Technology-enabled SME lending for the MENA region

October 2017
liwwa’s mission is to deliver job and income growth in the markets it serves

- Since liwwa began operations in Jordan in 2015, we have provided $6.02 million in loans to 134 small and medium businesses across 194 loans (as of October 2017).

- In Jordan (based on data up to July 2017), our $4.6 million in lending has supported 308 jobs and added $8.95 million in output to the Jordanian economy\(^1\). Every $1 lent through liwwa adds $1.95 in output to a country’s economy, and every $14,935 lent supports 1 job.

- **But this is just the start.** Although SMEs in the MENA region form the backbone of its economies—especially in terms of employment—they are under-served by the region’s current financial infrastructure and are unable to access credit sufficiently, hindering their and the region’s growth and development.

\(^1\) Based on an internal study, accessible on [https://blog.liwwa.com/the-economic-impact-of-5-million/](https://blog.liwwa.com/the-economic-impact-of-5-million/)
I. The Market Challenge

Photo: liwwa borrower and professional photographer Nehaya Al-Shantar, who has financed the purchase of new cameras and lenses through two liwwa loans.
There is a $240 billion credit gap for SMEs in the MENA region\(^1\)

- **Financial institutions in the region, like commercial banks, under-lend to SMEs.** Only 8% of bank lending in the region goes to SMEs, compared to an OECD country average of 22%.

- **These institutions are also not structured to serve the needs of SMEs, especially at the lower end of SME borrowing requirements.** Commercial banks typically underwrite larger loans (> $300,000), require collateral, and are slow to innovate in technology, process, and customer service.

- **A large portion of the region’s SMEs are thus excluded from its credit markets.** Creditworthy businesses that require smaller loans (< $100,000) or lack sufficient collateral struggle to find financing that meet their needs.

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\(^1\) Enhancing Access to Finance for SMEs (IFC)

\(^2\) Overcoming Constraints to SME Development in MENA Countries and Enhancing Access to Finance (IFC)
liwwa originates and invests in SME debt alongside third-party partners

**Borrowers**
SMEs in Jordan seeking up to $70,000 for trade finance

**Lenders**
Individual and institutional investors seeking investment returns and/or diversification, and investing in loans alongside or through liwwa

[www.liwwa.com](http://www.liwwa.com)
liwwa’s team operates the marketplace, managing the underwriting process from loan origination to repayment

**Business Model**
For operating the marketplace, liwwa assesses a 3.00-4.00% fee on every repayment borrowers make; liwwa also uses its own capital and balance sheet debt to invest in the loans it originates, generating interest income
We underwrite loans to an underserved but creditworthy niche

Borrowers

liwwa’s borrowers are legally registered and banked businesses in Jordan

They are in operation for at least 12 months, generate up to $2 million in annual revenue, and employ 2-10 people.

They operate in demand-driven trade sectors such as medical and food supplies, clothing, household basics, cosmetics, and others.

Loans

Borrowers use liwwa’s loans to finance the purchase of assets (‘trade finance’)

Loans range in size from $1,000-$70,000, have tenors of 6-18 months, and annual flat rates of 10-14%.

Loans on liwwa are unsecured, but borrowers provide liwwa with legally binding personal guarantees and post-dated checks in the amount of their repayments.

Loans are structured as ‘Murabaha’ contracts.

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1 liwwa launched an experimental underwriting effort in the UAE in late 2016/early 2017; as of October 2017 liwwa lends exclusively in Jordan
2 Loans are denominated in local currencies (JOD). The JOD is fixed versus the US$ at $1 = 0.708 JOD
3 Loan sizes, terms, and rates are reviewed by liwwa on a monthly basis to reflect market conditions
4 Similar to ‘cost-plus financing’: goods are purchased at cost and resold with a mark-up
We build technology to create a highly efficient SME debt underwriting operation

liwwa builds technologies addressing functions across the underwriting funnel

UX and Mobile Strategy
- Borrowers can complete loan applications on www.liwwa.com in ~10 minutes; legal and financial documentation can be uploaded remotely, minimizing burden on borrowers
- 60% of liwwa visitors come from mobile devices; we currently use a fully responsive web interface for all screen sizes. A stand-alone Android app is being built.

Application Tracking
- Application intake and tracking system built from the ground up specifically to manage an SME loan underwriting funnel from origination to completion
- Digitally tracked borrower applications, documentation, and internal actions, allowing for efficient decision-making and communication between liwwa’s teams

Data and Analytics
- Intensive data collection (60 actions per user per session recorded), with internal admin dashboard tracking and classifying every interaction with customers
- Data and analytics allow us to: identify inefficiencies in underwriting funnel; correlate user behavior to creditworthiness; improve user experience; and establish measurable business metrics

Other Technology
- Optical Character Recognition (OCR) tool that automates the reading of digitally scanned bank statements which borrowers send (brief demo available here)
- Marketplace model provides access to alternative sources of funding
- Digital ledger with automatic disbursements
Photo: ‘Captain’ Basem Tayyem, one of liwwa’s borrowers, photographed in his apparel shop in Amman in July 2016

II. Portfolio Overview
We have provided $6.02 million in loans to 134 businesses

<table>
<thead>
<tr>
<th>Portfolio Overview (US$)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of loans</td>
<td>3</td>
<td>13</td>
<td>30</td>
<td>65</td>
<td>83</td>
<td>194</td>
</tr>
<tr>
<td>Jordan</td>
<td>3</td>
<td>13</td>
<td>30</td>
<td>63</td>
<td>80</td>
<td>189</td>
</tr>
<tr>
<td>UAE</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Principal value of loans</td>
<td>$3,665.54</td>
<td>$31,720.23</td>
<td>$626,214.28</td>
<td>$2,151,855.94</td>
<td>$3,202,610.17</td>
<td>$6,016,077.94</td>
</tr>
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<td>Jordan</td>
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<td>$2,996,610.17</td>
<td>$5,672,077.94</td>
</tr>
<tr>
<td>UAE</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$138,000.00</td>
<td>$206,000.00</td>
<td>$344,000.00</td>
</tr>
<tr>
<td>Average loan size</td>
<td>$1,224.24</td>
<td>$2,440.37</td>
<td>$20,873.81</td>
<td>$33,105.48</td>
<td>$38,585.66</td>
<td>$31,010.71</td>
</tr>
<tr>
<td>Average loan tenor</td>
<td>7.3</td>
<td>14.3</td>
<td>25.2</td>
<td>15.8</td>
<td>14.1</td>
<td>16.3</td>
</tr>
<tr>
<td>Average rate (flat, annualized)</td>
<td>20.00%</td>
<td>14.94%</td>
<td>10.69%</td>
<td>10.29%</td>
<td>11.69%</td>
<td>11.43%</td>
</tr>
<tr>
<td>Equivalent rate (declining, annualized)</td>
<td>35.08%</td>
<td>27.05%</td>
<td>19.18%</td>
<td>18.48%</td>
<td>20.92%</td>
<td>20.47%</td>
</tr>
</tbody>
</table>

Repeat Borrower Overview

| Number of unique borrowers | 134 |
| Of which have taken 2+ loans | 47 |
| Repeat borrower: Principal value of first loan | $1,209,150.93 |
| Repeat borrower: Principal value of subsequent loans | $2,083,943.53 |
| Repeat borrower loans as % of total portfolio | 54.74% |

Borrower Profile Overview

| Borrower average duration in business | ~6.5 years |
| Est. average borrower annual sales | $825,840 |
| Borrower average number of employees | 8.5 employees |
Photo: Amina Ramadna, one of liwwa’s borrowers, at her shop in downtown Amman, where she sells a variety of organic oil-based products.
Ahmed Moor
Co-Founder and CEO
Ahmed has experience in fixed-income finance and journalism. He received his BA in 2006 from the University of Pennsylvania and a Master’s in Public Policy from Harvard University in 2013.

Samer Atiani
Co-Founder and CTO
Samer has over a decade of software development and management experience in companies like Etsy and Wireless Generation. He received his BA in Physics in 2006 from Guilford College.

David Asker
Chief Data Scientist
David has worked for Bridgewater Associates and the Swedish government. He has a Bachelor’s degree from Princeton University and an M.Phil from the University of Oxford.

Hagop Taminian
Finance Director
Hagop was part of the founding team of Silicon Badia, whose funds include Badia Impact Fund C.V., a venture capital fund investing in the Middle East. He graduated from Harvard University in 2008.

liwwa’s executive team\(^1\)

\(^1\) Supported by an exceptional software development, customer service, credit, and operations team in Amman and New York.
Contact

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