SME Finance
Opportunities and Challenges

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CEO, SME Finance Forum
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.

Receivables account for 40% of the total assets of SMEs, and deferred credit payment terms are usually the largest cause of SMEs’ financial challenges.
OPPORTUNITY PROFILE

Current MSME Finance GAP

Gender Composition of the Finance Gap

Microenterprise Finance Gap: Women-Owned Enterprises

SME Finance Gap: Women-Owned Enterprises

MSME Finance Gap, US$ trillions

Current Volume, 3.7

Finance Gap, 5.2

Potential Demand, 8.9

Gender Composition of the Finance Gap

Microenterprise Finance Gap: Women-Owned Enterprises

SME Finance Gap: Women-Owned Enterprises
<table>
<thead>
<tr>
<th>Region</th>
<th>MSME_Fully Constrained</th>
<th>MSME_Partly Constrained</th>
<th>MSME_Unconstrained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>25%</td>
<td>25%</td>
<td>50%</td>
</tr>
<tr>
<td>South Asia</td>
<td>28%</td>
<td>20%</td>
<td>52%</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>16%</td>
<td>23%</td>
<td>61%</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>21%</td>
<td>16%</td>
<td>62%</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>14%</td>
<td>15%</td>
<td>71%</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>7%</td>
<td>22%</td>
<td>71%</td>
</tr>
</tbody>
</table>
CONSTRAINT LEVELSHORTAGE OF WCF

Share of long-term SME loans

Figure 1.7. Share of long-term SME loans

Median values, as a percentage of all SME loans

SME NEEDS

What SME clients want?

Simple products and services:

• Unsecured loans
• Trustworthy, convenient channels
• Non-Financial Services
• Ecosystems
• Supply Chain linked solutions
• Working Capital Finance
• Transactional solutions
• Business linked embedded solutions
BARRIERS TO SCALING SCF

Unlocking SCF for SMEs

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

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

Banks/FIs
- Technical knowhow
- Risk mitigation
- Onboarding
- Product diversification

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

Creating SCF Market Challenges
KEY TRENDS

SME Finance key enablers for future

01 Technology and Digital
Robotics, AI, Analytics, blockchain, customer experience, digital processing

02 Fintech Collaboration
Open Banking, Integrations, API Banking

03 Capacity Building
NFS, Responsible Banking Marketplaces etc.

04 Alternate Data
Scoring models, propensity scoring, value chains data modelling, transactional

05 Supply Chain Finance
Tailored vendor finance and distributor finance programs, green SCF, wider product range

06 Sustainability
ESG practices, emission reduction and resilience, Greening SMEs, Technology
### SME FINANCE FORUM

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>2010</td>
<td>G20 Leaders commitment to build SME Finance Forum at Seoul Summit</td>
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<tr>
<td></td>
<td>• IFC asked to manage, create “sustainable legacy”</td>
</tr>
<tr>
<td>2012</td>
<td>Soft launch at OECD event</td>
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<tr>
<td></td>
<td>• Initial seed funding, team mobilized</td>
</tr>
<tr>
<td>2013-2015</td>
<td>Platform and partnerships built</td>
</tr>
<tr>
<td></td>
<td>• Early 2015: G20 approval for global membership network</td>
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<td></td>
<td>• Late 2015: First Global SME Finance Forum Conference (Turkey)</td>
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<tr>
<td>2016</td>
<td>Inaugural year of membership network (81 members by end of year)</td>
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<tr>
<td>2023</td>
<td>7th Anniversary</td>
</tr>
<tr>
<td></td>
<td>• 240 members/partners, headquartered in 90+ countries with global presence</td>
</tr>
</tbody>
</table>
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

- NBFI/MFI: 15%
- Fintech without lending operations: 10%
- Fintech with lending operations: 18%
- DFI: 17%
- Credit Guarantee Institution: 6%
- Commercial Bank: 34%

We also have 60+ market leading global/regional partner institutions

BY GEOGRAPHIC LOCATION

- SSA, 20.40%
- EAP, 21.89%
- South Asia, 11.94%
- MENA, 8.96%
- North America, 11.94%
- LAC, 4.9%
- Fintech without lending operations
- Fintech with lending operations
- DFIs
- Commercial Bank
### 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%** members engaged in productive dialogue with policy makers

#### LEARN
- Monthly webinar
- Communities of practice
- Leader Dialogue Series
- Global/Regional events
- Members’ Portal for exclusive resources
- Surveys
- SME data sets
- Online library/Publications
- LinkedIn discussions

#### LINK
- Networking
- SME Finance Virtual Marketplace
- Immersion Program
- Study Visit
- 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)
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.

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.

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

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

New
Accelerating finance for business

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