



## **Insights on Sustainability of Small and Medium Enterprises in Oman: A Conceptual Framework**

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### **ABSTRACT**

This paper provides insights on the sustainability of small and medium enterprises (SMEs) in Oman and presents a conceptual framework for the government support to the SMEs. The paper adopted a sequential mixed method of interviews and structured questionnaire including 390 SMEs. Non-parametric techniques of Chi-square test and spearman rank correlation were used. The challenges facing SMEs in Oman include: The rules and regulations of doing business, the competition, and the lack of access to finance. The study also found that there is a positive correlation between government support and sustainability of SMEs in Oman. From the perspective of the government, supporting the SMEs is strategic to diversify the national economy and reduce the unemployment among the youths. This support includes marketing, financial, advisory, management, technical and infrastructural. However, many of the owners of the SMEs were not aware of these supports and raised issues regarding the procedures, laws, regulation and sufficiency of these supports.

**Keywords:** Small and Medium Enterprises, Sustainability, Government Support, Non-parametric Methods, Oman

**JEL Classifications:** E24, G38, L26

### **1. INTRODUCTION**

Small and medium enterprises (SMEs) play a major role in the world economy, contributing towards entrepreneurship, innovation, employment, economic growth and development, with more than 95% of enterprises across the world are SMEs (Ayyagari et al., 2011). Statistics indicate that SMEs have contributed over 55% of gross domestic product (GDP) in OECD countries and between 60% and 70% of GDP in middle and low income countries and generating 60% and 70% of employment (Oman Economic Review, 2015).

In Oman, the SMEs sector has attracted considerable attention from the Government reflected in Oman vision strategy 2020 and 2040. The strategy has laid the development of the SMEs sector in its priorities to diversify the national economy and reduce its heavy reliance on oil that is witnessing greater price volatility in the global market. The global report of entrepreneurship of

2018 has shown that Oman occupied the 33 rank internationally and the third among the Arab world in terms of entrepreneurship performance (Acs et al., 2018). Currently, the SMEs sector in Oman is employing 40% of the work force, contributing with 15-20% in the GDP (NCSI, 2018).

The government has launched many initiatives to promote the role of the SMEs in the economy. This includes: establishing of a specialized and independent authority for developing SMEs in May 2013, chaired by the Minister of Commerce and Industry, creating many financing schemes such as availability of soft loan through Al Rafud, and providing a lot of training and guidance to SMEs owners so sustain their businesses (Sanyal and Hisam, 2018).

Despite these incentives, the rate of failure of the SMEs in Oman is quite high (Ashrafi and Murtaza, 2008). The total number of SMEs registered with Riyada in 2018 stood at 5454, which is a drop of 36.7% compared to that in 2017 (NCSI, 2018).

Moreover, the Ministry of Commerce and Industry pointed out that the number of individual establishments and business companies that have canceled their registrations through the “Invest Easy” portal in 2018 has reached 80,682, about 98% of them (78,848) are SMEs (Times of Oman, 2018). This situation raises several questions regarding the challenges facing the SMEs sector in Oman and the effectiveness of the initiatives endorsed by the government to promote their growth and sustainability (Alharthi, 2013).

This paper aims to identify the challenges facing SMEs in Oman and examine the prospects of the government initiative in supporting and sustaining the SMEs growth. The remaining of the paper is structured as follows: Section 2 presents the literature review, section 3 provides the methodology, section 4 data analysis and finding, and section 5 concludes.

## 2. LITERATURE REVIEW

### 2.1. Theoretical Framework

There is no a universally accepted definition to SMEs due to economic, cultural and social differences among countries (Ayyagari et al., 2003). Definition and approaches to SMEs are based on the count of the employees, the value of assets as well as the value of sales. The European Union as well as a huge number of OECD - assisted transition and developing nations ascertain most of the SME employees are between 200 and 250, with a few exceptions like that of 500 in the United States of America and 300 in Japan (OECD, 2004). In Oman, the small entities are establishments that are having five to nine workers with annual sales between RO 25,000 and RO 250,000, while the medium - sized enterprises are employing between 10 and 99 workers, with an annual sale of RO 250,000 and RO 1.5 million (Khan, 2012).

It is widely perceived that SMEs are operating in unfavorable market environment compared with large scale enterprises (Hosseininia and Ramezani, 2016). In most cases, the SMEs are lacking access to information, finance, technology and not utilizing large-scale economies (Gumel, 2017). These reasons justify the argument of the market failure and the government support to SMEs to make them sustainable. Sustainability indicators for SMEs include, the annual sales, revenues, growth, and employment (Meher and Ajibie, 2018).

There are several theories addressing business sustainability particularly in the context of SMEs. Stakeholders theory is necessary for the growth of the business organization through which high amount of sustainability can be seen and appropriate strategies can be introduced (Gunasekaran, 2015). The theory stresses on the duties of firms towards the benefits of their stakeholder that can affect or be affected by the firm’s long-term sustainability. Thus, the stakeholders can be said to act as a support to the organization (Rainnie, 2016). The SMEs consider the needs of important stakeholders just like any other large firms.

Market failure is another argument taken to support SMEs and sustain their performance. Market failure occurs when the

overall activities of the market within an economy are unable to achieve the set goals. There are various challenges hindering SMEs’ to achieve sustainability goals. Commonly known difficulties are market competition, limited financial resources and limited managerial capabilities. The SMEs face further challenges too such as, government administrative bureaucracy, lack of knowledge and business culture (Crouzet, 2017). Another cause of occurring market failure lies in the activities that are inappropriate for a market which in turn lead to ineffective market fluctuations (Bhat, 2015). The Lack of resources and poor technological balance also creates tough survival situations for the SMEs in a competitive market which cultivate inappropriate working environment. The government offers certain help through which the infrastructure of the SME industry can be improved, and appropriate growth and development can be sustained. In this respect, Williams and Schaefer (2013) further mentioned that the sustainability of the growth of SMEs need to be accomplished by experiencing continuous business growth over a certain time period.

### 2.2. Challenges and Barriers Faced by the SMEs

According to Yahya et al. (2016) there are many challenges facing SMEs including the maximization of competition, lack of marketing activities along with the limited access to the financial resources. The geographical isolation of some of the SMEs location adds on another disadvantage in the long list of barriers faced by these SMEs in terms of getting smooth access to both the raw materials and final product market.

In terms of pursuing innovation and advancements, SMEs are far behind from the globalized market. These companies also face difficulties in raising money from the bank or capital market due to lack of accessibility to the financial market. The lack of knowledge about the potential assets like infrastructure, brand image, product display, management system and all the information that affects the performance of suppliers and demanders are common barriers faced by the SMEs these days. Financial resources which are the most basic pillar in a growing business are not sufficient in these SMEs because of their small circle of business connections. For example, financial institutions both public and private and individual investors as well generally check the resource availability and the position earned in the marketplace by a firm while making investment decisions. Limited resources shrink the opportunities of getting potential investments in the SMEs.

Eniola and Entebang (2015) explained that SMEs in Oman are primarily considered as one of the most important parts of the country and helps to manage the level of the economy. Further, variations in technology in Oman and preference of online marketing among people insert one of the most common challenges in the era of technical advancements. The lack of presence of an independent e-marketing website of each of these companies restricts them to stay on the line with the global competition. This issue of advanced technology implementations directs into another issue of the limited technical skills among the human resources that might generate due to poor management of these companies.

### 2.2.1. Competition

Venkataramany et al. (2016) demonstrated that it is important for SMEs to remain competitive in the marketplace by using cost effective approach while gathering inputs of production and gain operational efficiency along with improvement in productivity. However, it is not easy to manage multiple sides of competition related to the operational challenges and cost of operations. There is an increase in competition as well as globalization with the requirement to produce good quality of products at reasonable prices. The competitive environment for SMEs is considered as a major challenge in Oman and is highly required for SMEs in Oman in order to move towards the economy based on knowledge (Bilal and Al Mqbali, 2015). The competitive environment can be handled through the appropriate development of strategies and helps to succeed in business.

### 2.2.2. Lack of marketing

According to Alaamri and Christina (2014). The owners of the SMEs in Oman expressed that the proper access to marketing is a key constraint for the SMEs in the unorganized sector. The SMEs produces a huge part of the industrial output to the economy of the country yet remain fragmented with a shift in demand activities. In addition to this, the major issue is all about understanding the actual concept of advertising and develops a customer base for the local people. In connection with that, Hill (2018) states that there are many SMEs in Oman, which lack in marketing and need to consider certain factors to make improvement in marketing activities. It is essential to produce marketing campaigns by the team of marketing at SMEs in Oman, as they must deal with a wide range of changes in the environment of business.

### 2.2.3. Access to finance

Lack of finance is a key constraint for SMEs (Karadag, 2015). The SMEs sometimes do not have proper funds from the government and approvals for some projects, if on evaluation they are not considered to be not good on return on investment. The access to finance for SMEs is limited as compared to the large firms. The appropriate access to finance is vital for the development and survival of SMEs. It is also identified that the policymakers try to pursue the financial sector in order to extend huge credit to the small businesses. The access to capital market is also limited for SMEs in Oman and there are certain issues in direct market access and liquidity problems. In addition to this, it is required for SMEs to make changes in the level of perception and estimate the impact of limited finance on the growth of business and economy.

### 2.2.4. Rules and regulation

Becherer and Helms (2016) indicated that different rules and regulations of the business process hold back the SMEs to explore the market and expand the business. It is essential for SMEs to consider various regulations before starting any business across the country. The challenges of rules and regulation in SMEs need to be considered as a major part for the growth of the business as it influences the daily activities of a business. The rules and regulations of the government might not be favorable for the survival of SMEs as the case in Oman due to high rates of tax, the procedure of registering a business as well as licensing.

### 2.2.5. Knowledge and business culture

According to Wang et al. (2014) the knowledge and right culture is becoming the most important part to the owners of small businesses. It is essential to clear the purpose of business and it helps to manage the flow of values in business. However, many employees in SMEs do not have sufficient knowledge and skills about the different activities of a business. Lack of business culture was considered as one of the challenges countered SMEs in Oman (Kumar and Al Maqbali, 2015). It is essential to increase knowledge and enhance business culture among employees to promote the performance of SMEs in Oman.

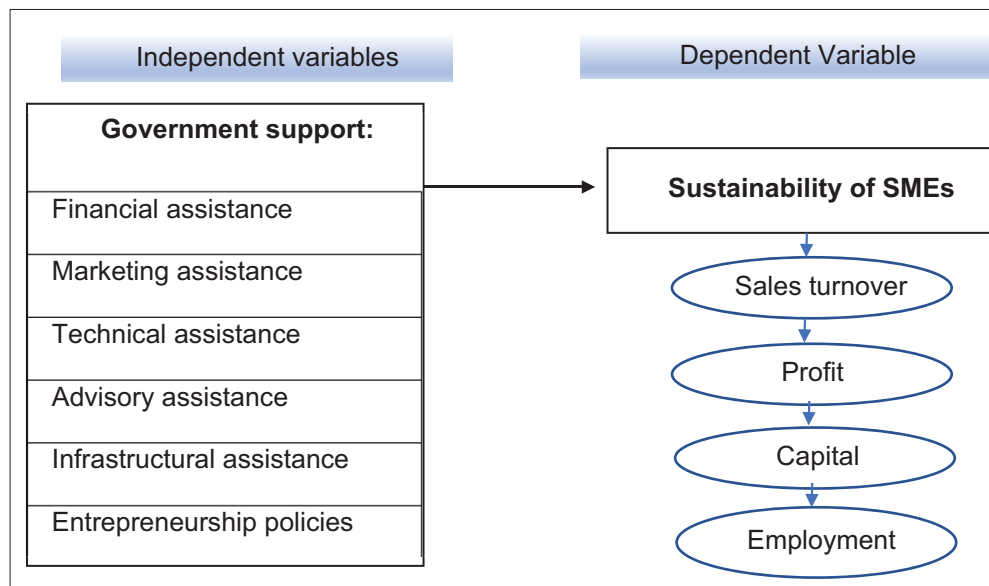
### 2.2.6. Technology changes

The term technology change itself refers to keeping pace with the current market economic conditions and incurs additional costs in an organization. But this change also could prove as curse for the small and medium sized business due to its impact on the productivity and efficiency of employees with changes in the environment of business. The main challenge faced by most of the SMEs nowadays involves the rapid change in technology. Further, SMEs in Oman need effective system of information in order to deliver services among the different users and customers. However, using technology in SMEs is one of the most important factors for the expansion in productivity and services offered by the businesses in marketplace (Al Buraiki and Khan, 2018).

## 2.3. A Conceptual Framework for the Role of Government in Supporting SMEs

The Omani government plays a crucial role in supporting SMEs by providing incentives and suitable infrastructure to entrepreneurial business which influences the development of the entrepreneurship as well as the overall development of an organization. The government introduced various policies and by implementing these policies effective growth can be achieved in an organization and by making this growth visible SMEs could build a proper brand image in the market. The manufacturing support agencies and programs implemented by several governments achieved unambiguous and significant economic impact in enhancing sales, employment and growth of their SME manufacturers. Government has also introduced various programs through which enough training could be provided. Government has imposed various public policies like legal registration under a reliable legal authority which in turn enabling the SMEs to sustain in the long run of the business.

Figure 1 provides a conceptual framework for the role of government in sustainability of SMEs in Oman. It was based on the literature review, and the current development in SMEs sector in Oman. The conceptual framework is developed based on the relationship between both the dependent as well as the independent variables. Sustainability of SMEs is the response (dependent) variable measured by sales turnover, profit, capital, and employment. Among the independent variables; the government support which includes the financial assistance, marketing assistance, technical assistance, advisory assistance, infrastructural assistance along with the entrepreneurship policies.

**Figure 1:** A conceptual frame for supporting small and medium enterprises in Oman

### 2.3.1. Financial assistance

Financial needs and modes of financing of SME business keep changing and accordingly effective policies and modes have been developed over the years. Previously, the major sources of funds for providing financial supports at industrial levels came from personal savings and contribution from peer network of the business owners and managers. As the view of doing business got changed, each perspective associated with business including financial support has also changed (Sharma, 2015). There are many e-finance facilities available nowadays through which enough funds can be collected which in turn will ensure the smooth functioning of a business. In Oman Initiatives such as the Al Raffd Fund, funding through Oman Development Bank as well as other financial institutions are a great help for SMEs in Oman. In addition, five per cent minimum lending target imposed on Banks by the Central Bank of Oman. The Fund for Development of Youth Projects, known as “Sharakah,” established by a Royal Decree in 1998 shows the on-going commitment and support of the government to entrepreneurs (Al Buraiki and Khan, 2018).

### 2.3.2. Market assistance

Various awareness programs have been introduced through which has been helping to generate appropriate strategies so that these companies could have a grip on the market. Making use of market conditions in a right way can be influential to attain short term growth and plan for strategies to maintain sustainability. Proper utilization of market opportunities is very necessary to earn maximum benefits from that market (Storey, 2016). In Oman, the government through the public authority for SME development along with other relevant authorities are developing and managing various programs to encourage SMEs to grow and compete in local and global markets (MOCI, 2015).

### 2.3.3. Technical assistance

The technical assistance can be varied and aimed at improving the efficiency of the processes of the SMEs. Technical assistance provides support for the promotion of the SMEs in reducing

the administrative complexities and approximation of the entrepreneurial environment.

The support mechanism is generated to provide appropriate platform for the expertise which can be used for adaption and design of suitable technologies and skills that are required for transfer of technologies and acquisition of technology (Aguilar, 2016).

### 2.3.4. Advisory assistance

The counseling and advisory roles of government have helped the working of the organization in the most appropriate way. Government has developed more favorable business climate for the improvement of the growth of SMEs (Roy, 2017). It has been observed that, proper advisory assistance promotes the performances of entrepreneurs and employees in terms of carrying out their respective duties and responsibilities. Government’s advisory assistance is the best possible option to help the SMEs in framing strategies so the negative impact can be reduced, and suitable working environment can be introduced (Eniola and Entebang, 2015). All the advices are provided to the SME and entrepreneurs so that they are able to carry the business activities effectively. Building the SME is not important but carrying it forward by developing suitable network and supervising activity performances to ensure manufacturing productive outcome.

### 2.3.5. Management assistance

Management of any business organization is important and during economic turbulences it is even more necessary. It assists in creating cohesiveness with the help of proper strategy, goal setting and planning. Management assistance in almost every business organization is significant not only because it helps in accomplishing targeted goals but also it increases efficiency within employees and other staffs, thereby creating a dynamic organization (Hilson, 2016). The business should be carried through proper managerial activities so that effective working can be done and chances of loss can be reduced. Considering that managerial control is essential for efficient management,

the government measures the actual performance and guides to accomplish the predetermined objectives. The extensions of the policies to entrepreneurial activities had been a shift from the federal position of intervention to much practical approach (Perroux, 2017).

### 2.3.6. Infrastructural assistance

The infrastructural assistance can be in the form of provisions of factory space, industrial land, facility improvement and social and institutional infrastructural. For instance, government support provides business contributions and tax reductions, enhancing and expanding entrepreneurship all over the nation. According to Abboud (2018), the infrastructural assistance is required to establish any SME. In other words, certain services and supplies are required to sustain an organization in day to day life in this competitive world. Lack of proper infrastructural assistance will disturb the working of the organization. In Oman the government invested heavily in the country's infrastructure (i.e., transportation, electricity, communication, etc.) to promote the economic and provide the readiness environment for new economic traders (SMEs) (MOCI, 2015).

Based on the conceptual framework, the study postulates the following hypothesis to be validated:

H<sub>1</sub>: The government play a significant role in offering support to the SMEs in developing as sustainable business in Oman. The support includes *market assistance, financial assistance, advisory assistance, management assistance, technical assistance, infrastructural assistance, and government policies which will contribute positively in sustainability of the SMEs in Oman.*

## 3. METHODOLOGY

The epistemology paradigm is very relevant to this study as it helps to develop a comprehensive understanding of the practical scenario that is related to the economic sustainability of SMEs in Oman. Within the epistemology research paradigm, a positivist research philosophy has been selected to fill in the gap in literature related to understanding the prospective of the business owners, entrepreneurs and/or top management of these SMEs in Oman. In this study the existing literature is being tested in the real environment to meet the research objectives and thus deductive approach was found to be appropriate for the study. It also assisted in meeting the gaps in literature and testing the practical viability of the existing theories. The research method that has primarily shaped the overall research is a sequential mixed design. It was adopted by means of interview surveys followed by a questionnaire. A qualitative research has proceeded the survey with interviews conducted to 15 of whom 10 are SMEs owners and 5 government officers and policy makers in Oman especially those related to SME sectors. Then, a survey has been conducted using structured questionnaire, administered online through survey monkey. The validity and reliability of the questionnaire has been tested using Cronbach Alpha and showed reliability of 85.1%.

The data of the survey has been collected from 390 respondents. The stratified random sampling was used to give a representation

to the SMEs by size, location and gender and comprises of business owners and managers of these SMEs in Oman. The data has been analyzed using non-parametric methods of Chi-square test and spearman rank correlation to validate the study hypotheses about the relationship of the government support and sustainability of SMEs in Oman.

## 4. FINDINGS

### 4.1. Descriptive Analysis

Table 1 provides the characteristics of the owners of the SMEs in Oman in the sample in terms of gender, marital status, age, level of education, and years of the experience in the business.

Table 1 shows most of the owners of the SMEs in Oman are predominately male, amounting to 72.6%, while females is constituting only 27.4%. This disparity may be due to cultural factors and traditions that restrict women in Oman to venture into business. Majority of the owners of the SMEs in Oman are married (72.3%), and about 25% are singles. Regarding age, 43.3% are in the age (31-40 years) and 32.2% in the age (21-30). The education level of the owners of the SMEs in Oman is very low, with more than 55% are having just secondary school education, while only 15.7% are having bachelor education and above. In terms of experience, the data shows that 35.13% of the owners are having no experience in their current business while 18.97% are having little experience of (1-2) years. While only 25% their experience exceed 6 years.

Table 2 indicates that 50.8% of the SMEs sector is operating in commercial business, 18.97% in manufacturing, 17.95% in

**Table 1: Characteristics of the respondents in the sample (n=390)**

Characteristics	n	%
Gender		
Male	283	72.6
Female	107	27.4
Marital status		
Single	97	24.9
Married	282	72.2
Divorced/Widow	11	2.9
Age		
<31	127	32.6
31-40	169	43.3
41-50	90	23.1
51+	4	1.0
Education		
Illiterate	8	2.1
Primary	125	32.1
Secondary school	79	20.3
Technical diploma	125	32.1
Bachelor	50	12.8
Master+	11	2.9
Experience		
None	137	35.13
1-2 years	74	18.97
2-4 years	47	12.05
4-6 years	33	8.46
More than 6	99	25.38

Source: Field survey, 2019

services. Although Oman's vision 2020 and 2040 have emphasized the tourism sector to diversify the national economy, only 8.9% of the SMEs are operating in that sector.

Regarding the current level of the entrepreneur's business, Table 3 shows that most of the SMEs businesses were either in start-up level (21.8%) or survival (32.8%), with only 24.1% are expanding, and 5.6% are at maturity level. Those SMEs that are at exit level or unsure about their status are constituting 4.6% and 11% respectively. Moreover, Table 2 indicates that 68.2% of the SMEs in Oman are losing business. The reasons for that are legislation and complexity related issues (25.4%), followed by marketing related issues (17.2%), and financial related issues (16.7%).

Table 3 shows the sustainability indicators of SMEs in Oman as indicated by the owners of the SMEs, during the last 4 years.

**Table 2: Structure and growth of SMEs in Oman**

Characteristics	n	%
Sector of the business		
Commercial business	198	50.77
Manufacturing	773	18.97
Services	70	17.95
Tourism	34	8.91
Others	15	4.10
Level of the entrepreneur's business		
Start-up	85	21.8
Survival	128	32.8
Expand	94	24.1
Maturity	22	5.6
Exit	18	4.6
Unsure	43	11.0
Reasons of losing businesses		
Financial related issues	65	16.7
Production related issues	7	1.8
Personnel related issues	8	2.1
Marketing related issues	67	17.2
Legislation and complexity related issues	99	25.4
Others	20	5.1
Not applicable	124	31.8

Source: Field survey, 2019

**Table 3: Sustainability indicators of SMEs in Oman**

Parameters	Declined	No. growth	<10%	10-25%	>25%	Chi-square	P-value
Sales/turnover	6.7	19.0	25.1	31.8	17.4	68.41	0.000
Profit	9.5	20.0	31.0	23.8	15.6	51.85	0.000
Capital	8.5	32.6	24.4	18.5	16.2	63.80	0.000
Employment (no)	0	7.4	14.6	33.3	44.6	135.81	0.000
Over all	6.2	19.7	23.8	26.8	23.4	51.79	0.000

Source: Field survey, 2019

**Table 4: Impact of challenges of SMEs in Oman**

Challenges	Level of impact					Chi-square	P-value
	None	Low	Medium	Big	Very big		
Competition	3.8	4.6	18.5	24.4	48.7	262.03	0.000
Technology changes	7.9	8.2	23.3	32.8	27.7	101.2	0.000
Lack of financial access	6.4	4.6	16.4	30.5	42.1	201.1	0.000
Lack of skilled workforce	8.7	6.4	15.9	32.1	36.9	148.3	0.000
Rules and regulations	2.8	5.6	12.8	27.7	51.0	307.1	0.000
Customer interaction and association	5.6	6.9	28.2	31.8	27.4	125.6	0.000
Dealing with the suppliers	8.2	11.8	26.9	34.4	18.7	90.1	0.000

Source: Field survey, 2019. SMEs: Small and medium enterprises

The parameters used to gauge the growth in these indicators are namely sales/turnover, profitability, capital and employment. The Chi-square test indicates that there is a clear pattern in the performance of these parameters. For sales/turnover about 32% of the SMEs revealed a growth between 10% and 25%, for profit 31% of SMEs revealed a growth <10%, for capital, 41.1% of the SMEs showed nil or negative growth, while for employment 45% of SMEs indicated a growth exceeding 25%. Hence, the overall performance of the SMEs in the last 4 years can be described as showing slow or moderate growth.

Table 4 shows the challenges of the SMEs in Oman. All the challenges are perceived by the owner of the SMEs to have a significant impact on the performance of their SMEs, as shown by the Chi-square test and the P-value that is <5% for all the challenges. For example, 73.1% of the owners of the SMEs admitted that competition has a big and very big impact on their SMEs performance. The same is amounting to 60.5% for technology changes, 72.6% for lack of financial access, 69.0% for lack of skilled workforce, 78.7% for rules and regulation, 69.2% for customer interaction and association, and 53.1% for dealing with the suppliers.

Figure 2 illustrates the challenges that hinder business sustainability of SMEs in Oman. Entrepreneurs indicated that that constraints associated with the rules and regulations has a big impact on SMEs sustainability with an average of 4.18 points. The World Bank report on doing business 2019 indicated that Oman has occupied the rank 78 globally in ease of doing a business. In terms of getting credit, Oman ranked 134 globally, and ranked 125 in protecting minority investors, 100 in resolving insolvency, 73 in enforcing contracts, and 37 in starting a business (World Bank Group, 2019).

The second challenging factor of SMEs in Oman as shown by Figure 2 is the competition with an average of 4.09 points followed by the lack of financial access (3.97) and lack of skilled workforce (3.82). Technology changes and dealing with the

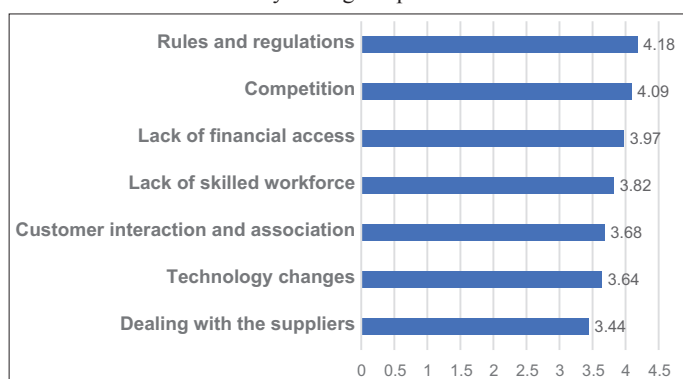
supplies and customers are ranked least as challenges for SMEs in Oman.

### 4.2. Government Assistance and SME Sustainability in Oman

Table 5 shows that most of the ratings of the impact of the government assistances to the SMEs in Oman are clustered around “not at all” and “moderate helpful.” For example, market assistance has got the highest average of 2.97 points followed by infrastructure 2.88 points and the least is that for technical assistance of 2.57 points. Except for technical assistance, impact can be considered as moderate, while for technical assistance, it can be considered as of little help.

Table 6 shows that government support represented by market assistance, financial assistance, advisory assistance, management assistance, technical assistance and infrastructure are positively

**Figure 2:** Challenges of small and medium enterprises in Oman ranked by average impact



correlated with two of the indicators of SMEs sustainability, namely profit and employment. For sales/turnover and capital, government support indicated no correlation. However, all the indicators have shown a positive correlation with infrastructure. If the four indicators are combined (the combined model), government supports will have a positive correlation with the sustainability. The highest correlation was associated with infrastructure (0.241), followed by technical assistance (0.164), and market assistance (0.148) and the least correlation was associated with advisory assistance (0.124).

From Table 7, it is evident that a few of the hypotheses proposed in the study were rejected but some were supported. For profit and employment, all government supports have shown a significant correlation with SMEs sustainability. Only for infrastructure support, the four indicators for sustainability have indicated a positive significant correlation. If the four indicators combined in one construct (i.e., combined), then all the government supports have shown a positive correlation with that construct. The construct has been developed as an average of the weights of all the four indicators: sales/turnover, capital, profit, and employment.

### 4.3. Qualitative Analysis

#### 4.3.1. Entrepreneurship policies

Regarding the importance of entrepreneurship policies in setting up the business. Few of the SMEs owners argued that the implementation of proper workplace safety policies is very vital. Through it, the risk aspects can be reduced. Moreover, the disciplinary policies have been emphasized by the interviewees so that the history of problems and its sources can be identified easily. In this respect, one of the respondents firmly stated that “*apart from setting up a business and focusing on its sustaining, it*

**Table 5:** Impact of government assistance to SMEs sustainability in Oman

Type of assistance	Level of impact					Mean	Rank
	Not at all	Little	Moderate	Helpful	Very helpful		
Market assistance	27.4	8.5	25.9	16.2	22.1	2.97	1
Financial assistance	37.7	5.6	25.4	9.7	21.5	2.72	4
Advisory assistance	30.5	11.5	25.1	16.7	16.2	2.76	3
Management assistance	31.8	11.0	29.5	12.6	15.1	2.68	5
Technical assistance	33.1	12.6	29.0	14.6	10.8	2.57	6
Infrastructural assistance	26.7	11.0	24.4	23.6	14.4	2.88	2

Source: Field survey, 2019. SME: Small and medium enterprise

**Table 6:** Correlation between government support and sustainability of SMEs in Oman

Factors	Correlation	Sustainability indicators				
		Sales turnover	Profit	Capital	Employment	Combined
Market	Correlation	0.080	0.185**	0.0059	0.104*	0.148**
	P-value	0.113	0.000	0.247	0.041	0.003
Finance	Correlation	0.067	0.182**	0.032	0.100*	0.132**
	P-value	0.189	0.000	0.524	0.049	0.009
Advisory	Correlation	0.045	0.202**	-0.012	0.116*	0.124*
	P-value	0.376	0.000	0.819	0.021	0.015
Management	Correlation	0.067	0.205**	-0.032	0.126*	0.129*
	P-value	0.184	0.000	0.529	0.012	0.011
Technical	Correlation	0.096	0.251**	-0.034	0.156**	0.164**
	P-value	0.057	0.000	0.507	0.002	0.001
Infrastructure	Correlation	0.183**	0.219**	0.130*	0.170**	0.241**
	P-value	0.000	0.000	0.010	0.001	0.000

Source: Field survey, 2019. \*\*Correlation is significant at the 0.01 level (2-tailed). \*Correlation is significant at the 0.05 level (2-tailed). SME: Small and medium enterprise

**Table 7: Recapitulation of the results of the correlation analysis**

Factors	Correlation	Sustainability indicators				
		Sales turnover	Profit	Capital	Employment	Combined
Market	Correlation	X	✓	X	✓	✓
Finance	Correlation	X	✓	X	✓	✓
Advisory	Correlation	X	✓	X	✓	✓
Management	Correlation	X	✓	X	✓	✓
Technical	Correlation	X	✓	X	✓	✓
Infrastructure	Correlation	✓	✓	✓	✓	✓

Source: Field survey, 2019

is also important for every business to act as socially responsible.” Equally, the payment policies and the human resource need to be focused on to manage sustainability of SMEs in this competitive environment.

#### 4.3.2. Financial, market, technical, advisory and infrastructural assistance

##### 4.3.2.1. From owner’s perspective

There were mixed responses recorded from the owners, few of the respondents did not get any help from the governments or the banks; others claimed they got but the financial supports were not adequate. In line with Saif, a well reputed business person, claimed that:

*“I have not benefited from government financial support. But I have attended some events held by the General Authority for Small and Medium Enterprises such as exhibitions and workshops in order to benefit and learn what is new and to meet with other entrepreneurs and exchange ideas.”*

However, contradicting this view, Sumaya, another business entrepreneur strongly asserted that:

*“In addition to the financial support I received in 2013 (a loan from the Raffd Fund), I benefited from the marketing exhibitions carried out by the Public Authority for Small and Medium Enterprises. However, I applied for land from Ministry of Housing to expand my project. My application rejected because my business is not priority to the government.”*

Few attained the conferences, seminars, workshops conducted by the government. They got technical and advisory support from the government, in terms of building networks and contacts that helped in sharing new business reflected in growing their business. The owners were not even aware about the support of the stakeholders, particularly the government and the banks, and the procedures to follow. Some respondents faced many problems because of lack of funds, they must pay the rents of the establishments, and other expenses from their own savings. They did not get any help to start the business. But on the other hand, few of the respondents got financial help to some extent, but the help was not enough. All the respondents expressed their willingness to seek help from the government, and also said that they would appreciate the help from the government.

##### 4.3.2.2. From government officer’s perspective

From the interviews, it can be derived that the Oman government has helped the small and medium scale enterprises to flourish, making policies which are favourable for the small industries

to grow. Particularly, the ministry of Commerce and Industry is taking care of these policies, as enterprises fall under it. Oman government realizes that SMEs contribute positively to the country’s GDP and hence need to be supported through special funds, support in material and logistics management advisory and training assistance. The public Authority for the SMEs Development is also helping the Omani people to start small establishments. Proper planning and cooperation have been done to encourage the youths to set up a business. Explaining the words of an Officer from the Ministry of Commerce:

*“Initiatives were provided for the development of SME through various means, such as granting land to owners of SME, granting of direct and indirect loans and financial assistance. Some of the facilities and incentives were established after studying the issues faced by SME. Reference can be made to the amendment in Omani laws enacted such as giving priority for granting government tenders to Omani institutions and to give them preference by 10% if there is a foreign product competition undergo.”*

Even the Oman government is introducing Fund like Alraffid Program, Livelihood Fund and Rural Women’s Program to help different types of SMEs to develop. This type of financial funds will attract the young people towards the SMEs. Even these types of financial helps are helping the rural women to start their own small businesses. Al-Raffd fund is very flexible to the entrepreneurs for starting the enterprise. Initially there were four programs, resource, establishment, leadership, and promotion, to target the job seekers, rural women, craftsmen and professionals, so on so forth. Supporting the fact, it was also argued by another respondent that *“these financial assistance programs are supervised very strongly and the participants who applied for the financial help have to submit proper documents of their projects, and all the support for the process ids given by the financial programs.”* The participants of these financial programs have been evaluated in the basics like their financial history, management skills, business intelligence, and so on. Their projects are analysed, and feasibility of the project is also appraised, then cash flow is controlled by the authorities. After selection of the project the payment is made in instalments for 4-6 parts. After 1<sup>st</sup> payment is made working of the project is checked, and the 2<sup>nd</sup> payment is made, a proper follow-up is done. As per the respondents, these financial helping programs try to motivate the entrepreneurship environment in the country.

Hence, the government by funding the SMEs, the national economic goals can be achieved: the economy can be diversified,



and unemployment among youth can be resolved. The government is trying to understand the need of the entrepreneurs to help them survive in the competition. Even the government and Al-Raffid fund participants have the chance to participate in many exhibitions like Salalah exhibition, and different festivals like Muscat festival which help the businesses to build network and grow. At the same time, *“the SMEs are supported with lower interest rates, and different type of government collaboration to give technical assistance”* like Ibhar program, Taashbeek programs, so that they can maintain their sustainability in to the business. The entrepreneurs are even helped with lower taxation rates; they are provided with the free security holdings. Al-Rafid funding system has different schemes for the manufacturing sectors, this programs even can fund up to 200,000 Omani riyals. All the Omani government bodies including the Ministry of Commerce and Industry and the Public Authority for the SMEs Development have helped to grow and enhance the small and medium scale enterprises to strengthen the economy and increase the GDP of the country.

#### 4.3.3. Government approaches toward the SMEs future plans

Oman government has emphasized it is 5-year plan to develop the SMEs, this plan was made by the Public Authority for the Development of SME, and any initiative presented by the entrepreneurs were given most support. The government was trying to attract the young people into the SME, but it was facing problems due to centralized process, so they had to decentralize the planning, development and economic activities. This decentralization was an important strategy taken by the Omani government lately. The Omani government had formed a number of committees and set annual plans for particular geographic location, like Muscat government had different annual plans to fasten the funding process like the government was focusing on Dhofar for small and medium scale enterprise projects. The government has even specified their types of business for funding like industrial, and tourisms sectors. Moreover, the government is mainly focusing on the rural segment and the household businesses as they have huge share in the Al-Raffid funds, businesses like perfumes, incense, and handicrafts have been highly supported to develop the rural areas as well. According to one of the respondents, *“the Omani government will give full support to the development of SME sector, follow up will be done on regular basis, and will try to overcome any obstacles.”*

## 5. DISCUSSION

The most striking finding in this respect is if the government of Oman provide support to the SMEs, then the entrepreneurs get motivated and feel free to sustain in such competitive environment. The finding suggests that the government of Oman are eager to reform policies organizing and supervising entrepreneurship development in the Sultanate. More particularly, the Ministry of Commerce and Industry intends to take the lead as entrepreneurship development falls under its umbrella. Through various assistances, the government has emphasized the importance of the role played by SMEs in the national economy and reducing unemployment among the youths. In contradiction to the view of Marvel et al. (2014), it has been found that the

support from the government can be considered as the basis for the development of good characterization and good morals within the entrepreneurs. Supporting this fact, it has been observed by Bhandari and Yasunobu (2009) business ethics are very much significant in this context. The availability of government supports encourages entrepreneurial businesses in Oman significantly: providing good infrastructure, availability of finance access, reforming regulation and laws, providing incentives such as tax reductions, providing marketing, advisory and management assistances will ensure sustainability of SMEs in Oman and their contribution to the national economy.

## 6. CONCLUSION

This study examined the nexus between and the role of government support and sustainability of the SMEs in Oman. The study found that there is a positive link, and the challenges most facing SMEs in Oman include the rules and regulations of doing business, the competition, and the lack of access to finance. From the perspective of the government, supporting the SMEs is strategic in order to diversify the national economy and reduce the unemployment among the youths. Government support included marketing, financial, advisory, management, technical and infrastructural assistances. However, many of the owners of the SMEs were not aware of these supports and raised issues regarding the procedures, laws, regulation and sufficiency of these types of supports to sustain their businesses.

For facilitating sustainability objectives of SMEs in Oman, there is a need for a comprehensive strategy framework to manage the government support and make them tangibles to the owners of the SMEs. The framework should provide a diversified business environment that takes into consideration the conditions and the situation of the SMEs and strengths the link between SMEs and government agencies, particularly the Public Authority for the Development of SMEs, and increase its role in monitoring and following up the implementation of the governmental laws and directives. Establishing a single station serving SMEs will enable SMEs owners to obtain the necessary permits and requirements to start their activities in a timeliness manner. This unit can be promoted in the future to become an independent regulatory unit of entrepreneurship. The government also needs to establish business centers and incubators for hosting SMEs in various governorates of the Sultanate and providing them with the required facilities and assistances.

The knowledge from this study may contribute to policy-making decisions in Oman to properly address the challenges of the SMEs. However, results do not represent a complete analytical framework to explain all the challenges facing the SMEs in Oman, and the role of government support to facilitate them. Yet, they provide a leading set of statistical data from which future works with improvements could raise some implications for public policy such as: how these challenges evolve over time and across SMEs sectors and how can SMEs owners play a proactive role in designing entrepreneur polices in Oman. Lastly, future work should employ other rigorous statistical methods, using quantitative and qualitative longitudinal research designs to address the evolving challenges of SMEs in Oman.

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