

## BANKING PRACTICE

## Small enterprises offer large potential for global banks

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Emerging markets are poised to account for 60 percent of global banking-revenue growth over the next decade. To fully participate in this growth, banks will need to reach micro-, small, and medium-sized enterprises, which typically earn less than \$3.5 million in revenues, fall outside traditional bank networks, face risks that are difficult to analyze, and often are under- or even unbanked.

Our research, however, suggests that banking revenues from such businesses could grow to \$367 billion a year, from \$150 billion, as banks deploy innovative ways of reaching them (such as mobile

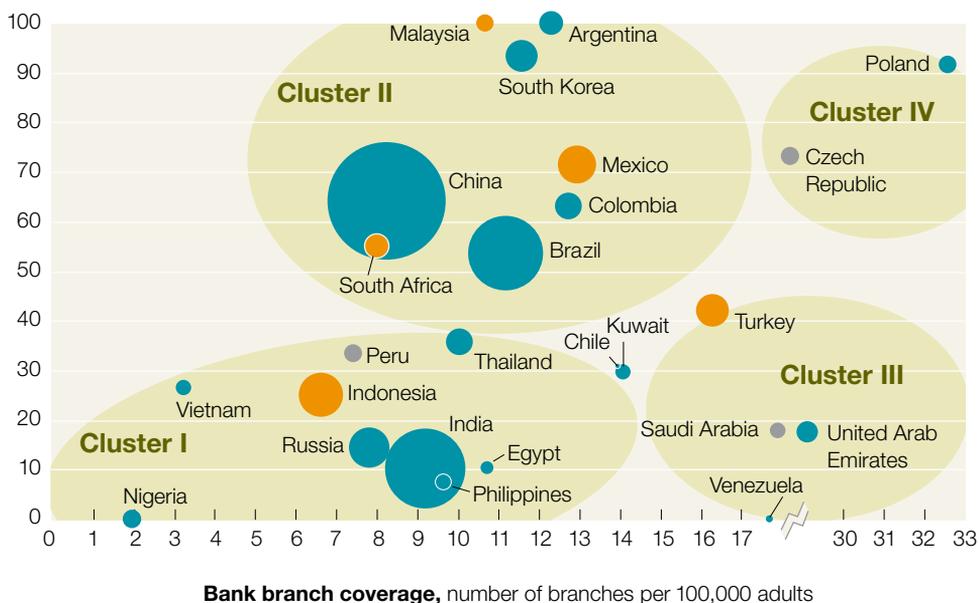
banking) and introduce advanced rating techniques geared to small borrowers. To identify the opportunities and challenges, we clustered these markets along two dimensions: credit bureau coverage and bank branch density (which are proxies for market access and the ease of assessing risk). Four market types emerge, each with different growth opportunities, challenges, and strategic options. [o](#)

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For a more complete discussion of this research, download the full report, *Micro-, small and medium-sized enterprises in emerging markets: How banks can grasp a \$350 billion opportunity*, on [mckinsey.com](http://mckinsey.com).

### Credit bureau coverage,<sup>1</sup> % of adults



Increase in share of population with access to financial services, 2006–10

● >3%    ● 1.5–3%    ● <1.5%



Circle size indicates relative volume of banks' current revenues from small and medium-sized enterprises, 2010

**Cluster I:** Micro-, small, and medium-sized enterprises are hard to reach and risk management is difficult. Radical solutions will be required.

**Cluster II:** Credit bureau coverage is good, but distribution is poor. Banks should exploit direct channels such as Internet and mobile banking.

**Cluster III:** Branch banking is good, but credit bureau coverage is sparse. Banks will need to innovate in risk management.

**Cluster IV:** Markets score well on both credit bureau and bank branch coverage.

<sup>1</sup>Some countries with smaller revenue pools are not shown here. For a full display of countries, see *Micro-, small and medium-sized enterprises in emerging markets: How banks can grasp a \$350 billion opportunity*, available on [mckinsey.com](http://mckinsey.com).

Source: International Monetary Fund (IMF) financial-access survey 2006–10; World Bank's Doing Business database; McKinsey analysis