



FINANCE AND TECHNOLOGY: KEY CHALLENGES FACED BY SMALL AND MEDIUM ENTERPRISES (SMES) IN OMAN

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Abstract

Purpose: The objectives of the study were to critically investigate the challenges faced by SMEs; to analyze SMEs difficulties during adopting new technologies and to critically investigate the difficulties in the form of policies and procedures.

Design/methodology/approach: For this research study, purposive sampling methodology was adopted. Using a well-defined questionnaire, 257 samples were collected from all over Oman. The data collected was recorded, tabulated, summarized and the tests – Chi-square tests, Kolmogorov-Smirnov tests and regression analysis were carried to obtain the results.

Findings: The study reveals that most of the respondents got delay in the commencement of business due to lack of finance. It is also revealed that the SMEs are in dire need of technical support at the time of commencement of their businesses and need support to establish IT infrastructure.

Research limitations/Implications: The study suggests that the adequate support from General Authority for SMEs can change the scenario of setting up of the SMEs in a smooth transition and the interim advances by the financial institutions can help them avoid time lag.

Social implications: The study suggests that the Governmental authority should monitor and follow up SMEs to avoid the SME units becoming sick and provide technical support, guidance and nurse the units, if they become sick. Also, the licensing for the SME units should be made easier through single window system.

Originality/Value: Only a very few have examined the main challenges faced by SMEs in Oman. Our study includes selected samples of SMEs and not the micro enterprises. The study can further be extended to all the MSMEs in all the regions / Governorates of Oman.

Keywords: Small and Medium Enterprises, Challenges faced by SMEs, Finance, Technology, Policies and Procedures, SMEs in Oman, Omanization, Technology adoption.

INTRODUCTION

Entrepreneurs are the backbone of any country as they always look for exploring the business opportunities (Khan, 2014) and 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 particular type of 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.

SMEs in Oman have spread their wings in various sectors of Oman, 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.

To promote and support SMEs, lots of programs had been introduced since 2012 which in turn are helpful to eradicate the unemployment problem of the country as well. The Government of Oman introduced a program called In-Country Value (ICV) Initiative to trigger the economic growth in the economy and to maintain sustainable development using local sourcing of goods and services, towards productivity and local investments towards value-added opportunities (Al Shezawi & Khan, 2018). ICV opportunities are a big boon for SMEs.

The Omani Government has been showing keen interest in the development and support of SMEs. Under the directive of His Majesty Sultan Qaboos, a Royal decree was issued for setting up a separate entity for the in-charge of SMEs namely the Public Authority for Small and Medium Enterprises (PASME). The PASME aims at SMEs development, strengthening SMEs role towards generating more employment, and providing financial, technical, and administrative assistance. It also provides assistance to SMEs in obtaining licenses and the related processes; promoting products of

SMEs through exhibitions; establishment of an electronic database and a call center; a specialized mechanism to allot tenders to SMEs.

STATEMENT OF THE PROBLEM

The Government of Oman has shown great concern in the growth of SMEs during the past few years. However, the SMEs in Oman do not possess enough resources to manage the increasing demand of the customers although they have the skills and manpower. The lack of financial sufficiency limiting the production of these enterprises thereby the expansion of their businesses. This leads to the following research questions viz.

1. What kind of problems faced by the SMEs in Oman. Are they financial?
2. What difficulties the SMEs encounter during the adoption of new technologies?
3. Which of the procedures and formalities obstructing the SMEs transition?

SMEs in Oman striving hard to face the growing issues at every stage – during the initiation, establishment and at the growth and adoption stage etc. Though there has been various research carried out in the past, the problems remain unsolved especially during the startup stage and hence there is a need for the study.

REVIEW OF LITERATURE

[Khan](#) (2015) stated that the eradication of poverty and unemployment has been the major target of SMEs in most developing countries. [Al Barwani et al.](#) (2014) highlighted that the SMEs have huge potential towards the betterment of the country and the responsibility is vested with the government. They also argued that SMEs need training so as to produce better owners and employees. [Christina, Neelufer and Al Amri](#) (2014) hinted that SMEs are responsible for employment creation, poverty alleviation in a country and therefore recommended that directorate of SMEs should formulate a committee that can prepare framework for SMEs. [Okoth](#) (2013) identified that the basic problems faced by SMEs are the lack of a supportive governance framework and SMEs little access to finance. [Gulani & Usman](#) (2013) pointed out that the SMEs struggle to find the source of capital while establishing a new business or expanding the existing one, and this issue distorts remarkably the entrepreneurship development. [Khan \(2009\)](#) found that most of the establishment of the SMEs and the commencement of their production is delayed due to several reasons, of which the main reason is finance. [Uddin](#) (2014) claimed that even a small source of finance will be helpful to a SME towards its development. [Kambwale, Chisoro & Karodia](#) (2015) suggested that there is a lack of management skills and the financial support that is required to strengthen the backbone of SMEs. It is also recommended that the role of Government must support them to avoid the failures of SMEs, who are self-employed so that they can perform at their potential and provide economic development. [Eniola & Entebang](#) (2013) stated that SMEs are in dire need of technical expertise and support, and the main challenge faced is managing their resources. [Farsi & Toghrae](#) (2014) stated that the Government should introduce proper regulatory policies so that the difficulties faced by SMEs with respect to skills and proficiency in accomplishing new technologies in bringing effective innovation. [Khan and Krishnamurthy](#) (2016) claimed that the policy makers should draft policies to retain the entrepreneurial spirit in the minds of the youth, and to overcome the difficulties faced by SMEs. [Ashrafi et al.](#) (2014) claimed that SMEs need awareness to introduce Information and Communication Technology (ICT) in their businesses and the owners of such SMEs struggle to obtain simple ICT solutions and the related guidance for the same. [Saleh](#) (2012) claimed that there are plenty of e-business opportunities for the SMEs in Oman towards the growth of their businesses to attract and retain customers for long term purposes. [Tarute & Gatautis](#) (2014) found that there is a need for SMEs to adopt ICT and the main challenge is in organizing and preparing such structure, create internal changes such as personnel training etc. [Al Rahbi](#) (2017) stated that the owners of the SMEs like to introduce ICT to their businesses but they could not do as they lack money, expertise and technical assistance.

[OECD](#) (2004) found that SMEs in Oman are striving hard to attain risk-free finance and suggested that the Government must introduce programs to fill up the gaps of financial resources faced by SMEs to pursue the innovations. [Stevenson and Pond](#) (2016) confirmed that the bank credit to SMEs will trigger the economic growth of a country. [Opafunso & Adepoju](#) (2014) found that SMEs can become prosperous if the banks adopt good lending practices and facilitate the SMEs. [Nusrat & Wickramasinghe](#) (2014) found that SMEs avail loan from banks and develop their businesses creating employment opportunities. They also found that the SMEs' lack in professionalism with respect to financials, administration etc. and contacts with larger firms. [Al Bulushi & Bagum](#) (2017) found that the SMEs in Oman mostly struggle to manage their short-term finances such as working capital finance which becomes costly affair in the growth of the business. [Onugu](#) (2005) confirmed that SMEs face challenges in the form of policies and procedures, infrastructure, bureaucracy, financial constraints, unfair competition, and the non-availability of raw materials. [Al Barwani et al.](#) (2014) claimed that while SMEs play leading role in solving societal issues, they lack in business knowledge, incur high cost of finance, face unfair competition & non – availability of skilled staff, and limited usage of modern technologies. [Agwu & Emeti](#) (2014) found that the majority of SMEs do not survive beyond five years due to insufficiency of capital, infrastructural inadequacies, inadequate market knowledge, improper book keeping, inexperience, the inability to procure the right plant and machinery, and cut-throat competition. [Yoshino & Taghizadeh-](#)

Hesary (2016) showed that the increasing competition is a big challenge for any SME and the cause is its inability to adapt to the rapid changes of market demand, and the technological changes. Further they have also reported that the SMEs face higher transaction costs and lack in resources – finance, technology, skilled labor and networks.

RESEARCH METHODOLOGY

After going through all the articles reviewed above, the questionnaire was prepared containing all the factors mentioned above which were affecting the SMEs. All the factors were grouped into three variables namely financial factors, technological factors and policy & procedural formalities factors.

For this research study, purposive sampling methodology was adopted. Using a well-defined questionnaire data was collected from the owners / employees of the SMEs. They were contacted through social media and after fixing appointment with them, they were personally approached and the questionnaire was explained to get the accurate response. The samples were selected from the list of SMEs provided by the Public Establishment for Industrial Estates (PEIE) and Ministry of Commerce Industry (MOCI). Probability of 10% samples were collected from each region and a total of 257 samples were collected all over Oman. The data was collected during Aug. 2017 to Oct.2017 and recorded, tabulated, summarized and the tests – Chi -square tests, Kolmogorov-Smirnov tests and regression analysis were carried to obtain the results. From the results obtained the conclusions and suggestions were drawn.

FINDINGS

Demographic study

Table.1 Demographic details of the respondents

Characteristics		Freq.	%
Gender	Male	184	71.6
	Female	73	28.4
Nationality	Omani	254	98.8
	Non-Omani	3	1.2
Age	20 – less than 30 years	73	28.4
	30–less than 40 years	94	36.6
	40–less than 50 years	77	30.0
	50 – less than 60 years	13	5.1
	10 years and above	63	47.4
Nature of Business	Constructions	94	36.6
	Services	54	21.0
	Exports	5	1.9
	Retails	54	21.0
	Restaurants	23	8.9
	Wholesale	12	4.7
	Imports	15	5.8
Position	Owner	248	96.5
	Employee	8	3.1
	Manager	1	0.4
Number of years in the business	1 – less than 10 years	114	44.4
	10 – less than 20 years	112	43.6
	20 – less than 30 years	31	12.1
Type of ownership	Proprietorship	79	30.7
	Partnership	90	35.0
	LLC firm	85	33.1
	Others	3	1.2
Location of the business	Al Batinah	131	51.0
	Muscat	79	30.7

	Dhofar	1	0.4
	Dhahira	11	4.3
	Al Sharqiya	25	9.7
	Al Buraimi	7	2.7
	Musandam	2	0.8
	Al Wusta	1	0.4
Initial amount of the business	< RO 100000	237	92.2
	RO 100000 – less than RO 500000	19	7.4
	RO 500000 – less than RO 1000000	1	0.4
Year of initial start of the business	Before 2012	85	33.1
	2012 – 2014	105	40.9
	2014 – 2016	64	24.9
	2017 onwards	3	1.2
Year of actual commencement of the business	Before 2012	72	28.0
	2012 – 2014	99	38.5
	2014 – 2016	80	31.1
	2017 onwards	6	2.3
Time delay in the commencement of business	2 m – less than 6 months	55	21.4
	6 m – less than 12 months	67	26.1
	1 years – less than 2 years	86	33.5
	2 years and above	49	19.1
No. of persons working in the firm	1 – 5 persons	87	33.9
	6 – 25 persons	103	40.1
	26 – 99 persons	54	21.0
	100 and above	13	5.1
Annual Turnover	< RO 100 000	247	96.1
	RO 100 000 – less than RO 500 000	5	1.9
	RO 500 000 – less than RO 1 000 000	5	1.9
Annual Profit	< RO 25 000	250	97.3
	RO 25 000 – less than RO 50 000	6	2.3
	RO 50 000 – less than RO 100 000	1	0.4

Source: Questionnaire

Table 2. Factors required to start / survive of the business

#	Factors	RANK1	RANK2	RANK3	RANK4	RANK5	RANK6	Total	K-S value
1	Initial Capital Finance	126	76	28	12	6	1	249	0.8411
2	Working Capital Finance	3	4	2	4	1	0	14	0.0389
3	Training	3	16	28	21	12	11	91	0.1997
4	Workforce	25	76	65	39	22	10	237	0.6232
5	Good location	30	42	78	51	13	14	228	0.5804
6	Government Support	9	10	16	25	25	19	104	0.2023
7	Experience in the line of business	10	8	18	64	53	35	188	0.3275
8	Education	7	2	5	16	29	24	83	0.1310
9	Technical Qualification	7	1	3	3	10	17	41	0.0681

10	Family Support	2	1	4	9	46	34	96	0.1206
11	Professional Contact in the line of business	7	4	4	2	16	22	55	0.0895
12	Financial Institution Support / backup	5	1	4	5	15	35	65	0.0850
13	Recommendation from the big shots in the same line of business	12	11	1	3	7	15	49	0.1096
14	Self confidence	11	3	1	3	0	15	33	0.0707
15	Religious consciousness	0	2	0	0	2	5	9	0.0123
	Total	257	257	257	257	257	257	257	

Calculated value is $0.2333 > 0.1580$. Therefore the Kolmogorov-Smirnov test value holds good. Thus, considering the ranking by the respondents on the factors, 'Initial Capital Finance' was ranked first by most of the respondents. 'Workforce' was ranked as second by the respondents; 'Good Location' was ranked third; 'Experience in the line of business' was ranked fourth; 'Government support' was ranked fifth and 'Training' was ranked sixth.

Finance Factors

Table3. Finance factors

#	Statement	SD	D	N	A	SA	K-S Value	Chi Square	P value
1	It is easy for an SME to obtain loan to start the business in the Sultanate of Oman	123 47.9%	104 40.5%	16 6.2%	13 5.1%	1 0.4	1.6965	306.603	.000
2	I am aware that there are many financial assistance programs available from financial institutions (FIs) to start a business	69 26.8%	85 33.1%	81 31.5%	15 5.8%	7 2.7%	2.2451		
3	Bank loan installment amounts are within the repaying capacity	43 16.7%	47 18.3%	114 44.4%	46 17.9%	7 2.7%	2.7160		
4	The loan amount provided by the FIs are sufficient to start a business	98 38.1%	97 37.7%	37 14.4%	22 8.6%	3 1.2%	1.9689		
5	FIs insist for guarantees beyond the capacity of a borrower	47 18.3%	69 26.8%	112 43.6%	27 10.5%	2 0.8%	2.4864		
6	FIs provide financial advice for the establishment or expansion of SMEs	25 9.7%	68 26.5%	140 54.5%	21 8.2%	3 1.2%	2.6459		
7	FIs take care of SME units when they fail or the unit becomes sick	67 26.1%	115 44.7%	55 21.4%	19 7.4%	1 0.4%	2.1128		
8	(Government-aided) AL RAFD Fund supports and provide guidance to SMEs starting from feasibility study till inception and function	46 17.9%	88 34.2%	57 22.2%	62 24.1%	4 1.6%	2.5720		
9	AL RAFD Fund provides appropriate support for the construction of sheds and units according to the requirement (size and level) of SMEs	66 25.7%	106 41.2%	48 18.7%	31 12.1%	6 2.3%	2.2412		
10	Other loans (Bridge loan, working capital loan etc.) can be obtained from AL RAFD to expand the projects	20 7.8%	82 31.9%	131 51.0%	19 7.4%	5 1.9%	2.6381		

Null Hypothesis: There is no relationship between Financefactors and the choices of the respondents.

From the above table No.3, it is clearly seen that the p-value < .05 which means the null hypothesis gets rejected. Therefore, there is a relationship between financefactors and the choices of the respondents. As per the Kolmogorov-Smirnov ranking, “Bank loan installment amounts are within the repaying capacity” ranks first (2.1760) followed by “FIs provide financial advice for the establishment or expansion of SMEs” (2.6459) and “Other loans (Bridge loan, working capital loan etc.) can be obtained from AL RAFD to expand the projects” (2.6381).

Technology Factors

Table4. Technology factors

#	Statement	SD	D	N	A	SA	K-S value	Chi Square	p value
1	There are specialized companies, which provide technical support when establishing SMEs	1 0.4%	9 3.5%	22 8.6%	103 40.1%	122 47.5%	4.3704	267.977	.000
2	Maintenance of technology by SMEs is expensive	3 1.2%	6 2.3%	18 7.0%	153 59.5%	77 30.0%	4.1479		
3	It is easy to obtain technocrats to resolve technical issues arising in SME units	34 13.2%	138 53.7%	45 17.5%	33 12.8%	7 2.7%	2.3813		
4	Technical staff salaries are high and SMEs find it difficult to afford	10 3.9%	12 4.7%	26 10.1%	144 56.0%	65 25.3%	3.9416		
5	The ICT infrastructure in Sultanate helps to optimize the use of technology in SME units	61 23.7%	124 48.2%	29 11.3%	24 9.3%	19 7.4%	2.2840		
6	By using technology SMEs can increase their income	4 1.6%	5 1.9%	13 5.1%	88 34.2%	147 57.2%	4.4358		
7	The use of technology by SMEs can increase the number of customers	1 0.4%	5 1.9%	15 5.8%	41 16.0%	195 75.9%	4.6498		
8	The use of technology by SMEs can reduce their costs and expenses	2 0.8%	12 4.7%	27 10.5%	97 37.7%	119 46.3%	4.2412		
9	SMEs faces difficulties during usage of technology	7 2.7%	72 28.0%	113 44.0%	41 16.0%	24 9.3%	3.0117		
10	Updating technology is expensive and costlier for an SME	1 0.4%	7 2.7%	26 10.1%	111 43.2%	112 43.6%	4.2685		
11	Technology improvement helps to increase the customer satisfaction	1 0.4%	8 3.1%	13 5.1%	37 14.4%	198 77.0%	4.6459		

Null Hypothesis: There is no relationship between Technologyfactors and the choices of the respondents.

From the above table No.4, it can be clearly seen that the p-value < .05 which means that the null hypothesis gets rejected. Therefore, there is a relationship between the technologyfactors and the choices of the respondents. As per the Kolmogorov-Smirnov ranking, “The use of technology by SMEs can increase the number of customers” ranks first (4.6498) followed by “Technology improvement helps to increase the customer satisfaction” (4.6459) and “By using technology SMEs can increase their income” (4.4358).

Policies & Procedure Factors

Table.5 Policies & Procedure - factors

#	Statement	SD	D	N	A	SA	K-S value	Chi Square	P value
1	There is encouragement by the Government to establish SME units in Oman	8 3.1%	30 11.7%	19 7.4%	73 28.4%	127 49.4%	4.0934	163.233	.000
2	Procedures for establishing SME are easier	107 41.6%	86 33.5%	15 5.8%	9 3.5%	40 15.6%	2.1790		
3	It takes lots of time to start functioning of an SME unit	109 42.4%	72 28.0%	24 9.3%	42 16.3%	10 3.9%	2.1128		
4	All licenses to set up SME units can be obtained in one place	112 43.6%	79 30.7%	20 7.8%	37 14.4%	9 3.5%	2.0350		
5	The formalities set up by the municipality to start an SME is easy	95 37.0%	79 30.7%	32 12.5%	42 16.3%	9 3.5%	2.1868		
6	It does not take much time to obtain a labor clearance from the concerned authorities	44 17.1%	66 25.7%	54 21.0%	79 30.7%	14 5.4%	2.8171		
7	Seeking Labor clearance procedures are simple and logical	59 23.0%	106 41.2%	52 20.2%	35 13.6%	5 1.9%	2.3035		
8	Sufficient number of workers are sanctioned by the labor clearance authorities as and when SME requires	70 27.2%	94 36.6%	44 17.1%	49 19.1%	0 0%	2.2802		
9	Omanization does not affect the functioning of SMEs	73 28.4%	97 37.7%	62 24.1%	24 9.3%	1 0.4%	2.1556		
10	There are special agencies formed by the Government to support the SMEs towards speeding up the establishment of SME units and to guide them solve their issues	42 16.3%	96 37.4%	61 23.7%	55 21.4%	3 1.2%	2.5370		
11	There is inter-link between the Governmental licensing authorities	91 35.4%	80 31.1%	42 16.3%	12 4.7%	32 12.5%	2.2763		

Null Hypothesis: There is no relationship between Policies & Procedures factors and the choices of the respondents.

From the above table No.5, it can be clearly seen that the p-value < .05 which means that the null hypothesis gets rejected. Therefore, there is a relationship between Policies & Procedures factors and the choices of the respondents. As per the Kolmogorov-Smirnov ranking, “There is encouragement by the government to establish SME units in Oman” ranks first (4.0934) followed by “It does not take much time to obtain a labor clearance from the concerned authorities” (2.8171) and “There are special agencies formed by the Government to support the SMEs towards speeding up the establishment of SME units and to guide them solve their issues” (2.5370).

Challenges faced by SMEs

Table.6 Challenges faced by SMEs

#	Statement	SD	D	N	A	SA	K-S value	Chi Square	P value
1	The financial issues for a SME starts before the commencement of the project in the form of the establishment policies and procedures	1 0.4%	2 0.8%	13 5.1%	92 35.8%	149 58.0%	4.5019	221.051	.000
2	The establishment of SME unit shrinks in size and nature depending upon the initial finance received from FIs	0 0%	5 1.9%	24 9.3%	143 55.6%	85 33.1%	4.1984		
3	Entrepreneurs finding difficulty in tracking a strategy to become a successful entrepreneur	0 0%	5 1.9%	26 10.1%	143 55.6%	83 32.3%	4.1829		
4	There is a need for supporting mechanism to market SMEs' products	0 0%	6 2.3%	12 4.7%	132 51.4%	107 41.6%	4.3230		
5	There is shortage of skilled and labor to support SMEs	1 0.4%	26 10.1%	18 7.0%	132 51.4%	80 31.1%	4.0272		
6	Owners of SMEs need training support from the Government	1 0.4%	9 3.5%	16 6.2%	125 48.6%	106 41.2%	4.2685		
7	Follow up of SMEs by Governmental authorities for incubation, nursing in case of sick units is essential	44 17.1%	137 53.3%	50 19.5%	19 7.4%	7 2.7%	2.2529		
8	There is difficulty in approaching the general authority for SMEs	11 4.3%	61 23.7%	137 53.3%	34 13.2%	14 5.4%	2.9183		
9	The initial setup difficulties require financial intermediation by the general authority for SMEs	3 1.2%	4 1.6%	6 2.3%	58 22.6%	186 72.4%	4.6342		
10	Government encourages people to become entrepreneurs through setting up SMEs, in real terms	6 2.3%	10 3.9%	82 31.9%	26 10.1%	133 51.8%	4.0506		

Null Hypothesis: There is no relationship between Challenges faced by SMEs and the choices of the respondents.

From the above table No.6, it is clear that the p-value < .05 which means that the null hypothesis gets rejected. Therefore, there is a relationship between Challenges faced by SMEs and the choices of the respondents. As per the Kolmogorov-Smirnov ranking, "The initial setup difficulties requires financial intermediation by the general authority for SMEs" ranks first (4.6342) followed by "The financial issues for a SME starts before the commencement of the project in the form of the establishment policies and procedures" (4.5019) and "There is a need for supporting mechanism to market SMEs' products" ranks third (4.3230).

REGRESSION ANALYSIS

Table. 7 (a), (b), (c) & (d)
Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
	Finance, Technology, Policies& Procedures	...	Enter

^a Dependent Variable: Challenges faced

^b All requested Variable entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.7212 ^a	.045	.033	2.9231

^a Predictors: (constant), Finance, Technology, Policies& Procedures.

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	101.302	3	33.767	3.952	.009 ^b
Residual	2161.764	253	8.545		
Total	2263.066	256			

^a Dependent Variable: Challenges Faced

^b Predictors: (constant), Finance, Technology, Policies& Procedures.

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(constant)	37.429	2.762		13.549	.000
Finance	-0.106	0.040	-0.162	-2.629	.009
Technology	0.114	0.056	0.126	2.015	.045
Policies & procedures	-0.015	0.022	-0.043	-0.685	.494

^a Dependent Variable: Challenges Faced

From the above table No.7 (d), it can be seen that the p-value for Policies and Procedures is .494 which is more than 0.05. Therefore, eliminating this variable, the regression analysis is carried out again, and we obtained the results as follows:

Table. 8(a), (b), (c) & (d)
Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
	Finance, Technology	...	Enter

^a Dependent Variable: Challenges Faced

^b All requested Variable entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.207 ^a	.043	.035	2.9200

^a Predictors: (constant), Finance, Technology.

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	97.289	2	48.645	5.705	.004 ^b
Residual	2165.777	254	8.527		
Total	2263.066	256			

^a Dependent Variable: Challenges Faced

^a Predictors: (constant), Finance, Technology.

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(constant)	36.687	2.539		14.451	.000
Finance	-0.103	0.040	-0.159	-2.584	.010
Technology	0.120	0.056	0.133	2.164	.031

^a Dependent Variable: Challenges Faced

From the above table, we obtain the regression line as follows:

$$C = 36.687 - .103 F + .120 T$$

Where C – Challenges Faced

F – Finance

T – Technology

There is an association between the Challenges faced and Finance, and Technology. In other words, Finance and Technology makes an impact on the challenges faced by SMEs.

CONCLUSION AND SUGGESTIONS

Most of the respondents chose 'Initial Capital Finance' as the prime factor necessary to start a business or for the survival of the business. 'Workforce' was considered as second and a 'Good Location' was considered third and it was interesting to see that Training was not given much importance and it was also noted that nobody was interested to start a business obtaining loan.

It is observed that the most of the respondents got delay in the commencement of their businesses and the majority of the time lag was 1 to 2 years.

Initial capital finance was the most required factor for the entrepreneurs. They reported that the financial issues started before the commencement of a unit in the form of the establishment policies and procedures and thus the unit shrinks in size and nature depending upon the initial finance obtained from FIs. It was reported that obtaining loan to start a business was not easier. There were not sufficient financial assistance programs / bank loans for running the SMEs. Most of the SME owners were not aware of the financial assistance programs available from FIs to start a business. Further even if they get such financial support it was not sufficient enough and the financial institutions insist for guarantees beyond their capacities. The respondents also insist that the financial advice from such financial institutions should be enhanced. They insisted that the Government supported AL RAFD fund should support and provide guidance to SMEs since the inception (construction of sheds / units), till the commencement of their businesses. Most of them insisted that the adhoc (temporary) advances / loans such as bridge loans, short-term loans can be sanctioned till the units start functioning properly.

Most of the respondents reported that they do not get any guidance on the feasibility study from the inception of SMEs through the unit starts functioning. They also reported that they do not get appropriate support for the construction of sheds and units according to the requirement (size and level). They also said that they do not get any other loans such as working capital loan etc. to expand their projects. In other words, SMEs face difficulties in obtaining finance / credit assistance for their project from the FIs.

Most of the SMEs reported that they need technical support at the time of commencement of their businesses and needed support to establish IT infrastructure. They agreed that the IT support will increase the number of satisfied customers and thereby their future income as well. However, there are specialized companies, which provide technical support to

establishing SMEs but the maintenance will be a costlier affair (including technical staff salaries, up gradation etc.) and also they needed technocrats to resolve the technical issues arising.

Most of the SMEs agreed that the Government encourages entrepreneurs to establish SME units in Oman but they are not satisfied with ease of procedures for establishing such unit as they needed lots of time to start functioning the unit. It is highly preferred that the facility to get all licenses in one place will convene them to establish their units quickly. They reported that they need to visit different offices situated at different locations to obtain licenses as they were not interlinked. They reported that they did not spend more time to obtain a labor clearance from the concerned authorities and the labor clearance procedures were simple and logical but they reported that the sufficient number of workers were not sanctioned by the labor clearance authorities. They agreed that the Omanization affected their units as they were dependent on expatriates. Most of them reported that there are special agencies formed by the Government to support the SMEs towards speeding up the establishment of SME units and to guide them solve their issues, good on paper are seldom executed in reality. They expect the financial intermediation by the General Authority for SMEs.

It was reported that an entrepreneur had to struggle and come up with his own strategy to become a successful entrepreneur and thus they insisted the need for a supporting mechanism to market SMEs' products and support to eliminate the shortage of skilled and labor force.

RECOMMENDATIONS

The following suggestions were made considering the above:

- The initial setting up of businesses is the prime issue which needs predominant attention by the General Authority for SMEs.
- In case a SME got sanctioned for financial assistance and if there is a delay for the disbursement of advance, interim advance should be granted by the banks to avoid time lag in the commencement of business.
- A Governmental authority should be appointed exclusively to monitor, follow up and support through guidance to commence the business without any time delay.
- A separate technical supporting panel (consisting of IT and other technocrats) can be established at the regional level to support the budding entrepreneurs.
- The licensing for the SME units should be made easier such as a single window concept in Qatar where manpower licensing, municipality licensing and commerce and Industry licensing are all done through submission of a single form. This can reduce the burden both for the SMEs and the Government of Oman.
- Government should establish incubation / nursing services to sick units.
- Last but not the least, Government should conduct special training programmes for the upcoming entrepreneurs through establishing Nodal points in every region.

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