

## **Problem statement**

### **Improving Access to Finance for MSMEs in Nigeria**

The MSME sector is one of the most important sectors of the Nigerian economy pivotal for improving growth as well as reducing poverty levels. The sector contributes almost 50% of Nigeria's Gross Domestic Product (GDP) and more than 50 million employment opportunities. In Nigeria, the MSME sector has not been able to deliver on its potential due to several critical challenges such as obtaining finance, finding customers to transact with, infrastructure deficit (such as power and transport shortages), insufficient cashflows/working capital, multiple taxations, unskilled workforce, regulatory challenges among others.

There is a huge MSME financing gap that exists in sub-Saharan Africa; according to the International Finance Corporation (IFC), 51% of formal MSMEs cannot access credit from formal sources. Despite the proliferation of credit providers in Nigeria - both regulated and non-regulated - the financing gap for MSMEs in Nigeria persists due to several issues inability to fulfill requirements (financial records, collateral), Manual/rigid credit reporting system, High default rate, Manual KYC verification process, Lack of financial management skills, High default rate, Lack of market linkages, etc.

It has become very important to facilitate an inclusive financial system that seamlessly avails credit to MSMEs irrespective of their size of operations, category, and availability of traditional collateral requirements to boost the economy, reduce poverty levels, and provide job opportunities.

#### **PROPOSAL:**

We would expect you to address at least one of the thematic areas below under this innovation challenge tagged '**MSME Finance...breaking barriers**':

##### **1. Financial Management Skills Development**

An innovative solution that educates MSMEs and enhances their financial and business management skills to enhance their eligibility for credit from financial services providers (FSPs). This will enable them to imbibe the culture of keeping proper financial records seamlessly. In addition to this, the solution should enable them to prepare mini-statements and financial records

##### **2. Digitised Credit Appraisal and Lending System:**

A fully automated platform that enables FSPs to analyse MSMEs data and assess them for credit, including regulatory checks in a timely manner, disburse, and receive loan repayments.

**3. MSME Product Design Toolkit:** Most financial products in the market are not adequately designed to suit the needs of MSMEs considering the peculiarities that exist in various segments within the MSME sector. An MSME loan assessment solution that can evaluate credit products to signify how ideal and viable they are for a specific target market or recommend/predict ideal features of a loan product targeted at a specific segment.

##### **4. Alternative Collateral Options:**

What alternative sources of collateral are adequate that FSPs can accept beyond the traditional collateral requested for today. The channels of registering and assessing these

options should also be demonstrated. Additionally, how will FSPs confirm the value, validity, and genuineness of other forms of collateral without a central registry or formal process to confirm their title, value, and validity.