

How to Facilitate Enterprises' Access to Finance?

The Afghan Minister of Economy, Mustafa Mastor, emphasised, 'In Afghanistan, approximately 15 percent of the population have access to finance which is very low and not a favourable ratio compared with other countries.' The Head of the MoIC's Research and Studies Directorate, Mr Jawad Noori, added, 'The lack of access to finance for SMEs is one of the biggest challenges for the Afghan economy and it is a top priority of the National Unity Government. Therefore, the MoIC and the ACCI are committed to take the necessary steps for facilitating SMEs' access to loans.'

Afghan SMEs often face difficulties when trying to access finance. Only about 2 percent of all Afghan firms take loans to finance their investments. Consequently, they often remain below their potential as they cannot expand, innovate or hire additional staff. This results in low revenue generation and many potential jobs being lost – major obstacles for the country's economic development.

ACCI's First Vice-Chairman, Mr Khanjan Alokozay, commented, 'This NPPD event helps to determine existing challenges for SMEs' access to finance within the private sector and government organisations – and to formulate solutions.'

Several factors hinder SMEs' access to finance. For example, many SMEs are not sufficiently aware of available financial products and seldom apply for conventional loans. In addition, recordings of financial transactions are often missing, hampering SMEs' creditworthiness. Simultaneously, barriers to apply for loans are high. For example, banks often require applicants to own officially registered ownership documents of property that are sometimes difficult to obtain. In addition, capital costs are high, with interest rates at around 16 percent. Lastly, many banks only offer short-term lending, while SMEs prefer long-term lending options for investments.

To address these challenges, participants agreed to establish an advocacy committee to follow up on identified issues within relevant organisations. In addition, ACCI agreed with a number of banks to sign Memorandums of Understanding (MoUs) on a follow-up meeting. In future, they shall offer easily accessible loans with lower interest rates for SMEs. Already at the event, financial institutions exhibited their products to potential customers to raise awareness among present businesspersons.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH implements the programme Sustainable Economic Development and Employment Promotion (SEDEP) on behalf of the German Federal Ministry of Economic Cooperation and Development (BMZ). The programme aims at creating new jobs and income opportunities for all Afghans. Activities focus on five value chains, including nuts, dairy, poultry, wheat and vegetables. Between 2014 and 2016, SEDEP has organised agricultural training courses for almost 23,000 Afghans, covering cattle management, controlled breeding and seed production. In addition, from 2015 to 2016, more than 6,700 long-term and more than 6,000 seasonal jobs have been created and incomes of employees, including 43 per cent women, have increased by 30 per cent.

Teaser text:

Today, the Afghan Chamber of Commerce and Industries (ACCI) and the Ministry of Industries and Commerce (MoIC) conducted a National Public and Private Dialogue (NPPD) on access to finance for Small and Medium Enterprises (SMEs). Around 100 people, including women and men, participated in the event in Kabul. They came from various public institutions and the private sector. Among others, these included line ministries, financial institutions, business associations and SMEs. Easier access to finance shall facilitate Afghanistan's sustainable economic development. The Afghan-German Cooperation supported the event.

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