

Global SME Banking Program

IFC ADVISORY SERVICES | ACCESS TO FINANCE



IFC

**International
Finance Corporation**
World Bank Group

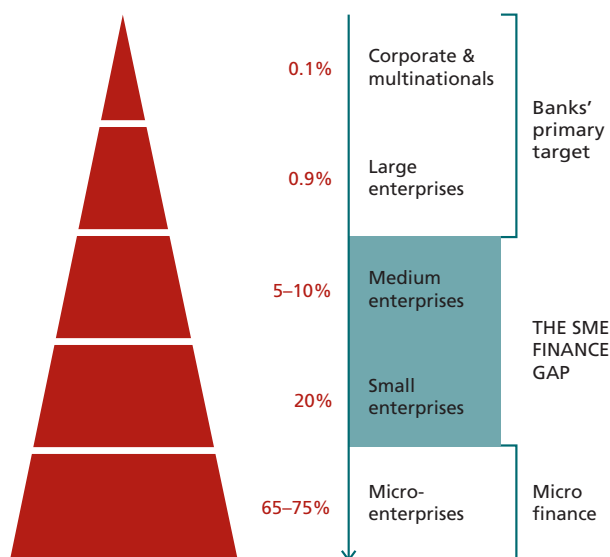
In Partnership with:



THE STATE OF SME BANKING

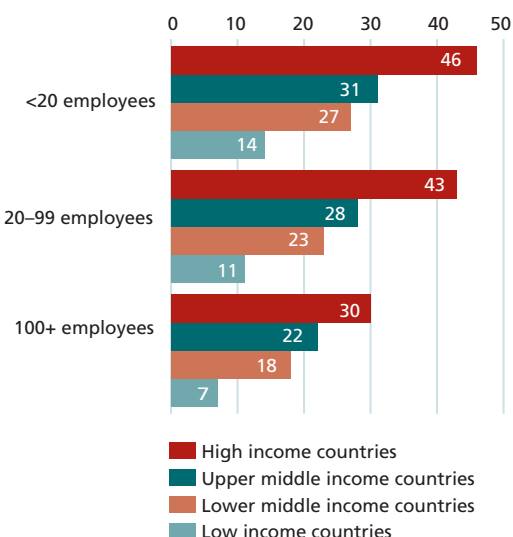
In both developed and emerging economies, promoting a dynamic Small and Medium Enterprise (SME) landscape is a priority amongst numerous economic development goals. SMEs contribute greatly to economic diversification and social stability and play an important role in private sector development. Yet in a typical economy, SME development represents a major and difficult challenge. SMEs typically face more severe constraints to growth than large companies, their lack of significant size resulting in reduced access to markets, skills, and capital.

Typical business landscape in emerging economies



Percentages represent the number of companies

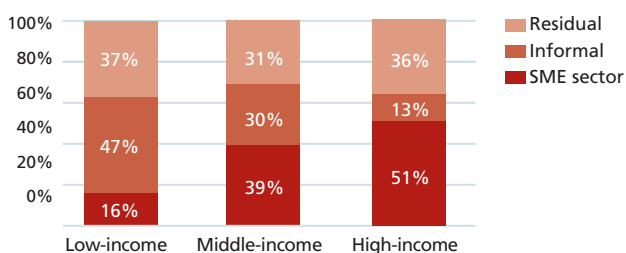
Average percentage of firms citing access to/cost of finance as major constraint to current operations



Source: SME Banking Knowledge Guide 2009, from World Bank Enterprise Surveys, Dalberg analysis; countries weighted equally within income groups to calculate group average.

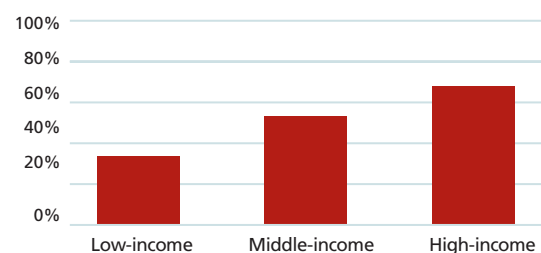
SMEs are also a primary driver for job creation and GDP growth. In many countries, the majority of jobs are provided by SMEs. In 30 high-income countries of the OECD, SMES – registered enterprises with fewer than 250 employees – represent over two-thirds of formal employment. In low-income countries, this figure is also significant.

GDP contribution of SME and informal sector



Source: Ayyagari, Beck, and Demirgüç-Kunt (2003); "Residual" includes sources such as large enterprises and public sector.

SME contribution to formal country employment (median values)



THE SME BANKING OPPORTUNITY

- The SME market is becoming increasingly attractive as competition increases for more established corporate clients.
- SMEs provide a new target market and business development opportunities which diversify a bank's portfolio.
- The SME market is large, with a potential for significant growth, and still largely underserved in most emerging markets.
- SMEs offer an opportunity for portfolio diversification as they are active in various industry sectors and geographic locations.
- An SME portfolio generates a stable income and requires less complex asset-liability management at the portfolio level.
- SMEs are integrated into the rest of the economy, providing cross-selling opportunities.

IFC'S ADVISORY SERVICES | ACCESS TO FINANCE

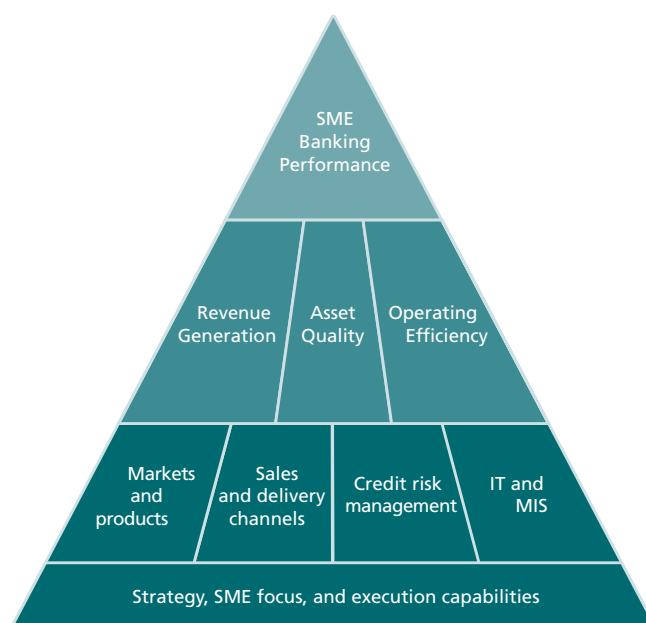
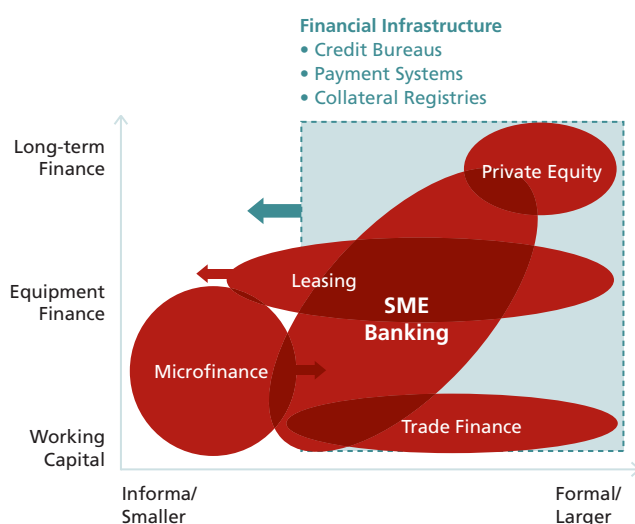
Unmet demand exists in the area between micro and corporate banking, and IFC works to reduce the SME finance gap by providing institution building services and dissemination of best practices to efficiently target the "Missing Middle", the SME segment.

STRATEGIC FOCUS AND PRIORITIES:

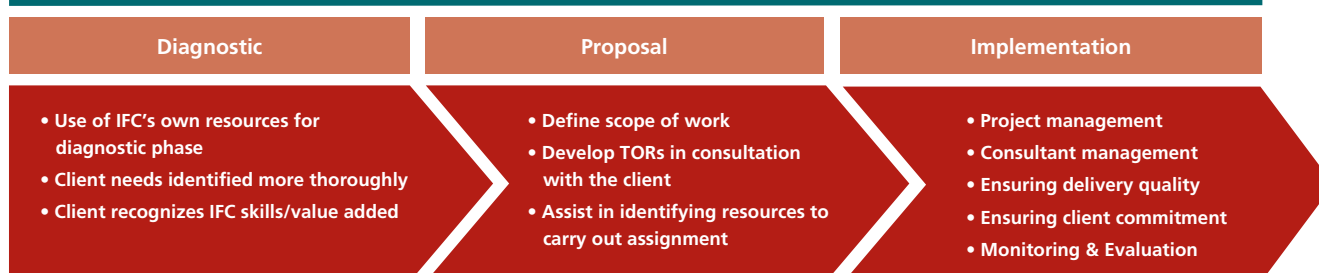
Increase access of financial services to SMEs in developing countries and establish IFC as a knowledge and thought leader in the SME Banking space:

- **Leading** FIs to recognize and seize the untapped and profitable opportunities that the SME segment represents
- **Building** capacity of partner FIs committed to expanding financial services to SMEs and underserved market segments
 - **Design** SME-focused organization and strategy
 - **Segment** clients by characteristics, behaviors, needs, and profit ability
 - **Build** strong value proposition in product offering and brand
 - **Standardize** products and processes
 - **Optimize** delivery cost of products and services through appropriate channels and create a strong sales culture
 - **Implement** independent and objective risk management through use of credit scoring and rating tools for risk appraisal, underwriting, process streamlining, and risk-based pricing
 - **Leverage** technology to reduce cost-to-serve
- **Raising** awareness of best practices in SME Banking

SME banking covers a wide range of firm sizes and types of financing



Institutional Capacity Building: Engagement Approach





GLOBAL KNOWLEDGE MANAGEMENT: PRODUCTS AND TOOLS



SME Banking Knowledge Guide: The program's signature publication outlines leading best practices, market trends, opportunities and challenges, and success factors for profitable SME banking operations.



Micro, Small, and Medium Enterprise (MSME) Factsheets: The annual publication communicates achievements and showcases successes in MSME Access to Finance advisory and investment services. As of June 2009, IFC's committed portfolio was about US\$ 6.1 billion in 200 financial institutions that primarily target SMEs in developing countries.



SME Banking Benchmarking Survey: An on-line tool that allows banks to self-assess and automatically benchmark SME Banking practices against other banks in credit risk management, market, business model, and IT/MIS



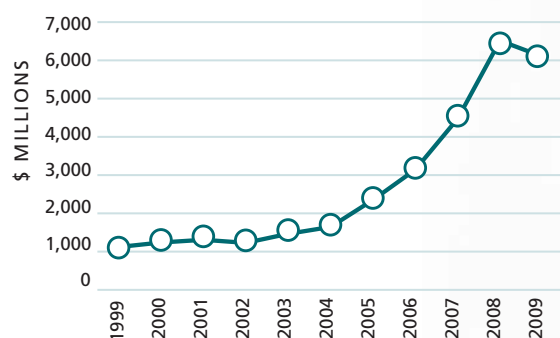
SME Banking Training Program: Developed in partnership with the World Bank Institute, this training course targets mid-level bank managers and officers. Participants are provided with practical applications, examples, and SME Banking best practice techniques for strategy & commitment, product development, credit risk, and IT/MIS.



SME Banking CHECK: A diagnostic tool conducted by IFC SME experts to assess SME Banking operations and design relevant advisory services projects, the CHECK is a comprehensive assessment framework, in over 100 competencies, of financial institution performance.

INVESTMENT SERVICES

IFC's Committed Portfolio in SME FIs



Source: IFC 2009

Instruments

- Loans
- Equity investments
- Quasi-equity investments
- Risk Management products
- SME Refinance Facility



CLIENT HIGHLIGHTS

LATIN AMERICA/CARIBBEAN: BANK OF ST. LUCIA

In 2009, IFC approved a US\$ 20 million investment to support Bank of St. Lucia's funding to corporate enterprises and SMEs. To complement its investment, IFC provides the bank with advisory services to support implementation of its SME strategy.

In turn Bank of St. Lucia was able to:

- Create a business unit fully dedicated to attending to the SME segment
- Increase banking services offered to SMEs throughout St. Lucia
- Evaluate and adjust risk management and IT/MIS activities

SOUTH ASIA: BRAC BANK

IFC committed US\$ 1.6 million in equity in 2004 and also subscribed to rights issue of BRAC Bank with an investment of US\$ 1.8 million, in addition to providing advisory services.

In turn, BRAC Bank was able to:

- Strengthen human resources through skills development
- Improve marketing and communications
- Develop information systems
- Target women entrepreneurs and rural clients through an assistance program

SUB-SAHARAN AFRICA: DIAMOND BANK

In 2007, IFC provided Diamond Bank a US\$ 20 million loan coupled with an Africa MSME advisory services package.

Since then the bank has:

- Disbursed over US\$ 22 million in loans (818 loans)
- Developed two new SME lending products rolled out in 200 branches

EAST ASIA PACIFIC: TECHCOMBANK

IFC disbursed VND 320 billion in 2008 for SME lending and provided advisory services (approximately US\$ 100,000 for SME segmentation strategy).

Techcombank in turn was able to:

- Increase its SME loan portfolio by four times to US\$ 1.2 billion from 2007 to 2009
- Increase its number of SME loans by six times in the same period
- Introduce a new product of FastLoan which reached the target of 3,000 loans and US\$ 58 million balance by end 2009

EASTERN EUROPE/CENTRAL ASIA: HAMKORBANK

IFC committed US\$ 1 million in 2001, US\$ 3 million in 2006 and US\$ 2 million in 2009 in debt and advisory services.

Hamkorbank, in turn, was able to:

- Increase its SME loan portfolio by 263 percent from 2006 to 2009
- Triple the number of SME loans
- Create a risk management department
- Improve Corporate Governance practices and enhance internal audit
- Improve credit operation procedures and portfolio monitoring

MIDDLE EAST/NORTH AFRICA: BANK MUSCAT

In 2006, IFC committed US\$ 100 million in debt and also provided advisory services.

In turn, Bank Muscat:

- Has transformed itself into a strong regional bank
- Was able to restructure operations and segment lending
- Multiplied its customer base, deposits and SME loans

We are **GLOBAL**: active in more than 50 countries with a focus on IDA and frontier countries

We are **LOCAL**: with presence in all 6 IFC regions



IFC: THE PARTNER OF CHOICE

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. Our new investments totaled US\$ 14.5 billion in fiscal 2009.

OUR SHARED VISION is that people should have the opportunity to escape poverty and improve their lives.

OUR CORE VALUES are

- Excellence
- Commitment
- Integrity
- Teamwork

OUR PURPOSE is to

- Promote open and competitive markets in developing countries
- Support companies and other private sector partners
- Generate productive jobs and deliver basic services
- Create opportunities for people to escape poverty and improve their lives

IFC KEY FACTS

- **Credit Rating:** Triple-A (Moody's, Standard & Poor's)
- **Portfolio:** US\$ 34.5 billion, representing investments in 1,579 companies (as of June 30, 2009)
- **Total Staff:** Approximately 3,400 (more than 50 percent are based in country offices worldwide)
- **Investments Committed in Fiscal 2009:** 447 in 103 countries
- **Industry Coverage:**
 - Global financial markets; private equity and investment funds
 - Global manufacturing and services; agribusiness, health and education
 - Infrastructure; information and communication technologies, oil, gas, mining and chemicals; subnational finance

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For more information about the SME Banking Program visit:

www.ifc.org/smebanking

