

MENA SMEs need a flexible approach to financing if they are to succeed

Dr Nasser Saidi, former Chief Economist of the Dubai International Finance Centre and former Lebanese Minister of Economy & Trade and Minister of Industry, published an interesting [op-ed in The National](#) today. Along with his co-author, Claudio Scardovi, he argues that there is a lot of potential in the SME sector in the MENA and GCC countries. However, this potential is going un-tapped because regional financial players are focusing only on lending to businesses, rather than offering a more diverse range of financial instruments:

“Historically, SME financing has been dominated by commercial banks lending directly to their clients and leveraging their cheap retail deposit base. But the growing trend is ‘disintermediation’: SMEs are increasingly issuing debt through the capital markets, even considering small and cheap ‘products’ such as the now popular ‘minibonds’.

GCC regional financial players should learn the lessons from European and US banks and develop other less plain vanilla lending products and more specific and value-added services to increase their commission margin.

Priority should be given to the development of leasing and factoring offerings, extension of cash management services to trade finance and to active asset/ liability and financial risk management, exploit insurance cross-selling opportunities and the creation of new advisory services, ranging from smart investment banking to holistic corporate advisory, including strategic/industrial and property advisory, evolving IT governance and digitalisation of offerings.

The development of some simple and sound investment banking/

capital markets capabilities by UAE regional banks could help in addressing the risks and the opportunities coming from the 'disintermediation ahead'.

Already initiatives for an electronic SME equity stock market and web-based start-up and SME crowd-funding are being considered and built for market launch.

A cooperative partnership between such initiatives and banking players will be critical for the development of the SME sector and for the overall economy – and it will help banks to avoid taking the full lending-only route taken by other unlucky global players.”

(This article was published by Chartwell Partners, and the original post is available [here](#))