

# THE ECONOMIC IMPACT OF VALIDUS SME FINANCING

SINGAPORE 2019

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VALIDUS

steward redqueen



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# THE ECONOMIC IMPACT OF VALIDUS SME FINANCING

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“VALIDUS IS PROUD TO BE ABLE TO CONTRIBUTE TO THE GROWTH OF SINGAPORE SMES. WE WANT TO PROVIDE GROWING SMES FASTER ACCESS TO ZERO-COLLATERAL FINANCING. THE FINDINGS FROM THIS STUDY IS A TESTAMENT THAT OUR ONLINE FINANCING SOLUTIONS ARE ON TRACK TO MAKE A SIGNIFICANT IMPACT IN PLUGGING SINGAPORE’S SME FINANCING GAP. ”

- **VIKAS NAHATA**, CO-FOUNDER &  
EXECUTIVE CHAIRMAN, VALIDUS CAPITAL

# EXECUTIVE SUMMARY

## THE SME FINANCING GAP IN SINGAPORE

SMEs are the backbone of Singapore's economy and workforce. In 2018, SMEs contributed 48 per cent to Singapore's GDP and employ 72 per cent of the country's workforce<sup>1</sup>. But what is the lifeblood that keeps SMEs alive? The answer is simple—cash flow.

However, cash flow concerns continue to be a vital issue for Singapore SMEs, with over 40% SMEs without access either to financing or to the right amount of financing to fund their growth<sup>2</sup>. The unmet financing gap that SMEs face is estimated at S\$20 billion<sup>2</sup>.

With the advent of fintech and innovative lending solutions, businesses can now look to alternative sources of financing. As Singapore's largest SME financing platform, Validus is leading the charge in providing innovative solutions to bridge the cash flow gap faced by SMEs.

## PURPOSE OF THE STUDY

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Founded in 2015, Validus is Singapore's largest SME financing platform with a presence in Indonesia and Vietnam. Validus' efforts to avail zero-collateral financing to underserved SMEs spur economic activities, thereby supporting economic growth and improving livelihoods by providing jobs and decent incomes.

Steward Redqueen was engaged by Validus to establish to what extent do these SMEs that Validus has supported spur economic growth and development.

This impact study will quantify the economic impacts related to Validus' SME financing activities in Singapore with data from 2017 and 2018.

# SUMMARY OF FINDINGS

1.

## FUELLED SME GROWTH

—

SMEs who obtained financing from Validus saw a 17% increase in annual revenue. Through its financing solutions, Validus improves cash-flow management, helping SMEs grow their revenue.

2.

## INCREASED GDP CONTRIBUTION

—

Total GDP contribution (S\$403 million in 2018) from SMEs linked to Validus grew much faster (18%) than the SME-supported (8%) GDP growth in Singapore.

3.

## SUPPORTED JOBS AND EMPLOYMENT GROWTH

—

Validus' financing directly and indirectly supported 10,000 jobs in 2018; Jobs supported by SMEs linked to Validus grew much faster (12%) than SME-supported (1%) employment growth in Singapore.



<sup>1</sup> Singapore Department of Statistics, 2018

<sup>2</sup> Based on an internal study

All findings are based on Validus' internal data from 2017 and 2018





# SMES ARE THE BACKBONE OF SINGAPORE'S ECONOMY & WORKFORCE

SMES MAKE UP

**99%**

OF SINGAPORE'S  
ENTERPRISES

SMES EMPLOY

**72%**

OF THE WORKFORCE (IN 2018)

**189,000**

SMES IN SINGAPORE

CONTRIBUTE

**48%**

OF SINGAPORE'S  
GDP (IN 2018)

SMEs are a key driver of Singapore's economy. Yet, many SMEs continue to face issues in accessing much-needed growth financing. Validus has played an integral role in helping Singapore's SMEs to address their financing needs to fuel business growth, allowing more businesses to properly capitalise on the country's economic growth opportunities.

# THE NEED FOR SME FINANCING



## TO MAINTAIN CASH FLOW

One of the top financial challenges SMEs face is delayed payments from customers. Many SMEs require short-term financing to adequately manage liquidity, to maintain a level of working capital for operational expenses that allows them to make it through these payment gaps and continue to operate the business.



## TO REMAIN COMPETITIVE

Access to affordable financing enables SMEs to retool and remain competitive, allowing businesses to upgrade or purchase new equipment, to upskill employees and improve productivity - all key factors to maintaining a competitive advantage and achieving growth.



## TO CAPITALISE ON OPPORTUNITIES

Having a fast, safe and reliable source of funds can help SMEs position themselves for business growth opportunities, such as taking advantage of a spike in customer demand, take on new projects or expand their operations.

# economi



## 17%

### REVENUE GROWTH

- Validus' financing improves cash flow management for SMEs, enabling their revenue growth.
- Validus-linked SMEs saw an increase of 17% in annual revenue in 2018.
- Validus' financing has significantly benefitted SMEs operating in challenging sectors, e.g. SMEs in the Marine industry who have obtained financing from Validus saw a 20% increase in annual revenue on average.

## VALIDUS' 2018 ECONOMIC IMPACT IN SINGAPORE

- ☑ Addressed the financing gap SMEs face
- ☑ Enabled revenue growth
- ☑ Contributed to GDP growth
- ☑ Supported jobs and employment growth

*THIS STUDY USES DATA IN 2017-2018, OF 170 SMEs (REPRESENTING A SUBSET OF VALIDUS' SME PORTFOLIO IN SINGAPORE).*

*ALL FIGURES IN SGD.*





# c impact

**10,000+**  
**JOBS SUPPORTED**

- Validus' financing directly and indirectly supported a significant number of jobs: 10,153 jobs in 2018
- Jobs supported by SMEs linked to Validus grew much faster (12%) than SME-supported (1%) employment growth in Singapore.
- For every 2 SME jobs, Validus' financing resulted in 1 additional job being maintained.

**18%** increase in  
**GDP CONTRIBUTION**

- The additional revenue generated by SMEs linked to Validus supports economic growth.
- The GDP supported by SMEs linked to Validus grew much faster (18%) than the overall (5%) or SME-supported (8%) GDP growth in Singapore.
- For every \$1 million of SME revenue, approximately \$600k is contributed to Singapore's GDP.



**0.38%**

of SME-supported  
people employed

**0.27%**

of overall people  
employed

**\$403+ mil**

**TOTAL GDP CONTRIBUTION BY VALIDUS-LINKED SMES IN 2018**



**0.19%**

of SME-supported GDP



**0.08%**

of overall GDP

# METHODOLOGY



STEWARD REDQUEEN UNDERTOOK A STUDY TO MODEL THE ECONOMIC IMPACTS OF VALIDUS' FINANCING (IN 2018) TO SMES IN SINGAPORE.

To estimate the impact results, Steward Redqueen traced how financial flows associated with Validus' financing circulate in the Singaporean economy. These flows are traced using the input-output (IO) methodology.

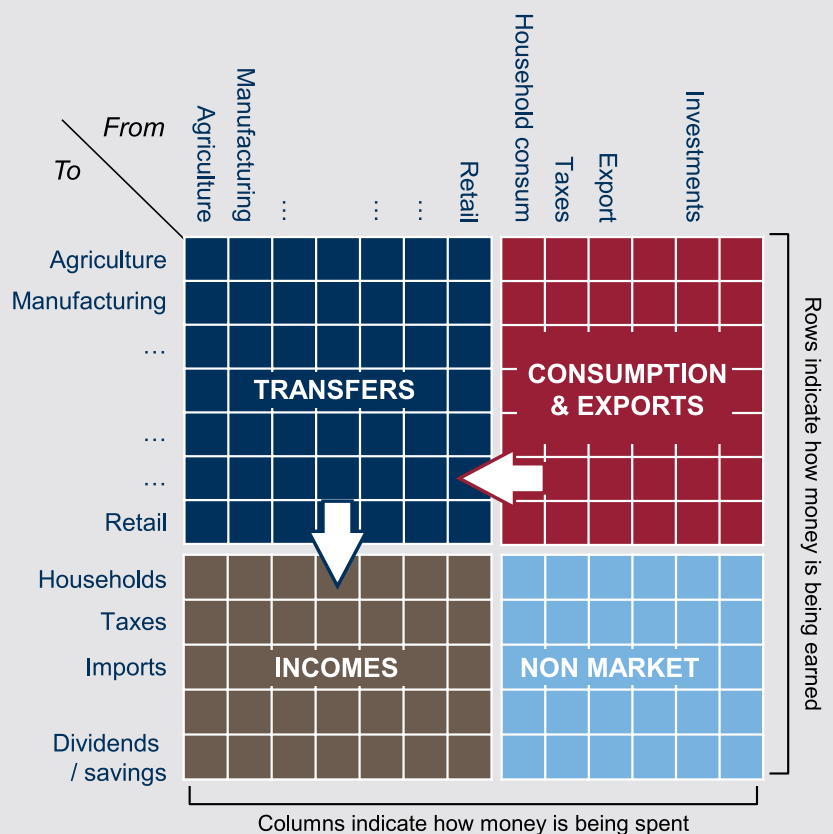
## THE INPUT-OUTPUT (IO) METHOD

The IO methodology is to a great extent developed by the Nobel Prize winning economist Wassily Leontief and is commonly used by economists to quantify indirect impacts.

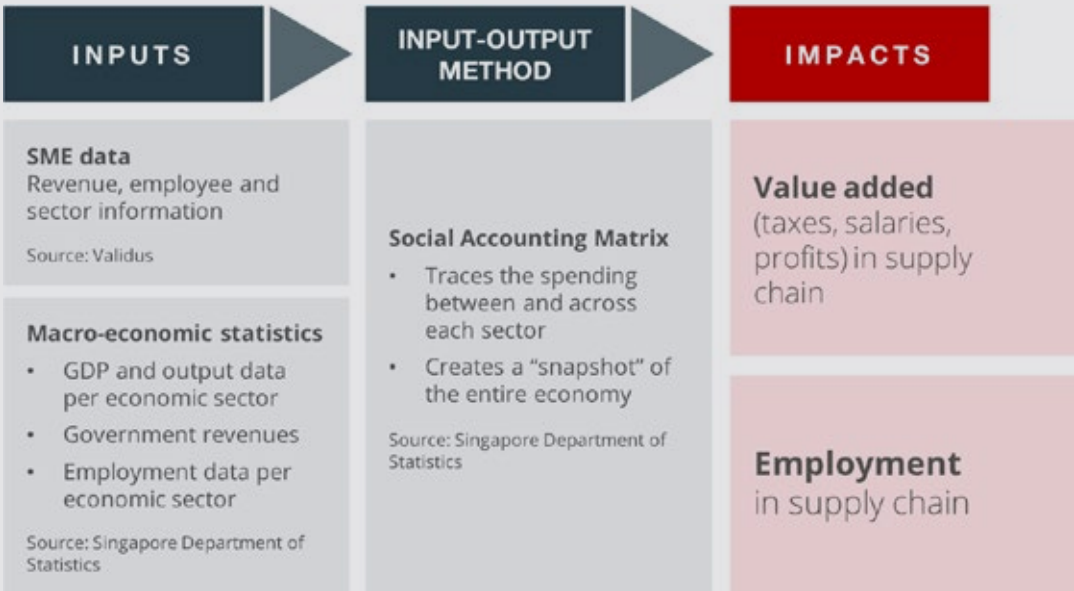
The underlying idea of this method is to trace the money flows through an economy, recognizing that the spending of one industry in a country serves as input to another sector.

Using a statistical representation of the economy - a so called a Social Accounting Matrix (see matrix on the right) - allows for estimations of indirect impact results related to Validus' deals.

Notwithstanding its limitations, this approach provides robust estimations and is the 'go-to' approach for many (development) finance institutions around the globe.



The methodology combines SME data with macro-economic statistics to estimate the impact results.

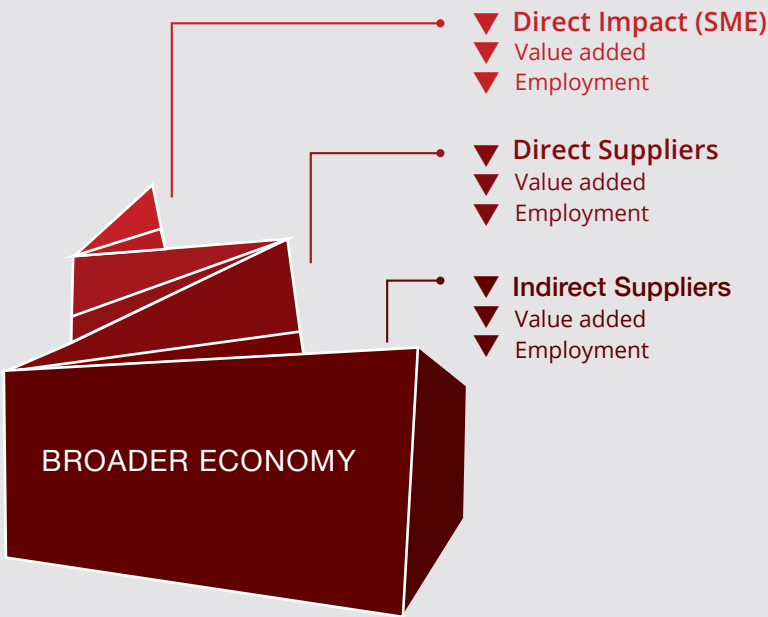


## WHAT WILL THE METHODOLOGY PROVIDE US?

### TWO MAIN IMPACT INDICATORS



THE TOTAL IMPACT COMPRISES DIRECT AND INDIRECT EFFECTS IN THE VALUE CHAIN



# DRIVING SME GROWTH

## ST GERARD'S SCHOOL

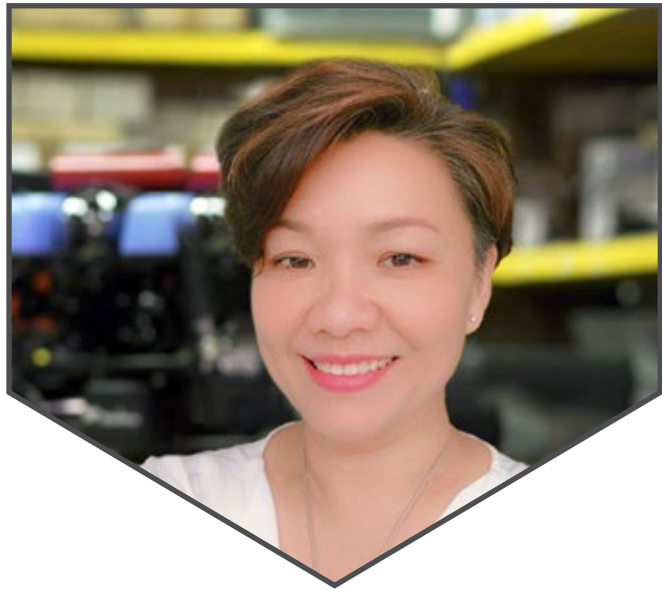
"I found Validus to be well-suited for my business needs - the easy application and fast approval means I was able to access financing in a very convenient way, at the shortest possible time to be able to make the best business decisions required."

- Vasugi Raman, Principal of St Gerard's School, a pre-school with mainstream and special needs programs



## AQUILA NOVA

"Validus' financing solutions has helped us to accelerate our business growth. Through their quick approval and financing process, it allows us to boost our cash flow to take on more projects to better serve both the government and private sector."



- Allyson Shee, Aquila Nova, a family-owned business

## JUNTOSTARC



"To grow our business, we required additional financing to purchase inventory and fulfil orders. It was with Validus' seamless borrowing process that we've managed to achieve these orders to grow our revenue."

- Edmond Ting, Director of JuntoSTARC, a distributor of consumer electronics



# AUTHORS



## steward redqueen

**Tias van Moorsel,**  
Director, Steward Redqueen Singapore

Tias leads Steward Redqueen's office in Singapore. He is a development economist with a strong track record in sustainability management and in impact modelling, measurement and reporting. Working for Steward Redqueen, he has been involved in strategy and research projects for development finance institutions, commercial banks, impact investors, multinationals and non-profits in developing and emerging markets.

Tias is the author of various publications on impact measurement and development economics. He holds a Master's degree in Economics from Tilburg University (Netherlands) with a focus on Resource, Development & Growth economics.

### Steward Redqueen

Steward Redqueen is a specialized consultancy that works across the globe advising organizations on impact and sustainability. Steward Redqueen focuses on integrating sustainability, quantifying impact, and facilitating change.

For more information, visit  
[stewardredqueen.com](http://stewardredqueen.com)



### Validus Capital

Founded in 2015, Validus is Singapore's largest SME financing platform, having facilitated a record S\$300+ million to SMEs in Singapore to date.

By using data analytics and AI to drive growth financing to underserved SMEs, Validus looks to drive inclusive growth for SMEs and the economy in the region.

Backed by AAA-rated Dutch Development Bank FMO and Vertex Ventures, Validus holds a Capital Markets Services Licence by the Monetary Authority of Singapore (MAS), and its Indonesian arm Batumbu has received OJK registration in April 2019.

For more information, visit  
[www.validus.sg](http://www.validus.sg)







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