

A woman with dark hair, wearing a light pink cardigan over a red top and blue jeans, stands in a clothing store. She has her hands on her hips and is smiling. A brown leather bag is slung across her chest. In the background, there are racks of clothes, a mannequin, and a sign that says 'DANA'. The SOLVa logo is in the top left corner.

**SOLVa**

# The Economic Impact of Solva Lending to Small and Medium Business in Kazakhstan

February 2023





# Introduction

Every year financial institutions prepare various reports which are mostly focussed on the operational and financial performance. At Solva, we measure efficiency of our operations by looking at the economic and social impact we have made through financing micro and small businesses in Kazakhstan.

Starting from mid-2020, we have been focused on developing and launching new products for micro, small and medium-sized businesses. We aimed to create products and services that would give entrepreneurs fast and accessible financing needed to grow their business.

Over last 2 years, we issued microloans worth \$ 85 mln to about 52,000 entrepreneurs across Kazakhstan.

Solva lending allowed some of our clients to overcome challenges and safeguard their businesses, while for many others it provided new opportunities for growth.

We have always believed that our activities have a positive economic impact on the SME sector, however, in order to get a more accurate assessment of our impact in numbers, in 2022 we conducted a survey among our clients.

We are delighted to conclude that the survey results exceeded our expectations, and we feel extremely proud of Solva's contribution to the development of Kazakhstan's economy.

96% of our clients stated that Solva's financial products had helped them grow their business, and 66% reported an increase in their income after receiving financing from Solva.

A heart-warming discovery for us was that at least 10% of respondents believed that they would have been forced to close their business had they not received a microloan from Solva.

We recognise the increasing value of SMEs in Kazakhstan's economy, so our role in supporting micro, small and medium sized enterprises is constantly growing.

We would like to take this opportunity to say a huge thank you to our clients who participated in this survey and shared their success stories and honest feedback with us!



**Anna Maximova**, General Director of MFO OnlineKazFinance JSC (Solva) and Ambassador of the Women in Business programme at Solva

**Oksana Sinelnikova**, Head of ESG at Solva

**Konstantin Barabanov**, Solva Group Ltd. CEO



*We are committed to expanding our contribution to the development of a healthy entrepreneurial environment for micro, small and medium-sized businesses in Kazakhstan.*

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# Survey findings at a glance

Each **1 million KZT** of financing provided leads to



Average SME revenue growth of **5,4 mln KZT** within 12 months

**\$ 289 mln**

revenue growth that Solva's customers can expect from 2022 financing

**26 000 jobs**

has been created thanks to Solva funding over the past two years

**1 out of 10**

clients reported that they would have been forced to close their businesses without Solva funding

**66%**

customers recorded an increase in revenue thanks to microloan

The speed of obtaining financing is still a key factor in choosing a lender. Timeframe during which the financing was used:

**43%**

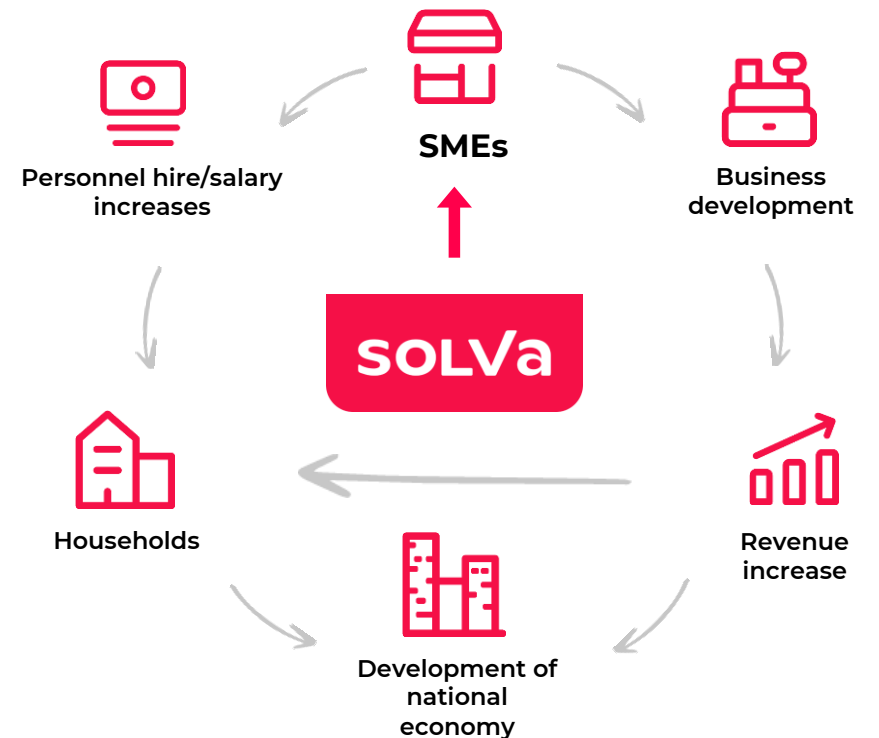
of our clients spent it on the day of receiving a microloan

**25%**

of our clients used the microloan within a week

69% of clients needed working capital financing, while 26% of clients utilised loans for investment purposes (equipment, premises expansions, etc.)

## Solva's economic impact



# About Solva

**Solva** is the market leader in unsecured non-bank financing in Kazakhstan. We offer digital financial products for micro, small and medium-sized businesses.

Solva always **puts its clients first**, regularly asking for their feedback and focusing on their needs and expectations. We offer our clients a simple, clear and fully transparent process of getting financing, which can be used by every Kazakhstani who decides to become an entrepreneur.

## WE NEVER ASK SMEs TO PROVIDE LOAN COLLATERAL

Using a family home to access the finance attaches a significantly higher degree of personal risk, and therefore stress, to the success or otherwise of a small business. We have developed our own scoring system for SME clients and learned how to score SMEs by analysing their business turnovers. We do not ask entrepreneurs to collect a large number of documents and provide securitisation in the form of real estate or vehicles. We make a credit decision based on more than 160 parameters which we collect and process automatically.

## WE FINANCE OUR CLIENTS WHEN THEY NEED IT

If application experiences are slow and difficult, small businesses are unable to seize opportunities that are time sensitive. In some circumstances this can lead to business failure e.g. where short-term funds are needed to pay employees, suppliers, tax obligations, rent or utilities. Investments in IT processes and automatisation helped us to build uniquely-fast application, scoring and disbursement process: on average, it only takes **7 minutes** to fill in an application for a new SME client, with approval time from **30 seconds** to **8 minutes**.

## OUR GOAL IS TO PROVIDE APPROPRIATE FINANCIAL PRODUCTS TO SMEs

Using personal credit products by micro entrepreneurs blurs the distinction between personal and business affairs, and means business owners can find it difficult to accurately plan business cash flow. At Solva we invest in financial literacy of our clients and developed a range of products suitable for different types of clients.

**85 mln \$**

SME financing originated since mid-2020

**52,000**

new SME clients

**80%**

of Solva customers re-applied for a microloan

**120**

Solva offices

**70%**

of SME clients are female entrepreneurs

**59%**

of clients are from rural and suburban areas

**2.2 mln**

client requests processed over 3 years

**74%**

Net Promoter Score (client satisfaction level)

# SME share in the economy and access to financing

The SME sector in Kazakhstan has been actively developing. According to public data\* for the period from October 2021 to October 2022, the number of active SMEs in Kazakhstan increased by 20.9%.

The share of SMEs in the country's GDP has increased by 7.9 % and reached 34.7 %, while the total number of people working in SMEs increased by 10.6 % and reached 3.5 mln people\*\* – around 40 % of total employment in the country.

The development of small and medium-sized enterprises helps strengthen the economy of Kazakhstan, fostering a competitive environment, creating jobs and improving people's welfare.

The Government of Kazakhstan has introduced a number of significant incentives to support the SME sector.

A Draft Framework for the Development of Small and Medium-sized Businesses in the Republic of Kazakhstan until 2030 has been developed, setting out to increase the SME share in GDP up to 40% and the number of SME employment up to 5 million people by 2030.

Despite the active growth of the sector and government support measures, we witness a number of challenges faced by owners of SMEs in obtaining loans.

The main reasons for the low accessibility of loans for SMEs, according to public sources, are the excessive bureaucracy of the procedure for obtaining a loan and the requirement to provide collateral.

The easy access to financing and speed of receiving a loan are also very important to entrepreneurs as the funds are most often needed for day-to-day operations.

We are constantly improving our products to meet the needs of our customers. To assess our impact on the growth of our clients' business, we conducted a study and are happy to share its findings in this report.

**35%**

SME share in  
Kazakhstan's GDP

**3.5 mln**

people employed  
in SMEs

\* Elim Institute of Marketing and Sociological Research data

\*\*The Prime Minister of the Republic of Kazakhstan official data

# Purpose and scope of the survey

In October-November 2022 we conducted a survey among our clients to evaluate the economic impact of Solva lending to micro, small and medium-sized businesses in Kazakhstan.

However, since approximately 2.4% of all SME clients were surveyed, and they had been randomly selected, we believe that the data are fairly representative.

**More than 1,200 clients** took part in the survey. We used the following assumptions when selecting clients to participate in the survey:

- ▶ The client received financing for business purposes
  - The loan was received more than 6 months ago, i.e. not earlier than April 2022
- ▶ The client could be a first-time borrower from Solva or be our returning client

**The survey questions were focused on the following topics:**

- ▶ Business sector, current number of employees, and monthly revenue
- ▶ Loan purpose (including what they were used for)
  - Hiring new employees after borrowing funds
- ▶ Business changes triggered by financing
- ▶ Reasons for choosing Solva
- ▶ Possible repercussions of not being able to receive funding on time

The clients were selected through randomised automated sampling based on the above parameters.

In our study, we draw our conclusions based purely on the survey results. It should be assumed that the results may have biases, as the sample of clients may not reflect the full picture.

The analysis is based on the unique composition of Solva's client base.

Therefore, caution should be exercised when extrapolating the results of the survey to all SME lending in Kazakhstan.

**Anna Gayantseva**, Head of Research at Solva



# Solva customer profile

## Breakdown of our SME clients by sector based on the survey data

- ▶ **51%** of clients operate in retail (clothing, textiles, household items, cosmetics, electronics, flowers, etc.)
- ▶ **12%** operate in the services sector (beauty salons, tailors, repair services, medical services, etc.)
- ▶ **9%** own grocery or pastry and confectionary stores
- ▶ **8%** of customers are engaged in agriculture: livestock and crop production
- ▶ **5%** are engaged in manufacturing and construction
- ▶ **4%** are engaged in transportation (passenger and freight)
- ▶ **3%** of clients operate a car related business (repair, spare parts, car washes, etc.)
- ▶ **3%** are involved in the HoReCa sector
- ▶ **2%** are engaged in education, 1% in rental services (housing, cars, etc.) and 2% in other areas (government procurement and real estate).

85% of survey participants have no more than

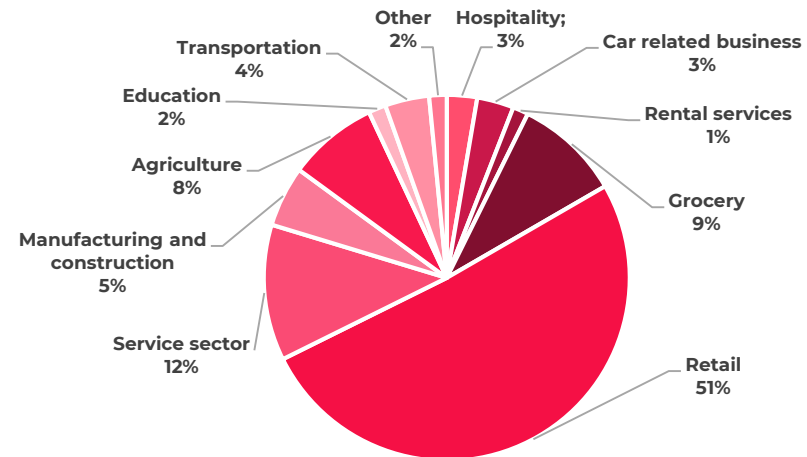
**5**

employees

Most clients have monthly revenue of up to

**10**

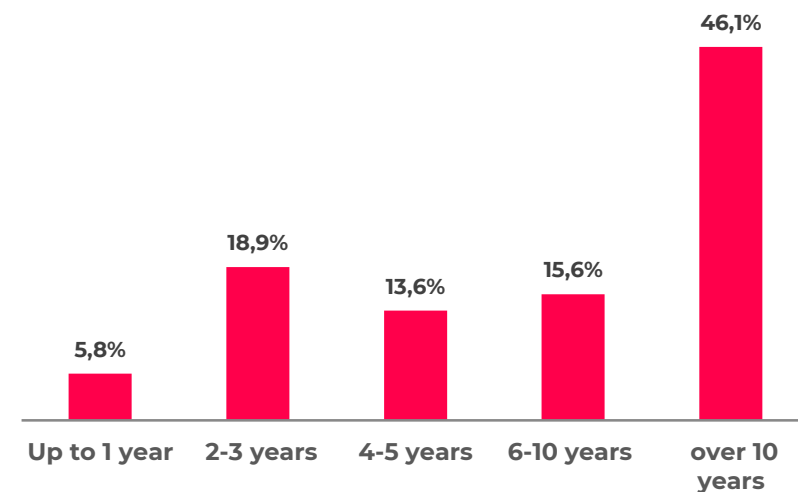
mIn KZT



Breakdown of our SME clients by sector

Most of our clients have been running their business for more than 10 years – that is 46.1% of all respondents.

Years in business





# Our role in supporting SMEs

There is no denying the fact that the microloan from Solva, which allowed an SME owner to address a specific short term operational need or was aimed at achieving more long-term business goals, had **direct positive impact** on this business.

It is also important to stress that positive changes in a single small business create a **“ripple effect”**: a positive economic impact on the employees of the business, their families and households, as well as contractors and suppliers and their businesses, respectively.

Therefore, we are convinced that the real economic effect of Solva's activities in financing the SME sector is measured by a lot more parameters than just the size of the loan portfolio.



**Ulzhalgas Agataeva**

*Owner of a car wash supply production business*

*Solva client*



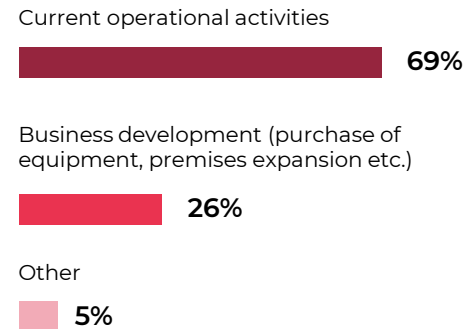
# Loan purpose and utilisation

Microloans provided by Solva are often used by clients to develop their businesses and support a number of business-critical activities. At large, the survey showed that clients spend the financing on current operational activities (69%) and on business development efforts (26%).

65% of Solva's SME clients used the microloan to finance working capital and increase turnovers..

20% of business owners used their most recent microloan from Solva to purchase or replace equipment, machinery or vehicles necessary for their work.

Nearly 10% of the clients surveyed used the microloan to expand their retail space or outlets.

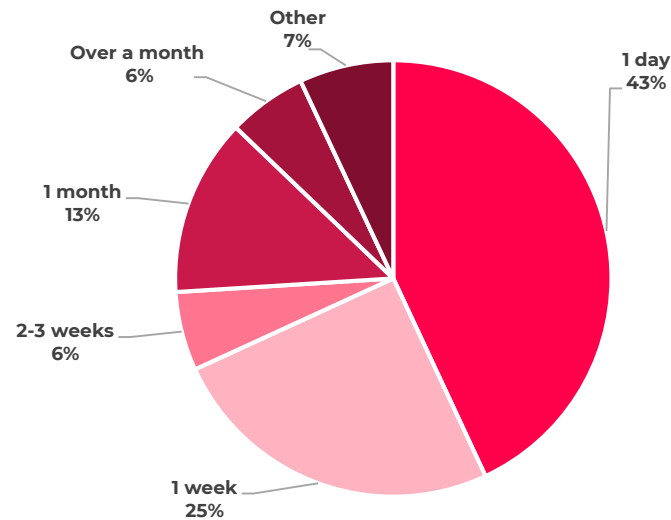


Solva customers' use of recent microloans

96% of the clients surveyed believe that Solva's microloans have helped them revive their business.

We also asked our clients how quickly they spent the borrowed funds, and more than 43% responded that the microloan was used straight away, while about 25% used it within one week.

This suggests that the financing is promptly directed to address important, urgent needs, which, if ignored, can have adverse effect on the business.



Timespan when the microloan was used

# Helping SMEs to survive in times of crisis

For a certain fraction of our SME clients, timely funding has proven critical to continued operations. More than 10% of entrepreneurs responded that without Solva's microloans they would have been forced to close down.

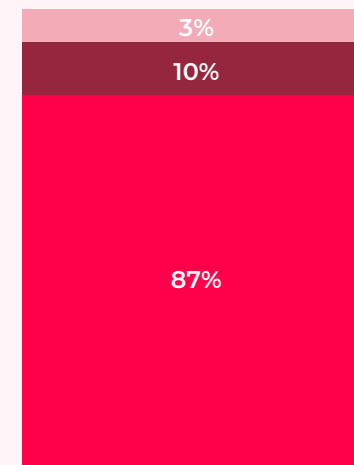
These numbers are truly impressive, as they vividly demonstrate the need of the SME sector for instant access to financing. Solva aims to further improve its product line and services to help entrepreneurs to meet this need.

**1 in 10**

of our customers responded that they would have been forced to close their business without a loan from Solva

**96%**

said that Solva's microloan helped them to grow their business



No sure    no    yes

Do you think you would have been able to continue operations without the recent microloan from Solva?

# Customer business turnover growth

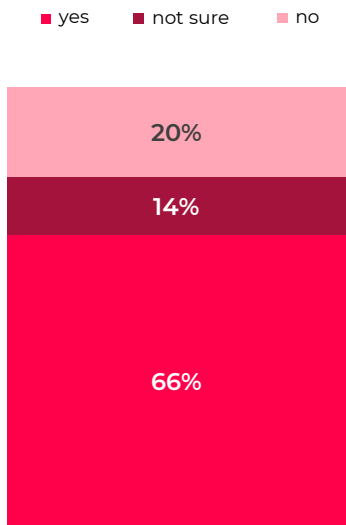
Most of our clients report monthly revenues of up to KZT 10 mln. SMEs use the borrowed funds to expand their product or service line, purchase new equipment, expand retail or production space, and other business development initiatives.

This opens new opportunities for the entrepreneurs and leads to increase in their income.

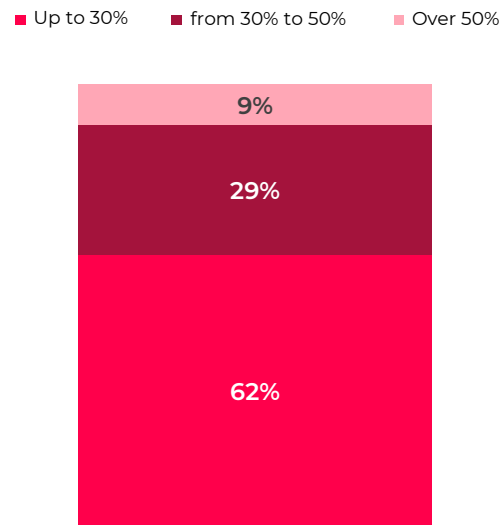
More than 66% of surveyed clients stated that their monthly turnover (revenue) has increased thanks to the microloan they received from Solva. For example, in retail sector, over 69% of Solva customers surveyed reported that their monthly revenue has increased after they received financing from Solva.

Clients whose monthly revenue had increased were asked to indicate the percentage or amount of the increase. The breakdown of their response is shown below:

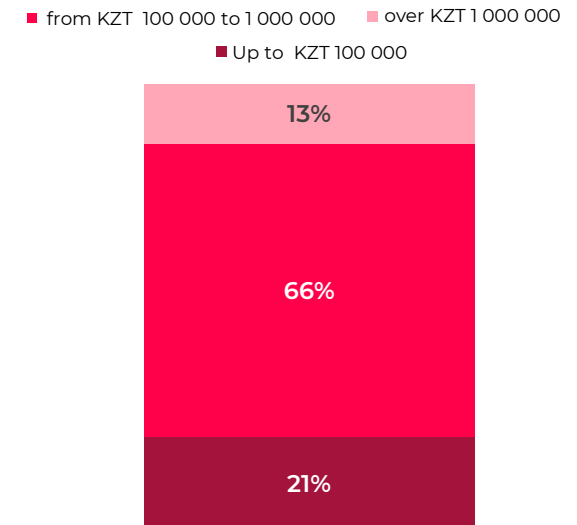
**66%**  
reported increase in their monthly revenue, thanks to a Solva microloan



Has your monthly revenue gone up after receiving a microloan from Solva?



The magnitude of turnover growth: percentage breakdown of clients who had monthly revenue growth after receiving a microloan from Solva



Monthly revenue growth after receiving a microloan from Solva (in monetary terms)

## New jobs in SMEs

On average, our SME clients employ 4 to 5 people. Borrowed funds are often used to hire new employees or avoid delays in salary payment to current staff.

About 20% of clients surveyed hired additional employees after receiving a microloan from Solva, thereby creating new jobs.

Among the clients who were able to expand their staff almost 80% hired from 1 to 3 workers.

If we extrapolate the obtained data to all Solva clients, it is estimated that a whopping **26 000 jobs** have been created in Kazakhstan as a result of Solva SME financing.

**26 000**

new jobs were created thanks to Solva microloans



## Access to financing

Almost 68% of our clients had tried to get financing from other financial institutions before getting a microloan from Solva.

More than 23% commented that they turned to Solva based on positive recommendations from family, friends and acquaintances.

27% commented that their choice was influenced by Solva's smooth application process and loan disbursement speed, as well as the convenience of online processing and further repayment.

**1 in 4**

customers have received positive recommendations about Solva from family, friends or acquaintances

More than 80% of clients responded that they would definitely or most likely to re-apply for another microloan from Solva.

For us this is a very important indicator, which shows that our clients' experience is overwhelmingly positive and they are satisfied with the financial products and the quality of service.

**80%**

clients would re-apply for a microloan from Solva



# Supporting female entrepreneurship

The success stories of female entrepreneurs are truly inspiring. Entrepreneurship is a diverse and inclusive field, where there is no place for gender stereotypes.

**We provide robust support** both to first-time female entrepreneurs and to those women who have been in business for a long time. For a number of years we have also been consistently working on improving their financial literacy.

We have recently completed a series of seminars called "Women and Money", aimed at helping our clients to establish healthy relationship with money and support financial planning.

However, supporting women entrepreneurs goes far beyond than just providing courses and events on a case-by-case basis.

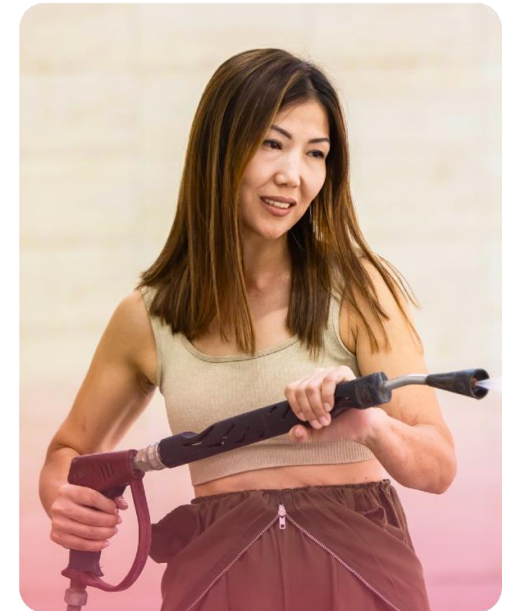
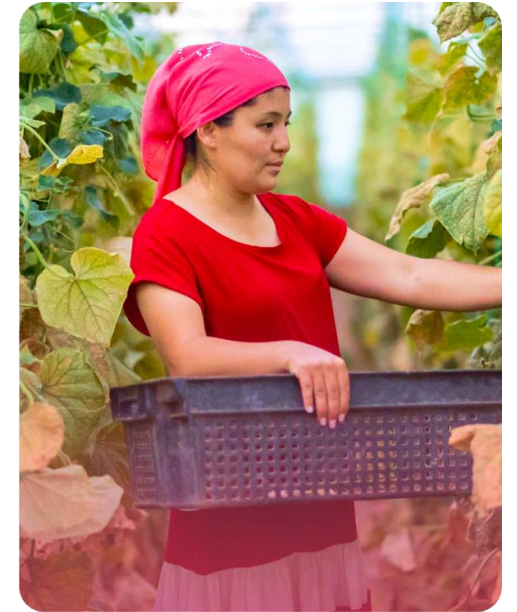
**Our main goal now is to expand the community of like-minded female entrepreneurs that has formed around the Solva brand.**

**All of our initiatives** to boost female entrepreneurship have been brought together under the umbrella of Women in Business community.

Through this community we offer our female clients mentoring and educational programmes and opportunity to share their knowledge and experience with like-minded women.

We are also constantly improving our product line to meet the needs of our female clients. Our product team is currently working on a convenient and simple tool for income and expenses planning and budgeting, which will be integrated into the Solva app.

[The Women in Business website](#)



# Conclusions

The survey showed that Solva acts as an important economic driver stimulating SMEs, who used or currently use Solva's financing, to contribute to the economy of Kazakhstan.

Despite the fact that SMEs account for about 35% of the country's GDP and provide almost 40% of employment, they face significant challenges in obtaining loans from traditional financial institutions.

Entrepreneurs often feel an urgent need to secure additional financing for operational needs and to scale their business.

Solva helps to solve these problems by providing a wide range of financial products specifically tailored to the needs of SMEs.

Solva has been operating since 2016, but has only been active with SMEs since mid-2020, and since then we have already provided microloans to over 52,000 entrepreneurs across Kazakhstan, including those in remote regions and rural areas of the country.

Most funding was provided to SMEs with a monthly turnover of less than **KZT 10 mln** and an average of 4 to 5 employees. These small entities are the driving force of Kazakhstan's economy and employment..

Solva clients use financing to run day-to-day business operations and to scale their business.

Our microloans also enable entrepreneurs to hire additional workforce. Thanks to Solva financing approximately **26,000 additional jobs** were created in Kazakhstan.

When our clients borrow from Solva they also create a "ripple effect": by developing their business, they contribute to the well-being of their employees and partners.

10% of our clients are confident that they could not have continued doing business without Solva microloan, while 96% have managed to scale their business thanks to the funds received.

Every KZT 1 mln worth of loans leads on average to annual SME **revenue growth of KZT 5.4 mln.**

We are especially proud that most of our clients reported that their experience of interacting with Solva was positive, with **80% of them saying they would apply for the Solva microloan again.**

Although we still have a long way to go to achieve our goal of providing as many Kazakhstani entrepreneurs as possible with easy-to-use and straightforward financial services, the results of this study have shown that we are definitely on the right track.



***Narbuvi Tagaeva***

*Owner of a family farm*

*Solva customer*