

## **SMALL AND MEDIUM ENTERPRISES IN OMAN: CHALLENGES AND OPPORTUNITIES**

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### **ABSTRACT**

Small and medium enterprises (SMEs) are the integral part of economic development around the world. It generates value, contribute in country's GDP, create employment and bring new innovations. Many countries especially Arab world made a plan to diversify the economy. SMEs can play an apex role on diversification and economic development. However, SMEs are facing some serious challenges of access to finance, lack of knowledge & skill and administrative challenges. This study addressing the key challenges facing the SMEs and find out some remedies by using primary survey data collected from the selected SMEs in Oman. The study found that more than 34 percent have no required knowledge for doing business because majority of them have no proper training when start the business. Access to finance and lack of skill labour are also the crucial factors that affect the business. This study found that government credit facilities, labour laws and license issuing systems are not very business friendly. More than 20 percent SMEs reported that for getting approval of loan takes more than a year. Also more than 50 percent SMEs reported that they did not receive any benefit from the government because there is no specific quotas system for SMEs. As a result, in Oman, majorities of SMEs are not successful. Therefore it needs an urgent policy intervention to overcome these challenges. Proper laws should be enacted that would facilitate the process of banks issuing loans to banks. The government should work closely with small and medium enterprises to find out issues affecting their operations and helps them overcome the problems.

**Keywords:** SMEs, Access to Finance, Knowledge, Skills, Policy, Oman

### **1. INTRODUCTION**

Small and medium enterprises (SMEs) are the integral part of economic development around the world. It generates value, contribute in country's GDP, create employment and bring new

innovation (Sahar and Ahmed 2013, Aceleanu et al 2014, Doron et al 2018). Few notable among them are to generate profits, utilize the locally available resources and create employment (Keskin et al 2010 , Katua 2018). Business enterprises vary in design, mode of operation, physical size and number of employees. The amount of resources required to start up business also determines the size of the market be served by the company and the expected rate of returns on invested capital. Difficulties associated with the ease of obtaining resources for use in starting a business has compelled many entrepreneurs to begin small business organization popularly called small and medium enterprises (SMEs). Small and medium scale enterprises are purely determined by the number of staff involved in the firm's operation and the total amount of revenue the businesses are associated with.

Across the world, different nations have developed various standards that make a business entity be considered as a small scale or medium scale enterprise. Leading economies such as the United States of America and some European countries consider small enterprises to be business entities employing not more than fifty people while medium companies hire not more than two hundred and fifty people. In many economies around the world, the number of small and medium enterprises outnumber the total number of large economies by a large margin. Despite not having as many resources as large enterprises their presence in the economy plays a significant role in the growth and development of the economy. Various innovations that have revolutionized multiple sectors of the world economy are credited to small and medium-sized business organizations.

International organizations such as the World Bank, the United Nations, and the World Trade Organization have lauded the contribution of small and medium scale businesses in the growth and developing of various economies. The organizations argue that for any economy to achieve its full potential, they must embrace small and medium-sized economies and put in place policies that favor their operations. Both developed and developing economies agree on the importance of small and medium scale business organizations. Small and medium enterprises have proved to be the drivers of industrialization. In spite of their limited resources small and medium enterprises continues to provide alternative solutions to many challenges different economies are facing. Their continued existence and survival in the market has not been comfortable. Numerous problems have made them unsustainable and resulted in their closure. The situation has since affected many economies leading to a decline in global economic activities. While some of the challenges have short-term solutions, some will require extended periods to be solved. This paper has explicitly examined various issues related to challenges facing small and medium scale enterprises as well as possible solutions to the problems.

### **Research objectives and questions**

The research aims to determine the common challenges facing small and medium enterprises. The study further aims at examining possible solutions to problems facing small and medium enterprises. The role of small and medium businesses in the growth and development of an economy cannot be underestimated. Despite their increase in number in various economies they continue to face myriad problems that affect their productivity and continued existence in the market.

The research was guided by various questions. The questions were developed before the commencement of the study because they were required to conduct the researcher in the collection of data. The following questions supervised the study: What are the common challenges facing small and medium enterprises? How government policies are affecting the operation of small and medium enterprises? How are big and multinational corporations affecting small and medium enterprises? How can challenges facing small and medium enterprises be mitigated? What policies can governments enact to protect the existence of small and medium enterprises?

## **2. LITERATURE REVIEW**

### **The existence of small and medium enterprises in an economy**

The importance of small and medium scale business organizations is of significant essential both to a national and international context. Their relevance is continuous to increase as the global economy continues to expand. In many nations, the number of small and medium enterprises is high signifying their importance to the economy. For example in Portugal, small and medium businesses account for nearly ninety-eight of the total number of business organizations (Kostovski, Nanevski, & Gjurcevski, 2016). In developing nations such as Kenya and Nigeria, small and medium-sized business organizations account for more than the ninety percent of the total number of business organizations (Petkovic, Jager, & Sasic, 2016). Experts in economics argue that the more the number of small and medium scale businesses an economy has the higher the chances of economic growth and development. The situation has made many governments support small and medium business organizations. The theory of economic development states that entrepreneurs play leading roles in the expansion of an economy. Sadly, on many occasions, many entrepreneurs have access to limiting factors of production owing to their scarcity. The scarcity of resources makes entrepreneurs resort to the formation of small-scale businesses that over time grow to medium size. Small business grows through innovation and adoption of strategies that make them able to survive market turbulence. Large firms in an economy adopt most of the small and medium enterprises strategy of growth and innovation if they turn out to be rewarding. Small and mediums enterprises are therefore incubators for brilliant ideas. Without

their existence, many large organizations would not be in operation. Thus the more the number of small and medium enterprises an economy has the higher the chances of the existing large existing being successful and having more novel ideas and products.

In any economy, small and medium enterprises play specific critical roles that make their existence important for an economy. One of the significant functions of small and medium businesses is the creation of jobs. With the world population increasing at an alarming rate, not many people can find employment in leading multinationals corporations (Dragic & Sorak , 2016). A significant population of the world is employed in the small and medium enterprises. More than eighty percent of the world population is engaged in small and medium enterprises. Their success or failure therefore directly affects the state of employment across the world. Increasing the number of small and medium enterprises will help reduce the rate of unemployment globally. The International Labor Organization report (2015) indicates that small and mediums scale business organizations are critical in achieving a decent and provide employment (Dragic & Sorak , 2016). The global corporation report on labors patterns went on to the state that more than two-thirds of the total jobs globally were generated by the small and medium scale enterprises. The reports recommended that unemployment problems could be solved by increasing the number of small-scale and medium enterprises. Therefore, addressing challenges facing small-scale enter, prices will indirectly solve unemployment and other economic challenges related to unemployment.

Secondly, small and medium scale business enable better utilization of the local resource. Not all large firms can use adequately local resources. Some quantities of natural resources would not yield any returns if exploited by large firms. Small organizations with little labor's and equipment better utilize limited resources and generate profit from them. In the process, they play critical roles in a nation's social and economic development. For example in developing countries there exist various minerals though in small quantities which if exploited well would add on to the nations` economic well-being (Kostovski, Nanevski, & Gjursevski, 2016). The resources have for a long time remained unexploited as large firms find them unattractive, as they would yield little or no returns. Since the development of small and medium enterprises, such resources have been exploited leading to the utilization of little resources within an economy to advance a nation`s economic goals.

Another critical role of small and medium enterprises is their contribution to a nation's gross national product. Developing countries have explicitly stated that small and medium enterprises are helping them increase their amounts of gross domestic product. In 2012, the Zambian government was on record indicating that the small and medium enterprises played a crucial role in the growth and development of the country's economy and promised to enact and implement

policies that favored small and medium businesses for the benefit of the nation (Petkovic, Jager, & Sasic, 2016). Furthermore, many nations' information sectors are composed of small and medium firms. The informal sector is well known for better utilization of production resources large firms do not have an interest in.

Social inequality is a serious economic problem facing many economies today (Duarte, 2004). Social disparities present numerous challenges to the growth and development of an economy. Developed economies have stagnated over the years due to their shrinking informal sectors hence many resources remain unutilized. The informal sectors are credited with better utilization of unskilled and semiskilled labors making them earn income while utilizing such potential resources to generate revenue for the nations. In the process, the total number of people living below the poverty line declines. Small and medium enterprises are increasingly being strengthened to help communities fight poverty (Maliti & Mwewa, 2015). Social empowerment is critical for a nation's development. It ensures people live decent lives and avoid certain economic crimes that might affect the stability of an economy. Small and medium scale enterprises can therefore not be overlooked in the quest for social development. Challenges facing them should be identified and addressed promptly not just for the economic betterment of society but for social development too.

### **3. DATA AND METHODOLOGY**

#### **Primary Data Collection**

This study we use both quantitative and qualitative data. Primary data was collected by structure questionnaire. Data was collected through both primary and secondary methods. Primary data was gathered through surveys with the help of questionnaires, which serves as an easy way to gather the information from the population and interpret it. A questionnaire is defined as a research instrument that comprises of a set of questions structured and designed for collecting the information on a specific subject from the respondents (Bryman & Bell, 2015).

#### **Target Population**

The target population included in the research process comprises of the SME owners or operators. They were chosen from the regions of Muscat, Nizwa, and Almodhabi. The owners of small and medium-sized companies were considered for conducting survey. The responses obtained from the target population were later analyzed to reach conclusion.

#### **Sample Size**

In order to conduct a survey for a study, the population needs to be considered for sample selection. Research population refers to a collection of people or individuals which are taken to be the primary focus of the study (Ritchie, Lewis, Nicholls, & Ormston, 2013). Research sample is just one relevant segment of the population which is considered to be interviewed. Sampling refers to a process or technique that involves choosing the best representative fraction of the population which would determine the features and characteristics of the entire population (Cochran, 2007).

Sampling is undertaken in two basic ways: probability and non-probability methods. In probability sampling, every member of the population possesses a non-zero probability of being chosen as the part of the sample (Cooper, et. al.2003). This includes systematic sampling, stratified sampling, and random sampling. On the other hand, the non-probability sampling refers to a process in which the selection of members is undertaken through a non-random method from the chosen population (Orodho & Kombo, 2002). Examples of such types of sampling include quota sampling, convenience sampling, snowball sampling, and judgment sampling.

The target population for this study included all the SMEs and their owners within the boundary of the Sultanate of Oman. Besides this, convenience sampling technique was utilized to select the sample. The most prominent advantage of convenience sampling method is that the respondents will actively participate in the entire research process as they are chosen on their willingness instead of being forced to participate. One of the other benefits is that the chosen sample is based on the proximity and ease to the researcher. It is the simplest type of sampling method and data can be gathered easily in a short time period since the sample size is usually small. The sample size will comprise of 250 SME owners from Oman, Muscat, Nizwa and Almodhabi.

### **Data Collection Procedure**

The research in this study was carried out through a semi-structured questionnaire, having both open- and close-ended questions. Questionnaires were distributed personally to the SME owners or operators for the purpose of obtaining first-hand information. Around 250 small and medium-sized enterprises were surveyed from Muscat, Nizwa, and Almodhabi. The sample included 60% small and 40% medium sized companies.

The owners of SMEs were asked questions regarding the challenges they face such as lack of infrastructure, lack of business aptitude, inadequate credit facilities, lack of entrepreneurship training and management skills, lengthy documentation, and other issues. The outcomes of the questionnaire were then tested on the SPSS software to reach the conclusions. The questionnaires were designed to obtain information through both close- and open-ended questions. The close-ended questions were helpful in providing useful information for the statistical computations,

while the open-ended questions provided valuable information such as opinions to add to the literature and discussion.

The survey questionnaires were distributed to the SME operators personally. The questionnaire was divided in to three sections:

Section A was focused on drawing the respondents' bio-data and basic information about the firm:

- Age of the firm
- Number of employees
- Ownership type
- Nature of firm
- Average turnover per month

This information was helpful in providing knowhow about the type of the SME included in the research.

Section B of the questionnaire comprised of questions that are focused on the objectives of the study. They included questions regarding the problems faced in obtaining finance, installing infrastructure, coping with lengthy documentation, dealing with training and development of employees, and other issues being discussed in the study.

Section C will deal with questions related to respondents' opinions regarding the solutions for the existing problems and challenges faced by SMEs. In this section respondents were inquired about possible reforms, policies, remedial measures, and solutions that should be applied towards resolving the issues hindering their operations.

Though the secondary research has also included a major part in the form of literature review in this study, yet the primary research provides the crux of the entire work. The first-hand opinion and the fresh interview responses offer a new set of data that can be compared with the already existing information for decision making and policy formulation with special raged to SMEs in Oman.

After getting responses with the help of 250 survey questionnaires, the data was analyzed in numerical terms through the statistical software, SPSS. Qualitative data was analyzed using codes and memos. Secondary data was obtained through the existing publications and interviews, which were then made part of the analysis.

#### 4. RESULTS & DISCUSSIONS

The survey covered 11 companies having their different nature of the business. Out of total 250 companies 14.8% are Retail Trade, 10.8% Manufacturing, 7.2% Craft/Artisan, 9.6% Information and Communication Technology, 14% Construction, 5.6% Agriculture and Fishing, 7.6% Mining, Electricity, Gas and Water supply, 7.6% Transportation and Storage, 8.4% Accommodation and Storage, 8.4% Food and Services, and 6% for others.

**Table 1: Nature or Activities of Company**

Activities of the different company	Frequency	Percent
Retail trade	37	14.8
Manufacturing	27	10.8
Craft/Artisan	18	7.2
Information and communication technology	24	9.6
Construction	35	14.0
Agriculture and fishing	14	5.6
Mining, Electricity, Gas and Water supply	19	7.6
Transportation and storage	19	7.6
Accommodation and Storage	21	8.4
food services	21	8.4
Others	15	6.0
Total	250	100.0

Source: Primary survey data

The number of employees ranged from one to over twenty with an evenly distributed sample that established equal representations from micro, small and medium businesses in the survey and in the country.

The above table shows different categories of employment and number of employees therein as an average of SMEs that participated in the research. The graph shows that out of a total 250 companies, 26% companies have employees between 1 to 4, 24% have employees between 5 to 9, whereas 25.6% SMEs have employees between 10 to 20, Moreover, 24.4% SMEs have more than 20 employees.

Table 2 shows sources of finance of the different company. The survey made up of different 11 companies uses varieties of sources of finance. Out of total 250 companies, 28.4% company uses

their personal money for the business, 16.4% company borrowed from family or friends, 18% company borrowed from Oman Development Bank, 16.4% company are being funded by Al-Raffd Fund where as 20.8% company borrowed from banks/financial institution.

**Table 2: Sources of Finance of SMEs**

Different Sources of Finance	Frequency	Percent
Personal money from me and my family	71	28.4
Borrowed from family/friends	41	16.4
Borrowed from Oman Development Bank	45	18.0
Funded by Al-Raffd Fund	41	16.4
Borrowed from banks/financial institution	52	20.8
Total	250	100.0

Source: SMEs survey data

Table 3 shows whether assistant and professional advice taken from government institution. Out of total 250 companies, 46.8% companies say that they have taken assistant and professional advice taken from government institution while 53.2% says they have not taken. The above table shows sources of business improvement. We also found that 21.2% companies say that they improved their business by getting training courses, 27.2% companies have improved their business by obtaining financial facilities, 26.8% from getting free land while 24.8% from others help. Study also found that out of 250 companies, 34.4% showed their satisfaction with quality of services provided and procedures offered by the government whereas 65.6% recorded their disagreement.

**Table 3: Government assistance receive by SMEs**

Type of assistance	Frequency	Percent
Getting Training coursing for improving your business	53	21.2
Obtaining financial facilities for your business	68	27.2
Getting free land for your business	67	26.8
others help	62	24.8
Total	250	100.0

Source: SMEs survey data

**The Challenges are facing small and medium enterprises.**

The study has established various problems being experienced by small and medium scale enterprises. Lack of adequate and competent managerial skills and management of business activities is critical for the success of a business. Poor management always results in poor results, which translate to lose. This study found that more than 34 percent of SMEs agreed that they have lack of required business knowledge’ that one of the problems faced by SMEs. The survey shows that 20.8% are strongly disagree, 23.2% are Disagree, 22.0 % are Neutral, 18.8% are Agree, whereas 15.2% are Strongly Agree. Similarly 25 percent SMEs agreed that they facing the problem of finding customer. The table 3 shows that 30.4% SMEs are strongly disagree, 27.2% are Disagree, 18. % are Neutral, 13.2% are Agree, whereas 11.2% are Strongly Agree. It has been also seen that ‘competition’ as one of the problems faced by SMEs. The survey shows that 35.2% are strongly disagree, 18% are Disagree, 16.8% are Neutral and 18% are Agree, whereas 12% are Strongly Agree. The above table depicts response of research participants with regard to ‘access to finance’ as one of the problems faced by SMEs. The survey shows that 19.2% are strongly disagree, 19.2% are Disagree, 18% are neutral, 16.4% are Agree, whereas 27.2% are Strongly Agree. Table 4 also shows that ‘high cost of finance’ being one of the problems faced by SMEs. The study found that 12.4% are strongly disagreeing, 19.6% are Disagree, 20% are neutral about any such problem, 24.4% are Agree, whereas 23.6% are Strongly Agree. Cost of production or labor or rent’ is another problems faced by SMEs. The survey found that 19.6% are strongly disagreeing, 15.2% are Disagree, 18.4% are neutral about any such problem, 22.8% are Agree, whereas 24% are Strongly Agree. Study also found that ‘availability of skilled staff or experience managers’ as one of the problems faced by SMEs. The survey shows that 17.2% are strongly disagree, 16.4% are Disagree, 13.6% are neutral about any such problem, 12.8% are Agree, whereas 40% are Strongly Agree.

**Table 4: Various challenges faced by the SMEs (percentage)**

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Lack of Knowledge	15.2	18.8	22.0	23.2	20.8	100.0
Finding customer	11.2	13.2	18.0	27.2	30.4	100.0
Competition	12.0	18.0	16.8	18.0	35.2	100.0
Access to finance	27.2	16.4	18.0	19.2	19.2	100.0
High cost of finance	23.6	24.4	20.0	19.6	12.4	100.0
Labor cost or Rent	24.0	22.8	18.4	15.2	19.6	100.0
Lack of skilled staff	40.0	12.8	13.6	16.4	17.2	100.0
Lack of Regulations	70.0	10.8	6.0	7.2	6.0	100.0

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Administrative Burdens	71.2	8.8	8.0	7.2	4.8	100.0
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Source: SMEs survey data

Many small and medium enterprises are not able to acquire and retain enough qualified personnel to handle their administrative needs professionally. It has been noted that many small and medium enterprises establish their management strategies through trial and errors. It is common to find small and medium enterprises creating their administrative frameworks based on operational procedures as opposed to strategic plans. Strategic regulatory plans are more beneficial to an organization as they help an organization utilize its resources strategically to maximize profits as opposed to merely surviving in the market. Also, managers of small and medium scale enterprises do not have enough resources or competency to deliver on their mandate. Many small business lack resources to use in hiring competent and qualified managers who have vast knowledge on their operations and can steer the company to greater heights.

The second most prevalent problem facing small and medium enterprises is the lack of enough finances and limited access to credit facilities (table 5). Banks play a critical role in the performance of an economy. Banks must lend money to various stakeholders in an economy. However, before offering credit facilities, companies or individuals wishing to get loans must meet certain conditions. Most of the times, small and mediums enterprises do not meet the minimum requirements stipulated by banks to be allowed credit facilities. In the process, small and medium-sized companies lack enough capital to meet their administrative needs leading to their collapse or failure to grow. Similarly, many banks are not willing to extend credit facilities to small and medium enterprises. Banks argue that many small and medium enterprises do not have enough collateral to guarantee the loans. In developing economies, many owners of small and mediums enterprises do not know of the existence of credit facilities in banks. Lack of enough knowledge on the available sources of finance for use has made many small businesses struggle in the market.

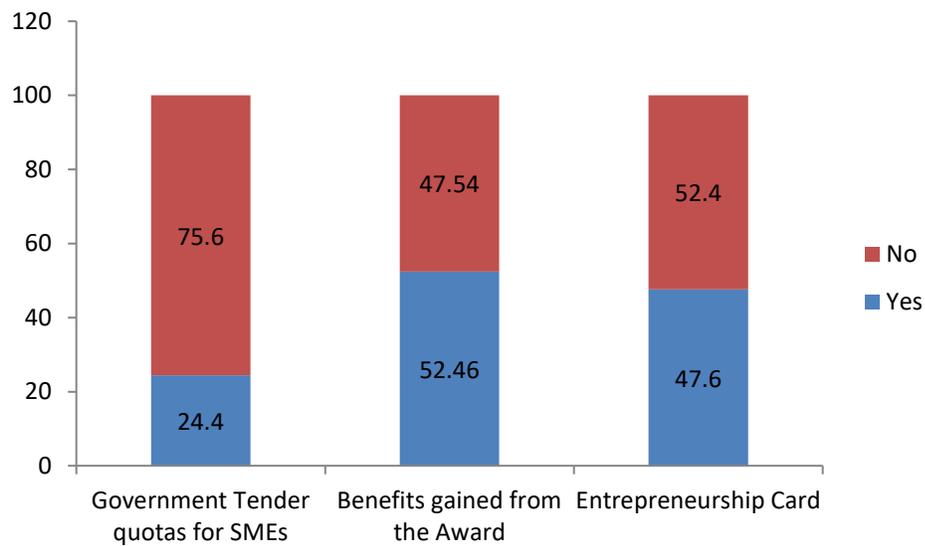
**Table 5: Lack of government support facilities to the SMEs**

	Strongly Agree	Agree	Neutral	Strongly disagree	Disagree	Total
<b>Lack of credit facilities</b>	15.2	18.8	22	20.8	23.2	100
<b>permits of labor</b>	12	18	16.8	35.2	18	100
<b>License</b>	11.2	13.2	18.0	30.4	27.2	100

Source: SMEs survey data

The survey shows value of government tenders assigned to SME in terms of award. Out of total 250 companies, 34.4% companies have been awarded while 75.6% not awarded (Figure 1). In terms of government tender, 47.54 percent SMEs reported that they did not get any tendering from the government department. In Oman Public Authority of Small and Medium Enterprises issue entrepreneurship card to support and simplification of the government procedures. However, this survey shows that 52.4 percent SMEs have not received entrepreneurship card.

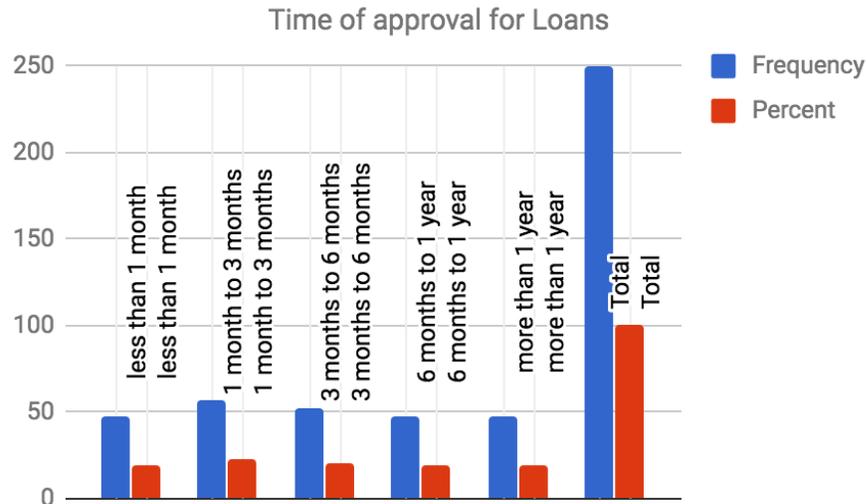
**Figure 1: Percentage of SMEs get benefits from government**



Source: SMEs survey data

Another crucial challenge faced the SMEs is time taken for getting approval of a loan from commercial bank or from any financial institutions. As shown in the graph, out of 250 SMEs, 18.8 opine that it takes less than 1 month, 22.8% think that it takes 1 month to 3 months. Moreover, for 20.8% SMEs it takes 3 months to 6 months, for 18.8% SMEs it takes 6 months to 1 year whereas 18.8% are of the view that it takes even more than 1 year.

**Figure 2: Time for approval of loan**



Source: SMEs survey data

Another critical problem in the operation of small and medium enterprises is rapid changes in technology. Technology is an essential input in production. Small and medium enterprises are not able to keep up with the rapid changes in technology (Shah & Hinostroza, 2008). The high cost of technology and the skilled personnel required to use specific forms of technology possess severe challenges to the continued existence of small enterprises in the economy. Many of them cannot hire experts to help them integrate technology into their operations. Furthermore, in developing nations there lacks infrastructure that allows easy adoption of technology. For example, in rural areas in Africa, lack of internet connectivity makes small, and medium enterprises are not able to rely on technology to maximize their productivity.

Poor market linkages and insufficient government support are affecting small and medium enterprises (Barwani, Jahwari, Saidi, & Mahrouqi, 2014). Many times, small and medium enterprises do not have the resources to conduct a market survey, determine demand, and supply patterns before engaging in production. In the process, they end up producing similar products that flood the market leading to decreased prices as the demand falls. Poor market linkages make it impossible to have enough information for use in planning production. Many governments have also not been giving small and medium enterprises the required support (Kostovski, Nanevski, & Gjurcevski, 2016). Governments overlook small and medium enterprises and focus on the needs of large corporations. In the process, problems affecting small and medium

enterprises the government should solve to persist and affect their ability to survive market turbulence.

Marketing of products is another issue of concern affecting small and medium enterprises. Many small firms lack elaborate marketing strategies that will make them compete favorably in the market (Kostovski, Nanevski, & Gjurcevski, 2016). Many of them concentrate on the limited market around them even when there exist more lucrative markets in areas distant away from their areas of operation. Small and medium enterprises have failed to develop and sustain extensive marketing networks. They concentrate their products around their areas of existence hence missing opportunities for growth presented in untapped markets.

Less attention to the development of skills is another problem facing many small and medium enterprises. Better skills promote efficiency. Small and medium enterprises are not keen to develop the skills and competencies of their workers. Many small and medium enterprises are characterized by poor capacity building initiatives making their staff not improve on the quality of their work (Dragic & Sorak, 2016). Poor efficiency leads to low production volumes due to underutilization of factors of production. Furthermore, incompetent skills do not promote the quality and variety of products. Inferior quality products fetch small prices in the market. Small and medium enterprises, therefore, continue to sell their products at low prices due to their poor quality despite their workers having many years of experience. Their skills fail to appreciate as their duration in the market increases. Operating below optimum capacity also deprives them of benefits associated with economies of scale.

Changing government policies relating to business operations is also affecting small and medium enterprises (Petkovic, Jager, & Sasic, 2016). Many governments are levying more taxes on business entities without considering the functioning and viability of the ventures. Many governments in developing nations arbitrarily increase taxes levied to small and medium enterprises to finance their bulging budgets without proper consultation. In the process, funds that could be used by small and medium companies to finance their operations goes to taxes. Furthermore, lengthy documentation procedures derail commencement of start ups and require a lot of resources (Duarte, 2004). Governments need to reduce the number of necessary documentation and period of obtaining them before setting up a business, and the amount of the funds required to enable more people to set up and operate their businesses with ease.

Another critical challenge facing small and medium enterprises is the lack of entrepreneurial culture. Many people are discouraged from starting business activities for fear of failure (Shah & Hinostroza, 2008). The spirit to set out and enter a given market is missing. Many people have also been discouraged from expanding their businesses due to risks associated with larger

business ventures. Furthermore, lack of moral support is threatening small and medium enterprises. Their peers who encourage them to take up government jobs and discourage many businesses persons not to pursue their dreams of starting their small firms.

Globalization increased free trade and dumping is another problem facing small and medium enterprises (Dragic & Sorak , 2016). Globalization has allowed the importation of finished products, which discourages local production. Multinational with many productions units carry out production miles away and carry their goods to other nations threatening the existence of small and medium firms existing in the market. Large firms can sell their products cheaply and make profits due to economies of scale. The situation reduces the market share for small and medium enterprises. Increased free trade is also affecting small and medium enterprises by changing the ability of the small firms to grow and compete favorably in the market (Watkins, 2012). Dumping has resulted in cheap goods saturating the local market at low prices hence small and medium enterprise is being denied the opportunity to serve the market, as they cannot compete.

## **5. CONCLUSION & RECOMMENDATION**

The study concludes that more than one third SMEs have lack of require knowledge for doing business because majority of them have no proper training when start the business. Access to finance and lack of skill labour are also the crucial factors that affect the business of SMEs. It has been seen that government credit facilities, labour laws and license issuing systems are not very business friendly. More than 20 percent SMEs reported that for getting approval of loan takes more than a year. Also more than 50 percent SMEs reported that they did not receive any benefit from the government because there is no specific quotas system for SMEs. As a result majorities of SMEs are not successful in Oman. Therefore it needs an urgent policy intervention to overcome these challenges.

Easing access to credit facilities is a crucial solution to the shortage of funds facing many small and medium enterprises. Small and medium enterprises need to be given special consideration by banks. Proper laws should be enacted that would facilitate the process of banks issuing loans to banks (Dragic & Sorak , 2016). Banks should develop a closer working relationship with small and medium enterprises as they have done with a large corporation. Easing access to capital will helps small and medium enterprises have enough capital to finance their operations and even embark on expansion programs that will solidify their operations and existence in the market et. Banks should change their attitude toward small and medium enterprises. They should be accorded the desired helps prompt when they seek help.

The second solution relates to government relationship and perception of small and medium enterprises. The government should work closely with small and medium enterprises to find out issues affecting their operations and helps them overcome the problems (Maliti & Mwewa, 2015). Sometimes governments have been insensitive for small and medium companies woes due to lack of structured engagement. Sometimes governments enact laws that are punitive for small and medium companies unknowingly for lack of sufficient information. The government should ease the bureaucracy and cost related to starting and operating small and medium enterprises. Moreover, they should enact a protective mechanism that will shield small and medium enterprises from unhealthy competition from well-established and well-resourced business organizations. Governments can adopt a differentiated taxation structure specifically made taking into account small and medium enterprises. It would benefit small and medium enterprises if the government allowed them tax holidays, as it has been the norm for prominent organizations to foster their growth (Petkovic, Jager, & Sasic, 2016). Proceeds of the tax holidays will help the small and medium enterprises stabilize their operations and even expand their facilities to be able to withstand market forces.

Growth and development of the service industry is another possible solution to small and medium enterprises challenges. Insurance, banking and other critical services to the operation of small and medium businesses should be made available. As the number of small and medium enterprises bulges, the number of service providers within the economy should also increase to offer timely and competent services. Additionally, the physical infrastructure should be well developed (Dragic & Sorak , 2016). Small and medium enterprises in developing countries are facing severe transport and communication challenges due to inadequate physical infrastructures. Some regions do not have road networks moving raw materials and finished goods and an expensive and complicated process, which often lead to delays that translates to unexploited opportunities.

Lack of knowledge and skills needed for successful small and medium enterprises was noted to cause severe problems to the ventures thus hinder their survival and sustainability. Business training centers should be set up where such businesses exist to allow members acquire more skills related to their business. The government should consider setting up schools in various regions to train people with desired administrative and accounting skills that will enhance their business acumen (Kostovski, Nanevski, & Gjurcevski, 2016). Furthermore, owing to the importance of small and medium enterprises, the government should provide cheaper or free consultancies services for small and medium companies. Governments should help small and medium enterprises understand their strength, weakness, opportunities, and threats and develop strategic plans that will guide their operations in the market.

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