

Small and Medium Enterprise (SME) Finance

Challenges

Small and medium enterprises (SMEs) are widely recognized today as the backbone of national economic development. Though small individually, the SME sector as a whole has gradually emerged as a dominant economic player. SMEs stabilize economic growth and drive regional economic development in many developing and developed economies. Such businesses comprise a widely divergent spectrum of establishments. They engage in economic activities ranging



from small-scale enterprises to modern industrial units using sophisticated technologies. Though recognized as a priority sector in almost all countries, small businesses often have difficulties financing growth and innovation. SME financing is considered by many financial providers to be a risky activity that generates high transaction costs and low returns on investment.

GFA Concept and Services

GFA's Financial Systems Development department supports banks and specialized financial institutions in developing and implementing innovative loan products and lending technologies to improve SMEs' access to financial services. Based on GFA's longstanding experience implementing SME lending and capacity building projects worldwide, we have developed a set of field-proven tools and methodologies. These products ensure the application of best practices, and provide our clients and partners with tailor-made solutions. GFA's main services include:

Portfolio development The development of a high quality SME loan portfolio is the key condition for project success. It is also one of the expected results of our consulting services. GFA is thus committed to the timely roll-out of SME lending. Our services encompass product development, and the preparation of marketing campaigns and instruments, which raise awareness and stimulate project pipelines.

Capacity building In order to provide SMEs access to financial services, financial intermediaries have to operate quite differently than in their mainstream banking operations. The keys to success in this market include client-appropriate financial products, standardized cash flow and character-based lending procedures. In addition, loan analysis tools, an adequate credit risk management framework, and effective internal control and audit procedures are essential. Often, these elements are embedded in an adequate management information system (MIS). GFA addresses these success factors by developing and implementing tailor-made solutions based on a participatory and consultative approach.

Training High-quality training is a guarantor of sustainability. GFA's educational approach and methodology is therefore based on a combination of classroom inputs and practical, on-the-job training developed from interactive adult education principles.



GFA at Work

Bank Downscaling, Morocco GIZ, 2010 – 2012

GFA provides technical assistance to selected commercial banks in order to increase access to adequate financial services, particularly for SMEs, by means of downscaling. Our scope of services covers, among others, institutional self-assessments by the partner banks, market studies, and



capacity building. In addition, GFA experts assist in product development, the creation of a credit scoring model, and financial education of SME clients.

Contract Value: € 661,000

Financial Sector Capacity Building, Egypt EIB, 2005 – 2008

The overall objective of the project was to contribute to private sector development in the country and help stimulate and strengthen the capacity of the financial sector to finance private SMEs. GFA provided technical assistance to the National Bank of Egypt and the Export Development Bank of Egypt. Our services covered best industry practice transfers in SME lending including project appraisal and lending techniques, risk management, and strategic development. The project team also provided assistance in budgeting and operational planning, treasury activities, IT/MIS, and private equity finance.

Contract Value: € 2,216,000

Credit Line for SME, Ukraine EBRD, 2008 – 2009

The specific objective of the project was to establish SME lending at Rodovid Bank to facilitate, through an institution building program, that the Bank's commitment to SME lending is sustainable. GFA supported Rodovid Bank in setting up an SME unit and introducing new lending methodologies. These measures established efficient approval procedures and cash-flow based credit analysis. As a result, Rodovid Bank expanded its SME business orientation and enhanced its profitability.

Contract Value: € 400,000

Promotion of SME Term Lending, Cambodia KfW, 2004 – 2006

GFA assisted Canadia Bank in strengthening its credit functions, which enhanced its ability to grant investment loans to SMEs in productive sectors. This was achieved by developing strategic objectives for SME lending and reorganizing the credit department. Subsequently, GFA consultants helped improve lending procedures and other services extended to SMEs. They also developed and implemented a credit rating system, reviewed and adapted the MIS, and provided training in SME lending.

Contract Value: € 500,000



Contact

GFA Consulting Group GmbH
Ulla Törnroos
Phone: +49 (40) 60306-100
E-Mail: ulla.toernroos@gfa-group.de