

## Can private enterprises, including SMEs, benefit from credit to finance their investments?

The development of systems to finance SMEs for productive, innovative activities (micro-credit, venture capital, incentives, and so on) is one of the objectives of the setting up of efficient banking services.

*In most countries of the south and eastern Mediterranean, the public sector monopolises a large share of the domestic credit.*

*Since 1995, the domestic credits supplied to the private sector grew up in most of the Mediterranean countries, except in Tunisia and Libya.*

In the Mediterranean region, Palestinian Territories has the lowest share of domestic credit granted to the private sector (8% in 2006). The share of domestic credit granted to the private sector is relatively low: from 12% in Algeria to 65% in Tunisia. The situation of Lebanon, with 93% is odd.

In 2006, the domestic credits were higher than the GDP in 3 countries. (221 % in Cyprus).

In 2006 the domestic credit provided by the banking sector was higher than the GDP in 6 countries (Cyprus, Lebanon, Spain, Malta, France and Italy) - It is 99% of the GDP in Egypt.

In 2 countries –Algeria and Palestinian territories – domestic credit provided by the banking sector were less than 25% of the GDP. In Libya, this value is negative (-53%)

While recourse to micro-credit is widespread in Asia, it is still generally little used in the Mediterranean countries.

### Definition

Multiple indicators :

- Share of bank credits granted to the private sector
- Existence of alternative credit systems other than bank credits

Domestic credit to the private sector refers to the financial resources supplied to the private sector, such as credits, purchase of non-participative securities, commercial credits and other accounts that establish an obligation of reimbursement. Public credit is included in the case of some countries.

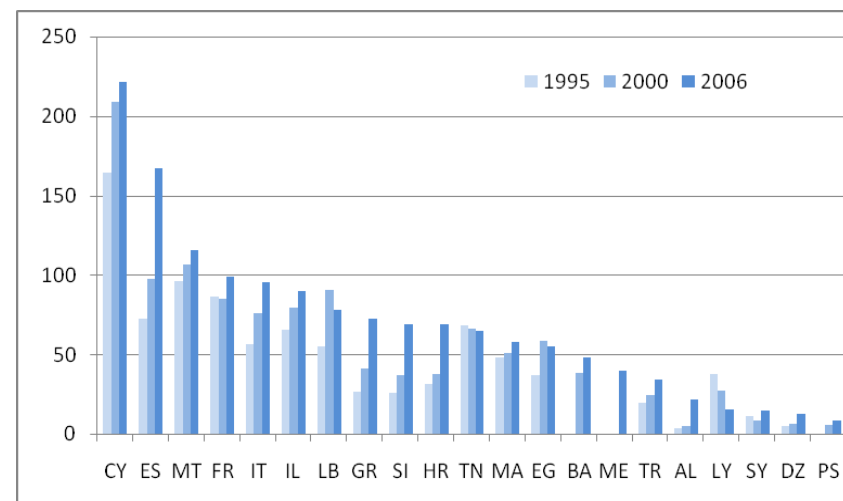
The alternative credit systems to bank credits can concern investments in venture capital and micro-credit granted to those excluded from the conventional banking system.

### Sources / References

World Bank, World Development Indicators. International Finance Statistics.

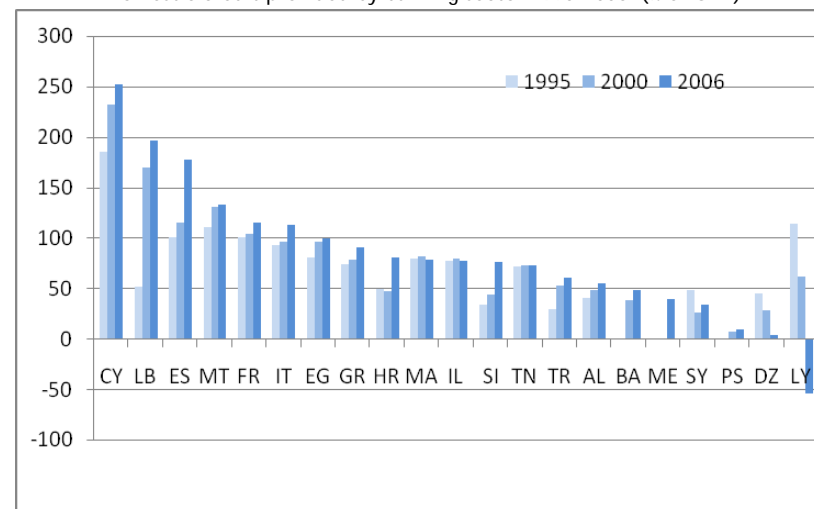
## 29. Proportion of bank credit allocated to the private sector - Existence of alternative financing systems to bank credit

Domestic credit to private sector; 1995-2006 (% of GDP)



Source : WDI

Domestic credit provided by banking sector 1995-2006 (% of GDP)



Source : WDI