
**SMES' ROLE IN REDUCTION OF THE UNEMPLOYMENT PROBLEM
IN THE AREA LOCATED IN SAUDIS' NORTHERN BOARDERS**

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ABSTRACT

This research, mainly, shed the light on the status and the importance of small and medium enterprises (SMEs) in reduction the unemployment rate which becomes a serious social problem in the Saudis society in general and the Saudi north area boarders in particular. Also the study aims to recognize the main problems and obstacles facing SMEs' development in the northern boarders in Saudi Arabia. The analyses descriptive approach was used in this study and 1500 questioners were presented to the sample which it was selected randomly from workers in SMEs in (Ara'r) city in Saudi Arabia. The statistical package for the social science program (SPSS) was used to analyze the questioner:

- 1- Frequencies and percentage was used to describe the personal characteristics of the sample.
- 2- Cronbach's alpha internal consistency was used to examine the validity of the study's tool.
- 3- Averages and standard deviations were used to for the study's tool.
- 4- The one sample test was used for isolated sample.

The analyzed data showed:

- 1- A positive relation between the roles of SMEs and the economic development's implementing in Saudi Arabia.
- 2- A positive relation between SMEs and the solution of unemployment's problem.
- 3- Lacking of salaries paid to the workers in SMEs leads local workers to stay away from working in these enterprises.

Based on the results the study suggested the following recommendations:

- 1- Government should encourage, support and sponsor SMEs in order to provide new job opportunities.
- 2- Government should increase the loans supporting SMEs so that it can reduce unemployment.
- 3- Increasing wages and salaries policy for Saudis working in SMEs should be adopted.

Key words: small enterprises, medium enterprises, unemployment, Saudi Arabian kingdom.

INTRODUCTION

Developing countries are facing a serious task in changing economic attitudes by transition from big enterprises to encouraging small and medium enterprises administered by local sector. This requires the need for implementation of economic reform program and turning into economy market that requires releasing economic activities and SMEs at the first point.

Because it becomes one of the most important components of the socio-economic development in many countries around the world, SMEs are considered to be one of the sectors that get an increasing interest from the governments. The last decades witnesses a development and huge expansion in SMEs in all over the world especially in the developing countries in which it is locally and internationally seen as the base of the national economy and the perfect way to overcome the economic crisis, because of its great ability for achieving the economical development, modernizing industry, confronting the rising unemployment problem, preparing qualified human cadre, activating woman's productive role, raising individuals' standard living, creating the spirit of integration and competition among SMEs. Developing countries interest in SMEs to develop the economic and social construct due to its great characteristics such as the simplicity of creating such enterprises, and its simple capital, the direct supervision of the owner and the simplicity of production process adaptation according to demands.

Many developing countries were able to depend on SMEs to be transferred from being poor countries into rich countries like (Korea, China, India and Malaysia...etc) which were able to achieve the highest level of international development. with the guidance of the senior leadership, the government of Saudi Arabia kingdom started to increase the interest towards small and medium enterprises and to invest large amounts of money in such enterprises, because it is considered as one of the most important economic development priority, a basic tool in raising production rates, a set of policy and procedures have been performed to encourage and develop this kind of enterprises and to support financial institutions in order to achieve its needed objectives.

SMALL ENTERPRISES' DEFINITIONS

The small enterprises is defined as a small establishment which is distinguished with its low capital, little number of workers, small size of sales, small amount of energy needed to operate it, also it is distinguished with its close link with environment, depending on the locally available services and on marketing its products in the same area where it has been founded (Alqamri, 2011).

Small and medium enterprises are very important in all countries around the world especially in the developing countries, in Saudi Arabia, SMEs form 90% of the total establishments in private sector, and it contributes in 34% from the American national income and in 30% from the Saudi national income.

In order to define SMEs according to its social and economic frameworks, many criteria have been adopted around the world.

There is disagreement about maximum and minimum number of workers in these enterprises, for example, the number of workers in SMEs in Germany is around (49), in England (200), in European union is around (250), and (300) workers in Japan and Korea. In spite of this difference, many countries define small and medium enterprises on the base of workers' number without being exceed (250). Other countries saw to take in consideration the size of investments when they determinate the definition of small and medium enterprises, for example, in India, small and medium enterprises are defined as enterprises whose investment costs don't exceed 65000\$, on the other hand, countries like Egypt mixed with workers' number and tangible fixed assets, Egyptian industrial ministry defines small and medium enterprises as the establishment whose fixed assets don't exceed 500 thousands Egyptian pound with 10-100 workers.(Alhussaini,2006).

In Saudi Arabia, institution with less than 50 workers is classified as a small institution while the rest of Cooperation Council for the Arab States of the Gulf classifies small and medium enterprises as institution with less than 10 workers,(Alsahlawi,2001).

In general, there is no generally agreement for the definition of small and medium enterprises, and according to international labor organization, no definition could include all small and medium size's dimensions which is also able to show the differences between sectors or countries with different levels of development. Most of size definitions based on criterion such as labor, capital, yearly sales size. But none of each criterion can necessarily be applied on all countries, for example, sales volume could indicate to a small businesses in the United State of America while could actually represent a big or medium company in other economies. According to Organization for Economic Co-operation and Development's sources, about 95% of small or medium institutions use less than 100 workers. Even definitions which based on labor criterion face the same problem in this context- in Switzerland, company that employs more than 100 worker isn't classified as a big company, while very few number of developing countries' company employ a big number of workers. Many definition depends on more than one of the mentioned criterion, but criterion like labor, investment capital were the most used criterion, especially in developing countries to define small and medium enterprises and that is due to the suffering of these countries from unemployment and inflation levels' rise which leads to the rise of poverty levels.

It can be said that there is no comprehensive definition for small and medium enterprises, because small enterprise's term contains a lot of questions about: type of the small and medium enterprise, maximum and minimum enterprise workers, maximum and minimum limit of investment, type of small and medium enterprises' products and the form of administrating and organizing in such enterprises.

Small and medium enterprises play an essential role in reduction unemployment levels by providing locally job opportunities, small and medium enterprises are considered the basic component for production and it attracts a large number of local qualified and unqualified workers to prepare them skillfully, and to confront unemployment raising problem, offering qualified labor, creating the spirit of integration and competition among small and medium enterprises and improving individuals' standard of living.

PREVIOUS STUDIES

1- (Abdel-Razaq hameedi & Abdel-qader owanan,2011) has conducted a study entitled with 'the role of small and medium institutes in reduction of unemployment the international experiments, indicating to some of the international experiments', The study aims to recognize the role of the small and medium institutes' capability in providing job opportunities and reducing unemployment levels in all over the world.

The study suggested some recommendations:

- Strategic procedures to improve small and medium institutes should be done.
- University and scientific research centers and small and medium institutes' correspondent parties should participate to form that strategy.
- The necessity of taking the benefit of developed countries' experiences in developing small and medium enterprises' sector without following the experiment step-by-step inasmuch the differences in human, materials, financial and cultural qualifications.
- A serious desire in the state and small and medium enterprises' owners to face challenges is strongly required.

2- (Muqri & yahyawi, 2011). "small and medium enterprises as an anti-unemployment mechanism in Arab world" the study investigates the unemployment problem and developmental challenges facing Arab countries that have the highest levels of unemployment in the world, and because the Arab labor force grows much more quickly than other region in the world, serious and successful solutions for unemployment problem especially in youth sector are strongly required to solve unemployment problem and its social consequence in these countries.

In this case, the great role of these institutes becomes clear in creating job opportunities and solves unemployment. This paper will analyze the conditions of Arab labor market and investigates the obstacles, opportunities and define SMEs and its importance in Arab world, additionally, showing the main challenges of small and medium enterprises' development. Finally the study suggested the following recommendations:

- It is strongly recommended to increase awareness of the importance of small and medium enterprises and showing its role in economic development as well.
- The study also suggested increasing commercial banks' interest to the financial needs and plans of (SMEs).
- Inviting Islamic commercial banks to sponsor small and medium enterprises' working capital as an alternative finance compatible with Islamic law by cost-plus-financing system.
- Removing the organizing and governmental policies' obstacle related to banking system which is considered as one of the main components to make success in financing small and medium enterprises in commercial banks.

3- (Hog& Jan Peterson, 2007) "using information technology in small and medium enterprises". The study investigated the extent of using IT in SMEs in eastern Asia.

The study revealed that equipping and organizing information technology in SMEs by administration leads to the success of these administrations.

4- (Alzain & Murad, 2007), "the role of small and medium enterprises in decreasing poverty" the study showed the positive and negative results of SMEs according to Algerian experiment in decreasing poverty, creating job opportunities, increasing the national income, developing the idea of depending on the SMEs to develop the economy of developing countries was a positive of SMEs, additionally, many serious mechanisms was given in order to create and support SMEs.

5- (Hadad, 2006), "The role of banks and financial institutions in financing small and medium enterprises". The result of the study indicated that despite the importance of these SMEs which have 69% from working enterprises that contains 42% of labor working in Jordan, it faces administrative financial marketing and organizational problems that reduce the spreading of small and medium enterprises, also, SMEs don't receive a suitable financing.

6- (Al sahlawi,2001) "rates and factors of spreading small and medium enterprises in Saudi Arabia" the study showed a significant positive relation between spreading SMEs and individual's educational status , total national income, bank credit. The study depends on labor's size in the SMEs' classification.

Significant of the study

The importance of this study comes from:

- 1- Recognizing the relation between SMEs and financing parties.
- 2- Recognizing the administrative process in SMEs and its successful role in SMEs.
- 3- Recognizing the available job opportunities provided by SMEs to reduce unemployment.
- 4- Recognizing the role played by SMEs in national economy.

Statement of the problem

The study tries to answer the following questions:

- 1- What is the theoretical concept of SMEs in general?
- 2- To what extent SMEs contribute in reduction of unemployment?
- 3- What are the programs and methods presented by state to support SMEs?
- 4- What is the role of the state in developing SMEs owners' leadership skills?
- 5- What are the main obstacles facing SMEs in the national economy?

Research objectives

The study aims to:

- 1- Know the conditions and the nature of SMEs in Saudis northern borders.
- 2- Know the SMEs' contribution in decreasing unemployment levels in Saudis northern borders.
- 3- Know the Saudis state's contribution to encourage investment in SMEs.
- 4- Know the main challenges facing SMEs in Saudis northern borders.
- 5- Presenting results and recommendations helping to solve problems related to SMEs in Saudi Arabia.

Hypotheses

The study hypothesized:

- 1- A positive relation between SMEs and achieving economical development.

- 2- A positive relation between SMEs and solving unemployment problem in Saudis' northern borders.
- 3- A positive relation between SMEs and SMEs owners' leadership development.
- 4- A positive relation between size of SMEs and obstacles reducing its spreading.

Methodology

Induction descriptive approach was used in this study to describe the study's subject and review the literature and theoretical frame of the study. Also deductive approach was used in order to identify problem's dimensions and suggesting appropriate solutions.

Collecting data resources

Minor resources:

- 1- English and Arabic books and index.
- 2- Previous studies.
- 3- Periodical and magazines.
- 4- Dissertations and theses.
- 5- Formal reports.

Prim resources:

- 1- Questioner covers the working SMEs in the region and workers.
- 2- Social survey.
- 3- Personal interview.
- 4- Multi statistics.

Sample of the study

Participants

The sample of the study consists of SMEs working in the Saudis northern borders (Arar city), 1500 questioners were randomly presented to sample society, but when data was collected just 1370 were valid for investigation.

Statistical Analyses

Measure of quintet locker scale was used to measure individuals' perspective, the researchers gave one point to (strongly disagree), two point to (disagree), and three point to (neutral), four point to (agree), five point to (strongly agree). Participants should put a tick in front of their responses. To calculate the averages the following classification was followed:

- Less than 2.33 are low.
- From 2.34- 3.66 are medium.
- From 3.67-5.00 are high.

Statistical Processing

In order to answer the study's questions the statistical package for the social science (SPSS) was used via:

- Frequencies and percentages statistics was used to describe personal characteristics of participants.
- Cronbach's alpha internal consistency was used to examine the validity of the study's tool.
- Averages and standard deviations were used to for the study's tool.
- The one sample test was used for isolated sample.

First: demographic analyses

Table (1)

Table (1) shows the distribution of sample's individuals according to personal variables.

Variable	Categories	frequencies	percentage
Educational status	Less than secondary school	309	22.5
	Secondary school	485	35.4
	Diploma	318	23.2
	Undergraduate	241	17.6
	Master Degree	17	1.3
	Total	1370	100.0
age	Less than 25 years	126	9.2
	From 26-30 years	419	30.6
	From 31-35	310	22.6
	From 36-40	265	19.3
	More than 45 years	250	18.2
	Total	1370	100.0
Enterprise's Age	Less than 1 year	499	36.4
	From 1-5 years	567	41.4
	More than 5 years	304	22.2
	Total	1370	100.0
Enterprise's pattern	Small enterprises	1342	98.0
	Medium enterprises	28	2.0
	Total	1370	100.0

Table (1) shows:

- The highest frequency of educational status was "secondary school" reached (485) (35.4%), while the lowest frequencies were in (master degree) reached (17) (1.3%).
- According to age variable, the highest frequencies were in (from 26-30years) reached (419) (30.6%), while the lowest frequencies were in (less than 25 years) reached (126) (9.2).
- In relation to enterprise age, the highest frequencies were in (1-5) reached (567) with (41.4%), while the lowest frequencies were in (more than 5 years) reached (304) with (22.2%).
- In relation to enterprise pattern, the highest frequencies were in (small enterprise) reached (1342) with (98.0%), while (medium enterprises) get the lowest frequencies and reached (28) with (2.0%).

Hypotheses' analyses and results

The current section includes the result of testing Hypothesis (H1).

H1: a positive relation is expected between SMEs' role and achieving economic development.

In order to check the validity of (H1) averages and standard deviations for each economical growth item was calculated, one-sample test was also used to reveal the positive relation between SMEs and achieving economical growth.

Table (2) A descending order for the averages and standard deviations of economical growth items

Q.N	Items	average	Standard deviation	grade	degree
1	SMEs have appositve role in supporting the national economy	4.11	1.07	1	High
3	There are administrative problems facing SMEs' influence in national economy	4.05	1.01	2	High
4	SMEs affect in developing national economy	4.05	0.96	2	High
5	National economy is affected by the increasing of SMEs financed by Government	4.00	1.00	4	High
6	SMEs financed by government have export problems	3.99	0.99	5	High
2	SMEs increase the growth in national economy	3.93	1.04	6	High
8	SMEs influence the size of exports	3.91	1.04	7	High
7	Size of exports is affected with decreasing and increasing of SMEs	3.86	1.08	8	medium
9	Banks' Loan interest's rate reduces of SMEs' growth	2.76	1.31	9	medium
Economical growth		3.85	0.65		High

Table (2). Shows that averages were about (4.11-2.76), where item number (1). (SMEs have appositve role in supporting the national economy) comes in the first grade with a high degree, then third item: There are administrative problems facing SMEs' influence in national economy and fourth item: SMEs affect in developing national economy, both of the (3&4) items came in the second grade with average (4.05) and with high level. (Item 5) "National economy is affected by the increasing of SMEs financed by government" came in third grade with average (4.00) with high level. Item number (9) "Banks' Loan interest rate reduces of SMEs' growth" came in the last grade with high level. The average of economical growth was (3.85) with high level.

Table (3) shows the result of the one-sample T.test on the general average

Field	Average	Standard deviation	Value" T"	Statistical significance
Economical growth	3.85	0.65	48.45	0,00

Table (3) shows T's value was (48.45) with statistical significance (0.00), the general average was compared with likert quintet of standard deviation at the point(3), results showed a positive relation between role of SMEs in achieving state's economical growth with high level.

Hypotheses (H.2): A positive relation between SMEs and solving unemployment problem in Saudis' northern borders.

In order to check (H.2) validity averages and standard deviations for each item related to unemployment were calculated, one-sample T.test was also used to reveal the positive relation between SMEs' role and overcoming unemployment problem.

Table (4): A descending order for averages and standard deviations for items related to unemployment field.

Q.N	Items	average	Standard deviation	grade	Degree
16	SMEs help in providing local consumers' needs	3.77	1.25	1	High
11	Financial institutions meet the individual financial needs' for creating SMEs	3.69	1.24	2	High
13	Governmental institutions provides job opportunities by financing SMEs	3.67	1.23	3	High
14	All workers in SMEs were foreigners	3.67	1.23	3	High
15	Governmental financing reduces unemployment	3.64	1.23	4	Medium
17	Banks' loan size for creating SMEs are sufficient	3.62	1.29	4	Medium
10	Loans afford by governmental institutions are sufficient for supporting SMEs	3.53	1.23	7	Medium
12	Governmental institutions are financing all sectors to create SMEs	3.51	1.29	8	Medium
The unemployment field as a whole		3.64	0.73		Medium

Table (4) shows averages were between (3.51-3.77), item (16):" SMEs help in providing the special needs of local consumers" came in the first grade with high degree, then item (11) " Financial institutions meet the individual financial needs for creating SMEs " came second with average (3.69) with high degree, then item (13) " Governmental

institutions provides job opportunities by financing SMEs" came third with average (3.67) and with high degree, in the last came item (12) " Governmental institutions are financing all sectors to create SMEs" with medium degree. The average of unemployment field reached (3.63) and with medium degree.

When question number (14) was analyzed we found that most of the workers in SMEs were not Saudis which are considered as negative predictors for solving unemployment problem.

Table (5) Results of applying one-sample T.Test on general average

Field	average	Standard Deviation	"T"s value	Statistical significance
Unemployment	3.63	0.73	31.89	0.00

Table (5) shows the T's value was (31.89) with statistical significance (0.00). general average was compared with standard deviation's value in likert quintet which is(3), results shows a positive relation between SMEs' role and solving unemployment problem with a high degree.

Hypothesis (H3) A positive relation between SMEs and the development of leadership skill in SMEs owners.

In order to check the validity of (H3), averages and standard deviations of all items related to leadership skills were calculated, One –sample T.Test was also used to reveal a positive relation between SMEs' role and developing SMEs owners' leadership skills.

Table (6) Descending order for averages and standard deviations for leadership skills field's item

Q.N	Items	Standard deviation	Average	grade	degree
18	The administrative skills were simple at the beginning of SMEs	1.19	3.89	1	high
21	Individuals have knowledge with the administrative needs for creating SMEs	1.14	3.86	2	high
23	SMEs owner make the administrative decisions related to the work	1.07	3.85	3	high
24	SMEs financed by government have a positive role in creating Leadership cadres.	1.18	3.69	4	high
19	Lack of administrative skills leads to SMEs failure	1.29	3.68	5	high
20	Government is providing administrative skills training for SMEs' cadres	1.29	3.64	6	medium
22	Governmental financial institutions help in solving problem related to SMEs	1.31	3.52	7	medium
25	SMEs financed by governmental institutions help in raising leadership skills	1.33	2.66	8	medium
Field as a whole		0.65	3.60	medium	

Table (6) shows averages were between 2.66-3.89. Item number (18) "The administrative skills were simple at the beginning of SMEs" came first and with high degree, then item (21) "Individuals have knowledge with the administrative needs for creating SMEs" came second' with average (3.86) and with high degree. Then item (23)" SMEs owner makes all the administrative decisions related to the work" came third with average (3.85) and with high degree. And Item (25)'SMEs financed by governmental institutions help in raising leadership skills' came last with medium degree. The average of unemployment field reached (3.60) with a medium degree.

Table (7) Results of applying one-sample T.test on general average

Field	Average	Standard deviation	T's value	Statistical significance
Leadership skills	3.60	0.65	33.96	0.00

Table (7) shows T's value at the point (33.96) with statistical significance (0.00). General average was compared with standard deviation's value in likert quintet which is (3), results shows a positive relation between SMEs' role and the development of owners' leadership skills with a high degree.

Hypothesis (H.4): a positive relation between size of SMEs and obstacles reducing its spreading

In order to check the validity of (H4), averages and standard deviations of all items related to obstacles field were calculated, one –sample T.Test was also used to reveal the problem and obstacles that could affect SMEs availability.

Table (8) Descending order for averages and standard deviations for obstacles field's item

Q.N	Items	Standard deviation	average	Grade	degree
28	Desire to work in public sector because it is permanent and has less hours work	1.29	3.67	2	high
29	Experiencing SMEs is risky	1.29	3.65	3	high
26	working in SMEs is considered as disgrace	1.35	2.35	4	Low
27	Lack of experience in SMEs	1.22	2.28	5	Low
30	Lack of salaries in privet sector	1.29	3.70	1	Low
31	lack of the available information and statistics needed for creating SMEs	1.20	2.17	6	Low
Obstacle field as a whole		0.87	2.97		Low

Table (8) shows averages were between (2.17-3.70). Item number (31) "Lack of the available information and statistics needed for creating SMEs"

Came first and with low degree, then item (27) "Lack of experience in SMEs' came second' with average (2.28) and with low degree. Then item (30)" Lack of salaries in privet sector" came third with average (3.70) and with high degree.

Table (9) Results of applying one-sample T.test on general average

Field	average	Standard deviation	'T's value	Statistical significance
SMEs' obstacles	2.30	0,87	29.93	0.00

Table (9) shows that T's value reached (29.93-) which is a minus value with statistical significance (0.00). General average was compared with standard deviation's value in likert quintet which is (3); results shows obstacles could affect negatively in SMEs.

RESULTS

- 1- State encourage creating SMEs by financing individuals' financial needs.
- 2- SMEs have a positive role in supporting national economy.
- 3- It has been shown that levels of foreign workers in SMEs were (3.67) which are high.
- 4- SMEs play an important role in decreasing unemployment.
- 5- Lack of SMEs owners' experience and administrative knowledge is considered one of the factors affecting on the continuity of these enterprises.
- 6- Individuals want to work on public sector due to its permanency and low working hours.
- 7- Lacking of paid salaries to workers in SMEs leads to unwilling to work in these enterprises.

RECOMMENDATIONS

- 1- State should control working hours in privet sector.
- 2- State should increase training program in order to develop administrative and leadership skills for SMEs' owners.
- 3- State should increase the size of the loans given to SMEs for its great role in decreasing unemployment.
- 4- State should make its best efforts to increase SMEs for the growth of national economy.
- 5- State should increase paid salaries for SMEs' workers mainly Saudis.
- 6- State should afford financial support for SMEs in order to supply society with job opportunities.
- 7- Creating a new market inside and outside to distribute SMEs' products and services is required.

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