

"Collect Payments Or Wind Up" - UAE SME's told

Hundreds of UAE Small businesses have wound up since the pandemic and many have filed for liquidation. But is the worst yet to come?

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/EINPresswire.com/ -- The Middle East is developing a reputation of a 'hard market' referring clearly to it's late and lack of payment system. More recently, the UAE construction giant, Arabtec, collapsed in spite of running several projects across the Gulf States. The reason? The company claims that it couldn't claw back £200m owed by

developers across the GCC. Another international company earlier this February announced of its exit plans from the Gulf after operating for nearly 30 years. This came in a bid to 'tighten its balance sheet'. The problem of holding up payments is not just limited to international construction firms, most domestic firms are struggling in the country as well.



Dubai construction debt

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As per a [Debt Collection survey](#) by Euler Hermes, the France based economic research organization, UAE is the second most complex country for debt collection around the world. While Sweden ranks an easy 30 on the debt collection complexity score, UAE has been termed as 'severe' with a high score of 81. Insolvency-related complexity has been found to be a severe challenge in the Middle East than in Western Europe, the most frequent

issue being the low probability to recover a debt as an unsecured creditor in practice when the liquidation proceedings have commenced. With many international organizations wrapping their bags from the Middle East, domestic firms are struggling too. As early as 2019, nearly 800 firms had exited from the UAE due to inability to settle their dues. Previously, a November 2020 study had found that SMEs around the country were collectively owed \$26 billion, rigorously handicapping the business's ability to deliver quality projects within the decided budget and

time. Especially in Metals and Construction sector, notifications of overdue payments have soared by 26%.

Collection agencies in the UAE are faced with a harsh environment. The severe problem of reduced repayments has not only decreased the capacity of businesses to cover expenses such as rent and power but also has led to an increase in the stress and anxiety of numerous business owners. If receivables are not collected quickly, debtors often get distracted or can't afford to pay off what they owe. Other times it's just too expensive to chase them down — which means that sometimes debts end up going uncollected altogether.

“The Small business industry is in a tough spot. We have to work with no clear idea of when we might get paid for services rendered and there are fewer projects going around than before”, says Martin Walbough, CMO of Viralify, the [Dubai based marketing agency](#). Since the pandemic, the economy has been in a downturn, with some companies reaching their lowest point ever.

Successful markets regulate good payment behavior. The contractor's inability to collect payments should not be passed on to suppliers. The reason is that they may become insolvent, as has many in the region. Receivables Management Services like wirestork help by providing tools and resources so businesses can manage their accounts receivable more efficiently while outsourcing some collection activities.

“Cash management is the backbone of any successful business. And, without a sound cash management system, you can't effectively measure your company's financial health. It will be difficult for any company to grow as needed in this competitive market”, says George Mathew, senior Analyst at Wirestork, the leading [debt collection company in the UAE](#). It's not merely about collections anymore. We have entered an era of receivable management.”

At Wirestork, we manage receivables for more than 380 local businesses, both small and mid-size. These companies have had far more success with collecting their outstanding payments than conventional firms, continues George.

Black market business practices are a plague on the economy. One of these occurrences is when businesses keep suppliers in limbo and never pay them back for their products or services, which increases financial instability among buyers as well as sellers. The longer this problem goes unresolved, the more money will be lost to the black hole known as bad debtors who refuse to repay loans from banks because they had no desire not only to pay those debts but also to run an honest company!

And there's one simple principle in play. If you owe money: pay.

About Wirestork

Wirestork is a UAE based legal tech company that specializes in UAE travel ban verifications, UAE court and police case checks and accounts receivable management for small business with artificial intelligence, predictive analysis, personalized follow-ups and multi-channel collections. Visit wirestork.com for further details.

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