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# Action Plan for Micro, Small, and Medium Enterprise Financing

### Country Representatives



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### Presenter



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Lead Financial Sector Specialist,  
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### Discussants



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# Action Plan for Micro, Small, and Medium Enterprise Financing



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Lead Financial Sector Specialist,  
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# Horizontal Actions

<b>Improve credit infrastructure</b>	<ol style="list-style-type: none"><li>1. Improve credit reporting systems –with alternative data and alternative lenders</li><li>2. Implement simpler and less costly insolvency regimes for SMEs.</li><li>3. Complete framework for secured transactions and movable collateral registries</li></ol>
<b>Diversify funding sources</b>	<ol style="list-style-type: none"><li>4. Develop framework for alternative lenders and innovative financial products and supervision</li><li>5. Foster competition through open finance/banking</li><li>6. Develop framework for equity financing</li></ol>
<b>Foster Fintech</b>	<ol style="list-style-type: none"><li>7. Ensure robust foundational infrastructure is in place – digital payments, digital IDs, exchange data systems</li></ol>
<b>Address risks</b>	<ol style="list-style-type: none"><li>8. Develop framework for responsible lending, and data protection and cybersecurity</li></ol>

**Enabling environment:  
Eight recommendations  
across four main  
areas**

# Vertical Actions

Improve targeting	<ol style="list-style-type: none"><li>1. Enhance data collection efforts –including gender disaggregated data</li><li>2. Rely on thorough diagnostics</li></ol>
Improve financial additionality	<ol style="list-style-type: none"><li>3. Private capital mobilization as a key objective</li><li>4. Use concessional financing sparingly</li></ol>
Use non-financial support	<ol style="list-style-type: none"><li>6. Consider needs for capacity building for SMEs and financial institutions –along with financial education</li></ol>
Improve accountability	<ol style="list-style-type: none"><li>7. Improve monitoring and evaluation focusing on performance indicators and in the long term, incorporate impact evaluations</li><li>8. Improve coordination and ensure robust governance</li></ol>

**Targeted financial interventions:  
Eight recommendations across four main areas**

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**Action Plan for Micro,  
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**SOUTH AFRICA**



**Nontobeko Lubisi**  
Director, Financial Inclusion  
National Treasury – South Africa

# SOUTH AFRICA

KCG is a state-owned guarantee scheme that helps SMMEs access finance by sharing risk with lenders



## What is it? how it works?

**Khula Credit Guarantee (KCG)** is a **partial credit guarantee scheme** designed to **share credit risk** with lenders and improve access to finance for **SMMEs lacking collateral**. Product offering include portfolio, supplier, and hybrid guarantees, with a **coverage range of 50 to 90% of the loan value**.

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## When was it established?

**Established in 1987**; acquired by the Small Enterprise Finance Agency (SEFA) in 2012 as a state-owned credit guarantee entity. KCG underwent major restructuring in 2015 (diagnostic) and 2018 (business plan) in partnership with the World Bank and is now integrated into SEDFA; a newly formed one-stop shop for SMME support and finance.

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## Why was it established?

To address a persistent **financing gap for SMMEs**, often caused by lack of collateral, high perceived risk, and limited credit history. KCG helps de-risk lending and stimulate credit extension to underserved segments.

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## Where and who is involved?

**South Africa – national footprint**, with implementation through participating commercial banks, non-bank financial institutions (NBFIs), and supplier-finance providers (**RFIs** – Registered Financial Institutions) across provinces.

# SOUTH AFRICA

## KCG is delivering some impact, but scaling further requires regulatory clarity and stronger systems

Key achievements	Challenges and lessons learned
 <p><b>High guarantee uptake:</b> In FY2024/25, KCG issued <b>R1.388 billion</b> in guarantees, <b>335%</b> of its annual target, reflecting growing lender confidence and demand – good indicator for reputational recovery</p>	 <p><b>High NPLs/defaults:</b> Non-performing loan (NPL) rates remain high across some guarantee windows (individual (43%),(portfolio 10%-18%) reflecting either borrower risk profiles or lender credit assessment weaknesses.</p>
 <p><b>Financial sustainability:</b> Maintained a <b>solvency ratio &gt;1.5</b> (3.85 Mar 2023 to 3.31 Mar2024), demonstrating resilience and prudent risk management.</p>	 <p><b>Limited IT capacity:</b> Reliance on manual and Excel-based systems (e.g., KIBS) constrains scalability, real-time monitoring, and partner integration.</p>
 <p><b>Wider lender participation:</b> 60% of guarantees (by value) were issued through <b>non-bank and supplier-finance partners</b>, increasing reach to underserved SMMEs.</p>	 <p><b>M&amp;E gaps:</b> There is room to improve on outcome-level measurement systems , limited evidence on enterprise growth, or long-term additionality.</p>
 <p><b>Donor capital leveraged:</b> Secured <b>R300 million EU injection in 2022</b>, strengthening capital base for further scale.</p>	 <p><b>Institutional transition risks :</b> Integration into SEDFA changed KCG's status from a Schedule 2 to a Schedule 3B entity, meaning it cannot issue guarantees without Ministerial authorization, resulting in a temporary halt in operations.</p>

Note: It should be stated that 83% of KCG's job targets have been achieved. SEDA, part of SEDFA has also sustained over 86,000 jobs through its National Incubation Network centres



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**ITALY**



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Department

## The Role of Credit Reporting Systems – Horizontal Action 1



### Market failure

- ❑ Information asymmetry
- ❑ Adverse selection
- ❑ Credit constraints



### Italy's response

- ❖ Role of rich and solid public CRS (data from all financial institutions)
- ❖ Added role of private CRS (data also from utilities)
- ❖ Regulatory sandbox



### Impact

- Public CRS reduce interest rates: 21–40 bps interest reduction
- Private CRS: enhanced lender confidence
- Sandbox: credit worthiness evaluation on alternative data, enhancing access

## Diagnostics-Driven Intervention in Financial Education – Vertical Action 2



### Market failure

Information asymmetries

Perceived borrower's opacity

Self exclusion



### Italy's response

Measure knowledge gaps (MSMEs FL survey)

Tailored financial education initiatives on specific needs/gaps

Monitoring and evaluation



### Impact

Broader access

Enhanced support to economic inclusion

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**INDIA**

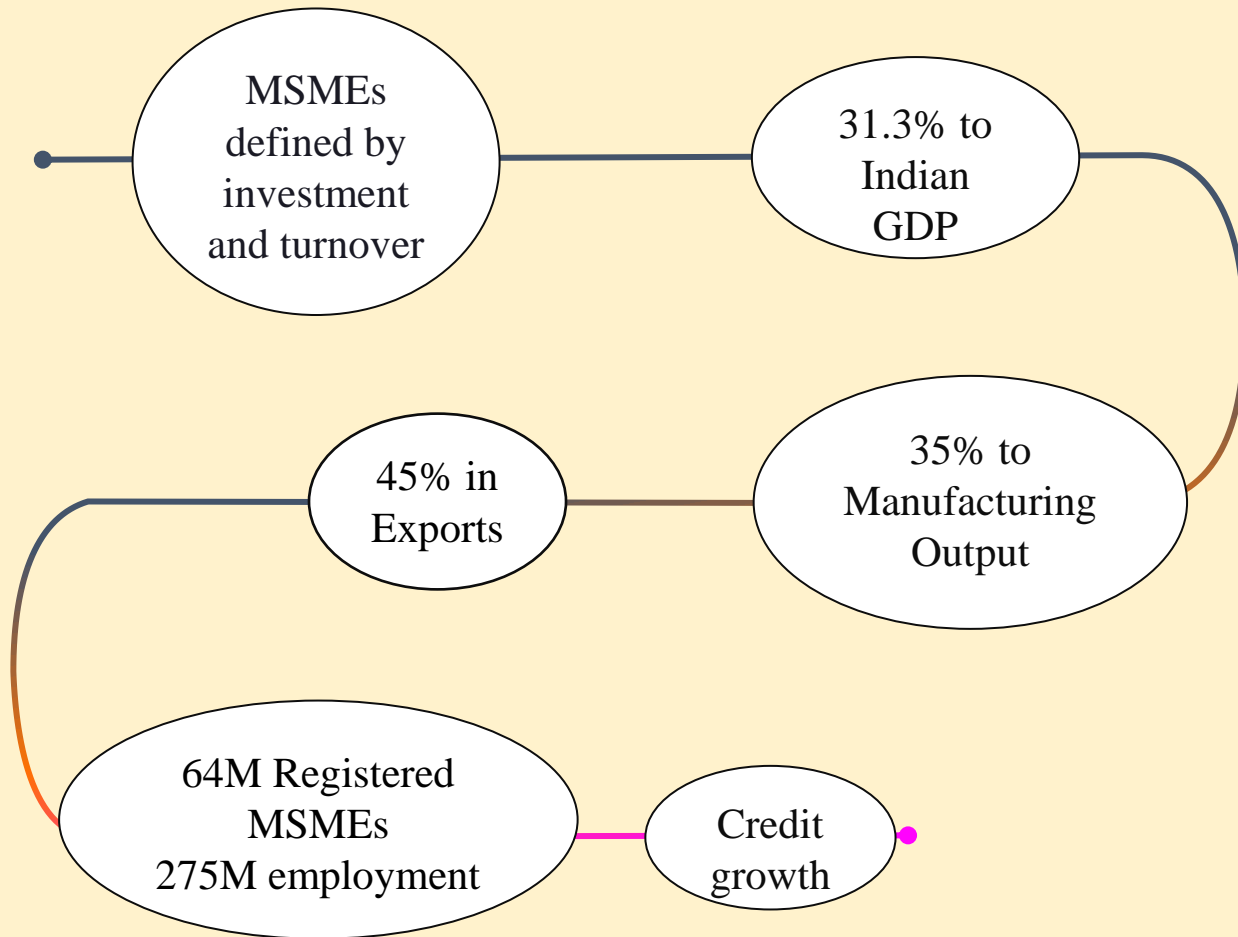


**Dr. Ishita Ganguli Tripathy**  
Additional Development Commissioner  
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# INDIA

## Facts & Figures



### Formalisation & Entrepreneurship Development

- Registration-
  - Udyam: Linked to Income Tax Return
  - Udyam Assist: Linked to bank account

### Financial Support

- Credit Guarantee
- Equity Infusion

### Technology Support

- Network of Technology Centres

### Marketing Support

- Public procurement
- Trade fairs, exhibitions, e-commerce

### Infrastructure Development

- Cluster

### Inclusive Growth

- Women entrepreneurs

## Enabling MSME Financing through DPI

- **Udyam:** Digital identity of enterprise
- **DigiLocker:** to store and share documents securely
- **UPI:** Seamless digital payments
  - Account Aggregator
  - GST Sahay
- **TReDS:** bill discounting
- Priority Sector Lending



## DPI: Key Areas

- Access to Services
- Digital Lending
- Feedback Systems
- Redressing Grievance

## PM Vishwakarma: A Case Study

- ❖ 3,000,000 Artisans and Craftspeople
- ❖ Benefits:
  - ❖ Digital Identity – biometrics
  - ❖ Skill upgradation
  - ❖ Toolkit Support worth \$175.5
  - ❖ Collateral free loans up to \$3,500
  - ❖ 5% rate of interest on loans
  - ❖ Up to 8% interest subvention
  - ❖ Incentives for digital transactions
  - ❖ Marketing support
- ❖ Interoperability of portal- ~3.7 million stakeholders.

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