

Gulf African Bank signs KSh100 million deal with AGF

Kenya's first and largest Islamic bank Gulf African Bank, has signed a KSh100 million agreement with the African Guarantee Fund to support lending to Small and Medium-sized Enterprises in the country.



The portfolio guarantee deal is meant to share the risks associated with lending to SMEs, thus unlocking more financing to them. The deal also has a capacity building component that will go towards boosting financing and risk management capabilities.

The agreement was signed at the Stanely Sarova Hotel in Nairobi by Asad Ahmed, managing director of Gulf African Bank and Felix Bikpo, chief executive officer of the African Guarantee Fund (AGF).

Ahmed said that the portfolio guarantee from AGF was a much needed boost to its products as it innovates and diversifies its SME banking services.

"We are committed to addressing the unique banking needs of SME through continuous innovation and improvement of our product suite," he added.



Main engine of economic growth

The deal will contribute towards growth and further development of SMEs which are the main engine of economic growth and a major factor in promoting private sector development.

"AGF is the missing link to the scaling up of African SME financing; we reduce the risk taken by institutions financing SMEs by making it easy to extend loans to them," said Bikpo. "Through AGF, we can now give a voice to African perspectives on Africa's development challenges and solutions by supporting financial institutions to enable them to finance SMEs in Africa."

The agreement comes only weeks after AGF signed portfolio guarantee agreements with I&M Bank for KSh50 million guarantee and Commercial Bank of Africa for KSh100 million. The deal also follows the announcement last month of International Finance Corporation taking a 15% equity interest in Gulf African Bank and the Bank's increase in capital by KSh 854 million brought contributed by IFC and existing shareholders.

Inadequate access to capital has been cited as a key challenge to the development of SMEs in Africa. Many lending institutions shy away from financing them because they are considered risky. The African Guarantee Fund has the capacity and leadership to effectively help accelerate development in Africa.

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