

# EXPLORING ROLE OF SMALL AND MEDIUM ENTERPRISES IN ECONOMIC DEVELOPMENT AND EMPLOYEMENT GENERATIONS: A CASE OF SAUDI ARABIA

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## Abstract

This study focused on the status and importance of small and medium enterprises (SMEs) in lowering the unemployment rate and also tries to identify the major issues and roadblocks to SMEs' development in Saudi Arabia. The comparative method were used using primary and secondary data which involves examining and assessing the existing status of small and medium firms in Saudi Arabia, comparing it to the global situation, and identifying the factors of profiting from it. The findings, reveals several obstacles preventing these initiatives from fulfilling the aims of the Kingdom's Vision 2030, including securing funding, as small business financing accounts for only 5% of overall financing in the Kingdom. When compared to the worldwide equipment, it is a minor fraction. Since a result, the contribution of small and medium firms to the gross domestic product has decreased, as they account for less than 20% of GDP and 53% of employment in Saudi Arabia. The Kingdom's Vision 2030 plans to boost this number to 35 percent by 2030, whereas in industrialized nations, it is about 70 percent. The study suggests decision-makers and individuals interested in pioneering workers in the Kingdom to address the problems that small initiatives and pioneer employees face by providing suitable assistance, whether financial, logistical, or both. And efforts to establish a financial fund to finance small and medium enterprises as well as the fund's participation in certain percentages of annual profits for a specific period, based on the value of the loan, the size of the facility, the value of revenues, and the project's idea, as well as the transformation of the Kingdom's General Authority for Small and Medium Enterprises into an independent ministry whose mission is to look after Large & Medium Enterprises.

**Keywords:** Economic Growth, Small and Medium Enterprises, Unemployment, Inflation and Supporting funds

## Introduction

Due to their positive economic repercussions on the national economy in terms of creating new job opportunities and gradually increasing the size of their investments, as well as their efforts

in maximizing added value, increasing sales volume, and playing a significant developmental role in terms of their integration of economic activities with large institutions, small and medium enterprises are considered the cornerstone of the process of economic and social development. In most nations worldwide, they appear to play a critical role in achieving economic and social growth, as they account for around 80% to 90% of all operational enterprises. (Abdullah Bllonas, 2006)

Most petroleum-producing countries in the Gulf region have been prosperous in launching a large number of initiatives for small and medium businesses to protect their economies from an eventual decline in petroleum production. Still Saudi Arabia has fallen behind, despite continuing to be the world's leading petroleum exporter. However, the surplus profits generated by the dramatic increase in petroleum prices in 2007 led to the realization that the small and medium enterprise sector offers a wide range of opportunities and could become self-sufficient in the future, as well as the completion that the industry requires a better framework of financing, regulations, and legislation in order to grow. (Nabil Jawad, 2007)

SMEs are the backbone of every country, helping to create employment, money, and contribute to the economy's development and variety. According to the World Bank, formal SMEs account for up to 60% of total employment and 40% of national income (GDP) in emerging economies, and this figure will rise if the informal sector is included. In addition, the World Bank anticipates that 600 million workers would be needed in the next 15 years, primarily in Asia and Sub-Saharan Africa. In many nations throughout the world, SMEs now account for a significant portion of present employment and future development opportunities.

Most Gulf nations, whose economies are heavily reliant on petroleum products, must seek new sources of money in order to maintain and build their economies. The majority of wealthy and fastest-growing emerging nations, such as Germany, Norway, Paris, the United Kingdom, and many others, are moving toward a clean energy campaign (Coren,2018), which raises barriers for oil-dependent countries. As a result, there is a need to look for a variety of additional options that will assist in enhancing the country's economy.

"Any firm with an independent commercial registration that has less than 249 workers and less than SAR 200 million in sales," according to the Saudi Arabian Small and Medium Enterprises Authority.

According to the Ministry of Labor and Social Development (Saudi Gazette, 2017), Saudi Arabia's SMEs provide around 22% of the kingdom's GDP, compared to 70% in certain nations, SMEs account for barely 5% of total exports, and over 34% of Saudi employees worked in small and medium companies (SMEs) last year.

- With a population of 1.97 million, SMEs account for around 90% of all commercial enterprises.

- Single-proprietorship businesses account for over 85% of all SMEs.
- Almost 74% of SMEs are in the commerce and construction industry, with the industrial sector following closely behind.
- SMEs contribute 33% of GDP, which is lower than many other emerging economies but more than many GCC nations.

Transitioning from large firms to fostering small and medium enterprises run by the local sector is a difficult undertaking for developing countries. This necessitates the implementation of an economic reform program and the transformation of the economy into a market, which necessitates the first release of economic activity and SMEs.

SMEs are one of the sectors that governments are increasingly interested in since they have become one of the most essential components of socioeconomic growth in many nations across the world. Because of its remarkable ability for achieving economic development, modernizing industry, confronting the rising unemployment problem, preparing qualified human cadre, and activating women's productive role, SMEs have seen an enormous expansion and global progress in the previous few decades, especially in developing countries, because of its tremendous ability for accomplishing economic growth, modernizing industry, facing the increasing unemployment problem, and producing competent people cadre, it is considered locally and globally as the foundation of the national economy and the ideal solution to solve the economic crisis. Developing countries are interested in SMEs to help them build their economic and social structures because of their unique characteristics, such as the ease with which they can be established, the low cost of capital, the direct supervision of the owner, and the ease with which they can adapt their production processes to meet changing demands. (Paul Robertson, 2003)

Many developing countries have been able to rely on SMEs to help them transition from poor to affluent countries, such as Korea, China, India, and Malaysia, to attain the maximum degree of international development. Because it is considered one of the most critical economic development priorities, a basic tool in raising production rates, the Saudi Arabian government has begun to increase interest in small and medium enterprises and invest large sums of money in such enterprises, with the guidance of senior leadership. A set of policies and processes have been implemented to encourage and develop such enterprises and support financial institutions. (Mohammed Alam, 2006)

**Table 1 shows the differences between micro, small, and medium businesses in terms of employee count and revenue.**

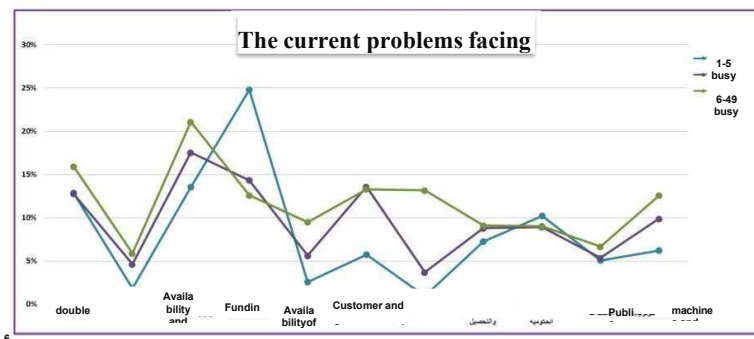
Project Type	Number of workers (time in kg)	Revenues	The relative importance of a number
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<b>Micro-enterprises</b>	1-5	(0-3) Million Saudi Riyals	87%
<b>Small enterprises</b>	6-49	(3-40) Million Saudi Riyals	12%
<b>Medium facilities</b>	50-249	(40-200) Million Saudi Riyals	1%

**Source:** The General Authority for Small and Medium Enterprises. (<http://www.monhaat.gov.sa>), the General Authority for Statistics' relative relevance column (Small and Medium Enterprises Survey 2017).

According to the General Authority for Statistics, the number of small, medium, and micro firms in the Kingdom of Saudi Arabia increased to 977,535 in 2017. Micro enterprises account for 87 % of all businesses, with small businesses accounting for 12 % and bigger enterprises accounting for 1%. According to figures from the second quarter of 2016, small and medium firms generate around 20% of the gross domestic product, 53% of jobs, and 29% of total enterprise revenues in Saudi Arabia.

**Figure 1 depicts the relative importance of the issues confronting small and medium-sized businesses.**



**Source:** General Authority for Statistics (Small Enterprise Survey, 2017)

1. The Kingdom of Saudi Arabia has a solid institutional framework for small businesses.

The institutional framework for small and medium enterprises is the General Authority for Small and Medium Enterprises (Monsha'at), founded in 2016. This body strives to collaborate with the public and private sectors to promote and develop small and medium enterprises, ensuring their long-term viability and making them a contributing element and essential driver of the Kingdom's economy. The Authority's work is organized on five axes: ((Al-Maen, 2018) ;(Rasheed, 2014).

- Consulting: It is represented by offering advice to small and medium-sized business owners and entrepreneurs.
- Supporting and empowering workers: through providing services or programs that are tailored

to their needs.

- Guidance: through fostering an entrepreneurial culture that is conducive to success.
- Training: Providing management, marketing, and how to acquire professionalism in corporate training programs.
- Financing is the process of giving a financial loan to business owners through finance organizations that have been approved by the Saudi Arabian Monetary Agency.

## 2. **Small and medium businesses in the Kingdom's 2030 Vision:**

The Kingdom's Vision 2030 aims to support entrepreneurship, develop youth skills, increase the contribution of small and medium enterprises to GDP from 20% to 35%, and increase the contribution of small and medium enterprises to non-oil GDP from 33% to 35% by 2020. 25% of the Employment Generation and Unemployment Control Authority has been deducted to support the General Authority for Small and Medium Enterprises.

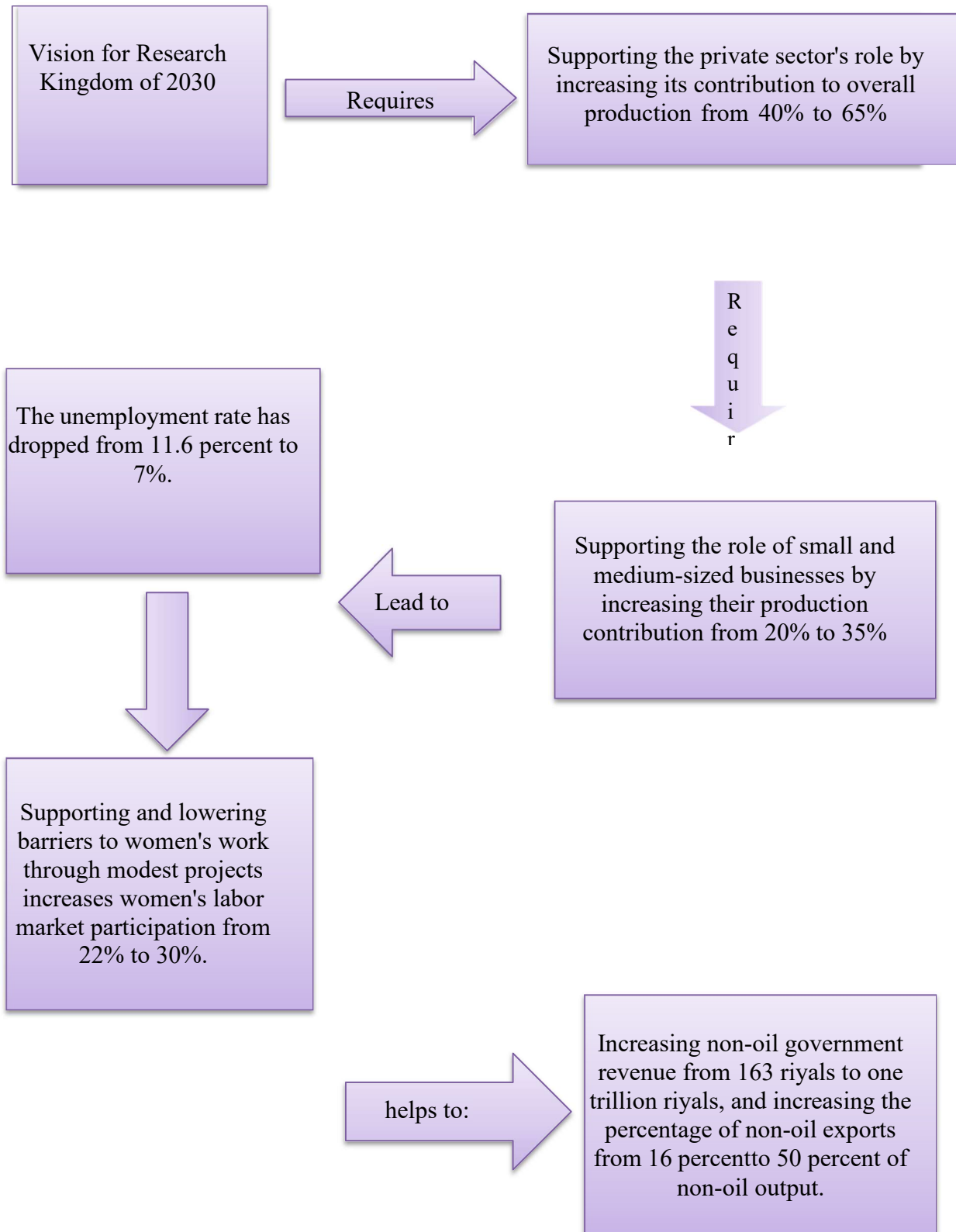
### 3. Small and medium businesses' part in realizing Vision 2030:

Small initiatives can help to realize the Kingdom's Vision 2030 by assisting in the attainment of a number of goals, including:

- Assisting in increasing of the private sector's contribution to output from 40% to 65%. The majority, if not all, small and midsize businesses are privately owned.
- Achieving the target of increasing the contribution of small and medium-sized businesses to GDP from 20% to 35%.
- Assisting in achieving the aim of lowering the unemployment rate from 6.11 percent to 7% because small projects are labor-intensive and absorb a high number of new entrants into the labor market through self-employment.
- They may meet the aim of boosting women's involvement in the job market from 22% to 30% by sponsoring modest projects for Saudi women and lowering limitations on their work.

Small and medium businesses can also assist the government in boosting non-oil revenue from 163 billion riyals to one trillion riyals per year. Small projects can direct government funds, whether in taxes, fees, or other means, through the payments that these projects make to the government. Finally, for export to contribute to the aim of boosting non-oil exports from 16 percent to 50 percent of total non-oil output, the link of small projects to the Kingdom's vision 2030 may be illustrated in the following Figure (2):

**Figure 2: The Link Between Small Businesses and the Kingdom's Vision 2030**



Source: Prepared by the researcher.

The requirement for this type of study emerges from the earlier description of the research topic and its numerous dimension:

- There is a need to learn more about the future of small and medium businesses in the Kingdom.
- The need to understand the factors that contribute to the success of small and medium-sized businesses.
- The necessity to be aware of the world's best practices in small and medium businesses.
- The necessity to compare the world's best practices with the Kingdom's experience in assisting small and medium-sized businesses.

### **LITERATURE REVIEW:**

Faria et al. (2010) use data from many industrialized nations, including Australia, Germany, the United Kingdom, and the United States, to conduct a granger-causality test. They discovered that the variables in all of the nations they looked at had a bidirectional link. This implies that not only does entrepreneurship influence the unemployment rate, but also high unemployment encourages more extraordinary entrepreneurship.

Mari et al. (2010) is interested in entrepreneurship as a potential solution to the unemployment crisis. Their theory was that where there is a higher percentage of unemployment, more people will turn to entrepreneurship, and where there is a higher rate of entrepreneurship, there will be less unemployment. In their research, the statistical significance of unemployment rates and total entrepreneurship neither confirms nor refutes the two previous hypotheses

(Alasrag, 2010) points out that the problem of vast numbers of jobless youth in Arab nations poses a challenge to Arab governments because the majority of the population is young. The report suggested several steps that may be taken to boost young entrepreneurship to create new jobs. As a result, entrepreneurship is likely driven not just by a push impact of unemployment, but also by a pull effect of a growing economy with fresh prospects.

Distanont and Khongmalai (2018) explored the components that add to acquiring an upper hand through development. The review took a gander at 279 SMEs in Thailand's frozen food industry, and the outcomes showed that advancement is important to enable organizations and fabricate an upper hand that prompts long-haul financial development.

In exploring female business visionaries' psycho-perspectives, Sabri et al. (2019) found that female business people in Saudi Arabia had a more unprecedented formative disposition than male business visionaries. Sugiarto (2018) examined the miniature and full-scale components that impact the advancement of MSMEs. Internal factors influencing MSMEs' development incorporate talented and fundamental individuals' assets, cash, and unmistakable resources, though large-scale elements incorporate interest, rivalry, and specialized enhancements. The

framework and provincial state-run administrations should cooperate to acquire a monetary guide. As per Rafiki et al. (2018), firm internationalization is impacted by elements, for example, preparing and mastery, business size and organization, and so forth.

In Saudi Arabia, Almosabbeh et al. (2018) found a significant relationship between GDP development and the creation of items and administrations. Saudi Arabia's policymakers should remember the modern area for monetary and social development arrangements. As Alzahrani (2018) indicated, the hindrances of web-based business are issues looked by Saudi Arabian SMEs. There is a decent relationship between the advancement of online business and the development of Saudi Arabian SMEs. As per Bramantoro (2018), Enterprise Resource Planning (ERP) is more powerful than the common ERP framework in Saudi Arabian SMEs. The ERP administrations beat customary ERP overall availability, reasonable functional costs, quick updates, and similarity across administrations. Mehta et al. (2017), indicated that a-list framework is the groundwork of Saudi Arabia's assembling industry's prosperity, with admittance to the nation's significant urban communities essential for the proficient transportation of natural substances and finished products.

Paul and Partners (2017) chose four countries from three mainland: Asia, Europe, and North America. Japan, France, the United State of America USA, and India were the four nations dissected. In spite of the way that India is a roaring economy with a high turn of events, most understudies favored paid work, as per this study. One of the principal reasons for this may be the Indian culture's hazard avoidance demeanor.

According to Alghanmi (2020), who concentrated on the change as the upper hand for Small and Medium Enterprises: the case for the Kingdom of Saudi Arabia. The review planned to investigate various acts of SMEs in the Kingdom of Saudi Arabia to inspect the effect of development methodologies (Organizational, Product, Process, and Market) on the upper hand of SMEs. The review was directed on one hundred and 47 (147) SMEs rehearsing various exercises in the Kingdom of Saudi Arabia. The review's investigation demonstrates that the more significant part of the endeavors was youthful (activity years were under a decade), which shows the solid need to apply innovative systems to keep up with their situation and seriousness on the lookout. The upper hand empowers the firm to use its assets proficiently and keep up with elevated degrees of value execution. The outcomes show that the connection between Innovation techniques like item advancement methodology, market development procedure, process advancement system, and hierarchical development system rehearsed by SMEs in the Kingdom of Saudi Arabia and intensity was Positive. Hence, it demonstrates that different advancement systems were essentially impacting the intensity of the SMEs.

Tripathi (2019), in his paper, explored the advantages and difficulties of SMEs in Saudi Arabia followed by ideas to develop SMEs further. Auxiliary data got from distributed sources from the reason for a synopsis of conditions in Saudi Arabia. It would be proposed that the public



authority make a remedial move to improve and develop SMEs because country economic development is straightforwardly connected with SMEs development.

Ali (2020) stated that the commitment of MSMEs in Saudi Arabia is just 21% which is below the normal of the high-level nations. Consequently, there is a need to work on the loyalty of MSMEs in the GDP of Saudi Arabia to move the economy from oil to different areas. The review's goal is to think about the current status, issues and difficulties of the MSMEs of Saudi Arabia. The review considers the auxiliary information acquired from the General Authority for Statistics of Saudi Arabia, and a super polar review led to recognizing the MSMEs' monetary action savvy. MSMEs of discount exchange, assembling, mining and quarrying are beneficial more than in different areas. The representatives of medium-size foundations of Professional, logical and specialized exercises, and protection and monetary area exercises face the preparation need issues. The Saudi MSMEs deal with the issues of low interest for the items, inaccessibility of the expected human asset, and admittance to fund. There is a need to lay out a preparation establishment by the public authority and give a coordinated stage to the appropriation of the items globally.

The primary goal of Baswaid & Tarifi (2021) study was to comprehend and assess the job of business process on the economy of the Kingdom of Saudi Arabia. This study was led for insightful systems and the importance to the economy. The web-based poll study was utilized as examination apparatus to accumulate the essential information. The clients and the chiefs of the small and medium-size associations of Saudi Arabia considered as the examination populace. The finding of this study gives an outline of the business climate and its connection business venture cycle of the Kingdom of Saudi Arabia.

Naushad (2021) current review intended to group what decides pioneering authority among little and medium undertakings (SMEs) in the Saudi Middle Eastern setting. It likewise endeavored to perceive the pretended by an enterprising initiative by supporting SMEs in the country's economic monetary development. The review depended on an essential study managed among SMEs in the Riyadh district of Saudi Arabia. In general, 152 reactions were gathered. Be that as it may, after information cleaning, 107 were viewed as fit for conclusive investigation. Underlying Equation Modeling utilizing SmartPLS® Software was applied for investigation. The discoveries rose out of the concentrate tremendously inferred that innovative authority is a fundamental instrument for supervisors/proprietors of the SMEs area who expect to work on the productivity of undertakings and context-oriented execution in Saudi Arabia. The review went over that "capacity to assimilate vulnerability," "capacity to assemble responsibility," "the capacity to approach the Challenge," "the capacity of way clearing," and "capacity as far as possible," are the five develops that assist with outlining the innovative administration in the Saudi setting. The review proposes that administration mentors, SME policymakers should zero in on precisely these abilities to teach the capacity of pioneering administration among Saudi businesspeople, SMEs proprietors, and directors.

Manaa & Abrar ul Haq (2020) conducted a study to examine the impacts of SMEs development, populace development and training level on the joblessness rate in Bahrain. This study utilized optional information gathered over a long time from many sources like the Ministries of Bahrain and the World Bank information bank. The reliant variable in this study was the joblessness rate and autonomous factors were SMEs development, Population development and schooling level. At last, the review suggests the sustain of SMEs by giving accommodating approaches and making monetary guide programs for new and old SMEs due to how enormous any impact SMEs can have on bringing down the joblessness rate, then again, the formation of preparing projects to assist new alumni with adjusting to the new attitude of the working environment and give them enough experience to be satisfactory applicants.

### RESEARCH METHODOLOGY:

This study aims to look into the benefits and problems of Saudi Arabian SMEs, and make recommendations on how to improve them. Secondary data was gathered from public sources as an overview of Saudi Arabian circumstances. Because the causes that contribute to unemployment in Saudi Arabian society are related to various variables, the problem of unemployment is multi-dimensional. Some of these characteristics are tied to the social and cultural aspects, while others are linked to the educational system and its output, and others are connected to the economic system.

### RESEARCH OBJECTIVES

- Presenting findings and recommendations that will aid in the resolution of challenges affecting Saudi Arabian SMEs.
- To shed light on small and medium-sized company social importance and the role they are projected to play in reducing unemployment.
- To draw attention to the economic importance of small and medium-sized business in Saudi Arabia.
- Assessment of the role of the Small and Medium Enterprises in developing new product and services.
- Research and analysis of the role of small and medium businesses in realizing the Kingdom's Vision 2030.

### SAMPLE:

After analyzing the questionnaire 145 responses were found suitable and complete to use for the data analysis. Out of 145 data 102 were females and 43 were males. The age were varying from 18 years to 46 years. Good 72 respondents were having university degree as well.

<b>Table (2): Number of Employees</b>		
<b>Number of Employees</b>	<b>Frequency (F)</b>	<b>Percent (%)</b>
<b>Fewer than 10</b>	<b>67</b>	<b>46.2</b>

<b>employees</b>		
<b>10 to 49 employees</b>	<b>32</b>	<b>22.1</b>
<b>50 to 99 employees</b>	<b>10</b>	<b>6.9</b>
<b>100 to 149 employees</b>	<b>5</b>	<b>3.4</b>
<b>150 to 200 employees</b>	<b>8</b>	<b>5.5</b>
<b>More than 200 employees</b>	<b>23</b>	<b>15.9</b>

Table No. (2) Shows Frequencies and percentages of response of the study sample members according to Number of Employees: Enterprises that have fewer than 10 employees have the higher percentage with 46.2% then businesses that have 10 to 49 employees with 22.1%.

Table (3): ): Sector Type

<b>Table (3): Sector Type</b>		
<b>Sector of The Business</b>	<b>Frequency (F)</b>	<b>Percent (%)</b>
<b>Services</b>	<b>45</b>	<b>31</b>
<b>Trade</b>	<b>22</b>	<b>15.2</b>
<b>Manufacturing</b>	<b>9</b>	<b>6.2</b>
<b>Agriculture</b>	<b>3</b>	<b>2.1</b>
<b>Hospitality</b>	<b>22</b>	<b>15.2</b>
<b>Other</b>	<b>44</b>	<b>30.3</b>

Table No. (3) Shows Frequencies and percentages of response of the study sample members according to Sector Type: Services comes first with 31%, Trade and Hospitality are equal with 15.2%, Manufacturing 6.2%, Agriculture 2.1% and other form 30.3%.

Table (4): Kind Of Ownership

<b>Table (4): Kind of Ownership</b>		
<b>Kind Of Ownership</b>	<b>Frequency (F)</b>	<b>Percent (%)</b>
<b>Local corporation</b>	<b>33</b>	<b>22.8</b>
<b>Family business</b>	<b>57</b>	<b>39.3</b>
<b>Foreign corporation</b>	<b>5</b>	<b>3.4</b>
<b>Solo</b>	<b>50</b>	<b>34.5</b>

Table No. (4) Shows Frequencies and percentages of response of the study sample members according to Kind of Ownership: Family business and Solo take majority with 39.3% and 34.5% respectively.

### PROCEDURE:

To meet the research objectives, descriptive approach will be used. primary data will be gathered through the development of a survey that examines how SMEs contribute to the growth of Saudi Arabia's economy by lowering unemployment rates. This study will have a sample size of 145 people. The data for this study will be collected with the help of 145 Saudi entrepreneurs who were picked at random. A developed questionnaire taking from 4 different studies [Ahmedani, Muhammad Munir (2013), Alfaadhel, Saud (2010), Al Saleh, Ahmed (2016), Waked, Bandar (2016)] was used to collect pertinent information All responses will be analyzed using SPSS software. Secondary data will be gathered from books, journals, periodicals, dissertations, theses, and scientific publications, among other sources.

### RESULTS AND DISCUSSIONS:

Considering the impact of Small and Medium Enterprises (SMEs) on creation of employment, the economic importance of Small and Medium Enterprises (SMEs) and the social importance of Small and Medium Enterprises (SMEs) respectively.

Table No. (5) Influential factors in the contribution of small and medium enterprises to the economic development of the Kingdom of Saudi Arabia and the reduction of the unemployment rate.

No	Statement	Mean	SD	RII (%)	Test Value	P-value (Sig.)	Rank
1.	Small and Medium Enterprises (SMEs) are the major source of employment?	3.72	1.085	%74.344	7.29	0.949	13
2.	Small and Medium Enterprises (SMEs) are also largest source of domestic employment?	3.88	1.13	%77.518	7.90	0.197	9
3.	Small and Medium Enterprises (SMEs) have reduced unemployment in the country?	3.93	1.116	%78.62	7.58	0.536	7
4.	Small and Medium Enterprises (SMEs) have	3.97	1.13	%79.448	8.43	0.081	6

	<b>created job opportunities in rural areas of Saudi Arabia??</b>						
5.	<b>Small and Medium Enterprises (SMEs) play a very major role in the economy of Saudi Arabia?</b>	<b>4.03</b>	<b>1.07</b>	<b>%80.69</b>	<b>7.86</b>	<b>0.225</b>	<b>4</b>
6.	<b>Small and Medium Enterprises (SMEs) are the major source of foreign exchange earnings?</b>	<b>3.63</b>	<b>1.154</b>	<b>%72.552</b>	<b>7.98</b>	<b>0.564</b>	<b>15</b>
7.	<b>Small and Medium Enterprises (SMEs) create the best rising export subsectors?</b>	<b>3.79</b>	<b>1.142</b>	<b>%75.862</b>	<b>6.99</b>	<b>0.441</b>	<b>12</b>
8.	<b>Small and Medium Enterprises (SMEs) have a major contribution in Saudi Arabia Gross Domestic Product (GDP)?</b>	<b>3.90</b>	<b>1.141</b>	<b>%77.932</b>	<b>9.16</b>	<b>0.245</b>	<b>8</b>
9.	<b>Small and Medium Enterprises (SMEs) in general consider employees as their most important resource?</b>	<b>3.81</b>	<b>1.155</b>	<b>%76.276</b>	<b>8.43</b>	<b>0.110</b>	<b>11</b>
10.	<b>A known feature of Small and Medium Enterprises (SMEs) sector is its ability to create jobs?</b>	<b>4.10</b>	<b>1.039</b>	<b>%82.068</b>	<b>7.87</b>	<b>0.369</b>	<b>2</b>
11.	<b>Small and Medium Enterprises (SMEs) assist in fostering a self-help and entrepreneurial culture?</b>	<b>4.11</b>	<b>1.143</b>	<b>%82.206</b>	<b>8.11</b>	<b>0.830</b>	<b>1</b>
12.	<b>Small and Medium Enterprises (SMEs) are pioneer in developing new</b>	<b>4.09</b>	<b>1.111</b>	<b>%81.794</b>	<b>8.36</b>	<b>0.926</b>	<b>3</b>

	<b>products and services?</b>						
<b>13.</b>	<b>Small and Medium Enterprises (SMEs) are in general very quality minded in the products and services they provide?</b>	<b>4.00</b>	<b>1.08</b>	<b>%80</b>	<b>9.82</b>	<b>0.900</b>	<b>5</b>
<b>14.</b>	<b>High Growth of Small and Medium Enterprises (SMEs) in Saudi Arabia during last five years?</b>	<b>3.66</b>	<b>1.26</b>	<b>%73.242</b>	<b>10.50</b>	<b>0.409</b>	<b>14</b>
<b>15.</b>	<b>Increasing Government's efforts for the promotion of Small and Medium Enterprises (SMEs) in Saudi Arabia during last 5 years?</b>	<b>3.83</b>	<b>1.093</b>	<b>%76.69</b>	<b>11.54</b>	<b>0.688</b>	<b>10</b>

Table No. (5) shows the relative index and ranks of each influential factor (each statement in the questionnaire) in the contribution of small and medium enterprises to the economic development of the Kingdom of Saudi Arabia and the reduction of the unemployment rate. It is evident from the Table that Small and Medium Enterprises (SMEs) assist in fostering a self-help and entrepreneurial culture has been Ranked as No I, followed by A known feature of Small and Medium Enterprises (SMEs) sector is its ability to create jobs and Small and Medium Enterprises (SMEs) are pioneer in developing new products and services ranked 2<sup>nd</sup> and 3<sup>rd</sup> respectively by the respondents. Small and Medium Enterprises (SMEs) are the major source of foreign exchange earnings were ranked as last i.e.15<sup>th</sup> is very true in Saudi Arabian context.

### Considering about the impact of Small and Medium Enterprises (SMEs) on creation of employment:

Table (6): Statement (Small and Medium Enterprises (SMEs) is the major source of employment)

<b>Small and Medium Enterprises (SMEs) are the major source of employment</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.7	.7	.7
	Disagree	14	9.7	9.7	10.3
	Neutral	63	43.4	43.4	53.8

	Strongly agree	14	9.7	9.7	63.4
	Agree	53	36.6	36.6	100.0
	Total	145	100.0	100.0	

- Table No. (6) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) are the major source of employment): it can be seen that most of answers were Neutral with a percentage of 43.3% then agree with a percentage of 36.6% then both disagree and strongly agree with a percentage of 9.7% then the lowest of them was strongly disagree with a percentage of 0.7%.

Table (7): Statement (Small and Medium Enterprises (SMEs) are also largest source of domestic employment).

<b>Table 7</b>					
<b>Small and Medium Enterprises (SMEs) are also largest source of domestic employment.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	2.1	2.1	2.1
	Disagree	9	6.2	6.2	8.3
	Neutral	57	39.3	39.3	47.6
	Strongly agree	10	6.9	6.9	54.5
	Agree	66	45.5	45.5	100.0
	Total	145	100.0	100.0	

- Table No. (7) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) are also largest source of domestic employment): it can be seen that the most of respondents went with agree with a percentage of 45.5% and the least was strongly Disagree with a percentage of 2.1%, while neutral was 39.3% as second higher selected, strongly agree 6.9% then disagree 6.2%.

Table (8): Statement (Small and Medium Enterprises (SMEs) have reduced unemployment in the country).

<b>Table 8</b>					
<b>Small and Medium Enterprises (SMEs) have reduced unemployment in the country</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	1.4	1.4	1.4
	Disagree	16	11.0	11.0	12.4
	Neutral	35	24.1	24.1	36.6

	Strongly agree	29	20.0	20.0	56.6
	Agree	63	43.4	43.4	100.0
	Total	145	100.0	100.0	

- Table No. (8) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) have reduced unemployment in the country): it can be seen that the most of respondents went with agree with a percentage of 43.3% and the least was strongly Disagree with a percentage of 1.4%, while neutral was 24.1% as second higher selected, strongly agree 20% then disagree 11%.

Table (9): Statement (Small and Medium Enterprises (SMEs) have created job opportunities in rural areas of Saudi Arabia).

<b>Table 9</b>					
<b>Small and Medium Enterprises (SMEs) have created job opportunities in rural areas of Saudi Arabia</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	3.4	3.4	3.4
	Disagree	9	6.2	6.2	9.7
	Neutral	37	25.5	25.5	35.2
	Strongly agree	28	19.3	19.3	54.5
	Agree	66	45.5	45.5	100.0
	Total	145	100.0	100.0	

- Table No. (9) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) have created job opportunities in rural areas of Saudi Arabia.): it can be seen that the most of respondents went with agree with a percentage of 45.5% and the least was strongly Disagree with a percentage of 3.4%, while neutral was 25.5% as second higher selected, strongly agree 19.3% then disagree 6.2%.

**The economic importance of Small and Medium Enterprises (SMEs):**

Table (10): Statement (Small and Medium Enterprises (SMEs) play a very major role in the economy of Saudi Arabia)

<b>Table 10</b>					
<b>Small and Medium Enterprises (SMEs) play a very major role in the economy of Saudi Arabia</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	3.4	3.4	3.4
	Disagree	4	2.8	2.8	6.2



	Neutral	38	26.2	26.2	32.4
	Strongly agree	32	22.1	22.1	54.5
	Agree	66	45.5	45.5	100.0
	Total	145	100.0	100.0	

- Table No. (10) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) play a very major role in the economy of Saudi Arabia): it can be seen that the most of respondents went with agree with a percentage of 45.5% and the least was Disagree with a percentage of 2.8%, while neutral was 26.2% as second higher selected, strongly agree 22.1% then strongly disagree 3.4%.

Table (11): Statement Small and Medium Enterprises (SMEs) are the major source of foreign exchange earnings

Table 11					
Small and Medium Enterprises (SMEs) are the major source of foreign exchange earnings					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	1.4	1.4	1.4
	Disagree	19	13.1	13.1	14.5
	Neutral	64	44.1	44.1	58.6
	Strongly agree	6	4.1	4.1	62.8
	Agree	54	37.2	37.2	100.0
	Total	145	100.0	100.0	

- Table No. (11) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) are the major source of foreign exchange earnings): it can be seen that the most of respondents went with Neutral with a percentage of 44.1% and the least was Strongly Disagree with a percentage of 1.4%, while agree was 37.2% as second higher selected, strongly Disagree 13.1% then strongly disagree 4.1%.

Table (12): Statement Small and Medium Enterprises (SMEs) create the best rising export subsectors

Table 12					
Small and Medium Enterprises (SMEs) create the best rising export subsectors					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	2.1	2.1	2.1
	Disagree	12	8.3	8.3	10.3
	Neutral	58	40.0	40.0	50.3

	Strongly agree	11	7.6	7.6	57.9
	Agree	61	42.1	42.1	100.0
	Total	145	100.0	100.0	

- Table No. (12) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) create the best rising export subsectors): it can be seen that the most of respondents went with agree with a percentage of 44.1% and the least was Strongly Disagree with a percentage of 2.1%, while neutral was 40% as second higher selected, disagree 8.3% then strongly disagree 7.6%.

Table (13): Statement Small and Medium Enterprises (SMEs) have a major contribution in Saudi Arabia Gross Domestic Product (GDP)

Table 13					
Small and Medium Enterprises (SMEs) have a major contribution in Saudi Arabia Gross Domestic Product (GDP)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	6	4.1	4.1	4.1
	Disagree	7	4.8	4.8	9.0
	Neutral	45	31.0	31.0	40.0
	Strongly agree	25	17.2	17.2	57.2
	Agree	62	42.8	42.8	100.0
	Total	145	100.0	100.0	

- Table No. (13) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) have a major contribution in Saudi Arabia Gross Domestic Product (GDP)): it can be seen that the most of respondents went with agree with a percentage of 42.8% and the least was strongly Disagree with a percentage of 4.1%, while neutral was 31% as second higher selected, strongly agree 17.2% then disagree 4.8%.

Table (14): Statement (Small and Medium Enterprises (SMEs) in general consider employees as their most important resource).

Table 14					
Small and Medium Enterprises (SMEs) in general consider employees as their most important resource					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	6	4.1	4.1	4.1
	Disagree	11	7.6	7.6	11.7
	Neutral	43	29.7	29.7	41.4

	Strongly agree	29	20.0	20.0	61.4
	Agree	56	38.6	38.6	100.0
	Total	145	100.0	100.0	

- Table No. (14) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) in general consider employees as their most important resource): it can be seen that the most of respondents went with agree with a percentage of 38.6% and the least was strongly Disagree with a percentage of 4.1%, while neutral was 29.7% as second higher selected, strongly agree 20% then disagree 7.6%.

Table (15): Statement (A known feature of Small and Medium Enterprises (SMEs) sector is its ability to create jobs).

Table 15					
A known feature of Small and Medium Enterprises (SMEs) sector is its ability to create jobs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	2.1	2.1	2.1
	Disagree	6	4.1	4.1	6.2
	Neutral	35	24.1	24.1	30.3
	Strongly agree	30	20.7	20.7	51.0
	Agree	71	49.0	49.0	100.0
	Total	145	100.0	100.0	

- Table No. (15) Shows Frequencies and percentages of response of the study sample members to the statement (A known feature of Small and Medium Enterprises (SMEs) sector is its ability to create jobs): it can be seen that the most of respondents went with agree with a percentage of 49% and the least was strongly Disagree with a percentage of 2.1%, while neutral was 24.1% as second higher selected, strongly agree 20.7% then disagree 4.1%.

Table (16): Statement (Small and Medium Enterprises (SMEs) assist in fostering a self-help and entrepreneurial culture).

Table 16					
Small and Medium Enterprises (SMEs) assist in fostering a self-help And entrepreneurial culture					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	7	4.8	4.8	4.8
	Disagree	3	2.1	2.1	6.9
	Neutral	36	24.8	24.8	31.7

	Strongly agree	20	13.8	13.8	45.5
	Agree	79	54.5	54.5	100.0
	Total	145	100.0	100.0	

- Table No. (16) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) assist in fostering a self-help and entrepreneurial culture): it can be seen that the most of respondents went with agree with a percentage of 54.5% and the least was Disagree with a percentage of 2.1%, while neutral was 24.8% as second higher selected, strongly agree 13.8% then strongly disagree 4.8%.

Table (17): Statement (Small and Medium Enterprises (SMEs) are pioneer in developing new products and services)

<b>Table 17</b>					
<b>Small and Medium Enterprises (SMEs) are pioneer in developing new products and services</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	6	4.1	4.1	4.1
	Disagree	5	3.4	3.4	7.6
	Neutral	32	22.1	22.1	29.7
	Strongly agree	29	20.0	20.0	49.7
	Agree	73	50.3	50.3	100.0
	Total	145	100.0	100.0	

- Table No. (17) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) are pioneer in developing new products and services): it can be seen that the most of respondents went with agree with a percentage of 49% and the least was strongly Disagree with a percentage of 2.1%, while neutral was 24.1% as second higher selected, strongly agree 20.7% then disagree 4.1%.

Table (18): Statement (Small and Medium Enterprises (SMEs) are in general very quality minded in the products and services they provide).

<b>Table 18</b>					
<b>Small and Medium Enterprises (SMEs) are in general very quality minded in the products and services they provide</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	2.8	2.8	2.8
	Disagree	5	3.4	3.4	6.2

	Neutral	45	31.0	31.0	37.2
	Strongly agree	24	16.6	16.6	53.8
	Agree	67	46.2	46.2	100.0
	Total	145	100.0	100.0	

- Table No. (18) Shows Frequencies and percentages of response of the study sample members to the statement (Small and Medium Enterprises (SMEs) are in general very quality minded in the products and services they provide): it can be seen that the most of respondents went with agree with a percentage of 46.2% and the least was strongly Disagree with a percentage of 2.8%, while neutral was 31% as second higher selected, strongly agree 16.6% then disagree 3.4%.

Table (19): Statement (High Growth of Small and Medium Enterprises (SMEs) in Saudi Arabia during last five years).

Table 19					
High Growth of Small and Medium Enterprises (SMEs) in Saudi Arabia during last five years					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	14	9.7	9.7	9.7
	Disagree	10	6.9	6.9	16.6
	Neutral	33	22.8	22.8	39.3
	Strongly agree	42	29.0	29.0	68.3
	Agree	46	31.7	31.7	100.0
	Total	145	100.0	100.0	

- Table No. (19) Shows Frequencies and percentages of response of the study sample members to the statement (High Growth of Small and Medium Enterprises (SMEs) in Saudi Arabia during last five years): it can be seen that the most of respondents went with agree with a percentage of 31.7% and the least was Disagree with a percentage of 6.9%, while strongly agree was 29% as second higher selected, neutral 22.8% then strongly disagree 9.7%.

Table (20): Statement (Increasing Government's efforts for the promotion of Small and Medium Enterprises (SMEs) in Saudi Arabia during last 5 years).

Table 20					
Increasing Government's efforts for the promotion of Small and Medium Enterprises (SMEs) in Saudi Arabia during last 5 years					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	7	4.8	4.8	4.8

Disagree	6	4.1	4.1	9.0
Neutral	40	27.6	27.6	36.6
Strongly agree	43	29.7	29.7	66.2
Agree	49	33.8	33.8	100.0
Total	145	100.0	100.0	

- Table No. (20) Shows Frequencies and percentages of response of the study sample members to the statement (High Growth of Small and Medium Enterprises (SMEs) in Saudi Arabia during last five years): it can be seen that the most of respondents went with agree with a percentage of 33.8% and the least was Disagree with a percentage of 4.1%, while strongly disagree was 29.7% as second higher selected, neutral 27.6% then strongly disagree 4.8%.

### CONCLUSIONS:

This study focuses on this subject, trying to analyze this link in order to propose entrepreneurship as a solution to Saudi Arabia's unemployment crisis. The government encourages the formation of SMEs by providing financial assistance to people. SMEs have an important role in the national economy . SMEs play an important role in decreasing unemployment. Lack of SMEs owners' experience and administrative knowledge is considered one of the factors affecting on the continuity of these enterprises. It has been demonstrated that the proportion of foreign employees in SMEs is (3.67) which is high. People desire to work in the public sector because it is stable and has minimal working hours. Workers in SMEs are hesitant to work in these businesses due to a lack of pay. The current contribution of small and medium-sized firms to the gross domestic product is due to delays and deficiencies on the part of the relevant authorities in enacting regulations and legislation governing their operations and providing an appealing investment climate. To realize the Kingdom's Vision 2030, which expresses the intention to play a more active role in supporting the national economy.

Because of their unique characteristics, such as the ease with which they can be established, the low cost of capital, the direct supervision of the owner, and the ease with which they can adapt their production processes to meet changing demands, developing countries are interested in SMEs to help them develop their economic and social structures. Saudi Arabia, a country with a high proportion of young unemployment, has lately implemented laws to boost entrepreneurship and SMEs. Massive infusions of public funding and policymakers' efforts to encourage entrepreneurship will not transfer Saudi youth from unemployment to entrepreneurship unless the Kingdom overcomes key hurdles and addresses the difficulties confronting the next generation.

Furthermore, young unemployment is first intended to be focused on higher education institutions, which should have a role in fostering entrepreneurial skills and efforts, as well as assisting researchers in engaging with this problem. In a nutshell, the report advises that local entrepreneurial assistance programs be matched with the country's development ambitions as part of a national policy for an integrated entrepreneurship agenda. What is most needed is an

intellectual and cultural environment that supports entrepreneurial behavior, with an emphasis on information, innovation, and creative work to support high-growth entrepreneurship.

### 3.3.2 RECOMMENDATIONS

Small and medium-sized firms must be prioritized because they can absorb unskilled or semi-skilled workers, which makes up a major part of the labor population in developing nations, at a lower employment opportunity cost than large-scale enterprises. Through the processes of saving and investment, small and medium firms enable all sectors of society to participate in the economy; by diverting small savers toward investment and capital mobilization in small and medium enterprises rather than consumption, more savings will ensue. Because they allow men and women to become small investors, small and medium-sized businesses might be regarded "an effective tool to battle poverty." The state should expand its training program to help SMEs' owners acquire administrative and leadership abilities. The government should enhance the size of loans supplied to SMEs in recognition of their important contribution in reducing unemployment. Establishment of a financial fund to finance small and medium-sized firms at low interest rates, and participation of the fund in particular percentages of yearly profits over a given time, based on loan value, facility size, revenue value, and project idea. Encouraging Saudi youth to invest in outlying areas and profitable industries such as manufacturing, technology, and agriculture.

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