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RELATIONSHIP OF CUSTOMER LOYALTY AND SATISFACTION PERCEPTION STUDY ON THE MOBILE INDUSTRY IN OMAN–A CASE OF OMAN MOBILE

Supervisors

Main Supervisor: Dato Associate Professor Dr Ishak Ismail

Co- supervisor: Datin Professor Dr Hasnah Haron

Student Name

Dhahi Saleh Jameel Al- Darey

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BY

DHAHI SALEH JAMEEL AL DAREY

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DEDICATION

From The deep of My Heart,

Especially Dedicate This Thesis to My Lovely

My Wife (Am Salaah)

My Mother

My Sons

(Salaah and Khalifa)

&

My Daughters

(Matheer, Atheer and Tharaa)

DHAHI AL –DAREY

2009

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TABLE OF CONTENTS

ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	ix
LIST OF FIGURES	x
ABSTRAK	xi
ABSTRACT	xii
Chapter 1 INRODUCTION	
1.1 Introduction	1
1.2 Background	1
1.3 Problem Statement	4
1.4 Research Objectives	6
1.5 Research Questions	6
1.6 Significance of the Research	6
1.7 Definition of Key Terms	8
1.7.1 Service Quality	8
1.7.2 Perception Quality	8
1.7.3 Customer Loyalty	8
1.7.4 Customer Expectation	8
1.7.5 Customer Satisfaction	9
1.8 Organization of this Chapter	9
Chapter 2 LITERATURE REVIEW	
2.1 Introduction	10
2.2 Oman	10
2.2.1Oman Demographics	11
2.3 Education in Oman	13

2.4The Human Resources and Employment Statuses in Oman 16

2.5 Telecom Overview in Oman 21

2.5.1 Oman Telecommunication Company (SAOG) 21

2.5.2 Oman Mobile 22

2.5.3 Nawras 22

2.5.4 Mobile Growth Trend in Oman 22

2.5.5 SMS 25

2.5.6 International Roaming 26

2.5.7 Third Generation (3G) 26

2.5.8Telecom Financial Performance 27

2.5.9 Average Revenue per User (ARPU) 27

2.5.10 Regulating the Competition 28

2.5.11 Mobile Traffic 28

2.5.12 Promotional Offers 31

2.6 Several Models of Service Quality 32

2.6.1 GAP Model 32

2.6.2Model of perceived service quality and satisfaction 36

2.6.3 Antecedents and mediator model 37

2.7 Service Quality 38

2.8 Customer Perceptions vs expectations 40

2.9 Customer Satisfaction 40

2.10 Customer Loyalty 42

2.11 Relationships between Perceived Service Quality, Customer Satisfaction, and Customer Loyalty 43

2.12 Convenient location of service provider 45

2.13 Customer Education 48

2.14 The Quality Dimensions 49

2. 15The Theoretical Framework 51

2.16 Hypotheses Development 52

2.16.1 Relationship between Service Quality and Customer Loyalty 53

2.16.2 Influence of moderating variable for mobile Phone Users on the Relationship between Customer Satisfaction and Customer Loyalty 54

2.17 Summary 56

Chapter 3 METHODOLOGY

3.1 Introduction 57

3.2 Research Design 57

3.3 Population and Sample Size 58

3.4 Questionnaire Development 58

3.5 The Variables 58

3.6 The Measurements 59

3.6.1 Perception of Service quality dimensions 59

3.6.2 Service quality, customer perception and customer expectation 59

3.6.3 Customer loyalty 60

3.7 Data Collection 60

3.8 Data Analysis 61

3.8.1. Descriptive Statistics 62

3.8.2. Factor Analysis 62

3.8.3. Reliability Analysis 62

3.8.4. Correlation Analysis 62

3.8.5 Multiple Regression Analysis 62

3.9 Summary 63

Chapter 4 DATA ANALYSIS AND RESULTS

4.1 Introduction 64

4.2 Descriptive analysis 64

4.2.1 Profile of Respondents 64
4.3Factor Analysis 66
4.4 Reliability Analysis 69
4.5 Descriptive Analysis 70
4.6Correlation Analysis 73
4.7Regression Analysis 75
4.8 Moderating Effect of Demographic Profile on Customer Loyalty 76
4.9 Simple Slope of the Moderating Effect 79
4.10 Summary 81

Chapter 5 DECUSSIONS AND CONCLUSIONS

5.1 Introduction 85
5.2Recapitulation of the Study 85
5.3 Discussions of the Findings 87
5.3.1 Relationship between perceived service qualities with customer loyalty 87
5.3.2 Customer Location, education level and employment status of mobile phone users will have an influence on the relationship between service quality and customer loyalty. 90
5.4 Implications of the Study. 91
5.5 Limitations of the Study. 92
5.6 Recommendations for Future Research. 93

REFERENCES 94

APPENDIXES

Appendix A Questionnaire Sample
Appendix B Frequencies Tables

Appendix C	Factor Analysis
Appendix D	Reliability Analysis
Appendix E	Descriptive Analysis
Appendix F	Correlation Analysis
Appendix G	Regression Analysis

LIST OF TABLES

2.1 Indicators of Oman Population Census (2003)	12
2.2 Educational Status in Oman	16
2.3 labor force Indicators in Oman	20
2.4 Tariff Approval by Operator	30
2.5 Promotional Offers	31
3.1 Service Quality Dimensions	59
3.2 Customer Perception and Customer Perception	59
3.3 Customer Loyalty	60
3.4 Distribution of Questionnaires	61
4.1 Profile of respondents	65
4.2 Factor Analysis for Perceived Service Quality	67
4.3Factor Loading for Customer Loyalty	69
4.4 Result of the Reliability Test	70
4.5 Descriptive of the Major Variables	71
4.6 Comparison of Satisfaction Gap in Major Service Quality Dimension	71
4.7Comparison of mean responses for expectation, perception and gap scores among respondents	72
4.8 Correlation among major Variables	74
4.9 Result of Regression Analysis for Perceived Service Quality	76
4.10 Result of Regression Analysis	78
4.11 Summary of Results of the Analyses	82

LIST OF FIGURES

2.1 Map of Oman 10

2.2 Mobile Subscriber's Growth Trend in Oman Market During (2001- 2007). 23

2.3Mobile Penetration Rate (Country Comparison 2006). 24

2.4 Post Paid Subscribers 25

2.5 Pre Paid Subscribers 25

2.6 Telecom Revenues by Sectors (Thousand OR) (2005-2007) 27

2.7 Mobile, Fixed line Internet ARPU (2005- 2007) (in OR) 28

2.8 Gap analysis model 34

2.9 Extended Model of Service Quality 36

2.10 Satisfactions-Service Quality Model 37

2.11 Antecedents and Mediator Model 38

2.12 Conceptual Framework 52

4.1 The interaction graph between tangibility and customer loyalty 79

4.2 The interaction graph between reliability and customer loyalty 80

4.3 The interaction graph between assurance and customer loyalty 81

ABSTRAK

Tujuan kajian ini adalah untuk memahami tanggapan kualiti perkhidmatan dan meneliti perhubungan di antara dimensi kualiti perkhidmatan, kepuasan pelanggan dan kesetiaan pelanggan terhadap perkhidmatan yang diberikan oleh pembekal perkhidmatan telefon bimbit di pasaran Oman. Model SERVQUAL telah digunakan untuk mengukur tanggapan dan harapan pelanggan terhadap perkhidmatan yang diberikan oleh pembekal perkhidmatan telefon bimbit tersebut. Dua ratus lima puluh soal selidik telah dihantarkan kepada 4 lokasi di Oman (bandar, kampung, gunung dan padang pasir.) Kaedah persampelan mudah telah digunakan. Dua ratus responden telah memberikan maklumbalas di dalam masa yang ditetapkan. Dapatan kajian menunjukkan perhubungan yang positef di antara dimensi kualiti perkhidmatan dan kesetiaan pelanggan. Hanya *empati* mempunyai perhubungan dengan kesetiaan pelanggan. Sebagai tambahan, lokasi, tahap pendidikan dan status pekerjaan pengguna telefon *mobile* di dapati mempunyai perhubungan signifikan di antara kepuasan kualiti perkhidmatan dan kesetiaan pelanggan. Pihak pengurusan haruslah meminta pekerja mereka memberi lebih perhatian kepada *empati* . *empati* adalah elemen penting kualiti perkhidmatan dan menjadi sebab utama kesetiaan pelanggan kepada pembekal perkhidmatan telefon bimbit tersebut. Dapatan kajian juga menunjukkan responden yang tinggal di bandar mempunyai kesan positif terhadap perhubungan di antara kualiti perkhidmatan dan kesetiaan pelanggan.

ABSTRACT

The purpose of this research is to find a better understanding of perceived service quality level and to examine the relationship between service quality dimensions, customer satisfaction and customer loyalty with the service offered by the mobile service provider in Oman market . SERVQUAL model was used to measure the mobile service provider customers perception and expectation with the mobile service provider services received. Two hundred and fifty questionnaires were distributed to mobile phone users in four locations in Oman (urban, villages, mountains, deserts). Two hundred respondents had given their feedback within the suggested time frame. Research findings showed a positive relationship between service quality satisfaction dimensions and customer loyalty. Only empathy was found not to have a relationship with customer loyalty. Management needs to emphasize the importance of empathy to all employees. Empathy is an essential element of service quality and is the main for the loyalty of customers to the mobile phone service provider. It was also found that respondents' staying in urban was found to have a positive influence on the relationship between service quality and customer loyalty.

Chapter One

INTRODUCTION

1.1 Introduction

This chapter introduces the present study by highlighting the background, the problem statement, the research objectives, the research questions, the significance of the study, the definition of key terms, and the organization of the remaining chapters.

1.2 Background of the Study

Today, every business organization throughout the world, ranging from small business owners to large corporations, is constantly seeking unique and innovative ways to improve their quality of service to achieve competitive advantage and enhance customer satisfaction.

Service quality has become a major area of attention to practitioners, managers, and researchers owing to its strong impact on business performance, lower costs, customer satisfaction, customer loyalty, and profitability (Leonard & Sasser, 1982; Cronin & Taylor, 1992; Gammie, 1992; Hallowell, 1996; Chang & Chen, 1998; Gummesson, 1998; Lasser et ci., 2000; Silvestro & Cross, 2000; Newman, 2001; Sureshchander et ci., 2002; Guru, 2003 etc.).

The construct '*quality*' as conceptualized in many service literatures and as measured by SERVQUAL focuses on perceived quality. In this study, perceived quality is defined as the consumers' judgments about an entity's overall excellence or superiority.

The term '*expectations'* is used differently in the consumer satisfaction literature and the service quality literature since it is a significant source of potential confusion. In the satisfaction literature, expectations are viewed as predictions made by consumers about what is likely to happen during an impending transaction or exchange. On the other hand, in the service quality a literature, expectations are viewed as desires or wants of consumers or what they feel a service should offer rather than would offer to them.

Organizations seek to improve the customers' satisfaction, which can help them achieve a sustainable competitive advantage with the realization that high service quality results in higher customer retention and increased market share (Buzzell & Gale, 1987; Danaher & Rust, 1996; Rust… et., 1994). Customers' satisfaction is how customers feels after purchasing a product or service and, in particular, whether or not that product or service meets their expectations.

The concept *'customer loyalty'* is used to describe the behavior of repeat customers as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular organization a great service by offering favorable word of mouth publicity regarding a product. They tell their friends and family and thus add them to the number of customers who may become loyal sooner or later. However, customer loyalty does not take place by having heard about a certain product or service; it is much more than that. It is a process, a program, or a group of programs geared towards keeping a customer happy so that he or she will provide more business. Customer loyalty can be achieved in some cases by offering a quality of service or product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is to make happy customers return to purchase again and persuade others to use that company's products or services. This equates to profitability as well as to happy stakeholders. Customers' loyalty increases sales by purchasing a wider variety of the organization services and products and by making more frequent purchases. Bowen & Shoemaker (1998) found loyal hotel customers had higher food and beverage purchases than non-loyal customers. Finally, loyal customers cost less to serve, because they know the product and require less information.

The service of telecommunications market in Oman is dominated by state-controlled incumbent operator, Oman Telecommunications Company (Omantel). It is the sole licensed operator of public fixed-line telecommunications services including local, long-distance, and international telephone calls in addition to data communications, value-added services, and Internet access services. Having launched a digital cellular network in 1996, the company was also the only mobile services provider in Oman until March 2005 when new entrant Nawras Telecom launched its offering.

Nawras won a tender for the second cellular license in June 2004 and received the license in February 2005. Omantel's cellular subsidiary, Oman Mobile, was given a formal cellular license in February 2004. Both companies operated in the cellular market under a three-year period of exclusivity that had expired in February 2008. However, both companies are still working in the market until now.

The Telecommunications Regulatory Authority of Oman (TRA) expects to license a second national public fixed-line network operator and a second national public data network operator in "the near future", but has yet to set a schedule for offering these licenses. It was widely expected that some announcements will be made in early-2007.

As part of its agreement with the World Trade Organization (WTO) concerning the liberalization of the telecommunications sector, the government of Oman has completed the privatization of Omantel. A 30% stake in the company was sold on the Omani stock market in June/July 2005 with 9% sold to specific pension and charitable funds. Foreign investors were not able to purchase Omantel shares at that time, but they have been able to do so since October 2005. There is a 49% gap on the level of foreign ownership in Omantel, although no single shareholder can presently hold more than 5% of the company's shares.

This study is purposed to assist the Oman Mobile Telecom companies in the Oman market for measuring customer satisfaction. Customer satisfaction is operationlized through the gap of customers' perceptions – their expectations. This study seeks to determine the customers view (mobiles provider companies) of service quality and it tries to determine some SERVQUAL model dimensions and other factors that are relevant to mobiles provider companies in Oman market. This study also tries to test the relationship between service quality dimensions and customer satisfaction as a guide to customer loyalty in the mobile service industry in Oman.

1.3 Problem Statement

Service quality has been the subject of considerable interest by both practitioners and researchers in recent years after its first appearance in the original work of Parasuraman et at. (1985). An important reason for the interest in service quality by practitioners results from the belief that service quality has a beneficial effect on bottom-line performance for the firm. Service quality can help an organization to differentiate itself from other organizations and gain a competitive advantage. Superior service quality is a key to improved profitability (Ghobadian et at, 1994).

However, practitioners often tend to use the terms *service quality* and *customer satisfaction* interchangeably. Among academics, the satisfaction construct is recognized as being distinct and has developed along fairly independent lines from service quality (e.g. Oliver, 1980). The concepts '*service quality'*, *'customer satisfaction'*, and *'service loyalty'* are related to each other. There are consistent findings across different industries that service quality leads to customer satisfaction. Rust & Zahorik (1993) & Storbacka et al. (1994) studied the impact of service quality on satisfaction, and satisfaction on customer loyalty. They found service quality to be positively correlated with satisfaction that will lead to increased purchase (customer loyalty). Sauss B & Neuhaus (1997) in their study found a significant positive relationship between customer satisfaction and customer loyalty. In short, they argued that a satisfied customer tends to be more loyal to the organization than a dissatisfied of customer. This current study seeks to study the link between service quality, customer satisfaction, and customer loyalty.

In fact, the government of Oman is to open the Omani market for the new international mobile companies to invest in the telecommunication business in the Oman. This study would try to determent the factors that influence customer satisfaction and the effects of demographic factors namely: (location, education level, and employment status) on customer satisfaction and customer loyalty.

1.4 Research Objectives

The objectives of this study are**:**

1. To examine the relative importance of each of the service quality dimensions.
2. To examine the difference between perception & expectation for each service quality dimension.
3. To examine the relationship between customer satisfaction & customer loyalty.
4. To examine the influence of customer's location, educational level, & employment status on the relationship of customer satisfaction and customer loyalty.

1.5 Research Questions

This study will try to answer the following questions:

1. What is the relative importance of each of the service quality dimensions?
2. What are the gaps of perception and expectation for each service quality dimension?
3. What is the relationship between customer satisfaction and customer loyalty?
4. What is the influence of customers' location, education level, and employment status on the relationship between customer satisfaction and customer loyalty?

1.6 Significance of the Research

In regard to the increasing competition faced by many service providers especially in the mobile service industry, this study will shed the light on some of the most important factors that contribute to customer satisfaction, which leads to customer loyalty in order to help the managers of mobile service providers maintain a pool of loyal customers which will in turn help the business organizations to sustain in this competitive business environment.

Rust & Zahorik (1993) & Storbacka et al. (1994) studied the impact of service quality on satisfaction and the impact of satisfaction on customer loyalty. They found service quality to be positively correlated with satisfaction, which will lead to increased purchase {customer loyalty). Selnes (1993) argues that it is satisfaction with a brand that leads to customer loyalty. This view is also supported by Dick & Basu (1994). LaBarbera & Mazursky (1983) show empirically that brand loyal customers had a lower probability to switch brands due to higher levels of satisfaction. In general, research in this area suggests that service quality is an important indicator of customer satisfaction (Spreng & Mackoy, 1996). Satisfaction and quality are closely linked to market share and customer retention (Fornell, 1992; Rust & Zahorik, 1993; Patterson & Spreng, 1997).

In addition, there were no studies conducted in Oman that are concerned with making a comparison among mobile companies in Oman market or that which measure service quality level in the mobile service. Understanding a new concept in business is very important for having an effective marketing strategy. This study will contribute to the existing literature by incorporating new variables to the conceptual frame work to test their impacts on customer satisfaction and customer loyalty with respect to mobile service providers industry in Oman market. from this study, the Management of mobile service providers they will be able to enhance the service quality dimensions that the customers are not satisfied with. It would also help them to develop their marketing strategy.

1.7 Definition of Key Terms

1.7.1 Service Quality:

Service Quality is a relativistic and cognitive discrepancy between experience-based norms and performances concerning service benefits (Roest & Pieters' 1997).

1.7.2 Perceived Quality:

Perceived Quality is a total judgment of evaluation with respect to a product or a service bearing on the relative superiority of this product/service (Rust & Oliver, 1994; Taylor & Bakker, 1994; Bitner & Hubert, 1994) or the degree and direction of discrepancy between consumer's perceptions and expectations (Parazuraman, Zeithaml & Berry (1985, 1988).

1.7.3 Customer loyalty:

Customer Loyalty is the degree to which a customer repeats purchasing behavior from a service provider, possesses a positive attitudinal disposition towards the provider, and considers using only this provider when a need for this service exists (Gremler & Brown, 1996).

1.7.4 Customer Expectation:

Customer Expectation is conceptualized as a normative standard of future wants (Boulding et aL,1993, p. 8).

1.7.5 Customer Satisfaction:

Customer Satisfaction is a psychological concept that involves the feeling of well-being and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service (WTO, 1985).

1.8 Organization of the Remaining Chapters

In order to conduct this study in an efficient way, five chapters were presented. Chapter one presents an overview of the study and reasons of conducting the study have been explained. The second chapter presents and discusses the previous studies conducted in the service quality and customer satisfaction; it also presents the theoretical framework and hypotheses of this study. Chapter 3 looks at the research mythology, research design, variables and measurements, population, data collection, and data analysis. Chapter 4 presents the goodness of measurement used and the results of the tested hypotheses. Chapter 5 is the last chapter. It presents the overall findings and implication of the research. Some suggestions and recommendations are presented in this chapter as well.

Chapter Two

LITERATURE REVIEW

2.1 Introduction

This chapter introduces the present study by highlighting the background of Oman, telecom market overview in Oman, several models of service quality, definition of service quality, definition of customer satisfaction, impact of customer perception and expectation on customer satisfaction, the definition of customer loyalty, the relationship between service quality and customer satisfaction , the relationship between customer satisfaction and customer loyalty , the SERVQUAL model, and the theoretical framework for this study .

2.2 Oman

Figure 2.1 Map of Oman

Oman (Arabic: عمان transliteration: *Umān*), officially the Sultanate of Oman (Arabic: عمان سلطنة transliteration: *Salṭanat Umān*), is an Arab country in southwest Asia on the southeast coast of the Arabian Peninsula. In the northwest, Oman is facing the United Arab Emirates. Saudi Arabia is facing Oman from the west and Yemen from the southwest. The coast is formed by the Arabian Sea on the south and east and the Gulf of Oman on the northeast. The country also contains Madha, an exclave enclosed by the United Arab Emirates, and Musandam, an exclave separated by Emirati territory. Oman covers an area of about 309,500 sq km (about 119,500 sq mi) and its capital city is Muscat.

2.2.1 Oman Demographics

Based on the Indicators of Oman Population Census 2003 (see table 2.1), the Ministry of Economy estimated that in mid 2006, the total population was 2.577 million. Of those, 1.844 million were Omanis. The population has grown from 2.018 million in the 1993 census to 2.340 million in the 2003 census. In Oman, about 50% of the population lives in Muscat and the Batinah coastal plain northwest of the capital; about 200,000 live in the Dhofar (southern) region, and about 30,000 live in the remote Musandam Peninsula on the Strait of Hormuz. Some 600,000 expatriates live in Oman, most of whom are guest workers from Pakistan, Bangladesh, Egypt, Jordan, India, and the Philippines. The age structure of Omani population is between 0-14 years: 42.2% (male 603,664; female 580,469), 15-64 years: 55.4% (male 934,621; female 620,158) and 65 years and over: 2.4% (male 36,504; female 31,709).

Table 2.1 Indicators of Oman Population Census *(2003)*

ITEMS	CENSUS	
	2003	1993
Total of Oman Population	2,340,815	2,018,074
Omani	1,781,558	1,483,226
Expatriate	559,257	534,848
Percentage Distribution of Population by Nationality		
Omani	76.1 %	73.5 %
Expatriate	23.9 %	26.5 %
Percentage Distribution of Population by Urban Status		
Urban	71.5 %	71.7 %
Rural (desert, mountains ,villages)	28.5 %	28.3 %
Percentage Distribution of Population by Governorate /Region		
Al Batinah	27.9 %	28.0 %
Muscat	27.0 %	27.2 %
Ash Sharqiyah	13.4 %	12.8 %
Ad Dakhliyah	11.4 %	11.4 %
Dhofar	9.2 %	9.4 %
Adh Dhahirah	8.9 %	9.0 %
Musandam	1.2 %	1.4 %
Al Wusta	1.0 %	0.8 %
Total	**100.0 %**	**100.0 %**
Total Population	**2,340,815**	**2,018,074**

Source: Ministry Of National Economy - 2009 (Oman)

2.3 Education in Oman

Is provided free of charge up to the end of secondary education, though attendance is not mandatory at any level. In 1970 there were only three formal schools with 900 students in the whole country. Oman's national educational program expanded rapidly during the 1970s and the 1980s. In 2006–2007 about 560,000 students attended 1053 public schools. The number of students in private schools is about 20,000. Sultan Qaboos University, the only national university near Muscat, was established in 1986. In 2006, it had 13,500 students. The 2006 Human Development Report found adult literacy rate to be 81.4% in adults (older than 15) up from 54.7% in 1990. For the same period, the youth (15-24) literacy rate increased from 85.6 to 97.3%. Public expenditure on education was reported to be 4.6% of GDP and 26.1% of total government spending.

The Omani higher education system is relatively young since the Sultan Qaboos University, the first public university in Oman, was founded in 1986. Prior to the establishment of SQU, the government sent some students to pursue higher education studies in neighboring Arab countries like UAE, Kuwait, Jordan, and Egypt. Some students were also awarded scholarships to study in the UK and America.

Currently, the Ministry of Higher Education operates the SQU, Rustaq Education College for preparing teachers and five specialist colleges in Ibri, Nizwa, Salalah, Sohar and Sur (until recently all five used to be Education Colleges). The Law College and College of Banking and Financial Studies are also run by the Ministry of Higher Education. The Ministry of Manpower operates the Higher College of Technology in Muscat and five colleges of technology in Al-Mussana, Ibra, Nizwa, Salalah and Shinas. The Ministry of Health runs a number of health institutes to prepare assisting medical staff like nurses, paramedics and pharmacists. As the number of students finishing secondary school rises each year; 44,000 students are expected to finish in 2008. SQU and other public colleges became unable to cope with demand as places were limited. Competition for acceptance in public higher teaching was (and is still) very fierce. Since private colleges were very limited in the mid nineties, more and more parents sent their kids overseas to study in countries like UAE, Jordan, and Egypt. The government became aware of the trend and decided to encourage the private sector to form universities and colleges in the country. The first private college was established in 1994. Since this date, Oman has seen quite a lot of new foundations. Most of the colleges focus on business administration and computer sciences. They are usually affiliated with European, Australian or American institutions. The language of instruction is mainly English. As part of the Oman initiative, applications for 2006/2007 higher education (public and private) places have been merged under one unified online system (Higher Education Admissions Center).

Each higher education institute publishes the minimum entry requirements for each of its degrees and the students select their choices in order of preference. When the Ministry of Education publishes secondary school results in mid July, these results are fed automatically into the system and offers are made in early August. Prior to the new system, the students had to submit their papers to the different institutes by themselves after the publication of results. The process was very inconvenient for the students and the admission departments because there was very little time and students had to travel a lot.

Sultan Qaboos University and other private universities offer both Bachelor and Master degrees but not in all subjects. Starting from September 2008, SQU will introduce Phd studies in four of its colleges namely: (Agriculture and Marine Sciences, Medicine, Engineering, and Natural Sciences). A Bachelor degree takes about five years as the first year of is spent in studying English, the second year is spent in studying relevant science subjects, and the last three years are dictated to core degree units. A medicine degree takes seven years. The public university is normally visited by Omani students only. Expatriates go - as a general rule - to private universities or study abroad. Dhofar University is famous for welcoming international students. At the moment, colleges are mostly concerned with teaching in the undergraduate area. Only a few colleges have started to offer Masters' degrees. At these colleges, the students receive their first vocational graduation. The first year ends normally with a "Higher National Certificate (HNC)". The second year concludes with the "Higher National Diploma (HND)". The third year leads to an academic grade of a Bachelors' degree.

In year 2003, Omani Ministry of Higher Education approved the merger of five private run colleges in order to form the Muscat University. However, the plan to merge Fire Safety Engineering College, Majan College, Modern College of Business & Science, Middle East College of Information Technology, and Mazoon College for Management and Applied Sciences failed (source: Oman Observer 18.7.2005). Currently, there is some hope that the plan to form Muscat University may be revived.

Table 2.2 Educational Status in Oman

ITEMS	CENSUS	
	2003	1993
Percentage distribution of Omani Population (10 years and over) by Educational Status		
Illiterate	17.8 %	31.8 %
Can read and write	19.8 %	27.9 %
Primary /First stage of education	20.9 %	21.5 %
Preparatory /Second stage of basic education	17.5 %	10.4 %
Secondary	17.9 %	5.5 %
Post secondary non-tertiary	2.5 %	1.5 %
University	3.1 %	1.1 %
Master \ PhD	0.3 %	0.1 %
Not stated	0.2 %	0.2 %
Total	**100.0 %**	**100.0 %**
Omani Population (10 years and over)	**1,328,546**	**958,953**

Source: Ministry of National Economy -2009 (Oman)

2.4 The Human Resources and Employment Statuses in Oman

Based on the indicators of labor force in Oman (see table 2.3), the government of Sultan of Oman, has adopted a wider definition of human resources development. The concept adopted considers this as the aim and ultimate goal of the development process. On the basis of this broad perception, all previous development plans have therefore attached significant importance to human resources development. The focus on human resources has been strengthened further and now it has become one of the main dimensions of the Vision for Oman's Economy: Oman 2020. On the basis of the approved strategy for human resources development, the Sultanate strives to create quantitative and qualitative improvement in all fields of general and technical education, vocational training, higher education, health services, labor market, and in the different demographic indicators.

The achievement of all the dimensions of the Vision for Oman's Economy relies on accomplishing economic equilibrium and sustainable growth, the diversification of income sources, and the private sector development. This cannot be realized without formulating a realistic and flexible strategy for human resources development. Through the adoption of practical integrated policies and mechanisms for human resources development the Sultanate can prepare the Omani society to enter the 21st century. Competition in the next century will be based upon the industries that depend on science and knowledge. The success of nations in the coming century will be closely linked to the potentialities and skills of their people to cope with technological and scientific advances. This calls for creativity understanding and scientific invention. It is important to emphasize that caring for mothers results in the creation of a model nation. As women represent half of Omani population, the government has accorded special care to them since the commencement of the development process. As one of the fundamental bases of the development efforts, equal employment opportunities in all fields have been provided for women by the sultanate of Oman. Social indicators in the fields of education, health, and labor market reflect the significant gains made by women in this respect. Girls now represent 48% of total students at primary stage, 46% at a preparatory stage and more than half of the students in the academic year 1995-96 at Sultan Qaboos University. These percentages remain unchanged until 2005.For historical and traditional reasons, the participation of women in the formal economic and a social sector is still modest. However, women's participation in informal sectors such as handicrafts and traditional industries is relatively significant. Through this strategy, the government will strive to develop the role of Omani women and their contribution to the national economy within the next phase. In spite the pronounced improvement in the indicators related to labour market and human resources development during the period (1970-1995), there was still a group of challenges that face the labour and Omanization sector. To overcome theses challenges, the vision for Oman's Economy: Oman 2020 gave a special attention to human resources development and qualification of national labor force. The vision for human resources involves: (creation of well developed Omani human resources with capacities and skills that conform to the technical and technological development and characterized by high efficiency for management of changes. This is in order to face the regional and international continuously changing conditions and ensure maintenance of Omani traditions and customs. The objectives of the labor and *Omanization* sector vision in the Vision for Oman's Economy: Oman 2020 involve provision of employment opportunities in both Omani public and private sectors and their training and qualification in a manner suitable to the labor market. This can be achieved by:

- Providing employment opportunities for Omanis to avoid unemployment and provide them with training and qualification in order to conform to the labour market needs.
- Substituting expatriate labor with highly qualified Omani labor. This is to shift the economy from low value added economy to one with high value added. Furthermore, this will increase the participation of the Omanis in the labor market in general and increasing the Omani women participation in particular.
- Increasing the efficiency of the Omani labor market through reducing the differentials in allowances between the public and private sectors.
- *Omanizing* the ratio in the private sector, which increased from (14.7%) in 1995 to (16.6%) in 2000 due to increased employment rate of Omanis compared to non-Omanis by (5.1%) relative to (2.3%). Hence, it appears that the planned *Omanization*

ratio in private sector employment by the end of the plan in 2000, which was estimated to be (25%), has not been accomplished.

- In the civil public sectors, the *Omanization* rate slightly increased from (68.5%) to (74%) during the period (1995-2000). This increase is attributable to the increasing number of Omani employees at a growth rate of (1.5%) and the negative growth for non-Omanis during the period at a rate reaching (3.8%)
- Regarding the total employees in the two sectors, it was noticed that the *Omanization* ratio did not change much as it increased from (34%) to (34.3%) between 1995 and 2000. Therefore, the planned *Omanization* ratio for total labor in 2000, which was estimated at (38.9%), has not been achieved.

Qualifying and training the Omani people received special attention and support in the plan as tangible steps have been taken to expand the technical education and vocational training. This has led to increased enrolment in technical and vocational training institution. However, despite this step, the enrolment rate in technical education and Vocational Framing relative to the total enrolment in higher education is still low and did not exceeded (20.1%) in 2000. In addition, the qualification and training processes in the plan had faced some difficulties. The most apparent problems involved the obstacles that faced the implementation of the General National Vocational Qualifications (GNVQ). To deal with this, the adoption of improved technical education in the technical and industrial colleges was proposed in the form of a High National Diploma (HND).

Table2.3Labor Force Indicators in Oman

ITEMS	CENSUS	
	2003	1993
Labor Force (Employed & Unemployed)		
Total Labor Force	873,466	704,798
Omani	442,517	272,397
Expatriate	430,949	432,401
Percentage Distribution of Labor Force by Nationality		
Omani	50.7 %	38.6 %
Expatriate	49.3 %	61.4 %
Percentage Distribution of Labor Force by Governorate / Region		
Muscat	34.6	37.6
Al Batinah	22.7	22.5
Ash Sharqiyah	11.6	10.1
Dhofar	10.5	10.9
Adh Dhahirah	9.1	8.6
Ad Dakhliyah	9.0	8.1
Musandam	1.4	1.3
Al Wusta	1.1	0.9
Total	**100.0**	**100.0**
Labor Force	**873,466**	**704,798**
Percentage Distribution of Employed Omanis by Sector (%)		
Public	______	62.6
Private	______	27.4
Family *(This is the sector in which the individual works in an establishment owned by the household and at its expense)*	_______	9.2
Communal *(consist of the entities owned by the society such as clubs and associations)*	________	0.3

Other	_______	0.5
Total	_______	100.00

Source: Ministry of National Economy -2009 (Oman)

2.5Telecom Overview in Oman

Telecommunication services play a key role in the growth of an economy because they promote efficiency and growth across a wide range of user industries in any country. Modern telecommunication infrastructure and high speed network facilities, internet penetration, cellular mobile subscription and spread of IT applications, spur productive efficiency in an economy. There are three licensed operators providing telecom services in Oman. These operators are explained below.

2.5.1 Oman Telecommunication Company (SAOG)

Oman Telecommunication Company (SAOG) is the only fixed lines service provider in Oman. It is a public joint stock company, which was established in 1999 replacing the General Telecommunications Organization (GTO). The Omani government offered 30% of its stake (225 million shares) in Omantel to Omani investors in 2005. The company was awarded a first class license in 2004 when it was restructured into a holding company (Oman Telecommunications Company) and two separate companies: fixed line and internet venture Omantel and the Oman Mobile Telecommunication Company (OMTC), for cellular mobile services. Omantel provides local, domestic long-distance, international services, ISDN, leased lines, dial up, and ADSL.

2.5.2 Oman Mobile

Oman Mobile Telecommunications Company (OMTC) was the first mobile operator in Oman. It was awarded a first class telecom license and installed a GPRS platform across the network with over 1.483 million subscribers and 95% population coverage till December 2007. The company provides a range of services on the GSM system including SMS, MMS, roaming services and internet access. Oman mobile is the leader of mobile market with a share of 59 percent at the end of 2007.

2.5.3 Nawras

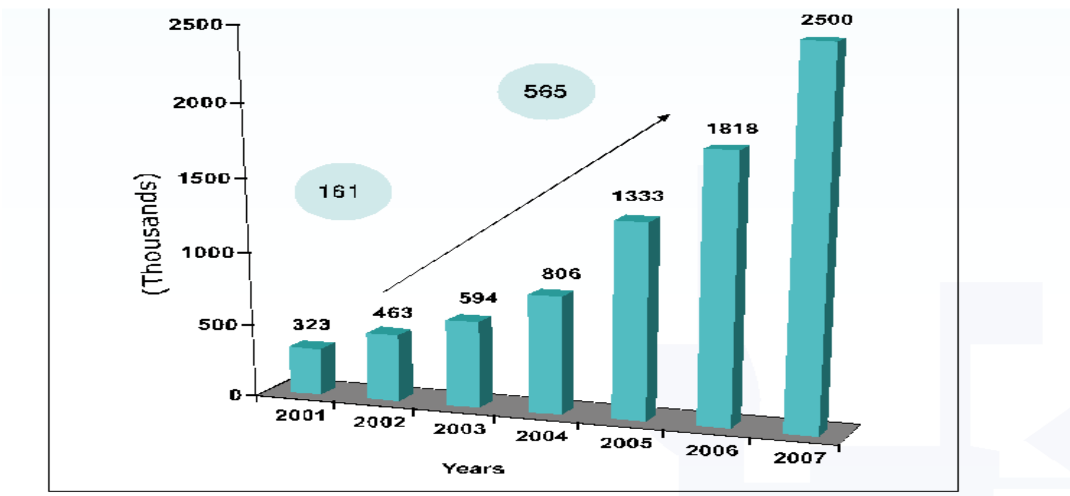
In 2004, as a part of the liberalization policy, a new license was awarded. Nawras is a joint venture of Qtel, TDC, and local Omani partners. Nawras launched a GSM service in March 2005. With 1.016 milliion subscribers and 94 % population coverage till December 2007, the Nawras has achieved 41% mobile market share. Through National Roaming arrangement with Oman Mobile, Nawras services are also available over Oman Mobile network to places where Nawras infrastructure does not reach. It provides voice and data services through its next generation mobile broadband network using EDGE (Enhanced Data Rates for GSM Evolution) technology.

2.5.4 Mobile Growth Trend in Oman

Mobile market in Oman has shown tremendous growth over the last three years. The mobile market crossed 2.5 million subscribers mark in December 2007 with a penetration rate of 95 per cent. The mobile services were introduced in 1996 in Oman and since then mobile subscribers have been increasing.

The award of two mobile licenses in 2005 stimulated the competition in mobile cellular market. The mobile subscribers' growth trend can be divided into two periods: pre-competition and post competition. During pre competition period (2001-2004), the average annual growth rate was 35% and on average I 61,000 subscribers. Where added per annum, 565,000 subscribers were added to the network after the introduction of competition in the mobile market (2005-2007) with CAGR of 46 % per annum (Figure 2.2).

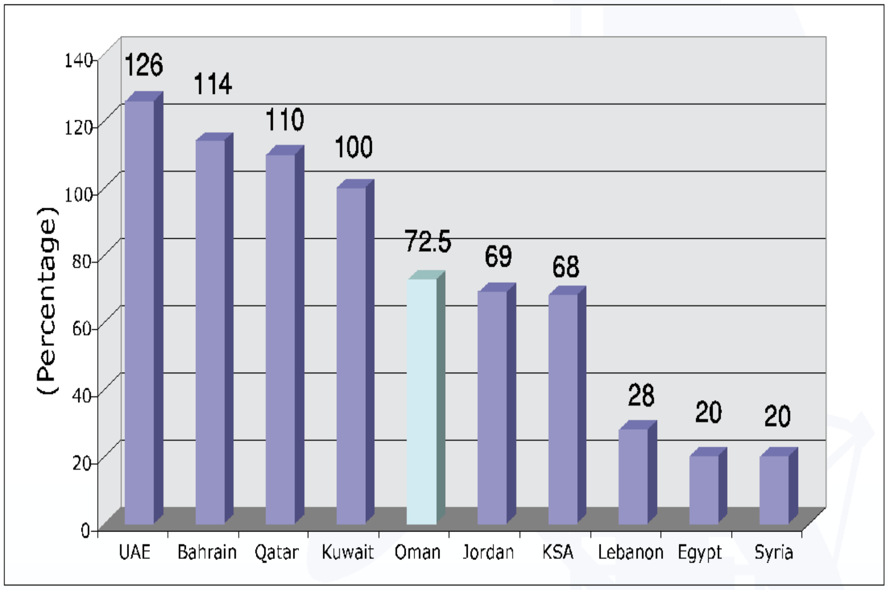
Figure 2.2 Mobile Subscriber's Growth Trend in Oman Market During (2001- 2007).



<u>Source</u>*: Omantel / Telecommunications Regulatory Authority -2007 (Oman).*

The mobile penetration in Oman has jumped from 25% to 95% in just three yeas time. This is considered a very high rate of growth compared to the neighboring countries but the mobile penetration rate is still lower than the other regional countries (Figure 2.3).

Figure 2.3Mobile Penetration Rate (Country Comparison 2006)



<u>Source:</u> *Arab Advisors Group Pyramids Research, Operators' Annual Report (2006)*

The reasons for remarkable growth in mobile sector have been the introduction of pre-paid services, rapid network deployment, and competitive environment. The rapid rise of mobile cellular into an alternative platform for voice communications is also attributed to the drop in prices for mobile services and the introduction of wide range of additional services. The prepaid segment is more attracted by the customers as evident from its growth and the total number of pre-paid subscribers; the pre-paid service grows faster than the post paid one. The pre-paid subscribers increased from 1,080,113 in 2005 to 2,206,378 in December 2007 with a growth of 104% in 2 years. There were 293,622 post paid subscribers by the end of year 2007 compared to 240,707 in year 2005 with a growth of 22% during the same period.