

Company Focus: KIMS Microfinance

Devastated by two decades of civil war, Somalia has only recently regained some peace and stability, allowing private initiatives like Shariah compliant KIMS Microfinance to see the light of day in 2014 and to now pursue its ambitions to address the needs of the 25 million ethnic Somalis across the Horn of Africa. MARC ROUSSOT reports.



is working on a solar home financing which will be offered not only to households but also to small businesses. The pre-pilot phase has been launched and around a thousand units have been tested in the market.

“Somalia has one of the highest energy cost per capita anywhere in the world because the market is completely deregulated. This is why from a social impact perspective, there is a very significant opportunity to provide low-income populations with access to clean and affordable electricity and reduce energy poverty,” explains Justin Sykes, a board member of KIMS Microfinance.

Agriculture financing is another of KIMS Microfinance’s ongoing projects but the past two years of drought that has left six million people, or half the country’s population, facing food shortages makes the project riskier.

“The development of Somalia’s agricultural sector is critical to the country’s future but recent droughts and lack of appropriate agricultural financing have adversely impacted farmers. KIMS is seeking to design tailored agricultural financing products and combine these with insurance products to give farmers the best chance of success,” Sykes says.

KIMS Microfinance is also planning to scale up its fisheries value chain financing enabling fisheries cooperatives to expand operations and provide much-needed employment opportunities to Somalia’s coastal communities. “Fisheries value chain financing has a high social impact because the fisheries sector remains largely underdeveloped and therefore the expansion of sustainable fishing practices has the potential for significant new job creation,” shares Sykes.

Fintech

Digitization and automation of the financing operation process are among KIMS Microfinance’s priorities. About 70% of KIMS Microfinance’s clients are currently using Zaad, a mobile money platform to pay back their Murabahah monthly installments. KIMS

Microfinance wants to continue building on that to evolve to a fully digitalized financial institution, to leverage more on social media to prospective clients and to extend outreach.

“We are working on the development of a set of mobile applications including the financing application process, approvals, disbursement and repayments, all of which will improve the customer experience and enable cost savings for the institutional,” Sykes says.

The roots

Headquartered in Hargeisa, a city of 1.1 million inhabitants close to the Ethiopian border, KIMS Microfinance is Somalia’s first and only dedicated and privately owned microfinance institution. It operates on a commercial basis providing enterprise financing and linked savings services. It has 11 branches in nine towns and cities throughout Somaliland, Puntland and Southern and Central Somalia. Since its inception, it has provided financial services to over 9,000 clients with a total of more than US\$8 million provided in financing, which has resulted in the creation of about 6,000-plus new jobs. Average sizes of financing provided to clients are around US\$1,000.

Today, KIMS Microfinance has an active client base of 3,500 clients with an active portfolio of US\$2.5 million and targets 24,000 active clients by 2021, which would translate into an active portfolio of about US\$30 million. It is estimated that less than 5% of MSMEs in Somali have access to formal sources of financing, representing an unmet demand from hundreds of thousands of businesses across the country, totaling hundreds of millions of dollars.

“We believe that it is an ambitious but realistic target given the unmet demand for financing in the country. To achieve this planned growth, KIMS Microfinance needs to raise new capital, which is a combination of equity into the business and Shariah compliant lines of financing. KIMS Microfinance can offer both solid financial returns and a very clear social impact story. We are in active conversations with a number of socially motivated investors including the IDB, banks in the Gulf and private wealth structures like family offices and foundations,” Sykes shares. ☺

“ We believe that it is an ambitious but realistic target given the unmet demand for financing in the country. To achieve this planned growth, KIMS Microfinance needs to raise new capital, which is a combination of equity into the business and Shariah compliant lines of financing ”

Somalia has long been the most fragile state on earth. This is not the case anymore since 2016, according to the Fragile State Index. Ravaged by a protracted conflict, the Al-Shabaab rebellion and piracy off its coast, the country remains plagued by violence but the multiplication of private initiatives like KIMS Microfinance, a Shariah compliant financial institution launched in 2014, proves that all is not doom and gloom.

Until today, KIMS Microfinance has only been offering financing for business purposes, with a focus on MSMEs run by women and the youth. However, it