

SMEs in UAE receive more than AED 420 million trade credit support in 2020 from Etihad Credit Insurance

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[/EINPresswire.com/](https://EINPresswire.com/) -- • Guarantees issued by ECI helped protect liquidity of SMEs and reduce their cost of funds amidst this challenging economic cycle

- These facilities allow SMEs to request their preferred bank to discount invoices at preferential rate
- ECI is the first government export credit company in Middle East and Africa to offer UAE SMEs an online trade credit solution to secure trade and export to more than 50 countries



UAE national entrepreneur in one of the Small and Medium Enterprises (SMEs) in the UAE

Etihad Credit Insurance (ECI), the UAE Federal export credit company, has issued AED420 million worth of trade credit support to small and medium enterprises (SMEs) from January to November 2020, which translates to AED1 billion non-oil trade insured turnover, as it carries out its mandate of accelerating the UAE's non-oil economy and ensuring business continuity.

Mirroring its steadfast commitment to boost national export activity and economic diversification, ECI has insured the exports of SMEs as well as its operations in the domestic market—allowing them to stay competitive in the trade industry, especially during the COVID-19 pandemic.

The guarantees helped protect the liquidity of SMEs amidst this challenging economic cycle, assisting businesses in reducing their cost of bank funding and allowing them to request their preferred bank to discount the invoices—secured by ECI—at preferential rate.

SMEs have always been regarded as a fragile sector. Only 50 per cent of start-up businesses make it to the fifth year of operation, and it further drops to 33 per cent on the 10th year, according to data released by US Bureau of Labor Statistics. This means that only about one in

three small businesses get to survive after 10 years.

Despite this low chance of survival, the importance of SMEs in the sustainability of the global economy cannot be stressed enough. Latest data released by World Bank showed that SMEs represent about 90 per cent of businesses and more than 50 per cent of employment worldwide.

In the UAE, the Federal Competitiveness and Statistics Authority showed that the contribution of the SME sector to the UAE's GDP is estimated at 53 per cent in 2019, up from about 49 per cent in 2018. SMEs, in addition, also contribute to 95 per cent of the companies in the country and employs 86 per cent of the total workforce in the non-oil private sector.

And yet, despite being a key player to the global trade industry, their delicate lifespan is the reason SMEs are considered as high-risk by financial institutions, leading these businesses to have difficulty getting access to credit.

To address this pressing need, ECI has launched 'SME Protect', a trade credit solution for SMEs to support their growth plans globally and assist them while entering high-growth markets, in 2019. The launch of this product makes ECI the first government export credit company in Middle East and Africa to offer UAE SMEs an online trade credit solution to secure trade and export to more than 50 countries. On the same year of the launch, ECI was conferred with the award for the "Most Innovative Finance Solutions in Middle East 2019" by the UK-based CFI.co, Capital Finance International, Awards, highlighting ECI's pioneering SME Protect.

Massimo Falcioni, CEO of ECI said: "ECI understands the vital role SMEs play in building the nation's economy that is why we have developed an online user friendly solution in 2019, named 'SME Protect' to allow SMEs in the UAE to trade safely and confidently and gain access to international markets, thereby positioning the UAE as the global hub of trade and export. This will enable SMEs to evolve further and become more resilient to risks and economic situations such as this current pandemic."

Risk mitigation and access to loans

ECI offers a solution to one of the major hurdles faced by SMEs aiming to expand their export operations—access to bank loans. The Federal export credit company offers financial support to the international export activities of SMEs through its large ecosystem of strategic partners, including local and international banks. ECI provides banks guarantees so these institutions can reduce the capital they allocate for their funding if they use collateral, thereby securing the supply chain.

Falcioni said: "SME Protect is the actualisation of our mandate to accelerate the SME growth and sustain the non-oil foreign trade growth development in the UAE. We aim to further bolster the capabilities of our nation's SMEs—the biggest contributor to the growth of the UAE economy—through our bespoke financial products that will help them achieve their expansion

goals and propel them towards greater heights.”

‘SME Protect’ is a result of the survey that was conducted in 2018 in cooperation with Abu Dhabi Chamber of Commerce, Dubai Chamber of Commerce, and Ras Al Khaimah Chamber of Commerce. The survey showed that 97 per cent of SMEs still preferred Letter of Credit and cash payments, whereas only 3 per cent preferred selling on credit.

Falcioni added: “The close cooperation with Abu Dhabi Department of Economic Development (ADDED), and the chambers of commerce of Abu Dhabi, Dubai, Sharjah and Ras Al Khaimah and Dubai Exports allowed a ECI dedicated team to develop several webinars coaching, counseling and guiding SMEs to better understand their export potential, and understand how to enter in international markets and offer competitive payment terms with secured terms.”

In order to transition that mindset of doing business from a very narrow scope of services towards long-term growth, ECI launched ‘SME Protect’ in line with the UAE Vision 2021 economic agenda, which is aimed at reducing the nation’s dependence on oil in the next decade by promoting inclusive and sustainable economic growth.

“Through this innovative product exclusively designed for SMEs, ECI maintains its focus to help the sector benefit from sales on open credit terms and move on from the limits of traditional Letters of Credit or cash payment terms,” Falcioni added.

For more information about ‘SME Protect’, visit <https://eci.gov.ae/sme-protect/>

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