



منتدى الإمارات الاقتصادي  
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DUBAI ECONOMY



# SMES AS ENGINE OF GROWTH

**Discussion Summary &**

**Policy Recommendations**

## THE PANEL

**Mr. Khalifa Al Jaziri**

UAE Entrepreneur

**Mr. Karl Fielder**

CEO, Neutral Fuel

**Mr. Yousif Kruse**

Chairman, SME Committee, UAE Banking Federation

**Mr. Arjan Oude Kotte,**

Director, Small & Medium Business, Microsoft

## INTRODUCTION

Small and medium enterprises are the backbone of Dubai's economy, representing 99.2% of the number of establishments in the Emirate. These businesses play a pivotal economic role, accounting for 51% of the workforce and contributing around 46% of Dubai's GDP. The Government has a high focus on enhancing the contribution, productivity, and performance of the SME sector, thus enabling it to become the engine of Dubai's sustainable economic growth.

Traditionally, SMEs have served as an efficient medium for the entrepreneurial talent in the UAE to translate their ideas into viable projects and grow them into globally competitive businesses. Many of the most outstanding brands associated with Dubai today trace their origins to modest startups.

A visionary leadership and extraordinary efforts are behind this exceptional SME journey in Dubai. As an agile and efficient form of doing business, SMEs have always been accorded top priority in strategic plans aimed to empower citizens and attract investment into Dubai. Meanwhile, Dubai also evolved into one of the most competitive SME ecosystems through government-led and multi-stakeholder initiatives.

With innovation and sustainability taking centerstage in Dubai, SMEs have a new role and goals to achieve. Their inherent ability to innovate and presence across vital sectors, chiefly in the fast-growing services and technology sectors, position SMEs as the chief engines that can propel Dubai to the next level of economic diversification and the sustainable growth aspired.

Enabling SMEs to navigate the increasingly competitive business landscape while nurturing their innovations requires a deep understanding of the business model itself, in addition to identifying the challenges they have to overcome and the support systems they need.

During the UAE Economic Forum, Dubai SME launched its 2019 State of SMEs report and presented the key findings to the audience. This was followed with a dynamic SME panel discussion that highlighted key areas that the government should work on to enhance the competitiveness of SMEs and enable them to boost their growth rate.

## THE PANEL DISCUSSION

The second day of the UAE Economic Forum featured a panel discussion on ‘Small and Medium Enterprises (SMEs) as Engines of Growth. The panel was chaired by Shaikh Fahim Al Qassimi, Executive Chairman of the Department of Government Relations in Sharjah (DGR) and included the following speakers:

The speakers shared their experience on the SME ecosystem and the enablers that would help entrepreneurs lead sustainable economic development in the UAE.

Key discussion points included:

### **A- Dubai as a platform for Entrepreneurs to start their businesses:**

The discussion started with a question around the motives behind being an entrepreneur and starting a business. Mr. Khalifa Al Jaziri mentioned that the trigger for him was an idea that he got excited about and wanted to proceed and implement it. His passion was a great driver to start the business and to keep him persistent though out the journey. Mr. Karl added that entrepreneurs are prepared to challenge status quo and usually come up with different ideas that are new to the business environment.

The speakers highlighted how Dubai provides a fertile environment for SMEs. They emphasized the significant role that Dubai government entities played to support their business. Khalifa Al Jaziri, an Emirati entrepreneur highlighted the role that Dubai SME played to support his business during various stages of the life cycle. He benefited from startup advisory and exemptions services as well as government procurement program services. On the other hand, Karl Fielder mentioned how DED supported his business via being flexible to create new activity categories and do things that weren't done before.

One of the points that is still needed is to find easier ways for entrepreneurs to access market data and find proper mentors to guide them at the early stage.

## B- Employing Emiratis in SMEs

A question was raised on how successful were SMEs in attracting Emirati employees. The speakers mentioned that they cannot attract Emirati employees due to the different expectations of Salary, working hours and other work-related conditions. One of the areas that SMEs can support in is having a proper internship program, since graduates can learn a lot on the business by working in an SME where they can have access to different roles and challenges in a flexible way that they wouldn't get if they get an internship in a large corporate.

One of the potential solutions suggested in order to enable SMEs to recruit Emiratis, was for the government to introduce a support program to fill the salary gap for the first 2-3 years.

## C- Technology Adoption Among SMEs:

Mr. Arjan from Microsoft, emphasized the importance of the role that technology plays in business growth. In simple words: "You cannot run a business today without technology".

Nowadays, many technologies are available to all business, which was earlier limited to big corporates. – such as online meeting).

From the SMEs side, they should be proactive and start using available technologies and move away from running the business in a traditional way. SMEs should realize that they can be much flexible and productive by using technology.

Therefore, supporting SMEs to increase their level of technology adoption can be done at two stages:

- Awareness: Helping SMEs to know which technologies are available and relevant to their needs
- Capability Development: Upskilling people to be capable on using new tech via different easy and affordable platforms.

## D- Main challenges that SMEs face:

### D.A Access to Finance

The speakers discussed the challenge of access to finance and focused on the high rates charged by banks.

Mr. Yousuf Kruse from UBF admitted that banks requirements and policies are not SME friendly, but also highlighted that banks suffered huge losses from financing SMEs in the last 5 years. However, he ensured that banks realize the importance of the sector and that they have to reconsider their approach to be more collaborative and act as advisors to SME owners to guide them on how to benefit from the different banking products. Therefore, keeping in mind that banks are commercial and focus on profits, a new approach to deal with SMEs can be introduced with specific conditions.

On the other hand, one of key challenges that banks face with SMEs is “Financial literacy” as many SMEs don’t have a proper understanding of cashflow requirements and the relevant banking products. This gap can be bridged if banks take a more collaborative approach and act as advisors to SMEs as mentioned earlier, instead of the current approach where banks reward their employees for selling loans to SMEs.

#### **D.B Delay in payment**

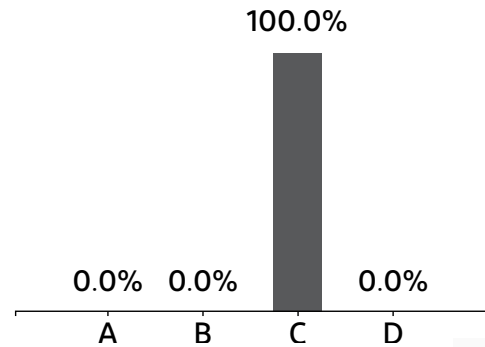
Mr. Karl Fielder raised the issue of payment delays across sectors in Dubai. This issue affects the whole cashflow cycle and has a snow ball effect. The key challenge is that there is no clear process that SMEs can follow to enforce this. A big buyer can simply delay the payment beyond the agreed upon deadline (30 or 60 days for example) and the SME has no power to enforce payment. Even if SMEs wanted to approach courts to legally enforce payment, the process might take years without guaranteeing the result.

Meanwhile, the SME will still have to deal with the bank that provided the facility for 60 or 90 days from the other side. Banks are usually stringent and can harm the SMEs by reporting them to central bank as defaulters and block all their banking facilities and credit lines. Therefore, having a simple and efficient process to enforce payment is a key policy that Dubai Government should work on.

## OPEN QUESTIONS TO AUDIENCE – IIVE VOTING:

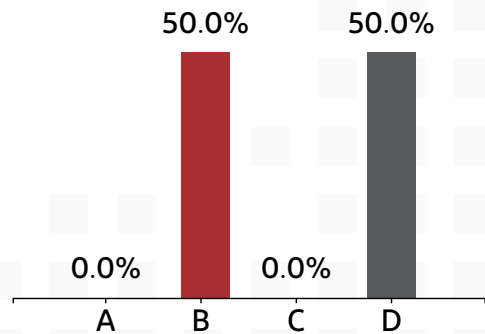
**Q1 - What is the Primary Challenge for SME growth in the up coming 5 years ?**

- A- Lack of Business Confidence in SMEs
- B- Lack of Market Opportunities
- C- Access to Finance
- D- International Competition



**Q2 - To survive during difficult market conditions , what is the most important factor to ensure SME survival ?**

- A- Access to Finance
- B- Timely Payments from Clients
- C- Ease of Hiring and Firing
- D- Ease of Regional Expansion



**Q3 - Who should play a larger supporting role in the development of the SME Sector?**

- A- The Government
- B- Large Multinationals
- C- SMEs themselves
- D- All have an equal role to play

