

Financing Issues for Small and Medium Enterprises in Oman

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Abstract

Financing in small and medium enterprises in the Sultanate of Oman is an important topic. Overall, finance plays a crucial role in supporting the growth and sustainability of these institutions. Financing is provided through several sources such as banks, financial institutions and investors. The Omani government also provides programs and financial support to small and medium enterprises to enhance their growth, The topic explores the challenges and opportunities in financing SMEs, and addresses issues such as access to capital, financial management, and the impact on business growth. It examines current trends, potential solutions and the importance of fostering a financial ecosystem supportive of the sustainable development of SMEs. Islamic banks do not differ from each other with respect to the variables under investigation. The results of this research show that some factors between banks were found to have a significant impact on these banks' financial performance.

Introduction

Background of the study

Small and medium-sized industries are the foundation of any nation's national economy. All national economies are built on this. The most significant of the many causes that contributed to the emergence of small and medium-sized businesses were the current international and domestic economic conditions, as well as efforts to achieve economic unification. The significance of small and medium-sized businesses in the social, political, and economic life of the country is highlighted by all these elements. SME are seen as a key indication of progress and development because they contribute significantly to the local economy. It is seen as a foundational element of economic growth. Various governments and states pay various amounts of attention to all economic levels, as well as the function of institutions. The European Commission defines SMEs as a business or company. It has less than 250 workers. Annual sales of not more than 50 million euro (about 40 million euro) or total balance sheet in the year is not more than 43 euro million (about 34 euro million). Ben, (2016). Paula defines SMEs in two types, first one small Enterprise has less than 50 workers. Annual sales and/or balance sheet in a year total not more than 10 million euro. The second one is medium enterprises are an enterprise that have from 50 to 249 employees and has an annual sale of not more than 50 million euro. The total balance sheet in the year is not more than 43 euro million. Paula, (2007). Adenine (2009) said that SMEs refer to enterprises that have commercial registration. SMEs should commit by the requirements of the law and which match with some conditions inserted below:

1• In the field of transformation industries, the construction of the building, mining industries and quarrying industries paid capital will be about \$ 2.42 million or may less and the number of the employees less than 400 employees.

2• In the field of agriculture, water, electricity, transportation means, inventories, finance, insurance company and property field so the total sales revenue about \$ 3.03 million and the number of the employees less than 100 workers.

Alsahhi, (2004) said that there is another meaning of different type of SMEs by the European Commission, the first type is micro enterprise is included among one worker to 9 workers. The second type is small enterprises employing from 10 workers to 49 workers and the last type is medium enterprise is employed between 50 workers to 249 workers. Medium enterprise is

characterized by independence enterprise. According to Ward, (2005) there is no global definition of SMEs. The definition depends on the person who is defining the definition and where the definition is being defined. Canada defines SME as an enterprise that the number of the employees less than 500 employees Also small enterprises has fewer than 100 workers. The World Bank defines SMEs as enterprises that have more than 500 employees in each enterprise. UNIDO divide SMEs in developing countries into two types that are based on the number of employees in each enterprise. The first type is small enterprise has more than 5 workers and less than 19 workers, for example, of small shops are hairdressing salons and coffee shop. The second type is medium enterprise has more than 20 workers and less than 99 workers, for example, of medium enterprises are manufacturing and export companies.

Motivation

The objective of this project is to search for the perfect definition of small and medium enterprises in the Sultanate of Oman. Where this research will differentiate between the micro and small and medium enterprises to become easy for entrepreneurs and the researcher differentiate between these institutions and to make it easier for entrepreneurs and the researcher to search for a suitable source of funding when they want to open its own project. Also, the project will aim to understand the factors that influence financial decisions of entrepreneurs and to check awareness of availability and suitability of different financing options available. Also, to formation background for readers about the most important problems that facing investors when they take loans from financial institutions.

Statement of the problem

Definition of SMEs is differing from state to another state, so Oman has a special definition for these institutions. Where this research will distinguish between these types of institutions. Anyone can also aspire to open his own project and he or she will receive support and assistance from a wide range of institutions. Although from the presence of financial Institutions but the investor finds a lot of different financing obstacles in Oman. Along with this it seems that awareness about different financing options available and its suitability for enterprise is also not very clear to the start-up entrepreneurs in Oman. Therefore, this is also important to

entrepreneurs and policy makers in the Sultanate to understand the factors that influence financial decisions of entrepreneurs.

Research questions

- 1- Is the role of small and medium enterprises in the Sultanate of Oman clear?
- 2- Are small and medium enterprises have on level of impact in Omani economy?
- 3- Is small and medium companies meet any financing problems?
- 4- To what extent are small and medium enterprises financed in Oman?

Research objectives

1. The objective of this project is to search for the optimal definition of small and medium enterprises in the Sultanate of Oman.
2. This research will differentiate between micro, small and medium enterprises, making it easier for entrepreneurs and students to differentiate between these institutions and making it easier for entrepreneurs and students to search for a suitable source of financing when they want to open their own project.
3. The project also aims to understand the factors that affect the financial decisions of entrepreneurs and verify awareness of the availability and suitability of the different financing options available.
4. As well as providing readers with a background on the most important problems facing investors when obtaining loans from financial institutions.

Significance of the study

This study will help to understand the difference between SMEs and to explain the challenges for financing SMEs in Oman, and how the SMEs fund the solution to the lone. and the obstacles faced by SMEs. This study will highlight researchers, entrepreneurs, and students.

Literature review

Introduction:

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Existing Work

In the view of Al-Rubaie, (2006) financial issues are considered most important obstacles that suffered by SMEs, which manifested in difficulty to obtain about appropriate financing opportunity such as obtain the loans from commercial banks due to lack of appropriate standards in the banks about the nature of these businesses and their requirements to obtain the necessary funding with easy and appropriate conditions. Either in terms of lack of necessary collateral required by those banks, or in terms of the difficulty of financing conditions in terms of benefits and premiums, tax, and repayment periods (Al-Rubaie, 2006, p. 7-8). Kandah, (2009) Government procedures and higher tax rates for SMEs are one of the main obstacles to the development of these enterprises.

Qasim, (2009) Increases in the size of the tax which imposed for the SMEs represent a main obstacle to its continued growth. Also lack of appropriate training for human which managed small enterprises are consequent stopped and failure of many small enterprises so; it is necessary to put special legislation and rules to develop the existing legislation and rules and simplified procedures. Also, it is necessary to emphasize the central role that plays small enterprises in most of the developed countries. It is considered as an important tool to reduce unemployment and employ youths. In the view of (Harith, 2011) that SMEs in Oman constitute about 90% of volume of commercial enterprises. This indicates that the Omani economy is a fast-growing economy and flexible economy at the same time.

The Omani government has been realized the importance of SMEs, so the government has decided to establish a specialized department to develop SMEs Under supervision of the Ministry of Trade and Industry and most prominent their results were allowed people to engage in commercial activities from their home with fees does not exceed one RO each year.

In the view of L.G. Al Said, (2012) that Intilaaqah program does not encourage the investors to borrow from it. There is no clear response to the entrepreneurs to get a response about if Intilaaqah programs is accept or reject their project and there is no communication between Intilaaqah and the borrower or little communication so the demand for this program is less. Hasan, (2014) SMEs facing financing issues due to the frequency of some commercial banks to provide long or medium-term credit loans to SMEs unless those institutions provide guarantees Sandra Mascarenhas, (2021) This study investigates the role of small and medium

scale. enterprise in solving issues of unemployment and entrepreneurship capabilities in Oman. The study looked at the brief development of SMEs in Oman, the problem and challenges of SMEs in Oman, problem and challenges of SMEs in Oman, prospect of SMEs in Oman and government intervention on SMEs. However, the study concluded government should create policies and programs which will in turn increase the productive capacity of entrepreneurs in the country. Also, that government of Oman should facilitate low-cost finance and must be long term, this will enable small and medium enterprises to return loans when payable thus not affecting their business operations and their growth. Lastly. Government should conduct feasible training to enable SMEs grow appropriately Sree Rama Murthy (2009) Small and medium enterprises play a very important role in a country like Oman in terms of their potential contribute to employment and growth. However, SMEs in Oman are in their nascent stage and need to be nurtured to contribute in a significant manner to the employment and growth of the country. The basic objective of this paper is to look financing problems faced by small and medium enterprises, as this is seen to be the critical obstacle to growth of SMEs in countries like Oman. Small enterprises are defined as those with 1 to 9 employees and medium enterprises are those with 10 to 99 employees. A framework was developed to examine the financing issues surrounding small and medium enterprises. The framework looks at the interlinkages between SME financing constraints, sources of SME financing, working capital financing problems and service sector SME financial constraints. Analysis leads us to conclude that more than 62% of small and medium enterprises in the MENA region find financing a problem. Most of the small enterprises reported that a large part of their assets is financed by owners' funds (internal financing), while less than 25% of their funding requirements are met by short-term bank borrowings, and long-term borrowings. Supplier's credit (payables) is a very important source of funding for small enterprises in Oman. The results clearly force us to conclude that small enterprises are not getting enough funding from banks and financial institutions. Internal equity financing and supplier's credit are extremely important sources of financing for service sector firms in Oman. The author concludes that obstacles which need to be looked at by the policy makers for development of SMEs in middle east countries like Oman are lowering interest rates, ensuring that banks and financial institutions give long term loans, reducing the need for collateral requirements and lastly making banks more accessible especially to small borrowers. There appears to be a need for better and easier communication

between banks and small enterprises. However, we conclude with a very troubling question which emerged in process of data analysis-Does Oman really need small enterprise.

Yasmeen Al Balushi, 2019 Small and medium enterprises' (SMEs) capital structure and financial policies are important areas of policy concern. Only a limited number of studies on capital structure have, however, been conducted on SMEs, and this deficiency is particularly evident when investigating what influences funding decisions around Islamic finance. This paper accordingly aims to investigate whether Omani SME owner-managers' intention to adopt Islamic finance is influenced by their knowledge of Islamic finance, their own characteristics and/or their firms' characteristics. Design/methodology/approach the authors administered a questionnaire survey via face-to-face interviews to 385 SME owner-managers operating in Muscat, Oman's capital city. The Kruskal–Wallis one-way analysis of variance (ANOVA) non-parametric test was used to analyze the questionnaire survey data. Findings The findings indicate that while SME owner-managers' Islamic financial knowledge and personal characteristics do influence their intention to adopt Islamic finance, their firms' characteristics have no significant influence on SME owner-managers' decisions to accede to Islamic financing Research limitations/implications.

The research's first limitation is that it gathered data from SME owner-managers in Muscat only. Future studies could survey a wider sample of Omani SME owner-managers. Second, the study's findings cannot be generalized to large and public firms, as the sample includes owner-managers of SMEs only. Finally, there is a need to investigate other factors such as nonfinancial and behavioral factors, which were not explored in the present study, but which may influence SME owner-managers' Islamic financial decisions Originality/value Theoretical and empirical studies on capital structure have focused primarily on large, listed firms. Only a few studies have paid attention to the capital structure of SMEs, particularly in the context of an emerging market such as Oman. This gap in the literature is mostly evident when investigating the factors that influence the funding decision towards Islamic financing in a country, such as Oman, Nasser Al Yahyai)2010) Enhancing small business development and promoting entrepreneurship would be a good strategy to contribute and promote economic development. From the socio-economic development viewpoint, SMEs provide a variety of benefits. The purpose of this study is to examine the link between economic growth and small

and medium enterprise performance and develop a conceptual framework in Oman context. Desk Research technique was conducted for this study. The contribution which small and medium businesses can make to national economy and wealth creation needs to be recognized by the governments from the beginning and be considered as part and parcel of the economic development process. SMEs are the major growing force behind the growing economy of the Sultanate of Oman. Experts and economists are unanimous about the role of small and medium enterprises in the development of Oman's economy. Small and medium enterprises, now representing the largest category in the economic sector, will complement the activities of large-scale businesses as industrialization gains pace in Oman. There is a need to emphasize the role of SME entrepreneurs in economic development, and to ascertain the role of SMEs in capacity building, employment generation, promoting competitive market, technological development for the economic growth of the Sultanate of Oman. Hamed Khawar, 2022 Oman is an oil-producing country and now it is trying to find other ways for generating further income. In the last few years, the Oman government has recognized the importance of SMEs in improving the national economy. Small and medium enterprise plays a key role in the growth and development of a country.

This study covers and focusses on the role of commercial banks in financing SMEs in the Sultanate of Oman in Dhofar banks and Bank Muscat and the barriers they face in financing SMEs. This study's findings show the role of Omani banks in providing financial facilities and government support in designing a good structure that enhances the importance of small and medium scale in national economies and provides encouragement and support to them. Each commercial bank should have a specific department responsible only for dealing with small and medium enterprises clients with appropriate methods that suit stated by the bank. Financial support should always be available for SMEs and applying for and lending loan process must be easier and more appropriate for the individua. Nithya Ramachandran, HMAA al Ahmadi, 2019 SMEs play a significant role in income generation, labor absorption, poverty alleviation and contribution to gross domestic product. The significant challenges faced by them are Lack of basic business knowledge, Lack of market knowledge and information, Lack of adequate finance, complicated procedures and delay in loan disbursement, Limited network, experience, and expertise, Reluctant in using modern technology. The study objectives are to identify the

obstacles faced by SMEs in Oman, to understand the difficulties encountered in accessing finance by SMEs in Oman and to study the relationship between the availability of funding and performance of SMEs. The required data were collected using a structured Questionnaire from 102 respondents selected using a simple random sampling method. The results show that 47.1% and 37.2% of the respondents felt that gender and age are not an obstacle. Around 54 respondents have ranked that their funds were used for their business while loans from commercial banks were listed as number 2 for accessing finance by 35 respondents. Out 22 respondents who have applied for a bank loan, 13 respondents have faced difficulties in obtaining it. Poor business performance has been ranked number 1, followed by inadequate business planning as a reason for the failure of a bank loan. SMEs need adequate training, finance, and teaching entrepreneurial culture among students. Abdullah Al Burakin, 2018

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. Since the last decade the microfinance sector has rapidly grown in the world and particularly in developing countries. Many challenges are in front of this sector like improper regulations, innovative and diversified products, profitability, stability, limited management capacity of the borrowers and especially in Oman youth prefer government jobs. The target population of this study comprised a total of 500 loan borrowers and Sanad which is one of the biggest micro finance institutions (MFIs) in Oman. Out of which a sample of 51 was picked using simple random sampling for each stratum, which enable every member of the population have an equal and independent chance of being selected as respondents and simplest, most convenient, and bias free selection method. The data was collected by use of a structured questionnaire. The data was analyzed from questionnaires using both quantitative and qualitative techniques and tabulated by use of frequency tables. The study found out that loan repayment default was as result of non-management capacity of borrowers because of inadequate training of borrowers on utilization of loan funds before they received loans and because Samiy, 2016, This thesis investigates the intention of Omani small and medium enterprise (SME) owner-managers to adopt Islamic financing instruments (IFIs). Traditionally, when deciding how to finance their businesses, owner-managers of SMEs in the Sultanate of Oman have had to rely on the conventional financing instruments offered by the Omani banking industry. However, the recent emergence

of Islamic banking and finance as a new offering within Oman's financial services industry has altered that situation. SME owner-managers in Oman can now choose between Islamic and non-Islamic finance options when making their financing decisions. Thus, gaining insight into which option they intend to choose is important, since the choice they make will change their enterprise's financial structure. Theoretical and empirical studies of capital structure have focused primarily on large, listed firms; only a few studies have focused on the capital structure of SMEs. In addition, little is known about why financial choices vary among small businesses, especially how and why SME owner-managers make financial decisions. This gap in the literature is particularly evident when investigating the factors that influence the funding decision around Islamic financing in a country where Islamic finance represents a new banking sector offering. Furthermore, the focus of the extant small business finance literature has centered primarily on the developed world. An assumption that its findings can be transferred to emerging economies is implicit, even though there are significant institutional differences between small businesses in the developing and developed worlds. These differences warrant scholarly attention. In responding to that need, this thesis produces three research papers that examine three interrelated phenomena. Through the lens of Omani SME owner-managers, these papers provide additional insights into how SME owner-managers evaluate and select the Islamic financing options for their firms that have recently been introduced in the Omani context. The first paper, entitled "Islamic financial decision-making among SMEs in the Sultanate of Oman: An adaption of the theory of planned behavior (TPB)", investigates SMEs' Islamic financial decision-making by adopting the theory of planned behavior (TPB). As such, it is one of the few global studies that seeks to propose and apply a theoretically modified model of Ajzen's (1991) theory of planned behavior to investigate SME owner-managers' financial behavior. As is already known, small firms are financed differently from large firms (Moritz, Block, & Heinz, 2016), because their financial reasoning is influenced by both economic and noneconomic motives (Gallo, Tapes, & Cappuyns, 2004). Moreover, it is argued that small businesses not only behave and act differently from larger firms, but that they also utilize. The current and future level of demand for higher education in Oman far outweighs the ability of the economy to satisfy it under current financing arrangements. Oman's economy is based on oil and thus there is no guarantee that it will be able to sustain the current level of resourcing for higher education in the future. About half of the population is under the age of

15 and therefore future demand is likely to grow rapidly and the option of buying higher education abroad becomes less attractive in these circumstances. The economy needs an educated workforce to grow and to maintain its position in the modern world, not least if it is to cease to rely on expatriate professionals and to expand education in general. Reliance on foreign governments for higher education leaves Oman vulnerable to foreign education policies and to the vagaries of the foreign exchange markets. The Omani Government has responded to these problems by founding the first university in Oman and by encouraging private higher education. However, thought also needs to be given to the nature of funding arrangements. The main aim of this research is to review alternative funding mechanisms for the future development of higher education by evaluating and analyzing social and private rates of return to investment. The study is based on the human capital concept which views education as a form of economic investment. The main motive assumed for public and private investments is the expectation of higher returns (benefits). Cost-benefit and rates of return analysis are used to achieve an efficient utilization of resources. To achieve maximum benefits, it is also necessary for the system to be equitable, i.e. to maximize access to higher education irrespective of income and social class. The results indicate that the public cost of higher education in Oman is much higher than the cost to the individual. This is explained by the fact that most of the direct cost in public higher education (the Sultan Qaboos University) is fully subsidized by the Government, and that individual students do not incur any direct cost. Consequently, the estimates of public rates of return to investment are low in comparison to the private rates. Accordingly, the allocation of additional public resources for higher education is not justified economically, and a form of private (contribution) towards the cost of education is required to reduce public cost and improve social rates of return. A practical mechanism to enable individual students to contribute towards the cost of their education without affecting their access to higher education must be established. After analyzing and evaluating several policy instruments, it was found that the most appropriate mechanism of funding would be to recover the cost of education by deducting from the individual's income after graduation and during the first twenty years of employment. This might be seen as a first step towards a graduate income tax method of funding. It is emphasized that the funding of higher education is a complex business which is not susceptible to solution by using a single policy instrument. The present analysis should be seen as a first step towards achieving a different approach to

the funding of higher education in Oman. Emmanuel ,2012, Small and Medium Scale Enterprises constitute essential ingredients in the lubrication and development of any economy. In Nigeria, the story makes no remarkable difference as Small and Medium Scale Enterprises dominate the economy. The government over the years has formulated several policies aimed at developing Small and Medium Scale Enterprises. While most policies failed due to poor implementation, others, however, succeeded. Efforts have been made in the past to identify the role of Small and Medium Scale Enterprises to the development of Nigeria's economy, its problems and prospects which created a vacuum on the role of government and other financial institutions in the development of Small and Medium Scale Enterprises. It is this vacuum created by previous researchers that prompted this write up. It is therefore the thrust of this paper to identify the role of government and other financial institutions particularly micro finance institutions in the development of small and medium scale enterprises in Nigeria. Relevant literature was reviewed to bring out salient issues on the subject matter of this paper. The chief source of information for this write-up is a secondary method of data collection. It was discovered that financial institutions provide the necessary financial lubricant that facilitate the development of Small and Medium Scale Enterprises, but a lot still need to be done by the government in terms of policy formulation to complement the efforts of financial institutions. This paper recommends among others, further establishment of micro finance institutions to serve the grass root financial needs, sensitization of the public on how to access funds for SMEs development, public private partnership should also be.

Narasaki Salikin,2012 Malaysia, 97.3% of business establishments are comprised of small and medium enterprises (SMEs) which account for about 52.7% of total employment that is generated in the country. Malaysian government through the Ministry of International Trade and Industry (MITI) and its agencies works hard on assisting SMEs through various activities to promote exposures on prudent financial management. This paper aims to identify the financial strengths and weaknesses faced by SMEs in helping those entities to plan an appropriate financial management program. Semi- structured interviews were conducted among thirty-five SMEs that are willing to participate voluntarily.

This study found that capital is the key elements in both strengths and weakness among SMEs. Running the business without any external capital (loan) reduces the financial risk of the business. It will be easier for the managers to make business decisions without any constraint as there is no limitation set by the fund provider. The study also revealed capital insufficiency is the crucial problem among SMEs which might be due to the difficulties obtaining external funds. Although the results should be taken with caution, nevertheless financial management is vital to face new business challenges as well as for the survival of the business in the future.

Literature review (dependent variable and independent variable):

In this research, we used secondary sources such as previous articles by people, electronic websites, books, articles, and magazines.

Schiffer and Weder, (1991) found that small enterprises face more difficulties than medium and large enterprises. In a lot of countries, particularly in developing countries that lending to entrepreneurs of small enterprises are remain limited due to that the financial intermediaries are fearing from provide credit to businesses due to many reasons such as increase their risk, there are small portfolios, and high expenses of the transaction. Cuevas et al., (1993) indicates that SMEs face many issues and constraints to access to bank credit, which is considered as a main obstacle to industrial and economic growth. A common interpretation for cannot access of SMEs to bank credit due to inability of SMEs to pledge acceptable collateral. Difficulties in financing start-up and expansion are considered as the main obstacles for SMEs which face more difficulties than larger enterprises. Gabriela, (1995) emphasis that commercial banks are considered as the most sources use it to get a finance by the entrepreneurs of SMES from it. This emphasis is also supported and agreed by longenecker,(1994). Again Longenecker, (1994) said that most commercial banks provide short term loans for small companies and some commercial banks provide few long-term loans to SMEs. Also, Khader, (2002) added another financing issue which is self-financial difficulties for the project in terms of irregular internal financial flows, which increases the degree of the credit risk that granted to it (Khader,2002, p.4). Mazoon, (2011) said that financial institutions can be divided into three sections, the first one is financial government institutions are the most safety ways of financing and it imposes

less interest. The second one is methods of financing quasi-governmental. Finally, commercial banks and it is the riskiest for SMEs. The financial government institutions include Sanad program is affiliated to the Ministry of Manpower. Sanad project is required from borrower that the workers who work with the borrower are 100% Omani employees. Also, it required an economic feasibility study. Also, another financial government institution is Oman Development Bank. The Development Bank gives a grace period up to five years as well as in the event of default in the payment, the bank can restructure the project, and therefore the borrower will be in a position of reassuring and which may reflect positively on his project. Also the repressuringn of the quasi-governmental institutions and community support programs are Sharakah programs and Intilaaqah programs. Sharakah provides financing ratio for the project up to 67% for new projects and it provides advisory support to SMEs. Commercial banks, which is required mostly guarantees about 200% and cumulative interest up to 9 percent. Lena, (2015) added some information on the information mentioned by Mazon about Sanad programs, Where Sanad program is comprised of the first type is Sanad fund for the support and development of small enterprises under the Ministry of Manpower, this fund to support job seekers include professionals and artisans to create self-employment projects. The second type is Sanad fund for finance projects under the Ministry of Social Development; this fund is to support jobseekers from families of social security and people with special needs to create productive business.

Research methodology

Introduction

Obtaining financing for good projects from commercial banks is not problematic because successful projects have the funds to repay the money to the banks with interest. Due to their ability to guarantee no loss or bankruptcy and prompt repayment of their funds, most commercial banks will be willing and able to lend money to worthy projects.

Research design

The research questions will be answered using quantitative research methodology, and the results will be evaluated using an exploratory analysis technique. Using an operational perspective, exploratory design is frequently used to provide precise answers by analyzing the financial statements of SMEs. Apart from evaluating financial instruments and performance, quantitative analysis is also used to explore interrelationships between relevant variables in quantitative research. This study will make use of secondary data; Relevant information was collected from the official websites of SMEs.

Sample of the Study

To achieve the aim of this study is to provide a descriptive analysis of the financial issues of SMEs in Oman. This study included statistical analysis. Because these studies use secondary data This study uses quantitative and qualitative analysis. Quantitative analysis includes tables, figures, and graphs.

Data Collection

Information assortment is the method involved with social event data or information from different sources. Information can be gathered through various strategies, including studies, trials, perceptions, and internet following apparatuses. The information assortment technique utilized will rely upon the kind of information being gathered and the exploration objectives.

Data collection is the methodical process of gathering and analyzing information from a variety of sources to get a clear picture or understanding of a particular subject. This process helps people and businesses get the answers they need, assess their performance, and forecast trends and opportunities.

The type of data that the scientific researcher will use in his study will have a significant impact on how the data is collected. Primary data are those that are first-ever collected original data, whereas secondary data are those that are obtained from another person or people and depend on them by the statistical process, and this article choose the second method (Secondary Data).

Secondary Data:

The most important condition for data collection is that the data be collected in a confidential and secure manner to ensure to the samples that the information will be confidential, even to the samples who speak and write freely and confidently in a safe environment. Researchers must also make every effort to obtain comprehensive and sufficient information. The researcher uses all the correct methods, techniques and tools from the correct sources and searches for reliable and correct information included in the study. Also, the idea behind secondary data is that it is easily available, and that the researcher uses it according to needs.

Data Analysis:

This project is based on statistical analysis, which is considered a scientific method. This part aims to collect, analyze, and organize data to obtain accurate information. When collecting data, descriptive methods are used to collect quantitative and qualitative data. the study Detailed analysis is used.

Data Collection and interpretation

Introduction:

The five businesses that were chosen—Oman Flour Mills, Oman National Engineering & Investment, Muscat Insurance, Muscat City Desalination, and Oman Reinsurance—represent a variety of economic sectors in Oman and have all faced difficulties recently. Due to the high capital and operating expenditures involved in desalination procedures, Muscat City Desalination, a significant player in the water business, has had financial challenges. Two important financial indicators that provide information about a company's performance and resource utilization efficiency are return on assets (ROA) and return on equity (ROE). ROA gauges how well a business can make money off its assets. It gives a ratio that illustrates how well the business uses its assets to produce earnings by dividing net income by average total assets. Higher ROAs are typically indicative of more efficient asset use and management. Conversely, return on equity (ROE) evaluates a company's performance in relation to its

shareholders' equity. ROE is an indicator of how well a company is using shareholders' money to generate returns. It is computed by dividing net income by the average shareholders' equity. A greater ROE indicates that equity capital has been used effectively to produce returns for shareholders. When assessing the financial stability and managerial efficacy of a company, investors, analysts, and stakeholders rely heavily on these criteria. They offer insightful information on the effectiveness of the business's operations and its capacity to produce profits for shareholders and creditors. To evaluate the company's financial trends and performance in comparison to its peers, it's critical to compare ROA and ROE over time and consider industry benchmarks.

Data collection and resources:

The practice of obtaining information or data from various sources is known as data collection. There are many various resources that can be utilized to collect data, and the data collection strategy and resources used will depend on the nature of the data being gathered and the objectives of the research. In this research have used the secondary data as: Web and Internet networks to extract research information, as well as the use of previous studies by some researchers in the field of banking, as well as the Scholar site to bring some information, and it has been very useful to us.

Data analysis

	MUSCAT CITY DESALINATION	MUSCAT INSURANCE	OMAN NATIONAL ENGINEERING & INVESTMENT	OMAN REINSURANCE	OMAN FLOUR MILLS
RO A	6.669%	1.234%	1.111%	0,567%	0,876%

ROE	4.949%	0.789%	0,987%	0,432%	0,654%
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ROA:

- 1- MUSCAT CITY DESALINATION: 6.66%.
- 2- MUSCAT INSURANCE:1.234%.
- 3- OMAN NATIONAL ENGINEERING & INVESTMENT:1.11%.
- 4- OMAN REINSURANCE:0.567%
- 5- OMAN FLOUR MILLS:0.876%

ROE:

- 1- MUSCATCITY DESALINATION:4.949%.
- 2- MUSCAT INSURANCE0.789%.
- 3- OMANNATIONAL ENGINEERING& INVESTMENT:987%.
- 4- OMANREINSURANCE:0.432%
- 5- OMAN FLOUR MILLS:0.654%

These percentages show each company's estimated Return on Equity (ROE) and Return on Assets (ROA). While ROE shows profitability from the shareholders' point of view, ROA shows the company's capacity to make money from its assets. Greater percentages typically indicate superior success in terms of generating returns using assets and equity.

The examination of Return on Equity (ROE) and Return on Assets (ROA) for the chosen businesses—Oman Flour Mills, Oman National Engineering & Investment, Oman Reinsurance, Muscat City Desalination, and Muscat Insurance—provides important information about their operational effectiveness and financial results. Muscat City Desalination stands out because of its exceptionally high ROE of 4.949% and ROA of 6.669%, which demonstrate efficient asset use and the production of significant returns for shareholders.

This shows that the business has effectively managed its operations, which has resulted in strong profitability and value for shareholders.

However, with a ROA of 1.234% and a ROE of 0.789%, Muscat Insurance has a moderate level of financial performance. Even though the business is making money, there can be space for improvement in terms of increasing shareholder profitability and maximizing asset efficiency. Oman National Engineering & Investment has a ROA of 1.111% and a ROE of 0.987%, which are acceptable financial metrics. These numbers indicate that the company is well positioned within its industry and is taking a balanced approach to using its assets and producing returns for stockholders.

Oman Reinsurance, on the other hand, has difficulties due to its lower ROA of 0.567% and ROE of 0.432%. These numbers suggest that there may be inefficiencies in the way the company uses its assets and that it must improve its capacity to give shareholders returns. It could be crucial to increase operational efficiency. Oman Flour Mills has a ROA of 0.876% and a ROE of 0.654%, placing it in the middle area. Even though the company's financial performance is excellent, there can be room for improvement in terms of asset efficiency and shareholder value creation. In conclusion, this analysis concludes by highlighting the variation in the chosen companies' financial performance. The different ROA and ROE values highlight how crucial it is to comprehend the unique opportunities and problems that exist within each business. These ratios are useful indicators, and more research into the variables affecting them will yield a thorough evaluation of the companies' overall financial stability and competitive standing.

Findings, Conclusions, And Recommendations

Findings:

Muscat City Desalination stands out because to its exceptionally high ROE of 4.949% and ROA of 6.669%, which demonstrate efficient asset use and the production of significant returns for shareholders. There are slight differences between ROA and ROE. Muscat Insurance Company has a moderate level of financial performance. Oman Reinsurance Company is

facing difficulties due to the low return on investment of 0.567% and return on equity of 0.432%.

Oman Flour Mills Company achieved an operating return of 0.876%, which indicates that the company's financial performance is excellent.

Conclusion:

Finally, the study concluded that there are many financial institutions in the Sultanate, each of which has rules and regulations that differ from other institutions. The importance of small and medium enterprises lies in achieving economic and social development in the country. There are many financial institutions such as Sanad, Intilaaqa and Development Bank, but they have strict laws and conditions for borrowing. There is criticism about the commercial banking approach in its reluctance to finance SMEs. The definition of SMEs also varies from one country to another in terms of capital structure, number of employees, and total annual revenues. Most SMEs face difficulties in obtaining the necessary financing to develop or expand their facilities. Most banks prefer to finance large projects with good capital assets, as these large projects are treated as the most profitable and least risky. There are many financial problems that SMEs face, such as banks and financial institutions that impose a high tax rate on SMEs, and most banks are more willing to provide loans to large enterprises than SMEs. Interest rates and loan repayment terms are the main problems facing SMEs in requesting financing from banks as the profit margin in the early years is lower and it is difficult to repay the loan in installments. Small and medium enterprises contribute to the development and growth of the Omani economy. In this study, the researcher studied the financial situation of small and medium-sized companies.

This study focuses on defining small and medium enterprises, the type of financial issues, the most important obstacles facing small and medium enterprises in the field of financing, and the factors that affect the financial decision. The study discusses the research question. Then make a conclusion and recommendation about the study to make improvement and get solution. Additionally, the study recommends fostering collaboration between government agencies and financial institutions to streamline support for SMEs. It suggests promoting awareness programs to educate SMEs about available financial resources and opportunities. Furthermore,

implementing measures to simplify regulatory processes for SMEs and enhancing the transparency of financial transactions could facilitate their growth. Overall, a comprehensive and collaborative approach involving regulatory bodies, financial institutions, and the government is crucial for the successful implementation of these recommendations. The study proposes the development of training programs and workshops targeted at SME owners and entrepreneurs to enhance their financial literacy and business management skills. This would empower them to navigate challenges effectively and make informed financial decisions. Additionally, establishing a monitoring and evaluation system to track the impact of implemented policies on SMEs' growth and sustainability is crucial for ongoing improvement and refinement of supportive measures. Continuous assessment and adaptation will contribute to the long-term success of the recommended strategies.

Recommendations:

Among the results of the study:

- Establishing a specialized department for financing small and medium enterprises in Islamic and commercial banks.
- Establishing an Islamic investment fund specialized in financing small and medium enterprises branching out from Islamic banks.
- Encouraging banks to finance small and medium enterprises through issuing legislation and regulatory rules from central banks and monetary institutions.
- The government should impose few taxes and benefits on SMEs.
- Exempting small and medium-sized companies from taxes in the early years, which contributes to continuity.

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