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*A 40-Year Journey
Through Risk, Resilience,
and Real-World Lending*



BANKING ON SMES

Lessons from the Gulf
Region's Entrepreneurial
Frontlines

Acknowledgments

This book is the result of four decades of real-life experience in the banking trenches, particularly in the world of SME finance in the GCC Region. I would like to express my gratitude to the many entrepreneurs, business owners, and colleagues I've worked with over the years, from the early days in Kuwait and the UAE to the transformation journeys in Saudi Arabia and beyond. You have been my real teachers.

Thanks to the teams I've led, the innovators I've partnered with in building fintech ventures, and the regulators who challenged and shaped our thinking. Your contributions, big and small, live between the lines of this book.

And to my old friend, Khalid Hamed, who believed in me and was always pushing me to write this book; wherever you are, sincere thanks from my heart.

Special thanks to my family for their enduring support and patience through long hours, business risks, and now, the writing of this story.

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Introduction

Why write a book after 40 years in SME banking and finance?

Because it's time to pass on what rarely gets taught.

This book isn't about theories or models. It's about the real, unpolished world of SME banking in the region, the challenges, instincts, and turning points that shaped both businesses and bankers. It's written for four kinds of people:

- **SME owners and founders** who are trying to build something that lasts, often without the tools, guidance, or formal know-how. For many, it's not just a business, it's a way to escape a job, prove something, or finally feel in control.
- **Young bankers and credit officers** just starting out, who want to understand the real world of SME finance, the kind you don't learn in classrooms. SME banking is learned by doing, sometimes the hard way, and yes, sometimes by burning your fingers.
- **Regulators and policymakers** who are trying to build frameworks that truly support the backbone of the economy. This need became specially clear after the COVID-19 crisis, when SMEs were the first to fall, and the first to prove essential for recovery. The pandemic underscored the urgency of digitization and the dawn of a new SME era.
- **Advisors and consultants** aiming to bring street-level insight into boardrooms and innovation hubs. In recent years, many former SME bankers have shifted into advisory roles, some outsourcing services to banks, others helping startups digitize or automate operations.

My journey into SME banking and finance in the region didn't start in a boardroom. It began in the U.S. in the early 1980s. I was a young man working part-time while studying in Alabama. My first exposure to SMEs came from family-run Mexican and Chinese restaurants, gritty, hands-on businesses where the entire family worked long hours, seven days a week. That was sweat equity in its purest form.

Later, I met a self-made American couple opening their first Subway franchise. Their approach was completely different, structured, franchise-driven, and already thinking about scale. Same city, same business size, but vastly different mindsets.

That was my first real lesson: small businesses might look similar from the outside, but their motivations, management styles, and goals are worlds apart.

When I returned to the Gulf region, I started my formal banking and finance career with a large, diversified trading group involved in automotive, electronics, logistics, and travel, and running its own in-house finance arm. That was my first hands-on experience with semi-structured SME lending in the region.

Since then, I've sat across thousands of business owners, negotiated hundreds of deals,

approved and declined countless loans, and stood beside clients through fast growth and tough collapses.

What I learned wasn't just how to lend money. I learned how to read a business without a balance sheet, how to listen between the lines, and how to support entrepreneurs who sometimes needed a banker, sometimes a coach, and sometimes a firefighter.

This book is not a how-to manual. It's a reflection, a mix of real stories, hard lessons, and truths that only come from four decades in the trenches with the real drivers of the economy: SMEs.

Chapter 1: Lending Without Balance Sheets

Ground Realities: Lending by Behavior, Not Balance Sheets

My first exposure to SME lending in the Gulf region came through financing businesses in the automotive fleet and electronics retail sectors. These were gritty, transactional relationships. Lending decisions were mostly judgment-based, driven by a mix of gut feel and repayment history. There were no audited balance sheets, no bank statements, no formal credit scores, and very little reliable documentation. What mattered was cash flow visibility, turnover velocity, and how consistently the borrower paid back, even informally.

I still remember one electronics retailer, a single-location shop with strong daily cash turnover and minimal formal accounting. His books were rough, but his payment behavior was impeccable. Every repayment came early. What really mattered were the patterns, how often he restocked, what his customers looked like, what suppliers said about him, and what time he opened and closed. He had no inventory system, just a small notebook for credit sales and another for stock records. His son doubled as the bookkeeper. No computer, just old black folders. But he knew every item in the shop by heart, and the customer traffic spoke volumes. Sitting in his store, and watching him in action, was more informative than reading any financial statement.

Another client ran a small vehicle rental business catering mainly to individuals. He was tough, guarded, and carried a lot of ego, clearly not happy about my visit. My first attempt to conduct a credit interview was awkward. With no documents to review, I asked about business flows, revenues, expenses, net profits, and payment terms, and he immediately pushed back, accusing me of getting too personal. His setup was raw and intense, one employee constantly polishing vehicles, while another grilled new customers for documents and held their passports as collateral. **Ironic, but functional.**

Beneath the attitude was a disciplined operator. His fleet was always booked. His team ran like a military unit, every person on task. Invoices were handwritten but organized, the phone never stopped ringing, and financiers' payments were always on time. That, in many ways, was his credit report.

From Instinct to Structure: The Shift to Program-Based Lending

Later, I moved into more structured environments, notably at Citibank, where I was introduced to schematic lending, Risk Acceptance Criteria (RACs), and portfolio management. That world brought me credit programs and policies, tools that complemented, but never replaced, the judgment I had developed in the field. That blend of structure and instinct would shape my approach for decades.

I began learning how to study bank statements, not just for numbers, but for the stories they told. While audited financials were submitted by most clients, we didn't take all of them at face value. The reliability of a financial statement often depended on who the auditor was. Banks had internal classifications for audit firms, and unless it was a top-tier or trusted mid-tier firm, we considered the statements more as a reference point than a factual report. In contrast, bank statements were our true benchmark. They reflected real flows, deposits, withdrawals, payments, and collections, and helped us cross-check what the client claimed in their financials. I would analyze cash cycles, bounced checks, inward and outward transfers, seasonal swings, and even personal withdrawals. In many ways, the bank statement became our primary validation tool, not the audited balance sheet.

One of the most stressful tasks was handling morning check clearings. I had to decide, often within seconds, whether to honor checks with insufficient balances. It was about a quick glance at recent transactions, a phone call, and a gut feeling. If the client had earned trust, I'd take the call. I had authority up to a limit beyond which my manager had to approve. But even then, the responsibility was mine. It was my judgment, my name, my credibility.

Internally, I dealt with seasoned credit managers who brought their own pressure. One I'll never forget constantly returned my credit memos marked up in green ink. At first, I took it personally. Then one day, he sat me down and said, "I'm not here to block you. My job is to verify. If your proposal can stand the questions, it's a solid one. Every professional opinion adds value." That's when I learned the true meaning of the "maker and checker" system in banking.

A senior fraud manager once told me, "When it's too good to be true, it is good to be true." That stuck with me. Another golden rule I've followed ever since: "When a client pushes you for an answer now, decline it." Urgency is often a mask for risk.

A Tribute to Intuition: Lending as an Art Before It Became a Science

Looking back, lending without balance sheets wasn't careless. It was a deeply contextual, responsible act. You had to know your customer, your market, and your own limits. It was more art than science. Those years taught me more about behavior, business patterns, and character than any textbook ever could.

This chapter is a tribute to that phase, where decisions were made on limited data, but strong

instinct. Where credibility was earned through consistency, not systems. And where structured finance knowledge from university always lingered in the back of my mind, not as a rulebook, but as a reference point for judgment.

Chapter 2: Why Some SMEs Succeed While Others Stall

Beyond the Balance Sheet: The Mindset That Sustains SMEs

After decades of working with SMEs, one lesson stands out: success doesn't always come down to capital, detailed plans, or even product quality. I've seen businesses that ticked every box, well-funded, well-structured, with strong products, yet still struggled or failed. And I've also seen businesses with modest beginnings and limited means not only survive but grow with quiet consistency.

What sets them apart isn't always visible in a business plan or company profile. More often, it comes down to the mindset of the owner, their motivation, resilience in the face of setbacks, and ability to adapt when conditions change. In many cases, practical experience or lessons from a previous failure substitute effectively for formal education. The most enduring SMEs are often led by individuals who are grounded, flexible, and consistent, not just when times are good, but specially when they're not.

One story I'll never forget involves a long-time customer who walked in one day to close one of his secondary business accounts, one that hadn't been very active and wasn't even on my radar. Naturally, I asked if there was any impact on his main business. He reassured me that there wasn't, then explained, "This one isn't doing well, and I've waited 1,000 days." He went on to share something his grandparents had taught him: you give a business 1,000 days. On day 1,001, if it hasn't proven itself, you make a decision. That simple, thoughtful rule, grounded in patience, discipline, and clarity, has stayed with me ever since.

Where Businesses Break: Discipline, Partnerships, and Cash Flow Missteps

Discipline and consistency show up in many forms. Some owners delay paying themselves so they can cover staff salaries or supplier dues. Others prioritize meeting commitments even during slow months. These actions say more about long-term potential than any financial projection.

I've also seen many partnerships fall apart, not due to poor fundamentals, but because partners had diverging visions or the next generation wasn't aligned. It's rarely the lack of audited financials that brings a business down. More often, it's the absence of a plan for continuity and leadership.

Cash flow is another common fault line. Too many business owners confuse profitability with liquidity. A company can be profitable on paper and still run into serious trouble if collections

lag or expenses surge. I've seen businesses grow too fast, take on debt without a clear repayment plan, or misuse funds for non-business needs. Many SMEs don't prepare or monitor projected cash flows, even though this simple discipline could prevent future problems.

Hidden Fragilities: Overreliance, Imitation, and Growth Without Structure

The difference between a stable business and a scalable one often comes down to how willing the owner is to step back and let others grow the business.

I've also seen businesses stall because they were overly dependent on one customer, one supplier, or one key employee. This kind of concentration risk may not show up on a balance sheet, but it can destroy a business overnight. I recall a printing company that derived nearly 80% of its revenue from a single corporate client. When that client shifted its procurement model, the business couldn't replace the lost volume quickly enough and collapsed within months.

Others fail because they simply follow the herd. They observe competitors and assume that more stock, lower prices, or a bigger sales team is the answer, without checking if it fits their business model. One retail SME expanded its branches and inventory aggressively to match a larger rival. The result was mounting overheads, cash flow shortages, and operational confusion.

Purpose, Patience, and the Power of Letting Go

In contrast, I've worked with SMEs that succeeded because they were intentional and focused. One business owner built a reputation on reliability, not price, delivering on time, every time, and keeping a lean, loyal client base. Another entrepreneur scaled slowly, turning down deals that didn't align with their niche. These businesses grew at a sustainable pace with a clear sense of purpose.

The SMEs that stall tend to be the ones where the founder holds on too tightly, to the cash, to the decisions, and to the past.

I've come to respect that not every small business wants to grow big. And that's okay. But those who do, and succeed, almost always have three things in common: a clear purpose, strong systems, and the humility to learn.

Finally, having an exit strategy is not necessarily about shutting down a business, it can be a well-thought-out Plan B. That might mean shifting to a new product line, exploring new markets, restructuring operations, or even bringing in a strategic partner. Successful SMEs often treat flexibility as a core strength. They don't fear change; they prepare for it. And that preparation often makes all the difference.

Chapter 3: Banks — Friend, Foe, or Fence?

From Relationship Banking to Responsible Borrowing

For many of us who worked in that world, we still carry those instincts with us, no matter how digital or data-driven the industry becomes.

In the early days, specially before the era of online banking, many SMEs depended heavily on their bank's relationship manager. With limited internal resources and little financial infrastructure, the RM often became their de facto CFO. I remember getting calls from clients on weekends just to ask about their account balances. It wasn't unusual. The RM was the bridge between the business and the bank, a guide, a validator, and often a sounding board.

But this dependency came with its own risks. Some SME owners assumed that more financing automatically meant more growth or profit. They didn't always distinguish between healthy expansion and overextension. I recall cases where clients borrowed to stock up inventory, expecting quick sales, only to be left with unsold goods that were eventually offloaded at a discount or on long credit terms. Overtrading became their downfall. You can imagine how that eventually impacted their receivables and liquidity, causing their business to shrink or forcing them to borrow more to survive. The cycle became unsustainable, and some couldn't recover.

On the other hand, I've worked with clients who treated the bank as a strategic partner. They asked the right questions, shared updates proactively, and used financing purposefully, with a clear repayment plan. These clients usually had better financial discipline and were more resilient in downturns. Personally, I always felt more comfortable, and all bankers should, with customers who ask more questions about their credit facilities, repayment schedules, and terms. It signals not only interest, but responsibility. I felt safe dealing with such business owners. In contrast, clients who took financing without fully understanding the conditions or implications always made me uneasy.

A Fragile Partnership: Perceptions, Pressures, and the Trust Gap

The relationship between financial institutions and SMEs has always been complex, interdependent but often misunderstood. Banks view SMEs as both an opportunity and a risk. They seek growth in this segment, but often struggle with limited visibility, documentation gaps, and unpredictability of small business behavior. On the other side, SMEs often perceive banks as rigid, transactional, and focused solely on financial metrics. They see banks as profit-driven institutions that don't fully appreciate the reality on the ground.

This complexity is magnified during economic downturns or when banks experience underperformance in their SME portfolios. The first reflex often seen is to freeze SME lending

entirely or to introduce excessively strict credit criteria. This reactive approach deepens the gap between the two sides just when collaboration is most needed. Meanwhile, SMEs rarely stop experimenting or seeking alternatives. Many maintain multiple bank relationships, not always to borrow more, but often out of convenience, proximity, or a personal relationship with a branch staff. Some expect special treatment, quicker decisions, or greater flexibility. As a result, trust erodes and both sides become more distant when times get tough.

Bridging the Gap: The Role of Regulators and the Path to Mutual Understanding

This is precisely where regulators must step in, not after crises unfold, but long before. In the Gulf region, we've seen central banks actively encourage SME financing by setting clear targets for financial institutions to grow their SME lending portfolios. These mandates are aligned with national economic visions and diversification strategies. Additionally, governments have established dedicated SME agencies and support institutions tasked with nurturing SMEs from startup to scale. These efforts are starting to pay off, creating a more structured and supportive ecosystem for small businesses.

Both sides need to evolve in how they view each other. Banks must move beyond the traditional thinking box and reframe their approach to SME clients, not just as borrowers, but as long-term partners in economic development. This requires better understanding of business models, cash flow realities, and sector dynamics, not just collateral or audited statements.

At the same time, SMEs need to understand that banks are not adversaries, they're financial entities managing risk, capital, and compliance. Their product is money, and like any business, they need to safeguard it. What banks expect is transparency, consistency, and responsible usage of facilities.

From Mistrust to Transformation: The Digital Bridge Ahead

Bridging this gap between perception and purpose can unlock immense value for both. SMEs are the backbone of our economies, and banks are the arteries through which financial lifeblood flows. Strengthening that connection, based on mutual understanding and aligned expectations, is not just good practice, it's essential for shared progress.

That said, the future of SME–bank relationships increasingly depends on how well both sides embrace digital transformation. Digital banking offers a vital bridge between SMEs and financial institutions, specially in times when traditional engagement falters. By removing physical barriers, reducing paperwork, and enabling real-time access to services, digital tools allow SMEs to manage their finances with greater control and clarity. Banks, in turn, can use transaction data, behavioral analytics, and automated credit models to assess risk more accurately and serve clients more efficiently. Features such as online onboarding, personalized product recommendations, cash flow tracking, and digital credit scoring are transforming how banks

understand and engage with SMEs. While this shift will be explored in more detail in later chapters, it's important to recognize that digital banking is no longer optional, it's a foundational component for building trust, accessibility, and long-term resilience between both sides.

Understanding the 5 C's of Credit in SME Lending

At the heart of this relationship lies the structure of credit assessment, often referred to as the **"5 C's of Credit": Character, Capacity, Capital, Collateral, and Conditions**. These principles form the backbone of any sound lending policy and understanding how banks apply them can change how SMEs approach financing altogether.

@ Character is the borrower's reputation, their integrity, reliability, and track record of honoring financial commitments. In SME lending, this element carries significant weight, often serving as a leading indicator of future behavior. Banks evaluate character through multiple lenses: credit bureau reports, supplier and customer references, historical payment patterns, and even the consistency and transparency of communication. A well-managed account, one that shows regular activity, timely payments, and responsible facility usage, strengthens a business's credit profile and increases its financing credibility.

Today, with the existence of centralized credit bureaus, much of this conduct is traceable and verifiable. But just a few years ago, before credit bureaus were established in many Gulf markets, lenders operated with far less visibility. This lack of structured credit data made SME lending riskier and often limited the extent to which banks were willing to support the segment. That's why SMEs must understand that maintaining a clean and disciplined financial record isn't just about good housekeeping, it's a critical investment in future access to credit.

@ Capacity refers to the borrower's ability to repay the loan, primarily from the business's ongoing sales and revenues, and secondarily through liquidating assets or invoking collateral if necessary. For banks, this means assessing whether the borrower generates enough consistent cash flow to cover operating expenses and meet their debt obligations. Tools like cash flow analysis, debt service coverage ratios (DSCR), and income predictability are central to this evaluation.

SMEs that want to demonstrate strong repayment capacity must ensure their business finances are well-documented and transparent. This includes maintaining organized records of revenue and expenses, separating personal and business finances, tracking monthly cash flow trends, and being able to explain seasonal variations or one-off items.

Preparing basic inhouse financial statements, even simple ones, and aligning them with historical bank statements can go a long way in convincing lenders that the business is not only viable but also bankable. In essence, strong repayment capacity signals financial discipline, which banks value deeply when making credit decisions.

@ Capital reflects how much the business owner has personally invested in their own venture, often referred to as “skin in the game.” It serves as a clear indicator of the owner's commitment and financial stake. Banks examine the level of equity, retained earnings, and the extent to which owners are sharing in the risk alongside the lender.

But it's not just the presence of capital that matters, it's also how it is used. Business owners who consistently reinvest profits into productive areas of the business, whether it's improving operations, expanding capacity, upgrading technology, or building cash reserves, send a strong signal to lenders. This behavior demonstrates prudence, forward-thinking, and a focus on sustainable growth. It also strengthens the business's ability to withstand economic shocks and competitive pressures.

For banks, this kind of disciplined capital utilization shows that the owners are not extracting value prematurely but rather building a resilient and competitive enterprise over time, a factor that can heavily influence credit decisions.

@ Collateral is the backup, the tangible or intangible assets that secure a loan in case the borrower fails to repay. While many SMEs may lack formal or fixed assets, banks still assess receivables, inventory, business equipment, third-party guarantees, and even personal undertakings as part of this category.

What matters to lenders is not just the presence of collateral, but the quality, liquidity, and appropriateness of those assets. A business that invests in core assets, such as machinery, tools, or productive infrastructure, rather than using loans to finance excessive working capital or consumption, is seen as more creditworthy.

Banks also evaluate the asset mix in the borrower's balance sheet. For instance, if receivables account for a disproportionately large share of total assets, it may raise red flags about overtrading, weak collections, or attempts to artificially boost asset figures for credit purposes, commonly referred to as window dressing.

It's important to note that collateral evaluation is never one-size-fits-all. The acceptability and composition of collateral depend on the nature of the business and prevailing standards in that industry. For example, higher inventory levels may be expected in a trading business but would be excessive in a service firm. Understanding these nuances and presenting a balanced, credible asset base can significantly improve an SME's standing in the credit decision process.

@ Conditions refer to the external environment in which the SME operates. This includes sector-specific risks, market dynamics, competitive pressures, supply chain dependencies, regulatory changes, and overall macroeconomic signals. Even when the borrower is fundamentally strong, banks must consider whether prevailing market conditions could impact their ability to perform.

A prime example was the COVID-19 pandemic, which severely disrupted even the most well-run businesses. Companies in sectors such as travel, hospitality, and retail faced sudden drops in revenue, not because of internal weaknesses, but due to widespread lockdowns, shifts in consumer behavior, and broken supply chains. This highlighted how vulnerable SMEs can be to forces beyond their control, and the importance of having contingency measures in place.

Prudent SMEs prepare for such uncertainties by maintaining healthy liquidity reserves, diversifying suppliers and client bases, investing in digital channels, and regularly reviewing business continuity plans. These practices not only help them navigate difficult times but also give lenders confidence in the business's ability to withstand shocks. Banks will often factor these elements into their credit decisions, specially in sectors known for cyclical or external volatility.

Character: The Cornerstone of Credit

A good banker learns to balance these five factors, and a wise SME learns how to present them. However, among all five Cs, **character** often carries the heaviest weight in the credit decision process. It represents the borrower's reputation, honesty, reliability, and overall financial conduct. If a client fails in this category, by showing poor payment behavior, a history of defaults, lack of transparency, or unwillingness to communicate, banks will almost certainly reject the application, regardless of how strong the other four Cs (Capacity, Capital, Collateral, and Conditions) may be.

I've seen clients with modest financials and limited collateral get approved because they had a consistent repayment history, clear communication, and demonstrated integrity. Conversely, I've witnessed financially strong businesses turned down simply because the owner refused to engage, avoided questions, or had a track record of questionable practices. Character isn't just another box to tick; it's the foundation on which trust and creditworthiness are built.

Understanding how banks think doesn't mean changing your business to fit a mold. It means learning how to speak the same language and building trust one decision at a time.

Real-Life Lending Case: AED 2 Million Exit

In the early days of my SME lending career, I came across a seemingly perfect client, wealthy, well-connected, and assertive. He opened a company account with an initial deposit of AED 2 million and was quick to request a credit facility. On paper, everything looked ideal: a fully secured credit line for a high-net-worth individual with a large portfolio in real estate.

Many of us on the team were impressed. After all, who puts AED 2 million just to get facilities if they're not serious?

We approved the facility. The exposure wasn't high relative to the deposits, and our internal comfort level was strong.

But it didn't take long before the real character showed up.

Soon after the facility was granted, the customer began rapidly transferring large sums in and out of the account. While this gave an illusion of liquidity and active business, the pattern raised internal concerns. The transactions lacked clear commercial rationale, and the activity started to feel more like financial maneuvering than genuine business operations.

His tone also shifted, aggressive, entitled, and dismissive of staff. He pushed boundaries, demanded exceptions, and treated the bank as if it existed to serve him personally. Our frontline staff felt intimidated. My compliance team flagged multiple concerning behavioral patterns and began picking up troubling signals about his reputation and the possible source of funds.

There were red flags in his dealings, and whispered stories in the market started surfacing.

That was when I learned one of my hardest, and most valuable lessons: **Character matters more than capital.**

We didn't wait. Despite the high balances and our initial comfort, we chose to exit the relationship early, professionally, and without incident. We returned his deposit, settled the facility, and moved on.

Some may have seen it as a missed business opportunity. I see it as a well-timed decision that protected the bank and reinforced the principle that not all that glitters is gold, and not every big client is worth keeping.

The Shift to Digital: Balancing Speed with Substance

As banking evolved, so did the dynamics between banks and SMEs. The first real shift came with the introduction of online banking. Suddenly, customers didn't need to call their RM to know their balance or see if a payment went through. It gave them independence and started redefining the RM's role. Access to real-time data empowered SMEs, but it also meant banks started expecting more proactive management and recordkeeping from their clients.

Then came the rise of digital banking, introducing paperless onboarding, automated scoring models, and online servicing capabilities. While full end-to-end digital lending is still evolving in our region, many elements have already transformed how SMEs and banks interact. These changes brought greater speed, efficiency, and accessibility, but also introduced a new kind of distance. In the past, relationships and trust often carried weight in credit decisions; today, data quality, digital behavior, and algorithmic thresholds are becoming equally, if not more, critical.

Many SMEs are still adjusting to this shift, specially those accustomed to traditional engagement models. I believe the future lies in a **balanced hybrid approach**, where banks continue to innovate while preserving human context, and SMEs embrace digital readiness by maintaining transparent, consistent communication through available channels. This dual effort is essential not only to improve outcomes but also to build a more inclusive and resilient financial ecosystem.

Chapter 4: When the Numbers Lie — The Illusion of Financial Statements

In SME banking, numbers matter, but not always in the way people think. A clean income statement or a neatly balanced sheet doesn't automatically equate to a healthy business. Over four decades of experience across Gulf markets have taught me one hard truth: financial statements, specially from SMEs, often hide more than they reveal.

Let's be clear, this is not always due to fraud or bad intentions. In many cases, SME owners lack proper accounting infrastructure. Their focus is on operations, customer service, and daily survival, not on reconciling accounts or generating reliable accrual-based reports. But sometimes, the figures are shaped to serve a purpose, often to appear stronger to lenders.

The Many Faces of “Creative Accounting”

I've reviewed thousands of SME financial statements over the years. Certain patterns emerge. Revenue is often inflated, sometimes through uncollected receivables booked as income, or by accelerating the recognition of sales. Costs, particularly owner-related expenses, may be underreported or disguised under vague heads like “consultancy” or “marketing.”

Inventory may be valued optimistically, even if slow-moving or obsolete. Receivables can appear healthy on paper but tell a different story upon aging analysis. Fixed assets may be booked at historical cost with no real depreciation policy, skewing net worth. And perhaps most concerning, many of these statements are “audited.”

The Audit Firm Paradox

In theory, audited financials should provide comfort. In practice, it depends on who did the audit. In the Gulf region, banks and financial institutions maintain internal classifications of audit firms. These range from top-tier international and trusted regional firms to unregulated or less reliable outfits whose standards may be not be acceptable.

Let me say this carefully, not all auditors operate with the same level of rigor. Some SMEs, knowingly or not, work with firms that may lack independence or technical competence. Others may engage in what I'll call “over-accommodation,” where material issues are overlooked in

favor of client relationships. As a result, banks often treat SME financials from lower-tier auditors as indicative, not definitive. This is why experienced credit officers are trained to go deeper. An audit opinion is just the starting point, not the destination.

The Banker's Toolbox: Reading Between the Lines

Seasoned SME bankers in our region don't rely solely on audited numbers. We've learned to read beyond the financials. Here's how:

Bank Statements as Truth Tellers

Bank statements remain the most reliable indicator of financial behavior. They show actual inflows, outflows, vendor payments, payroll activity, and cash patterns. Cross-checking reported revenues with bank deposits often tells a more realistic story.

Behavioral Consistency

A business that communicates clearly, delivers documents on time, and discloses issues voluntarily tends to be more reliable, regardless of what the income statement says.

Field Visits & Informal Observations

Visiting the site reveals things numbers can't, inventory buildup, employee morale, vendor relations, and real-time activity. Sometimes a single walk through a warehouse can challenge the entire cost of goods sold (COGS) assumption.

Document Cross-Verification

Comparing financials to VAT returns, payroll records, lease contracts, projects contracts, and supplier invoices often uncovers gaps or inconsistencies. It's about pattern recognition and common sense.

Receivables & Payables Aging

A client may show a strong bottom line, but if 80% of receivables are past 120 days, it's likely paper profit. On the liabilities side, a habit of rolling payables indefinitely signals stress.

Audit Opinion Quality

A careful review of the auditor's comments and noted, even in a "clean" report, may reveal qualifications, emphasis of matters, or scope limitations that weaken the credibility of the numbers.

Red Flags in Related Party Transactions and Owner Accounts

Other common practices include reporting owner withdrawals under "Owner's Current Account," despite there being no intention or mechanism to reimburse these amounts. Experienced bankers typically exclude these balances from equity calculations and treat them as a reduction in the owner's actual financial commitment to the business.

A stale or increasing owner's current account is viewed negatively, as it may signal low reinvestment discipline or even misuse of company funds, including possible diversion of bank financing proceeds.

Similarly, transactions booked under sister or affiliated company accounts as 'Due from Related Party' or 'Due to Related Party' are often questionable, specially when there is no documentation or repayment schedule. These are frequently used to cover up unfair or biased transactions or to shift funds informally within business groups. Lenders will often discount these items entirely during credit evaluation.

Another recurring issue is using borrowed funds in one legal entity to support another company, whether a new venture or an existing business under the same ownership, which lacks its own banking relationship. This cross-subsidization creates hidden risks and can lead to the collapse of both businesses if cash flows fail to meet obligations.

Why It Matters More in SME Lending

Unlike corporate lending, where detailed audit trails and financial controls exist, SME lending requires judgment. A misleading income statement can lead to over-lending, specially if the banker doesn't sense the warning signs.

In the absence of robust financial statements, cash flow measures and estimates become vital: customer concentration, seasonal trends, deposit volumes, bounced check history, and personal commitments all feed into the risk assessment.

A Call for Better Standards, Without Overburdening SMEs

While we must continue to scrutinize, the goal isn't to punish SMEs for weak statements. Instead, banks and regulators should support the development of SME-compatible financial reporting standards and certified bookkeepers. More initiatives like the "Qawaem" platform in Saudi Arabia or the financial literacy programs in the UAE and Oman are steps in the right direction. Standardized templates, simplified reporting for micro and small enterprises, and mandatory digital accounting tools can bring more transparency into the system.

Ultimately, financial statements are just one part of the story. It's the job of good bankers, and smart entrepreneurs, to make sure that what's between the lines is just as strong as what's on them.

One of the structural limitations we also face in our market is the lack of publicly available or **industry-accepted SME financial ratios or performance benchmarks by sector**. This absence makes it difficult for credit officers to conduct comparative analysis or ratio benchmarking, a standard practice in more mature banking markets.

Without an **industry average index**, each SME's figures exist in a vacuum, making the analysis more judgmental than data-driven. This reinforces the need for alternative validation methods and highlights the importance of creating such indices to enhance sector-level visibility and risk calibration in the future.

In the world of SME banking, the numbers don't always tell the whole story, and sometimes, they actively mislead. Financial statements, specially in environments lacking uniform audit standards or industry benchmarks, must be viewed with informed skepticism and appropriate understanding. It's not about distrusting every document but about recognizing that data without discipline can become dangerous.

This chapter has shown how experienced bankers use a broader lens, one that includes behavior, cash patterns, governance, and integrity, to see through the illusion of numbers. As the SME ecosystem matures, so must the tools and frameworks we use to evaluate it. The absence of industry benchmarks only amplifies the need for better practices, smarter regulation, and stronger partnerships between SMEs, banks, auditors, and policymakers.

Ultimately, financial statements should serve as a mirror of the business, not a mask. When we succeed in making them more reflective of reality, everyone benefits; lenders, borrowers, and the economy as a whole.

Chapter 5: The Art of the Field Visit — Reading the Business, Not the Paper

The SME Site Visit: Trust, Truth, and Tangibility

In SME lending, specially across Gulf markets where financial documentation is often incomplete, or not reliable, the field visit remains one of the most powerful tools in a banker's arsenal. When you can't trust the paper, you go see the business.

Why Site Visits Matter

Most SMEs in the region, particularly those owned by expatriates or managed by families, may not have audited financials or formal systems. A visit to their warehouse, retail outlet, or small office reveals what the numbers don't:

- Is there real business activity happening?
- Does the stock match the claimed turnover?
- Are staff confident, organized, and on task?
- How involved is the owner?
- Is there evidence of customer traffic, vendor movement, and operational rhythm?

Field visits allow bankers to see the pulse of the business firsthand. No financial ratio can replace the power of observing real behavior.

How Inspections Are Conducted

Best practice suggests that site visits should be jointly carried out by the Relationship Manager (RM) and either a Credit Analyst or a neutral Credit Risk Officer. This ensures objectivity, reduces bias, and strengthens the credibility of the report.

A typical SME field inspection includes:

- **Initial Observations:** Location type, foot traffic, customer interaction, and team demeanor.
- **Business Model Review:** The RM discusses operations with the owner, understanding how they generate revenue, how products/services are priced, and what competitive edge they believe they have.
- **Market and Vision Clarity:** Is the owner aware of their competitors? Do they speak confidently about market trends and where they see their business heading?
- **Succession and Ownership:** Who will take over if the current owner exits? Does the next generation participate?
- **Customers and Suppliers:** Are supplier invoices and customer contracts visible and verifiable? Do they rely on a single buyer or a few? This checks for concentration risk.
- **Finance Verification:** Engage the accountant or CFO for verification of key numbers, monthly sales, margins, receivables, payables, payroll, and taxes. This is verify with submitted documents.
- **Sales and Operations Insight:** Speak to the sales manager or operations lead. Are there sales plans? Are targets tracked? What happens if sales fall short?
- **Asset Inspection:** For businesses with machinery or fleets, these should be physically verified. Serial numbers, purchase dates, and condition all matter.
- **Human Capital:** Check key staff roles and morale. Staff turnover tells more than HR reports.

Cultural Sensitivity and Communication

Given the diverse mix of expatriate SME owners in the Gulf, from South Asian traders to Arab family businesses, site visits must be handled with cultural intelligence. Getting the owner to speak openly requires:

- Respectful tone and demeanor.
- Conversational questions, not interrogations.
- Listening more than speaking.
- Observing non-verbal cues.
- Read about his business and show that you are familiar with it.
- Asking open-ended questions like “What’s the biggest challenge you face this year?”

Field Visit Reporting and Use

Field visits should result in a structured report including:

- Key observations
- Risks identified
- Strengths noted
- Financial verification insights
- Relationship manager recommendation

This report is submitted to the credit team and added to the credit file. It becomes critical input for underwriting, specially when audited documents are weak or delayed.

Recognizing Red Flags During Field Visits

While field visits can offer invaluable insights into the operational and financial health of a business, certain red flags often emerge that experienced bankers learn to watch for. These indicators may not be captured in financial statements or loan applications but can signal potential issues with credibility, transparency, or the true nature of business operations.

Common red flags observed in the Gulf region include:

- Repeated attempts by the owner to stall or postpone the field visit meeting.
- The business owner delegates the meeting to another staff member without a valid reason or fails to attend.
- The owner is unfamiliar with key business metrics such as revenue, gross margins, or inventory levels.
- Exaggerated claims about the business size, partnerships, or future plans without supporting evidence.
- Presence of a high-net-worth individual or a well-known personality during the visit, seemingly for show or distraction.
- The business premises host multiple unrelated businesses, indicating possible rent sharing or unregistered operations.
- Inventory observed on site is primarily on consignment, which may not reflect real asset ownership.
- Office setup is excessively luxurious or spacious relative to the declared business performance.
- The owner is unable to communicate effectively in Arabic or English, which may hinder future clarity or accountability.
- The owner focuses more on personal assets (cars, villas, lifestyle) rather than discussing business fundamentals.
- The business operates in a trading district but primarily functions as a broker or middleman without real operations.

- Small teams managing large volumes of high-risk commodities without transparent governance or compliance.
- Offices functioning as administrative fronts for businesses operating primarily in the owner's home country.
- Signs of potentially fraudulent setups with inconsistent documentation or unverifiable claims.

Verification of Location and Legal Presence

Another essential part of a well-conducted field visit is the verification of the business's actual operating address. This must be cross-checked against the address stated on the application, Trade License, and Commercial Registration (CR). Inconsistent or false addresses are a red flag and may indicate an attempt to mislead the lender.

Inspectors should also confirm the location's existence on Google Maps or similar platforms, ensuring that the premises are legitimate and active. This step is particularly important when considering future collection efforts or initiating legal proceedings, as accurate address information is critical for due process and enforcement.

Lessons from the Field: Two Real-World Cases

In my early days of SME banking, I encountered two significant fraud cases that reshaped how I viewed field inspections.

The first involved a reputed auto dealership with a massive showroom filled with luxury vehicles like Aston Martins. Their second-floor offices were equally impressive, and their bank statements ran over 500 pages with frequent deposits. On paper and in person, everything seemed impressive. The Relationship Manager was captivated by the showroom and barely questioned anything else. However, it was all a well-planned illusion. The cars were on consignment, not owned by the business. The owner used the setup to convince multiple banks to grant loans, sold the cars, and then vanished. There was no credit bureau back then, and we failed to notice that the account activity showed nearly matched credits and debits in the early stages, a classic red flag.

The second case involved a well-known supermarket situated in a bustling residential community. It appeared to be thriving. The RM was invited for a visit and was handed a neatly organized file with all required documents, by a staff member. The owner was absent. All seemed in order, and the loan was approved and disbursed. But no installment was ever paid. Upon investigation, it was revealed that the owner had taken loans from several banks and disappeared. Despite the shop's operational appearance, the lack of direct interaction with the owner and overly perfect documentation were clear signs that were overlooked.

These cases highlight the vital role of thorough, experienced field visits. A strong process that goes beyond surface impressions could have helped prevent these costly missteps.

Final Note

Field visits are not just an SME formality, they are strategic. They build relationship depth, verify business health, and offer insights no system can generate. In markets where trust is a currency, a site visit remains the banker's most human, and effective, risk tool.

Bridging the Gap: Site Inspections in the Age of Digital Banking

As digital banking continues to transform the SME lending landscape, a natural question arises: *Can inspections and field visits be conducted digitally?*

The answer lies not in replacing field visits entirely, but in expanding them intelligently using digital tools, specially in markets like the Gulf where SMEs are increasingly tech-aware yet remain relationship-sensitive.

- **The Digital Field Visit: When Physical Isn't Feasible:** Digital inspections are particularly useful for:
 - Remote businesses with no formal premises.
 - Low-ticket loans where the cost of physical visits isn't justified.
 - Periodic follow-up or monitoring checks.
 - Emergency situations (e.g., pandemic restrictions).

Digital tools can include:

- **Live virtual tours via video calls** (WhatsApp, Zoom, Teams).
- **Pre-recorded video walkthroughs** of premises, inventory, assets.
- **GPS tagging and timestamping** to verify authenticity.
- **Geo-mapped address verification** via APIs (e.g., Google Maps, Wathq integration in Saudi Arabia).
- **E-signatures and digital submission of documents** linked to loan management systems.
- **Secure cloud folders** where clients upload photos of stock, equipment, or workspace.

But a digital field visit isn't just about checking images, it's about *engaging in a smart dialogue* through the screen, observing behavior, consistency of answers, and the general sense of operational legitimacy.

- **Supplementing Inspections with Data Science:** Today's digital banks can extract SME behavioral patterns without stepping into their offices:
 - **POS (Point of Sale) data:** Consistency of transactions and cash inflow

- **Open Banking APIs:** Access to real-time bank transactions, inflows/outflows, cross-bank exposure.
- **VAT filing data:** If permitted, shows revenue reliability.
- **Logistics partner data:** Delivery volumes and destinations.
- **E-commerce dashboards:** Revenue from online platforms.

This builds a “**digital twin**” of the SME, layering observational insights without physical presence.

- **The Hybrid Future: Human Insight + Digital Proof:** While fully digital inspections are becoming more capable, relationship-driven banking in the Gulf still values trust and face-to-face interaction. Therefore, the real opportunity lies in:
 - Doing the first assessment physically for new clients or large loans.
 - Using digital methods for renewals, follow-ups, or top-ups.
 - Leveraging video interviews to build comfort and rapport.
 - Deploying branchless field teams with mobile tools to digitally collect on-ground data in real-time.
- **Digital Red Flags to Watch For:** Even in digital inspections, red flags can show up:
 - Refusal to show live premises or share live video feed.
 - Inconsistency between documents submitted and what’s visible in the video.
 - Blurry ownership of assets (e.g., consignment stock, co-working spaces).
 - Pressure to process quickly, lack of openness to interviews.
 - High polish with no historical digital footprint (e.g., zero LinkedIn, zero past transaction history).
 - These red flags still require a human touch to interpret and validate.

Final Thought:

Digital banking doesn’t eliminate field visits. It makes them smarter, scalable, and more strategic. When used correctly, it gives banks the best of both worlds, efficiency from automation, and depth from human judgment.

Chapter 6: What I Wish Every Business Owner Knew

After decades of sitting across from SME clients, some seasoned, many new, and most somewhere in between, I’ve come to realize there are things I wish every business owner truly understood about finance, lending, and working with banks. These aren’t theories or technical tips. They’re practical insights drawn from real-world experience. If more entrepreneurs internalized these, the SME world would face fewer heartbreaks and more sustainable growth.

Business is Not Personal – But Your Reputation Is

Banks and lenders aren't judging your character in a personal sense, but your business conduct matters. Your credit behavior, communication style, and reliability are part of your financial DNA. Late payments, bounced cheques, or disappearing when things get tough, these are red flags no Excel sheet can fix. Be professional, responsive, and consistent.

Cash Flow is King, Not Your Turnover

Many SMEs brag about monthly sales but forget that it's not revenue that pays the bills, it's free cash flow. Understand your payment cycles, working capital needs, and keep reserves. A profitable business can still go bankrupt if it runs out of liquidity.

You Don't Need to Know Accounting, But You Must Know Your Numbers

You don't need to be a CPA, but every business owner must understand their income statement, cash flow, and break-even point. Know your margins, fixed vs. variable costs, and seasonality. And yes, know your bank balances and receivables aging, every day.

Growth Can Kill — If It's Not Funded Right

Many businesses grow themselves into crisis. Adding branches, staff, or inventory without funding plans can choke your cash flow. Overtrading is one of the top reasons good SMEs stumble. Always align your growth with your financing strategy.

Banks Are Not Risk Partners, They're Risk Managers

A bank is not your investor or co-founder. It's there to lend responsibly and be repaid. The bank wants to see that you've thought about repayment more than expansion. The less risky you look, the more likely you'll be approved, and at a better rate.

Digital Behavior is Now Part of Your Credit Profile

Digital banking is no longer optional. Your online behavior, from consistency of inflows to the use of payment gateways and invoice records, is now part of how credit decisions are made. Clean, verifiable digital footprints matter. So does your responsiveness over digital channels.

You Don't Have to Be Big to Be Bankable — Just Transparent

Banks aren't only looking for size; they're looking for clarity. A small but well-documented business is easier to underwrite than a large but opaque one. Share your business plan, contracts, key clients, and operational model clearly. That builds confidence.

Silence is Expensive — Communicate Early and Often

If you face a financial difficulty, say it. If you expect a delay in payment, communicate. Banks are more willing to help a transparent client than one who vanishes under pressure. Silence often triggers downgrade, recovery, or legal actions, sometimes unnecessarily.

Your Banker Can Be Your Ally — Use Them Wisely

A good RM isn't just a service point, they can be your advisor, advocate, and internal sponsor. Involve them in your plans. Keep them updated. Let them know when things go wrong and when they go right. Relationships matter, even in the age of digital banking.

Fix the House Before You Invite Guests

Before applying for finance, fix your fundamentals. Clean up your books, get your licensing in order, train your team, and organize your documents. It's not about pretending to be perfect, it's about showing that you take your business seriously.

Not Every Idea Is a Business — And Not Every Business Will Raise Funds

Many successful businesses, specially in fintech, began with a distinctive idea, something new, bold, or disruptive. But having a clever idea is only the beginning. Before launching a venture, ask yourself the hard questions: Does this idea generate revenue? Is there a real, unmet need for it? Will people pay for it? If the answer isn't clear, then passion alone won't carry it. You can't build a business just because *you* love the idea. That's a hobby, not a business model.

Capital is Scarce, Selective, and Rarely Free.

Don't fall into the illusion that investors are waiting around the corner with open checkbooks. For every startup that gets funded and makes headlines, there are hundreds more that quietly run out of cash or never get noticed. The media celebrates the few who make it, not the many who don't. If your idea is worth building, be ready to fund it yourself in the beginning, develop a minimal viable product (MVP), and prove its commercial value. Investors might come later, once you've done the hard part.

Be Ready, Stay Liquid

COVID-19 taught us that "force majeure" is no longer fine print, it's a real risk every SME must plan for. Having a tested Plan B is essential. Just as important is managing cash flow daily; many profitable businesses collapsed simply because they ran out of liquidity. Your cash flow statement should be your most trusted tool, reviewed every morning, and built professionally.

Every SME Needs an External Auditor

Many SMEs underestimate the value of hiring an independent auditor, but it's essential for both business credibility and sound decision-making. An external auditor provides an objective review of your financial records, ensures compliance with accounting standards, detects fraud or internal errors, and increases the trust of banks, investors, and regulators. Relying solely on in-house accounting, no matter how advanced your system, cannot replace the assurance of a professional third-party audit.

Strong Collections Make or Break an SME

Effective receivables collection directly impacts a business's profitability and cash flow. A structured collections process minimizes bad debts, improves liquidity, and supports sound decision-making by highlighting customer risks early. While both finance and sales teams play a

role, a dedicated collections function ensures consistent follow-up, timely alerts, and proactive control, specially vital in fast-moving SME environments.

Pricing Strategy — More Than Just Cost Plus

Many SMEs rely solely on cost-plus pricing, leading to thin margins, cash flow strain, and limited access to credit. Strategic pricing requires thorough market research, risk assessment, and accurate cost mapping, from procurement to delivery. It must align with the business's marketing strategy and financial goals, using models like premium, economy, or penetration pricing to stay competitive and profitable.

Listening — The Most Underrated Leadership Skill

For SME owners with limited skilled resources, listening is a powerful yet underused tool. It fosters engagement, reveals early issues, and builds trust, all without financial cost. By giving your team genuine attention and valuing diverse perspectives, you gain insights that no report can provide. In today's workforce, specially with younger generations, being a good listener defines true professionalism and leadership.

Failure or Feedback? A Mindset Shift Every SME Needs

As Chuck Swoboda wrote in Forbes (Aug 24, 2020), "The most successful people... don't classify [unsuccessful attempts] as failures; instead, they embrace them as learnings." This mindset is essential for SME owners navigating daily challenges. Setbacks are part of growth, not signs of incompetence. The goal isn't to avoid failure, but to extract insight from it, turning mistakes into strategic advantages. When you start treating failure as feedback, you'll make bolder, smarter decisions.

Sales vs. Savings — Striking the Right Balance

In booming times, everyone focuses on sales; in crises like COVID-19, suddenly everyone thinks like a CFO. But a truly resilient business balances both mindsets year-round. Frontliners must pursue clean, genuine deals with a focus on timely delivery and collectability. Meanwhile, Finance must set clear, practical policies aligned with company goals, enabling the sales force to drive revenue efficiently and sustainably. Success comes when cost and benefit are considered at every level, and communication of risks and rewards is honest and transparent.

Chapter 7: Red Flags and Gut Feelings — The Soft Skills of Lending

Defining "Gut Feeling" — The Banker's Inner Radar

Gut feeling, often described as intuition or instinct, is not merely an emotional reaction. In the world of SME lending, it represents a deeply deep-rooted, subconscious alert system formed by years of experience, accumulated knowledge, and exposure to hundreds of business cases. It draws from scientific standards, benchmarking practices, and a mental library of past interactions, subtle cues, and behavioral patterns. For a seasoned banker, a gut feeling is often the first signal that something is off, before any spreadsheet confirms it.

In SME banking, no matter how advanced the models, dashboards, or automation become, the human element can never be fully replaced. Specially in the Gulf, where family-owned and expatriate-run businesses dominate the SME landscape, the ability to read between the lines, observe behaviors, and pick up subtle cues is a vital skill every good banker must develop.

Why Soft Skills Still Matter in a Digital World

Digital banking is transforming how SMEs are onboarded, assessed, and serviced. Systems now fetch bank data, analyze spending patterns, and score applicants using AI. However, while automation is excellent at flagging anomalies in data, it still struggles with nuance: tone of voice, evasiveness, overconfidence, or how a business owner behaves when asked tough questions.

That's where the banker's intuition comes in.

In a digital environment, the new challenge is how to preserve the wisdom of human judgment while scaling with technology. This means integrating red flag detection and soft-signal inputs into workflows, both digitally (through case notes, flags, site inspection triggers) and through training of frontline and risk teams to apply judgment alongside data.

Patterns and Red Flags to Watch For

Over the years, experienced SME bankers across the Gulf region have come to recognize certain behavioral and operational patterns that don't show up in audit reports or credit scoring systems but often signal underlying issues. These soft indicators, when observed together, can form a clear risk picture:

- **The "Too Good to Be True" Package**
A client presents an overly organized, fast-tracked application. Every document is flawless, numbers are strong, and references are glowing, with no room for friction or questions. This often signals coaching by a third party or aggressive shopping for the fastest bank approval.
- **Mismatched Confidence**
An applicant speaks passionately about personal success, family wealth, or real estate holdings, but hesitates when asked about business margins, operating costs, or customer concentration.
- **Focus on Speed and Pressure**
Urgent requests like "I need this done fast," or comparisons to other banks ("Your competitor is already approving me") are often used to bypass thorough due diligence.

- **High Volume, No Substance**
Businesses that claim very high turnover but provide little explanation of operations. This is common in general trading firms, where descriptions like “buying and selling” lack clarity about supply chains or counterparties.
- **Owner Missing from the Equation**
A staff member, not the owner, submits the application. If the owner is consistently unavailable, specially without power of attorney, it may point to poor governance or proxy-driven operations.
- **Emotional Responses to Routine Questions**
Getting defensive when asked about tax filings, delayed receivables, bounced cheques, or staff turnover. This may indicate deeper management or compliance issues.
- **Evasion on Address or Setup**
Unclear or unverifiable office addresses, reluctance to provide trade license details, or ambiguity about company structure can be signs of shell entities or unstable operations.
- **Frequent Changes in Auditors, CFOs, or Finance Managers**
While some changes are natural, repeated replacements of key financial personnel, specially within short intervals, often suggest internal instability, conflicts, or attempts to manipulate financial reporting.
- **Change in Main Product Lines or Suppliers Without Clear Justification**
Sudden shifts in business model, supplier base, or product focus, particularly if they are not aligned with past performance or disclosed plans, may indicate distress, opportunism, or deeper strategic confusion.
- **Adding or Losing a Business Partner Abruptly**
The sudden exit or entry of a key partner, specially without explanation or updated legal documentation, can point to unresolved disputes, asset splits, or shifts in control that the bank should reassess.

Real-World Cases That Sharpened My Gut

A well-established contracting firm with a reputable owner and a long successful track record began expanding aggressively during the real estate boom. The business, which had built a strong banking relationship, started seeking large volumes of bank guarantees to support its bids for new projects. At first, this was seen as a positive sign of growth. However, the Relationship Manager failed to assess whether the business could operationally and financially handle the volume of new contracts. The RM also failed to advise the client. Within months, funding requests exceeded approved lines, and the firm began to struggle. Collections lagged,

execution faltered, and the company defaulted. Eventually, the bank had to restructure the exposure, a lesson in unchecked optimism.

Applying Red Flag Detection in Digital Lending

In digital lending, site visits are often optional. But red flag mechanisms can still be designed:

- Mandatory video interviews during onboarding for medium-risk cases.
- Trigger-based field inspections (e.g. luxury asset exposure + poor tax records).
- Scoring adjustments for inconsistencies in self-reported vs. system-fetched data.
- Chatbot escalation when clients answer evasively.
- Mandatory digital trail of communication, raising flags when documents are too polished, or applications skip key data.

And most importantly, every digital lending team must maintain a manual red flag logbook and train the credit and product teams to analyze these patterns over time. Gut feeling can now become shared institutional intelligence.

Early Warning and Tracking Systems in SME Lending

In my early experience, having built and led the first SME Banking unit in a local bank, I developed and implemented an Early Warning and Tracking System (EWTS) using basic Excel sheets. I assigned a dedicated staff member to monitor early signs of portfolio deterioration. This hands-on approach provided timely insights and helped proactively manage emerging risks.

Recognizing the unique challenges in SME lending, I also established a dedicated Screening Unit to review all incoming credit applications from the sales team. This not only improved the quality of submissions but also increased credit awareness among relationship managers and frontline staff.

Additionally, I introduced a soft collection process for accounts in the 1–29 days past due (DPD) category, assigning responsibility directly to the sales team. As the primary customer contact, they were better positioned to engage early and constructively, while also reinforcing their accountability toward portfolio performance.

In later years, with evolving practices and further exposure across multiple banks, these elements became standard in leading SME banking units. EWTS tools were upgraded and automated through integrated dashboards and real-time alerts. Screening units evolved into centralized credit review desks, and soft collections by the sales force became institutionalized as best practice across the sector.

This progression underscores how structured operational models, when built on practical insights and continually refined, can scale effectively with digital banking platforms.

Final Thoughts

Gut feeling is not guesswork, it is the product of pattern recognition built over years of lending experience, shaped by real cases, setbacks, and the accumulated knowledge of what makes a business succeed or fail. While digital tools offer speed, consistency, and scalability, they still lack the nuanced insight that comes from human interaction, context, and judgment.

That is why the most effective SME lending models are hybrid in nature. They leverage automation for data gathering, scoring, and monitoring, but leave space for human interpretation, early warning triggers, and field-level insights. Tools like Early Warning & Tracking Systems, screening units, and proactive engagement protocols are not just support mechanisms, they are essential safeguards against hidden risks.

In a region where businesses are often family-run, personality-driven, and fast-moving, success comes from balancing technology with wisdom. It means listening to your gut, validating it with data, and building a culture of vigilance and accountability across both digital and human touchpoints.

In the end, trust your instinct, but always follow it with investigation, structure, and sound risk practices.

Chapter 8: The Good, the Bad, and the Partner — Lending to Partnerships and Families

In the world of SME lending, dealing with partnerships and family-owned businesses is both common and complex, specially in the GCC market. Unlike corporate borrowers with formal governance structures, SMEs in our region often operate based on trust, family dynamics, verbal agreements, and informal leadership transitions. This creates a unique risk profile for banks and lenders.

This chapter explores the realities of lending to partnerships and family-run businesses, drawing from lived experience, cultural context, and hard-earned lessons. We'll explore the warning signs, the best practices, and the importance of balancing relational trust with institutional discipline, specially in a digital banking environment where personal dynamics are harder to observe remotely.

Understanding the Partnership Structure

In this region, partnerships are often formed between friends, relatives, or long-time business acquaintances. On paper, all may appear equal. In reality, roles are often poorly defined. The business might be run by one dominant partner while others play passive roles or operate parallel businesses. These informal arrangements can work well, until they don't.

Lenders must be cautious of cases where:

- One partner controls all finances, while others are unaware of key transactions.
- Profit-sharing disputes arise, specially when earnings are reinvested.
- Partners begin to withdraw cash or assets without proper documentation.
- Disagreements spill into legal action, freezing business operations.

In such settings, it is crucial for banks to insist on clear, updated partnership agreements, authorized signatories, power-of-attorney documentation, and consent of other partners, specially for digital banking, where verification of authority must be automated but precise.

Case Study: When Family Ambition Outpaces Governance

A long-established, family-owned business in the region had earned its reputation through decades of steady success in real estate rental and property management. The founding father, a highly respected entrepreneur, built the business methodically, developing a loyal client base and cultivating a reputation for reliability. As the business matured, he diversified into the food and beverage sector by launching a traditional restaurant, which became a local favorite.

All business documentation and banking relationships remained under the father's sole name. He was the exclusive point of contact with the banks. Despite the company's apparent stability, it had changed three CFOs and three external auditors over just three years, an early warning that was not taken seriously.

When his sons joined the business, one took over the real estate arm and began deviating from the father's conservative approach, prioritizing short-term profits and implementing aggressive leasing strategies. Long-term tenants began leaving, replaced by transient clients who often paid via postdated cheques. To enhance liquidity, the family discounting these rental cheques with the bank. However, when tenants defaulted, the cheques bounced, and the bank took notice.

At the same time, another son initiated a high-end restaurant venture, using funds diverted from the real estate arm. This project suffered delays and mounting costs. By the time the upscale restaurant opened, the original one had already shut down, and the property portfolio was under strain.

The bank intervened, pushing for early settlement due to the series of dishonored instruments. Ultimately, the family was forced to restructure their loans, increase collateral using the father's personal assets, and downsized operations. This case reflected the dangers of emotional decision-making, poor succession planning, and lack of structured governance in family-run businesses. Not to mention bank delayed reaction to early warning signals.

Case Study: When Partnership Gaps Lead to Financial Gaps

A successful building materials trading business, jointly owned by two partners, had a strong market presence and regular cash flow. Over time, one of the partners became increasingly silent and unreachable. The other partner continued operations as usual, unaware of underlying risks building up.

Debt obligations began to mount and supplier payments started stalling. The bank, sensing distress, investigated and discovered that the silent partner had been informally withdrawing capital and disengaging from the business. With no clause in the partnership agreement outlining partner exit or oversight, the bank found itself without clear legal recourse.

This situation highlighted the importance of active partner involvement and the need for enforceable partnership clauses in SME lending. A simple legal safeguard during onboarding, or more diligent monitoring of partner engagement, could have reduced the risk significantly.

Lessons for Lenders: Dealing with Family and Partnership Structures

Lending to family-owned businesses and partnerships in the Gulf requires not just financial acumen, but a careful understanding of internal dynamics, ownership clarity, and governance stability. Here are key lessons that every SME lender should internalize when engaging with such clients:

Always Meet All Active Partners or Family Members Involved in Decision-Making

Do not rely solely on a single representative, specially in family-run firms. Request to meet all key individuals involved in operations or financial decisions. During these interactions, observe interpersonal dynamics:

- Is one individual dominating the discussion?
- Are others disengaged or hesitant?
- Are there signs of disagreement or unclear roles?

Such observations can reveal potential future disputes or decision-making bottlenecks.

Verify Legal Ownership and Mandate Structures — Then Match Them to Practice

Always validate the company's legal ownership and ensure the same is accurately reflected in:

- Bank account mandates
- Signing authorities
- Financing documents
- Digital access privileges

If the business is legally owned by one person but operationally managed by others (as is often the case in family businesses), formal documentation of delegated authority is essential to avoid future disputes.

Stress-Test Financial Assumptions Based on Family or Partnership Scenarios

When assessing financing based on projected cash flows or expansion plans, stress-test the model:

- What happens if one partner pulls out?
- If the father steps back, are the sons capable of maintaining operations?
- If new investments are made, how will they be funded without destabilizing the core business?

Build alternate scenarios to identify pressure points, specially in ventures heavily influenced by emotion rather than commercial logic.

Use Digital Tools to Revalidate Authorizations and Monitor Structural Changes

In digital SME lending environments, misrepresentation of authority or silent shifts in control can occur more easily without in-person contact. Lenders should:

- Require periodic digital reaffirmation of partner mandates (via UAE Pass, Nafath, etc.).
- Flag frequent changes in authorized signatories or ownership in the system.
- Monitor changes in login behavior, user access rights, or document submitters.

An automated alert system can help detect structural drift early, before it becomes a risk event.

Watch for Early Governance Warning Signs

Track and investigate red flags such as:

- Frequent changes in CFOs, finance managers, or external auditors.
- Sudden shifts in business model or core suppliers.
- Addition or departure of partners or family members without formal notification.
- Emotional financial decisions made under pressure from within the family.

These signals are often precursors to operational or financial instability.

Final Thoughts

In the GCC region, relationships are central to doing business. But lenders must draw the line between trust and blind optimism. Lending to partnerships and families requires both cultural sensitivity and professional caution. A strong relationship manager will respect the family dynamics but structure the facility as if something will go wrong, because eventually, it often does.

The real strength in SME banking lies in respecting the complexity of these relationships, asking the uncomfortable questions, and building safeguards that outlast personal harmony. Digital

banking must not lose sight of this human layer; it must encode it into smarter lending frameworks.

Chapter 9: Growing Pains — When Success Becomes a Risk

In SME banking, the danger often doesn't lie in the struggling businesses. The greater risk is sometimes in those that appear to be thriving. When companies grow too quickly, expanding operations, taking on larger contracts, or diversifying into new areas, they can outpace their operational, financial, and managerial capacity.

This chapter explores how unchecked growth, if not paired with strategic controls and realistic planning, can turn a success story into a default case.

When Growth Becomes a Risk — The Unspoken Tipping Point

Across the region, many SMEs begin as lean, founder-driven enterprises. These businesses thrive on personal oversight, tight cost control, and a hands-on approach to operations. But as they grow, success brings complexity. They evolve from simple structures into more layered organizations, often without the systems, discipline, or financial rigor required to manage scale. What starts as a promising expansion can quickly turn into a vulnerability. Success becomes a risk when:

- **Growth is financed primarily through borrowing**, without sufficient equity injection or reinvestment of profits. This leads to overleveraging, with cash outflows for debt servicing outpacing the business's ability to generate income.
- **SMEs rely heavily on short-term supplier credit** while offering long credit terms to their own customers, creating a structural cashflow mismatch that drains liquidity.
- **There is no clearly defined or enforced credit sales policy**, leading to excessive exposure to risky clients, and inadequate collection follow-up. Sales teams celebrate revenue, but receivables balloon, many of them uncollectible.
- **Product and service pricing is not properly calibrated to reflect real costs**, risk, or inflation, often due to market competition or the owner's reluctance to revise legacy price lists. Margins shrink, and profitability erodes.
- **The business expands into unfamiliar sectors, customer segments, or geographies**, without a solid operational plan, risking capital and distracting from core strengths.
- **The company overspends on new branches, projects, or inventory** without matching cash inflows. Premature investments become dead weight on the balance sheet, consuming cash and yielding low or delayed returns.
- **The team lacks the managerial depth to handle increased complexity**, and the founder struggles to delegate or install proper governance, leading to erratic decisions and operational gaps.

In short, success, if not matched with sound financial planning, clear internal controls, and structured credit management, can overwhelm an SME just as quickly as failure. And unlike early-stage struggles, which attract support and sympathy, problems arising from mismanaged growth often come with far greater financial consequences.

The Role of Banks in Fueling Uncontrolled Growth

In competitive banking environments, many SME lenders feel compelled to accelerate loan disbursements to meet aggressive sales targets. This pressure often leads to over-reliance on historical financials, strong turnover, healthy margins, or timely repayments, while overlooking the borrower's actual ability to deploy the new funds effectively. Too often, the stated loan purpose is a vague "business expansion," with little to no validation of execution plans, feasibility, or measurable outcomes.

Some banks justify approving larger, unsecured cash loans by claiming they have "priced the risk," charging higher interest rates to compensate for potential defaults. While this may cushion some losses statistically, it does not mitigate the actual risk of default. In fact, burdening an SME with excessive pricing can increase the likelihood of delinquency, as the high repayment obligations strain cash flows and reduce financial resilience. A defaulted loan at a high rate is still a default and may cause greater disruption to both borrower and lender.

What worsens this dynamic is when lenders neglect proper post-disbursement monitoring. Borrowers may divert funds to unrelated ventures, speculative investments like IPOs or real estate, or even personal expenses, all of which fall outside the SME's core income-generating activities. In some instances, banks have disbursed loan amounts that far exceed the SME's realistic needs or operational maturity, simply to help Relationship Managers hit targets. Ironically, what begins as a reward for strong past performance ends in financial distress, not because the SME failed, but because the capital injection was mismatched, unchecked, and poorly structured.

Real Case: Cash Loans that Broke the Business

A well-established and profitable logistics company applied for a SAR 2 million cash loan, presenting an ambitious expansion plan into a neighboring GCC country. The financials looked solid, healthy revenues, strong margins, and consistent performance over the past few years. Based on this track record, the bank approved the loan with minimal hesitation.

However, while the numbers looked good, the bank failed to evaluate the expansion plan in depth. There was no operating license yet obtained in the target country, no signed contracts, no confirmed customers, just verbal assurances and a stated intent to "capture regional growth." The risk assessment was tilted heavily in favor of past performance, with little scrutiny of the future strategy or execution readiness.

Once the loan was disbursed, the company diverted the funds across multiple uses. A portion was spent on leasing an upscale office in the new country, even before operations began. Another substantial portion was invested in the stock market, based on the owner's belief that he could make quick capital gains and then reallocate the profits to the business. The decision was largely influenced by a friend's advice, not professional counsel, and the owner had no prior experience in equities trading.

Unfortunately, the market turned. The investments lost value rapidly, and the owner was reluctant to exit at a loss. As liquidity got locked in, the core logistics operation back home began to feel the squeeze, delayed vendor payments, missed payrolls, and declining service quality.

By the end of the first year, the company missed its first loan installment. By mid-second year, the account went into default. The expansion never materialized, and the speculative bet in the stock market backfired. The lesson was painful, not just for the business owner, but for the bank, which had relied too heavily on historical performance and overlooked the need for deeper due diligence into the actual loan purpose and execution capacity.

Risk Controls and Purpose-Based Lending in SME Finance

In SME lending, particularly within digital platforms, risks often emerge after disbursement, when funds are misused, diverted, or deployed into poorly planned ventures. Traditional underwriting tends to emphasize historical performance, but real control must extend beyond approval. Purpose-based lending, combined with strong post-disbursement oversight, is essential to ensure that borrowed funds drive productive, revenue-generating activity.

To mitigate post-disbursement risk, the following integrated controls and practices should be embedded into the credit framework:

- **Purpose Verification and Tracked Disbursement**
 - **Mandatory Documentation:** Require supporting documents such as supplier invoices, signed contracts, equipment quotations, or site photos before releasing any funds.
 - **Tranche-Based Disbursement:** Break down loan releases into stages linked to clearly defined project milestones (e.g., contract signed, equipment delivered, construction stage completed).
 - **Use-Tagging and Monitoring:** Tag each approved loan with a business purpose and category (e.g., inventory, machinery, expansion) and monitor fund flows via connected accounts and payment tracking APIs.
 - **Vague Purpose Escalation:** Flag generic loan purposes such as “business expansion” or “working capital” for enhanced scrutiny. Route them to credit committee review when not supported by verified execution plans.

- **Dynamic Risk-Based Lending Framework**
 - **Segment-Based Risk Settings:** Loan amounts, tenors, and pricing should be calibrated based on borrower profile (e.g., business activity, sector risk, borrower experience), not a one-size-fits-all policy.
 - **Adaptive Product Credit Programs:** Treat product programs as living documents, regularly reviewed and adjusted based on market shifts, performance data, and regulatory guidance.
 - **Revisable RAC:** Risk Acceptance Criteria (RAC) should be flexible and updated based on emerging risks, sectoral exposures, and borrower behaviors.
- **Real-Time Portfolio Intelligence**
 - **Granular Dashboards:** Provide real-time dashboards to credit and risk teams to track portfolio health across every meaningful dimension, sector, region, nationality, gender, legal form, revenue size, and risk grade.
 - **Disaggregation by Segment:** Use data analytics to detect early concentration risk or deteriorating trends in specific borrower segments.
- **Enhanced Post-Disbursement Safeguards**
 - **EWTS Integration:** Early Warning and Tracking Systems (EWTS) must be embedded into product program lending to track soft signals such as DPD shifts, deposit drops, bounced cheques, or behavioral anomalies.
 - **Avoid Long-Term Cash Loans:** Discourage large, unsecured long-tenor loans with undefined uses. Instead, prioritize:
 - **Short to Medium-Term Lending**
 - **Purpose-Specific Disbursements**
 - **Vendor or Payee-Directed Payments**
 - **Repayment Linked to Cash Flows:** Tie repayments to receivables from defined buyers, developer disbursements, or sales proceeds routed through monitored payment gateways.
 - **Second Recourse Requirements:** Where possible, structure loans with second recourse or co-obligor guarantees to reinforce recoverability in case of diversion or failure.

By integrating these controls into digital lending systems, banks can shift from reactive to proactive credit risk management. The goal is not only to approve loans safely, but to ensure they serve their intended economic purpose, reduce misuse, and enhance portfolio sustainability.

Final Thoughts

In SME finance, the real danger often begins **after** the loan is approved.

While traditional credit assessments focus on historical financials and business stability, lenders must realize that **past performance is no guarantee of future discipline**, specially when fresh

capital enters the system. Many defaults don't arise from weak businesses, but from strong businesses that tried to grow too fast, too broadly, or without structure.

What turns a well-performing SME into a distressed account is often not external shocks, but internal missteps, poor planning, misuse of funds, speculative behavior, or simply exceeding their operational maturity.

Some banks argue that higher risk can be offset by charging higher interest rates. But pricing alone doesn't prevent default. On the contrary, higher rates can increase borrower strain, reduce repayment capacity, and accelerate delinquency.

A bad loan at a high rate is still a bad loan, and often a faster one.

The Role of Digital Lending and Embedded Finance

The good news is: **Digital banking can fix this**, not just with faster approvals, but with **smarter disbursements**.

Through embedded finance, lenders can integrate directly into the SME's commercial ecosystem to enforce purpose-driven lending. For example:

- **SME suppliers** can receive financing that is routed directly to a large corporate buyer, or vice versa. A small manufacturer supplying a top retailer can receive working capital only after a purchase order is confirmed and disbursement can go directly toward fulfilling that order. Repayment can be automatically collected when the buyer settles the invoice.
- **Clinics and healthcare providers**, often SMEs, can receive financing linked to **insurance receivables**. Funds can be disbursed based on verified claims submitted to the insurer. Repayments can be deducted when the insurance company settles.

This model ensures that funds are not only **used as intended**, but that repayments are tied to the actual cash inflows generated by the business activity. This reduces misuse, enhances repayment predictability, and keeps the loan aligned with the borrower's cash cycle.

Digital tools also allow for:

- Real-time validation of contracts, invoices, or milestones.
- Tranche-based disbursement tied to workflow triggers or API connections.
- Repayment deduction via connected accounts, payment gateways, or buyer payouts.
- Loan tagging and monitoring to detect early warning signals.

This is the future of SME finance in the Gulf, and a necessary evolution if we want to lend more but **lose less**.

Final Reflection

Growth is good, but only when it's structured, verifiable, and matched with real capacity. As lenders, we must shift from simply enabling ambition to engineering sustainable expansion. That means replacing vague trust with data, automation, and embedded control.

When digital lending is combined with real-world insight, embedded data, and a clear economic purpose, we no longer just approve loans, we build resilience, unlock productivity, and support responsible growth.

This is why **purpose-driven lending** is not just a best practice, it's a necessity. In the digital era, where disbursements are faster and documentation is lighter, risk control must evolve from being pre-disbursement focused to full-cycle vigilant.

Growth is good, but only when it's earned, planned, and supported by the right systems. Lenders must stop rewarding good numbers with blind capital. Instead, they must reward clarity of purpose, readiness to execute, and discipline to grow sustainably. The best credit decisions today are those that balance ambition with structure and protect both the borrower's future and the lender's balance sheet.

Chapter 10: Fix It or Fold — Turnaround Tactics That Work

Every SME banker in the Gulf eventually faces the same question: what do you do when a business starts to slip? It's not yet in full default. The owners are still trying. The signs of stress are there with missed payments, quiet calls from suppliers, delayed salaries, but the business hasn't crashed.

This is the gray zone where real lending skills are tested. Do you double down and restructure? Do you exit early and minimize losses? Or do you help the client reset and recover?

In the GCC region, where reputational sensitivity and relationship dynamics often run deep, the answer isn't always financial. It's strategic, interpersonal, and case-by-case.

When a Loan Becomes a Lifeline

Too often, SME lenders confuse restructuring with recovery. They think rescheduling a few payments or offering a temporary grace period equals a turnaround. But unless the underlying issues are diagnosed and addressed, these moves only delay the inevitable.

The key is to treat each turnaround as a transition stage, stabilize the patient, identify the root cause, and intervene with urgency and clarity.

Common Signs a Business Needs Immediate Turnaround Support:

- Multiple delays in loan or supplier payments.
- Drop in customer activity, orders, or foot traffic.
- Owner becoming distant, unresponsive, or emotionally reactive.
- Key staff departures or layoffs.
- New and unusual requests for urgent working capital.
- Frequent bounced cheques or postdated payments.
- Deteriorating credit score or mounting receivables

Categories of Business Distress

Not all failing SMEs are the same. A useful way to approach turnaround is to segment the cases:

- **Operationally Sound, Financially Stressed**
 - The business model works, but cash is stuck in receivables or bad contracts.
 - A clean-up of working capital, coupled with supplier negotiations, may be enough.
- **Strategically Lost, Emotionally Driven**
 - Owners are chasing too many ventures or personal investments.
 - Requires difficult conversations and tough love, helping them focus or exit cleanly.
- **Overexposed to a Single Client or Sector**
 - A key buyer leaves or delays payment.
 - Needs diversification and possibly mediation with the client.
- **Internal Conflict or Partner Dispute**
 - Often seen in family businesses or loosely defined partnerships.
 - May require restructuring of ownership or legal separation of divisions.

The Banker's Role in Turnarounds

Your job as a banker is not just to say “yes” or “no”, rather it is to assess, support, and steer. In successful turnaround cases, bankers played roles like:

- Mediator between suppliers and the SME to delay collection.
- Advisor to the SME owner on asset sales, branch closures, or staff reduction.
- Conduit to legal, accounting, or consulting professionals.
- Advocate within the bank to get short-term breathing room approved.
- Monitor of recovery KPIs, weekly cash flow, invoice collection, cost-cutting

Digital Tools That Help

Digital banking has made turnaround support more proactive:

- **Early Warning Systems (EWS):** Alerts from bounced cheques, reduced deposits, or inactive accounts trigger timely interventions.
- **Banking APIs:** Allow lenders to track inflows/outflows in real-time to ensure recovery plan adherence.
- **Automated Dashboards:** Help banks monitor a portfolio of stressed accounts and prioritize intervention.

Restructuring: Delay or Deliver?

In practice, most restructuring cases don't succeed because they are either done too late or done too lightly. Many lenders, specially when under internal pressure to avoid NPL classification, opt for cosmetic restructures, temporary extensions, grace periods, or payment holidays, hoping the customer will recover on their own. But what they often do is delay the inevitable.

A restructuring that doesn't address the root cause is not a recovery strategy, it's just postponing bad news. In my experience, the majority of second or third restructures are signs of a deeper failure: either the lender didn't get it right the first time, or the borrower wasn't ready to change, or there are deeper hidden issues.

If a lender must restructure, it should be done decisively and correctly from the first attempt. This means not just stretching tenors or reducing installments, but redesigning the loan around the new business reality:

For the lender, it's an opportunity to reduce exposure, re-price for risk, or enhance security, so that the downside is better protected.

For the borrower, it's a chance to reduce pressure on cash flows in the short to medium term, but only if coupled with meaningful operational restructuring, cost-cutting, or pivoting the business model.

Delaying difficult decisions, whether by granting superficial restructures or refusing to confront uncomfortable facts, usually worsens the outcome for both sides. When a restructure is needed, it must be approached as a last-resort, full-reset effort: one that demands clarity, discipline, and full transparency.

Real Case: The Stationery Chain That Survived

A regional stationery supply chain with five branches began missing payments after a large government client delayed dues. The owner, a respected figure in the community, reached out early, not late.

The bank didn't panic. Instead of calling in the loan, they sat down with the owner, reviewed

cash flow, and agreed to a controlled shutdown of two loss-making branches. Supplier credit was frozen for 90 days, and all inflows from school supply season were redirected to cover salary and loan installments.

Within eight months, the business stabilized. The client paid, and the owner reopened one branch in a better location. The relationship survived, and so did the business.

When It's Time to Exit

Not all stories end with recovery. Sometimes, folding is the best decision for both lender and borrower. Look for these signs:

- Owner has lost interest or is disengaged.
- No credible turnaround plan or cash flow forecast.
- Legal problems, bounced instruments, or regulatory black marks.
- Continuous borrowing just to repay existing debt ("Ponzi" behavior).

In these cases, it's better to secure partial recovery early than to chase full repayment later through courts.

Controls and Safeguards

Incorporating turnaround logic into the lending architecture reduces long-term risk and ensures early corrective action. However, controls must be both realistic and enforceable, specially in SME lending, where borrower systems and reporting are often informal.

- **Practical Loan Covenants:**
Loan covenants should be grounded in market best practices and aligned with the operational realities of SMEs. Overly technical or burdensome conditions tend to be ignored or forgotten. Instead, focus on simple, measurable indicators that directly reflect the business's financial health and are accessible to the lender. Examples include:
 - Minimum monthly deposit threshold (monitored via connected bank accounts).
 - Maximum Days Past Due (DPD) trigger limits.
 - Limits on related-party transfers or capital withdrawals.
 - Restrictions on new borrowing without bank consent.

These covenants should be embedded into the loan contract with automated alerts. When breached, they trigger an internal risk review or immediate intervention, rather than relying on post-facto reporting or borrower self-disclosure.

- **Portfolio Heat Maps:**
Modern digital lending platforms allow lenders to embed conditional logic into financing agreements. These built-in triggers can automatically freeze future disbursements,

initiate restructuring protocols, or flag the account for early review when certain risk signals are detected. Such triggers can include:

- Breach of financial covenants (e.g., DPD breach, deposit volume drop).
- Delay in achieving declared project milestones.
- Evidence of fund diversion or mismatch in declared vs. actual use.
- External data signals, such as bounced cheques or credit rating downgrades.

This approach transforms the loan agreement from a static contract into a live, responsive risk management tool, giving lenders the ability to act in real time rather than waiting for defaults to materialize. It also ensures that corrective action begins while the loan is still recoverable, improving both borrower outcomes and portfolio performance.

- **Post-Disbursement Audits:**

Routine post-disbursement audits are essential to ensure that loan proceeds are used for their stated purpose and are driving the intended business outcomes. These audits can be conducted digitally or through targeted field verification and should include:
Review of supplier payments, invoices, and proof of asset acquisition.

- Verification of project or branch rollout progress, if applicable.
- Cross-checking sales or collection figures with original projections.
- Confirmation of working capital flow through connected bank accounts.
- Identification of fund diversion to non-business or personal uses.

To be effective, post-disbursement audits must be systematic, not just reactive. They should be scheduled at predefined intervals or triggered based on early warning signals (e.g., delayed payments, unusual account activity). Findings should directly feed into the borrower's risk grade and influence future credit eligibility or relationship terms.

Final Thoughts

Turnaround is not just damage control; it's a core part of responsible SME lending. In a region like the Gulf, where many businesses are founder-led, distress will always be part of the cycle.

The job of the lender is not to avoid all risk. It's to recognize it early, step in with clarity, and either guide recovery or manage exit.

The question is not always "Can this business survive?"
Sometimes the better question is:

"What's the best way forward, for both sides, now that things have changed?"

Chapter 11: Turnarounds and Second Chances — Lending After Failure

Not every SME makes it. And not every failure is final.

In our region, failure still carries a heavy social and reputational weight. A bounced cheque can land you in jail. A public default can close doors across the market. But behind these headlines are real people, businesses, and lessons, and for lenders willing to dig deeper, sometimes, second chances.

When a Failed Borrower Returns

Every seasoned SME banker has seen this moment: a past client walks back in, often quieter, more cautious, but with a new plan. They want to borrow again, this time with “less risk,” “better controls,” and “lessons learned.”

The question isn’t whether they failed. It’s *why*, and *what’s changed*.

Root Causes vs. Circumstances

Before re-lending to a previously failed borrower, the banker must diagnose the past failure with clinical honesty:

- Was it a macroeconomic shock? (e.g., COVID, oil price crash).
- Was it a one-time operational error? (e.g., inventory theft, bad hire).
- Or was it structural? (e.g., weak pricing, flawed model, over-leverage).

The more temporary the cause, the more justified a second chance. The more systemic, the more caution and conditioning are required.

Second-Time Entrepreneurs Are Different

Interestingly, many entrepreneurs who’ve gone through failure emerge more disciplined and focused. They now know what cash flow risk feels like. They know what not to do. They have battle scars, and sometimes, that makes them better borrowers than first-timers with overconfidence.

Still, this doesn’t mean they get a free pass. It means they get a *different kind* of support, one that balances trust with checks.

Lending Again — With Conditions

If a bank decides to finance a second-chance borrower, the structure must reflect the history:

Lower limits, tighter terms (and Maybe Collateralized):

In re-lending after failure, the principle is simple: start small, scale only after performance is proven. Offer a reduced limit, shorter tenor, and stricter repayment terms that the business can realistically handle.

Where appropriate, partial collateralization can be considered, not to fully secure the loan, but to reinforce borrower commitment and reduce downside risk. This might include vehicle titles, second charge over equipment, or assignment of receivables.

The key is to frame the facility as a stepping stone, not a second chance with full privileges. Every new approval should come with clear conditions and the expectation of demonstrated discipline before any future increase is considered.

Purpose-based disbursement – No blank Checks:

Every rial disbursed after a failure should be linked to a clear, verified business purpose. Whether it's working capital, inventory restocking, or fulfilling a paid purchase order, funds should be released against documentation, not assumptions. Where possible, use structured mechanisms such as:

- **Invoice financing** tied to specific receivables.
- **Inventory financing** through verified supplier payments.
- **Milestone-based disbursements** for services or contracts.

This reduces fund diversion risk and ensures the money actually contributes to revenue-generating activity. Post-failure lending should never feel like a "clean slate", it should feel like a controlled restart.

Stronger Controls — Real-Time Oversight, Not Blind Trust:

Post-failure lending demands real-time visibility, not after-the-fact surprises. Strengthen controls using integrated digital tools such as:

- **Connected bank accounts** to monitor inflows and outflows
- **Invoice tagging** to trace disbursements to specific payables or sales
- **Supplier-side verification** before fund release, ensuring funds are used as intended.

These controls transform monitoring from reactive to proactive, giving lenders early signals and borrowers clear boundaries.

Mentorship linkage:

Re-lending should come with built-in support, not just through systems, but through people. Assigning a senior Relationship Manager (RM) with experience in stressed and recovery cases

can make a major difference. This RM acts as a proactive monitor, early warning sensor, and informal coach.

Where available, the bank may also recommend or facilitate pairing the borrower with a qualified external advisor, turnaround consultant, or financial coach to help with budgeting, restructuring, or operational streamlining.

In cases where the business now includes a new experienced partner or co-founder, someone with relevant sectoral expertise or a stronger financial background, this can significantly improve bankability. The new partner's credibility, capital contribution, or oversight may serve as a form of risk mitigant and should be evaluated during re-approval.

This tri-layered approach, combining experienced internal RM oversight, external mentorship, and stronger internal ownership governance, strengthens the probability of genuine recovery and long-term sustainability.

Learning from Microfinance: Graduated Lending

Microfinance institutions have long practiced a model of *graduated lending*, small first loans with good repayment leading to larger subsequent rounds. This model works well for restructured or previously defaulted borrowers:

- **Start with a recovery loan**, small, short-term, tightly monitored.
- **Track behavioral compliance**, not just repayment, but use of funds, transparency, and reporting.
- **Rebuild credit confidence**, restore trust through action, not intention.
- **Scale only after success** must be earned, not assumed.

Real Case: From Default to Discipline

A small food processing company defaulted on a SAR 300,000 loan after taking on too many distributors and failing to manage receivables. The bank took a partial write-off and closed the file.

Two years later, the same owner returned, this time with a single distribution contract, cash-only terms, and a revised model. The banker approved a SAR 75,000 invoice financing facility, with supplier-side control.

The owner repaid on time, rebuilt cash flow discipline, and today runs a growing niche B2B operation. The loss of the first loan became the foundation for a more responsible second journey.

What to Avoid

Not every second-time borrower is reformed. Banks should remain alert to:

- **Repeat over-leverage:** Some owners default not from ignorance, but from over-optimism.
- **Multiple bank shopping:** If they've "burned" multiple lenders, yours won't be different.
- **Unchanged habits:** If their business style, records, or behavior hasn't changed, the risk remains.

In these cases, the best support may be non-financial — referring to advisory or accelerator programs until the fundamentals improve.

Institutionalizing Second Chances

Forward-thinking banks can go further by designing structured "Recovery Lending Programs" that combine:

- A dedicated underwriting policy for past defaulters.
- Risk-based pricing and lower exposure thresholds.
- Embedded technical support or mentorship.
- Scoring models that differentiate between *learning failure* and *repetitive failure*.

This not only manages risk, but it also signals a lender that believes in entrepreneurs, not just transactions.

Final Thoughts

In a region where the business culture is still maturing from informal to institutional, failure will remain part of the SME landscape. But second chances—if approached with structure, accountability, and genuine change—can be more powerful than the first.

The best SME bankers don't just lend to balance sheets. **They lend to people.** And often, the most resilient entrepreneurs are the ones who've been through the storm and come back more focused, disciplined, and aware.

To the SME owners reading this:

A failed venture doesn't define your future. What matters is how you respond, what you learn, and how ready you are to earn back trust, with better records, tighter controls, and a willingness to be transparent. The door to financing may reopen, but it opens wider when you walk in prepared.

Chapter 12: Unbanked, Underserved, Unstoppable

Across the GCC region, there's a silent economic force powering daily life: the unbanked and the microbusinesses that serve their communities. They are tailors, online resellers, home-based caterers, graphic designers, small restaurants, ladies' salons, retail shops, barber shops, mobile repair shops, and countless other micro-businesses operating under legal licenses but often outside traditional bank credit radar or intentionally have been excluded from their addressable target market list. Most don't have a formal balance sheet, audited accounts, or even a presentable business bank statement. Yet they form the backbone of the regional economy.

In fact, Micro SMEs account for nearly 75% of total business establishments in the region. These are often owner-operated businesses, sometimes employing a handful of staff, and running on tight margins. While digital commerce and social platforms have made it easier to start a business, access to finance remains their biggest hurdle.

Why Are They Still Excluded?

From the bank's perspective, the micro enterprise segment continues to be viewed as high risk, low return, and operationally inefficient. The main reasons include:

- **Absence of audited financial statements and reliable credit history**, making creditworthiness assessments difficult from the traditional banking prospective.
- **High administrative and servicing costs** relative to the small ticket size of loans, limiting commercial viability.
- **Perceived weak repayment discipline**, particularly where there is no track record or collateral coverage.
- **Keyman dependency**, where the entire business depends on a single individual, often the owner, with no clear delegation, continuity, or contingency structure.
- **Basic or minimal legal and operational setup**, often lacking corporate governance, accounting discipline, or business continuity protocols.
- **No scalable internal capacity**, such as financial controls, digital infrastructure, or documented processes.
- **Limited compatibility with banking requirements**, including KYC, regulatory compliance, and risk-based documentation standards.

Despite being legally registered, many micro businesses still fall short of the structural, financial, and operational standards that banks require for sustainable credit exposure. This shortfall, not a lack of intent or demand, is what keeps them excluded from mainstream finance. Yet these businesses collectively form a massive and vital segment of the economy. They generate employment, serve neighborhood demand, and sustain local supply chains. Ignoring them is no longer a viable option.

For financial institutions, this segment represents a significant untapped opportunity. While retail and corporate banking have matured, they also come with saturation risks and cyclic limitations. In contrast, the micro business economy remains underserved, diverse, and resilient, if approached with the right mindset, tools, and risk controls. The institutions that succeed will be those that innovate to serve this segment, not avoid it.

Micro Doesn't Mean Irresponsible

One of the biggest myths in Micro SME lending is that Micro businesses don't want to repay, when in fact, many micro-entrepreneurs are extremely disciplined. They just need a financial product that matches their rhythm: predictable cash flows, short working capital cycles, and manageable repayment schedules. In fact, from my own journey as a banker, I initially believed, like many others, that the "rich and the reputable" were safer bets. The assumption was simple: they have more to lose, so they're more likely to repay.

But experience taught me otherwise.

Over the years, I saw the opposite play out. Many affluent borrowers viewed debt as leverage to be negotiated. When trouble came, they had buffers, lawyers, and alternate revenue streams, sometimes making recoveries long and difficult. In contrast, I saw countless smaller business owners for whom the business wasn't just a source of income, it was their identity, their pride, their family's survival. They repaid not because of a credit policy, but because of character. For them, defaulting wasn't an option, it meant losing everything.

Also, it was always assumed that salaried individuals were the safest to bank. After all, they had steady income and employment contracts. But a closer look reveals the opposite: salaried employees have only one source of income, their job, and that income is fully dependent on their employer.

In today's volatile and competitive environment, no job is guaranteed. A layoff, restructuring, or delayed salary can instantly disrupt their ability to repay. In contrast, the Micro SME, or the self-employed borrower, as often categorized by banks, isn't going anywhere. Their livelihood is rooted in the community. Their business is their life, and their repayment behavior often reflects that sense of responsibility and continuity.

They just need a financial product that matches their rhythm:

- Flexible repayment plans aligned with the business model and revenue stream
- Embedded financing linked to platforms or suppliers
- Loan repayment through revenue share or wallet deductions
- Mobile-first onboarding with minimal paperwork
- Behavioral scoring and digital transaction history instead of formal income

A New Regulatory Mindset

Governments Are Reshaping the Future of SME Finance

In leading Gulf markets such as Saudi Arabia, UAE, and Oman, policymakers have recognized the central role of Micro, Small, and Medium Enterprises (MSMEs) in driving economic diversification, innovation, and job creation. As a result, a new wave of regulatory initiatives is reshaping the ecosystem to better support this segment, specially micro-enterprises and startups.

Dedicated SME authorities, financial inclusion strategies, and credit guarantee schemes have been introduced to reduce access barriers, de-risk lending, and channel funding toward underserved segments. Business-friendly licensing regimes now accommodate startups and early-stage ventures, enabling faster market entry and formal bankability.

This shift reflects a broader recognition: SMEs, specially at the micro level, are not bordering players, but essential engines of national growth and employment. With enhanced visibility through national registries and integrated platforms, these businesses are becoming more accessible to banks, fintechs, and investors. The playing field is evolving, toward one that rewards alternative data, digital underwriting, and ecosystem partnerships, rather than traditional cash or asset-backed lending alone.

The role of the lender is not just to say yes or no. It's to design products that make saying yes possible.

Digital Bridges to Inclusion

Reimagining Micro SME Finance Through Technology

The Micro SME segment is uniquely suited for digital lending models, not only due to their scale and structure, but also because technology enables financial institutions to serve them efficiently, securely, and at scale. The traditional model of branch-based banking, in-person sales, manual underwriting, and asset-backed lending simply does not work for this segment, it is too slow, too costly, and too exclusionary.

Digital-first lenders are changing that reality.

Here's how:

- **Efficient Sourcing Through Digital Channels:** Rather than relying on direct sales teams or expensive branch networks, digital lenders use targeted online marketing, referral partnerships, and ecosystem integrations to reach Micro SMEs. These include:

- Embedded finance with e-commerce platforms, POS providers, and logistics partners.
- Pre-qualified leads via payment processors and gig economy platforms.
- API-based access to transaction data from digital wallets and POS terminals.
- This approach ensures wider reach, lower acquisition cost, and data-rich customer targeting.

- **Seamless e-KYC and Onboarding:** Digital Micro SME lending begins with remote, paperless onboarding through:
 - Real-time e-KYC and identity verification via national digital ID systems (e.g., Nafath, UAE Pass)
 - Cross-checking trade license data, tax registrations, and business records using government APIs
 - Automated red flag screening and fraud checks using AI and sanction screening databases
 - What traditionally took days or weeks now takes minutes, with zero branch visits and no paperwork.

- **Automated, Paperless Underwriting and Scoring:** Digital banks and Fintechs leverage open banking and real-time data integrations to evaluate risk using live business behavior, not static financial statements. Underwriting is powered by:
 - Bank statement parsing and categorization via Open Banking APIs.
 - Transaction-level analysis from POS, delivery, and supplier platforms.
 - Behavioral scoring using repayment history, seasonality, and cash flow patterns.
 - Integrated business checks including credit bureau data, VAT returns, and business license validation.
 - All without requiring the borrower to upload a single document.

- **Digital Contracting and Loan Activation:** Once approved, loans are disbursed instantly via:
 - Digital loan contracts signed electronically via OTP or national ID
 - Real-time integration with wallets, bank accounts, or supplier accounts for fund transfers
 - Automated repayment deductions linked to business inflows or scheduled debits
 - This ensures instant activation, full traceability, and frictionless execution.

- **Live Risk Monitoring with Early Warning Triggers:** Risk layer doesn't stop at disbursement. It includes:
 - Real-time risk tracking through daily transaction feeds.
 - Early warning alerts based on DPD trends, balance declines, negative account conduct, missed sales benchmarks, or behavioral flags.
 - Automated flags for collection outreach, restructuring, or loan top-ups based on predictive signals.

- Compared to traditional banking, which relies on monthly arrears reports or site visits, this model delivers proactive portfolio management.

Benefits for Both Sides

Foe Micro SMEs	For Lenders
Faster access to credit without visiting a branch	Lower cost to acquire and serve
No need for formal collateral or audited reports	Smarter risk models using real-time data
Aligned repayment terms with cash flow realities	Better portfolio visibility and early risk control
Financial inclusion with minimal documentation	Scalable model to serve thousands of small accounts efficiently

The Gulf region already has the digital infrastructure, regulatory support, and smartphone penetration needed to scale this model. With proper design and risk management, digital lending is not just possible, it's inevitable. For Micro SMEs, it's the bridge to bankability. For lenders, it's the future of sustainable growth.

Segmenting the Micro Space

To lend effectively, lenders must recognize that the micro-segment is not rigid. Some are “nano”, operating from home with less minimal turnover. Others are cash-rich but undocumented. A few are on the verge of graduating into formal SMEs.

Segment-Based Products Drive Inclusion and Risk Control

By designing tailored financial products that match the operational realities of Micro businesses and entrepreneurs, lenders can reduce risk, improve repayment behavior, and boost product adoption:

- Short-term working capital solutions, such as invoice and purchase order financing, to bridge operational cash flow gaps
- Cash flow-based loans with short to medium-term tenors to support daily operations and seasonal demand
- Flexible rent loans for small office or retail space requirements
- Asset-backed financing for income-generating equipment, machinery, vehicles, and other productive assets that support business growth

Segmented offerings allow lenders to match repayment schedules, loan sizes, and underwriting models with the real economics of the business, leading to more sustainable credit outcomes for all parties.

Each product should be linked to the economic activity, not just the paperwork.

Final Thoughts

The future of SME banking in the Gulf isn't just about bigger deals, better clients, or smarter models. It's about inclusion.

Those who learn to lend to the underserved will lead the next phase of growth. Because the real economy doesn't start at the boardroom, it starts at the bottom, on the street, in the market, and online.

These micro businesses are not a charity case. They are unstoppable, if given a fair chance.

Chapter 13: The Human Side of SME Lending

In an era of automation, AI, and digital platforms, the role of human bankers in SME lending is evolving but not disappearing. Despite the advances of digital scoring, data analytics, and paperless onboarding, lending to SMEs, specially in emerging markets like the Gulf region, still requires judgment, context, and above all, human wisdom.

The Case for Micro SME Digitization

In Chapter 12, we explored how Micro SMEs represent the majority of the market and are often unbanked due to structural barriers. For this segment, digital tools are not just useful; they are essential.

Mass lending to Micro SMEs can be managed efficiently through:

- **Automated credit scoring** based on behavior, conduct, and digital footprints.
- **Chatbot or virtual RM engagement** to address queries and provide simple guidance.
- **Pre-approved top-up loans** for Good Boy Customers who demonstrate timely repayment.
- **Risk-based pricing** that reflects the true exposure and expected loss.
- **Embedded early warning systems** that catch deterioration early and trigger intervention.

This model treats Micro SMEs more like the retail segment, small ticket sizes, frequent transactions, and limited documentation, but with a business focus. It allows lenders to serve thousands of borrowers at scale, while still maintaining safeguards.

When Human Touch is Essential

However, not all SMEs can be served by automation alone. **For the upper tier of the SME segment**, businesses with multiple branches, complex cash cycles, or higher financing needs, the human factor is still irreplaceable.

These cases often require:

- Business model evaluation and context-sensitive judgment.
- Negotiation of terms, covenants, and repayment plans.
- On-site visits, partner interviews, or review of unstructured financials.
- Custom structuring of loans for assets, contracts, or seasonal fluctuations.
- Relationship-based insights, understanding the founder's track record, vision, and resilience.

Here, the banker isn't just a gatekeeper, they are a strategist, sounding board, and in many cases, a catalyst for business transformation.

The Risk of Overreliance on Automation

The danger is assuming that tech can do it all. Not every data point tells the full story. A business with a temporary dip in sales may still be viable. A borrower who missed a payment during a personal crisis might still be trustworthy. And some opportunities, specially in underserved sectors, don't show up clearly on a dashboard.

This is where judgment matters. Not instead of data, but alongside it.

Legacy Meets Digital

The future of SME lending isn't either/or. It's hybrid.

- Digital tools should manage volume, reduce cost, and detect signals.
- Human insight should guide exceptions, shape restructuring, and support scale-ups.
- Mass micro lending must be built on rules.
- Strategic SME lending must be built on relationships.

By segmenting the SME base, Micro vs. Upper, and assigning the right tools, processes, and people to each, banks can expand access without exposing themselves to uncontrolled risk.

The wisdom lies in knowing when to trust the system, and when to pick up the phone.

Final Thoughts

Digital transformation is reshaping how we lend to SMEs. But it's not replacing the need for human insight. It's amplifying it.

In the GCC region, where SMEs operate in diverse, often informal ecosystems, a balanced approach is not just best practice, it's necessary.

Lend smart. Lend fast. But above all, lend with wisdom.

Chapter 14: The Journey from Lending to Legacy

In the world of SME banking, no classroom, manual, or textbook can truly prepare you for what lies ahead. **You learn the business by being in the business, by lending, losing, recovering, learning, and then lending again.** Theories are important. So are models. But the real wisdom comes from what happens after the loan is disbursed.

I began my SME journey with a firm belief that access to cash, even small injections of capital, could help small businesses grow, formalize, and become bankable over time. It was a noble idea: lend first, then build the relationship. And at the time, it made sense. Market demand was high, growth targets were aggressive, and we were racing to onboard as many clients as possible.

But as the portfolios aged, reality set in. I began to see the other side of lending, the part no one tells you about in the beginning. Collection calls. Recovery visits. Restructuring meetings with worried owners and disappointed teams. I was forced to face the hard truth: not all businesses want to change, not all loans make a difference, and not all customers are ready.

Ironically, it was these difficult moments that shaped me. By working personally on collections and recoveries, I gained a full-circle view of SME credit. I saw the business not only from the hopeful lens of origination, but from the sobering lens of fallout. And it was from this vantage point that I became a better banker, not just optimistic, but realistic. Not just product-driven, but people-focused.

In the later stages of my career, I shifted toward building, not just lending. I had the opportunity to help design and launch SME fintech platforms, digital credit models, and data-driven lending engines. I saw what technology could do to widen access, reduce bias, and make SME financing faster and more responsive. But I also witnessed its limitations. Even the most sophisticated algorithm can't replace the human insight needed to support a struggling business, or the judgment to say "not now" when a borrower needs more than capital.

Then came COVID-19

In a matter of weeks, the SME sector, once ignored or under-served by formal lenders, became a national priority. Governments stepped in with stimulus programs, deferred payments, and guaranteed lending schemes. The reason? Sheer scale. SMEs weren't just another segment. They were the economy. They were the heart of job creation, local innovation, and resilience.

Watching that shift from both inside and outside the banking world was a wake-up call. It reminded me that when times get tough, it's not the large corporates who keep the lights on. It's the barbers, the bakeries, the clinics, and the corner shops, run by people who don't just want to succeed, but have no choice but to try.

Now, with years behind me and hopefully more ahead, I see the landscape differently.

The future belongs to the young, local, digital-savvy generation. They aren't just looking for a paycheck, they want purpose. They want to start something. And they're bringing a new energy into the SME ecosystem, one that demands better tools, smarter credit, and faster decisions. But they also need guidance. They need mentors, role models, and systems that understand the fragile early stages of a dream.

That's where I now see my role.

Not just as someone who lent money, but as someone who builds better ways to lend. Not just as a gatekeeper, but as a bridge, connecting capital with courage, structure with ambition, and discipline with dreams.

Because at the end of the day, the true impact of SME banking isn't in the disbursed amount. It's in what happens next. In the story that unfolds after the money hits the account. In the businesses that make it, and the lessons learned from those that don't.

And if I've learned anything in this journey, it's this:

It's never just about lending. It's about legacy.

Author Bio

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Hani Abu Damis is a seasoned SME banker, fintech advisor, and digital lending expert with over 40 years of experience across the Gulf region. From establishing SME banking units in the UAE to leading credit, underwriting, and fintech ventures in Saudi Arabia, Hani has been a pioneer in reshaping how banks understand and serve the SME sector. Today, he is the founder of TIMAN Business Consultancy and continues to guide digital lending, credit innovation, and economic development initiatives in the region.

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Banking on SMEs: 40 Years of Lessons from the Gulf

By Hani Abu Damis

In the Gulf region, SMEs form the beating heart of the economy, but for decades, they've been misunderstood, underserved, and underbanked. This book isn't just theory; it's lived experience from four decades in the field, boardrooms, and now, the digital frontier.

From hands-on lending to fintech transformation, Hani Abu Damis shares honest, practical lessons for bankers, policymakers, and entrepreneurs alike. Whether you're a credit officer, startup founder, or simply curious about how small businesses shape nations, this is your behind-the-scenes guide to what works, what fails, and why.