

Market analysis for starting businesses in the uae business essay

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Background information: United Arab Emirates is one of the world's business power houses, it is an Arab nation found in the Arabian Peninsula, it's a country made of a number of federations, seven to be exact. Abu Dhabi, Dubai, Fujairah, Sharjah, Ajman, Umm al-Quwain and Ras al-Khaimah, this collectively form the United Arab Emirates with Abu Dhabi the capital city. In the UAE Islam is the main religion and Arabic is the mainstream language. It is a politically stable country among a hostile majority of countries this has not only enabled its growth, it has also made it the major link between the west and the east trading blocks. UAE is a country with a lot of business activity and potential, it draws a lot of investments locally and internationally, and as mentioned above it is a large producer of oils and oil products. They are also having large natural gas deposits. The presence of these resources has made commerce thrive in this particular part of the world, in addition the country is strategically placed geographically such that it is the major player between the east and west trading block linking the two. This is further facilitated by the level of stability in comparison to its immediate neighbors that would have otherwise been their competitors.

Basics: In all countries communist or not have a levy for doing business within their areas of jurisdiction, that is how governments are sustained, only the terms of the levies differs. Apart from the levies there are permits that businesses have to acquire, the permits differ ranging from counties, and depends on the ownership of the business. In some countries foreigners have to get extra permits to operate unlike nationals to that county. In most countries for foreigners there is an amount of investment that one is

required to make at the initial stage to be allowed to operate. Finally in some countries the types of business one can start may be limited if that country is interested in protecting its local markets. This background information is apt so as to properly articulate UAE market trends and relate it to those of the other markets, thus projecting the resultant pent down pressure on starting businesses. Starting a business inside UAE

The very first step in starting a business in UAE is getting the business registered. Citizens of UAE can operate small sized businesses without actually registering them however for foreigners it is compulsory to have the business formally registered with the department of economic development in order to enjoy maximum commercial benefit from UAE. The process of registration in the UAE is quite shortened and simplified. The process is divided into six (6) stages that cumulatively on average take eight (8) days. In other nations bordering the UAE it takes much longer, with its immediate second Iran takes about two more weeks with additional stages, and Saudi Arabia with nine stages and even a little more days than Iran. The process of business registration in the UAE involves the following stages; reservation of a company name, this is done by submitting by the persons intending to start the business, a request to the department of economic development. This request entails the particular business trade mark name, the activities the business intends to engage itself in and the identity of founding partners of the firm. The second stage is on the memorandum of association, at this level the applicants submit their memorandum of association to the DED, for legalization, and normally this is done on their behalf by their lawyers. This stage takes a day and would attract a maximum notary fee of AED 10, 000. This is followed by

the third stage which is the submission of the company's original documents to the DED, then trade license and the commercial registration certification can be obtained. The documents in context are; the memorandum of association which is to submitted in duplicate (the original and its copy), application forms that must have been appended by the company directors., third is a letter issued by the DED, this is supposed to show and allow the go ahead for the business to go into the market without the threat of duplication, finally is the original letter of company approval, that has been provided by the department of economic development. This stage would take up to 3 days and it's the longest of the 6 stages. Once this stage is completed an application of an establishment card from the ministry of labor is to be done, this can be done by the founders in person or by their representatives. The fifth stage is to register native workers with the ministry of labor. This is done in accordance with ministerial decree No. 1215/2005, and it is done by providing the following documents; three (3) copies of employment contract, employer's passport (copy), a copy of trading license and finally a paper confirming the citizen of the worker as native. For foreigners getting into the UAE, they need to have a visa document to be allowed into UAE. However this does not apply to some categories of countries that shall be looked at a little later. For a foreigner designated to have a visa they will only do so through a sponsor. It is the sponsor who applies on behalf of the individual. Valid sponsors include; hotels, tourist companies this can sponsor one for Tourist Visa and Visit Visa that are both valid for 30 days or a Service Visa that is valid for 14 days. The second category of sponsors is airlines and airline handlers; they can sponsor their

crew for a 96 hr Transit Visa. Organizations based in the UAE may also sponsor one to get a visit or a service visa, finally individuals who may be relatives or friends and are already resident of UAE may sponsor another individual for visa although this is subject to some strict guidelines. As mentioned earlier this process does not cut across all foreigners. Individual's residents of Gulf Countries Convention (GCC) are not required to have a visa upon entry into UAE; all they need is a GCC country passport or ID card upon arrival. AGCC residents who are not nationals of GCC, but have some kind of expertise or skills such as managers of companies, auditors, accountants etc. them, their families, drivers and staff are legible for a 30 days visa upon entry at the ports however this is not renewable. Due to good inter block relations, the citizens of the following countries are granted a free of charge Visa for a single visit for the arrival in the UAE. These counties are; UK, France, the Netherlands Italy, Greece, Japan, Germany, Belgium, Luxembourg, Switzerland, Austria, Sweden, Norway, Denmark, Monaco Portugal, Ireland, Finland, Spain, Vatican, Iceland, Andorra, San Marino, Liechtenstein, United States, Australia, New Zealand, , Brunei, Singapore, Malaysia, South Korea and holders of Hong Kong SAR passports. The process of acquiring a visa for the UAE involves the following; to begin the interested parties have to make an application for the visa, this has to be accompanied by copies of passports i. e. that for the applicant and the companion. A letter that identifies the individual or organization or hotel or airliners that is sponsoring the visa grant. The type of visa needs to be defined i. e. business, tourist, visit etc. also the duration of the visa needs to be specified in terms of short or long term, single or multiple entry etc. the passport to be used in

acquiring the visa must not be less than 6 months to expiry. Once the registration of the businesses is done one is free to start transacting, according to a World Bank report the business financing for UAE citizens is normally from their savings or from friends and family. This accounts up to 53% of sources of starting capital. Apart from those sources there are microfinance institutions that lend money to individuals and group of entrepreneurs to invest, the UAE government has also a grant kitty for financing young entrepreneurs with brilliant business ideas. In the UAE interests charged on such moneys is significantly low and this gives a competitive advantage to the locals to compete. The foreign investors defiantly come with their money and the UAE government has done much to give an enabling environment to this group of persons so they can maximize their benefits. Insurance cover is good for your businesses whether or not a risk is imminent, since it gives one the peace of mind that is required. More so for foreigners investing in UAE its more important because of its geographical placement, along the gulf, catastrophes could occur at any time. In UAE there are four categories of insurance cover; vehicle cover, personnel, public liability insurance and building and content insurance. Startup businesses are obligated to have two compulsory insurance covers for their businesses. Personnel insurance; which covers the employees and the owner against any event of accident or sickness, and then there is the public liability insurance that is meant to protect the business from claims by the third parties. These claims could be against negligence, injury, loss or even damage. Industrial and business analysis of UAE UAE is one of the world's leading producers of oil and natural gas, these makes a big

proportion of UAE GNP. Thus most of the developed industries in United Arab Emirates are the crude oil industry and industries of services and products that accompany oil production, processing and exporting. The trade has also created a lot of business for the hotel industry. As a result of all this added advantage that UAE accrues doing business can be very challenging, according to a report by the department of economic development of UAE on businesses with more than 50 employees, the rate of business failure for medium sized businesses is quite high as compared to the neighboring countries. In UAB it takes approximately 2 years for about 80% of failing start up businesses to fail. This is half of what it takes businesses on the neighboring economies take with half the amount of capital for initial startup. This is attributed to the much liberal market provided by the UAE federal government with levies of as low as 4%. This has encouraged investors both local and international. However the international investors are more likely to do well in UAE industries than nationals without as much financial muscle. In UAE the legal bureaucracy is significantly reduced, and unlike most other countries foreigners enjoy doing business in UAE. This has improved their image in the last one decade, what the image of UAE was ten years ago in completely different from what it is today, from the infrastructure to how business is done is completely different. Unlike most other Arabic nations that have a lot of cultural and religious barriers hindering full exploitation of a country's ability, it doesn't. UAE allows women to work just as men do, drive and even invest, this makes a big difference in creating an enabling environment for starting up businesses in the UAE. For many start up businesses that start and operate in the UAE, they usually have a bigger market to

venture into. Being a collection of principalities it also brings the numbers, thus most businesses start ups have to their advantage a big market in the event of demand for their products. In terms of the political environment that is provided for in the UAE is stable and not hostile to both foreign and local investors. The government takes a lot of interest in the natives of UAE and has strict labor law that seeks to govern and protect those workers.

Therefore for any businesses intending to operate in that market have to prepare to abide by those regulations. To emphasize this they have it as a regulation for starting a business that registration of native works has to be done before the company can commence. Contemporary business issues inside UAE Every market has its own share of challenges, the UAE start up businesses have their own share of challenges. As pertaining to international trade, businesses that start in UAE and intend to trade internationally have to contend with the language difference. In as much as there is inter-trade going on in Arabic speaking nations, the vast of the international community speaks languages different from that. The other issue that most starting businesses have to deal with is the issue of human capital. A big percentage of the employees are UAE are foreigners. This group of people no matter how talented they are, retaining them in the firm for a start up if a serious problem that they deal with in their day to day running of the organization. As highlighted, UAE attracts a lot of investors into the market with a lot of financial power. This group of creates immense pressure on the businesses trying to pick up in particular industries. For example in the airline transport industry or banking industry, it is very difficult for a business to start in these lines due to the heavy foreign investment. Accessing financing for small star

up businesses in UAE is not quite easy. Businesses do not readily lend due to the high rate of business failure. The other mechanisms of getting funding are either minimal in an economy with powerful players, or have bureaucracy at the government offices i. e. funding from savings and contributions from friends is not enough to compete big players in that particular market. On the other end the mechanisms that have been put to help funding of good business projects takes a lot of approvals to go through to the actualization stage. Corruption is also an issue that starting businesses have to contend with. Although it is not as wide spread as it is in some countries it plays a big hand in favoring already existing businesses that have the money to exchange for favors