



Sustainability Factors for Emirati Entrepreneurs and SMEs in the UAE

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Abstract

The study aimed to identify the sustainability factors for Emirati entrepreneurs and small and medium enterprises in the United Arab Emirates, as well as to identify the reality of entrepreneurial projects and their contribution to the UAE economy. The researchers used the descriptive approach to achieve the study's goal. The study concluded that the most significant result is that small and medium enterprises are the main momentum of the UAE economy. These are classified as one of the most important mechanisms of strategic direction to support the production structure, especially as it represents more than 94% of the total number of companies operating in the country. The UAE is one of the most countries in the world in terms of the availability of sustainability factors for small and medium-sized entrepreneurial projects, and the country is working to employ the foundations of scientific research and modern technology to support the comprehensive and sustainable development process. It also gives entrepreneurs a wide scope of this support and enables them to acquire 21st century skills.

4974

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First: The Methodological Framework

Introduction

The United Arab Emirates is one of the most distinguished Arab countries in terms of entrepreneurship and small and medium enterprises. It is hidden from no one that entrepreneurship is a societal culture spread throughout the UAE, and there are many indicators that confirm the excellence of the UAE in this field. According to government information published on the "official portal of the government of the United Arab Emirates", the number of companies classified as small or medium enterprises in the UAE has increased to about 350 thousand companies by the middle of 2020, and these projects constitute more than 94% of the total number of companies operating within the borders of the United Arab Emirates, which is distributed in percentages as follows: (73% in the field of wholesale and retail trade, 16% in the field of services, 11% in the field of industry). It is noteworthy that these projects

provide many job opportunities for more than 86% of the total workforce in the private sector in the UAE also contributes more than 60% of the country's non-oil GDP at present. There are tendencies towards increasing the contribution of this sector to reach 70%.

Study Problem and Questions

Small and medium entrepreneurial projects are clearly encouraged in the UAE due to their importance in supporting the national economy, maintaining economic diversification, and accelerating the commercial and industrial activity. Therefore, the UAE government helps the owners of these projects for continuity and sustainability. It also provides them with an ideal economic environment, thus; The problem of the study revolves around understanding the factors that contribute to sustainability for Emirati entrepreneurs and SMEs in the UAE. The study problem can be formulated in the main question:

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What are the factors that contribute to increasing sustainability for Emirati entrepreneurs and SMEs in the UAE?

From the main question, a group of sub-questions is divided as follows:

What is the reality of small and medium enterprises in the UAE?

What are the most prominent government steps that encourage small and medium enterprises in the UAE?

What are the most prominent governmental and non-governmental parties that provide care to small and medium-sized enterprises in the UAE?

What are the main factors that contribute to the sustainability of small and medium enterprises in the UAE?

The Study Objectives

The study depends on the descriptive approach, which is “a method of studying scientific phenomena or problems by using a scientific descriptive way, and then concludes with logical explanations that have evidence and proofs that give the researchers the ability to develop specific frameworks for the problem, and this is used in determining the results of the research.”.

Research problem and questions

Identifying the reality of small and medium enterprises in the Emirates.

Reviewing government procedures that encourage small and medium-sized enterprises in the Emirates.

Recognizing the governmental and non-governmental parties that provide care to small and medium-sized enterprises in the UAE.

Understanding the most important factors that contribute to the sustainability of SMEs in the UAE.

Study Sections

First: The methodological framework

Second: The reality of entrepreneurial work in the UAE

Third: Sustainability factors for entrepreneurial businesses in the UAE

Fourth: Conclusion and Results

List of sources and references

Second: The reality of entrepreneurship in the UAE

Forms of Entrepreneurship in the UAE

There are many forms of entrepreneurial projects

in the UAE, and their activities vary between three sectors, which namely are: trade, industry and services, and they have three different forms, which are:

A medium-sized project or enterprise: the trade sector: it employs a group of people from 51 to 200 employees, or it is the one which annual revenues do not reach 250 million dirhams. In the industrial sector: it employs a group of people from 101 to 250 employees, or it is the one which annual revenues do not exceed 250 million UAE dirhams. In the services sector: it employs a group of people ranging from 51 to 200 employees, or it is the one which annual revenues do not exceed 200 million dirhams (Central Bank of the United Arab Emirates, 2021: 7).

Small-sized project or enterprise: the trade sector: it employs a group of people from 6 to 50 employees; or it is the one which annual revenues do not exceed 50 million UAE dirhams. In the industrial sector: a group of people from 10 to 100 employees work in it; or it is the one which annual revenues do not exceed 50 million UAE dirhams. In the services sector: it employs a group of people from 6 to 50 employees; or it is the one which annual revenues do not exceed 20 million dirhams (Central Bank of the United Arab Emirates, 2021: 8).

A micro-project or enterprise: the trade sector: it employs less than 5 people; or it is the one which annual revenues do not exceed 3 million UAE dirhams. In the industrial sector: it employs less than 9 people; or it is the one which annual revenues do not exceed 3 million UAE dirhams. In the service sector: it employs no more than 5 people; or it is the one which annual revenues do not exceed 2 million UAE dirhams (Central Bank of the UAE, 2021: 7).

The reality of entrepreneurship in the UAE

The UAE has recently enjoyed a world-class environment in supporting and regulating entrepreneurial activities, as well as a well-built system to incubate entrepreneurial projects and encourage their rapid growth. Some government institutions in the UAE are developing many initiatives, programs and activities aimed at making pioneering projects a major contributor to increasing the size of the country's GDP. It is hidden from no one that the environment incubating leadership in the UAE has noticeably strengthened recently as a result of taking many procedures and firm decisions at the level of the federal



government. These procedures and decisions were represented in allowing full ownership of companies by foreign persons in all activities and services. It also worked on providing golden visas to entrepreneurs, as well as offering many promising benefits and incentives. It was clear that the specialized free zones had contributed during the past two decades to the formation of a solid base for entrepreneurship within the country's borders. The UAE Ministry of Economy looks forward to leading its supportive strategies in the coming years to increase the contribution of the entrepreneurship sector to the national GDP and double the number of both local and foreign companies (Ministry of Economy, www.moec.gov.ae).

Small and medium-sized enterprises constitute the main momentum of the UAE economy, and are classified as one of the most important mechanisms of strategic direction to support the production structure, especially as they represent more than 94% of the total number of companies operating in the country distributed by 73% in the wholesale and retail trade sector, 16% in the services sector and 11% in the industrial sector. According to official statistics issued by the UAE Ministry of Economy; The number of companies classified as small and medium enterprises in the country exceeded 350 thousand companies, providing job opportunities for more than 86% of the total workforce in the private sector, and contributing to more than 60% of the country's GDP currently. In Dubai only, small and medium-sized enterprises constitute approximately 95% of all companies, employ 42% of the workforce, and contribute about 40% of Dubai's GDP (Union of Arab Banks, 2020: 2).

A report issued by the Mohammed Bin Rashid Establishment for Small and Medium Enterprises Development (2021) indicated that micro-enterprises amount to about 72% of the total entrepreneurship projects in Dubai, followed by small companies with about 18%, and medium-sized enterprises with about 5% of the total business. With regard to the division of companies according to sectors, the trade sector is responsible for the majority of (57%) of small and medium enterprises in Dubai, followed by the services sector (35%), then the industrial sector (8%) (Al-Laithi, 07-10-2021).

When looking at the contributions of small and medium enterprises in the development process of the industrial sector, we note that clothes

manufacturing forms a majority of (33%) of industrial establishments in Dubai. It followed by manufactured metal products (except machinery and equipment) with 16% of the total industrial enterprises. As for the number of workers, about 54% of industrial companies in Dubai have workers ranging from one to 10 workers. While 20% of industrial companies have between 11 and 25 workers. However, the sectors that had the highest contribution to the total added value of the industrial sector reached 17%, which included the manufacture of metal products, except machinery and equipment. The percentage of manufacturing base metals reached (15%), and non-metallic minerals products reached (9%).

It was remarkable that the UAE is globally ranked 1st in the Global Entrepreneurship Index 2022, according to the report issued by the Global Entrepreneurship Monitor (GEM). It obtained the highest rate on the overall ranking of the index by 6.8 degrees, and it is globally ranked 1st in the surveys of entrepreneurs in the UAE, which was carried out by the Global Entrepreneurship Monitor, as it is the best body in the world to establish and start businesses, and the most supportive environment for entrepreneurship. This was achieved after it managed to achieve an improvement on 11 out of the 13 axes included in the structure of the index, and it came as the only country in the world participating in the report. This included: entrepreneurship funding, supportive government policies and programs, integrating an entrepreneurial culture into education, commercial infrastructure and professional competency level, easy access to markets, physical infrastructure, research and development level and knowledge transfer, entrepreneurial culture in society, and others (Union of Arab Chambers, February 11, 2022).

When looking at news sites on the Internet or many news widely spread on satellite TV channels, it can be noted that the UAE has great ambitions in the field of entrepreneurship. For example: It seeks to add 670,000 small and medium-sized companies in the local business environment until 2030. According to the indicators of the Ministry of Economy, the country aspires to reach the first rank and maintain this rank as the best environment for establishing small projects and the first home for entrepreneurship globally with the beginning of the new decade (Al-Laithi, 07-10-2021). The UAE Ministry of Economy indicated that the UAE aspires to be the first home for entrepreneurship in 2031



and for ten billion-dollar companies until 2031, and the best 3 countries on the Global Entrepreneurship Index (www.moec.gov.ae). Entrepreneurs of new companies constitute 4.1% of the adult population in the country, and juvenile entrepreneurs who seek to establish business companies form 3.9% of the population. By merging these two percentages together, it becomes clear that about 7.8% of the adult population is involved in one way or another in an early stage entrepreneurial activity. This means that about 8 out of every 100 adults in the country can be considered early stage entrepreneurs. As for citizens, entrepreneurs for new companies make up about 6% of the national population, while juvenile entrepreneurs form 4.6%, which means that the percentage of Emirati entrepreneurship activity of 10.4% exceeds the percentage of emigrants or even the average rate of economies based on creativity. This means that about 10 out of every 100 Emirati citizens are considered early-stage entrepreneurs (Al Sukari et al., 2015: 12).

Entities that support entrepreneurship in the UAE: There are many organizations competing to sponsor entrepreneurship in the UAE. For example: the Ministry of Economy, the SMEs Council, Khalifa Fund, Mohammed bin Rashid Establishment for SMEs Development, the Mohammed bin Rashid Fund for Enterprise Support, the National Program for Small and Medium Projects and Enterprises, the SMEs Council, the Sharjah Entrepreneurship Foundation and others. Here is a quick overview of the most distinguished of these institutions:

The Ministry of Economy

It operates in accordance with the principles of UAE Federal Law No. 2 of 2014 regarding SMEs. This is with the aim of supporting and developing the micro, small and medium enterprises sector in order to be a main supporter of economic development in the United Arab Emirates by adopting a number of mechanisms introduced by the SMEs Law.

Small and Medium Enterprises Council

It is a government institution affiliated to the Ministry of Economy. Its membership includes 15 federal and local authorities and representatives from the private sector. The Council is responsible for setting and developing policies and strategic plans for project development, setting the necessary controls and rules for coordination between the concerned authorities, periodically

reviewing the unified definition and classification criteria for projects, proposing amendments and submitting them to the Council of Ministers. In addition to setting conditions and criteria for membership in the National Program for SMEs.

Khalifa Fund

It was established in 2007 as a non-profit governmental body that has financial and administrative independence, and is directly affiliated to the Abu Dhabi government. The government established this fund in order to contribute to empowering the small and medium enterprise sector, especially in Abu Dhabi, and the UAE in general. The fund was launched with a capital of about \$8.1 million, and rose in 2011 to about \$550 million. The Khalifa Fund provides clear support to Emirati entrepreneurs and businessmen. Its services include providing: business consulting, financial support and advice, technical support and guidance, business monitoring and support for funded projects, training and skills development.

Mohammed Bin Rashid Establishment for Small and Medium Enterprises Development

This institution was established in 2002 as an independent sector with integrated services, emerging from the Department of Economic Development in Dubai. It was established with the aim of supporting juvenile entrepreneurs from UAE citizens. The Foundation assists entrepreneurs in all aspects of business, such as providing guidance and training for them. It also introduces customers to the services and features available therein, and guides them according to their needs and requirements in establishing businesses. It also exempts startup projects from fees associated with commercial licenses, for a period of five years from the date of the first license. A "Startup License" is granted to entrepreneurs from the Emirate of Dubai to practice their home projects in various fields, in exchange for a small fee paid annually. It also grants a foundation loan to cover the costs of establishing projects, by financing part of the project's capital, and the loan value is 1 million dirhams as a maximum.

Third: Sustainability factors for entrepreneurial businesses in the UAE

The UAE is one of the most sustainable countries in the world for small and medium-sized entrepreneurial projects. For example, the UAE is ranked 1st globally in the Global Entrepreneurship Index 2022, but ranked fifth globally in the same index during 2021. This reflects the extent of the



UAE's interest in pioneering projects. It can be noted that the UAE is distinguished from many other countries in the world in supporting entrepreneurial projects, through the following factors:

Providing an environment for competition: The UAE allows foreign companies to compete in various development sectors within the country's borders, even if these companies are 100% foreign-owned, unlike many countries in the world that require a percentage of decision-making, capital, or manpower for their corporate citizens foreign.

Providing travel and accommodation facilities: The UAE offers long-term visas for businesspersons, investors, innovators and entrepreneurs, and this contributes to attracting investors and entrepreneurs from all over the world, regardless of their capitals, in conjunction with the strength of the UAE economy. The golden residency for the entrepreneur provides a good and streamlined opportunity to attract employment, as it is not limited to the entrepreneur only, but is granted to three executive directors nominated by the entrepreneur with their families. In addition to the ability of the entrepreneur to obtain visas for domestic workers (Al-Laithi, 07-10-2021).

Attracting IT companies: The UAE is working to attract reputable information technology companies, and it can be noted that many technology manufacturing companies have headquarters or offices in the Emirates, such as Samsung, HP, Epson and Nokia. The UAE also supports emerging companies through policies that stimulate investment, whether they are Emirati or foreign companies.

Providing funding: The UAE provides funding through the government institutions mentioned above. It also works to facilitate the access of small and medium-sized enterprises to the financing necessary to operate and expand. In this context, we note that some reports refer to the UAE as being the first in the Middle East and the Arab world in terms of total financing operations for startup enterprises. Commercial banks, partnership between entrepreneurs, and family support are among the most prominent sources of internal and external financing for micro, small and medium enterprises in the UAE. In general, micro, small and medium enterprises have access to finance through a large number of banking and non-banking institutions, which are 86 institutions, 60 banking institutions and 26 non-banking institutions. The ratio of bank credit granted to micro, small and

medium enterprises to the total bank credit constituted 5.9% of the total credit facilities provided by the banking sector until the end of September of 2019, compared to about 6.3% for the similar ratio in 2018 AD (Union of Arab Banks, 2020: 5).

Partnership with innovators: The UAE is a partner for most of the young innovators and entrepreneurs, by supporting them, working to overcome the obstacles facing their projects, and adopting the strategy of creating a generation that believes in the importance of change.

Adoption of preventive procedures: the state's initiatives include a set of preventive procedures that ensure the sustainability of the work of small and medium enterprises. It enables the owners of these projects to face challenges through continuous training or consultancy, and also works to ensure the facilitation and continuity of their business and raise their competitive capabilities.

Strengthening the culture of scientific research: The state works to employ the foundations scientific research and modern technology to support the comprehensive and sustainable development process. It also gives entrepreneurs a wide area of this support and enables them to acquire twenty-first century (light soft skills) to achieve progress and enhance their innovation activities, within government plans related to development and economic support.

Enhancing the orientation towards complex technologies: The state contributes to enhance the citizen entrepreneurs' orientation towards important economic sectors. Besides, directing them towards complex activities based on the applications of modern technology, artificial intelligence, the Fourth Industrial Revolution and advanced sciences. This greatly contributes to increase the creativity levels of Emirati entrepreneurs.

Facilitating licensing procedures: The UAE government offers wide facilities in obtaining licenses for small and medium enterprises, whether for local or foreign entrepreneurs. It also provides various tax exemptions, and continually works to suit the development of the legislation and laws system to fit rapid and future changes. It also provides an easy explanation of the processes for obtaining licenses through an electronic portal managed by the state (Ministry of Economy, 11/11/2021).

Obtaining investor confidence: The state follows clear plans to ensure the sustainability of

entrepreneurial projects, and implement policies that contribute to enhancing the protection and confidence of local and foreign investors. It also contributes to promoting free competition that increases the productivity and quality of entrepreneurial project services. Moreover, it works to protect the financial rights of entrepreneurs and workers of entrepreneurial projects. As well as working to ensure the sustainability of economic activity, and perhaps this is what made the UAE the best destination for establishing business in the Middle East.

Organizing the legal framework regulating the entrepreneurship environment: The UAE has worked to provide all legislation and procedures that would support entrepreneurship in the country, whether at the level of corporate flexibility, the availability of investment capital, and the distinctive environment for establishing small and medium enterprises. This was done in a way that exceeded what is provided by many countries that are ranked among the major global economies list, including the United States, Canada, the United Kingdom, China, Japan and other countries (Sky News Arabia, May 9, 2021). It should be noted that the UAE has issued many laws regulating entrepreneurial projects within the country. For example: Federal Decree-Law No. (33) of 2021 regulating labor relations, Federal Law No. (2) of 2015 regarding commercial companies, Small and Medium projects and Enterprise Law No. 20 of 2014, Federal Law No. (4) of 2012 relating to the regulation of competition, and Federal Law No. (24) of 2006 regarding consumer protection.

Fourth: Conclusion and results

It is obvious from the previous presentation how the pioneering projects in the Emirates occupy a great place for the state and the people alike. It also contributes more than 60% of the country's non-oil GDP at present. Moreover, the UAE government attaches great importance to entrepreneurship in such a way that it competes for the first rank globally in the Global Entrepreneurship Index 2022, obtaining the highest rate on the overall ranking of the index by 6.8 degrees. Consequently, the UAE has a world-class environment in supporting and regulating the entrepreneurship sector, and it has many factors that ensure sustainability for Emirati entrepreneurs and small and medium-sized enterprises in the UAE.

In addition to the above mentioned results, the following can be indicated:

The UAE forms an integrated system to incubate entrepreneurial projects, where the government deals with entrepreneurs with a high responsibility as if they are their partner.

The UAE has provided a distinguished entrepreneurial environment through several procedures represented in allowing full foreign ownership of enterprises in all activities, providing golden visas for entrepreneurs, in addition to dozens of promising benefits and incentives.

Specialized free zones played a very important role in establishing a solid base for entrepreneurship in the country and encouraging foreign investors to come to the country.

The UAE is heavily involved in entrepreneurship through a group of governmental and semi-governmental development institutions, such as: the Ministry of Economy, the Khalifa Fund, Mohammed bin Rashid Fund for Enterprise Support, the National Program for Small and Medium projects and Enterprises.

Small and medium enterprises are the main momentum of the UAE economy, and are classified as one of the most important mechanisms of strategic direction to support the production structure, especially as they represent more than 94% of the total number of companies operating in the country.

The UAE is one of the most sustainable countries in the world for small and medium-sized entrepreneurial projects.

The UAE allows foreign companies to compete in various development sectors within the country's borders, even if these companies are 100% foreign-owned.

The UAE provides financing through government institutions, as well as facilitating the access of small and medium-sized enterprises to the financing necessary to operate and expand.

The state employs the foundations of scientific research and modern technology to support the process of comprehensive and sustainable development. It also gives entrepreneurs a wide scope of this support and enables them to acquire 21st century skills.

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