

FACTORS AFFECTING ENTREPRENEUR'S DEVELOPMENT IN OMAN

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Abstract

The objective of this paper is to examine the factors affecting the choice of entrepreneurship among the university going students for starting their own business, their awareness about the schemes promoted by the government of Oman for entrepreneurship. The schemes by the government of Oman for promoting entrepreneurship.

The data for the study is obtained from primary source with the use of well structured and pre-tested questionnaires, which were distributed among 150 students of different colleges of Dhofar University, Salalah, and Sultanate of Oman.

The factor analysis using principal component extraction method with Varimax rotation has extracted 5 factors which explained 63.74 percent of the variance.

Keywords: Factor Analysis, Small and Medium enterprises in Oman, Entrepreneurship, SANAD, and AL-RAFAD fund

1. INTRODUCTION

The formation of new firms is crucial for regional development and for the vitality of national economies (Dahlstrand, 2007; Saarenketo, Puumalainen, Kuivalainen, & Kylaheiko, 2009).

Now a day's entrepreneurship study programmes and courses can be found at all educational levels (Franco et al., 2010; Nabi & Holden, 2008).

Many Higher Educational Institutes (HEIs) also provide support programmes manned by coaches and mentors or offer entrepreneurship seminars and forums, aiming to complement traditional entrepreneurship study programmes (Birdthistle, Hynes, O'Dwyer, & Costin, 2009; Hynes & Richardson 2008; Kostoglou & Siakas, 2008).

This kind of creation of an environment for stimulation of entrepreneurial behaviour in the academic community is called Academic Entrepreneurship (Sijde, McGowan, Velde, & Youngleson, 2006).

It is beneficial for the society in many ways. It helps the society to get new goods and services. Entrepreneurship can be seen as a major force for the economic development of the various countries. For the development of any country it is necessary to give emphasis on the development of various small scale enterprises as well as tiny, and cottage industries. It helps in the economic development of the country. It is very necessary for the encouragement of entrepreneurship for the economic development of countries.

Entrepreneurship in Oman

The Royal Decree No. 19/2007, establishing of the Directorate General for Development of SMEs, in

Ministry of Commerce and Industry embodies the continuous efforts exerted by the government to develop this sector, which represents a fundamental pillar of the Omani economy.

In effect, the 2013 Royal Decree 36/2013 to establish the Public Authority for Development of SMEs in Oman further indicated the growing importance attached to SMEs. The ultimate success of the Public Authority for Development of SMEs would be in its effectiveness to gradually help the sector becoming a major contribution to the national economy.

The government is spending more than ever to promote and encourage this concept. The oil resources are also depleting therefore it is very necessary to find out alternatives for the youth to get employable. The government in Oman is considering new avenues for its youth to get employment. There are various schemes which are available to promote entrepreneurship in Oman. One of these schemes is known as "SANAD". It is a Self-Employment and National Autonomous Development opportunity which has been introduced by ministry of manpower for promoting young unemployed person to get finance from the ministry for setting up new business.

Under this programme government is promoting the youth to start their own business for which they would finance up to 5,000 Omani Rial (around \$ 13,000). This amount is provided as loan for seven years and the interest charged is at 2 % per annum to cover the administrative charges. This would be disbursed by Oman Development Bank (ODB) after the approval and recover it as per the funds regulations.

This scheme is targeted for the unemployed people within the age group of 18 to 40 years. This finance can be availed by any job seekers or new graduates who are interested in starting any small

projects These include jobseekers and new graduates who are interested in starting small projects managed by them and craftsmen interested in starting new productive or serviceable work for themselves or interested in expanding their existing business. Twenty two sectors were selected as focus areas. In addition to these occupations and businesses, the applicant is free to choose any business of his or her choice. The SANAD programme has been able to attract numbers of women entrepreneurs. In all, 37 percent of the funds during 2002-2004 were provided to women. (Khan, Ghosh, & Myers, 2005)

Another fund which was created after closing of SANAD was known as Al Rafad fund which was established in 2013 by Royal decree 6/2013. This was to support established small and medium enterprises of Oman, by providing them funds for development. This fund was established for supporting small scale enterprises by providing loans to them. Any person who had a viable project to be established in the private sector could approach this for funding.

This fund basically provide fund for four different categories of target groups which are

- Mawrid programme
- Taases programme
- The Araayda
- Tazeez

The Madrid programee is basically targeting people with physical challenges under the socially security system and which provides loans up to 10,000 OMR. (Omani rial)

The Taases programme is targeting unemployed people of the country which provides loans up to 20,000 OMR

Arrayda is targeting people who are entrepreneurs, craftsman, businessmen and women with loans of 100,000 OMR.

And the last type of funding is Tazeez which provides additional loans to those beneficiaries of the Fund who seek to expand their ventures.

2. LITERATURE REVIEW

Entrepreneurship has been a buzzword, especially among young people between the ages of 18-34 (Chen & Lai, 2010). They have recognized the various benefits of starting-up new businesses.

Entrepreneurs demonstrate a need to achieve, a willingness to exploit a challenge, to persevere, to work hard and driven by self-belief, but tempered with the ability to be flexible and to delegate to others when necessary as well as willingness to listen to advice and to recognize that they are not experts in every aspect of their business (Good body Economic Consultants, 2002).

Kalyani, Brinda, P. Al Yahyae, L (2012), "According to the government statistics, the number of active enterprises stood at 118,386 in 2009. Of this, 117,914 enterprises were SMEs, and accounts for more than 95% of the economic activity. Although there is no separate policy framework drawn up for the SMEs, the government has adopted certain steps in this regard like the availability of Oman Development Bank loans, incubator facilities, equity funding by the Youth Fund, and micro-business development facilities offered through the SANAD program. Kamoopuri, H.M. (2004), Goel, Vohra,

Zhang, and Arora (2007) briefly define it as the activity of establishing and managing a business for profit and growth.

The theoretical framework of this research is anchored on the theory explicitly espoused by Hannan, Hazlett, and Leitch (2004) that for increasing the level of entrepreneurial initiative among students, it is needful to increase positive attitudes towards entrepreneurship, so attitudes can be viewed as the stepping stone to entrepreneurial intentions.

A study on women entrepreneurs in Zimbabwe concluded that Zimbabwean female owners have strong entrepreneurial competence but lack the ability and support to develop their firms to their full potential (Mboko et al., 2009). While there was a high participation of women in the micro and small business sector (Mcperson, 1998), their livelihoods remained weak. Most studies, have established that most of the businesses were very small and a very small percentage had grown in terms of turnover over a period of ten years (Mboko et al., 2009).

3. RESEARCH METHODOLOGY

Research Design

The research design is exploratory in nature. The research has been conducted in the campus of Dhofar University, Salalah Sultanate of Oman. Simple random sampling method has been adopted and an attempt has been made to include all the age groups and gender to study the interest of university going students for starting their own business.

Sample Area

This paper is to examine the interest of university going students for starting their own business, their awareness about the schemes promoted by the government of Oman for entrepreneurship. The sample has been taken from the students of Dhofar University.

Sample Unit

University going students of Dhofar University.

Sample Size

150 students of different colleges of Dhofar University, Salalah.

Sampling Instrument

Structured questionnaire having close ended questions was used for seeking responses on various aspects of entrepreneurship and awareness about various schemes promoted by the government of Oman for entrepreneurship. After completion of questionnaire, data was carefully coded in the Microsoft excel sheets and then transferred to SPSS 16.0 (Statistical package for social sciences). Analysis and testing of relationship between various variables has been done with the help of SPSS 16.0.

The factor analysis with rotated method was used to extract the important variables from a list 14 continuous variables and eigen value of more than one was used to extract the variables. Most of questions were based on 5 point Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree) with an option of NK (not known). The schedule has 3 items of general information. 5 items were dichotomous questions based on the awareness of the schemes related to promotion for entrepreneurship by the government. 7 questions

were multiple questions based on the knowledge of the entrepreneurship.

Objectives

- The objective of this paper is to examine the interest of university going students for starting their own business.
- To study their awareness about the schemes promoted by the government of Oman for new and old entrepreneurship.
- To study the finance available from banks for entrepreneurs.

4. ANALYSIS AND RESULTS

4.1. Data verification

Factor analysis requires strong correlation in the original variables, otherwise cannot synthesize a few public variables to reflect common characteristics. It is based on the variable correlation coefficient matrix, and the statistic test carried out the determinant of the correlation coefficient matrix. If the value is bigger, and its corresponding

concomitant probability value is less than the significance level, then reject the null hypothesis. The data is suitable for factor analysis. In this paper, we are using principal component analysis method.

4.2. Profile Analysis of Respondents

Table 1 presents socio-demographic of the respondents. The socio demographic profile of overall sample is shown in Table 1. The sample comprises of 56 percent male and 44 percent female respondents. Educational profile of the sample shows that about 56 percent respondents are graduate and above; 21.3 percent are having education of Diploma level 18.7% are high schools and 4 percent are school level. The age is between 18 to 22 years represents 45.3% of the respondents, 36% are between 23 to 26 years 4% are between 27 to 30 years and above 31 years are 14.6%. There are nearly 64% of the respondents who do not have any type of experience whereas nearly 36 % had some sort of work experience.

Table 1. Sample Demographic Characteristics

	N	%		N	%
Gender			Age		
Male	84	56	18-22	68	45.3
Female	66	44	23-26	54	36.0
Education			27-30	6	4.0
School	6	4.0	31-34	14	9.3
High school	28	18.7	35-38	8	5.3
Diploma	32	21.3	Experience		
Degree	74	49.3	Yes	54	36.0
Post graduate	10	6.7	No	96	64.0

4.3. The Empirical Analysis of Factor

The Feasibility Test Results

Using SPSS statistical software and the results are as follows:

Table2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.731
Bartlett's Test of Sphericity	Approx. Chi-Square	598.110
	Df	91
	Sig.	.000

The table 2 shows that the KMO value is 0.731, reaching the standard feasibility. And Bartlett sphericity test value is 598.110, significance value of 0.00 is far less than the significance level of 0.05, therefore reject the null hypothesis, so the original data is fit for factor analysis.

The data so collected was analyzed with the help of 16.0 versions of SPSS. Factors analysis was used for the data reduction and purification, resulting into the deletion of some insignificant items with factor loading less than 0.5 and the Eigen Values less than 1. It is said that the first five factors include mainly information of all indicators. The factor analysis using principal component extraction method with Varimax rotation has extracted 5 factors which explained 63.74 percent of the variance (Table 3). The table of Total Variance Explained shows that eigenvalues of the first five component are greater than 1 and the cumulative contribution rate has reached 63.742% The total variance explained by factor 1 is 21.537 percent it contains the variable of society, tradition and culture. The second variance explained the 14.339 percent which is financial risks involved and the total percent of the total. The third explained 11.194% while the fourth explained 9.072 and lastly the fifth which explained 7.601% of variance.

Table 3. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.015	21.537	21.537	3.015	21.537	21.537
2	2.007	14.339	35.876	2.007	14.339	35.876
3	1.567	11.194	47.070	1.567	11.194	47.070
4	1.270	9.072	56.142	1.270	9.072	56.142
5	1.064	7.601	63.742	1.064	7.601	63.742
6	.993	7.092	70.834			
7	.907	6.475	77.310			
8	.766	5.472	82.782			
9	.573	4.090	86.872			
10	.540	3.860	90.732			
11	.439	3.135	93.866			
12	.355	2.535	96.401			
13	.292	2.084	98.485			
14	.212	1.515	100.000			

Extraction Method: Principal Component Analysis

Table 4. Component Matrixa: Extraction Method: Principal Component Analysis

Component Matrix ^a					
	Component				
	1	2	3	4	5
Society, tradition and culture	.750	-.096	.086	.183	-.120
Financial risk	.623	-.172	-.247	-.271	-.248
knowledge & skills	.561	.256	-.475	-.169	.353
Lack of proper funding	.554	.529	.153	-.328	-.038
Finding suitable location	.539	-.239	.459	-.145	.073
family support required	.537	-.298	-.127	-.254	-.271
getting license and permission	.492	.261	.395	.280	.091
Inadequate skills and knowledge	.435	.662	.203	-.129	.115
Difficulty in entering the market	.544	-.589	.107	-.235	-.192
Getting suppliers	.318	-.509	.289	.107	.425
proper strategy	.490	.099	-.672	.058	.300
Implementation is a difficult task	.378	-.164	-.390	.666	-.243
Lack of knowledge	.359	.430	.178	.348	-.473
Short credit period	.375	-.116	.192	.347	.436

Extraction Method: Principal Component Analysis

a. 5 components extracted

5 components extracted

The above table 4 shows that there are 6 variables on the first factor of the load which is high.. These 6 variables were namely Society, tradition and culture, financial risk, knowledge & skills, Lack of proper funding, finding suitable location and family support required.

5. CONCLUSION

The sample comprises of 56 percent male and 44 percent female respondents.

Educational profile of the sample shows that about 49.3 percent respondents are graduate 6.7 percent is post graduate and 21.3 percent are diploma level

It is observed that the maximum respondents are below 30 years old age which is good for this study. It is observed that nearly 56% of respondents are not aware about the government grants given to entrepreneurs.

With the factor analysis it can be conclude that there are 6 variables on the first factor of the load which is high. These 6 variables were namely Society, tradition and culture, financial risk, knowledge & skills, Lack of proper funding; finding suitable location and family support required which are important in the choice of entrepreneurship.

With the above table it can be observed that 65.2% of the respondents are not aware about the Al Rafad fund started by the government of Oman for the promotion of the entrepreneurship.

The study reveals that the respondents are not aware about the schemes which are available from the government for promoting entrepreneurship. It is suggested that some techniques should be applied so that the students become aware of the government initiatives for the promotion of entrepreneurship in Oman.

6. LIMITATIONS OF THE STUDY

Overall, the researchers and policy makers should be cautious in forming generalizations from the data collected. Nevertheless, the study provided rich areas for future researches that could fill the gaps between current and prospective investigations on attitude towards entrepreneurship in the Omani context.

The attempt has been made with an aim to study the perception of students related to entrepreneurship and their knowledge about the various schemes for entrepreneurship. The few important limitations are as follows:

The response rate has been the biggest challenge before the researcher. In general, the response rate is very poor in the research survey specially when one aims to collect data for the choice related to one's individual's perceptions. They also hide certain information.

The research was limited to the students of the Dhofar University in Salalah. Ideally the responses should be taken from the different universities and colleges of Oman but due to paucity of time, geographical conditions and other reasons, the responses were taken from only one university.

Since the sample size is limited, the findings can be taken only as indicative results. Therefore it is worth mentioning that the findings have to be compared and confirmed with a study with bigger samples size to get better accuracy.

The inferences have been drawn in the present study through mean values after proper data purification. Here we have used factor loading less than 0.5 and the Eigen Values more than 1. The number of factors extracted is determined so that the cumulative percentage of variance extracted by the factors reaches a satisfactory level. The other techniques to measure variability in responses need to be applied in future research.

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