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SEPTEMBER 2022

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Small business digital inclusion landscape

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EXECUTIVE SUMMARY

SMB digital inclusion is an historic opportunity for the GCC

Small and medium businesses (SMBs) across the world are experiencing the benefits of a broad-based digitization of business and the global boom in e-commerce to reach more customers, access new markets, and scale sales and exports. This has been accelerated by the unprecedented disruption caused by the COVID-19 pandemic, underlining the urgency for agility, adaptability, and transformation. According to the World Economic Forum's Platform on Digital Economy and New Value Creation, industry structures and business models are being disrupted with an estimated 70% of new value created in the global economy over the next decade will be based on digitally enabled platform business models.¹

Governments in the six countries of the Gulf Cooperation Council (GCC) too have zeroed in on this opportunity by developing national digital strategies and matching them with practical activities that promote SMB digitization, e-commerce, and access to finance and markets. These initiatives have the potential to translate into a more robust role for the private sector and SMBs while also enhancing the region's economic productivity and income growth. These strategies highlight the potential of disruptive technologies such as 5G connectivity, cloud computing, artificial intelligence (AI), blockchain, and the Internet of Things to create new efficiencies in public services and enable more digitized and knowledge-intensive firms. Some of the region's countries explicitly promote SMB development and digitization in these national strategies.

This paper is intended to serve as a foundation and catalyst for dialogue across stakeholders on how to advance SMB digital inclusion to foster their growth (from micro to small; small to medium), help them thrive, and make them more effective participants in the emerging business ecosystem. Stakeholders across the GCC have a role to play in scalable capacity-building, especially at a time when the world's gaze focuses on the region to watch, follow, and participate in a major sporting event in 2022. Games such as FIFA World Cup Qatar 2022™ not only mobilize athletes, coaches, and fans from around the world, but also bring new commerce opportunities to the region, offering GCC stakeholders – in both the public and private sectors – a powerful convening platform to raise awareness, advocate for the next level of digital inclusion for the region's SMBs, and leave a positive legacy.

Drivers, patterns, effects, and amplifiers of SMB digital inclusion

Data and empirical analysis are the starting points in taking stock of SMB digital inclusion and further developing a roadmap for their evolution. This report leverages new data from the **2021 GCC Small Business Digital Inclusion Survey** commissioned by Visa and conducted by Nextrade Group covering 700 GCC SMBs to gauge how they are using digital platforms, payments, and services, and the challenges they face in translating their digitization into new market access and sales. The report also reviews the ongoing work by regional governments and private sector stakeholders to promote SMB digital inclusion.

Unless specified otherwise, all figures in this report are based on the 2021 GCC Small Business Digital Inclusion Survey (Annexure 3)

KEY FINDINGS: 2021 GCC Small Business Digital Inclusion Survey



SMBs in the GCC are well-acquainted with digital tools and technologies. Digital payments, e-commerce marketplaces, as well as digital invoicing and CRM systems enable them to digitize, scale, and streamline their transactions with customers. This helps them reach customers and suppliers in new markets. In the past two years, GCC SMBs have set out on their journey to diversify digital channels and services, creating omnichannel business models that accommodate diverse customer needs. SMBs are also using sales and operations data to continually enhance customer service, manage cash flow, and reduce operating costs.



A majority of GCC SMBs surveyed have scored notable gains from digitization. These include the acquisition of new customers and enhanced revenues and profitability. Many have improved cash flow and developed new products and services. The communities and economies have benefited as SMBs have hired new staff and contracted more logistics, IT, financial, and other services. These gains are expected to multiply as SMBs translate their adoption of digital payments and online marketplaces into export opportunities.



As GCC SMBs continue to be keen on expanding their online presence and accelerating their digital journeys, they report needing more knowledge and expertise in bolstering their digital capabilities, enhancing their presence on regional and global marketplaces, and gaining access to working capital to fulfill orders. A need for stronger cybersecurity capabilities is also a pressing concern.



Chambers of commerce, banks, and marketplaces in the GCC are already putting initiatives in place to meet SMBs' needs. Governments in the region have adopted policies and regulations conducive to doing digital business, such as electronic transactions and e-payments laws, fintech strategies and sandboxes, and national e-commerce roadmaps.



GCC governments can further accelerate SMB digitization through scalable digital skills development, financing of digital transformation, promoting SMBs' use of fintechs for their payments and short-term working capital, and ensuring that SMBs can access as well as deploy digital data. Governments and businesses such as banks, logistics providers, and marketplaces must further work together to implement interoperability initiatives that pave a path towards seamless digital ecosystems for SMBs.



Regional governments can also leverage public-private partnerships to support SMBs' digital skills and capabilities, learn from global best practice in building digital economies, and deepen regional digital integration with each other in order to enable SMBs to transact in neighboring markets.

RECOMMENDATIONS

From the research and survey findings have emerged the following seven recommendations for GCC countries to accelerate their SMBs' digital and growth journeys. These recommendations are aimed at the public and private sector alike.

1. Provide SMBs with digital skills training to use e-commerce and digital payments
2. Enhance SMBs' access to working capital, leveraging fintechs
3. Provide SMBs with guidance and growth capital for digital transformation
4. Provide SMBs with cybersecurity capabilities and technologies
5. Ensure SMBs can access and leverage data
6. Ensure interoperability among digital services used by SMBs
7. Promote digital integration within the GCC region

The GCC economies have an historic opportunity to advance their aspirations for private sector development and broad-based prosperity through the promotion of SMB digital inclusion. Never before have there been so many digital tools, channels, and markets, and never before have GCC SMBs across segments been as digitized or as attuned to digital market opportunities. Now the task for the region's public and private sectors is to build on this success together, especially to ensure SMBs continue their digital journeys and take advantage of emerging technologies, and that digitization is inclusive and translates into broad-based gains.

Read on for insight into global and regional trends in SMB digital inclusion and the gains that businesses as well as economies can make from digitization.

CONTENTS

Section 1

GLOBAL TRENDS

- Global trends in SMB digital inclusion 08
- Top 10 gains for SMBs from digitization 09
- Economic gains from national digital transformation 11
- Importance of an enabling environment for SMB digital inclusion 12

Section 2

GCC FINDINGS

- State of SMB digital inclusion in the GCC 16
- How digital are GCC SMBs? 20
- How do GCC SMBs gain from digitization? 25
- What do GCC SMBs need to accelerate digitization? 28

Section 3

RECOMMENDATIONS

- Accelerating SMB digital inclusion in the GCC 32

Section 4

COUNTRY PROFILES

- Bahrain 36
- Kuwait 42
- Oman 48
- Qatar 54
- Saudi Arabia 60
- United Arab Emirates 66

ANNEXURE 1

Definitions of the digital economy variables 72

ANNEXURE 2

Recent studies on SMB digitization in the GCC and MENA regions 75

ANNEXURE 3

2021 GCC Small Business Digital Inclusion Survey:
Sample and methodology 76

REFERENCES 78

1

GLOBAL TRENDS

Global trends in SMB
digital inclusion

Top 10 gains for SMBs
from digitization

Economic gains
from national digital
transformation

Importance of an enabling
environment for SMB
digital inclusion

Global trends in SMB digital inclusion

As the COVID-19 pandemic pushed consumers and business buyers online, SMBs around the world accelerated their digital transformation. They incorporated digital payments, platforms, and online marketplaces into their business models to streamline and scale interactions and transactions with customers.

A survey conducted for this paper (Annexure 3), in conjunction with other global surveys,² provides insight into the dynamics of this digital transformation. Some key trends are as follows:

- Globally, SMBs have accelerated the use of digital payments by using established international payment providers and emerging payment technologies such as contactless payments and push payments via QR codes. SMBs have a greater selection of payment capabilities and workarounds to choose from than ever before – some regions such as Southeast Asia have experienced an explosive proliferation of digital payment tools and the so-called super-apps that bring together payments capabilities with various digital services for firms and consumers. The global move to digital payments is catalytic: digital payments are often SMBs' first step into the digital economy and pave the way for the development of further digital capabilities.
- SMBs are rapidly expanding their use of local, regional, and global online marketplaces that make them visible to hundreds of millions of consumers and business buyers around the world. This process is facilitated by the proliferation and diversification of online marketplaces, international payment systems, and the SMBs' capability of managing online stores across multiple marketplaces. Some SMBs also use more sophisticated omnichannel capabilities such as virtual fitting rooms and immersive approaches that deploy augmented reality technologies to improve the customer's experience and purchase journey.
- SMBs around the world are increasingly enhancing their direct-to-consumer capabilities, thereby blending B2B and B2C markets. In 2022, some 100 million Americans alone are expected to use direct-to-consumer channels to buy goods and services.³
- SMBs that sell online are tapping into data on customers, platforms, and transactions to gain new insights and predictions about customer preferences and needs, campaigns and promotions, promising product categories, and operational redundancies.
- Digitization of payments, sales, marketing capabilities, and customer interaction are attracting increasing attention. Estimates show that over 70% of SMBs across developing nations prioritize digital marketing and e-commerce capabilities as their top investments in 2021.⁴ Some 52% of companies intend to defer investments because of COVID-19, but fewer than 10% will cut spending in their planned digital transformation projects.⁵

>70%

of SMBs in developing nations prioritized digital marketing and e-commerce capabilities as 2021's top investments

SMBs across the world are accessing international payment networks, online marketplaces, and online services platforms. They have more options and providers to choose from than their peers from a decade ago. Today's networks and platforms are globalized and scaled, bringing together billions of users as potential customers for new entrants – this has become an important inflexion point for businesses.

Top 10 gains for SMBs from digitization

The payoff from digitization of SMBs has encompassed multiple aspects, from increased transactions and market access for companies to more trade and employment for economies.

1. Digitization of payments and e-commerce is more likely to result in acquisition of new customers, access to new markets, and diversification of exports.

SMBs' use of online stores and global online marketplaces is associated with higher export participation rates and diversification of export markets. Trade is a long-tail business where a few large firms account for most of a country's exports and imports, with small businesses contributing very little. The advent of online payments and e-commerce has changed this: research by Nextrade Group involving more than 50,000 SMBs around the developing world, including Latin America, Asia, and Africa, shows that companies that sell online are typically two to three times more likely to export, and tend to sell to multiple markets than companies that do not sell online. In one study based on transaction data, 96% of SMB sellers on global online marketplaces exported and 90% exported to more than 10 markets.⁶

2. SMBs that use digital services tend to have lower trade costs.

E-commerce enables SMBs to access new markets by improving geographic visibility, trust, and trade between buyers and sellers located far apart.⁷ By streamlining trade-related services such as international payments, trade finance, logistics, and trade compliance, digitization reduces trade costs – the expenses of moving goods or services from seller to buyer. For example, digitization of trade compliance and processes in Asia Pacific, a highly integrated region, is expected to result in savings of up to 26%.⁸

3. SMBs that buy online get access to a wider variety of products and services, which often enhances their competitiveness and productivity.

Empirically, firms that make purchases online are more likely to import than are comparable firms that do not purchase online. E-commerce has expanded and globalized the pool of suppliers available to SMBs. Digitization and cloud computing are also enabling SMBs to identify and hire best-fit, specialized digital service providers from outside the company, or even the country, and to use these services to enhance productivity and differentiate them from competitors.⁹ E-commerce is perhaps particularly useful for businesses and consumers in remote and rural areas, as it helps them access the same varieties of goods that are available to their urban peers.¹⁰

4. SMBs that digitize customer interaction and delivery services improve customer experience¹¹.

SMBs that remove frictions in a customer's purchase journeys and deliver hyper-personalized experiences gain new customers and revenues. For example, in Southeast Asia, the ride hailing and delivery app Grab and Indonesian platform Gojek have resulted in increased transactions and revenues for practically all firms offering digital ordering and delivery via them.¹² Grab's micro entrepreneurs have increased sales by 25% on average.¹³

5. SMB digitization appears to expand the gains from e-government and e-procurement systems.

As e-procurement systems gain ground, digitized SMBs are much better placed to use e-government services and compete for government contracts. E-procurement helps streamline and simplify arcane government procurement processes, enabling SMBs to compete for contracts on a more level playing field against larger companies. Research shows that e-procurement is more effective than quotas in enabling SMBs to compete for and win government contracts.¹⁴

6. Digital tools tend to enable SMBs to gain valuable external information, skills, talent, and confidence in their abilities.

Since much of the relevant knowledge available to SMBs is acquired externally, technology facilitates the gathering of big data and information. In a recent study of SMBs in emerging markets and the United States, over 50% of nascent digitizers highlighted "very significant" increases in confidence in themselves and in their ability to compete as the main benefit of using digital technologies and platforms. For mature digitizers, the significant gains were around business KPIs, such as the ability to track cash flow, access financing, and find quality suppliers.¹⁵

7. Digitization tends to enable SMBs to access finance, a major growth driver.

Fintechs, super-apps, digital banks, and crowdfunding platforms facilitate access to microloans and growth capital. Studies across such markets as the United States, China, and France show that fintechs have provided financing for unbanked, remote, and rural firms that do not have banks in their regions, as well as for innovative firms with little collateral.¹⁶ SMBs' use of digital tools for invoicing and paying also increase financial visibility, which helps lenders make better financing appraisals. Research shows that e-invoicing systems have helped SMBs save time and costs compared to paper-based systems. Digital receivables can also be deployed as collateral to access finance.¹⁷

8. Omnichannel business models and digitization of customer interaction can enhance resilience against demand shocks.

Surveys show that during the pandemic firms with e-commerce, online payment, and remote order processing capabilities fared better than firms that were in the fledgling phases of digital transformation. Some 39% of micro and small sellers with remote order processing capabilities had positive growth in 2020, as opposed to 29% of their peers without these capabilities.¹⁸

9. SMBs that use digital technologies and the internet intensively appear to grow faster.

Given the impact of digitization on SMBs' access to markets, trade, talent, and finance, it is not surprising that highly digitized SMBs grow faster than their nondigital peers.¹⁹ The World Bank found that Vietnamese online sellers, for example, have 50% higher labor productivity growth and 75% higher overall productivity growth than Vietnamese companies that use the internet but do not sell online, all other things being equal.²⁰

10. SMBs that use diverse, complementary digital technologies tend to outperform their peers.

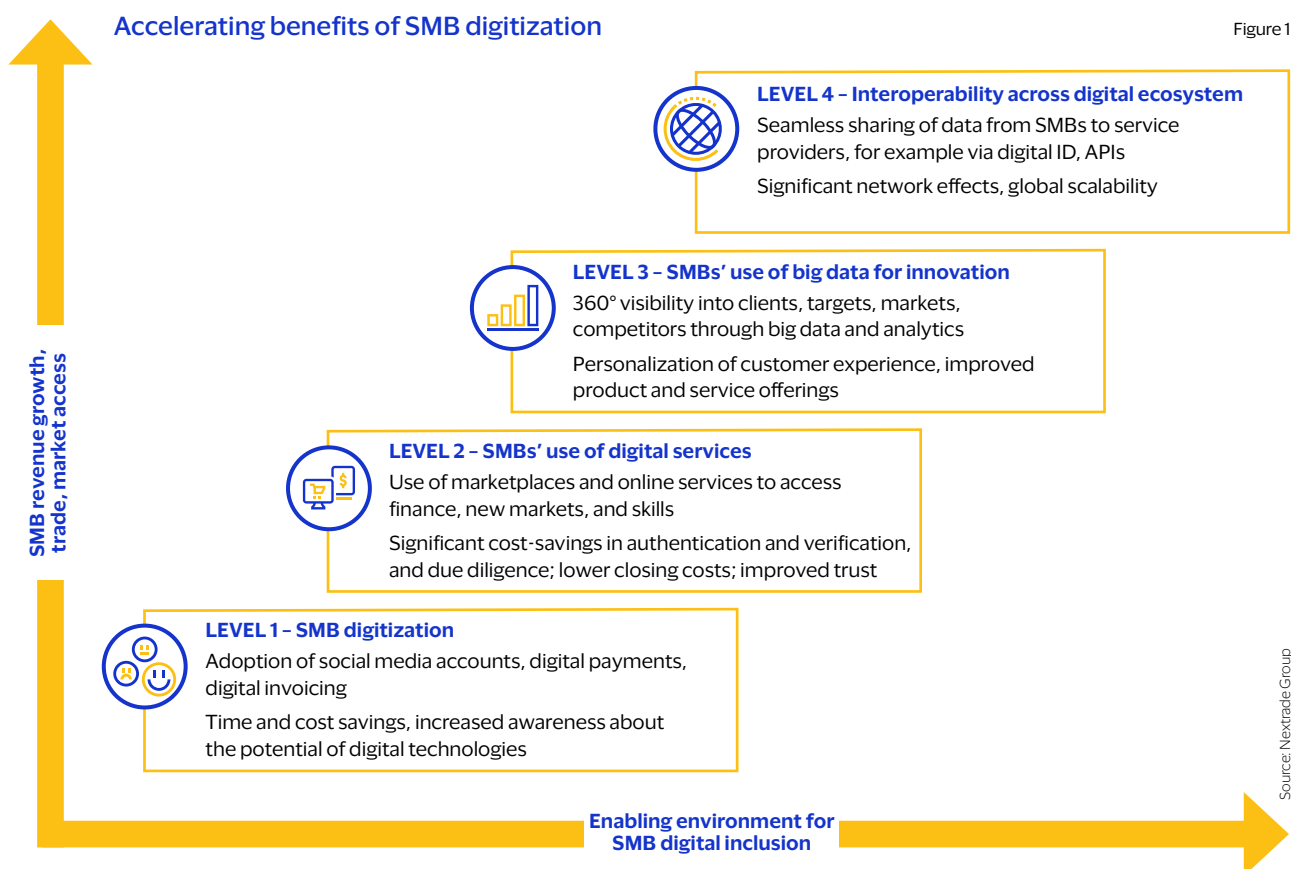
There is no single "magic wand" technology for SMBs to grow; rather, there are powerful complementarities in digital technologies. For example, the most successful online sellers have not only digitized their sales and marketing capabilities, but also use bundles of complementary digital services and technologies such as customer relationship management platforms and inventory management software.²¹ The payoffs from this are significant: in the United States, Deloitte found that digitized businesses are three times more likely to experience revenue growth than less digitized firms.²²

Economic gains from national digital transformation

Empirical evidence strongly suggests that digitization enables SMBs to access new markets, skills, and finance, and enhance sales, resilience, innovation, and growth. Correspondingly, broad-based SMB digitization on a national scale generates particularly strong gains for economies. Digital inclusion of SMBs has the potential to achieve multiple wins for an economy:

- **Promote countries' product and market diversification and business survival rates**, especially in the context of e-commerce use. Several studies show that the rise in internet and broadband use increases countries' trade in goods and services, trade-to-GDP ratio, and range of products traded.²³
- **Enable regional trade and integration**. Since e-commerce encourages SMBs to differentiate, it can help catalyze intra-industry trade even among countries with similar endowments – or trade in differentiated products in the same product categories.
- **Enable productivity gains**. Countries with broad-based access to internet, online payments, online banking, and other digital technologies also trade more and are more productive than countries where digitization is focused on a few digital superstar companies.²⁴ Digital inclusion also enables network gains in economies – and incentivizes the outlier firms to digitize.
- **Accelerate network gains for economies**. The costs of remaining outside the digital economy rise as customers and competitors digitize. The payoffs for digital services are also much higher when they can scale across multiple companies instead of a few.

These broader economic gains materialize in waves as SMB digital inclusion advances and digital ecosystems grow more robust. For example, in the early phases, gains come from initial digitization of SMBs' transactions and operations, followed by gains stemming from SMBs' access to digital services and online marketplaces, and again from SMBs' use of data to improve their services and products, and improved interoperability with other players (Figure 1).



Importance of an enabling environment for SMB digital inclusion

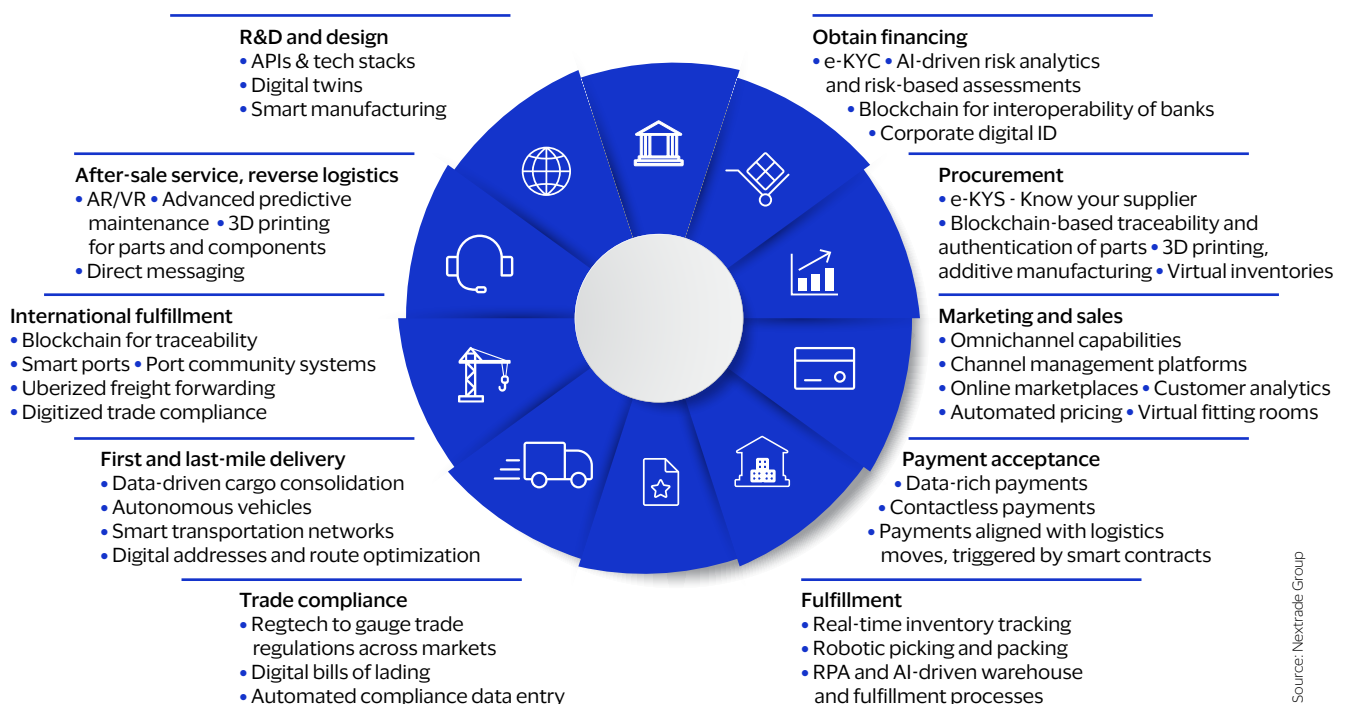
SMBs worldwide prioritize digitization as a means of reaching new customers and markets while transacting securely and at scale. At the same time, an SMB's ability to implement digital transformation is more robust in countries that have also digitized their economies and created enabling environments for SMB digital inclusion.

SMB digitization is, in fact, inherently connected to countries' national digital journeys. Countries that have progressed further down the road in digitizing their economies and cultivating digital ecosystems are also best placed to promote SMB digital transformation and inclusion. Examples of the success drivers that enable and incentivize SMBs to digitize are:

- **Digitization of SMBs' customers:** SMB digitization requires broad-based use of digital payments and a level of digital literacy among customers. The COVID-19 pandemic showed vividly how SMBs' incentives to digitize rise with the digitization of their customers. As shoppers migrated online and demanded access to remote ordering capabilities and contactless payments, SMBs increasingly adopted these tools.
- **Policies that enable digital transactions:** These include e-payment, e-signature, and e-transactions laws, e-invoicing systems, e-government services and e-procurement, and, in some countries, digital identities for individuals and businesses. Many governments have already adopted these policies.
- **Policies that enable SMBs to trust and be trusted online with digital data:** Policies that regulate firms and consumers' behavior online – such as data privacy, online copyright, and consumer protection laws – can incentivize SMBs to digitize and use online stores and online marketplaces, for example. Digital identity solutions, cybersecurity capabilities, and online dispute resolution systems promote buyers' and sellers' trust in online transactions, the bedrock of digital inclusion.²⁵
- **Sophisticated and interoperable digital ecosystems:** SMBs' ability to digitize improves with the robustness of the digital ecosystems in which they operate. The ideal digital ecosystem would enable SMBs to digitally complete each step in their sales cycles (Figure 2). To accomplish this, governments have been supporting e-payment providers, fintechs, logtechs, and other service providers that disrupt traditional business models in large economic sectors.

Figure 2 Digital ecosystem services across SMB sales cycles

Figure 2



Source: Nextrade Group



- **National focus on digital inclusion:** Most economies still display significant digital disparities – between small and large firms, rural and urban firms, companies led by women and men, and IT and non-IT firms. The advance of digitization itself can amplify economic disparities if some segments are excluded, due to poor internet connectivity or limited access to devices, for example, or simply because digital “superstar” companies have greater resources and capabilities to build on past gains. These further highlight the importance for governments to focus on the “flat tail” of firms that are in the first stages of their digital transformation. Digital inclusion is about ensuring every SMB has a chance to access and leverage digital tools and technologies to grow the business.

In addition to these success drivers for SMBs to digitize, work is required both by SMBs and governments to translate digitization into growth. For example:

- At the firm-level, research suggests that digitization is most impactful when combined with business model innovation.²⁶ Effective change management could often be one of the main challenges to digitization of a firm. A recent survey of Saudi Arabian SMBs found that innovation practices adopted by digitizing SMBs had a positive impact on performance and the likelihood of business survival.²⁷
- At the ecosystem level, interoperability is critical to avert the development of “digital islands” or “digital walled gardens” of services that do not enable their users to easily transact beyond their microsystems, thereby limiting economies of scale. Open APIs, blockchain, and digital identity solutions support interoperability among the various digital service providers – which in turn enables SMBs to scale as well as to innovate. Instead of constructing an entire value chain or negotiating connections one-by-one, SMBs can focus on one link in the chain, and plug into existing APIs or blockchain to join an ecosystem where they can access data and information with all other stakeholders, accelerate and streamline their workflows, and complete transactions and payments.²⁸

67%

reduction in Visa's systemwide global fraud rate over 2 decades even with more than 1,000% increase in transaction volume.

Advanced AI, predictive analytics, and real-time scoring are powerful tools to combat cybercrime.

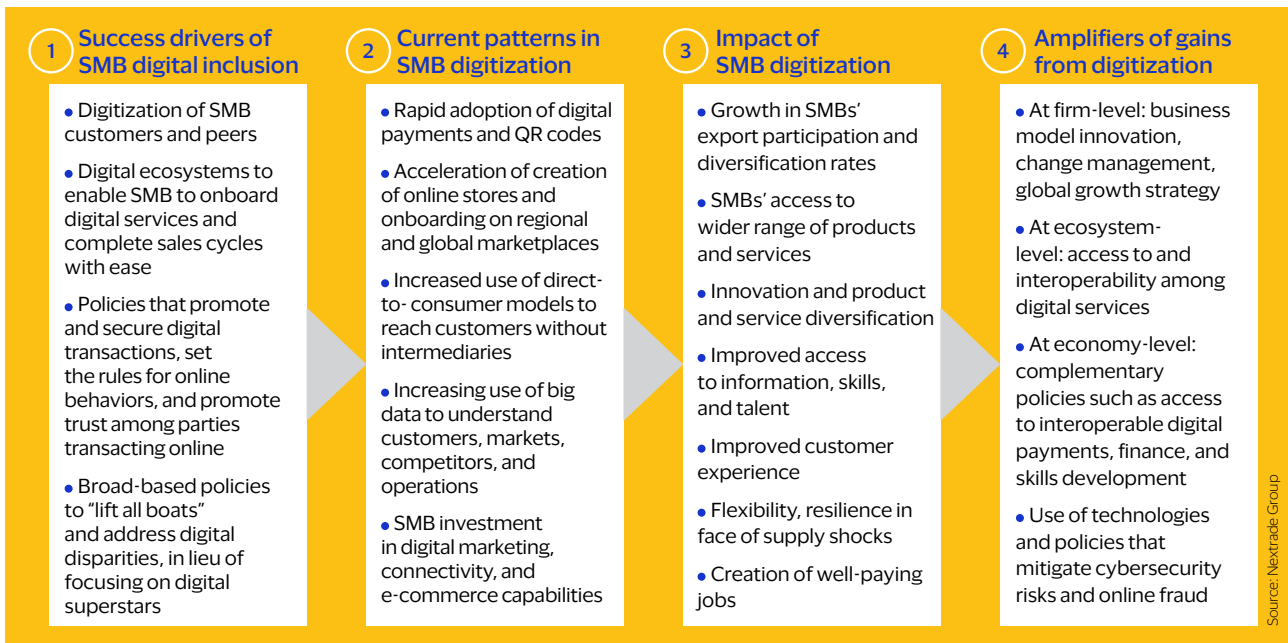
- At economy level, governments need to adopt complementary policies that enable firms to translate technologies into trade and productivity gains, such as expanding access to finance, promoting entrepreneurship, and facilitating trade. As SMBs progress on their digital journeys, there is a critical need for financing. Paradoxically, SMEs that are highly technology intensive and asset light tend to struggle to cover collateral requirements.
- SMB digitization, once it gets under way, also needs to be coupled with risk management by SMBs and governments. One significant risk is cybersecurity – whose failure can erase the gains of digitization. All economies are subject to these challenges: for example, the U.S. Federal Bureau of Investigation has had a fourfold increase in cybersecurity complaints since the start of the COVID-19 pandemic, aligned with the surge in digitization.²⁹ Another risk is online fraud – in a recent survey of developing countries, 61% of respondents at banks, fintechs, and merchants agreed that new payment technologies make them more vulnerable to fraud.³⁰

At the same time, technology and data analysis offer powerful responses to cybercrime. For example, Visa's global fraud detection system uses advanced AI, predictive analytics, and real-time scoring to monitor suspicious activity. Visa's system-wide, global fraud rate has declined by two-thirds over the past two decades to less than 0.1%, even as transaction volume has increased by more than 1,000%.³¹

As shown in Figure 3, when implemented correctly and paired with complementary policies, digitization is a great equalizer. It can lift all boats and remove traditional disparities, thereby promoting economic growth that is, in turn, highly correlated with accelerated use of digital technologies. Digital inclusion can lead to a virtual cycle of more digitization, wealth creation, and acceleration of SMBs' digital journeys.

Drivers, patterns, effects, and amplifiers of SMB digital inclusion

Figure 3



2

GCC FINDINGS

State of SMB digital inclusion in the GCC

How digital are GCC SMBs?

How do GCC SMBs gain from digitization?







What do GCC SMBs need to accelerate digitization?

State of SMB digital inclusion in the GCC

Nearly all GCC governments have adopted national strategies and vision statements in recent years that emphasize accelerating digital transformation in government operations, expanding the use of disruptive technologies in their economies, and in general improving the enabling environment for the private sector to digitize (Table 1),³² with some countries demonstrating a particularly strong focus on SMB development and digital transformation in their national strategies.

National development and digitization programs and in the GCC

Table 1

 <p>Bahrain</p>	<ul style="list-style-type: none"> • Bahrain's Digital Strategy draws on the Regional eGovernment Strategy among the GCC countries. • Digital Government Strategy 2022 highlights digitization of e-government services, enhancing the enabling environment for the use of digital technologies, advancing digital readiness, and encouraging digital usage.
 <p>Kuwait</p>	<ul style="list-style-type: none"> • New Kuwait 2035 strategy aims to make the country into a cultural and financial center and hub of knowledge in information technologies and renewable energy. The role of the private sector in the implementation of development projects is going to be increased to 60-70%.
 <p>Oman</p>	<ul style="list-style-type: none"> • Oman Vision 2040 and e.Oman 2030 (also known as Digital Oman Strategy) promote digitization and innovation, development of the IT sector's share of the economy, expanding e-government services, and promoting digital startups, including through leveraging disruptive technologies.
 <p>Qatar</p>	<ul style="list-style-type: none"> • Qatar National Vision 2030 seeks to transform Qatar into an advanced country by 2030 and providing for a high standard of living for everyone and future generations. • Qatar Digital Strategy 2026 aims to enhance and scale e-government services through big data, a more fully digitized government workflows, public feedback on government performance, and smart services to meet the needs of all segments of the society.
 <p>Saudi Arabia</p>	<ul style="list-style-type: none"> • Saudi Arabia's Vision 2030 is an economic blueprint designed to curtail the country's dependence on oil. Technology is to be a key enabler and driver of the numerous changes envisaged in the initiative; Saudi Arabia is expected to have a vibrant domestic IT industry by 2030, highly efficient government and public services, and a digitized private sector. • Vision 2030 promotes SMB digitization to increase SMBs' contributions of the economy from 20% to 35% and private sector from 40% to 65%.
 <p>UAE</p>	<ul style="list-style-type: none"> • UAE's Competitive Knowledge Economy of Vision 2021 aims to increase the contribution of SMBs of the non-oil GDP from 53% in 2018 to 60% by 2021. An additional program, "Projects of the 50" launched in September 2021, promotes 50 initiatives to boost economic competitiveness and attract U\$150 billion in foreign direct investment in the next nine years.

See Country Profiles for details

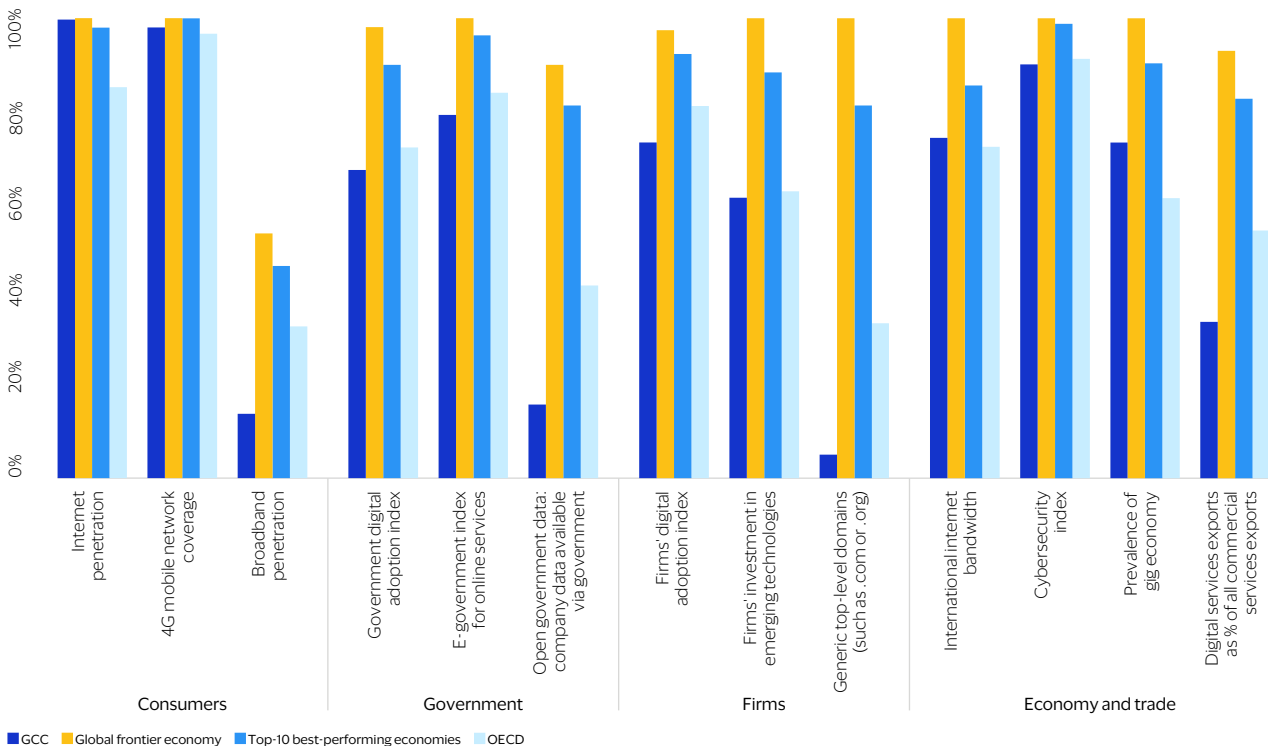
The six GCC countries in recent years have introduced policies and laws conducive to online business, such as electronic transactions and e-payments laws, and introduced new programs and initiatives to promote financial innovation and SMBs' use of e-commerce and digital technologies. These efforts got a shot in the arm during the COVID-19 pandemic as governments sought to support business continuity. Some governments eased firms' registration requirements, while others offered startup funding and guidance for new firms. GCC governments have also developed programs to help SMBs access financing, accelerate their digital journeys, and export using e-commerce, often in public-private partnerships with leading banks, online marketplaces, and digital companies (Table 2). Progress is still uneven in the region and efforts to improve the enabling environment for the digital economy will need to continue as both technologies and digital business models evolve. The state of digital inclusion in each GCC country is discussed in more detail in Chapter 4.



Additionally, as seen in Figure 4, there is now near-universal internet penetration and 4G coverage in the region while the availability of e-government services and cybersecurity protections have improved dramatically. More progress can still be made on digitization of businesses. The region also lags global best performing economies (frontier economies) as well as the top 10 performers in digital adoption, investment in emerging technologies such as cloud computing and Internet of Things, and the establishment of domain names, a proxy for SMBs' online presence. Digital services also play a rather small role in most GCC economies' GDPs and export baskets compared to global digital exporters and OECD nations (Annexure 1).

GCC's comparative performance on key digital indicators

Figure 4



Selected government and private sector activities and initiatives for SMB digital inclusion

Table 2

<p>Launch</p>	<ul style="list-style-type: none"> • Saudi Arabia exempts SMBs from fees to register for their first three years of operation; fees in years four and five are reduced. • Kuwait's National Fund for SME Development supports SMBs with start-up capital and educational opportunities, especially for students to set up their own businesses. • Oman Startup Hub offers a platform for startups, investors, advisors, and entrepreneurs to connect, learn, and collaborate. • UAE's Mohammed bin Rashid Innovation Fund offers loan guarantees for innovative ideas, and customized non-financial support for innovators such as business strategy guidance, financial assessment, and access to new markets.
<p>Transact online: access digital payments</p>	<ul style="list-style-type: none"> • Qatar Mobile Payments System by the Qatar Central Bank has a digital wallet targeted to the unbanked segments, to enable SMBs to attract more customers and promote mobile payments. • Kuwait's Gulf Bank, with guidance from the central bank, offers SMBs transactional tools such as payment gateways, employee salary transfers, point-of-sale services. • Bahrain's national digital wallet BenefitPay enables SMBs' customers to make mobile payments.
<p>Finance</p>	<ul style="list-style-type: none"> • Saudi Export Development Authority reimburses 70% of SMBs' fees for listing products on e-commerce sites and the costs of search engine optimization up to USD 14,600. • Saudi Arabia's General Authority for Small and Medium Enterprises (Monsha'at) has a Small and Medium Enterprises Bank that supports financial institutions in offering innovative financing solutions for SMBs. • UAE's Emirates Development Bank provides purchase and receivables finance, project finance, and asset-backed loans to SMBs.
<p>Digitize: e-commerce and online presence</p>	<ul style="list-style-type: none"> • The Bahrain eCommerce Academy builds SMBs' capacities for e-commerce through masterclasses on running an e-commerce business, and courses on digital marketing and how to sell on online marketplaces. • Qatar's Digital Transformation of SMEs Program enhances SMBs' online presence, e-commerce, and cloud services, and connects SMBs with the right service providers for their digital journeys. • The Oman Ministry of Economy's Ecommerce Program supports SMBs' access to local and global platforms and a digital training platform to develop SMBs' business skills. • UAE's Khalifa Fund for Enterprise Development and Amazon have E-Empower support program for Abu Dhabi-based startups and SMBs, with 50 hours of interactive virtual learning on doing business online.
<p>Grow and globalize</p>	<ul style="list-style-type: none"> • Qatar QE Venture Market, an initiative between Qatar Stock Exchange (QSE) and state-owned Qatar Development Bank, enables alternative way for SMBs to go public earlier and raise capital. • Saudi Arabia's Monsha'at has partnered with Stanford University to enable SMBs to scale through innovation strategies, market development, and growth management. • Kuwait's Gulf Bank offers SMBs integrated solutions that go beyond financing such as payment services, employee salary transfers, point-of-sale services, and payment gateways. • UAE's Mohammed Bin Rashid Innovation Fund offers SMBs loan guarantees for innovative ideas and customized non-financial support such as business strategy guidance, financial assessment, and access to new markets.

See Country Profiles for details

These indicators should improve as GCC governments accelerate their work to promote private sector development and digitization in their economies. The following conclusions can be drawn from studies, including by the International Monetary Fund, OECD, and World Bank, exploring the extent to which GCC firms are digitizing (Annexure 2):

- Digital transformation has started in the GCC, and consumers are online and embracing e-commerce.³³ Firms have yet to leverage this opportunity fully. While government programs have helped birth new firms, SMB growth is limited – which in turn arrests employment growth.³⁴



- The reasons for these outcomes echoed across studies relate both to demand-side challenges – such as organizational resistance to digital transformation and adoption of new, more agile, and less hierarchical business models – and supply-side challenges like limited access to talent and financing, especially for entrepreneurs who are not part of traditionally leading groups.³⁵ Also in some sub-regions, access to high-quality internet is still limited and the implementation of reforms is still incomplete.
- There are a number of proposals to solve these challenges, such as to accelerate the implementation of digital strategies, remove barriers to competition, promote investment in networks and information technologies, and focus on firms that are in the scale-up phase and poised to generate growth and employment gains.³⁶

However, the existing studies have limited data on SMBs' use of various digital technologies and their needs to accelerate their digital journeys. They were mostly concluded prior to the wave of digitization prompted by the COVID-19 lockdowns. This report seeks to complement the existing studies with data from the **2021 GCC Small Business Digital Inclusion Survey** commissioned by Visa and conducted by Nexttrade Group covering over 700 GCC region SMBs (Annexure 3), to analyze:

- How SMBs of different characteristics are using digital technologies to transact with their customers;
- How SMBs are gaining from the use of technologies, in terms of revenue growth, market access, diversification, and employment generation; and
- What are SMBs' priority pain points to access technologies and digitize their transactions, and translate digitization into business growth, and what are their priority needs.

How digital are GCC SMBs?

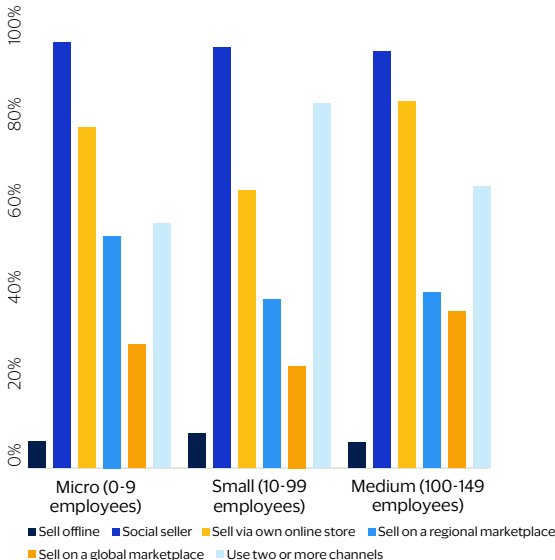
CUSTOMER OUTREACH

SMBs in the GCC are particularly seeking to use online platforms and online marketplaces to reach customers. These platforms are a vital channel for GCC firms. According to the World Economic Forum, an estimated 70% of new value created in the economy over the next decade will be based on digitally enabled platform business models.³⁷ As in the rest of the world, GCC firms across size categories use social media platforms to market their goods and services. However, a significant number of firms, including micro enterprises, have built their online stores and started to use regional and global online marketplaces to scale and streamline sales (Figures 5, 6). Sellers in urban areas are particularly likely to use digital channels, but sellers in smaller towns and rural regions do not lag far behind, in part because rural firms are on average younger and thus more likely to digitize than traditional firms.

GCC SMBs have in recent years set out to use online stores and online marketplaces to sell their goods and services. In 2020-21, SMBs in the region doubled their use of global online marketplaces. This promises a forthcoming wave of online sales gains, but also increases the need for systemwide capacity-building and new financing options in such areas as digital marketing, cybersecurity, and compliance with foreign market access rules.

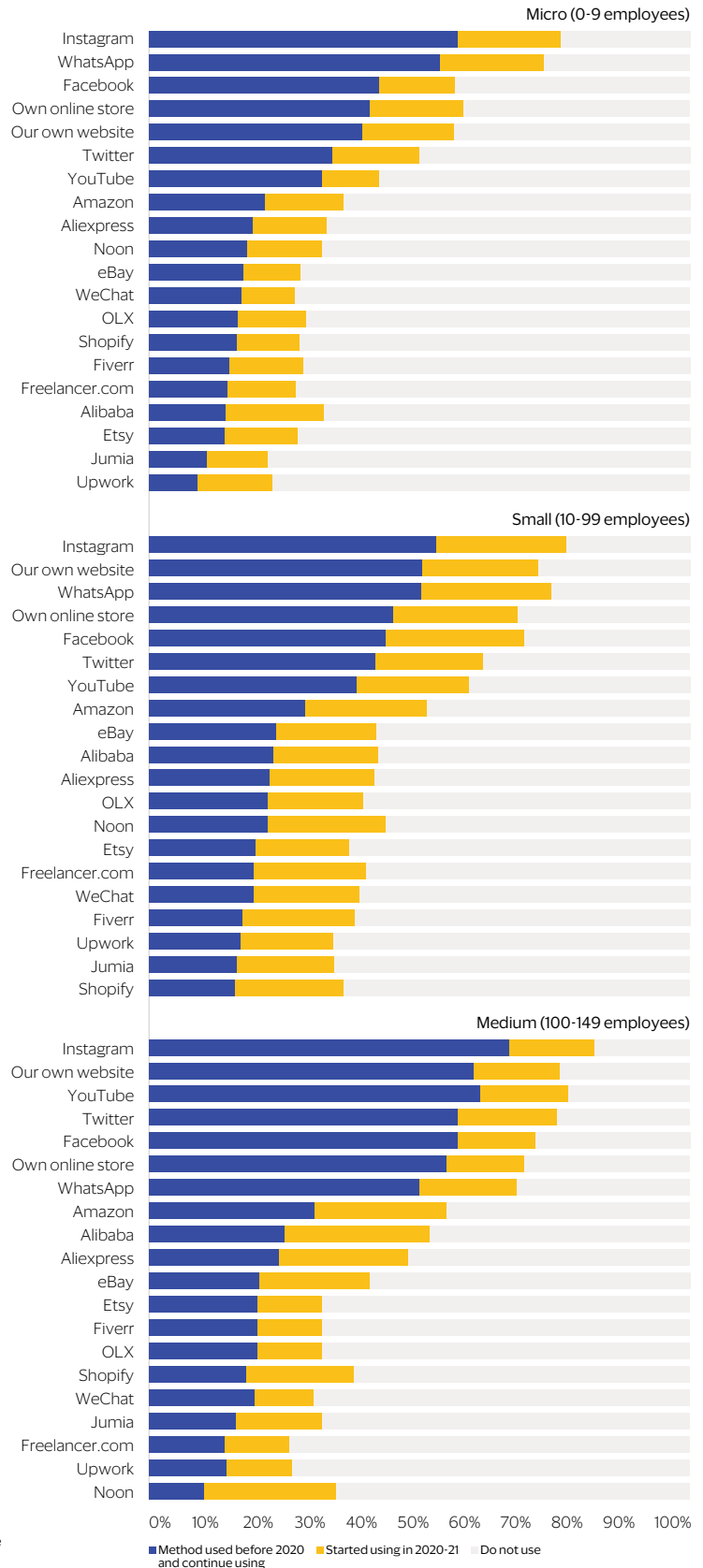
Figure 5

Channels used to interact with customers



Use of online marketplaces and platforms

Figure 6



Growth in use of online platforms and marketplaces in 2020-21, from 2019 levels

Figure 7



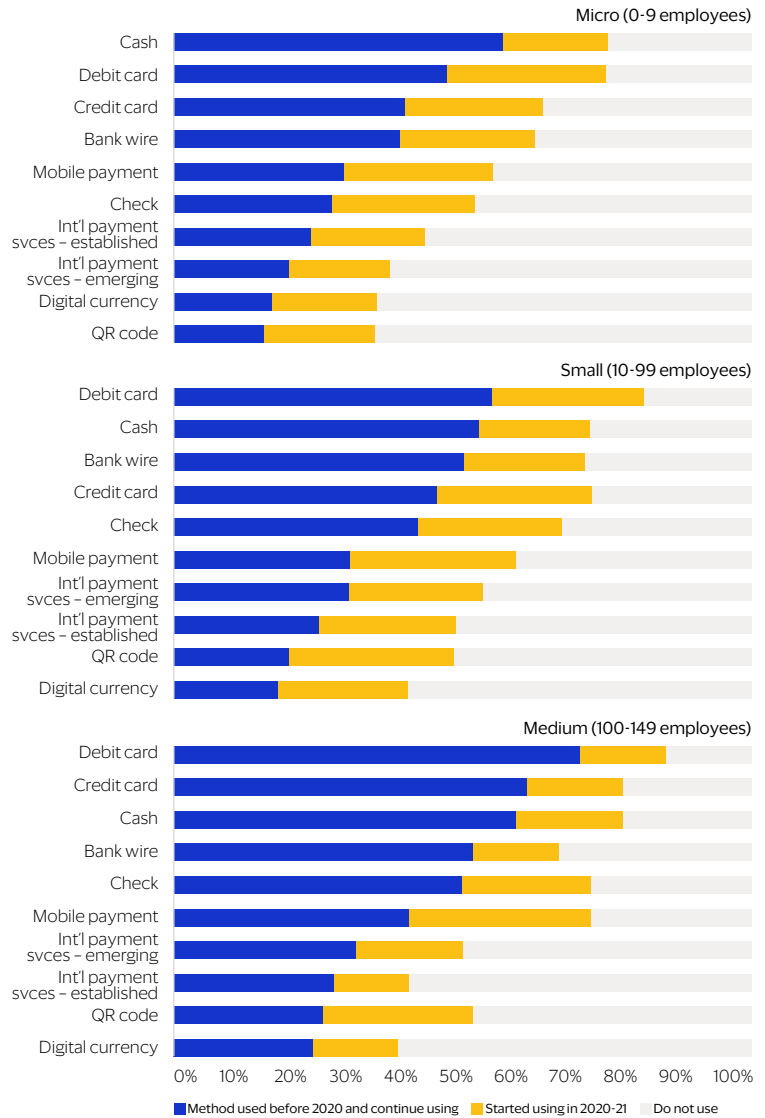
DIGITAL PAYMENTS

Firms' payments are also being digitized. While most SMBs still use cash and cards remain the preferred digital payment method, firms across size categories are rapidly adopting digital payments. Payment methods whose usage started from a low base – such as mobile payments and QR codes – appear to have especially gained many new SMB users in 2020-21 (Figures 8, 9). Firms that have been most eager to embrace these types of digital payments are younger online sellers. At the same time, it is the most active adopters of digital payments that also report using and adopting cash – possibly because they may be omnichannel businesses that seek to accommodate different types of clients through different sales channels.

As SMBs have opted for online sales channels, they have also expanded their adoption of digital payments such as mobile payments and QR codes – which enable them to transact with customers remotely and in a contactless manner – and cards and international payment platforms that enable them to accept payments from foreign customers. That regional firms are going cashless opens opportunities to also digitize their accounting and use transaction data to access credit.

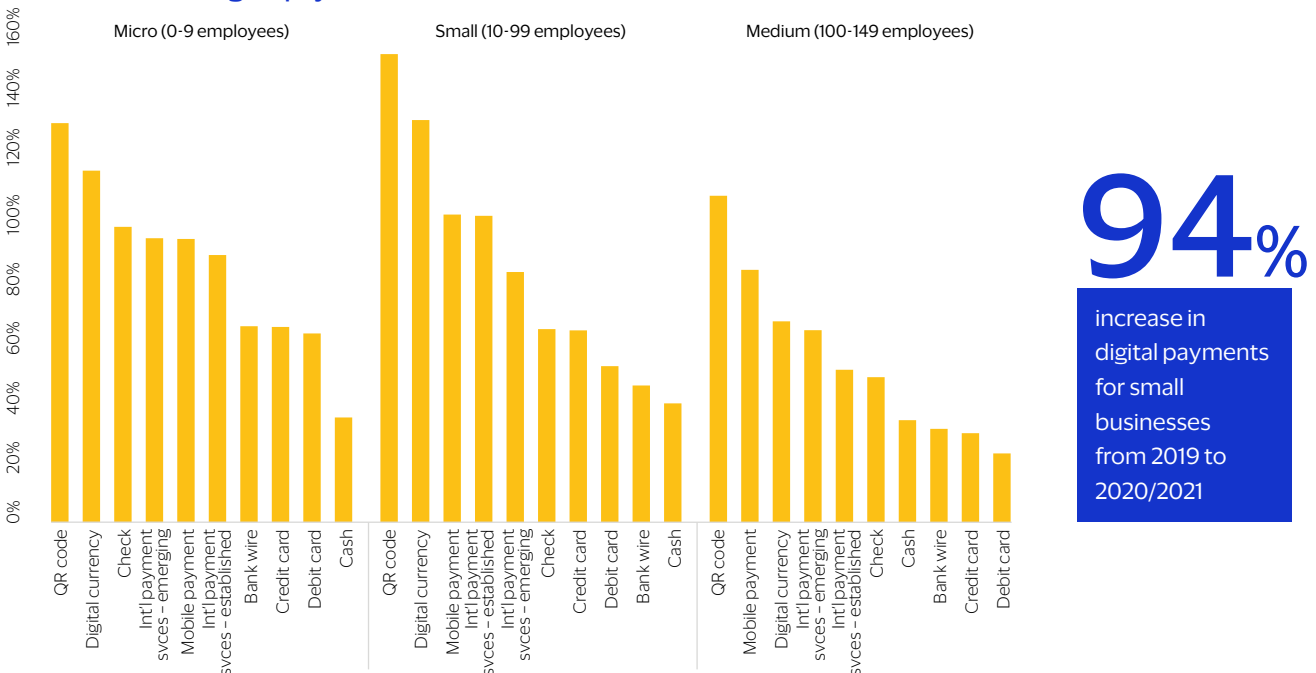
Use of digital payments

Figure 8



Growth in use of digital payments in 2020-21, from 2019 levels

Figure 9



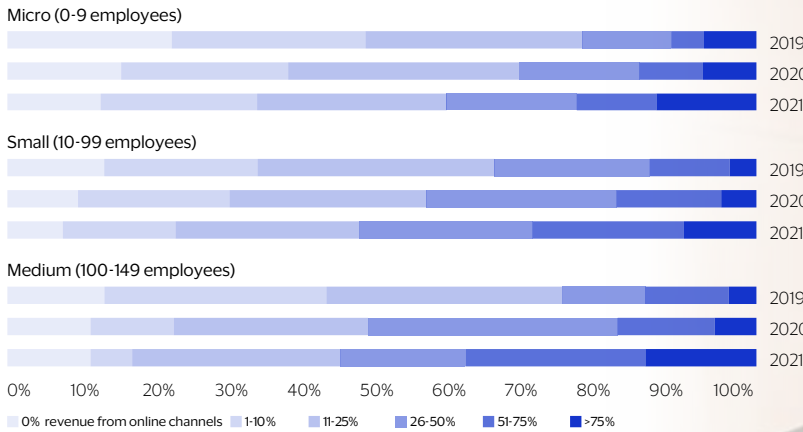
REVENUES FROM ONLINE CHANNELS

Digitization is translating into online sales, which has made online transactions more significant for GCC firms. By 2021, the majority of firms in each size category derived more than 10% of their revenues from online channels (Figure 10). Over 50% of midsize firms derive more than a quarter of their revenues from online channels.

SMBs' online sales are increasingly relevant for their growth as firms have steadily increased the share of their revenue from online sales in the past three years. The recent mass adoption of online marketplaces and digital payments is poised to expand the relevance of digital sales.

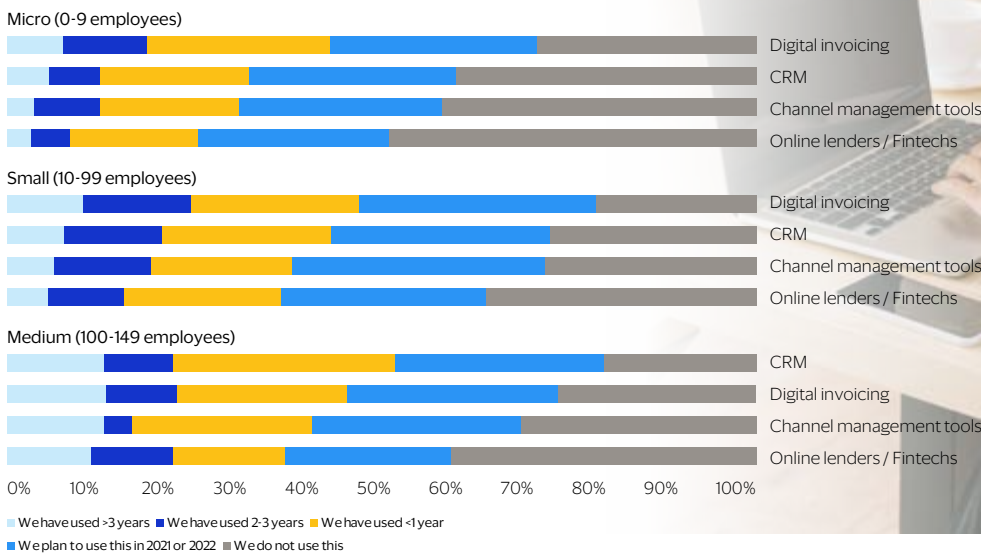
Share (%) of sales from online channels, by firm size

Figure 10



Use of selected technologies to support online transactions

Figure 11



ANCILLARY DIGITAL TOOLS SUPPORT ONLINE TRANSACTIONS

Firms across size categories are not only digitizing their sales and transactions, but over a quarter of micro enterprises and over a third of small firms are also using an array of digital tools that streamline and scale their interactions with customers, such as digital invoicing, CRM systems, and channel management tools that enable them to operate several online stores at once (Figure 11). Micro and small firms that sell online have also increased their use of online lenders for working capital, suggesting that access to fast-disbursing online loans is especially beneficial for online sellers that serve impatient customers and look for rapid cash conversion cycles. Over a quarter of firms in each size category look to adopt these technologies by the end of 2022, possibly because they perceive benefits from these technologies for growing their online sales.

GCC SMBs have paired their adoption of online marketplaces and online payments with the use of complementary digital tools such as channel management platforms and CRM systems, which enable them to manage their omnichannel businesses and customer lifecycles at scale. Firms are also taking advantage of the region's growing fintech sectors, for example using fintechs to meet their ongoing working capital needs for fulfilling online orders.

SMBs' use of data to support online transactions

Figure 12



DATA ANALYSIS

SMBs also use data to improve their knowledge about their customers and operations. Over a third of micro enterprises and half of small firms report collecting individual users' or customers' digital data, for example from online stores and digital payments or marketing campaigns (Figure 12). Over a quarter of SMBs also collect or buy data on their competitors or new market opportunities, and 23% of micro enterprises and 29% of small firms collect data on their operations.

GCC SMBs are increasingly leveraging data from their various digital channels for new insights into customer needs, competitors, and market opportunities. SMBs' use of data opens new opportunities for continuous quality improvements in goods and services, but also accentuates the need for data analytics capabilities, data governance, and cybersecurity technologies tailored to SMBs' needs.

How do GCC SMBs gain from digitization?

INCREASED EARNINGS

GCC firms have been gaining significantly from their digitization and use of online platforms. About two-thirds or more of firms across size categories have gained from their online sales opportunities in terms of new customers and greater revenues and profitability (Figure 13). Most firms have also experienced better cash flow, developed new products and/or services, and benefited their communities by contracting new IT, logistics, or other services they need for their online businesses. In a significant finding, more than half of firms have also increased staffing, driven by forays into e-commerce, suggesting that digitizing SMBs can be important job creators for the GCC region. Midsize firms have also used e-commerce to diversify their export markets.

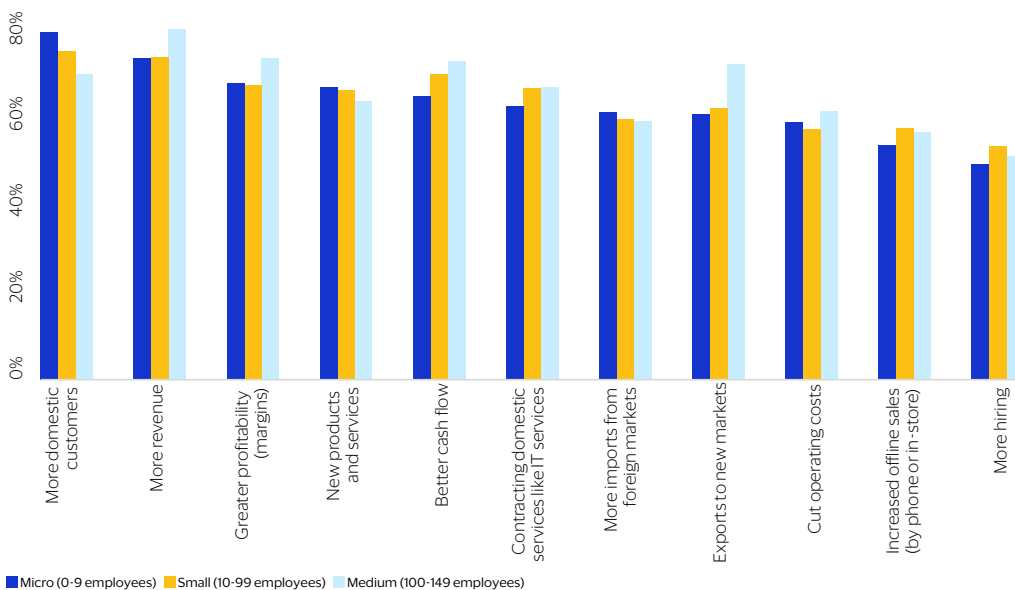


Digitization is increasingly broad-based and promotes economic inclusion, as evidenced by:

- GCC SMBs are translating their online presence and digitization into new customers, revenues, and greater profit margins.
- Digitizing firms are hiring new workers, contracting new service providers, and expanding international trade flows. In other words, digitization is increasingly broad-based and promotes economic inclusion.

Share (%) of SMBs reporting gains from use of online transactions

Figure 13



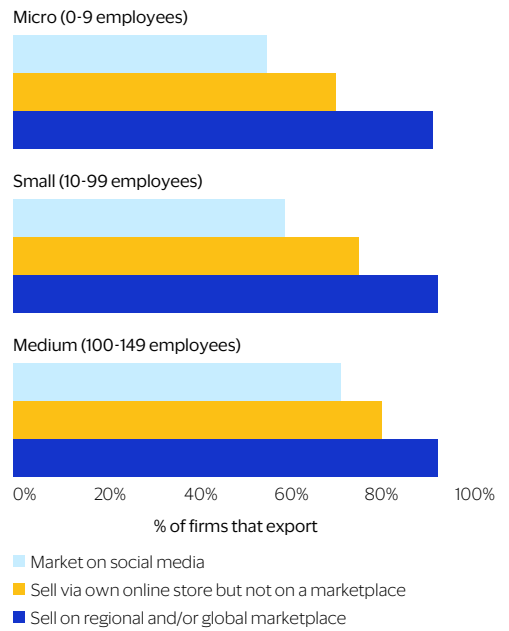
MORE EXPORTS

There is a clear correlation between online selling and exporting, suggesting that SMBs are able to use online marketplaces for visibility and contact with new customers, and digital payments to transact with customers around the world (Figure 14). Firms that use online stores – their own or global and regional online marketplaces – are across size categories more likely to engage in trade than are social sellers, and sell to a diverse range of markets (Figure 15). Online seller-exporters use digital technologies and data and have likely been able to grow into globalized companies in part because of their use of technologies to scale their transactions and customer service around the world (Figure 16).

The most digitized GCC SMBs are also the most globalized. Across size categories, firms that use regional and global online marketplaces frequented by foreign buyers are highly likely to access new markets, export, and diversify their sales across markets. Export-driven online and online marketplace sellers are also avid users of technologies and data, which further suggests a strong complementary relationship between digitization, use of online channels and digital payments, and access to new markets.

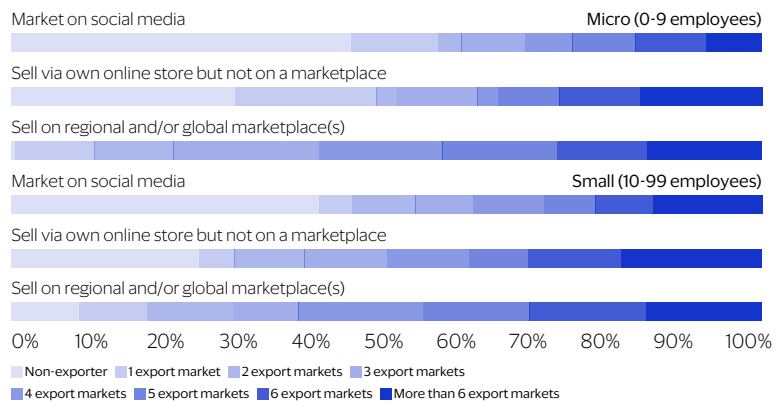
Share (%) of SMBs that export, by channels used

Figure 14



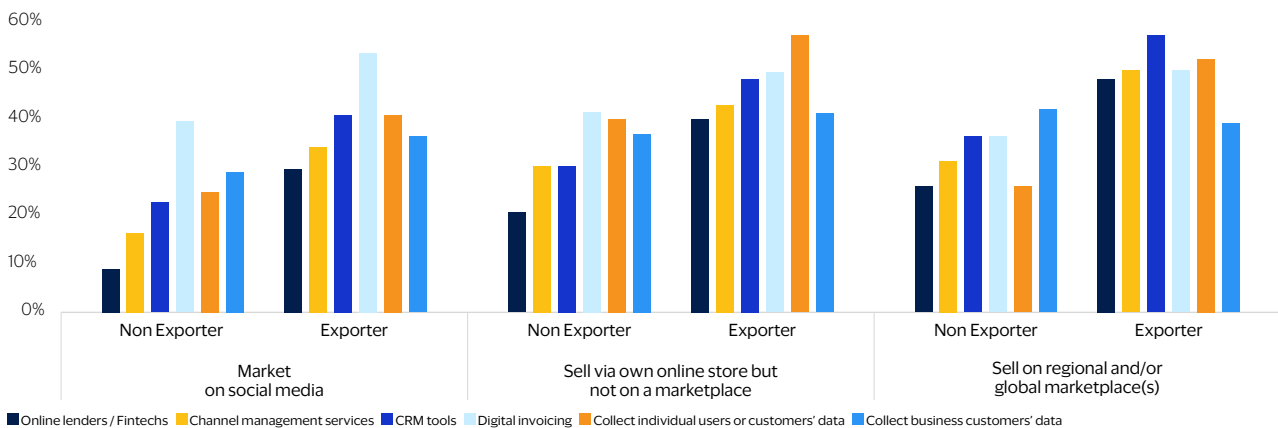
Number of export markets, by SMBs' use of online channels

Figure 15



SMBs' Use of digital technologies and data, by online sales and export status

Figure 16



ONLINE VS. SOCIAL SELLERS

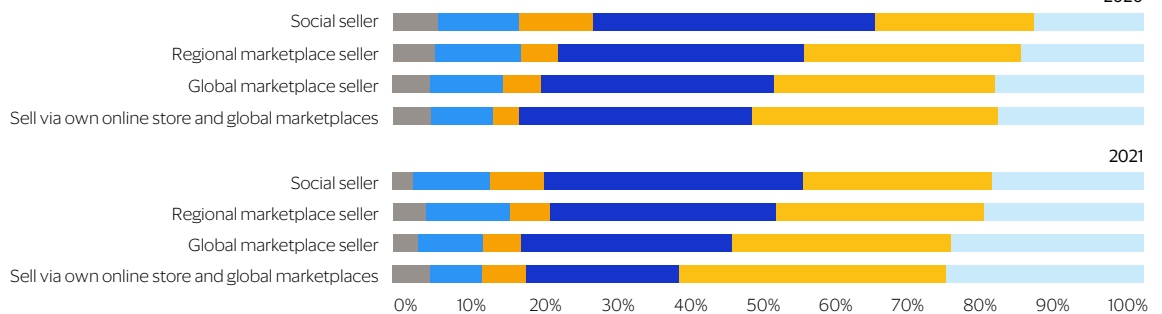
Online sellers have experienced stronger revenue growth than social sellers (Figure 17). Firms and online sellers that use technologies intensively have been growing faster, including during the challenging pandemic period (Figure 18). Overall, GCC firms that have gone beyond digitizing their sales channels to using bundles of digital tools and platforms such as online marketplaces, digital payments, digital invoicing, CRM, and big data, are particularly export-driven, have more diverse export markets, derive a higher share of their sales from online channels, and experience faster growth.

Omnichannel sellers that use online channels intensively outperform their peers also in terms of revenue growth. More than half report over 10% revenue growth in 2020 and 2021. This can be due to their use of technologies that streamline and scale their sales, and their channel and market diversification that helps shield against demand shocks in any one market. GCC SMBs that use digital technologies particularly intensively are more resilient, growing faster during the onset of COVID-19 in 2020. Nearly a quarter of the most digitized firms grew at more than 20%, compared to only 8% of firms scoring in the bottom third in use of digital technologies.



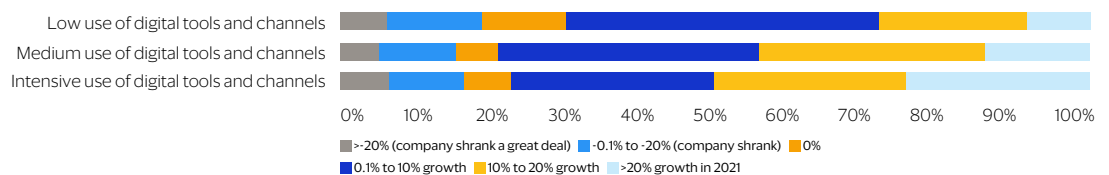
Revenue growth, by SMBs' use of online channels

Figure 17
2020



Revenue gain in 2020, by level of digitization

Figure 18



What do GCC SMBs need to accelerate digitization?

As GCC governments and other stakeholders promote the growth of young micro and small enterprises into midsize and larger firms, a set of inspiring statistics emerges regarding mid-sized firms (Table 3). Mid-sized firms are:

- Most digitized – 80% report having online stores and a majority also use digital invoicing and CRM tools
- Fastest-growing – 55% grew their revenues by more than 10% in 2020, as opposed to 32% of micro enterprises that reported above 10% growth
- More diversified in their export markets – selling not only to the MENA region but also to the European, U.S., and Asian markets, while micro enterprises are mostly focused on exporting to the MENA markets
- More tenured, with more time to digitize and grow their global footprint – only 2% of them are less than three years old, while 53% of micro enterprises are less than three years of age.

Characteristics and performance of GCC SMBs of different sizes

Table 3

Firm size	% of firms	% of firms with own online stores	% of firms that use global marketplaces	Firms' intensity of using digital services and tools	% of firms located in rural areas	% of firms <3 years old	% of firms that grew >10% in 2020	% of firms that export	Export diversification: firms' typical foreign markets
Micro	32%	60%	22%	Medium-low	17%	53%	32%	81%	MENA
Small	61%	74%	27%	Medium	10%	14%	43%	81%	MENA, USA, Europe, Asia
Medium	7%	80%	34%	High	2%	2%	55%	67%	MENA, Africa, USA, Europe, Asia

Another interesting and actionable way to summarize the survey is to divide the sample into five distinct groups, by the level of digital maturity. This exercise yields five SMB "personas" or archetypes, each with their distinct profile, use of digital technologies, and gains from digitization (Table 4). As an example of the archetypes:

- At one end of the spectrum of SMBs are global online marketplace sellers, or the "A" category. These are "elite" SMBs that use technologies intensively, sell online through their stores and marketplaces, export to multiple markets in GCC, MENA, Africa, Europe, and Asia in particular, and grow rapidly. Some 59% of these firms derive more than 25% of their revenues online, 89% export, and 47% grew their revenues at more than 10% in 2020. These are typically established firms based in leading cities – only 61% are micro enterprises, only a fifth are less than three years old, and only 17% are located in rural areas.
- At the other end of the spectrum are social sellers ("D" category) and offline sellers ("E" category) that do not yet have formal online sales capabilities. Social sellers are typically younger than global marketplace sellers. Almost three-quarters are micro enterprises and a third are less than three years old. They are more likely than global marketplace sellers to be found in rural areas. They are also less likely to export, and they grow more slowly than global marketplace sellers. Some 6% of these firms derive more than 25% of their revenue online, 58% report exporting, and most of the exporters sell to proximate markets. A third of these firms report growth rates in excess of 10% in 2020.

80%
of GCC's medium-sized businesses have online stores

Archetype SMB sellers in the GCC

Table 4

Archetype	Percentage of firms in the sample (categories overlap)	Percentage of firms that are micro and small	Percentage of firms located in rural areas	Percentage of firms <3 years old	Intensity of using digital services and tools	Percentage of firms that grew 10% in 2020	Percentage of firms that export	Percentage of firms with >25% of revenue from online sales	Export diversification: typical foreign markets
A Global marketplace seller	25%	61%	17%	21%	High	47%	89%	59%	GCC, MENA, Europe, Asia
B Local and regional marketplace seller	45%	64%	10%	23%	High	43%	91%	45%	GCC, MENA, Europe, Asia
C Sell through online store	31%	72%	15%	27%	Medium	38%	74%	24%	GCC, MENA
D Social seller	70%	74%	21%	31%	Low	33%	58%	6%	GCC, MENA
E Offline seller	6%	73%	24%	26%	Low	20%	32%	11%	GCC, MENA

A key task for the GCC region in promoting SMB digital inclusion is to bring more social sellers to the ranks of digitized online marketplace sellers, thereby enabling firms to grow from micro enterprises into midsize companies. Conceptually, there are two main ways to do this. The first is firms' digital transformation and evolution into globalized online sellers; the second is a policy environment that is conducive to firms' use of e-commerce. When these two drivers are deployed to target all SMBs – of different sizes, digital maturity levels, and starting points – they can promote digital inclusion.

SMB digital transformation

Figure 19

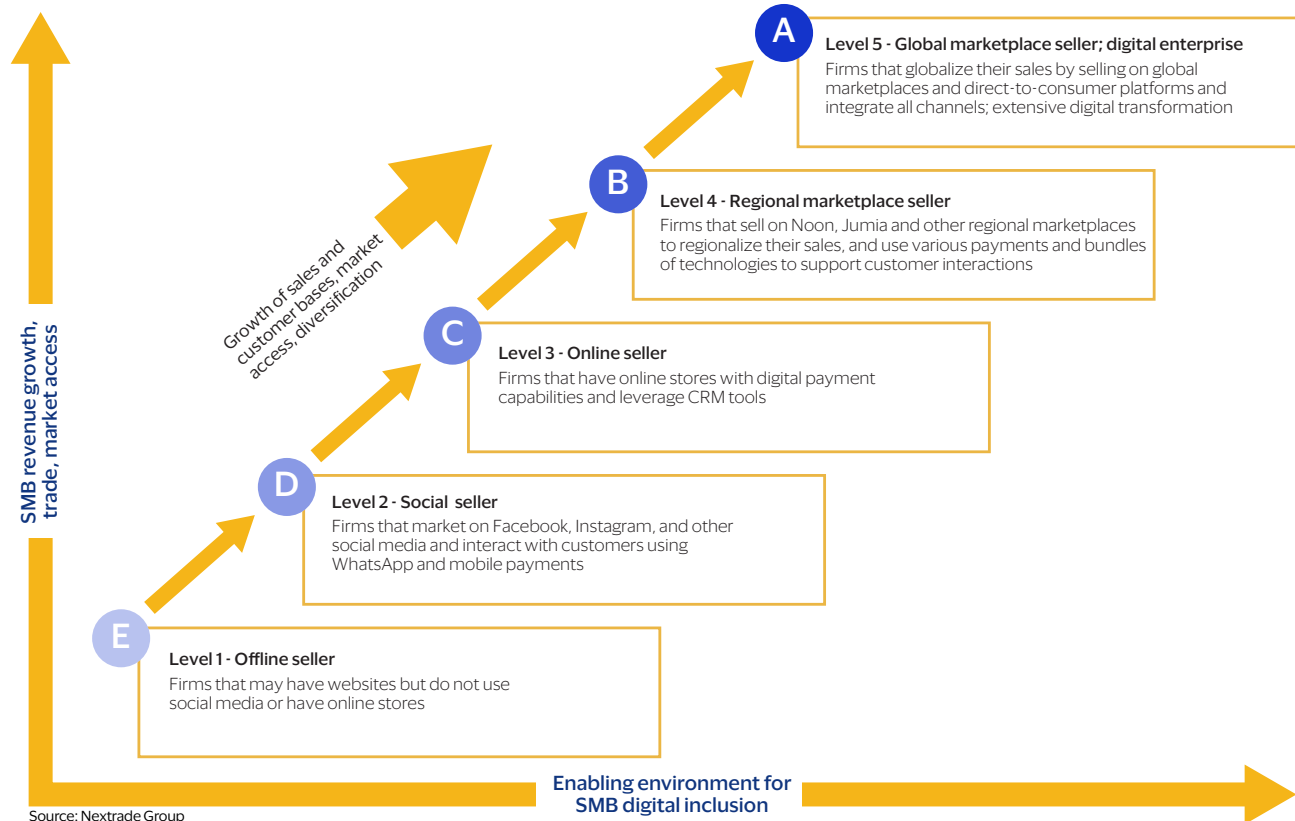
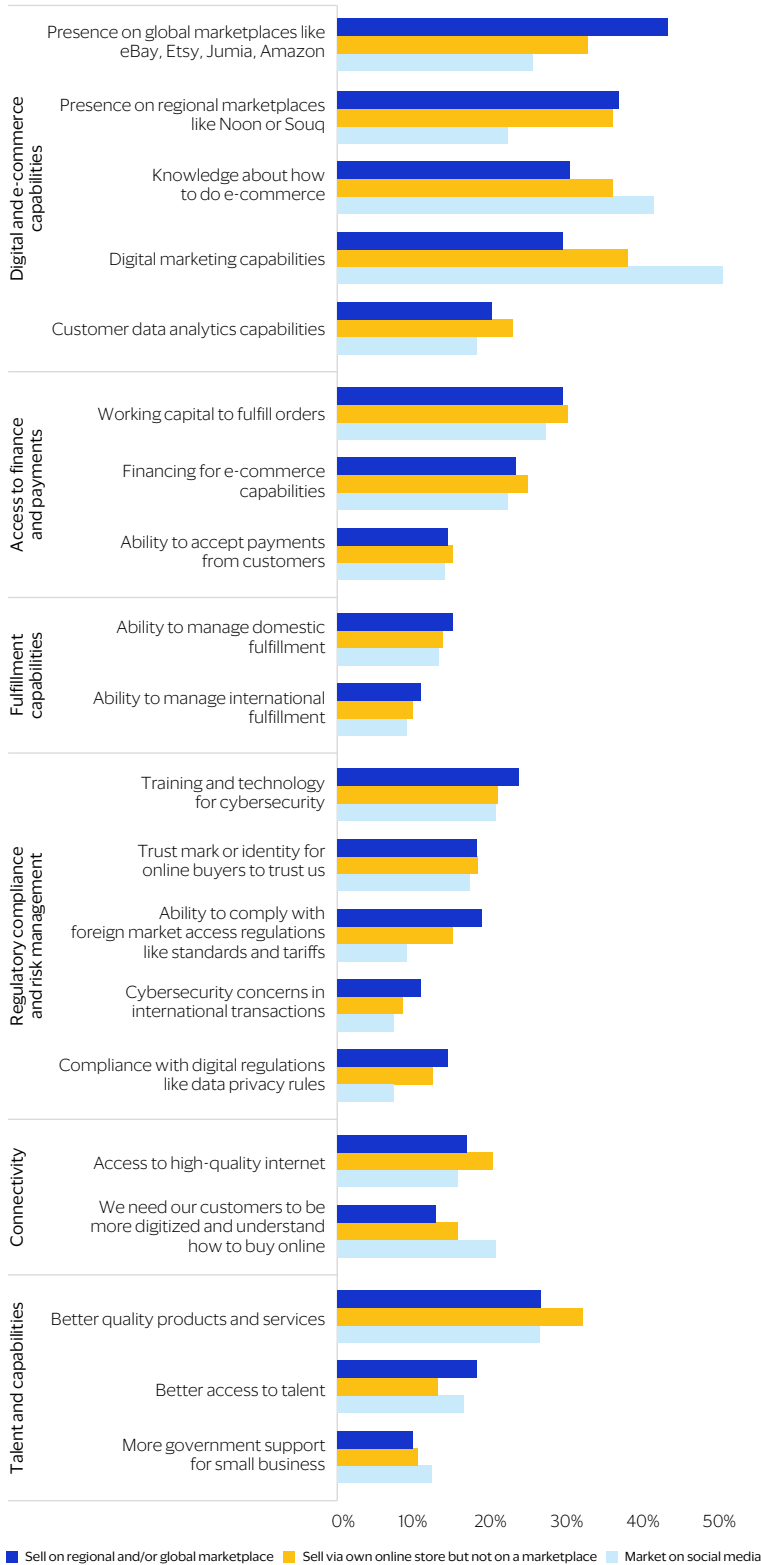


Figure 20

Share (%) of micro enterprises expressing a significant need to advance on their digital journeys, by firm's online presence



What then do GCC SMBs need along these two axes to grow their online sales – and for the regional economies to cultivate SMB digital inclusion?

Firms across size categories and online sales statuses report requiring more knowledge on how to: do e-commerce, improve digital marketing capabilities, establish/increase presence on online marketplaces, access working capital to fulfill online orders, and stay abreast of/implement new cybersecurity capabilities (Figures 20, 21). Social sellers in particular also want to improve the quality of their goods and services, perhaps in order to start to use and compete better on online marketplaces. Midsize sellers that are farther in their digital journey want these capabilities

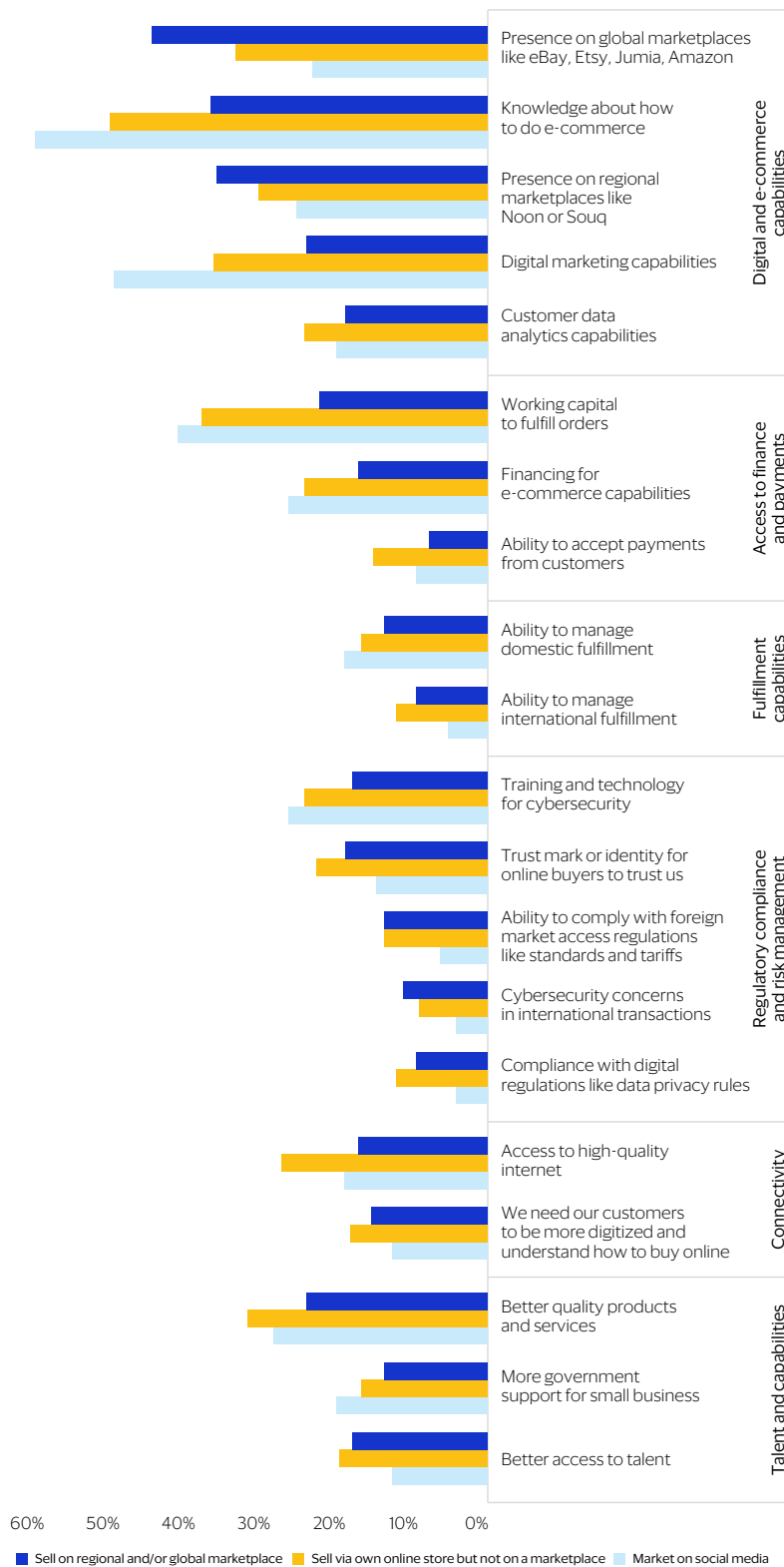


especially intensively, suggesting they have realized a need for them in the competitive online markets.

To accelerate their digitization, the GCC's micro and small firms and especially online sellers require first and foremost greater presence on regional and global online marketplaces. While social sellers need more knowledge on setting up formal online sales capabilities and do digital marketing, firms of all digital maturity levels also require options for quickly disbursed working capital to fulfill orders, and to improve the quality of their goods and services.

Figure 21

Share (%) of small enterprises expressing a significant need to advance on their digital journeys, by firm's online presence



3

RECOMMENDATIONS

Accelerating SMB digital
inclusion in the GCC

The GCC is well on the path toward SMB digital inclusion. The region's digitizing SMBs are already translating their use of digital payments and online stores and marketplaces into access to new customers and markets, exports, and revenue growth. How then can the GCC advance SMB digital inclusion, leveraging existing national initiatives and collaborating across multiple stakeholders to achieve impact at scale?

There are seven recommendations for GCC countries to accelerate their SMBs' digital and growth journeys:

1 **Provide SMBs with digital skills training to use e-commerce and digital payments.**

The region's development banks, export promotion agencies, and business associations can coordinate with leading platforms and online marketplaces to expand programs that enable SMBs to optimize and diversify their online sales channels and cultivate and access the talent to manage their online marketing and e-commerce operations.

2 **Enhance SMBs' access to working capital, leveraging fintechs.**

Online sellers in particular are already using fintechs for their payments and working capital needs. The region's governments are already promoting fintechs; central banks and financial regulators can further support regulatory sandboxes and fintech laws. GCC governments can also promote investments in fintechs and incentivize fintechs to better service SMBs – for example, provide government guarantees on fintech loans to underserved SMBs. The region's banks can also work with fintechs to expand their services to small business segments.

3 **Provide SMBs with guidance and growth capital for digital transformation.**

The most successful online sellers are also highly digitized enterprises that take advantage of technologies across their business functions. The GCC's development banks, working with global and regional technology companies, can be key partners for SMBs to learn about, pilot, and acquire technologies and solutions that facilitate and scale client servicing and streamline operations. Development banks can also co-fund SMB digital transformation initiatives, for example through matching grants or loan guarantees for digitization, as offered by governments such as in Malaysia, Brazil, Chile, and Spain.

4 **Provide SMBs with cybersecurity capabilities and technologies.**

The GCC region in general does well on cybersecurity indicators, but SMBs' cyber defenses need to be bolstered, with products and capabilities within their budgets. Governments could support both SMB cyber defenses and further build a cybersecurity industry by incentivizing local technology companies that promote cybersecurity solutions customized to SMBs' needs and budgets. The New York City administration, for example, has partnered with a venture capital fund to invest in businesses that develop and deliver affordable and scalable cybersecurity solutions to the city's SMBs.³⁸

5 **Ensure SMBs can access and leverage data.**

GCC government agencies, including ministries, need to ensure that SMBs can freely and in a structured manner access and move their data, including across borders, in order to store, process, and analyze it in a cost-effective manner. The regional governments and chambers of commerce can also promote dialogue on the importance of data privacy and on emerging encryption, confidential computing, and other technologies that help protect sensitive data in transit and use.

6 **Ensure interoperability among digital services used by SMBs.**

As digital services proliferate, there is risk of a rise in "digital islands" whose users, including SMBs, cannot interoperate easily with each other. The regional governments and digitizing businesses such as banks, logistics providers, and online marketplaces need to work together to interoperate to create seamless digital ecosystems, for example through the adoption of solutions such as open APIs, blockchain, and embedded finance models, and policies such as open banking. An SMB digital identity would also support SMBs in quickly authenticating and validating themselves with digitizing service providers.



The most successful online sellers take advantage of digital technologies across business functions

7 Promote digital integration within the GCC region.

As GCC SMBs digitize, they become able and eager to access new markets and customers, and typically seek those opportunities in proximate markets. The GCC governments need to work closely together to promote regional digital integration to enable SMBs to access regional markets to sell and buy goods and services, including digital ones, and that regional digital ecosystem companies such as digital payments and finance providers interoperate across borders.

The GCC economies have an historic opportunity to advance their aspirations for private sector development and broad-based prosperity through the promotion of SMB digital inclusion. Never before have there been so many digital tools, channels, and markets, and never before have GCC SMBs across segments been as digitized or as attuned to digital market opportunities. As challenging as the COVID-19 shock was for the region's small firms, it also helped catalyze efforts in the region's public and private sectors to accelerate SMB digitization.

The results of this work, as our surveys suggest, have in many ways been excellent. SMBs have adopted digital payments, online marketplaces, and digital services that enable them to streamline their operations and scale their sales, including by accessing new markets, and to hire new staff and suppliers.

Now the task for the region's public and private sectors is to build on this success together, especially to ensure SMBs continue their digital journeys and take advantage of emerging technologies, and that digitization is inclusive and translates into broad-based gains. There is a need for the region to promote SMBs' digital skills and e-commerce capabilities, amplify SMBs' access to finance, and enable SMBs to meet access requirements in their new export markets.

No agency or entity alone can enable SMB digital inclusion; the work is interdisciplinary and requires integrated approaches at three levels – among different government agencies (such as technology, trade, and SMB agencies); between governments and the private sector; and among GCC countries at the regional level – to create an integrated regional digital market and a regionally interoperable digital ecosystem.



The COVID-19 pandemic accelerated SMB digitization; GCC public and private sectors must now build on this success together.

4

COUNTRY PROFILES

Bahrain

Kuwait

Oman

Qatar

Saudi Arabia

United Arab Emirates



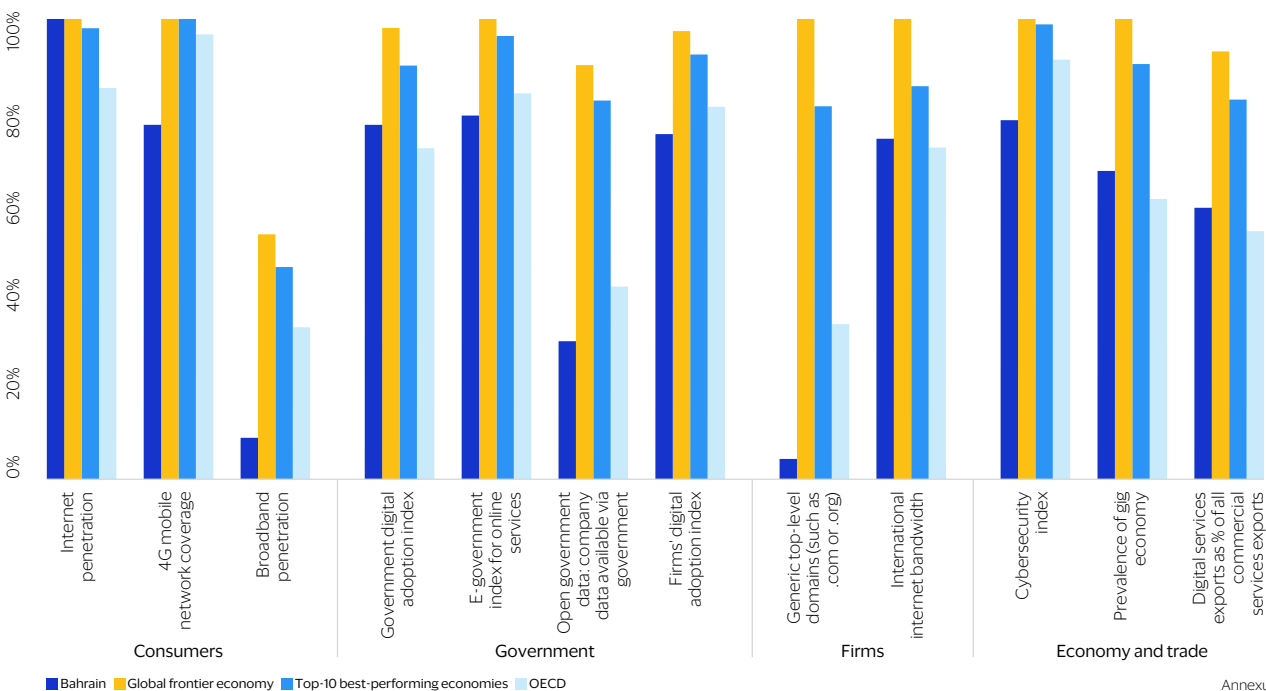
BAHRAIN



Key findings

- Bahrain has 91,435 SMBs, according to some estimates, or 54 per 1,000 people, above the global average of 41.¹ Bahrain's Digital Strategy draws on the Regional eGovernment Strategy developed among the GCC countries.² Digital Government Strategy 2022 highlights digitization of e-government services, enhancing the enabling environment for the use of digital technologies, advancing digital readiness, and encouraging digital usage.³
- Bahrain has in recent years made internet access practically universal, advanced the implementation of e-government services, and put in place several initiatives conducive to SMB digitization and growth, such as digital single window for registering a firm, a national digital wallet to enable online transactions, and the Bahrain e-commerce Academy that builds SMBs' capabilities for e-commerce.
- There are also several policies and laws conducive to SMB digitization and use of digital technologies for transactions and payments, enabling fintechs through sandboxes and open banking, and the National E-commerce Strategy 2019-2022 to facilitate the e-commerce ecosystem and exports.
- Survey data suggests these efforts are delivering results. Bahrain firms across size categories are rapidly digitizing their sales channels and transactions, using digital payments such as mobile payments and QR codes, and onboarding regional and global online marketplaces. Some 45% of micro and small firms are also using digital tools to enhance their interactions with customers, such as digital invoicing, CRM systems, and channel management tools, and over 40% of firms that have yet to adopt these technologies indicate they will do so in 2022.
- SMBs in Bahrain have gained from their online sales opportunities in terms of creating new products and services and securing new customers, revenues, and improved cash flow. More than one-half of SMBs have contracted new domestic services thanks to growth in online sales. These gains are broad-based, suggesting that Bahrain is making strides on SMB digital inclusion.
- To expand their online presence and accelerate their digital journeys, Bahrain SMBs say they need more knowledge on how to do e-commerce and digital marketing, and access working capital to fulfill online orders. They also want to improve the quality of their products and services.

Digital economy comparison



Annexure 1

- In terms of broader digital economy indicators, Bahrain still lags OECD nations, and can improve on broadband penetration, open government data, and cybersecurity protection.

Selected government and private sector activities and initiatives for SMB digital inclusion

	Government Initiative	Private Sector and Public-Private Partnership
Launch	<ul style="list-style-type: none"> • In 2015, Bahrain launched the electronic Commercial Registers System (Sijilat) to register businesses and provide all services electronically through a single virtual platform: e-application, e-submission, e-booking of commercial names, e-payment, e-notice, e-certificate, and e-verification of transactions. • The government also offers a Virtual Commercial Registration (Sijili) that gives individual entrepreneurs the legal status to perform their activities and to simplify the procedures for the establishment of some businesses without needing to formally register.⁴ 	<ul style="list-style-type: none"> • Startup Bahrain is the ecosystem for innovative startups with partnerships across the ecosystem and advice on launching a startup, seeking funding, accelerators and incubators, government support, co-working space, and collaborative communities.⁵ • Fintech Xpence launched a mobile based application to enable SMB business and expense management while providing partner offers and instant Visa virtual card issuance options.⁶
Transact online: access digital payments	<ul style="list-style-type: none"> • Bahrain's national digital wallet BenefitPay enables SMBs' customers to make mobile payments. 	<ul style="list-style-type: none"> • Arab Financial Services' "AFS Go!" is a digital solution for SMBs to build an eShop, accept a range of digital payments in-store, and provide digital payroll for unbanked workers.⁷ • Mastercard announced a partnership in June 2021 with Bahraini fintech Eazy Financial Services to equip SMBs with online payment technologies and access to financial services.⁸
Finance	<ul style="list-style-type: none"> • Bahrain Development Bank launched digital banking platform "Tijara" in June 2021 to enable SMBs access to fast and convenient financing online.⁹ 	<ul style="list-style-type: none"> • Kuwait Finance House-Bahrain¹⁰ and Al Baraka Bank have both partnered with the government's economic development agency Tamkeen to offer financing to SMBs.¹¹ • National Bank of Bahrain's "Tamweel Al Watani" program offers SMBs loans up to BHD 100,000 (USD 265,000) repayable over 5 years.¹²
Gain skills: financial education and digital skills development	<ul style="list-style-type: none"> • Tamkeen was established by the government to support the development of the private sector, including through professional training, business financing, grants, business advisory, startups support, and more. Programs are targeted for individuals, enterprises, and women.¹³ 	<ul style="list-style-type: none"> • BBK Bank has partnered with the Bahrain Institute for Banking and Finance to train 100 Bahraini women on digital skills.¹⁴
Digitize: e-commerce and online presence	<ul style="list-style-type: none"> • In response to the COVID-19 pandemic, the government launched a "virtual mall" to showcase over 100 sellers and in March 2021 enabled Bahrainis to start online stores for the first time without any fees.¹⁵ 	<ul style="list-style-type: none"> • The Bahrain E-commerce Academy, an initiative between the Ministry of Industry, Commerce, and Tourism and ThinkSmart, builds SMBs' capacities for e-commerce through masterclasses on running an e-commerce business, and courses on digital marketing and selling on marketplaces.¹⁶
Grow and globalize	<ul style="list-style-type: none"> • Export Bahrain was created in 2018 as part of a national effort to support SMB expansion and international growth. Example of initiatives include a Startup Exporter solution to provide small grants to cover costs for first-time exporters, e-commerce facilitation, credit insurance, workshops, and market intelligence.¹⁷ 	<ul style="list-style-type: none"> • In 2021, Export Bahrain partnered with grocery and restaurant marketplace Talabat for a nationwide agreement to facilitate the export of Made-in-Bahrain products throughout the MENA region through Talabat's online platforms.¹⁸

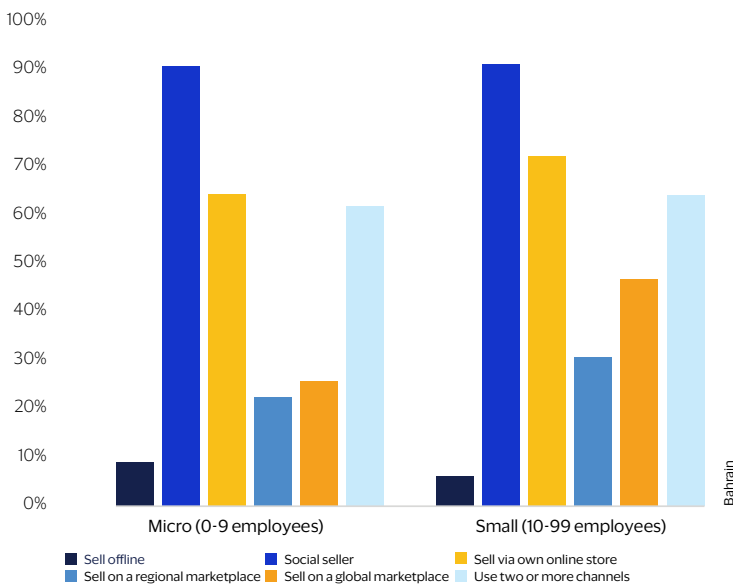


Bahrain

Key policies to foster an enabling environment for an inclusive digital economy

Digital transactions	<ul style="list-style-type: none"> The Electronic Communications and Transactions Law (E-Law) was published in November 2018 and repealed Decree Law No. 28 for the year 2002 on Electronic Transactions. It establishes that where a physical signature of a person would usually be required, an electronic signature of that person is acceptable.
E-government	<ul style="list-style-type: none"> Single sign-in to access all e-government services electronically.
Financial innovation	<ul style="list-style-type: none"> In August 2017, the Central Bank of Bahrain (CBB) released regulations for crowdfunding businesses based on both conventional and Shari'a-compliant financing. SMBs with paid-up capital not exceeding BHD 250,000 (USD 660,000) can raise funds through crowdfunding platforms. In 2017, Bahrain launched a regulatory fintech sandbox to enable businesses to test, formulate, and develop fintech products in a protected environment. The CBB's FinHub 973 is the region's first international, digital innovation platform that connects and facilitates collaboration between financial institutions, enabling local and global fintechs to connect seamlessly with Bahrain's financial institutions to explore, test, and prototype on a centralized digital sandbox, while also interfacing with regulatory authorities to facilitate quicker and easier regulatory testing and support for business scalability. The CBB issued the comprehensive rules on open banking in December 2018. In October 2020, the CBB launched the Bahrain Open Banking Framework to ensure holistic implementation of open banking services by the industry, including operational guidelines, security standards and guidelines, customer experience guidelines, technical open Application Programming Interface (API) specifications, and governance for protecting customer data. In September 2021, the CBB issued a circular regarding the second phase of the Bahrain Open Banking Framework.
E-commerce	<ul style="list-style-type: none"> Bahrain has a National eCommerce Strategy 2019-2022 which aims to create an e-commerce ecosystem and establish Bahrain as the e-commerce hub in the region, through developing and streamlining regulatory policies and frameworks, improving consumer confidence in e-commerce, and supporting SMBs. The targets include increases in the share of e-commerce in GDP and exports, the number of e-commerce companies, and the number of women-led e-commerce businesses.

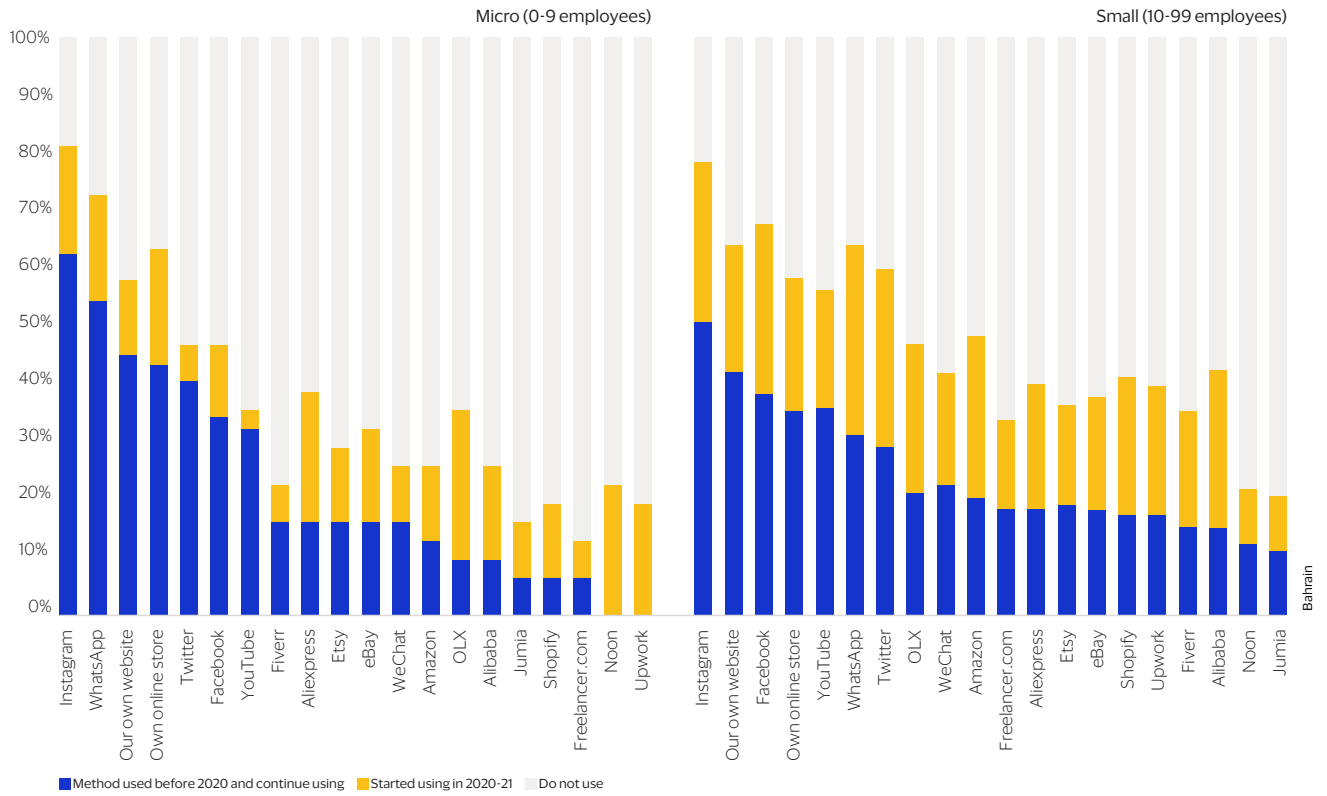
SMBs' use of online sales channels



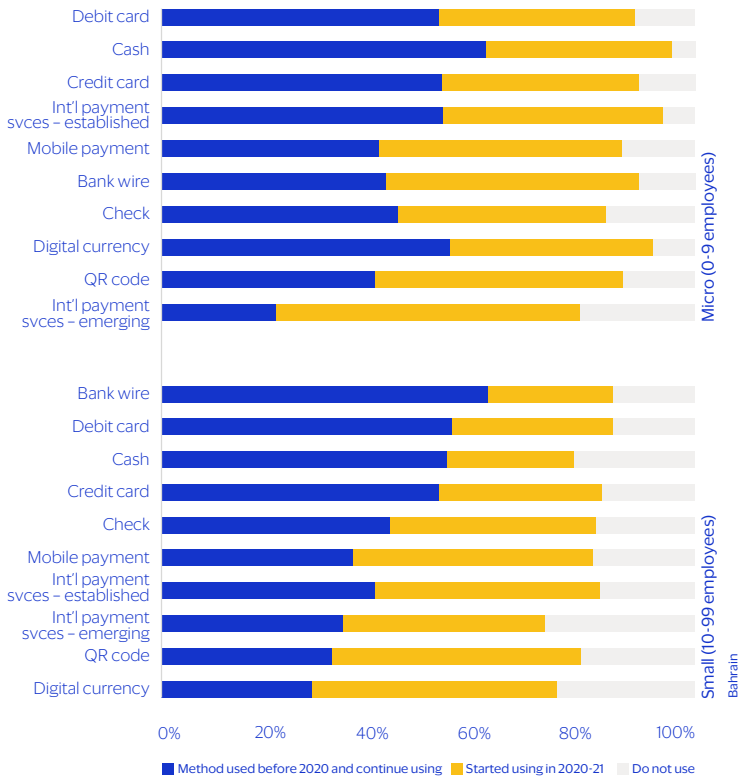
91%

of Bahraini small businesses opted for social selling as the preferred choice of online sales channels

Growth in SMBs' adoption of online marketplaces and platforms



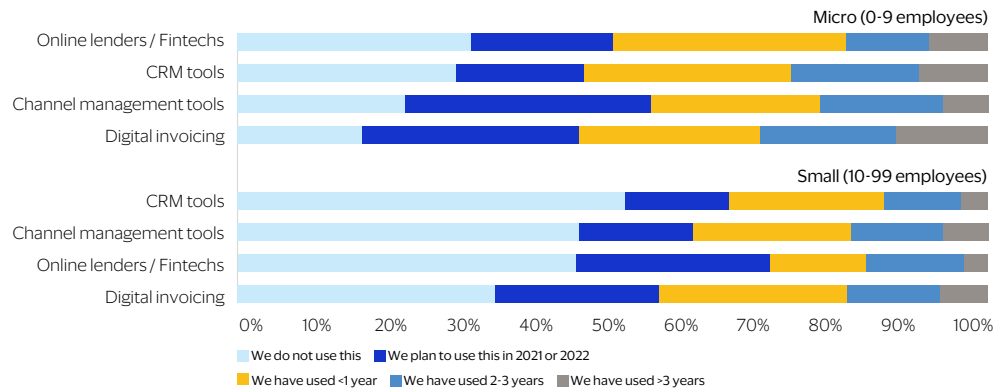
SMBs' use of digital payments





Bahrain

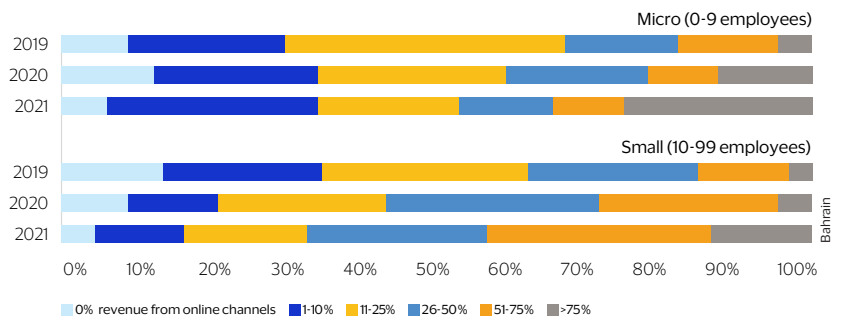
SMBs' use of selected technologies to support online transactions



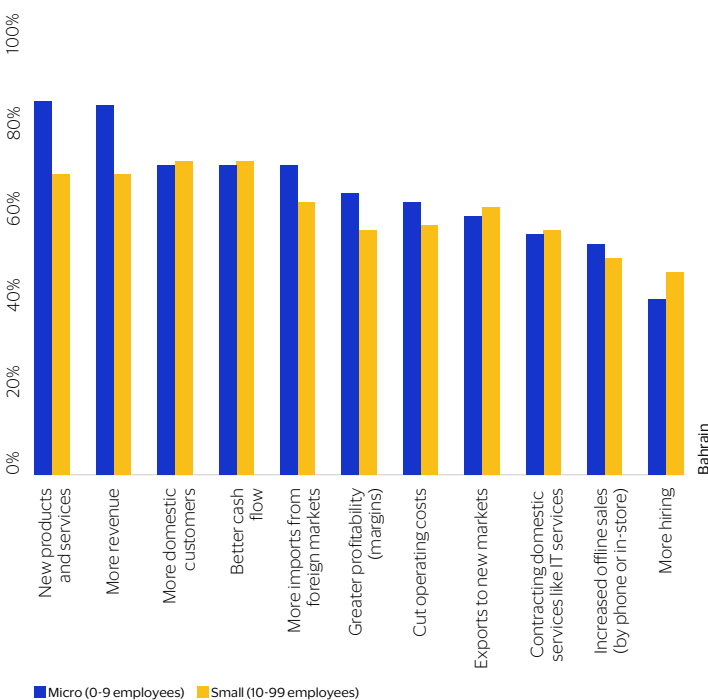
27%

of Bahraini SMBs plan to use CRM tools to support online transactions

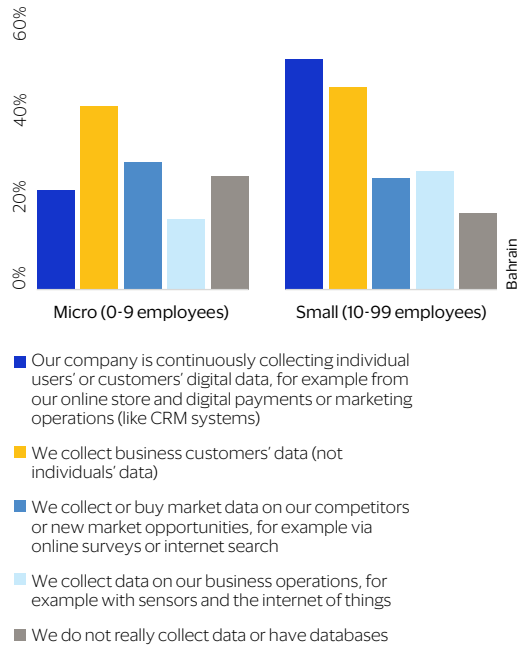
Share (%) of SMBs' sales from online channels



Share (%) of SMBs reporting gains from use of online transactions

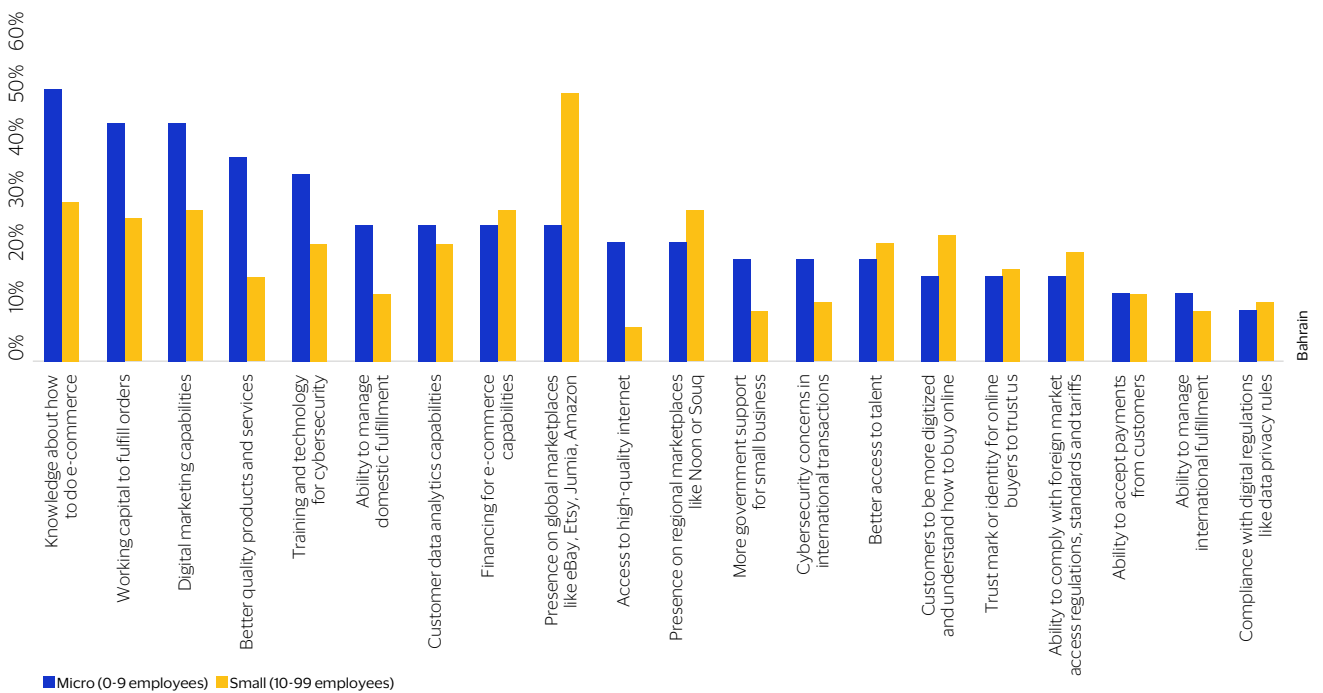


SMBs' use of data to support online transactions





SMBs' main needs to advance on their digital journeys





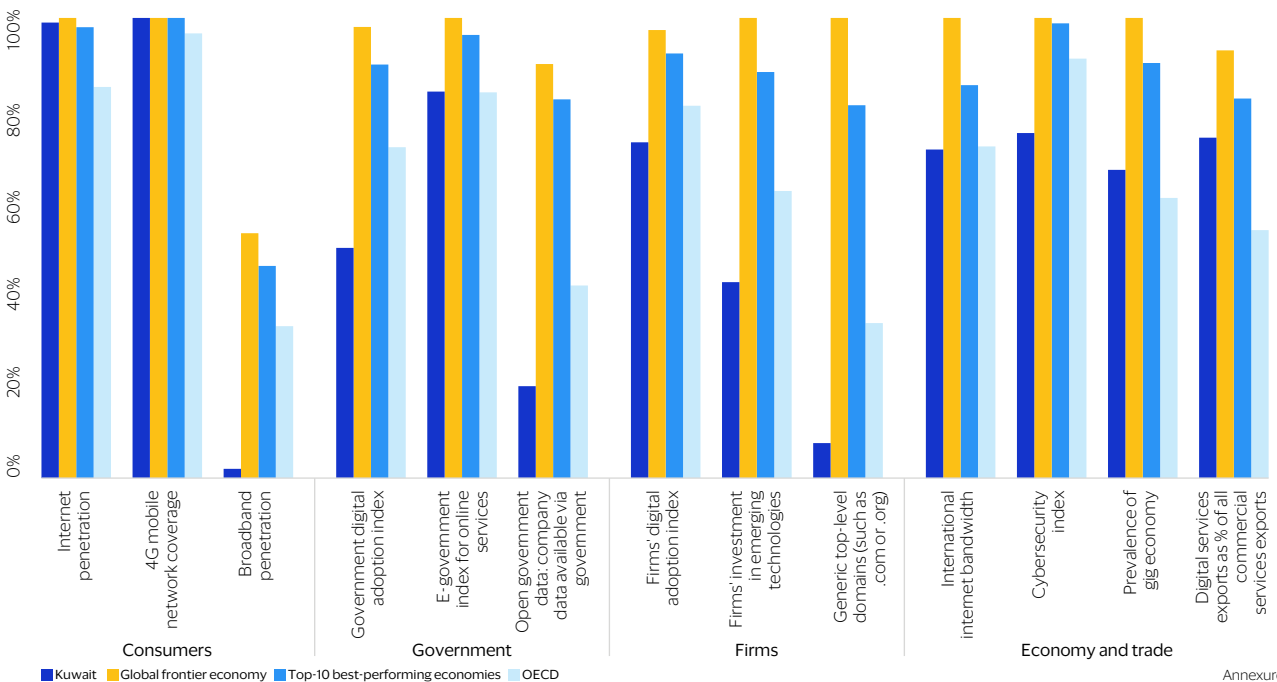
KUWAIT



Key findings

- Kuwait has some 30,000 SMBs, or 7 per 1,000 people, below the global average of 41.¹ The New Kuwait 2035 strategy aims to make the country a cultural and financial center and hub of knowledge in information technologies and renewable energy.² The role of the private sector in the implementation of development projects is going to be increased to 60%-70%.
- Kuwait has in recent years made internet access and 4G coverage practically universal, advanced on e-government services, and put in place several initiatives conducive to SMB digitization and growth, such as digital business registration and startup capital and educational opportunities for SMBs and students to set up their own businesses.
- Kuwait has also adopted several policies and laws conducive to SMB digitization, e-payments, and the development of fintechs, such as an electronic transactions law and a fintech regulatory sandbox.
- Survey data suggests that these efforts are delivering results. Kuwaiti firms across size categories are rapidly digitizing sales and transactions, with a large majority using digital payments such as mobile payments and QR codes, and about a third using regional and global online marketplaces.
- A third of micro and small firms are also using digital tools to enhance their interactions with customers, such as digital invoicing, CRM systems, and channel management tools, and over 40% of firms that have yet to adopt these technologies indicate they will do so in 2022.
- SMBs in Kuwait have gained from their online sales opportunities in terms of better cash flow, access to new customers, and greater revenue and profitability. More than 60% have contracted new domestic services thanks to the growth in online sales. These gains are broad-based, suggesting that Kuwait is making strides in SMB digital inclusion.
- To expand their online presence and accelerate their digital journeys, Kuwait SMBs say they need more knowledge on how to do e-commerce and digital marketing, and have a presence on regional online marketplaces. They also want to improve the quality of their products and services.

Digital economy comparison



Annexure 1

- In terms of broader digital economy indicators, Kuwait still lags OECD nations, and can improve on broadband penetration, open government data, and firms' investment in digital technologies such as cloud computing and cybersecurity protection. The number of SMBs is also still very low relative to the size of the Kuwaiti population.

Selected government and private sector activities and initiatives for SMB digital inclusion

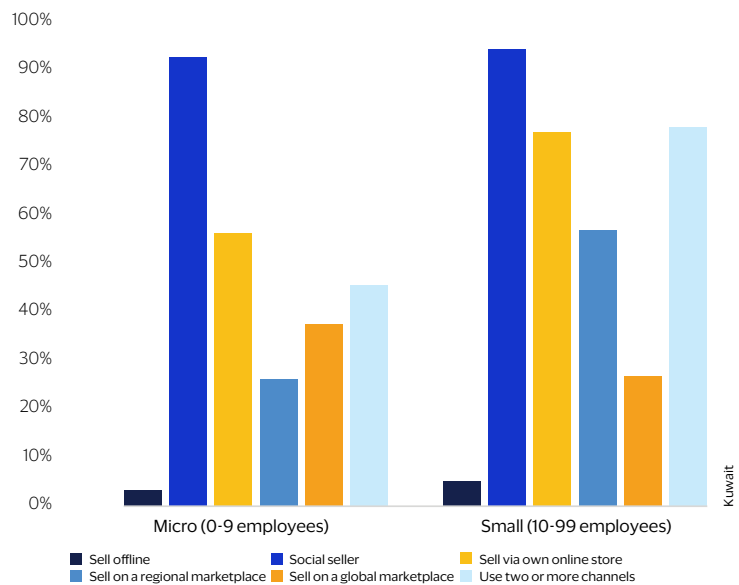
	Government Initiative	Private Sector and Public-Private Partnership
Launch	<ul style="list-style-type: none"> • The government's Kuwait Business Center has set up electronic business registration services. 	<ul style="list-style-type: none"> • In 2019, Microsoft announced that it signed a memorandum of understanding with business incubator Cubical Services, providing access to the Microsoft for Startups program to select businesses in order to mentor businesses just starting out and accelerate SMB growth.³
Transact online: access digital payments	<ul style="list-style-type: none"> • With guidance from the Central Bank, Kuwait's Gulf Bank offers SMBs transactional tools such as payment gateways, employee salary transfers, and point-of-sale services. 	<ul style="list-style-type: none"> • In July 2021, the Central Bank hired McKinsey to develop the technical and operational frameworks necessary for the establishment of digital banks, opening opportunities for innovation in financial services in line with the financial sector development program.⁴
Finance	<ul style="list-style-type: none"> • Kuwait's National Fund for SME Development offers low-interest loans to SMBs through collaborations with local banks, providing 80% of the loan while the bank provides 20%.⁵ 	<ul style="list-style-type: none"> • Gulf Bank offers SMBs integrated solutions that go beyond financing, such as payment services, employee salary transfers, point-of-sale services, and payment gateways.⁶
Gain skills: financial education and digital skills development	<ul style="list-style-type: none"> • Kuwait's National Fund for SME Development offers training services to improve technical and management skills, including topics on business management, finance and accounting, sales and marketing, and human resource management.⁷ 	<ul style="list-style-type: none"> • In April 2021, Alghanim Industries and INJAZ Kuwait provided training of digital literacy skills to more than 2,000 students through the Maharat Min Google program, in collaboration with INJAZ Al-Arab and Google.⁸ • Al Ahli Bank of Kuwait launched the ABK IT Academy, the first program designed to prepare new Kuwaiti graduates for information technology jobs within the banking sector.⁹
Digitize: e-commerce and online presence	<ul style="list-style-type: none"> • Kuwait's National Fund for SME Development offers training for SMBs on e-commerce-related topics such as IT and entrepreneurship.¹⁰ 	<ul style="list-style-type: none"> • The National Fund for Small and Medium Enterprise Development and Agility, a leading global logistics provider, has launched a portal that offers small businesses quick access to resources they need to build an online store.¹¹ • Burgan Bank, one of Kuwait's largest banks by assets, launched "Tijarati", a first-of-its-kind business management platform that provides real-time tracking of business via web and mobile app, facilitating a 360-degree view for SMBs.¹²
Grow and globalize	<ul style="list-style-type: none"> • The National Fund for SME Development seeks to build linkages with export-oriented industries and foreign direct investments.¹³ 	<ul style="list-style-type: none"> • Shipa, the digital logistics and e-commerce arm of Agility Logistics, opened a 15,000-square-meter e-fulfillment center in August 2021 to help accelerate e-commerce sales in Kuwait, with a specific interest in helping SMBs and including international growth.¹⁴

Key policies to foster an enabling environment for an inclusive digital economy

Digital Transactions	<ul style="list-style-type: none"> The Electronic Transactions Law, Law No. 20 (2014) highlights that a handwritten signature isn't always needed for a contract to be considered credible and that contracts can't be refused for simply being electronic. Under Resolution No. 44/430 of 2018, the Central Bank of Kuwait (CBK) issued a set of guidelines to regulate electronic payments in Kuwait. These are applicable to any business that intends to engage in the activity of electronic payments and settlement systems, including e-commerce and fintech businesses in Kuwait that have obtained an electronic payment gateway from service providers (e.g. local banks).
E-government	<ul style="list-style-type: none"> Kuwait Government Online offers an online portal for electronic government services.
Financial innovation	<ul style="list-style-type: none"> Kuwait launched a fintech regulatory sandbox in November 2018 that encourages both companies and individuals looking to provide innovative products and services built on or associated with electronic payment of funds and that utilize new technology or an existing technology in an innovative way, to test their innovations within a methodology that ensures the safety and soundness of the financial and banking sector. As of the end of 2021, the government was reportedly discussing a proposal for crowdfunding regulation.

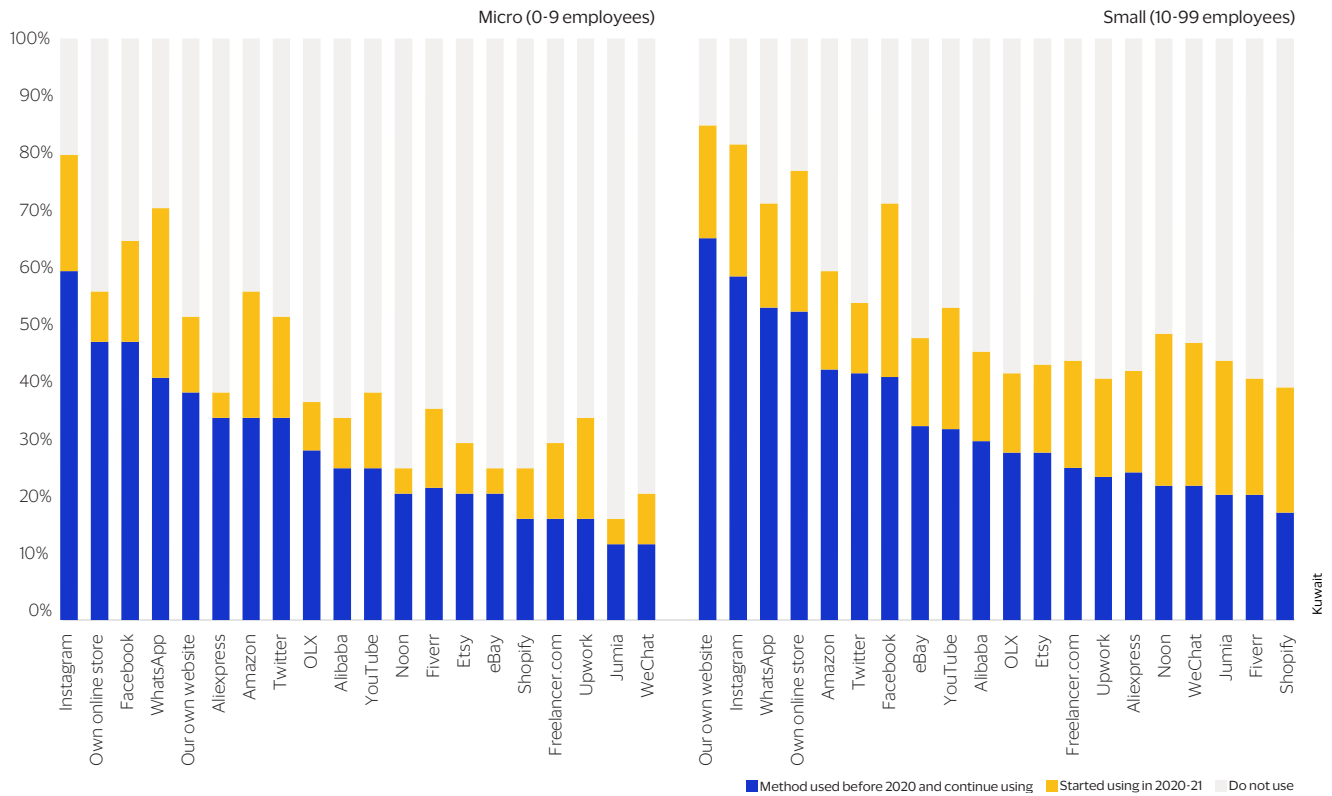
57%
of micro businesses in Kuwait sell via their own online store

SMBs' use of online sales channels

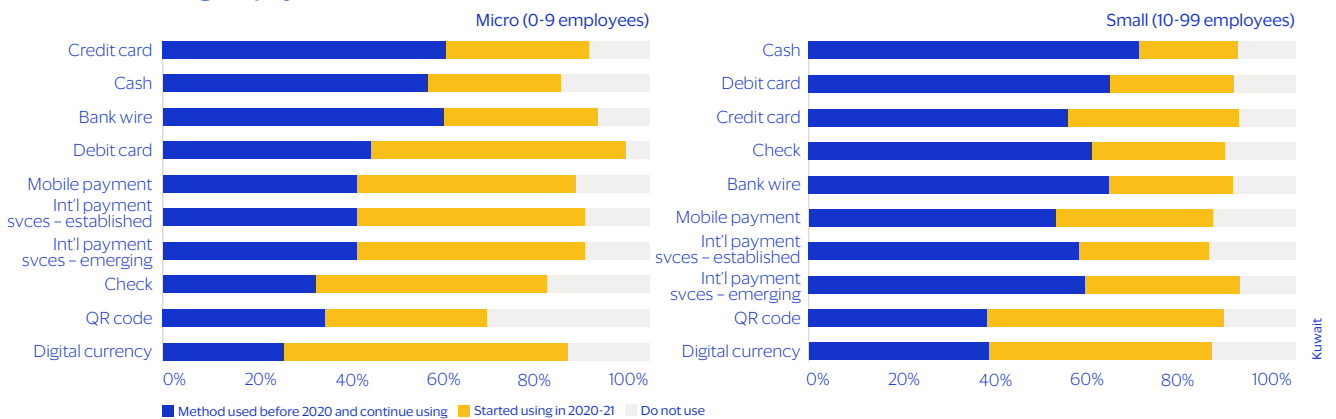




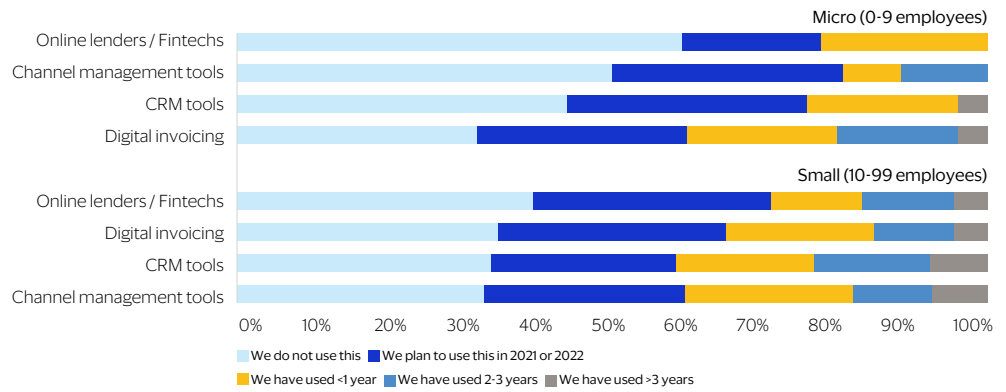
Growth in SMBs' adoption of online marketplaces and platforms



SMBs' use of digital payments



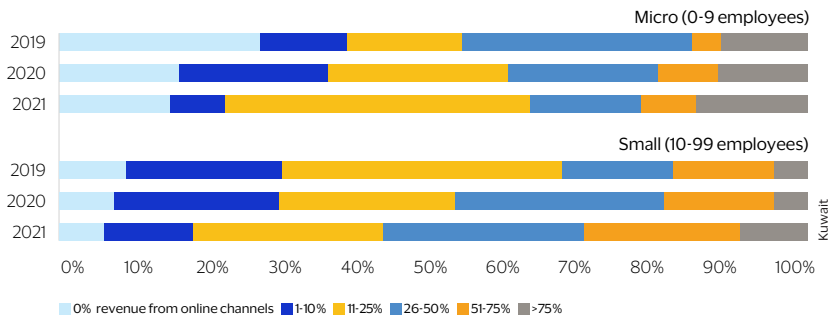
SMBs' use of selected technologies to support online transactions



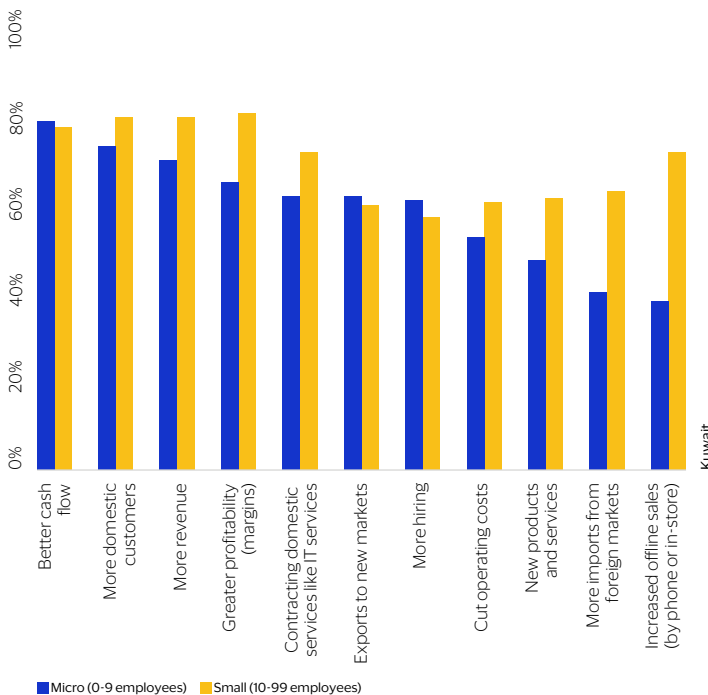
16%

of small businesses in Kuwait still do not collect data or maintain databases

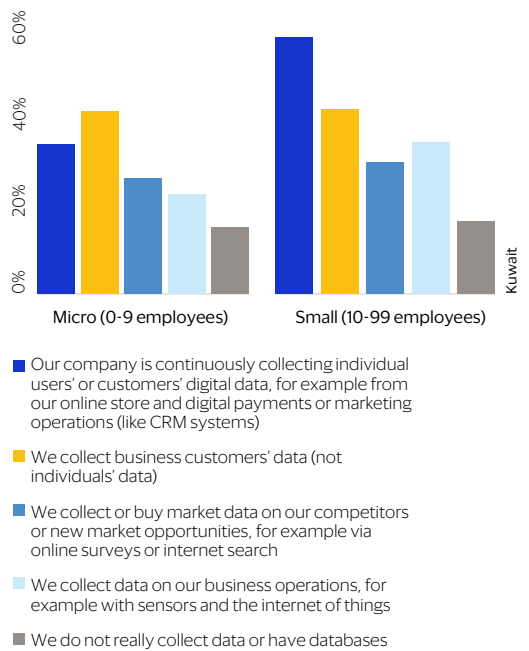
Share (%) of SMBs' sales from online channels



Share (%) of SMBs reporting gains from use of online transactions

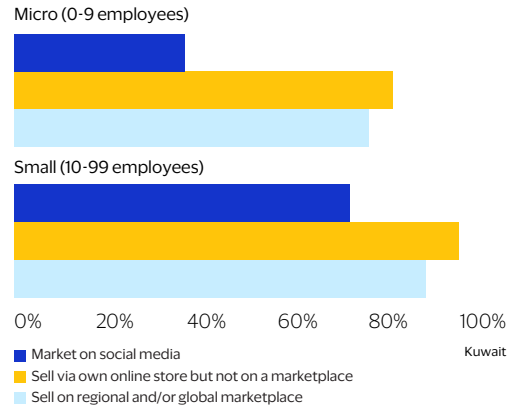


SMBs' use of data to support online transactions

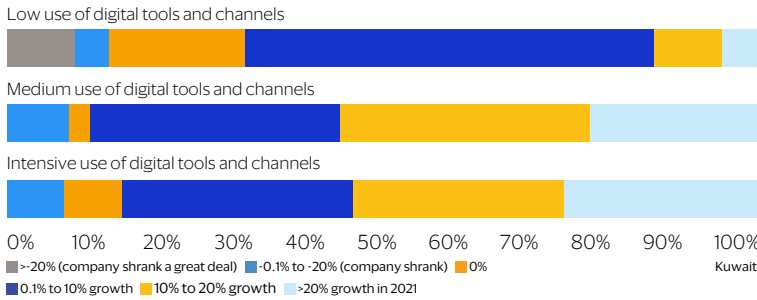




Share (%) of SMBs that export, by channels used



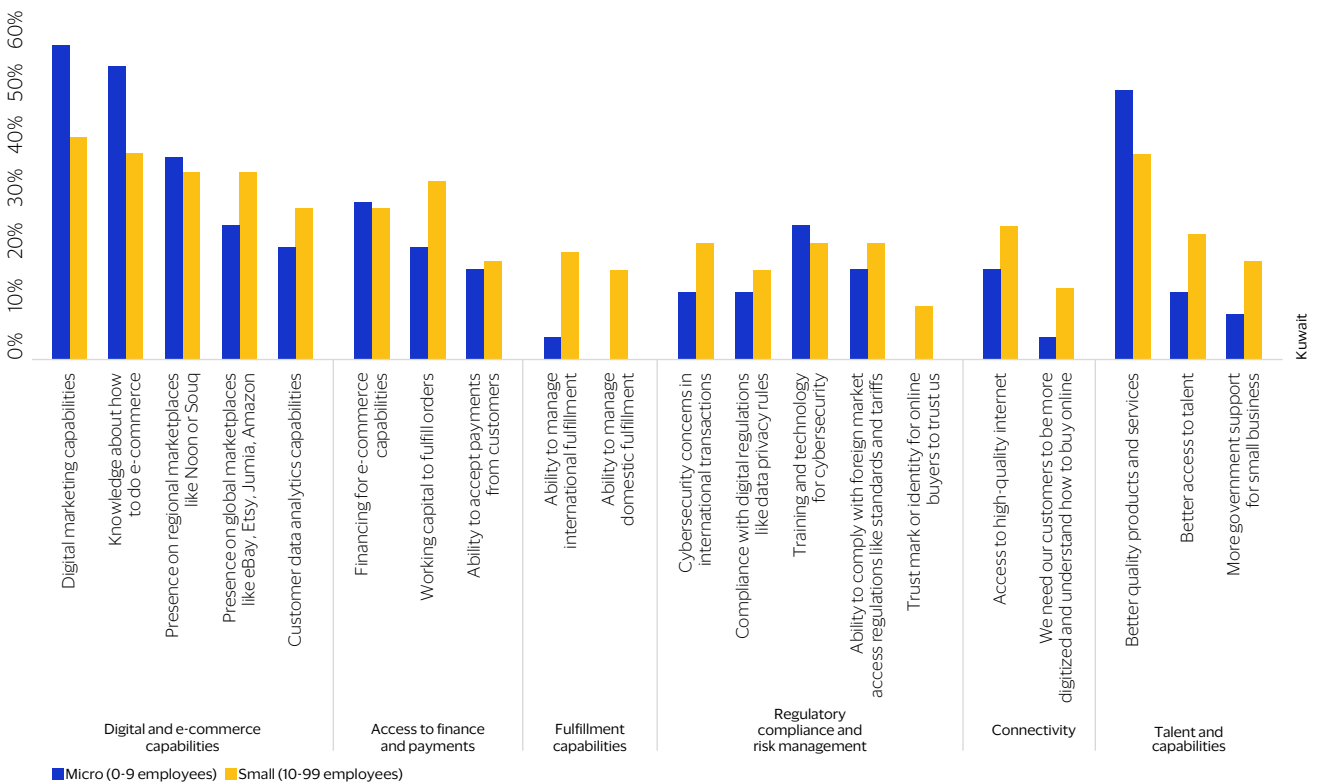
SMBs' growth in 2020, by level of digitization



Number of export markets, by SMBs' use of online channels



SMBs' main needs to advance on their digital journeys





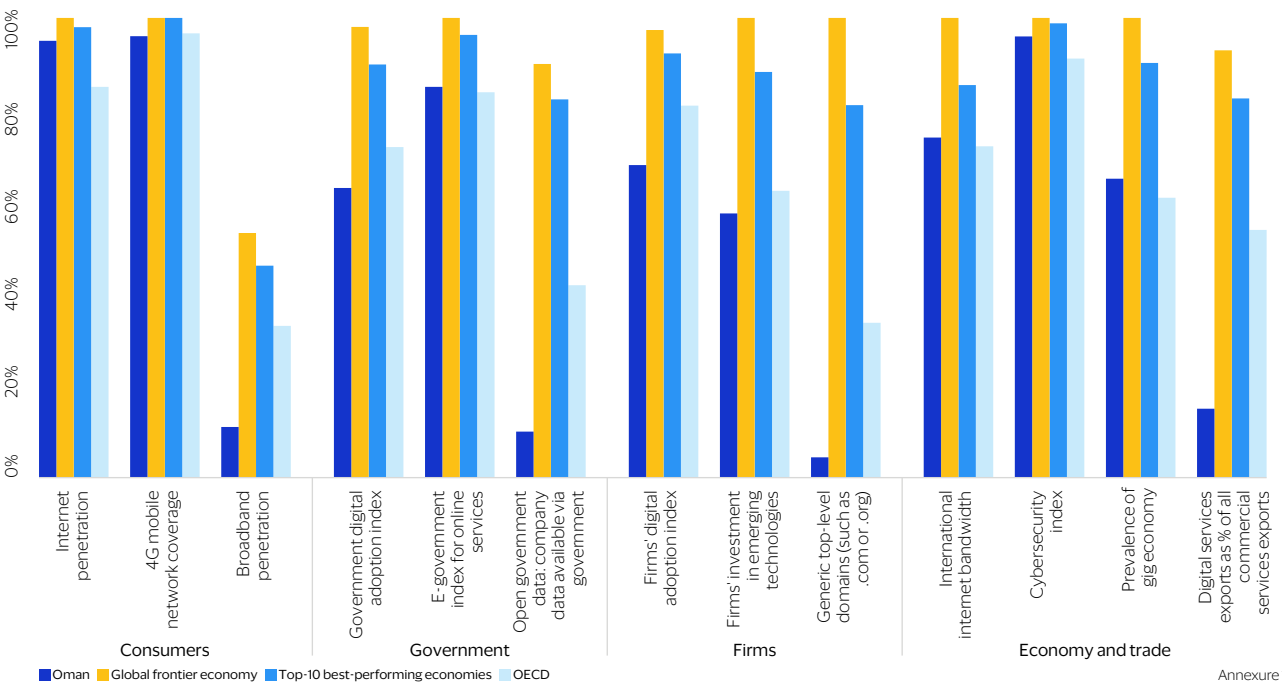
OMAN



Key findings

- There are 52,524 SMBs in Oman, with SMB density of 10.3 per 1,000 people, below the global average of 41.¹ Oman Vision 2040 and e.oman 2030 (or “Digital Oman 2030”) focus on digitization and innovation, development of the IT sector as a share of the economy, and e-government and digital public services. The strategy also promotes digital startups and has a strong focus on disruptive technologies such as AI, blockchain, IoT, robotics, and virtual and augmented reality.² Oman’s plan aims to digitize 59 public services across different government institutions.
- Oman has in recent years made internet access and 4G coverage practically universal, has strong cybersecurity protections, and created many initiatives to enable SMB digitization and growth, for example through reduced tax liabilities for small businesses, promotion of startups and financing for technology projects, and promoting entrepreneurship. The E-Commerce Program Initiative launched by the Ministry of the Economy in 2021 supports SMBs’ access to local and international digital platforms, which can help them market their products and services globally.
- There are several policies and laws conducive to SMB digitization and use of digital technologies for their electronic transactions and e-payments, e-government services, and a fintech regulatory sandbox.
- Survey data suggests that these efforts are delivering results. Omani firms are digitizing their sales and transactions, with well over one half using digital payments and about a fifth of micro enterprises and a third of small firms using global online marketplaces. A third of micro and small firms use digital tools to enhance their interactions with customers, such as digital invoicing, CRM systems, and channel management tools; 40% of firms that have yet to adopt these technologies indicate they will do so in 2022.
- SMBs in Oman have gained from their online sales opportunities in terms of new customers, revenue and cash flow, and access to new markets, and some 60% have contracted new domestic services thanks to the growth in online sales.
- To expand their online presence and accelerate their digital journeys, Omani SMBs say they need more knowledge on how to do e-commerce and digital marketing, and to increase their presence on regional and global online marketplaces, and access working capital to fulfill online orders. Small firms also want more cybersecurity training.

Digital economy comparison



Annexure 1

- In terms of broader digital economy indicators, Oman still lags OECD peers, and can improve on broadband penetration, open government data, firms' investment in emerging technologies such as cloud computing and IoT, and government's own digital transformation, as well as on promoting digital services exports.

Selected government and private sector activities and initiatives for SMB digital inclusion

	Government Initiative	Private Sector and Public-Private Partnership
Launch	<ul style="list-style-type: none"> • National Business Center (NBC) offers promising Omani entrepreneurs a platform to develop their business ideas and convert them into a growing venture.³ 	<ul style="list-style-type: none"> • Oman Startup Hub (OSH) is a platform for startups, investors, advisors, and entrepreneurs to connect, collaborate, and learn about the innovation ecosystem in Oman. It provides a Discovery Tool to enable startups to find support for their needs as they launch and grow.⁴
Transact online: access digital payments	<ul style="list-style-type: none"> • The National ePayment Gateway provides an operational component of the e-governance infrastructure and full e-commerce facilities that allow secure online payments. The e-Payment Gateway supports multiple acquiring banks to support the delivery of public sector e-services and assist the private sector's move into e-commerce.⁵ 	<ul style="list-style-type: none"> • Thawani Technologies, which received the Central Bank's first license issued to a non-bank financial entity⁶, is partnering with Bank Dhofar and Visa to combine Thawani's fintech solutions with Bank Dhofar's infrastructure and expertise in Oman's digital payments transformation, e.g. the Mojab Visa Card tied to a virtual wallet.⁷
Finance	<ul style="list-style-type: none"> • The government's Oman Technology Fund works to attract promising projects to launch operations in Oman to enhance the knowledge-based economy, and to develop the ICT sector in general, through funding in the seed, acceleration, and growth stages.⁸ • A lower tax rate of 3% is applied on Omani proprietorships and LLCs that meet the certain requirements, such as gross annual income lower than USD 260,000. This is coupled with a requirement for SMB taxpayers to file income tax returns (otherwise the rate is 15%). 	<ul style="list-style-type: none"> • SME Development Fund provides financing products to suit the needs of SMBs. The subsidized credit ceiling is OMR 500,000 (USD 1.3 million) with a subsidized interest rate of 4% (cumulative 7%) and repayment period of up to eight years.⁹
Gain skills: financial education and digital skills development	<ul style="list-style-type: none"> • The Entrepreneurship Education Platform by the Ministry of the Economy targets entrepreneurs and craftsmen across Oman, through creating a specialized digital training platform to develop practical and theoretical skills.¹⁰ 	<ul style="list-style-type: none"> • In 2020, Bank Muscat in collaboration with Google began offering the "Maharat Min Google" digital skills program to the bank's customers as well as SMB owners and individuals interested in enhancing their digital marketing skills.¹¹
Digitize: e-commerce and online presence	<ul style="list-style-type: none"> • The E-Commerce Program Initiative launched by the Ministry of the Economy in 2021 supports SMBs' access to local and international digital platforms, which can help them market their products and services globally. The initiative, which targets SMBs, shop-owners, and online platforms, is expected to cover about 100 SMBs and promote e-commerce.¹² 	<ul style="list-style-type: none"> • In 2020, e-marketplace Souqmazoon was launched primarily to support SMBs and Omani products. Multiple private sector stakeholders are involved from the logistics, payments, hosting, and technology sectors.¹³
Grow and globalize	<ul style="list-style-type: none"> • The government's Public Authority for Investment Promotion and Export Development (Ithraa) provides market intelligence, connects firms with trade and investment representatives overseas, organizes local and international trade events, and educates companies about markets opened by Oman's various free trade agreements.¹⁴ 	<ul style="list-style-type: none"> • The five-day Oman Export Week 2019, organized by Ithraa in collaboration with business leaders, provided workshops to Omani startups and SMBs to access support from international and local experts, helping them to understand how to identify and capitalize on opportunities in global markets.¹⁵



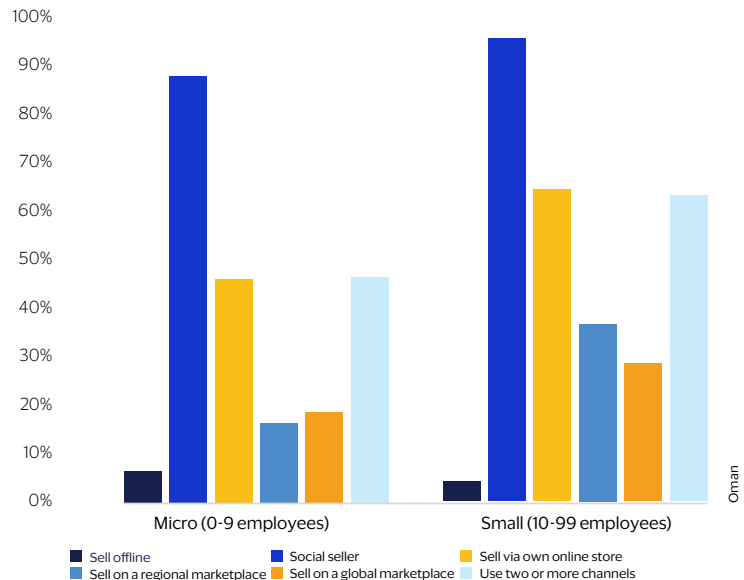
Oman

Key policies to foster an enabling environment for an inclusive digital economy

<p>Digital Transactions</p>	<ul style="list-style-type: none"> • Under the Electronic Transactions Law 2008 and applicable common law, a handwritten signature is not always needed for a contract to be considered enforceable, and electronic contracts cannot be refuted. • The National Payment Systems Law of 2018 includes articles that allow more financial transactions through electronic applications, with a special chapter on electronic money.
<p>E-government</p>	<ul style="list-style-type: none"> • The government offers the Omanuna e-services portal for individuals and companies to access government services, including health, census, taxation, education, and business services. The Authority for Small and Medium Enterprises Development hosts, as of early 2022, eight services, such as for approval of an intellectual property right claim and investor registration.¹⁶ • Tam electronic certification service provided by the National Digital Certification Center (NDCC) at the Ministry of Transport, Communications, and Information Technology allows all Omani citizens and residents to use the government e- services and transactions at a higher level of security, authenticity, integrity, and confidentiality to protect all e-transactions made through ID cards and mobile SIM cards. It allows for authentication of digital identity online without the need to be physically present, and the ability to sign any document or application electronically.
<p>Financial innovation</p>	<ul style="list-style-type: none"> • In August 2021, the government announced a draft for crowdfunding regulations and an intention to approve regulation by the end of 2021. • The Central Bank of Oman (CBO) launched the Fintech Regulatory Sandbox (FRS) in December 2020. The FRS is a closed testing environment in which the CBO will grant certain regulatory exemptions for participants that have fintech solutions entering the FRS, allowing them to live-test their banking, payments, and other financial services solutions on volunteer customers in order to prove their viability.



SMBs' use of online sales channels

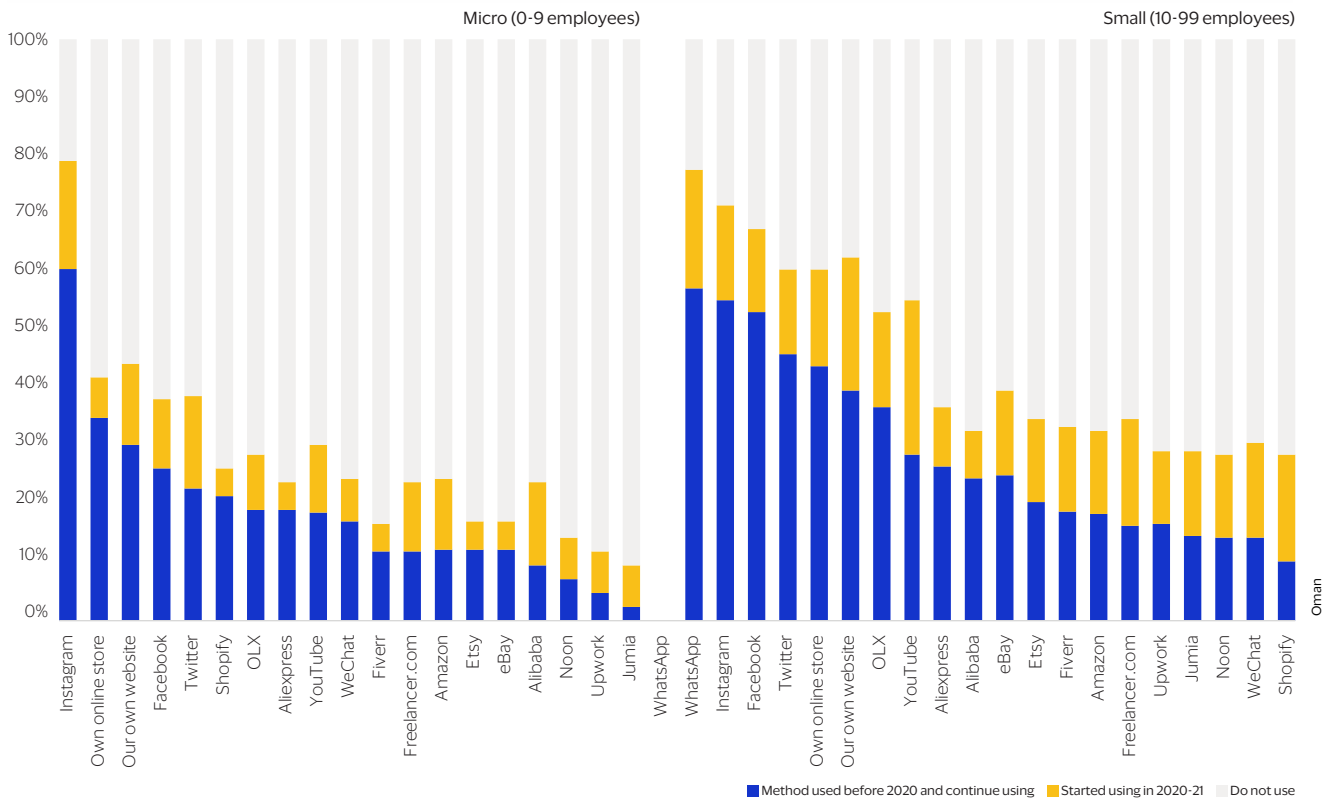


29%

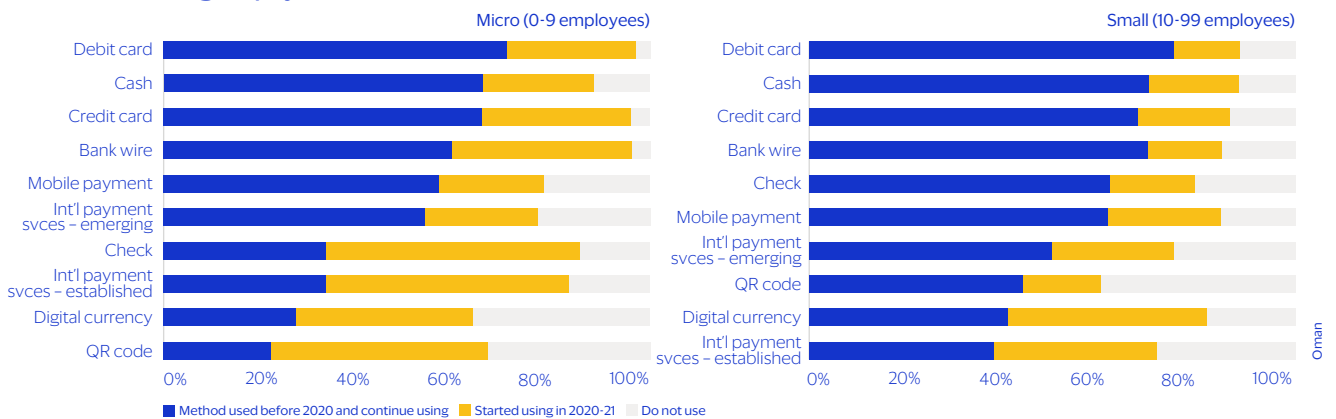
of small businesses in Oman sell on a global online marketplace



Growth in SMBs' adoption of online marketplaces and platforms



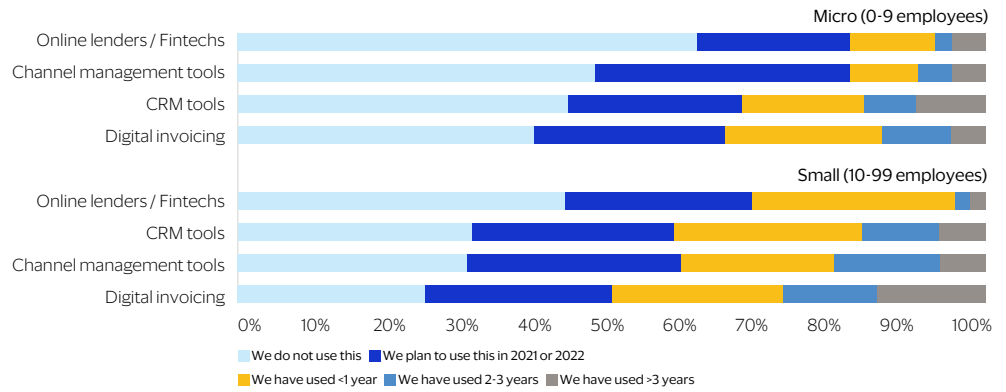
SMBs' use of digital payments





Oman

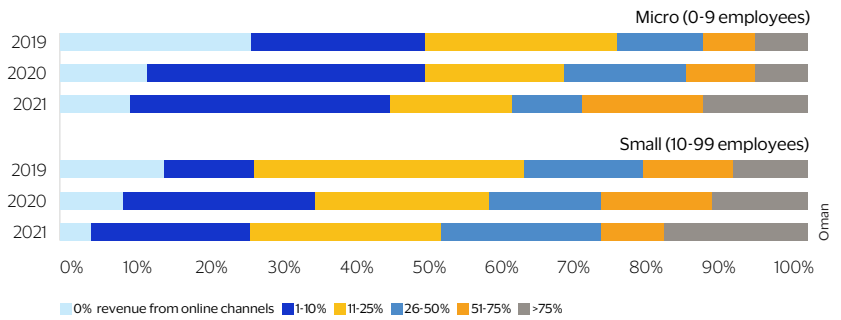
SMBs' use of selected technologies to support online transactions



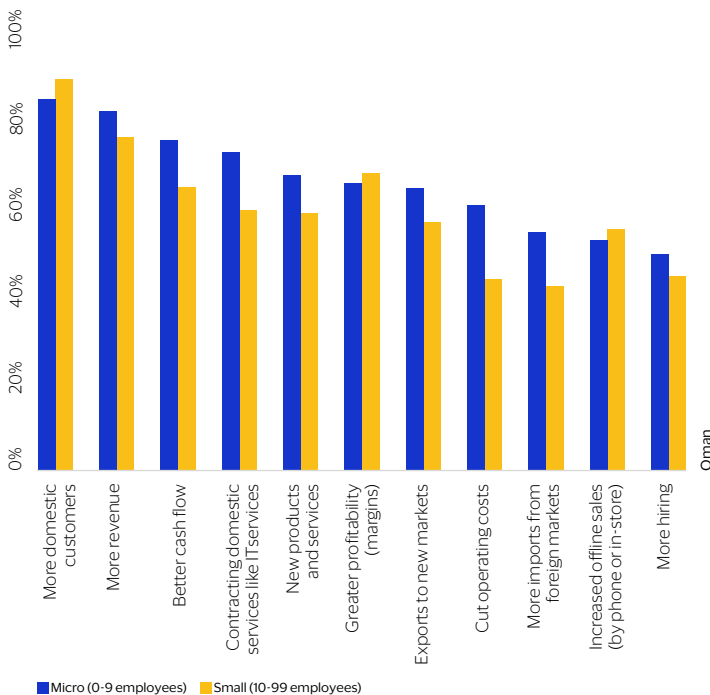
25%

of small companies in Oman plan to use digital invoicing in 2021/2022 to support online transactions

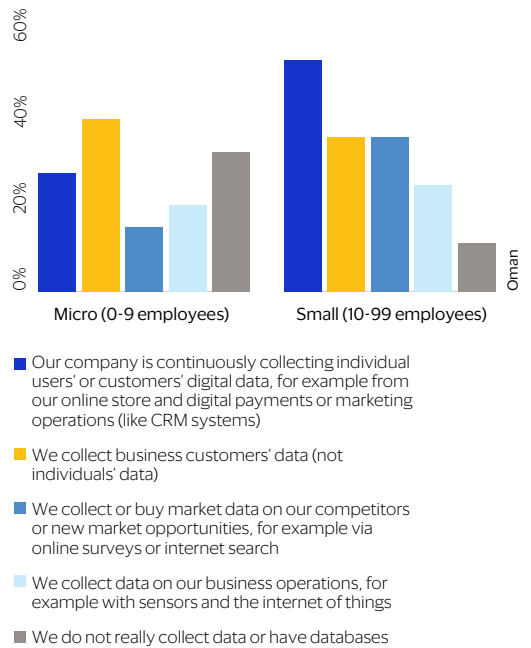
Share (%) of SMBs' sales from online channels



Share (%) of SMBs reporting gains from use of online transactions

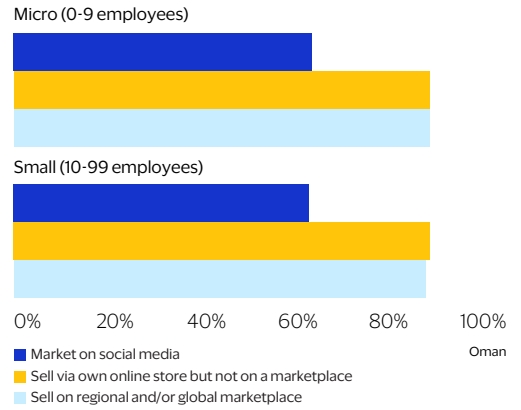


SMBs' use of data to support online transactions

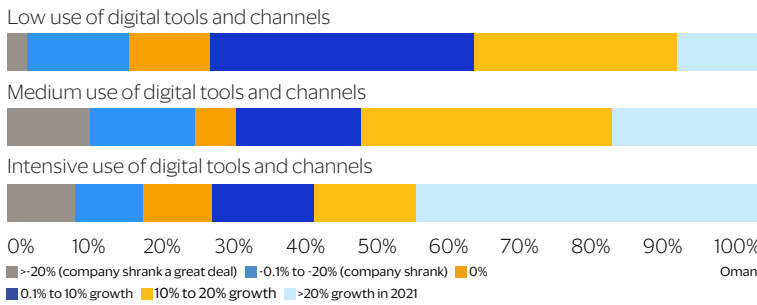




Share (%) of SMBs that export, by channels used



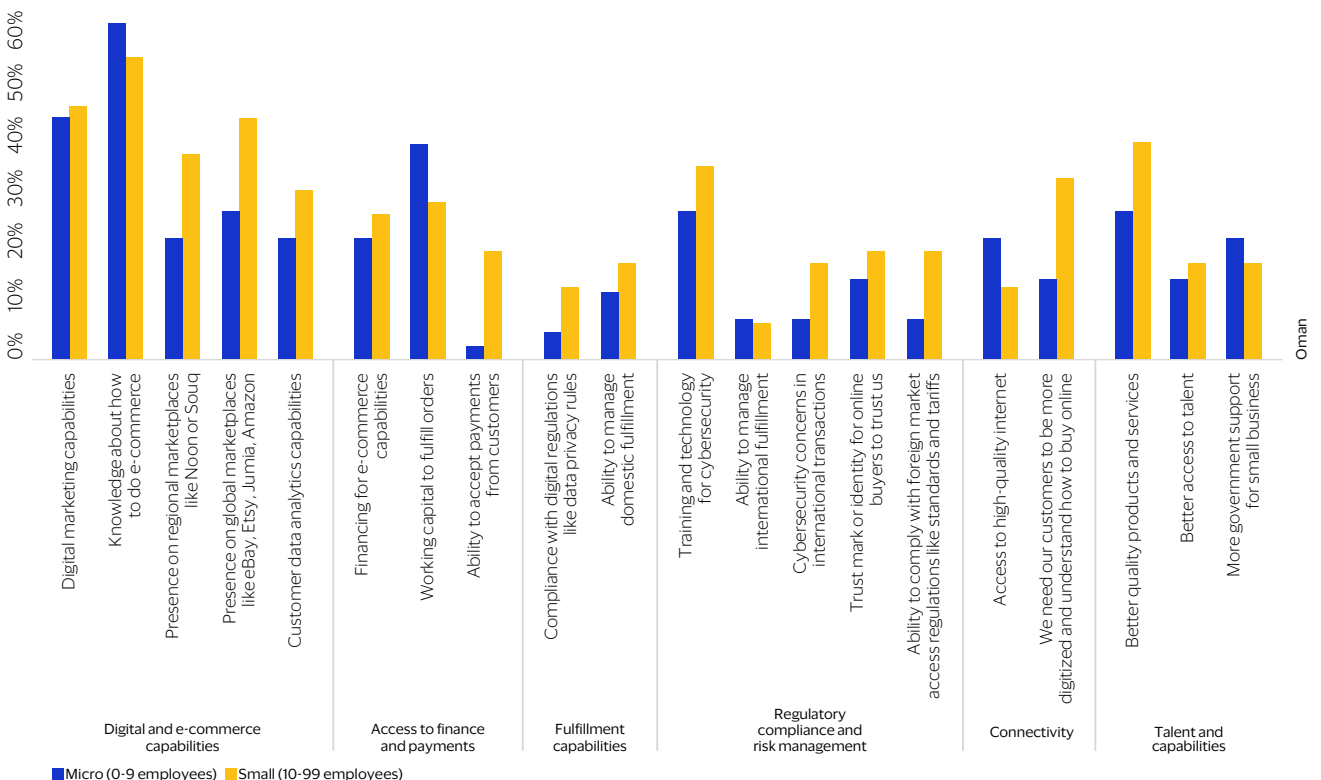
SMBs' growth in 2020, by level of digitization



Number of export markets, by SMBs' use of online channels



SMBs' main needs to advance on their digital journeys





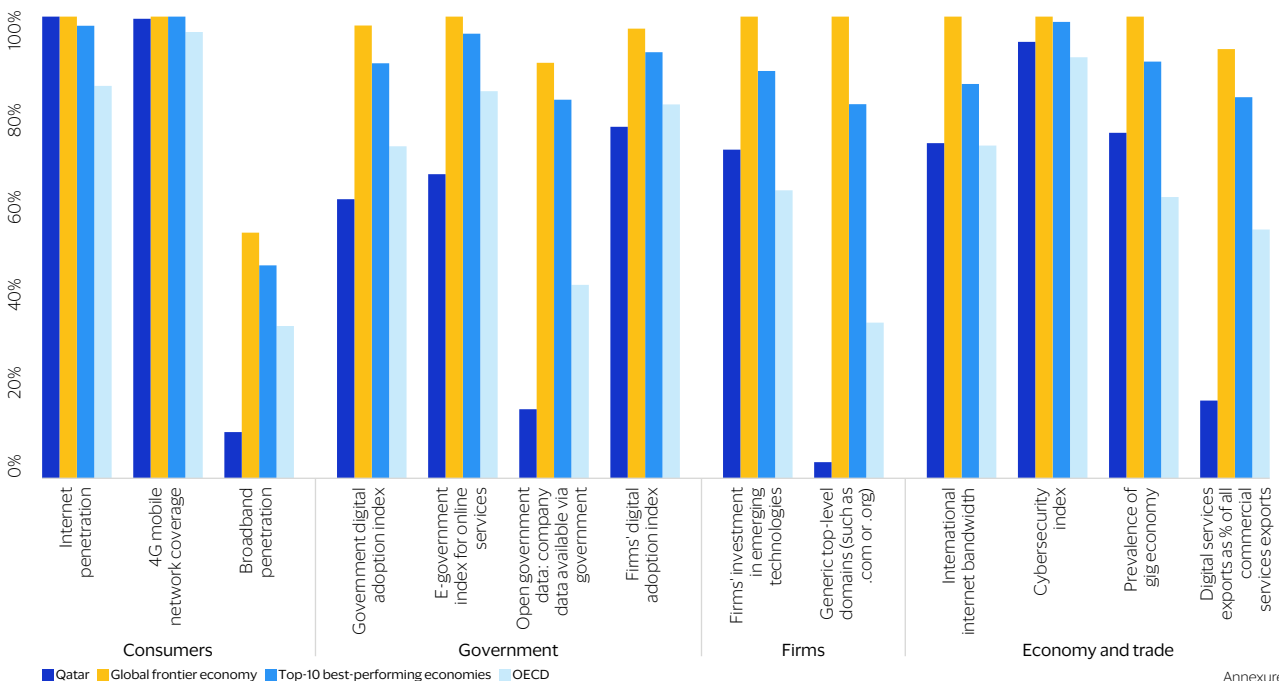
QATAR



Key findings

- Qatar has an estimated 24,000 SMBs, a density of 9 per 1,000 people, below the global average of 41.¹ There are various national efforts to promote SMB digitization and the digital economy. National Vision 2030 seeks to transform Qatar into an advanced country by 2030, capable of sustaining its own development and providing a high standard of living for people.² Qatar Digital Strategy 2026 aims to enhance and scale e-government services through big data, digitized government workflows, and smart services to meet the needs of all segments.³
- In terms of general digital economy indicators, Qatar in recent years has made internet access and 4G coverage practically universal, expanded the availability of e-government services, and bolstered cybersecurity protection.
- Qatar has made impressive strides to enable SMB digitization and growth, for example through online business registration, SMB financing, and dedicated programs such as Qatar’s Digital Transformation of SMEs Program that enhances SMBs’ online presence, use of e-commerce, and access to cloud services, and connects SMBs with the right service providers for their digital journeys.⁴ The government has also partnered with the private sector to enable SMBs to digitize and access capital.
- There are several policies and laws conducive to SMB digitization and use of digital technologies for their transactions and working capital, such as e-Transactions and e-Commerce Law of 2010, National Ecommerce Roadmap of 2017, and National Fintech Strategy and Fintech Sandbox.⁵
- Survey data suggests that these efforts are delivering results. Qatari firms across size categories are rapidly digitizing their sales and transactions and using digital payments and onboarding online marketplaces. Over a quarter of micro enterprises and over a third of small firms are also using an array of digital tools that streamline and scale their interactions with their customers, such as digital invoicing, CRM systems, and channel management tools. Over a quarter of firms across size categories that have yet to adopt these technologies indicate they will do so in 2022.
- SMBs in Qatar have gained from new online channels in terms of diversification of their products and services, access to new customers, and greater revenues and profitability. Midsize firms in particular have also scored new export opportunities. These gains are broad-based, suggesting that Qatar is making strides in SMB digital inclusion.

Digital economy comparison



Annexure 1

- To expand their online presence and accelerate their digital journeys, Qatar SMBs say they need more knowledge on how to do e-commerce and better digital marketing, and improve their presence on marketplaces, access working capital to fulfill online orders, and improve cybersecurity capabilities.
- Qatar can still make progress on broadening broadband penetration, open government data, firms' adoption of technologies such as cloud computing and IoT and promoting SMB formation.

Selected government and private sector activities and initiatives for SMB digital inclusion

	Government Initiative	Private Sector and Public-Private Partnership
Launch	<ul style="list-style-type: none"> • Qatar's e-Government service Hukoomi provides online application instructions for multiple functions, including reserving a trade name, applying for a license, and establishing a company.⁶ • Qatar Development Bank (QDB) offers incubation services and a Hackathon to support early-stage SMBs.⁷ • The Ministry of Transport and Communications' Digital Incubation Center supports entrepreneurs and young people in technology sectors in the early stages of growth.⁸ 	<ul style="list-style-type: none"> • Qatar FinTech Hub was developed by Qatar Development Bank in partnership with global fintech hubs, financial institutions, universities, technology partners, and industry experts to bring together entrepreneurs, investors, and enablers to develop disruptive financial technologies.⁹
Transact online: access digital payments	<ul style="list-style-type: none"> • Qatar Mobile Payments System by the Qatar Central Bank has a digital wallet targeted to the unbanked segments, to enable SMBs to attract more customers and promote mobile payments.¹⁰ 	<ul style="list-style-type: none"> • Qatar Islamic Bank launched the nation's first Islamic point of sale (POS) and online payment gateway solutions to serve corporate and SME clients.¹¹
Finance	<ul style="list-style-type: none"> • Qatar Development Bank provides export working capital to SMB exporters.¹² • Qatar Development Bank's Al-Dhameen program provides a loan guarantee to partner banks for up to 85% of funding to SMBs.¹³ 	<ul style="list-style-type: none"> • Qatar Insurance Group launched a wide range of insurance products in 2018, specifically catering to SMBs.¹⁴
Gain skills: financial education and digital skills development	<ul style="list-style-type: none"> • QDB launched a multi-service support center, "One Stop Shop," in 2016 to cater to SMBs at Qatar Business Incubation Center.¹⁵ 	<ul style="list-style-type: none"> • Qatar Islamic Bank's My Business program offers entrepreneurs financial services, advice, and guidance, and features several tailored benefits for SMBs.¹⁶
Digitize: e-commerce and online presence	<ul style="list-style-type: none"> • Qatar's Digital Transformation of SMEs program enhances SMBs' online presence, e-commerce, and cloud services, and connects SMBs with the right service providers for their digital journeys.¹⁷ 	<ul style="list-style-type: none"> • In June 2021, Google launched the Google Cloud Center of Excellence in Qatar offering free training programs to individuals and businesses seeking to expand their technology skills.¹⁸
Grow and globalize	<ul style="list-style-type: none"> • Qatar QE Venture Market, an initiative between Qatar Stock Exchange (QSE) and state-owned QDB, enables alternative ways for SMBs to go public earlier and raise capital.¹⁹ • QDB's SME Equity program provides growth capital to high-potential SMBs across sectors.²⁰ • QDB's export development agency Tasdeer has an Export Readiness Program to upgrade non-exporter SMBs.²¹ 	<ul style="list-style-type: none"> • Qatar University hosted a workshop in 2019 to discuss the outcomes of an empirical study called "SMEs Export" which was funded by National Priority Research Program and Qatar Foundation to discuss internal and external key drivers, motivators, and inhibitors of SMBs' export activities; develop an evidence-based tool for measuring and evaluating firms' export performance; and provide the government with a white paper on increasing the international engagement of the private sector.²²

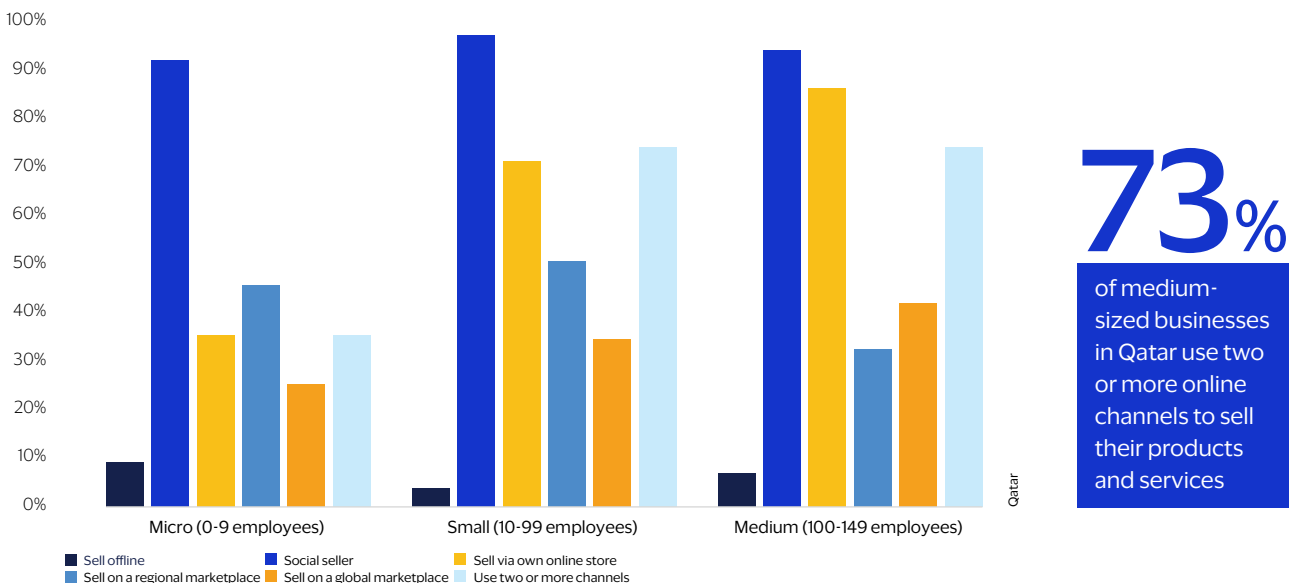


Qatar

Key policies to foster an enabling environment for an inclusive digital economy

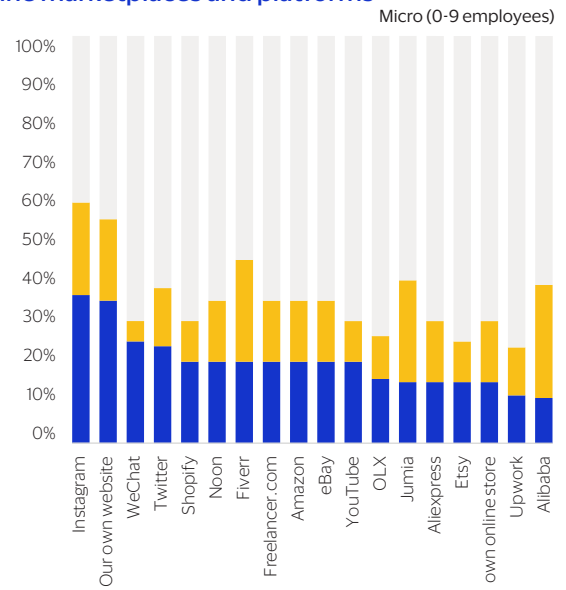
Digital Transactions	<ul style="list-style-type: none"> • Qatar’s e-Transactions and e-Commerce Law of 2010 includes provisions on areas such as e-signatures, e-documents, and authentication. It covers e-commerce transactions including e-government services. The law does not apply to documents relating to family and personal status, documents that by law must be notarized, and negotiable instruments.²³ • In June 2021, the government launched an e-wallet service on the Metrash2 app. It enables users to digitally store identity documents on the app and to securely store their payment information and passwords for payment methods.²⁴ • National Authentication System Tawtheeq is a national identity provider for all government online services. It provides a secure authentication, digital signing, and Single-Sign-On (SSO) services.²⁵
E-government	<ul style="list-style-type: none"> • The Tawtheeq system provides businesses and individuals unified and secure access to all e-government services, including the payment of fees to government departments.²⁶
Financial innovation	<ul style="list-style-type: none"> • Qatar Central Bank launched a national fintech strategy and is in the process of establishing a fintech sandbox as of October 2021.²⁷
E-commerce	<ul style="list-style-type: none"> • The Qatar National E-commerce Roadmap 2017 enables online seller SMBs and e-payments through: <ul style="list-style-type: none"> - E-commerce regulatory framework: Accelerate implementation of e-transactions law, promote self-regulation and trust marks, and establish an inclusive governance structure. - E-payments: reduce complexity of the payment process, promote the role of payment providers, and enable secure online payment methods. - Enhanced delivery: Stimulate a competitive and innovative logistics market; enhance distribution options, reduce costs, and increase service quality; and focus on the re-export market to drive inbound volume. - Consumer adoption: Promote consumer awareness and knowledge around e-commerce, support merchants’ and SMBs’ online presence, and increase e-commerce penetration. - Merchant empowerment to embrace e-commerce and enhance local and international e-commerce offers. - Strengthen the e-commerce ecosystem: Promote trust and awareness in the e-commerce ecosystem, strengthen local e-commerce capabilities, and enable a safe and secure digital platform.²⁸

SMBs’ use of online sales channels

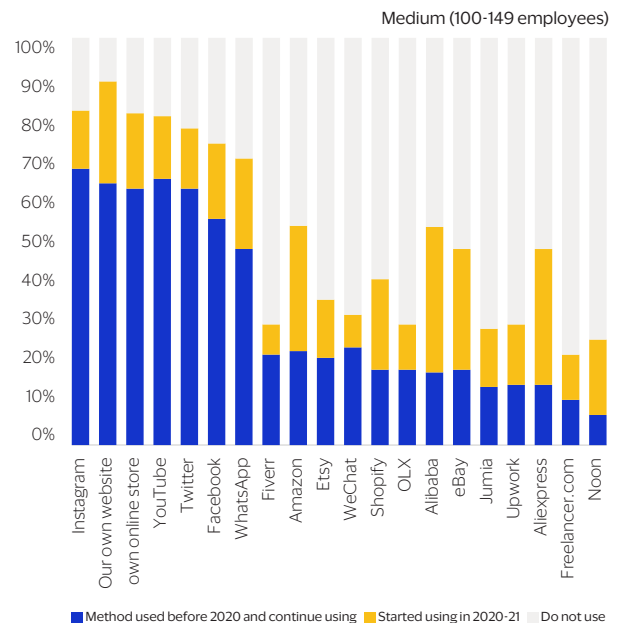
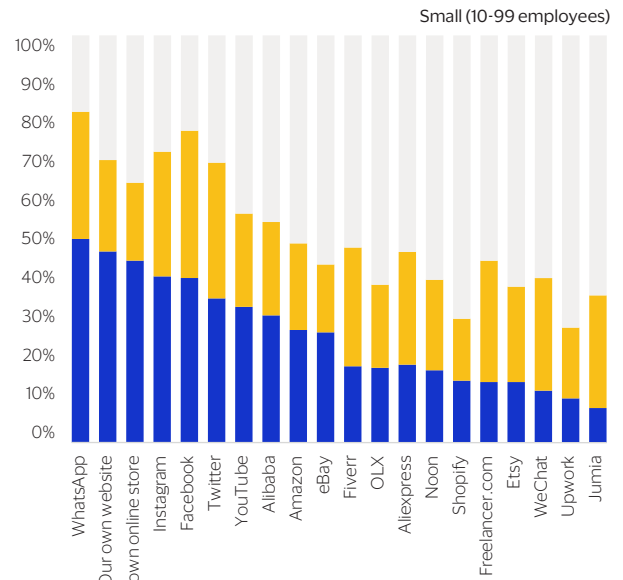
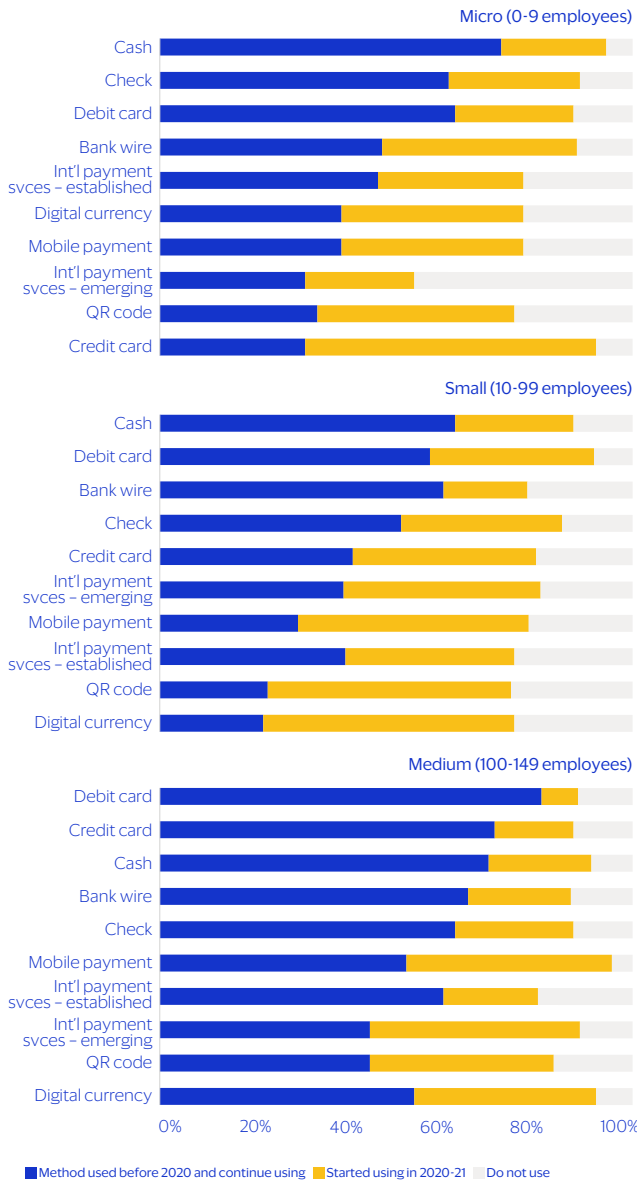




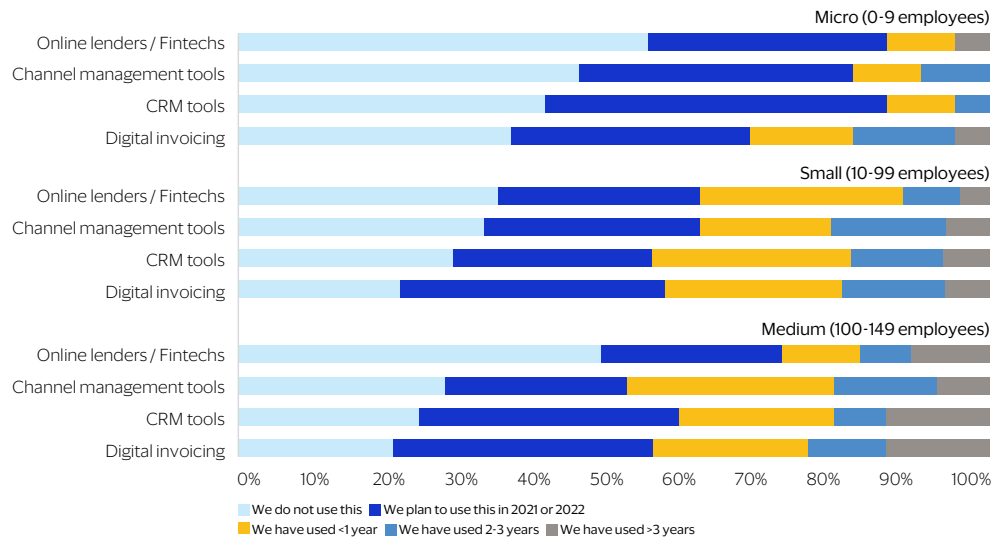
Growth in SMBs' adoption of online marketplaces and platforms



SMBs' use of digital payments

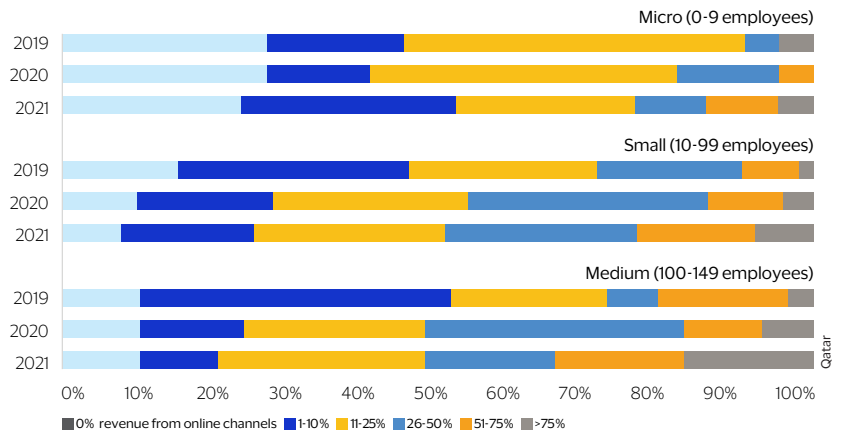


SMBs' use of selected technologies to support online transactions

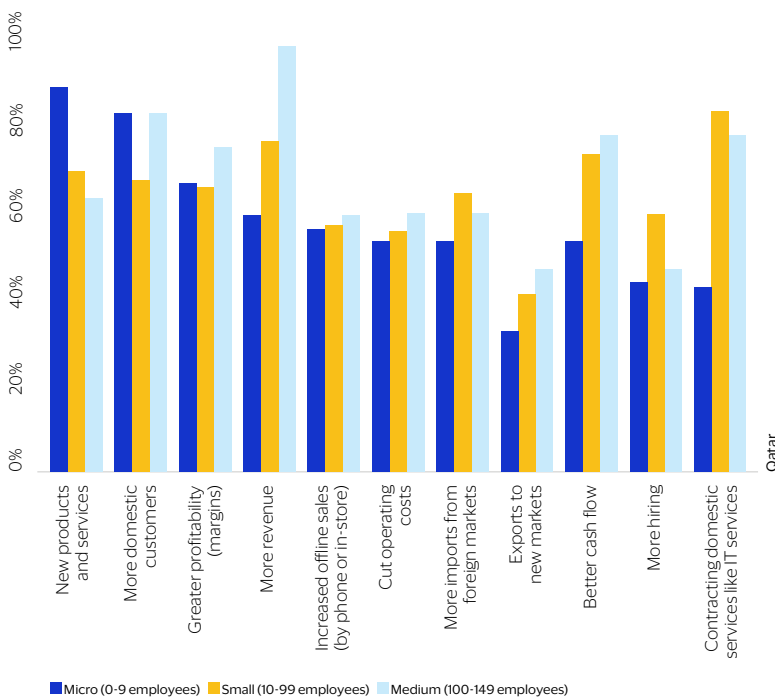


50%
of small businesses in Qatar collect data on business operations

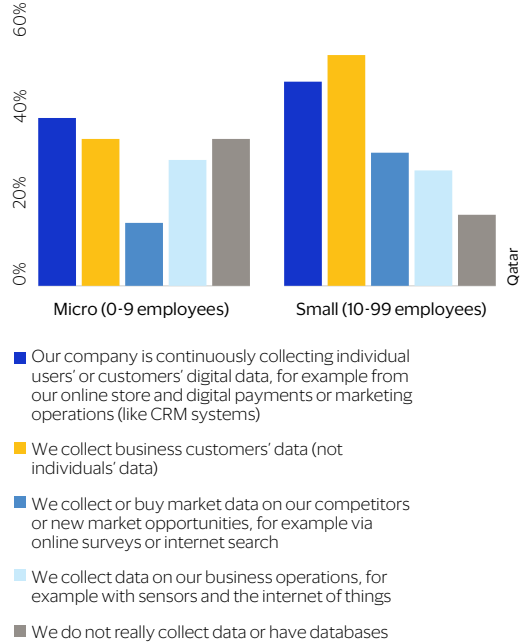
Share (%) of SMBs' sales from online channels



Share (%) of SMBs reporting gains from use of online transactions

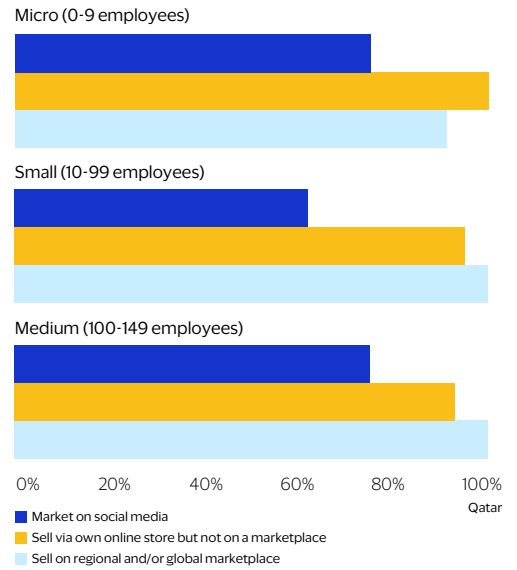


SMBs' use of data to support online transactions

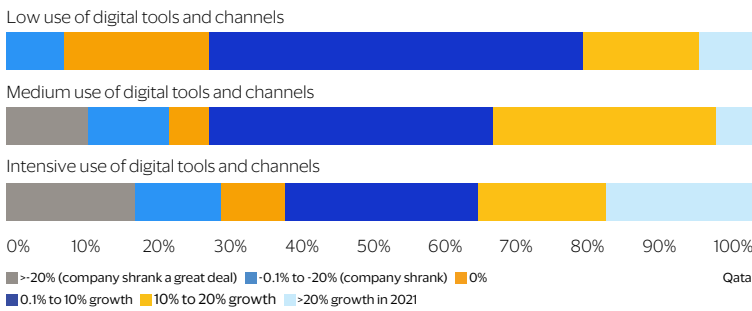




Share (%) of SMBs that export, by channels used



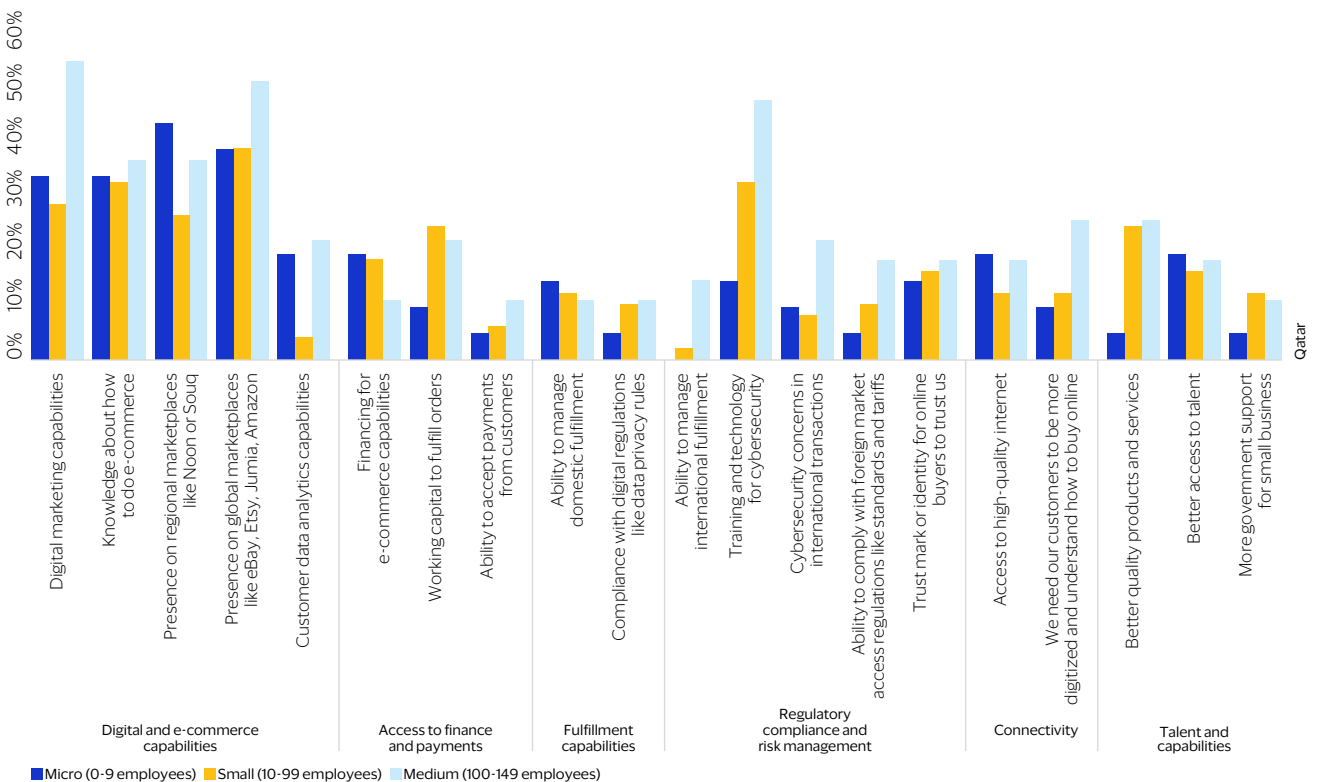
SMBs' growth in 2020, by level of digitization



Number of export markets, by SMBs' use of online channels



SMBs' main needs to advance on their digital journeys



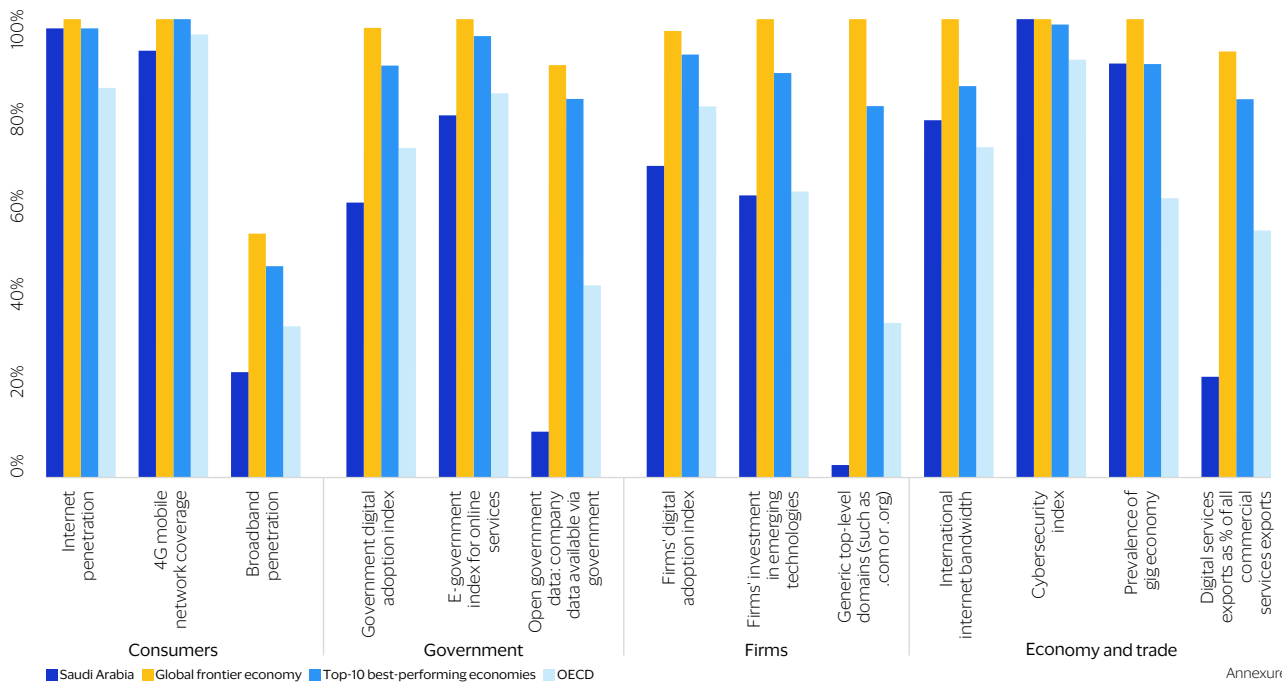


SAUDI ARABIA

Key findings

- Saudi Arabia has some 663,190 SMBs, or 52 SMBs per 1,000 people, more than the global average of 41.¹ Saudi Arabia's Vision 2030 is an economic blueprint designed to curtail the country's dependence on oil through technology and private sector development.² Saudi Arabia is envisaged to have a vibrant domestic IT industry by 2030, highly efficient government and public services, and a digitized private sector. Vision 2030 also promotes SMB digitization to increase small businesses' contribution to the GDP from 20% to 35% and the overall private sector's contribution from 40% to 65%.
- Saudi Arabia has in recent years made internet access and 4G coverage practically universal and has strong e-government services and cybersecurity protections. Saudi Arabia has also created many initiatives and put in place useful regulatory measures to enable SMB digitization and growth, for example through reduced fees for business registration, financing SMB digital transformation, and digital skills development for youth. Saudi Arabia's General Authority for Small and Medium Enterprises (Monshaat) has opened new financing opportunities for SMBs and promoted SMBs' innovation and growth management.
- There are several policies and laws conducive to SMB digitization and use of digital technologies for transactions and working capital, such as enabling fintechs, licensing for digital-only banks, measures to strengthen the e-commerce infrastructure, and enabling fluid digital payment systems.
- Survey data suggests that these efforts are delivering results. Saudi Arabian firms across size categories are rapidly digitizing their sales and transactions, using digital payments such as mobile payments, QR code, and cards, and onboarding regional and global online marketplaces. Over a third of micro and small firms are also using digital tools to enhance their interactions with customers, such as digital invoicing, CRM systems, and channel management tools. Over half of firms across size categories that have yet to adopt these technologies indicate they will do so in 2022.
- SMBs in Saudi Arabia have gained from their online sales opportunities in terms of access to new customers and greater revenues and profitability, and more than half have hired new workers thanks to the growth in online sales. These gains are broad-based, suggesting that Saudi Arabia is making strides on SMB digital inclusion.
- To expand their online presence and accelerate their digital journeys, Saudi SMBs say they need more knowledge on how to do e-commerce and better digital marketing, while enhancing their presence on marketplaces, accessing finance to advance digital transformation and to working capital to fulfill online orders, and ability to manage e-commerce fulfillment.

Digital economy comparison



Annexure 1

- In terms of broader digital economy indicators, Saudi Arabia still lags OECD nations, and can improve on broadband penetration, open government data, firms' investment in emerging technologies such as cloud computing and IoT, and promotion of digital services exports.

Selected government and private sector activities and initiatives for SMB digital inclusion

	Government Initiative	Private Sector and Public-Private Partnership
Launch	<ul style="list-style-type: none"> • Saudi Arabia exempts SMBs from registration fees for the first three years of operations, while the fees in years four and five are reduced. 	<ul style="list-style-type: none"> • Startups House aims to empower SMB entrepreneurs via co-working space, an incubator, an accelerator with support services, training facilities, access to entrepreneurial events, mentors, funding institutions, and corporate partners, in addition to other support for entrepreneurs.³
Transact online: access digital payments	<ul style="list-style-type: none"> • Sadad is an online system that provides services for making payments and taxes for individuals, businesses, and the public sector, and enables individuals to pay their government fees.⁴ 	<ul style="list-style-type: none"> • Mastercard launched "SME in a Box" in 2020, a low-cost payments solution that enables business owners to move their operations online and accept a range of digital payments.⁵ • Saudi fintech Geidea partnered with Saudi Telecom Company to provide an integrated suite of solutions to SMBs to simplify digital payments, seamlessly manage their store, accept payments, and resell top-ups and vouchers.⁶
Finance	<ul style="list-style-type: none"> • Saudi Export Development Authority reimburses 70% of SMBs' fees for listing products on e-commerce sites and the costs of search engine optimization up to USD14,600.⁷ • Monsha'at has a Small and Medium Enterprises Bank that supports financial institutions in offering innovative financing solutions to SMBs. 	<ul style="list-style-type: none"> • P2P fintech Beehive has partnered with Gulf International Bank and Saudi Social Development Bank to offer SMBs a Shar'ia-compliant, unsecured lending solution that can support working capital, expansion capital, and re-financing needs.⁸ • Riyadh Bank's Kafala program provides funding for SMBs to help close the capital gap.⁹
Gain skills: financial education and digital skills development	<ul style="list-style-type: none"> • Saudi Arabia's Federation for Cyber Security Programming has launched a series of technology initiatives worth over USD 1.2 billion aimed at improving the digital skills of 100,000 Saudi youth by 2030.¹⁰ 	<ul style="list-style-type: none"> • In September 2021, Cisco announced a strategic partnership with the Saudi Federation for Cybersecurity, Programming, and Drones to skill 8,000 trainers.¹¹ • As part of the 2030 Saudi Vision, Tuwaiq Academy was established in 2020 to empower 100,000 programmers by 2030, in partnership Cisco, Amazon, IBM, and Microsoft, among others.¹²
Digitize: e-commerce and online presence	<ul style="list-style-type: none"> • The government's E-Commerce Council is working on measures to develop e-commerce infrastructure, enabling payment systems, postal and logistics services, and providing a package of services to SMBs.¹³ 	<ul style="list-style-type: none"> • In July 2019, Noon.com held a seller event in Riyadh, bringing together Saudi SMBs and entrepreneurs. The event provided an overview of what Noon.com does for SMBs and distributors, including mentoring and training, and showcased several sellers' success stories on the platform.
Grow and globalize	<ul style="list-style-type: none"> • The Saudi EXIM Bank has approved SAR 8 billion (USD 2.13 billion) in lending to non-oil exporters since its launch in early 2020, paying special attention to SMBs and offering 17 credit options.¹⁴ • The "Made-in-Saudi" program was launched in 2021 to empower local businesses to accelerate growth and increase exports to priority markets.¹⁵ 	<ul style="list-style-type: none"> • Monshaat has partnered with Stanford University to enable SMBs to scale through innovation strategies, market development, and growth management.

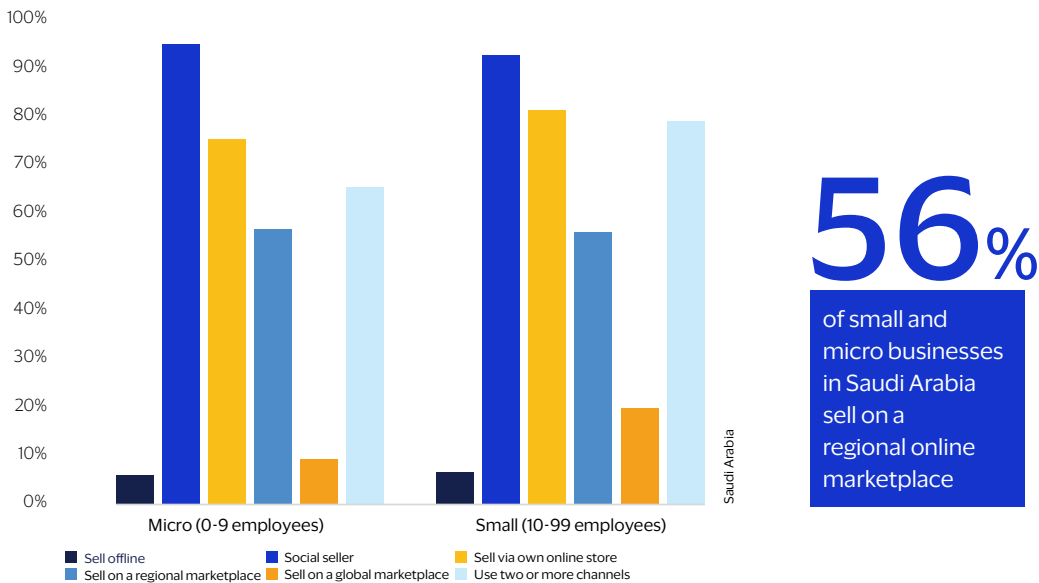


Saudi Arabia

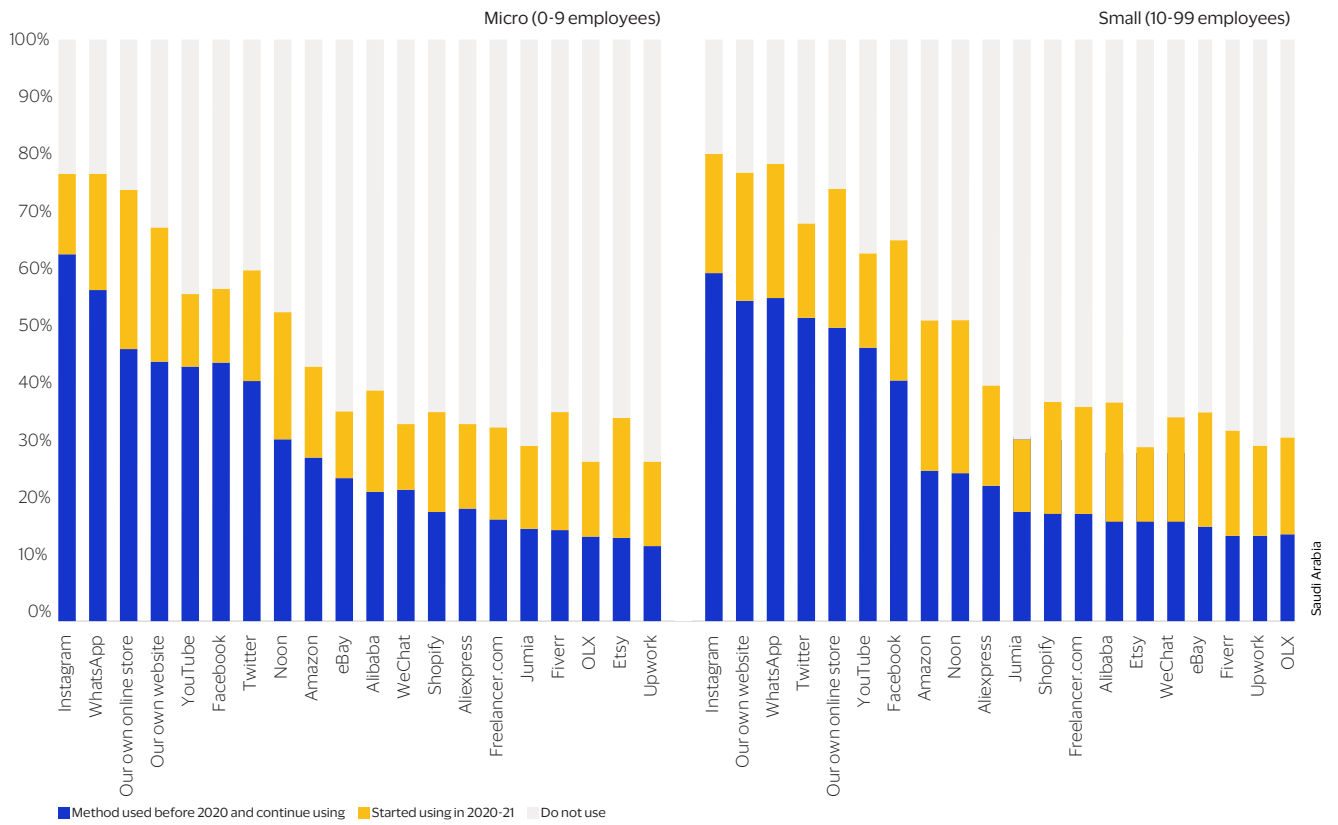
Key policies to foster an enabling environment for an inclusive digital economy

Digital Transactions	<ul style="list-style-type: none"> • Payment Services Provider Regulations (PSPR) were introduced in January 2020 to regulate payment services providers.
E-government	<ul style="list-style-type: none"> • Saudi Arabia offers 279 e-services through its Absher government portal.¹⁶
Financial innovation	<ul style="list-style-type: none"> • In January 2018, Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA) issued licenses to fintech companies but these were temporary and in the form of a letter allowing the entities to engage in fintech-related activities for a trial period under a sandbox program until being approved by the relevant authority. • The CMA launched its first fintech sandbox in February 2018, through the regulator’s Financial Technology Lab, allowing fintech startups and other firms to conduct live experiments under its supervision. In October 2021, CMA launched its fifth round of fintech sandbox licenses. • In February 2020, SAMA issued additional licensing guidelines and criteria for digital-only banks in the country, in line with efforts to build out a regulatory framework for and promote the growth of an innovation-based fintech ecosystem. • In 2020, SAMA approved the introduction of new laws governing the fintech sector, notably debt-based crowdfunding and payment service provider (PSP) activities. While both licenses are still covered by conventional financial laws, an applicant can now seek a license in line with its activities as opposed to merely taking part in the sandbox program with a temporary license.
E-commerce	<ul style="list-style-type: none"> • As of September 2021, Saudi Arabia’s E-Commerce Council has been working on measures to develop e-commerce infrastructure, enabling payment systems, postal and logistics services, and providing a package of services to SMBs.¹⁷

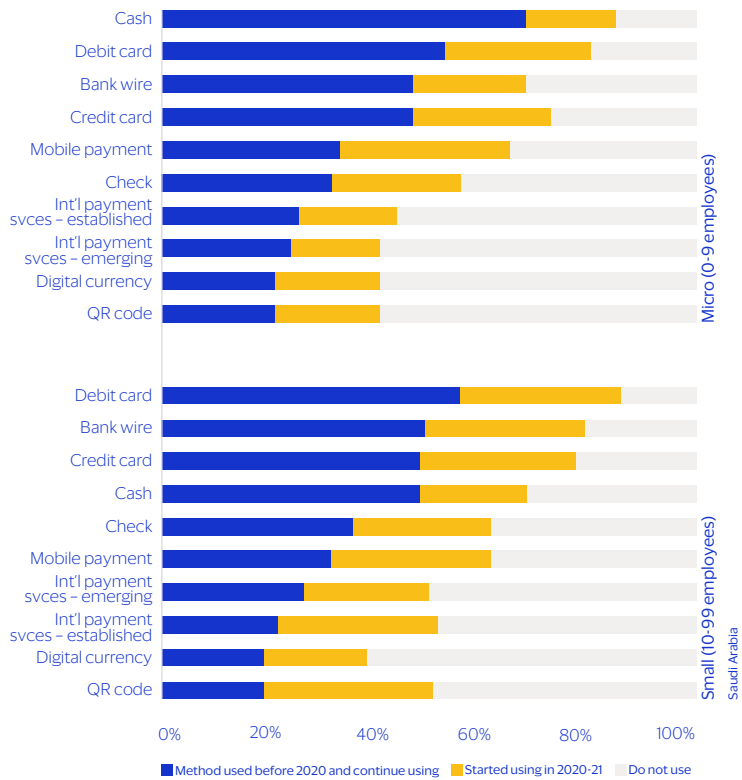
SMBs’ use of online sales channels



Growth in SMBs' adoption of online marketplaces and platforms



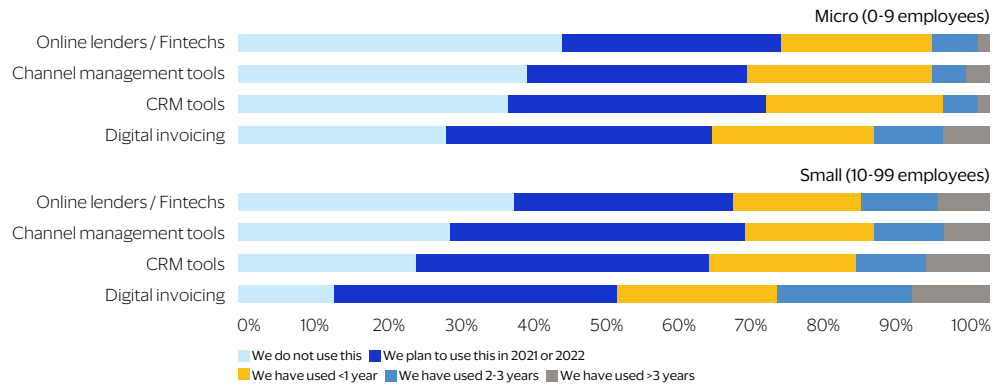
SMBs' use of digital payments





Saudi Arabia

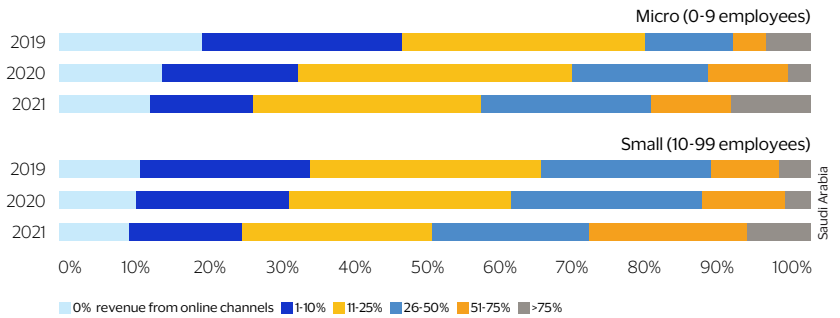
SMBs' use of selected technologies to support online transactions



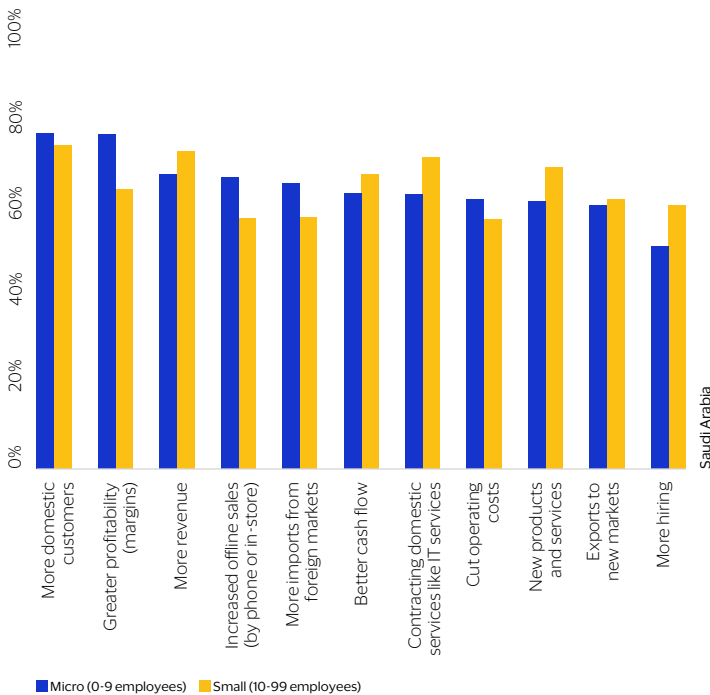
29%

of small companies in Saudi Arabia plan to use fintech/online lenders to support online transactions

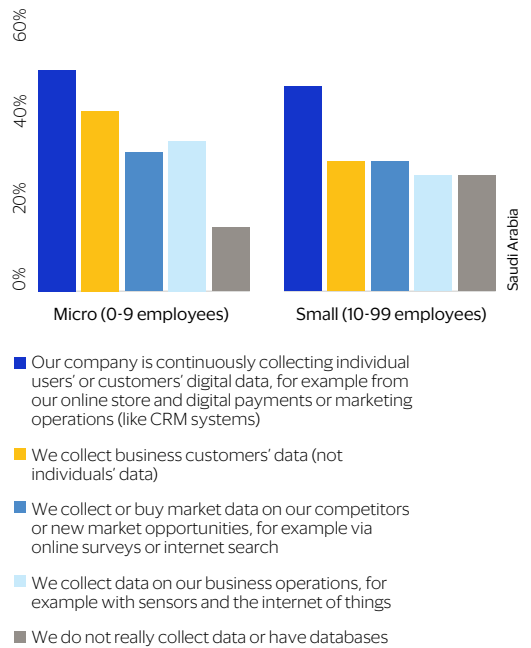
Share (%) of SMBs' sales from online channels



Share (%) of SMBs reporting gains from use of online transactions

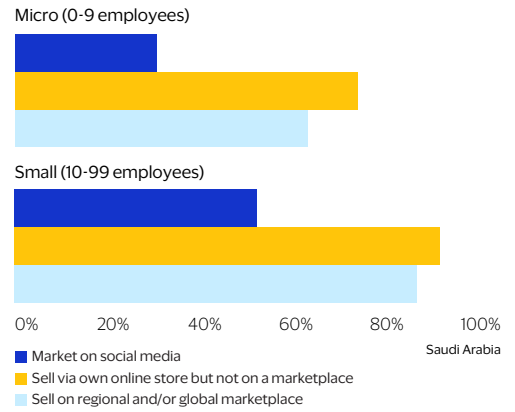


SMBs' use of data to support online transactions

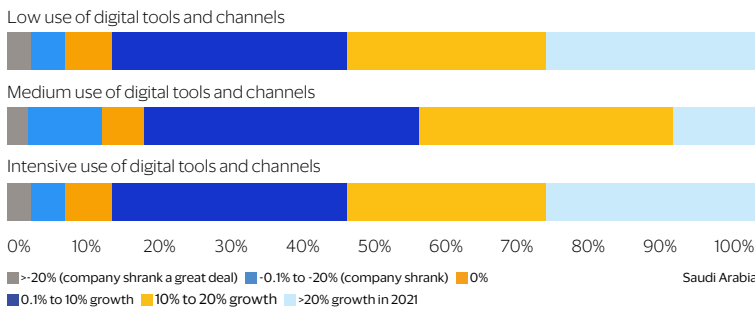




Share (%) of SMBs that export, by channels used



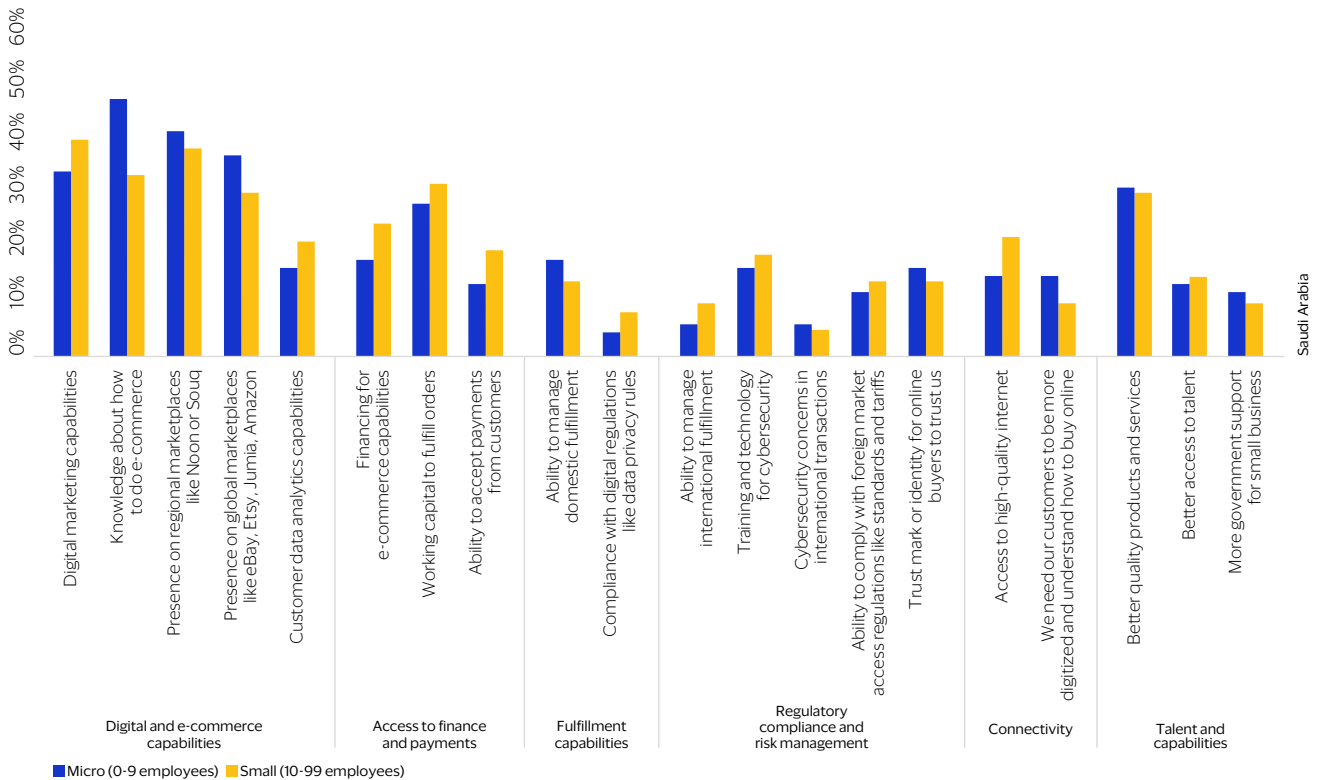
SMBs' growth in 2020, by level of digitization



Number of export markets, by SMBs' use of online channels



SMBs' main needs to advance on their digital journeys





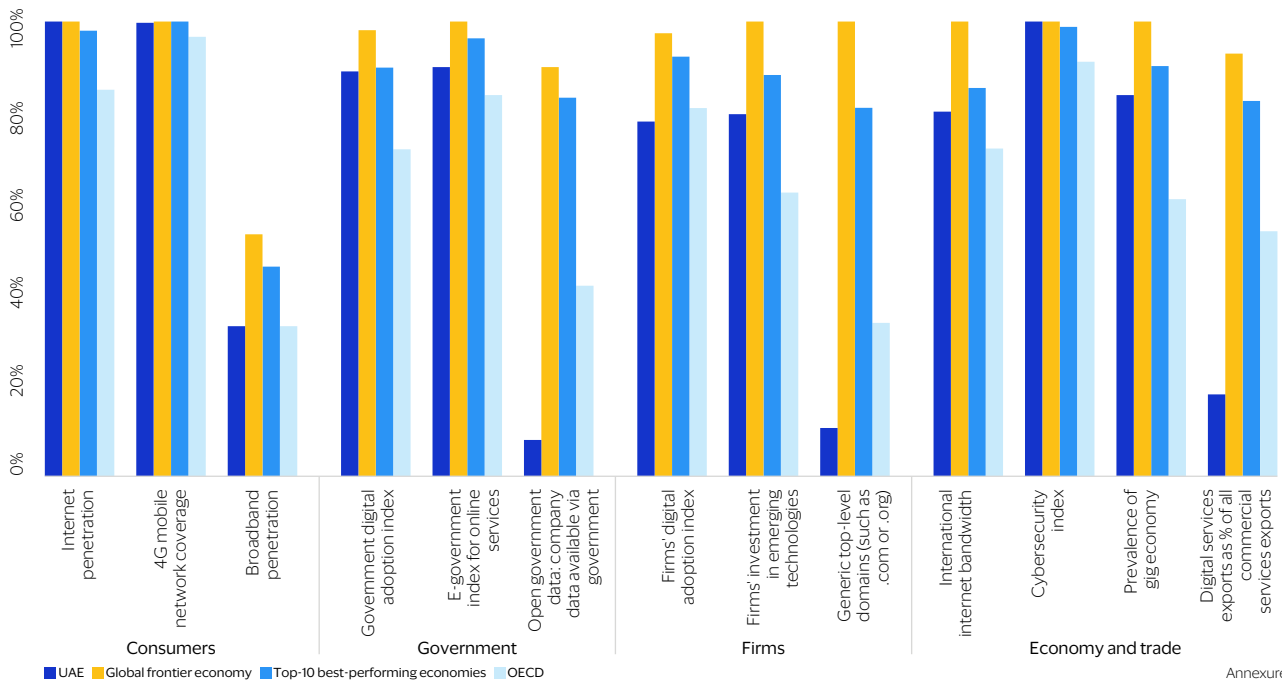
UAE



Key findings

- The UAE has about 350,000 SMBs, a density of 35 firms per 1,000 people, which is close to global average of 41.¹ The UAE’s “Projects of the 50” launched in September 2021 promotes 50 initiatives to boost economic competitiveness and attract USD 150 billion in foreign direct investment in the next nine years.² Developing a competitive knowledge economy is one of the pillars of Vision 2021, which aims to increase the contribution of SMBs to non-oil GDP from 53% in 2018 to 60% by 2021.³ Vision 2021 also focused on sustainable environment and infrastructure, world-class healthcare and education systems, and a safe and fair judiciary.
- The UAE in recent years has made internet access and 4G coverage practically universal, has strong cybersecurity protections, and has put in place many initiatives to enable SMB digitization and growth, for example through digital business registration, financing and providing loan guarantees for firms to develop innovative ideas, and promoting SMBs’ e-commerce capabilities with the development of a cadre of programmers and coders.
- There are several policies and laws conducive to SMB digitization and use of digital technologies for transactions and payments, enabling fintechs through sandboxes and open banking measures, and, particularly in Dubai, promoting e-commerce as a growth lever.
- Survey data suggests that these efforts are delivering results. UAE firms across size categories are rapidly digitizing sales and transactions, using digital payments such as mobile payments, QR codes, and cards, and onboarding regional and global online marketplaces. Over 40% of micro and small firms are also using digital tools to enhance their interactions with customers, such as digital invoicing, CRM systems, and channel management tools. More than half of firms that have yet to adopt these technologies indicate they will do so in 2022.
- SMBs in the UAE have gained from their online sales opportunities in terms of access to new customers and suppliers and greater revenues, and more than half have contracted new domestic services thanks to the growth in online sales. These gains are broad-based, suggesting that UAE is making strides in SMB digital inclusion.
- To expand their online presence and accelerate their digital journeys, UAE SMBs say they need more knowledge on how to do e-commerce, enhance their presence on global online marketplaces, improve digital marketing capabilities, and get access to working capital to fulfill online orders.

Digital economy comparison



Annexure 1

- In terms of broader digital economy indicators, the UAE still lags OECD nations, and can improve on broadband penetration, open government data, firms' investment in emerging technologies such as cloud computing and IoT, and the promotion of digital services exports.

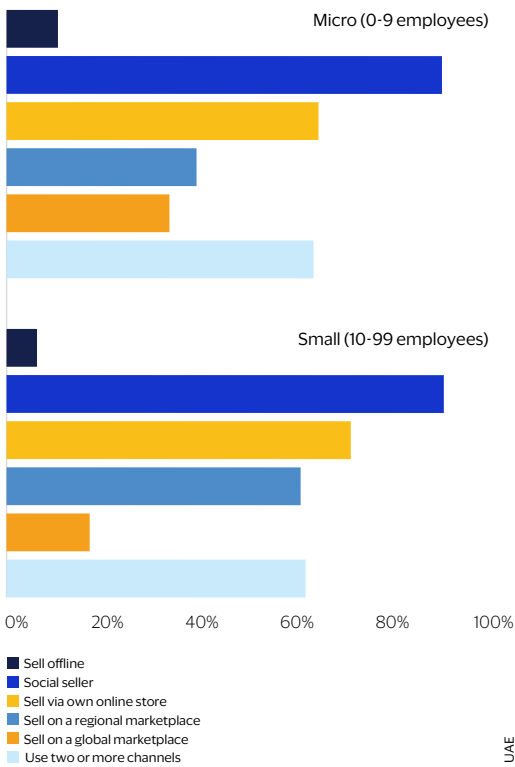
Selected government and private sector activities and initiatives for SMB digital inclusion

	Government Initiative	Private Sector and Public-Private Partnership
Launch	<ul style="list-style-type: none"> • The UAE's Basher service provides an online portal for business registration. • Restructuring of the entry and residency system, introduced as part of the "Projects of the 50", strengthens the UAE's position as a destination for work, investment, entrepreneurship, education, and living. 	<ul style="list-style-type: none"> • StartAD is a global accelerator for seed-stage technology startups to launch, develop, and scale ventures. It is anchored at NYU Abu Dhabi and powered by Tamkeen.⁴ • AstroLabs has partnered with Google, IBM, and Dubai Multi Commodities Center (DMCC) for businesses to save up to AED 30,000 on licensing and registration fees and get a DMCC Free Zone license in only a few weeks.⁵
Transact online: access digital payments	<ul style="list-style-type: none"> • The government has launched the eDirham cashless payment platform that includes an eDirham card to pay for government services and the eDirham Instant mobile app that provides a digital payment tool through which users can pay for government services quickly and securely.⁶ 	<ul style="list-style-type: none"> • Dubai-based PointCheckout's PayLink app offers SMB merchants features such as sending remote payment links within 30 seconds of purchase without the need for a full online store, as well as setting up a basic online store.⁷ • Amazon Payment Services launched Amazon Fintech Lab at the Dubai International Financial Center (DIFC) Innovation Hub to foster innovation in payment services, including providing support to SMBs.⁸
Finance	<ul style="list-style-type: none"> • The Mohammed Bin Rashid Innovation Fund offers loan guarantees and non-financial support for innovators, including business strategy guidance, financial assessments, and access to new markets. • Emirates Development Bank (EDB) provides purchase and receivables finance, project finance, and asset-backed loans to SMBs.⁹ 	<ul style="list-style-type: none"> • National Bank of Fujairah signed an agreement in November 2021 with EDB to offer a credit guarantee and co-lending package to SMBs.¹⁰ • Beehive is the first regulated P2P lending platform in the UAE, providing short-term working capital and longer-term loans to SMBs.¹¹
Gain skills: financial education and digital skills development	<ul style="list-style-type: none"> • The "100 Coders Every Day" program aims to attract 3,000 coders a month, increasing the number from 64,000 to 100,000 in a year, and to facilitate the setup of programming companies through incentives and benefits. • The Fourth Industrial Revolution Network promotes adoption of advanced technology in the national industrial sector aiming to establish and grow 500 national companies equipped with emerging technologies. 	<ul style="list-style-type: none"> • The UAE Banks Federation published a Financial Literacy for SMBs handbook, on choosing the right business structure, financial management, access to finance, debt management, and fraud prevention.¹² • The Abu Dhabi Investment Office and Amazon Web Services have teamed up to launch a cloud computing program to train, certify, and teach skills to SMBs, including skills to help accelerate digital transformation.¹³ • PyCon, the largest programming summit in the Middle East, is scheduled for the second half of 2022, to develop digital talent and expertise, inspire tech projects, and connect global programmers with public, private, and academic sectors.
Digitize: e-commerce and online presence	<ul style="list-style-type: none"> • The Khalifa Fund for Enterprise Development and Amazon have developed the E-Empower program for Abu Dhabi-based startups and SMBs, with 50 hours of interactive virtual learning on doing business online. 	<ul style="list-style-type: none"> • In March 2020, Dubai Economy Solutions, a joint venture between technology consulting firm emaratech and the emirate's Department of Economy and Tourism, launched a new e-commerce platform called DubaiStore to facilitate SMBs to sell their products online, assisting with platform onboarding and delivery of products.¹⁴
Grow and globalize	<ul style="list-style-type: none"> • Khalifa Fund and Etihad Credit Insurance have partnered to bolster SMBs with access to export credit, financing, and investment insurance products.¹⁵ 	<ul style="list-style-type: none"> • The Ajman Department of Economic Development has a deal with Noon to let SMBs promote products through the Noon Mahali platform and provide training on improving their offerings to reach regional customers.¹⁶

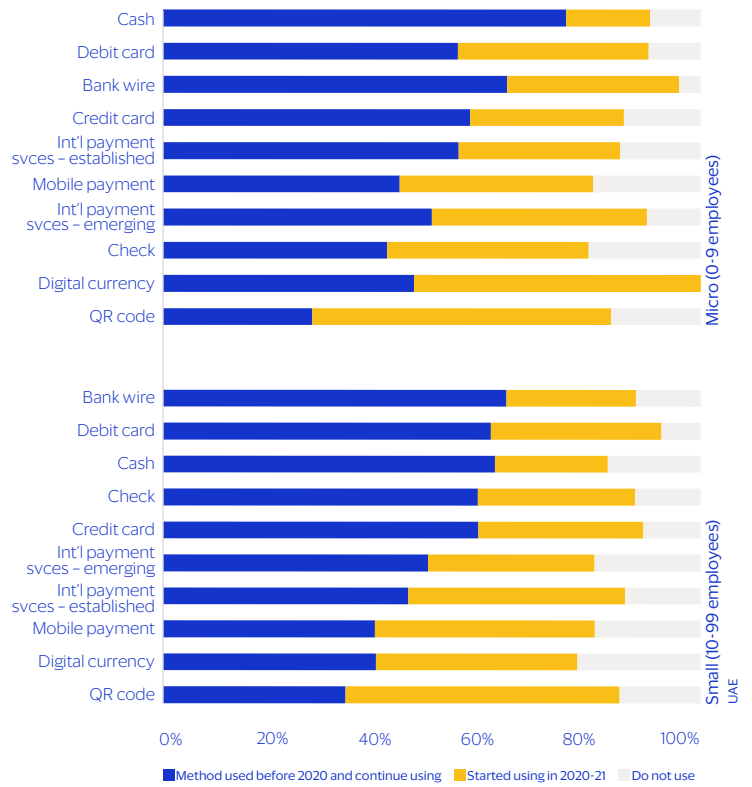
Key policies to foster an enabling environment for an inclusive digital economy

<p>Digital Transactions</p>	<ul style="list-style-type: none"> • Federal Law No. 1 of 2006 on Electronic Commerce and Transactions approves the use of e-signatures in the UAE. An e-signature is as binding as a signature executed by hand. • Regulatory Framework for Stored Values and Electronic Payment Systems 2017 (“2017 Payment Regulations”) and Federal Law No. 14 of 2018 regarding the Central Bank and Organization of Financial Institutions and Activities (“2018 FIA Law”) cover electronic and digital payments.
<p>Financial innovation</p>	<ul style="list-style-type: none"> • The Central Bank of the UAE (CBUAE) proposed a draft regulation for loan-based crowdfunding platforms (CFPS) in 2019. • UAE has a number of regulatory sandboxes: <ul style="list-style-type: none"> - The Abu Dhabi Global Market (ADGM) RegLab is a specially tailored regulatory framework that provides a controlled environment for fintech participants to develop and test innovative solutions. - Dubai Financial Services Authority (DFSA) has created its own licensed regulatory sandbox, known as the DFSA Innovation Testing License (ITL) program, which enables ITL holders to test new and innovative financial products, services, and business models. - The CBUAE has deployed a regulatory sandbox for the insurance sector. • The UAE has not regulated open banking nationally; however, in April 2021, the ADGM introduced a framework to supervise third-party fintech companies. The framework regulates how such companies can obtain, access, transfer, and process data with the required privacy, anti-money laundering, counter-terrorism financing, and data protections.
<p>E-government</p>	<ul style="list-style-type: none"> • The UAE government is digitizing transactions and documents by accepting e-payments and digital invoicing. Federal Decree Law No. 8 of 2017 on Value Added Tax (VAT) recognizes tax invoices in both forms, written and/or electronic, and the electronic invoicing system of the Telecommunications and Digital Government Regulatory Authority allows contracted suppliers to submit invoices electronically. • The UAE’s e-services portal provides online access to all government services. UAE Pass allows citizens and residents to access more than 6,000 services provided by 130 government, semi-government, and private entities through their websites and apps, by simply validating access on a smartphone. It allows for digital signatures and also enables access to a digital version of official documents, and to securely use these documents to request services from service providers when needed.
<p>E-commerce</p>	<ul style="list-style-type: none"> • The UAE does not have a national e-commerce strategy, but Dubai developed one in 2019. The strategy aims to: <ul style="list-style-type: none"> - Cement Dubai as the global logistics hub for the region where e-commerce is set to contribute AED 12 billion to the local GDP by 2023 and attract more foreign direct investment to the e-commerce sector. - Increase the market share of Dubai-based firms in terms of local and regional distribution to reach AED 24 billion by 2022 through slashing the business costs of e-commerce activities by 20% (business costs include cost of storage, customs fees, VAT, and transportation, among others). - Reduce paperwork required for customs clearance and reduce fees imposed on goods passing through the free zones.

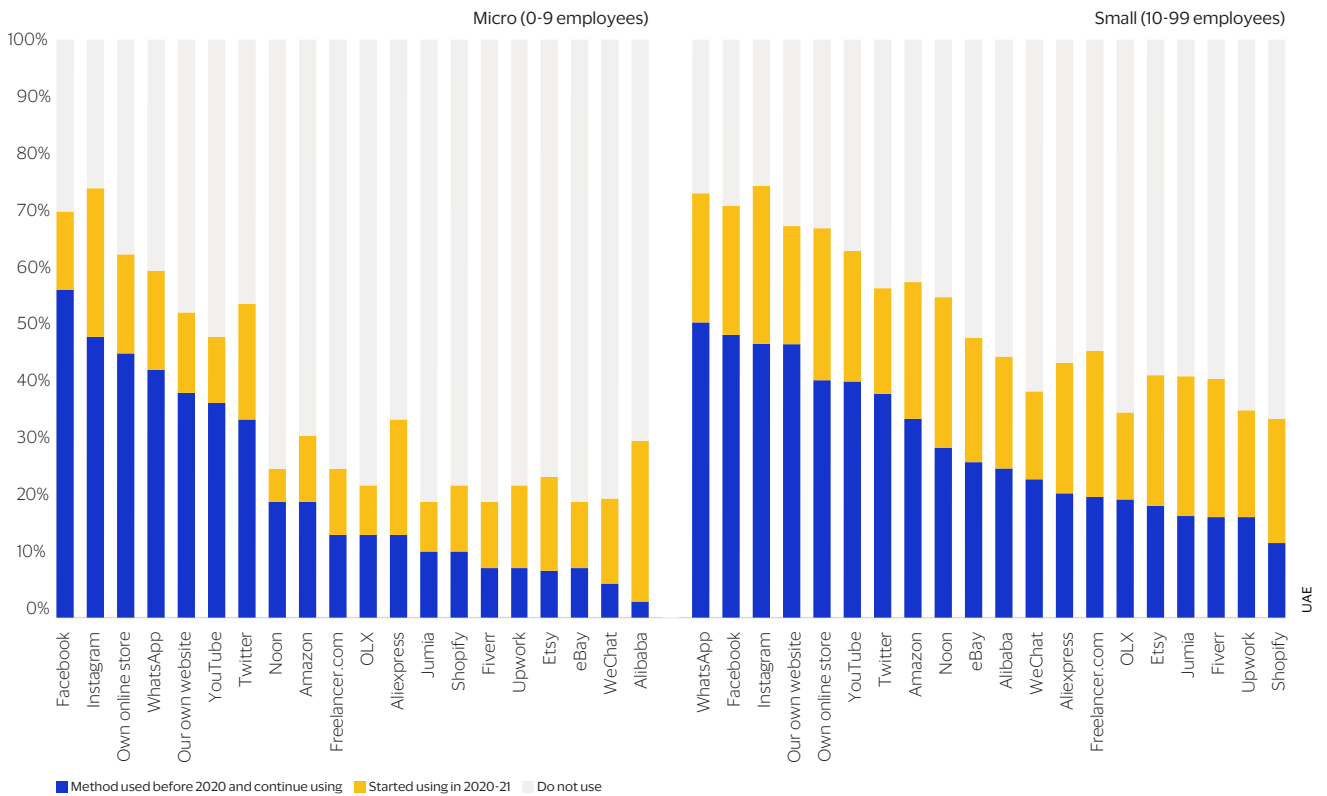
SMBs' use of online sales channels



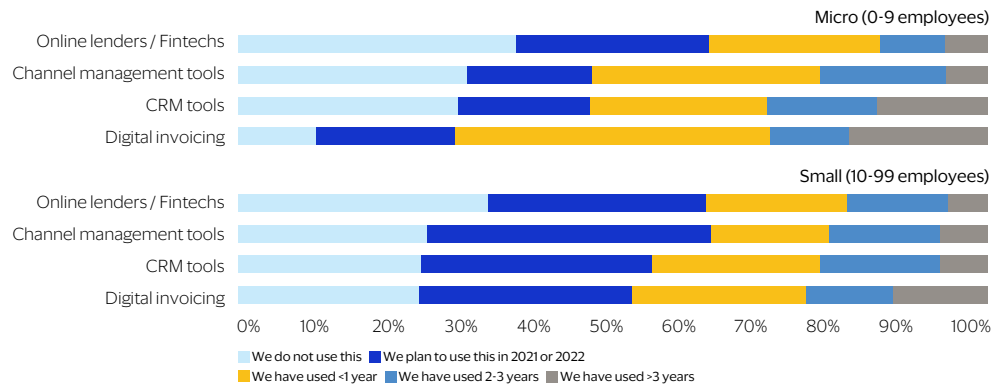
SMBs' use of digital payments



Growth in SMBs' adoption of online marketplaces and platforms (UAE)



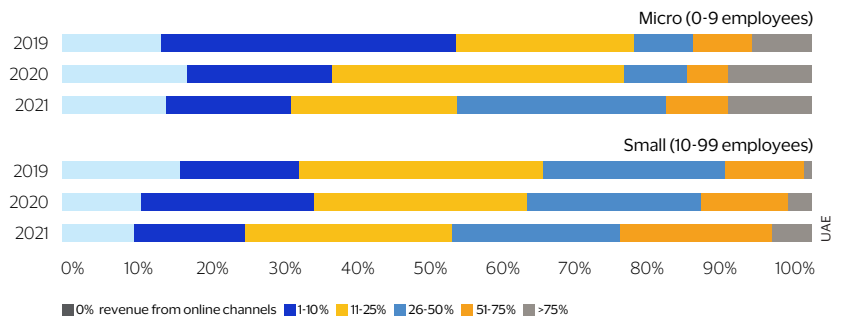
SMBs' use of selected technologies to support online transactions



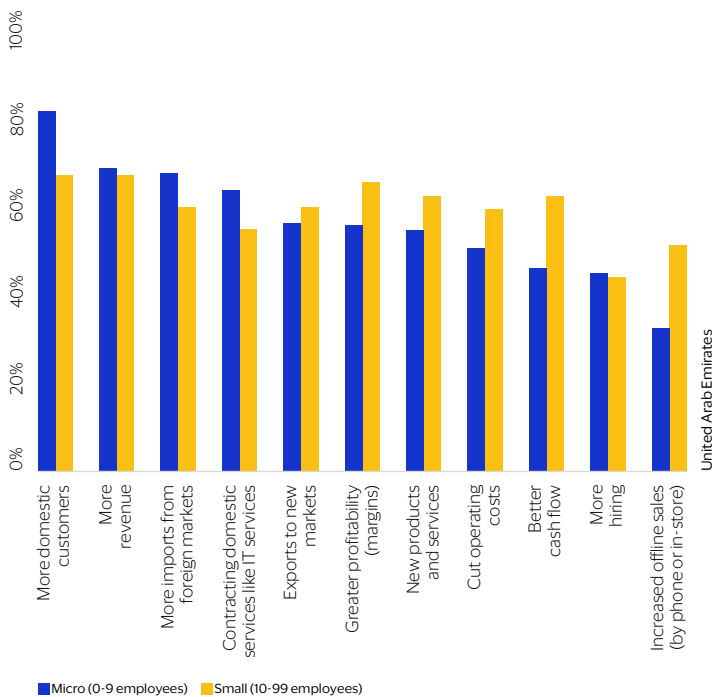
68%

of micro businesses in the UAE report gains from online transactions through increased revenue

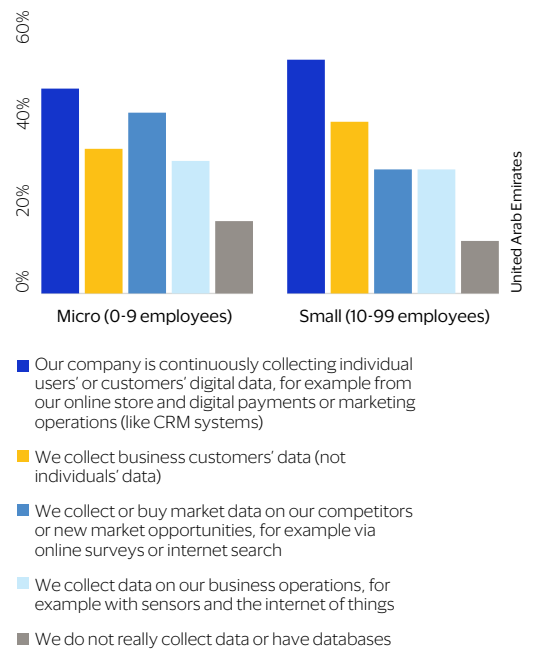
Share (%) of SMBs' sales from online channels



Share (%) of SMBs reporting gains from use of online transactions

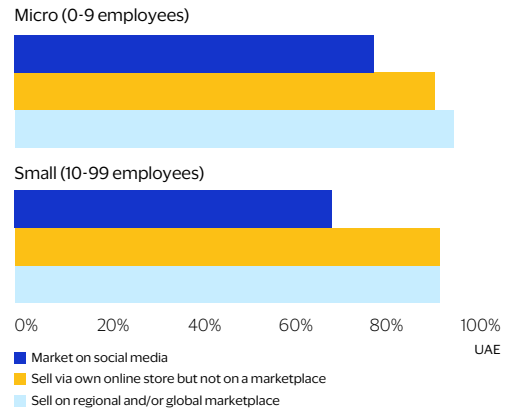


SMBs' use of data to support online transactions

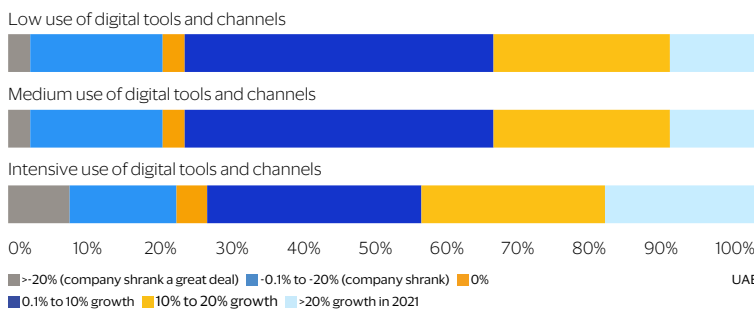




Share (%) of SMBs that export, by channels used



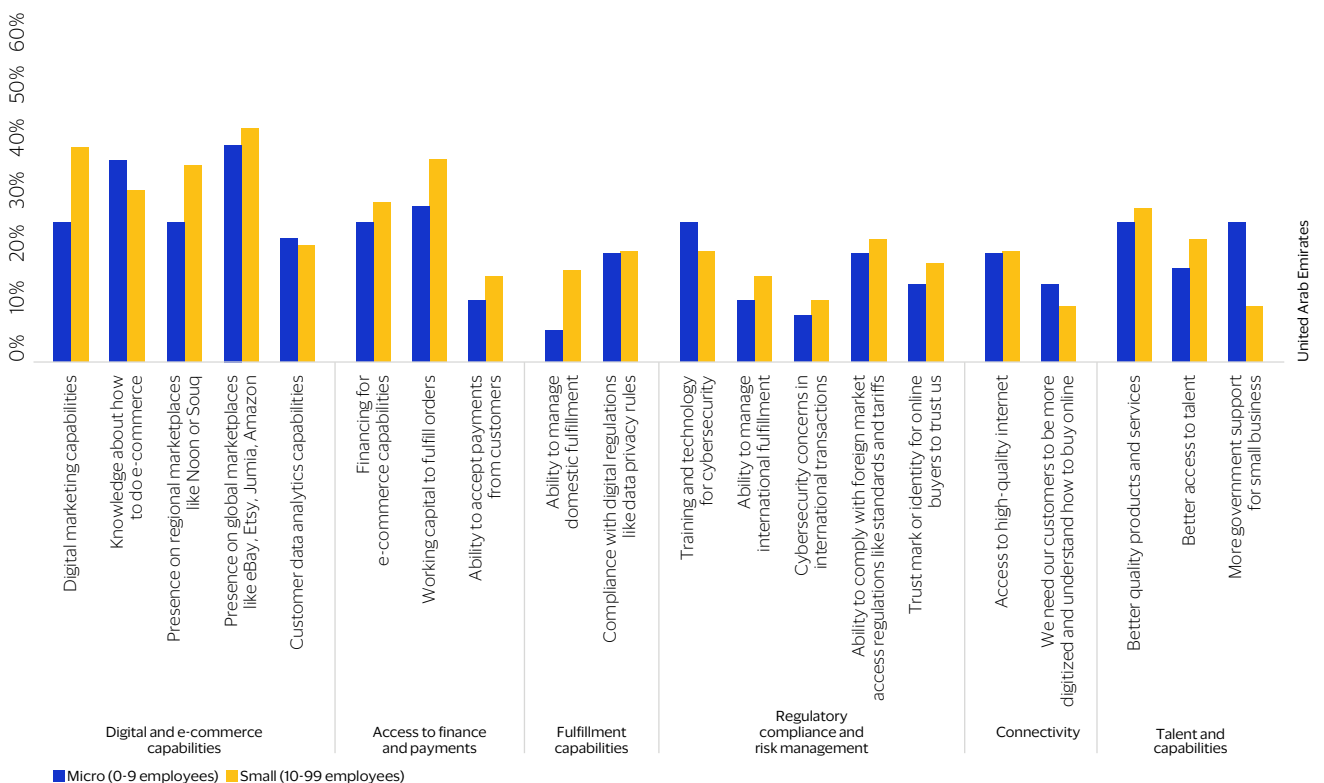
SMBs' growth in 2020, by level of digitization



Number of export markets, by SMBs' use of online channels



SMBs' main needs to advance on their digital journeys



ANNEXURE 1

Definitions of the digital economy variables¹

Internet penetration	<p>The percentage of individuals of a country's population who used the internet in the past 12 months, as of 2020. Data are generally based on national household surveys.</p> <p>Source: International Telecommunication Union (ITU), ITU World Telecommunication/ICT Indicators database 2019 (http://www.itu.int/en/ITU-D/Statistics/Pages/publications/wtid.aspx)</p>
4G mobile network coverage	<p>The percentage of inhabitants out of the total population who are within range of an advanced mobile cellular signal, such as LTE/LTE-Advanced and mobile WiMAX/WirelessMAN networks, irrespective of whether they are subscribers.</p> <p>Source: International Telecommunication Union (ITU), ITU World Telecommunication/ICT Indicators database 2019 (http://www.itu.int/en/ITU-D/Statistics/Pages/publications/wtid.aspx)</p>
Broadband penetration	<p>The number of fixed subscriptions by residences and organizations to high-speed internet (a TCP/IP connection) at downstream speeds equal to or greater than 10 Mbit/s, expressed as a percentage of total fixed-broadband subscriptions.</p> <p>Source: International Telecommunication Union (ITU), ITU World Telecommunication/ICT Indicators database 2019 (http://www.itu.int/en/ITU-D/Statistics/Pages/publications/wtid.aspx)</p>
Government digital adoption index	<p>Index developed by the World Bank that measures countries' digital adoption across three dimensions of the economy: people, government, and business. The index covers 180 countries on a 0–1 scale and emphasizes the "supply side" of digital adoption to maximize coverage.</p> <p>Source: https://www.worldbank.org/en/publication/wdr2016/Digital-Adoption-Index</p>
E-government index for online services	<p>The UN's E-government Development Index covers website development patterns and access characteristics, such as the infrastructure and educational levels, to reflect how a country is using information technologies to promote access and inclusion of its people. It is a composite measure of three important dimensions of e-government: provision of online services, telecommunication connectivity, and human capacity.</p> <p>Source: https://publicadministration.un.org/egovkb/en-us/About/Overview/-E-Government-Development-Index</p>
Openness of company data available through government	<p>OpenCorporates, supported by the World Bank Institute via its Open and Collaborative Private Sector initiative, developed and implemented a methodology to develop an Open Company Data Index that answers six questions:</p> <ul style="list-style-type: none"> • Is basic information online and available to search without charge or registration? • Is there an explicit open license (e.g. CC-0, UK Open Government License)? • Is the basic information freely available as data, either as a free data dump or via a free API? • Does the publicly available information include a list of company directors for each company? • Does the publicly available information include annual accounts for each company? • Does the publicly available information include significant shareholdings for each company? <p>Source: https://opencorporates.com/info/our-data/</p>

Firms' digital adoption index	<p>The Digital Adoption Index is a worldwide index developed by the World Bank that measures countries' digital adoption across three dimensions of the economy: people, government, and business. The index covers 180 countries on a 0–1 scale, and emphasizes the “supply side” of digital adoption to maximize coverage.</p> <p>Source: https://www.worldbank.org/en/publication/wdr2016/Digital-Adoption-Index</p>
Firms' investments in emerging technologies	<p>Score based on an average answer to the question: In your country, to what extent do companies invest in emerging technologies (e.g. Internet of Things, advanced analytics and artificial intelligence, augmented virtual reality and wearables, advanced robotics, and 3D printing)? [1 = not at all; 7 = to a great extent].</p> <p>Based on 2017–18, the World Economic Forum's Executive Opinion Survey (EOS) is conducted on an annual basis to gather information from business leaders on topics for which hard data sources are scarce or nonexistent.</p> <p>Source: World Economic Forum, Executive Opinion Survey 2017–2018 (http://reports.weforum.org)</p>
Generic top-level domains (such as .com or .org)	<p>Generic top-level domains (gTLDs) (per thousand population 15–69 years old) 2019.</p> <p>gTLD is one of the categories of top-level domains (TLDs) maintained by the Internet Assigned Numbers Authority (IANA) for use on the Internet. gTLDs can be unrestricted (.com, .info, .net, and .org) or restricted – that is, used on the basis of fulfilling eligibility criteria (.biz, .name, and .pro). Of these, the statistic covers the five generic domains .biz, .info, .org, .net, and .com. Generic domains .name and .pro, and sponsored domains (.arpa, .aero, .asia, .cat, .coop, .edu, .gov, .int, .jobs, .mil, .museum, .tel, .travel, and .xxx) are not included.</p> <p>The statistic represents the total number of registered domains (i.e., net totals by December 2019, existing domains + new registrations – expired domains). Data are collected on the basis of a 4% random sample of the total population of domains drawn from the root zone files (a complete listing of active domains) for each TLD. The geographic location of a domain is determined by the registration address for the domain name registrant that is returned from a whois query. These registration data are parsed by country and postal code and then aggregated to any number of geographic levels such as county, city, or country/economy. The original hard data were scaled by thousand population 15–69 years old. For confidentiality reasons, only normalized values are reported; while relative positions are preserved, magnitudes are not.</p> <p>Source: Data on internet domain registrations provided by ZookNIC. Data on population are sourced from World Development Indicators (http://data.worldbank.org/data-catalog/world-development-indicators).</p>
International internet bandwidth	<p>International internet bandwidth per internet user (bit/s) 2018.</p> <p>This indicator refers to the usage of all international links including fiber-optic cables, radio links, and traffic processed by satellite ground stations and teleports to orbital satellites.</p> <p>Source: International Telecommunication Union (ITU), ITU World Telecommunication/ICT Indicators database 2019. (http://www.itu.int/en/ITU-D/Statistics/Pages/publications/wtid.aspx)</p>
Cybersecurity index	<p>The Global Cybersecurity Index (GCI) is a composite index produced, analyzed, and published by the International Telecommunication Union (ITU) to measure the commitment of countries to cybersecurity in order to raise cybersecurity awareness. It focuses on the following five pillars:</p> <ol style="list-style-type: none"> 1. Legal: Measures based on the existence of legal institutions and the frameworks that deal with cybersecurity and cybercrime. 2. Technical: Measures based on the existence of technical institutions and framework dealing with cybersecurity. 3. Organizational: Measures based on the existence of policy coordination institutions and strategies for cybersecurity development at the national level. 4. Capacity building: Measures based on the existence of research and development, education and training programs, certified professionals and public sector agencies fostering capacity building. 5. Cooperation: Measures based on the existence of partnerships, cooperative frameworks and information sharing networks. <p>Source: https://www.itu.int/dms_pub/itu-d/opb/str/D-STR-GCI.01-2018-PDF-E.pdf</p>

<p>Prevalence of gig economy</p>	<p>Score based on an average answer to the question: In your country, to what extent is the online gig economy prevalent? [1 = Not at all; 7 = To a great extent]. 2018–19.</p> <p>The World Economic Forum’s Executive Opinion Survey (EOS) is conducted on an annual basis to gather information from business leaders on topics for which hard data sources are scarce or nonexistent. It is part of the effort to supplement the Global Competitiveness Report in assessing issues that drive national competitiveness. The gig economy refers to a labor market that is specific to digital platforms and to working arrangements that are focused on short-term contracts and task-based work.</p> <p>Source: World Economic Forum, Executive Opinion Survey 2018-19 (http://reports.weforum.org)</p>
<p>Digital services exports as % of all commercial services exports</p>	<p>By “digitally deliverable services”, we follow the U.S. Bureau of Economic Analysis definition of five categories of services: business, professional, and technical services such as computers and information services; legal, architectural, consulting, and advertising services; royalties and license fees paid for the use of intellectual property; financial services such as online banking and investment activities such as market research and buying and selling shares; insurance services such as digital transmission of premiums and payments for claims online; and telecommunications services including video conferences, email, and internet access services. The calculations are based on 2019 services trade data from the World Trade Organization.</p>

ANNEXURE 2

Recent studies on SMB digitization in the GCC and MENA regions

- A recent IMF study found that SMBs in the region have been slow to embrace digital technologies and e-commerce, and businesses trail governments and consumers in internet usage.² There are both demand-side challenges such as disparity between people who live in areas covered by broadband but who are not using internet and supply-side gaps such as removing barriers to competition and increasing investment in information and communications technology to ensure universal access to affordable high-speed internet.
- Another IMF study on MENA economies found that while government programs have helped birth new firms, SMB growth is limited – which in turn arrests employment growth.³ Part of the explanation for these outcomes is that the implementation of reforms is still incomplete; part has to do with supply- and demand-side frictions such as limited access to broadband and limited uptake and use of technologies that do exist. The report argues that digitization has significant potential to boost SMBs' productivity and growth and economies are rapidly digitizing, thus SMBs need to embrace digital solutions to compete and survive.
- McKinsey reviewed digitization of Gulf region companies in 2016, and in 2019 argued the region's digital transformation is still too slow due to five of the most common challenges GCC companies face when trying to go digital, such as convincing decision makers to embrace digital technologies, resistance within their organizations to digital transformation, and limited data and digital talent.⁴
- A 2018 PricewaterhouseCoopers report calls for support for MENA "scale-ups" – SMBs with proven business models that are undergoing a rapid growth phase. These firms are only 5% of all firms but can be the locomotives of their economies, as they generate in average 3.4x more revenues and 8x more jobs than other SMBs.⁵ The report is less focused on digitization than on access to finance, markets, and infrastructure as scale-ups' success drivers.
- Facebook's Future of Business Survey, an ongoing collaboration between Facebook, the World Bank, and Organization for Economic Cooperation and Development (OECD), found in July 2020 that 70% of MENA SMBs reported reduced sales, with around 40% reducing their workforce in response to the pandemic. Facebook launched the #LoveLocal, a new initiative to support local SMBs in the MENA region, which have been among the hardest hit during the COVID-19 pandemic.⁶
- Kearney assessed the e-commerce boom in the region, finding that only some 36% of SMBs in the UAE have developed online sales capabilities and only 4% plan to sell online in the future – a disconnect between the boom in consumer behavior and the response from SMBs.⁷
- There are several recent academic studies on SMB digitization and its drivers in the GCC region. For example:
 - Alefari, Mohammed Almani, and Salonitis (2019) assessed the leadership factors that promote the adoption of lean manufacturing techniques and technologies in UAE enterprises.⁸
 - AlBar and Hoque (2020) studied rural Saudi SMBs, finding that top management support, culture, regulatory environment, owner/manager innovativeness, and ICT knowledge had a significant relationship with ICT adoption among SMBs in Saudi Arabia, whereas compatibility, complexity, and a competitive environment had no significant relationship with ICT adoption.⁹
 - Abdalla Adam and Aarifi (2021) surveyed Saudi SMBs, finding that innovation practices adopted by SMBs to face the repercussions of COVID-19 had a positive impact on the performance and likelihood of business survival.¹⁰
 - Mansour Naser Alraja, Muawya Ahmed Hussein, Hanaa Mahmoud Sid Ahmed (2021) investigated the SMB leader's perspective about the basic factors influencing the transformation into digitization by SMBs in Oman.¹⁰ The authors argue that SMB leaders should frame strategies to simplify the digital transformation of their enterprises and attempt to provide organizational and technological facilities to facilitate digitization.

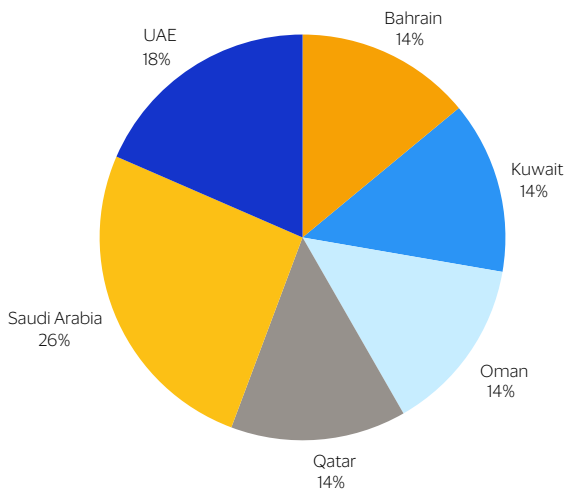
ANNEXURE 3

2021 GCC Small Business Digital Inclusion Survey: Sample and methodology

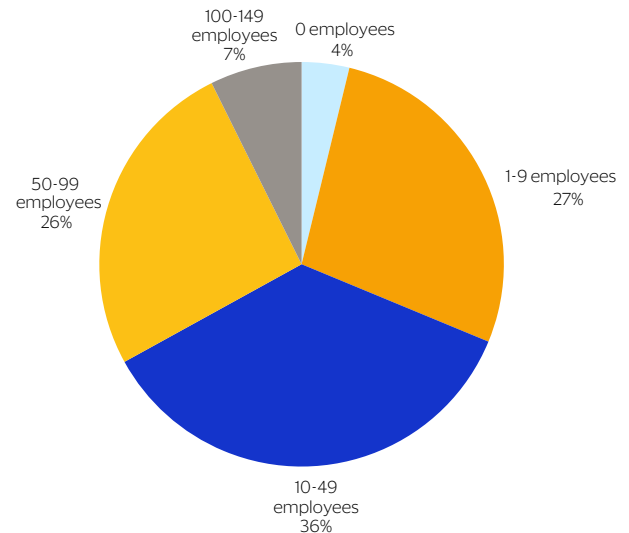
Survey fielding

The data was harvested via an online survey between 8 October and 4 November 2021 of 739 GCC firms across sectors and geographies. The survey draws on a representative, proprietary panel of respondents. The survey takers responded on their laptops or computers, online, on their own time. The survey was commissioned by Visa and conducted by Nextrade Group.

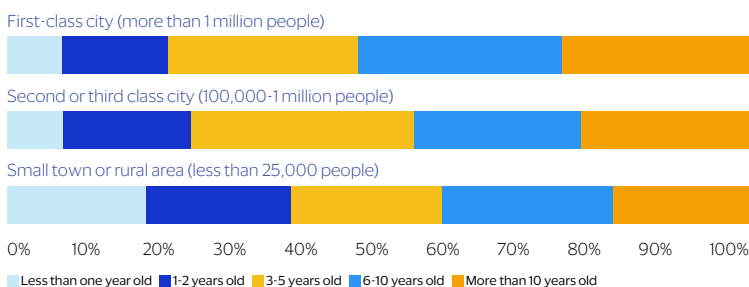
Surveyed firms, by country



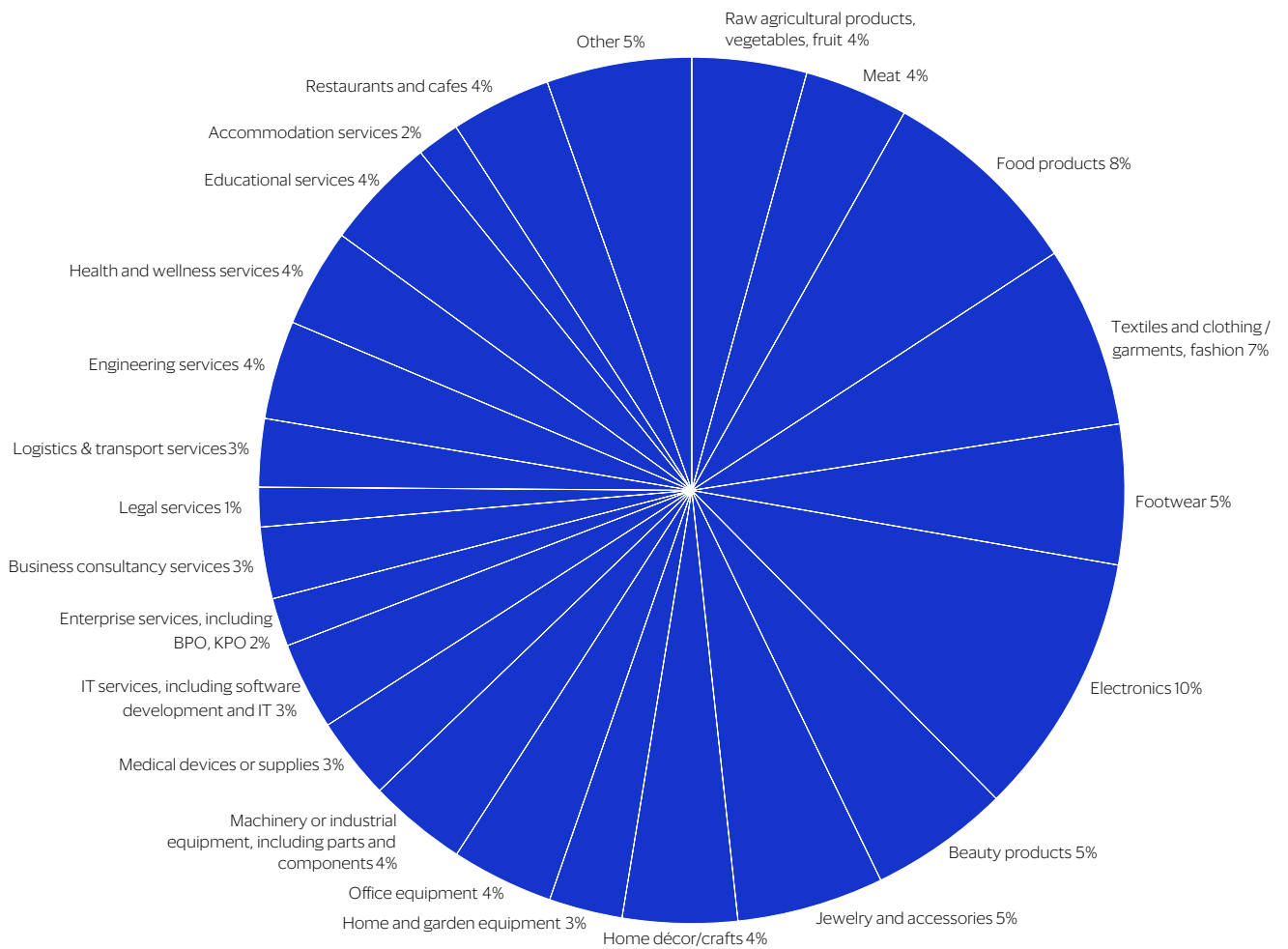
Surveyed firms, by number of full-time employees



Surveyed firms, by geolocation



Surveyed firms, by sector



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ANNEXURES:

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