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UNLOCKING SME FINANCING *for* BRICS ECONOMIES: INSIGHTS FROM CASE STUDIES

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Contents

Executive Summary

SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) are central to BRICS+ economies, supporting employment, entrepreneurship, and development. Yet they continue to face financing constraints, including limited formal credit access, information gaps, insufficient collateral, high transaction costs, working capital financing shortages, and few alternative financing options. Closing this financing gap is essential for inclusive growth, productivity, job creation, and economic resilience.

BRICS+ economies have adopted a range of policy, institutional, and market-based interventions to address these constraints. These can be broadly organised around seven policy priorities: (1) reducing information asymmetry through digital finance and fintech; (2) improving working capital access through trade and supply-chain finance; (3) enhancing credit risk profile through guarantee schemes; (4) expanding credit supply through public institutions and policy support; (5) diversifying financing sources through innovative and specialised financing instruments; (6) expanding financial inclusion through microfinance; and (7) promoting SME growth through integrated financing and business development support.

This report reviews 15 case studies across 10 BRICS+ economies showing how these priorities work in practice. Examples include Brazil's Open Finance powered by Pix; India Stack-enabled lending; Afreximbank's Trade Facilitation Programme; India's Trade Receivables Discounting System; Saudi Arabia's Kafalah; South Africa's Khula Credit Guarantee Scheme; China's monetary and regulatory policy support; Egypt's SME lending quota; the UAE's Emirates Development Bank; China's Government Guidance Funds; Russia's National Project on SME and Individual Entrepreneurship Support; Indonesia's Bank Rakyat Indonesia; South Africa's Township and Rural Entrepreneurship Programme; Egypt's Hayah Karima National Programme; and Ethiopia's development finance with business development services. Alongside the case studies, the report also highlights how these approaches can be adapted or replicated across other BRICS+ economies.

The report also provides policy recommendations. At the national level, there are seven recommendations, including stronger information and credit infrastructure, risk-sharing mechanisms, development finance institutions, innovative financing, SME capacity building, and dedicated SME credit-rating frameworks. At the BRICS+ level, there are five recommendations, including greater convergence in SME definitions and data standards, leveraging the New Development Bank to strengthen SME financing, interoperable digital financial infrastructure, and structured knowledge sharing. As the current Chair, India can help advance this agenda by taking a leading role in SME finance cooperation, leading the development of a BRICS+ digital finance ecosystem, and strengthening regional capacity building and knowledge sharing, towards building a more integrated and scalable BRICS+ SME financing ecosystem.

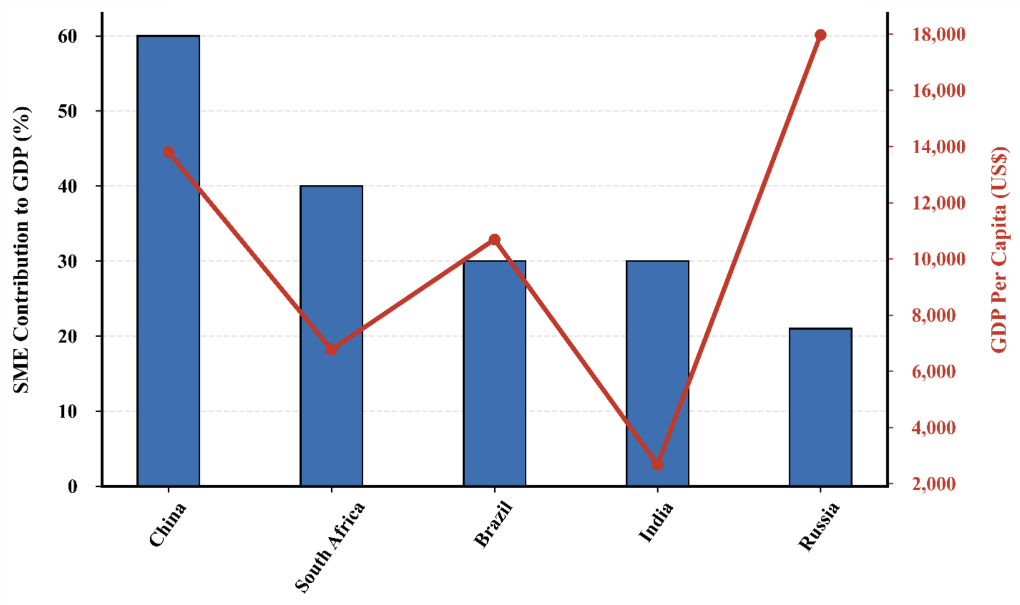
Taken together, these measures can help move BRICS+ towards a more inclusive and sustainable SME financing landscape, unlocking the potential of SMEs as engines of growth and resilience.

Introduction

SMALL AND MEDIUM ENTERPRISES (SMEs) drive employment and innovation, which in turn help achieve growth.[1] SMEs, by definition of employment size, make up 90 percent of all firms, create more than 70 percent of employment, and contribute 50 percent of global Gross Domestic Product (GDP).[2] They enhance innovation and efficiency through their capabilities, and provide vulnerable populations with avenues to participate in the economy, thereby bolstering economic and social participation and upward mobility.[3]

SMEs comprise a dynamic population with diversity in business model and size, performance, and aspirations, and are often important vehicles for the absorption and adaptation of technology.[4,5] For BRICS economies, SMEs are essential as a domestic supplier base, growth multiplier, livelihood safety net, and channels for the absorption of innovation. These enterprises account for anywhere between 20-60 percent of their country's GDP, with those in China and South Africa in the lead (see Figure 1).

Figure 1: SMEs' Contribution to GDP, BRICS Countries (2024-2025)



Source: Authors' own, with data from Statista, ET,[6] UNDP,[7] and AK&M.[8] Prepared using Matplotlib.

For India, SMEs[a] are vital to economic growth, contributing 30.1 percent to GDP and employing some 232 million individuals across 64.5 million enterprises as of June 2025.[9] Further, it accounts for 35.4 percent of manufacturing, while over the last five years, the share of SME-related products in the economy's total exports hovered around 45-50 percent.[10] In China, SMEs contribute about 60 percent of the country's GDP, 50 percent of tax revenue, 79 percent of jobs, and 70 percent of technological innovation.[11] SMEs comprised 59.64 percent of Indonesia's GDP in 2024. Similarly, they provide 87 percent of the employment opportunities in South Africa and 40 percent to GDP.[12]

In the United Arab Emirates (UAE) and Saudi Arabia, SMEs have helped diversify these economies away from oil and build sectoral growth in areas such as logistics, tourism, and manufacturing. The sector's contribution to the UAE's non-oil GDP was 63.5 percent in 2020, the latest year for which data is available.[13] In terms of innovation absorption, Russian SMEs have demonstrated technology localisation and adaptability by creating new technologies such as smart transport systems, robotics, medical technologies, Artificial Intelligence (AI) applications, and electric vehicles.[14]

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a India uses the term 'Micro, Small and Medium Enterprise (SME)' for its official classification; 'SMEs' is being used in this report.

Recognising the vital bearing of SMEs on BRICS+ economies, the grouping announced the first dedicated BRICS SME Working Group in 2024 during Russia's presidency. This was followed by Brazil creating the SME Working Group Action Plan 2025-2030, which identifies SME cooperation as a route to inclusive economic growth, innovation, digitalisation, and intra-BRICS trade.[15] It highlights the importance of increasing SME participation in BRICS trade flows and global value chains, as export-oriented SMEs usually offer higher wages and employ more workers. Under India's BRICS presidency in 2026, leaders acknowledged that member economies possess complementary capabilities that could drive innovation, exports, and employment.[16]

The definition of SMEs varies based on the number of employees, turnover, revenue, assets, investment, and ownership. Table 1 summarises the criteria for SMEs across the BRICS+ countries.

Table 1: SMEs in BRICS+ Economies, Defined

Brazil[17]	Employment Limit and Annual Turnover	**Number of Employees (fewer than 250)** **Micro:** <10 employees **Small:** 10–49 **Medium:** 50–249 **Annual Gross Turnover** **Micro:** ~US$70,000 **Small:** ~US$70,000-US$929,764.
Russia[18]	Employment Limit, Revenue, and Ownership	**Number of Employees (fewer than 250)** **Micro:** up to 15 employees **Small:** up to 100 **Medium:** 101–250 **Revenue** **Micro:** ~US$1.62 million **Small:** ~US$10.83 million **Medium:** ~US$27.08 million

India[19]	Investment and Annual Turnover	**Micro:** Investment up to ~US$0.26 million, turnover up to ~US$1.06 million **Small:** Investment up to ~US$2.64 million, turnover up to ~US$10.57 million **Medium:** Investment up to ~US$13.21 million, turnover up to ~US$52.85 million
China[20]	Sector-Specific Employment Limit, Assets, and Revenue	SME categories vary by industry, including industry, construction, wholesale, retail, transport, postal services, hotels and restaurants. **Small:** employee thresholds range from <100 to <600 depending on sector **Medium:** employee thresholds range from 100 to 2,000 **Revenue** **Small:** <US$1.5 million to US$4.45 million **Medium:** US$1.5 million to US$45 million **Assets** **Small:** <US$6 million **Medium:** US$6 million–US$60 million
South Africa[21]	Sector-Specific Employment Limit and Annual Turnover	SME thresholds vary by industry. **Employment Thresholds** **Micro:** <10 employees **Small:** <10–50 **Medium:** 50–250 **Turnover** **Micro:** ~US$300,000-US$1.2 million **Small:** ~US$900,000-US$4.8 million **Medium:** ~US$2.1 million-US$13.2 million.
Egypt[22]	Annual Turnover and Invested Capital	**Annual Turnover** **Micro:** ~US$20,155 **Small:** ~US$20,155-US$1.01 million **Medium:** ~US$1.01 million-US$4.03 million.

Ethiopia[23]	Multiple Definitions (Employment, Capital)	Definitions vary by sector and institution. Employment thresholds generally range from <5 to 30 employees.
Iran[24]	Multiple Definitions	Definitions vary by institution. SMEs are generally firms with fewer than 50 employees.
Saudi Arabia[25]	Revenue and Employment Limit	**Micro:** 1–5 employees, revenue up to ~US$0.80 million **Small:** 6–49 employees, revenue ~US$0.80 million-US$10.67 million **Medium:** 50–249 employees, revenue ~US$10.67 million-US$53.37 million
UAE[26]	Annual Turnover/ Revenue and Employment Limit	Definitions vary by sector: trade, manufacturing, and services **Employment Threshold** **Small:** 0–50 employees **Medium:** 50–200 employees **Annual Revenue** **Small:** ~US$816,800–US$13.61 million **Medium:** ~US$13.61 million–US$68.06 million
Indonesia[27]	Capital and Revenue	**Capital** **Micro:** up to ~US$55,766; **Small**: >US$55,766–US$278,831 **Medium:** >US$278,831–US$557,662 **Revenue** **Micro:** up to ~US$111,532; **Small:** US$111,532–US$836,493 **Medium:** US$836,493–US$2.79 million.

Source: Authors' own, using various official documents

The Macro Lens

SMEs are predominantly concentrated in service-oriented, labour-intensive industries and light manufacturing.[28] The population of SMEs within a given industry, sector, or region depends on the existing market structures, barriers to entry, regulations, and supply chain dependencies specific to that industry. More contestable market structures favour both SME growth and a higher SME count. Apart from these contestability aspects, the size and growth of the SME sector are shaped by factors such as structural transformation, the stage of industrialisation, fiscal and monetary policy, financial development, institutional quality, infrastructure, and the broader business environment.

The remainder of this section situates SMEs within the finance-growth nexus, highlighting their role as an important conduit through which financial development translates into broader economic growth and structural transformation. It examines the current state of SME financing, the persistent financing gaps confronting the sector, and the economic returns associated with greater SME investment. Further, it discusses the macroeconomic policy pathways required to strengthen SME financing and unlock SME-led growth; and assesses digitally driven solutions for SME financing.

SMEs in the Financialisation–Growth Interplay

FINANCIALISATION REFERS TO THE GROWING influence of financial markets, financial institutions (FIs), and financial actors over economic policy, resource allocation, and broader economic outcomes.[29] There are several mechanisms through which a robust and expanding financial sector can contribute to economic growth, primary of which are: (a) improved access to capital for firms and households, (b) enhanced risk diversification and management, (c) mobilising savings and channelling them towards productive uses,[30] (d) good governance and institutions,[31,32] (e) improved efficiency of investment allocation,[33] and (f) facilitating capital formation through the development of securities markets.[34,35] In the context of SME financing, the credit-access channel is the most relevant linkage whereby financialisation drives economic growth through improved access to credit for SMEs, facilitating investment, business expansion, and productive economic activity.

In the context of emerging economies, the financial landscape is shaped by institutions such as commercial banks, microfinance institutions (MFIs), development finance institutions (DFIs), credit unions and cooperative banks, insurance companies, and non-banking financial companies (NBFCs).

These entities mobilise savings, allocate capital, and help address financing constraints for both consumers and firms.

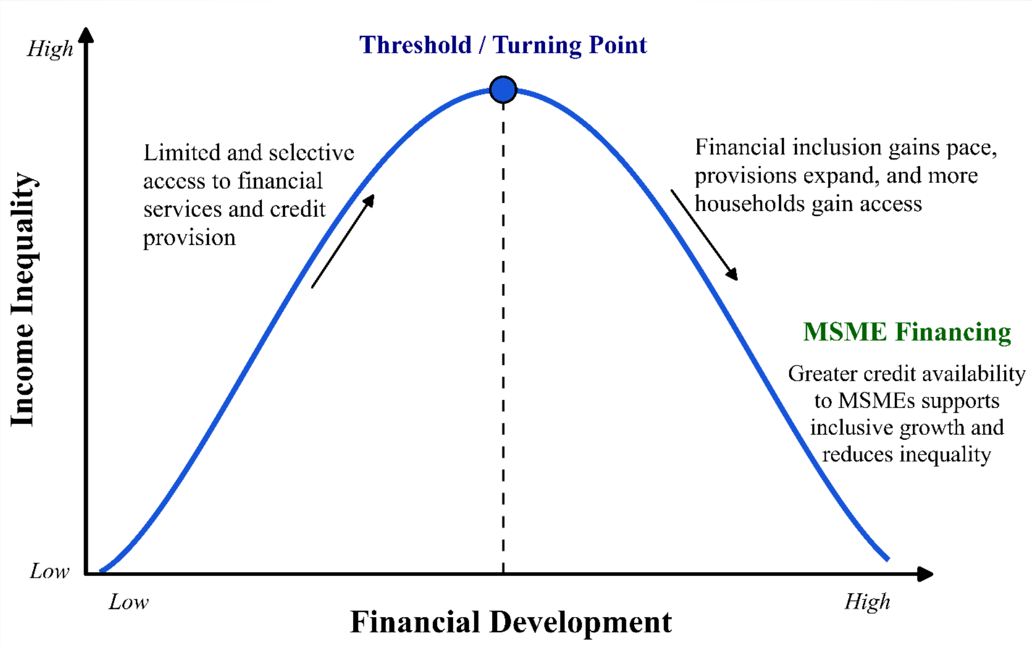
In terms of their actionable provisions, they provide a range of financial services, such as payments, credit provision, savings products, insurance, digital financial services (DFS), and collaboration with public-sector programmes.[36] By expanding access to finance and improving the efficiency of capital allocation, they support entrepreneurship, investment, and productivity enhancement. In formal terms, they promote financial deepening and financial inclusion, making them important drivers of economic growth and development through the credit-access channel.

When examining credit access as a catalyst shaping the financialisation-growth nexus in the BRICS economies, financialisation appears to have been predominantly driven by the banking sector and stock market development, contributing to economic growth.[37] Higher levels of credit to the private sector have also contributed to growth.[38] The expansion of financial intermediation and capital markets has facilitated investment, improved access to finance, and supported productive economic activity across these economies.

However, access to finance and the broader macroeconomic gains associated with credit-led financialisation and inclusive finance remain unevenly distributed. In the early stages of financial development, financial services and related instruments tend to be concentrated among higher-income households and larger firms.[39] This concentration can contribute to the accumulation of wealth among already advantaged groups and capital owners,[40] while lower-income households and smaller enterprises continue to face binding credit constraints arising from income disparities, inadequate collateral, and information asymmetries.[41] As a result, the benefits of financial deepening are not immediately broad-based and may initially be accompanied by rising income inequality.

This dynamic phenomenon is captured by the Financial Kuznets Curve (FKC) hypothesis, which posits an inverted U-shaped relationship (see Figure 2) between financial development and inequality.[42]

Figure 2: The Financial Kuznets Curve

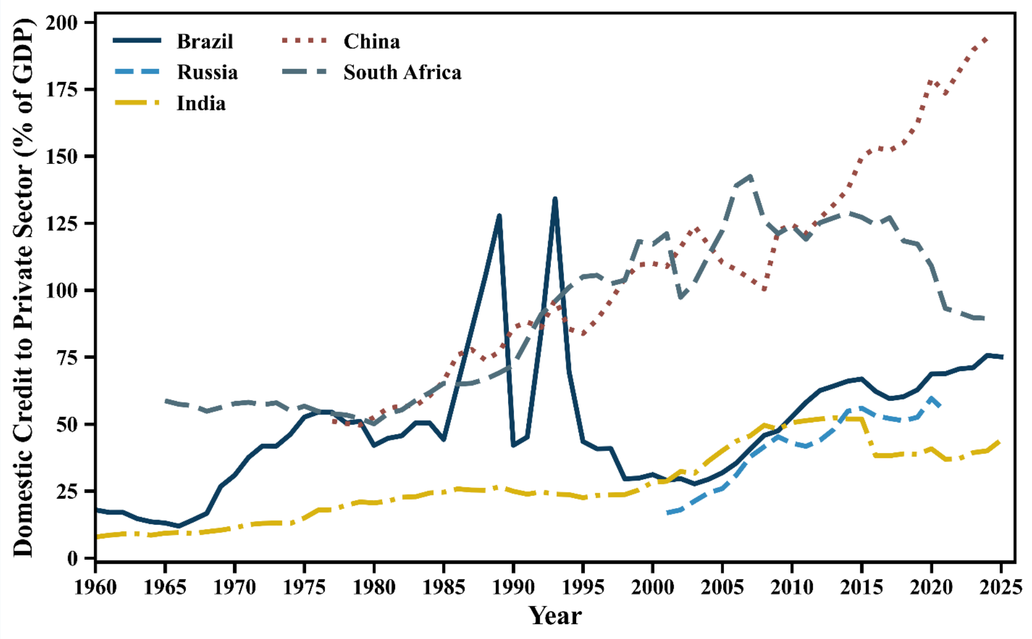


Source: Authors' own, prepared using Matplotlib.

As outlined earlier, in the initial phase, financialisation tends to increase inequality as access to credit, capital markets, insurance, and other financial instruments remain limited to a narrow segment of the population. Beyond a certain threshold of financial development, however, the expansion of financial access and inclusion enables a wider share of households and firms to participate in economic activity, leading to a gradual reduction in inequality and a more equitable distribution of the gains from financialisation.[43]

Across the BRICS economies, excluding South Africa, evidence suggests that the Financial Kuznets Curve broadly holds—with financial development contributing to lower levels of finance-induced income inequality—once economies reach more advanced stages of financial deepening.[44] This highlights the inherently dynamic nature of financialisation, where its distributional effects evolve with the maturity and inclusiveness of the financial system. Greater bank credit penetration, equity market participation, household finance, digital payments, fintech, and financial inclusion initiatives such as India's Jan Dhan programme have collectively broadened access to formal finance. Credit or domestic debt has grown across BRICS economies, though this has been highly volatile and subject to external conditions and macro policies (see Figure 3).

Figure 3: Domestic Credit to Private Sector (% of GDP)



Source: Authors' own, using data from the World Bank.[45]

Among the various transmission channels, bank-driven financialisation, entrepreneurial credit, and efficient credit intermediation are catalysts for translating financial development into more inclusive economic outcomes.[46] By expanding access to finance for productive enterprises, particularly SMEs, these mechanisms stimulate investment, business formation, productivity, and employment. Strengthening SME credit access should therefore remain a pillar of financialisation-led development across the BRICS economies, supporting sustained economic growth while promoting a more equitable distribution of income.

Returns to Capital and SME Financing Constraints

SMEs ARE ENGINES OF GROWTH[47] and catalysts for productivity, poverty alleviation, innovation, formalisation, and the development of local economies. They broaden economic participation by inducting firms and workers into the formal sector. While these SMEs drive employment generation, they do not contribute to productivity growth due to financing constraints, among other factors.[48]

In emerging markets, at the enterprise level, the returns to adequate financing and strong institutional mechanisms are substantial. Various experiments, to be discussed later in this report, have shown that greater access to microcredit and public-led financial support generates desirable returns, exerting a positive and complementary effect on entrepreneurial innovation, productivity, and returns to capital.

A randomised controlled trial (RCT) in India found that the introduction of microfinance increased the uptake of microcredit by around 8.4 percentage points and was associated with higher business investment and profits. However, it had little effect on overall household consumption, with additional expenditure directed primarily towards durable goods rather than temptation goods.[49] On the structuring of microcredit, another field experiment in India found that early debt repayment schedules were associated with lower levels of risky investment, thereby limiting the returns to microfinance for both enterprise growth and household poverty reduction.[50]

Beyond microcredit, banking-led financial development has also generated broader economic gains. A study of rural India found that greater banking penetration was a catalyst for reducing poverty and expanding non-agricultural output.[51] Similarly, evidence from Russia suggests that the relaxation of credit constraints, facilitated by banking sector reforms, increased the likelihood of workers moving to the formal sector.[52]

Capital access, driven by greater banking and credit access, entails higher returns to entrepreneurs and their households, having intergenerational effects in wealth, profits, business assets, and capital.[53] Consequently, SME financing has emerged as an important tool for lifting people out of poverty and income traps.[54] In emerging economies, which are generally characterised by large low-income populations, entrepreneurship- and credit-led growth pathways present a more sustainable avenue than conventional welfare-based approaches for growth and poverty or income trap alleviation.[55]

Driving income gains through productivity- and entrepreneurship-enhancing measures not only promote prosperity and economic growth, but also generate local agglomeration effects, make individuals more self-sufficient, and increase labour force participation.[56] Through SME financing, individuals are empowered to become more productive, undertake entrepreneurial risk, establish and expand enterprises, and contribute more effectively to economic activity.

SME financing also generates wider positive spillovers, including: (a) greater induction of individuals and enterprises into the formal financial system through increased financial inclusion and formalisation; (b) enhanced structural transformation by facilitating the movement of labour and capital towards more productive activities; (c) stronger multiplier effects through employment generation, local demand, and supply-chain linkages; (d) increased tax revenues as firms formalise and expand; and (e) greater innovation and export participation through improved investment capacity and competitiveness. By broadening access to productive opportunities, SME financing makes growth more equitable and helps reduce income inequality. Despite these gains, however, the financing landscape for SMEs remains beset by challenges.

Microenterprises continue to face massive financing shortfalls, particularly in terms of access to credit and the working capital required to sustain day-to-day operations.[57] Given their relatively small scale and often informal or family-run nature, many SMEs are neither sufficiently empowered nor adequately leveraged to secure financing from the formal banking system. Instead, they encounter constraints like stringent collateral requirements, high borrowing costs, information asymmetries, and low levels of financial literacy.[58] These frictions restrict their ability to invest, expand, innovate, and participate more fully in the formal economy.

The scale of this financing challenge is huge, as discussed earlier; there exists a clear wedge in access to capital between small enterprises and large multinational corporations (MNCs). Unlike MNCs, SMEs generally lack the financial depth, institutional leverage, market credibility, and bargaining power necessary to access affordable and timely finance and invariably face a size-related growth constraint.[59] Addressing these financing constraints is not merely a financial sector priority, but a broader development imperative. Ensuring adequate and inclusive access to financing for SMEs is vital for unlocking SME-led growth.

Macro Reforms for Enhancing SME Growth and SME-Led Financialisation

STRENGTHENING SME-LED GROWTH and SME development requires a conducive business and financing environment underpinned by structural reforms. Essentially, macroeconomic conditions influence the financing decisions and investment behaviour of SMEs.[60] This is discussed in greater detail in the following paragraphs.

First, maintaining low and stable inflation, together with well-anchored inflation expectations, is essential to cushion SMEs from price shocks that erode profitability and disrupt business operations. While moderate inflation may support business activity, persistently high and volatile inflation exerts downward pressure on SME performance by increasing input costs, reducing purchasing power, and creating uncertainty.[61] Recent geopolitical disruptions, such as the Russia–Ukraine and US–Israel–Iran conflicts, have exacerbated inflationary pressures. These shocks disproportionately affect SMEs, which generally have thinner margins, limited pricing power, and smaller financial buffers than multinational corporations.

Second, exchange rate stability is equally important. In emerging economies such as India, where exports often rely on imported intermediate inputs,[62] exchange rate volatility and import price shocks can adversely affect production costs and export competitiveness. A stable and predictable exchange rate path, therefore, helps reduce uncertainty and supports investment and export-oriented SMEs. Thus, a credible central bank that swiftly anchors expectations and cushions the impact is vital. Furthermore, monetary policy should remain mindful of its transmission to SMEs, as these firms are particularly vulnerable to contractionary monetary conditions. Higher interest rates increase borrowing costs, constrain access to working capital, and make it more difficult for SMEs to finance both day-to-day operations and long-term expansion. Unlike larger firms, SMEs generally lack the financial reserves and alternatives needed to absorb prolonged periods of tight monetary conditions.[63]

Third, greater financial deepening through the development of corporate debt markets can broaden financing options. Access to these markets remains limited owing to information asymmetries, the absence of credit ratings, and high issuance costs.[64] Instruments such as SME mini-bonds, securitisation, covered bonds, and other non-bank financing mechanisms can help diversify sources of financing and reduce the sector's reliance on traditional bank lending. Such instruments also enable viable SMEs to raise capital under more favourable financing conditions.[65]

Fourth, expanding financial inclusion through greater banking penetration, digital infrastructure, insurance uptake, and deeper participation in debt and equity markets can further strengthen SME financing. Improving access to formal FIs, mobilising domestic savings, and widening participation in capital markets can increase the availability of long-term financing for SMEs while reducing dependence on informal credit sources.

While these conditions form the broader macroeconomic environment required to support SME growth, not all of them are equally amenable to policy intervention. Inflation and exchange rate stability largely depend on broader macroeconomic management and remain exogenous.

On the other hand, financial deepening, financial inclusion, and the broader SME financing ecosystem are shaped by policy choices and institutional design. It is within these dimensions that the most binding constraints to SME development arise, primarily through market failures such as information asymmetries, incomplete and segmented capital markets, collateral constraints, limited financing diversity, and financial exclusion.

These distortions prevent productive SMEs from accessing finance despite their positive economic and social returns, thereby restricting the transmission of financial development to the wider economy. Ultimately, economies either remain on the inequality-increasing segment of the Financial Kuznets Curve or experience only limited progress towards its inclusive, inequality-reducing phase. The policy imperative is therefore not merely to deepen financial systems, but to correct the underlying market failures that inhibit SME financialisation.

The case studies presented in the following sections examine a range of policy instruments designed to address these distortions, such as digital finance, trade finance, credit guarantee schemes, development finance institutions, innovative financing instruments, microfinance, and integrated enterprise development programmes. Collectively, these interventions create the enabling conditions for an SME-led growth model by broadening access to productive finance and ensuring that the gains from financial development are distributed more widely across firms and households, rather than remaining concentrated among a small segment of the economy, enabling a movement along the favourable segments of the FKC.

The SME Financing Gap in BRICS+: A Comparative Baseline

DESPITE THE MASSIVE CONTRIBUTION of the SME sector worldwide, limitations in access to financing and capital persist. Between 2015 and 2019, the overall SME financing gap increased by over 27 percent, from US$4.4 trillion to US$5.7 trillion among Emerging Market and Developing Economies (EMDEs).[66] The highest financing gap was observed in East Asia and the Pacific, followed by Latin America and the Caribbean.[67]

Various factors restrict access to formal financing, the most consequential of which are limited collateral, information asymmetries, high transaction costs, and underdeveloped credit infrastructure. This ultimately limits their ability to invest, expand, and enhance productivity, further preventing SME-driven financialisation and the ability to reach the inequality-reducing frontiers in the finance-growth nexus or the FKC curve.

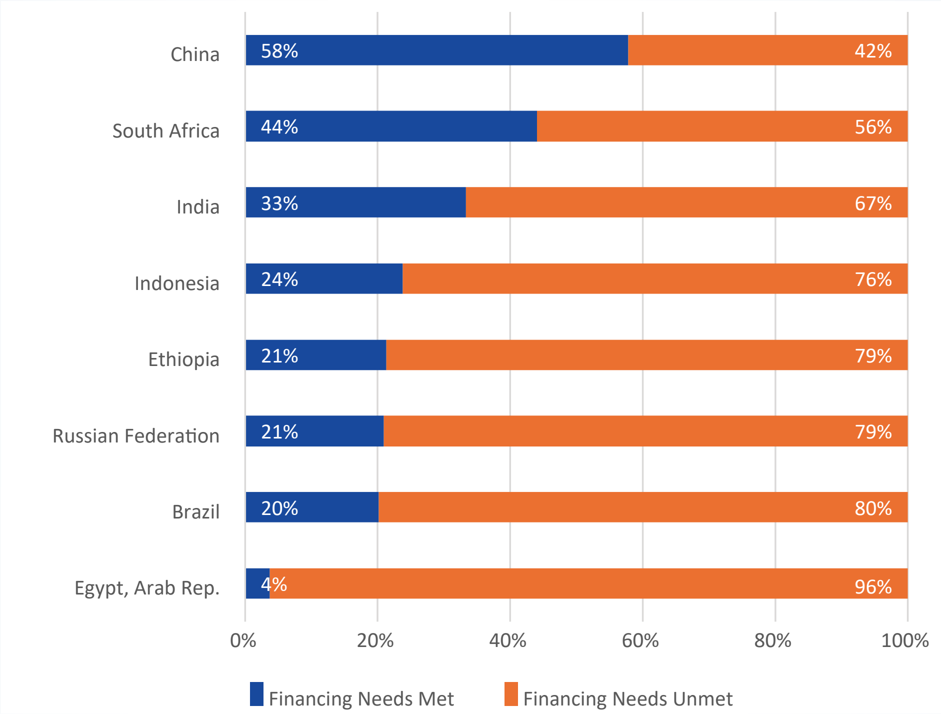
The SME financing gap, measured as the difference between the potential demand for financing by formal SMEs and the available supply, reveals how effectively financial systems meet the needs of the formal SME sector. The latest available data (2019)[68] point to a substantial and persistent financing shortfall across eight BRICS+ economies: Brazil, Russia, India, China, South

Africa, Egypt, Ethiopia, and Indonesia. Iran, Saudi Arabia, and the UAE are excluded due to data limitations. Aggregate potential demand for SME financing across these economies is estimated at US$8.1 trillion (38.9 percent of GDP), while the supply of SME financing amounts to US$3.9 trillion (19.2 percent of GDP).[69] This leaves an estimated financing gap of US$4.2 trillion, equivalent to 19.8 percent of GDP, implying that only half of the estimated financing needs of formal SMEs are currently being met.[70]

The size of the financing gap varies considerably across economies, reflecting differences in the scale of SME sectors, financial market development, and institutional capacity. As shown in Figure 4, China meets the largest share of estimated SME financing demand, with around 58 percent of financing needs being met. At the other end of the spectrum, Egypt meets only around 4 percent of estimated demand, highlighting massive financing constraints.

Brazil meets only around one-fifth of estimated SME financing demand, while India and Indonesia occupy the middle of the spectrum. South Africa records the second-highest level of financing coverage among the economies analysed. Overall, the findings suggest that financing gaps remain widespread across the BRICS+ economies. In seven of the eight economies, less than half of the estimated financing needs of formal SMEs are being met, underscoring the need for continued efforts to strengthen SME financing ecosystems.

Figure 4: SME Financing Needs: Met vs Unmet (2019)[b]



Source: Authors' own, based on the IFC MSME Finance Gap Report (2025), SME Finance Forum
Note: Iran, Saudi Arabia, and the UAE are excluded due to data limitations.

SMEs in Brazil have witnessed high interest rates, collateral requirements, and short loan maturities.[71] As a result of a hike in interest rates by the central bank, SME interest rates were much higher than large firms at 23.7 percent as compared to 16.1 percent for large firms in 2022. In India, MSMEs are considered relatively high-risk, which often limits their access to formal financial capital.[72] While the credit share for micro and small enterprises has risen from 14 percent in 2020 to 20 percent in 2024, a credit gap exists mostly for services and women-owned MSMEs.[c,73] In China, outstanding loans to SMEs were recorded at US$12 trillion in 2024.[74] In Egypt, SMEs were also constrained by limited product diversification for financing.[75] SME lending

b Financing needs met are calculated as *current supply of finance ÷ (current supply of finance + financing gap)*, while unmet financing needs are calculated as *financing gap ÷ (current supply of finance + financing gap)*. The current supply of finance refers to the outstanding financing provided to formal SMEs, while the financing gap represents the estimated shortfall between the financing needs of formal SMEs and the current supply of finance. Source: IFC, MSME Finance Gap Report (2025).

c The credit gap is wider for women-led SMEs due to these entrepreneurs being unbanked and having differential needs for financial products or services. Service-sector SMEs face challenges because they usually have lesser assets and lack traditional physical collateral like land or heavy machinery.

contributes to only 7 percent of bank portfolios in Ethiopia. They also face higher credit constraints due to high collateral requirements, where about a third of small and medium firms reported not applying for loans.[76] For Saudi Arabia, loans as percentage of bank loans stood at 11 percent.[77] Similarly, in the UAE, there is a 50-70 percent loan rejection rate.[78] In Indonesia, there has been a decline in outstanding loans for SMEs.[79]

Policy Priorities to Improve SME Access to Financing

TO ADDRESS THE FINANCING CONSTRAINTS faced by SMEs, BRICS+ countries have adopted a range of policy, institutional, and market-based interventions. Although these interventions differ in their design and implementation, they can be broadly organised around seven policy priorities, each targeting market failures in SME finance. Collectively, these interventions look to narrow the SME financing gap by reducing information asymmetries, easing credit and working capital constraints, mitigating lending risks, broadening financial inclusion, and diversifying financing sources.

In doing so, they strengthen the transmission channels through which financial development supports SME-led growth and facilitate a transition towards the inequality-reducing segment of the FKC. The following section presents case studies that illustrate how different BRICS+ economies have operationalised these policy priorities through digital finance, trade finance, credit guarantee schemes, public development finance, innovative financing instruments, microfinance, and integrated enterprise development programmes.

Priority 1: Reduce Information Asymmetry through Digital Finance and Fintech

Digital finance and fintech infrastructure reduce information asymmetries by expanding access to reliable financial data, enabling more accurate credit assessments and improving SMEs' access to formal finance. From a distributional perspective, these technologies reduce the concentration of credit access among established firms and wealthier segments of society. As digital financial infrastructure and open finance ecosystems become more widespread, they broaden access to formal credit, promote financial inclusion, and facilitate a transition towards the inequality-reducing segment of the FKC. In doing so, SME financialisation becomes increasingly driven by productive investment and entrepreneurial potential rather than existing wealth or collateral ownership.

Case Study: Brazil - Open Finance powered by Pix

I. Overview

To bridge Brazil's large SME finance gap of about US$593 billion in 2019 (31 percent of GDP, based on the IFC 2025 report), the Central Bank of Brazil (BCB) integrated its instant payment system, Pix (introduced in November 2020) into the larger Open Finance framework—a multi-phase system launched in 2021[80] that allows lenders to retrieve consent-based access to a borrower's financial transaction data across institutions through standardised APIs. This allows lenders to access more complete financial profiles, overcoming information asymmetry.

II. Key Design Features

The Pix and Open Finance model improves SME credit assessment by enabling verified financial data to be generated, shared, and used across the financial system.

- Unlike many digital payment systems where payments and lending operate separately, Pix utilises Open Finance to securely share payment data (with customer consent), allowing lenders to improve credit assessment.
- BCB accelerated the adoption by mandating participation of FIs with more than 500,000 active customer accounts under BCB Resolution No. 1/2020,

standardising APIs and ensuring interoperability across the financial system.[81]

III. Progress and Impact

- Pix has rapidly become Brazil's dominant instant payment system and one of the fastest-adopted instant payment platforms globally. Within five quarters of launch, Pix processed more than 3.9 billion transactions (~21 percent of all financial transactions in Brazil). By 2025, it was processing 7.9 billion transactions per month. By July 2026, 899 FIs participated in Pix.[82]

- About 96 percent of the surveyed SMEs used Pix, demonstrating near-universal business adoption.[83]

- As of May 2026, Open Finance Brasil recorded 125.6 million unique consents,[d] including 123.9 million individual and 1.72 million business consents.[84]

- Applying the Innovations for Poverty Action (IPA) methodology (2026), which estimates Open Finance adoption as a ceiling based on BCB consent data relative to the total registered firm population, business consents represented an estimated 7.1 percent of Brazil's 24.01 million active SMEs (comprising MEIs, Microempresas and Empresas de Pequeno Porte as classified by Receita), up from 3.2 percent in mid-2025, indicating nascent but rapidly growing adoption of Open Finance among businesses.[85]

IV. Replicability across BRICS+

Pix and Open Finance provide lessons that can be adapted by other BRICS+ economies:

- Interoperable instant payment systems accelerate the adoption of digital payments among SMEs, lower transaction costs, improve payment efficiency, and generate transaction data to support better credit assessments.

d Authorisations granted by individuals and firms permitting FIs to access and share their transaction and financial data across the Open Finance ecosystem.

- Secure, customer-consented sharing of financial data can reduce information asymmetries, strengthen credit assessment, and expand access to finance for SMEs with limited collateral or credit histories.

- Adopting common technical standards and API-based architecture can promote interoperability across FIs, encourage competition and innovation, and facilitate the development of new SME-focused financial products and services.

- Several BRICS+ economies already possess the foundational infrastructure for analogous models. India's Unified Payments Interface (UPI), Russia's Faster Payments System, and China's Internet Banking Payment System are the domestic payment rails most directly comparable to Pix in terms of transaction volume and real-time capability.

- India's Account Aggregator (AA) framework performs a function analogous to Brazil's Open Finance, though as a separately governed system rather than one natively integrated with UPI.[86] Indonesia's QRIS and BI-Fast represent a comparable exercise.

- A prototype demonstration of BRICS+ Pay (a cross-border interoperable payment platform designed to interconnect these domestic systems through a shared messaging and settlement layer) was showcased in Moscow in October 2024, with the 2025 BRICS+ Summit in Rio de Janeiro establishing consensus on expanding cross-border payment collaboration and increasing the use of local currencies in trade.[87]

Case Study: India - Lending Enabled by India Stack

I. Overview

India's Digital Public Infrastructure (DPI), known as the India Stack, is a set of interoperable digital systems that enables secure, large-scale access to digital identity, payments and data-sharing services for governments, businesses and citizens. By improving access to finance, markets and public services, while reducing information asymmetry and transaction costs, DPI has emerged as a key enabler of SME development and entrepreneurship.

The India Stack comprises three interoperable layers—digital identity (Aadhaar), digital payments (UPI), and consent-based data sharing (AA)—

which together support paperless, cashless, and consent-based delivery of financial and public services. While the government provides the foundational digital infrastructure, the private sector leverages these platforms to develop innovative financial products and services.[88]

II. Key Design Features

- ***Digital Identity (Aadhaar):*** Aadhaar provides secure biometric-based digital identity authentication for over one billion individuals, enabling instant electronic Know Your Customer (e-KYC) verification and facilitating access to formal financial services.

- ***Digital Payments (UPI):*** UPI enables instant, interoperable, and low-cost digital payments across FIs and service providers, supporting digital commerce and financial inclusion.

- ***Consent-based Data Sharing (AA)***: The AA framework enables individuals and businesses to securely share financial information with regulated FIs through explicit user consent. By enabling lenders to assess borrowers using cash flow data rather than relying solely on physical collateral, the framework supports faster loan underwriting, improved credit risk assessment and greater access to formal finance.

- ***Open and Interoperable Architecture:*** The India Stack is built on open and interoperable digital infrastructure that enables governments, FIs and fintech firms to develop scalable, user-centric financial services while maintaining interoperability across the ecosystem.

III. Progress and Impact

- Fintech lending has improved the speed, accessibility, and inclusiveness of SME financing in India.

- Aadhaar has provided digital identity to more than 1.3 billion people, reducing the cost of e-KYC verification from about US$12 to US$0.06 per verification.[89] It has also enabled the opening of Jan Dhan bank accounts for underserved populations, expanding financial inclusion.

- UPI has transformed India's payment ecosystem by processing over 13 billion transactions every month, making it the world's largest real-time payment system.[90] Between 2020 and 2024, the value of UPI transactions increased at a CAGR of 19.8 percent.

- Digital payments have become integral to SME operations, with more than 85 percent of SME transactions conducted digitally.[91] This has reduced transaction costs and increased formal financial participation.

- The AA framework connects more than 2 billion linked financial accounts, enabling secure, consent-based sharing of financial information.[92] By allowing lenders to assess borrowers using cash flow data rather than relying solely on physical collateral, the framework has facilitated faster loan underwriting, improved credit risk assessment, and expanded access to formal finance, particularly for SMEs.

- Supported by initiatives like Digital India and UPI, fintech adoption has accelerated, especially after the COVID-19 pandemic. In FY25, fintech NBFCs disbursed 10.9 crore small-ticket loans worth US$12.42 billion, massively improving SME access to finance.[93]

IV. Replicability across BRICS+

India's DPI offers design principles that can be adapted by other BRICS+ economies to strengthen SME financing ecosystems:

- Foundational digital identity systems provide a trusted base for delivering digital financial services, simplifying customer onboarding, and expanding financial inclusion.

- Developing interoperable payment infrastructure through open standards and APIs can reduce transaction costs, promote competition and innovation, and accelerate the adoption of digital payments among SMEs.

- Building open DPI, while enabling private sector innovation, allows governments to provide the foundational digital rails while FIs and fintech firms develop user-centric products and services that expand SMEs' access to finance.

Priority 2: Improve Working Capital Access through Trade & Supply Chain Financing

Trade and supply chain finance mechanisms address SMEs' working capital constraints by accelerating access to liquidity, reducing payment delays, and improving cash flow through receivables-based financing and trade facilitation. They also enable smaller firms to participate in formal financial markets, reinforcing inclusive financial deepening.

Case Study: Africa - Afreximbank Trade Facilitation Programme

I. Overview

Access to trade finance—a key enabler of economic growth and cross-border commerce—is a major constraint across Africa despite the sector's post-pandemic recovery.[94] According to the African Development Bank (AfDB), the continent's trade finance gap narrowed by nearly 10 percent between 2019 and 2024 to an estimated US$74-92 billion (around 5.4 percent of Africa's merchandise trade), supported by interventions from development finance institutions (DFIs) and multilateral development banks.[95]

However, structural challenges persist, with commercial banks financing only 23 percent of Africa's merchandise trade compared with a pre-pandemic average of 40 percent, reflecting foreign exchange shortages, heightened risk perceptions, and reduced correspondent banking relationships.[96] Looking ahead, initiatives such as the African Continental Free Trade Area (AfCFTA) and greater digitalisation of trade finance are expected to improve access to trade finance and support intra-African trade, although geopolitical risks and tighter global financial conditions continue to pose downside risks to financing availability.

African Export-Import Bank (Afreximbank) established the Afreximbank Trade Facilitation Programme (AFTRAF) to help African businesses and SMEs access working capital for international trade. This programme addresses persistent trade finance constraints arising from limited liquidity, high compliance costs and the withdrawal of correspondent banking relationships, which have reduced the availability of short-term trade finance for African banks and SMEs. By providing guarantees, liquidity support, and risk-mitigation instruments to FIs, AFTRAF enables banks to expand pre- and post-shipment working capital finance for importers, exporters, and businesses participating in regional and global supply chains.

II. Key Design Features

AFTRAF expands access to working capital finance by reducing the risks and liquidity constraints faced by FIs. Through AFTRAF, Afreximbank provides the following trade finance instruments:

- Trade Credit Confirmation Lines, which provide guarantees on letters of credit (LOC), strengthening payment assurance for exporters and suppliers while facilitating access to pre- and post-shipment working capital
- Short-Term Revolving Trade Finance Facilities, offered on an uncommitted basis, comprising trade confirmation guarantees, LOC confirmation, and discounting. These may be complemented by funded credit lines to eligible banks, enhancing their capacity for short-term trade capital financing for importers, exporters, and businesses participating in regional and global supply chains
- Irrevocable Reimbursement Undertakings (IRUs) and other guarantee instruments, which reduce payment and settlement risks, allowing banks to support a larger volume of working capital and trade finance transactions
- Alignment with complementary Afreximbank platforms, including the MANSA due diligence platform and the Pan-African Payment and Settlement System (PAPSS), which simplifies compliance processes, strengthens due diligence, and facilitates more efficient cross-border payments

III. Progress and Impact

- AFTRAF has onboarded more than 80 percent of commercial banks across Africa, strengthening the continent's trade finance network.
- The programme has facilitated billions of dollars in trade finance, improving the availability of working capital for cross-border trade while supporting critical imports and intra-African commerce.

- In September 2025, Afreximbank approved a US$100-million AFTRAF facility for NBS Bank Plc, Malawi, enabling the bank to expand its trade finance and working capital portfolio, meet growing client demand, and support imports of essential commodities such as fertilisers, medicines, and fuel.[97]
- By strengthening the capacity of local FIs to finance trade, AFTRAF has expanded SMEs' access to short-term working capital, helping businesses finance inventory, production, and cross-border transactions.

IV. Replicability across BRICS+

The AFTRAF model can be replicated across other BRICS+ economies by:

- Establishing regional trade finance facilitation programmes that combine guarantees, credit lines, and risk-sharing instruments
- Strengthening the capacity of domestic banks to finance imports, exports, and supply chain activities
- Integrating trade finance programmes with digital due diligence and regional payment systems to reduce compliance costs and improve cross-border settlements

Case Study: India - Trade Receivables Discounting System

I. Overview

The Trade Receivables Discounting System (TReDS) is a Reserve Bank of India (RBI)-regulated electronic platform designed to improve SMEs' access to working capital by digitising invoice financing. It addresses challenges such as delayed payments from large buyers, limited access to formal credit, and high financing costs by connecting SME sellers, corporate buyers, and financiers on a common digital marketplace.

II. Key Design Features

- TReDS is distinctive because financing is based on the creditworthiness of the buyer rather than that of the SME, enabling small businesses to access faster and lower-cost working capital.

- The SME uploads an invoice onto the platform, which is verified and accepted by the buyer, confirming the payment obligation. Once approved, multiple banks and NBFCs compete to finance the invoice. The SME selects the most competitive bid and typically receives the discounted invoice amount within 24 hours. On the invoice due date, the buyer pays the financier directly. If the buyer defaults, the SME seller bears no repayment obligation for transactions executed through TReDS.
- As a fully digital, RBI-regulated marketplace, TReDS enhances transparency, competition, and efficiency by bringing SMEs, buyers, and financiers together on a single platform.

III. Progress and Impact

TReDS has been successful because it combines regulatory backing, digital efficiency, and broad financial inclusion. The platform has delivered measurable results:

- Annual financing through TReDS increased from approximately INR 9.5 billion (~US$17.2 million) in FY2018 to over INR 2,333 billion (~ US$27.6 billion) in FY2025, representing an almost 250-fold increase.[98]
- The number of factoring units (FUs), representing invoices or bills of exchange, financed rose from 33,680 in March 2022 to 135,603 in December 2025, while the value financed increased from INR 5.95 crore (~US$0.79 million) to INR 30.45 crore (~US$3.52 million) from March 2022 to September 2025.[99]
- Participation expanded notably, with SME sellers registered on the platform increasing from 15,000 in 2018 to 1,35,000 in 2025.[100]
- Digital onboarding, automated reconciliation, and transparency of the Factoring Unit process have allowed the platform to scale cost-effectively across a massive number of SME transactions.
- The platform has also shown remarkable success in empowering women entrepreneurship and extending formal credit access to underserved businesses. The participation of MSMEs led by women entrepreneurs or senior women executives experienced remarkable growth, increasing from 14 firms in 2018 to 7,406 firms in 2024.[101]

- TReDS has emerged as a critical component of India's SME financing ecosystem and a key driver of financial inclusion and economic growth.

IV. Replicability across BRICS+

The TReDS model can be replicated across other economies by:

- Creating a regulated digital invoice-discounting platform and a digital auction-based mechanism where multiple banks bid in real time on buyer-approved invoices. This creates transparent price discovery and lowers financing costs for SMEs.

- Encouraging large corporations and government buyers to participate on the platform, thus enabling small businesses with limited collateral or credit histories to access timely and lower-cost working capital

- Integrating it with the existing e-invoicing and tax systems

Priority 3: Reduce Credit Risk through Credit Guarantee Schemes

Credit guarantee schemes help expand SME lending by mitigating credit risk for FIs, enabling greater access to finance for creditworthy businesses with limited collateral or established credit records. At a macro level, these credit guarantees would reduce collateral constraints that have prevented economies from progressing along the FKC.

Case Study: Saudi Arabia - Small and Medium Enterprises Loan Guarantee Programme (Kafalah)

I. Overview

To expand SME access to formal credit, Saudi Arabia established the Small and Medium Enterprises Loan Guarantee Programme (Kafalah) in 2006. This government-backed credit guarantee scheme reduces the lending risk that banks face when financing SMEs that lack sufficient collateral. Rather than providing loans directly, the programme shares credit risk with participating FIs, encouraging greater lending to viable SMEs while preserving commercial lending practices. Initially administered by the Saudi Industrial Development

Fund (SIDF), Kafalah is now managed by the SME Bank under the National Development Fund (NDF) as part of Saudi Arabia's Vision 2030 strategy.

II. Key Design Features

Kafalah expands SME lending by sharing credit risk between the government and participating FIs:

- SMEs apply for financing through licensed banks or financing companies, which undertake their own credit appraisal. Where additional risk mitigation is required, the lender applies to Kafalah for a guarantee before disbursing the loan.[102]

- The programme provides partial credit guarantees of up to 80 percent of loan value for most sectors and up to 90 percent for priority sectors such as tourism and entertainment, reducing collateral requirements while maintaining lender accountability.

- Financing limits are aligned with enterprise size, providing loans of up to SAR 2.5 million for micro enterprises, SAR 5 million (~US$2.5 million) for small enterprises, and SAR 15 million (~US$4 million) for medium enterprises.[103]

- Kafalah uses a risk-based pricing model, with guarantee fees and coverage levels linked to lender performance and policy priorities, encouraging prudent lending while supporting strategic sectors.

- The programme operates through a nationwide network of participating FIs, enabling SMEs across all regions and sectors to access guaranteed financing.

III. Progress and Impact

- Since its establishment in 2006, Kafalah has approved more than 71,400 guarantees worth SAR 89.5 billion (~US$23.9 billion), facilitating over SAR 125.3 billion (~US$33.4 billion) in financing for approximately 26,500 SMEs (up to Q3 2025).[104]

- The programme has supported employment generation, with assisted micro enterprises recording employment growth of 27 percent within two years, compared with approximately 15 percent for small enterprises and 8-10 percent for medium-sized enterprises.[105]

IV. Replicability across BRICS+

The Kafalah model can be replicated across other BRICS+ economies by:

- Establishing government-backed credit guarantee schemes that share lending risk with commercial FIs, while allowing banks to retain responsibility for credit appraisal and loan disbursement
- Using differentiated guarantee coverage and risk-based pricing to encourage lending to priority sectors while maintaining prudent risk management
- Delivering guarantees through existing banking networks rather than creating parallel lending institutions, enabling rapid scaling with limited fiscal resources
- Leveraging digital platforms to streamline guarantee approval processes and accelerate SME access to finance

Case Study: South Africa - Khula Credit Guarantee Scheme

I. Overview

South Africa's Khula Credit Guarantee Scheme (KCG) is a state-backed partial credit guarantee programme that reduces lending risks for banks and other FIs financing SMEs that lack collateral.[106] By sharing credit risk with participating lenders rather than providing loans directly, the scheme encourages lending to underserved businesses. It is operated by Khula Credit Guarantee (SOC) Limited: historically a subsidiary of the Small Enterprise Finance Agency (SEFA) and now under the Small Enterprise Development and Finance Agency (SEDFA), which was formed in 2024 through the merger of SEFA, SEDA, and the Co-operative Banks Development Agency (CBDA).[107]

II. Key Design Features

KCG expands SME lending by distributing the credit risk between the government and participating FIs.

- SMEs apply for financing through participating banks, retail financial intermediaries (RFIs), microfinance institutions (MFIs) and fintech lenders, which undertake their own credit assessments before seeking a Khula guarantee where additional risk mitigation is required.

- The scheme has shifted from transaction-by-transaction guarantees to a portfolio-based guarantee model, enabling participating lenders to guarantee multiple SME loans under a single facility and massively improving operational efficiency.

- By extending guarantees to both banks and non-banks, KCG broadens access to finance for SMEs that may not be served through traditional banking channels.

- The guaranteed mechanism transfers part of the credit risk from lenders to the government, enabling FIs to extend credit to viable SMEs with limited collateral while preserving commercial lending discipline.[108]

III. Progress and Impact

- The transition to a portfolio-based guarantee model and the expansion to non-bank partners increased annual guarantee issuance from ZAR 119 million (US$8.65 million) in 2018-19 to ZAR 1.39 billion (US$76.17 million) in 2024-25.[109]

- During 2024-25, KCG approved approximately ZAR 1.4 billion (US$76.77 million) in guarantees, achieving 335 percent of its annual target.[110]

- The programme supported financing for 1,217 SMEs and CBIs (co-operative/community-based institutions), exceeding its annual target by 161 percent, while creating or sustaining approximately 24,000 jobs.[111]

- The redesigned model has massively expanded lender participation and improved the scalability of credit guarantee delivery to underserved SMEs.

IV. Replicability across BRICS+

The KCG model can be replicated across other BRICS+ economies by:

- Establishing government-backed partial credit guarantee schemes that share lending risk with banks and non-banks

- Adopting portfolio-based guarantee models to improve efficiency and enable lenders to scale SME lending

- Expanding guarantee coverage to fintechs, MFIs, and other alternative lenders to improve outreach to underserved enterprises

- Developing clear governance frameworks, sustainable funding arrangements, and transparent guarantee payout mechanisms to ensure programme effectiveness

Priority 4: Expand Credit Supply through Public Institutions and Policy Support

Public institutions and policy measures help expand the supply of credit to SMEs by providing dedicated financing, directing lending to priority sectors, and improving the availability and affordability of credit through targeted financial interventions. These interventions address the market failure arising from incomplete capital markets, where private lenders underprovide long-term finance to viable SMEs despite their positive spillover effects.[e]

Case Study: China - Monetary and Regulatory Policy Support

I. Overview

China's policy framework expands SME financing by using targeted liquidity and performance-linked monetary incentives. By lowering funding costs for FIs that meet inclusive lending objectives, the approach seeks to make SME finance commercially attractive while maintaining prudent credit risk management.

II. Key Design Features

- The People's Bank of China (PBOC) employs performance-linked reserve requirement ratio (RRR) reductions, rewarding banks that meet predefined

e Private lenders may underprovide long-term credit to worthy SMEs due to limited collateral, credit histories, and higher perceived risks, despite their wider contribution to investment, employment, and economic activity, leading to market failure as finance in being underprovided or not provided to worthy SMEs.

inclusive SME lending thresholds with lower reserve requirements and reduced funding costs.[112]

- The PBOC provides targeted liquidity support through structural monetary instruments, including relending and rediscount facilities, which supply below-market funding to FIs expanding credit to SMEs.[113]

- The Targeted Medium-Term Lending Facility (TMLF) provides subsidised medium-term liquidity to banks that increase lending to priority sectors, including SMEs, further reducing the cost of credit provision.

III. Progress and Impact

- The balance of inclusive loans to micro and small enterprises increased from RMB 7 trillion (~US$1.1 trillion), i.e. 5.6 percent of total RMB bank lending in March 2018 to RMB 38.4 trillion (~US$5.5 trillion), i.e. 13.7 percent of total RMB bank lending by March 2026, reflecting a substantial expansion in formal SME credit.[114]

- Performance-linked monetary incentives have strengthened the commercial incentives for banks to expand SME lending while maintaining credit discipline and financial stability.

- The framework demonstrates that targeted monetary policy can effectively support financial inclusion by lowering the cost of lending.

IV. Replicability across BRICS+

- Performance-linked monetary incentives can encourage FIs to expand SME lending by linking measurable lending outcomes to lower funding costs through reserve requirement adjustments or similar regulatory instruments.

- Targeted refinancing and liquidity facilities can reduce the cost of bank funds for SME lending while allowing lending decisions to remain commercially driven.

- India provides a comparable example of using regulatory incentives to expand SME credit. Through the RBI's Priority Sector Lending (PSL) framework, banks are required to allocate a prescribed share of lending to priority sectors, including SMEs.

Case Study: Egypt - SME Lending Quota

I. Overview

Egypt has adopted a regulatory approach to expand SME financing by mandating banks to allocate a minimum share of their loan portfolios to SMEs (increased to 25 percent in 2021). Introduced by the Central Bank of Egypt (CBE) in 2016 and strengthened in 2021, the framework aims to increase the flow of formal credit to SMEs by combining mandatory lending targets with institutional measures that improve the capacity of banks to serve the sector. The approach positions regulatory policy as a catalyst for financial inclusion while complementing broader national programmes that support enterprise development.

II. Key Design Features

- The framework includes dedicated minimum allocations for small enterprises, ensuring that lending is not concentrated among larger medium-sized firms.
- Participating banks are required to establish specialised SME banking units, strengthening underwriting capacity and developing expertise in assessing the financing needs of smaller enterprises.
- The regulatory mandate is aligned with broader national development programmes, enabling increased credit availability to complement initiatives aimed at improving enterprise development and financial inclusion.

III. Progress and Impact

- SME lending facilities expanded by 394 percent between 2015 and 2024, as estimated by the OECD,[115] reflecting greater participation by the banking sector in financing smaller enterprises.
- Financial inclusion increased to 71.5 percent of eligible adults in 2024, indicating substantial progress in expanding access to formal financial services.[116]

44

- Women's financial inclusion has improved, supporting more inclusive access to financial services.[117]

IV. Replicability across BRICS+

The Egyptian model offers design features that are readily transferable to other BRICS+ economies:

- Regulatory lending targets can encourage banks to increase the allocation of credit to SMEs while signalling a clear policy commitment to financial inclusion
- Dedicated SME banking units can strengthen the institutional capacity of banks to assess and serve smaller enterprises, improving the effectiveness of lending mandates

Case Study: The UAE - The Emirates Development Bank

I. Overview

The Emirates Development Bank (EDB) is the UAE's government-owned development finance institution driving economic diversification and industrial transformation.[118] The bank provides affordable financing—through direct lending and bank partnerships—for SMEs operating in five strategic sectors: manufacturing, food security, healthcare, renewable energy, and advanced technology.

II. Key Design Features

- EDB operates under a developmental mandate to support UAE's economic diversification and industrial development objectives. Accordingly, its financing is directed towards the five strategic sectors. This mandate enables EDB to address financing gaps in these priority areas by supporting projects that may not be adequately served by conventional lenders.
- The bank operates a dual-track financing model, providing direct loans to SMEs while also partnering with commercial banks to expand financing access through a Credit Guarantee Scheme.

- EDB offers concessionary financing terms, including lower interest rates and longer repayment tenors than those typically available through conventional commercial lending.

- To improve access to finance, EDB introduced a five-day digital loan approval process for SME loans of up to AED 5 million (~US$1.36 million), demonstrating how development finance institutions can deliver commercial-grade processing times. [119]

- The bank has expanded its financing toolkit through invoice financing, enabling eligible SMEs supplying government and government-related entities to access up to 95 percent of approved invoice values within 24 hours, helping alleviate working capital constraints.[120]

III. Progress and Impact

- In 2025, EDB provided AED 3.8 billion (~US$1.03 billion) in direct financing to SMEs, complemented by a Credit Guarantee Scheme valued at AED 747 million (~ US$203.4 million).[121]

- The bank is currently deploying approximately AED 20 million in financing each day, reflecting strong and growing demand for development finance.

- Manufacturing remained the largest recipient of financing in 2024, receiving AED 4.2 billion (~US$1.14 billion), followed by advanced technology with AED 3 billion (~US$0.82 billion), while renewable energy, food security, and healthcare each received approximately AED 1.1-1.2 billion (~ between US$299.5 and US$326.8 million)[122]

- In May 2026, EDB launched an AED 350 million (~US$95.3 million) invoice financing programme in partnership with Zelo, enabling eligible SMEs to access up to 95 percent of approved government invoices within 24 hours, improving liquidity for firms undertaking public sector contracts.[123]

- Since the launch of its revised strategy in 2021 to 2025, EDB's financing has contributed to the creation of more than 41,000 jobs and mobilised over AED 75 billion (~US$20.4 billion) in industrial capital expenditure.[124]

IV. Replicability across BRICS+

The UAE case offers design features that could be replicated in other BRICS+ economies.

- Mandate-bound sector financing enables development finance institutions to align SME lending with national industrial priorities while improving accountability through measurable economic outcomes.
- Specialised development finance institutions focused on strategic sectors can support industrial transformation while addressing financing gaps that aren't adequately served by commercial banks.
- India provides a comparable example through the Small Industries Development Bank of India (SIDBI), which serves as the country's principal development finance institution for SMEs. Like the UAE's EDB, SIDBI combines direct lending with refinancing, credit guarantees, and partnerships with FIs to expand SME access to finance.

Priority 5: Diversify Financing Sources through Innovative and Specialised Financing Instruments

Innovative and specialised financing instruments broaden SMEs' access to finance beyond conventional bank lending by expanding access to equity, hybrid capital, and capital market financing. These mechanisms help address diverse financing needs across different stages of enterprise growth while strengthening the resilience of the SME financing ecosystem.

Case Study: China - Government Guidance Funds

I. Overview

China's Government Guidance Funds (GGFs) are government-sponsored investment funds introduced in 2002[125] to expand access to long-term equity financing for enterprises operating in strategically important sectors. By combining public and private capital, these funds address the financing gaps faced by innovative SMEs and startups that are often underserved by traditional bank lending. By using public capital to mobilise private investment, GGFs have evolved into one of the world's largest state-backed investment ecosystems, supporting industrial upgrading, technological innovation, and enterprise growth across the country.

II. Key Design Features

- Government agencies provide anchor capital and define the strategic objectives of the funds, while additional financing is mobilised from private investors, state-owned enterprises, state-owned banks, and institutional investors.[126]

- Most GGFs operate through a fund-of-funds (FoF) structure, whereby government funds invest in venture capital and private equity funds, which subsequently invest in early-stage and growth-stage enterprises.

- The funds adopt a catalytic investment approach, with public sponsors accepting lower returns or absorbing a greater share of investment risk to crowd in private capital and encourage investment in innovative SMEs.[127]

- Investments are directed towards strategic sectors and industrial priorities, including semiconductors, advanced manufacturing, biotechnology, clean energy, Artificial Intelligence (AI), and other innovation-driven industries.

III. Progress and Impact

- By August 2024, China had established more than 2,100 GGFs with a combined target size of approximately RMB 13 trillion (US$1.8 trillion).[128]

- The GGF ecosystem has expanded the availability of patient capital for technology-oriented enterprises, particularly in semiconductors, advanced manufacturing, biotechnology, clean energy, and AI.[129]

- Government participation has successfully mobilised private and institutional investment, strengthening the availability of long-term equity financing for enterprises that may not qualify for conventional bank credit.[130]

- Despite challenges relating to fundraising, capital deployment, and investment efficiency, GGFs have become an important mechanism for supporting enterprise growth, innovation, and industrial upgrading.[131]

48

IV. Replicability across BRICS+

The GGF model offers design features that are readily transferable to other BRICS+ economies.

- Government-sponsored investment funds can mobilise private capital into strategically important sectors by using public investment as catalytic capital rather than replacing private financing.
- FoF structures can improve investment efficiency by enabling professional venture capital and private equity managers to allocate capital, reducing the need for direct government selection of enterprises.
- Risk-sharing arrangements that accept lower public returns or absorb a greater share of investment risk can encourage greater private investment in innovative SMEs and early-stage enterprises.
- Aligning equity financing with national industrial priorities enables governments to support technology development, industrial upgrading, and innovation while addressing financing gaps that are not adequately served by traditional debt financing.

Case Study: Germany - Micro-Mezzanine Fund

Although Germany is not a BRICS+ member, its experience provides a relevant best practice for this financing goal.

I. Overview

Germany's Micro-Mezzanine Fund was established in 2013[132] to address the financing gap faced by micro and small enterprises that cannot access conventional bank credit because of weak equity positions and insufficient collateral. Supported by the Federal Ministry for Economic Affairs and Energy and co-financed through Germany's ERP Special Fund and the European Social Fund (ESF/ESF+), the programme provides mezzanine (quasi-equity) financing to strengthen enterprise balance sheets and improve access to commercial finance. It supports women-led businesses, migrant entrepreneurs, social enterprises, and environmentally sustainable enterprises.

II. Key Design Features

- The programme provides mezzanine financing through silent participation, allowing enterprises to strengthen their capital base without diluting ownership or management control.

- Financing is treated as economic equity, improving borrowers' balance sheets and enhancing their ability to obtain additional commercial bank financing.

- Unlike conventional bank loans, no collateral is required, making the programme accessible to viable enterprises that lack sufficient assets to secure traditional credit.

- The fund specifically targets the “missing middle”, supporting businesses that are too small or risky for commercial bank lending but not sufficiently mature to attract venture capital.

- The programme offers long-term financing with differentiated support for priority groups, including higher financing limits for women-led businesses, migrant entrepreneurs, social enterprises, businesses established by formerly unemployed individuals, and environmentally sustainable enterprises.

III. Progress and Impact

- The programme expanded from 74.5 million euros in Phase I (2013-2015) to approximately 153.5 million euros in Phase II (2016-2023),[133] reflecting continued policy support and strong demand.

- During its first phase, the fund supported 1,781 enterprises and helped sustain more than 7,700 jobs, contributing to its subsequent expansion.

- The programme has improved access to financing for underserved enterprise segments and firms established by formerly unemployed individuals.

- By strengthening enterprise balance sheets through quasi-equity financing, the programme has enabled beneficiaries to leverage additional commercial bank financing beyond the initial public investment.

IV. Replicability across BRICS+

The German model offers design features that could give lessons to BRICS+ economies.

- Publicly supported mezzanine financing can address the financing needs of viable SMEs that lack sufficient collateral but are not suitable candidates for venture capital.
- Quasi-equity instruments can strengthen SME balance sheets and improve access to additional commercial bank financing without diluting business ownership.
- Integrating mezzanine finance within the existing SME financing ecosystems enables governments to complement credit guarantee schemes, development finance programmes, and venture capital initiatives by addressing financing gaps that conventional debt and equity instruments do not adequately serve.

Case Study: Russia - The National Project on SME and Individual Entrepreneurship Support

I. Overview

Russia's National SME Project (2018) outlined a holistic strategy to support SME development, expanding their access to capital market financing by establishing market infrastructure and facilitating the issuance and placement of securities. The project addresses the limited participation of SMEs in public capital markets by combining financial incentives with institutional support and dedicated listing platforms.[134] Implemented through a partnership among the Ministry of Economic Development, the SME Corporation, SME Bank, and the Moscow Exchange, it has created an ecosystem that lowers the barriers to bond and equity issuance for smaller businesses.

II. Key Design Features

- The project is centred on the Moscow Exchange Growth Sector and the Innovation and Investment Market (IIM) Sector, which provide dedicated listing platforms with proportionate listing requirements for SMEs. Eligibility is based on annual revenues of up to RUB 10 billion (~US$154.5

million) for bond issuers and RUB 25 billion (~US$386.2 million) for equity issuers.[135,136]

- The cost of capital market access is reduced by subsidising listing and application fees equal to 2 percent of the issuance value, capped at RUB 1.5 million (~US$0.02 million),[137] while the Moscow Exchange waives listing fees for eligible SME bond issuances of up to RUB 400 million (~US$6.28 million).[138]

- To lower financing costs, up to 70 percent of bond interest expenses are subsidised, subject to a ceiling of two-thirds of the Central Bank of Russia's key policy rate, making bond issuance more affordable for smaller enterprises.[139]

- SME Bank provides comprehensive transaction support, acting as arranger, anchor investor, market maker and adviser, while the SME Corporation complements these services through credit guarantees on SME debt securities, helping issuers overcome technical and market access barriers.

- The project adopts an adaptive policy design, with the 2025 relaunch shifting support from bond coupon subsidies towards equity financing, reflecting the evolving financing needs of SMEs and promoting greater use of equity capital.[140]

III. Progress and Impact

- Between 2019 and 2024, the programme supported 48 SME issuers across 81 bond issues and two equity issues, with total supported issuances amounting to RUB 26.1 billion (~US$282 million).[141]

- By the end of 2023, 40 SMEs had securities listed on the Moscow Exchange Growth Sector, comprising 67 bond issues and two equity issues.[142]

- SME bond placements reached RUB 11.3 billion (~US$132.7 million) in 2023, representing a 200 percent increase from RUB 5.6 billion (~US$81.8 million) in 2022.[143]

- The Innovation and Investment Market (IIM) Sector continued to expand financing opportunities for innovation-oriented SMEs, with seven bond issues from five issuers totalling RUB 25.8 billion (~US$27.8 million) completed in 2024.[144]

IV. Replicability across BRICS+

The Russian model offers design features that may be transferable to other BRICS+ economies:

- Dedicated SME listing segments with proportionate listing requirements and reduced market entry costs can facilitate SME participation in capital markets while lowering barriers for first-time issuers
- Integrating advisory services with capital market financing can improve issuer preparedness, strengthen investor confidence, and address the technical and governance challenges that often prevent smaller enterprises from accessing public markets
- Partnerships between government agencies, development finance institutions, and stock exchanges can create an enabling ecosystem that supports SME access to alternative sources of finance beyond traditional bank lending.

Priority 6: Expand Financial Inclusion through Microfinance

Microfinance expands access to finance for underserved micro and small enterprises by providing affordable credit and other financial services, helping bridge financing gaps and support entrepreneurship and livelihoods. It addresses the market failure of financial exclusion and broadens access to productive finance, facilitating movement towards the inequality-reducing frontiers of the FKC, at the macro level.

Case Study: Indonesia - Bank Rakyat Indonesia

I. Overview

Bank Rakyat Indonesia (BRI), Indonesia's largest microfinance lender, developed a model to address barriers to formal credit faced by micro and small enterprises, particularly in rural areas plagued by limited financial literacy, insufficient collateral, and weak banking penetration. Rather than rely on branch-based banking, BRI adopted a locally embedded delivery model that provides direct credit access to communities through village-level loan officers, agent banking networks, and government-supported lending programmes.[145]

II. Key Design Features

- BRI operates a locally embedded delivery model, with village-level loan officers (*Mantri*) proactively identifying, assessing, and monitoring borrowers within their communities, thereby reducing information asymmetries, lowering transaction costs, and expanding outreach to underserved SMEs.

- Following reforms in the 1980s, BRI transitioned from subsidised lending to a commercially sustainable, cost-recovery microfinance model, demonstrating that large-scale financial inclusion can be achieved without compromising financial viability.

- The BRILink agent banking network extends banking services to remote and underserved areas by enabling local merchants to function as banking agents, significantly expanding last-mile financial access.[146]

- BRI mobilises rural savings through its Simpanan Pedesaan [f]savings products, creating a stable and low-cost funding base that supports sustainable SME lending.

- The Kredit Usaha Rakyat (KUR) programme provides government guarantees of up to 70 percent of eligible SME loans, reducing lender risk and encouraging FIs to extend credit to smaller and higher-risk enterprises.

- KUR incorporates a borrower graduation mechanism, enabling successful SMEs to transition progressively from subsidised credit to larger commercial loans as their businesses grow, thereby supporting long-term financial inclusion.

f Rural savings programmes

III. Progress and Impact

The integrated BRI-KUR model has expanded formal financial inclusion among Indonesian SMEs while maintaining the commercial sustainability of the lending ecosystem.

- By the end of 2024, approximately 81.97 percent of BRI's loan portfolio was directed towards SMEs, making it one of the world's largest microfinance lenders.[147]

- KUR disbursements reached approximately US$17.5 billion in 2024, supporting 4.92 million borrowers,[148] while cumulative programme outreach exceeded 57 million business owners by 2023. [149]

- By 2023, participating borrowers reported an average 60 percent increase in business turnover.[150]

- Digital outreach has expanded substantially, with more than 1,064,219 BRILink agents operating across Indonesia by 2024. [151]

The model has successfully integrated tens of millions of first-time borrowers into the formal financial system by combining locally embedded delivery channels, digital banking infrastructure, and government-backed risk sharing within a commercially sustainable microfinance framework.

IV. Replicability across BRICS+

The BRI-KUR model has design features that could be replicated in other BRICS+ economies.

- Locally embedded delivery networks enable FIs to expand SME lending in underserved areas by leveraging community-based loan officers, agent banking networks, and local relationships to reduce information asymmetries and transaction costs. This approach is particularly relevant for BRICS+ economies with large rural populations and limited banking penetration like India.

- Government-backed credit guarantees can encourage banks to lend to collateral-constrained SMEs while maintaining commercial viability. By sharing credit risk with FIs, governments can expand formal credit access without requiring development banks to finance the entire lending portfolio.

- Digital and agent banking infrastructure provides a cost-effective mechanism for extending financial services beyond traditional branch networks. Integrating digital channels with agent banking can improve last-mile access to formal finance, particularly in geographically dispersed and underserved regions.

- Borrower graduation mechanisms enable SMEs to transition progressively from subsidised lending to commercial credit as they establish repayment records and expand their businesses. Embedding such pathways into public financing programmes can strengthen enterprise sustainability while reducing long-term dependence on subsidised finance.

Priority 7: Promote SME Growth through Integrated Finance Plus Development Support

Integrated finance and development support models combine access to finance with complementary interventions such as business development services, entrepreneurship support, skills development, and market linkages. By addressing financial and non-financial barriers, these approaches strengthen SME resilience, productivity, and sustainable growth.

Case Study: South Africa - Township and Rural Entrepreneurship Programme

I. Overview

The Township and Rural Entrepreneurship Programme (TREP) is a government initiative to improve access to financing for SMEs in South Africa's townships and rural areas. It addresses limited access to formal credit, infrastructure constraints, and weak business capabilities through an integrated finance-plus model. TREP combines blended finance with business development support and productive asset financing to strengthen enterprise resilience and promote inclusive entrepreneurship among underserved businesses.[152]

II. Key Design Features

- TREP delivers blended finance by combining grants with concessional loans, reducing financing costs, and improving access to formal credit for township and rural enterprises.

- Financing is complemented by business development services, including technical assistance and value chain support, to strengthen enterprise capability before and after receiving finance.

- Productive asset support, including equipment, is provided alongside financing to help enterprises overcome operational constraints such as unreliable electricity and inadequate infrastructure.

- The programme is implemented through a multi-institutional delivery model. Following the consolidation of SEFA (Small Enterprise Finance Agency), SEDA (Small Enterprise Development Agency), and the Co-operative Banks Development Agency into the Small Enterprise Development and Finance Agency (SEDFA) in October 2024, delivery is led by the Department of Small Business Development (DSBD) together with SEDFA, in partnership with commercial banks such as Nedbank and Standard Bank.[153]

- TREP adopts targeted programme delivery, prioritising township and rural enterprises as well as youth-, women-, and Black-owned businesses to improve financial inclusion among underserved groups.[154]

III. Progress and Impact

- The integrated finance-plus model has expanded financing access for underserved enterprises while strengthening business resilience.

- From an initial reprioritised allocation of approximately US$25.2 million (ZAR 413 million) in 2019/20, TREP disbursed over US$50.7 million (ZAR 829 million) to more than 111,000 SMEs by 2025-26, demonstrating sustained scaling since its introduction.[155]

- The 2026-27 budget increased programme funding to US$43.4 million (ZAR 710 million) and nearly tripled the maximum financing available per enterprise from US$61,140 (ZAR 1 million) to US$183,427 (ZAR 3 million), broadening programme reach and deepening support.[156]

- By combining finance with business support and productive assets, TREP has expanded access to formal finance for township and rural enterprises.[157]

IV. Replicability across BRICS+

The TREP model offers design features that other BRICS+ economies could emulate:

- Blended finance structures combining grants with concessional loans can improve SME access to finance while reducing debt burdens for early-stage and underserved enterprises.
- Integrating business development services with financing can strengthen enterprise capabilities, improve loan utilisation, and enhance business sustainability beyond the financing period.
- Providing productive asset support alongside credit enables SMEs to address operational bottlenecks, particularly in regions affected by infrastructure deficiencies or unreliable energy supply.
- Targeting financing programmes by geography and beneficiary groups allows governments to improve financial inclusion among underserved populations while measuring programme outcomes through ownership- and location-based monitoring.
- Delivering programmes through partnerships between government agencies, development finance institutions, and commercial banks enables public resources to leverage existing financial infrastructure and expand SME outreach efficiently.

Case Study: Egypt - Hayah Karima (Decent Life) National Programme

I. Overview

Launched in 2019, the Hayah Karima (Decent Life) National Programme is Egypt's flagship rural development initiative aimed at improving living standards and expanding economic opportunities in the country's poorest villages. It addresses structural barriers that limit SME growth, including inadequate infrastructure, weak public services, and low financial inclusion, through an integrated finance-plus development model. It combines infrastructure investment, social services, and SME financing to support inclusive rural development.[158]

II. Key Design Features

- The programme adopts a place-based development approach, targeting villages according to poverty levels and implementing investments in three sequential phases to prioritise the most underserved communities.

- Infrastructure investment is integrated with SME finance, combining improvements in roads, water, sanitation, electricity, digital connectivity, and housing with access to enterprise finance and financial inclusion initiatives.

- Social service delivery is embedded within the programme through investments in health, education, community facilities, and youth centres, creating an enabling environment for enterprise development.

- Financial inclusion measures are incorporated alongside infrastructure development through SME lending, expanded banking access, and ATM (Automated Teller Machine) deployment, enabling rural communities to participate more effectively in the formal financial system.

- The programme adopts strong geographic and demographic targeting, directing a larger share of investment to poorer regions, particularly Upper Egypt, while promoting women's participation to strengthen household and local economic outcomes.

III. Progress and Impact

- Mid-term evaluations reported an 18-percentage-point improvement in the quality-of-life index and a 14-percentage-point reduction in poverty, reflecting broad improvements in living standards across participating communities.[159]

- The programme generated measurable progress across multiple Sustainable Development Goals (SDGs), with health service coverage (SDG 3) improving by 24 percentage points, education (SDG 4) by 12 percentage points, and water and sanitation (SDG 6) by 46 percentage points.[160]

- Local economic development was supported through EGP 438 million (US$26.04 million) in small projects, creating approximately 71,000 jobs across eight governorates and contributing to SDG 8 (Decent Work and Economic Growth).[161]

- By June 2025, development works had been completed in 620 of the 1,477 Phase 1 target villages, with effective financing of EGP 306 billion (US$6.1 billion) secured, and reaching 18 million beneficiaries.[162]

- Financial inclusion improved, with total SME financing reaching EGP 68.7 billion (US$1.38 billion), benefiting approximately 3.2 million recipients (55 percent of whom were women), alongside a 19.4-percentage-point increase in the financial inclusion index across target villages (FY2021-22 to FY2024-25) and 100 percent ATM coverage of local administrative units.[163]

IV. Replicability across BRICS+

The Hayah Karima model offers design features that are readily transferable to other BRICS+ economies:

- Integrating infrastructure investment with SME finance enables governments to address structural barriers that limit enterprise growth, ensuring that improvements in the local business environment complement access to finance.

- Place-based targeting allows public resources to be concentrated in the most underserved regions, improving both development outcomes and the effectiveness of SME financing interventions.

- Embedding financial inclusion within broader rural development programmes can expand access to formal finance while strengthening the economic impact of investments in infrastructure and public services.

Case Study: Ethiopia - Development Finance with Business Development Services

I. Overview

Ethiopia has adopted an integrated finance-plus approach to SME development by combining commercial lending with public risk-sharing mechanisms and business development services. This model tackles limited access to formal credit for collateral-constrained enterprises and weak managerial capabilities among small businesses, particularly youth- and women-led agri-SMEs. It integrates credit with risk-sharing and capability-building to improve access to finance and the effective utilisation of capital.

II. Key Design Features

- The model combines commercial bank lending with state-backed risk guarantees, encouraging FIs to extend credit to viable SMEs that would otherwise be excluded because of insufficient collateral or limited credit histories.

- Business development services are delivered alongside financing through subsidised voucher schemes, providing advisory support in areas such as bookkeeping, financial management, business planning, and investment readiness before and after loan disbursement.

- Financing is targeted towards priority enterprise segments, particularly youth- and women-led agribusinesses, recognising that these groups face distinct financing and capability challenges.

III. Progress and Impact

- Co-financing programmes have demonstrated strong conversion of business development support into successful loan uptake, indicating that enterprise capability-building improves access to formal finance.

- The integrated approach has supported business expansion among participating SMEs, particularly youth- and women-led agribusinesses that traditionally face greater financing constraints.

- Voucher-based business development services have recorded strong utilisation, contributing to improvements in financial management, investment readiness, and entrepreneurial capability.

- By combining credit with risk-sharing and technical assistance, the model has strengthened both borrower capacity and lender confidence, improving the effectiveness of SME financing interventions.

IV. Replicability across BRICS+

The Ethiopian model offers design features that may be transferable to other BRICS+ economies.

- Combining credit with public risk-sharing mechanisms can encourage commercial FIs to expand lending to collateral-constrained SMEs while maintaining prudent risk management.
- Integrating business development services with financing can strengthen enterprise capability, improve loan utilisation, and enhance business sustainability beyond the financing period.

How BRICS+ Initiatives Address SME Financing Gaps

THE PERSISTENCE OF SME financing gaps across the BRICS+ economies reflects a combination of interrelated financing constraints. While the specific transmission channels vary across countries, most financing bottlenecks arise from six broad sources: information asymmetry, collateral deficiencies, liquidity constraints, credit risk, limited long-term sources of finance, and high transaction costs. Successful initiatives by BRICS+ economies address specific gaps through policy responses.

The main intervention mechanisms include creating interoperable payments, consent-based financial data sharing, invoice discounting, credit lines, government guarantees, targeted development bank finance, innovative specialised instruments, savings mobilisation, blended finance, and technical assistance. Table 2 presents principal economic market failures and the main intervention mechanisms that have been adopted by different BRICS+ economies.

Table 2: Economic Challenges and Primary Intervention Mechanisms in BRICS+ Countries

Priorities	Economic Challenge	Intervention Mechanisms
1. Digital infrastructure and data-enabled lending	Information asymmetry; thin credit histories; high KYC and underwriting costs; reliance on collateral	Digital identity, interoperable payments, and consent-based financial-data sharing
2. Trade and supply-chain finance	Working-capital and liquidity constraints; delayed payments; buyer-payment risk; high trade-compliance costs	Invoice discounting, trade guarantees, credit lines, and digital settlement systems
3. Credit guarantee schemes	Insufficient collateral; high perceived credit risk; lender risk aversion	Partial government guarantees and portfolio risk-sharing
4. Public institutions and policy support	Insufficient credit supply; high cost of bank funding; incomplete markets; underinvestment in priority sectors	Targeted refinancing, lending requirements, and development-bank finance
5. Innovative and specialised instruments	Shortage of patient and long-term capital; weak SME equity; high capital-market entry costs	Government guidance funds, SME bonds, and dedicated listing platforms
6. Microfinance and last-mile inclusion	High transaction costs relative to loan size; weak formal records; limited collateral	Agent banking, local loan officers, savings mobilisation, and small-loan guarantees
7. Finance-plus development support	Weak managerial capability; infrastructure deficiencies; coordination failures; low investment readiness	Blended finance, grants, technical assistance, productive assets, and place-based infrastructure

Source: Authors' own

While different intervention mechanisms address the core market failures, their adoption can vary depending on their specific market characteristics. For instance, mechanisms such as Ethiopia's finance-plus model or Egypt's lending quota address basic constraints such as weak collateral, rural exclusion, working capital shortages and deficient infrastructure measures that are ideal for low-income economies. For systems that use banks as the principal distribution channel, credit guarantees, targeted central-bank refinancing and development-bank-led finance change banks' incentives, risk exposure, and ability to assess borrowers.

Similarly, interventions such as Brazil's Pix or India Stack require sophisticated digital infrastructure and depend on digital identity, interoperable databases, consent architecture, and reliable cybersecurity. While fiscal burden or implications can be highest for developing rural infrastructure programmes, public development banks, government equity, credit guarantee, and liquidity facilities.

Leveraging the New Development Bank

THE NEW DEVELOPMENT BANK (NDB), established by the founding BRICS members in 2015, was created to mobilise resources for infrastructure and sustainable development projects across BRICS and other emerging economies. Within a decade of operations, the Bank has built an active portfolio comprising 115 projects worth over US$35.6 billion, with an additional 24 projects amounting to US$7.4 billion approved in 2025.

While infrastructure financing continues to account for the majority of its portfolio, the NDB's mandate and lending strategy have evolved considerably. Under its General Strategy (2022–2026), the Bank aims to expand local currency financing, increase non-sovereign operations, strengthen sustainable development financing, and support digital infrastructure. These priorities reflect a gradual shift towards a broader development finance role beyond traditional infrastructure lending.

One of the most important developments has been the rapid expansion of the NDB's local currency operations. Local currency lending increased to 29.3 percent of cumulative loan approvals by end-2025 from 23.0 percent at end-2021, almost achieving the Bank's target of 30 percent by 2026. Similarly, local currency borrowing increased to 34.7 percent from 27.0 percent over the same period, surpassing the Bank's strategic target ahead of schedule.[164] Greater use of local currency financing deepens domestic capital markets, improves the resilience of financing during periods of global financial volatility, and helps reduce exchange rate risk.

Although SMEs are not currently a primary focus of the NDB's operations, this report maintains that an established and operational multilateral institution such as the NDB provides a strong platform to concretise SME financing across BRICS+ economies.

Policy Recommendations

MANY BRICS+ COUNTRIES have already introduced policies and reforms to improve SME access to financing. Building on these achievements, the following policy recommendations highlight opportunities to strengthen and expand existing initiatives, while encouraging the adoption of successful approaches in countries where such measures are not yet in place.

National-Level Policy Recommendations

Develop the SME Financing Ecosystem as a 'Public Good'

Beyond credit transactions, there is a need to build an ecosystem that facilitates efficient SME financing and possesses significant public-good characteristics. The institutions supporting SME finance, such as digital identity systems, payment infrastructure, credit information repositories, collateral registries, legal enforcement mechanisms, digital public infrastructure, financial data-sharing architectures and regulatory standards, generate benefits that extend beyond individual market participants. For instance, the success of India's DPI and Brazil's Open Finance and Pix suggest that digital ecosystems are most effective when enabled by relevant regulatory and institutional frameworks, such as interoperable payment systems, consent-based data-sharing, and appropriate supervision to enable fintech-led credit expansion.

Build Stronger Information and Credit Infrastructure

Reducing information asymmetry requires more than digital payments. Governments should strengthen the credit information infrastructure by integrating alternative data, improving SME financial reporting, and developing robust digital identity and credit registry systems. A stronger information architecture, supported by reliable enterprise financial accounts, information on promoter financial strength and liabilities, and relevant non-financial business metrics, will enable more accurate credit assessments and expand access to formal finance.

Enable Risk-sharing and Credit Enhancement Mechanisms

In addition to relying solely on public lending programmes, governments should increasingly leverage private capital through credit guarantees, portfolio risk-sharing arrangements, and refinancing facilities. Experiences from Saudi Arabia (Kafalah) and South Africa (Khula) demonstrate how public resources can crowd in private finance while preserving commercial lending discipline.

Strengthen Development Finance Institutions as Market Enablers

Development finance institutions should increasingly play a catalytic role by addressing market failures, mobilising private investment, and supporting strategic sectors. Institutions such as EDB illustrate how targeted public interventions can complement market-based financing.

Develop More Innovative SME Financing Ecosystems

Bank lending alone cannot meet the diverse financing needs of SMEs. Policymakers should continue to develop complementary financing channels, including venture capital, public-private investment funds, mezzanine finance, and SME capital markets, to support enterprises across different stages of growth. In parallel, emerging financial technologies such as blockchain-enabled financial infrastructure and the tokenisation of private credit should also be explored within appropriate regulatory frameworks to broaden access to capital and attract a wider pool of investors.

Experiences from China's Government Guidance Funds, Germany's Micro-Mezzanine Fund, and Russia's SME Capital Market Programme, together with initiatives such as ZIG Chain's partnership with Beehive in the UAE to explore tokenised private credit, demonstrate the potential to broaden investor participation and improve SME access to institutional capital.[165]

Invest in SME Capacity Development and Infrastructure Alongside Boosting Access to Financing

Access to finance alone is often insufficient to improve enterprise performance. Governments should complement financing programmes with business development services, entrepreneurship support, digital and financial literacy, market access initiatives, and infrastructure investments. Integrated models in South Africa, Egypt, and Ethiopia demonstrate that combining financial and non-financial support leads to stronger and more sustainable SME outcomes.

Enhance Transparency through Dedicated Credit Rating Frameworks for SMEs

Traditional corporate credit rating methodologies often do not adequately capture the unique characteristics and risk profiles of SMEs, resulting in information asymmetries and constrained access to finance. Policymakers should promote dedicated SME credit-rating frameworks with differentiated assessment methodologies and rating scales that reflect SMEs' business models, cash flow patterns, and growth potential. A transparent and standardised SME credit assessment ecosystem can improve lender confidence, facilitate risk-based pricing, broaden access to bank and capital market financing, and enable greater participation of institutional investors in SME financing.

India has experience in implementing such a framework. The Government of India, through the National Small Industries Corporation (NSIC), initiated a scheme for assessing the creditworthiness of small enterprises through credit rating agencies acting as independent, credible third parties. The scheme enabled small enterprises to get an assessment of the strengths and weaknesses in their operations and credit profiles at a subsidised rating fee. As part of the scheme, CareEdge Ratings[g] assessed nearly 12,000 SMEs using an eight-point rating scale, with Care SME 1 being the highest and Care SME 8 being the lowest rating. The unique aspect was that the scale was customised to benchmark small and medium enterprises, without any relative assessments with large firms. Such assessments helped facilitate easier and more competitive credit access for many SMEs from Indian banks, including through more attractive interest rates.

Policymakers in BRICS+ nations can consider similar schemes to enhance transparency and credit flows to SMEs in their respective financial systems.

BRICS+ Level Cooperation

Promote Greater Convergence in SME Definitions and Data Standards

Differences in SME definitions across BRICS+ economies limit the comparability of data, impede cross-country benchmarking, and complicate the design of regional financing initiatives. While recognising differences in economic structures and stages of development, BRICS+ members should work towards a harmonised framework for SME classification based on common principles and reporting standards. Greater convergence would facilitate cross-country policy analysis, improve data comparability, and support the development of regional financing instruments and investment platforms.

Leverage NDB for Strengthening SME Financing

The NDB provides an existing institutional platform through which BRICS members can strengthen SME financing. Key areas where the Bank's role could be further strengthened include the following:

g CareEdge Ratings is India's largest homegrown credit rating agency and is ORF's partner for this publication.

a. Expand Local Currency Lending

The NDB should build on the massive progress it has made in expanding local currency financing by further increasing both borrowing and lending of the same while diversifying the basket of member-country currencies in which it operates. The Bank has already demonstrated the viability of its local-currency financing model, with lending and borrowing approaching or exceeding the strategic targets set under its General Strategy (2022–2026).[166] This provides a strong foundation for scaling up local-currency operations in support of broader development objectives.

For SMEs, greater availability of local-currency financing can significantly improve access to affordable long-term credit by reducing exchange-rate risk, mitigating currency mismatches, lowering borrowing costs, and improving repayment certainty. This is particularly important for SMEs, which typically generate revenues in domestic currencies and are more vulnerable to exchange rate volatility than larger corporates. At a broader level, expanding local-currency financing would also contribute to debt sustainability while supporting the development of domestic capital markets through increased local currency bond issuance and reduced reliance on external reserve currencies.

Building on these efforts, local currency financing could increasingly be channelled through domestic financial institutions to strengthen SME lending, particularly for long-term investment, innovation, digitalisation and green transition projects.

The expansion of local currency financing should also be supported by stronger regional financial infrastructure. BRICS members could also consider broadening the scope of the Contingent Reserve Arrangement (CRA)—another inter-member initiative for BRICS nations—to incorporate local currency liquidity facilities and currency swap arrangements among member states. Such mechanisms would improve access to member-country currencies, facilitate cross-border settlement, reduce transaction costs and enhance confidence in the use of local currencies for trade and development finance. For SMEs engaged in regional value chains, improved local-currency settlement mechanisms could lower hedging costs, reduce payment frictions and facilitate greater participation in intra-BRICS trade.

b. Expand on-lending through National Development Banks and Promote Innovative Financing

Rather than lending directly to SMEs, the NDB could play a catalytic role by expanding on-lending facilities through national development banks, specialised SME financing institutions, and participating commercial financial institutions. Such an approach would leverage existing domestic financial ecosystems while allowing financial institutions to extend longer-tenor and lower-cost financing to SMEs.

Dedicated credit lines could be targeted towards priority sectors such as manufacturing, technology, clean energy, and export-oriented enterprises. At the same time, blended finance structures could be used to mobilise private capital alongside multilateral financing, thereby increasing the overall scale of SME lending while improving the efficient allocation of development finance.

NDB could further strengthen domestic financing ecosystems through partial SME credit guarantee facilities and other risk-sharing instruments. Local currency guarantee mechanisms would reduce exchange rate risks while encouraging commercial banks to expand lending to SMEs, particularly in higher-risk sectors and underserved regions. Expanding financial intermediation in this manner would also support the NDB's objective of increasing non-sovereign operations while complementing national SME financing programmes.

c. Scale up Green and Sustainability-linked SME Finance

Given its strong sustainable development mandate, the NDB is well positioned to expand green and sustainability-linked financing for SMEs. Dedicated financing programmes could support investments in renewable energy, energy efficiency, resource efficiency, circular economy initiatives, low-carbon technologies, and climate adaptation, enabling SMEs to participate more actively in the green transition.

NDB could also develop sustainability-linked lending instruments that reward SMEs for achieving predefined environmental performance targets. Such instruments would not only improve SME competitiveness but also facilitate the adoption of cleaner technologies while supporting member countries' climate commitments and sustainable development objectives.

d. Strengthen Digital Financial Infrastructure

Beyond direct financing, the NDB could play a critical role in strengthening the digital financial infrastructure that underpins SME access to finance. Financing could be expanded for digital identity systems, digital payment infrastructure, Open Finance ecosystems, credit registries, alternative credit assessment platforms, and digital lending infrastructure. Such investments would reduce information asymmetries, lower transaction costs, and improve credit assessment, particularly for SMEs with limited formal credit histories.

Develop Regional Financing Mechanisms beyond the NDB

The existing BRICS Interbank Cooperation Mechanism could be leveraged to facilitate syndicated lending, co-financing arrangements, knowledge sharing, and risk-sharing among national development banks and commercial financial institutions. Greater cooperation among member-country financial institutions would improve the availability of long-term financing while strengthening domestic SME financing ecosystems.

BRICS members could also explore establishing regional export credit facilities, cross-border venture capital and growth equity funds, and regional re-guarantee mechanisms to support SMEs engaged in intra-BRICS trade and investment. Payment interoperability initiatives such as BRICS Pay, together with central bank digital currencies (CBDCs), could facilitate faster and lower-cost cross-border transactions. Harmonised digital trade finance platforms, common documentation standards and interoperable credit information systems would further improve SME access to cross-border financing while reducing transaction costs.

Promote the Interoperability of Digital Financial Infrastructure

BRICS+ members should strengthen cooperation to improve interoperability among national digital payment systems and develop common principles for Open Finance and secure cross-border data sharing. Greater interoperability would reduce transaction costs, facilitate cross-border trade and investment, and improve access to finance for SMEs operating across BRICS+ markets. BRICS+ has already laid the foundation for deeper integration through ongoing efforts to link national payment systems, including India's UPI, Brazil's Pix, and other domestic digital payment platforms. Building on these initiatives, members should work towards common technical standards, interoperable messaging protocols, and secure digital identity frameworks to enable seamless cross-border financial transactions.

Institutionalise Policy Coordination and Knowledge-sharing

A permanent BRICS+ SME Finance Working Group or Centre of Excellence should be established to facilitate policy dialogue, technical cooperation, and the exchange of best practices among member countries. The platform could support peer learning on digital finance, credit guarantee schemes, development finance institutions, capital market development, and innovative financing mechanisms, while also monitoring emerging trends and evaluating policy effectiveness. Members could further adopt a structured peer-learning approach whereby countries leading in specific areas, such as digital public infrastructure, trade finance, credit guarantees, or capital market financing, share implementation experiences, technical expertise, and regulatory lessons with other BRICS+ economies. Such institutionalised cooperation would accelerate policy diffusion and strengthen regional capacity to address SME financing gaps.

India’s Role in Advancing BRICS+ Cooperation

Take the Institutional Lead in BRICS+ SME Finance Cooperation

India has emerged as a key convenor of BRICS+ cooperation on SME development. At the Third BRICS+ SME Working Group Meeting (June 2026), India called for greater collaboration on SME finance, technology adoption, and market access, underscoring the need to move beyond dialogue towards implementation. Building on this momentum, India should work with BRICS+ partners to institutionalise the forum through an annual working platform supported by a permanent secretariat or coordination mechanism. It could also champion initiatives such as a BRICS+ SME Financing Facility, greater convergence in SME definitions and reporting standards, and a regional framework to monitor progress in addressing SME financing gaps.

Lead the Development of a BRICS+ Digital Finance Ecosystem

India is well positioned to lead regional cooperation on digital finance. Building on the ongoing UPI-Pix collaboration, the country should champion the development of a BRICS+ Digital Payments and Open Finance Framework that promotes interoperability among national payment systems, common technical standards, and secure data-sharing protocols. India's digital public infrastructure, including UPI and the AA framework, offers a scalable model for reducing information asymmetry, enabling digital lending, facilitating cross-border SME payments, and expanding access to trade and supply chain finance across BRICS+ economies.

Strengthen Regional Capacity Building and Knowledge Sharing

India should leverage its institutional experience and development partnerships to strengthen SME financing ecosystems across the BRICS+ ecosystem, particularly where implementation capacity remains limited. Through institutions such as SIDBI and cooperation platforms, including EXIM Bank Lines of Credit, India can support partner countries in designing credit guarantee schemes, strengthening credit information systems, developing digital lending frameworks, and expanding alternative financing instruments. Complementing technical assistance with structured peer learning, implementation toolkits, and practitioner exchanges would accelerate the adoption of successful SME financing models while strengthening cooperation across the BRICS+ grouping.

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