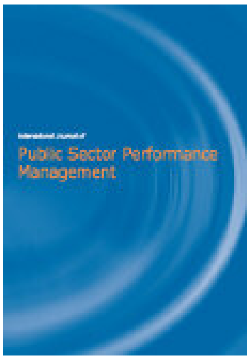

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Evaluating public policy interventions in mitigating financial default risk among SMEs

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Abstract: This study explores the challenges and causes of financial default among SMEs in Kuwait, particularly in light of COVID-19's economic impacts. From interviews with 15 managers across service, industrial and commercial sectors, it identifies key themes such as COVID-related operational disruptions, shifts in customer behaviour, increased financial obligations, and potential funding sources like crowdfunding and angel investment. As the first research of its kind in Kuwait, it spotlights the reasons and potential solutions to SMEs' financial default. However, the limited sample size makes generalisation difficult. The practical implications suggest the need for enhanced financial management, effective supply chain strategies, and exploration of alternative funding sources. The study emphasises the importance of government support and regulatory simplification to ensure SMEs' financial stability and long-term growth.

Keywords: Kuwait; SMEs; service; industrial; commercial; finance; default; COVID-19; crisis; public authorities; national fund.

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1 Introduction

The term *financial default* refers to the inability of an individual or organisation to repay their financial obligations, including loans, bonds and other forms of debt (Abu Sulaib, 2020). This is a serious issue that has far-reaching consequences for the debtor, as well as for the economy as a whole. This paper discusses the reasons for financial default in Kuwait and provides possible solutions to mitigate its impact.

The context of this study is of importance, as macroeconomic environment-led financial default has become a significant concern in Kuwait in recent years, particularly since the outbreak of COVID-19. Considering Kuwait is amongst the nine most prosperous countries and is considered a high-income economy, determining the causes of financial default and its implications for such a proficient economy can provide better insight into how financial default can be managed in other countries. Based on the latest IMF reports, as of December 2020, Kuwait's national government debt is estimated to increase to up to USD910.4 million, with a nominal GDP of USD28.1 billion as of 2020 (Kuwait Government, 2023). One of the primary causes of financial default is the profound impact of the pandemic on the global economy; reduced travel led to a significant decrease in the demand for oil, which is Kuwait's main source of income in 2020. For instance, during COVID-19, the oil prices between January and April saw a 71.1% decline in producer prices, followed by a declining price index of crude oil at 62.8% (Elaidy et al., 2023). Schuldenzucker et al. (2020) argued that with oil revenues accounting for up to 50% of Kuwait's GDP, the country experienced significant deficit expenses, further creating unprofitable costs and destroying a significant portion of its projected increase in revenues. Effective financial literacy programs and targeted public-private partnerships have been shown to mitigate these risks in other economies, reinforcing the need for Kuwait to adopt similar measures (Hassan et al., 2021a).

Additionally, existing issues of financing options either from public or private sector became more pronounced for Kuwait's already deteriorating economy during the pandemic. Zainal et al. (2022) pointed out that the financial stress experienced by the country worsened as a result of factors such as low oil prices and the COVID-19 pandemic, leading to a significant increase in the current account deficit, which reached 16.6% of the GDP. Furthermore, as per Elaidy et al. (2023), the government was unable to address the financial situation through either Kuwait's sovereign wealth fund or the issuance of debt due to lawmakers preventing the passage of a public debt law. This highlights the importance of regulatory simplification and transparent government intervention to alleviate SME challenges and foster long-term economic stability (Alhaimer, 2023).

To address such issues and understand the implications of financial default for Kuwait's economy, this study broadly discusses the causes and challenges of financial default and methods to reduce them. As Kuwait's economy is driven primarily by private organisations and SMEs, it will also examine the role of these organisations and the ways the Kuwaiti government provides financial support to such SMEs.

2 Literature review

2.1 Causes of financial default

Kuwait, despite its small size, is globally recognised as a wealthy nation, relying primarily on its oil resources for economic development (Arman et al. 2021). Pre-COVID-19, the country was enjoying rapid economic growth with a high GDP per capita; which, places it sixth globally (Arman et al. 2021). Research in other regions, such as Italy, highlights how SMEs' adaptability and resilience in the face of economic downturns contribute to their sustainability (Strazzullo et al., 2024). However, the pandemic significantly impacted Kuwait's economy. Lockdown measures led to business closures and revenue decline, hurting its GDP and economic progress (Alnassafi, 2022). The government depleted a large public reserve fund, and budget deficits surged due to the effects of the pandemic (Alhammadi, 2022). Several sectors, including hospitality, retail, travel, and transportation, were particularly affected, unable to contribute significantly to economic development (Shehabi, 2022). The global collapse in oil prices also profoundly impacted Kuwait's finances, leading to a drastic fall in public revenue, with oil revenue falling by 42.8% in 2020 (Alnassafi, 2022). The fiscal deficit rose to 40% of the total GDP in 2020, a stark increase from 9% in 2019, marking the worst fiscal deficit since the Iraqi invasion (World Bank, 2022). Furthermore, over 8% of borrowers defaulted on their government-backed loans. This would leave the citizens to cover a large sum of COVID-related debts (Reed, 2022). This demonstrates the pandemic's severe impact on Kuwait's economy and financial stability.

Excessive borrowing and debt could trigger economic loss for businesses and nations, raise borrowing costs, and impact the international bond market (Coleman and Feler, 2015). When a government borrows at a higher rate, domestic interest rates also increase, leading to higher repayment rates for corporate loans (Cerutti et al., 2015). In Kuwait, rising interest rates have negatively impacted economic development. To address this, SMEs must develop enhanced budgeting strategies and leverage government-backed financial literacy initiatives to mitigate repayment risks (Dhaliwal, 2024). This would make it difficult for businesses and individuals to repay their loans (Rehman et al., 2021). Between 1994 and 2022, loan growth in Kuwait averaged 13.13%, with lending rates expected to rise by 4.2% and 3.77% in 2024 and 2025, respectively (Trading Economics, 2022). This financial strain is reflected by the failure of Global Investment House, Kuwait's largest investment bank, to repay a loan. Additionally, the state-owned Kuwait Petroleum Corporation plans to borrow up to USD1 billion from various banks, including JPMorgan and HSBC, to manage its ongoing financial crisis (Reuters, 2022a). Such practices could exacerbate financial default in the country.

The size of debts and loans significantly influences financial crises, with changes in credit and borrowing patterns signalling potential risks (Svatosova, 2022). Lower oil prices and the pandemic have negatively affected the financial stability of GCC banks, resulting in low capital ratios, possibility of heavy credit losses, and reduced profitability (Al-Kharusi and Murthy, 2020). Moreover, altered consumer buying patterns due to COVID-19 have further impacted financial stability in Kuwait, particularly affecting SMEs that were unprepared for such changes. This in turn would cause shifts in product demand and resulting in heavy losses (Rehman et al., 2021).

Government policies concerning financial services can significantly impact financial crises. In Kuwait, private investment is neither restricted nor promoted, resulting in banks often undertaking high-risk investments, increasing the likelihood of financial default (Kuwait Government, 2023; Gamayuni, 2015). Ineffective government policies have contributed to multiple financial crises since 2010 (Mohamed, 2020). During the 2008 global financial crisis, the Kuwaiti government guaranteed deposits at local banks, enhancing confidence in the sector. Nevertheless, financial reforms and policy changes are identified as key reasons for financial default in Kuwait (Mohamed, 2020).

The COVID-19 pandemic significantly impacted the Kuwait Stock Exchange, leading to a decrease in stock prices with particular effect on financial services (Al-Mutairi et al., 2022; Al-Kandari et al., 2021). Changes in oil prices, which also declined during the pandemic, directly affect Kuwaiti stock market returns, contributing to financial default (Alshihab and AlShammari, 2020). However, Islamic banks in Kuwait effectively managed the economic crisis and financial default. This has helped in continuing their operations throughout the pandemic which indicates to their potential role in managing future financial defaults (Rehman et al., 2021).

2.2 How to reduce the level of financial default

Based on outlined challenges, it is evident that reducing the level of financial default in Kuwait requires a multifaceted approach that helps address both the root causes and the symptoms of financial instability. One of the key elements of reducing financial default is the promotion of financial literacy and education among the public. This can help individuals make informed decisions about managing their finances and reduce the risk of default.

The COVID-19 pandemic greatly affected Kuwait's supply chains, impacting 45% of operations, particularly within private firms and SMEs (Abu Sulaib, 2020; Albasoos et al., 2021). The government reacted with a stimulus package and a proposal for supply chain digitisation, with a view to minimise disruptions and enhance efficiency (Abdeldayem and Aldulaimi, 2023; Belas et al., 2022). Digital technology and IoT infrastructure adoption, as well as Six Sigma lean operations, were encouraged (Al-Mutairi and Ali, 2022). Additionally, diversifying suppliers and delivery methods were explored to address logistical challenges (Elaidy et al., 2023; Hassan et al., 2021b). The Ministry of Finance revealed a 38% increase in the borrowing rate compared to 2019, with bonds and sukuk borrowing up by 41%. Global studies highlight that micro-entrepreneurial women and SMEs in emerging economies faced similar challenges, necessitating innovative financial management and crisis responses (Dhaliwal, 2024). The World Bank data indicated a 95% loan-to-deposit ratio in 2020, a significant increase within the region. The non-performing loan ratio rose to 4.3% in 2020, emphasising the need for risk mitigation (Guan et al., 2021).

Experts suggest that Kuwaiti banks and investors should adopt prudent lending policies to decrease the risks of financial default (Jacolin et al., 2021). Procedures such as implementing credit assessment and loan-to-value ratios could help monitor loan performance (Quamar and Kumaraswamy, 2019). A systematic literature review of SMEs' crisis management responses during COVID-19 highlighted the importance of these practices globally (Salamzadeh and Dana, 2022). Regulatory norms could be introduced to prevent excessive borrowing, such as limiting the credits banks can extend and setting minimum capital requirements (Rakic, 2020). Diversifying investments across different asset classes, improving financial literacy and implementing annual financial literacy campaigns are among suggested strategies to reduce the risk of financial default and boost financial stability in Kuwait (Saberi and Hamdan, 2019). The Central Bank of Kuwait reported a 3.4% increase in credit to non-oil industries in the private sector in 2020, despite COVID-19 disruptions (Schuldenzucker et al., 2020), research shows that SMEs' responses to global crises can be enhanced through better governance practices and crisis-preparedness strategies (Dheer and Salamzadeh, 2022). Suggesting businesses are adapting to shifting market conditions. Sharma et al. (2020) and Shehabi (2020a) propose regular market research and analysis using technologies like decision trees or Monte Carlo tree search to forecast consumer buying patterns, supply and demand, and procurement risks. Businesses could further optimise flexible pricing strategies to maintain revenue. Studies in India found that COVID-19 significantly impacted personal financial planning, providing empirical evidence for the need to enhance financial literacy and digital transformation in SMEs globally (Shelly et al., 2024). E-commerce expansion and a stronger digital presence are recommended by Zainal et al. (2022), while Shehabi (2020b) suggests the government could aid this transition with subsidies and business grants. Social media analytics could provide valuable consumer insight, guiding financial and technical decisions. In response to government regulations impacting supply chains, Issa (2020) suggests operational diversification, business contingency planning, and government engagement for support. Elaidy et al. (2023) and Apostol (2020) propose debt relief programs to mitigate financial default risk, potentially realised through debt restructuring plans and contingent budgets. Governance issues have also been found to play a critical role in SMEs' ability to manage crises effectively (Harlalka et al., 2025). With decreased foreign investment, downgraded credit ratings, and increased stock market volatility, Abdeldayem and Aldulaimi (2023) and Al-Mutairi and Ali (2022) advocate for investment diversification and government-backed financial incentives for innovative business ventures. Lastly, Rakic (2020) and Jacolin et al. (2021)

suggest mitigating financial default risk via speculative trading limits, risk management collaboration with the government, and supportive monetary and fiscal policies. The role of integrity and governance in forming resilient SME leadership has also been underscored as critical for future crisis mitigation (Ismail et al., 2024). SMEs in Kuwait adopt social media for its perceived usefulness and ease of use, but lack clarity on effectively measuring its ROI (Alhaimer, 2019a). Also, social influence that influence SMEs in Kuwait to adopt social media for online advertising (Alhaimer, 2019b).

Entrepreneurial intention studies in Myanmar show that fostering innovation and leadership among undergraduates can drive future SME growth, aligning with Kuwait's need to boost entrepreneurial engagement (Win et al., 2025). The COVID-19 pandemic's adverse effects could be mitigated through the implementation of Islamic banking and finance, according to Alhammadi (2022). Organisational performance studies highlight the significance of resource-based strategies for improving public and private sector resilience, offering insights for SMEs in Kuwait (Khalifa et al., 2025). Alnassafi (2022) confirmed that Islamic banking significantly aids SMEs in Kuwait, though Alshihab and AlShammari (2020) argue government and national fund support is essential for this system to benefit SMEs. The Kuwaiti government has implemented various initiatives to support the financial system, such as using its sovereign wealth fund to stimulate the stock market (Pantin, 2022) and buying assets from struggling investment companies (Zainal et al., 2022). The Central Bank of Kuwait, aided by the national government, has developed new regulations to prevent excessive borrowing (Nosova, 2017; Jacolin et al., 2021). Similar regulatory reforms in India showed that adjusting board composition and governance structures can enhance financial stability and mitigate risks during financial crises (Goel, 2025).

The government also provides significant financial support to SMEs, with Kuwait's National Fund for SME Development providing an 80% guarantee towards loans for SMEs during the COVID-19 pandemic (Ibrahim et al., 2017; The National Fund, 2023). This has contributed positively to national economic development and has supported around 132 SMEs in their post-pandemic recovery (Zainal et al., 2022).

3 Methods

This study used a qualitative research design to explore the experiences and perspectives of SME managers in Kuwait on financial default causes and solutions. This approach facilitated in-depth data collection via semi-structured interviews with 15 managers across three economic sectors (Hennink et al., 2020). Interviews were transcribed and analysed using thematic analysis, yielding rich insights into SME challenges, the government's role, and potential solutions for financial default in Kuwait. The findings could inform policies and practices to foster economic stability. Information bias is a potential issue in qualitative research when participants offer inaccurate or incomplete information, or if the researcher's questions unintentionally influence responses (Norman et al., 2021). To minimise this, the researcher used open-ended, neutral questions in a non-judgmental setting, establishing rapport with participants to encourage honest responses.

3.1 Sampling technique, data collection and participants

A purposive sampling technique was the best suited for this study (Hennink and Kaiser, 2022). This technique involved selecting 15 participants from a population of 30 based on specific characteristics, such as managing an SME in the industrial, service or commercial sectors in Kuwait and experiences with financial default, to attain in-depth insight into the challenges and causes of financial default. Five participants from each sector – industrial, service and commercial – were selected to provide diverse perspectives on the research topic. This sample size was appropriate for a qualitative study, as the aim was to gain elaborate insights through the participants' experiences and perspectives.

Typically, semi-structured interviews can range from 30 to 90 minutes per participant. Each on review consisted of five open-ended questions. Interview lasted 45–60 minutes. The interviews were conducted in person as in-person interviews allow for face-to-face interactions, which can enhance rapport and build trust with participants (Hennink and Kaiser, 2022). The researcher took notes during the interviews using pen and paper. Some interviews were recorded with the participants' consent and transcribed afterwards. It was important to ensure that the method of note-taking did not interfere with the natural flow of the conversation and allowed for accurate recording of the participants' responses.

3.2 Inclusion and exclusion criteria

The inclusion criteria for this study were English-speaking SME managers in Kuwait from the industrial, services and commercial sectors with a minimum of three years of experience who had experienced financial default or were at risk of it due to COVID-19. The exclusion criteria were SMEs not based in Kuwait, managers with less than three years of experience and those who did not consent to participate in the study. To facilitate the data collection process and eliminate the need for translation, participants were required to speak in English during the interviews, regardless of their native language, which ensured that the data could be directly transcribed and analysed in English (Norman et al., 2021).

3.3 Recruitment

For the recruitment process, the researcher created a draft with the study's topic and objectives and emailed it to all 30 prospective participants in the preliminary population. Interested individuals who contacted the researcher were given priority based on the order of their responses. Once 15 participants were selected, the remaining participants were placed on a reserve list in case of no-shows.

3.4 Data analysis tool

Thematic analysis was used to transcribe and evaluate the data gathered from the semi-structured interviews. The analysis involved an iterative process of reading, coding and categorising the data into themes and then reviewing the themes to ensure their accuracy and reliability. The researcher conducted the analysis manually without the assistance of a software tool. The responses were colour coded to define commonalities and patterns within interviewee responses, which were further drafted into final themes.

3.5 Ethical considerations

Ethical considerations were applied by the researcher. He obtained signed informed consent from participants, protected their confidentiality and ensured that the study did not cause harm to participants (Norman et al., 2021).

4 Results

The following transcript was prepared as a result of carrying out interviews with 15 interviewees who managed SMEs from different fields. Interview responses were analysed, and common information was coded in separate colours to help the researcher frame themes. The analysis is outlined and explored in the discussion section. The questions were as follows: can you describe any personal or professional experiences with financial default in Kuwait, and what factors do you believe contributed to these situations? How do you think the Kuwaiti government can better support SMEs in managing their finances and reducing the risk of financial default? Are there any specific policies or programs that you believe would be particularly effective? Have you noticed any changes in the attitudes of banks and other financial institutions in Kuwait towards lending and investing since the onset of the pandemic, and if so, what do you think has motivated these changes? What are some best practices that businesses and individuals can adopt to reduce the risk of financial default in Kuwait, and how can they ensure they are prepared for unexpected financial challenges? Can you speak to the role that SMEs and the government can play in reducing the level of financial default in Kuwait?

5 Discussion

The findings from this study emphasise the importance of government-backed initiatives, financial management improvements, and effective supply chain strategies to ensure SME sustainability in Kuwait. Expanding access to alternative funding sources, such as crowdfunding and angel investment, can play a critical role in preventing financial default. Additionally, simplifying regulatory frameworks will enable SMEs to adapt more efficiently during economic crises, fostering long-term resilience (Salamzadeh and Dana, 2022).

5.1 Theme 1: the case of operational delay – sudden change in consumer buying patterns and disruption in the supply chain due to COVID-19

Extracts from transcripts that reflect theme 1 were as follows:

a Industrial sector:

- IP1: Fortunately, I have not personally experienced financial default, but I have seen some of my employees struggle with repaying loans due to job losses during the pandemic.

- IP2: The lockdown and disruption in the supply chain, coupled with reduced demand for their products, made it difficult for them to repay their debts.
- IP3: When the market crashed, they were not able to liquidate their assets quickly enough, and as a result, they defaulted on their loans.
- IP4: I have experienced financial default personally when I lost my job during the pandemic. I was not able to repay my loans and credit card debts due to a lack of income.
- IP5: The interest rates on loans and debts became too high, and they were not able to keep up with repayments, which ultimately led to financial default.

b Service sector:

- SP1: Many businesses have struggled with debt repayment during the pandemic.
- SP2: Factors such as overspending, poor financial management, and economic instability contribute to these situations.
- SP3: Our business faced financial difficulties during the pandemic. The sudden drop in sales and disrupted supply chains caused cash flow problems.
- SP4: I've seen cases where businesses take on too much debt, which leads to default. Additionally, some businesses face difficulties due to ineffective budgeting and cost management.
- SP5: I've seen businesses default due to poor credit management,

c Commercial sector:

- CP1: The main challenges are reduced demand for products and services, limited access to funding, and increased operating costs.
- CP2: We have not faced financial default, but we have experienced challenges in managing our financial obligations.
- CP3: The main challenges are unexpected expenses, reduced demand for products and services, and changes in government regulations.
- CP4: Our company faced financial difficulties due to the economic slowdown and reduced demand for our products and services.
- CP5: These factors, combined with limited cash flow and access to funding, made it difficult to meet our financial obligations.

Participants responses shed light on the reasons for financial default in Kuwait. Participant 1 from the commercial sector reported operational delays due to "sudden changes in customer buying patterns" and disruption in the supply chain caused by the COVID-19 pandemic. Participants 4 (industrial sector) and 5 (service sector) noted that the pandemic's impact on employment status made it difficult for employees to repay loans, and reduced purchasing power of consumers resulted in reduced demand for products and services. The responses further indicated, consistent with the findings of Guan et al. (2021) as discussed in the literature review, that the stock market crash affected financial stability, while reduced income impacted the ability to meet financial obligations, such as credit card debt. The responses also indicated ineffective budgeting and cost management, as well as poor credit management. Overall, the findings suggest the need for strategies in these areas to mitigate the impact of the pandemic and maintain financial stability.

Studies (Al-Kharusi and Murthy, 2020; Rehman et al., 2021) indicate that sudden changes in customer buying patterns and supply chain disruptions due to COVID-19 have impacted Kuwait's economy. Researchers have further highlighted that businesses experienced difficulties in managing supply chains due to delays caused by the pandemic (Khan et al., 2022). As discussed in the literature review, Almassri et al. (2020) found that COVID-19 led to changes in consumer behaviour, causing a reduction in demand for products and services with sudden growth of both product and raw material prices. As a result, businesses and individuals in Kuwait faced cash-flow constraints, increased operating costs and difficulty in accessing financing. According to Al-Mansour and Al-Ajmi (2020), to mitigate the impact of the pandemic, it is essential to implement effective strategies for managing supply chains, forecasting and planning and financial management. Improving financial literacy and providing support for businesses and individuals can also help maintain financial stability during uncertain times.

5.2 Theme 2: ever-expanding financial obligations for SMEs – increased borrowing and sudden changes in government policies

a Industrial sector:

- IP1: Factors that contributed include the sudden change in customers' buying pattern and decreased revenue for the company.
- IP2: I have seen some financial institutions become more aggressive in investing in emerging markets and new technologies to diversify their portfolios and reduce risk. However, this has also led to increased exposure to market volatility and increased risk of financial default.
- IP3: The government could consider setting up a debt restructuring program that allows struggling businesses to renegotiate their repayment terms with creditors.
- IP4: Businesses and individuals should have a contingency plan in place that outlines how they will manage unexpected financial challenges, such as a sudden loss of income or an economic downturn.

b Service sector

- SP1: Reduced sales and cash flow problems have made it difficult to meet financial obligations.
- SP2: Obtaining financing has been a challenge for many businesses, as banks have become more cautious in lending during the pandemic.
- SP3: The unpredictability of the pandemic has made it difficult to plan and forecast finances.
- SP4: A lack of financial reserves has been a significant challenge. Many businesses didn't have enough savings to cope with the sudden drop in sales.
- SP5: Economic instability and increased competition also contribute to default.
- SP5: Managing cash flow has been a major challenge for many businesses during the pandemic. Reduced sales and disrupted supply chains have made it difficult to meet financial obligations.

c Commercial sector:

- CP2: There are also challenges related to accessing financing and maintaining financial stability.
- CP3: Yes, banks have become more cautious towards lending and investing.
- CP4: The biggest challenges are reduced demand for products and services, increased competition, and limited access to funding.

As per the responses from Participant 5 (service sector) and all participants from the commercial sector, companies in Kuwait faced financial challenges, such as market fluctuations, unexpected expenses and reduced demand for products and services. Participants from the commercial and service sectors also pointed out the increased operating costs, supply chain disruptions, limited cash flow and challenges in accessing financing during the COVID-19 pandemic. According to Participant 4 (service sector) 'overspending, poor financial management and economic instability" were also contributing factors to the financial difficulties faced by these companies.

As discussed by Jabbouri and Naili (2019), factors such as poor credit risk assessment, inadequate loan monitoring and economic instability contribute to nonperforming loans, which can also lead to financial crises. From the participant responses, it is quite evident that stringent bank credit activities were one of the major reasons for companies facing lawsuits and issues of inadequate repayment of loans. Additionally, according to Koh et al. (2020), increased borrowing can lead to financial crises due to a build-up of debt that becomes unsustainable, leading to default. According to Participants 1, 2, 3 and 4 from the service sector, sudden changes in government policies can affect economic conditions, causing uncertainty and volatility in financial markets. These factors could have played a role in Kuwait's financial default during and even after the COVID-19 pandemic.

5.3 Theme 3: crowdfunding and angel investors – the future of SME sustainability

a Industrial sector:

- IP1: This has led to stricter lending terms and higher interest rates, making it harder for businesses to secure financing.
- IP1: The government can support SMEs by providing financial assistance, offering training and education programs, and creating a supportive regulatory environment.
- IP2: The government can also help to reduce the level of financial default by implementing policies that promote economic stability and growth. This includes investing in infrastructure, creating a favourable business environment, and supporting industries that are critical to Kuwait's economy.
- IP3: I have noticed that some banks and financial institutions have become more conservative in their lending practices, making it more difficult for businesses and individuals to secure financing.
- IP4: I have seen some banks become more supportive of their customers by offering loan forbearance, deferral, and other forms of financial relief.

- IP5: I have noticed that some financial institutions have become more proactive in managing their risk exposure by diversifying their loan portfolios and reducing their exposure to high-risk industries.

b Service sector:

- SP1: The government could provide financial assistance and incentives for businesses that adopt effective financial management practices. Providing access to low-interest loans and financial education programs would also be helpful.
- SP2: Financial institutions have become more risk-averse during the pandemic, leading to more stringent lending criteria.
- SP3: The government could establish a fund to provide emergency financial assistance to businesses facing difficulties during the pandemic. Offering financial support for businesses that invest in digital transformation could also be effective.
- SP4: The government could offer support in the form of loan guarantees or credit insurance. Providing training and mentorship programs to help businesses improve their financial management skills would also be helpful.
- SP5: The government could establish a program to provide financial assistance to businesses that are committed to sustainable practices.

c Commercial sector:

- CP1: The implementation of a national innovation fund would be particularly effective.
- CP2: The government can support SMEs by reducing bureaucracy and regulations, providing access to financing, and offering financial incentives. The implementation of a national guarantee program would be particularly effective.
- CP3: The government can provide more financial support and training programs for SMEs, implement policies that support entrepreneurship.
- CP4: The government can support SMEs by offering financial incentives, and providing access to financing. The implementation of loan guarantees and credit insurance programs would be particularly effective.
- CP5: The implementation of financial incentives and subsidies for SMEs would be particularly effective.

According to Participant 2 (industrial sector), and consistent with previous studies, crowdfunding and angel investors can provide alternative sources of funding for SMEs in Kuwait. Nabi (2019) outlined that crowdfunding allows SMEs to raise funds from a large number of individuals through online platforms, while angel investors are wealthy individuals who invest their own capital in exchange for equity in the SME. As previously discussed in the literature review, Al-Mutairi and Ali (2022) found that increasing collateral requirements and enhancing financial literacy amongst SME clientele in Kuwait can also help to improve their access to financing. Ghak and Zarrouk (2022) also proposed that collateral can provide security for lenders, while financial literacy can enable SMEs to better understand and manage their finances, improving their creditworthiness and ability to access financing, thereby avoiding financial default.

6 Conclusions

The study underscores that mitigating SME financial default in Kuwait necessitates practical, actionable strategies, including enhanced financial management, supply chain resilience, and alternative funding avenues. Increased government intervention, regulatory simplification, and financial literacy programs will collectively contribute to a more stable and sustainable SME ecosystem.

One of the major limitations of this study is that the research focuses on the reasons for financial default in Kuwait and does not provide a comprehensive analysis of potential solutions. Additionally, the study relies on self-reported data from participants, which may be subject to bias and limited in scope.

To address financial default in Kuwait, implementing effective financial management, budgeting and cost management strategies is recommended. Additionally, there is a need for improved supply chain management, forecasting and planning and financial literacy for SMEs (Al-Mutairi and Ali, 2022). Crowdfunding and angel investors can provide alternative sources of funding, while increasing collateral requirements and enhancing financial literacy amongst SME clientele can improve companies' access to financing. Finally, policymakers should ensure stability in government policies and support businesses and individuals during economic downturns.

The findings of this study indicate that financial default in Kuwait is a serious issue that can have significant economic and social consequences. The interviews conducted by the researcher highlighted some of the major reasons for financial default, including sudden changes in consumer buying patterns, supply chain disruptions, reduced demand for products and services and increased borrowing. Poor financial management, inadequate loan monitoring and economic instability also contribute to financial difficulties faced by businesses and individuals. Therefore, it is crucial to implement effective financial management, budgeting and cost management strategies, as well as to enhance financial literacy and provide support for businesses and individuals to maintain financial stability during uncertain times.

Crowdfunding and angel investors can provide alternative sources of funding for SMEs. Increasing collateral requirements and enhancing financial literacy amongst SME clientele can also help improve their access to financing. However, it is important to recognise that these solutions may not be appropriate for all businesses and individuals and that each case requires a tailored strategy. Overall, to address financial default in Kuwait, a holistic approach is necessary, which includes implementing effective financial management strategies, enhancing financial literacy, providing support for businesses and individuals, and promoting alternative sources of funding. By taking these steps, Kuwait can better navigate economic uncertainty and maintain financial stability, thereby promoting sustainable economic growth and development.

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