



Global Trends and Best Practices in SME Finance



MSMEs are at the **heart of job creation**, accounting for:

- **9/10** of all businesses worldwide
- **40%** of GDP in emerging economies (*higher if we include informal MSMEs)
- **2/3** of all jobs worldwide

By the year 2030, **600 million** jobs will need to be created to absorb the growing global workforce.

MSMEs need financing to grow: **131 million, or 41%, of formal MSMEs** in developing countries have unmet financing needs.

The unmet demand for credit among MSMEs is estimated to be over **US\$5 trillion**.

Women-owned businesses comprise **23% of MSMEs and account for 32% of the MSME finance gap**. There are **1.2 billion young people aged 15 to 24 years**, accounting for 16 per cent of the global population.

OPPORTUNITY



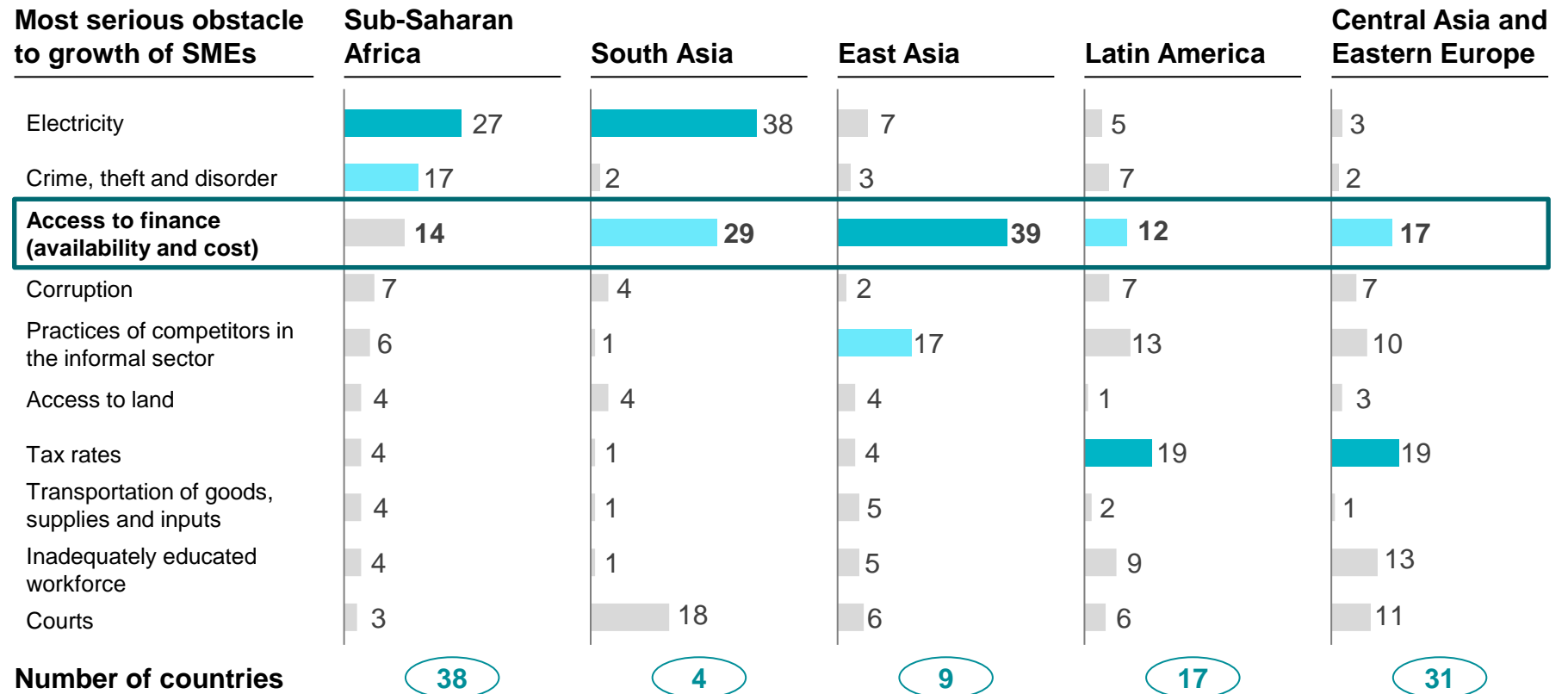
Access to finance is one of the greatest challenges facing MSMEs across the globe

■ Most commonly reported obstacle
 ■ Second obstacle
 ■ Third obstacle

- 40% of formal micro, small and medium enterprises (MSMEs) in developing countries, have an unmet financing need of **\$5.2 trillion**
- **9 million SMEs** in developing countries have unmet financing needs
- **Women, youth, start-ups** are especially disadvantaged and its vital to support SMEs through “valley of death” and breaking the barriers to become bigger

Across emerging market regions, access to finance is a top 3¹ obstacle to growth

Share of respondents per regions, per cent²



For ~15-40% of SMEs site finance is the most important obstacle to growth

¹ Exception is MENA,

² Average medias; average are GDP weighted

SOURCE: IFC/World Bank Enterprise Survey 2006-10; World Bank GDP 2008-10



Most common unmet needs:



What SME clients want?

- Unsecured/working capital finance
- Transactional solutions, trusted channels

01

Access to Finance

- Supply Chains Inclusion
- B2B and B2C networks, external markets

02

Access to Markets

- Technical/vocational capacity
- Business management training

03

Access to Skills

- Digital ecosystems, alternate data leveraging
- Credit enhancement mechanisms

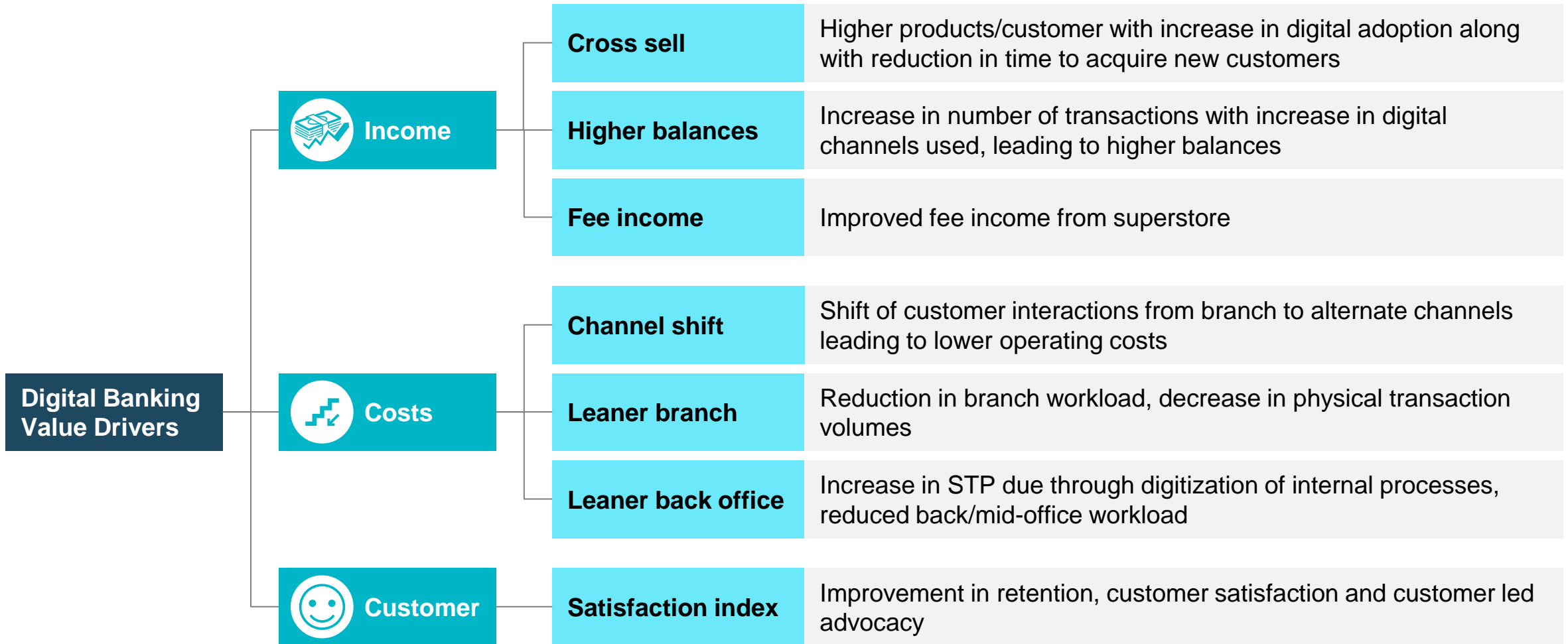
04

Enabling Environment



LEADING TRENDS

Digital Transformations are making SME banking more profitable and plausible



LEADING TRENDS

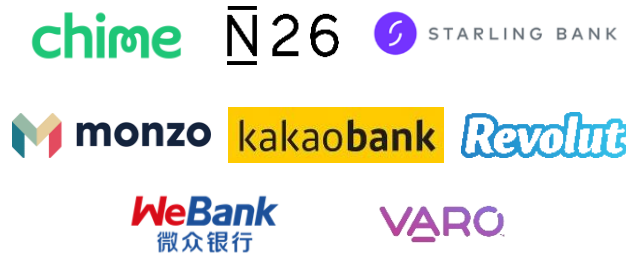
Digital Banks starting to target SME sectors to gain profitability



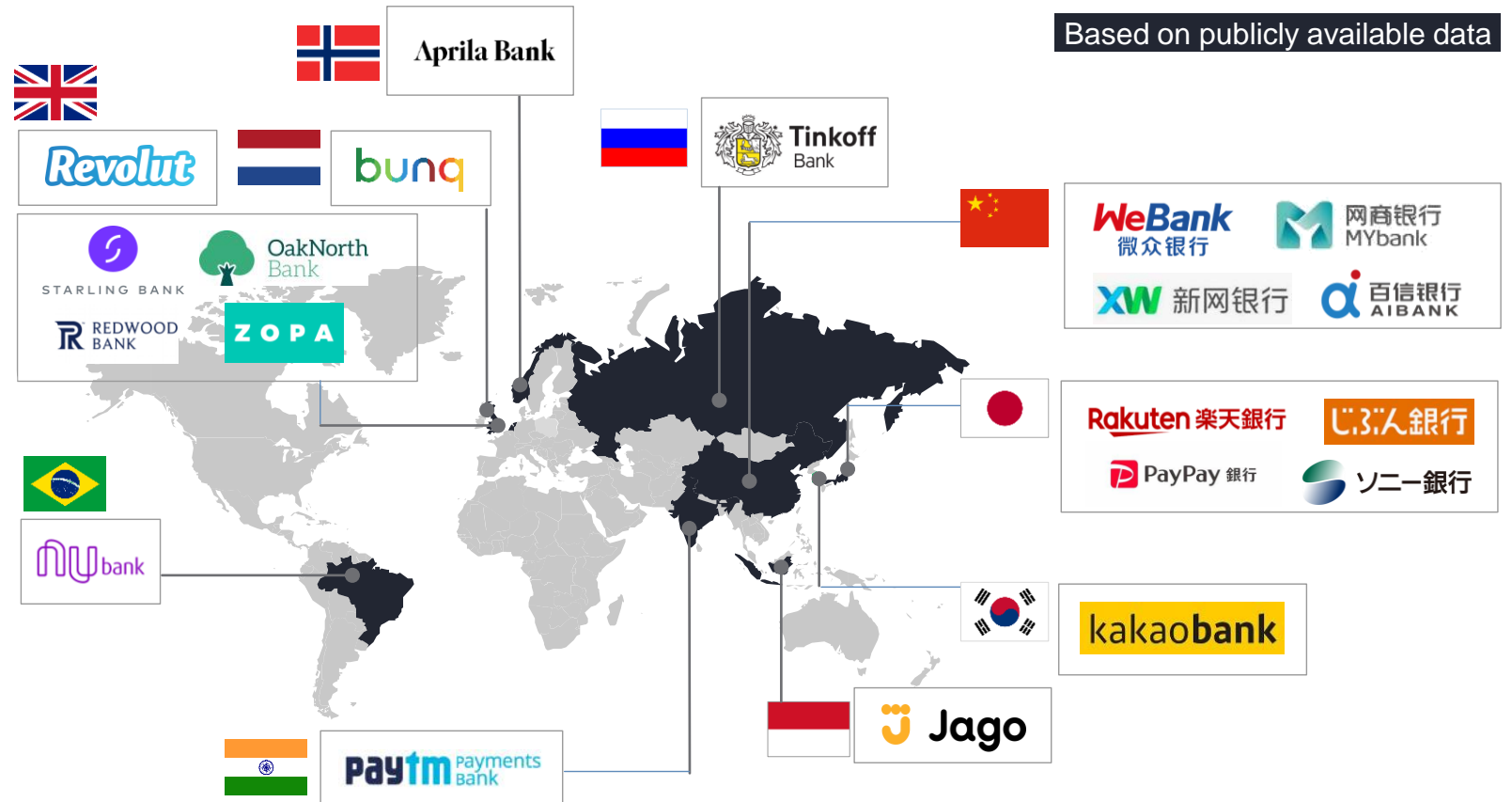
Total # of digital banks globally

431
companies

Digital-only offerings from digital challenger banks



Only 20 identified as profitable, and half based in APAC



LEADING TRENDS



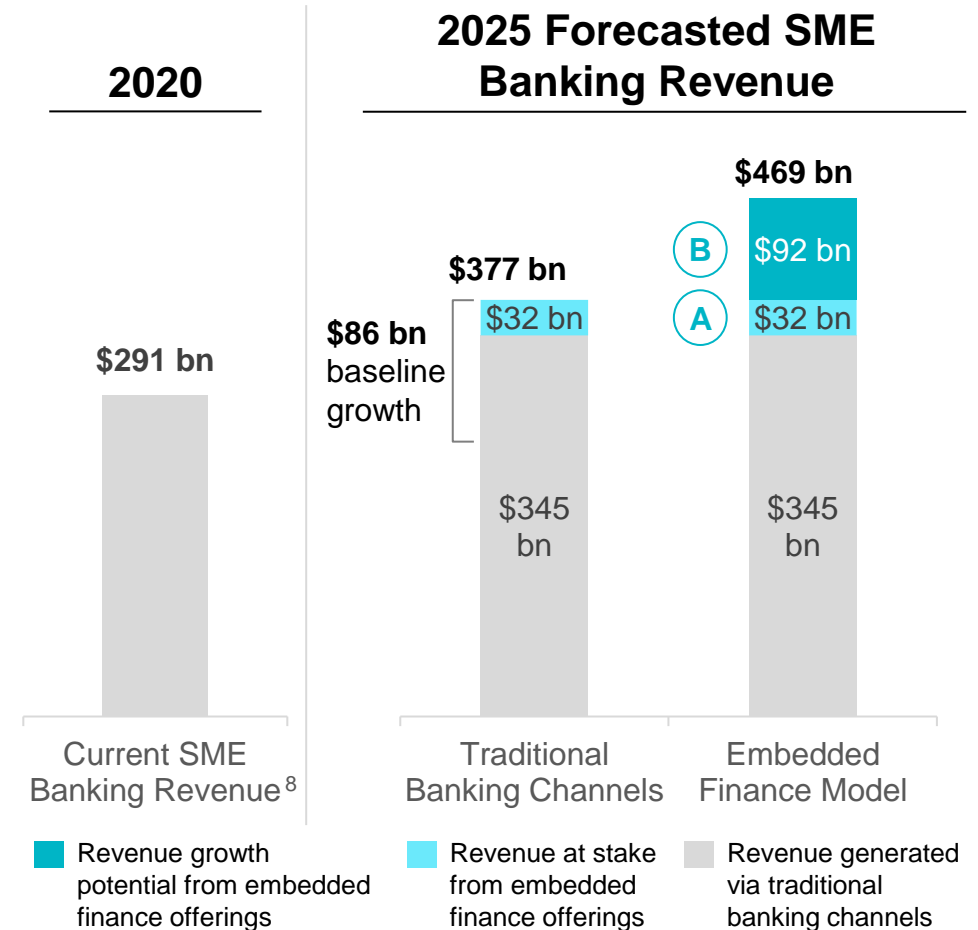
Embedded Finance is SME segment revenue growth and wallet share pretention solution

Definition and Scope

Definition: the integration of financial products or services into the business model and operations of **real sector services or products, which enhancements to or transformations of** real sector value propositions



SME Revenue Attribution



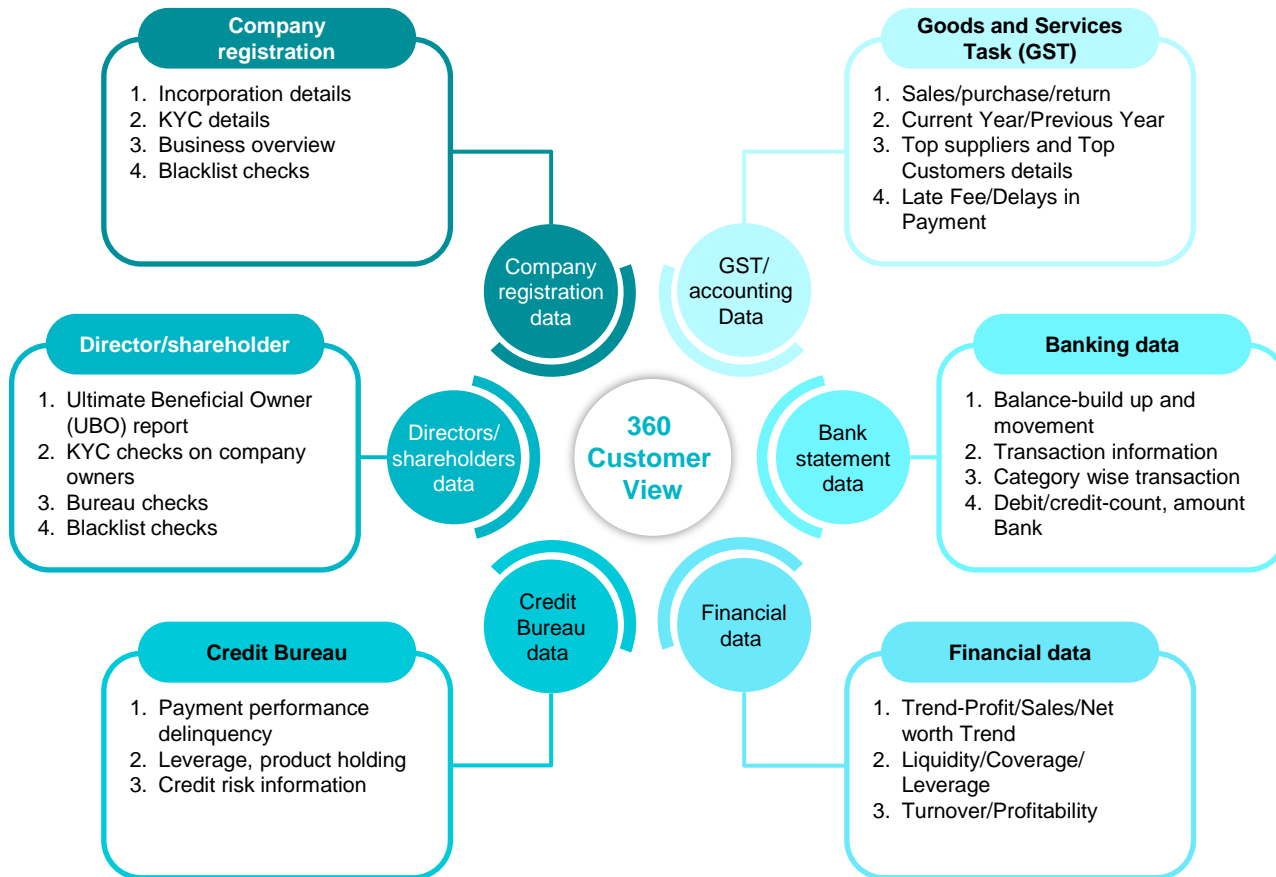
SOURCE: SME Finance Forum/IFC/G20 GPMI: Innovations in Financial Services for Micro, Small and Medium-Sized Enterprises

SOURCE: Accenture: Embedded finance for SMEs:

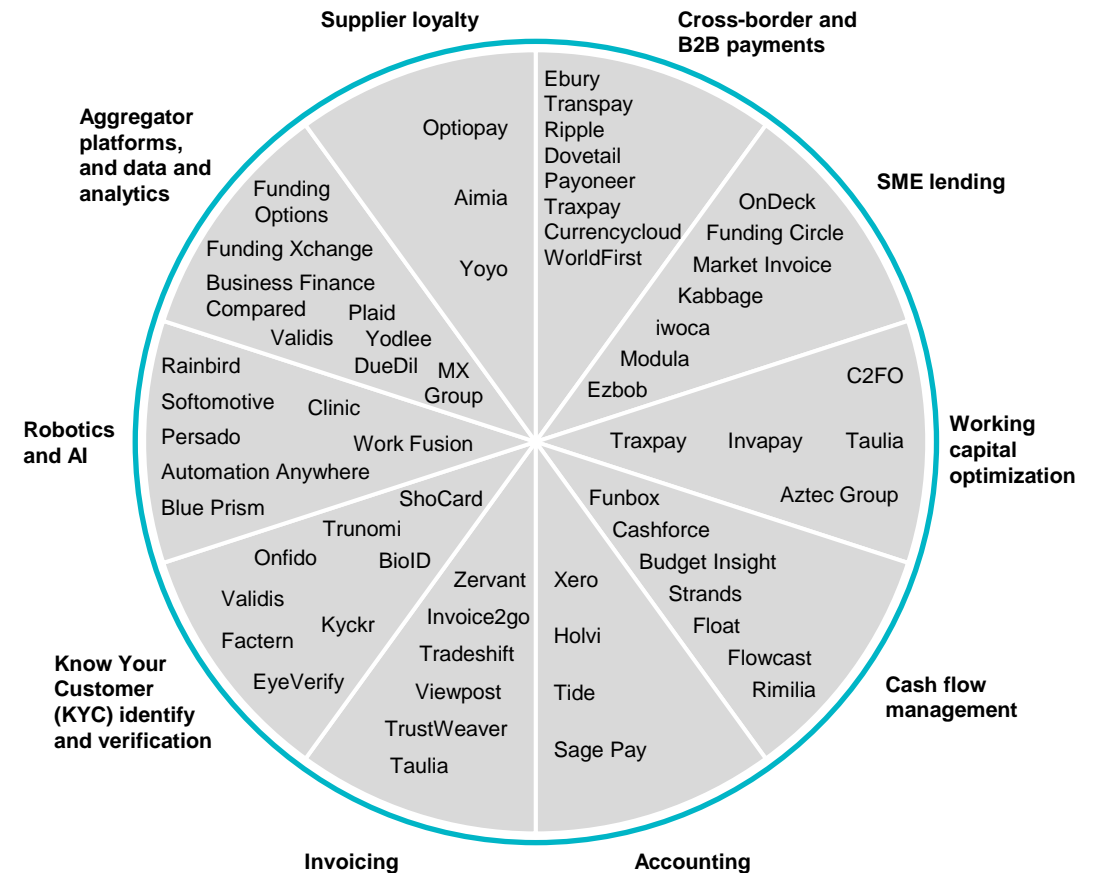
LEADING TRENDS

Alternate Data, alternate lenders, Fintechs playing an increasing important role

Alternate Data



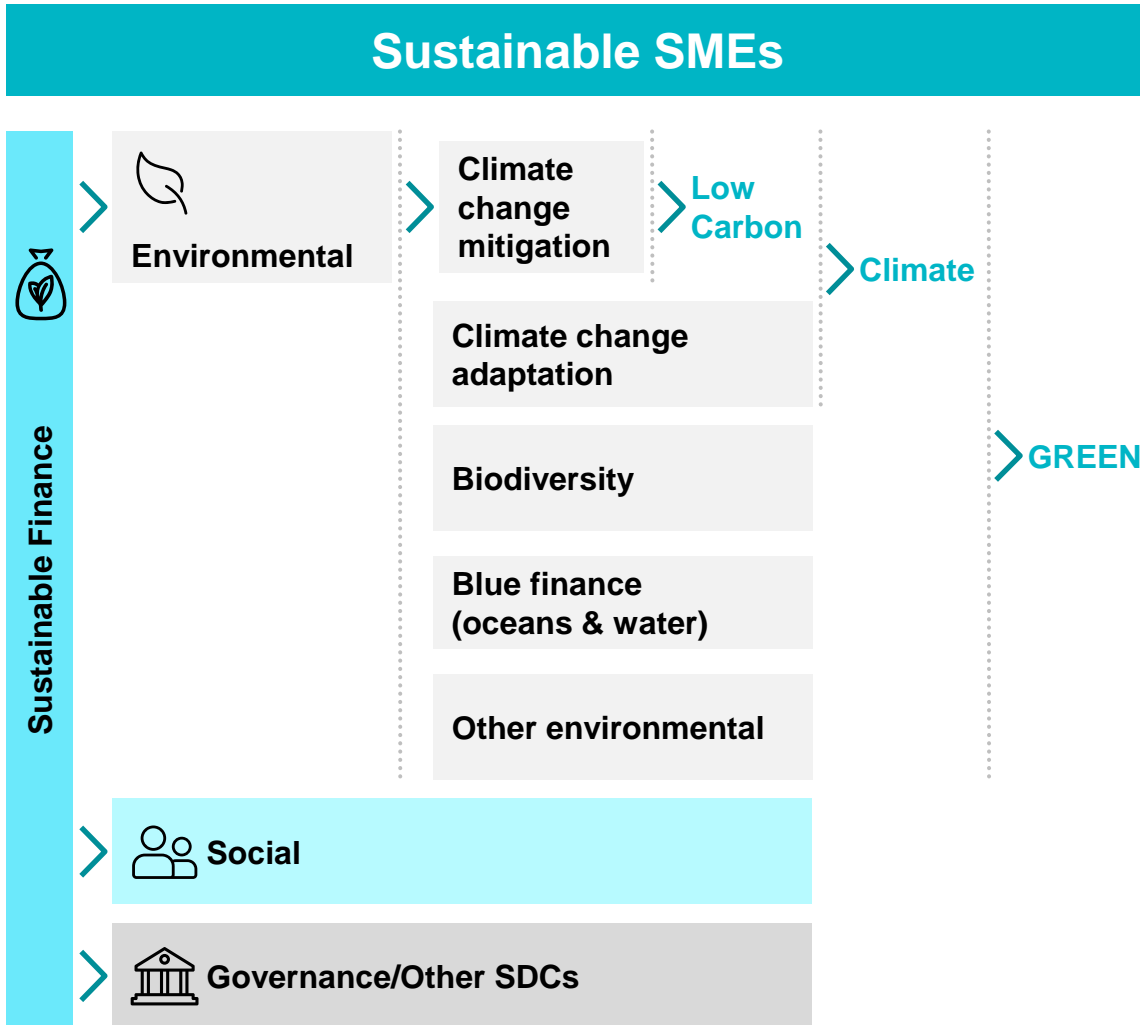
Fintechs for SMEs







LEADING TRENDS



There is no net-zero without sustainable SMEs, women & youth increased inclusion imperative



Inclusive SME Finance

Cannot Wait 1.5 centuries	<ul style="list-style-type: none"> At the current rate of progress, it will take 151 years to close the gender gap in economic participation and opportunity.⁵
Legal Rights	<ul style="list-style-type: none"> A typical woman has just three-quarters of the legal rights of men in the areas measured.⁵
Mobile Gender Gap	<p>In low- and middle-income countries, women are:</p> <ul style="list-style-type: none"> 16% less likely than men to use mobile internet, 18% less likely than men to own a smartphone.⁶
Account Ownership	<ul style="list-style-type: none"> In developing countries, 68% of women have accounts compared to 74% of men.⁷
Account Utilization⁷	<p>Saved at a financial institution:</p> <p>  23%  26% </p> <p>Borrowed:</p> <p>  21%  25% </p>
Access to Finance	<ul style="list-style-type: none"> The dollar investment in women business founders still represents a minor share of the amount directed towards men-founded businesses. The number remained at 2% in 2021, unchanged from 2020.³

⁵ [Women, Business and the Law 2022](#).

⁶ GSMA, [The Mobile Gender Gap Report 2022](#).

⁷ World Bank, [Global Findex Database 2021](#).



LEADING TRENDS

SCF for SMEs is >1\$ Trillion opportunity

SCF for SMEs, Key Constraints

Regulators

- Secured transactions
- Factoring laws
- E-invoicing
- E-signatures

FinTechs

- Data security
- Scalability
- Entry barriers / partnerships
- Funding



Banks/FIs

- Technical knowhow
- Risk mitigation
- Onboarding
- Product diversification

Real Sector

- Working capital mngt
- Credit and ops costs
- Long tail of the chain
- Ops and fin capacity

Top 500 Corporations concentration

Women in Value Chains

Sustainable SCF for SMEs

Domestic and regional value chains

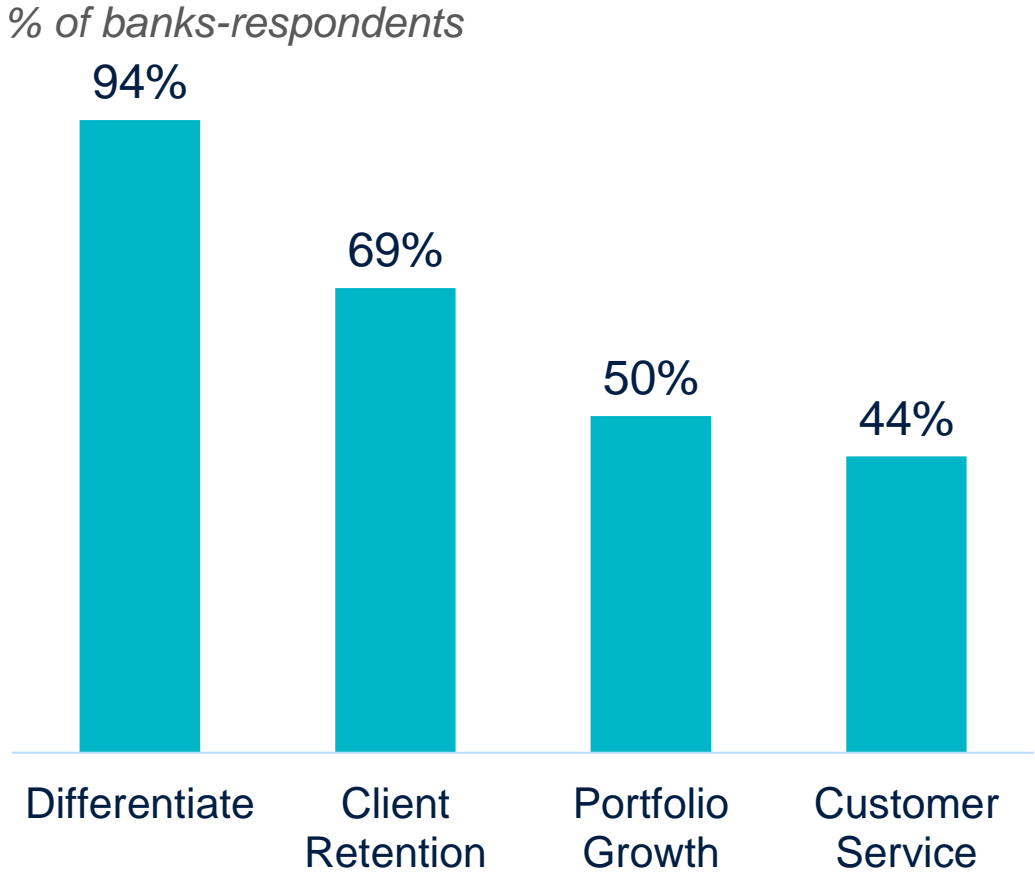


LEADING TRENDS

Cohesive Enabling Environment and Non-Financial Services critical

Enabling Environment Salient Features	
Regulations	<ul style="list-style-type: none"> • Country specific strategies • Legal and regulatory framework • Licensing regimes, Capital Markets • Digital IDs, e-KYC • Foreclosure/Insolvency • Consumer protection, cyber security
Financial infrastructure	<ul style="list-style-type: none"> • Credit Bureaus • Secured Transactions • E-Invoicing
Risk Mitigation	<ul style="list-style-type: none"> • Partial credit guarantee schemes • Insurance products
New Trends	<ul style="list-style-type: none"> • Open Finance; Open Banking • Machine Learnings • Big Data • Block Chain/DL • GenAI

Non-Financial Services Rationale



SOURCE: Why Banks in Emerging Markets Increasingly Providing Non-financial Services to Small and Medium Enterprises, IFC.2011 [sample includes 21 banks in Emerging Markets]

SOURCE: SME Finance Forum Analysis

SUMMARY OF FUTURE ENABLERS



SME Finance key enablers for future



01

Digital and Embedded Finance

Digital Banks, Embedded Finance, GenAI, Analytics, blockchain, customer experience, digital processing

02

Alternate Data

Trusted Scores, Scoring models, propensity scoring, value chains data modelling, transactional

03

Sustainable SMEs

ESG practices, emission reduction and resilience, renewable energy, energy efficiency, Greening SMEs, Technology

04

Women & Youth

Women Entrepreneurship, gender desegregated data, start-up ups, fintech ecosystems. ,

05

Supply Chain Finance

Tailored vendor finance and distributor finance programs, green SCF, wider product range, inclusive value chains

06

Non-Financial Services

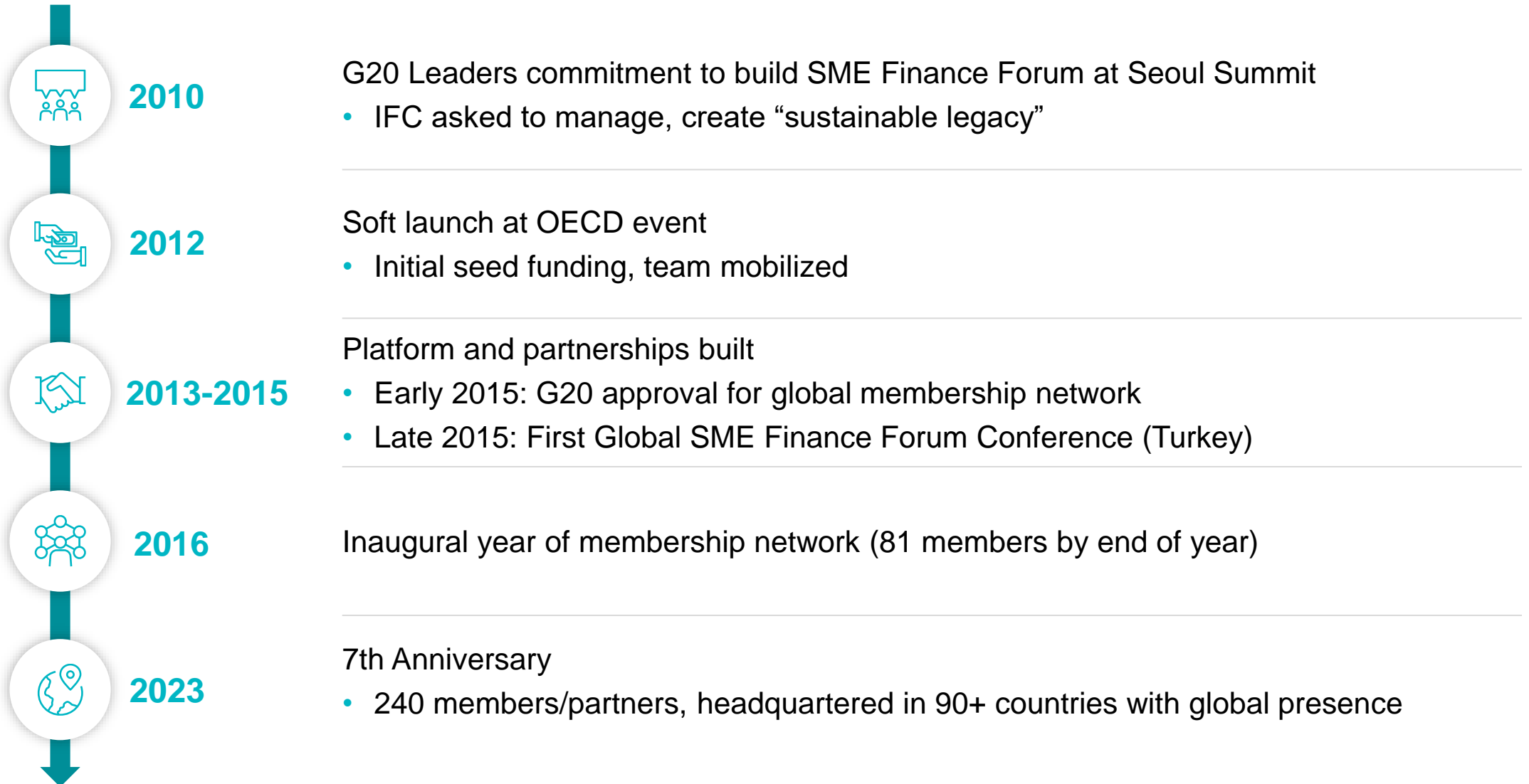
NFS, Skills, Responsible Banking, Marketplaces, standards conformity etc.

07

New Enabling Environment

Open Banking, Open Finance, Trusted Credentials, E-invoicing,

SME FINANCE FORUM



SOURCE: SME Finance Forum



MEMBERS PROFILE



240 members operate worldwide



Serving more than **33** million MSMEs clients

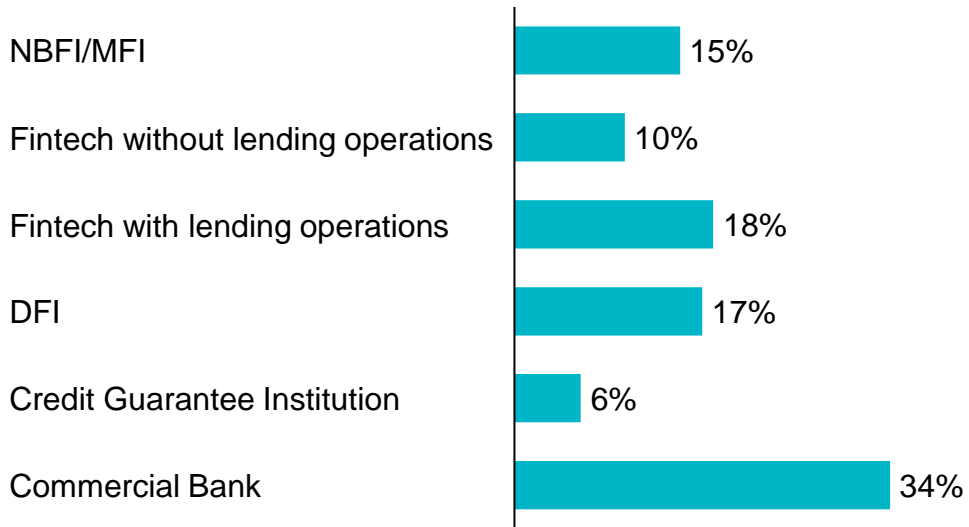


Providing more than **US\$140** billion in financing

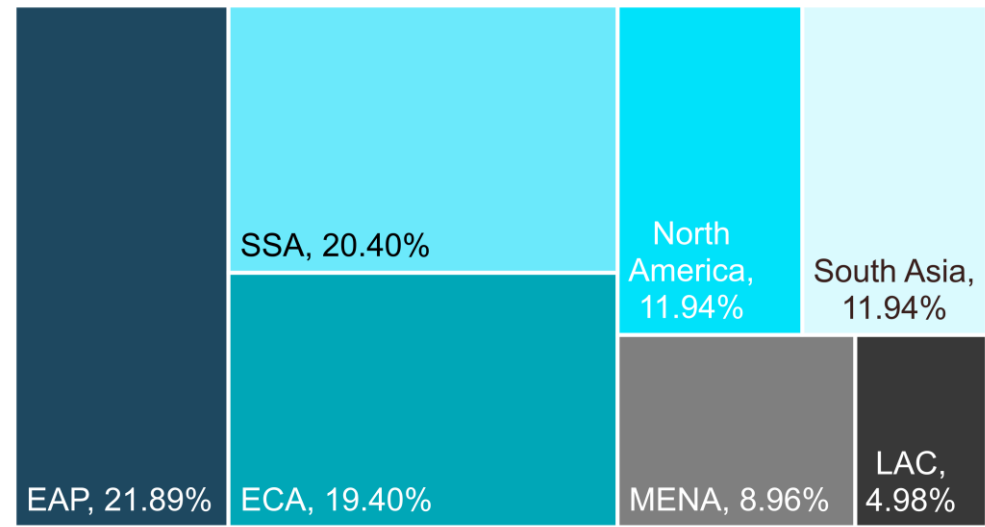


Managing **total assets** of more than **US\$7.9** trillion.

BY TYPE



BY GEOGRAPHIC LOCATION



We have 60+ market leading global/regional partner institutions

SOURCE: SME Finance Forum



KEY SERVICES AND BENEFITS

OUR IMPACT IN 2023

78% of members reported gaining new knowledge

36% of SMEFF made new business partnerships

12% made or received new investments

37% engaged in productive dialogue with policy makers



LEARN

- Monthly webinar
- Monthly Market-Watch
- Communities of practice
- Leader Dialogue Series
- Global/ Regional/Country events
- Members' Exclusive Portal
- Surveys
- SME data sets
- Online library/Publications
- LinkedIn discussions



LINK

- Networking
- SME Finance Virtual Marketplace
- Immersion Program
- Study Visit/Sessions
- Contacts brokering



LEAD

- Connecting industry with policy-makers
- Voice in key policy bodies:
- G20, AFI, APEC/ ABAC, Basel institutions, OECD
- Global SME Finance Forum Awards (since 2018)

SOURCE: SME Finance Forum



SOLUTION BUILDING COMMUNITIES

Women's Entrepreneurship Finance

Share knowledge and best practices, tools and innovative products to facilitate increased services to W-SMEs.

Supply Chain Finance

Develops a supportive and innovative community of SME finance professionals dedicated to expanding access to financing for SMEs through Supply Chain Financing solutions.

Domestic and International Development Finance Institutions

Share their learning and experiences with one another as well as to explore ways they could collaborate and explore partnership.

Digital & Embedded Finance

Innovations across Digital Banks, Fintech collaboration, Embedded Finance, Alternate Data.

Risk Management

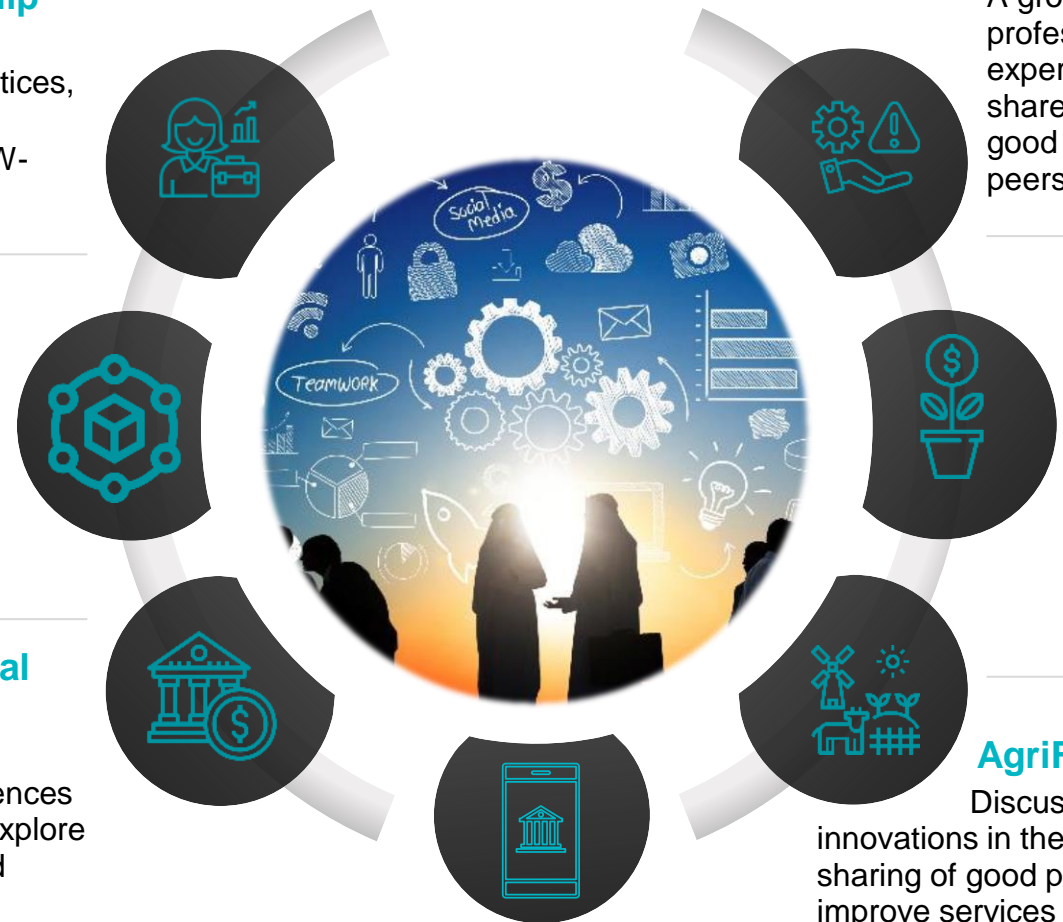
A group that brings together professionals and risk management experts from member institutions to share their learning, experiences, and good practices examples with their peers.

SME Green Finance

Focuses on the challenges and opportunities of extending green finance to the SME sector. It covers all aspects of environmentally sustainable SME finance, including green finance, blue finance, and finance for climate change resilience.

AgriFinance

Discuss and document recent innovations in the sector. It promotes learning and sharing of good practice examples that help improve services to agri-SMEs. It will cover: Alternative data, Platforms connecting farmers to inputs and markets, Long term finance, Insurance solutions, Cooperatives, among others.



- Members Exclusive
- Product Innovation
- Best Practice Transfer
- Industry Leaders
- Industry experts
- Industry Affiliates
- Tools Transfers
- Trainings

SOURCE: SME Finance Forum

Accelerating finance for business



<https://www.smefinanceforum.org/>



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