THE STATE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN QATAR - 2016
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Foreword by Chief Executive Officer, Qatar Development Bank

Globally, Small and Medium Enterprises (SMEs) represent a large share of registered businesses and contribute between 35% and 45% to the global GDP and represent an estimated 40% to 60% of global employment. As such, SMEs are the primary driving force that leads to job creation, exports and innovation driven business models.

Qatar Development Bank (QDB) was established with the objective of supporting the SME sector in the Qatar. The foremost step in supporting the sector is to identify which businesses qualify as SMEs and develop an understanding of the SME sector, its state and characteristics as well as key statistics relating to the sector. QDB has recently launched the National Definition of SMEs in Qatar, an initiative aimed at clearly identifying SMEs and to improve the policies and efforts of the SME sector. With the primary objective of enabling government entities, investment community and SMEs themselves understand the SME landscape in Qatar, QDB has launched the inaugural report on The State of Small and Medium Enterprises (SMEs) in Qatar, a comprehensive publication that provides an in-sight into key statistics and characteristics of the SME sector in the State of Qatar and defines key performance indicators to be tracked on a regular basis to analyze the growth and development of this sector across multiple industries in Qatar.

The inaugural report reaffirms the strength of the SME business community in Qatar. Driven by high levels of business opportunity in the domestic market, SMEs are highly optimistic of the business conditions in Qatar in the next 3 to 5 years. This is driven by rapid growth in key economic sectors gearing towards the FIFA 2022 World Cup. While the business sentiment is strong, the findings in the report point towards key areas of development amongst Qatari SMEs vis-à-vis their regional and global counterparts.

Firstly, the degree of internationalization has to increase amongst our SMEs across all sectors. This will ensure that our SMEs and their products have global reach and presence. Secondly, SMEs should recognize the importance of adopting technology and should invest in to improve their processes and enhance competitiveness. Thirdly, there is a need for SMEs to develop their human resources processes and policies in order to develop and retain their best talent. Fourthly, SMEs need to critically evaluate the need to drive innovation in their organization to achieve competitive advantage by enhancing productivity and product and service quality. Lastly, the orientation of our SMEs towards corporate excellence and quality certifications have to improve as they seek to expand into international markets.

The report also highlights the support required by certain sections of the SME business community for their growth and sustainability. Accordingly, QDB will direct its efforts to either design new programs/products or create new mechanisms for increasing the outreach and uptake of its existing programs or products aimed at SME growth and development. We at Qatar Development Bank look forward to the support and cooperation of all stakeholders in ensuring the success of this strategic initiative.

Finally, we would like to take this opportunity to thank all those who have been involved in the production of this report.

Abdulaziz Bin Nasser Al Khalifa
Chief Executive Officer
Qatar Development Bank
**EXECUTIVE SUMMARY**

The Report on the State of SMEs in Qatar is the first comprehensive publication that presents a multi-dimensional view of the country's SMEs. This report provides a comprehensive assessment of the SME landscape in Qatar, through an analysis of its financial and firm specific non-financial characteristics.

The study analyses the financial health of SMEs in Qatar based on key parameters such as profitability, leverage, liquidity, and key growth and efficiency ratios. In terms of profitability analysis, the majority of SMEs have a gross profit margin between 20% to 50% and a net profit margin of less than 10%. While the return on equity in the range of 10% to 20% for almost half of the SMEs in the Manufacturing and Services sectors; the return on assets was found to be less than 10% for majority of the SMEs.

Assessing the liquidity of the SMEs, it was found that the current ratio was close to the acceptable threshold of 2:1 for most SMEs. In terms of solvency analysis, the debt to equity ratio (ranging from 0.2 to 1 times) reflects that Qatar’s SMEs tend to maintain low level of debt. While Qatar’s SMEs generate sufficient cash flows to cover their interest obligations, SMEs have low debt service coverage ratio (ratio of less than 1); reflecting a higher inability of these firms to meet their debt obligations.

A comprehensive nationwide survey was conducted with a sample of 378 SMEs in Qatar in order to assess the state and characteristics of Qatar’s SMEs. Ninety five percent of the sample were constituted of small and medium enterprises while the remaining 5% were micro enterprises. Accordingly, the vintage of a large proportion of businesses is found to be more than 3 years. The top most advantages of establishing a business in Qatar is the ease of doing business in the country and availability of support infrastructure for the business community.

The survey reveals that only 37% of the SMEs have international business operations, the majority of these businesses earn less than 20% of their revenue from foreign markets. Most of these SMEs have a foreign branch office. Key international markets are the GCC and Middle East region.

SMEs in Qatar have a low orientation towards research and development (R&D) with only 4% of the surveyed SMEs indicating to have an R&D budget. Most SMEs have indicated the budget for R&D allocation to be in the 2% to 5% range.

Overall, the majority (68%) of SMEs use either basic or minimal IT systems and software for their business operations for support functions like accounting (e.g. Tally, Peachtree, etc.) and do not have dedicated IT employee(s) or department. A high proportion of SMEs (34%) do not make any provisions for IT related expenses in their annual budgets.

Qatar’s SMEs also tend to have a low focus on human capital development as only 46% of the SMEs have indicated presence of a dedicated employee or specialized HR department. More than half of the SMEs (55%) hire manpower on an ad-hoc basis. Most SMEs provide basic on-the-job training to their employees.

Orientation towards corporate governance was found to be low; 63% of the total surveyed SMEs have simple organization structure while 32% of the SMEs indicated that they have a formal organization structure with separate departments/employees for specific functions. Additionally, 97% of the study SMEs revealed they maintain some form financial reporting mechanism in their organization.

The current study reveals that there is limited availability of external financing options for starting a business in Qatar, reflected by the finding that 63% of the SMEs used their personal funds for starting their business operations. For business expansion, 48% of the SMEs have indicated that they reinvest their profits to fund their expansion and growth plans. The preference to use a bank facility tends to
remain low even for business expansion as only 27% of the surveyed businesses have accessed bank finance for business expansion activities.

Overall, 41% of the SMEs have a capacity utilization of more than 75% indicating high asset utilization. The majority of SMEs (55%) also highlighted that the share of fixed cost or overheads as a proportion of their total cost varies between 10% and 25%, while approximately one-fourth of the SMEs indicated this proportion to be in the range of 25% to 50%.

Business optimism was found to be high amongst SMEs in Qatar with 30% of the SMEs expecting their business to grow annually by 10% or more in the next 3 to 5 years. Another 21% of the firms anticipate a 5% - 10% growth in their business operations.

In terms of future business outlook compared with 2015, the optimism of Qatar’s SMEs has lowered in the first quarter of 2016, as all parameters in the survey reflected a downward trend. This downward trend is attributed to multiple reasons such as the decline in oil prices, unstable political environment in the region and lack of new projects in the local and regional markets.
1. Introduction
1. **INTRODUCTION**

Small and medium enterprises (SMEs) are viewed as the ‘engine’ for economic growth and a vital contributor to the economy’s GDP. They are the primary source of entrepreneurship, innovation and employment creation. In recent years, Qatar has placed an increasing emphasis on the importance of SMEs in the State’s overall development plans. Research indicates that SMEs account for more than 80% of all companies registered in the State.

The Report on the State of SMEs in Qatar is the first comprehensive publication on the SME sector presenting a multi-dimensional view of the country’s SMEs. This report begins with a macro-economic assessment of Qatar’s economy, followed by a detailed analysis of the existing business landscape and business performance of enterprises in Qatar. The core purpose of the report is to provide a comprehensive assessment of the SME landscape in Qatar, through an analysis of its financial and firm specific non-financial characteristics.

A National SME Definition has recently been launched by Qatar Development Bank (QDB). The definition classifies enterprises as micro, small, and medium based on two primary criteria – annual business turnover and number of employees. The National Definition of SMEs in Qatar has been detailed in the section 1.3. This definition has been used as a guiding principle to classify operating enterprises as SMEs for the purpose of the research.

1.1 **Qatar National Vision 2030**

The National Vision aims at transforming Qatar into an advanced country by 2030, capable of sustaining its own development and providing for a high standard of living for all of its people for generations to come.

Qatar’s sound management of its bountiful hydrocarbon resources will continue to secure improvements in standards of living. However, an improved standard of living cannot be the only goal of a society. To remain true to its values, Qatar must balance five major challenges:

- Modernization and preservation of traditions
- The needs of this generation and the needs of future generations
- Managed growth and uncontrolled expansion
- The size and the quality of the expatriate labor force and the selected path of development
- Economic growth, social development and environmental management

Qatar’s National Vision is based on the Guiding Principles of the Permanent Constitution and the directions of Their Highnesses the Emir, the Heir Apparent and Sheikha Mozah, as well as on extensive consultation with government institutions and local and international experts.

The national vision builds on a society that promotes justice, benevolence and equality. The vision embodies the principles of the Permanent Constitution which:

- Protects public and personal freedoms.
- Promotes moral, religious values, and traditions.
- Guarantees security, stability and equal opportunities

1 http://www.gsdp.gov.qa/www1_docs/QNV2030_English_v2.pdf
Qatar’s national vision rests on four pillars:

1. Human Development: Development of all its people to enable them to sustain a prosperous society
2. Social Development: Development of a just and caring society based on high moral standards, and capable of playing a significant role in the global partnership for development
3. Economic Development: Development of a competitive and diversified economy capable of meeting the needs of, and securing a high standard of living for, all its people for the present and for the future
4. Environmental Development: Management of the environment such that there is harmony between economic growth, social development and environmental protection
1.2 National Development Strategy for Qatar (2011-2016)

Qatar’s National Development Strategy 2011-2016 (NDS) represents a framework and a driving force to achieve the outcomes defined in the Qatar National Vision 2030 (QNV 2030). While the QNV 2030 sets out the main aspirations of Qatar and identifies its priorities, the NDS translates the vision into a tangible plan and framework for stakeholder engagement over the period 2011-2016.

The QNV identifies Economic Diversification and Private sector Development (EDP) as two major drivers of the economic development pillar. The key aim of EDP is to achieve economic and social sustainability and prosperity. The National Strategy for Economic Diversification and Private Sector Development (EDP NDS) provides strategic direction to help the nation achieve this goal and defines a tangible action plan for its implementation.

The framework comprises of three key levels: objectives, desired outcomes and interventions along the key focus areas.

EDP has four key objectives to be attained by 2016 as part of NDS:

- **Objective 1:** Stimulate enterprise and private sector development
- **Objective 2:** Accelerate productivity gains
- **Objective 3:** Build innovation and discovery capabilities
- **Objective 4:** Deepen regional and global integration

**Figure 1:** NDS Strategy Framework for EDP

1.3 National Definition of SMEs in Qatar

1.3.1 SME Definition
Small and Medium Enterprises (SMEs) shall mean: the companies registered in accordance with the laws of the State of Qatar, at which number of employees does not exceed two hundred and fifty (250) employees - with exception of companies operating in the creative industries sector and which number of employees shall not exceed one hundred (100) employees -, and at which annual turnover does not exceed one hundred (100) million Qatari Riyals.

(Where
Employees are measured by staff headcount and annual turnover is measured in million Qatari Riyals)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Criteria</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
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<tbody>
<tr>
<td></td>
<td>No. of Employees</td>
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<tr>
<td>Agriculture</td>
<td>Less than 1</td>
<td>6-30</td>
<td>31-250</td>
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<td>1-5</td>
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<td></td>
<td>Annual Turnover</td>
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<tr>
<td>Manufacturing</td>
<td>Less than 1</td>
<td>1-50</td>
<td>51-250</td>
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<td></td>
<td>Annual Turnover</td>
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<tr>
<td>Creative Industries</td>
<td>Less than 1</td>
<td>6-30</td>
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<td></td>
<td>Annual Turnover</td>
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<tr>
<td>Construction</td>
<td>Less than 3</td>
<td>1-50</td>
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<td>Annual Turnover</td>
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<tr>
<td>Trade</td>
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<td>Annual Turnover</td>
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<tr>
<td>Other Services</td>
<td>Less than 3</td>
<td>6-50</td>
<td>51-250</td>
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<td>1-5</td>
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<td></td>
<td>Annual Turnover</td>
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</table>

Table 1: Classification of SMEs
Source: National Definition of SMEs in Qatar, Qatar Development Bank

Where:

- **Staff Headcount**: it covers full-time, part-time and seasonal staff. The definition covers all the employees and individuals working for the benefit of the enterprise, and who are subject to the Qatari Labor Law, in addition to owners who are managing the enterprise and partners engaged in periodic activities for the enterprise and receive financial benefits in consideration of such activities. It should be noted that a full-time employee within a year is considered as one-unit while part-time and seasonal employees are considered as a part of a unit, as the case may be.

- **Annual Turnover**: means the return/incomes generated by the enterprise during a year as a result of its sales from goods and services provided, following deduction of any rebates and taxes paid by the enterprise. It does not include ‘Other Income’ such as income from interest, dividends or royalties paid to the enterprise by other entities, or gained by selling its assets.

1.3.2 Sectoral Definition of SMEs:

- **SMEs in the Agriculture Sector**: companies established in accordance with the laws of the State of Qatar at which the number of labor force does not exceed two hundred and fifty (250) employees, with an annual turnover that does not exceed one hundred (100) million Qatari Riyals, and their economic activities fall under Agriculture, Forestry and Fishing sections (groups (1-3) within the international Standard Industrial Classification (Rev. 4)).
• **SMEs in the Manufacturing Sector**: companies established in accordance with the laws of the State of Qatar, at which the number of labor force does not exceed two hundred and fifty (250) employees, with an annual that turnover does not exceed one hundred (100) million Qatari Riyals, and their economic activities fall under [Manufacturing] section [groups (10-33) within the international Standard Industrial Classification (Rev. 4)].

• **Small and Medium Enterprises in the Creative Industries Sector**: companies established in accordance with the laws of the State of Qatar at which the number of labor force does not exceed one hundred (100) employees, with an annual turnover that does not exceed one hundred (100) million Qatari Riyals, and their economic activities fall under Information and Communication, Professional, Scientific and Technical Activities, and Arts, Entertainment and Recreation sections [groups (58-63), and (69-75), and (90-93) within the international Standard Industrial Classification (Rev. 4)]. It is worth mentioning that according to the United Nations definition of creative industries, “craft industries” fall within this category.

• **Small and Medium Enterprises in the Construction Sector**: companies established in accordance with the laws of the State of Qatar, at which the number of labor force does not exceed two hundred and fifty (250) employees, with an annual turnover that does not exceed one hundred (100) million Qatari Riyals, and their economic activities fall under Construction of Buildings section [groups (41-43) within the international Standard Industrial Classification (Rev. 4)].

• **SMEs in the Trade Sector**: companies established in accordance with the laws of the State of Qatar, at which the number of labor force does not exceed two hundred and fifty (250) employees, with an annual turnover that does not exceed one hundred (100) million Qatari Riyals, and their economic activities fall under Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles sections [groups (45-47) within the international Standard Industrial Classification (Rev. 4)].

• **Small and Medium Enterprises in the Other Services Sector**: companies established in accordance with the laws of the State of Qatar, at which the number of labor force does not exceed two hundred and fifty (250) employees, with an annual turnover that does not exceed one hundred (100) million Qatari Riyals, and their economic activities fall under other sections of commercial services within the international Standard Industrial Classification (Rev. 4) namely, the Mining and quarrying, Electricity, Gas, Steam and Air Conditioning Supply, Water Supply, Sewerage and Waste Collection and Treatment, Transportation and Storage, Accommodation and Food Services Activities, Financial Services Activities and Insurance Activities, Real Estate Activities, Administrative and Support Services Activities, Education, Human Health and Social Work Activities, and the activities of Other Services with the exception of membership organizations [groups (5-9), (35), (36-39), (49-53), (55-56), (64-66), (68), (77-82), (85), (86-88) and (95-96) within the International Standard Industrial Classification (Rev. 4)].

1.3.4 **Exceptions of Applying the National Definition of SMEs**

1) **Exception One: Only the Private -Profit-seeking- Enterprises are eligible**

To ensure fair competition among enterprises that constitute the SMEs Sector, and to guarantee the effectiveness of efforts aiming at the development of SMEs, only the private and profit seeking enterprises are eligible to join the SMEs Sector. Accordingly, the following establishments are excluded:

• Government departments and diplomatic/ international entities
• Government establishments/companies
• Mixed establishments/companies, which totally or partially owned by any government department/ establishment/ company
• Non-profit establishments
2) Exception Two: Exceptions related to the Autonomous of an Enterprise

In order to promote interventions related to provide seed capital to small and medium enterprises, a commercial enterprise still be ranked as autonomous, and thus as not having any partner enterprises, even if this 20% threshold is exceeded to (50%) by any of the following investors:

- Public investment corporations, venture capital companies and business angels.
- Universities and non-profit research centers
- Institutional investors, including regional development funds. They are usually known as investors, which trade large volumes of securities on behalf of a great number of individual small investors and which have no direct involvement in the management of the enterprises they invest in. mutual funds and pension funds are examples for institutional investors

3) Exception Three: Excluding Qatar Exchange Venture Market to Apply the National Definition:

Launching QE Venture Market was aiming to meet SMEs financing needs. Over time, Qatar is aspiring to promoting companies listed in this market, to be part of the Stock Exchange. This can be realized after their development and the proper performance. Due to the nature of QE Venture Market, being a Capital Market with a mandate to enable companies that issue securities for trading in the market (constituting the demand side) by getting their financial needs. Therefore, the market commodity is the “Capital”. QE Venture Market is excluded to apply the National Definition of SMEs. The reason behind is that the requirements for companies to be listed in a capital market is significantly different. However, QE Venture Market may decide to use it as a guiding definition. This exception is aligned with related international experiences.
1.4 SME Eco-system in Qatar

At present, over 30 entities comprising of ministries, other government/semi-government entities and other entities and associations have a direct/indirect impact and influence on an SME in the State of Qatar. A map of the various entities encompassing the eco system is presented in Figure 2.

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* QBIC is founded by QDB and SDC
** Bedaya Center is a joint initiative between QDB and Silatech
Table 2 depicts the various business licensing, approvals and certifications mapped to the relevant stakeholders:

<table>
<thead>
<tr>
<th>Entities</th>
<th>CR</th>
<th>Computer Card</th>
<th>Trade License</th>
<th>Sector Approval</th>
<th>Municipality</th>
<th>Civil Defense</th>
<th>Environment Approval</th>
<th>Import License</th>
<th>Certification/Standards</th>
<th>Industrial License</th>
<th>Chamber Membership</th>
<th>Tax Card</th>
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<tbody>
<tr>
<td>1. Ministry of Municipality and Environment</td>
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Table 2: Map of Business Licensing or Approvals or Certification Services
Table 3 depicts the various businesses services being provided to SMEs by the key stakeholders.

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<td>20. Ministry of Development Planning and statistics</td>
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Table 3: Map of Business Support Services
Identifying the key SME challenge of access to finance, the map below identified the various financial support programs (either in form of debt, equity or others) being provided by the related stakeholders:

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<td>2. Silatech</td>
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<td>3. Social Development Centre</td>
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<td>4. Qatar Business Incubation Centre</td>
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<td>5. Qatar Science and Technology Park</td>
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<td>6. Qatar Development Bank</td>
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<td>7. General Retirement and Social Insurance Authority</td>
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<td>8. Private Investment Entities</td>
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<td>9. Qatar Stock Exchange</td>
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Table 4: Map of Financial Support Initiatives

* A joint program between QDB and Qatar Exchange
2. Report Layout and Study Methodology
2. **Report Layout and Study Methodology**

The inaugural State of the SMEs Report in Qatar has been structured into four key sections. The compositions of these sections and the relevant methodology and corresponding sources have been discussed/cited as follows:

**Section I. Economic Assessment**

This section provides an overview of Qatar’s economy in terms of GDP growth indicators and share of the key economic activities in the GDP. The section also comprises a brief snapshot of the key foreign trade indicators depicting growth in foreign trade, key product categories and key markets for foreign trade. These indicators are based on data supplied by the Ministry of Development Planning and Statistics, as well as other sources including the International Monetary Fund (IMF) and other research reports.

**Section II. Financial Performance of the SME Sector**

This section analyzes the financial health of SMEs in Qatar based on certain parameters such as profitability, leverage, liquidity, key growth and efficiency ratios across the Trading, Manufacturing and Services sector. Benchmarks for each sector are estimated on the basis of the analysis of a sample of 193 SMEs with the following sector split:

- Manufacturing: 137
- Services: 44
- Trading: 12

**Section III. Key Characteristics of the SME Sector**

This section highlights the state and key characteristics of SMEs in the State of Qatar. A comprehensive survey was undertaken on a stratified random sample of 378 SMEs across the country, in order to assess their state on the following themes:

- Degree of Internationalization
- Degree of Innovation
- Technology Adoption
- Employee Development
- Corporate Excellence and Quality Orientation
- Access to Finance
- Sustainability of SMEs

The sample included a mix of micro, small and medium-sized enterprises drawn as per the national definition of SMEs in Qatar. The sampling process ensured a representation of businesses across the six key sectors of Manufacturing, Trade, Other Services, Agriculture, Creative Industries and Construction; as a proportion of their business density as per the latest statistics on the number of establishments released by the Ministry of Development Planning and Statistics. The sampling process also ensured an adequate representation of various segments within each sector.
Section IV. SME Business Outlook and Key Business Objectives

This section highlights the key strategic objectives for SMEs in the medium-term (3-5 years), based on a survey conducted on a sample size of 378 SMEs.

It further highlights the business outlook of SMEs based on the Business Confidence Index for SMEs from Q1 2015 to Q1 2016. These indices are sourced from the quarterly business optimism index reports published by the Qatar Financial Centre.
3. Macro-Economic Analysis
3. MACRO-ECONOMIC ANALYSIS

3.1 The Economy of Qatar

Growth Trends of the Gross Domestic Product (GDP)

Qatar’s economy recorded a remarkable CAGR of 11% during the period 2007-14, supported by the development of its huge natural gas reserves for the production and export of LNG and massive investment in infrastructure development. While growth in the hydrocarbon sector peaked at 15.6% in 2011 when the production capacity of LNG reached 77 million tons per annum, the non-hydrocarbon sector has been registering a year-on-year growth of over 10% since 2011. Real hydrocarbon GDP slowed to 1.3% in 2012 due to the country’s self-imposed moratorium on development of new hydrocarbon projects and fell further in 2013 and 2014, primarily due to a fall in crude oil production. This is reflected in a sharp decline in the country’s GDP growth rate, from 13% in 2011 to 6% in 2012. During 2013 and 2014, GDP growth has remained steady around 6%.

Despite an end to the period of heavy investment in its oil and gas resources in 2011, Qatar’s economy has continued to post solid growth on the back of implementation of large infrastructure projects and the fast-growing population, which has bolstered domestic demand. The decline in growth in the hydrocarbon sector has been offset by a double-digit growth in the non-hydrocarbon sector, which has benefited from large investments in construction, real estate and financial services. This segment is likely to remain the key driver of growth leading up to the 2022 FIFA World Cup, backed by planned infrastructure investments to the tune of QAR 600 bn. The government’s vision is to build “a diversified economy that gradually reduces its dependence on hydrocarbon industries, enhances the role of the private sector and maintains its competitiveness”\(^2\) is coming to fruition as the share of non-mining sectors in real GDP increased from 55% in 2007 to 62% in 2014. The CAGR in real terms of the non-mining and quarrying sectors was 12.9% during 2007-2014 against 8.5% for the mining and quarrying sector.

\(^2\) Qatar National Vision 2030

![Figure 3: Growth Rate of Qatar’s GDP at Constant Prices 2010-14](source: Ministry of Development Planning and Statistics)
In 2014, real GDP grew at 6.1%, supported by a growth of 11.3% in the non-mining and quarrying sector, while the mining and quarrying sector contracted by 1.3%. Huge government expenditures despite lower oil prices, to diversify the economy and prepare the country for the 2022 FIFA World Cup have supported the massive gains in the non-hydrocarbon segment.

Most non-hydrocarbon sectors registered strong growth figures in 2014 as follows: construction 18%; trade, hotels and restaurants 14.1%; transport and communication 10.4%; finance, insurance, real estate and business services 12.4% and manufacturing 4.1%. While major public investments in infrastructure related projects have led to a huge growth in the construction sector, the increasing population due to the large number of expatriate workers entering the country to engage in construction activity has supported the services sector, especially the trade and hospitality segment, financial services and government services. Growth in the manufacturing sector was mainly driven by basic chemicals, petrochemicals and gas-to-liquids products.

### 3.2 Qatar’s Foreign Trade

**Foreign Trade is a key driver for Qatar’s rapid economic growth.**

According to International Monetary Fund (IMF), Qatar has become the world’s top LNG exporter accounting for one-third of global LNG trade and has emerged as an important global financial investor, labor importer, and donor. The country has used its massive revenues from hydrocarbon exports to fund its economic diversification and infrastructure building program. A mounting population and considerable project-driven demand for capital equipment and construction materials has led to a significant increase in imports.

Qatar’s total imports increased by 6.5% y-o-y to QAR 97.8 bn in 2013, and further increased by 13.3% to QAR 110.8 bn in 2014. In 2015, the total imports increased by 7.1% to reach a value of QAR 118.7 bn. Exports reached a high of QAR 479.6 bn in 2013, a mere 0.2% increase y-o-y, but declined by 5.3% to QAR 454.3 bn in 2014. Exports declined by 40.2% y-o-y in 2015 to QAR 271.8 bn due to more than 50% fall in the value of hydrocarbon exports.

Figure 4: Exports, Imports and Trade Balance 2011-15 (QAR bn)

Source: Ministry of Development Planning and Statistics
4. Financial Performance of the SME Sector
4. **Financial Performance of the SME Sector**

This section analyzes the financial health of SMEs in Qatar based on key parameters such as profitability, leverage, liquidity, and key growth and efficiency ratios across the Trading, Manufacturing, and Services sector. Benchmarks for each sector are estimated on the basis of the analysis of a sample of 193 SMEs with the following sector split:

- Manufacturing - 137
- Services – 44
- Trading – 12

4.1 **Profitability Analysis**

Profitability ratios are used to gauge a business’s capacity to generate earnings compared to its expenses and other costs that the business undergoes during a specific time frame. This section will discuss the typical ranges of gross profit, Earnings Before Interests, Taxes, Depreciation, and Amortization (EBITDA) margin and net profit margin ratios for SMEs in the Trading, Manufacturing, and Services sectors. The section also presents an analysis of a businesses’ profitability by calculating the return on equity and return on asset ratios.

4.1.1 **Gross Profit Margin Ratio**

Gross profit margin for 46% of the SMEs in the Services sector is more than 30%. On the contrary, the gross profit margin for the majority of SMEs in the Manufacturing and Trading sectors is relatively lower than Service sector SMEs. The margin for 41% of the Manufacturing and 60% of the Trading sector SMEs is in the range of 20 to 30%. Figure 5 depicts the gross profit margin ratio across Manufacturing, Trading, and Services SMEs.

![Figure 5: Gross Profit Margin Ratio](Source: D&B Analysis)
4.1.2 EBITDA Margin Ratio
Trading sector SMEs have been observed to have relatively higher profitability as compared to the Manufacturing and Services sectors. Sixty seven percent of the SMEs in the Trading sector have an EBITDA margin of more than 20% as compared to 24% and 41% of Manufacturing and Service sector SMEs respectively. More than half of SMEs in the Manufacturing sector (54%) have an EBITDA margin in the range of 10 to 20%. Figure 6 depicts the EBITDA margin ratio across Manufacturing, Trading and Services SMEs.

![Figure 6: EBITDA Margin Ratio](source: D&B Analysis)

4.1.3 Net Profit Margin Ratio
The net profit margin ratio measures the percentage of revenue after all the expenses have been paid off from the sales. Figure 7 illustrates the operating profit margin ratio across Manufacturing, Trading and Services SMEs.

![Figure 7: Net Profit Margin Ratio](source: D&B Analysis)
The majority of SMEs across all the three sectors have a net profit margin of less than 10%. A comparable proportion of SMEs across the Manufacturing, Trading and Services sectors have a net profit margin in the range of 10% to 20%. Net profit margin is the highest in Services SMEs, where 36% of the Service SMEs have a net profit margin of more than 20% as compared to 9% of Manufacturing and 11% of Trading SMEs.

4.1.4  **Return on Equity Ratio**
Return on equity (ROE) measures the amount of net income as a percentage of the shareholders equity. The ROE ratio measures a firm’s profitability by measuring the profit generated with the investments made by shareholders.

An analysis of profitability on a sample of SMEs reflects that almost half of the SMEs in the Manufacturing and Services sectors generate a return on equity in the range of 10% to 20%. Return on equity is relatively higher for Manufacturing SMEs as compared to Services SMEs, where 18% of SMEs in the Manufacturing sector have a return on equity of more than 30% when compared to 9% of Services SMEs. Figure 8 depicts ROE for SMEs across the Manufacturing and Services sectors.

![Figure 8: Return on Equity Ratio](Source: D&B Analysis)

4.1.5  **Return on Assets Ratio**
Return on assets (ROA) ratio measures the profitability of a company based on the assets owned. ROA measures how efficiently firms use their assets to generate revenue.

ROA is the lowest for Trading SMEs, where 86% of the SMEs in the Trading sector generate a return on assets of less than 10% as compared to 61% of Manufacturing and 37% of the Services SMEs. Twenty percent of Services SMEs generate higher returns in the range of 20% to 30%. In comparison, only 12% of Manufacturing SMEs and none of Trading SMEs generate a similar return on assets. Figure 9 depicts the return on assets across Manufacturing, Trading and Services SMEs.

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The sample of trading sector companies was inadequate to compute the debt services coverage ratio for the sector.
4.2 Liquidity Analysis

Liquidity refers to the available cash for the near future, after taking into account the financial obligations corresponding to that period. By maintaining an appropriate level of liquidity, a business will be in a position to survive downturns and be able to exploit profitable business opportunities as they arise.

Liquidity ratios measure a business’ ability to meet the payment obligations by comparing the available cash and near-cash with the payment obligation. If the coverage of the latter by the former is insufficient, it indicates that the business might face difficulties in meeting its immediate financial obligations. This can, in turn, affect the company’s business operations and profitability.

The current study assessed the level of liquidity of SMEs by analyzing the current and quick ratios.

4.2.1 Current Ratio

Current ratio is the ratio of current assets to current liabilities. This ratio measures the short term liquidity position of a firm indicating whether a business has adequate cash to pay the debts/obligations as they fall due. Conventionally, a current ratio of 2:1 is considered satisfactory. Figure 10 illustrates the current ratio for SMEs across the Manufacturing, Trading and Services sectors.
An analysis of the current ratio for the surveyed sample of SMEs in Qatar reflects that majority of the Services (49%) and Manufacturing SMEs (48%) are closer to the acceptable threshold (current ratio above 1.5). Therefore, SMEs in the Services and Manufacturing sectors tend to have sufficient current assets to meet its due debts and obligations. On the contrary, most of Trading SMEs have a current ratio lower than the acceptable threshold (77% of these firms have a current ratio lower than 1.5). A ratio much below the acceptable threshold indicates a deteriorating liquidity position of the business and inability to meet short term obligations.

4.2.2 Quick Ratio
Quick ratio or the acid test ratio is the best measure of the liquidity position of a firm. Quick ratio shows the extent of cash and other liquid assets that can be readily convertible into cash in comparison to the short term obligations of an organization. Generally, a quick ratio of 1:1 is considered satisfactory for a firm. Quick ratio is a more rigorous and penetrating test of the liquidity position of an organization as compared to the current ratio of the firm. Figure 11 depicts the quick ratio for SMEs across the Manufacturing, Trading and Services sectors.

SMEs in the Services sector have a higher quick ratio as compared to Manufacturing and Trading SMEs (30% of the SMEs in this sector have a quick ratio of more than 1.4 as compared to 28% of the Manufacturing and 22% of the Trading SMEs). Firms in the Services sector tend to have higher ratio due to the accumulation of accounts receivables in their books. This indicates delays in receiving payments from clients coupled with extended credit periods.

On the other hand, the quick ratio of almost 62% of Manufacturing SMEs is lower than the acceptable threshold (in the range of 0 to 1). A low ratio in case of Manufacturing sector reflects the presence of inadequate quick assets that could be converted into cash to meet the short term payments.

4.2.3 Cash Conversion Cycle
Cash conversion cycle is the time taken for a business to turn purchases into cash receipts from customers. The cash conversion cycle represents the number of days a firm’s cash remains tied within the operations of the business. Analysis of the cash conversion cycle indicates how efficiently the company is managing its working capital. Generally, a lower cash conversion cycle demonstrates a firm’s strong financial position. Figure 12 illustrates the cash conversion cycle across the Manufacturing, Trading and Services sectors.
Trading SMEs have been found to have a higher cash conversion cycle as compared to Services and Manufacturing SMEs. Seventy one percent of Trading SMEs have a cash conversion cycle in the range of 160 to 200 days as compared to 20% of Manufacturing and 10% of the Services SMEs. A lower stock turnover ratio and a high proportion of sales on credit, coupled with lesser number of purchase outstanding days have led to a high cash conversion cycle for Trading SMEs.

### 4.3 Solvency Analysis

Solvency ratios indicate whether a company’s cash flows are sufficient to meet its debt obligations (short term and long term). By analyzing a solvency ratio, the investor or creditor can gain insight into how likely is the firm to continue meeting its debt and interest payments. The current study assessed solvency of SMEs by evaluating the debt to equity, interest coverage and debt service coverage ratios.

#### 4.3.1 Debt to Equity Ratio

The debt to equity ratio indicates the relative proportion of equity and debt used to finance an entity’s assets. This ratio indicates the degree of financial leverage being used by the business and includes both short term and long term debt. An acceptable range of debt-to-equity ratio varies from organization to organization based on several factors. However, a ratio of 1:1 is generally considered satisfactory for most of the organizations. Figure 13 illustrates the debt to equity ratio across the Manufacturing, Trading and Services sectors.

![Diagram of Debt to Equity Ratio](source: D&B Analysis)

**Figure 12: Cash Conversion Cycle**

Source: D&B Analysis
An analysis of the debt to equity ratio reflects that Qatar’s SMEs tend to maintain low level of debt, with average debt to equity ratio across all the three sectors ranging from 0.2 to 1 times. More than half of the SMEs in each of the three sectors have a debt to equity ratio of less than 1. This is also highlighted through the study findings which reflect that only 27% of the SMEs have accessed bank finance for growing/expanding their business in the last five years. A lower debt to equity ratio of SMEs (less than 1) across all the sectors is an indication of financially stable SME business community in Qatar.

The debt to equity ratio is relatively higher (above 1) for 48% of Service and 42% of Manufacturing SMEs when compared with 34% of Trading SMEs.

4.3.2 Interest Coverage Ratio

The interest coverage ratio measures a company’s ability to meet its interest payments. The ratio states the number of times a company is capable of bearing its interest expense obligation out of the operating profits earned during a period. Interest coverage is an indication of the margin of safety for an entity before the risk of non-payment of interest could potentially threaten its solvency. Figure 14 depicts the interest coverage ratio across the Manufacturing and Services sectors. The sample of Trading companies was inadequate to compute the interest service coverage ratio for the sector.

![Figure 14: Interest Coverage Ratio](source: D&B Analysis)

An assessment of the interest coverage ratios for a sample of SMEs reveals that Qatar’s SMEs generate sufficient cash flows to cover their interest obligations. The majority of Manufacturing and Service sector SMEs have an interest coverage ratio of more than 2 times. The Service sector SMEs have been observed to have an interest coverage ratio of up to 5 times, on the other hand, the Manufacturing sector SMEs have interest coverage of up to 10 times.

As discussed under the debt to equity ratio section of the report, SMEs in Qatar are found to be less leveraged (debt to equity ratio is less than or equal to one). This translates into lower debt obligations for SMEs. A higher cash flow coupled with lower interest obligations leads to a higher interest coverage ratio.

4.3.3 Debt Service Coverage Ratio

The debt service coverage ratio measures a company’s ability to generate adequate income to service the principal and interest payments of debt. Typically a debt service coverage ratio of more than 1 is considered satisfactory. Figure 15 illustrates the debt service coverage ratio across the Manufacturing and Services sectors. The sample of Trading sector firms was inadequate to calculate the debt service ratio for the sector.
Almost three-fourths of both Service and Manufacturing SMEs have low debt service coverage ratio (ratio of less than 1). This reflects a higher inability of these firms to meet their debt obligations and therefore, the firm’s owners/shareholders may have to use their personal funds to cover the debt payments.
5. Key Characteristics of the SME Sector
5. Key Characteristics of the SME Sector

5.1 Research Study Outline

One of the main objectives of the report is to highlight the current state and key characteristics of SMEs in Qatar. A comprehensive nationwide survey was conducted with a sample of 378 SMEs in Qatar in order to assess the state and characteristics of Qatar’s SMEs along the themes illustrated in Figure 16.

The primary themes for the survey have been developed based on a comprehensive benchmarking of international reports highlighting the state and characteristics of SMEs across a number of countries. The following are the reports that were studied to derive the themes:

- SME Annual Report Malaysia (National SME Development Council)
- Small Business Survey (Department for Business Innovation and Skills, UK)
- Annual Report on Small and Medium-sized Enterprises in the EU (European Commission)
- The Small Business Sector Report (Ministry of Business, Innovation and Employment, New Zealand)
- SMEs in New Zealand: Structure and Dynamics (Ministry of Economic Development)
- The State of Small and Medium Enterprises in Dubai (Dubai SME)

As a part of the survey, businesses were questioned on 4 to 5 key factors associated with each theme. A detailed description and underpinned rationale relevant to each of these themes, specific questions examined and key findings elicited have been discussed within Sections 5.3 through 5.9.

The State of SMEs Survey 2016 had an overall response rate of 25%.
5.2 Sample Characteristics

To gain an understanding of business characteristics, a stratified random sampling approach was employed an accurate representation of the SME landscape in Qatar, as depicted in the chart illustrated in Figure 17:

![Figure 17: Sector Classification](source: QDB - State of SMEs in Qatar, 2016)

Mirroring the current business landscape of the SME sector in Qatar, Other Services and the Trading sector dominated the survey sample accounting for 67% of the SMEs. Other key constituents of the survey sample are businesses from the Manufacturing and Construction and Contracting sectors; the growth in the Construction sector primarily attributed to the development of real estate and infrastructure in the country in preparation for the upcoming FIFA 2022 World Cup. Businesses in the Creative Industries sector constituted 9% of the sample. The representation of businesses in the Agriculture, Forestry and Fishing sector is limited (2%) due to unavailability of commercial SME businesses in the sector as per the national SME definition of Qatar.

An analysis of the study sample by the size of the company reveals that of the 378 SMEs interviewed, a minimal 5% are micro enterprises. With majority of the sample (i.e. 95%) classified either as small or medium enterprises, the survey results are of high quality as inputs have been gauged from established businesses (Figure 18).

![Figure 18: Size Classification](source: QDB - State of SMEs in Qatar, 2016)  
![Figure 19: Business Vintage](source: QDB - State of SMEs in Qatar, 2016)

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Findings for the Agriculture, Forestry and Fishing is not representative of the sector due to the limited sample size.
The findings on the business vintage (i.e. number of years of business establishment) is aligned to the size classification of the survey participants (Figure 19). Given that the majority of businesses are medium and small sized, the vintage of a large proportion of businesses is found to be more than 3 years.

The survey also ensured that the sample businesses adhered to the principle of being an autonomous enterprise as laid out in the SME definition. Findings reveal that 71% of the businesses are independent companies implying that majority of these firms are owned and managed by their owner. The remaining 29% are subsidiaries; wherein all businesses have been verified and classified as SMEs as per the defined criteria (Figure 20).

In terms of business registration, 95% have established their operations on the mainland, 3% of SMEs have registered in the free zone with Qatar Financial Centre Authority and 2% have opted to register in the Qatar Science and Technology Park free zone (Figure 21).

With a staggering 37% of businesses having established themselves in the last five years, it is important to understand the key drivers for businesses to prefer Qatar for their business establishment/expansion.

The following findings explore the key reasons and advantages for SMEs to pursue business opportunities in Qatar (Figure 22).

Across the region, a growth in demand for goods and services and favorable business environment is acting as a catalyst allowing the SME business to flourish. Specifically, the domestic market in Qatar is offering unrivaled opportunities for trade, Manufacturing, Infrastructure and Construction and Other Services as the country is gearing up for the FIFA 2022 World Cup. The Qatar National Vision 2030 has also been scaled up to meet the requirements for the FIFA event by strong impetus on the development of the hospitality and tourism sector. An array of such factors has created a lucrative environment for SME's.

Figure 20: Is the Company Independent or Subsidiary?
Source: QDB - State of SMEs in Qatar, 2016

Figure 21: Registration of the Company
Source: QDB - State of SMEs in Qatar, 2016

Figure 22: Key Reasons to Start Business in Qatar
Source: QDB - State of SMEs in Qatar, 2016
Evidently, serving the local market demand for products and services is the primary reason driving SMEs to establish a business in Qatar. A similar proportion has cited serving regional demand and tapping into the potential demand from incoming tourists as an objective to set up their business in the country. Eighteen percent of SMEs cite the location of the country and availability of high quality infrastructure to cater the international market(s) as a key choice criterion.

The prevalence of beneficial factors for business establishment are reaffirmed in the following findings wherein SMEs have identified the top five advantages of setting up a business in Qatar (Figure 23).

The top most advantage of establishing a business in Qatar is the ease of establishing a business in the country and availability of support infrastructure for the business community. The strategic location of Qatar in accessing regional and international markets, excellent port and airport facilities and the prevalence of a tax free environment are also important in attracting businesses to establish in Qatar.

The study also assessed the likelihood of SMEs to outsource their business functions (Figure 24).

The majority (78%) of firms manage their business functions in-house. The remaining 22% of businesses who outsource their functions rely on third party service providers for support on information technology related services, transport and logistics services and other functions such as contract labour, printing and branding services (Figure 25).
5.3 Degree of Internationalization

Internationalization is defined as the process of expanding business operations into a foreign or international market. Internationalization is essential for SMEs to enhance their competitiveness and support long term sustainability. Moreover, it enables SMEs to achieve business growth by gaining access to a broader market and reducing the risk associated with fluctuations in demand for their products/services through market diversification.

Internationalization can be achieved through various approaches, namely: export of goods/services, technical collaboration, foreign direct investment (establishment of branch/office, strategic alliance/joint venture) and international sub-contracting.

The study assessed the degree of internationalization of the SME sector in Qatar based on the following parameters:

1. **Involvement of firms in international activities:** Businesses were asked to indicate the presence and mode of business arrangements to operate in international markets.

2. **Percentage share of sales from international markets in the total sales of the company:** Businesses were asked to indicate the share of sales/revenues from international markets/customers in their total revenues.

3. **Top three international markets (regions/countries):** Businesses were asked to indicate the primary international markets for their foreign business operations.

4. **Presence of a dedicated employee/department for managing international business:** In order to gauge the focus of SME businesses on conducting their international business, survey participants were quizzed on whether their business had a dedicated employee(s)/specialized department for managing their international operations.

5. **Presence of a defined plan/strategy for international business:** Businesses were asked to indicate if they have a dedicated plan/strategy for their international business operations.

6. **Business focus of domestically oriented firms (% revenue contribution from government vs. private sector contracts):** SMEs that catered only to the domestic market were asked to indicate the percentage of total sales revenue contributed by business contracts from the government and private sector.

5.3.1 International Orientation of SMEs

The study reveals a low level of international orientation of SMEs in Qatar, with only 37% of the SMEs indicating that they have business operations in international markets (Figure 26). Given the high demand for products and services locally, most SMEs are currently focusing on serving the domestic market.
From a sectoral perspective, SMEs in the Service sector are relatively more focused on international markets as compared to Manufacturing and Trading SMEs. Service SMEs primarily belonging to the Creative Industries have been observed to have a higher orientation towards internationalization (47% of the firms have indicated that they obtain revenues from international markets).

A comparison of Qatar’s SMEs with the peer group across other countries/regions reflects that SMEs in Qatar have a low degree of internationalization as compared to SMEs in EU and Dubai (37% of SMEs in Qatar indicated that they generate income from international markets, as compared to 52% of the SMEs in EU and 51% in Dubai). On the contrary, Qatar’s SMEs are more internationally active than their New Zealand and UK counterparts (Figure 27).

Assessing the degree of international orientation by size of the company (Figure 28) reveals a similar trend amongst small and medium-sized firms; approximately 38% of firms each earn revenue from international markets. Expectedly, a limited proportion (22%) of micro enterprises has international business operations.
5.3.2 Mode of Internationalization

The study reflects that approximately 29% of the internationally oriented SMEs catering to foreign markets have made investments in those countries by establishing a branch office. On the other hand, 22% of the firms export goods/services to international markets without having a physical presence in these markets. Only 8% of the SMEs in Qatar have been reported to enter into strategic alliance or joint venture with a foreign company.

A comparison of foreign direct investments made by Qatar’s SMEs with their counterparts in the EU reflects that a higher proportion of internationally oriented SMEs in Qatar (29%) have made investments in other countries as compared to only 5% of the European SMEs.

From a sectoral perspective, Manufacturing SMEs have been observed to have the highest orientation towards exports of goods followed by Trading SMEs. A similar proportion of SMEs across all the key sectors (~29%) have established their sales office or branch in foreign markets. Technical collaboration and strategic alliance/joint venture are observed to be the least preferred modes of attaining internationalization by SMEs in Qatar.

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6 Source: Internationalization of European SMEs, European Union (2009)
5.3.3 Share of International Markets in Total Sales

The study shows that sales from international markets account for less than 20% of the total sales for more than 50% of the export oriented SMEs (Figure 30). This highlights that although SMEs have begun exploring opportunities in international markets, a majority are focusing on the domestic/local market.

A sectoral comparison reveals that SMEs in the Manufacturing sector are highly inclined towards international markets as 36% of the firms generate more than 50% of their sales from international markets. Half of the SMEs in the Trading sector generate more than 20% of their total sales from international business operations. On the other hand, the majority of Service sector SMEs tend to focus on domestic market (76% of the SMEs in the Creative industries, 67% of the Construction SMEs and 51% of the SMEs in the Other Services sectors generate less than 20% of the sales from foreign markets).
Medium-sized firms comprise the highest percentage of internationally oriented SMEs that generate more than 50% of their sales revenue from foreign markets. Three-fourth of micro firms have reported that international markets contribute less than 20% to their total sales; entailing their focus on catering to the local market demand.

5.3.4 Key International Markets
SMEs in Qatar are inclined to trade with neighboring countries/regions rather than distant markets (Figure 32). The GCC region is highlighted as the most prominent international market amongst SMEs in Qatar. Middle East and Europe are the other key markets for Qatari SMEs.

Figure 32: Key Export Markets
Source: QDB - State of SMEs in Qatar, 2016

GCC, Middle East and Europe are the key international trade destinations for SMEs across all the sectors. These regions have also been observed to be preferred international markets amongst SMEs across all enterprise size classes.

5.3.5 Presence of a Dedicated Employee and Defined Plan for International Business
The focus of SME businesses towards sustaining/expanding their international operations can be gauged from the investment made by firms in investing in dedicated teams for managing international markets. The current study reveals that more than half of the internationally oriented SMEs (60%) have a dedicated employee to manage their international business operations (Figure 33).

Figure 33: SMEs with Dedicated Employee for International Business (by Sector)
Source: QDB - State of SMEs in Qatar, 2016
Focus on international markets is highest amongst SMEs in the Manufacturing and Construction sector; more than 70% of the SMEs in each of these sectors have indicated that they either have dedicated employee(s) or separate department(s) for managing their international business operations. Furthermore, SMEs in the Trading and Creative Industries sector are found to invest the least in dedicated human resources for managing their international business; only 41% have a dedicated employee to handle their international business.

Additionally, it is observed that the smaller a company is, the less it tends to invest in dedicated human resources for managing their international business (Figure 34). Sixty seven percent of medium-sized firms indicated that they have a dedicated employee for managing their international business operations, as compared to 56% and 25% of small and micro firms respectively.

Overall, 70% of the internationally oriented SMEs have a defined plan or strategy for their international business. Having a defined plan/strategy for international business is observed to be more prevalent across Manufacturing SMEs followed by their peers in the Trading sector.
Furthermore, a higher proportion of medium-sized firms (75%) are found to have a defined plan/strategy for internationalization versus 67% and 50% of small and micro firms, respectively (Figure 36).

**Key Findings**

- Only 37% of SMEs are currently operating in international markets with key international markets being the GCC and the Middle East region.

- Higher proportion of SMEs in the Service sector focus on international markets as compared to SMEs in the Manufacturing and Trading sector. Forty seven percent of firms in the Creative Industries segment obtain revenues from international markets.

- Approximately thirty percent of export oriented SMEs have invested in a foreign country by establishing a branch office. Twenty two percent of the firms exports goods/services to international markets without having a physical presence in those markets.

- Sixty percent of SMEs in Qatar have a dedicated employee to manage international business operations.

- Overall, 70% of the internationally oriented SMEs have a defined plan or strategy for their international business. This trend is more prominent amongst SMEs in the Manufacturing and Construction sector. Medium sized firms tend to invest the most in personnel to manage international business operations as compared with micro and small sized entities.

- Given the low degree of internationalization, entities focused on SME development should institute support programs (such Tasdeer from QDB) to increase the presence of Qatari SMEs in international markets. Examples of support programs would include networking and match making events, enabling SMEs to participate in regional and international trade fairs and exhibitions, promoting partnerships with international companies etc.
The State of Small & Medium Enterprises (SMEs)
5.4 Degree of Innovation

Innovation as defined by the Organization for Economic Co-operation and Development (OECD), is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations.

SMEs form the crux of Qatar’s diversification plan in moving away from a resource-based economy to a knowledge-based one. According to the World Economic Forum’s Global Competitiveness Report, the Qatari government plays a pivotal role in promoting innovation. Currently, government procurement plays a key role in promoting innovation (this is also evident from the rank on government procurement of advanced technology products). The report also indicated that since the country’s imports stands at 30.77% of its GDP, promoting inward trade and investment could contribute to bringing in new technologies and know-how thereby enhancing a culture of innovation. Qatar has also ranked fifth in Northern Africa and Western Asia region in the Global Innovation Index (GII), 2015 ranking and third in the GCC.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Rank (Out of 140 Countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity for innovation</td>
<td>12</td>
</tr>
<tr>
<td>Quality of scientific research institutions</td>
<td>14</td>
</tr>
<tr>
<td>Company spending on R&amp;D</td>
<td>9</td>
</tr>
<tr>
<td>University-industry collaboration in R&amp;D</td>
<td>8</td>
</tr>
<tr>
<td>Government procurement of advanced technological products</td>
<td>1</td>
</tr>
<tr>
<td>Availability of scientists and engineers</td>
<td>2</td>
</tr>
<tr>
<td>Patents applications/million population</td>
<td>29</td>
</tr>
<tr>
<td>Overall rank on Innovation</td>
<td>14</td>
</tr>
</tbody>
</table>

Table 5: Ranking for Qatar on Sub-indices for Innovation
Source: Global Competitiveness Report, 2015-16, World Economic Forum

The current study measured the prevalence of innovation amongst the SME community in Qatar, based on two key factors – Innovation Input (research and development conducted by the firm) and Innovation Output (types of innovation implemented by the firm and key objective for implementing innovation(s)). The following assessment points were deployed in the study:

Innovation Input:

1. **Provision for Research and Development (R&D) Budget**: Businesses were asked to indicate if, as a policy, their business allocated an average annual budget (provisioned as a percentage of total sales) for undertaking research and development activities.

2. **R&D Budget as a percentage of Annual Sales**: In continuation of the previous question, businesses that have made a provision for R&D were asked to indicate the average proportion of R&D budget as a percentage of their annual sales turnover.

Innovation Output:

1. **Implementation of innovation in the business at a product and/or process level**: The study examined responses to analyze how innovation is being defined in SME business operations; whether participants have introduced certain new products or services that are unique to the local market and/or if they implemented any innovation/ improvement within their business processes. Innovation by SMEs has been categorized into the following:
• Introduction of product/services that are new to the Qatari market
• Implementation of improvements/innovations within internal processes
• Implementation of improvements/innovations in distribution and delivery processes (applicable to all sectors)

2. Key objective/ motivation for implementing innovation: The study also assessed the primary objective/motivation of SME businesses in Qatar to engage in innovation activities (for instance, to differentiate their products/services from the market, improve quality of their products or services, etc.)

5.4.1 Provision for R&D Budget
The current study reveals that SMEs in Qatar have a low orientation towards R&D. Only 4% of the surveyed SMEs have indicated that they allocate an R&D budget (Figure 37). Manufacturing sector SMEs are the most oriented towards R&D as depicted by 7% of the firms. In the Creative Industries sector, SMEs belonging to the ICT industry have been observed to have a relatively higher orientation. None of the businesses belonging to the Construction sector are observed to be maintaining any provision for R&D activities. The overall trend is reflective in the size wise analysis, with minimal proportions of micro, small and medium enterprises allocating budgets for R&D activities.

![Figure 37: Provision for R&D Budget (by Sector)]
Source: QDB - State of SMEs in Qatar, 2016

Certain international studies aimed to assess prevalence of innovation amongst SMEs. At a consolidated level, the prevalence of innovation in terms of the proportion of SMEs making a provision for R&D budget is significantly lower in Qatar (4%) when compared with 24% of the SMEs in the UK and 18% of the SMEs in New Zealand7.

5.4.2 R&D Budget as a Percentage of Annual Sales
Of the SMEs that have made a provision for R&D, most have indicated the budget allocation to be in the 2% to 5% range. This trend is evident in the Manufacturing and Trading sectors where more than 60% of the firms have allocated 2% to 5% of their annual sales turnover for R&D activities. On the other hand, a higher proportion of Service sector SMEs (67%) has provisioned more than 5% of their annual sales turnover (Figure 38).

7 Source: UK Innovation Survey (conducted by Department of Business, Innovation and Skills, 2011); The Case of Innovation and R&D in New Zealand’s SMEs (conducted by New Zealand Center for SME Research, 2011)
Analyzing the provision of R&D budget by firm size, the majority of firms across micro, small and medium size have allocated 2% to 5% of their annual sales turnover for R&D activities. Expectedly, a higher proportion (29%) of medium sized firms has made higher provision (5%-10%) for R&D activities (Figure 39).

As depicted in Figure 40, SMEs are less inclined towards the implementation of innovation in their respective business with only 8% of the businesses indicating prevalence of innovation in their business. Across key sectors, prevalence of innovation has been observed to be the highest for Manufacturing SMEs (12%).
An analysis by firm size reveals that 9% of medium firms implement innovation, compared to 7% of small and 6% of micro firms (Figure 41).

5.4.4 Type of Innovation Activity and Key Objectives for Innovation by SMEs

The survey also assessed the type of innovation being implemented by SMEs in Qatar. Survey findings reveal that the major prevalence of innovation amongst Qatar’s SMEs is at the product/service level as compared to innovation within internal processes and distribution and delivery processes; 62% of the firms undertaking innovation to introduce new products and services in the local market as compared to innovation within internal processes (17%) and enhancement of distribution and delivery formats (21%). A sectoral analysis reveals that firms across different sectors focus on innovations that have a direct impact on their business operations. To demonstrate this trend, Trading sector firms are more focused on product level innovations (67%) while firms in Creative Industries are more focused on service level innovations (67%). Improvements/innovations in internal processes have been primarily implemented by Manufacturing SMEs (Figure 42).
An analysis by firm size reveals that both small medium sized businesses are focusing on product/service innovations in Qatar (Figure 43).

The key objective/motive towards investing/implementing innovation in business, as elicited by the majority of the firms, is to create a competitive advantage by improving the quality of product/service offerings (76% of SMEs indicated quality improvement as their key objective for implementing innovation in business). This is followed by a high focus on improving the productivity of business operations and reducing the operating costs of business (indicated by 59% and 48% of innovative SMEs in Figure 44).
A sector wise analysis reveals that Manufacturing SMEs have a high focus on improving efficiencies in operations through implementation of initiatives for productivity improvements and or reduction of operating costs. On the other hand, SMEs in the Trading and Other Services sector have a higher focus on improving the quality of their products and services.

**Key Findings**

- Only 4% of the surveyed SMEs have a budget for R&D, with majority of the firms making a provision of only 2% to 5% of their annual sales revenue for R&D activities.

- The prevalence of innovation in terms of the proportion of SMEs making a provision for R&D budget is significantly lower in Qatar when compared with the SMEs in the UK and the SMEs in New Zealand.

- Additionally, a minor 8% of SMEs indicate prevalence of innovation in their businesses.

- Sixty two percent of the firms undertake innovation to introduce new products and services in the local market as compared to innovation within internal processes (17%) and enhancement of distribution and delivery formats (21%).

- Seventy six percent of SMEs state quality improvement as their key objective for implementing innovation in business. Fifty nine percent and 48% of innovative SMEs indicate improving the productivity of business operations and reducing the operating costs of their business as their key objectives respectively.

- In order to foster and promote innovation amongst SMEs in Qatar, developmental agencies (such as QSTP) should focus on encouraging SMEs to participate in growth focused incubation programs to implement innovation in their internal processes and delivery of products and services. Programs such as Eyada offered by QDB could assist SMEs in transforming their business processes.
5.5 Technology Adoption

Technology adoption is an important tool in enhancing competitiveness in the economy. For any business to develop and grow multi fold, the use of technology helps increase competitiveness by improving efficiency in communication, supply chain relations, or improved new products and services.

The government and businesses in Qatar are increasingly focusing on IT adoption as asserted by the Network Readiness Index 2014 which ranks Qatar 27 of 148 countries. The Readiness Sub Index 2014 ranks Qatar as 52 out of 148 countries measuring tools needed for ICT adoption. In the MENA region, Qatar ranks favourably with other countries, with UAE at 23, Bahrain at 30, Saudi Arabia at 35, and Oman at 42. These GCC countries attribute their dedicated commitment to IT adoption in their respective governments.

To reach maximum potential in a business environment and improve their competitiveness, SMEs in Qatar must continue to adopt new age tools and best practices. The adoption of information technology plays a significant role in enhancing global competitiveness and growth in the region.

In order to assess the level of IT adoption amongst SMEs in Qatar, the current study questioned participants on the following:

1. **Level of IT usage by the business:** Businesses were asked to indicate the level of usage of IT systems and software in their business as per the following options: No use (firms do not use any software or technology); Minimal use (firms that use only basic applications such as MS Office and MS Outlook); Basic use (firms that use software for support functions such as accounting, MIS: Tally, Peachtree); Advanced use (firms that have implemented enterprise level systems to manage overall business operations such as CRM, customized business software, ERP).

2. **Presence of a dedicated employee or department for IT:** To assess the level of focus a firm has on integrating IT as a part of its business strategy, businesses were asked to indicate if their firms have a dedicated resource to overlook the IT function in their organization.

3. **Allocation of an IT budget:** A firm’s focus on IT can also be assessed by measuring the level of IT budget within their organization, related to expenses such as: annual maintenance contracts, equipment upgrades, salaries of IT staff, hardware purchases etc.

4. **Presence of a company website:** The presence of a website indicates the online presence of a firm. A firm that has online ordering capabilities represents the enhanced business model and distribution capabilities of the organization.

5.5.1 Level of IT usage by SME Businesses

Overall, the majority (61%) of SMEs use either use basic or minimal IT systems and software for their business operations for support functions like accounting (e.g.: Tally, Peachtree, etc.). Thirty six percent of SMEs use advanced software on an enterprise level such as ERP, CRM, and customised business software. A minor 3% of SMEs do not use any software. Figure 45 depicts the level of IT usage amongst businesses across various sectors.
Sector-wise, SMEs across all sectors reflect a similar trend with higher usage of basic and minimal IT systems and software. SMEs in the Creative Industries sector have the highest proportion of businesses using advanced systems.

A strong correlation has been observed between the size of the organization and level of adoption of technology (Figure 46). This is because the size of the firm represents the capability of a firm to invest in IT and other functions and infrastructure.

Expectedly a larger proportion of micro businesses do not use any IT systems/software (22%). Usage of basic and minimal systems is more prominent amongst small sized firms compared with medium sized entities that use advanced IT systems/software. Figure 46 depicts the level of IT usage by firm size.
5.5.2 Presence of a dedicated employee or department for IT

Mirroring the IT adoption trend of SMEs, the majority (59%) of firms do not have dedicated IT employee(s) or department emphasizing the minimal use of software and technology in firms in Qatar. In most businesses, the IT function is managed by the employee in-charge of administrative functions. Figure 47 depicts the percentage of SMEs that have a dedicated IT team.

An industry sector wise analysis reveals that a higher proportion of firms in the Creative Industries (59%) are focused on usage of IT systems/software as they have instituted dedicated IT employee(s) or department. Compared with SMEs in the European Union (wherein 20% of SMEs have in-house/dedicated IT employee(s) or department), a higher number of SMEs in Qatar have a dedicated IT employee or department in their organization.

Furthermore, the report analyzes the presence of dedicated IT employee(s) or department by their size of operations. Figure 48 depicts the presence of dedicated IT employee(s) or department by the size of the company.

Figure 47: SMEs with dedicated IT Employee/Department (by Sector)
Source: QDB - State of SMEs in Qatar, 2016

Figure 48: SMEs with Dedicated IT Employee/Department (by Firm Size)
Source: QDB - State of SMEs in Qatar, 2016
Only 14% of the micro sized firms have an in-house IT employee or department compared with 35% of small sized and 50% of the medium sized firms that have dedicated resources for managing the IT functions of their organization.

### 5.5.3 Allocation of an IT budget

The adoption and usage of IT systems/software and the presence of dedicated employee(s) or IT department is a direct function of the allocated budget for undertaking these activities. Figure 49 below depicts that 31% of SMEs do not make any provisions for IT related expenses in their annual budgets. It is interesting to note that while 97% of the SMEs use some form of IT systems/software, only 69% make a provision for IT expenditure in their annual budgets.

![Figure 49: IT Budget as a % of Sales (by Sector)](source: QDB - State of SMEs in Qatar, 2016)

The study also reveals that 53% of the SMEs have a budget of less than 5% for IT expenses reflecting their lack of orientation of SMEs towards IT adoption and usage. A minor 5% have a budget over 10% for IT related expenditure. The trend across various sectors is similar to the overall trend with majority of the businesses having a minimal budget of IT services. The proportion of businesses allocating more than 10% of their annual budget for IT related services is the highest in the Creative Industries sector. No specific difference has been observed amongst firms of various sizes with respect to IT budgets as depicted in Figure 50 below.

![Figure 50: IT Budget as a % of Sales (by Firm Size)](source: QDB - State of SMEs in Qatar, 2016)
The majority of micro and small sized firms have no provision for IT related expenditure. Medium sized firms allocate more than 5% of their annual revenue for IT expenditure. Overall firms tend to maintain very limited provision for IT expenses.

### 5.5.4 Presence of a company website

The online presence of a business through a registered website is a key enabler for its operations to grow in local as well as international markets. Overall, 72% of the SMEs in Qatar have reported to have a functional website for their business (Figure 51) while the remaining 28% do not have an online presence.

![Figure 51: Presence of Website for Business (by Sector)](source)

On being probed about the functionality of the company website, it was revealed that although the majority of SMEs have an online presence; the functionality of these websites is limited to providing basic information such as company and product information. Only 16% of these websites have built-in e-commerce capabilities such as online ordering platform, payment gateways etc.

SME businesses across different sectors mirror the overall trend in terms of availability of websites for their business. E-commerce enabled websites are more prominent amongst business in the Other Services and Trading sectors.

![Figure 52: Presence of a Website (by Firm Size)](source)
Figure 52 exhibits that a relatively higher proportion (83%) of medium sized enterprises have a website as compared to 44% of the micro and 65% of the small sized businesses. As expected, majority of the micro sized firms do not have an online presence.

### Key Findings

- Overall, 61% of SMEs use either basic or minimal IT systems and software, 36% of SMEs use advanced software on an enterprise level and a minor 3% do not use any software.

- There is a strong correlation between the size of the organization and level of IT adoption. Larger firms represent a larger capability to invest in IT and other functions and infrastructure.

- Fifty nine percent of firms do not have a dedicated IT employee or department, emphasizing the minimal usage of technology across firms in Qatar.

- An industry sector wise analysis reveals that a higher proportion of firms in the Creative Industries (59%) are focused on usage of IT systems/software as they have instituted dedicated IT employee(s) or department.

- Reiterating the low adoption of IT systems and software in Qatar, majority (85%) of SMEs budget less than 5% of their annual sales revenue for IT related expenses. Majority of micro and small sized firms have no provision for IT related expenditure.

- While 72% of SMEs in Qatar have a functional website for their business, most of these websites are limited to providing company and product information. Only 16% of these websites have built in e-commerce capabilities.

- To support technology adoption amongst SMES, focus should be on providing capability development programs aimed at increasing the usage of IT systems and software and promoting the benefits of using technology to better manage business operations.
5.6 Employee Development

Employee development or human capital development is critical to an organization in a knowledge-based economy. Human capital is the primary asset of a small and medium enterprise and hence, most significant to its performance.

A number of studies have indicated that SMEs tend to have a lower focus on employee development as compared to large firms. Data across OECD countries show that SMEs participation in training activities is 50% less than large firms, with some systematic access gaps meaning younger, better educated workers in high-skilled occupations (such as managers, professionals and technicians) have greater access to training opportunities than the less-educated workers.

The current study assessed the orientation of SMEs towards employee development based on the following parameters:

1. **Presence of a dedicated human resource employee or department**: Businesses were asked if they have a dedicated employee or specialized department to manage the HR function within the organization.

2. **Approach for manpower planning**: Businesses were questioned regarding their manpower planning approach wherein they had to indicate whether they follow a formal regular manpower planning process or if recruitment is done on an ad hoc basis whenever there is a requirement. In addition, SMEs were asked to specify if they have identified any specific recruitment sources such as job sites, HR consultancy firms, etc.

3. **Type of training provided to employees**: In order to assess the firms focus on skill and capability development of its employees, businesses were asked to indicate the level of training provided to the employees. The options included:
   a. Comprehensive training for all employees: A regular assessment of training needs is undertaken, followed by defined training programs for all employees, including both specific training workshops as well as on-the-job training programs. This includes formal product/process training provided by the company itself or through its suppliers/partners/technical collaborators.
   b. Specific training programs/sessions only for key personnel: This refers to training provided only to key employees (manager, supervisors, etc.) through workshops, seminars and select certification courses, which are organized on an ad hoc basis. This category may include training provided to meet certain quality requirements and/or mandatory training prescribed as per government/principal regulation.
   c. Basic job-related training for employees: Only basic job-related training is provided without any specific training programs. This includes initial as well as ongoing training for the job.

4. **Performance management approach**: Businesses were asked to indicate if their firms conducted regular (semi-annual, annual, etc.) performance appraisals for its employees. The approach for performance evaluation had be indicated out of the following three options:
   a. Performance evaluation based on defined Key Performance Indicators (KPIs): Key performance indicators (KPIs) are defined for every employee and performance assessment is undertaken based on the evaluation of employee’ performance vis-à-vis these pre-defined KPIs, through the use of appraisal forms.
   b. Simple mechanism to evaluate employee performance: Performance appraisals are conducted using a simple approach (such as a commission structure may be instituted as a percentage of sales achieved at an employee or branch level, etc.).
   c. No defined approach: Performance linked decisions including salary increments, bonus payouts etc. are based on the owner’s judgment. Usually, the judgment is primarily perception-based, rather than being based on the achievement of certain pre-defined KPIs.

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8 Source: Leveraging Training Skills Development in SMEs, OECD
Businesses were also questioned whether they have defined salary grades and job bands based on seniority and performance.

5.6.1 Focus on Employee Development by SMEs

International studies have reflected that the presence of a dedicated employee or department to manage human resources is associated with a higher level of relevant knowledge and expertise in Human Resource Management (HRM) practices as well as a higher level of orientation towards human capital development.

At an overall level, Qatar’s SMEs tend to have a low focus on human capital development and largely follow an informal approach to development and implementation of HRM practices within the business.

Overall, only 46% of the SMEs have indicated presence of a dedicated employee or specialized department for human resource management (Figure 53).

A sector wise comparison reflects that a higher proportion of SMEs (67%) in the Manufacturing sector have a dedicated HR employee/department. Almost 50% of the Construction sector SMEs have also cited presence of a dedicated employee/department. A key reason for a higher focus on employee development amongst Construction SMEs is attributed to a higher reliance on human resources; wherein success of the business is based on the quality and performance of the workforce.
Figure 54 reveals that medium-sized firms are highly inclined towards dedicating resources for overseeing the human resources function in their organization; 63% of these firms have indicated presence of a dedicated human resource employee/department. Expectedly, a limited proportion of small (34%) and micro firms (6%) have been observed to have dedicated resources for the HR function.

### 5.6.2 Manpower Planning Approach

Reaffirming the limited focus of Qatar’s SMEs on formalization of human resource management (HRM) functions, study results reveal that more than half of the SMEs (55%) hire manpower on an ad-hoc basis (Figure 55). Additionally, 27% of the SMEs have reported absence of a formal process for regular manpower planning.

![Manpower Planning (by Sector)](Source: QDB - State of SMEs in Qatar, 2016)

A sectoral comparison illustrates prevalence of formal process of manpower planning in Trading and Other Services SMEs. Majority of the SMEs in Manufacturing sector (68%) have reported to hire manpower on an ad-hoc basis. Figure 56 presents analysis of the study results by the size of the company.

![Manpower Planning (by Firm Size)](Source: QDB - State of SMEs in Qatar, 2016)
Formalization of HRM practices and implementation of a formal process of regular manpower planning is observed to be highest amongst medium-sized firms; 21% of the firms have indicated a structured process for manpower planning based on a forecast of demand and supply of human resources.

The study also assessed whether SMEs have identified specific sources for recruitment of their employees. Figure 57 shows that the majority of SMEs (58%) have failed to identify any specific sources for recruitment.

A sector-wise comparison reveals that a relatively higher proportion of Service SMEs (primarily in the Creative Industries and Construction sectors) have determined recruitment sources as compared to their peer groups in the Manufacturing and Trading sectors.

5.6.3 Focus on Training and Development of Employees

Training and skill development programs impact an employee’s productivity and enhance the competitiveness of an SME. The size of the firm appears to be an important determinant in the development of the workforce, specifically in terms of labor force participation in upgrading their skills. Data across OECD countries show that SMEs participate in 50% fewer training activities than large firms.¹⁰

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¹⁰ Source: Leveraging Training Skills Development in SMEs, OECD
The study results indicate that the majority of SMEs (83%) provide regular training to their employees. However, more than half of these SMEs provide basic on-the-job training to their employees (as highlighted in Figure 58).

Trading and Manufacturing SMEs are the most focused on training and development of employees. Ninety percent of the Trading SMEs and 88% of Manufacturing SMEs are observed to provide regular training to their employees.

Analysis of the study results by the size of the company shows that medium-sized firms have the highest focus on the training and development of their employees; 82% of these firms have been observed to offer regular training to their employees.

In terms of training offered to employees, only 10% of SMEs have reported to provide comprehensive, need-based training to their employees. Furthermore, 37% of SMEs provide specific training programs only to key personnel in the organization (Figure 59).

SMEs in the Other Services sector are observed to be more focused on training and development of employees with approximately 12% of businesses reporting that they provide intensive training to their employees. In comparison, Manufacturing SMEs are observed to be the least focused on training and development with only 3% of these businesses indicating that they train their employees over and above the mandatory on-the-job training. Manufacturing SMEs have a higher focus on providing specific training only to key personnel in the organization.
The focus on training and development has a direct relationship with enterprise size (Figure 60). Study findings reveal that 17% of medium-sized firms provide comprehensive training to their employees as compared with 4% of small and none of the micro firms, respectively. A higher proportion of micro firms (64%) have reported to provide basic on the job training to their employees as compared to small (54%) and medium-sized firms (51%).

5.6.4 Performance Management Approach

Performance management is the core function of human resource management in an organization and an important factor in determining the compensation of employees. Past international studies have indicated that performance management systems in SMEs are typically informal and unstructured.

The study results reveal that approximately 92% of SMEs in Qatar evaluate and reward their employees’ performance on a regular basis (Figure 61).

Majority of the Construction SMEs (97%) regularly conduct performance appraisal of their employees, closely followed by Manufacturing (95%) and Trading SMEs (94%).

A higher proportion of medium-sized firms (93%) have indicated that they conduct regular performance appraisal as compared to small (91%) and micro firms (78%).

Figure 60: Type of Training Provided to Employees (by Firm Size)
Source: QDB - State of SMEs in Qatar, 2016

Figure 61: Do you Conduct Regular Appraisals for your Employees?
Source: QDB - State of SMEs in Qatar, 2016

11 Source: Enabling Performance Management in SMEs, SINTEF Technology and Science
As illustrated in Figure 62, approximately one-third of the SMEs follow a scientific performance appraisal system based on systematic measurement of employee performance on pre-defined KPIs. Another 54% are observed to follow a simple mechanism for rewarding employees by calculating incentives and commissions based on targets met by them. The remaining 12% of the SMEs have indicated that they do not follow a defined approach and thus, performance evaluation is subject to the owner’s/manager’s perception of employees’ performance.

A sectoral comparison shows that prevalence of a scientific approach for conducting performance appraisals is the highest amongst Others Services and Construction SMEs. Approximately 40% of these SMEs have indicated that they conduct regular appraisals based on pre-defined KPIs. The practice of following a simple performance management system is the most prevalent in the case of Trading SMEs which have a high tendency to pay out incentives to employees based on targets achieved by them (58% of Trading SMEs indicated that they follow a basic incentive-based approach to reward their employees).
The study also reveals that formalization of HRM practices increases with the size of the business (Figure 63). Twenty one percent of micro firms indicated that they follow a KPI-based performance appraisal approach versus 24% and 45% of the small and medium-sized firms respectively. As expected, a relatively higher proportion of micro firms (29%) do not follow a defined approach for performance evaluation as compared to small and medium firms.

Furthermore, the study analyzed whether SMEs have defined salary grades/job bands based on seniority and performance of the employee on the job. Analysis reveals 88% of SMEs have defined salary grades based on position and performance.

**Key Findings**

- Overall, Qatar SMEs have a low focus on human capital development and largely follow an informal approach towards implementation of HRM practices. Forty six percent of SMEs have a dedicated employee or department to manage HRM functions.

- Fifty five percent of SMEs hire manpower on an ad-hoc basis. Accordingly, 58% of SMEs failed to identify specific sources for recruitment.

- The study results indicate that the majority of SMEs (83%) provide regular training to their employees. More than half of these SMEs provide basic on-the-job training to their employees.

- Ninety percent of Trading SMEs and 88% of Manufacturing SMEs provide regular training to their employees. Additionally, a higher proportion of medium sized firms provide training to their employees as compared to small and micro sized firms.

- Although a high proportion (92%) of SMEs evaluate and reward employee performance on a regular basis, a simple evaluation process is followed with undefined KPIs.

- Overall, one third of SMEs follow a scientific appraisal system based on an employee’s performance on pre-defined KPIs. The remaining 12% do not follow a defined approach and, therefore, evaluation is subject to the manager’s perception of an employee’s performance.

- Twenty one percent of the micro sized firms indicated that they follow a KPI-based performance appraisal approach versus 24% and 45% of the small and medium-sized firms respectively.
5.7 Corporate Excellence and Quality Orientation

Corporate excellence/governance refers to a set of rules, policies, mechanisms, structures and processes structure through which the objectives of the company are set; and the means of attaining those objectives and monitoring performance are determined. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and include the rules and procedures for making decisions in corporate affairs.

Quality orientation refers to the willingness of SME businesses towards achieving excellence in all processes of their business operations by attaining globally certified quality certifications. While certain certifications are mandatory for businesses to commence commercial operations; in most cases businesses attain additional certifications to enhance their internal processes and gain a competitive advantage over their peers and competitors.

In order to ascertain the orientation of SMEs towards corporate excellence and quality standards, the current study assessed businesses on the following parameters:

1. **Type of Organizational Structure**: Businesses were asked to indicate the level of formalization of their organizational structure (whether the firm is single-person managed or it has a formal structure) with the aim to assess the efficiency of the organizational structure.

2. **Financial Reporting Mechanism**: Businesses were asked to indicate comprehensiveness of financial statements maintained by them for their business. Firms maintaining comprehensive financial statements were also quizzed if they had a process of getting their annual statements audited by a qualified external auditor.

3. **Adoption of Corporate Governance Principles**: Firms were asked to indicate if they were adhering to one or more of the following corporate governance principles:
   a. Presence of a formal Advisory Board to guide the company’s operations
   b. Presence of an independent Board of Directors/Shareholders with defined roles and responsibilities
   c. Presence of a well-defined succession plan to ensure a going concern.
   d. Presence of legal capabilities/provisions for drafting of contracts to ensure adherence to local laws and regulations
   e. Presence of a defined framework for management reporting and financial planning to monitor progress against business plans, to identify risks and to make required interventions
   f. Presence of documented policies, procedures and standards for critical processes
   g. Clear governance mechanisms to ensure transparency in business operations

4. **Orientation towards Quality Certification**: Businesses were asked to indicate whether or not their businesses were certified from local/international organizations. For businesses having certain form of certifications, the study analyzed the type of certification(s) held attained by the firms.

5.7.1 Type of Organizational Structure of SME Businesses

Reflecting on the characteristics of SMEs globally, 63% of the total survey participants have simple organization structure (Figure 64). Thirty two percent of the SMEs indicated that they have a formal organization structure with separate departments/employees for specific functions.
The overall trend is also reflected across the various sectors – majority of the businesses across sectors have a simple organization structure to manage their business operations. The level of efficiency of the organizational structure is observed to be the highest for firms in the Services and the Manufacturing sector. On the contrary, only 17% of the firms in Creative Industries and 26% in Construction have formalized their organizational structure.

As expected, the level of formalization is found to increase with enterprise size due to a higher need of formalization of business functions/departments (Figure 65).

Overall, a higher proportion (69%) of the firms either have a simple or an owner managed organization. The proportion of firms with formal organization structure is comparatively higher for medium sized enterprises as indicated by 43% of the medium sized firms.
5.7.2 Financial Reporting Mechanism

At an overall level, 97% of the study participants revealed they maintain some form of financial reporting mechanism in their organization while the remaining 3% are not observed to be maintaining any form of financial records (Figure 66).

![Figure 66: Type of Financial Statements (by Sector)](src: QDB - State of SMEs in Qatar, 2016)

The proportion of SMEs that have reported maintaining simple vs. comprehensive financial statements is almost similar (52% vs. 45% respectively). This is attributable to the vintage of these businesses – as most firms have been operational for more than 3 years.

The propensity to maintain comprehensive financial statements is highest amongst Manufacturing sector firms as reported by 60% of the firms in that sector. Firms in Creative Industries (50%) and Trading (49%) are also inclined towards maintaining proper financial reporting mechanisms. Across other sectors, the basic system of accounting is more prevalent. More than 90% of the businesses who prepare comprehensive statements get it externally audited by a professional service provider.

Analyzing this trend on the size of business, it is observed that 59% of the medium-sized firms indicated that they prepare and maintain comprehensive financial statements. This proportion is much lower for small and micro enterprises, at 35% and 22%, respectively (Figure 67).

![Figure 67: Type of Financial Statements (by Firm Size)](src: QDB - State of SMEs in Qatar, 2016)
5.7.3 Adoption of Corporate Governance Principles

The current study reveals that a large number of firms have implemented corporate governance guidelines for their business (Figure 68).

![Figure 68: Adoption of Corporate Governance Principles (Overall)](source: QDB - State of SMEs in Qatar, 2016)

The trend shown in Figure 68 is consistent with the high degree of formalization observed amongst SMEs in Qatar. A high proportion of surveyed businesses reported to have well documented policies, procedures and standards for their critical business processes and functions. On the contrary, prevalence of succession planning and family governance mechanisms were found to be comparatively low amongst the study participants.

The trend is reflected across sectors as well. Specifically, SMEs in creative industries are highly inclined towards having documented policies, procedures and standards for critical processes.

5.7.4 Orientation towards Quality Certification

At an overall level, orientation of SMEs in Qatar towards achieving quality certification(s) was found to be low, with majority (41%) of the firms reporting to have no quality certification(s) for their business operations (Figure 69). Twenty percent of the businesses have acquired basic certifications mandatory to commence commercial operations while 36% of the firms have acquired internationally recognized quality certifications, with most opting for the ISO certifications.

![Figure 69: Prevalence of Quality Certification (by Sector)](source: QDB - State of SMEs in Qatar, 2016)
The trend is reflective of SMEs in all sectors, most notably in the Construction sector wherein 44% of the businesses do not have any quality certifications for their business operations. Manufacturing firms (48%) are most inclined towards attaining additional international certifications, followed by firms in the Construction (38%) and Other Services (36%) sectors.

The uptake of quality certifications become more pronounced with the size of the company as shown in the Figure 70.

![Figure 70: Prevalence of Quality Certification (by Firm Size)](source: QDB - State of SMEs in Qatar, 2016)

A similar proportion of micro and small sized firms have no quality certification(s) for their business operations. A higher proportion of medium sized entities have basic and additional quality certifications.

**Key Findings**

- Reflecting on the characteristics of SMEs globally, 63% of the firms in Qatar have simple organization structure. Thirty two percent of the SMEs indicated that they have a formal organization structure with separate departments/employees for specific functions.

- Ninety seven percent of firms maintain a financial reporting mechanism while the remaining 3% do not maintain any financial reporting mechanism in their organization.

- Fifty two percent of SMEs maintain simple financial statements as compared to 45% of SMEs that maintain a comprehensive financial statement. Ninety percent of the firms that prepare comprehensive financial statements get it audited by an external service provider.

- Sixty percent of Manufacturing sector firms maintain comprehensive financial statements followed by Creative Industries (50%) and Trading (49%) respectively.

- The quality orientation among SMEs was found to be low with 41% of SMEs reporting to have no quality certification(s). Forty four percent of SMEs in the Construction sector lack quality certification(s).

- The uptake of quality certification(s) is more pronounced by the size of the firm. A high proportion of medium sized firms were found to have quality certification(s).
• In order to enable SMEs to become more bankable, developmental agencies should institute programs (such as Tadqeeq offered by QDB) to promote the adoption of standardized accounting policies and procedures.
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Legend: Solution-X, Solution-Y, Solution-Z
5.8 Access to Finance

Access to finance is defined as the ability of enterprises to obtain financial services. As per the definition used in the World Bank Access to Finance Survey, the primary indicators of access to finance include businesses having bank accounts and usage of banks as their primary financial institutions.

Empirical evidence has shown that financial access promotes growth for enterprises through the provision of credit to both new and existing businesses. However, World Bank states that, access to finance is a key constraint to SME growth; without finance many SMEs languish and stagnate. SMEs are less likely to be able to secure bank loans than large firms; instead, they rely on internal or “personal” funds to launch and initially run their enterprises. Fifty percent of formal SMEs don’t have access to formal credit. If micro and informal enterprises are taken into account, approximately 70% of all SMEs in emerging markets lack access to credit.

According to a research by the International Monetary Fund (IMF), the proportion of SME financing to the total bank loan portfolio in Qatar is estimated at around 0.5%. This proportion is significantly lower than the GCC average (2%) and the MENA (non-GCC) average of 15% (Figure 71).

![Figure 71: SME Loans/Total Loans (%) - MENA Countries](source: World Bank)

The Doing Business Report 2016 ranks Qatar at 133rd out of 189 countries on the Ease of Getting Credit parameter. The low ranking is largely attributed to low scores for strength of legal rights, availability of credit information and public registry coverage.

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<td>Depth of Credit Information Index (0-8)</td>
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<td>Credit Bureau Coverage (% of adults)</td>
<td>0.0</td>
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<tr>
<td>Credit Registry Coverage (% of adults)</td>
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Table 6: Qatar’s Score on Getting Credit

Source: Doing Business Report 2016, World Bank
The current study intended to assess the present level of access to finance of SMEs in on the following parameters:

1. **Source of finance for business start-up**: The study sought responses from SMEs on the key sources of finance used to access the required finance to set-up and operationalize their business.

2. **Source of finance for business expansion**: In continuation of the above mentioned parameter, businesses were asked to indicate key sources of finance used for expanding their business operations.

3. **Financing options accessed by SMEs in the last 5 years**: Businesses were asked to indicate whether or not they had accessed bank finance for their business operations. If yes, then the firms had to indicate if they accessed long-term finance or short-term working capital finance.

4. **Long term financing requirement of SMEs**: Businesses had to indicate the average value of long-term loan availed from bank(s).

5. **Key purpose for accessing bank finance**: Lastly, the study attempted to understand the key reasons for SMEs to access bank finance; whether it was used for acquiring new business assets, introducing new products/services, diversifying into new markets, investing in new technology or for meeting/managing working capital requirements.

5.8.1 **Source of finance for business start-up**

The current study reveals that there is limited availability of external financing options for starting a business in Qatar. This is reflected by the fact that 62% of the businesses used their personal funds for starting their business operations. Another 25% of the firms sourced money from friends for business establishment (Figure 72).

![Figure 72: Top 5 Sources of Finance for Business Start-up](Source: QDB - State of SMEs in Qatar, 2016)

An almost similar trend is observed amongst businesses across all sectors with majority of the businesses highlighting that they had deployed either personal funds or funds from a friend/relative to establish their business operations.

In terms of variations across enterprise size classes, 69% of small enterprises and 52% of medium enterprises indicated personal money/savings or loan from a friend/relative as their primary source of start-up finance.
5.8.2 Source of finance for business expansion

As businesses establish themselves, the reliance on personal funds of the promoter becomes less pronounced, as depicted in the (Figure 73).

For business expansion, the majority (48%) of SMEs have indicated that they reinvest business profits to fund their expansion and growth plans. A similar proportion (47%) has also indicated the usage of promoters’ funds for business expansion activities. The preference to use a bank facility tends to remain low even for business expansion as only 27% of the surveyed businesses have accessed bank finance for business expansion activities. Key products used from banks are term loans, working capital, trade financing, bank guarantee and discounting facilities.

From a sectoral perspective, reinvestment of business profits and usage of promoter’s funds have been highlighted as the key sources of finance for business expansion. Specifically, a higher proportion of firms in the Manufacturing sector (57%) have indicated these options. Usage of bank facility for business expansion was found to be the highest amongst firms in the Creative Industries sector (39%).

The propensity of firms to avail bank finance for business expansion is higher for medium sized firms as indicated by 27% of the businesses. For micro and small sized businesses, reinvestment of business profits and usage of promoter’s funds is the primary source for finance for business expansion.

5.8.3 Financing options accessed by SMEs in the last 5 years

Reiterating the limited preference of businesses to avail bank finance, Figure 74 depicts that across various sectors majority of the businesses have not availed any bank facility for their business operations in the last 5 years.
A higher proportion of SMEs in the Manufacturing, Other Services and Trading sectors have accessed short-term financing, primarily to manage working capital requirements of their business operations. On the contrary, 18% of the Construction sector SMEs have availed longer term loans from banks; for capital expansion/investment in their business.

By firm size, both small and medium sized firms are more inclined towards availing short term financing from banks. The proportion of medium sized firms that have availed long term finance is higher than the corresponding proportion of small sized entities.

### 5.8.4 Long term Financing Requirement of SMEs
For businesses that have availed long term financing from banks, the average value of loan ranges between QAR 1mn to 10mn; with 29% of the firms availing loans between QAR 1mn to 5mn and 24% availing loans between 5mn to 10mn. Five percent of the firms have availed loans of more than QAR 10mn while 7% have availed loans of less than QAR 1mn as shown in Figure 75. Thirty five percent of the firms chose not to divulge the financial details of their bank transactions.
Long term financing options of higher value (i.e. more than QAR 5mn) have been accessed by a higher proportion of SMEs in the Construction sector.

Trend across firms by size of business is reflective of the overall trend, with majority of the businesses across all sectors opting for loans with an average value of less than QAR 5mn. Compared with micro and small sized firms, a higher proportion of medium sized companies have availed long term loans of QAR 5mn and above.

5.8.5 Key purpose for Accessing Bank Finance

For firms who have availed bank financing, the primary reason has been to procure working capital for financing business operations, as cited by 34% of the businesses that have availed bank financing in the last 5 years (Figure 76).

Thirty one percent of the businesses have also highlighted the need to acquire business assets to expand current business operations as the key reason for accessing bank financing.

Twenty one percent of the SMEs have availed bank financing to invest in new technology; a probable investment to increase the business efficiency or product quality thereby gaining a competitive advantage in the market.

A relatively lower proportion of SMEs have availed bank financing to introduce new products and diversify into new markets.

Figure 76: Key Purposes for Accessing Finance in the Last 5 Years

Source: QDB - State of SMEs in Qatar, 2016

Use of bank finance as working capital for running business operations is the most pronounced in the case of the Creative Industries sector, while the use of bank finance to acquire new business assets and expand capacity is the most pronounced in the case of SMEs in Construction sector.
Key Findings

- There is limited availability of external financing facilities for establishing a business as 62% of the promoters use their personal funds to start their businesses. Twenty five percent of the firms’ promoters have sourced finance from their friends and 24% resorted to loans from banks.

- For business expansion, 48% of SMEs indicate that they reinvest business profits to fund their expansion and growth plans. Forty seven percent has also indicated the usage of promoters’ funds for business expansion activities.

- The preference to use a bank facility tends to remain low even for business expansion as only 27% of the surveyed businesses have accessed bank finance for business expansion activities.

- The study reveals that majority of the firms have not availed of any bank facilities in the last five years.

- For firms that have accessed financing facilities from banks, the average value of loan ranges between QAR 1mn to 10mn. Only 5% of the firms have availed loans of more than QAR 10mn while 7% have availed loans of less than QAR 1mn.

- The key reasons for availing bank finance in the last 5 years have been to procure working capital for financing business operations and to acquire business assets to expand current business operations.

- With the proportion of SME financing to the total bank loan portfolio in Qatar estimated to be approximately 0.5%, a higher impetus is needed to reduce the gap in financing and to enable SMEs to access bank finance for business start-up and business expansion requirements. A credit guarantee program such as Al Dhameen (by QDB) is a step in the right direction.
in Qatar 2016
5.9 Sustainability of SMEs

The term 'scalability' refers to the ability of a business to grow or expand its operations by maintaining or improving profit margins.

The current study assessed the scalability potential of Qatar’s SMEs on the basis of the following three key indicators. Businesses were asked to indicate the following:

1. Current capacity utilization of business assets and resources (including human resources).
2. Share of operating fixed cost/overheads as a proportion of total business costs.
3. Perception of annual growth in demand for the products/services in the market, over the next 2 to 3 years.

5.9.1 Capacity Utilization

Capacity utilization is a measure of productivity; the extent to which the productive assets of a business are being used to achieve the desired output. As the average production costs tend to fall as output rises, higher utilization can lead to a reduced unit cost, making a business more competitive.

Overall, 41% of SMEs have a capacity utilization of more than 75% indicating high asset utilization (Figure 77). Amongst all the sectors, capacity utilization is the highest amongst Manufacturing SMEs, wherein 57% of the firms have capacity utilization of more than 75%. Twenty three percent of SMEs have asset utilization in the range of 50% to 75% and this proportion is observed to be the highest in the case of Other Services SMEs (26%).

![Figure 77: Capacity Utilization (by Sector)](Source: QDB - State of SMEs in Qatar, 2016)

Analysis of the study results by size of the company highlights that capacity utilization is the highest in medium-sized firms with 74% of these businesses indicating a capacity utilization of more than 50%. The corresponding proportions for micro and small firms are 73% and 52%, respectively (Figure 78).
5.9.2 Share of Fixed Costs in Total Costs

Majority of SMEs (55%) highlighted that the share of fixed cost or overheads as a proportion of their total cost varies between 10% and 25%, while approximately one-fourth of the SMEs indicated this proportion to be in the range of 25% to 50%.

A sector-wise comparison shows that Manufacturing SMEs have the highest fixed cost structure; 36% of the firms have greater than 25% of the total costs as fixed costs (Figure 79).

Due to the nature of their business, SMEs in the Trading and Creative Industries sectors tend to have a low fixed cost structure; with 77% and 75% of firms respectively indicating the share of fixed cost overheads as a proportion of their total cost less than 25%.
From an enterprise size perspective, 28% of medium and 23% of small firms have more than 25% of the total business costs as fixed costs or overheads (Figure 80).

### 5.9.3 Market Growth Expectations in the Short to Medium Term

The study also assessed the expectations of SMEs regarding their business growth in the short to medium term (next 3 to 5 years).

Overall business optimism is found to be high amongst SMEs in Qatar with 30% of the study participants expecting their business to grow annually by 10% or more in the next 3 to 5 years. Another 21% of the firms anticipate a 5% to 10% growth in their business operations. One-third of the SMEs do not expect any change in their business growth, while 5% anticipate a decline in demand for their products/services over the next 3 to 5 years. The decline in demand is attributed to decreasing oil prices and rising competition in the country.
From a sectoral point of view, Manufacturing SMEs have the most optimistic outlook with 38% of these firms expecting high growth (more than 10%) and another 24% indicating medium growth potential in the range of 5% to 10%.

While 56% of the Construction SMEs expect stability in demand for their services, another 23% anticipate high growth of more than 10% in the short to medium term.

In terms of enterprise size, medium firms are most optimistic about their business growth; 42% of these firms expect high growth potential of more than 10% as compared to 20% of small firms and 11% of micro firms (Figure 82).

A similar proportion of SMEs across all enterprise sizes anticipate a decline in the demand for their products/services (5%). Furthermore, 50% of micro firms are more inclined towards maintaining stability in their sales volume; the corresponding proportions for small and medium-sized firms are 37% and 24% respectively.

**Key Findings**

- Overall, 41% of the SMEs have capacity utilization of more than 75% indicating high asset utilization; with SMEs in the Manufacturing sector having the highest asset utilization compared with others.

- Capacity utilization is the highest in the case of medium-sized firms with 74% of these businesses indicating a capacity utilization of more than 50%.

- Majority of the SMEs (55%) highlighted that the share of fixed cost or overheads as a proportion of their total cost varies between 10% and 25%, while approximately one-fourth of the SMEs indicated this proportion to be in the range of 25% to 50%.

- Overall business optimism is found to be high amongst SMEs in Qatar with 30% of the firms expecting their business to grow annually by 10% or more in the next 3 to 5 years.

- Manufacturing SMEs have the most optimistic outlook whereas Construction sector SMEs expect stability in the demand for their services.

- Medium sized firms are most optimistic about their business growth; 42% of these firms have high growth expectations of more than 10%.
6. SME Business Outlook and Key Business Objectives
6. SME BUSINESS OUTLOOK AND KEY BUSINESS OBJECTIVES

6.1 SME Business Outlook

The D&B Business Optimism Index is a quarterly survey of business expectations. The survey sample is a microcosmic representation of Qatar’s business community. The survey participants are asked if they expect an increase, decrease or no change regarding the following parameters: Volume of Sales, Net Profits, Level of Selling Prices, New Orders received, Level of Stock, and Number of Employees. The individual indices for each of the above parameters are then calculated by subtracting the percentage of respondents expecting decrease from those expecting an increase. Additional poll questions are asked relating to the current economic scenario and are aimed at gauging the business sentiments with regards to several key current issues.

Figure 83: SMEs Quarterly Outlook
Source: D&B Business Optimism Index

Compared with 2015, the optimism of Qatar’s SMEs has lowered in the first quarter of 2016, as all parameters in the survey reflected a downward trend. This downward trend if attributed to multiple reasons such as the decline in oil prices, unstable political environment in the region and lack of new projects in the local and regional markets. Despite the downtrend, majority of the SMEs anticipate an increase in volumes on the back of rising demand in the coming quarter(s), stemming from new projects from the private and government sectors and more number of customers.
As depicted in Figure 84, competition was the foremost hurdle faced by SMEs in 2015 and Q1, 2016; cited by 24% of SMEs in Q4, 2015 and 11% of the SMEs in Q1, 2016. Other key concerns cited by SMEs were delays in payments/receivables, issues related to government fees/regulations and more recently, the impact of oil prices. However, a significant proportion of SMEs in each quarter said that they did not anticipate any hurdles to their business operations.

### 6.2 Key Business Objectives for SMEs

The current study was also conducted with the intent of analyzing the key business objectives of SMEs in Qatar. Accordingly, businesses were asked to list strategic focus areas of their business over the medium to long term (3-5 years). The options were listed as: improve efficiency in existing business operations, expand into new regional MENA markets, increase revenues from existing products and services in the existing markets, expand into new international markets, introduce new products and services, expand the capacity of existing businesses and diversify into a new business.

The study findings highlight that major proportion of SMEs are aiming to reduce their operational costs and increase their revenues, thereby increasing the overall profitability of their business in the medium to long term. This is evident by the key strategic objectives for Qatar based SMEs as depicted in Figure 85.
1. **Improve efficiency in existing business operations:** Improving efficiency in current business operations is the top most business objective, with 46% of businesses highlighting it as their primary objective. SMEs in Qatar aim to achieve this objective by adopting new technology (hardware and software) and by implementing measures to optimize current operational costs of their business.

2. **Expand into new regional MENA markets:** With an aim to increase their international footprint, 28% of the SMEs in Qatar have a goal of expanding their business in regional markets. Majority of these SMEs plan to first expand into the neighboring GCC countries and later venture into the wider MENA region.

3. **Introduce new products and services:** Nineteen percent of the SME businesses have expressed a desire to innovate and introduce new products to cater to the local and international demand.

4. **Expand into new international markets:** Seventeen percent of the SME businesses are planning to explore international (outside MENA) markets for their business expansion as majority of these firms already have established businesses in the MENA region.

5. **Start new business:** A minor proportion (4%) of SMEs is also assessing the viability to establish new business in the medium to long term. These firms aim to diversify their current business interests by venturing into different product or service offering/new market(s). Additionally, 4% of surveyed SMEs have not defined any strategic objectives for their business in the medium to long term.
REFERENCES


11. The State of Small and Medium Enterprises (SMEs) in Dubai (2013) Dubai SME.
ABOUT QATAR DEVELOPMENT BANK

Qatar Development Bank (QDB) is a fully owned government developmental and financial entity set up by an Emiri Decree in 1997 to invest in and develop local industries by supporting SMEs in Qatar. In line with Qatar’s National Vision 2030, QDB aims to facilitate the development and growth of SME’s that will result in long-term socio-economic benefits.

For more information, please visit www.qdb.qa