Keynote Address

"An Economist's View on Global SME Finance Trends and Challenges"

Delivered by Dr Yemi Kale

Group Chief Economist & Managing Director, Afreximbank

SME Finance Forum 2025 | The Galleria, Sandton, Johannesburg | September 15–17, 2025

Distinguished, Ladies and Gentlemen,

Good Morning

It is both an honour and a profound privilege to address you today here in Sandton, and at a time when the conversation on global SME finance demands not just reflection on where we are and where we have been, but also on a bold re-imagining of where we can and must go and the deliberate steps needed to get there. This gathering, therefore, is not merely another platform for the exchange of ideas. It is a strategic convergence of vision, expertise, and shared purpose. It is an intersection where thought leadership meets actionable solutions at a time when the resilience, adaptability, and innovation of small and medium enterprises will decisively shape the economic trajectory of Africa and, indeed, the wider world.

I bring you warm greetings from the President and Chair of the Board of Directors of Afreximbank, Professor Benedict Oramah, who has asked me to convey his regrets for being unable to join us in person today. He has also requested that I express his profound appreciation for the transformative work being led by the SME Finance Forum, the International Finance Corporation, and the Global Finance & Technology Network. Your collective dedication to reshaping the architecture of enterprise finance is not only broadening access to capital but also dismantling long-held assumptions about what is possible when innovation, collaboration, and determination converge with purpose.

Distinguished ladies and gentlemen

So why are we gathered here today? It is for me not to just attend another conference this time on SMESs. It is not merely to share knowledge. Rather we are here to confront what I believe is a pressing reality and that is that the global architecture of SME finance, as it stands, is no longer fit for purpose especially in Africa. The systems we have today were designed for scale, not for inclusion and for stability, and not for resilience. Yet it is the small and medium-sized enterprise, often informal, often female- or youth-led, and often operating in the margins, that generate jobs, spark innovation, and sustain our economies in times of uncertainty as we are witnessing today.

Accordingly, as we search for resilience in a world marked by volatility and cascading global shocks, the question before us is not whether SMEs matter. That question has long been answered. The real question now is whether we are doing enough to unlock their full potential and if not, how boldly, how quickly, and how deliberately we are prepared to act to forge a new compact that transforms their capacity, amplifies their impact, and secures their place at the center of our economic future?

[Part I: State of African SMEs]

But let me begin with the fundamentals.

Across the world, SMEs represent over 90% of all firms, generate more than half of all employment, and contribute as much as 40% of GDP in emerging markets. On the African continent, the numbers are even more striking. SMEs account for over 95% of all businesses, provide about 80% of employment, and form the very bedrock of domestic value creation in sectors as diverse as agriculture, logistics, services, and light manufacturing.

And yet, despite their systemic importance, SMEs continue to operate in the shadows of our financial systems. The financing gap is enormous, with over $5.2 trillion globally, and more than $330 billion across developing economies. In Sub-Saharan Africa alone, more than 60% of formal SMEs lack adequate access to capital they need to grow, and the outlook for informal enterprises that are by far the majority is even bleaker.

To me, this gap is the manifestation of deep structural flaws in our financial architecture. It reflects a system that rewards collateral over creativity, opacity over potential, and formality over function. The result is a marketplace where the most dynamic and entrepreneurial segment of our economies is too often seen as a risk to be managed or a liability to be controlled, rather than an opportunity to be cultivated.

We must therefore shift the paradigm from financing SMEs as exceptions, to integrating them as engines of transformation. Because when SMEs thrive, societies grow more equitable, innovation becomes more inclusive, and economies become more resilient in the face of global shocks.

[Part II: Global Trends Reshaping SME Finance]

Distinguished ladies and gentlemen

To chart the path forward, we must first understand how the terrain is shifting beneath our feet. Around the world, five key trends are reshaping the very architecture of SME finance.

1. Digitalization and the Rise of Platform Economies

The first is the rapid digitalization of finance and the emergence of platform-based economies. Over the past decade, we have witnessed an extraordinary acceleration in digital SME finance. From mobile lending innovations in East Africa to invoice factoring platforms in Southeast Asia, fintechs are dismantling traditional barriers and democratizing access to credit. Global investment in SME-focused fintech solutions has surged, from $11 billion in 2015 to more than $75 billion in 2023.

These advances are not merely technological upgrades. Rather, they represent a deep architectural redesign of how finance is delivered. They offer a blueprint for replacing exclusionary, legacy financial systems with inclusive, interoperable digital rails, even though adoption still remains uneven. Today, Africa leads the world in mobile money penetration, but only a fraction of this infrastructure has been deployed for structured SME finance. We must therefore move beyond digital inclusion towards digital leverage, ensuring that technology does not simply connect SMEs, but actively empowers and finances them at scale as drivers of economic transformation.

2. Green Transition and ESG-Aligned Finance

A second shift is the integration of SMEs into sustainability-linked and ESG-aligned finance. Globally, ESG-linked loans to SMEs have grown at over 30% annually. Yet in Africa, despite being disproportionately vulnerable to climate shocks, SMEs are largely excluded from climate-aligned funding. This disconnect is not just a missed opportunity. It is both a moral and developmental failure.

If the world is serious about financing its green transition, it must be equally serious about ensuring that African SMEs are active participants in that transition and not passive bystanders. Climate resilience must be built from the ground up, starting at the base of the economic pyramid where SMEs power livelihoods, generate local solutions, and hold the potential to drive a truly inclusive green economy.

3. Shifting Trade Corridors and Supply Chain Finance

The third major shift arises from the reconfiguration of global trade corridors in the wake of various geopolitical realignments since the COVID-19 pandemic. Supply chains are being redrawn, and with this comes both risk and opportunity for SMEs. Those able to position themselves effectively can capture new markets and forge lasting trade relationships but those unable to adapt risk being left behind. Supply chain finance is a $1.3 trillion global market that offers a critical pathway for SMEs to secure the liquidity they need to participate in and anchor themselves within value chains but only if they are visible, verifiable, and creditworthy.

This is where platforms like Afreximbank's MANSA repository and the Pan-African Payment and Settlement System (PAPSS) are game-changers. While MANSA provides SMEs with trusted digital identities, helping them meet compliance requirements and gain the credibility needed to engage with larger buyers, PAPSS on the other hand, facilitates faster, more cost-effective cross-border payments in local currencies, reducing friction and boosting trade efficiency. Together, these innovations are laying the infrastructure for African SMEs to be fully integrated into both continental and global trade ecosystems.

A fourth major shift shaping global SME finance is the rise of alternative lending and community-based finance. Around the world, models such as peer-to-peer lending, revenue-based financing, and diaspora-led crowdfunding are moving from niche experiments to mainstream complements to traditional bank loans. These approaches offer flexibility, reduce barriers to entry, and often leverage trust and networks in ways that formal banking cannot.

In Africa, the potential for these models is extraordinary, but still largely untapped. In 2024, remittance inflows to the continent surpassed $53 billion, yet the overwhelming majority went to household consumption rather than enterprise development. The gap between financial flows and productive investment is therefore not a shortage of resources, but a shortage of structured channels. So we must ask ourselves, what if the African diaspora could invest not only in supporting families, but in financing the continent's SMEs? What if remittance corridors evolved into secure, transparent investment pipelines? With the right mechanisms, blending fintech innovation, community trust, and regulatory safeguards, diaspora capital could become a powerful driver of innovation, job creation, and industrial growth.

The possibilities are not just incremental, but they are transformational. This is about shifting from aid and consumption to investment and enterprise; and shifting from isolated transfers to systemic wealth-building; and from dependency to economic self-determination.

5. Strategic Public-Private Synergies

A final trend I would like to emphasize from an economist's perspective is the growing recognition that SME finance thrives best within harmonized ecosystems. Across the globe, we are witnessing a shift from isolated, fragmented initiatives toward integrated national strategies that align the strengths of both public and private sectors. National credit guarantee schemes, blended-finance platforms, and development finance institution (DFI) de-risking instruments are increasingly being deployed not in silos, but as part of coherent, long-term frameworks.

To truly unlock scale, however, we must move beyond national boundaries and towards regional integration, cross-border regulatory harmonization, and shared infrastructure for SME financing. Imagine scalable, replicable models that can seamlessly operate from Lagos to Nairobi, or from Accra to Kigali, reducing costs, increasing trust, and accelerating capital flows.

Public–private synergy is not simply about cooperation. It is also about strategic alignment where governments provide the enabling environment, regulators ensure stability and fairness, private capital fuels innovation, and technology provides the connective tissue. When these elements converge, they create a multiplier effect: faster SME growth, stronger economic resilience, and deeper regional competitiveness.

The challenge before us is therefore to replace patchwork efforts with integrated ecosystems that match the ambition of Africa's entrepreneurs and to ensure that finance becomes not just accessible, but transformational.

[Part III: Deep-Rooted Challenges That Still Demand Bold Solutions]

Distinguished ladies and gentlemen

These promising trends I have outlined are nevertheless unfolding against the backdrop of enduring challenges that still constrain SME growth. Let me highlight six that are particularly critical:

- **The first** is information opacity. Across Africa, a significant proportion, estimated at over 60% of SMEs, operates informally, without audited financial statements, verifiable credit histories, or even formal registration. This absence of reliable data deprives lenders of the ability to assess credit risk, inflates transaction costs, and makes it difficult for investors to measure potential. In a global economy where data is capital, too many African SMEs remain invisible to formal finance.
- **The second** is collateral dependency. Across much of Africa, traditional lending models remain firmly anchored to hard collateral requirements including land titles, buildings, and other fixed assets. Yet many of the most innovative and high-growth businesses today, particularly in technology, services, and creative industries, are asset-light by design. They derive value from intellectual property, digital platforms, brand equity and networks and not through land or machinery. Moreover, this dependency has a disproportionate impact on women entrepreneurs especially in sub-Saharan Africa where, less than 20% of women own land, and even fewer hold assets that meet formal banking collateral requirements. The consequence is a systemic exclusion of millions of viable, profitable and job-creating enterprises out of the credit system, not because they lack potential, but because they lack traditional forms of security. Globally however, innovative financing models, such as movable collateral registries, cash-flow-based lending, psychometric credit scoring, and credit guarantee schemes are helping lenders look beyond physical assets to assess risk. These approaches have seen SME lending volumes expand by 20–30% without compromising loan portfolio quality. Africa therefore needs to reform its systems accordingly. Without such reforms, Africa risks stifling the very entrepreneurial potential it seeks to unleash.
- **The third** is policy incoherence. In many African economies, the absence of a cohesive and enforceable national SME policy creates an environment of uncertainty for entrepreneurs and

investors alike. Too often, definitions of what constitutes an SME vary across ministries, registration processes are cumbersome, taxation rules are inconsistent, and regulatory oversight is fragmented.

- This lack of clarity has real economic costs. Without a common framework for classification, registration, taxation, and regulation, policymakers struggle to design targeted incentives, financiers cannot easily benchmark risk, and SMEs find themselves navigating a maze of conflicting requirements. The result is a fragmented business ecosystem that discourages formalization, limits access to finance and slows growth. Countries that have implemented clear, harmonized SME policies, integrating legal definitions, streamlined registration, predictable tax regimes, and coordinated regulatory frameworks, have seen measurable improvements in credit uptake, investment flows, and SME contribution to GDP. For Africa, achieving such policy alignment is a critical enabler of competitiveness and a catalyst for scaling entrepreneurial success. Without coherence at the policy level, even the best financing innovations will operate at half their potential.

- **The fourth** is the high cost of capital. Across much of Africa, SMEs routinely face lending rates between 15% and 25% which is several times higher than the rates available to their counterparts in advanced and even some emerging economies. At such levels, the cost of borrowing often outpaces the expected return on investment, making expansion plans financially unviable. This reality forces many entrepreneurs to scale down ambitions, delay growth projects, or rely on informal and often more expensive sources of finance. The economic cost of such high interest rates is therefore significant. High interest rates not only limit enterprise expansion but also slow down job creation, reduce competitiveness, and constrain the continent's ability to industrialize. International experience however shows that when affordable finance becomes accessible, SMEs can dramatically increase their productivity and employment impact. In East Asia, for instance, targeted interest rate reforms, coupled with credit guarantee schemes, expanded SME lending volumes by over 30% within five years. For Africa, therefore reducing the cost of capital is not simply a matter of easing financial pressure but also about unlocking the growth engine that SMEs represent.

- **The fifth** is the digital and financial infrastructure gap. Only 24% of African SMEs have access to reliable internet connectivity, and the majority still operate without integrated digital payment systems. This gap fundamentally limits market reach, operational efficiency, and competitiveness. In today's global economy, connectivity is a prerequisite for participation and without affordable broadband, secure digital identity systems, and interoperable payment platforms, African SMEs are excluded from e-commerce, regional value chains, and global supply networks. They lose the ability to transact in real time, access online financing, or leverage data analytics to improve performance. Research has shown that SMEs adopting digital tools can increase revenue by up to 30%, improve efficiency by 25%, and reduce costs significantly. However, without the infrastructure backbone, such opportunities remain out of reach for millions of enterprises across the continent. Until we are able to close this gap, the promise of the digital economy will remain uneven, and Africa's SMEs will continue to compete at a disadvantage in a marketplace that is increasingly borderless and technology-driven.

- **The final challenge** is related to capacity and skills. Finance without knowledge is like fuel without navigation. It can power movement, but without direction, and often leads to failure. Across Africa, over 70% of SME failures are not due to a shortage of capital, but to gaps in management, marketing, governance, and strategic planning. Many entrepreneurs enter the market with passion and innovation, but without the operational systems, market intelligence, or governance structures needed to sustain growth. The absence of strong record-keeping, customer relationship management, branding, and digital marketing strategies limits their ability to compete. Furthermore, weak governance practices, such as unclear ownership structures or poor internal controls, can also deter investors and erode lender confidence. Global evidence shows that SMEs receiving targeted capacity-building support through entrepreneurship training, mentorship, peer-to-peer networks, and digital skills development achieve significantly higher survival and growth rates.

Distinguished ladies and gentlemen

While each of these six challenges I have highlighted are formidable, they are entirely solvable through bold, deliberate, and coordinated action that brings together policymakers, financiers, entrepreneurs, and development partners in a united commitment to unlocking the full potential of Africa's SMEs

[Part IV: The Afreximbank Approach]

At this juncture, and before I conclude, allow me to share some of the concrete steps we at Afreximbank are taking to support Africa's SMEs. At Afreximbank, we do not see ourselves as just financiers, but as ecosystem builders. This is rooted in our belief that SME growth requires not just capital, but a comprehensive architecture that addresses structural barriers, unlocks market opportunities, and builds long-term competitiveness. Accordingly, our strategy to SME development is anchored on five mutually reinforcing pillars:

1. Firstly, we provide access to finance through tailored SME trade and project finance, including lines of credit and guarantee schemes aligned with AfCFTA implementation.
2. Secondly, we provide equity and venture support via our investment arm, FEDA, which provides growth capital to scale-ready African SMEs in strategic sectors.
3. Thirdly, we have developed trade facilitation infrastructure, such as PAPSS and MANSA, that reduce transaction costs and accelerate intra-African commerce. While PAPSS enables instant cross border payments in local currencies, MANSA provides verified corporate data to

simplify compliance, build trust, and reduce onboarding times for cross-border transactions. a due diligence repository.

4. Fourthly, we support human and institutional capacity building through AFRACAD, our academy for entrepreneurship, compliance, and digital literacy training.
5. Finally, we design targeted financing instruments and ecosystem partnerships to empower women-led, youth-led, and diaspora-linked SMEs, ensuring they have the capital, networks, and market access to drive inclusive and sustainable growth.

Our approach as you can see is therefore not about merely patching gaps but about building a resilient and interconnected architecture that equips SMEs not only to survive, but to scale, innovate, and compete at the highest levels across Africa and globally.

[Closing]

Distinguished ladies and gentlemen

Let me conclude by reaffirming that while the global economy may indeed be entering a new age of turbulence and uncertainty, for Africa and for our SME sector, the winds of change carry immense possibility. Yes, the disruptions of recent years have exposed the fragility of our systems. But they have also ignited a new urgency to build institutions, policies, and partnerships our future demands. This is why I started my address by stating my belief that this year's forum is not just another conference. The ideas we generate here and the commitments we forge will influence the destinies of millions of enterprises and by extension, the lives of the people they sustain, across the continent and the globe.

Let us therefore, seize the opportunity presented at this forum to rewire our systems, reimagine our priorities, and rebuild an SME finance architecture that is inclusive, modern, transformational and truly fit for Africa's purpose in the 21st century.

Thank you for listening.