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'Authority needed to monitor SMEs in Kingdom'

ARAB NEWS

JEDDAH: In its SME sector analysis released on Sunday, Capitas Group International (CGI), a management consultancy and advisory firm, has recommended a framework for the establishment of an SME authority in the Kingdom.

CGI focuses its practice on initiatives that are of strategic importance to the SME (small and medium enterprise) and housing sectors. Last year, CGI was retained by the government of Qatar to launch, "Enterprise Qatar", the country's stand alone, centralized SME authority.

According to CGI, a Saudi SME authority is needed to monitor the interests of SMEs, facilitate the development of policies that encourage SME sector growth, enable accurate evaluation of the sector through regulatory and financial reforms, and help in the collection of data on the sector.

"The Shoura Council recently gave its approval to the creation of an SME authority in Saudi Arabia," said Naveed Siddiqui, CEO of Capitas Group International. "This is a critical development for the Kingdom. Today, there is no single body responsible for policy formulation and coordination within

this vital sector. The launch of an SME authority will be the most effective means to enhance the contribution of SMEs to Saudi Arabia's economy."

The study underscored the importance of the sector for the development of the national economy, as SMEs constitute 90 percent of all Saudi companies. In addition to expanding employment opportunities, SMEs contribute to economic diversification and increased productivity within the labor force.

Nonetheless, statistics indicate that the sector yields limited impact on the Kingdom's overall

economy. Despite their vast numbers, and the availability of numerous SME support programs and initiatives, SMEs contribute only 25 percent to total employment and only 33 percent to the GDP. This places the sector at odds with the majority of advanced economies.

For example in Spain, SMEs contribute to 64.3 percent of GDP and in Austria they contribute 44 percent. Given the size and growth of Saudi Arabia's economy and the nation's focus on economic diversification, according to CGI, SMEs should contribute to more than 50 percent of the country's GDP.