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Financing Growth in the UAE: Cost of Capital, Working Capital and Cash Resilience

A resilient funding plan connects debt, customer credit, cash conversion, covenant headroom and refinancing decisions.

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EDITORIAL GUIDE

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A resilient funding plan connects debt, customer credit, cash conversion, covenant headroom and refinancing decisions.

> The cost and availability of finance shape more than a company's interest expense. They influence customer demand, property and investment decisions, supplier terms, valuations and the amount of working capital a business can carry safely. In June 2026, the Central Bank of the UAE maintained its Base Rate at 3.65%, and its quarterly review noted that UAE market rates broadly tracked the policy setting.

For management, the important question is not whether one benchmark will move next. It is whether the company can fund operations and investment across a reasonable range of rates, collection periods and credit conditions.

Financing questions for management

POLICY REFERENCE	CBUAE maintained the Base Rate at 3.65% in June 2026.
EXPOSURE	Consider debt, leases, supplier terms, customer credit and currencies together.
CORE TEST	Can the business meet obligations after a rate, margin or collection shock?

Map the full funding structure

Begin with a schedule of loans, overdrafts, trade facilities, shareholder funding, leases, guarantees and supplier finance. Record currency, principal, benchmark, margin, maturity, amortisation, security, covenants and renewal date. Include undrawn facilities and the conditions for using them. A facility that can be cancelled or requires unmet documentation is not reliable liquidity.

Then connect financing to the assets and cash flows it supports. Long-lived equipment funded by a short renewable line creates refinancing risk. Permanent working capital financed through overdue suppliers creates operational and reputational risk. The tenor of funding should reflect the period over which the business expects to recover cash.

Understand rate sensitivity in dirhams and other currencies

The UAE dirham’s monetary framework means domestic conditions are influenced by US dollar rates. Businesses may also borrow or trade in euros, sterling, rupees or other currencies. Model each material exposure using the applicable benchmark and margin instead of applying one assumed rate to every facility.

Calculate the annual and monthly cash effect of defined rate changes. Include floating debt, expected refinancing and interest embedded in supplier or customer arrangements. If a project return becomes unattractive after a modest change in financing cost, the investment case needs a stronger margin of safety.

Put working capital beside debt

A company can have modest leverage and still face a liquidity problem when receivables, inventory or retention balances grow. Build a rolling 13-week cash forecast supported by customer-level collection assumptions, payroll, tax, supplier payments, debt service and committed capital expenditure.

Reconcile the short-term forecast to the annual budget. Investigate why actual collections differ from contractual terms and why inventory exceeds the operating plan. The most useful treasury conversation often begins outside treasury: billing accuracy, customer acceptance, purchasing discipline and project governance determine how quickly profit becomes cash.

> *Liquidity risk usually appears first as an operating delay and only later as a financing problem.*

Stress-test covenants and headroom

Model the effect of lower earnings, higher rates, slower collections and currency movement on covenant calculations and facility headroom. Use the exact definitions in financing agreements; accounting EBITDA, adjusted EBITDA and covenant EBITDA may differ. Track testing dates and information obligations centrally.

Management should define a minimum liquidity buffer that reflects payroll, essential suppliers, tax and debt service. If a downside case breaches that buffer, identify actions early: collect deposits, renegotiate milestones, reduce inventory, defer discretionary capital expenditure, secure longer tenor or raise equity. Waiting until a covenant breach limits the available choices.

Compare financing on total economics

The lowest quoted margin may not produce the lowest total cost. Consider arrangement and renewal fees, commitment charges, collateral, guarantees, hedging, insurance, minimum balances, reporting requirements and restrictions on distributions or additional debt. Assess the operational work required to keep a facility available.

For asset purchases, compare debt, lease and cash options using consistent assumptions about residual value, maintenance, tax, flexibility and the opportunity cost of liquidity. For trade finance, compare the cost with the margin protected and the cash-conversion benefit rather than treating fees in isolation.

Govern banks, hedging and counterparty exposure

Establish approved banks, account authorities, payment controls and exposure limits. Avoid concentrating all operating cash, facilities and payment capability with one institution without a continuity plan. Maintain current know-your-customer records so an urgent transaction is not delayed by preventable documentation gaps.

Hedging should follow a documented exposure and policy. Define which risks may be hedged, permitted instruments, approval limits and accounting treatment. A derivative should reduce a business risk the company understands; it should not become a separate view on market direction.

Treat customer credit as a financing decision

Every day of additional customer credit must be funded by the company, its suppliers or a lender. Establish credit limits using legal identity, financial information, payment history, sector conditions and concentration. Commercial urgency should not bypass approval; exceptions need a named authority, expiry date and documented mitigation such as a deposit, guarantee or reduced delivery exposure.

Measure days sales outstanding alongside the ageing profile and disputed invoices. A current receivable may still be weak if the underlying acceptance is unresolved. Hold regular reviews between sales, operations, billing and finance so documentation errors and customer queries are removed before due date. Collection responsibility should remain visible even where the relationship owner is senior.

Manage refinancing as a programme

Create a twelve-to-eighteen-month maturity calendar covering facilities, leases, guarantees and major supplier arrangements. Begin renewal work early enough to provide alternatives. Banks may require updated financial statements, forecasts, ownership records, licences, tax information, security documents and details of major contracts; maintain these materials as a standing financing file.

Compare the downside of non-renewal with the cost of committed backup liquidity. Where maturities cluster, consider diversifying tenor so the whole funding structure is not repriced or renegotiated at one point. Board reporting should show available liquidity after restrictions, covenant headroom and the next critical decision date—not only the gross balance of approved facilities.

Maintain a lender communication calendar even when no transaction is pending. Timely management accounts, an honest explanation of variance and early notice of material developments build credibility. If performance weakens, approach financiers with a quantified recovery plan and current forecast before liquidity becomes urgent. Reliable information can materially improve the quality and speed of a refinancing discussion.

A financing resilience checklist

01	**Inventory:** Record every facility, covenant and maturity.
02	**Link:** Match funding tenor to asset and cash cycle.
03	**Forecast:** Maintain a rolling 13-week cash view.
04	**Stress:** Test rates, earnings, collections and currencies.
05	**Protect:** Preserve buffers and alternative capacity.
06	**Control:** Govern banks, payments and hedging evidence.

Financing resilience does not mean avoiding debt. It means using an appropriate amount, for a clear purpose, with sufficient cash visibility and headroom to keep making good decisions when markets or operations move against the plan.

Official sources

1. **CBUAE news and policy-rate announcements**
2. **CBUAE Quarterly Economic Review, June 2026**
3. **CBUAE foreign exchange and EIBOR information**

Online edition: **https://iraaglobal.com/insights/uae-financing-cost-cash-flow-resilience-2026/**

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