



Small Enterprises Funding Institutions: Does it Matter for Saudi Economy?

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Abstract: The study aims at assessing the role of two of the funding institutions that support the small enterprises in Saudi Arabia over the period of 2005 and 2014. The study adopted the descriptive and analytical approaches to review the achievements of the two funds and analysis their role to fulfill the objectives of the kingdom's industrialization. The study found that both funding institutions contributed significantly to provide more than 30 thousand job opportunities, in addition they enabled Saudi women to participate in the economic activities, through establishing their productive and service projects.

Keywords: Small Enterprises, industrialization, Development, KSA

1. Introduction

Small enterprises (SEs) appeared as an independent title in Saudi Arabia after 1995 when the Shura Council recommended to transfer the Saudi Credit Bank -which had existed since 1971- to the Saudi bank for Credit and Savings, and its main function is financing and caring the Small enterprises. During the past two decades, SEs played a pivotal role economically and socially in Saudi Arabia, where SEs helped to face many challenges linked with economic development, inequalities, very high unemployment, demographic developments and the need for structural change. SEs offered many job opportunities which helped to lower the unemployment rate and address the demographic challenges posed by growing populations. Moreover, the development of the SEs sector helped to increase competition and productivity and thus stimulated the growth of per capita income.

The literature on SEs shows that there is no uniform and comprehensive definition for SEs, because the concept of small size is a relative concept that differs from one country to another, in addition to it differs from one activity to another in the same country, also it depends on the type and stage of development of the country and its policies towards the industrial development. SEs definition usually depends on a set of quantitative criteria, such as: fixed assets, workers, sales, capital, production volume, administration and technical skills levels, energy, and enterprise's assets and profits. For example: in terms of number of workers, Malaysia considers the enterprise is small, if the number of workers is less than 25 workers while this number rises to 50 workers in USA, Belgium, Greece and Singapore, and to nearly 300 workers in Japan, and 500 workers in Denmark, France, Germany and Ireland. In terms of capital, the enterprise is small if the invested capital is less than \$2 million in the Gulf countries and USA, while it decreased to \$940 thousand in Japan, \$280 thousand in Singapore, and to one million Egyptian pounds in Egypt. In Saudi Arabia, SEs defined as "The enterprises that do not hire more than 20 workers, where its capital is less than one million riyals -excluding land and buildings- and its annual sales are not more than 5 million riyals". (*Ministry of Economy and Planning, 2010*).

In Saudi Arabia there are many funding institutions (government, banks, and private sector) that are funding SEs. Such as: Saudi Industrial Development Fund (SIDF), The Saudi Credit Bank (SCB),



National Commercial Bank, The Centennial Fund(TCF), Bab Rizk Jameel Center, The Al-Ahli Program for Free Tradesmen, The Saudi Arabian General Investment Authority (SAGIA), Women's Incubator and Training Center, The Saudi Fast Growth 100, Saudi Entrepreneurship Development Institute, and Global Competitiveness Forum. (*Wamda Ltd, Country Info Center, 2015*)

The main objective of the current study is to assess the role of the biggest two SEs funding institutions in Saudi Arabia which are: the Saudi Centennial Fund and the Saudi Industrial Development Fund (KAFALAH) program in supporting SEs in order to achieve the Kingdom development goals.

The study methodology depends on descriptive and analytical approaches, thought reviewing the literature of previous studies of SEs, and the profile of SEs in Saudi Arabia. In addition to analyzing the data that issued during the study period by the official authorities in the Kingdom such as: Ministry of Economy and Planning, Commercial and Industrial chambers, Centennial industrial development Funds, and the Saudi Arabian Monetary Agency.

The rest of study is organized as follows. The review of the literature is presented in section two. The Profile of SEs in Saudi Arabia is discussed in section three. Funding institutions of SEs are illustrated in section four. Assessment of funds is discussed in sections five, while conclusion and recommendations drawn in Section six.

2. Literature review

The literature on SEs includes many working papers that studying the nature of SEs, characteristics, and the constraints that face SEs which lead to decrease its developmental role. While the others shed the light on the funding sources of SEs in both developed and developing countries. We will illustrate briefly some of these studies.

Wasim M., and Khalique, M., (2014) review of the importance of SEs in Malaysia and Pakistan. They find that SMEs play an important role in the development and growth of the Malaysian and Pakistani economies. However, their contribution to the national economies of both countries is still relatively small. They find that Malaysian and Pakistani governments have made various fundamental steps to improve the growth of SMEs. In spite of this, SEs are still facing heaps of challenges and obstacles that deter them from further expanding their businesses and sustainable growth.

Shanur, A. et al (2013) analyze the potential of SEs in the economy of Bangladesh by collecting data from 100 SE units by using simple random technique. A structural questionnaire was developed to get the responses from different SE units in the country. They find out that Bangladesh SEs have assumed special significance for poverty reduction programmes and potential contribution to the overall industrial and economic growth. Some of the constraints related SE financing are identified and some pointers for the future are provided through the study. Moreover, most of the SEs have borrowed fund for their initial setup and for procurement of raw materials. At the same time, it has been found that the initial waiting period for getting fund for these activities is the highest 3-4 months (average). This remains as a major obstacle for the SEs. Accordingly they support the view that government should participate in these activities by setting up special funds for this. Considering these, a government sponsored fund to help SEs to set up initial business would help the sector.

Pietro, Victor and Sofian (2012) Show the importance of financing SEs by government and private banks in four East African countries (Kenya, Tanzania, Uganda and Zambia), they find out that SEs segment is a strategic priority for the banks in these countries, where SEs are considered a profitable business prospect and provide an important opportunity for cross-selling. Banks consider that the SEs lending market is large, not saturated and with a very positive outlook. There are number of



obstacles constraining banks' further engagement with the SEs segment, including SE-related factors, macroeconomic factors business regulation, the legal and contractual environment, the lack of a more proactive government attitude towards the segment, some areas of prudential regulation and some bank specific factors. They recommend that the government of the East African countries should adopt some reform policies that supporting and enhancing government and private banks to provide loans to fund SEs which will be reflected on rising the number of direct and indirect job opportunities and increasing the standard of living.

Rocha et al (2011) investigate the status of bank financing to SEs in the Middle East and North Africa based on a survey of 139 banks in 16 countries. They find that although there is a positive perception of the attractiveness of the segment, the SE sector in the region remains largely underserved. Direct government interventions through public banks, credit guarantee schemes and other forms of subsidized financing play a major role in SEs lending, partly compensating for the low level of private sector involvement, which in turn reflects the financial infrastructure weakness in these countries.

Beck et al. (2010) provide the first attempt to understand SEs financing from the supply side. Based on a survey of 91 banks in 45 countries, they provide a characterization of bank financing to SEs and find that banks perceive the SEs segment to be highly profitable and serve it through a number of lending technologies and organizational setups. They observe few differences in the extent SEs are reached out by banks based on their ownership structure (public, private or foreign-owned). However, they find significant differences across banks based in developed and developing economies, and they conclude that the enabling environment is more important than the size of the firm or bank ownership in shaping bank financing to SEs.

In a similar study, De la Torre et al (2010) investigate banks' approaches to SEs in terms of business models and risk management systems. Based on surveys for 48 banks and one leasing company in 12 countries, they find that all banks in the sample are interested in serving the SEs segment. To do so, almost all have separate organizational units and offer a wide range of products, applying different transactional technologies such as credit scoring or risk-rating systems. They conclude that the conventional wisdom according to which large banks are not attracted by SEs and that this business is dominated by small banks and based on relationship lending does not hold in practice.

Ramadan, S., (2010) tries to review the most important obstacles facing SEs in developing countries and mechanisms to address them taking Algeria as a model. He finds that there are many obstacles facing SEs in developing countries particularly economic, social and cultural obstacles, which preventing SES to progress and develop, he recommends that the government of these countries should create polices that would remove these constraints.

Salman, M., (2009) analysis the role of SEs in improving the standard of living and poverty alleviation by creating new jobs and reduce unemployment in Syria. He depends on a survey of a sample of SEs that funded by the institution of operating and development of projects. He finds that the sample of SEs have great achievement in terms of the number of projects, the diversity and distribution at the district level in Syria, where SEs contributed to create new jobs, as well as helped to improve the standard of living and poverty alleviation.

Abdelghani, A., (2009) sheds light on the concept and importance of SEs, the obstacles they face, the strategies and policies taken by the Egyptian government in order to activate the role of SEs to achieve the Egyptian development goals. She finds that the Egyptian government provided the required



support to SEs, while these enterprises did not contribute significantly in creating job opportunities, improving productivity and generating income. She concludes that SEs face highly competition either in local market or exports markets, therefore these enterprises should improve the product quality and raise the level of productive efficiency of the unit.

Stephanou and Rodriguez (2008) analyze both trend and structure of the SEs financing market in Colombia. They find that banks in the country regard the SEs segment as an attractive business opportunity though their level of sophistication in terms of business models and risk management tools remains modest. They conclude that the market is characterized by a number of institutional and policy constraints, which inhibits further growth of SEs lending.

Alsahbani, A., (2008) starts his study by defining the SEs in Saudi Arabia, and after that he briefly illustrates the most important funding intuitions for SEs. The rest of his study focuses on the role of the Saudi bank for credits and saving to fund the SEs that are working in tourism. He finds that the bank faces some obstacles that affect negatively on his national role in supporting and caring about tourism enterprises such as: lack of information about supply and demand on goods and services at the level of the targeted geographic locations, the difficulty of getting licenses and documents that required for each tourism SE, lack of institutions that specialize in feasibility studies for tourism, and lack of specialized competencies trained that could help new small investors to learn how to establish his/her small enterprise.

The study of Planning and Economy Department in Abu Dhabi (2008) shows the importance of SEs and their role in providing job opportunities and diversifying the sources of income of the citizens in Abu Dhabi. The study finds that there are a number of obstacles facing SEs in Abu Dhabi such as: the weakness of domestic savings of individuals, and weakness of administrative and marketing efficiencies for these projects, in addition to these projects depend mainly on foreign labor. The study recommends that the leading role of the Khalifa Fund for SMEs development in Abu Dhabi will grow in the coming period as a result of increasing the fund's capital from 300 million UAE dirham to one billion UAE dirham ; which will support significantly SEs in Abu Dhabi.

Al-Asrag, H., (2007) shows in his study the general definition of SEs and its definition in each Arab countries according to some criteria. He focuses on the importance of SEs in the Arab countries, and the barriers that limit the contribution of such enterprise in operation and providing job opportunities. Finally he suggests some polices that activate the role of the SE sector in the national economy.

Saleh and Ndubisi (2006) Examine and review the extensive literature regarding the development of SMEs in Malaysia. They find that Malaysian SEs account for more than 90% of total manufacturing establishments in the country. The evidence suggests that SEs play a vital role in the nation's economy and wellbeing. The largest concentration of SEs, in terms of numbers, can be found in the textile and apparel sector, followed by food and beverages, metals and metal products, and wood and wood products. They conclude that the government has implemented many programs designed to strengthen the performance of SMEs. For example, the government initiated around 11 Programs to enhance the contribution of SEs to the economy and there are more than 10 ministries and 40 government agencies dealing with SEs development. Despite these governmental programs Malaysian SEs still face many challenges, domestic and external, which could hinder their resilience and competitiveness.

The study of Chamber of Commerce and Industry in Riyadh (2005) explains the importance of economic projects, whether for developing countries or developed countries, and the importance of



these projects in Saudi Arabia and their contribution to GDP. The study illustrates the point of views of SEs owners about the main problems they suffer, and the most important supporting services they wish to get it from the institutions that concerned with the development of SEs. Finally, the study shows the experiences of some of the leading countries in supporting and developing SEs.

El-Beltagy, M., (2005) reviews of the nature of SEs, the foundations of its success, and evaluates the financing formulas for SEs that depends on credit and the impact on its profitability. Moreover he studies the concept and characteristics of Islamic funding modes and its suitability for SEs, and he illustrates the models of funding SEs by Islamic banks. He finds that the importance of SEs to achieve the social and economic development, particularly in the treatment of the problem of unemployment. He criticizes the traditional banking approach in its reluctance to finance SEs, and he stresses that funding SEs by credit loans is not appropriate instrument to fund SEs, where it causes a lot of risks and problems to SEs that should pay the loan with interest, even if SE achieves profits are less than the interest rates or loss. Therefore he stresses on the funding by Islamic funding modes are most appropriate way to SEs where this funding is based on the principle of participation in the profit and loss formula. Nowadays, there are several Islamic banks achieve success in funding many SEs, such as the Egyptian Saudi funding Bank and Faisal Islamic Bank of Sudan.

Zedan (2005) applies his study on SEs that registered with the private sector in Syria during the period (1970-2001), and he stresses on the importance of activating the role of SEs in the economic and social development in Syria. He finds out that, the economic surplus that achieved by SEs represents the greatest proportion of the surplus in the private industrial sector. Moreover, during the period under study SEs contributed to attracting more new entrants to the labor market, but it was below the desired level, and finally in terms of economic efficiency Syrian economy needs of SES rather than big projects. He mentions that despite of Some of SEs are suffering from competition but the rest are able to continue to operate in domestic market, and also access to the global market.

Radwan, L., (2004) illustrates the problems that face SES in Saudi Arabia, which are : absence of independent institutional framework that care about SEs, lack of investment incentives, lack of financing channels available to SEs, and lack of technical support in the field of business incubators. He studies the international experience in supporting and developing SEs, particularly, the experiences of Japan, USA and Egypt. Based on these experiments he suggests building system that support the development of SEs in Saudi Arabia consists of three main components: building regular framework for SEs, activating funding methods and investment tools that are appropriate to SEs, and finally, developing the technical support elements that oriented to SEs.

Al-Mahdi,A., (2002) tries to shed light on the role of SEs in the industrial structure in Egypt, particularly in the textile industry, which is one of the largest and oldest industries in Egypt. She finds that there are government and quasi-government programs that aim at developing SEs in Egypt, but the results of these programs are still vague. She stresses on the importance of cooperation between relevant ministries in Egypt in order to raise the competitiveness capacity of SEs in the local and global market.

Stoner (1983) stresses on the importance of strategic planning in SEs, His study applied on 451 small industrial enterprises in USA, in order to know the linking between strategic planning processes and environmental factors which are industry / technology, workforce, and economic factors, and the impact of these factors on the survival and the continuation of SEs, he finds significant relationship between the environment and its circumstances and strategic planning processes of SEs.



Bernie and grablwsky (1981) explain the determine sources of the funds that are necessary for SEs, which are largely determines the nature of the strategy followed by SEs and the nature of its products and technology will be to adopted in the framework of SEs objectives.

Decarlo and Lyons (1980) apply this study on small industrial projects in UK, they find that there are a large proportion of SEs suffered from failure due to lack of strategic planning. They states that success of SEs depend on their ability to analysis environment and build strategies, and objectives and plans that contribute to achieve their growth and survival in the business world. This could be done through the harmonization among competitive factors, suppliers, consumers, technological change, and the decisions of the strategic management of SEs.

From the above discussion, we find that most of these studies show the importance of SEs and how they face many obstacles that reduce their developmental role. While the other studies do not assess the role of SEs funding institutions in their countries especially in Saudi Arabia. This shows the importance of the current study where it could be one of the first studies at the level of Saudi Arabia-according to researcher knowledge- that assesses the role of the biggest two SEs funding institutions in Saudi Arabia which are the Saudi Centennial Fund and the Saudi Industrial Development Fund (KAFALAH) program in supporting SEs in order to achieve the Kingdom development goals.

3. Profile of SEs in Saudi Arabia

Three decades ago Government of the Saudi Arabia adopted planning approach for development via putting comprehensive five-year plans in order to build a diversified and prosperous Saudi economy that provides rewarding job opportunities, achieves prosperity for all people , and provides education and good health care.

SEs have been included in the five-year development plans, when the government lunched ambitious strategy for year 2020, the Kingdom has taken several steps to strengthen SEs by providing them potential incentives in order to make SEs one of the main pillars of industrial development in the Kingdom during the coming years.

The profile of SEs in Saudi Arabia shows that the number of SEs was 52 small enterprises only before the first five year plan at the beginning of the seventies of the last century, while the number of SEs raised to 2314 enterprises that employed about 22 thousand workers at the beginning of the seventh Five-Year Plan on 2000, and raised to 5390, 6045 and 6627 enterprises in 2009, 2012 and 2014 respectively.(See table (1)). SEs represents more than 90% of the total operating enterprises in the Kingdom and it helps to create 75 thousand jobs (32 thousand jobs for Saudis and 25 thousand jobs to not Saudis). Moreover, it represents 28% of GDP that generated by the private sector-except oil- on 2014.

SEs distributed to agriculture and animal breeding projects, industrial projects, and commercial and service projects. The percentage of industrial SEs to total number of total SEs was 72.3% in year 2000, while the percentage of agriculture and services were 4.5% and 23.2% respectively. In year 2005 The percentage of industrial SEs declined to 56.5% while the percentage of commercial and service SEs increased to 36.8%.Dueing the next years the growth rate of commercial and service SEs was more than the growth rate of industrial SEs , this leads to the percentage of commercial and service SEs to total SEs increased to 45% , while industrial and agriculture SEs represented 47% and 8% respectively the in year 2014. The main reason for increasing the percentage of commercial and



service SEs of total SEs is due to that these enterprises need low capital cost compared with industrial enterprises, Moreover its value added is greater than the value added generated in industrial enterprises

According to SEs geographical distribution in Kingdom, Riyadh region comes in the first place in terms on number of SEs, where its share is 35% of total SEs in Saudi Arabia. Mecca comes in the second place where its share is 25%, while the share of eastern region, Qassim and other regions are 23%, 6% and 11% respectively at the end of 2014.

Table (1) Development of SEs according to its activity during the period (2000-2014)

Years	No. of SEs			Total of SEs	Job Opportunities
	Agriculture& Animal breeding	Industrial	Commercial& Services		
2000	109	1744	560	2413	21717
2001	115	1811	630	2556	23003
2002	127	1856	890	2873	25857
2003	160	1960	1013	3133	28197
2004	219	2034	1034	3287	29583
2005	256	2140	1390	3786	34074
2006	301	2199	1480	3980	35820
2007	304	2250	2045	4599	41391
2008	327	2479	2300	5106	45954
2009	380	2560	2450	5390	48510
2010	410	2610	2500	5520	51160
2011	450	2709	2630	5789	54000
2012	490	2850	2705	6045	57100
2013	505	2973	2734	6312	60377
2014	530	3121	2976	6627	63390

Source: Calculated by researcher based on Industrial Index, Annual reports of ministry of industry and commerce, and Annual reports of TCF and SDIF

The profile of SEs in Saudi Arabia shows also there is a discrepancy in the distribution of SEs among regions according to its output, where 30% of Food and beverage enterprises mainly concentrated in Riyadh and 18% in Mecca, while there are 18% in eastern region and 7% in Medina. Textiles clothing enterprises are located mainly in six administrative regions, where Riyadh comes in the first place with percentage 38%, Mecca comes in the second place with percentage 30%, while eastern region, Medina, Qassim and Al-Jouf come after with percentages 16%, 8%, 6% and 2% respectively. Furniture and wooden furniture enterprises are located mainly in seven administrative regions where the share of Riyadh of total SEs is 39%, while the share eastern region, Mecca, and the other four regions are 25%, 21% and 8% respectively. Paper and printing enterprises are working mainly in Riyadh, Mecca, and eastern region with percentage 44%, 25% and 19% of the total SEs that are working in Paper and printing in Saudi Arabia. Chemical and petrochemical enterprises are located in Riyadh, Mecca, and eastern region with percentage 31%, 30% and 28% respectively of the total SEs that are working in Chemical and petrochemical production. Construction materials enterprises are located in Riyadh,



eastern region, Mecca, Asir, and Qassim with percentage 31%, 25%, 16%, 8% and 5% respectively of the total SEs that are working in construction materials. Metal construction products enterprises are located in Riyadh, Mecca, eastern region, and Qassim with percentage 40%, 27%, 21% and 6% respectively of the total SEs that are working in Metal construction products.

It is clear for the above that, the concentration index of SEs geographical distribution according to administrative areas is reasonable among the regions while degree of concentration varies from industrial activity to other one. This differentiation is acceptable and logical especially for market-oriented industries such as food and beverage enterprises.

The profile of SEs in Saudi Arabia shows also despite of there is increasing in number of SEs during the period (2000-2014) with average growth rate 7% yearly, there are large number of SEs that face many obstacles that limit their ability to progress and development. The most important obstacles and problems are follows:

- The small size of local market, in addition to the difficulty of pre-planning, or predicting effectively and accurately the size of the demand, this applies also to export to foreign markets due to different prices from time to time.
 - Lack of skilled workers, which reduce the productivity and quality of the products.
 - Lack of adequate information that related to marketing, technical and completion, and raw materials prices or products.
 - Funding difficulty, where the owners of SEs face difficulty to get loans from banks because of the high risk in these projects. Moreover SEs can't get advantages of investment incentives as customs credits and subsidized energy or obtaining land at nominal prices.
 - Because Saudi Arabia is an open market to imports, SEs have difficulty to compete with the foreign products, especially, with inadequate tariff protection and some consumers prefers foreign products rather than local products.
 - Difficulty in obtaining some inputs due to it is unavailable and its prices are high.
 - Geographical location problem, where there are many SEs were constructed in the regions outside the cities, which do not have basic infrastructure (water, electricity ...) to operate these enterprises.

From the above discussion it is clear that despite of the importance of SEs role in the Kingdom, which is reflected in the increasing number of SEs in agricultural, industrial and service activities during the period (2000-2014), but SEs still face some problems that limit its participation in achieving the economic and social development goals that aimed by five-year plans; this led the government to include SEs as one of the objectives of the development plans and to provide funding to them via establishing funding institutions whose primary purpose is to support and finance SEs.

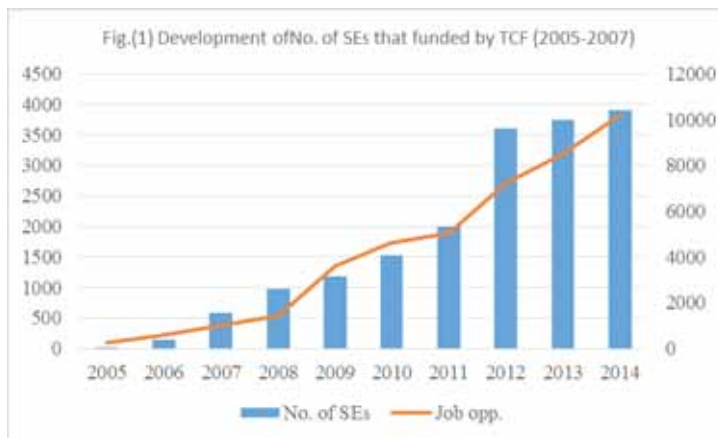
4. SEs funding institutions in Saudi Arabia

Ministry of Commerce and Industry statistics for year 2014 shows that microfinance destinations in the Kingdom are 17 financing institutions, including government institutions such (Centennial Fund, Credit Bank, and KAFALAH program), private sector like (Abdul Latif Jameel program, Abdul Al Zamil Center), and banks such as (Al Rajhi Bank, and National Bank). The current study will address only two funding institutions which are: Centennial and the Industrial Development Funds, as follows:

4.1 The Centennial Fund (TCF)

TCF have been Established by a Royal Decree, It's primarily interested in supporting youth projects through guidance, funding and facilitation to funds. It aims to help young Saudis achieve economic independence and to fight unemployment in the Kingdom.

TCF began its activity in 2005 and it funded 25 enterprises in the first year, which allowed to create 273 job opportunities. The number of Funded SEs raised to 147 and 589 enterprises in years 2006, and 2007 respectively, In year 2009 the number of Funded SEs was 1189 enterprises with total value 200 million Riyals, these projects created 3600 job opportunities. At the end of 2014 the number of Funded SEs continue to raise to 3900 enterprises that created 10200 job opportunities, as shown in figure (1).



Source: TCF annual reports, and central deptmt of statstics and Information

Figure 1. Development of No. of SEs that funded by TCF (2005-2007)

Saudi Central department of Statistics and information and TCF annual reports illustrated the following:

- SEs that work in commercial activities got a large proportion of available funding for SEs, where it represented 53% of total SEs that funded by TCF during the period (2007-2014), services SEs came in the second place with 41%, while industrial and agriculture shares were 4% and 2% respectively. The distribution of funds among activities may reflect the strategy of TCF Management where they focused on financing commercial and service enterprises that characterized by small size, on the one hand, and achieve high value added on the other hand, compared with industrial and agricultural enterprises.

- TCF contributed to develop small towns, where TCF keen to support projects that are located outside the three major cities in the Kingdom (Riyadh, Dammam, and Jeddah). Funds are distributed among more than 180 towns and villages, which represents 64% of the total SEs that are established outside major cities.

- TCF funded Women's SEs which represents 24% of total funds of SEs.

- According to the qualification degree of TCF beneficiaries, university degree holders represent 32% , while secondary holders beneficiaries represent 35%, middle-school graduates are 19% , while primary school graduates are 12%, and the Diploma holders ratio is 2% of the total beneficiaries of the Fund loans.

- TCF helped to create more than (10000) job opportunities that distributed to (81%) jobs opportunities for male, while total job opportunities for females were (1900) jobs.



4.2 Saudi Industrial Development Fund (SIDF)

SIDF are Working under the supervision of the Ministry of Finance, the Saudi Industrial Development Fund established a special fund for SMEs with a credit guarantee scheme. With a capital of US\$53 million, funded by the Saudi government and by local Saudi banks, SIDF supports SME development through provision of financial assistance in form of short-term loans to industrial investment along with technical, administrative, financial and marketing advices to borrower enterprises.

The SME Loan Guarantee Program (KAFALAH) is one of the main program that offered by SIDF in order to support the SEs Kingdom-wide that can't supply the required guarantees for getting funds from banks. KAFALAH is a major player in the service and development of the community; expansion of the beneficiaries' base, and creation of new job opportunities that contribute to a reduction of unemployment in the Kingdom.

Since the Program's launch on 2006 up to the fiscal year-end 2014, the KAFALAH Management has issued a total of 7,280 guarantees to 4,082 SEs (in contrast with 415 SEs and 869 SEs on 2009 and 2011 respectively) totaling SR 3,590 million in contrast with total approved financing of SR 7,184 million.

During the first three year of the SIDF, the Program management approved 1110 guarantees totaled SR 449 million, while the Loans provided by KAFALAH participating commercial banks to SEs during these year amounted to SR 700 million. During the following years, the program has been characterized by an exceptional performance on the part of SIDF, where the Program management approved 292, 310, 1670, 1920, and 2515 guarantees, with totaled 118, 181, 949, 1065 and 1670 million riyals, in years 2010, 2011, 2012, 2013 and 2014 respectively. Loans provided by KAFALAH participating commercial banks to SMEs during the year 2014 amounted to SR 2,348 million riyals in contrast with SR 1,768 million extended during the previous year, an increase of 33%. As shown in table (2)

Table (2) Numbers and value of approved guarantees by KAFALAH program (2006-2014)

Banks	Total Approved Guarantees Since Launch of the Program			
	No. of Guarantees	SR 000		Numbers of Beneficiary Enterprises
		Value of Guarantees	Value of finance	
National Commercial Bank	2429	872520	1513582	1094
Riyad Bank	1788	987308	2084160	1226
Arab National Bank	990	435635	1276915	379
Al-Rajhi Bank	857	481251	864597	567
Al-Jazira Bank	247	120377	175328	97
Saudi Hollandi Bank	244	238952	352123	206
SAMBA Financial Group	268	148207	290192	178
Al-Bilad Bank	152	107807	209703	105
Saudi Investment Bank	74	51700	96836	43
Saudi French Bank	101	65186	151229	70
Saudi British Bank	130	84925	169524	117
Total	7280	3589868	7184189	4082

.Source: SIDF Annual Reports



Annual Reports of SDIF and Central Department of Statistics and Information show the following:

- According to approved guarantees to sectors, the construction/building sector led all other sectors with a total of 2839 guarantees amounting to 1256 million riyals, representing 39% of total approved guarantees during the period (2007-2014). The services sector came in the second place, with 1820 guarantees for 969.3 million riyals accounting 25% of total Approved guarantees. Industrial sector comes in the third place with 1674 approved guarantees and 944 million riyals which represents 23% of total approved guarantees. The rest of approved guarantees distributed among other sectors, Commercial sector (509), medical sector (80), while each one of education entertainment, and agriculture sectors got 37 approved guarantees.

- According to geographical distribution of approved guarantees, Riyadh comes in the first place, where the number of approved guarantees for SEs in Riyadh represents 43% of total of approved guarantees during the period (2007-2014). Mecca Eastern region, Qassim and Asir came after with share 29%, 18%, 7% and 3% respectively.

- As for KAFALAH participating banks, the National Commercial Bank led all other participating banks in terms of the total number of guarantees approved by the Program during (2007-2014) , with 2429 guarantees valued at 872 million riyals, representing 33% and 24.4% of the total number and value of approved guarantees, respectively. Riyadh Bank came second with 1788 guarantees totaling 987.3 million riyals, representing 24.5% and 27.5% of the number and total value of guarantees issued, respectively. Arab National Bank ranked third in terms of number of guarantees, with 990 guarantees totaling 435.6 million riyals, representing 13.5% and 12.1% of the number and total value of guarantees issued, respectively. The remaining banks received 2073 guarantees totaling 1294 million riyals, accounting for 28% and 36% of the number and value of guarantees, respectively.

5. Assessment the role of the Funds

According to the analysis that shown in section (4), we can evaluate the role of both funds by comparing their achievements with the developmental objectives of development plans, in particular, plan VIII and IX, as follows:

- During the period (2005-2014) TCF contributed significantly in achieving some of kingdom's economic and social development objectives, where TCF funded 3900 SEs, that created 20000 direct and indirect job opportunities , which reflected on reducing the unemployment problem, Moreover, TCF funded different economic sectors where it funded 2067 commercial enterprises, 1599 services enterprises, 156 industrial enterprises and 78 agriculture enterprises. TCF contributed to support the Saudi women and enable them to achieve the success via funding their SEs which represent 24% of total SEs funded by TCF, in addition to providing 1900 job opportunities for females. As shown in table (3).

- During the period (2006-2014) SDIF Program Management's efforts have resulted in the restructure of the procedures for the issuance of guarantees. KAFALAH participating banks have created innovative initiatives to deal more effectively with SEs owners; launched frequent promotion campaigns to promulgate the Program's idea Kingdom-wide. KAFALAH Program's activities are not limited to the issuing of guarantees for SEs, but also embrace training, education, and awareness-raising of SME owners and KAFALAH stakeholders. These training exercises are conducted in collaboration with the International Finance Corporation, a member of the World Bank Group; the Institute of Banking [established by Saudi Arabian Monetary Agency (SAMA)], together with the participation of Saudi Banks and Chambers of Commerce and Industry.

From the above it's obvious that both funds contributed in achieving the development goals of the kingdom via supporting and funding SEs. TCF and SDIF helped to increase the GDP of Saudi Arabia via the funded enterprises contribution in national output; which led to raise the standard of living of the citizens who are working in these enterprises, reduce the unemployment problem by creating more than 30,000 job opportunities (direct/indirect), and enable female to participate in economic activities.



Table (3) Assessment the role of Centennial and Saudi industrial development Funds to achieve the development goals of the kingdom

Development objectives of plan VIII and IX,	TCF	SDIF
Raise living standards and improve the quality of life for all citizens	(It funded 3900 SEs during the period (2005-2014	There are 4082 SEs that got approved guarantees during the period (2006-2014)
Reduce the problem of unemployment	It helped to create 20000 job opportunities (10200) direct job opportunities, (4000) temporarily job opportunities and (5800) indirect job opportunities	It contributed to create (9300) job opportunities, (4500) direct job opportunities, in addition to (1300) temporarily job opportunities and (2500) indirect job opportunities
.Diversify the economic base	The proportion of commercial enterprises that funded by TCF were 53% of total funds available to SEs while the share of services enterprises 41%, and the share of industrial and agriculture activities were 4% and 2% respectively.	The proportion of construction sector of approved guarantees was 39% of total approved guarantees available to SEs, service sector's share was 25%, while the share of industrial and commercial sectors were 23% and 7% respectively, the rest of approved guarantees have been obtained by medical, education, entertainment, and agriculture sectors.
The effective participation of Saudi women in the development of the Kingdom	-Women SEs represented 24% of total SEs funded by TCF -TCF helped to create 1900 job opportunities for females which represents 18% of total job opportunities created by TCF during the period(2005-2014)	The proportion of SEs that owned by women that got approved guarantees from SDIF was 9% of total approved guarantees during the period(2006-2014)
Increase the contribution of the national workforce in the development sectors	The proportion of university degree holders beneficiaries from TCF funds were 32% , while secondary holders beneficiaries represent 35%, middle-school graduates are 19% , while primary school graduates are 12%, and the Diploma holders ratio is 2% of the total beneficiaries of the Fund loans.	
Achieve the balance between regions of the Kingdom, and enhance their role in economic and social development,	of total SEs that funded by TCF distributed 64% among 180 towns and villages that are located outside the main cities	22% of total SEs that got approved guarantees from SDIF are located outside the main three cities

6. Conclusion and recommendations

The study aimed to analysis and evaluate the role of Centennial Fund and KAFALAH program in supporting to the development objectives of the Kingdom significantly. The study depended on the annual data that issued by official institutions in Saudi Arabia in addition to the reports that issued by TCF and SDIF. The study found out that, despite of TCF and SDIF are new institutions -where TCF established on 2005 while SDIF started to operate on 2006-they have significantly contributed to the decline the unemployment rate among young people, and also helped Saudi women to participate in the economic activities, through the provision of financial assistance in the form of medium and long term loans in order to establish their productive and service projects. Accordingly, the study suggests the following:



- The Government of the Kingdom should support the funding institutions providing financial and technical support; which help them to expand the funding opportunities for larger number of Saudi citizens, which will lead to create new job opportunities.
- Establish specialist department in providing marketing, technical consulting and feasibility studies for small enterprise, in addition to training services which should be available for those who are wishing to invest in the field of industry.
- Develop and innovate new financial instruments that fit with the nature of SEs, in addition to activate the role of banks to provide funds at reasonable interest rates that fit with the small investors.
- Enhance the small investors in towns and villages in Saudi Arabia to establish their projects outside the three main cities.
- Establish and expand the business incubators and specialized technology centers in order to enhance establishing specialized companies in small enterprises development.
- Establish centers for workforce training in SEs, and help them to develop the administrative, technical, accounting and marketing systems.
- Develop the exports of SEs through activating the role of trade representation offices of the kingdom abroad to identify the opportunities of exports to other countries, and creating businesses or houses expertise specialized in providing the necessary information for these projects about the demanded goods for export and places of marketing and timing.

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