



A REPORT ON  
**SMEs' LENDING STATUS IN  
QATAR 2020**



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## INTRODUCTION



In December 2015, Qatar Central Bank (QCB) issued a circular (no. 107/2015) on adopting a standardized definition for small and medium enterprises (SMEs) within the nation's banking sector. As a result, all banking information and statistics related to financial services and products issued by banks confirmed with this definition. Subsequently, in August 2016, QCB issued a circular (No. 46/2016) to banks requesting financial statistics relating to their transactions with SMEs to be included in semi-annual reports to Qatar Development Bank (QDB).

This report provides a summary of the most important information related to the banking sector's financing of SMEs for the year 2020. This document aims to examine the bank financing situation for SMEs in Qatar in terms of their share in the financing, acceptance ratios for credit applications, the purpose of credit applications, and nonperforming debt rates.

In 2020, the world has witnessed exceptional circumstances as a result of COVID-19 pandemic that have affected the economic situations of all countries including Qatar. The effects have extended to include the SMEs in Qatar. To address the economic consequences of the COVID-19 pandemic, HH the Amir Sheikh Tamim bin Hamad Al-Thani directed to the issuance of a financial and economic stimulus package amounting to 75 billion Qatari riyals, 5 billion of which were allocated to the National Guarantee Program, which was managed by Qatar Development Bank.

This program aimed to finance short-term payments of the private sector companies including salaries and rent dues. This package alongside with the accommodative policy followed by the banking sector and the country as a whole have supported the private sector in overcoming this critical period.

**It is noteworthy that the number of companies that benefited from the National Guarantee Program was more than 4 thousands companies employing more than 330 thousands employees. The value of the guarantees amounted to 3.6 billions Qatari Riyals. Small companies were 40% of the beneficiaries, whereas micro businesses were 30%.**

This report is based on data gathered from banks operating in Qatar that provide credit services to SMEs, collected through a standard form sent to all relevant banks by QCB.

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### Disclaimer

This report is based on data received from various banks in Qatar, based on the circular issued by the Qatar Central Bank. In this context, we would like to emphasize that the accuracy of data contained in the report remains the sole responsibility of the respective bank. Qatar Development Bank has collected and analyzed that data according to its availability, taking into consideration the potential defects of certain data or the failure of one or more banks to submit a completed data collection form.

## DEVELOPMENT OF THE SME'S, AS CLIENTS OF THE BANKING SECTOR

This summary highlights the key findings that can be extracted from bank data on SME financing. The results provide valuable information on the status of SMEs in Qatar's bank-lending sector.

Before delving into key findings of this report, it is important to highlight information about the SME's, as clients of the banking sector in 2020.

During 2020, the number of banks SME clients with existing credit facilities was more than eight thousands and five hundreds in (Figure 1) Qatar, which is a slightly lower than the previous year.

In assessing the distribution of these enterprises in terms of size in 2020 (Figure No. 2), we find that 60% of them were micro-enterprises, where they kept increasing year after year while small enterprises represented 28% of the total number of companies. Meanwhile, the percentage of medium enterprises was about 12%.



000' companies

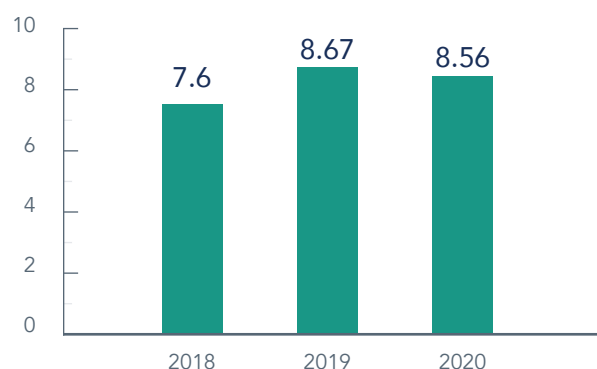
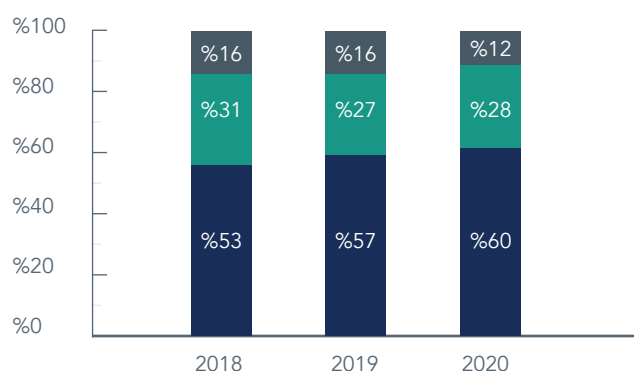


FIGURE 1

Number of SME clients which have existing credit facilities at the end of 2020

\* Note :according to banks updates, annual values have been revised.



■ Micro-enterprise ■ Small enterprise ■ Medium enterprise

FIGURE 2

Relative distribution of the number of SMEs which have existing credit facilities (2018-2020)

## CREDIT APPLICATIONS IN 2020

The year 2020 witnessed a decrease in total credit applications compared to the previous year (2019). The value of accepted credit applications in 2020 amounted to approximately 15.8 billion Riyals, compared to around 17.2 billion Riyals in 2019, a decrease of about 8% (Figure 3).

This decline is mainly due to a decrease in credit applications for medium-sized companies, while credit applications for the micro-enterprise category increased. Regarding the sectors, credit applications decreased in 2020 compared to 2019 in the following sectors: Manufacturing, construction, and trade, while credit applications increased in the following sectors: agriculture and services.

At the level of private sector companies, private sector credit witnessed a growth of 10% in 2020 compared to the previous year. However, it remains lower than its growth rates in 2019 (29%) and 2018 (22%).

This indicates a decline in the growth of some sub-sectors at the expense of others. The credit of the Manufacturing sector (to the private sector as a whole) decreased by 3.7% in 2020 compared to the previous year, while the real estate sector grew by a limited rate of 1.7%. The growth rate of corporate credit in the trade sector also declined to 11.2% in 2020, compared to 82% in 2019 compared to the previous year.



QAR (bn)

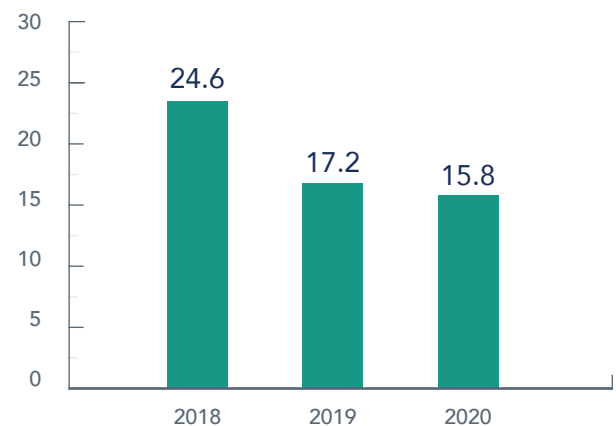


FIGURE 3

Evolution of the value of accepted credit applications for SMEs (2018-2020)

\*Note: Credit applications comprise various types, including new loan applications, loan restructuring, overdrafts,

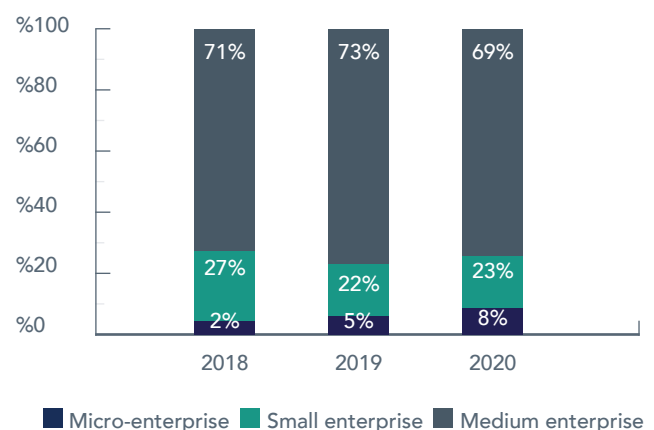
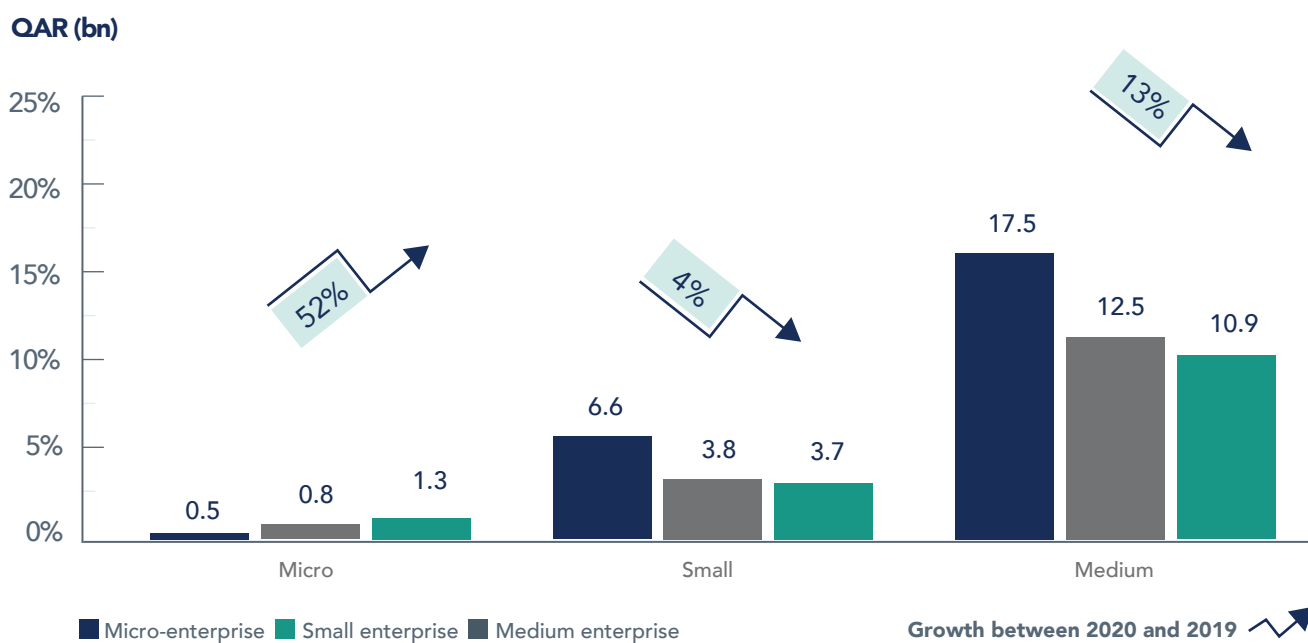


FIGURE 4

Relative distribution of SME share of the value of accepted credit applications according to the size of the company

In terms of the distribution of accepted credit applications, medium companies maintained the largest share, although it declined slightly. While the share of small companies increased to 23%, and micro-companies increased to 8% (Fig. 4)

In terms of different corporate sizes, medium companies recorded the highest percentage of decline in the value of their credit applications between 2020 and 2019 (13%), followed by small companies with a decrease of (4%). On the contrary, the value of accepted credit applications for micro-companies increased by 52% compared to the previous year (Fig. 5)

**FIGURE 5**

Evolution of the value of accepted credit applications by company size and its growth rate between 2019 and 2020

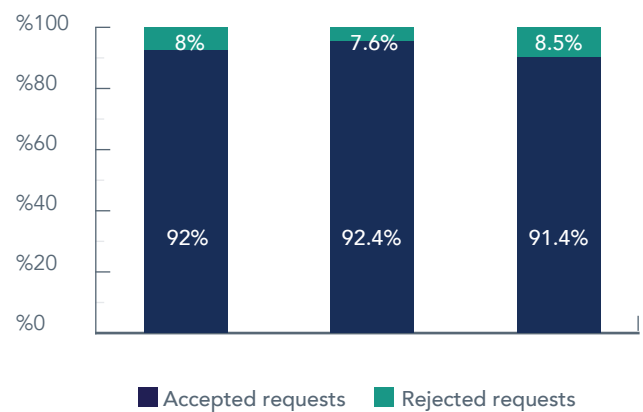
## CREDIT APPLICATION APPROVAL RATES



During 2020, credit applications acceptance rates stabilized above a level of 90% compared to previous years, where 91.4% of credit applications accepted (Figure 6).

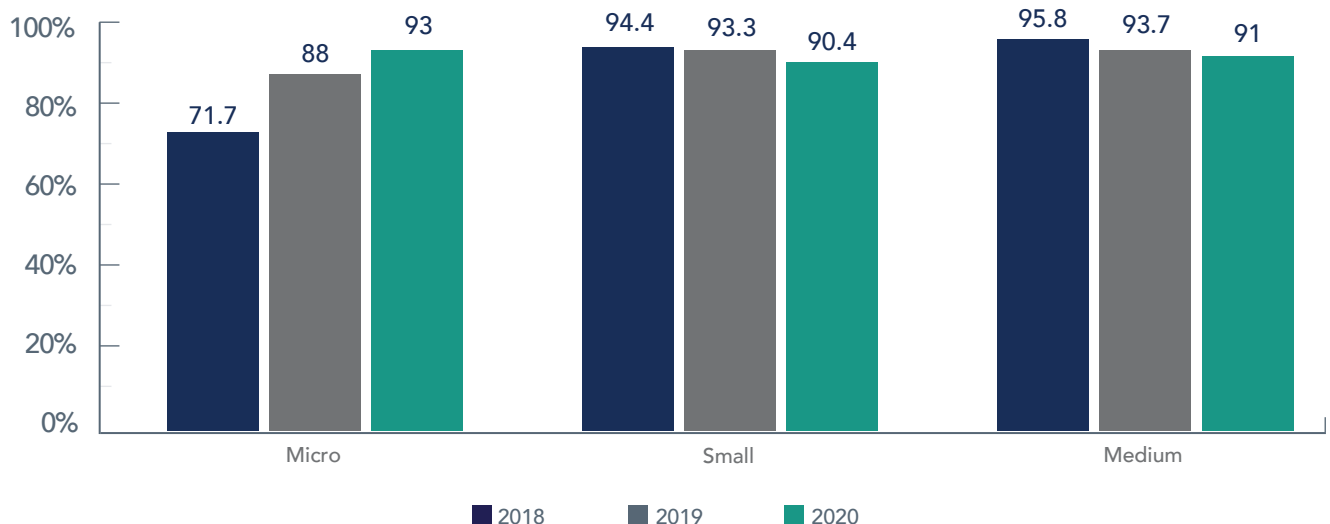
Given the acceptance rates of companies in terms of size (Figure 7). Micro-companies significantly improved the rate of acceptance of their credit applications to 93%, rising from 88% in 2019.

While SMEs as a whole remained above the level of 90%, although they showed a slight decline compared to the previous year.



**FIGURE 6**

Credit application status for SMEs (2018-2020)



**FIGURE 7**

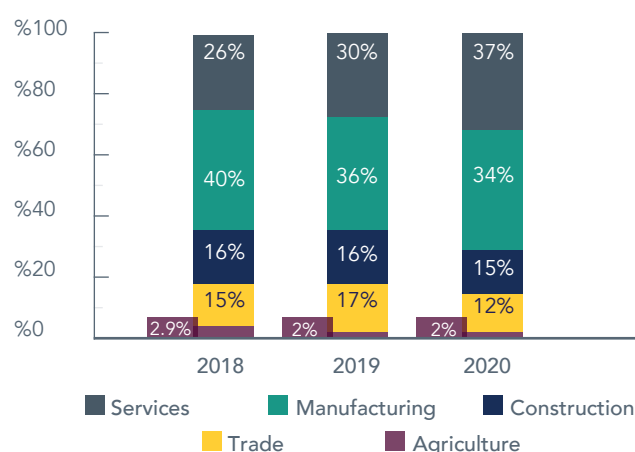
Evolution of credit acceptance ratios according to company size between 2018 and 2020

## DISTRIBUTION OF SMEs' ACCEPTED CREDIT APPLICATIONS BY SECTOR



The sectorial analysis of SMEs' share of accepted credit applications for the period from 2018 to 2020 shows that SMEs in the trade and services sectors dominated the value of accepting credit applications, representing 71% of the total value in 2020 (Figure 8), which corresponds to its relative importance at the level of private sector companies as a whole.

During 2020, the Services sector share of accepted credit applications has grown at the expense of other sectors such as Trade, Construction, and Manufacturing, where it has increased from 30% in 2019 to 37% in 2020 (Figure 8).



**FIGURE 8**

Distribution of SMEs' accepted credit applications by sector (2018-2020)

## PURPOSE OF CREDIT APPLICATIONS



There are different reasons for which SMEs apply for credit. Analysis of the period from 2016 to 2019 shows that a large proportion of credit applications were for growth and expansion purposes. By 2020, with the implications of Coronavirus, the number of credit applications for growth and expansion purposes decreased significantly (from about 35% in 2019 to 12% in 2020), (Figure 9).

During the same year, the share of credit applications for the purpose of Working Capital Financing has increased significantly, rising from about 27% in 2019 to about 47% in 2020. This highlights the tendency of many companies to maintain their continuity in the market and face the challenges left by the Coronavirus crisis and the subsequent shocks that occurred at the level of supply and demand for goods and services.

Data analysis revealed a convergence between companies of different sizes in terms of credit purposes, with Working Capital Financing ranking first for micro and small enterprises, as well as medium enterprises.



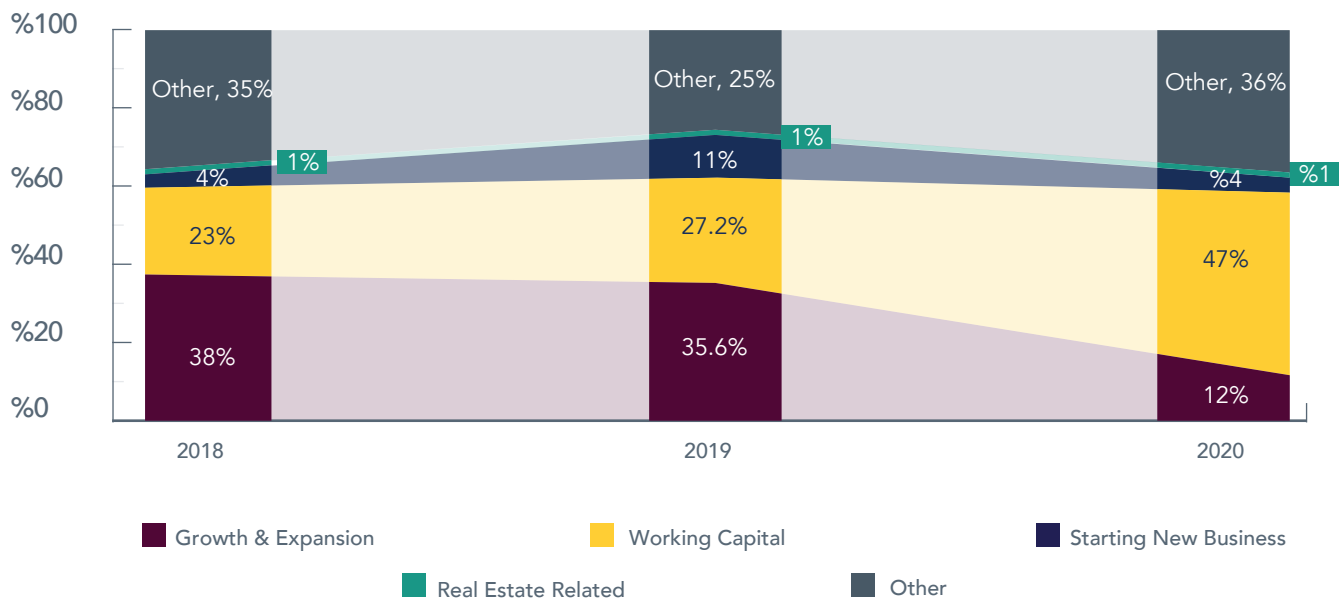


FIGURE 9

Distribution of SMEs' credit applications by purpose

## CREDIT PRODUCTS:



For credit products, New Loan Product witnessed the highest demand in 2020, securing a share of 38.2% of total credit products (Figure 10). At 31.3%, Murabaha was the second most requested product. This was followed by Renewal/ Restructuring of Existing Loans with a share of 13.3%. Invoice Discounting regressed to rank fourth at 3.7% in 2020, compared to 11.5% in 2019.

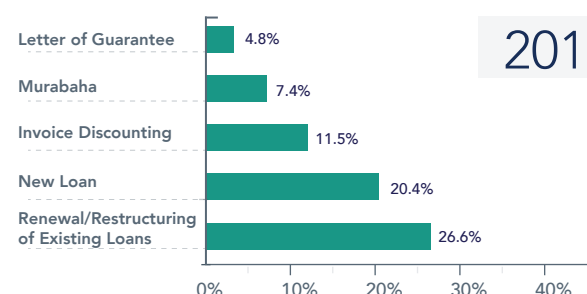
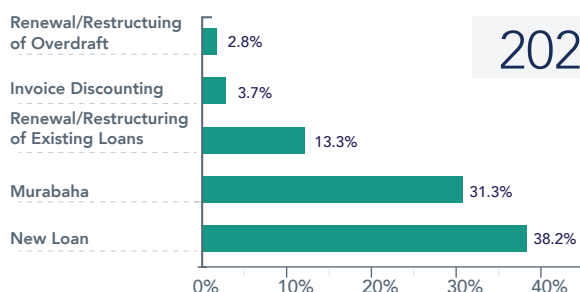


FIGURE 10

Relative shares of SMEs' most demanded credit products (2019 - 2020)

In terms of bank categories, New Loan Product also ranked first for conventional banks, at 55.4%. This was followed by Renewal/ Restructuring of Existing Loans, at 17.9%, while Invoice Discounting came in third with a share of (7.6%) (Figure 11).

For Islamic banks, Murabaha ranked first. This was followed by New Loan, at 22.2%, and then Renewal/ Restructuring of Existing Loans, at 8.9%.

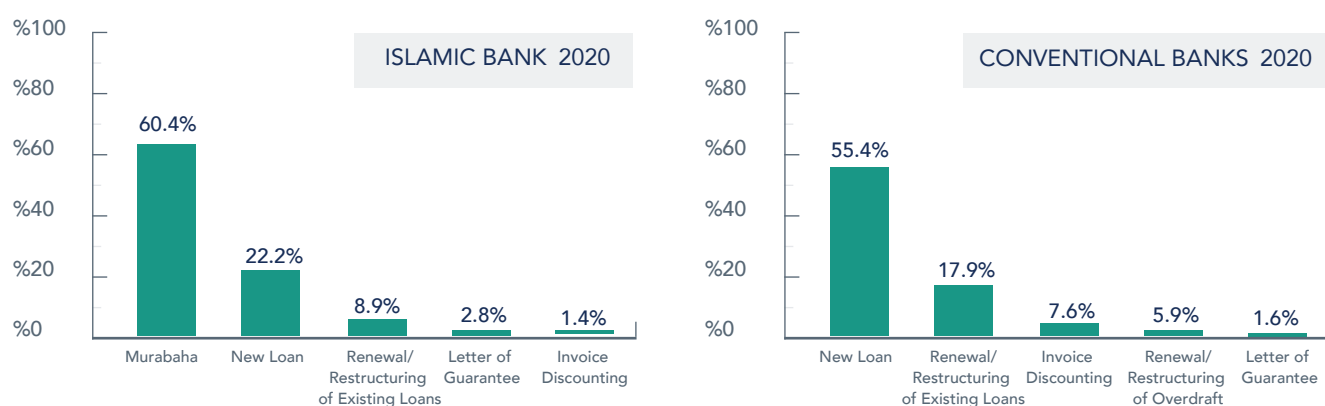


FIGURE 11

Relative shares of conventional and Islamic banks in terms of accepted credit applications value (2018-2020)

While conventional banks maintained the highest share of accepted credit applications value – representing 56% against 44% for Islamic banks in 2020 – the share of Islamic banks increased from year to year, as it recorded 44% in 2020 after it was 39% in the previous year (Figure 12).

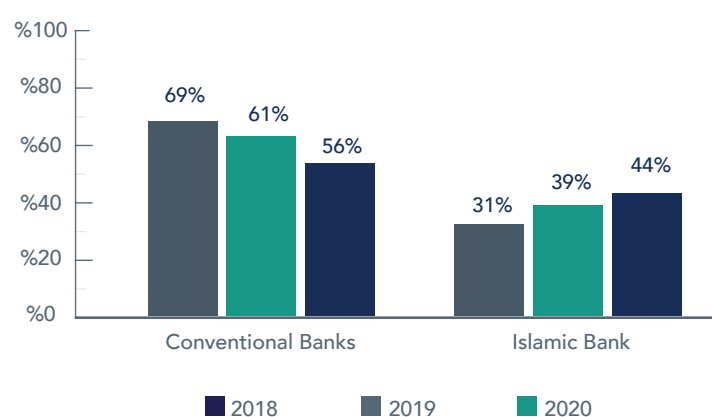
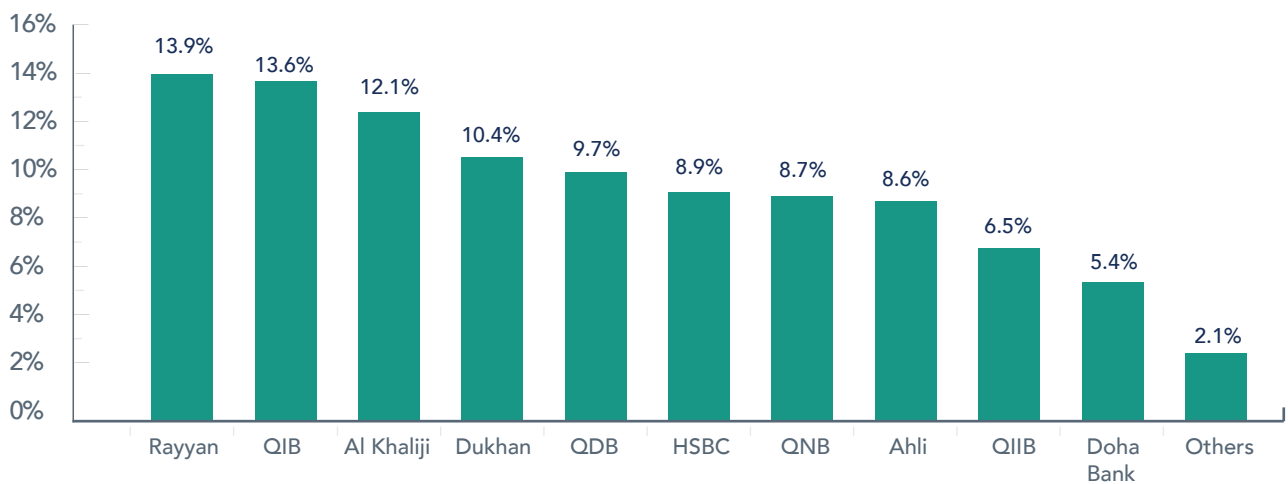


FIGURE 12

Relative shares of conventional and Islamic banks in terms of accepted credit applications value (2018-2020)

On the individual bank level, figure (13) illustrates the share of each bank from the total accepted credit applications for the SMEs in 2020. Masraf Al Rayan came on top with 14% share followed by Qatar Islamic Bank, Al Khaliji Bank, Dukhan Bank, and Qatar Development Bank.

**FIGURE 13**

Banks' share from the total accepted credit applications for SMEs in 2020.

## SMES' SHARE IN THE CREDIT MARKET

As the credit of private sector companies has increased as a whole between 2019 and 2020 by approximately 10% , the credit of SMEs had also increased by about 16% during the same period. Value of the outstanding credit of SMEs increased from 19.6 billion riyals in 2019 to approximately 22.7 billion riyals in 2020. Figure No. (14).

It is noteworthy that this value represented circa 4.8% of the total value of private sector credit (companies), which amounted to approximately 468.1 billion riyals, higher than the previous year (2019)'s recorded figure of 4.6% (Figure No.14). As such, SMEs' share in credit continued to increase year-on-year.

At the sectoral level, SMEs operating in the service sector occupied the lion's share of the total credit of SMEs by about 43.8%, followed by the Manufacturing and Trade sectors with a convergent share, each of which amounted to approximately 21.4% and 20.8% respectively (Figure No.15).



QAR (bn)

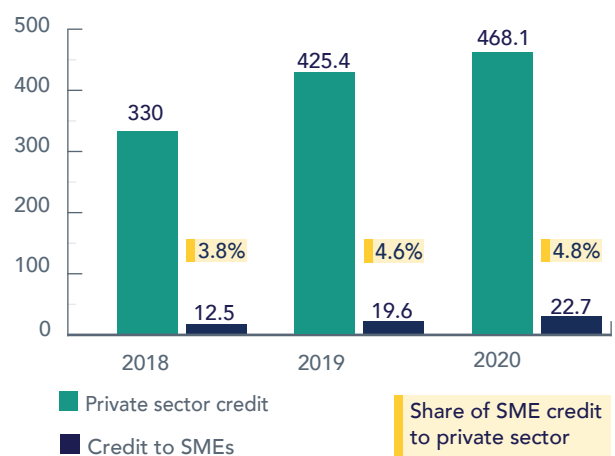


FIGURE 14

The growth of credit for both "private sector companies" and "SMEs" (2018-2020)

\*Note: QDB has compiled and analyzed the outstanding credit data according to the availability of data collection forms, taking into account potential data shortcomings or the absence of one or more banks' participation in the completion of this statement

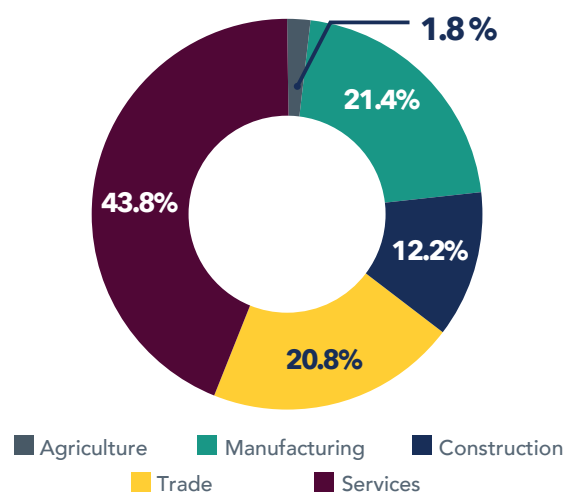


FIGURE 15

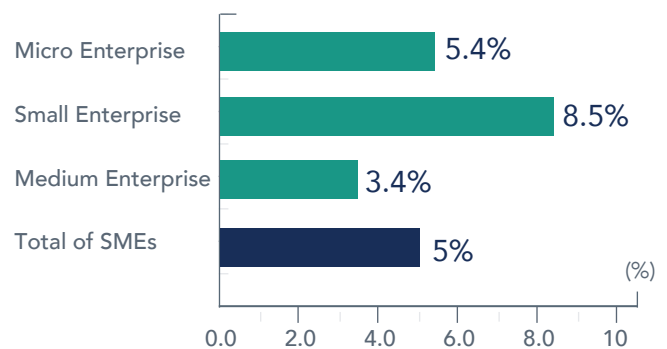
Proportional distribution of SME credit balance by economic activity.

## NON-PERFORMING LOAN (NPL) RATIO

SMEs in Qatar registered an NPL ratio of 5% of the credit portfolio in 2020, compared to 5.1% in 2019 (Figure No.16).

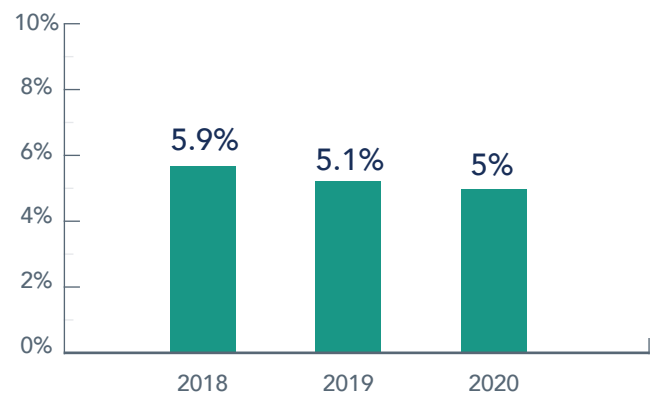
The figure also shows that medium enterprises registered the lowest NPL ratio at 3.4% compared to 8.5% for small enterprises and 5.4% for micro enterprises respectively

It's noteworthy that the NPL has improved in the past three years. It has improved from 5.9% in 2018 to record 5.1% and 5% in 2019 and 2020 respectively.



**FIGURE 16**

NPL ratios by company size (2019)



**FIGURE 17**

The evolution of NPL (2018-2020)



## HIGHLIGHTS

Based on the information contained in this report, key results can be summarized as follows:



- 1** Micro enterprises constituted around **60%** of banks' total balance from SME clients with existing credit facilities in **2020**, followed by small enterprises at **28%**, and medium enterprises at **12%**.
- 2** In terms of credit applications value, medium enterprises recorded a share of **69%** of the total value of applications submitted by SMEs in **2020**, followed by small enterprises with a share of **23%**.
- 3** The value of accepted credit applications in **2020** decreased by **13%** for medium enterprises, and **4%** for small enterprises, respectively, during the last two years (**2019/2020**), whereas the value of micro-enterprises increased by **52%** during the same period.
- 4** During the year **2020**, credit applications acceptance rates maintained its levels recorded in recent years, as the percentage of credit applications that were accepted amounted to almost **91%**.
- 5** The main purpose of SMEs' credit applications in **2020** was Working Capital by a ratio of **47%**, compared to **12%** for the purpose of Growth and Expansion, which was in the first place in the previous few years. This reflects the consequences of the Coronavirus on the market.
- 6** The value of outstanding credit of SMEs in **2020** amounted to QAR **22.7bn**, representing **4.8%** of the credit to private sector (corporate), higher than the previous years (**2019, 2018**) represented at **4.6%** and **3.8%** respectively.
- 7** On a sectorial level, no significant changes were witnessed in terms of economic sector shares, as the trade and services sectors remained dominant, recording **43.8%** of SMEs' total credit in **2020**. However, the credit share of the manufacturing sector recorded **21.4%**, followed by the trade sector by approximately **20.8%**.
- 8** SMEs in Qatar have registered an NPL ratio of **5%**, with medium enterprises having the lowest ratio at **3.4%**, compared to 8.5% for small enterprises and **5.4%** for micro-enterprises respectively.