

Entrepreneurship: How to overcome the initial fears

even as he set up his firm - Prochem Industries Limited - in 2005. "Since I was transitioning from formal employment into business, I had this fear of the unknown, an apprehension of the threats posed by the existing players and the nature of the industry I was venturing into with products and services untested in the (East African) region," said Mr Omondi, the firm's managing director.

Prochem Industries Limited supplies water treatment and processing chemicals for the food industry as well as laboratory equipment and services across the region. It is an agent of leading companies in Africa, America and Europe.

The Kisumu-based entrepreneur says only success in the competitive market would shake off his fears. Yet, he warns would-be entrepreneurs that there is no short-cut to success. "Hard work, innovation, quality products and services, sound marketing and good customer service enabled us to attract and retain our customers in the competitive market, thereby allaying my

initial fears," he explains. Although within three years of inception, they ventured into the regional market, it was not all smooth sailing for the entrepreneur. He singles out access to finance to meet their overall set-up costs and convincing customers to embrace their new technology as some of the challenges they had to contend with in their formative days.

"Besides being a new firm and, therefore, with no financial history, we were introducing a new concept on water treatment in the market. I was hesitant even to approach any financier because I had no appropriate securities, which would definitely be a pre-requisite for financing a startup. I had to seek help from my principals who provided me with long term credit," he said.

His advice to budding entrepreneurs:

- ✓ Seek to provide innovative and quality products tailored to individual customers needs
- ✓ Ensure that your systems and process are efficient and cost-effective to make your products competitive in the market
- ✓ Market your products and services well to create awareness
- ✓ Provide superior customer service – your customers, when treated well, soon become your greatest sales people

Mr. Omondi attributes their success to the loyalty of their customers, the support of their suppliers and partners and the commitment of their staff. "The close working relationship we have with our staff through constant and open discussion with management has enabled us to have a low staff turnover over the period, which has ensured that we have over time entrenched ourselves in the market," he said.

Among their strongest supporters is ABC Bank. "To enable us achieve our objectives, we have approached ABC Bank for assistance from time to time. They have been very helpful," he said.

And they have big ambitions. "We aim to become the leading water and process management company in East Africa in the next five years with a water quality laboratory, which we envisage to set up in Kisumu," he concluded.

Unbeknown to many, majority of business people experience a mixture of feelings, including fear, just before or immediately after plunging into the cut throat world of entrepreneurship.

Mr. George Omondi, now an established entrepreneur across the East African region, confesses that he was not sure he would succeed

“

To enable us achieve our objectives, we have approached ABC Bank for assistance from time to time. They have been very helpful.

”



Water process management involves various procedures of chemically treating normal tap water for industrial use such as sugar production.

From Our Partners

Let MIDGAS work for you!

10% OFF ALL LPG GAS & CYLINDERS FOR ABC GROUP CUSTOMERS

To claim your discount, carry a copy of this newsletter to our offices at Hazina Towers, 11th Floor, Monrovia Street, Nairobi or call (020) 2223796 / 0722 571506

We are looking for distributors all over the country. Interested? Contact us on the numbers above.



Affordable
Greener
Reliable Gas

*Terms and conditions apply



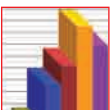
MIDGAS
Mwenzangu
Jikoni

In this Issue

- Exciting times for our SME Customers

SMEs

- ABC Group crosses the half billion mark in profits for the first time



- ABC Bank: Facilitating free education programme



- Treasury bills and bonds: Another good investment





Once again it gives me great pleasure to interact with you our esteemed customer through this issue of our newsletter, ABC Vision. I wish to thank you for the overwhelming support you accorded us in 2011, which enabled the Bank to cross the half billion mark in profits for the first time. Our profit before tax increased to Kshs. 508 million for the year ended 31st December 2011 up from Kshs 477 million in 2011. This is a major milestone for ABC Group. To make your experience with us even more enjoyable, we recently carried out an independent Customer Satisfaction Survey. I assure you that we are taking into account all your feedback to improve our service to you. The Survey is one of the initiatives we are implementing under our change management programme, Nyota Mpya (Swahili for New Star). The survey followed another Nyota Mpya initiative, the successful upgrade of our core banking system to a more robust one, that facilitates a faster service delivery.

We are currently formulating our long-term strategy, which will guide our transformation programme in the next five years. This is because we are coming to the end of our current 3-year strategic plan in December 2012 after which we intend to shift from successive 3-year cycle planning to 5-year strategic plans. It is our belief that the long-term strategy will give us ample time to design, execute and evaluate the outcome of all of our initiatives, as we work towards becoming the financial services provider of choice in the East African region.

We will keep you informed on the initiatives we expect to execute.

If you would like to feature in the Customer Focus section or provide our customer offer in the next issue of this newsletter, please contact us on talk2us@abcthebank.com. Together we will succeed!

Group Managing Director

Talk to us on:

- Phone +254 (20) 4263000
- Email talk2us@abcthebank.com
- Facebook www.facebook.com/abcthebank
- Chat www.abcthebank.com

Visit us:

Koinange Street | Westlands | Industrial Area | Libra House
Mombasa | Eldoret | Meru | Nakuru | Kisumu



Chief Operating Officer (C), Raj Arora leads the Core Team in a cake cutting ceremony on February 6, 2012 following the successful upgrade of the Core Banking System.



John Ngoru (R), ABC Group Head of HR and other staff display the Samsung Galaxy II won by one of the Bank's facebook fans after a lucky dip conducted on February 14, 2012.



Hannah Gitugia (L) of ABC Bank Nakuru Branch presents a cheque to Nitin Kumar Hansraj Shah, Director Jay Kay Enterprises; during a raffle for the Bank's customers where the winners donated their prizes to charities of their choice. Mr. Shah presented the cheque to SCAN-Street Children Assistance Network.



Ernest Njiru, (R) Meru Branch Manager, presents a Kshs. 73,805 cheque to Chidi Ogbonna (2nd L) and Mercy Chidi (L) of Ripples International for the form four tuition fees of Caroline Wanjiku and Isaiah Thurairia. The Bank has sponsored the two since they joined form one. Looking on is ABC Bank's Martin Mugambi (2nd R).

These are exciting times for our SME customers

Q & A with Joe Kirigia of ABC Bank's SME & Supply Chain Financing

Q: What is ABC Group's position on SMEs?

A: As ABC Group, we value small and medium enterprises (SMEs) because of their contribution to the country's economic development. According to the Economic Survey 2011, SMEs accounted for over three quarters of the total jobs created in the country in 2010. For a developing economy like ours, these enterprises, therefore, play a central role in creating wealth, therefore, reducing poverty. As a Group, we are always looking for ways to facilitate SMEs, be it financing their establishment or their growth and expansion plans.

Q: Any example of the steps you have taken to facilitate them?

A: We recognise and appreciate that each and every SME is unique, in terms of set-up, structure, sector of operation, product and services, ownership, financial needs or growth and expansion plans. That is why we have a unit specifically to serving SMEs. This has enabled us to not only come up with products and services that meet the needs of individual SMEs, but also serve them better through a group of staff dedicated to the sector. Backed by our affiliate companies, ABC Insurance Brokers Ltd, and ABC Capital Ltd, a Nairobi Securities Exchange member stockbrokerage firm, we are a one-stop-shop financial services provider to our SME customers.

Q: Financing is a major challenge to SMEs. Any efforts the Bank has made to assist them?

A: We view ourselves as partners of our SME customers and are, therefore, in constant engagement with them. This way, we are able to work with them to identify their financial needs before coming up with the most effective and affordable financing solutions to satisfy those needs. These are exciting times for our SME customers because, in an effort to provide them with affordable financing, we have just signed a 7 million Euros (Kshs. 770 million) financing facility with the European Investment Bank (EIB) for onward lending.

Q: How do SMEs stand to benefit from this EIB facility?

A: With this facility, we are able to provide SMEs loans at interest rates that are very competitive. Also, we are able to provide them with loans over a long-term, that is, between four and eight years. The long tenor financing is ideal for SMEs to fund their expansion plans such as increasing their production capacity and diversifying their products portfolio. More importantly, the loans

under the EIB facility are available in three denominations, the Kenya Shillings, US Dollars and Euros.

Q: Is the availability of loans in different currencies important to SMEs?

A: Yes, availability of foreign currency denominated loans is important to our SME customers, especially exporters, whose earnings are in a specific currency. This is because currency mismatch is a major risk they have to contend with almost on a daily basis. The foreign currency loans with longer tenors under the EIB facility, therefore, allow us to provide long-term lending to match the cash flows of the customers. The foreign currency lending component allows for matching the inflow currency with the outflow currency loan installments thereby hedging and guarding the customer against tenor and forex risks like currency fluctuations.

ABC Bank: Facilitating free education programme

ABC Bank has signed a Memorandum of Understanding with the Ministry of Education aimed at facilitating the transfer of funds to schools under the country's free education programme.

The MoU is one of the partnerships the Bank has entered into with strategic partners to support the growth and development of the education sector in the country. "We are excited entering into this partnership because the free education programme has benefited and would continue to benefit thousands of young Kenyans, preparing them to play a critical role in the economic, social and political development of the country," said Amanda Corline, Head of Retail Banking, ABC Bank. She was speaking at Jogoo House, the Ministry's headquarters, during the signing ceremony of the MoU, which, among others, will see the Bank open accounts to access the free education funds. Under the programme, the Government provides text books and foots other school maintenance expenses thereby reducing the parents' burden of educating their children.

Despite a few challenges, the programme has recorded great successes. For instance, the Free Primary Education (FPE) programme, which commenced in 2003, has helped to boost enrolment in primary schools by nearly 50 per cent, from 5.9 million to 8.8 million pupils, according to the Kenya Economic Survey 2010.



Joe Kirigia addresses Government and Parastals procurement officers at a Supply Chain Finance Conference hosted by ABC Bank at a Nairobi hotel on March 19, 2012. Looking on is the Group CEO, Deviinder Gupta.

“

We recognise and appreciate that **each and every SME is unique**, in terms of set-up, structure, sector of operation, product and services, ownership, financial needs or growth and expansion plans.



Prof. James ole Kiyiapi, the Permanent Secretary Ministry of Education (L) and Amanda Corline, Head of Retail Banking, signing the Memorandum of Understanding between the Ministry and ABC Bank on February 16, 2012.

Watch out before spending your next shilling

By MANYARA KIRAGO | manyarak@yahoo.com

No matter how well you plan your life, unexpected things will happen. You wake up one morning, take a shower, dress and take your breakfast in readiness for a busy day at work.

When you get into your car, you find that it won't start. A frustrating hour later, your mechanic announces that you need to replace a part that costs Kshs. 50,000.

Having ready money will smooth out many such life's bumps. American essayist Benjamin Franklin said that there are only three faithful friends: an old wife, an old dog and ready money. Since not everybody can conveniently have an old wife or an old dog, ready money will have to do.

If you keep some money where you can easily access it, you will be able to prevent stressful situations. With such an emergency fund, you need not worry that a two-week delay in your pay, may result in your kids being kicked out of school, your water and electricity supply disconnected or your mortgage falling into arrears. You will simply settle your obligations even as you await the delayed salary.

In a worst case scenario such as job loss, an emergency fund will enable you to continue meeting your obligations such as school fees, mortgage payments and basic living expenses giving you the peace of mind you need to concentrate on searching for another source of income.

If you don't have money for emergencies, you may be forced to sell off investments or personal property to take care of the urgent need. This will obviously disrupt your investment plan and make your goals harder to reach.

To make things worse, desperation may make you sell your investments and personal property at throwaway prices or borrow from a shylock. For a financially stress free life, have at least three month's worth of expenses as an emergency fund.

Mr Kirago, who formerly published a regular column on personal finance in the Daily Nation, is a financial counselor who has conducted numerous personal financial planning training programmes across the East African region.

Treasury bills and bonds: Another good investment

By MUNGAI KIHANYA | info@mungaikihanya.com

Last year, it used to take about one week to open a Central Depository System (CDS) account at the Central Bank of Kenya (CBK); today, it is taking up to one month.

The reason for the longer duration is that the number of people applying for new CDS accounts has shot through the roof! Kenyans are discovering that treasury bills and bonds give good returns.

Last year, the interest on the 91-day bill rose gradually from 2.4 per cent in early January to 18.9 per cent by late December. This rise continued into the early weeks of 2012 peaking at 20.8 per cent in mid January and then started declining.

Treasury bills come in three forms: 91, 182 and 364 days. The 91- and 182-day instruments are sold every week on Thursday and Wednesday, respectively while the 364-day bill is sold monthly.

The quoted interest rates are the effective percentage per year. Thus if the rate for a 91-day bill is 20 per cent, it means that those who invest will get 5 per cent.

In addition, the interest earned attracts 15 per cent withholding tax for Kenyan residents. Therefore, in this example, the investor actually gets 4.25 per cent (that is, 5 per cent minus 15 per cent).

The confusing part about treasury bills is the fact that they are sold at a discount. Thus if you wish to buy a Sh100,000 91-day bill at 20 per cent pa, the calculation will be done as follows.

The resultant interest after tax is 4.25 per cent. So the CBK will ask: what amount would give Sh100,000 if we added 4.25% to it?

The answer is NOT Kshs. 95,750! It is Kshs. 100,000 divided by 1.0425; that is Sh97,561. So you pay in Kshs. 97,561 then wait 91 days (three months) and you get Kshs. 100,000 back.

It's that simple. But if you all this too complicated, then talk to ABC Bank and they will handle the process for you at a small fee, of course!

Mr Kihanya, who is an independent trainer on management, planning and leadership, currently writes a weekly column in the Sunday Nation headed "The World of Figures", which looks at common everyday phenomena from an analytical angle.

NEWS

ABC Group's profit crosses half billion mark

ABC Group last year crossed the half billion mark in profits for the first time, signaling the success of the Bank's growth strategy. The Group's profit before tax increased to Kshs. 508 million for the year ended December 31, 2011 up from Kshs. 477 million in December 2010.

During the period, profit after tax grew by 10 per cent to stand at Kshs. 370 million in December 31, 2011 from Kshs. 337 million reported on December 31, 2010.

Mr. Deviinder Gupta, the Group Chief Executive Officer, said support of the customers – both individuals and businesses-enabled the Bank to record a profit growth during a challenging year. "We were adversely affected by the prevailing economic environment in 2011; high interest rates, double digit inflation, high fuel and food prices," Mr. Gupta said, "However, through the close working relationship we have with our supportive customers, individuals and companies, we were able to achieve these positive results."

During the year, total assets grew by 21 per cent from Kshs. 10.3 billion in December 2010 to Kshs.12.6 billion in December 2011.



CALLING ALL SMEs!



We have made it easy for SMEs to Expand, Relocate and Upgrade their businesses!

ABC Bank has received a credit line of approximately Euro 7 million by the European Investment Bank for onward lending to SMEs in agro-industry, fishing, food processing, manufacturing, transport (leasing), warehouse construction, private education, healthcare, agriculture, tourism and services related to these sectors.

Visit our website www.abcthebank.com to get more information on how to take advantage of this facility.