



Capital markets for SMEs to stimulate their performance

SMEs are one of the fastest growing sectors in the GCC

IN TODAY'S INCREASINGLY globalised world, small- and medium-sized enterprises (SMEs) around the world have to unprecedentedly compete globally. The SMEs promised to combine economic efficiency and low import intensity with good job creation and positive effects on exports and income distribution. SMEs are a nursery for large firms and a training ground for entrepreneurs. SMEs make up the backbone of British industry and will take advantage of the abundance of highly skilled graduates. SMEs are foundation of the Japanese industry. Small business has led the US out of recession. In Australia there are 2.045 million small businesses that employ 47 per cent of the total workforce, and 81,000 medium businesses that employ 23 per cent of the total workforce.

SMEs are one of the fastest growing sectors in the GCC. SMEs contribute to over 60 per cent of the UAE's GDP and provide around 86 per cent of the employment in the private sector. Dubai SME, an agency under the Dubai Department of Economic Development (DED) mandated to develop the SME sector had launched SME100. The Dubai SME100 ranked SMEs based on their performance across a set of financial and non-financial parameters and serve as a strong credential for enterprises to access new markets and funding for capacity building and expansion. In December 2012 the UAE cabinet has endorsed a federal law that aims to support and develop SMEs. This law states that government bodies and GREs (government relates entities) must allocate five per cent of their budget for goods and services provided by SMEs or entrepreneurs. It will encourage innovation, research and shift towards the knowledge economy. The lending to SMEs averages about two per cent in the GCC countries and in the UAE it ranges close to four per cent.

SMEs in Saudi Arabia represent almost 93 per cent of total enter-



Traders at the Dubai Financial market at the World Trade Centre. Nasdaq Dubai is in the process of establishing a new stock exchange solely for SMEs. — KT file photo



prises and account for about 24.7 per cent of total employment. However contribution to GDP is close to 30 per cent. Given the size and growth of Saudi Arabia's economy and the nation's focus on economic diversification, SMEs should contribute to more than 50 per cent of the country's GDP. A national SME authority in Saudi Arabia can expand the true economic potential of SMEs. In March 2013 the Kuwaiti parliament approved a new law to establish the

National Fund for the Welfare of Small and Medium-Sized Enterprises and Development. The fund will provide financing for small businesses, which represent 85 per cent of total private institutions in Kuwait.

Development of capital markets for SMEs would enable them to diversify sources of funding through increasing company's equity base and improve visibility, status and valuation. In 2005 NYSE AlterNet was created by NYSE Euronext to meet the needs of small and mid-sized companies seeking simplified access to the stock market. NYSE AlterNet became the reference market for small and mid-sized companies throughout the eurozone. In London AIM-London exchange is the international market for smaller growing companies. In January 2013 Kenya has launched a trading board on the Nairobi Securities Exchange (NSE) for SMEs that opens new funding opportunities for the growing pool of small

and medium sized businesses. Nasdaq Dubai is in the process of establishing a new stock exchange solely for SMEs. Qatar Exchange (QE) has also launched Qatar exchange Venture market to serve the SME sector. QE Venture Market will be dedicated to SMEs who are growing and need the access to capital that being listed entails. It would enable SMEs to meet the heightened investor relations and corporate governance practices demanded of Main Market companies. SMEs on the QE Venture Market will benefit from the same regulatory safeguards as that afforded to Main Market companies but will be readily identifiable as a separate and dedicated marketplace. The Capital markets for SMEs will stimulate their performance in the economy.

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