

Sustainable Entrepreneurial Growth in GCC

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Sustainable Entrepreneurial Growth

Entrepreneurship has gained attention in the recent past due to its ability to reshape economies globally. It is crucial towards the creation of employment and economic growth among the Gulf Cooperation Council (GCC) countries. GCC was created in 1981 to foster cooperation and economic development among gulf counties including Saudi Arabia United Arab Emirates, Bahrain, Qatar, Kuwait, and Oman. The region has vast reserves of petroleum which vital source of global economy According to the Miniaoui & Schilirò, (2016) half of GCC population is below 25 years and there is significant concern about youth unemployment in the region. GCC states are increasingly focusing on entrepreneurship as the primary driver of diversification of the economy, youth empowerment and generation of employment opportunities.

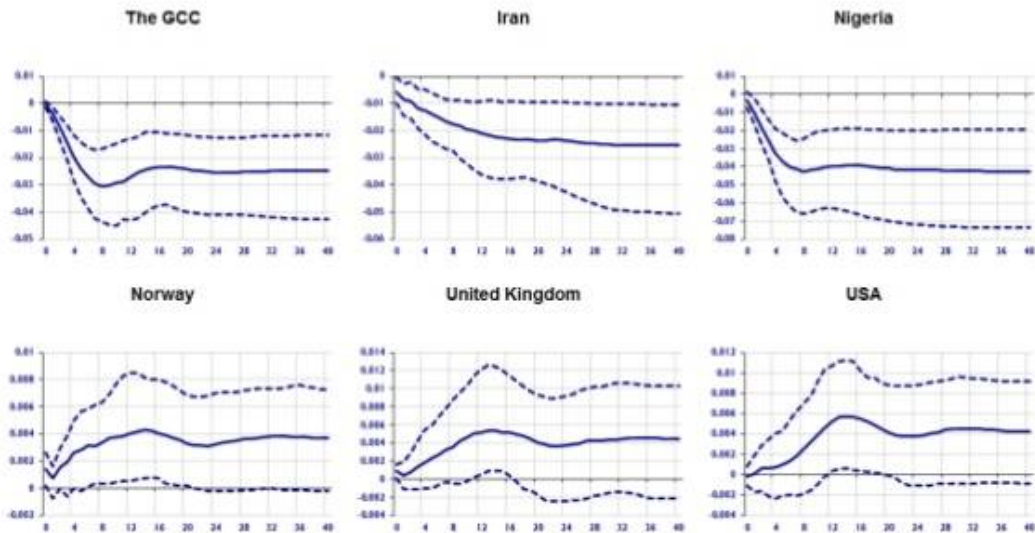
Additionally, entrepreneurship is a critical factor that promotes economic development. Ganguli, (2016) posits that GCC countries have similar economic and structural fundamentals. The region has made tremendous strides towards entrepreneurial growth by forming common market and customs unions. However, the recent fall in oil prices has raised concerns about the sustainable economic growth of GCC states due to their lack of diversified economy and high reliance on oil. Although the decline in oil prices impacts public finance, consumption, and production, entrepreneurship can promote economic growth.

Challenges Facing Sustainable Entrepreneurial Growth

GCC countries have similar economic and structural fundamentals. The countries rely on gas and oil as the primary source of fiscal revenue. The region is the largest oil producers and exporter of oil in the world. The governments receive and manage revenues from the oil exports. The countries have similar sustainable growth, exchange rates, and exchange rates stability which can promote convergence. However, the potential union of the GCC countries is affected by reliance on oil, lack of diversified economy from hydrocarbon and oil product in the gross domestic product. The countries also experience challenges establishing an Economic and Monetary Union (EMU) consisting of a single currency due to vulnerabilities of the GCC economies to oil price shocks during low oil price. According to Miniaoui & Schilirò, (2016) fiscal deficit among the GCC countries reached 13.2% in 2015. By 2015, GCC Countries had accumulated a fiscal deficit of \$108 billion (International Monetary Fund, 2016). The GCC countries experience a rise in debt compared to GDP ratios and divergences in fiscal deficit compared to GDP during periods of low oil prices which imply that public finances for some governments are unsustainable. The divergence is created by varying degree of oil dependence and oil break-even points for some of the GCC states. The fall in oil prices has made conditions for infrastructure and cooperate sectors weak thus reducing funds to support entrepreneurship. The current situation necessitates the need for reducing dependence on oil to create sustainable economic growth

The graph below shows the impact of oil price shock on the real output in different parts of the world. The supply-driven fall in oil prices weakens domestic demand and well as fiscal output in these countries. The impacts lead to a decrease in economic activities among GCC states.

Impact of a Negative Oil Price Shock on Real Output

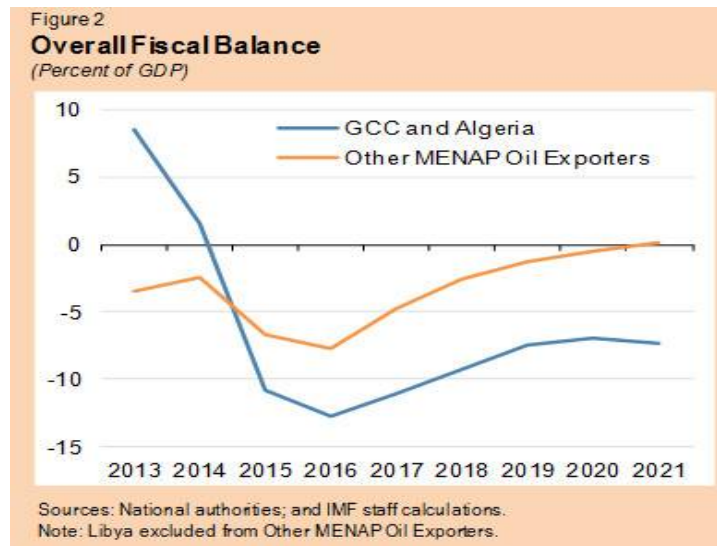


Notes: Figures are median impulse responses to a one standard deviation fall in the price of oil, equivalent to an annualized drop of 51% in year 1 and 45% in year 2, together with the 5th and 95th percentile error bands. The horizon is quarterly.



Retrieved from Cavalcanti & Mohaddes, (2016)

The graph below shows the fall in overall fiscal balance for GCC states. In 2016, the GCC countries deficit ranged at 8% of the GDP. The current decrease in fiscal deficit is expected to improve on the medium term as oil prices recover. However, the fiscal deficits expected to remain at seven despite measures taken by GCC to decrease the fiscal deficit.



Retrieved from International Monetary Fund, (2016)

Development of Sustainable Entrepreneurship

GCC states are continuously making efforts both in the public and private sector to boost their entrepreneurship and direct young people in the labor market. Bahrain trained more than 520000 youth in entrepreneurship and business (Ganguli, 2016). It launched the Wedha Wadha campaign to promote creative entrepreneurs. The National Youth Program in Kuwait offers support to the youths enrolled in the entrepreneurship programs. Oman Fund for Development Youth Project is one of the leading entrepreneurial funds offering small, medium-sized enterprises (SMEs) and the youth funds to start a business. Qatar National Vision 2030 aims at promoting youth entrepreneur by providing easy access funding and training through Qatar Development Bank Qatar has also developed Executive Entrepreneurship Certificate Program. The non-profit Centennial Fund offers funds to youth entrepreneurs from the rural areas in Saudi Arabia. The fund boosts SMEs and has helped young youth establish entrepreneur projects (Al-Mubaraki, Muhammad & Busler, 2015). Although the GCC states have made efforts to tackle youth unemployment, some barriers inhibit the youth from sustainable entrepreneurship. Majority of the youth in the GCC countries are unemployed. According to Ennis, (2015), only 46% of the youth in Qatar are in employed and only 49 of the youth in Oman are employed. Sustainable entrepreneurship can only be achieved through the promotion of positive and dynamic entrepreneurship. GCC states also incorporate entrepreneurship education and training in the school curriculum at all levels of education which helps to initiate young people into the business and entrepreneurship world.

Education is fundamental towards achieving sustainable entrepreneurship growth among GCC states. According to Sindakis and Theodorou (2017), education is closely related to the entrepreneurial development and economic growth. In a study conducted by Hvidt, (2015) found that GCC uses less than 0.5% of their combined GDP in research and education which is below the world average of 2.3%. Similarly, a study conducted by Yaseen, (2014) found that entrepreneurs from UAE face challenges related to the lack of entrepreneurial skills, education, and training. Apart from equipping young people with entrepreneur skills, schools can cultivate

the spirit of entrepreneurship and qualities such as responsibility, flexibility, research skills, creativity and innovation (Hameed et al., 2016). Entrepreneurial Educational Program can train students to explore opportunities, become creative and innovative to understand various aspects associated with business, risk and marketing. The public and private sector can equip the youth with training, access to information, business development services and promote entrepreneurship development. Additionally, GCC state can ensure sustainable entrepreneurship growth among the youth by creating affordable capital through credit.

The global entrepreneurial landscape has undergone a paradigm shift in the recent years and women are playing an essential role in promoting sustainable entrepreneurship growth. Women entrepreneurship is steadily growing. They have the potential to contribute to the national economies. Women from GCC states are underrepresented in the region entrepreneurship due to lack of adequate skills, knowledge culture and lack of experience. According to Miniaoui & Schilirò (2016), the number of women in entrepreneurship is very low with only 6% in Qatar, 3% in Bahrain, and 2% in Kuwait, UAE and Saudi Arabia. GCC countries need to remove gender-based barriers that prevent women from starting businesses entrepreneurs. A study conducted by Tlaiss (2015) found that women entrepreneurship is relatively low in UAE due to culture. The study also found that government support in areas such as startup capital is one of the factors that promoted women entrepreneurship. The governments should support women with funds and training to enable them to progress in the field of entrepreneurs. According to Sindakis & Theodorou (2017), Saudi Arabia and UAE are the largest donors of Women Entrepreneurs Finance initiative aimed at supporting women integration into the workforce by developing women entrepreneurs. Other countries in the GCC can promote women financing to foster sustainable entrepreneurial growth. According to Ganguli, (2016) GCC states lose more economic potential by preventing women from financial participation. Thus, sustainable entrepreneurship growth can be achieved by supporting women economic participation

The development of GCC economies cannot be achieved by restoring fiscal balances which require a broadening of reforms to promote entrepreneurship. The GCC countries can use the oil revenues to fund non-oil tradable production. Investment in non-oil products can promote sustainable entrepreneurship since entrepreneurs can they benefit from increased government spending and available low-wage labor. Callen et al. (2014) notes diversification of output is closely associated with high GDP and lower economic volatility. The volatility of the economy due to oil price changes can be mitigated through diversification and entrepreneurship in high-valued production. The output of GCC non-oil industries from 2000 to 2013 stagnates at 6.8%. Miniaoui & Schilirò, (2016) notes that entrepreneurs can be encouraged to produce quality products and ensure differentiation of the exports to enhance sustainable entrepreneurship growth. The governments can promote the development of the private sector to ensure they achieve sustainable entrepreneurship growth. They can invest in infrastructures that provide a platform for sustainable entrepreneurial growth such as reforms in the business environment. Although the private sector in GCC relies on government spending, entrepreneurs can be encouraged to sustain themselves by shifting towards the private non-hydrocarbon industry and increased competitiveness in the internal market and export. Thus, diversification is a key aspect for sustainable entrepreneurial growth in GCC.

Sustainable entrepreneurship can be achieved through innovation. According to Hameed et al. (2016), 50% of the new firm in developed countries are based on technological innovation.

In the study conducted by Callen et al. (2014) rates of technological innovations in GCC remain relatively low and account for less than 3% of new ventures. There is a decrease in the rates of medium or high technological innovation in GCC states from 3% (2006) to 2.3% (2011) compared to developed countries such as Norway with 14.3%. Innovation promotes diversification, and it is a vital driver for sustainable entrepreneurship. It is a tool that can be utilized by entrepreneurs to enhance growth and overcome challenges during start-up years. It plays a significant role in the entrepreneurial growth of a region. Innovation is hugely driven by the private sector and entrepreneurs in the country. However, GCC governments can play a supportive role to promote sustainable entrepreneurial growth. According to Hameed, et al., (2016) the government can invest in innovation and productive strategies that coordinate policies toward education trade, technology and information communication to drive sustainable entrepreneurial growth. Countries in the GCC can, therefore, strengthen structural change in their economy and implement innovative policies to boost sustainable entrepreneurial growth. Countries such as Kuwait lack skilled laborers and therefore can improve the quality and efficiency of tertiary education to promote entrepreneurial growth. GCC countries can develop a framework that strengthens the process of innovation and diffusion of knowledge to ensure they achieve sustainable entrepreneurial growth. They can support the generation of key inputs that enhance innovation inputs such as digital infrastructure and skilled labor.

Conclusion

Entrepreneurship is the driver of economies in most countries in the world. GCC countries face economic challenges due to dependence on oil as to fund the economy. The current oil prices plunge created great concerns about sustainable economic growth among the GCC states. However, entrepreneurship has the potential to revamp the economy. Sustainable entrepreneurship can be achieved through education, innovation and diversification. Innovation and education are vital tools that ensure entrepreneurs have adequate entrepreneurial skills to drive sustainable entrepreneurship. Innovation help entrepreneurs survive and grow during start-up periods.

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