

## 8.2

## Using education to make factoring more inclusive



**AYŞEN CETINTAS**  
Director, Education  
FCI

### Teaching businesses to unlock working capital and grow their operations

The importance of small, and medium-sized enterprises (SMEs) in national economies is well known, as well as in their global impact, since, by number, they dominate the world business stage. But notwithstanding the wide acknowledgment of SMEs' importance to national economies, they still face difficulties that need to be addressed; one of these is limited access to finance.

In this context, it is important to highlight two main aspects that are frequently interlinked. The first one is access to finance and financial inclusion. The second one is financial inclusion and financial education, also known as financial literacy.

Since SMEs are often the most vulnerable link in national economies, financial inclusion should be at the centre of any SMEs policy. While traditional bank lending is the most common source of external financing for SMEs, other forms of funding should be considered, like public-private investment, crowdfunding, or alternative tools such as factoring, which can optimise the access to working capital finance. One of the main barriers that SMEs face in gaining access to financial services is the requirement of collateral.

It's time that governments and financial institutions start to work in promoting and developing a differentiated approach to focus on SMEs. To do this, financial institutions should start to think outside the box. Customised offerings for SMEs will require a deep understanding of the market, research, and



documentation of their needs for financial and support services.

### **The links between financial education, access to factoring, and sustainability**

Across the world, companies use factoring as a flexible source of financing as it facilitates the much-needed access to finance by corporates and SMEs. Factoring companies or factoring divisions in banks can provide a greater level of financing than traditional lenders to SMEs, whilst limiting their credit risk to acceptable levels. Factoring continues to grow successfully both in mature and in emerging markets.

What is unique about factoring is that the credit provided by a lender is explicitly linked to the value of a supplier's accounts receivable and not the supplier's overall creditworthiness. Factoring can accelerate the flow of cash to companies that supply goods and services to corporate and public-sector customers by advancing short-term funding backed by these suppliers' outstanding invoices. This enables companies with weak credit ratings to access funding based on the value of their receivables and the credit rating of their buyers, rather than on basis of their own balance sheet strength.

### **"Financial inclusion should be at the centre of any SMEs policy"**

Financial education has been identified as a vital knowledge resource for financial decision making, but insufficient attention has been given to how SMEs' financial literacy affects

their access to finance and sustainability.

FCI is the global representative body for factoring and financing of open account domestic and international trade receivables. FCI was set up in 1968 as a non-profit global association. With close to 400 member companies today in more than 90 countries, FCI offers a unique network for cooperation in cross-border factoring. Member transactions represent nearly 60 percent of the world's international correspondent factoring volume.

Education is one of the strongest pillars of FCI. Factoring is generally not yet covered in the curricula of universities and higher education institutions. Education is a key element for the future development and professionalisation of the factoring & receivables finance industry.

FCI Academy has an education programme on Factoring & Receivables Finance, providing a wide range of globally recognised and accredited educational offerings that aim to support personal, corporate and market development globally. So to ensure high professional standards, FCI Academy has developed its own specialised series of learning programmes.

In this way, knowledge from seasoned factoring professionals can be shared with new or less experienced colleagues. FCI provides a variety of learning opportunities: from the much-respected e-learning diploma courses to regular seminars, webinars and tailor-made programmes for new and experienced members. The aim is always to give FCI members the

expertise they need to offer their clients top quality professional factoring services.

Five decades of knowledge and experience have culminated in a key USP, which has already supported the development of thousands of factoring professionals within our membership and of prospective members, providing everything from knowledge of basic factoring skills to technical disciplines, supporting new products and creating opportunities for FCI member organisations and other financial institutions to foster learning within their own business environment. Every year, about 1,000 students participate in different distance learning courses and more than 700 delegates attend various FCI seminars, workshops, and training events online and onsite.

In that context, FCI developed a new education course "Introduction to Factoring and Receivables Finance". The course is designed for anyone who wants to learn about the basics of Factoring & Receivables Finance, especially for exporters, importers, sellers and buyers, regardless of their size. The course targets all parties in the physical supply chain as well as university students and the professionals working for accounting & law firms. FCI aims to disseminate the factoring knowledge to all parties in the supply chain ecosystem and assist SMEs in achieving financial inclusion through financial education. ■