

MAY 2021

MEDIA BRIEFING

Companies call for financing support from Covid fallout

The commercial impact of Covid19- has dramatically changed the banking needs of companies in the UAE

A survey of companies in the UAE has revealed the widespread need for financial support and greater flexibility on loan repayments as a result of the impact of Covid-19 on their revenues and cash flow.

In a survey of 63 companies in the UAE conducted by MEED and Mashreq, nearly 88 per cent of companies said that their banking needs have changed as a result of the pandemic, with over 50 per cent saying that they have an increased need for financing.

KEY FINDINGS

- Over half of companies surveyed said that they have increased need for financing support and loan repayment flexibility due to the impact of the pandemic
- 36 per cent said that Covid-19 has increased their need for finance to survive lower revenue periods
- 18 per cent said they required an extension of loan periods
- Five per cent called for a freeze on loan repayments
- Respondents said they needed more responsive digital platforms and access to expert advice

More than one third, about 36 per cent, said that the pandemic has increased their need for finance to support through a period of reduced revenues and impaired cash flow. While 18 per cent said that they require an extension of loan periods. About five per cent called for a freeze on loan repayments. Another five per cent called for access to new products/financial solutions.

“Companies across all areas of the economy have been knocked by the impact of Covid-19 on their business,” says Hind Salim Eisa, executive vice president and head of services and manufacturing at Mashreq Bank.

“Many have had revenues hit by lockdowns and travel restrictions. While others have seen productivity levels fall and costs rise as a result of the disruption. In order to continue through these challenges, new, more flexible and more responsive finance solutions are essential.”

Financing support needs

According to the survey, small companies with annual revenues below \$30m (AED 100m) have been worst affected by the pandemic in terms of banking needs, with almost 80 per cent saying that they face additional financing needs as result of the pandemic. These companies tend to lack the capital buffers unlike larger corporates, which negatively affects their financial confidence.

Regardless of their size, however, nearly all companies have seen a shift in their financing needs as a result of the pandemic.

How business banking needs have changed during Covid-19



Source: MEED-Mashreq Industry Survey



88%

of companies said that their banking needs have changed as a result of the pandemic.



57%

of medium-sized companies reported increased need for financial services as a result of the pandemic.



31%

of mid-sized companies called for more responsive digital platforms to facilitate their financial transactions.

“Medium-sized companies who are considered as the backbone of the UAE economy, constitute the largest segment of customers in our corporate banking portfolio in terms of number of customers – and by extension number of transactions too,” explains Eisa.

About 57 per cent of medium-sized companies, those with annual revenues of between \$30m - \$270m (AED100m -AED1bn), reported increased need for financial services as a result of the pandemic.

Mashreq supported this segment and others through initiatives including extending debt obligations, increasing loan tenors, providing top ups for existing loans and delaying collection.

Much of this support was especially crucial during the height of the pandemic, when global lockdowns impacted trade and caused major shipment delays. In such instances, banks including Mashreq were able to provide extended tenors on the back of advanced payment guarantees.

“Throughout the crisis, our focus remained on providing our customers with as much financial flexibility as possible, by relaxing the terms and conditions around tenors and credit facility,” says Eisa. “A lot of this was ultimately possible thanks to the support that we in turn received from the Central Bank.”

About 14 per cent of mid-market firms surveyed called for more favourable pricing, given difficult market conditions.

“We recognise that amid current market conditions, it is important to be cognisant of the problems facing the entire market,” says Eisa. “The situation is further highlighted with the middle market, since they make up a large portion of the economy. Any problems affecting them has a knock-on effect across all sectors.”

Eisa also notes that the introduction of digital services is an important way to make the cost of finance more effective for the customers.

Responsive services to support the market

In addition to the increased need for financing, companies have also called for more responsive digital platforms and increased access to expert advice, as they seek to respond to a significantly changed market.

About 31 per cent of mid-sized companies called for more responsive digital platforms to facilitate their financial transactions.

“It is convenient and cost-effective for banks to conduct corporate customers’ transactions remotely, given the less reliance on physical branches, reduced human error, quicker turnaround time, etc,” says Eisa. “The entire process becomes more streamlined, both from a lender and borrower perspective.”

Nearly 34 per cent of mid-sized companies surveyed said that they also have a greater need for flexible lending practices on their bank’s part.

“Having greater reliance on digitalisation was well taken by customers, for it allowed them to process their banking transactions while working remotely,” says Eisa.

Even after a year since the pandemic broke out, and despite the fact that the majority of the banking transactions/functions can be conducted remotely, nearly 23 per cent of those surveyed said they need additional functions to be done remotely.

Digital challenges

But despite the demand for increased online services, the shift to digital processes is also the source of most anxiety for mid-sized companies.

One third said that cyber security was their biggest pain point, while about one quarter said that the lack of tailored services was a significant problem.

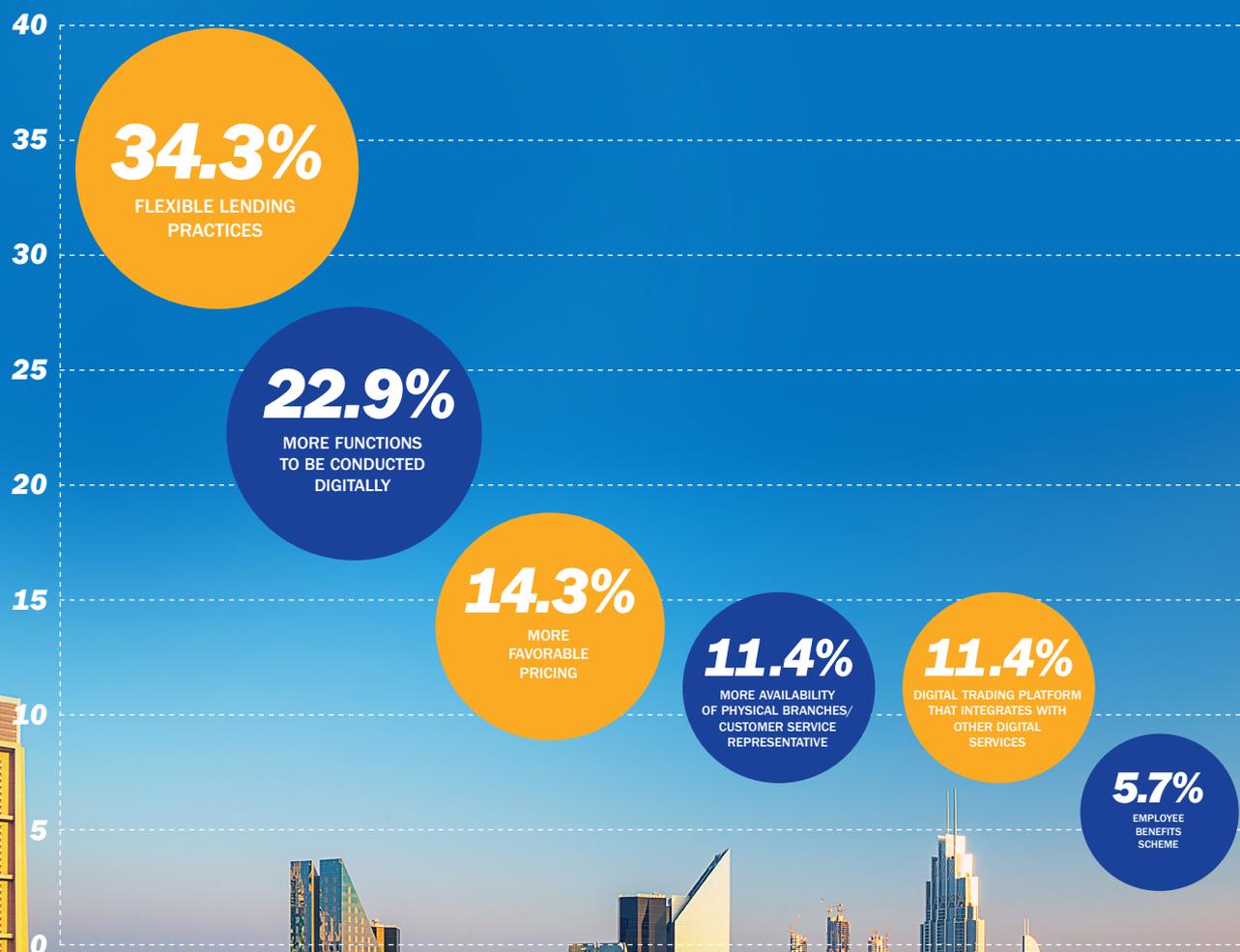
“Artificial intelligence does not understand our

requirements; plus, there is lot of wastage of time to reach [the appropriate] option,” said one respondent. More than 17 per cent felt that there was a lack of personal relationship management due to AI.

In order for banks in the UAE to enhance their value proposition for customers, they have to strike the delicate balance between offering more of their services and products digitally/remotely while protecting their customers from cybercrimes, and preserving the personal touch in relationship management.

“Banks recognise the challenges and concerns facing our customers,” notes Eisa. “And with every digital strategy we implement, our first and foremost priority is always our customer.”

Financing support requirement for mid-sized companies*



* = annual turnover between \$30m – \$270m (AED100m – AED1bn)

Source: MEED-Mashreq Industry Survey

This briefing is brought to you by the MEED-Mashreq Services & Manufacturing Partnership

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