



Tourists visit a small establishment at a souq in Dubai. SMEs add significantly to employment in the private sector. — AFP

SMEs must go borderless to widen customer reach

Firms using digital platforms outperform traditional exporters



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SECTOR INSIGHT

IN TODAY'S increasingly globalised world, SMEs have to compete globally. As a central pillar in the world economy, small and medium-sized enterprises (SMEs) play a critical role in innovation, advancement and sustainable development worldwide.

Entrepreneurship and SMEs go hand in hand. It is fair to say that entrepreneurs are the bedrock of SMEs, which, in turn, become the core for the development of much larger firms. Entrepreneurship and SME development are the lifeblood of most economies. In emerging economies, SMEs deliver on average more than 40 per cent of gross domestic product (GDP) and 50 per cent of employment.

Young, small firms, in particular, contribute disproportionately to creating jobs. SMEs contribute to over 60 per cent of the UAE's GDP and add significantly to employment in the private sector.

The digital economy has enabled trade in goods and services that are still being produced in essentially the same way, but where trade costs have fallen through the use of the Internet. This is known as e-commerce. The trade happens through digital channels, where the goods and services are embodied in digital form. This can be thought of as digital trade.

SMEs using e-trade and digital platforms outperform traditional exporters. E-trade is enabled for SMEs through digital channels by digital trade finance.

Online trade finance

Trade is going digital and companies are set to reap huge benefits, avoiding lengthy delays while papers get physically checked, stamped and transported between parties. Online trade finance portals, as well as competition from non-bank providers in trade document management and supply chain finance, have forced banks to up their game. A number of product innovations, including new instruments such as bank payment obligation, have facilitated the development of more streamlined, automated trade settlement for multinationals.

SMEs that use the Internet extensively tend to export more by value when compared to SMEs that use the Internet sparingly, and they tend to reach a larger number of countries. SMEs that export generally enjoy higher productivity, better wages and are more innovative, because they are exposed to competition, best practices, new technologies and higher-quality products.

E-trade brings all of these

60%
of the UAE's GDP is contributed by SMEs

E-trade offers SMEs market access to an unprecedented number of customers and lowers the costs of cross-border trade

benefits one step closer to SMEs because it offers market access to an unprecedented number of customers and lowers the costs of cross-border trade. SMEs should leverage on e-solutions to integrate with global value chains (GVCs).

Global value chains represent the different stages of the production process located across different countries. GVCs are a powerful driver of productivity growth, job creation and increased living standards. Countries that embrace them grow faster, import skills and technology and boost employment.

Product innovation

SMEs play an integral role in international trade and their well-being is essential to promoting economic development in a sustainable fashion. Banks are also seen investing in increased awareness, enhanced end-to-end customer experiences, renewed technologies and improved transparency through active data management, ultimately leading to productive solutions for their SME clients.

Capturing the e-trading oppor-

tunity requires appropriate skills, a conducive legal and regulatory environment, a means of electronic payments, reliable transport and logistics services and data management. SMEs tend to find it harder than large firms to keep up with technological change because they employ fewer technical specialists and lack the financial resources that are needed to continually upgrade technology. The main elements obstructing SME companies from leveraging e-commerce are their lack of e-skills.

A new initiative, the Global Fund for E-commerce, could play a critical role in bringing developing country entrepreneurs into the digital era. By bringing together public and private sector support for digital trade, the Global Fund for E-commerce could help SME entrepreneurs in developing countries to go global. Thereby, the SMEs can go borderless.

The writer is group CEO at Doha Bank. Views expressed are his own and do not reflect the newspaper's policy.