

# **Experts outline challenges and solutions for SME financing**

**Economists, financiers, bankers and business owners met late last week to debate the state of small and medium-sized enterprises (SMEs) in the GCC region, and considered various alternative models for financing SMEs in light of the need for cheaper and more available growth capital.**

The panel of SME experts was hosted by AlixPartners, the global business advisory firm, in coordination with Hawkamah, the Institute for Corporate Governance. Moderated by Dr Nasser Saidi, Founder and Managing Director of Nasser Saidi & Associates and former Chief Economist of the DIFC, and Claudio Scardovi, Managing Director at AlixPartners, the roundtable examined the importance of SMEs to the economy and considered new opportunities for funding to help these businesses grow.

Opening the seminar Dr Saidi set the agenda by highlighting the importance of growing and supporting the SME sector in the region: "With 60 per cent of the region's population under the age of 26 years old and unemployment at 40 per cent, the requirement to grow the SME sector to support GDP growth and develop employment opportunities could not be more important. In the GCC, banks need to increase the flow of capital into the sector. Currently the percentage of bank loans to the SME sector as a proportion of their total loan book is approximately two per cent versus 15 per cent for more developed nations. This needs to be addressed as a priority and new sources of capital need to be developed."

Eugenio Berenga, Managing Director and Head of Middle East, AlixPartners commented, "There is huge interest in supporting the development of the SME sector, but how to provide those companies cheaper and faster funding still remains far from clear. For banks, the cost to serve SME clients remains high due mainly to the breadth of risk and experience required to assess that risk. This is an opportunity for the private sector, if they identify ways to manage risk by segmenting the market by value chain. It is much easier to evaluate and

manage risks if the focus is on a specific industry value chain.”

Dr Nasser Saidi added, “One of the most pressing areas to address is in the provision of financial support for start-ups and micro businesses. Businesses of this type struggle to find growth capital, and although angel investing and venture capital play an important role, new concepts such as crowdfunding, which encourage wider investor interest, will help meet the increasing demand. This is where new technology platforms can make a significant contribution.”

The event’s panellists included representatives of the Dubai Department of Economic Development, NASDAQ Dubai, banks such as ADCB, Standard Chartered and Noor Islamic Bank, and financial services firms including Gulf Finance, a subsidiary of Shuaa Capital, CedarBridge Partners, Gulf Credit Partners, and DEPA. Sixty people attended the event including a number of SMEs, Dubai SME, banks, investors and other advisors. The event debated the state of SME financing in the UAE and GCC, the opportunity for SME debt funding and new market solutions for SME funding.

*(This press release appeared on CPI Financial: <http://www.cpifinancial.net/news/post/19234/experts-outline-challenges-and-solutions-for-sme-financing>)*