
UAE SME sector to see sustainable improvement in 2010 - Analysts

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Emirates Business reported that after a tough 2009, small and medium sized enterprises in the UAE will see business picking up 2010.

Mr Jamal Alvi the UAE head of SME Banking at Standard Chartered Bank said that "We are predicting a sustainable improvement in the SME sector in 2010 with definite signs of growth."

Mr Alvi said that "The recent economic downturn has led to a number of SMEs being impacted in terms of both business growth and liquidity restraints. A number of banks restricted lending and as a result SMEs have been at a disadvantage. The recession has also meant that SMEs have been unable to rely on customers who are equally impacted."

He said that in such a situation, a key goal for the region's SMEs is to build relationships with financial institutions and to become more financially transparent. The sector can also benefit immensely if more government support becomes available, argue bankers.

Mr Alvi said that "A strategy to foster SME development is vital across the Middle East improving legal framework, enhancing access to credit, and providing technical assistance are among the steps that need to be taken to help SMEs expand. In some countries there are explicit support guarantees from the government. For example, in Hong Kong, the government had to stimulate the economy by focusing on small and medium sized enterprises."

Mr Alper Yuksel head of Commercial Banking, UAE and GCC at Barclays believes this sector will play an essential role in driving economic recovery. He said that "SMEs involved in infrastructure development, medical and pharmaceutical industries as well as food products foster growth during 2010."

Mr Yuksel said that "It is important for any business to have right finance and adequate funding in place. The current economic climate has become a challenge for SMEs to get finance. SMEs involved in construction and steel industries as well as those producing and supplying building materials have been particularly affected."

Mr Giyas Gokkent chief economist at National Bank of Abu Dhabi said that "I do not have access to data on SME loan defaults. I would expect generally a continuing rise in NPLs. A portion of that increase will no doubt come from SMEs. Even though 2010 may seem better for the sector, economists still see strict lending criteria of banks and financial institutions as the primary detriment to SME recovery and growth."

He said that "Banks tend to react to rising defaults by becoming more prudent. Constraints on credit availability would be an impediment to faster recovery."

(Sourced from Emirates Business)

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