



TRANSCRIPTION FOR PODCAST SERIES ON BUSINESS, RISK AND INVESTMENT

Length of file : 11.37 minutes
Fadeke Ayoola : Female Voice
Israel Ipio : Male Voice

[00:00 – 00.46]

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[00.47]

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Fadeke Ayoola: In the first of a podcast series on business, risk and investment I talk to Israel Ipio, Risk Management expert with 17 years diverse experience on the current challenges facing SMEs in Uganda.

Please introduce yourself, by telling us your name, your role and what you do?

Israel Ipio: My name is Israel Ipio, I am the Chief Risk Officer for Ecobank Uganda. I also have 17 years' experience. I understand the risk aspects of the banking industry in Uganda. The bank I work for we handle most of the SME customers in terms of supporting them.

Fadeke Ayoola: How do the banks in Uganda address poverty alleviation and financial inclusion?

Israel Ipio: The support that the bank gives SMEs, is basically lending and trade finance facilities. Women are very much involved in small family-owned businesses. In a way they account for a great percentage. We work with traders in the city we have the down town part of the city where we have a number of traders that we support. We have just launched a project called elevate. Elevate is a specific product for women owned businesses, we are in the implementation stage, where we are getting to register groups of women, women owned companies and many small businesses. Last year an Ecobank group won an award for this product.

Fadeke Ayoola: How can SMEs attract better investment?

Israel Ipio: Okay, capital investment. First and foremost, SMEs need to be guided, they need to get more organised. A number of them do not have financials which aids the bank to assess their profitability their liquidity positions. So, from my finance background, I think that SMEs need to first of all get organised, have employed professionals who can organise financials for them, because if they are to attract capital most of these equity investors their starting point is usually the financials of the SME.

So, if there are no records, if there are no tax returns, if there are no proper records for the company in terms of the operations of the company then they cannot attract capital investment.

My advice to SMEs is that they attract investment by streamlining their operations, employ technical people and also follow the legal procedures in their operations, the regulatory issues – thank you.

Fadeke Ayoola: NET Africa offers a financial accounting program for SMEs which is free on our website. It can help them plan over five years, it is designed for SMEs and smallholder businesses. Would you be in the position to help them access such resources to get them investment ready.

Israel Ipio: Okay, that is a very good question. It is in our interest as a bank to ensure that we support our SME customers. What we have done is that we have put SMEs into two groups I will call them clubs where we conduct financial literacy sessions or work shop. Where we give them financial knowledge but like you were saying if you have such materials on your website, they will be very helpful as to direct our customers as to obtain the valuable knowledge that they need for their operations.

We can partner, we can network and your able to maybe provide your consultancy services to SME customers. I am sure there will be some who will be interested in dealing with you directly in terms of gaining the financial accounting knowledge.

Fadeke Ayoola: Do you have any signatory to the principles of responsible investment or responsible banking?

Israel Ipio: Yes, we do. Yes, we do, although I will not have the exact information with me. I know that we do. We are a very big group. We are the biggest pan African bank present in six African countries.

Fadeke Ayoola: At the moment, do you conduct any emissions assessment when you are looking at lending to SMEs?

Israel Ipio: Yes, it is a very critical component of our lending. We have environmental and social responsibility policy which we follow in our lending because we work with the IFC, we work with big environmental bodies. We are signatory to the greater principles. We do an environmental and social assessment on all our loan facilities before we grant a customer. We do actual site visits for our real associates.

Fadeke Ayoola: What about technology?

Israel Ipio: We do not have an MIS system as such, we do collect the information from the time we get in contact with the customer. Our relationship starts when the customer comes and he want facility. We do engage with the customers, we collect what we call KYC, or Loyal Customer. We collect the KYC documents and from that we are able to we are able to compile the data about such SME.

Then of course we have our databases where we keep that information, because once we have lent money to the customer to an SME, we have a three-year relationship or a two-year relationship with SMEs. We keep the data; it is very important for us to have data for continuous monitoring of the facilities and also supporting the SME.

Fadeke Ayoola: In the time of COVID 19 and with interest rates going up around the world, have you changed your policy on rates of lending, how has this impacted your clients.

Israel Ipio: Yes, COVID has had an impact in the banking industry generally. However, we have not been so much affected as a bank. Industry wise, it has had an impact whereby, the central bank gave credit relief, whereby the customers were exempted from paying their loan instalments for one year. With some badly damaged sectors continuing to benefit from the relief, like the education sector, the tourism sector just to mention but a few. Those who are still benefiting got an extension of one more year, which should be ending this year in September.

While we cannot quantify the actual impact of COVID on the loan portfolio in the banking industry right now. I do, in my opinion, I do think that towards the end of this year or when banks report their financials, the end of 2022, this will be reflected because the reliefs will be lifted. So, customers will be trying to pick up their business and they are also trying to clear loan arrears, and they have tax issues; some of them have rent arrears. These issues are likely to impact on their ability to service their financial facilities.

I think the best advice I would give people listening to me is that they need to build resilience systems. By that I mean, they need to understand their businesses more, if necessary, scale down their businesses a bit and make sure that the business is afloat, negotiating your credit terms for your company. Generally, have a business pick-up as fast as you can and also ensure that you apply strong risk management measures, because the risks are so heightened, businesses are going to suffer from what I call post COVID era or period. I do believe that there are many other challenges even if the impact of COVID is reduced significantly. Such challenges will be issues such as the staff morale, some companies are going to have litigation issues due to hampered ability to meet your obligations. So, there are some challenges that will come. So, a person running a business analyse the business. I normally say, its good to use professionals. Use professionals, like NET Africa here, use consultants, use risk managers to guide and be able to sustain the business. But also, the businesses are picking up, so they also need some capital injections. So, they require some kind of financial analysis to be able to gauge how much capital does the business have to be able to continue with the operations. I think those are my closing remarks.