



بنك القدس
Quds Bank

SMES IN PALESTINE QUDS BANK

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COUNTRY ECONOMICAL / POLITICAL OVERVIEW

ECONOMIC CONDITIONS	<ul style="list-style-type: none">▪ Weakened in 2019, due to a decline in activity in West Bank & Gaza .▪ Uncertain political environment.▪ Failing to generate the jobs and incomes that are needed to improve living standards.▪ USA decision to close all the projects that financed from the U.S government.▪ Restrictions on trade and the access to resources, along with a decade long blockade of Gaza.▪ Financial crisis caused by the clearance revenue stand-off.▪ The economy is expected to fall into recession in 2020-2021 despite the one-off transfer of clearance revenues.▪ Imports (Q2 2019): \$1,438.4m / Exports (Q2 2019): \$258.7m Trade deficit (Q2 2019): \$1,179.7m
GAZA'S ECONOMY	<ul style="list-style-type: none">▪ Severe challenges .▪ Decline was seen in most economic sectors.
UNEMPLOYMENT RATE	<ul style="list-style-type: none">▪ 26% in the Q2/2019 which is about 3.1% higher than it's average in 2018▪ Average unemployment rates in Gaza during the first half of 2019 currently stand at 46.5 per cent.

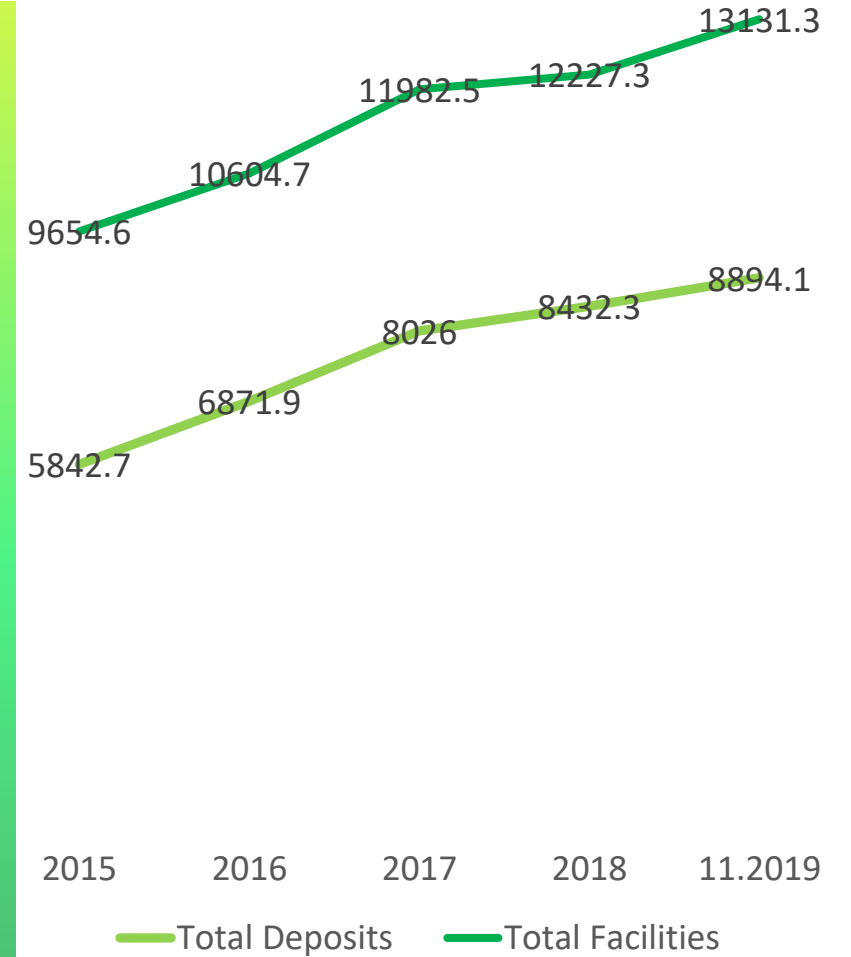
COUNTRY ECONOMICAL OVERVIEW

- GDP for Palestine grew up by (1.2%) in 2019 .
- GDP expected to grow during 2020 by (2.4%).
- GDP / Per Capita is expected to decline by (0.1%) in 2020.
- Average Consumptions “ Private & Government Sectors” expected to increase by (2.5%) in 2020.
- Investments in Palestine expected to increased by (5%).
- Unemployment rate is high and reached (26%) in 2019 and expected to decline during 2020 to (24.4%).
- The economy faced a lot of difficulties during 2019 due to the stop of external financing aids from the donors.

BANKING SECTOR IN PALESTINE

Credit Facilities & Deposits

- Total Credit Facilities (11.2019): \$8,894.1m
- Total Deposits (11. 2019): \$13,131.3 m
- LTD as of (11.2019) : 67.7%





SME'S DEFINITION

Palestinian Monetary Authority /PMA defined SME's that any Business with " Turnover / Sales " up to " USD 7 M" and number of employees up to " **25 employee**".

SME'S IN QUDS BANK

- SME's portfolio in Quds bank represent (26%) of total credit facilities portfolio with the amount of (USD 210 M) as of end of December 2019.
- It is divided and segmented among the following sectors (General Trade, Agriculture, Contracting Companies, Manufacturing)
- NPL Rate for SME's Portfolio reached (6%), and it's much higher than the other segments .

SMES CHALLENGES & PROBLEMS

- Lack of sophisticated management , production and marketing skills.
- Lack of access to domestic and external financing.
- Lack of Data.
- Lack of business planning.
- Absence of meeting the requirement of export markets (Products specifications, Rules of origin).
- High competition from imported goods (Quality & Prices).
- There are many causes of SME failure including: concentration of management and authorities in a single Individual (one man show)/ lack of corporate governance, inability to keep pace with industrial developments, weak competitiveness and limited technical capabilities.
- Lack of SME's awareness with banks processes and requirement.
- Weaknesses in the financial structure of SME's.
- Non-systematic accounting records.
- High administrative costs of lending to small enterprises compared to medium and large enterprises.
- Lack of sound or realistic feasibility studies.

SMES CHALLENGES & PROBLEMS/ QUDS BANK

- Lack of necessary data about these enterprises.
- Lack of practical experience of SME owners.
- Inability of some SME's to provide collateral.
- Unstable Economical situation in the Palestinian Market due to Israel occupation, cuts of the Clearance transfers from the Israeli side leads to unstable cash flow that affected all the corporate and SME's customers.
- Borders Barriers as well affected SME's negatively, as all the borders under the Israeli control.
- Increasing the financial gap for SME's due to the increase of Postdated selling terms.
- Short term payment terms for SME's to import raw material and goods from outside the country .
- Lack of available collateral, especially lack of "Land Registration" affected the ability to pledge it.
- Unable to endorse the Israeli cheques and to use it as authenticated cash flow.
- Lack of the Legal aspects and control in the country, so any court juristic / decision needs a lot of time.

HOW QUDS BANK DEAL WITH SME'S

- We started our segregation between SME's and any other segments “ 6 Years ago “.
- We established “ Business Centers” spreads within West bank and Gaza strip.
- We have designated – specialized RM that can handle SME accounts at each center in order to cater their needs , and have the capabilities to evaluate and analyze proposals , make financial statements modeling that reflect their financial positions, creating clear cash flow, forecasted cash flow , building scenario's “ Customer scenario, worst case scenario and optimistic scenario”.



- To mitigate the credit Risk while granting SME's customer, we have the following policy :-
 - ✓ For long Term loans , especially for CAPEX financing, we grant the facilities under the “ Loan Guarantees Programs” portfolio
 - ✓ For working Capital financing, we usually finance the gap according to the customer business and industry through financing the customer sales receivables (i.e. financing the post dated cheques).
 - ✓ We avoid financing any concentration sectors ,as we usually reviewed all the industry sectors and put our recommendation to “ keep the exposure , reduce the exposure or increase the exposure “ .
 - ✓ Coaching our customers by visiting them and keep following up with them on their achievements and their financial needs.



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THANK YOU