

 GulfCapital

SME 
INSIGHTS



GCC SME Key Trends from ClarifiedBy.com

 Diligencia

MEED
 GlobalData.

Overview

As part of a collaboration with Meed-GlobalData as a key partner of the Gulf Capital SME Insights 2020, Diligencia has been asked to use its database of company information to highlight the key trends amongst small-medium sized enterprises (SMEs) in Bahrain, Kuwait, Oman, Saudi Arabia and the UAE.

Our data is sourced from multiple official sources, fact-checked and manually curated by our teams of analysts in Oxford (UK) and Tangier (Morocco). Once verified, it is made available via our online platform ClarifiedBy.com.

Sources

The data used within this report is based on information retrieved from official sources, including:

Bahrain

- Ministry of Industry & Commerce
- Bahrain Chambers of Commerce
- Official Gazette

Kuwait

- The Ministry of Commerce & Industry (MOCI)
- Kuwait Chamber of Commerce & Industry
- Kuwait Al Youm (Kuwait Official Gazette)
- Kuwait Stock Exchange (KSE)
- Kuwait Free Trade Zone (KFTZ)

Oman

- Ministry of Commerce & Industry
- Omani Official Gazette
- Oman Chamber of Commerce & Industry
- Muscat Securities Market (MSM)

Saudi Arabia

- Ministry of Commerce and Investment (MCI)
- Local Chambers of Commerce & Industry
- Umm Al Qura & Aamaly - Saudi Official Gazettes
- Tadawul - Saudi Stock Exchange

UAE

- Dubai Department of Economic Development
- Abu Dhabi Department of Economic Development
- Sharjah Economic Development Department
- Department of Economic Development in Ras Al Khaimah
- Freezone registries (various)

Note: The growth of our database is driven in part by our clients (which include international consultancies, advisory firms, law firms, corporates and banks) as well as companies that are of public interest, either because they have featured in the media or have been part of a sector study that is of interest to our client base. As a result, our dataset of registered companies is biased to some extent towards those companies in the country that are involved in international transactions or are of interest to international investors.

COVID-19 and its impact



At the time of preparing this report, the COVID-19 virus pandemic is having a major impact on populations and organisations across the world. As we write, confirmed cases of the virus have been recorded in 187 countries¹. With the global crisis still unfolding, it is impossible to predict the extent of the disruption the virus will cause over the months and years to come. For many people what was considered normal just a few weeks ago has changed unrecognisably, both in their personal and working lives.

Amongst the economically hardest hit are the SMEs that are the subject of this report, a fact which has prompted governments of all persuasion to step in with unprecedented measures to support small companies – ranging from soft loans, tax holidays, and even paying employees' salaries. On a regional level this has been reflected in many of the regulators and authorities taking active steps to lessen the impact on small businesses; many of the UAE freezones for example are reducing licence fees and waiving late renewal penalties.

We have seen from previous reports² that SMEs in the Gulf region are generally resilient, and our sincere hope is that they will continue to be despite

¹ GlobalData – Coronavirus (COVID-19) Executive Briefing
² Diligencia / Gulf Capital SMEs in the UAE Research Report 2019

the scale of the challenges they currently face. Of course, a small organisation's financial vulnerability can be mirrored in its ability to pivot and adapt to a new reality, and we're already seeing companies innovating in the face of adversity – whether that is in changing delivery models, serving the needs of newly house-bound customers or adapting product lines to support national efforts to fight the coronavirus.

Other positives have not escaped our attention – the opportunity to spend more time with our immediate families away from the pressures of normal daily life; reduced traffic and pollution in our skies; and a renewed sense of unity as communities pull together to address our shared challenges.

So what does a post-COVID-19 future look like? If history is any guide, major upheavals and national crises can lead to radical social change, and questions are already being asked about our future workplace. Is this the end of the traditional office as we know it? Will our experience of working from home become a lasting habit leading to reduced business travel? In a period of pervasive uncertainty, social mores and conventions are being upended and we can only hope for positive change. From all of us at Diligencia, Gulf Capital and MEED, we wish you and your families the best of health and happiness.



UAE

OVERVIEW

- 2019 witnessed a significant growth in the number of new SMEs with more than 5,000 licences issued
- At the top of the list, business support services account for 14% of active SMEs
- 41% of SMEs in the UAE are based in Dubai, followed by Abu Dhabi at 23%
- 67% of businesswomen who registered SMEs in the UAE in the last decade did so between 2015 and 2019. Dubai is the favourite location for female-led enterprises

Number of SMEs in the last 10 years in the UAE

Data from ClarifiedBy.com highlights that the number of SMEs in the UAE has witnessed significant growth over the past 10 years with 70% of SMEs established in the last five years. The number of new businesses increased in 2019, overtaking the previous year, with more than 5,000 new licences. 2018 represents 10% of the SMEs registered in the last 10 years while 16% of SMEs were established in 2017.

The majority of SMEs registered as mainland entities have the legal form of Limited Liability Company (30%), followed by Sole Proprietorship (26%). A significant number of SMEs are registered as freezone entities, operating as a Free Zone Establishment FZE entity (11%), a Dubai Multi Commodities DMCC entity (8%) or a Freezone Company with Limited Liability (8%).

The data shows that Dubai accounted for 41% of the UAE's new SMEs, followed by Abu Dhabi at 23%, Sharjah at 17% and then Ras Al Khaimah.

Significant growth in the number of new SMEs in 2019

Dubai tops the list for SME's location at 41%

ACTIVE SMEs

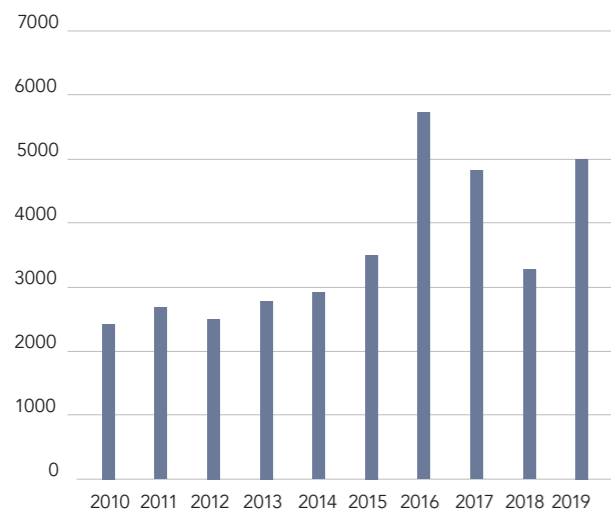


Figure 1 Active UAE SMEs as per year of incorporation

LEGAL FORM

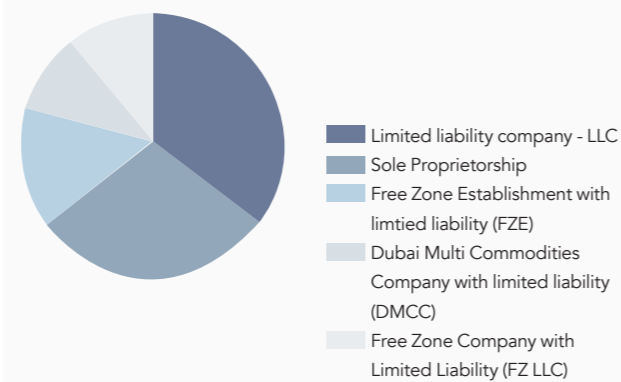


Figure 2 SME legal forms

Location

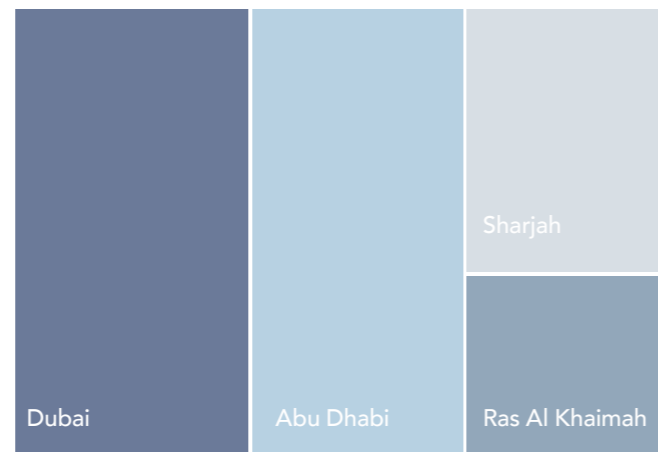


Figure 3 SMEs in the UAE by location

Sector trends

The top SME business sectors in the UAE incorporated between 2010 and 2019 are business support services, services, construction & materials, investment services, clothing & accessories, retail, food & drug retailers, electronic & electrical equipment, consumer services and media agencies.

Business support services constitute 14% of active SMEs while the services sector is in second position, accounting for 12%, followed by construction & materials with 10%. The investment services sector is also high on the list, ranked fourth.

The five top sectors for SMEs incorporated in 2019 are business support services, consumer services, media agencies, business training & employment agencies and recreational services.

TOP 10 SME BUSINESS SECTORS

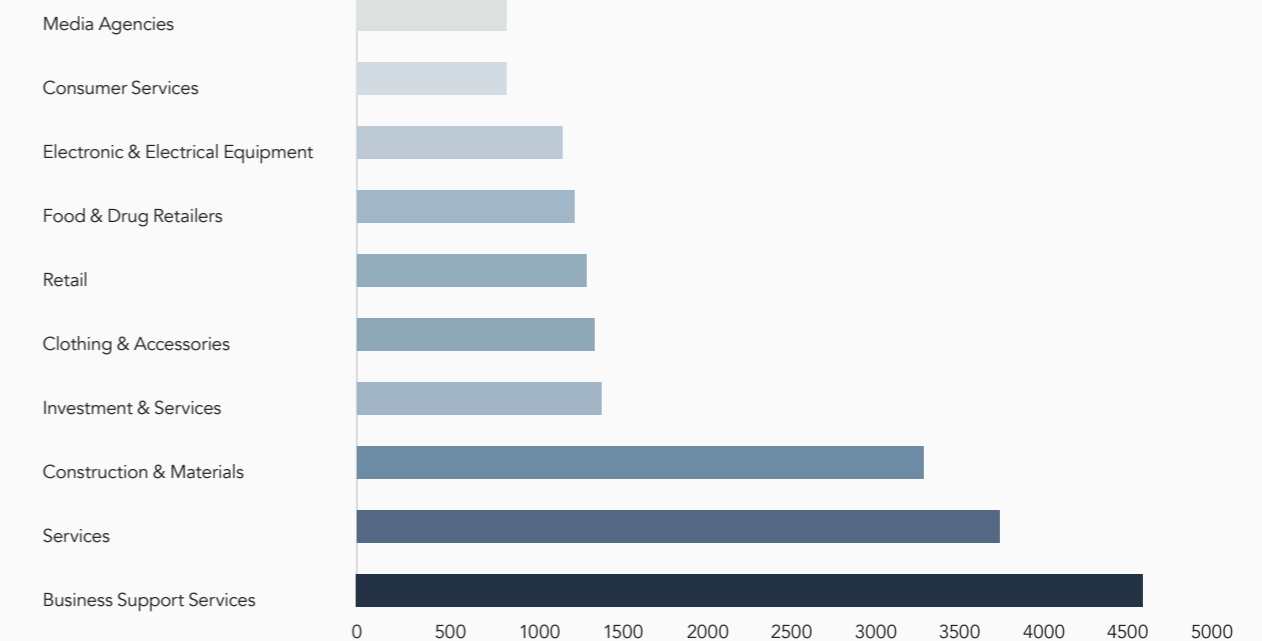


Figure 4 Top 10 business sectors for SMEs incorporated between 2010 and 2019 in the UAE

SME BUSINESS SECTOR IN 2019

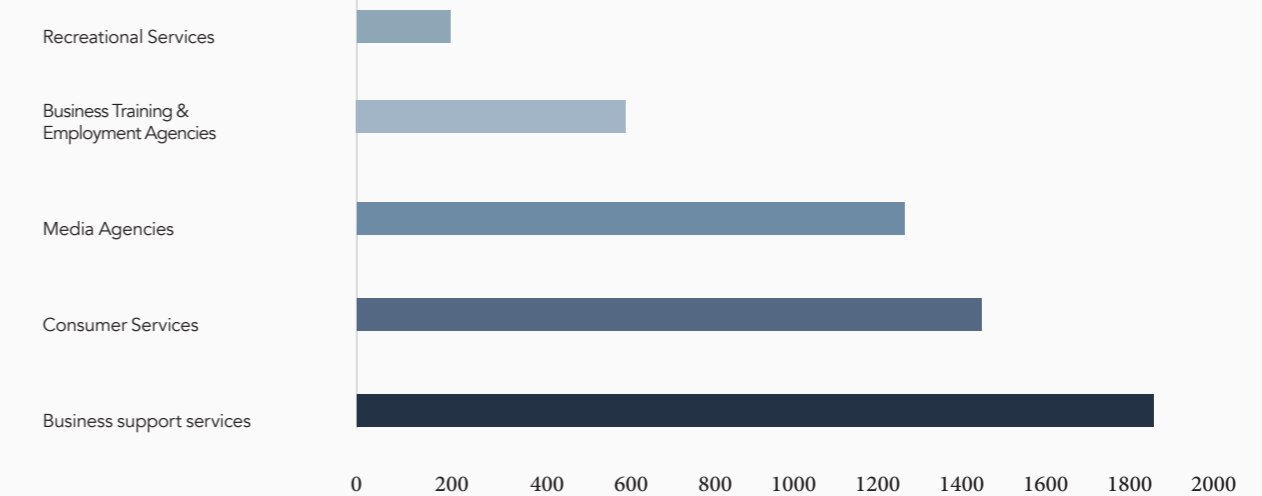


Figure 5 Top 10 business sectors for SMEs incorporated between 2010 and 2019 in the UAE

WOMEN IN BUSINESS

Our data shows that the number of SMEs owned and managed by female directors and shareholders witnessed the highest growth between 2015 and 2019. In fact, over 67% of the total number of businesswomen who registered companies in the last decade did so in the last five years and the number of female SME founders grew by about 21% in 2016. Although male SME owners remain the dominant group – 9 out of 10 owners of SMEs in the last five years are men – there has been a gradual increase in the number of women running businesses in the UAE.

There is a propensity for women to favour Limited Liability Companies (LLCs), although the number of businesswomen who own sole establishments increased significantly in 2016 and 2017. Location may also be a factor; the data suggests that the number of female sole proprietors in Abu Dhabi during 2015-17 was considerably higher than in Dubai. In 2019, female SME founders accounted for 5% of SMEs owners.

Between 2010 and 2019, the top 10 sectors for businesswomen registered in the UAE are retail, building materials & fixtures, computer services, construction & materials, business support services, services, chemicals, clothing & accessories, restaurants & bars and investment services.

The top 10 business sectors for female-owned SMEs established in 2019 are business support services, consumer services, recreational services, media agencies, building materials & fixtures, business training & employment agencies, broadcasting & entertainment, services, financial services and food retailers & wholesalers. In addition, data from 2019 suggest that female entrepreneurs also have a strong presence in other sectors, construction & materials, clothing & accessories investment services, software, transportation services, apparel retailers, education and restaurants & bars.

Dubai, Abu Dhabi and Sharjah recorded a significant growth in the number of female business

BUSINESS WOMEN IN UAE

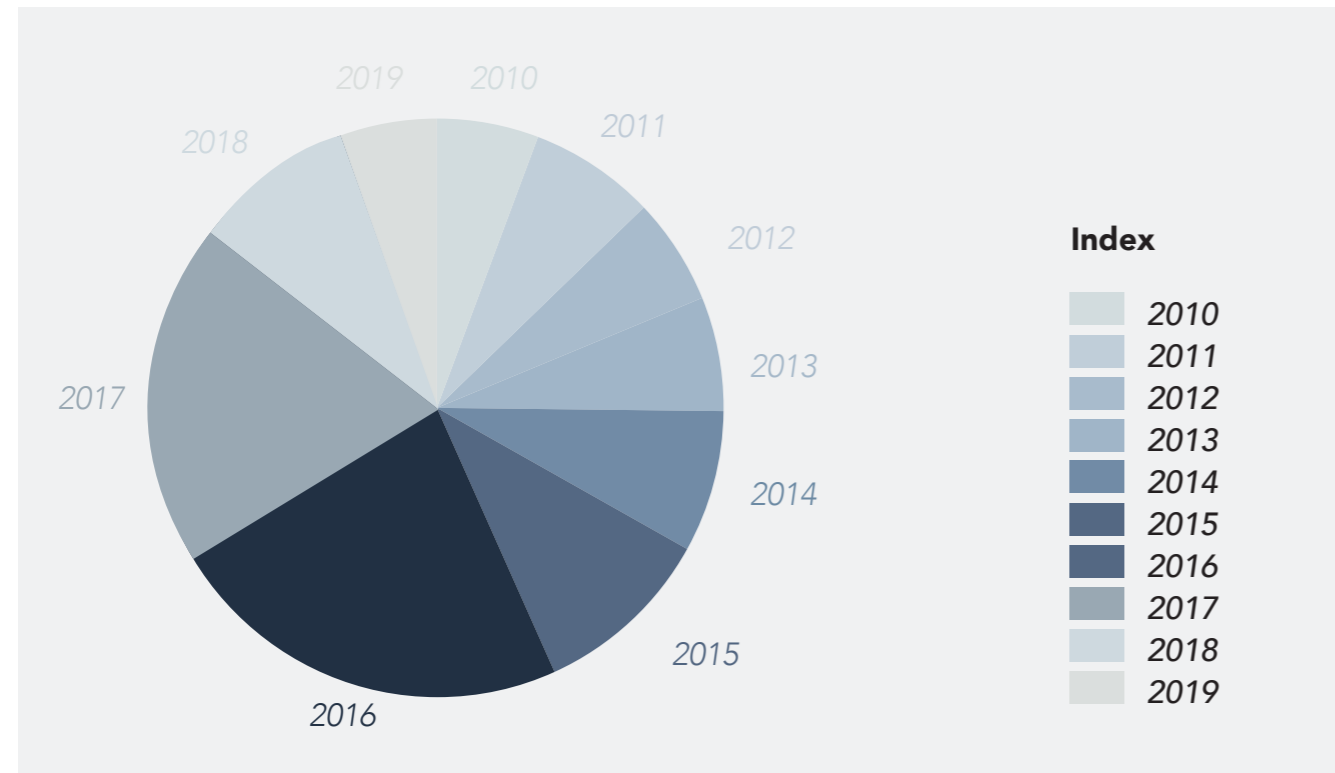


Figure 6 Female shareholders and directors in the past ten years

FEMALE SME OWNERS

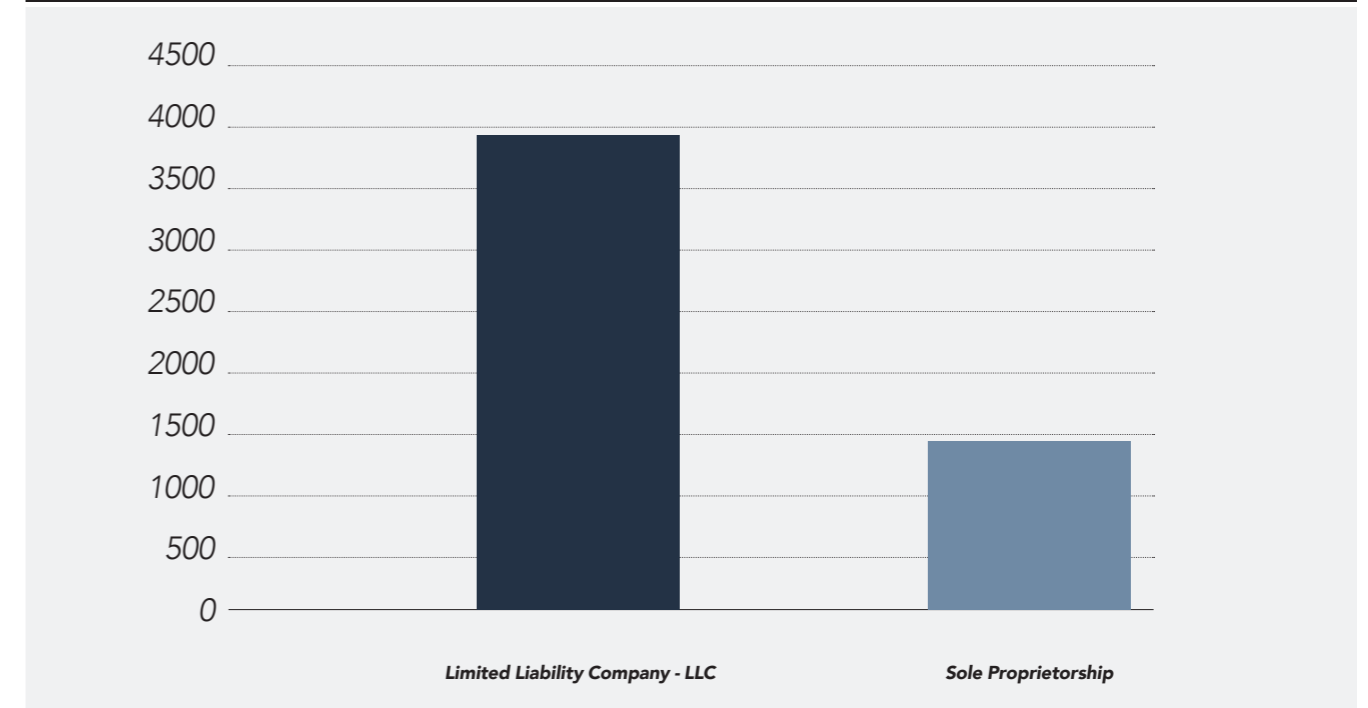


Figure 7 Female directors and shareholders of limited liability companies and sole proprietorships between 2010-2019

10 TOP SECTORS FEMALE SME OWNERS

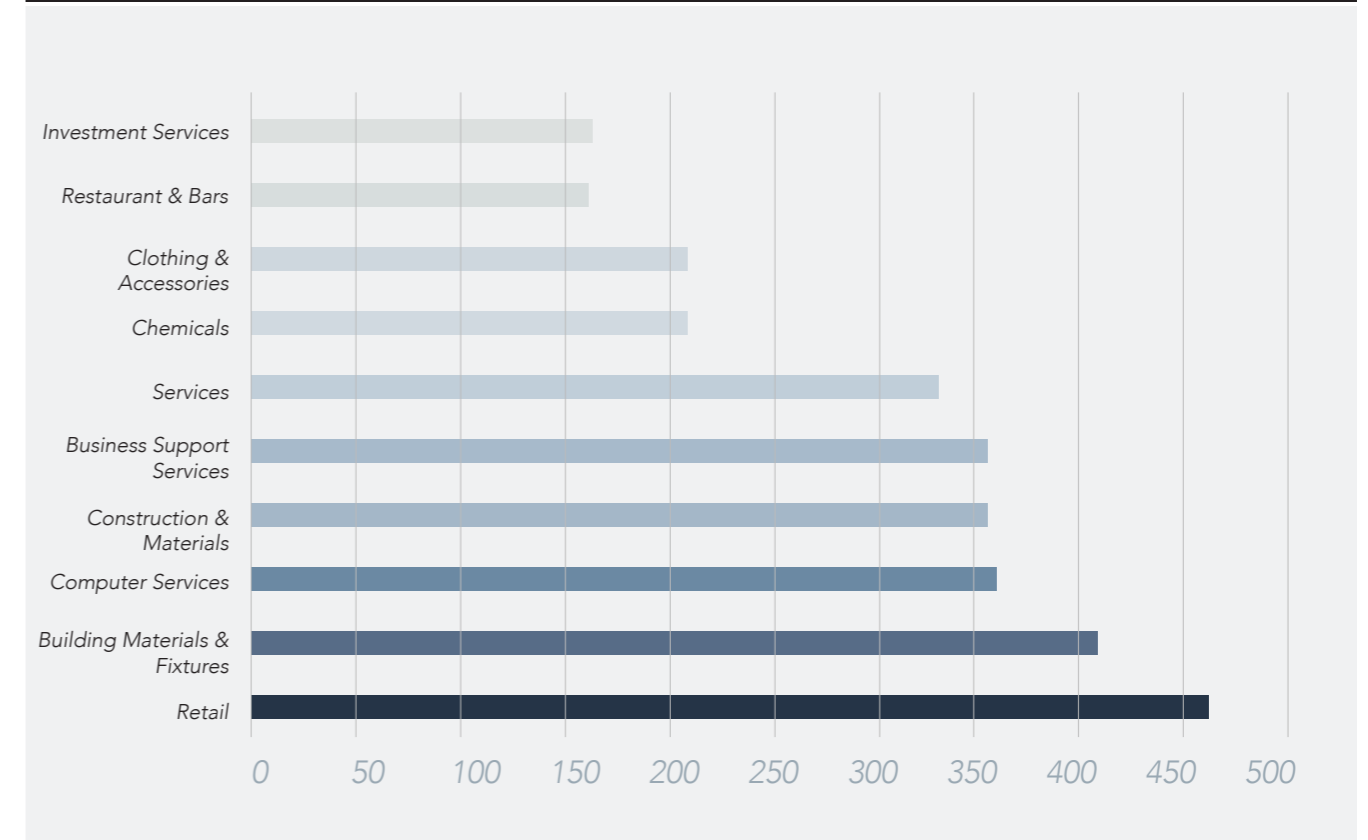


Figure 8 Top 10 sectors for female shareholders and directors in the UAE between 2010-2019

TOP 10 SECTOR FOR FEMALE SMES OWNERS

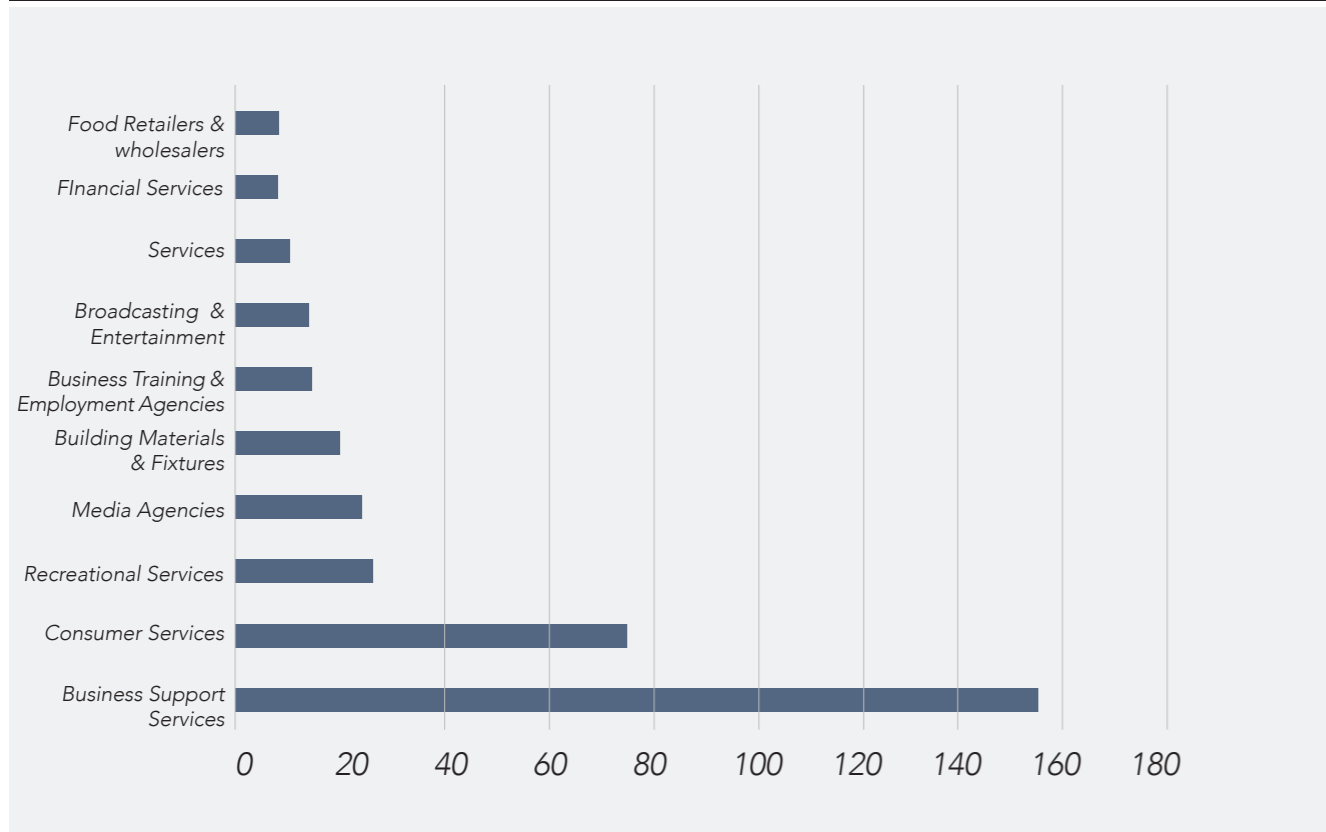


Figure 9 Top 10 sectors for female SME owners

directors and shareholders between 2010 and 2019, representing over 81% of the female business founders in the UAE

Dubai is the favourite destination for female-led enterprises. The number of businesswomen registered in Dubai was higher compared to the number of businesswomen in Abu Dhabi in 2019, in fact Dubai accounted for almost 70% of the total. That said, 2017 saw a spike in the number of women founders in Abu Dhabi (61%), outnumbering the total number recorded in Dubai and Sharjah. Dubai and Abu Dhabi accounted for the highest number of female directors and shareholders in private sector companies in the UAE in the last ten years.

FEMALE SME OWNERS

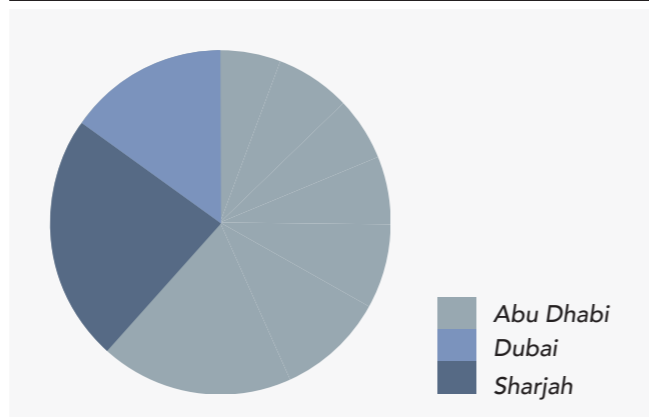
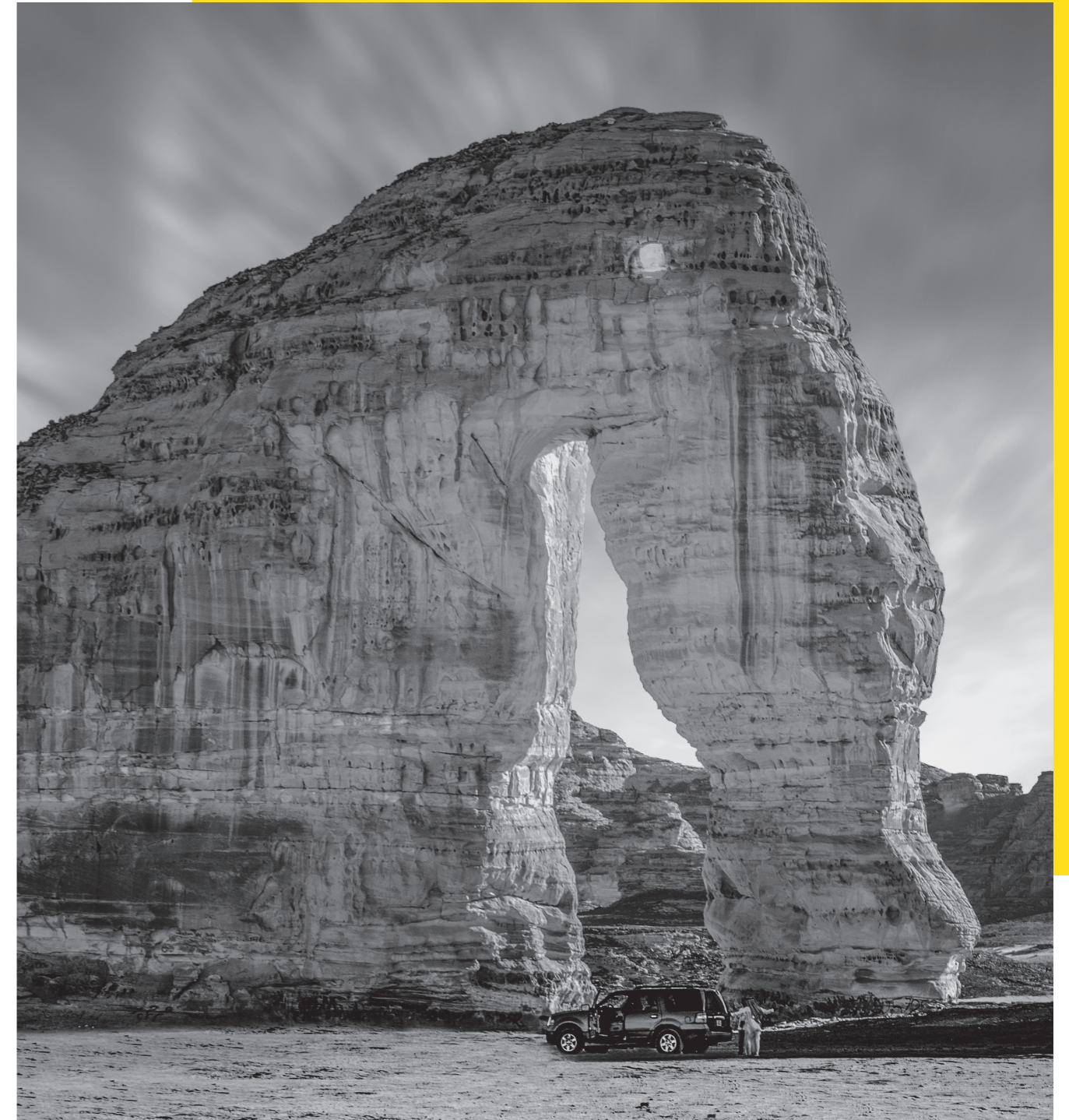


Figure 10 Number of Female SME owners in Abu Dhabi, Dubai and Sharjah in the past ten years



SAUDI ARABIA

OVERVIEW

- KSA SMEs are resilient with over 95% of SMEs incorporated in the past 10 years remaining active
- Nearly 81% of these SMEs are Limited Liability Companies
- Construction & materials businesses were at the top of the sector list with a 42% share
- Bahrainis are the second top entrepreneurs in KSA, followed by Kuwaitis, Emiratis, Jordanians, Egyptians, Lebanese, Syrians, Pakistanis and Indians

Number of SMEs in the last 10 years in KSA

The number of new SMEs registered in the KSA over the past 10 years has shown a steady growth. The vast majority of these SMEs continue to thrive, with over 95% of those incorporated in the past ten years remaining active.

Despite the drop in the number of new SMEs in the last five years in contrast to the period prior to that, 2019 witnessed a peak in new business licences. 10% of the new enterprises registered in the last ten years were in 2019, while 2018 and 2017 accounted for 3% and 5% of SMEs respectively. 2014 witnessed the highest peak with over 18%.

The most popular choice of legal forms for start-ups is Limited Liability Company (81% of SMEs), followed by the Single Person Company with Limited Liability and Sole Proprietorship.

Riyadh, Jeddah, Al Khobar, Dammam and Makkah are the top five regions for start-up businesses in the Kingdom. Riyadh is ranked first with over 53% of new enterprises. Jeddah is second, accounting for 28% of SMEs, followed by Al Khobar, Dammam and Makkah.



KSA SMEs are resilient with the majority of entities lasting longer than five years

2019 witnessed a peak in new business licences

ACTIVE SMES

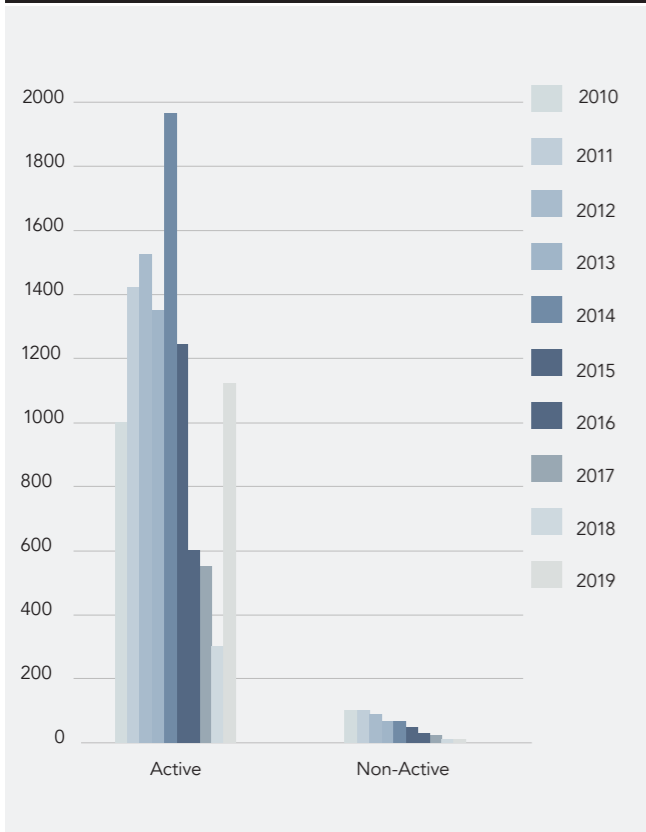


Figure 11 Active and non-active KSA SMEs as per year of incorporation

LEGAL FORM

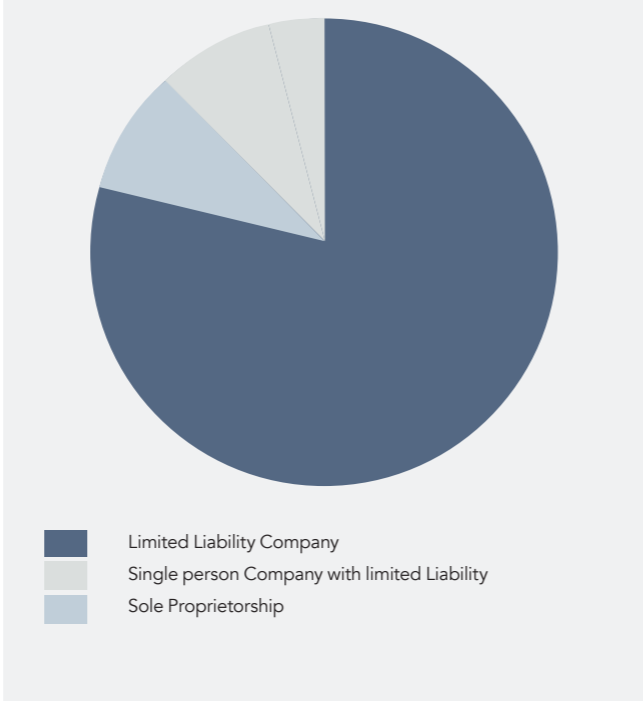


Figure 12 SME legal forms

CITY OF REGISTRATION

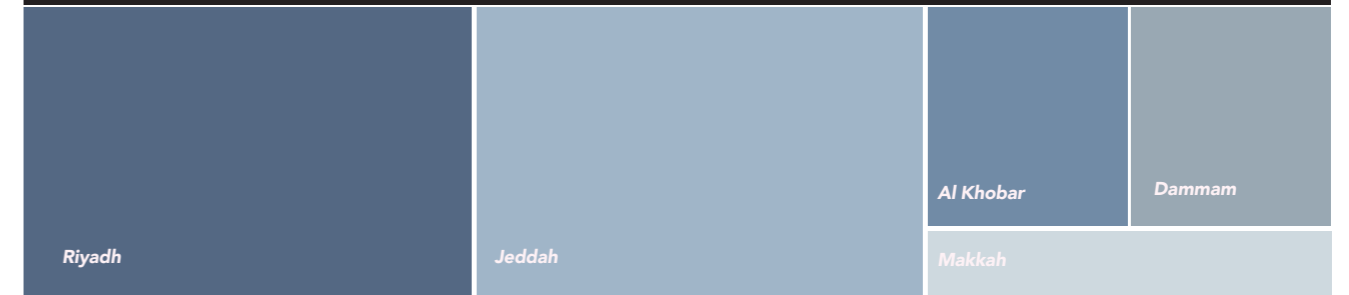


Figure 13 13 SMEs city of registration in the KSA

Sector trends

Over the last 10 years, the top SME business sectors have been construction & materials, services, real estate, heavy construction, electronic & electrical equipment, food & drug retailers, family office, software, health care and clothing & accessories.

The construction & materials sector acquired the largest number of SMEs, accounting for 42%, followed by the services sector, with 11%, in the past ten years.

The real estate and heavy construction sectors

accounted for 9% and 8% respectively. The sector trends also reflected the sustained growth in the number of single-family offices, ranked seventh, as more holding companies were established in the past ten years.

The significant growth in the number of SMEs incorporated in 2019 shows sustained demand in the following sectors: heavy construction, construction & materials, real estate, restaurants & bars, business support services, transportation services, services, food products, education, and food & beverage.

TOP 10 BUSINESS SECTORS

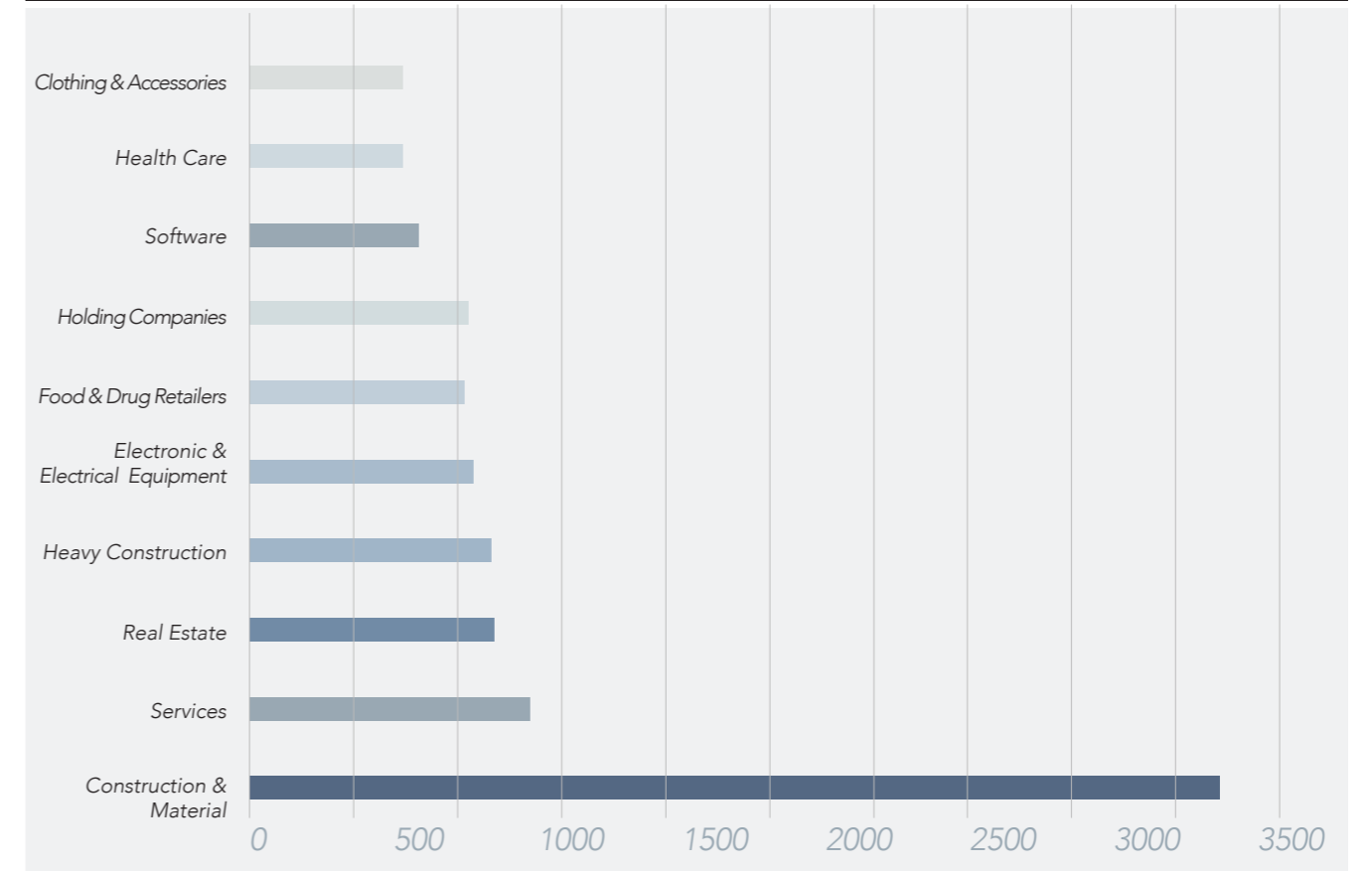


Figure 14 Top 10 business sector for SMEs incorporated between 2010 and 2019 in the KSA

TOP 10 BUSINESS SECTORS IN 2019

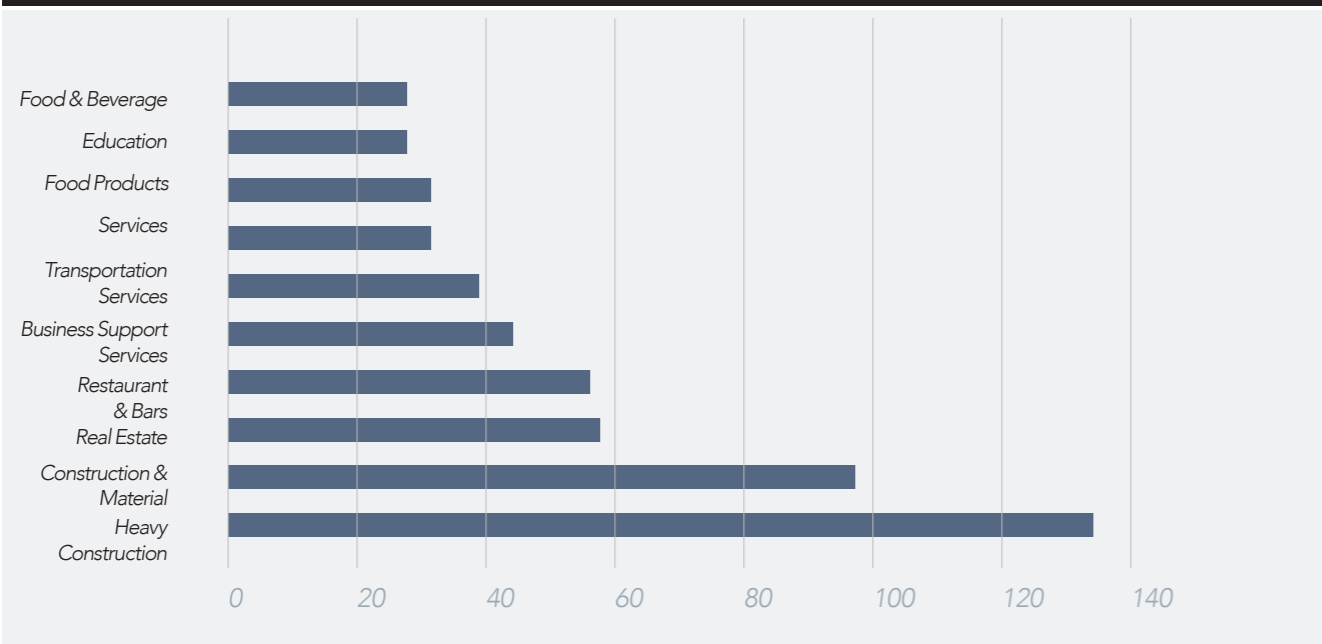


Figure 15 Top 10 business sectors for SMEs incorporated in 2019 in the KSA.

A kaleidoscope of nationalities

The vast majority of SME founders in KSA are Saudi nationals (76%), although there are significant numbers from other GCC countries such as Bahrain (6%), Kuwait (5%) and the UAE (5%). This reflects Saudi Arabia's foreign investment regulations which tend to favour domestic and GCC investors.



TOP 10 NATIONALITIES

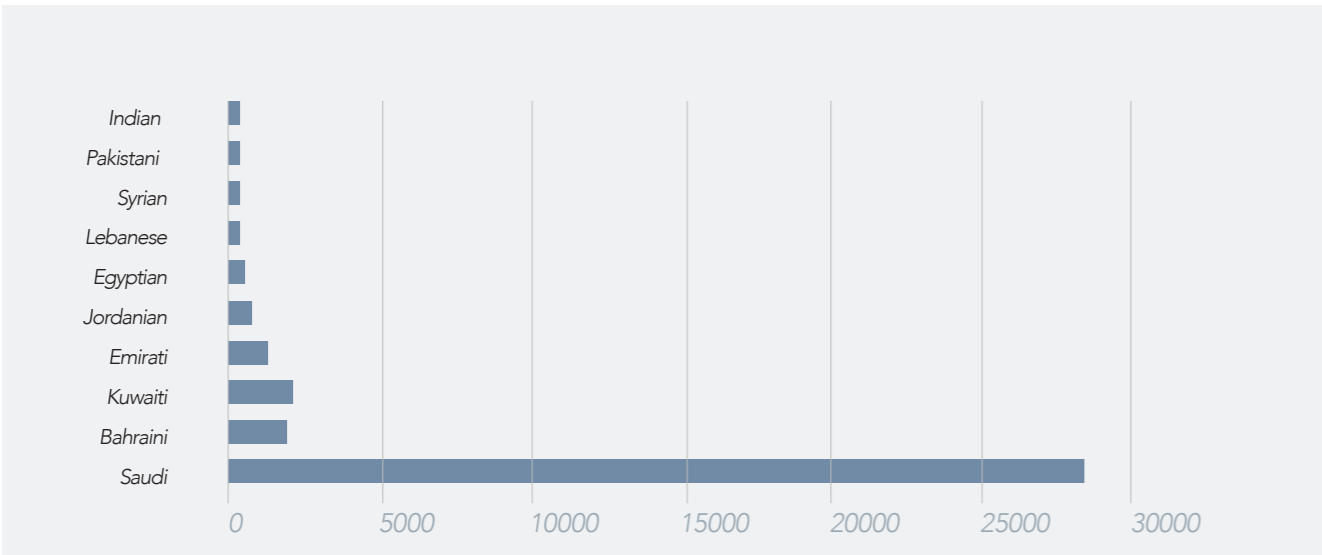


Figure 16 Top 10 nationalities of SME directors and shareholders in KSA in the last ten years.



KUWAIT

OVERVIEW

- Upward trend in the number of SMEs in Kuwait with 95% of SMEs incorporated between 2010-2019 remaining active
- New SMEs in 2019 overtook the number of start-ups in 2018 with twice as many SMEs being registered by the end of last year
- Growth is underpinned by SMEs in the services sector
- Top SME owners are Kuwaiti, Saudi, Egyptian, Bahraini, Jordanian, Indian, Lebanese, Emirati, Canadian and Omani

SMEs in Kuwait in the last 10 years

The number of SMEs has increased significantly in Kuwait since 2013, in response to the establishment of the National Fund for SME Development (the "SME Fund") which was founded in the same year. ClarifiedBy.com data shows a considerable rise in the number of newly issued business licences since 2010 with a growth rate of 58%. 2017 recorded the highest growth of SMEs, accounting for 15% of new enterprises established between 2010-2019, followed closely with the similar rate of growth, 12%, of new company registrations in

2019. Positively, 95% of SMEs continue to thrive while 5% of the total registered SMEs between 2010-2019 have become inactive.

By the end of 2019, around 67% of SMEs were operating in Kuwait as Limited Liability Companies, with 15% percent of these enterprises registered as Sole Person Companies. Since 2010, Sole Proprietor Companies have constituted almost 8% of SMEs in Kuwait.

The registered addresses for the vast majority of SMEs in Kuwait are in Kuwait City. A small number are in Hawalli (9%) and Al Farwaniyah (8%).

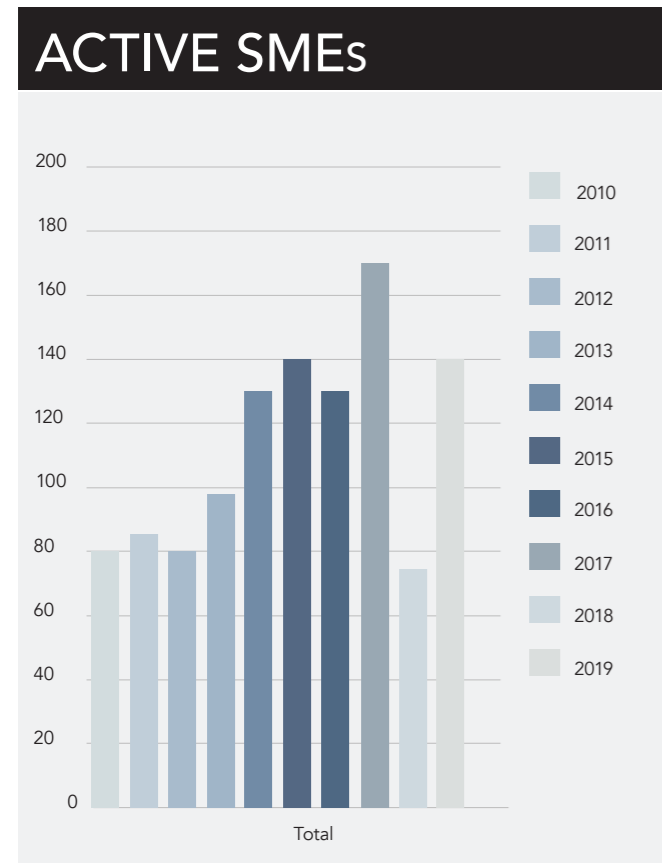


Figure 17 Active Kuwait SMEs as per year of incorporation

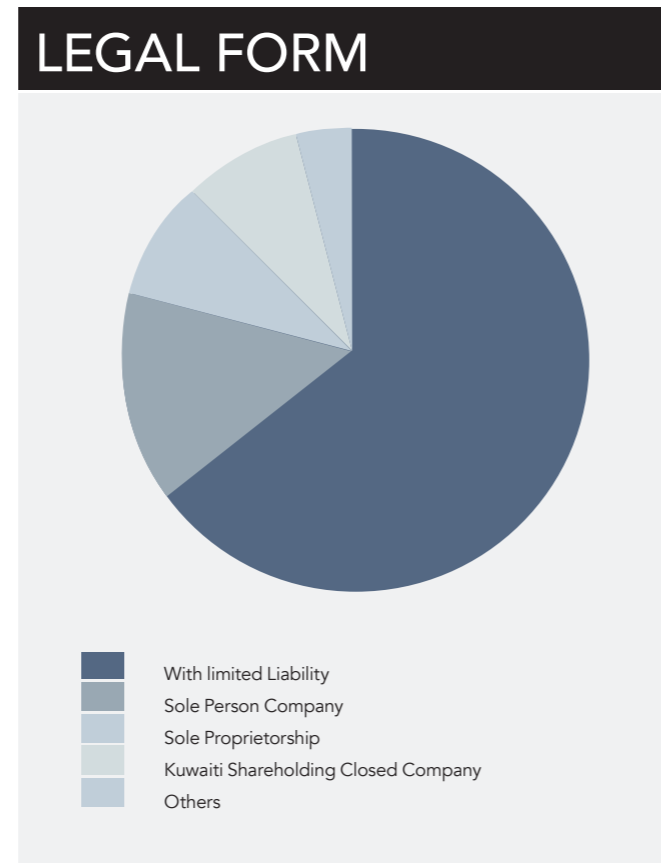


Figure 18 Top SME legal forms

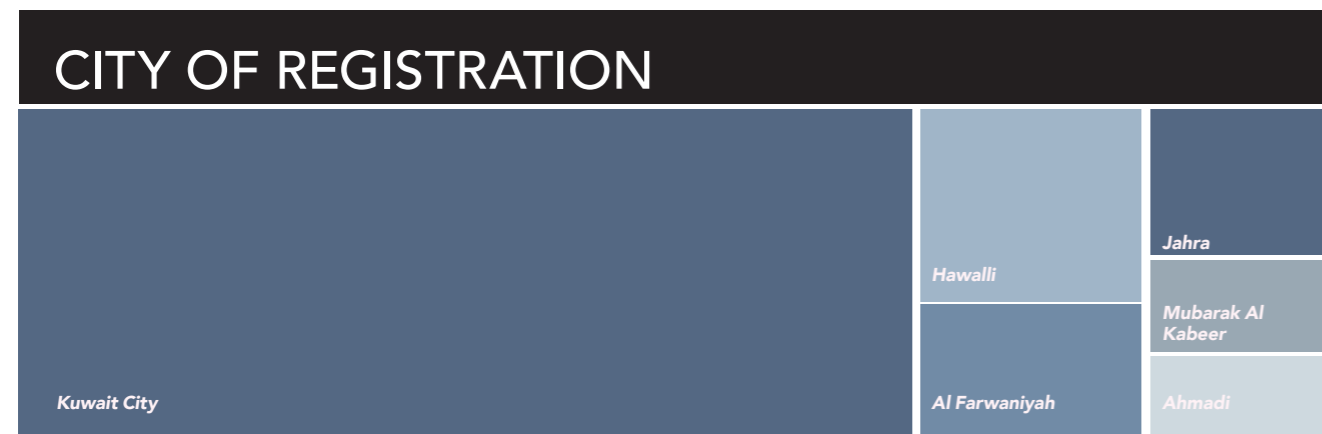


Figure 19 SMEs location in Kuwait

Sector trends

The top SME business sectors registered in Kuwait between 2010 and 2019 are services, real estate, construction & materials, retail, food products, electronic & electrical equipment, media, clothing & accessories, holding companies and restaurants & bars.

Over the span of ten years, 17% of SMEs have been operating in the services sector although the number registered in real estate is larger than the number in all other sectors between 2013 and 2014.

Overall, the real estate sector accounted for 12% of SMEs. Construction and materials represent the third biggest share of SMEs with 11%, followed by retail at 8%. 5% of SMEs were in the food products business while 3% trade in electronic and electrical equipment. Likewise, the media sector accounted for almost 3% of SMEs at the end of 2019.

Upward trend in the number of SMEs in Kuwait

New SMEs in 2019 overtook number of start-ups in 2018

The services sector has seen the highest growth

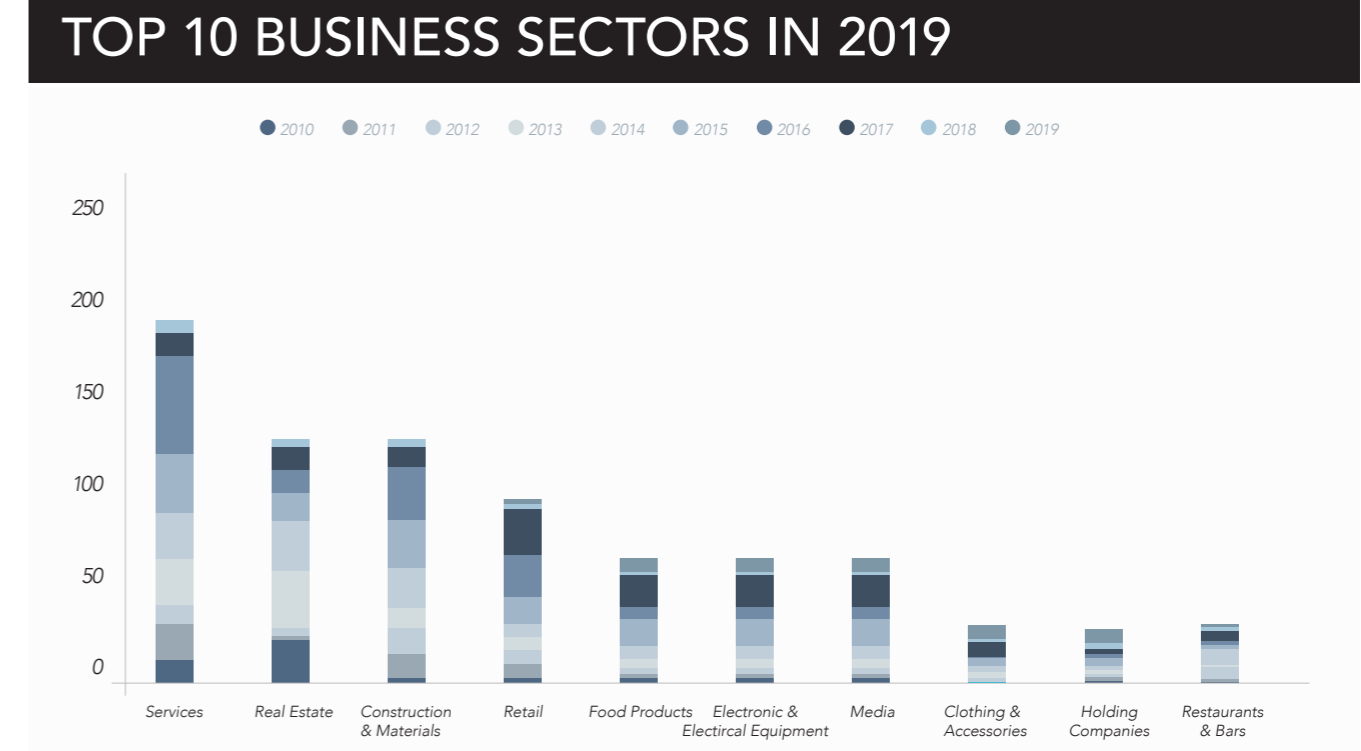


Figure 20 Top 10 business sectors for SMEs incorporated between 2010 and 2019 in Kuwait

The top 10 sectors for SMEs registered in 2019 are: services, construction & materials, real estate, business support services, holding companies, retail, food products, clothing & accessories, and restaurants & bars.

Our data suggests that in 2019 SMEs in the services sector were active predominantly in financial services and logistics. 2019 saw the peak of new entrants to the technology market in Kuwait, equaling almost 4% of SMEs founded last year.

A kaleidoscope of nationalities

The top 10 SME owners in Kuwait are Kuwaiti, Saudi, Egyptians, Bahraini, Jordanian, Indian, Lebanese, Emirati, Canadian and Omani. The Kuwaitis account for 54%, followed by Saudis and Egyptians representing 9% and 7% respectively.

TOP 10 BUSINESS SECTORS IN 2019

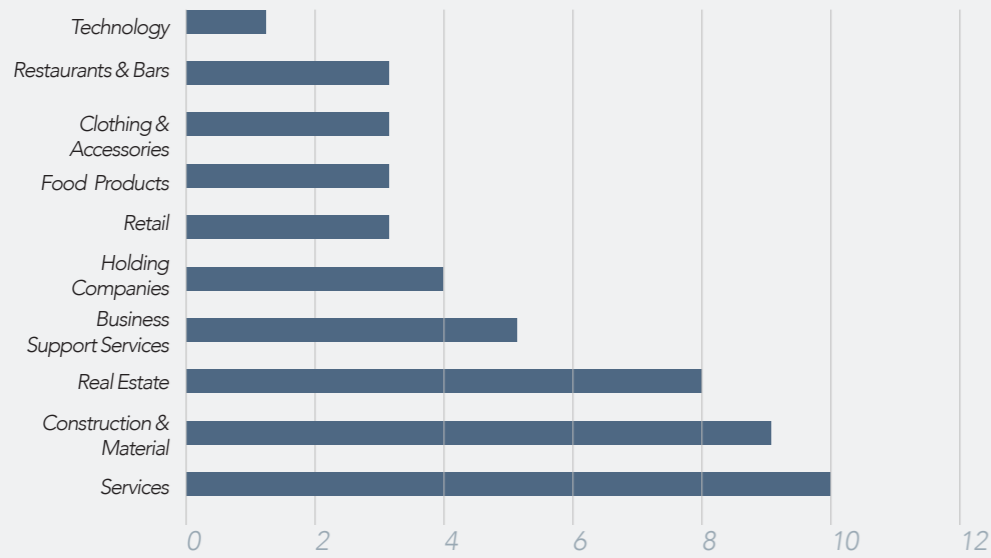


Figure 21 Top 10 business sector for SMEs incorporated in 2019 in Kuwait.

TOP 10 NATIONALITIES OF SMEs DIRECTORS AND SHAREHOLDERS

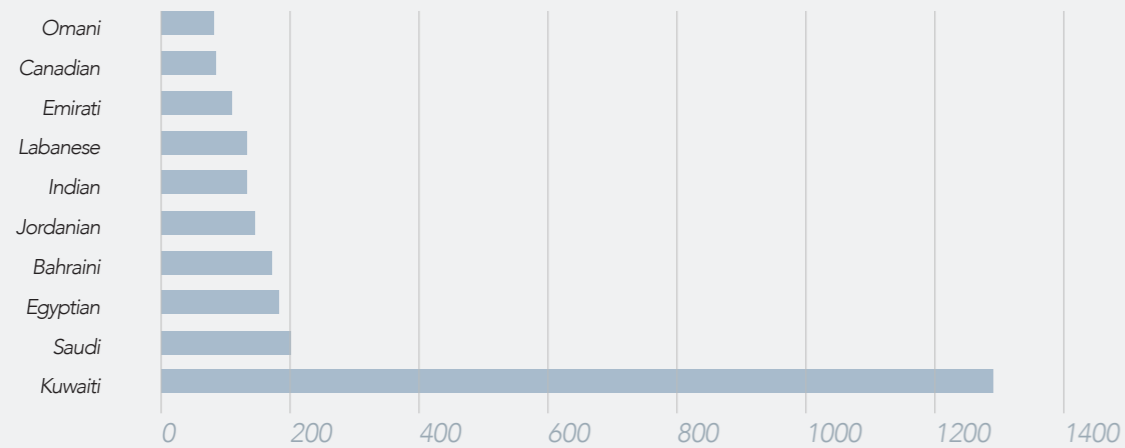


Figure 22 Top 10 nationalities of SME directors and shareholders in Kuwait in the last ten years.



BAHRAIN

OVERVIEW

- Significant growth of SMEs in Bahrain with a 71% growth rate in the past five years
- Vast majority of SMEs are in Manama
- Top sectors are construction & materials, services and business support services

SMEs in Bahrain in the last 10 years

The number of SMEs in Bahrain has grown considerably over the last 10 years with 71% growth in the past five years and the number of new licences has doubled in the last 3 years. The registered addresses for the majority of SMEs are in Manama, which represents 89% of SMEs, followed by Jadhav, Central Region and Muharraq.

ACTIVE SMEs

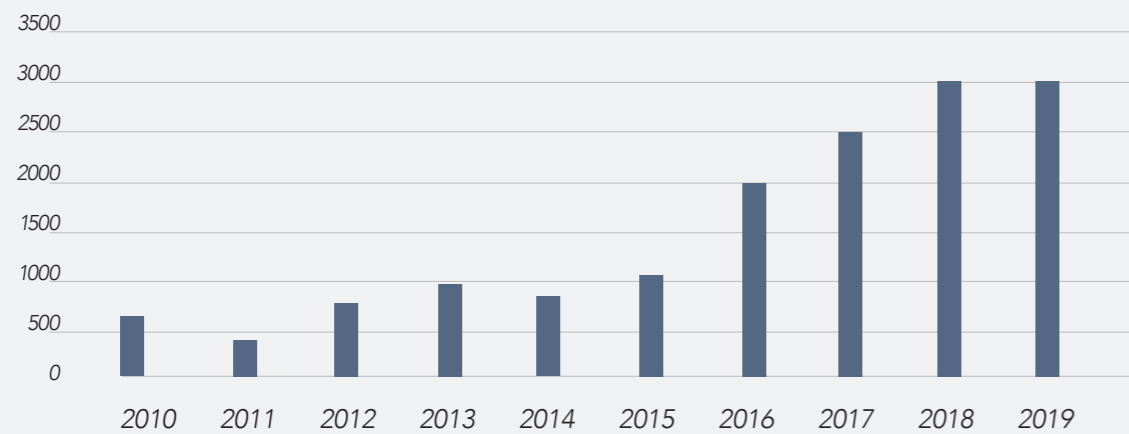


Figure 23 Active SMEs in Bahrain as per year of incorporation

CITY OF REGISTRATION

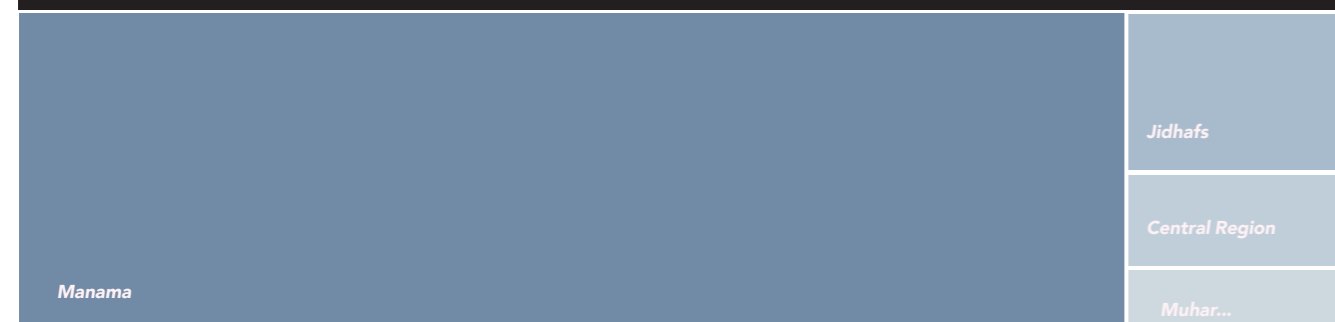


Figure 24 SMEs location in Bahrain

Sector trends

The top sectors in Bahrain are construction & materials, services, business support services, real estate, restaurants & bars, clothing & accessories, electronic & electrical equipment, building materials & fixtures, food & beverage, heavy construction and investment services.

In 2019, the top sectors were building materials & fixtures, business support services, construction & materials, restaurants & bars, clothing & accessories, family office, media agencies, apparel retailers, hospitality and heavy construction.



TOP 10 BUSINESS SECTORS IN 2019

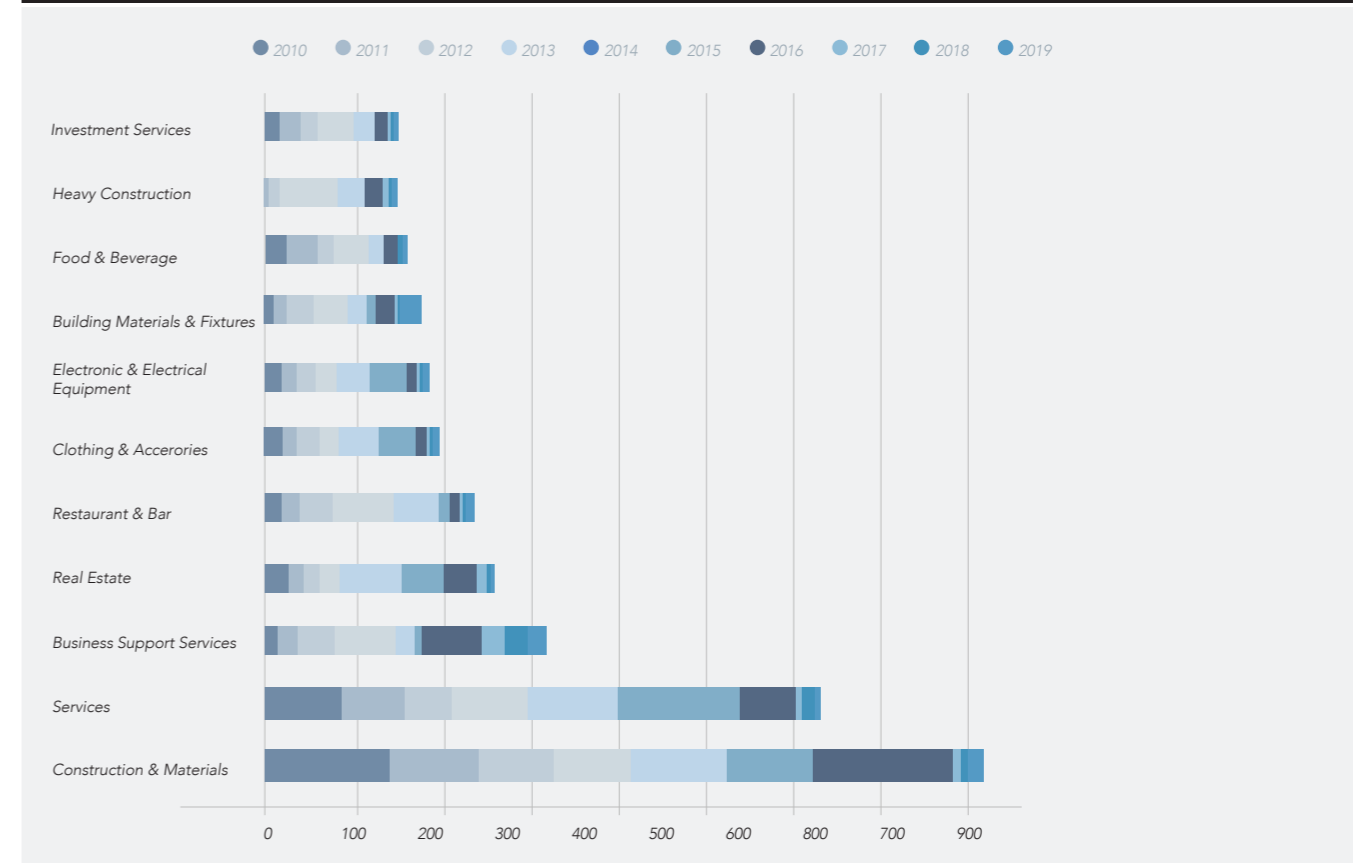


Figure 25 Top 10 business sectors for SMEs incorporated between 2010 and 2019 in Bahrain

BUSINESS SECTORS IN 2019

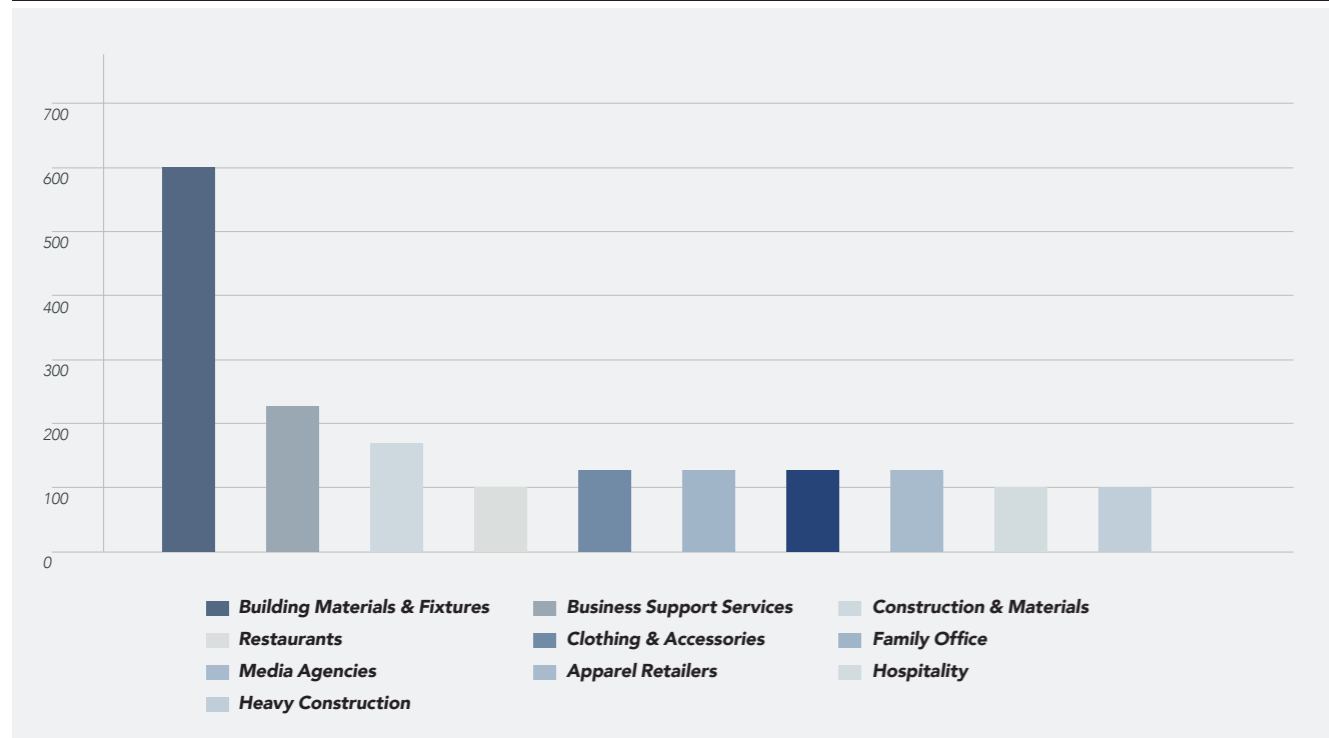


Figure 26 Top business sectors

A kaleidoscope of nationalities

The list of business investors and owners in Bahrain is mainly dominated by Bahraini nationals, followed by Indian, Saudi, Yemeni, Pakistani, Jordanian, Egyptian, British, American and Kuwaiti. 68% of SME owners are from Bahrain while Indians and Saudis represent 6% each.

TOP 10 NATIONALITIES OF SME DIRECTORS AND SHAREHOLDERS

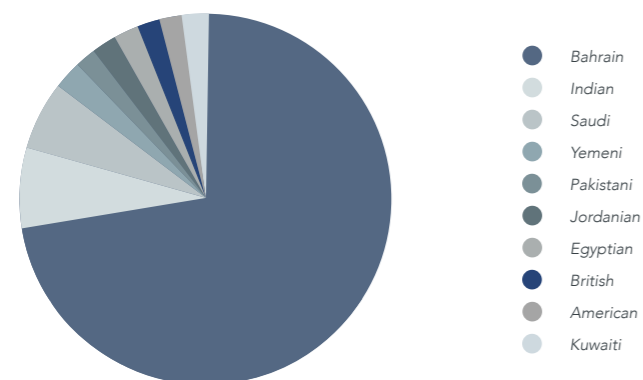
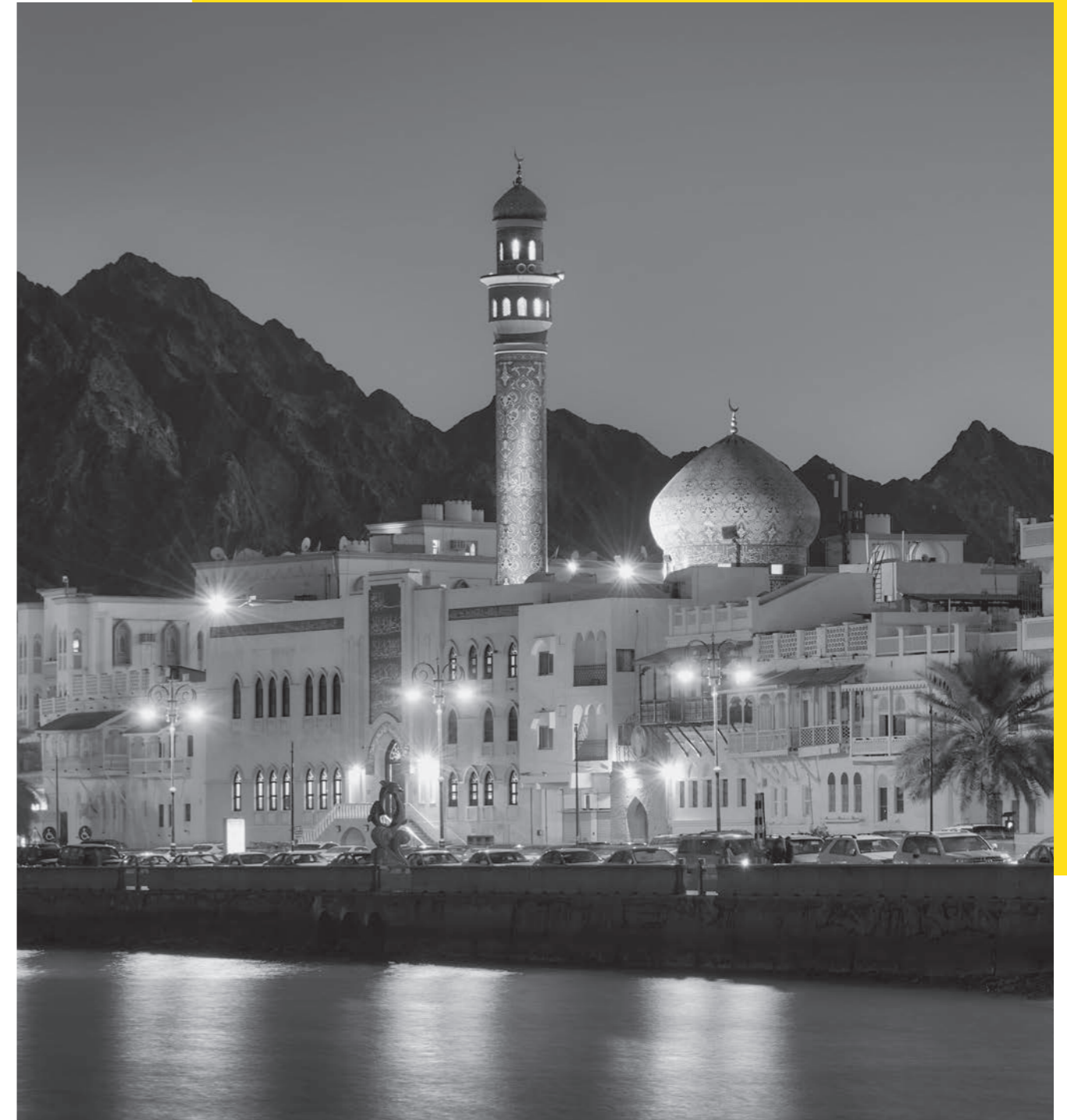


Figure 27 Top 10 nationalities of SME directors and shareholders in Bahrain in the last ten years



OMAN

OVERVIEW

- SMEs in Oman experienced growth over the past ten years, with over 42% of new SMEs registered between 2015 and 2019
- Recent measures in place to support SMEs
- Top SME owners are Omani nationals, followed by Indian, Saudi, Emirati and British

SMEs in Oman in the last 10 years

Our data shows that between 2010 to 2019, SMEs in Oman experienced positive growth. Over 42% of new SMEs were registered in the past five years although the numbers of entrants slowed down compared to the number of SMEs founded between 2010-2014. ClarifiedBy figures also show that the number of SMEs registered in 2019 has levelled off with the figures recorded the prior year. Oman saw the largest increase of new registered SMEs in 2016. Recent measures were introduced by both the Public Establishment for SMEs Development (Riyada) and Petroleum Development Oman (PDO) to enhance the role of SMEs, with various initiatives aiming to support 300 entrepreneurs. Positively, almost 98% of SMEs have remained active across the country.

Limited Liability Companies account for 67% of SMEs registered in Oman, followed by 10% with the legal form of Free Trade Zone with Limited Liability and 8% Sole Proprietorship. The number of SMEs registered in Muscat represent 71% of the SMEs in Oman by the end of last year. The second top is Salalah at 6%, Sohar at 4%, Dhofar at 4% and Al Batinah at 3% over the last ten years.



Promising signs of growth in 2019

71% of SMEs are in located in Muscat

ACTIVE SMEs

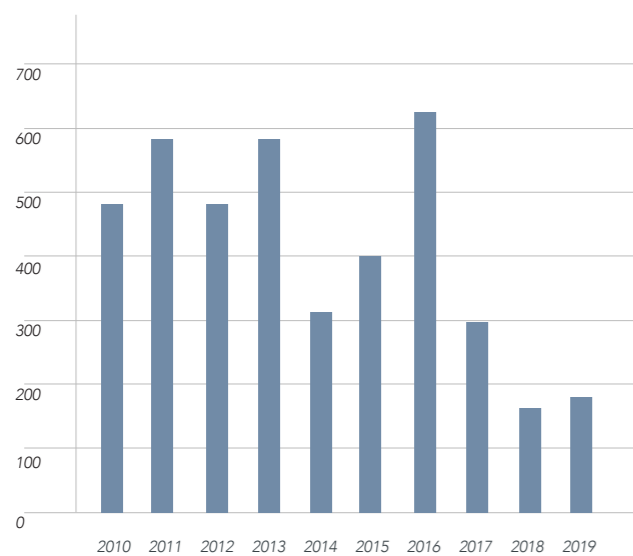


Figure 28 Active SMEs as per year incorporation

LEGAL FORM

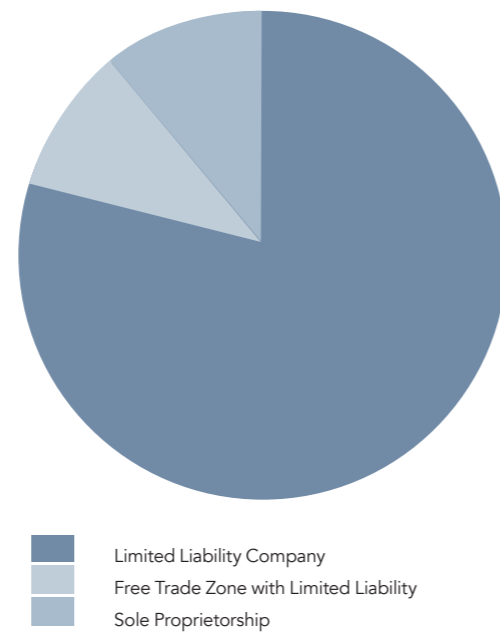


Figure 29 Top three SME legal forms

CITY OF REGISTRATION

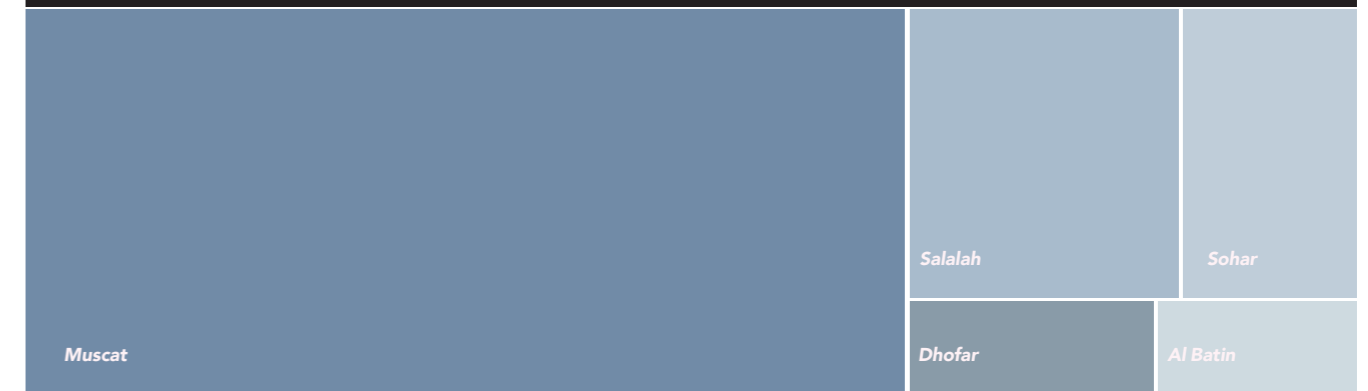


Figure 30 SMEs location in Oman

Sector trends

SMEs registered in the last 10 years are active in the following sectors: construction & materials, services, oil & gas, business support services, real estate retail, insurance services, tailoring, building materials & fixtures and investment services.

amongst others. The tailoring industry is also on the rise, accounting for almost 6% of active businesses.

Services also remained on top in 2019, followed by retail, construction & materials, real estate, tailoring, software, waste & disposal services, automobiles, oil & gas and business support services.

Construction & materials topped the list with 17%, followed by services with 12%, which includes activities such as tyre rebuilding, retreading and repairs, installation and maintenance of lifts and escalators

TOP 10 BUSINESS SECTORS

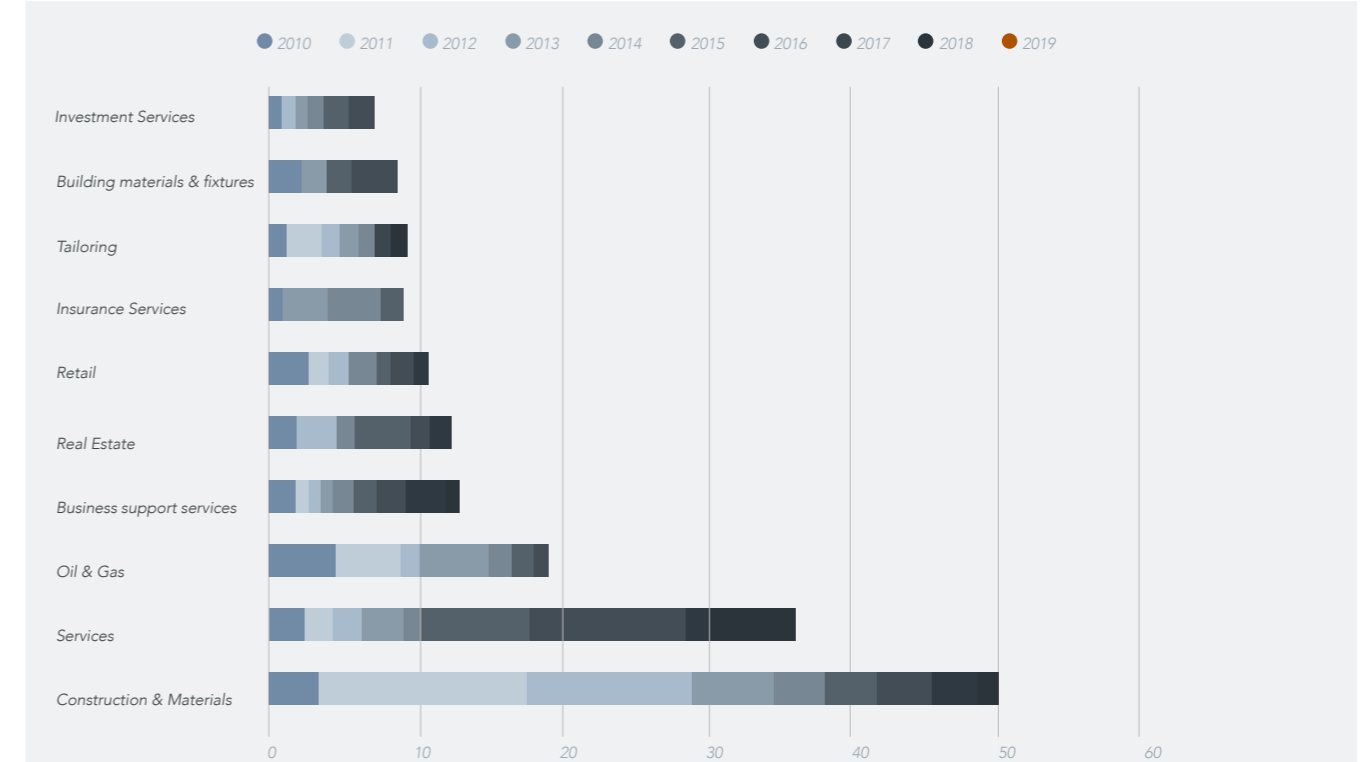


Figure 31 Top 10 business sectors for SMEs incorporated between 2010 and 2019 in Oman

TOP 10 BUSINESS SECTOR IN 2019

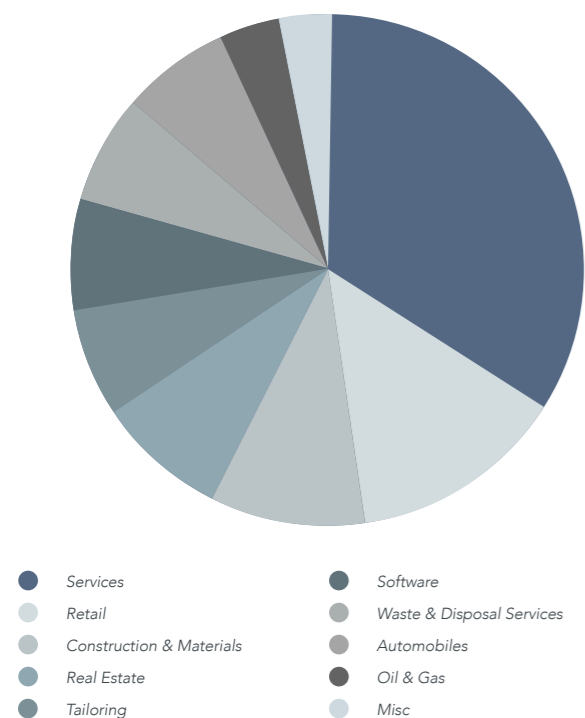


Figure 32 Top 10 business sector for SMEs incorporated in 2019 in Oman

A kaleidoscope of nationalities

Over the past ten years, the vast majority of SMEs are owned by Omani nationals, followed by Indian, Saudi, Emirati and British business owners. Omani nationals represent 75% of SME owners in the country, followed by 10% of Indian investors and 4% of Saudi investors.

TOP 5 NATIONALITIES

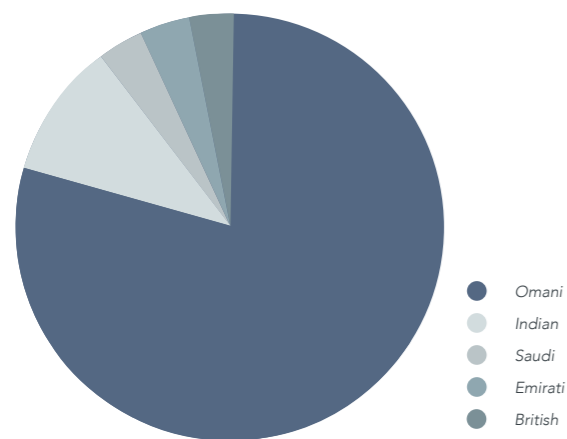


Figure 33 Top 5 business owners in Oman



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