



In the UAE, small and medium enterprises contribute to over 60 per cent of gross domestic product in national economy. — Supplied photo

Regulatory reforms to boost prospects of SMEs in Gulf

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IN THE UAE, small and medium enterprises (SMEs) contribute to over 60 per cent of GDP. The UAE government has given thrust to the SME sector through the Khalifa Fund in Abu Dhabi and Dubai's SME programmes, which are aimed at developing small businesses.

The SME sector, which witnessed rapid expansion supported by bank funding in the post-financial crisis years, found the going tough as excess leverage and a difficult business environment resulting in delays and/or defaults in loan repayments. With the launch of the credit bureau, banks came to know the actual exposure levels of these firms, resulting in restrictions on environment.

In times of tough macroeconomic chances of bankruptcy SMEs are the first ones to get affected, leading to higher access to more loans. The adoption of a bankruptcy/insolvency law enables entrepreneurs and companies to restructure or unwind their businesses in an orderly manner allowing creditors to recover debts within the legal framework. This law is a very significant development for the banking and finance industry which will

spur entrepreneurship and encourage investors into the region. It will strengthen the relationship between small and medium enterprises, banks and investors. The recent UAE Central Bank's five-year strategy also focuses on supporting and encouraging the banking sector to finance small and medium enterprises.

In Saudi Arabia, SMEs contribute around 33 per cent of GDP. The Saudi Arabian General Investment Authority is supporting SMEs with incubator programmes, which will focus on innovation. Banks in Saudi Arabia find it challenging servicing the SME market. SMEs tend not to have reliable financial information, specifically audited financial accounts.

The contribution of SMEs to Qatar economy reached 16 per cent. The government in Qatar is playing a very significant role in supporting and promoting SMEs

by way of mandating institutions such as Qatar.

Development Bank and through them launching a specialised credit guarantee programme under their indirect lending programme, called 'Al-Dhameen', which encourages commercial banks in Qatar to lend financial support to Qatari SME by way of guaranteeing 75 per cent — 85 per cent of the principal outstanding to new as well as existing entities. SME sector continue to flourish in Qatar despite low oil prices.

Qatari Banks have made major progress in promoting startups through this program. This program has helped SMEs overcome the obstacles usually faced by startups such as lack of capital, lack of collateral security and absence of a financial history.

In Qatar the government through its various agencies is also working on the development of a regulatory mechanism and a broad framework in order to provide a level playing field to help SMEs compete with other more established players.

SMEs are being encouraged to participate and showcase their technical capabilities by bidding in various supply contracts for Qatar Shell. In addition, startup SMEs are also encouraged to approach Qatar Business Incubation Centre for not only financial support but also support to set up

their shop initially and large entities are encouraged to sponsor such initiatives. In Qatar the government decided to merge Enterprise Qatar with ODB to create a single window and to bring all the services for SMEs and entrepreneurs under one umbrella.

There is significant room for growth in Kuwait's SME sector: it contributes just three per cent to GDP. SMEs account for roughly 23 per cent of Kuwait's workforce. To develop the proper ecosystem in Kuwait SME, the start-up scene has to be fuelled. This means taking risks and celebrating unsuccessful initiatives as learning opportunities.

In the GCC, entrepreneurship and small business management education are very limited. There are very few graduate and concentration programmes in this area. The GCC face the challenge of SME development on account of lack of entrepreneurship education. Government initiatives should be designed to encourage startups to boost the growth of SMEs and must emphasise the importance of management development.

Increasing the managerial qualities of the SMEs' human resources will lead to building trust between SMEs and their stakeholders.

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

33%

of GDP contribution in Saudi economy by SMEs