



ISLAMIC BANKING FOR M&SME'S

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The Xara Lodge, Malta

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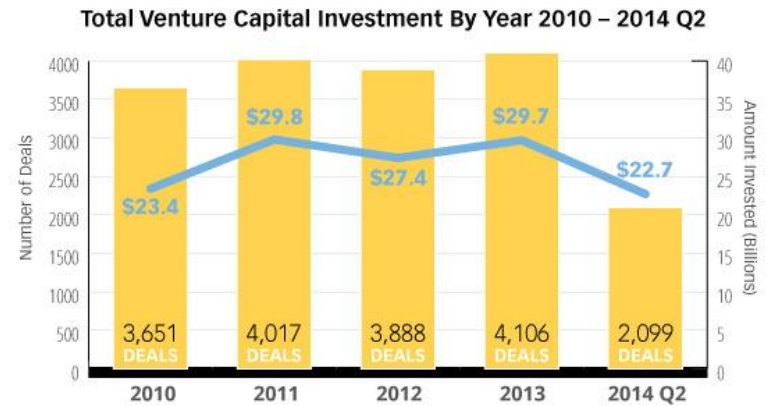
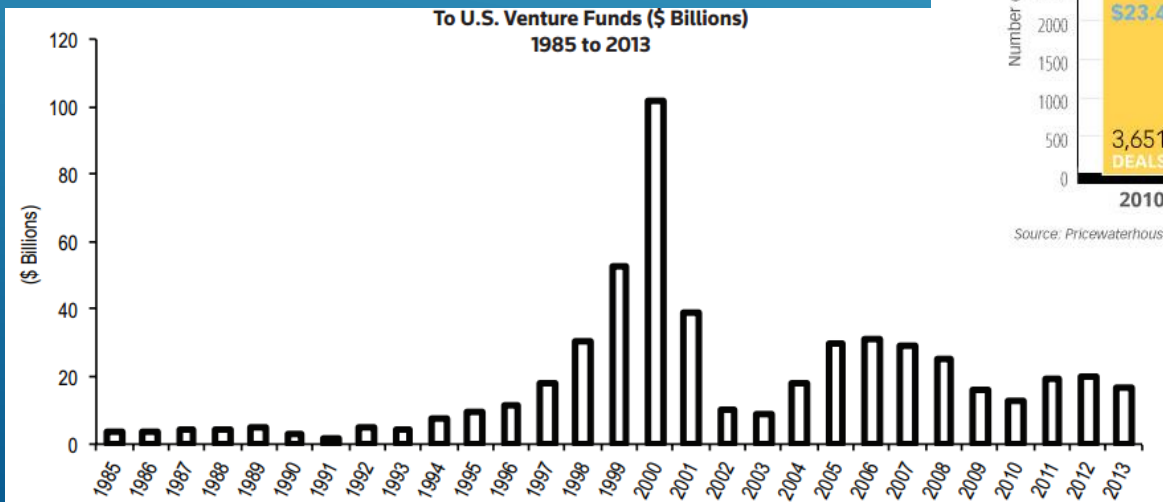
CHALLENGES FACING M&SME'S FINANCE

- ▶ **Tough competition in the markets**
- ▶ **Tough control on finance (selection criteria & rules, Basel III)**
- ▶ **Huge financial deficit gap**
 - ▶ \$3.2 to 3.9 trillion credit gap for MSMEs worldwide
 - ▶ Less than 20% of SME's in MENA use external finance
 - ▶ 50% of the population in are “*unbankable*”
- ▶ **High business mortality rates**
- ▶ **Lack of financial & money management skills**

WHERE TO LOOK FOR MONEY

1- Venture capital

Actually, venture capital financing is very rare. Only a very few high-growth plans with high-power management teams are venture opportunities.



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

Decrease number of deals

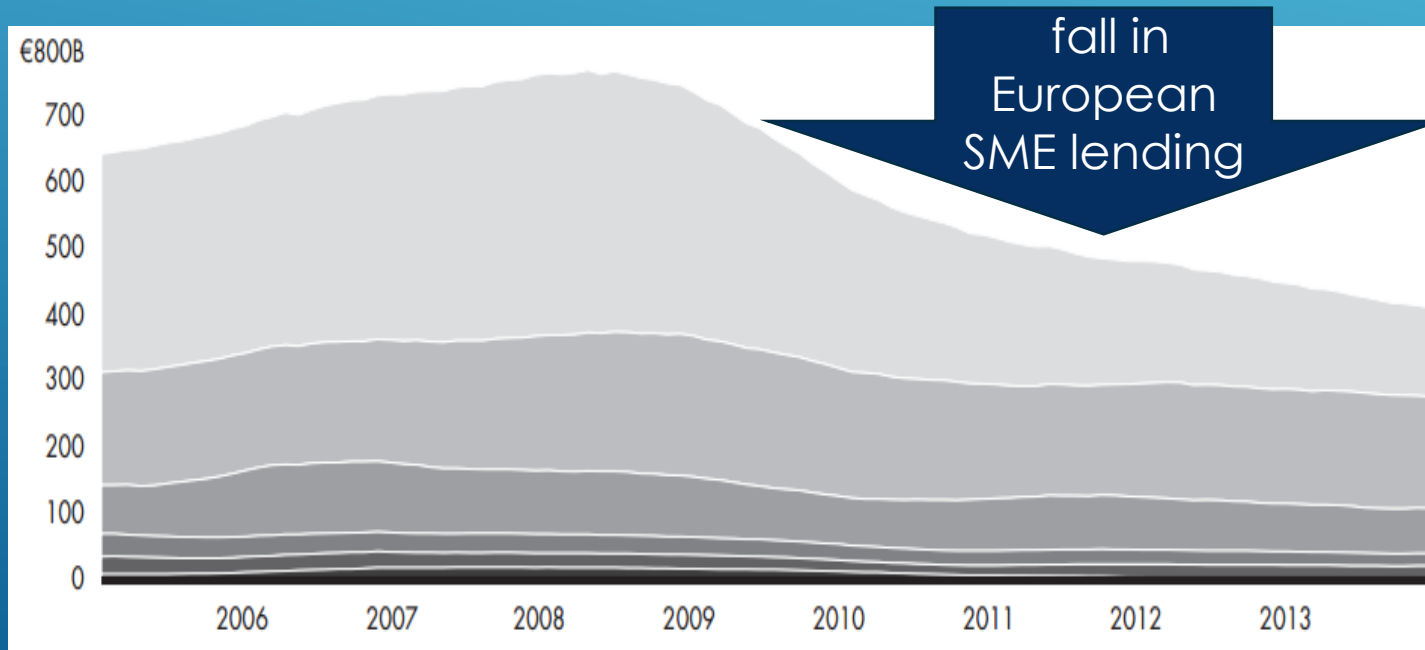
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WHERE TO LOOK FOR MONEY

► Commercial lenders

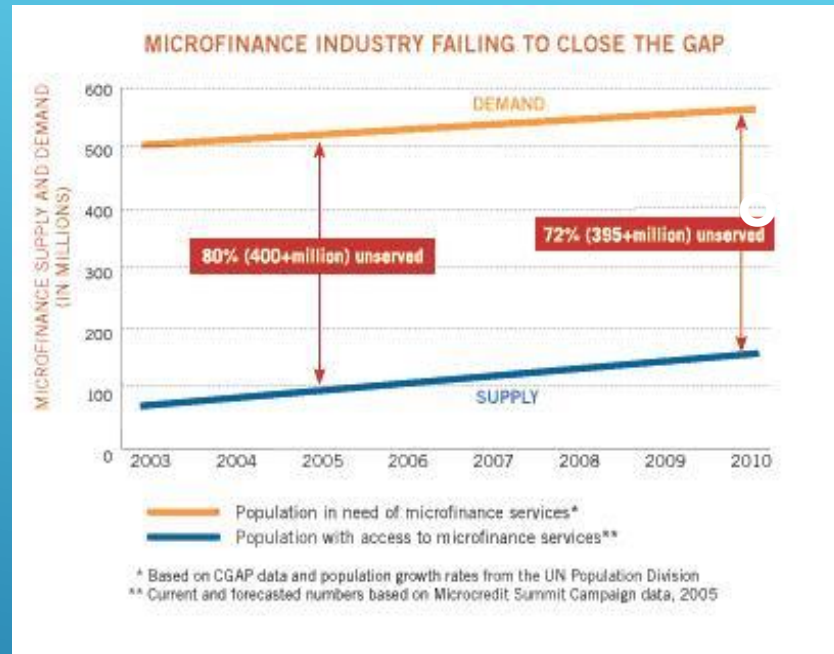
- Actually, banks don't finance business start-ups. Banks aren't supposed to invest depositors' money in new businesses.

Ireland -82%
Spain -66%
Portugal -42%
Netherland -32%
France -37%



Where to look for money

Microfinance providers



& demand gap In

ns by 2015

Characteristics	Developing countries	Industrialized countries
Focuses	Poverty	Social exclusion unemployment
Average loan size	≥ \$200 in Asia to \$1,600 in Latin America	≥\$6,500 to \$25,000 in Belgium
Interest rates	17 % in Bangladeshi, 70 % in Latin American	5 % in Belgium up to 7.5 % in France



A NEW FINANCE PHILOSOPHY IS NEEDED

THE DEFINITION

- ▶ **Sharia Complaint Finance** is a financial system operates according to Islamic law (*sharia*).
- ▶ It features banks, capital markets, fund managers, investment firms, and insurance companies.
- ▶ **It is not a religious nor a geographical matter,**
- ▶ **It started in the Middle East but became a global growing financial industry,**

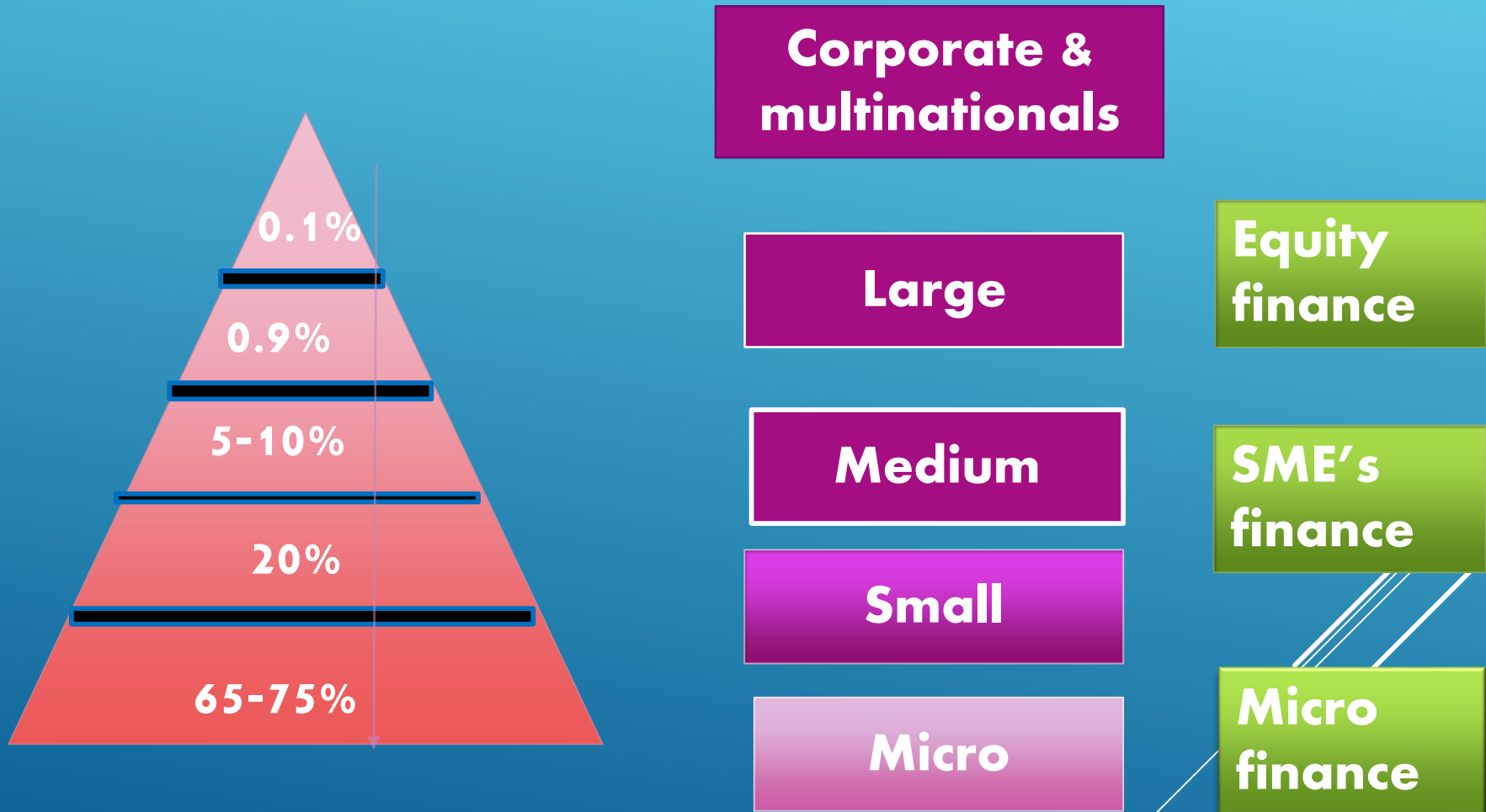
MAIN PRINCIPLES

1. **No interest** (*riba*),
2. **Profit & Loss sharing** (Risk sharing)
3. **No hazard, uncertainty** (*gharar*),
4. **No forbidden assets** (*haraam*)
5. **Promotions of real economy**
6. **Disclosure of information**

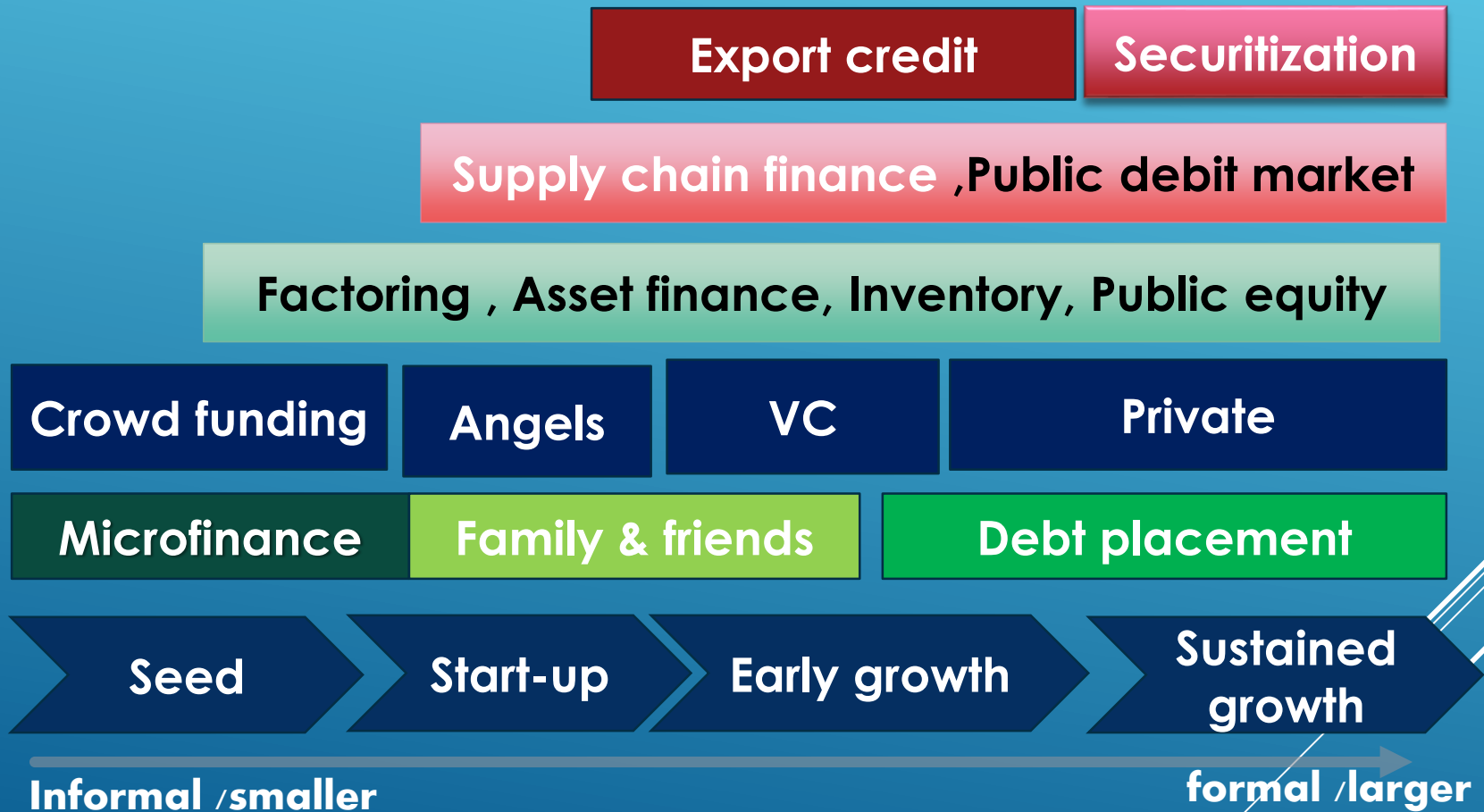


M&SME BANK

ENTERPRISE LANDSCAPE IN EMERGING COUNTRY



FINANCE & BUSINESS SIZE

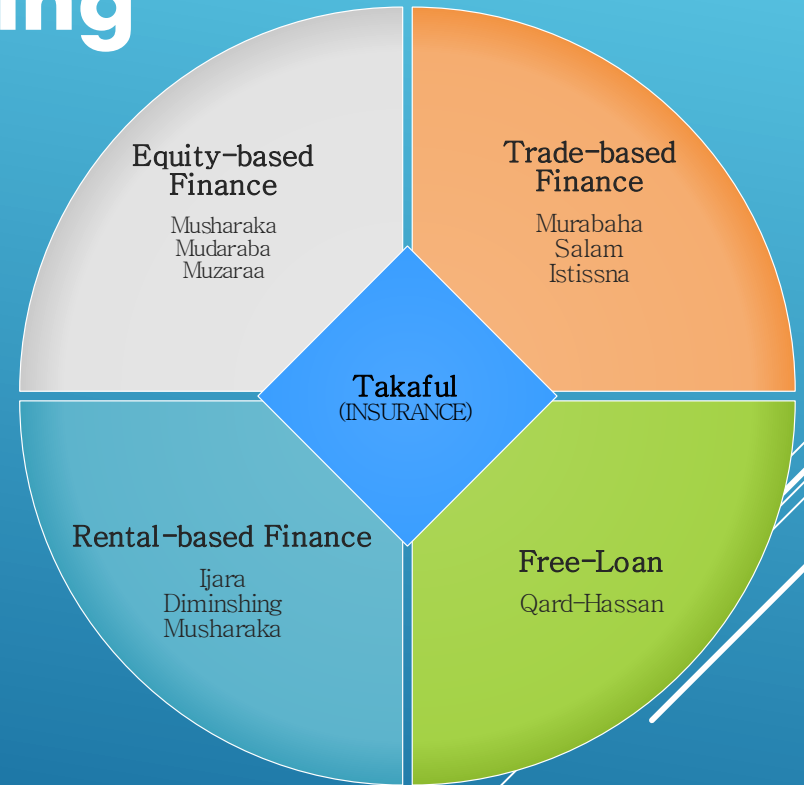




HOW IT DOES WORK IN REALITY?

Main differences

Debt Financing



Equity Financing +++

Thank you for your attention

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