



Founded in 1984 in Kenya as Equity Building Society, Equity Bank has transformed from a microfinance institution into an all-inclusive, publically-listed commercial bank. Through its subsidiaries in Kenya, Rwanda, Tanzania, Uganda, and South Sudan, Equity Bank provides a diversified portfolio of services designed to increase the financial resources of its nearly 8 million customers. The largest bank by customer base in East Africa, Equity Bank successfully leverages its innovative technology, broad distribution network, unique business model, and numerous partnerships to broaden financial access and deepen financial inclusion among the region's unbanked and underbanked populations.

*“Equity Bank will continue to live out its purpose of transforming the lives and livelihoods of our people, socially and economically, by providing them with innovative services designed to broaden financial access and deepen financial inclusion.”*

James Mwangi,  
CEO & Managing Director

## EQUITY BANK // TRANSFORMING LIVES THROUGH INCLUSIVE FINANCIAL ACCESS

Access to affordable financial services is a significant challenge in Africa, where the majority of the population is excluded from the formal banking sector. In 2007, more than 70 percent of households in Kenya relied on informal sources of financing.<sup>1</sup> Inaccessibility to formal financial services negatively impacts livelihoods by increasing transaction costs and risks, limiting market exchanges, and reducing opportunities for households to save.

### BUSINESS MODEL

Equity Bank, through its inclusive business model, develops financial products designed to serve the continent's unbanked and underbanked populations. Its business model targets the low-income market to achieve scale through a high volume of relatively small, low-margin transactions. This allows Equity Bank to keep costs low, while providing stable funding to customers and promoting accessibility, convenience, affordability, and efficiency of financial products and services. A large distribution network of agents and a robust information technology platform further enable the bank to access previously untapped markets. The bank's business model has been featured in case studies at leading international business schools around the world.

### KEY IMPACTS

- Equity Bank's agency banking model expands financial access to 1.7 million low-income consumers.
- Equity Bank has dispersed \$1.45 billion in loans, including \$500 million to consumers, \$39 million to the agricultural sector, \$158 million to women, and \$65 million to youth.
- Equity Group Foundation's free financial literacy program with The MasterCard Foundation has deepened financial inclusion for 450,000 Kenyans, and aims to reach one million.

### PERFORMANCE AGAINST FRAMEWORK METRICS

#### ACHIEVING GROWTH

Equity Bank has grown rapidly through a mix of strategic capitalization. In 2007, Helios Investment Partners LLP provided the bank with \$180 million, enabling it to expand its loan portfolio and low-income customer base by offering innovative, lower-cost financial products across consumer, agriculture, micro, and small- and medium-size enterprise (SME) loan segments.<sup>2</sup> In 2011, these segments provided over \$1.45 billion in financing through 1.05 million loans, including over \$500 million in consumer loans, which gave nearly 550,000 people the opportunity to pay for education, healthcare, and other life-enhancing services.<sup>3</sup>

In addition, in 2011, Equity Bank provided African entrepreneurs with capital to expand their businesses, increase savings, and hire new employees through 294,000 SME loans valued at over \$730 million.<sup>4</sup> Equity Bank's central role in expanding access to finance is

increasingly recognized by major international funders and donors; in 2012, it received \$100 million in funding from the International Finance Corporation (IFC) to further expand its SME lending portfolio.

Equity Bank's agriculture segment has successfully grown over the years by lending across the value chain, thereby reducing risk exposure. In 2011, the bank invested over \$39 million through 88,000 agriculture loans for smallholders, agricultural processors, manufacturers, distributors, and retailers.

#### **ACHIEVING OPERATIONAL EFFICIENCY AND INCREASED PRODUCTIVITY THROUGH THE VALUE CHAIN**

Equity Bank makes substantial investments in the skills development of its employees to improve operational efficiency and productivity. The bank's 7,000 employees each receive training worth an average of \$6,557. In the agriculture segment—in which more specialized knowledge is needed to work with smallholders—employees are required to have at least four years of relevant experience.<sup>5</sup>

To ensure that financial inclusion reaches last-mile populations, Equity Bank relies on its mobile banking platform and agency banking model. Having achieved sufficient scale, the bank expanded its remote agency model to build a network of over 5,100 agents to serve a growing customer base of nearly 8 million. This expansion improved access to formal financial services for the low-income—marked by a 37 percent increase in customer deposits—while also reducing household risk and transaction costs, and increasing profits for the bank.

#### **DOING BUSINESS RESPONSIBLY**

Equity Bank promotes transparency and adherence to ethical standards through its Code of Corporate Practices and Conduct and independent Board of Directors. The IFC has recognized Equity Bank as a partner of choice, due in part to its strong governance. The bank's philanthropic arm, the Equity Group Foundation, demonstrates responsible business engagement by partnering with The MasterCard Foundation, with support from UKaid,<sup>6</sup> USAID,<sup>7</sup> and KFW,<sup>8</sup> to provide \$70 million in scholarships for secondary school education to 7,600 academically-gifted, financially-challenged children under the Wings to Fly program. The program aims to provide 10,000 scholarships by 2015.

The Equity Group Foundation also partners with The MasterCard Foundation to provide free financial literacy and skills training to youth and women through Financial Knowledge for Africa (FiKA). FiKA has enabled the partners to leverage their infrastructure and capital resources to train over 450,000 Kenyans.<sup>9</sup> Investing in social initiatives like FiKA broadens financial access and deepens financial inclusion to remote populations, including the historically-excluded women and youth segments.

#### **ENHANCING THE OPERATING ENVIRONMENT TO SUPPORT BUSINESS GROWTH**

Equity Bank's impact on poverty reduction goes well beyond the direct provision of financial services. The bank indirectly contributes to the development of a well-functioning, competitive, and diversified financial sector by providing the mass market with a means of payment, enabling secure financial and commercial transactions, and mobilizing domestic savings. This financial infrastructure enables more efficient allocation of capital to productive investments, which contributes to growth and, ultimately, poverty reduction.

#### **SUCCESS STORY**

*In July 2011, the Lukama Dairy Commercial Village partnered with Brookside Dairy and Equity Bank to develop a dairy cooperative in Kenya. The model provides smallholders with a market for their products and access to high-quality inputs financed by Equity Bank. In October 2011, Equity Bank provided a \$4,000 overdraft facility to smooth over farmer incomes following a delayed payment schedule. As a result, average daily milk sales rose from 186 to 600 liters, translating to an increase in income of \$4,500 per month for the cooperative.<sup>10</sup>*

*Equity Bank also works with the World Food Program (WFP) on various initiatives. The Purchase for Progress program (P4P) provides smallholders with financing for farm inputs and aggregates outputs to sell to WFP. The Seasonal Cash for Asset and Unconditional Cash Transfer program provides beneficiaries with access to cash (using Equity Bank's agency model for payments) and FiKA training, which transfers knowledge on financial management to enhance the payment process. Over \$16 million has been invested in this program, which reaches 160,000 people.*