



SME FINANCE  
FORUM



## Webinar - Building a High Performance SME Banking Sales Model

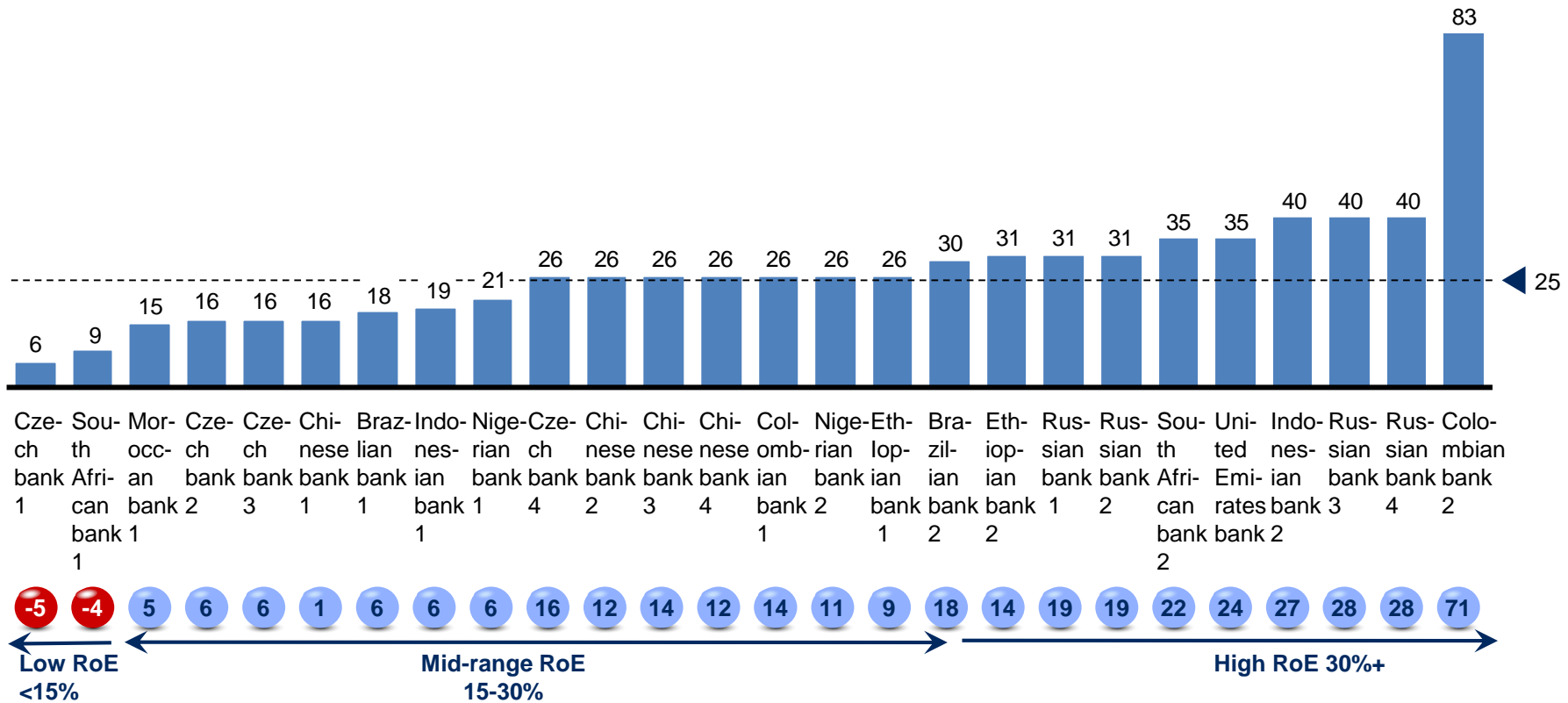
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Banking, Standard Chartered Bank*

*May 12, 2016*

# Serving SMEs can be profitable - a review of leading SME banks indicates that ROEs from 20% to 40% can be targeted

SME segment return on equity, %











Source: McKinsey Survey; Emerging bank interviews

# However, building proficiencies across 5 core areas is critical for achieving a strong and sustainable performance



# 1 SME business model design elements need to be holistic and well structured since SME business has organisation wide implications

- Organization fit is a key challenge - Retail, Corporate, independent, split structures have been observed
- Segmentation methodologies are typically Clustering, Demographics, Multivariate, Need or Value based
- Coverage models aligned to segmentation help deploy People, Processes and Proposition effectively

SME Business Model Examples		
	<u>Example</u>	<u>Model Type</u>
	Standard Chartered, Global →	Relationship-based
	Wells Fargo, USA →	Retail-based for mass market
	TEB Bank, Turkey →	Advisory differentiated
	Garanti Bank, Turkey →	Segment-based
	ICICI Bank, India →	Supply Chain linked
	WING, Cambodia →	Mobile money-based
	Westpac, Australia →	Niche markets positioned (e.g. WIN)
	NAFIN, Mexico →	Alternate financing models

2

# SME Product & Services need to cover a cross section of SME needs and unique segment solutions can help differentiate

- Product programs are needed for SME lending, transactional, deposit requirements
- Products programs should be pilot tested, standardized and need to remain dynamic with regular reviews
- Value Chain Finance, Banking on Women, Very Small Enterprise Banking, Non Financial Services are increasingly being undertaken

## SME Products and Services

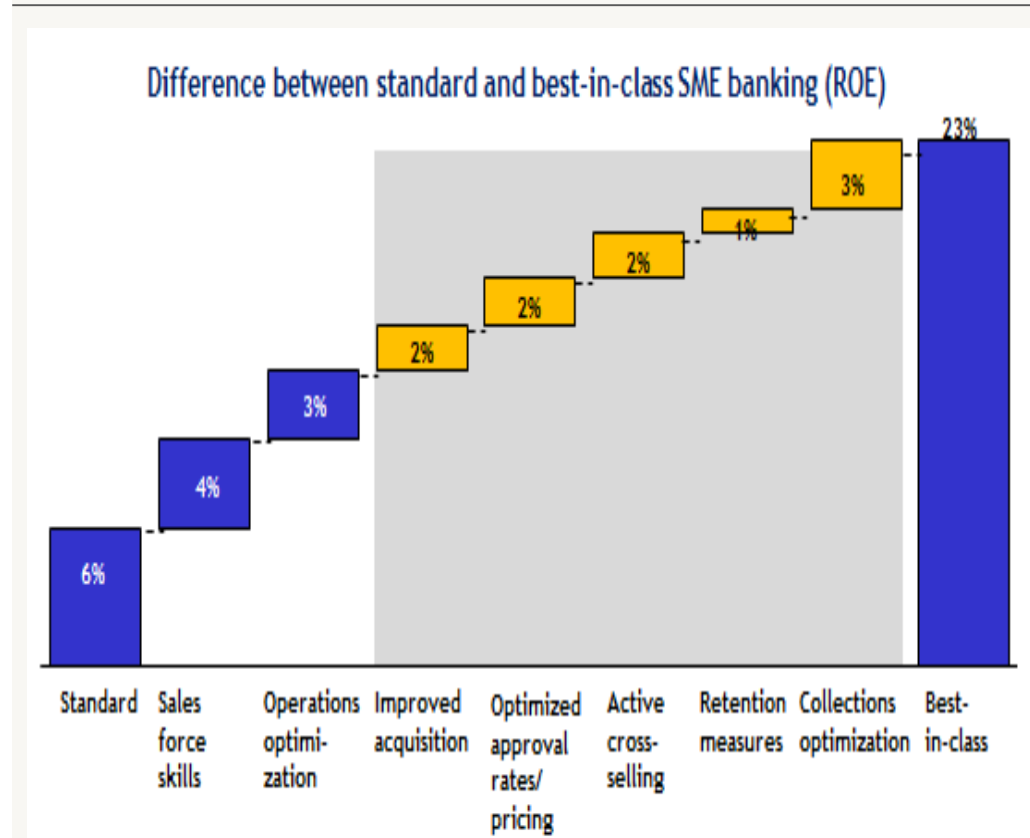


3

## Required scale and profitability in SME Banking can be achieved by optimizing sales and customer management elements

- **Sales and customer management effectiveness** can potentially yield 3-4 times standard baseline revenue
- **Dedicated SME centers** and boosting branch performance have proven to lift SME business performance
- **Alternate channels alignment** helps enhance customer experience, manage costs and increase wallet share

### Customer & Sales Management



(Source: IFC/Roland Berger research)

# 4 A strong SME team would deliver a strong performance; hence a balance of skill, training, KPIs & incentives are needed

- SME team roles need to be well defined and competency requirements clearly stated
- Competency linked training and certification programs can help enhance staff productivity. SME business management training can help build advisory capacity
- Incentive and reward schemes have proven to be a powerful tool to drive high performance and results

## Human Resource management

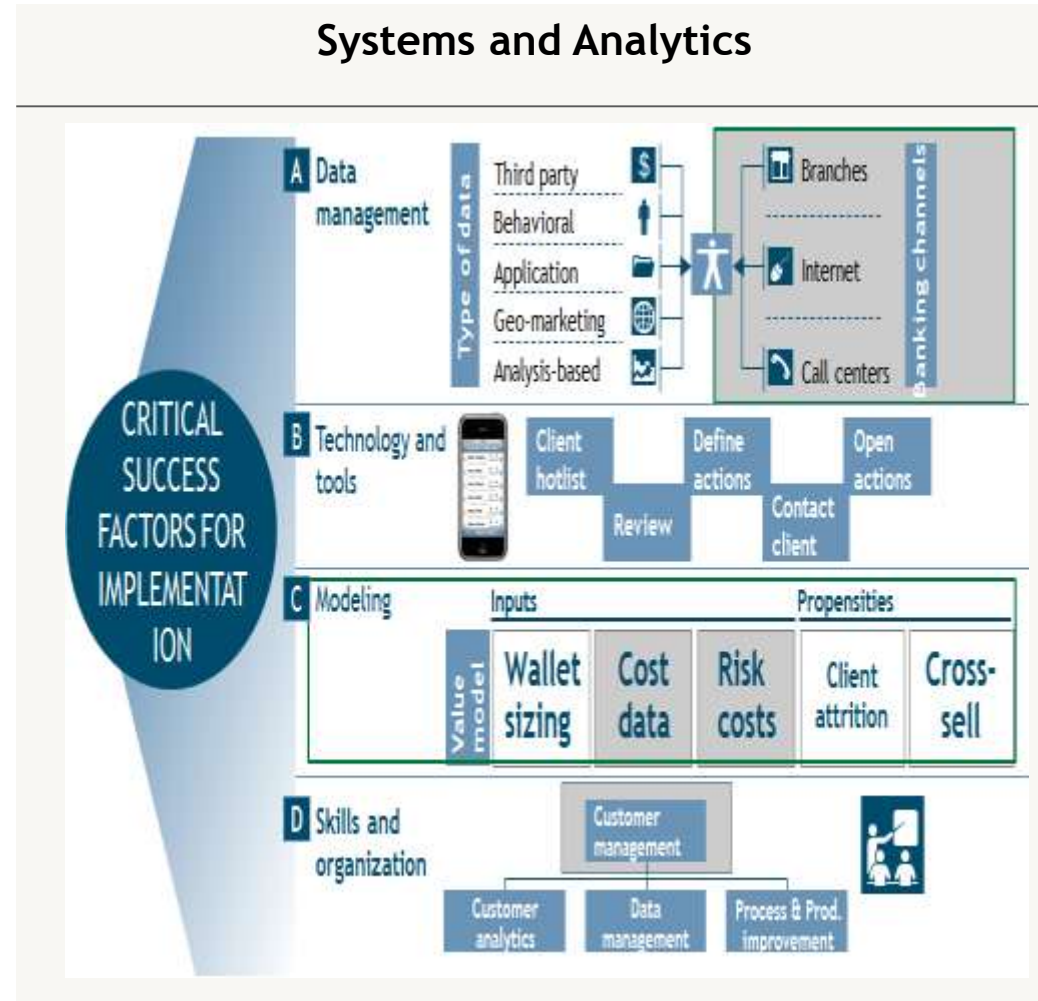
Training Courses / Target Audience	Director SME	Manager SME	SME RM Leader	SME RM	SME Credit Analyst	Branch Manager	Staff Trainers
<b>Credit Risk Management</b>							
Essentials of Loan Underwriting		✓	✓	✓	✓	✓	
Credit Analysis		✓	✓	❖	✓	✓	
Fin Stmt & Cash Flow Analysis		✓	✓	❖	✓	✓	
Loan Structure & Covenants	✓	✓	✓	❖	✓	✓	
Problem Loan Management		✓	✓	❖	✓	✓	
Loan Monitoring		✓	✓	✓	❖	✓	
Construct Financial Statements		✓	✓	❖	✓	✓	
<b>Marketing, Sales, and Customer Satisfaction</b>							
Customer Service		✓	✓	✓	❖	✓	
Product Promotion		✓	✓	✓	❖	✓	
Marketing the SME Cust Base	✓	✓	✓	✓		✓	
Sales Force Management	✓	✓	✓				
<b>Training of Trainers</b>							
Design / Instructional Skills							✓
<b>General Management</b>							
Coaching Skills	✓	✓	✓			✓	
Business Plan Development	✓	✓	✓			✓	

✓ : Required Training ❖ : Optional Training

4

... and ability to steer performance would also depend on ability to capture, record, extract and analyse data and automate processes

- **Key system dependencies** are CRM, Data Warehouse and Loan Origination system
- **A dedicated Customer Intelligence Unit** is needed to perform regular analytics, reporting and build predictive models
- **Standardized set of reporting** would help oversee sales, profitability, portfolio, credit and risk management performance



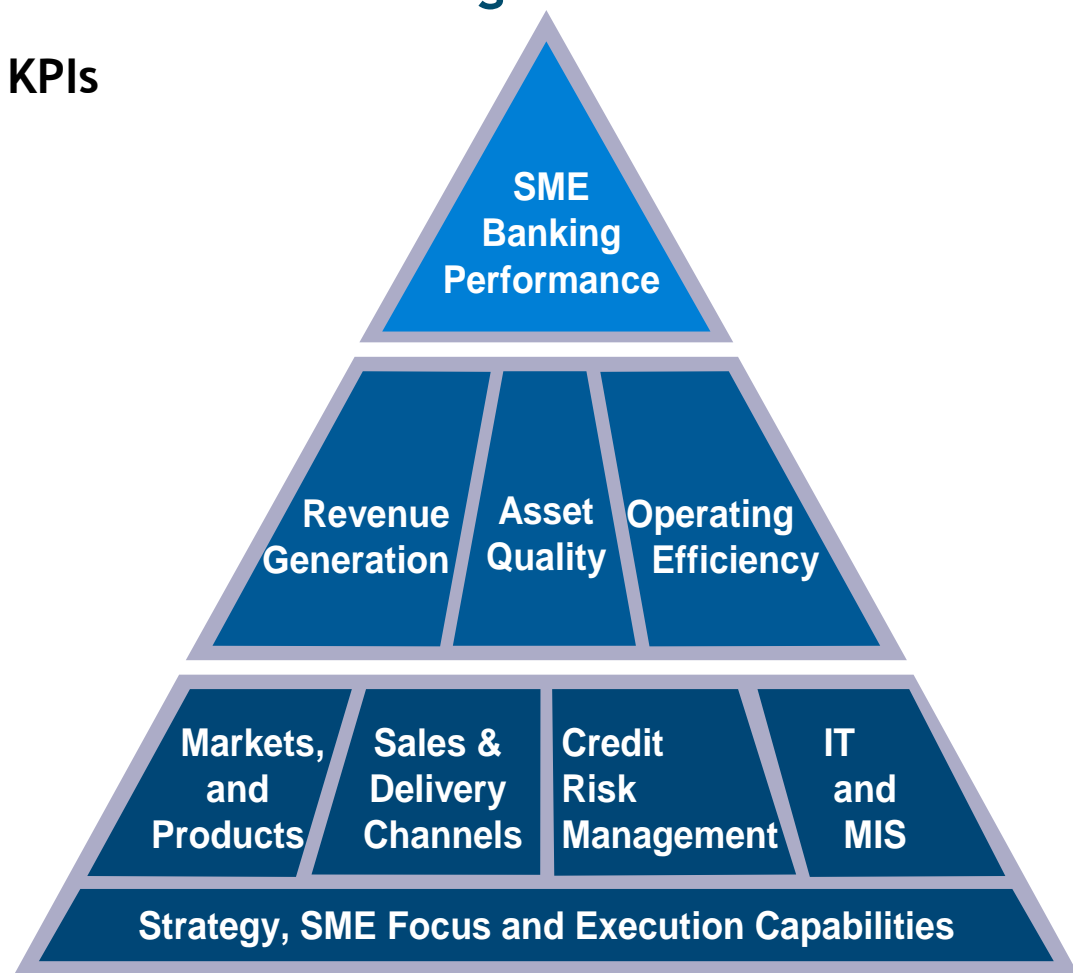




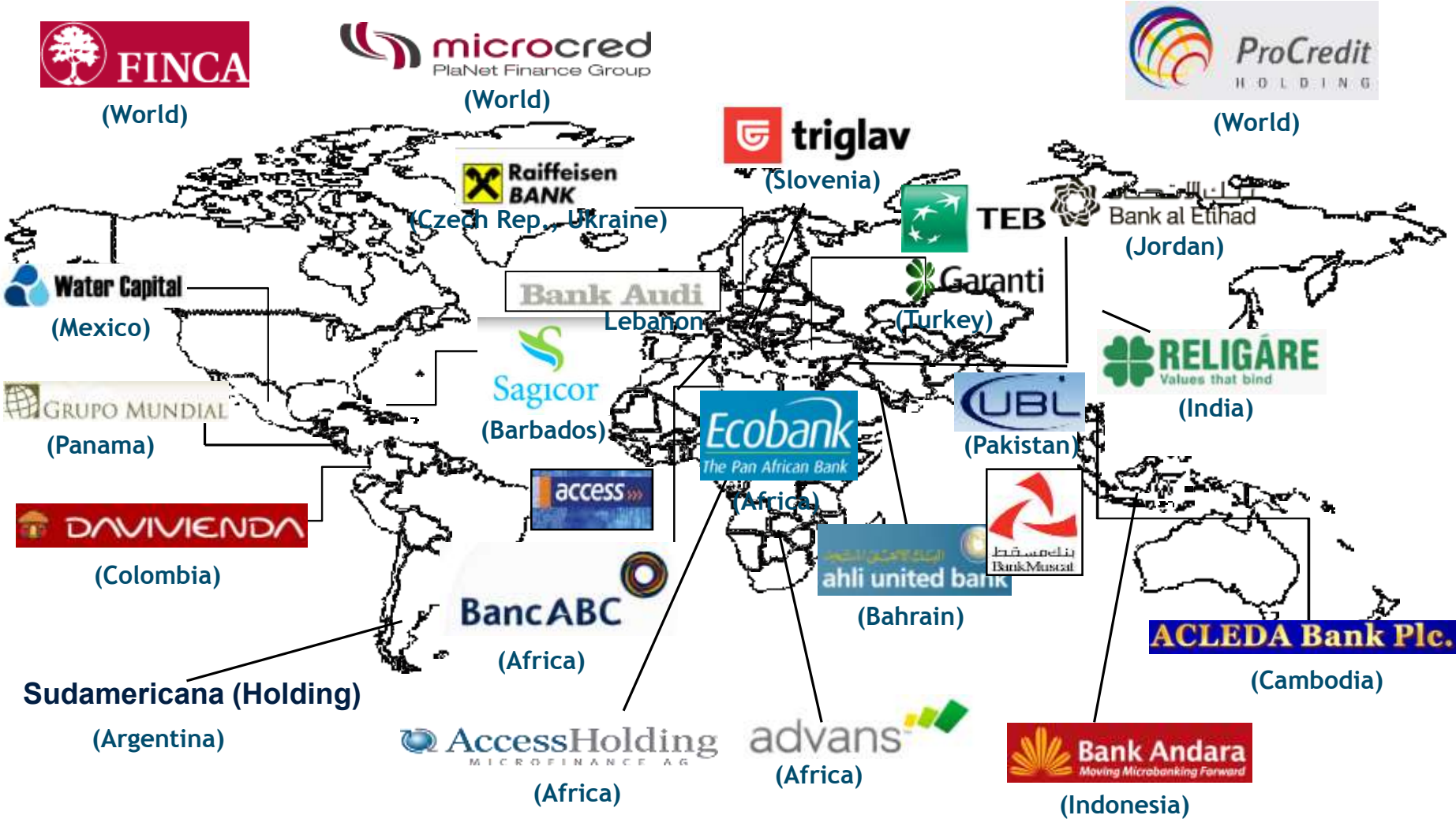
# Capacity building in all the key areas would drive strong performance in terms of revenue, risk, transaction and cost management

Sample best practice SME banking KPIs are listed below:

Return on Equity	25-40%
Cost/Income	20-30%
SME Loans/ Deposits	25-50%
Average loan book growth	25%+ p.a.
Expected loss average 5 yrs	1-2%
Cross Sell Ratio	8+
% transactions in branch	20-30%
% SMEs with credits	35-40%
TaT SME Loans - small	1-2 days
TaT SME loans - Medium	4-6 days
Application form	2-3 pages



# IFC's Global SME Banking Advisory Services Program comprises over 80 projects spanning 52 countries



# IFC provides a combination of Investment and Advisory Services for optimal results

## ADVISORY

### Capacity Building for FIs

- **Build capacity** of FIs in strategy, market segmentation, credit management, risk modelling, product development, sales and customer management, staff capacity building, value chain finance, through innovative approaches and systems to scale up their financing for SMEs on a sustainable basis
- **Promote sub-sector focus:** women-owned SMEs, sustainable energy SME projects, agri SMEs, leasing, etc
- **Raise awareness** on best practices in the SME Finance space through knowledge forums, thought leadership and study tours

## INVESTMENT

### SME Financing & Investments

- **Equity Investments** in Financial Institutions / Equity Funds for SMEs
- **Funded lines** to expand investment and working capital lines
- **Blended finance options** to support the expansion of IFC's risk appetite (e.g. grace periods, performance based pricing, subordination, higher risk /lower security or in limited cases, local currency positions)

### Risk Mitigation & Enhancements

- **Risk Sharing Facilities** / Partial Credit Guarantees to:
  - Enhance risk taking capacity and provide capital relief
  - Avoid FX mismatches and encourage domestic resources for SME financing

## Key Contacts

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