

# HOW CAN SMALL AND MEDIUM ENTERPRISES CREATE EMPLOYMENT OPPORTUNITIES: CASE STUDY ON OMAN

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## Abstract

The SME sector nowadays plays an extremely important part in modern economy. Hence, SMEs are considered a way to bring improvement in terms of socio-economic development, respectively. This study aims to investigate the role of small and medium enterprises in providing jobs in Oman. It will also focus on the challenges facing SMEs. For this study, purposeful sampling methodology has been adopted. Using a well-defined questionnaire, 100 samples were collected from all over SMEs operated in Oman. The collected data are recorded, tabulated, and summarized. In addition, statistics of the Public Authority for Small and Medium Enterprises Development were mentioned. It indicates the number of registered SMEs from 2015 to 2019. In addition, the interview conducted with the Head of Auditors Services Department at the General Authority for Small and Medium Enterprises Development, to identify a clear perspective related to the topic of research that is aiming to determine the challenges facing small and medium enterprises in Oman. The findings suggest statistical study carried out at Oman level confirmed the previous theoretical results, as it highlighted the important contribution of small and medium enterprises in providing job opportunities, as the authorized category of workers in this type of institution constituted a large percentage of the total group employed.

**Keywords:** Small and medium enterprises, Create jobs, Employment opportunities, Oman.

## 1.0 Introduction

Entrepreneurs are the backbone of any economy as they always look for exploring the business opportunities (Khan, 2014), Small and Medium Enterprises (SMEs) as the strategic boosters for the economy of a country. They impact the economy and the society of the country. Many countries claim that the SMEs play a major role in job creation and wealth generation of their country. SMEs are not limited to any industry or service, and they involved in manufacturing, processing, trading, import-export, distribution, retailing, rental, services, etc. It is meaningful to say that SMEs play vital role in accelerating the revenue of a country as they serve as power engines. Every country had started paying attention to the growth of SMEs to attain national development and sustainable economic growth through accelerating this sector, and this the prime reason that most of the countries started analyzing the difficulties and constraints of SMEs impeding their growth. Sultanate of Oman is not an exception to it; realizing the fact and considering the role of SMEs in the development of national economic growth, the sector is given utmost priority and importance. (Al Buraiki & Rahman Khan, 2018)

Small and medium enterprises (SMEs) have been identified for several decades as a possible solution for economic and employment growth (BER, 2016; Storey, 1994). Gree and Thurnik (2003) contended that economic growth cannot be sustained without the growth of existing SMEs and the continued creation and establishment of new SMEs. The management of SME's is an important factor in business growth as well as the environment within which businesses operate (Churchill and Lewis, 1983). A sound and supportive environment allows for business success (Meyer, 2014).

Peter Drucker said that small enterprises represent the main catalyst of economic development. Those small businesses contribute intensely to achieving the fundamental goals to any national economy, becoming the backbone of social and economic progress (Druker, 2009).

Currently, the small and medium enterprises (SMEs) are playing a significant role within the developing nations. Hence, SMEs are considered a way to bring improvement in terms of socio-economic respectively (Seth Kwaku Amoah & Alfred Kwabena Amoah, 2018). In addition, SMEs are also proved helpful in creating various jobs, alleviating poverty. Where the number of SMEs in Oman registered by the Public Authority for Small and Medium Enterprises Development (Riyada) stood at 606 by end of January this year, bringing the total number of these institutions to 32,441, according to preliminary data released by the National Centre for Statistics and Information (NCSI). However, there has been a drop in the number of SMEs being registered in the first month of 2018 compared with the same period last year. (Lakshmi Kothaneth, 2018).

SMEs in Oman have spread their wings in various sectors, striving within the nation, and overseas. These firms are coming up with innovative entrepreneurial concepts adding value to the national economy of Oman, and hence every firm is striving to produce made in Oman goods and services. For that this study aims to investigate the role of SMEs in create job opportunities to decrease the unemployment ratio.

## **2.0 Problem Statement**

The role of small and medium enterprises in reducing unemployment in general is important because it is considered one of the main drivers of economic growth, which is an effective development tool that creates millions of jobs and raises existing production capacity.

Unfortunately, SMEs continue to play a limited role in Arab countries, especially in Oman, where they do not contribute significantly to the country's national economies, especially in employment (Business, 2014). For that, the researcher has decided to analyze the challenges and issues that are facing by SMEs in Oman in creating job opportunities.

## **3.0 Research Objectives**

This study conducts to achieve the following objectives:

1. Identify the role of small and medium enterprises towards in creating job.

2. Assess challenges facing small and medium enterprises in creating employment opportunities.

#### **4.0 Research questions**

Based on the research objectives this study trying to answer the following question:

1. What extent can small and medium enterprises reduce the unemployment in Oman?
2. What are the challenges facing small and medium enterprises in creating employment opportunities in creating employment opportunities in Oman?

#### **5.0 Literature Review**

##### **5.1 The importance of small and medium enterprises**

These projects are one of the directions followed by the State with the aim of achieving several economic and social gains because due to their important role in GDP growth, new job creation and entrepreneurship and of their distinctive characteristics that can contribute to solving many of the economic and social problems such as unemployment and poverty faced by different countries of the developed and developing world alike (Vale, 2013). SMEs have a very significant role in the modern economy, and it seems to be the most attractive and important innovation system. The important contribution of SMEs to economic development has been unanimously recognized. By demonstrating its economic and social impact, the SME department is seen as an area of strategic economic importance (Avasilicai, 2009). "Small businesses are the main catalyst for economic development," says Peter Drucker. These small businesses have a significant contribution to the basic goals of each economy and become the backbone of progress of economic and social (Seller, 2009). In the case of the SME section, the Law No. 346 of 14 July 2004 Act No. 346 from July 14, 2004, which provides for current actions for the creation and development of these companies? Therefore, the company has the right to profit from the competition in accordance with applicable laws, conduct and trade facts, in any form of economic activity.

##### **5.2 SMEs Role in Job Creation**

Recently the role of SMEs in employment creation has occupied most of the discussions among government, policy makers, academicians, researchers, scholars and economists in Oman and other countries. A study by Kongolo (2010) established that small business owners globally have the same characteristics, face the same obstacles but differ in their understanding of how small businesses assist in economic growth. SMEs have ability to fuel economic growth because they create new jobs, expand the tax base, and are drivers of innovation. According to Beck and Levin, (2005) SMEs enhance competition and entrepreneurship hence has external benefits on economy wide efficiency, innovation and aggregate productivity. They are the primary vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations (CACCI, 2003). Globally there is an agreement that MSMEs hold the key to economic growth based on the fast growth of enterprises and the role of SMEs

in generation of employment. According to Normah (2007) the concentration of SMEs has a close relationship with the dominant economic activities. SMEs dominate the world economies in terms of employment and number of companies, yet their full potential remains remarkably untapped (Schlogl, 2004; Omar, Arokiasamy & Ismail, 2009). This is due to a number of reasons (e.g. legal, institutional, cultural, societal etc.) which make the role of SMEs on economic development different across countries (Katua, 2014).

### 5.3 Related Studies

**Amoah & Amoah (2018)** studied the small and medium enterprises in Ghana. Their aim was to determine the role of these two types of enterprises to employment in Ghana. They aimed to assess the levels, status, and sizes of employment by the small and medium enterprises at both regional and national levels. This will help in reviewing the challenges facing this sector. In Ghana; definitions on SMEs depend on the number of workers employed by firms. Where the number of workers hired by the company over time was used to classify small businesses into three categories. They found that a company that employs less than 6 people is small, employs between 6 to 9 people as very young and 10 to 29 employees as a small enterprise. SMEs in Ghana were classified as small enterprises (less than 5 employees); small enterprises (5 to 29 employees); medium enterprises (30 to 99 employees); large enterprises (100 employees and more). The SME sector in Ghana has been linked to improving the unemployment conditions and consequently impacting on the wellbeing of the people of this country. Their study used descriptive statistic methodology adopted by Ghana statistic service (GSS) related methods. The data for this study established from the report of the Integrated Business Establishment Survey II by GSS. The study indicated that 82% of employment is offered to the working population by the small and medium enterprises in Ghana. 86% found to be for temporary employment, whereas 82% was for permanent. It seemed that the employability percentage that Micro enterprises create is larger than small and medium enterprises.

However, each region in Ghana has different characteristic and this variety has a key role in establishing the extent that these enterprises creating jobs. Large enterprise has a greater impact in well-developed regions such as Greater Accra region, and this made no effect of the small and medium enterprises role in providing employment. In addition, the study showed that there is a negative relationship between the size of the enterprise and the size of employment, small firms employed more people than the medium firms. Moreover, many challenges were assessed for the small and medium enterprises in Ghana including lack of managerial skills and credits and poor access to the international market. Pragmatic structures should be put in place by all levels of the government to nurture and support new, emerging, and existing MSMEs in Ghana. The government should also develop fiscal and monetary-based policies that make the sector attractive to the young generation.

According to **Oyelana & Adu (2015)** conducted a study on the role of the small and medium enterprises SMEs in improving the socio-economic development in Fort Beaufort, in South Africa. They have established a base level that help to understand the operational core values of small and medium enterprises in reducing poverty and creating employment in Fort Beaufort

in the Eastern Cape Province. The study included 50 owners of the SMEs in Fort Beaufort, Eastern Cape Province of South Africa, who were selected randomly. Self-administered questionnaires were used to collect the data from the participants. The questionnaires contain both open-ended questions and close-ended questions and the data was analyzed using descriptive statistics of percentage and frequency. The finding of the study showed that the small and medium enterprises have a considerable role in employment creation and poverty reduction in Fort Beaufort. Most of the participants agreed on that the SMEs are working as a strategy in reducing poverty. These firms benefit the majority of residents who are not able to supply their need from the large stores (of large enterprises), as they provide cheaper goods. In addition, 20% of the participants reported that they had employed 2-10 people, while 13.3% employed 6 people and 6.7% employed more than 10 workers. On the other hand, the study has illustrated the challenges facing SMEs including lack of managerial skills and lack of finance and experience.

**Herr and Nettekoven (2017)** have conducted a study about the role of small and medium-sized firms in development. Their aim was to derive conclusions from both the German model and the general debate. Reviewing the existing data and research has showed that small and medium enterprises in German are considered as the German economy's backbone. In the year 2015, the SMEs were accounted for 99.6% of all enterprises in Germany. This has created 58.5% of the whole jobs subjected to the contribution of social insurance. The finding has also showed that micro- enterprises in Germany have more productivity than small firms (with over 10 workers but less than 20). The sector of SME has emerged many hidden champions in Germany. Hidden champions, or the firms which are of the top three firms in their industry internationally, have a global market share of around 70% to 90% and they have a very specialized services and products, strong export performance and strong innovative power. 1,307 hidden champions are located in Germany, while the United State has 366 followed by Japan with 220 hidden champions. The researchers have also appointed to the major factors of the success of the small and medium enterprises. This included the education system as the skill-level of the working force has a remarkable contribution in the SMEs' success and economic development. This factor is affecting the innovative power of companies and the level of productivity. Another major factor is access to finance that is included the formal loans. The lack of credit for the SMEs has made it difficult to access to loans compared to other larger companies that have lower interest rate and for a shorter period as well.

According to **Austine et al., 2015** have studied case of Nigeria in creating employment through the small and medium enterprises. Their aim was to review the' experiences of other countries in the creation of job through small and medium enterprises. They also reviewed the incentives and policies for the development in Nigeria's SMEs. Moreover, the government has a mandate to promote small and medium enterprises by placing them in the setting of both the private sector and economic development. It has been found that the small and medium firms can be considered as a smart source for generating employment. This was achieved by reviewing the countries' experiences in this field such as Mauritius, Thailand, Malaysia, and Philippines. For example, in Malaysia, the medium and small industries are accounted for more than 80% of the total establishments of manufacturing. Nevertheless, the level of the generated employment

is not commensurate with the accompanying increase in productivity. Small and medium enterprises require encouragement to become competitive and sustainable. Nigeria can find a way of improvement through the following suggested points. Firstly, SMEs should have access to support services including credit and loan guarantees, and information services, including advice on government policies. Secondly, adopting and pursuing appropriate fiscal, employment, and monetary policies to promote an optimal environment, this will create an environment conducive to the development and growth of SMEs. Finally, suitable international cooperation is needed be promoted to support the access by medium and small sized firms and their employees to international and national databases. The government of Nigeria needs to promote competitiveness to all sectors of business to enable the participation of SMEs in the economy and benefit from the ability of entrepreneurship to grow and innovate.

## **6.0 Methodology**

### **6.1 Research Design**

To achieve the proposed research objective of shedding light on the role of SMEs towards the job creation and the second one is to study different challenges in front of each SMEs in the creation of employment opportunities in Oman. For this purpose, this research has used the mixed method: a technique called sequential triangulation. Triangulation means using more than one method to collect data on the same topic. This is a way of assuring the validity of this research using a variety of methods for the data collection on this topic. There will be a different research strategy so; data will be made as a secondary resource in this research. In this research, different research work has been analyzed regarding the management of SME's organizations. Through the mixed research method, it becomes easier to get accurate and diversified data that will enhance the applicability of this research. Besides, a qualitative research technique was implemented that involves interviewing the Head of Auditors' Affairs Department, in addition to an interview with four business leaders. Findings of this interview will be included as search results. Through this qualitative approach, it becomes possible to identify a clear perspective related to the topic of research that is aiming to determine the challenges faced by small and medium enterprises in Oman. It is quite difficult to express these findings in statistical or quantitative ways. An interview is an important tool for gathering information in the qualitative approach; using them we can identify the views, feelings, and ideas of the respondent. Therefore, this will allow us to analyze the responses and data that are obtained from the interview while addressing the main research question of identifying the role of small and medium enterprises in Oman. This type of method allows the researcher to collect data through a method that depends on confrontation, such as interviewing. As the qualitative approach contributes to describe the location of the interview, the personal characteristics of the respondent, the impressions display, and the nature of the job. Also, through the qualitative approach, the researcher can access information and data from its natural sources. This qualitative research technique is concerned with the minute details and extensive explanations of the problem and the clarity of all the parameters of the research that fall under that criterion (Jamshed, 2014).

## 6.2 Population and Sample Size

The types of samples differ according to the scientific methods chosen by researchers. All of these aim to represent the characteristics of the individuals of the indigenous community. There are many types of samples, and the most important types are simple random sample, stratified sample, cluster sample, and regular sample. A simple random sample refers to a limited group of people chosen from the statistical community, having the same opportunity to get chosen as a sample from that population, meaning that all members of society have an opportunity to be chosen within the sample. The stratified sample is used in the case of knowing the relative composition of the original community, and when this society is composed of several layers, among them a clear difference in terms of one or a group of characteristics. The method of the stratified sample is used to ensure that the researcher represents all those layers in the chosen sample. The cluster sample differs from the stratified sample in the principle of clusters, so that the clusters are different inside and homogeneous with each other. Finally, the choice of individuals in the regular sample or systematic sample is based on dividing the total number of societies by the size of the required sample, and then distributing the individuals of the original community in an equal and regular manner to the number resulting from that division (Taherdoost, 2016).

As this research uses the stratified random sampling, it is used in heterogeneous societies, in which the difference between its individual is according to specific properties such as age, gender, educational level, type of specialization, respondent's position at work, current employment status, and nature of work. Also, it is possible to divide the research community into several layers according to these properties. Often the individuals of one class are homogeneous among them, but the classes differ from each other greatly and this type of sampling is the most appropriate method for disparate societies, in which the sample is representative of all groups of the study population (Hayes, 2020). In this study, the data of Public Authority for Small and Medium Enterprises Development and Ministry of Manpower will be used as the community study besides, a demographic questionnaire will be distributed to SME owners to critically analyze the role of small businesses in the employment rate in Oman. The sample that we are going to use consists of (100) Owners of small and medium enterprises.

## 6.3 Research Instrument

In this research, both primary and secondary data is utilized through a self-administered questionnaire which contains one part that consists of the demographic data of the respondents including age, gender and respondent's position at work, current employment status, educational level, years of business, nature of work, and number of employees in the organization. Source of business funding were used to know the characteristics of the study sample and the extent of its use in the process of critical analysis of the role of companies small employment rate in Oman. From the other perspective in this research, secondary data utilized by using statistics information from the Ministry of Manpower, to analyze the role of SMEs in create job opportunities in Oman. Some statistics of the General Authority for the development of small and medium enterprises that indicates the number of small and medium enterprises

registered from 2015 to 2019. Also, there are some statistics related to the distribution of national and expatriate workforce in small and medium enterprises by economic sectors until the end of February 2019. Furthermore, the secondary data includes books, journals, and websites used to support the literature.

In this research, the researchers aimed to use both a descriptive and analytical approach. In a descriptive approach, all the data regarding the importance of SMEs in the job creation of Oman will be considered, especially when addressing the related basic concepts. When defining small and medium enterprises, their characteristics and importance, in addition to some countries' experiences in development are discussed in this research. After that, an analytical approach is aimed to find out the main problems and challenges faced by the management of these companies in Oman, as well as in the analysis and interpretation of data and information related to small and medium enterprises that collected to reach a set of results. The reason for using these approaches is that there are two main objectives of this research. First, one to understand the role of SMEs towards job creation and the second one is to study different challenges in front of each SME in the creation of employment opportunities in Oman (Ibrahim, Devesh, & Ubaidullah, 2017). This descriptive, analytical approach will help to explore each factor of this research analysis, and it will become easier to derive the right outcome.

#### **6.4 Data Analysis**

After the collection of the statistics information from Public Authority for Small and Medium Enterprises Development and Ministry of Manpower. The researcher starts to handle and processing the statistic reports that collected before.

To comply with the limitations of the research, and to answer their questions, the researcher has followed the following steps:

- Many previous studies and research in this field, both Arab and foreign, have been reviewed.
- The study tool was identified, prepared, and processed, namely the questionnaire. The questionnaire is defined as (A set of questions on a topic or group of topics designed to be answered by the respondent.) or (It is the vehicle used to pose the questions that the researcher wants respondents to answer) the questionnaire is used for demographical data of the respondents including age, gender and respondent's position at work, current employment status, educational level, years of business, nature of work, number of employees in the organization, source of business funding.
- The study tool was presented to the supervisor to ensure its validity and suitability for the study questions and then make the necessary deletion and amendment of the statements in the light of his suggestions.
- The study tool was applied to a survey sample to verify the validity and reliability of the current tool.
- The sample used in this research was selected randomly from the Owners of small and medium enterprises.

- The questionnaire was distributed by the researcher to the SME owners to critically analyze the role of small businesses in the employment rate in Oman through direct distribution through personal visits to ensure the accuracy of the answers.
- The results were monitored, analyzed, and interpreted and recommendations and suggestions are provided on their basis.

About the conducted interview, the researcher determined the general form or the analytical framework for the evidence and the results of the interview by:

- Recognition of data, the researcher first collected the data, defined, and identified it from among all the detailed information of the interview, then organized and arranged the data and chose the most useful data for analysis.
- Defined a framework for the collected information, another stage of the work on analyzing the results of the interviews, so that the researcher can classify information and data and collect them all in one frame to generate results.

## **7.0 Data Analysis**

### **7.1 Analysis of Demographic Data**

Through the study, it was evident that the development in the number of small and medium enterprises in Oman is increasing, but they are not regular. as shown in Table No. 1, that 73.0% of business leaders from the Public Authority for Small and Medium Enterprises Development They are male and 27.0% are female, which means that there is a male predominance in controlling these projects significantly, and the level of business also appeared that 26.0% of the respondents' age is 20-30 years, 58.0% 31-45 years, 11.0% 46-59 years, and 5.0% 60 years - above.

The Amoah and Mama (2018) study has shown that small and medium enterprises in Ghana and their goal in determining the role of these two types of companies in employment in Ghana has been shown to help this in reviewing the challenges facing this sector.

**Table (1): Demographic Respondents**

Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	73	73%
Female	27	27%
<b>Age</b>		
20 – 30 years	26	26%
31– 45 years	58	58%
46 – 59 years	11	11%
60 years– above	5	5%
<b>Current job status</b>		
Full-time employment	12	12%
Part-time employment	2	2%
I work for my own account	64	64%
Unemployed	9	9%
Student	4	4%
Retired	9	9%
<b>Education level</b>		
Primary certificate	12	12%
Secondary certificate	38	38%
Diploma certificate	28	28%
Degree holder	17	17%
No formal education	5	5%
<b>Years of business operation</b>		
One year	12	12%
Two years	17	17%
Three years	19	19%
Four years	14	14%
Above five years	38	38%
<b>The nature of the institution's work</b>		
Trade	61	61%
Industrial	9	9%
Agricultural	3	3%
Services	27	27%
<b>Number of employees in the institution</b>		
1 – 5 employees	67	67%
6 – 25 employees	28	28%
26 employees – above	5	5%
<b>The source of business finance</b>		
Loan from government	16	16%
Loan from bank	12	12%
Loan from family / friends	22	22%
External support	4	4%
Personal saving	46	46%

This study indicated that small and medium companies in Ghana provide 82% of the employment for the working population 86% found temporary work, while 82% were for permanent employment, which showed with it that the proportion of employment created by small institutions is greater than medium and small companies, however, and despite this it appeared that each region in Ghana has different characteristics and that This does not diminish what the small and medium-sized companies do in contributing to reducing the unemployment process, and undoubtedly this is in line with our study and that this diversity has a major role in determining the extent to which these companies create different job opportunities, which is the same as the study reached Oyelana & Adu, 2015 year where she was on the role of small and medium-sized enterprises in improving social and economic development in Fort Beaufort, and in South Africa and they have established a basic level that helps to understand the core operational values of small and medium enterprises In poverty reduction and job creation in Fort Beaufort in the Eastern Cape Province and it has been concluded that the majority of participants agree that SMEs operate as a poverty reduction strategy.

Regarding to the employment situation, it was revealed through the table that 12.0% of the respondents in the Public Authority for Small and Medium Enterprises Development, the current job status is "full-time work" 2.0%, "part-time work" 64.0%, "self-employment" 9.0%, "unemployed", 4.0% "students", and 9.0% "retired". Regarding the educational level, shows that 12.0% of the educational level of the respondent in the Public Authority for Small and Medium Enterprises Development is a certificate. Elementary "38.0%" secondary school diploma 28.0%, "diploma" 17.0%, "certificate holders", and 5.0% "no formal education".

In Cook and others study, 2011 they investigated the general impact of SMEs on Europe in particular, as they studied the weather for SMEs and data was collected using The Enterprise Survey 2010. The sample included more than 7,500 SME workers from 37 different countries. The questionnaire included questions regarding the quantity and quality of jobs at the enterprise level. The study stated that SMEs created 67% of jobs in the non-financial business economy, with about 87 million jobs in the European Union. Between 2002 and 2010, it turned out that the annual increase in the number of jobs provided by small and medium-sized companies amounted to 1.1 million jobs in the non-financial business economy and it was found that small and medium-sized companies provide better jobs. In our study, the employment growth rate of small and medium-sized enterprises (1% annually) was greater of large companies (0.5% annually) from 2002 to 2010. Small enterprises accounted for the largest growth rate (1.3%) in the small business sector.

It also shows that the issue of education is not a fundamental issue, but rather a secondary issue, as the secondary holder has levelled with the diploma holder, and the low percentage of those with a university degree has appeared, and with regard to years and years of work, the table shows that 12.0% of the respondents in The Public Authority for Small and Medium Enterprises Development, working years are "one year" 17.0%, "two years" 19.0%, "three years", 14.0% "four years", and 38.0% "over five years". This is confirmed by the report that Prepared by Reeg (2015) through which it demonstrated how development practitioners and policy makers can increase the potential of small and medium enterprises for decent work and

job creation. The report addressed three main questions: Under what conditions do small and micro enterprises create job opportunities? Under what conditions does employment growth benefit business owners and workers? What kind of policy tools is available to development practitioners and policy makers to create more and better jobs in small and medium enterprises? In general, he explained that these types of companies can be an opportunity to create good jobs. The report concluded with evidence that concluded that there is a small group of small and micro enterprises that provide the possibility to drive job creation and improve the quality of those jobs, and that the level of work is not the most important pillar for obtaining work and developing small and medium enterprises, but there is training and practical experience as well, and all this undoubtedly contributes Reducing unemployment in one way or another.

Further, find through this study that trade is the dominant nature of the work of these institutions, followed by services and then industry and agriculture, as it was found in Table No. (1) that 61.0% of the respondents in the Public Authority for Small and Medium Enterprises Development, the nature of the work of the institution is "trade" "9.0%" industrial ", 3.0%" agricultural ", and 27.0% " services", and on the sources of financing, it appeared that personal savings had obtained the largest percentage at 46% as shown in Table No. (1) Followed by bank loans By 22.0%.

It was evident from the study that a rapid and significant development appeared in the pace of small and medium enterprises, as the numbers of small and medium enterprises continued to increase gradually.

There are also some results:

- Unemployment is a phenomenon and a complex reality and with it several negative effects that are reflected on the economic and social situation, and that its persistence and lack of interest increases its severity, which leads to serious for society.
- Small and medium enterprises face several problems mainly related to the existence of administrative and financial and marketing obstacles and the problems associated with the industrial property, which hinders many young people who are vital in the integration and effective participation in economic activity.
- Small and medium enterprises have distinctive characteristics that make them more effective in creating jobs, mainly in the high intensity of the labor component, low capital, but the recruitment process faces some difficulties that limit the opportunities Work that these institutions can provide.
- Despite the efforts exerted by the state in favor of this type of institution, following the experiences of leading countries in the field of developing and developing small and medium enterprises is a necessity to benefit from the factors and elements of their success in a way that suits our national economic conditions and that allows us to support the steps towards progress. For the great developmental role, it plays and the job opportunities it provides.

## 7.2 Analyze the Role of SMEs in creating Employment Opportunities

### 7.2.1 Distribution of national and expatriate labour force by economic sector

Table (2) illustrate the distribution of national and expatriate labour force in small and medium enterprises by economic sector until the end of February 2019. From the data we note that the number of females of national and expatriate labour force in small and medium enterprises is less than male, and the number of employees in National manpower is less than the number of employees in Expatriate Manpower. The results shows that the Construction sector in National manpower ranked first in the number of employees with percent 36.29%, followed by the Manufacturing sector with percent 9.49%, and the lowest sectors in the number of employees are the Electricity, gas, steam, and air conditioning program sector by 0%.

Also, the results shows that the Construction sector in Expatriate Manpower ranked first in the number of employees with percent 56.40%, followed by the Manufacturing sector with percent 16.02%, and the lowest sectors in the number of employees are the financial activities and insurance activities sector by 0.024%.

**Table (2): Distribution of national and expatriate labour force in SMEs by economic sector**

No.	Economic sectors	National manpower			Expatriate Manpower			Total
		Male	Female	Total	Male	Female	Total	
1	Agriculture, forestry, and fishing	8	3	11	608	1	609	620
2	Mining and quarrying	113	32	145	735	2	737	882
3	Manufacturing	167	179	346	24730	72	24802	25148
4	Electricity, gas, steam and air conditioning program	0	0	0	85	0	85	85
5	Water and sanitation activities and waste management and treatment	8	1	9	277	0	277	286
6	Construction	744	579	1323	87266	51	87318	88641
7	Wholesale and retail trade. Repair of motor vehicles and motorcycles	221	186	407	11936	209	12145	12552
8	Transport and storage	174	94	268	5236	8	5244	5512
9	Accommodation activities and food services	33	46	79	5634	176	5810	5889
10	Information and communications	72	53	125	595	20	615	740
11	Financial activities and insurance activities	8	18	26	34	4	38	64
12	Real Estate Activities	16	9	25	441	2	443	468
13	Professional, scientific and technical activities	118	136	254	1452	80	1532	1786
14	Administrative services and support services activities	87	217	304	7398	181	7579	7883
15	Public Administration and Defense, Compulsory Social Security	7	1	8	169	1	170	178
16	Education	27	118	145	182	248	430	575
17	Activities of human health and social service	13	53	66	145	173	318	384
18	Arts, Entertainment and Entertainment	4	4	8	202	90	292	300
19	Other service activities	18	78	96	3277	3081	6357	6453
	<b>Total</b>	<b>1838</b>	<b>1807</b>	<b>3645</b>	<b>150402</b>	<b>4399</b>	<b>154801</b>	<b>158446</b>

### 7.2.2 Distribution of national and expatriate labour force by the degree of establishment and number of workers

Table (3) illustrate the distribution of national and expatriate labour force in small and medium enterprises by the degree of establishment until the end of February 2019. From the data we note that the number of females of national and expatriate labour force in small and medium enterprises is less than male, and the number of employees in National manpower is less than the number of employees in Expatriate Manpower. The results shows that the first degree in

National manpower ranked first in the number of employees with percent 35.33%, followed by the Excellent class with percent 34.92%, and the lowest sectors in the number of employees are the Investment companies by 0%.

Also, the results shows that the Excellent class in Expatriate Manpower ranked first in the number of employees with percent 16.97%, followed by the first degree with percent 16.93%, and the lowest sectors in the number of employees are the Investment companies by 0.001%.

**Table (3): Distribution of national and expatriate labour force in SMEs by the degree of establishment and number of workers until the end of February 2019.**

No.	The degree of establishment and number of workers	Number of Establishments	National Manpower			Expatriate Manpower			Total
			Male	Female	Total	Male	Female	Total	
1	Excellent class	1294	683	590	1273	25911	372	26283	27556
2	Investment companies	1	0	0	0	2	0	2	2
3	first degree	1550	660	628	1288	25456	767	26223	27511
4	second grade	1425	221	285	506	21694	396	22090	22596
5	Third degree	5121	110	111	221	43674	307	43981	44202
6	Fourth grade	8273	164	193	357	33665	2557	36222	36579
	<b>Total</b>	<b>17664</b>	<b>1838</b>	<b>1807</b>	<b>3645</b>	<b>150402</b>	<b>4399</b>	<b>154801</b>	<b>158446</b>

### 7.2.3 Distribution of national and expatriate labour force by Skill level

Table (4) illustrate the distribution of national and expatriate labour force in small and medium enterprises by Skill level until the end of February 2019. From the data we note that the number of females of national and expatriate labour force in small and medium enterprises is less than male, and the number of employees in National manpower is less than the number of employees in Expatriate Manpower. The results shows that the Professional worker in National manpower ranked first in the number of employees with percent 42.44%, followed by the Specialists with percent 24.01%, and the lowest sectors in the number of employees are the Technicians by 8.34%.

Also, the results shows that that the Limited skill factor in Expatriate Manpower ranked first in the number of employees with percent 37.27%, followed by the Skilled worker with percent 29.08%, and the lowest sectors in the number of employees are Technicians with percent 3.16%.

**Table (4): Distribution of national and expatriate labour force in small and medium enterprises by Skill level until the end of February 2019**

No	Skill level	National Manpower			Expatriate Manpower			Total
		Male	Female	Total	Male	Female	Total	
1	Specialists	405	470	875	8324	372	8696	9571
2	Skilled worker	507	50	557	43187	1839	45026	45583
3	Limited skill	204	158	362	57068	632	57700	58062
4	Professional worker	625	922	1547	37251	1228	38479	40026
5	Technicians	97	207	304	4572	328	4900	5204
	<b>Total</b>	<b>1838</b>	<b>1807</b>	<b>3645</b>	<b>150402</b>	<b>4399</b>	<b>154801</b>	<b>158446</b>

#### 7.2.4 Distribution of national and expatriate labour force by educational level

Table (5) illustrate the distribution of national and expatriate labour force in small and medium enterprises by educational level until the end of February 2019. From the data we note that the number of females of national and expatriate labour force in small and medium enterprises is less than male, and the number of employees in National manpower is less that the number of employees in Expatriate Manpower. The results shows that the Below the General Education Diploma in National manpower ranked first in the number of employees with percent 45.43%, followed by Professional learning and its equivalent with percent 39.83%, and the lowest sectors in the number of employees are the PhD by 0.0274%.

Also, the results shows that that Below the General Education Diploma in Expatriate Manpower ranked first in the number of employees with percent 80.79%, followed by the Professional learning and its equivalent with percent 12.65%, and the lowest sectors in the number of employees are the Ph.D. with percent 0.016%.

**Table (5): Distribution of national and expatriate labour force in small and medium enterprises by educational level until the end of February 2019**

No.	Educational level	National Manpower			Expatriate Manpower			Total
		Male	Female	Total	Male	Female	Total	
1	Below the General Education Diploma	987	669	1656	123042	2035	125077	126733
2	Professional learning and its equivalent	612	840	1452	18001	1595	19596	21048
3	University Diploma	106	108	214	2091	154	2245	2459
4	B. A	129	186	315	7189	600	7789	8104
5	M.A.	4	3	7	62	8	70	77
6	Ph.D.	0	1	1	17	7	24	25
	<b>Total</b>	<b>1838</b>	<b>1807</b>	<b>3645</b>	<b>150402</b>	<b>4399</b>	<b>154801</b>	<b>158446</b>

#### 7.2.5 Distribution of national and expatriate labour force by Governorates

Table (6) illustrate the distribution of national and expatriate labour force in small and medium enterprises by Governorates until the end of February 2019. From the data we note that the

number of females of national and expatriate labour force in small and medium enterprises is less than male, and the number of employees in National manpower is less than the number of employees in Expatriate Manpower. The results show that the Muscat Governorate in National manpower ranked first in the number of employees with percent 56.70%, followed by the Al Batinah north Governorate with percent 9.32%, and the lowest sectors in the number of employees are the Musandam Governorate by 0.49%.

Also, the results show that the Muscat Governorate in Expatriate Manpower ranked first in the number of employees with percent 32.49%, followed by the Al Batinah north Governorate with percent 16.97%, and the lowest sectors in the number of employees are the Musandam Governorate by 0.229%.

**Table (6): Distribution of national and expatriate labour force in small and medium enterprises by Governorates until the end of February 2019**

No.	Governorates	National Manpower			Expatriate Manpower			Total
		Male	Female	Total	Male	Female	Total	
1	Muscat Governorate	1061	1006	2067	47558	2737	50295	52362
2	Al Batinah north Governorate	192	148	340	25780	494	26274	26614
3	Ad Dakhliyah Governorate	54	75	129	12233	214	12447	12576
4	Al Batinah south Governorate	67	63	130	11975	183	12158	12288
5	Ash Sharqiyah north Governorate	164	124	288	10903	169	11072	11360
6	Ash Sharqiyah south Governorate	66	174	240	9496	221	9717	9957
7	Dhofar Governorate	50	50	100	8580	65	8645	8745
8	Adh Dhahirah Governorate	28	28	56	3597	74	3671	3727
9	Al Buraymi Governorate	131	115	246	18426	213	18639	18885
10	Al Wusta Governorate	9	22	31	1507	21	1528	1559
11	Musandam Governorate	16	2	18	347	8	355	373
	Total	1838	1807	3645	150402	4399	154801	158446

### 7.3 The number of institutions registered with Riyada during the year 2015

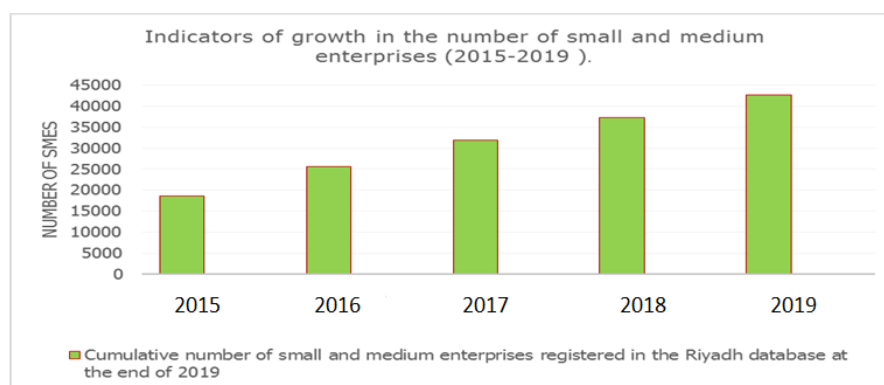
Table (7) illustrates the Statistics of the number of institutions registered with Riyada during the year 2015, the results show that the largest institutions registered with Riyada during the year 2015 is Muscat Governorate with percent 40.05%, followed by Al-Batinah north Governorate and Dhofar Governorate with percent 13.25% for each., and the lowest institutions registered with Riyada during the year 2015 is Al-Wusta Governorate with percent 1.25%.

**Table (7): Number of institutions registered with Riyada during the year 2015**

Governorates	Number	%
Muscat Governorate	3246	40.05
Al Batinah north Governorate	1074	13.25
Ad Dakhliyah Governorate	891	10.99
Dhofar Governorate	1074	13.25
Al Batinah south Governorate	573	7.07
Ash Sharqiyah north Governorate	528	6.52
Ash Sharqiyah south Governorate	370	4.57
Al Buraymi Governorate	139	1.72
Al Wusta Governorate	101	1.25
Adh Dhahirah Governorate	108	1.33
Total	<b>8104</b>	<b>100.00</b>

### 7.3.1 The number of small and medium enterprises registered with Riyada during (2019).

Following graph indicators shows the cumulative growth of the number of small and medium enterprises registered in the Riyadh database of 2019. The classification of “small, small and medium” enterprises, and the governorate, where the number of small and medium enterprises registered in the General Authority for Small and Medium Enterprises Development database reached “Pioneering until the end of 2019 (42698) institutions compared to (37289) institutions registered in the year 2018.



Source: public authority for small and medium enterprises development (Riyada)

Further, an increase in number of SMEs in Sultanate of Oman indicating that these companies are increasing employment opportunities and significant source of reducing unemployment.

Small and medium-sized enterprises contribute to their national economies by creating new jobs because these require small number of capitals and resources to start, and a developing

country need to promote this type of firms to increase employment as there may be less capital to invest with the investors. As the table illustrated the distribution of national and expatriate labour force in small and medium enterprises until the end of February 2019 contribution of small and medium enterprises in creates job opportunities of National manpower in SMEs is 2.3%, in which 1.16% are males and 1.14% are females. The proportion of Expatriate manpower throughout SMEs is 97.6%, with 9.49% of males and 2.77% of females.

Small and medium enterprises are considered a very important pillar to create different job opportunities and achieve more values in the case of providing an appropriate climate, inspiring and creative situation, and providing financing needs easily and appropriately as opportunities.

The main objectives are to study all available opportunities, exploiting existing wealth and improving in various sectors. In addition to improving and inspiring small and medium-sized companies and industries, and many projects that depend on the available competencies in various governorates.

#### **7.4 The Interview**

Therefore, in an interview with the Head of Auditor Services Department at the General Authority for Small and Medium Enterprises Development. Besides, another interview with four entrepreneurs. Through them, we can adequately understand the challenges facing these institutions, some questions were directed to them and one of the most important of these questions was:

1. What are the main challenges and obstacles that are facing small and medium enterprises?
2. What are the suggestions that can decrease the previous challenges as well as reduce their influences?
3. What is the extent that can small and medium enterprises underwrite to provide job opportunities and reduce the unemployment in the Sultanate of Oman?

The answer to the first question is as follows: The most important obstacles faced by SMEs were:

1. The delayed provision of services by government agencies.
2. Not all services are available in branches of government agencies.
3. The participation fees in exhibitions faced a continuous rise.
4. High fees for obtaining intellectual property.
5. Destruction from internal and external competition, particularly illegal.
6. The struggle of financing requirements and taking decisions to stop paying payments without prior notice.
7. The lack of a special activities for people with requirements in government departments.

8. It is refused to award proposals to small and medium enterprises.
9. Restrictions and requirements by the Ministry of Manpower regarding licenses to bring in workers.

Concerning the second question, the answer came as follows: The suggestions directed by his Excellency to reduce the severity of these effects:

1. The requirement of trusting on the important performance indicators for providing facilities in government agencies.
2. Supervision and monitoring by the concerned parties for the organizers of various exhibitions and events regarding the high subscription fees without supervision.
3. Implement a wide range of strict rule for defensive small and medium-sized enterprises from different internal and external competition.
4. Enabling financing methods and necessities and considering the condition of entrepreneurs and the phases of project improvement when taking decisions.
5. Exceptions are compulsory to facilitate measures for entrepreneurs with special needs in all government agencies.

Regarding the third question, the answers given by the owner are discussed as follows: The ability of small and medium companies to ensure job creation and reduce unemployment in the Sultanate of Oman, as this is the main question for the research that we have, as he mentioned the following:

- Small and medium enterprises are very important column for create different job opportunities and attaining more values in the occasion that an appropriate climate and an inspiring and creative situation are provided, and the necessities for financing are delivered easily and suitably as opportunities.
- The major goals are to study all available opportunities, exploiting the existing wealth, and improving in different sectors which are agriculture, animal wealth, hunting, industry, quarries, minerals, tourist sites, trade, crafts, and different professions. Besides, the improving and inspiring small and medium companies, industries and numerous projects which depend on the available competences in different governorate and moving the profitable activity. Establishing different consulting offices governmental to provide an opinion, expertise, advice and assistance for different form and type of working in order to hold small projects and provide new job opportunities.

According to the above discussion, it is concluded that medium and small enterprises undoubtedly help in reducing the severity of unemployment, as it contributes greatly to feed the locals and contribute the economic development, and as a result, these projects are indispensable in any way as they represent the backbone of the economy, especially in Oman.

## 8.0 Discuss the Results

1. Small and medium-sized enterprises contribute to their national economies by creating new jobs because these require small number of capitals and resources to start, and the developing country need to promote these types of firms to increase employment. According to table illustrating the distribution of national and expatriate labor force in small and medium enterprises until the end of February 2019. The contribution of small and medium enterprises in created job opportunities of National manpower in SMEs is 2.3%, of which 1.16% are males and 1.14% are females. The proportion of Expatriate manpower throughout SMEs is 97.6%, with 9.49% of males and 2.77% of females.
2. From the results, it is also concluded that most of the small and medium enterprises in the Sultanate are affiliated with the private sector, and that most of them are small enterprises, and most of them are proven to be the most effective in creating jobs. (Kok et al., 2011) have investigate the overall impact of the SMEs on Europe. They examined weather SMEs have delivered more jobs and better jobs in European Union countries. The employment growth rate for SMEs (1% a year) was larger than many big companies (0.5% annually) from 2002 t0 2010. Micro enterprises have accounted for the largest growth rate (1.3%) in the sector of the SMEs. and undoubtedly this is in line with our research, Furthermore, diversity has a major role in determining the extent to which these companies create different job opportunities, which is the same as the study reached (Jan de Kok, 2013) where it was generally believed that SMEs did not produce many jobs because of their shorter life, but that was not so in the study: 50% of the overall production of employment originated from companies hiring fewer than 100 employees.
3. The main implications of these results have clearly shown that there is a large amount of expatriate labor from an experienced workforce compared to the national workforce working in SMEs in Oman. This caused an increase in the unemployment rate in Oman, which has led to economic problems that Omani families suffer from. Besides, due to its cheapness and the low wages they receive and the expenses that these institutions bear from these workers compared to the national labor.
4. The distribution of the workforce in small and medium enterprises indicates that these institutions located in the Governorate of Muscat. And this indicates that investment intentions are concentrated around urban and industrial areas where economic activity is most intense, and the interests and administrative bodies are located.
5. Appears through Table No. (1) the distribution of the national and expatriate workforce in small and medium projects by economic sector, the results showed that the construction sector in the national workforce ranked first in the number of employees by 36.29%, followed by the manufacturing sector with 9.49%, and the lowest sectors in the number of employees are electricity, gas, steam, and air. The air conditioning programs sector is 0% The results also showed that the construction sector in foreign workers ranked first in the number of employees with 56.40%, followed by the manufacturing sector with 16.02%, and the lowest sectors in the number of employees in the financial and insurance activities

sector. By 0.024%, and it is seen from the results, the one of the most important obstacles faced by small and medium-sized companies is the lack of management skills and the lack of financing and expertise, which was shown by a study (Oyelana & Adu2015). Thus, it increases the demand for foreign workers to work in these sectors, as this sector is a primary engine for growth in the country. However, in the Austin et al. (2015) study, they studied the case of Nigeria in job creation through SMEs. Their goal was to review "other countries' experiences in creating jobs through small and medium-sized enterprises and find a way forward for Nigeria. This was achieved by reviewing countries' experiences in this area such as Mauritius, Thailand, Malaysia and the Philippines. For example, in Malaysia, SMEs represent more of the 80% of total industrial enterprises. However, the level of employment generated is not commensurate with the increase in productivity. SMEs requires encouragement to be competitive and sustainable as well.

6. It also explains that the education issue is not a primary issue but rather a secondary issue, as the high school holder has equal status as the diploma holder. On the other hand, it becomes necessary to encourage qualified training, especially in the workplace and in the professional field, to facilitate integration into the world of work. Which leads to the continuity and success of the institution. This discussion is supported by researcher Herr and Nettekoven (2017) who aimed to derive conclusions from both the German model and the general debate. By reviewing the existing data and research it has shown that small and medium enterprises in Germany are considered as the German economy's backbone. The researchers have also appointed to the major factors of the success of the small and medium enterprises. It includes the education system as the skill-level of the working force has a remarkable contribution to the SMEs' success and economic development. This is confirmed by the report Prepared by Reeg (2015) which demonstrated that how development practitioners and policymakers can increase the potential of small and small enterprises (MSEs) 'for decent work and job creation. This report has answered three main questions: Under what conditions do small and micro enterprises create job opportunities? Under what conditions does employment growth benefit business owners and workers? What kind of policy tools are available to development practitioners and policymakers to create more and better jobs in small and medium enterprises? In general, the author explained that these types of companies cannot provide an opportunity to create good jobs. The report concluded with evidence that there is a small group of small and micro enterprises that provide the possibility to drive job creation and improve the quality of those jobs and that the level of work is not the most important pillar for obtaining work and developing small and medium enterprises, but there are training and practical experience as well, and all of this undoubtedly has contributed in reducing unemployment in one way or another.
7. Small and medium enterprises face several problems, according to the interview related to the owners of small and medium enterprises, mainly related to the existence of administrative and financial and marketing obstacles and the problems associated with the industrial property, which hinders many young people who are vital in the integration and effective participation in economic activity. This may affect these institutions negatively in

creating job opportunities and their disappearance from the market. Katwa (2014) researched the role of small and medium-sized enterprises in job creation and economic development in specific countries. The paper also revealed that some challenges faced by small and medium enterprises not only substantially hinder their growth and progress, but also their contribution to developing the economy. The most important issues are the law-and-order situation, financial constraints, taxation problems, energy crisis and lack of information exchange among enterprises.

## 9.0 Conclusion

Unemployment is one of the most important and most serious problems that most countries of the world suffer from, according to their different economic systems and the varying level of their progress, given the resulting negative effects on the economic, social, and even political side. To reduce unemployment and try Control over it, the public authorities have installed official agencies aimed at preparing employment programs and stimulating the job market.

In this context, the researcher found that the most important and most possible result that can be reached through the information received is that many economists and researchers believe that developing small and medium enterprises and encouraging their establishment is a basic starting point to address this problem, which is the subject of research problem centered on the main question. Next: To what extent can small and medium enterprises contribute to reducing unemployment?

1. Small and medium enterprises have distinctive characteristics that make them more effective in creating jobs, mainly due to the high intensity of the work component, the lack of capital, and thus the low financial cost of providing job opportunities.
2. The statistical study carried out at the Sultanate level confirmed the previous theoretical results, as it highlighted the important contribution of small and medium enterprises in providing job opportunities, as the permissible category of workers in this type of institution constituted a large percentage of the total group employed.
3. It was also concluded that most of the small and medium enterprises in the Sultanate are affiliated with the private sector, and that most of them are small enterprises, and the latter has proven to be the most effective in creating jobs and reducing unemployment due to the low cost of the job opportunity.
4. All support must be provided to small and medium enterprises such as tax credits by governments for these projects, private financing institutions, lending funds, civil society organizations, and cooperative societies active in financing and servicing these projects.

## 10.0 Recommendations

Regarding to the results that got after collecting and analyzing the data, the following suggestions were made considering the above:

1. Providing support and training to owners of small and medium enterprises in the various stages of the institution's activity in a way that guarantees its success and continuity.
2. Working to provide coherence and communication between the responsible bodies concerned with supporting small and medium enterprises and exchanging experiences between their members, which enables the development of the institution and the development of mechanisms to follow up on its activities and ensure its success and sustainability to maintain the new job opportunities.
3. According to the modest number of SMEs that established outside Muscat, it is important to build culture of self-employment among young people by encouraging them to establish special projects represented in small and medium enterprises through providing financial support and administrative facilities.

## 11.0 Ethical Statement

The authors declare that they did not receive any fund or financial support to accomplish any stage of this manuscript. The authors declare that they have no conflicts of interest. All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards. Informed consent was obtained from all individual participants included in the study.

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