

The Prospect of Waqf in Financing Small and Medium Enterprises (SMEs) in Yemen

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Abstract

The role of small and medium enterprises (SMEs) in economic development has been duly recognised. However, SMEs encounter a number of challenges. The most pressing obstacle SMEs face is the lack of finance. Therefore, it is extremely important to find new and suitable finance sources in order to support SMEs either in their establishment or growth phases. Waqf is regarded one of the best sources of finance in the Islamic financial system. There is much potential in its

use to finance SMEs financing. The present study explored the prospect of Waqf as an Islamic financial instrument to finance SMEs. It further examined a proposed modified Waqf model and whether it was applicable in Yemen. The study has adopted a qualitative method in the form of semi-structured interviews with 6 experts from Waqf institutions and from SMEs developmental institutions. The experts interviewed are mainly SMEs owners, Waqf directors and beneficiaries specialized in the areas of Waqf and SMEs. The findings of the study indicate that Waqf appeared to be one of the most important instruments in financing such economic activities as it can play a crucial role in financing SMEs. Further, the study significantly contributed by suggesting a new method that will help in financing small and medium enterprises (SMEs) in Yemen. Thus, providing a finance for these firms will help to create more jobs for the low income, which in turn helps in the economic development.

Keywords: Waqf, Financing, SMEs, Yemen.

A. INTRODUCTION

Small and medium enterprises (SMEs) are a vital factor to determine the survival and evolution of the economies of all countries, specifically developing countries (Ndiaye, Razak, and Ng, 2018). In the present competitive and challenging global environment, SMEs are an engine of growth and play a key role in economic development. It is estimated that SMEs contribute over 60% of total employment and over 40% of GDP in developing countries (The World Bank, 2019). Therefore, there is consensus among policymakers, economists, and financial experts that SMEs are the driving force for the growth of an economy. Consequently, they contribute significantly to the provision of job opportunities,

increasing export, introducing innovation, social integration, the generation of income, and eventually, the reduction of poverty. Their role in generating the income and development of the economy for developing countries is critical (Fiseha and Oyelana, 2015). All over the world, SMEs make great contributions to productivity and aggregate economic growth as well as important basic services for disadvantaged people (Zafar and Mustafa, 2017). According to the statistics in industrialized countries, SMEs are core contributors to private sector employment. Empirical studies have shown that, in high-income countries, SMEs contribute over 55% to GDP and over 65% of total employment. It contributes more than 60% of GDP and over 70% of total employment in low-income countries and contributes approximately 70% of GDP and 95% of total employment in middle-income countries (Keskgñ *et al.*, 2010).

Yemen is one of the least developed countries in the region and it also food-deficit country (WFP, 2020). According to human development report 2019, Yemen is ranked 177 out of 198 in terms of human resource development and has a growing unemployment rate (Conceição, 2019). SMEs account 97% of recorded companies in the private sector. They contribute up to 90% of the total employment (Assaf, 2013; The World Bank, 2019). According to the Yemeni Ministry of Trade (YMIT)(2014), SMEs defined that small projects from 1- 3 employees, medium-sized projects from 4-9, and large enterprises from 10-50 employees (Nair, RADMAN *et al.* 2020). In fact, with around 27 million population in Yemen, it is no wonder that SMEs are playing important role to employment and economic development (AlQershshi, Abas *et al.*, 2018).

Despite significant contribution of SMEs to economic growth, they have faced numerous challenges preventing their growth including the economic and social crisis. Further, Yemen has a long history of political instability (Aboueldahab, 2019). In 2011, the country entered an era of political instability that descended from an uprising to civil war in 2014, causing boundless damage to the economic, social and humanitarian sectors. Not only that, COVID-19 has added to the already deteriorating economy. These and other problems are a major obstacle to SMEs' access to project finance. Referring to the challenges of financing SMEs, it is necessary to look for financing channels that are more suitable for SMEs. The most prominent of these financing channels are waqf funds. Throughout its long history, Waqf is the main pillar of social construction and economic development of the nation. It contributes significantly to economic development and social welfare through the establishment and financing of an extensive network of facilities and service projects in vital areas including education, health, culture, infrastructure, and others. Moreover, waqf has plenty of lands, real estate, and cash which are financing alternatives appropriate to SMEs (Saad, Mohammed, and Al-Jubari, 2019).

Given its significance where it provides various public services and benefits and is regarded as one if not the most important funding source that can contribute to financing and eventually developing SMEs. According to Saad *et al.* (2019), Waqf is considered as a financier for many service projects as it has a huge potential in terms of the existing asset size and the country's resources which can be used as new sources for SMEs (Saad *et al.*, 2019). Furthermore, a study on Waqf and

its potential role in poverty alleviation conducted by Haneef *et al.* (2015) revealed that waqf is an important determinant of Islamic microfinance in OIC countries including Yemen.

Hence, this study aims to highlight the importance of waqf and further explores the extent to which it can provide solutions to funding obstacles encountered by SMEs today. It is hoped that the present study will offer a deeper understanding of the prospects of both movable and immovable waqf in the development and growth of SMEs and society.

B. BRIEF REVIEW OF LITERATURE

1. The importance of SMEs in Yemen

Promoting SME development is one of the main sources of economic development worldwide. In particular, these enterprises are more important in developing countries because they are more suited to the nature of those countries' economies (Mukwena, 2016), including Yemen. SMEs play a significant role in the development and growth of Yemen's economy such as their ability to provide new jobs, reducing unemployment rates and become one alternative to absorb the growth of the workforce (Alia, 2014). They account for about 97% of the business sector, about 290,000 companies have employ less than 25 employees, with an estimated total employment of about 600,000 employers, including nearly 30,000 women (Assaf 2013). SMEs in Yemen are involved in many activities mainly agriculture, manufacturing, fisheries, services, oil and gas as well as tourism (World Bank, 2014). SMEs

are helping hand for an economy that has been reeling from political instability and poverty for years, which means SMEs considered as the best bet to overcome the current social and economic challenges in Yemen (Saleh and Manjunath, 2020). According to Al-Swidi (2011) and MOPIC (2004) over the last twenty years, the significance of SMEs has grown enormously, due to their effective role. The SMEs sector is an efficient solution to improve the growth of the Yemeni economy, reduce the poverty, and decrease the unemployment rate. This implies the need for SMEs recovery and of course the recovery of the whole economy. Attention to SMEs sector is needed now more than ever as they play a key role in Yemen's economic development.

2. Challenges Facing SMEs in Yemen

Lack of Finance

The growth of SMEs in developing countries is critical, as they play a significant role in alleviating poverty and employment generation. For several reasons, there is a bias against small projects; they face financial barriers greater than medium and larger firms. According to IFC, around 80 countries found that; access to finance for small firms is a constraint on growth (Weder, 2001). Sufficient financing is necessary to assist SMEs to improve and expand their operations and invest in new production facilities. However, SMEs usually face problems in developing countries, because it is most difficult for them to obtain financing from banks, markets or credit facilities (OECD, 2006).

According to Ayyagari (2008), Beck (2006), Cook (2000), Tambunan (2008), Zia (2007), shortage of financial support represents the core obstacle in the evolution of SMEs especially in developing countries. Lack of financing channels has become a major barrier for the development of SMEs. Lin (2007) argues that as SMEs are usually labor-intensive projects, their capacity to absorb costs of labor are reduced when they face financing problems. Khan (2022) described the shortage of finance as a major hurdle in the development of SMEs in Pakistan.

According to Saleh and Manjunath (2020), most Yemeni SMEs borrow from unofficial sources of finance such as friends, relatives, and wholesalers. 56% of SMEs do not have an account in a bank or a financial institution, while 40% considered personal relationships as the main alternative for collateral to get funds. Thus, these enterprises depend majorly on self-finance and internal fund sources (52%) while loans from banks and financial institutions are the least source (7.4%). Further, regulations, loan guarantees, and lack of capital have a significant impact on the performance of Yemen's SMEs (Saleh and Manjunath, 2020).

This receives support from Qaid (2007) who mentioned that; the main problem in financing facilities is when Yemeni owners of SMEs establish projects by themselves. They request financial support from their relatives and friends which is not a proper sufficient funding. In addition, there is a lack of incentives and facilities offered by the government according to invest in

Yemen. Hence, there is a need is to find alternative sources of funding such as waqf to address such difficulties.

Lack of Human Resource Capabilities

Educated employees are not only more productive, but they have more knowledge and innovative capabilities (Batra Geeta and Tan, 2003). Those SMEs which have more qualified workers are likely to have a higher level of efficiency (Wield, 1992; Lucas, 1993). Many past studies recognized the lack of human abilities as a major obstacle in the growth of SMEs particularly in developing countries (Batra and Tan, 2003; Lee, 2001; McElwee, 2000). The efficiency of a company depends on the abilities of its human capital. In Arab countries particularly Yemen, human resources in SMEs are mostly incompetent. Thus, there is a need to develop ability building programs in order to enhance human resources skills in SMEs (Gibb, 1986; Romjin, 1989). Companies with well-educated workers are more efficient because of their major capacity to absorb and utilize new technology (Wield, 1992; Lucas, 1993). The difficulty of finding qualified personnel to work in SMEs has been a significant obstacle to the development of SMEs in Yemen, particularly in rural areas. Most university graduates tend to search for government jobs (Mansour, 2011). The lack of experience and skills are the main problems facing by SMEs. Thus, since most of workers in SMEs are not qualified, SMEs are mainly rely on personal sources of finance which means they often lack the need to observe basic administrative and organizational rules

(Qaid, 2007). Further, during the conflict in Yemen, 35% of enterprises closed their businesses, 30% of businesses shifted from small to micro, while about 22% of medium to small or large to medium businesses shrank, and 20% of companies lost their full-time employees. While 27% lost part-time employees, 20% moved their business (World Bank, 2019; UNDP & SMEPS, 2015).

SMEs have faced many challenges to their growth including the economic and social crisis, particularly during the country's conflict, and more recently, the impact of Covid-19 on their performance (Saleh and Manjunath, 2020). Ultimately, the challenges facing SMEs in Yemen vary according to many different aspects, when considering general function, the main challenges seem to be lack of funding. Accordingly, this study mainly focused on financing problems and how they can potentially be resolved by exploiting waqf funds.

3. Waqf System in Yemen

Overview of Waqf

The idea of waqf is as old as humanity. According to Muslim jurist, the first waqf is the Kaaba in Mecca since the Qur'an mentions that it is the first house of worship (Kahf, 2002). In Yemen, waqf was established before Islam in the ninth century in the form of lands dedicated for purposes of worship during the period of the Tobbā kings. Similarly, Queen Bilqis allocated funds to support the Temples (Ali, 1968). In Islam, waqf is manifest throughout Yemen. The big mosque in Sana'a was the first

waqf in Yemen and was built by Farwa the companion of the Prophet (PBUH). Waqf continued from that time until today (Al-Razi, 1974). The kinds and purposes of waqf in Yemen continue to vary. According to the Ministry of Waqf in Yemen, there are more than 150 kinds of Waqf; the most important are Awqaf for mosques which are numbered at an estimate to 50000 mosques, educational institutions, medical facilities, animal care, and for social purposes (Saad, Mohammed, and Al-Jubari, 2019). Today, Waqf in Yemen is still a significant institution with huge potentials in terms of the existing asset size and the country's resources which can be used as new sources for Waqf. According to Deputy of the Awqaf ministry and Saleh Ali Khamis, General Manager of Awqaf; asserted that there are around 240,000 Square kilometres of land which constitutes 48%, almost a half of the entire land area of Yemen (Saad *et al.*, 2019). Therefore, it is not easy to find a land which is not owned under the Waqf assets in Yemen. That means, many Waqf lands are widely spread which were the results of past efforts in financing this sector.

The Role of Waqf for Economic Development

The historical role of waqf was very rich. It played an essential part in developing different aspects of the society and the economy (Ahmed, 2004). Not surprisingly, waqf in Yemen is of socioeconomic and cultural significance. It provides for many needs of the poor. Some Awqaf were established to help needy and poor people such as blind and patients through providing aids like clothes, shelters,

and foods. In regard of health, many hospital buildings and centre of treatments were built and paid by the waqf (Saad *et al.*, 2019). Waqf still plays a significant role in the development of Yemeni economy. For example, Sam Hotel, 4 buildings, and other Residential buildings were estimated to be 73 Million Yemeni Rials (Saad, 2019).

Presently, the Ministry of Waqf in Yemen has established many commercial centers in addition to markets and rents them to people in order to gain profits and promote investment (Saad *et al.*, 2019). According to Margaret-Anne and Donna (2018), there are more than 4000 Shops in the city of Sana'a owned by Waqf. Therefore, waqf has the ability to improve the local economic growth and play a significant role in the socioeconomic development through allowing the SMEs to have access to financial services. Additionally, purpose of Waqf in Yemen mainly is to support people with low income, including owners of small enterprises which create more jobs, the exploitation of local resources, increase production, and improve standards of living. This study attempts to enhance the performance by determining the efficiency and effectiveness of waqf in financing SMEs.

C. METHODOLOGY

To achieve the main objective of the study, which is to highlight the importance of waqf and explores the prospect of waqf in financing SMEs, an exploratory design has been utilized. The qualitative approach has involved the use of semi-structured interviews with selected experts who have

excellent skills in SMEs and Waqf field. The experts interviewed are mainly SMEs owners, Waqf directors and beneficiaries specialized in the areas of Waqf and SMEs. All 6 informants interviewed were male. The maximum working experience was 15 years, whereas minimum experience was 5 years in this field. Overall, the informants were considered as good resource of information as they are highly knowledgeable and experienced. A summary of the informant details is presented in Table 1.

Table 1: Informants Profile

No	Gender	Position	Place of work
1	Male	SMEs finance general manager	Ministry of Trade
2	Male	Investment general manager	Ministry of Trade
3	Male	SME finance officer	SMEs establishment
4	Male	Beneficiary	Owner of a company
5	Male	Beneficiary	Owner of a company
6	Male	Investment general manager	Ministry of Awqaf

A semi-structured interview questionnaire had been designed into open-ended questions, arranged in a reasonable logical order, thus, as to cover the required area. After designing the questions of interview, the question items were thoroughly reviewed by four academic experts in order to check that they were accurate. The data for this study was collected through face to face interview technique. Each of the chosen

interviewees was contacted via email, telephone or arrange the time and place for the interview. After an agreement was reached about the time and place for the interview, the interviewee was called again to confirm the appointment. The interview was lasted between 20 to 40 minutes on average. The participants were given a copy of the questions. The interviews were smartphone-recorded, in addition to notes taking. After collecting the data by smartphone-recording, qualitative data were thematically analyzed in order to code the common themes that represented participant's point of views on issue pertaining to the subject. A summary of the interview questions is presented in Table 2:

Table 2: interview questions

	Question
Q1	In your opinion, what the current challenges are facing by SMEs in Yemen?
Q2	Financing is a major obstacle within these challenges are facing by SMEs in Yemen, what do you think and why?
Q3	In your opinion, Is there any efficient solution until now has suggested as alternative to such financial constraints are facing by SMEs in Yemen? And waqf was one of those solutions or not?
Q4	What is the effectiveness of waqf institution as proposed alternative to solve problem finance which is facing SMEs in Yemen?
Q5	Due to the importance of waqf in Yemen. How waqf can contribute directly in financing SMEs in Yemen?
Q6	Do you have any other recommendations and suggestions?

D. FINDINGS AND ANALYSIS

5 themes have been identified from the data concerning waqf. A summary of those themes is shown in the table below.

Table 2: Prospect of Waqf in Financing SMEs

	Waqf Prospect	Representative comments
Theme 1	Challenges that are facing SMEs in Yemen	<i>“the biggest obstacle that SMEs encounter is the funding”</i>
Theme 2	Why Finance is the biggest challenge	<i>“No Government funds and people is poor “loans by bank is very high interest rate”</i>
Theme 3	Waqf Can Be a Solution	<i>“I believe that Waqf will contribute to the development, and support of the SMEs” “Waqf has great resources”</i>
Theme 4	Activating the role of waqf to finance SMEs. Is it applied in Yemen	<i>“it needs government approval to invest” “support through charity institutions”</i>
Theme 5	Recommendations and Suggestions	<i>“Waqf must contribute to fund SMEs as the social contribution in order to achieve waqf’s purpose”</i>

Theme 1: Challenges that are facing SMEs in Yemen:

Based on the first theme; the first interview question showed that, all informants described that finance is the

major challenge facing SMEs in Yemen. However, interviewee 4 said that:

“Essentially, the biggest obstacle that small and medium enterprises encounter as institution is the funding”. It was supported by interviewee 5 who held the same view.

Interviewee 1 explained that the banks that are dealing with such enterprises have limited funding which is not always enough to establish a project.

“I really think that the funding should be provided within simplified conditions, the grace period and lowest interest cost in order to establish projects. In Yemen, the most funding institutions such as Al-Amal bank did not provide sufficient finance for SMEs in order to fulfil all requirements to open the project and therefore a person who gets funds from those institutions; he may spend it for personality aspects. Thus, a person will fall in the big problem; he cannot open the project or return money to the bank”.

Additionally, lack of guarantees was stated from the third and fifth interviewees. As they claimed:

“Because of the insufficient guaranty, entrepreneurs got many difficulties to establish their projects. Recently, all guarantees have been stopped by official institutions; therefore, the bad situation in Yemen is the main reason behind that”.

The view of the third, fourth and fifth interviewees regarding current political and economic position in Yemen was:

“Nowadays, Yemen has a difficult situation whether from economic or political aspects. Hence, SMEs were affected due to the lack of security as well as the government does not fulfill her obligations towards entrepreneurs and to protect their projects”.

This point was supported by the second interviewee who described:

“I think that the lack of security in Yemen is one of many problems that facing SMEs” (interviewee 2).

In brief, with reference to the interviewees’ statements, it can be argued that finance is a major challenge facing SMEs in Yemen. Moreover, there are not enough guarantees in order to start the project as stated by two interviewees. In addition, and based on three interviewees’ explanation, economic and political situations were a big obstacle in financing SMEs. Based on theme 1, it can be noted that there are some challenges facing SMEs in Yemen, but finance is the major challenge. This part of the interview achieves the first objective of this study.

Theme 2: Finance is the biggest challenge for SMEs in Yemen:

According to the interviewees, access to finance represents the most challenging obstacle that SMEs in Yemen encounter. Almost all of them agreed on that. For instance, the second interviewee mentioned that:

“Finance is the biggest obstacle not only for SMEs, but also for the country as a whole as the country

now is in a very critical situation. As a result, SMEs and what they face are not given so much attention by the government. The support that SMEs receive is very minimal”.

Supporting the above argument, the fourth interviewee argued that the finance sector needs more funds to expand its activities. In his own words, he explains:

“..... Current finance institutions cover only about 5% of the SMEs finance needs and any expansion in this sector needs more funds in order to start many SMEs or to open new branches in other places especially in the rural areas. As a result, the profits will be less in the commercial activity and thus more funds are needed for such expansions”.

In the fifth interviewee’s view, finance is regarded as the biggest obstacle because not too many people are able to get loans, and there are very little financial institutions. He argued that:

“It is the biggest challenge as most of the people in the country are poor so they cannot start their own business and those who are able to get loans, they are faced by the fact that the interest rates are very high”.

In fact, the first interviewee strongly justifies considering finance as the biggest challenge. He argued that there are a number of reasons for that including first: government support is minimal; second: banks impose high interest rates short time for returning back loans and third: most of the funds are given for existing SMEs for expansion purposes. In his own word:

“Frankly speaking, the government is far from being supportive to this sector. No governmental funds and

no funds allocated in the country budget to support SMEs as they do not provide banks with the support in order to make the interest rates reasonable. Further, banks give loans with high interest rates and they impose restricting on the beneficiaries on the time to return the loans back. Sometimes interest rates can reach up to 12% or 14% which is very difficult for starters. Finance insinuations offer lending to existing business for example if you have a shop and you want it to grow, they will give you loan provided that you bring the shop commercial guarantee. So, you get the fund to expand not to start”.

He argued that a person must first have existing businesses that generate income as finance institutions refuse to offer loans to starters. He mentioned that only Bank Al-Amal support such starting small businesses but nonetheless it is so risky for those to get loans as they find difficulties in production, marketing and so on and as they do not have enough expertise in addition to the deteriorating political and economic situation of the country.

To conclude, financing SMEs is a huge challenge that needs to be given due attention by the government banks and other organizations. The government should address this challenge and adopt a national agenda and strategy to improve this sector as it contributes to the economic development by creating more jobs and proving services and products. Banks should ease the lending conditions. Some regulative reforms should be offered so that more people benefit from such financial services.

Theme 3: Waqf can be as an alternative solution:

As it was clearly agreed upon that lack of finance is the most critical issue for SMEs, then it is also critical to find solutions to such a problem. One of the solutions could be the use of waqf funds. There was a relative agreement among informants about waqf and how it can be a solution. For instance, the first interviewee mentioned that waqf resources in the country are huge and there for it can be a competitor for the existing financial institutions. In his view:

“Waqf can be a source of finance especially as it can cure the increased level of interest rates. It will provide loans to youth so that they are able to start their own business. It can ease their access to the market. Also, it will be great if Waqf is able to increase the lending time. A conventional finance institution requires borrowers to start paying back from the second month of borrowing and sometime the business is not yet started”.

Interviewee 4 was optimistic about the role of waqf role in addressing the finance issue. He said:

“Waqf is one of the excellent alternatives. It has been successfully implemented in south of Sudan. Through the Wagf fund, many financial institutions can be opened, and SMEs can be financed in accordance with the Islamic system followed in the country. This of course will lead to the expansion in this sector especially in secondary and rural areas”.

In support to the above view, interviewee 5 mentioned that waqf will be better than commercial financial providers as waqf will get more profits and thus many investments can be done. However, interviewee 2 argued that his Ministry of

Trade tries to tackle the finance problem by getting support from donors. However, he mentioned that waqf is not officially available as a finance alternative as there is no law indicating that it is and should be used as a means of financing SMEs. He stressed that if the government really decided to solve this issue, waqf can contribute significantly. Nonetheless, he said that in order for waqf to be successful, there has to be a clear vision and objective adopted by the government and needs to be run by a very professional team.

In an opposing opinion, interviewee 3 did not agree that waqf can be an alternative. He stated that:

“In the time being, it is impossible that Waqf can be a source of finance for SMEs as all Waqf resources are looted by government officials. However, if the government adopts Waqf as a strategy it would be successful”

It has been recognized that waqf cannot substitute the existing financing providers, but it can be a strong competitor. For instance, interviewees 1 and 4 agree that Waqf cannot be alone in financing SMEs but also agree that it will be an excellent financial platform that can work together with other relevant institutions. Interviewee 5 suggests that waqf could be part of the solution not the whole solution. In his own words,

“I think waqf will be part of the solution in financing SMEs. Finance is one of many problems that SMEs have. Unfortunately, there is no special law of SMEs finance. Further, the development of the SMEs needs to have national strategy in order to develop this sector and finance is core element there. I believe that waqf will contribute to the development, and support of the SMEs. Again, Yemen does not have

special strategy for financing SMEs. In addition to this, providing support, trained personals, training, incubators, and accelerators would help SMEs sector to develop and grow”.

It has been also recognized that adopting waqf in financing SMEs could have more effect on the society. It will reach more people especially in rural areas that are out of the existing finance providers reach. It is also stressed that waqf institutions should cooperate with the Yemen Social Fund in order to be more successful. The Yemen Social Funds has a great network of donors and international NGOs. Further, SMEs finance goes through this only channel. Another success factor as suggested by one of the interviewees is the people who will run it. As it is true that waqf in the country has great resources such as lands and properties, however, professional people need to run the show in order to successfully be a great source of SMEs finance. Its resources should be invested properly. He stated that:

“Waqf has great resources. Why not invested? Malaysian, Turkish, and Sudanese experiences should be benefited from. Waqf resources must be invested to get benefits instead of its current state where it is not used or taking advantage of”.

Theme 4: Activating the role of waqf to finance SMEs. Is it active in Yemen?

In this session, there is a consensus among informants that the *waqf* plays a significant role in financing enterprises. All interviewees’ statements are reported below:

“I think that waqf is playing a key role to finance small and medium enterprises and another investment projects as well”.

The first and sixth interviewees have related that to government approval. They said that:

“If government and ministry of waqf are approved to effectiveness the role of waqf to support such projects and keeping a part of waqf for financing SMEs in Yemen”.

Fifth interviewee also supports the same point with the rest of the informants. He explained that:

“Waqf institution should be initiative to give opportunities to investors in order to develop waqf funds through supporting SMEs”

From this statement, the first and second interviewees felt that waqf will achieve the special evolution from the investment side. They further illustrated that:

“Waqf is the most important funding source that can contribute to financing and eventually developing SMEs and national economy as well.

On other hand, the third interviewee agreed with two conditions. As he mentioned that:

“Management of waqf should be qualified and knowledgeable in order to enable marketing and investing as well as returned the waqf funds that are stolen by corrupt people” (Informant 3).

According to this question, the majority of the six interviewees reported that waqf institution will improve their

profitability and create jobs. They identified that:

“Based on the containment of waqf source, keeping its assets in addition to invest the returns, waqf institution will achieve the amount of profits” (interviewee 6).

“Waqf fund has many resources and therefore may can transfer them to Al-Amal bank to invest in order to gain returns and investment development inserted recession” (interviewee 3).

“Using waqf to finance SMEs will achieve returns if it is managing properly and following Yemeni institutions policy as well” (interviewee 4).

“The idea of waqf source to support SMEs will contribute significantly and prominently to the provision of jobs opportunities especially youth and families as well” (interviewee 1).

“The Ministry of Awqaf in Yemen must support such projects in order to resolve the difficulty of financing which in turn helps small and medium enterprises to set up their projects” (interviewee 5).

One of the six interviewees related that waqf already supports SMEs in Yemen; Interviewee 2 said that:

“Now I do not think so the waqf is funding SMEs in Yemen directly, but may be support through charity institutions”.

From this theme, it can be observed that waqf play an important role for financing SMEs. In addition, the waqf institution helps reduce poverty and creates jobs. Beside this, it's profitability will grow according to investment contributions. In short, the role of waqf in financing SMEs will

develop the national economy and provide a solution for the funding obstacle. Furthermore, waqf funds can help open the door in front of those who want to establish their enterprises.

Theme 5: Recommendations and Suggestions:

- Waqf institution should be participant its investment with a big company.
- Waqf must contribute to fund SMEs as the social contribution in order to achieve waqf's purpose.
- Establishment of a bank for waqf only in order to support SMEs in Yemen.

To summarise this theme, waqf is an important institution especially its contribution towards socio-economic development. It had played a significant role throughout Islamic history. Currently, waqf in Yemen is facing some challenges as the interviewees have mentioned above. With no doubt, it is still playing a key role in financing SMEs in Yemen. Thus, it can be concluded that the main obstacle facing SMEs in Yemen is financing. In order to solve this problem, waqf is playing a significant role to finance SMEs as all six interviewees have mentioned. The modified model has approved from the majority of interviewees and therefore the waqf fund can serve as a major solution to provide findings for SMEs in Yemen.

E. DISCUSSION

The aim of this study is to examine the prospect of waqf in financing small and medium sized enterprises. However, before examining such role of waqf, it has been deemed necessary to examine literatures that are related to the obstacles that SMEs encounter. A number of challenges appeared in the literature including lack of finance, lack of trained human capital, and inadequate infrastructure etc. Nonetheless, finance comes on top of these challenges. Other than that, the efficiency of waqf management that is less than optimal has never achieved the expected goals (Ahmad, 2019). According to Qaid (2007), as for the finance, business owners in Yemen seek support from unofficial sources including family and relatives. Information disclosure, which includes necessary information, financial information, non-financial information, future information, and governance information (Abd Jalil (2019), has been among the other factors that affects waqf commitment through trust.

According to the findings of the current study and in lieu of other studies, finance has emerged as the main obstacles for SMEs in Yemen. The finance providers are not many, there is no competition among them, they do not reach the public especially to women and rural areas. Further, those few institutions including Al-Amal bank, Yemen Social Fund, and Al-Kuraimi bank among others, they charge high interest rate that could reach up to 14%. This is also adding to the problem of finance. As a start-up, the risk is too high, so they still need to return the money even though sometimes businesses have not yet started. Another issue is that the grace period is too short. If a business has not started the production process,

then how can it be expected that the loan should be settled within that specified time. According to our findings, there is no national strategy to support the SMEs sector which is very important to the economy. There is no allocation of funds for SMEs in the national budget. What's worse, existing finance providers mostly support only existing small scale businesses. That is, new start-ups are often not financed for the reason that they do not have commercial guarantees. This limits people's interest in starting new businesses.

In addition that, in considering digitalizing their business process environmental barriers such as lacking appropriate network, regulatory system and government support seem to be the major barriers (Saleh and Manjunath, 2021). In nutshell, this study focused on the issues and challenges encountered by the SMEs in Yemen, specifically, insufficiency of waqf financial institutions, the reach out of waqf or any other finance providers to SMEs, and time period existing financiers practise. Thus, facilitating digitalization of waqf fund distribution in this smart technology era is needed attention from various agencies involved.

F. CONCLUSION

SMEs require access to finance for their activities to thrive on a sustainable basis. Although SMEs contribute significantly to the national economy through the provision of jobs opportunities and poverty reduction, however, they have faced many challenges to their growth including the economic and social crisis, particularly during the country's conflict. The challenges facing SMEs in Yemen differ according

to many different aspects, and the main challenge seems to be lack of funding. Through interviews conducted in Yemen with financial experts and managers, the interviewees stated that lack of government support and loans with high interest rates which were also major challenges. For these reasons, searching for alternative sources to fund such projects becomes necessary. Thus, this research proposes waqf to finance SMEs in Yemen.

The role of waqf in economic development cannot be overemphasized. Particularly, its significant potential contribution to finance SMEs. The findings of the current study suggest that waqf is crucial to support and develop SMEs. Almost all the interviewees agree that waqf is an excellent financing strategy. According to our findings, if waqf is employed in financing SMEs, a number of advantages will result. For instance, waqf has many resources such as property, land and cash if invested properly, the benefits can be directed towards SMEs development. Financing more SMEs using waqf will substantially create more SMEs and thus more jobs. This can help in reducing the burden of the striking rates of unemployment.

Furthermore, given such support that waqf received from this study, interviewees were particular regarding how it should be adopted as a financing alternative. They argued that waqf should work hand in hand with existing finance providers. This is because they exist for quite some time and they have experience in banking and finance and waqf is still in its early stage. Further, the Yemen Social Fund has its own international network of donors and NGOs which can provide technical support to enhance the applicability of waqf in financing SMEs.

Therefore, the Ministry of Awqaf should adopt a strategy to support SMEs by establishing waqf fund institution to cover not only people in cities, but also; those who are out of the reach of the existing finance providers. Further, the Ministry of Awqaf should appointed experts so that they can utilize waqf resources properly to contribute to financing SMEs directly. In addition, enterprises supported by waqf fund should be linked with specialized financing institutions such as Al-Amal bank. The links should be such that the role of the waqf institution would be a supervisory role only and entrepreneurs will be serviced through specialized financing institutions.

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