

Kuwait SME's

Accelerating Economic Diversification

May 2018

The Kuwaiti SME space
is evolving rapidly.
This report captures the
latest trends and insights.

Disclaimer

This report has been prepared and issued by Marmore MENA Intelligence Ltd (Marmore), a fully owned research subsidiary of Kuwait Financial Centre “Markaz” K.P.S.C. Marmore is a private limited company registered with the Registrar of Companies in India.

This Report is owned by Marmore and is privileged and proprietary and is subject to copyrights. Sale of any copies of this Report is strictly prohibited. This Report cannot be quoted without the prior written consent of Marmore. Any user after obtaining Marmore's permission to use this Report must clearly mention the source as “Marmore.” The Report is intended to be circulated for general information only and should not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

The information and statistical data herein have been obtained from sources we believe to be reliable, but no representation or warranty, expressed or implied, is made that such information and data is accurate or complete, and therefore should not be relied upon as such. Opinions, interpretations, estimates, and projections in this report constitute the current judgment of the author as of the date of this Report. They do not necessarily reflect the opinion of Markaz or Marmore or other identified parties and are subject to change without prior notice. Neither Marmore nor Markaz have an obligation to update, modify, or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast, or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This Report may not consider the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors are urged to seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed or recommended in this report and to understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Investors should be able and willing to accept a total or partial loss of their investment. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily indicative of future performance.

Markaz may seek to do business, including investment banking deals, with companies covered in its research reports. Markaz may have interests in the areas covered in this research report. Markaz, Markaz managed entities, its clients, or its employees may have from time to time long or short positions in any security, derivative or other types of assets referred to in this research report. As a result, investors should be aware that Markaz may have a conflict of interest that could affect the objectivity of this report.

This report may provide the addresses of or contain hyperlinks to websites. Except to the extent to which the report refers to website material of Markaz and Marmore, Markaz has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Markaz's or Marmore's own website material) is provided solely for your convenience and information, and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or Markaz's or Marmore's website shall be at your own risk.

For further information, please contact ‘Markaz’ at P.O. Box 23444, Safat 13095, Kuwait; Email: info@e-marmore.com; Tel: 00965 22248280; Fax: 00965 22495741.

MARMORE RESEARCH REPORT

Authors

M.R. Raghu CFA, FRM
Head of Research
+965 2224 8280
rmandagolathur@markaz.com

Sudhakaran J
Manager - Policy Research
+965 224 8000 Ext : 4608
SJampala@e-marmore.com

Digital Footprints

Website
www.marmoremena.com

Follow us on Twitter
<https://twitter.com/marmoremena>

Connect with us on LinkedIn
<https://www.linkedin.com/company/marmore-mena>

Join Mamore community on Facebook
<https://www.facebook.com/marmoremena>

Watch us on YouTube
<https://www.youtube.com/user/marmoreMENA>

Table of Contents

1. Executive Summary	06
2. SME's: An Overview	07
3. SME's and Kuwait - The Current state of Play	10
4. Profiling: The National Fund	12
5. SME's & the Labor Market	15
6. Problems faced by SME's in Kuwait	18
7. Capacity Building Imperatives	25
8. Policy Recommendations	28

Tables & Charts

Tables

2.1	EU SME Definition
2.2	SME Definitions Used by Multilateral Institutions
2.3	GCC SME Definitions
2.4	GCC Main State Sponsored Initiatives in the GCC
2.5	GCC SME's Statistics
6.1	Distribution of SME's in Kuwait by Industry Cluster Type
6.2	Distribution of SME's in the UAE by Industry Cluster Type SME Type Percentage Value
6.3	Low financing support for SME's in the region
6.4	Problems Faced by SME's in Kuwait
6.5	Ease of Doing Business Ranking Kuwait Vs Other GCC countries
8.1	Policy Recommendations

Charts

3.1	Fund Channelization by Sector-The National Fund
4.1	Capital Disbursement-Start-Up Vs Existing Firms 2016-17
4.2	Approved Capital Vs Available, Since Inception in KD
4.3	The National Fund is Reorienting Itself
4.4	Comparison of SME's sector Loans Developed and Developing World Vs Kuwait 2017
5.1	Spread of Private Sector Expatriate GCC Workers among GCC Countries, 2016
5.2	Statistics on Influx of Expat Labour in Kuwait 2016
5.3	Saudi Arabian Fund of Funds Working Structure
6.1	Statistics on Pressing Problems for SME's in Kuwait 2016
6.2	Rank of GCC Countries Ease of Doing Business Index (among 189nations)

Executive Summary

Recent research by the World Bank uncovered that small and medium enterprises (SME's) account for over 50% of GDP in high income countries; whereas the figure is much lower in middle and low income nations¹. Though a high income nation, Kuwait's SME's scenario reflects that of middle and low income countries. The country has been a late comer in unlocking the potential role that SME's can play in its economy. Kuwaiti private sector and SME contribution to employment lacks luster, whereby approximately 85% of the Kuwaiti workforce is currently employed by the government. Historically, the private sector, although growing, has been unable to create enough jobs for nationals. This scenario is clearly unsustainable; with a growing population, the public sector will inevitably be limited in its ability to offer employment to all. It is therefore imperative that the SME segment in Kuwait be developed to play an important role in employment creation over the coming years.

Kuwait is in the process of diversifying its economy away from oil and has the ambitious intent of transforming itself into a commercial and finance hub by 2035. For the government of Kuwait, creating employment opportunities for the youth is a strategic priority, as the unemployment rate in the country in the strategic 15 – 24 years age group range is already close to 25%². Despite concerted efforts

to move towards economic diversification, Kuwaiti external balances remain strongly tied to hydrocarbons trade surplus, which contribute to over 90% of the nation's total exports. For Kuwait, it is estimated that oil as a percentage of GDP (at market prices) will likely touch close to 54% in 2014. The extent of Kuwaiti economic structural imbalance has not gone unnoticed by the nation's policy makers.

For Kuwait, the need to push for SME's that are focused on the technological sector is also of paramount importance, in terms of strengthening the nation's innovation capabilities. Like its neighbor, Saudi Arabia, Kuwait can start to build SME's around key strategic industrial sectors, such as automotive and materials technology. An early start will not only strengthen innovation, but allow manufacturing SME's to tap into regional markets faster, before other countries begin the catch up race. The subject of SME's touches upon many aspects of a nation's economic network. By its very nature, SME's can sprout up anywhere along the output value chain of a country, ranging from small shops to cutting edge research teams. Whatever the final product or services output of a SME, the key policy objective of Kuwait should be to ease the process of setting up business for entrepreneurs who show promise and follow the rules.

Key questions addressed in this report:

- What's the current state of the Kuwaiti SME sector and Government's policies towards it?
- What are the structural issues of the SME sector and how they are inter-linked with overall macro-economy of Kuwait?
- What are the implications of policies initiated for the sector and it's Future?
- How the SME sector can be the catapult for diversification?
- What does future hold for broader economy in general and SMEs sector in particular?

This report can add value to:

- Policy makers and analysts
- Administrative authorities
- Investors, bankers, entrepreneurs
- Researchers
- Investment Bankers
- SMEs
- Economists

To obtain full version, Kindly [Click Here](#)

OR email us at enquiry@e-marmore.com

Would prefer talking to us? Call us at +965 2224 8280

¹Times of Oman
²Arab Human Development, UN

Popular Research



Discover our reports at www.marmoremena.com

SUBSCRIBE NOW




Our subscription services provide you access to a wide variety of research reports that offer timely and actionable intelligence, helping you stay informed about recent developments in a dynamic market landscape.

Our relationship manager will provide a detailed walk through of our wide-spanning research library and showcase a glimpse of our research capabilities.

Interact with our industry experts to discuss your business requirements and select the best package that suits your specific needs.



Request a demo

Enterprise Package Gain unlimited access to all	Institutional Package Gain unlimited access to specific domains <i>Please select 2 more options</i>	Country Package Gain unlimited access to a specific Country	Knowledge Package Gain unlimited access to specific domains <i>Please select 2 more options</i>
<input checked="" type="checkbox"/> Industry (30 Reports)	<input checked="" type="checkbox"/> Industry (15 Paid Reports)	<input type="checkbox"/>  Kuwait	<input checked="" type="checkbox"/> Industry (5 Paid Reports)
<input checked="" type="checkbox"/> Policy & Regulatory (all)	<input type="checkbox"/> Capital Markets (all)		<input type="checkbox"/> Policy & Regulatory (all)
<input checked="" type="checkbox"/> Economy (all)	<input type="checkbox"/> Economy (all)	<input type="checkbox"/>  Saudi Arabia	<input type="checkbox"/> Technology (all)
<input checked="" type="checkbox"/> Technology (all)	<input type="checkbox"/> Policy & Regulatory (all)		<input type="checkbox"/> Economy (all)
<input checked="" type="checkbox"/> Capital Markets (all)	<input type="checkbox"/> Technology (all)	<input type="checkbox"/>  UAE	<input type="checkbox"/> Capital Markets (all)
+ Add-ons	+ Add-ons		