

# Sustainability and Emiratization in the UAE Private Banking Sector: Opportunities, Challenges, and Future Research Directions

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## Abstract

The private banking sector in the UAE is pivotal for driving economic development, generating employment, and enhancing the nation's financial stability and global competitiveness. Despite its significant role, there is a noticeable gap in understanding the sector's current opportunities, challenges, and sustainability aspects. This review paper employs a comprehensive analytical approach to bridge this gap by systematically examining the sector's dynamics, with a particular emphasis on Emiratization and its implications for long-term success. Our analysis highlights key opportunities for growth, including the expansion into technology sectors, the development of a skilled workforce through strategic partnerships between banks and educational institutions, and leveraging government incentives to boost Emiratization. Additionally, we explore the transformative potential of digital technologies within the sector. However, the sector also faces notable challenges such as skill mismatches, insufficient practical experience, high turnover rates, and educational gaps. The study reveals that the sustainability of Emiratization initiatives is heavily influenced by factors such as bank ownership structures, stakeholder engagement, and the effective integration of local talent. To address these issues and enhance the sector's future viability, further research should focus on identifying and understanding the stakeholder dynamics that impact Emiratization and the broader sectoral development. This will provide valuable insights for policymakers, financial institutions, and educational entities striving to align with the evolving needs of the UAE's private banking sector.

**Keywords:** Sustainability, Emiratization, Banking, UAE

## Introduction

The banking sector is considered a crucial industry that significantly contributes to the UAE economy. Recent statistics from the Central Bank of the UAE show that by the end of March 2024, total bank credit had risen to AED 2.04 trillion, deposits had grown to AED 2.657 trillion, and total assets had reached AED 4.25 trillion. Consequently, the UAE government is making

concerted efforts to enhance the sustainability of the private banking sector. The UAE is currently regarded as the most diversified economy in the Gulf Cooperation Council (GCC) (Shadab, 2023). Over the years, the UAE has managed to significantly reduce reliance on the hydrocarbons sector for Gross Domestic Product (GDP) growth and government income. The UAE initiated its economic diversification efforts in the late 1980s and early 1990s, focusing on building a resilient economy less dependent on oil revenues (Antwi-Boateng and Al Jaber, 2022; Crupi and Schilirò, 2023). This strategic shift was marked by the establishment of free zones, infrastructure projects, and comprehensive economic plans such as Vision 2021, which aimed to transition the UAE from resource-based economy towards a knowledge-based economy and innovation-driven growth (Turkama 2019; Redman, 2020; Sharafi, 2022; Crupi and Schilirò, 2023). These initiatives have led to significant growth in non-oil sectors like trade, tourism, real estate, financial services, and technology (Cherian, 2020; Antwi-Boateng and Al Jaber, 2022; Crupi and Schilirò, 2023). As a result, the non-oil GDP has shown remarkable growth, particularly evident from 2020 to 2023. Table 1.1 illustrates the real Gross Domestic Product (GDP) growth in the UAE over the period 2020-2023.

Table 1

*Real GDP Growth in the UAE (%)*

	2019	2020	2021	2022	2023*
Overall GDP	1.11	-5.0	4.4	7.9	3.1
Non-oil GDP	2.7	-5.4	6.5	7.2	5.9
Oil GDP	-2.6	-3.8	-1.1	9.5	-3.4

Source: Focus economics [online], accessed 20 May 2024

As shown in Table 1.1, the oil GDP, used to be the main contributor to UAE's economy, has shown significant volatility, with negative growth in 2020 and 2021, a strong recovery in 2022. This growth was not sustained, as the sector contracted again in 2023 with a growth rate of -3.4%, reflecting ongoing fluctuations in global oil markets. Despite the global economic downturn in 2020 due to the COVID-19 pandemic, the non-oil GDP rebounded strongly with growth rates of 6.5% in 2021 and 7.2% in 2022, continuing robust performance at 5.9% in 2023. The sustained growth in non-oil sectors highlights the success of the UAE's diversification strategy, contributing to a more stable and dynamic economic landscape driven by knowledge and innovation. The increasing importance of the non-oil sector is a testament to the UAE's forward-thinking economic policies and commitment to creating a diversified and resilient economy. The sector's growth has not only cushioned the impact of oil market volatility but has also positioned the UAE as a global business hub.

The growth in UAE's non-oil GDP has significantly impacted the labor market by creating numerous job opportunities across different industries (UAE Central Bank, 2023). The expansion of key industries such as trade, tourism, real estate, financial services, manufacturing, and technology has created a multitude of job opportunities across various sectors. This economic diversification has not only reduced the nation's reliance on oil but also promoted a more sustainable and resilient job market (El Anshasy and Khalid, 2023; Crupi and Schilirò, 2023). The increased activity in these sectors has driven demand for a skilled workforce, fostering workforce development and attracting talent both locally and internationally (Ewers et al., 2022; Sakka and Ghadi, 2023). Additionally, the robust performance of the banking sector has further supported employment by providing the

financial infrastructure necessary for businesses to expand and thrive, ultimately contributing to job creation and economic stability in the UAE (Kothari and Seetharaman, 2020).

Given the significant role of the banking sector in driving economic growth and employment in the UAE, conducting research on this sector is both timely and essential. The banking sector's critical contributions to economic stability, business facilitation, and investment attraction make it a cornerstone of the UAE's economic infrastructure.

### **Labor Market and Emiratization in the UAE**

The labor market in the United Arab Emirates (UAE) has undergone significant transformations over the past few decades, driven by rapid economic growth, diversification efforts, and demographic changes. As one of the most dynamic economies in the Middle East, the UAE has attracted a large expatriate workforce to support its development. However, the UAE government has also recognized the need to balance this reliance on foreign labor with policies aimed at increasing the participation of Emirati citizens in the workforce. One of the most prominent of these policies is Emiratization, which seeks to integrate more UAE citizens into various sectors of the economy (Elsayed, 2024). As of 2024, the UAE has a population of 12.5 million, with local Emiratis forming only 11.5% (1.44 million) of the population. Expatriates from over 200 countries, such as India, Pakistan, the Philippines and others accounting for 88.5% (11.06 million) of the UAE workforce (Global Media Insight, retrieved March 2024). This demographic structure poses unique challenges for the labor market, particularly in terms of ensuring sustainable employment opportunities for Emirati citizens. For Emirati citizens, the public sector has historically been the preferred employer due to its status, alignment with personal values, and the perception of high rewards, good pay, and job flexibility (Khasawneh and Abaker, 2022; Al Jawali et al., 2022; Elsayed, 2024). This strong attraction, combined with growing skills gaps related to private sector opportunities, has reinforced the preference among nationals for public sector employment. In 2018, it was reported that public sector employment of UAE nationals stands at 60% of the workforce, compared to just 0.34% in the private sector, with Emirati unemployment around 9.6%. (Al-Ali, 2018). However, with the UAE's economy expected to grow and diversify in the coming years, this heavy reliance on the government as the primary employer for nationals is not sustainable long-term (Elsayed, 2024; Braik, 2024). With over 40% of the Emirati population under the age of 30 (Global Media Insight, accessed 20 May 2024), it is crucial to ensure strong national representation across all strategic sectors to support the growth of various industries and maintain high employment levels.

Emiratization is a strategic initiative aimed at increasing the participation of UAE nationals in the workforce, particularly in the private sector. Launched in the late 1990s, the policy mandates quotas for the employment of Emiratis in certain sectors, especially those that are economically significant, such as banking, insurance, and telecommunications. This national agenda aims to drive the UAE's development over the next decade, targeting an increase in the country's GDP from AED 1.49 trillion to AED 3 trillion (Braik, 2024). The rationale behind Emiratization is to enhance the skills and employability of Emirati citizens, reduce unemployment among nationals, and ensure that they contribute to the nation's economic development (Kaabi et al., 2018). Therefore, the private sector plays a crucial role, with the integration of Emirati nationals being essential for attaining the desired growth and ensuring future sustainability. To support the Emiratization program, the Ministry of Labor was renamed the Ministry of Human Resources and Emiratization (MOHRE), with the Federal Authority for Government Human Resources (FAHR) serving as the main policy-making body

for government human resources (Agarwal et al., 2019). Emiratization policies encompass various functions, including job shadowing, talent management, training and coordination, and administrative studies. Federal Law No 8 was amended to establish a special department dedicated to finding adequate job opportunities for Emiratis. In 2005, Ministerial Orders 41, 42, and 43 imposed quotas on all private sector businesses with more than 100 employees to hire and retain Emirati citizens by a minimum percentage. Certain positions, such as data entry clerks and health and safety (H&S) managers in special sectors, are reserved for Emirati nationals (Agarwal et al., 2019).

The subject of Emiratization has remained central to the UAE Vision 2021. The UAE Government sees Emiratization as a means to improve citizen welfare and ensure the creation of a sustained knowledge economy. By unlocking the potential of local Emiratis, the government aims to build their capabilities, enhance their skills, and equip them with the right tools to face future challenges (WAM, 2018). The need for Emiratization is integral to the government's strategic leadership program for the long-term human resource development of the UAE (WAM, 2018; Agarwal et al., 2019). Despite these efforts, several challenges hinder the successful implementation of Emiratization in the UAE's labor market. These include the skills gap, cultural preferences for certain types of employment, and the competitive advantage of expatriates in terms of experience and expertise (Khassawneh and Abaker, 2022). Many Emiratis prefer public sector jobs due to better job security, higher salaries, and more favorable working conditions (Al Murshidia and Al Riyamib, 2020; Khassawneh and Abaker, 2022; Elsayed, 2024). Additionally, findings from the PwC Middle East - Emiratization Survey 2023 indicate that while interest in private-sector employment among the younger generation of Emiratis is increasing, many do not intend to stay long-term. As many as two-thirds of those currently working in private companies are considering a return to the public sector. (Braik, 2024). The preference has led to a concentration of Emirati citizens in government positions, while the private sector remains dominated by expatriates. This trend highlights the need for private sector employers to enhance Emirati talent retention through targeted investments. Without such efforts, recruitment programs may fail to deliver sustained economic development for the UAE or long-term business benefits, and employers may face government penalties for underrepresentation of Emiratis (PwC Middle East, 2023).

### **Banking Private Sector**

The UAE banking sector has an Emiratization ratio requirement of 40% (Agarwal et al., 2019). It is important that all banks, including privately owned or foreign banks, adhere to this directive in all branches and offices. Currently, a total of 27 foreign banks operates in the UAE, mainly in Dubai and Abu Dhabi, as presented in Table 1.1 (CB-UAE, 2020). According to the KPMG (2019) report on the UAE banking sector, it was asserted that the sector is still in a recovery mode since the 2008-9 real estate crisis, mainly in Dubai. The foreign banks have strong connections with the local governments and possess strong capitalization supported by consistent profitability. Nonetheless, the banks have revealed a poor asset quality with high non-performing loans and insufficient provisions. Moreover, the dependence on oil prices and strong linkage to global macro-economic conditions create an environment of volatility that requires attention mainly in the Emirates of Abu Dhabi

The private banking sector in the UAE has demonstrated significant strengths and faced notable challenges. Despite these, it is important to highlight that this sector remains generally profitable, even in a highly competitive environment. It has often been argued that the region is overbanked, yet substantial improvements were made in 2019, particularly in

terms of assets and profitability, with a notable reduction in the net impairment charge on loans and advances (KPMG, 2019). In a case study on the Emiratization strategy within the banking sector by Agarwal et al. (2019), evidence shows that most private banks are co-owned by UAE nationals or local governments, and that the Emiratization program has often exceeded its targets. The UAE government has actively taken steps to enhance the sustainability of the private banking sector. Sustainability, in this context, encompasses economic, social, and environmental dimensions. Effective engagement with key stakeholders, along with a strong organizational commitment to these programs, ensures that Emiratization initiatives remain relevant, effective, and sustainable over time in the banking sector (Sarker and Rahman, 2020; Zeffane and Kemp, 2020). The private banks in the UAE have made significant efforts to integrate the necessary talent pool to reflect the demographics of the local market. This focus remains central to the Emiratization program, and it is crucial that the present study empirically examines this scope to evaluate the overall success of the program within the UAE. Even though banking in the UAE plays a major role in economic development and has become globally recognized as a world financial center, little is known about the current opportunities, challenges, and factors that may improve their sustainability. Therefore, this review paper aims to identify these opportunities and challenges, as well as explore the factors necessary to enhance sustainability in the private banking sector.

### **Banking Private Sector Opportunities**

The UAE government's commitment to integrating Emirati nationals into the workforce, particularly in the private banking sector, presents several opportunities for advancing Emiratization sustainability. Initiatives such as the National Agenda for Emiratization and recent labor law amendments reflect this commitment, aiming to reduce unemployment rates among Emiratis and encourage their participation in the private sector (Al-Ali, 2018; Braik, 2024). These initiatives create a conducive environment for Emiratization, particularly in sectors like private banking, which are crucial to the national economy. Government incentives further enhance the prospects for Emiratization in private banking. Financial benefits, such as reduced business license fees, grants, and training subsidies, encourage banks to hire and retain Emiratis, making Emiratization a strategic priority (Forstenlechner & Rutledge, 2010). Additionally, initiatives like the Tawteen Partners Club reward companies that exceed their Emiratization targets, providing additional motivation for the private banking sector to integrate Emiratis into their workforce. The private banking sector also benefits from the unique insights Emiratis bring into local culture, consumer behavior, and regulatory environments, particularly in Islamic banking, where knowledge of Shariah principles is essential. This cultural understanding can be leveraged to develop products and services tailored to the UAE market, thereby enhancing the sector's competitiveness (Rees, Mamman, & Bin Braik, 2007). Moreover, the sector's ongoing digital transformation presents opportunities for Emiratization. As banks invest in digital platforms and fintech innovations, the demand for skilled professionals in data analytics, cybersecurity, and digital customer service grows. Young Emiratis, often digitally literate and eager to work in tech-driven environments, are well-positioned to fill these roles, aligning Emiratization initiatives with the sector's technological advancements (Williams, 2014).



Table 2

*UAE Banking Private Sector Opportunities*

<b>Opportunity</b>	<b>Description</b>	<b>Reference</b>
<b>Economic Diversification</b>	Shift towards non-oil sectors like technology and tourism boosts local job prospects.	Sarker & Rahman, 2020
<b>Enhanced Workforce Development</b>	Targeted training and development programs help bridge skills gaps.	Antwi-Boateng & Al Jaber, 2022
<b>Strengthening the Banking Sector</b>	Partnerships between banks and educational institutions prepare Emiratis for finance careers.	Al-Ali, Shee, & Foley, 2018
<b>Government Incentives and Support</b>	Reduced business fees and training subsidies encourage Emiratization policies.	Forstenlechner & Rutledge, 2010
<b>Cultural and Economic Alignment</b>	Aligning efforts with sector-specific needs, including Islamic banking, enhances integration.	Rees, Mamman, & Bin Braik, 2007
<b>Digital Transformation and Innovation</b>	Growth in tech and fintech sectors offers modern career paths for Emiratis.	Williams, 201

**Banking Private Sector Challenges**

Despite these opportunities, several challenges hinder the sustainability of Emiratization in the private banking sector. A significant challenge is the disparity in salary and benefits between the public and private sectors, leading many Emiratis to prefer public sector employment (Forstenlechner & Rutledge, 2010). This preference creates a substantial hurdle for private banks, which must offer competitive compensation packages to attract and retain Emirati talent. Additionally, there is a perception that the private banking sector does not offer long-term career growth opportunities for Emiratis. The relatively low representation of Emiratis in senior management positions within the sector exacerbates this perception, resulting in high turnover rates and difficulties in achieving long-term Emiratization goals (Rees, Mamman, & Bin Braik, 2007).

Cultural differences between Emiratis and the expatriate-dominated workforce in the private banking sector also pose challenges. The diversity within the sector can lead to cultural misunderstandings and a lack of cohesion, particularly for Emiratis who may feel isolated or undervalued in a predominantly expatriate environment (Al-Ali, Shee, & Foley, 2018). Furthermore, the competitive and fast-paced nature of the banking industry may not align with the traditional work values of some Emiratis, leading to job dissatisfaction and disengagement. The skills gap between the expectations of private banks and the competencies of Emirati graduates further complicates Emiratization efforts. Despite substantial investments in education and training, there remains a mismatch between the skills taught in educational institutions and those required by the private banking sector, particularly in technical areas such as finance, risk management, and IT (Williams, 2014). As a result, banks may rely on expatriate talent to fill these roles, undermining Emiratization

efforts. Finally, there is the challenge of ensuring that Emiratization is implemented meaningfully, rather than being a tokenistic exercise to meet government quotas. Some companies may hire Emiratis to comply with regulations without fully integrating them into the workforce or providing the necessary support and development opportunities, which undermines the long-term sustainability of Emiratization (Forstenlechner & Rutledge, 2010).

Table 3

*Banking Private Sector Challenges*

Challenge	Description	Reference
<b>Skill Mismatch</b>	Discrepancies between the skills of Emirati graduates and industry needs.	Forstenlechner & Rutledge, 2010
<b>Limited Experience</b>	Emiratis often lack practical experience compared to expatriate workers.	Antwi-Boateng & Al Jaber, 2022
<b>Cultural Preferences</b>	Expatriates are preferred due to their experience and lower cost compared to Emiratis.	Sarker & Rahman, 2020
<b>Retention Issues</b>	High turnover rates among Emiratis in private sector roles.	Al-Ali, Shee, & Foley, 2018
<b>Educational Gaps</b>	Educational systems sometimes fail to meet industry-specific requirements.	Rees, Mamman, & Bin Braik, 2007
<b>Economic Dependencies</b>	Heavy reliance on expatriates for certain sectors remains a barrier.	Williams, 2014

**Factors Influencing Emiratization Sustainability**

To enhance Emiratization sustainability in the private banking sector, it is essential to focus on key factors such as Stakeholder Communication (SC), Stakeholder Engagement (SE), Trust (TR), and Social Cooperation (SCP). These factors significantly influence Talent Management (TM), which, in turn, impacts Emiratization Sustainability (ES). Stakeholder Communication (SC): Effective communication between stakeholders, including government entities, private banks, and Emirati employees, is crucial for successful Emiratization. Clear and consistent communication ensures that all parties understand the goals, expectations, and benefits of Emiratization, helping to build trust among stakeholders and facilitating the implementation of Emiratization initiatives (Rees, Mamman, & Bin Braik, 2007). Stakeholder Engagement (SE): Engagement involves the active participation of all stakeholders in the Emiratization process. In the private banking sector, engagement can take the form of collaboration between banks and educational institutions to develop training programs tailored to the needs of Emirati employees, helping to bridge the skills gap and better prepare Emiratis for careers in private banking (Al-Ali, Shee, & Foley, 2018).

Trust (TR): Trust is fundamental to the success of Emiratization. Building trust between Emirati employees and their employers is essential for retention and long-term commitment. When Emiratis trust that their employers are genuinely invested in their development and career progression, they are more likely to stay with the company. This trust can be fostered through transparent communication, fair treatment, and the provision of opportunities for career advancement (Forstenlechner & Rutledge, 2010). Social Cooperation (SCP): Social

cooperation involves the collaboration of various social actors, including families, communities, and educational institutions, in supporting Emiratization. Given the influence of family and community expectations on career choices in the UAE, fostering social cooperation can help private banks promote the benefits of a career in banking and encourage more Emiratis to consider the private sector as a viable option. Social cooperation also contributes to creating a more inclusive workplace environment where Emiratis feel valued and supported (Williams, 2014). These factors collectively influence Talent Management (TM) by creating an environment conducive to attracting, developing, and retaining Emirati talent. Effective Talent Management, supported by strong stakeholder communication, engagement, trust, and social cooperation, is critical for the long-term sustainability of Emiratization. By focusing on these factors, private banks can enhance their ability to manage Emirati talent effectively, leading to improved Emiratization outcomes. This approach ensures that Emiratization is not merely about meeting quotas but about building a resilient and capable workforce that can drive the future growth of the UAE's private banking sector. By fostering a comprehensive Talent Management strategy, private banks can ensure that Emiratis are not only integrated into the workforce but are also empowered to contribute meaningfully to the sector's success (Rees, Mamman, & Bin Braik, 2007).

Table 4  
*Factors Influencing Emiratization Sustainability*

Author with Year	Factors	Description
(Olmo, Saiz, & Azofra, 2021)	Assets and profitability	Significant improvements were made in 2019, particularly in terms of assets and profitability, with a notable reduction in the net impairment charge on loans and advances.
(Kashi, Laallam, Mansour Nomran, Azmi Abumughli, & Al-Binali, 2024)	Ownership structure and Emiratization success	Most private banks are co-owned by UAE nationals or local governments, and the Emiratization program has often exceeded its targets.
Juntunen et al., (2019).	Stakeholder engagement and organizational commitment	Effective engagement with key stakeholders and a strong organizational commitment ensure that Emiratization initiatives remain relevant, effective, and sustainable over time in the banking sector.
Reddy et al., (2019)	Emiratization sustainability and talent integration	The private banks in the UAE have made significant efforts to integrate the necessary talent pool to reflect the demographics of the local market, which remains central to the Emiratization program.
(Staupoulou, Sardianou, Malindretos, Evangelinos, & Nikolaou, 2023)	Economic role and sustainability challenges	Although UAE banking plays a major role in economic development and is globally recognized as a financial center, little is known about the current opportunities, challenges, and factors that may improve their sustainability. This review paper aims to address these gaps.

### Research Framework

As illustrated in Figure 1, the proposed research framework incorporates several key constructs essential for understanding Emiratization in the private banking sector. First,



stakeholder communication plays a critical role. In this sector, it involves the systematic dissemination of information about Emiratization policies and initiatives to all relevant parties—employees, management, and regulatory bodies. Effective stakeholder communication is characterized by its clarity, accessibility, and transparency. It ensures that information is delivered in a timely manner, tailored to the specific needs of each stakeholder group, and encourages active engagement and participation. This approach helps ensure that all parties involved are well-informed, comprehend the communicated information easily, and are motivated to contribute to the Emiratization process (Kim and Park, 2017; Men and Yue, 2019; Ndlela and Ndlela, 2019). Second, stakeholder engagement is crucial for the successful implementation of Emiratization policies. This construct refers to the active involvement of all stakeholders, including Emirati employees, management, and government officials, in decision-making processes related to Emiratization. Effective engagement provides opportunities for feedback, clarifies roles and responsibilities, and fosters collaborative decision-making. This participatory approach aims to build a sense of ownership among stakeholders, enhance team collaboration, and maintain ongoing engagement, all of which are vital for the sustainability and success of Emiratization initiatives (Bourne, 2016; Sachs and Kujala, 2019; Prebanić and Vukomanović, 2023).

Third, trust among stakeholders is a fundamental element. In the private banking sector, trust refers to the confidence that stakeholders—including Emirati employees, management, and government bodies—will act with integrity, competence, and reliability concerning the Emiratization program. Trust is established when stakeholders feel mutually supported in achieving Emiratization objectives, observe alignment in goals, and experience transparent and inclusive processes. Additionally, effective conflict resolution and consistent, reliable communications further reinforce trust, ensuring collaborative efforts towards shared goals (Bundy et al., 2018; Getha-Taylor et al., 2019; Crane, 2020). Fourth, social cooperation is another vital component. Within the private banking sector, social cooperation involves collaborative efforts among stakeholders to advance the Emiratization program's goals. This cooperation is marked by effective conflict resolution, stakeholder compromise, and balanced power distribution in decision-making. Emphasizing inclusive participation ensures that diverse perspectives are considered, which supports the achievement of shared objectives and contributes to the long-term success of Emiratization initiatives (Bundy et al., 2018; Crane, 2020; Barrane et al., 2021).

Fifth, talent management serves as a mediator in this framework. Talent management in the private banking sector involves strategic efforts to attract, engage, develop, and retain Emirati employees. This includes fostering a supportive work environment, providing clear career advancement opportunities, and offering continuous training and development. By enhancing employee retention and engagement, and equipping Emirati employees with the necessary skills, talent management supports the broader goals of the Emiratization program (Johennesse and Chou, 2017; Pandita, 2018; Kurdi and Alshurideh, 2020).

Finally, Emiratization sustainability is the dependent variable in the framework. It refers to the long-term effectiveness of Emiratization programs in securing employment and job satisfaction for Emirati nationals. Achieving sustainability involves regular monitoring and evaluation, adaptability to economic changes and labor market needs, and continuous efforts to foster improvement and innovation. Engaging key stakeholders effectively and demonstrating a strong organizational commitment to supporting Emiratization initiatives ensures that these programs remain relevant, effective, and sustainable over time (Sarker and Rahman, 2020; Zeffane and Kemp, 2020; Al Murshidia and Al Riyamib, 2020).

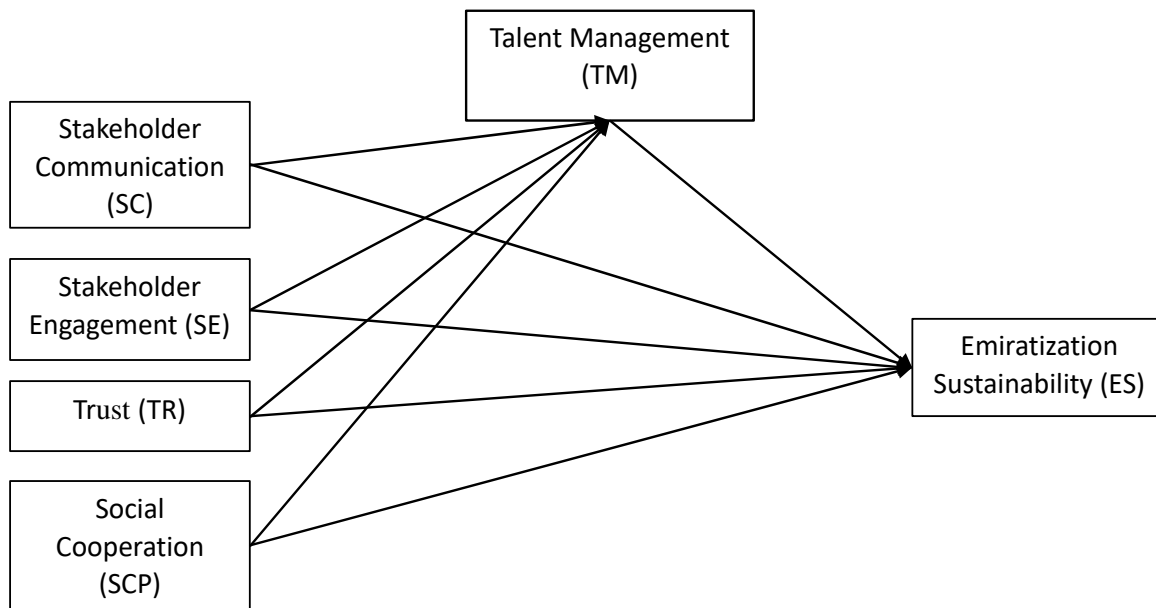


Figure 1: Suggested Conceptual Framework

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