



# **Financing SMEs and Entrepreneurs 2018 – An OECD Scoreboard**

## **ISRAEL**

This document was produced by the Small and Medium Business Agency and sent to the OECD for comparisons between the OECD countries

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For questions and comments on this research, please contact Dr. Nir Ben Aharon, Director of Research, Policy and International Relations at the Small and Medium Business Agency

[nir.benaharon@economy.gov.il](mailto:nir.benaharon@economy.gov.il)

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## 1. Key facts on SME financing

Small and medium enterprises (SMEs) constitute the overwhelming majority of business enterprises in Israel. As of 2016, there were 541 722 businesses in Israel and 99.5% of them were SMEs which employed up to 100 workers each.

SME and entrepreneurship policies in Israel are primarily designed by the Ministry of Economy and Industry and implemented by the Israel Innovation Authority (IIA) and the Small and Medium Business Agency (SMBA). While the IIA (formerly known as the Chief Science Office) has a longstanding presence in the Israeli policy framework and focuses on leading technology-based start-ups and SMEs, the SMBA has been established more recently to cater to all SMEs in Israel's main economic sectors through business management training and coaching, subsidised access to finance (for example, through the management of the national loans guarantee programme) and a new network of business development centres (MAOF centres).

In March 2016, the credit data law was passed, whose intent was to establish a central database for household and SME credit by 2018. The law is expected to improve competition and data accessibility in the Israeli credit market. In January 2017, another law that separates credit card companies and banks was passed as part of a series of moves to enhance competition in the banking industry, and lower financing costs for SMEs.

For the first time in 20 years, a new company received a credit clearing license, allowing it to enter and compete in the credit cards market the following year. This is expected to lower the credit card clearing costs of small and medium-sized businesses.

In March 2017, the Israel Securities Authority completed the enactment of mass financing regulations for research and development companies and SMEs. In April 2017, the same agency published regulations that define regulation hierarchy and easements for small corporations that issue shares.

In March 2017, the Knesset (Israel's legislature) passed the Ethics of Payments to Suppliers Law (known in the EU as Late Payments Directive). This law determines the maximum period within which payments can be made to suppliers for the sale of goods, provision of services or performance of work. The purpose of the law is to reduce the payment period for the business sector, thereby diminishing the need for working capital credit among SMEs, and to increase transparency in payments.

**Table 1. Scoreboard for Israel**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Debt</b>												
Outstanding business loans, SMEs	ILS million	169 300	171 200	161 600	173 800	177 700	187 000	186 700	211 900	244 610	256 556	271 461
Outstanding business loans, total	ILS million	413 900	460 900	425 200	438 900	458 600	450 400	445 700	447 900	415 568	422 762	443 007
Share of SME outstanding loans	% of total outstanding business loans	40.9	37.14	38.01	39.6	38.75	41.52	41.89	47.31	58.86	60.69	61.28
Government loan guarantees, SMEs	ILS million	27	17	121	164	116	116	215	232	257	184	143
Government guaranteed loans, SMEs	ILS million	170	109	757	1 028	890	1 057	1 951	2 112	2 340	1 838	1 587
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	..	2.77	2.20	1.51
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	..	2.13	1.63	1.44
Interest rate, SMEs	%	..	..	..	..	..	..	..	..	3.96	3.83	4.01
Interest rate, large firms	%	..	..	..	..	..	..	..	..	2.95	2.97	3.10
Interest rate spread	% points	..	..	..	..	..	..	..	..	1.02	0.86	0.91
<b>Non-bank finance</b>												
Venture and growth capital	USD million	1 759	2 076	1 120	1 219	2 076	1 878	2 404	3 408	4 307	4 831	5 242
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	18.02	-46.05	8.84	70.3	-9.54	28.01	41.76	26.38	12.17	8.51
<b>Other indicators</b>												
Payment delays, B2B	Number of days	..	..	..	..	..	..	..	..	..	57.2	53
Bankruptcies, SMEs	Number	..	..	2 061	2 834	3 737	5 000	5 610	5 322	5 175	7 900	..
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	..	..	37.51	31.86	33.8	12.2	-5.13	-2.76	52.66	..

Source: See Table 12 of the country profile.

## 2. SMEs in the national economy

As of 2016, there were 541 722 businesses in Israel (see Table 2) and 99.5% of them were SMEs with up to 100 employees each. Independent businesses without employees accounted for 51.1% of the business population. Micro-enterprises (1-4 employees) accounted for 33.5% of the business population, and 11.1% of total employment. Small businesses (5-19 employees) accounted for 11.8% of the business population, and 18.4% of total employment. Medium businesses (20-99 employees) accounted for 3.1% of the business population, and 21.4% of total employment. Only 0.5% of Israeli employer companies had more than 100 workers.

**Table 2. Distribution of firms in Israel, 2016**

By firm size

Sector	Number of businesses	% of business	Number of employees	% of employees
Self-employed	276 556	51.1	276 556	9.1
Micro businesses (1-4 employees)	181 606	33.5	339 841	11.1
Small businesses (5-19 employees)	63 791	11.8	562 345	18.4
Medium businesses (20-99 employees)	16 821	3.1	653 072	21.4
Large businesses (≥100 employees)	2 948	0.5	1 217 474	39.9
<b>Total</b>	<b>541 722</b>	<b>100</b>	<b>3 049 288</b>	<b>100</b>

Source: SMBA, SME annual state, 2017

## 3. SME lending

Bank credit is the main funding mechanism for SMEs, and over 80% of SME funding originates from banks. The remaining 20% comes from suppliers, institutes, funds, private credit companies, angel investors and others. More than 95% of bank credit to SMEs in Israel is provided by its five major banking groups. The Central Bank of Israel regulates banks to sort credit data according to business types. However, until 2016, each bank had its own unique definitions regarding business types and sizes. In 2016, The Central Bank of Israel defined a set of unified business sizes.

### 3.1. Banks

In 2017, Israeli banks provided ILS 271.5 billion in credit to SMEs, an increase of 5.8% compared to 2016's credit provision level of ILS 256.6 billion. The provision of bank credit to SMEs exceeded that provided to large firms, and accounted for more than half of the total business sector credit that the banks provided over the 2016-17 period (estimated at ILS 423 billion and ILS 443 billion respectively). In total, from 2007 to 2017, nominal bank credit to the SME sector has increased 49%.

**Table 3. Outstanding business loans in Israel**

In ILS billion

Indicator Unit	2015	2016	2017
Outstanding business loans, SMEs (stock)	244.6	256.6	271.5
Outstanding business loans, total (stock)	415.6	422.8	443.0

Source: Financial statement of Israeli banks

### 3.2. Credit conditions

Interest rate data, is not officially published but is rather extracted and calculated from the financial statements of the main banking groups in the country, which are required to publish a breakdown of credit distributed according to specific business group size.

The estimated interest rate for each of the three relevant group sizes of the business population - small, medium and large - was obtained by dividing the interest income received from businesses<sup>1</sup> by the average credit extended to those businesses' sector. From 2016 to 2017, interest rates for SMEs, and in particular small firms, rose more than interest rates for medium and large firms. Small firms were hit the heaviest and continue to experience the highest interest rates among all firms. Between 2016 and 2017 interest rates for small firms slightly rose from 4.13% in 2016 to 4.37% in 2017. On the other hand, medium-sized firms' interest rate remained roughly the same at 3.15% in 2017 compared to 3.11% in 2016. Consequently, the interest rate spread widened by 0.05 percentage points during this period and now equals 0.91%.

**Table 4. Interest rates in Israel**

As a percentage

Interest rate	2015	2016	2017
Small firms (Up to 50 million ILS)	4.35	4.13	4.37
Medium firms (50 to 250 million ILS)	3.09	3.11	3.15
<b>Total SMEs</b>	<b>3.96</b>	<b>3.83</b>	<b>4.01</b>
Large firms (Over 250 million ILS)	2.95	2.97	3.10
<b>Spread</b>	<b>1.02</b>	<b>0.86</b>	<b>0.91</b>

Source: Financial statement of Israeli banks

Loan fees in Israel are charges for handling fees on credit and collateral and apply to loans that are not housing-related. Each major bank has an upper limit on the fees chargeable (see Table 5). Until 2012, the loan fee referred to loans above ILS 50 000. Since 2013, the base loan amount has been increased to ILS 100 000, although the loan fees charged on loans above that amount have remained largely unchanged. Although there are differences among the fees charged by each bank, in the last five years they have remained stable except for a small

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<sup>1</sup> Interest income from external sources

reduction in First International Bank's fees which took place in 2013. Apart from Bank Hapoalim which explicitly exempts loans below ILS 100 000 from fees, no other bank publishes a clear policy on this issue. The figures in the below table are the maximum fees each bank can charge. In principle, however, fees are negotiated on a case by case basis.

**Table 5. Loan fees for SME loans in Israel**

As a percentage of total loan amount

Bank	2013	2014	2015	2016	2017
Bank Leumi	1.5%	1.5%	1.5%	1.5%	1.5%
	Max fee ILS 10 000	Max fee ILS 10 000	Max fee ILS 10 000	Max fee ILS 10 000	Max fee ILS 10 000
Bank Hapoalim	1%	1%	1%	1%	1%
	Max fee ILS 15 000	Max fee ILS 15 000	Max fee ILS 15 000	Max fee ILS 15 000	Max fee ILS 15 000
Bank Mizrahi	1.25%	1.25%	1.25%	1.25%	1.25%
	Max fee ILS 10 000	Max fee ILS 10 000	Max fee ILS 10 000	Max fee ILS 10 000	Max fee ILS 10 000
Bank Discount	2.5%	2.5%	2.5%	2.5%	2.5%
	Max fee ILS 30 000	Max fee ILS 30 000	Max fee ILS 30 000	Max fee ILS 30 000	Max fee ILS 30 000
First International Bank	2%	1.7%	1.7%	1.7%	1.7%
	Max fee ILS 12 000	Max fee ILS 10 000	Max fee ILS 10 000	Max fee ILS 10 000	Max fee ILS 10 000

Source: Fee list published by the five big banks in Israel.

Apart from those charged by Bank Mizrahi, the credit allocation fees for SMEs in 2017 were the lowest for all banks since 2008 and remained the same for the fourth year in a row, since 2013. The stability and corresponding downward trend observed in credit allocation fees is favourable for SMEs.

**Table 6. Credit allocation fees for SME loans in Israel**

As percentage of total loans amount

Bank	2013	2014	2015	2016	2017
Bank Leumi	1.81	1.81	1.81	1.81	1.80
Bank Hapoalim	1.75	1.75	1.75	1.75	1.75
Bank Mizrahi	2.45	2.45	2.45	2.45	2.45
Bank Discount	2.16	2.16	2.16	2.16	2.16
First International Bank	2.10	2.10	2.10	2.10	2.10

Source: Fee list published by the five big banks in Israel.

## 4. Alternative sources of SME financing

### 4.1. Venture capital

In 2017, total venture capital investment in Israel hit an all-time annual high of USD 5.24 billion, an 8.5% increase over the USD 4.83 billion raised in 2016. The total capital raised by Israeli high-tech companies has grown since 2013. Israeli venture capital funds invested USD 814 million in 2017, their highest investment level since 2013, and an increase of 25% from USD 651 million in 2016.

**Table 7. Total venture capital investments in Israel**

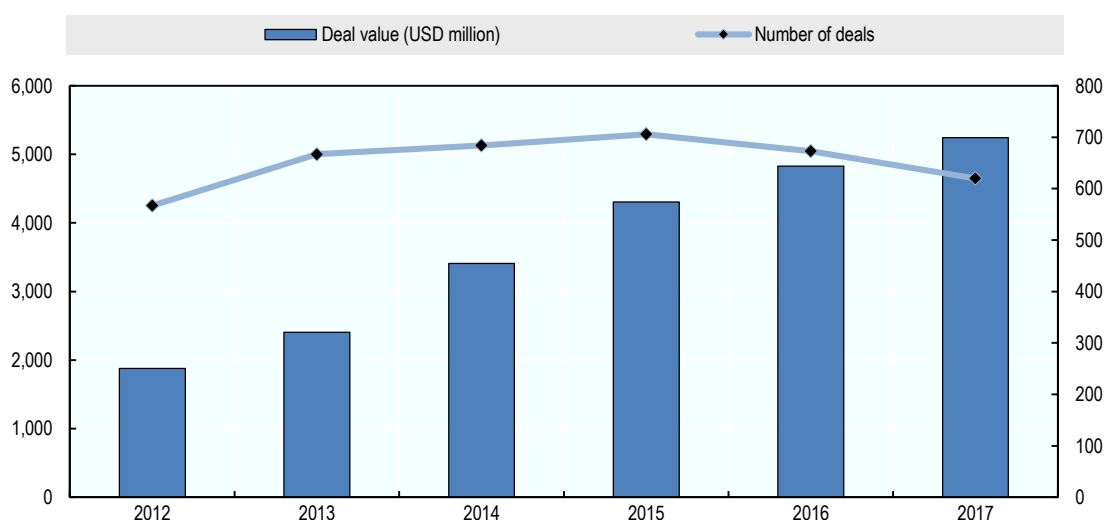
Indicator	Unit	2012	2013	2014	2015	2016 <sup>2</sup>	2017
Total venture capital investment	USD million	1 878	2 404	3 408	4 307	4 831	5 242
Total VC investment, growth rate	%	-9.5	28.0	41.8	26.4	10.9	8.5
Share of Israel VC investments out of total investment	%	26.0	24.0	16.0	15.0	13.0	16.0

Source: Information courtesy of IVC Research Center, <http://www.ivc-online.com/Research-Center/IVC-Publications/IVC-Surveys/High-Tech-Capital-Raising>

The leading industry for venture capital (VC) investments is the high-tech industry, which receives almost all VC equity. For example, software companies account for 36% of total VC value, followed by life sciences companies which account for 23%. As a result, other industries have to seek alternative opportunities for financing. However, the number of VC deals closed in the high-tech industry has diminished during the last few years. In 2017, the number of VC deals (620 in total) declined 7.9% following a 4.7% drop in 2016.

**Figure 1. High-tech capital raising in Israel**

In USD million and number of deals



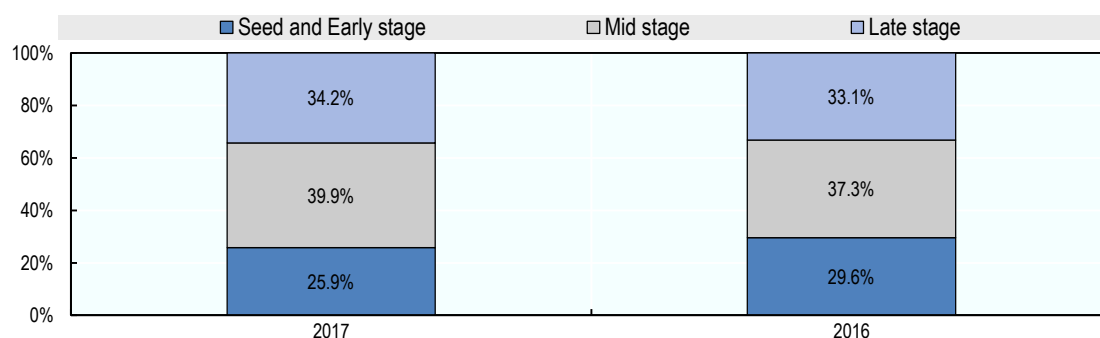
<sup>2</sup> 2016 data updated according to 2017 publications



The average financing round, which has been constantly growing over the past six years, reached USD 8.5 million in 2017, 18.1% above the average financing round of USD 7.2 million in 2016. 2017 numbers indicate a 136.1% cumulative growth rate since 2013 when the average financing round was USD 3.6 million. The share of late stage investments in total high-tech deal volume remained roughly the same, while the mid-stage share slightly increased at the expense of the seed and early stages.

**Figure 2. Share of high-tech companies in Israel**

By deal size, as a percentage



Source: Summary of Israeli High-Tech Company Capital Raising 2017, IVC Research Center and ZAG S&W

#### 4.2. Other instruments

##### Leasing and factoring

The leasing market in Israel pertains mainly to the automobile sector. In 2017, 7.4% of all cars in Israel and 23.1% of new cars were owned by leasing companies<sup>3</sup>. There are six public companies that offer factoring, cheque discounting and loan services for SMEs. The total credit allocated by non-banking organizations for SMEs is estimated at ILS 5.5 billion.<sup>4</sup>

##### Microfinance and innovative finance

In recent years, a new market for peer-to-peer (P2P) loans has been operating and growing over web platforms that connect debtors and lenders without brokers and other intermediaries. Under P2P lending, borrowers can access better terms and lenders can decrease risk by diversifying their portfolio risk among several project carriers and micro-enterprises. In July 2017, the government approved a law to regulate the actions of Internet companies in this field. Additionally, there are several loan funds offering zero interest, such as loans in the SAWA programme (the joint Microfinance programme of KORET Israel Economic Development Funds (KIEDF) and the Ministry of Economy and Industry) and the Israel Free Loan Association (IFLA) fund.

<sup>3</sup> Israel Central Bureau of Statistics Media Releases from 17-5-2018: Motor Vehicles in Israel in 2017 [http://www.cbs.gov.il/reader/newhodaot/hodaa\\_template.html?hodaa=201827141](http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201827141)

<sup>4</sup> Based on Peninsula LTD financial report 2017

### Others (e.g. grant schemes, honour loans)

The government has developed programmes to improve employment among targeted populations, notably in the peripheries, by assisting SMEs in the hiring and training of new employees. Additional programmes, also sponsored by the government, encourage SMEs to invest in new equipment to increase productivity.

### Crowdfunding

In March 2017 the Israel Securities Authority completed the enactment of mass financing regulations for research and development companies and SMEs. In November 2017, the Finance Committee of the Knesset approved the Securities Authority's amendment to mass financing regulations. The amendment provides corporations with an additional channel to raise debt through mass financing platforms, without having to reveal their identities.

## **5. Other Indicators**

### *5.1. Non-performing loans*

In 2017, the downward trend of non-performing loans<sup>5</sup> as a share of total credit volume continued for small, medium and large companies. The SME non-performing loans ratio was 1.44% in 2017 compared to 1.63% in 2016, while for large companies the non-performing loans ratio was 1.63% compared to 3.07% in 2016.

**Table 8. Non-performing loans in SMEs vs. large businesses in Israel**

As a percentage

<b>Weight arithmetic mean of non-performing loans</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Small businesses (Up to 50 million ILS)	1.91	1.58	1.48
Medium businesses (50 to 250 million ILS)	2.63	1.74	1.35
Large businesses (Over 250 million ILS)	3.69	3.07	1.63
<b>All businesses</b>	<b>2.77</b>	<b>2.20</b>	<b>1.51</b>

Source: Financial statements of Israeli banks.

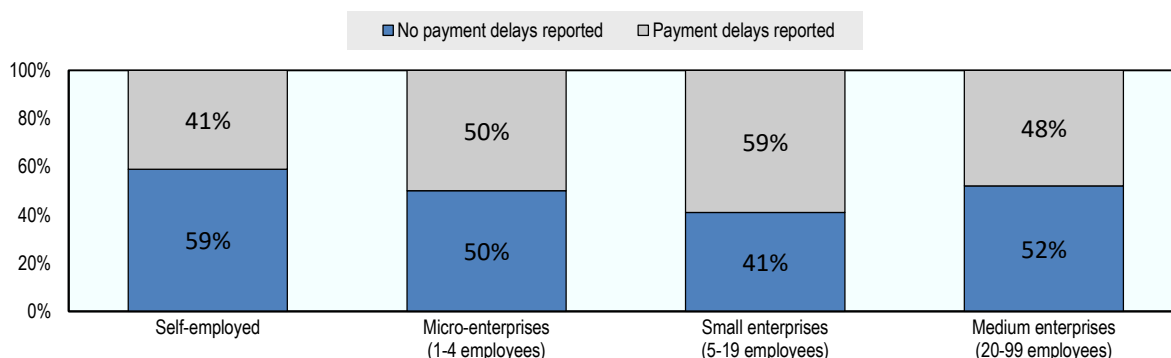
### *5.2. Payment delays, B2B*

The SMBA surveys businesses to obtain information on payment delay experiences. In 2017, 56% of the businesses that participated in the survey reported a delay in payments received from clients. From these 56%, businesses that report on number of delay days reported on average B2B payment delay of 53 days, a slight improvement compared to that of 2016, 57.2 days.

<sup>5</sup> Non-performing loans are damaged debts which had been defined by the Bank of Israel as debts expected not being able to collect by the bank

**Figure 3. Self-reported payment delays from SME customers in Israel**

By firm size, as percentage



Source: Business survey by the SMBA, 2017

### 5.3. Bankruptcies

From 2009 to 2011, bankruptcy orders increased more than 30% year-over-year before reaching a seven-year high of 5 610 in 2013. Between 2013 and '15, the number of bankruptcy orders filed decreased reaching 5 175 in 2015. However, in 2016, bankruptcy orders increased 53% reaching a record high of 7 900. Receiving orders increased steadily since their 2009 level of 4 058 and in 2016, were more than 295% higher at 16 138.<sup>6</sup> Data for dissolution requests is available from 2013 and demonstrates that they have remained fairly stable, ranging from 565 to 602 between 2009 and '16 (see Table 9).

**Table 9. Bankruptcies in Israel**

Total number, all businesses

Indicator	2009	2010	2011	2012	2013	2014	2015	2016
Receiving orders	4 058	6 216	8 145	10 342	11 256	13 228	14 756	16 138
Bankruptcy orders	2 061	2 834	3 737	5 000	5 610	5 322	5 175	7 900
Dissolution requests	..	..	..	..	740	795	879	887
Dissolution orders	565	579	555	584	495	520	551	302

Source: Ministry of Justice, the Official Receiver Report,

[http://www.justice.gov.il/Units/ApotroposKlali/ApotroposKlali/Summary%20of%20Actions/Documents/SummaryReport\\_2016.pdf](http://www.justice.gov.il/Units/ApotroposKlali/ApotroposKlali/Summary%20of%20Actions/Documents/SummaryReport_2016.pdf)

## 6. Government policy response

### 6.1. Government loan guarantees for SMEs

Since 2003, the government has begun issuing loan guarantees to help established and expanding SMEs across all sectors of the economy. Funding from private banks and institutional organs are partly guaranteed by the governmental Loan Guarantee Fund. Under

<sup>6</sup> One reason for this increase is a tendency of reduction in bankruptcy procedures and simplicity of the processes in order to give second chance for entrepreneurs. The reform in bankruptcy procedures has started in 01.09.2013 and includes simplification of procedures and shortening the time of bankruptcies.

this fund, the Accountant General at the Ministry of Finance and the SMBA operate two coordination units that assess the business plans for credit applications, conduct due diligence with SMEs and estimate the risk of the loans. According to recommendations from risk estimation, the fund sets up a dialogue with the bank to determine the loan's applicable interest rate, define specific loan conditions and approve the loan. The SME has to consider if it is still interested in the loan given the conditions set up by the fund and the bank. The scheme is open to SMEs with annual turnovers of less than ILS 100 million.

The scheme provides a maximum of ILS 500 000 for new businesses or those with annual turnover of less than ILS 6.25 million. For those with an annual turnover between ILS 6.25 million and ILS 100 million, loans of up to 8% of turnover can be provided. For industrial businesses, loan provision extends to 15% of turnover. The loan period is 5 years, or up to 12 years for industrial capital investments. A grace period of six months can be granted for principal payments. The interest rate is in line with market rates and 60-85% of the loan is guaranteed by the government. In addition, the business owner is required to provide his/her personal guarantee. The total guarantee portfolio is limited to the leverage ratio agreed upon with each bank.

The programme requires a no lower than 70:30 ratio of outstanding loans for small businesses to outstanding loans for medium businesses. Up to ILS 2.5 billion in government guarantees has been issued since the new tender for the fund in 2016. These guarantees have benefitted 50 000 businesses from previous funds and an additional 5,900 as a result of the new fund launched in March 2016.

Each Loan Guarantee Fund is set up for a period of approximately four years and in 2007-17, there were a number of government-guaranteed loan funds for SMEs which operated in Israel – small business funds, medium business funds, exporter funds and independent immigrant funds. In 2012, the first three were merged into a single SME fund. The SME fund is based on loans executed by banks selected in a tender. The banks leverage the budget assigned to them by the government (the portfolio) by up to 10 times

As of March 2016, a new state-guaranteed small and medium-sized business fund was established, replacing the old fund. Unlike in previous funds, this fund's source of finance in addition to bank funding, includes institutional funding (for example, from insurance companies and pension funds), to expand available credit for businesses. In addition, various improvements have been introduced in favour of businesses, including an increase of the maximum credit limit for exporters and the opening of a designated loan option for industrial capital investments in which long-term 12-year loans can be issued.

**Table 10. Details of government-guaranteed funds for SMEs in Israel**

<b>Fund</b>	<b>Indicator</b>	<b>2007-08</b>	<b>2009-10</b>	<b>2011</b>	<b>2012-15</b>	<b>2016-17</b>
<b>Small and medium businesses' fund</b>	Maximum annual turnover	..	..	..	ILS 100 million	ILS 100 million
	Maximum loan amount	..	..	..	ILS 500 000 or 8% of the annual turnover, whichever is higher	ILS 500 000 or 8% of the annual turnover, whichever is higher. In the industrial sector up to 15% of annual income
	Government loan individual guarantees	..	..	..	60%-85% depends on the type of the business	60-85% depends on the type of the business
<b>Small businesses' fund</b>	Maximum annual turnover	ILS 22 million	ILS 22 million	ILS 22 million	..	..
	Maximum loan amount	ILS 500 000	ILS 750 000	5% of the annual turnover or ILS 750 000, whichever is higher	..	..
	Government loan individual guarantees	70%	70%	70%	..	..
<b>Medium businesses' fund</b>	Maximum annual turnover	..	ILS 400 million	ILS 400 million	..	..
	Maximum loan amount	..	8% of the annual turnover up to ILS 16 million	8% of the annual turnover	..	..
	Government loan individual guarantees	70%	70%	70%	..	..
<b>Exporters' fund</b>	Maximum annual turnover	USD 15 million	USD 15 million	USD 15 million	..	..
	Maximum loan amount	USD 1 million or 20% of the annual turnover, whichever is higher	USD 1 million or 20% of the annual turnover, whichever is higher	USD 1 million or 20% of the annual turnover, whichever is higher	..	..
	Government loan individual guarantees	70%	70%	70%	..	..

In 2017, the amount of government-guaranteed loans was ILS 1 587 million, a decrease of almost 14% from the 2016 level of ILS 1 838 and a near 50% decrease from the 2015 level of ILS 2 340. This contrasts greatly with the large increase in loan amounts occurring in 2009, following the global economic crisis and the establishment of the fund for medium businesses in 2013, following the establishment of the new fund for SMEs.

Government loan individual guarantees cover 70% of loan amounts for established businesses, and 85% of loan amounts for new businesses. The government loan individual guarantee refers to each loan separately. Portfolios of approximately 16% of SME bank loans were guaranteed to the banks, by the government, in 2011. In 2012, on average 10% of SME bank loans were guaranteed as a portfolio for each of the main banks. As of April, 2017, approximately 9% of SME bank loans portfolios were government guaranteed.<sup>7</sup>

**Table 11. Government loan guarantees in Israel**  
In ILS million

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	Q1 2016	Q2 - Q4 2016	2017
<b>Government guaranteed loans, SMEs</b>	170	109	757	1 028	890	1 057	1 951	2 112	2 340	912	926	1 587
<b>Government guaranteed for the portfolio of SME loans in the banks*</b>	27	17	121	164	116	116	215	232	257	100	83	143

\*estimate

Source: Accountant general, Israeli Ministry of Finance.

## 6.2. SAWA Direct Non-Bank Micro Loan Fund

This programme started by KIEDF in 2006 has included collaboration with the SMBA since 2011. SAWA loans are designated for micro businesses owned by Arabic females. Most of the loans in SAWA are group-guaranteed loans, wherein a group of five Arab women who know one another provide each other with a mutual guarantee and receive micro-loans and business training from the fund.

An additional loan with a group guarantee can be submitted after the previous outstanding loans of all group members are completely cleared. Women who receive a few successful rounds of group loans in this manner may then apply for a personal loan. The source of the fund is the SMBA along with KIEDF, which is a philanthropic fund. KIEDF provides loans, guarantees, training and business advice for the small businesses.

<sup>7</sup> According to data received from BDSK, one of the coordination units

Personal loans are about 14% of the number of loans in the fund and account for about 29% of total loan volume. These loans are offered to new businesses in amounts up to ILS 10 000, with an optional loan of up to ILS 30 000 for entrepreneurs who already have a business activity. There are no restrictions to the lender. One guarantee is required to be provided and the payback period should be no longer than three years. There is no grace period, and the interest rate on personal loans is limited to 9% per year. All participants are charged a ILS 500 fee each year for participating in the programme.

From 2011-17, SAWA distributed 6 803 loans totalling more than ILS 54 million. Loan losses through defaults were only 1.7% and the programme supported the creation and development of 4 000 micro-enterprises.

### *6.3. Growth capital private equity funds*

This fund was launched in 2016 to enable long term funding and investment in business solutions to bridge the gap between businesses' needs and financing available in the market. The source of funding is private equity funds like Peninsula and Cogito Capital funds along with the government. Delivery agents are private equity funds offering government-protected equity investments.

This programme is open to businesses with annual turnovers between ILS 10-130 million. At least ILS 3 million is offered per business (mainly as mezzanine loans), except in cases of continued investment. The funds raise between ILS 300-450 million from private investors and institutes. Private investors are limited to 40% of the fund's investment while the government invests up to 25%. The investment period is up to five years from the first closing date, or when the fund invests 90% of its commitment, whichever occurs first.

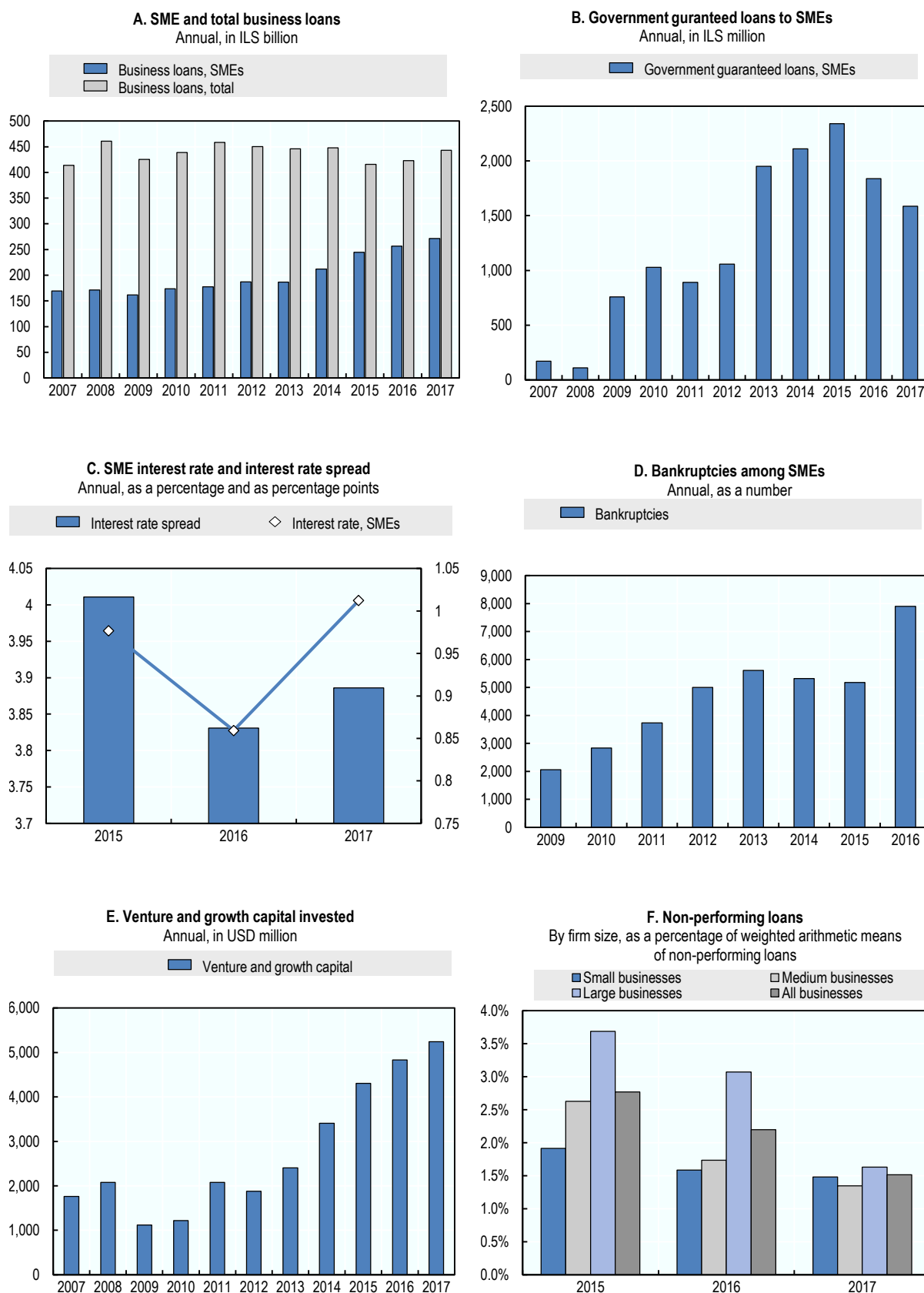
Downside protection is another feature of the fund wherein the government absorbs a portion of case losses depending on the extent of the losses. According to media publications, as of December 2017, the Peninsula Fund signed ten deals totalling ILS 150 million.<sup>8</sup>

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<sup>8</sup> <https://www.themarket.com/markets/1.4703629>

## 7. Financing SMEs and entrepreneurs – summary of data

Figure 4. Trends in SME and entrepreneurship finance in Israel



Source: See Table 12 of the country profile.



**Table 12. Definitions and sources of indicators for Israel's scoreboard**

Indicator	Definition	Source
<b>Debt</b>		
Outstanding business loans, SMEs	Business loan amount outstanding for SMEs	Financial statement of Israeli banks + Bank of Israel
Outstanding business loans, total	Total business loan amount outstanding for all firms	Financial statement of Israeli banks
Government loan guarantees, SMEs	Government guaranteed for the portfolio of SMEs loans in the banks (estimate)	Accountant General, Israeli ministry of finance
Government guaranteed loans, SMEs	Bank loan given with a governmental guarantee	Accountant General, Israeli ministry of finance
Non-performing loans, total	Percentage rate for damaged debts in all firms	Financial statement of Israeli banks
Non-performing loans, SMEs	Percentage rate for damaged debts in SME	Financial statement of Israeli banks
Interest rate, SMEs	Margin credit activity, received by SMEs, divided by the credit given to that sector	Financial statement of Israeli banks + Bank of Israel
Interest rate, all firms	Margin credit activity, received by all Businesses, divided by the credit given to all Businesses	Financial statement of Israeli banks + Bank of Israel
<b>Equity/Non-bank finance</b>		
Venture and growth capital	Venture capital investments in Israeli SMEs	Israel Venture Capital (IVC) 2017 Report
<b>Other</b>		
Payment delays, B2B	Average number of delay days from agreed payment day, B2B, only for businesses that reported about delay days.	businesses survey by the SMBA
Bankruptcies, SMEs	Number of bankruptcies orders issued by the Official Receiver	Ministry of Justice, the Official Receiver report for 2016

**Table 13. Definition of the business types in commercial banks in Israel, post-2016**

Category	Commercial Banks
<b>Small Business</b>	Up to 50 million ILS
<b>Medium Business</b>	50 to 250 million ILS
<b>Large Business</b>	Over 250 million ILS

Source: Financial statements of the big five banks in Israel.

**Table 14. Definition of the business types in the various bank groups in Israel, until 2016**

Category	Criteria	Bank Leumi	Bank Hapoalim	Bank Mizrahi	Bank Discount	First International Bank
Small Business	Credit	Up to 10 million ILS	Up to 6 million ILS	Up to 6 million ILS	Up to 5 million ILS	Up to 5 million ILS
	Annual Turnover	Up to 20 million ILS	Up to 30 million ILS	Up to 30 million ILS	Up to 15 million ILS	Up to 25 million ILS
Medium Business ("Trade sector")	Credit	10 to 120 million ILS	6 to 100 million ILS	6 to 25 million ILS	5 to 50 million ILS	Up to 40 million ILS
	Annual Turnover	20 to 400 million ILS	30 to 400 million ILS	30 to 120 million ILS	15 to 150 million ILS	25 to 200 million ILS
Large Business ("Business sector")	Credit	Over 120 million ILS	Over 100 million ILS	Over 25 million ILS	Over 50 million ILS	Over 40 million ILS
	Annual Turnover	Over 400 million ILS	Over 400 million ILS	Over 120 million ILS	Over 150 million ILS	Over 200 million ILS

Source: Financial statements of the big five banks in Israel.

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