



EXPANDING OPTIONS FOR SME FUNDING

MONSHA'AT REPORT SERIES
2021



Inside:

SME financing in Saudi Arabia	3
Funding Gate platform attracts banking partners, increases SME loan provision	4
Venture Capital (VC) growth drives equity financing	6
SME Spotlight: Karaz Linen	8
Future of SME lending	9

SME FINANCING IN SAUDI ARABIA

Monsha'at is the key enabler for small and medium enterprises (SMEs) seeking funding in Saudi Arabia. By the close of December, 2021 the authority has helped secure SME finance worth over SAR 102.7 billion for 65,000+ enterprises and is working towards its Vision 2030 mandate of supporting the increased GDP contribution of SMEs from 20% to 35%.

DEFINITION OF SMEs

MICRO: 1-5 STAFF

Revenues from

0 to 3 million SAR

SMALL: 6-49 STAFF

Revenues from

3 to 40 million SAR

MEDIUM: 50-249 STAFF

Revenues from

40 to 200 million SAR



Through a variety of funding services, SMEs of different sizes and in different sectors have increased access to funding that fits their needs.

Monsha'at Funding Impact as of the close of 2021

SAR 11 billion in loans enabled through Funding Gate

Online one-stop-shop for SME financing, aggregating lenders and services.

SAR 67.7 billion guaranteed through the KAFALAH program

Loan guarantee service reducing risk and increasing appetite for lenders.

SAR 1.3 billion invested through the Saudi Venture Capital Company (SVC)

Stimulating the private investment ecosystem.

SAR 3.5 billion repaid through the Esterdad Initiative

Reimbursement of government fees, such as licenses.

SAR 2.5 billion in loans facilitated through the Indirect Lending Initiative

Enabling finance companies to provide low-cost loans.

FUNDING GATE PLATFORM ATTRACTS PARTNERS, INCREASES SME LOAN PORTFOLIO

Funding Gate, a platform that connects SMEs seeking funding to government and private financiers, is now showing widespread adoption among SMEs. The loans facilitated by Funding Gate rose from SAR1.1 billion in 2020, to more than SAR11 billion by December 2021, representing 884% growth.

A fintech solution designed by Monsha'at, Funding Gate aggregates, simplifies and speeds up the delivery of funding for SMEs, having already assisted over 2772 enterprises. Funding Gate also works to automate the lending ecosystem, from inquiry through to delivery. This has resulted in the reduction of the average service delivery time from 86 days in December 2020 to just 7 days in December 2021, a 757% improvement.

Funding Gate Features

A single platform for SMEs to reach all funding and purchase entities

Standardized and simplified funding request process

Access to information on funding agencies

Reduced funding costs, time, and effort

Up-to-date data source for SMEs to keep up with latest trends in sectors and regions

Top 5 Lenders on Funding Gate in 2021

Source: Monsha'at

With 45 entities already providing financing through the platform, Funding Gate brings together some of the most prominent banks and financial institutions of the Kingdom eager to support SMEs at all scales. Visit tamweel.monshaat.gov.sa to see how Monsha'at's financing solutions can grow your SME today.

Banks



Non-banks



Funding Gate Beneficiaries, by SME Size

Source: Monsha'at

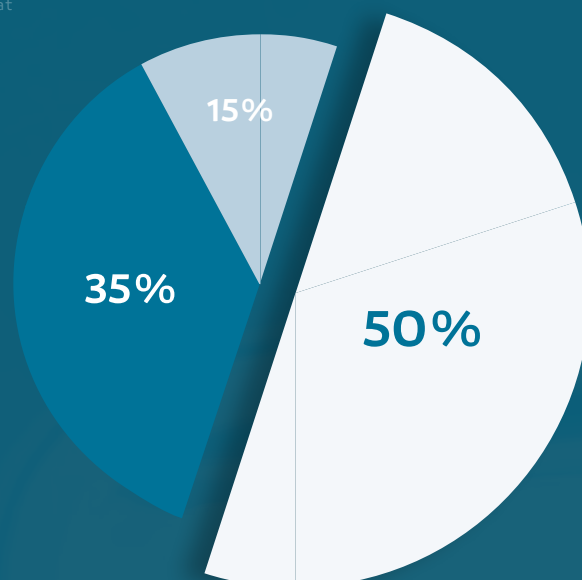
50%

of the funding beneficiaries defined as "micro" enterprises

Micro

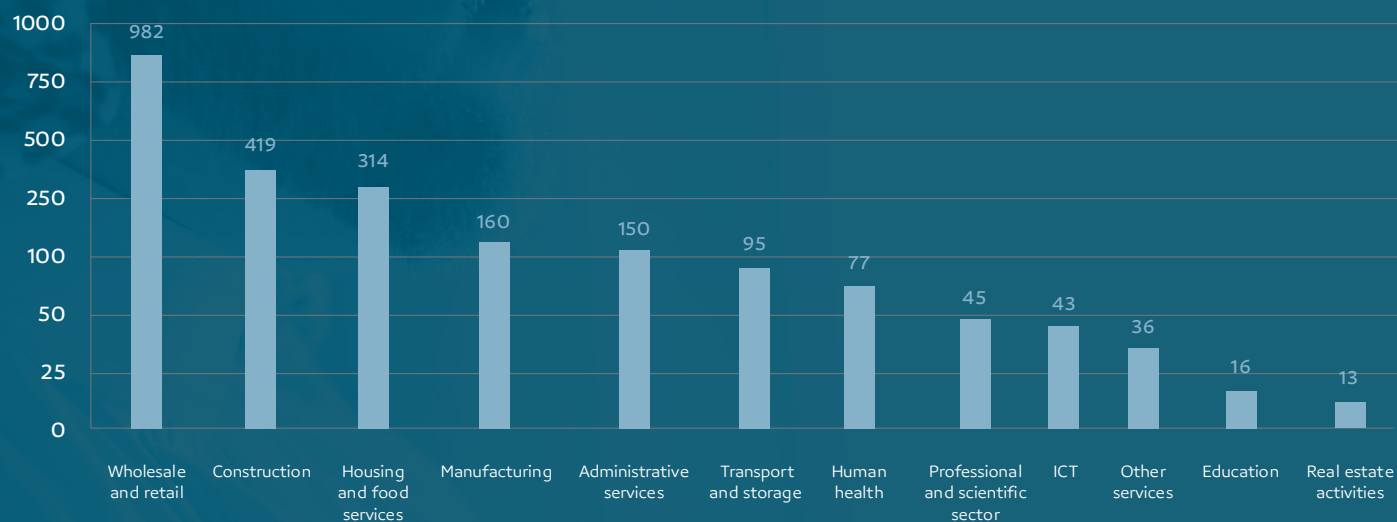
Small

Medium



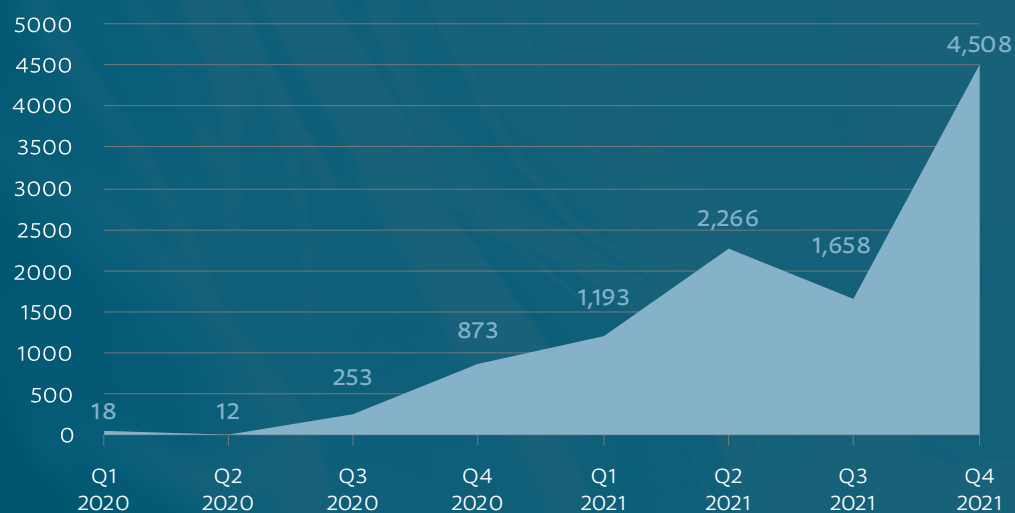
Funding Gate Beneficiaries, by Sector

Source: Monsha'at



Quarterly Funding Gate Loan Value, SAR Million

Source: Monsha'at



884%

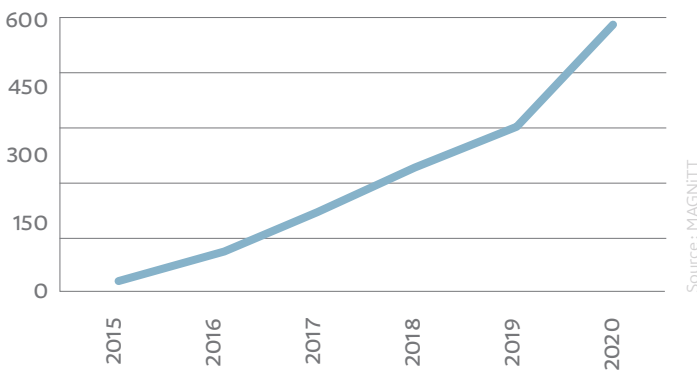
increase in loans
between 2020 and 2021

VENTURE CAPITAL (VC) GROWTH DRIVES EQUITY FINANCING

The reforms initiated by the Saudi Vision 2030 program have established the Kingdom as a regional leader in equity financing, notably VC. Measures taken by the government to nurture entrepreneurship, attract foreign investment and improve the business climate have fostered a rich ecosystem of around 30 VC players, as well as 14 venture builders and 18 angel investors and university incubators.

The VC sector is also strengthened by the government's direct support through two fund-of-fund ventures: the Saudi Venture Capital Company (SVC), established by Monsha'at, and the Jada Fund of Funds, backed by the Public Investment Fund.

VC Funding in Saudi Arabia, SAR Million



SAR 570 million VC invested in Saudi startups in 2020 – a record level

SAR 769 million VC raised in Q3 2021, 439% higher than Q3 2020

136% growth in the Saudi VC ecosystem between Q2 2021 and Q3 2021

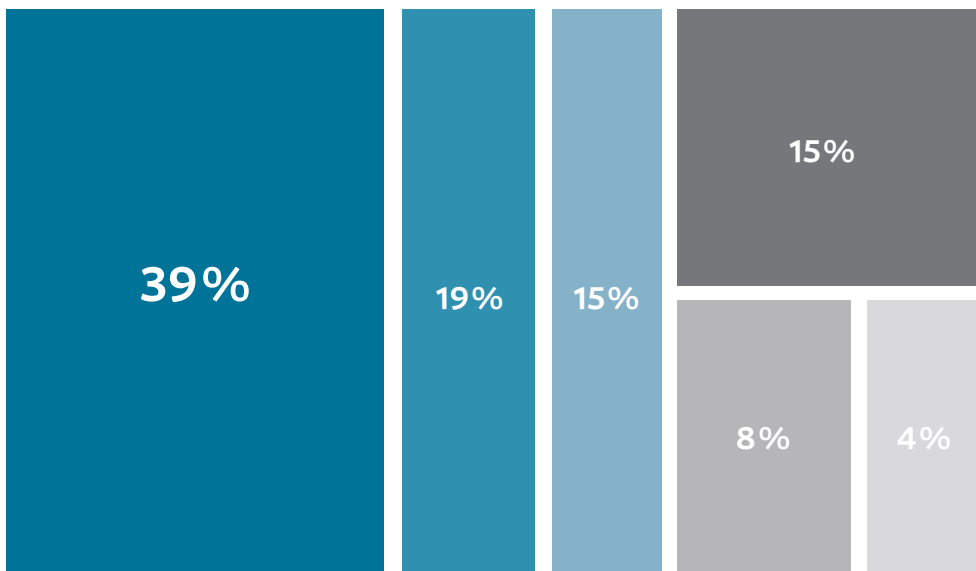
91 VC deals by Q3 2021, a **386% rise** year-on-year

As with the wider MENA region, Saudi VC funding is concentrated on the technology arena – a market characteristic that is the result of a tech-savvy population with online shopping behavior similar to markets such as the United Kingdom and the United States. The trend is further supported by the emergence of tech-enabled logistics companies like Salasa, digital storefronts like Salla, and the emergence of payment solutions such as STC Pay, Loop, Hala and PayTabs.

VC Funding by Sector, Jan-Sept 2021

Source: MAGNITT

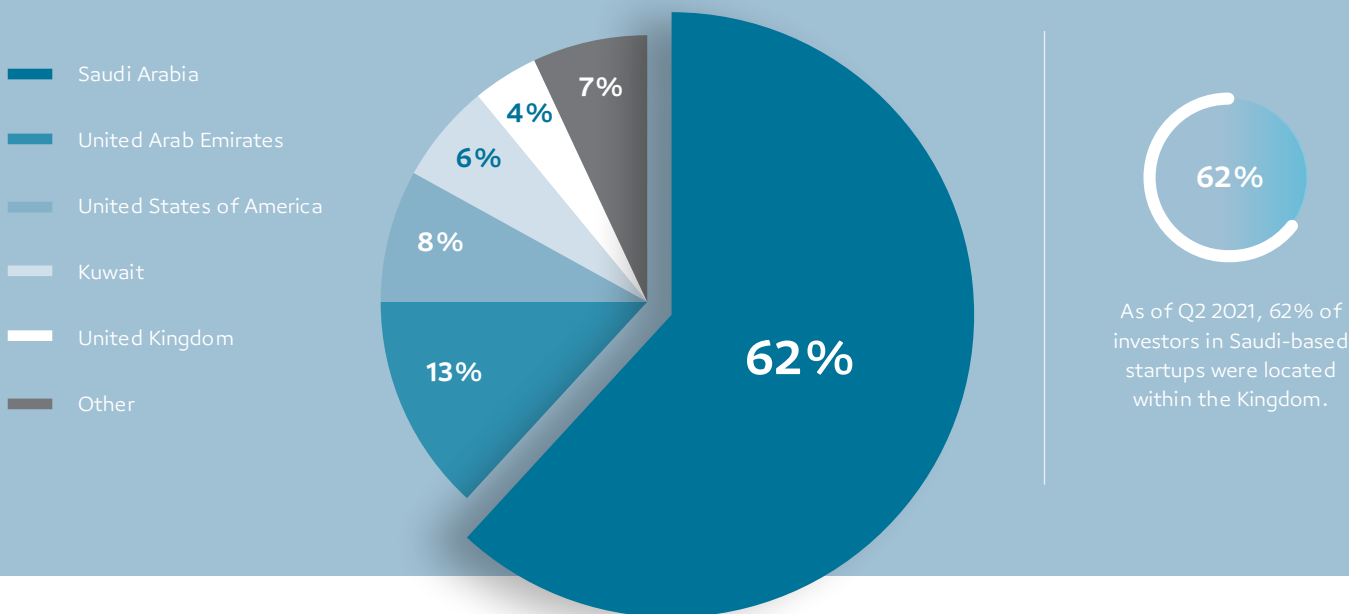
IT Solutions E-commerce Fintech Other Food & Beverage Agriculture



of VC funding was directed to tech-related sectors

The Saudi VC market differs from regional peers in that funding activity is primarily driven by domestic investors.

VC Investors in Saudi Arabia by Country, Jan-Sept 2021 Source: MAGNITT



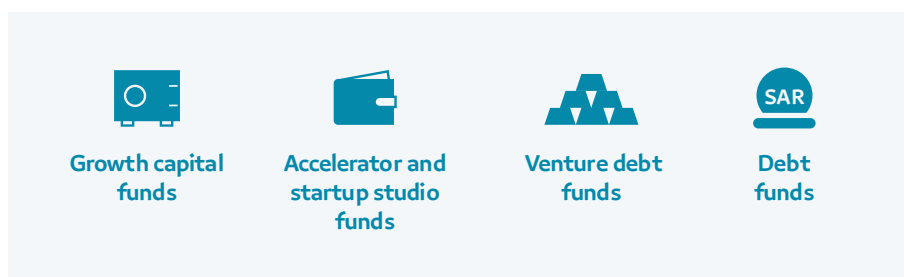
SVC ENABLES THE ECOSYSTEM

SVC was established by Monsha'at in 2018 as part of the Kingdom's Financial Sector Development Program (FSDP). Its mandate is to close the funding gap for SMES and startups by investing in VC funds and co-investing with angel groups.



SVC is one of the government's most effective tools as it seeks to expand the Kingdom's VC ecosystem. It catalyzes growth across the economy through a sector-agnostic investment strategy that targets a wide range of fund-types. It also encourages private sector VC investment by directing capital towards venture builders - or funds that are boosting deal flow by backing accelerators and startup studios.

As one of the Kingdom's most significant investors, SVC also benefits the wider economy in areas such as job creation.



SAR 4.26bn

projected investment including partners

960

direct jobs

4,800

estimated indirect jobs

SME SPOTLIGHT: KARAZ LINEN

SME Size: **Medium**Service: **Funding Gate**Sector: **Retail**

Lubabah Serawan is founder of Karaz Linen, a Riyadh originated linens and home accessories retail business with over 25 branches in the Kingdom. Although the company experiences strong demand, the high cost of assets meant a capital injection was needed to provide the ability to grow.

"My goal and ambition were to build a Saudi brand that manufactures products with international specifications, and for Karaz Linen to be the first and best Saudi brand for comfortable sleeping", Lubabah states.

"The first to support our success were Monsha'at through their financing solutions. This enabled us to receive funding from Saudi National Bank, and was one of the reasons for our success, especially during the COVID-19 pandemic in 2020." **Lubabah Serawan** Founder of Karaz Linen

"The financing solutions we received from the Saudi National Bank directly contributed to our revenue growth, and we have huge expansion plans for the next three years, to reach 50 branches."



THE FUTURE OF SME LENDING IN SAUDI ARABIA



“SME Bank” to bridge gaps for entrepreneurs

Announced in February and set to become a unifying force for SME finance in Saudi Arabia, the SME Bank is the most ambitious tool to fund SMEs to date.

Based on a benchmarking study of 14 countries, the new bank is a central pillar of the upcoming national SME strategy by Monsha’at, and will bring best global practices to the Kingdom and identify the financing gaps in the sector.

Stay tuned for more updates on the SME Bank in the coming months



Funding opportunities increase for the ICT sector

Saudi Arabia has also moved to support the growth of IT and digital related projects in the Kingdom through the “Technology Growth Financing” initiative, offering loans of up to \$4 million to SMEs operating in the field. In partnership with the KAFALAH program, the initiative will also guarantee loans, working to reduce risk for lenders.

To learn more follow the link below

www.ntdp.gov.sa/en/initiative/technology-development-financing-initiative



GEC 2022 to shine spotlight on Saudi SMEs

Centered around the theme Reboot, Rethink, Regenerate, the Global Entrepreneurship Congress (GEC) will bring thousands of delegates from 170 countries together to discuss economic and policy challenges around growing entrepreneurial ecosystems.

Investors, researchers, entrepreneurs, thought leaders and policymakers will be gathering in Riyadh between March 27 – March 30, 2022 to discuss how entrepreneurs correspond to the release of the pent up demand during COVID-19, and how SMEs can better meet the new global order’s needs and demands.

Register now for GEC 2022 at www.genglobal.org/gec



ABOUT MONSHA'AT

Established in 2016, the General Authority for Small and Medium Enterprises' (Monsha'at) chief objective is to organize, support, develop, and sponsor the SME sector in accordance with best global practices. In doing so, it will vastly boost private sector productivity and help increase SMEs' contribution to GDP from 20% to 35% by 2030.

Monsha'at deploys a wide range of initiatives that directly speak to the challenges that SMEs face in the market, with assistance being further broken down by company size and type. In addition to providing firms with critical administrative, technical, and financial support, Monsha'at also assists SMEs with marketing and human resources.

Vision

To make the SME sector an essential engine for economic growth in Saudi Arabia and an enabler in achieving Vision 2030 and beyond.

Mission

Develop and support SMEs to enable them to prosper by driving cooperation forward with our strategic partners in the public, private and non-profit sectors, both locally and internationally.

Please visit www.monshaat.gov.sa for more information

