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## Small Businesses Financial and Marketing Constraints: Tabuk Region

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### Abstract

*Small businesses represent a large part of the production sector in various countries. In Saudi Arabia, growth and development of the small enterprises sector faces a set of constraints, these varying from one region to another and from one sector to another. This study is a contribution to determine the financial and marketing obstacles of these enterprises and suggest mechanisms for overcoming these obstacles. The study aims to study the financial and marketing obstacles of small enterprises in the region of Region. To validate its hypotheses, the study used the descriptive approach, and a set of statistical methods (percentages, frequencies, odds ratio (the dispute) and Chi-square test). The study sample included 250 questionnaires. Moreover, interviews were conducted with actors supporting, funding and training these enterprises` owners. Findings have shown that the factors behind the deterioration and stumble of small enterprises are high operational cost and volatility in profits. The main financial obstacle is the inadequate funding for these enterprises. Nonetheless, most entrepreneurs are not fully aware of the marketing activities or financial risks associated. The study recommended the need to provide the necessary financial support for these small enterprises, train their owners on modern management systems and organize specialized exhibitions to market small enterprises products.*

**Key words:** Small businesses, Financing constraints , Marketing constraints, stalled enterprises



Available online  
[www.bmdynamics.com](http://www.bmdynamics.com)  
ISSN: 2047-7031

### INTRODUCTION

Small businesses represent a considerable part of the production sector in different countries, having an important role in achieving economic and social development of their countries, also providing job opportunities and contributing to the utilization of citizens assets in the various investment fields as well as covering the domestic demand for products difficult to get due to the narrow range of the domestic market. The growth and development of the small businesses sector in KSA faces a series of obstacles, these varying from one region to another and from one sector to another. Internal obstacles occur within the facility or have the owner as their main cause. External ones are caused by external factors or by the surrounding environment. This research addresses the obstacles facing small businesses in terms of financing and marketing in Tabuk region, as one of the cities witnessing remarkable development accompanied by projects aiming at achieving economic and social development.

The subject of the study was chosen to contribute to identifying the financing and marketing obstacles facing these projects, suggest mechanisms for overcoming these obstacles and come up with recommendations that shall help decision makers find effective solutions. The research problem lies in the failure of most small businesses due to the various marketing and financing constraints that limit their ability to operate and contribute to economic growth. The hypotheses of the study state that there is a statistical relationship between the financial and marketing constraints and the failure of small projects in Tabuk region. The study aims to identify the causes behind the failure of small enterprises in Tabuk region and the financing and marketing obstacles facing small businesses in the same. The study population covered all small businesses in Tabuk region which is an administrative area of the Kingdom of Saudi Arabia including its five districts, these being Umluj, Taima, Al-Wajh, Haql and Diba. The study sample consisted of 250 small enterprises. The study used the descriptive approach, a set of statistical methods (ratios and frequencies), odds ratio (dispute) and Chi-square test.

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## LITERATURE REVIEW

One of the paramount studies of small businesses was conducted by Al-Sayed (1999). It aimed at identifying the performance of the marketing function of small and medium-sized industrial enterprises in the three major areas of the Kingdom of Saudi Arabia (the Western Region: Jeddah, Mecca, Yanbu, Riyadh, Eastern Region). The study concluded that almost 64% of the sample facilities lack quality management and determining the commodity mix is not always based on the target consumers. Ang (1991) addressed the financial management problems facing these small businesses, and the fact that financial decisions, such as those of liquidity, financial structure, financial budgets and taxes are not similar to that of large businesses.

Beltagy (2005) aimed to indicate the nature and concept of small businesses and their elements of success in Jordan. It also focused on evaluating funding formulas for small businesses, introducing the concept and characteristics of the Islamic modes of financing and their suitability for small businesses and indicating the accounting treatment for sharing formula that ends up in equity. The study used the descriptive method and emphasized on the importance of small businesses to achieve economic and social development and, particularly, solve the problem of unemployment. It recommended setting up specialized departments in Islamic banks to finance small businesses as well as setting up Islamic investment funds.

Salama (2009) aimed to shed light on the unemployment problem in the Kingdom of Saudi Arabia and the important role small businesses play in solving that problem through creating jobs for a large number of manpower. The study drew the attention to the decreasing percentage of shareholders in the labor force in the Kingdom (approximately 30%) which is very low when compared to international standards. Moreover, the Saudi private sector prefers foreign labor to the local one. The Saudi female contribution to the labor market is also relatively small and small businesses in the Kingdom face many obstacles, these including administrative and procedural ones.

Rachid and Rachid (2013) aimed to highlight the Saudi experience in the field of small and medium businesses and the possibility of profiting from these to the advancement of small and medium businesses in Iraq, since Iraq lacks a healthy investment environment for its private sector. The study used the descriptive method and found that the Kingdom was able to enhance its competitiveness and support small and medium industries through its national strategy despite the lack of adequate information on small-scale industries. It recommended establishing specialized entities to provide services and consultation as well as feasibility studies for enterprise's owners.

Mefleh (2014) dealt with the reality of small businesses in the Kingdom and the role of the supporting institutions. The study explores a number of chief officers, where some expressed that the contribution of small enterprises in the GDP and in providing jobs is considerably humble and much less than needed. Moreover, small businesses contribution is estimated to be almost 28% of the total GDP, thus contributing to 8% of the industrial goods exports value. Small businesses face some problems and obstacles, these include funding, procedural, training, coordination problems between the relevant parties as well as legislative problems. It recommended setting up a unified information base that serves small enterprises, expanding and facilitating lending processes, setting up business incubators and a national referential website, and developing a unified legislative regulation for small enterprises.

### **Small businesses: The concept, importance and types**

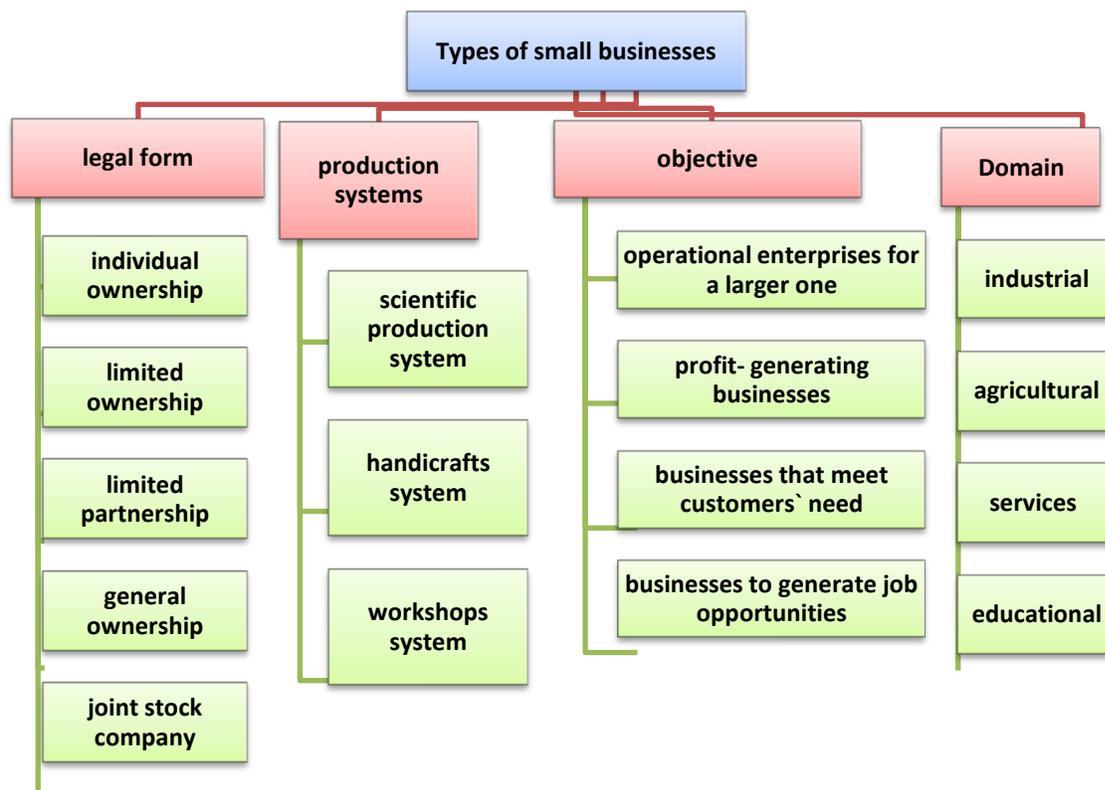
Herson (1992) defines a business or a project as "any series of activities or tasks that have specific goals which must be accomplished within particular specifications, having a beginning and an end, a funding and using different sources of funds, time, equipment and labor. ISO defines it as a unique process, consisting of a set of coordinated activities which are controlled through starting and completion dates taken to achieve conformity to the specific requirements, these including restrictions in terms of cost, time and resources (Wikipedia, the free encyclopedia, 2014).

On the other hand, a small business is defined within various viewpoints. The World Bank sees a small business as a project which operates up to 50 workers and its total assets and sales reaches three million dollars. The United Nations Industrial Development Organization "UNIDO" defines it as "those projects

which are managed by one owner who takes full responsibility of its tactical, strategic dimensions with a number of employees ranging between 10 and 50 workers whereas The Council of Saudi Chambers sees it as "a project that operates no more than 20 workers and its estimated capital being less than a million riyals, excluding the land and buildings, and with annual sales of no more than five million riyals (Jishi, 2013). In general, there is no accurate scientific definition universally agreed upon when it comes to small enterprises, but there are a range of agreed standards that classify them, such as: number of laborers, the facility capital size, annual sales value, the quality of the technology used the legal standard (El-Beltagy, 2005).

Small businesses are of great importance to the economies of countries. They are considered an economic and social development tool and one of the most important strategic elements of the economic development in most industrialized and developing countries alike. The economic importance of small businesses lies in their ability to generate income for their owners, provide employment opportunities, produce goods that can be exported which leads to foreign currency, create value-added products and national wealth as well as other investment opportunities needed (Ramadan, 2010) . The social importance of small businesses is shown in their ability to open new ways for the ambitious youth to achieve higher incomes, contribute to the mitigation of social epidemics and the spread of crime and behavioral deviations, thus contributing to the reduction of government spending in this area, and help operate their owners` personal savings which is a contribution to the support of their own country. These ventures are characterized by a geographical spread, which helps to reduce the disparities between different regions and achieve spatial development (Harb, 2006).

Small businesses can be classified according to its domain, objective, production systems or legal form as follows:



Source: Mohammad Taha, Akila (2008), the concept of small and micro-sized projects, National Research Center ,2008.

### **Small businesses funding sources**

Owners of small businesses may obtain the necessary financing through the following sources (Cango, 2007):

- a. Share capitals: These can be obtained from personal savings which are often inadequate because of the low savings rate in developing countries. Recourse to borrowing from family, relatives and friends is also one way but it may lead to them intervening in the business itself. Sharing others is another resort and in this case there should be management sharing and profit-sharing.
- b. Loans: Borrowing from banks and other financial institutions. These may not be interested in funding small businesses due to the high risk associated with this type of financing. This funding does not exceed at best 2% in developing countries, in addition to the high cost of small loan financing. A study conducted in the Philippines shows that the banking transaction costs in the financing of small enterprises amounted to 2.5-3% of the loan value against 5% of loans granted to larger ventures. Therefore, small business owners resort to moneylenders and money traders, which may drive many problems. There is also a possibility to borrow fixed assets from fixed assets traders, increasing the cost of funding up to more than 40%.
- c. Commercial Credit: The cost of this type of funding sources becomes high if the enterprise is not able to take advantage of the cash discount in addition to the fact that the supplier will increase the price in the event of non-cash payment.
- d. Leasing: This type of financing becomes limited in importance since it only benefits in the rental of fixed assets.
- e. Financial Market: This source is fraught with many dangers and problems and becomes of a high cost in the case of micro-finance.

### **Small businesses marketing**

Marketing small businesses is a management function which includes a range of activities that contribute to increasing the business` ability to produce goods and provide services in the light of the clear identification of the consumers` needs and desires, and to attract laborers and maintain loyalty to the business` products. The small business succeeds in marketing its products if it convinces clients to choose its products for their value rather than those of other enterprises. The business that depends on a suitable marketing start achieves great abilities to face competition and greater efficiency in the provision of products and services through setting a good marketing program which ensures the integration and success of all the key elements of product planning, pricing, distribution, and promotion (Zakaria Abdul Basit, 2012). The marketing process stages are represented within the setup of an appropriate marketing strategy for the small enterprise (interview, 2006). These stages are:

- a. Identifying, analyzing and assessing marketing opportunities: The small business depends on its ability to identify and grasp appropriate marketing opportunities in order to achieve success and sustainability. The small business should penetrate in the existing markets and contribute to the growth of new markets, product development and diversification.
- b. Identifying and testing the target market: This stage requires dividing the market into marketing sectors, measuring and predicting the expected demand, identifying and selecting the target marketing sectors and selecting the proper placement of the business` products and services.
- c. Analyzing the environmental conditions: Environmental conditions represent a source of opportunities and threats, thus, the elements associated with these conditions must be taken into account when preparing and developing an appropriate marketing strategy. The most important economic conditions are: GNP, per capita income, interest rates, inflation unemployment, regional and cultural trends, and technology.
- d. Estimating the business` resources: To identify a successful marketing strategy, research and analysis of all the enterprise`s productive resources and energies is required before setting marketing policies.

### **Obstacles to small businesses**

The growth and development of small businesses faces a series of obstacles worldwide. These obstacles may differ from one region to another and from one sector to another, but some problems facing small

businesses might be universal. Some might be caused by the problems encountered in the community that embraces these enterprises. Obstacles affecting small businesses can be classified into two groups: The first one is particular to the political, economic and social conditions facing the community, thus, considered as external obstacles that cannot be controlled. The second group are the internal problems caused by the general trends of the business` policies and these are dealt with by the business` management. Some of the main obstacles are: (Cango, 2007)

***Finance***

Small- sized projects face hardship in obtaining bank loans for many reasons: the high degree of risk, the lack of sufficient guarantees when it comes to the owners as well as lack of banking awareness.

***Raw materials***

Difficulty in obtaining raw materials due to the high prices of production inputs, especially those imported.

***Administrative and technical competencies***

Small businesses lack the proper management and experience in many areas, such as, accounting, marketing, organizational and storage operations.

***Marketing***

The production size depends on the domestic market capacity. There are certain factors that control the ability of markets to achieve full capacity of goods, such as: population, the entry of individuals and competitive goods. These factors may not be within the knowledge of small businesses` owners not to mention their modest knowledge on marketing and promotion tools, and their dependence on intermediaries in the discharge of products.

***Affiliation***

Small businesses suffer from the lack of a specific party that caters for their affairs. The reason behind this may be their spreading capacity and spacing of their places which makes it difficult to reach out for them all. This deprives small businesses from enjoying a lot of privileges and facilities not to mention the competing capacity of larger businesses which makes them vulnerable to tracking, closure and relocation.

***Taxes and fees***

Small businesses are mostly affected by taxes and fees, increasing the total cost and affecting profits.

***Duplication of procedures***

Small businesses suffer from the multiplicity of inspection and monitoring actors (health, economic, social security, tax and customs departments, quality and standards department ...). Given the multiplicity of personal interpretations, many organizational problems are created within these businesses.

***Low production***

There are several reasons affecting small businesses` production such as: poor planning that leads to the lack of raw materials, poor management of other production inputs.

***Deterioration of quality***

The use of old machines in production processes, the increasing cost of raw materials as well as the lack of specialized centers for quality inspection and quality control leads to a low quality of production.

***Accidents and industrial security***

It happens due to the ignorance on industrial safety rules and the requirements of occupational safety among workers and employers as well as the psychological factors and stress that affect the worker not to mention the hard working conditions.

***High cost***

The lack of control systems on cost, making high wages as the main reason for the high cost without taking other production requirements into account

***The lack of an information system***

Decision-making is often based upon personal views because of the lack of accurate information about the problem and disregard for using the internet and other advanced technologies.

### **The status of small businesses in KSA**

The contribution of small enterprises in the gross domestic production and job creation is still very modest and less than hoped. The contribution rate of small enterprises is estimated to be 28% of the total GDP generated by the private sector, and contributes to 8% of industrial goods exports value. The percentage of Saudization in small enterprises amounted to only 2% (Mefleh, 2014). The private sector prefers foreign workers to Saudi ones Arabia at a time when citizens are looking for a government job. It also revealed a sharp decline in the Saudi shareholders` ration in the labor force. Moreover, the ratio of employment opportunities offered by these enterprises for the young Saudi people is still very low, with no more than 25 per cent, reflecting a marginal role for this sector in the employment process if compared to other countries, such as Britain, with a ratio of 71% and USA 43%. The Saudi labor market also faces difficulties in staffing university graduates, like any other labor market in the Gulf. This is indicated by the expectations of future national labor force and economic trends (Ahmad Salama, 2009).

Small businesses in KSA also faced several social and environment-related investment and economic barriers as well as those related to owners of small enterprises or those wishing to set up a small enterprise. Social barriers are related to the society trends, culture, youth education and the society awareness on the importance of individual initiatives. The society may intentionally or unintentionally impose obstacles that mitigate the importance of functional business management as a career option (Al-Ghozi, 2014).

Saudi Arabia has managed to create pluralism in the support and assistance tools to develop the small enterprises sector. The government has embarked on setting many supportive programs to this sector. The most important of these are:

#### ***The Industrial Development Fund***

This Fund has been established under the Royal Decree No. (M / 3) dating 26/02/1394 AH as a funding entity related to the Ministry of Finance, in order to support the civil industrial sector development, by providing medium or long-term loans to establish new factories or develop, modernize and expand existing ones. It will also provide advice in the administrative, financial, technical and marketing areas of the industrial facilities in the Kingdom. One of these main programs is "Kafala" established to finance small and medium enterprises ([Http://www.sidf.gov.sa](http://www.sidf.gov.sa)).

Table (1) shows the number and value of guarantees approved and the number of beneficiary enterprises according to funders of the "Kafala" program in 2014. Table (2/2) illustrates the achievements of "Kafala" since its inception and till 2013.

#### ***The Centennial Fund***

An independent non-profit organization concerned with the financing of youth projects. It was founded in 1425 AH and provides partial or total financial support for projects that have been approved, in the form of well-loans of up to 5,000,000 SAR, according to the conditions imposed by the financier. It also provides consultation and guidance services through consultants with expertise in the field of business and finance, who will accompany the project owner for up to three years, till the first rays of success start shining. The Fund contributes to facilitating all procedures relating to management, encouraging and accelerating the establishment of small businesses, through the service centers of the General Investment Authority all around the Kingdom ([www.tcf.org.sa](http://www.tcf.org.sa)).

#### ***The National Entrepreneurship Institute***

It is a national independent non- profit organizational foundation established as an initiative of the Ministry of Petroleum and the General Organization for Technical and Vocational Training by the name of The National Entrepreneurship Institute. Co-founders are Aramco, SABIC, Saudi Telecom Company, Alinma Bank, Saudi Credit and Saving Bank and the General Organization for Technical and Vocational Training. It was founded in 2011 AD and offers entrepreneurial culture dissemination services, training, consulting, guidance, incubation, and facilitates obtaining funding and licenses. ([www.riyadah.com.sa](http://www.riyadah.com.sa))

**Table No. (1): The number and value of guarantees approved and the number of beneficiary enterprises according to funders (Thousands of riyals)**

Funders	Adopted at the 2014			Number of Enterprises	Total since the start of the program		Number of enterprises
	Numbers	Values in thousands riyals			Amounts in thousands of riyals		
		value of guarantee	Funding Value		value of guarantees	Funding Value	
The National Commercial Bank	232	69,948	132,134	68	942,420	1,645,716	1162
Riyad Bank	142	101,571	185,966	98	1,088,880	2,270,126	1324
Al Rajhi Bank	108	42,217	74,962	34	525,069	942,559	601
Saudi Hollandi Bank	33	27,864	37,600	23	266,816	389,724	229
Samba Financial Group	33	11,367	19,823	10	159,574	310,015	188
Arab National Bank	31	17,480	43,886	16	451,515	1,317,801	395
Albilad Bank	28	14,649	32,070	17	118,455	241,973	134
Bank Al Jazira	27	12,777	17,841	12	133,154	193,169	109
The Saudi Investment Bank	14	8,720	17,550	7	60,420	114,386	50
Saudi French Bank	2	2,200	5,000	2	67,386	156,229	72
SABB Bank	2	2,774	5,000	2	87,699	174,524	107
Total	652	311,567	571,832	289	3,901,388	7,756,222	4

Source: Saudi Industrial Development Fund, the "Kafala" program in 2014

**Table No. (2): The achievements of "Kafala" since its inception and till 2013**

Years	Guarantees numbers	Guarantees value	Funding Value	Number of enterprises
2006	51	22166	49143	36
2007	262	123003	268907	211
2008	293	122345	287755	207
2009	504	180787	463973	315
2010	777	271230	715489	480
2011	1208	635419	1283053	742
2012	1670	949413	1767942	918
2013	2515	1285505	2342885	1173

Source: Riyadh Center for Information and Consulting Studies, Al-Riyadh newspaper, Tuesday 15-5-1435

**Bab Rizq Jameel for financing small businesses (BRJ)**

BRJ is one of the Abdel Latif Jameel (ALJ) social initiatives. The program was launched mid-2004 and it mainly focuses on creating jobs and offering well-loans (without interest, or fees) beginning from 10,000 riyals and reaching up to 150,000 Saudi riyals. The program facilitates refunding for a period of up to 4 years. The projects it supports can vary whether these are service, industrial or productive ones. ([www.babrizqjameel.com](http://www.babrizqjameel.com))

### ***Saudi Credit and Saving Bank***

This program is best characterized by being comprehensive to all commercial activities without specification to a particular one. It adopts particular objectives that strengthen national economy and encourage qualified citizens to work for themselves in their own establishments, and also contributes to creating job opportunities in an attempt to foster the role of the emerging small business in the national economy. ([www.scb.gov.sa/MasaratProgram.aspx](http://www.scb.gov.sa/MasaratProgram.aspx))

In spite of the various funding and support actors around the Kingdom, there is still a gap and a flaw regarding small businesses` growth and development. This is due to many problems related to regulations and fiscal policies and the lack of promotional incentives for the youth. A field study of such constraints will be provided in the following chapter.

### **METHODOLOGY**

The study sample included small businesses` owners in Tabuk region. Administrators in the particular entities that supported, funded and trained those entrepreneurs were interviewed. The sample was randomly taken. Two hundred and fifty questionnaires were distributed among owners of various enterprises in different sectors. One hundred and fifty two questionnaires (equivalent to 60.8%) were recovered, while 11 ones among those were excluded due to incompleteness, bringing the number of valid questionnaires for analysis to 141 questionnaires. The questionnaire was developed based on the theoretical framework and previous studies. It consisted of two parts:

1. The first part contained general data related to the project, including the start date of the project, the area in which it operates, the type of ownership, the funds` installment structure, the total number of employees in the project at the moment, products` promotion, information about the owner, including scientific qualifications, sex, age and years of experience as well as the important reasons behind setting up such an enterprise.
2. The second part consisted of three axes and contains 30 paragraphs within Likert pentathlon scale ( the five likert scale). The first axis is related to the reasons behind the stalled enterprises (The reasons for the faltering projects). It includes six paragraphs. The second axis relates to small businesses financing constraints and includes 12 paragraphs. The third axis focuses on small businesses marketing constraints and includes 12 paragraphs.

### **RESULTS**

#### **The first part: General information on the enterprise and its owner**

Table No.(3) shows that the enterprises` ratio in the industrial field within the study sample is (17%), (48.2%) in the commercial field, (23.4%) in the agricultural and 11.3% in the service area. It also shows that most enterprises are individually- owned (94.3%), while 4.3% are family owned and 1.4% of the enterprises are owned by a group of people. According to the study sample, the funds` installment structure concerning small businesses in Tabuk region is characterized by personal funds ( 85.8%), while the rest of these enterprises are divided between co-financing (11.3%) and bank loans (2.8%). Most small enterprises operate with a number of workers less than five at a percentage of (87.9%), This reveals the fact that most small enterprises operate with a number less than needed which increases the burdens associated with their management. Nonetheless, most of these enterprises (53.2%) focus on price discounts to encourage customers to purchase and promote their products, followed by the use of advertising media by (24.1%), and other promotional tools by (20.6%). A very small percentage of these enterprises, about 2.1%, make use of free offers.

In terms of owners` scientific qualifications, less than the half falls under the intermediate (40.4%). The age group between 30-45 years formed the largest percentage (54.6%) of respondents. The vast majority of entrepreneurs have a work experience less than five years (76.6%), and (60.5%) of entrepreneurs set up such enterprises to improve their living conditions.

**Table No. (3): Characteristics of the study sample (information about the enterprise)**

Variable	Category	Frequency	Percentage
The enterprise`s sector	Industrial	24	17.0%
	Commercial	68	48.2%
	Services	16	11.3%
	Agricultural	33	23.4%
Type of ownership	Individual	133	94.3%
	Family	6	4.3%
	Group of people	2	1.4%
The total number of employees in the enterprise at present	Less than 5	124	87.9%
	From 5-10	10	7.1%
	More than 10	7	5%
Funds` installment structure	Individual enterprise	133	94.3%
	Family enterprise	6	4.3%
	Group of people	2	1.4%
Products` promotion	Advertising	34	24.1%
	Free offers	3	2.1%
	Discounts	75	53.2%
	Other	29	20.6%

Prepared by the research team, field study data, 2014.

**Part Two: - The reasons behind stalled enterprises, and the financing and marketing obstacles:  
The first axis: The reasons behind stalled enterprises**

**Table No. (4): Factors behind stalled enterprises in Tabuk region**

Options/ questions	strongly agree		Agree		neutral		Disagree		strongly disagree	
	frequency	percentage	frequency	percentage	Frequency	percentage	frequency	Percentage	Frequency	Percentage
1-The decline in the enterprise`s sales	31	22%	74	52.5%	28	19.8%	8	%5.7	0	0
2-The lack of cash fluency to cover for the enterprise`s commitments	28	19.9%	71	50.4%	34	24.1%	6	4.3%	2	%1.4
3- Volatility in earning	92	65.2%	33	23.4%	8	5.7%	7	%5	0.7	%1
4-The high operating cost	99	70.3%	24	17%	13	9.2%	3	%2.1	2	%1.4
5- Decline in the quality of the enterprise`s products	22	15.6%	60	42.4%	37	26.2%	17	%12.1	5	%3.5
6- Constant decline in the number of customers	29	%20.6	60	%42.6	42	%29.8	8	%5.7	2	%1.4

Prepared by the research team, field study data, 2014.

Table (4) shows that the main reasons behind stalled enterprises in Tabuk region are due to the high operating cost and volatility in profits although 80% of these enterprises have been agreed upon , followed by a decline in the enterprise`s sales (22%) and the lack of cash fluency to cover for the

enterprise`s commitments (19.9%). According to respondents, the least factors behind stalled enterprises were the low quality of the products and the continuing decline in the number of customers.

**The second axis: Financing constraints:**

**Table No. (5): Financing constraints that cause stumbled small enterprises in Tabuk region**

Options questions	strongly agree		Agree		Neutral		disagree		strongly disagree	
	frequency	Percentage	frequency	Percentage	frequency	percentage	frequency	Percentage	frequency	percentage
1- Banks avoid granting loans to newly-established enterprise	45	31.9%	48	34%	43	30.5%	3	2.1%	2	1.4%
2-High interest rates of enterprise`s funding loans	44	31.2%	48	%34	45	31.9%	3	%2.1	1	%0.7
3- Procedural restrictions imposed by banks when granting funding	47	%33.3	49	%34.8	39	%27.7	5	%3.5	1	%0.7
4- Financing institutions are strict in their demands for guarantees	50	35.5%	43	30.5%	43	30.5%	3	2.1%	2	1.4%
5- High cost of production due to the high prices	47	33.3%	50	35.5%	42	29.8%	2	1.4%	0	0
6- Inadequacy of the fund provided by financing institutions	42	29.8%	46	32.6%	49	34.8%	4	2.8%	0	0
7- No surveillance on cash fluency going in or out of the enterprise	40	28.4%	43	30.5%	46	32.6%	8	5.7%	4	%2.8
8-The enterprise lacks the necessary skills to face funding problems	43	30.5%	43	30.5%	43	30.5%	6	4.3%	6	4.3%
9- The enterprise`s management is not capable of providing and analyzing financial data	37	26.2%	46	32.6%	45	31.9%	8	5.7%	5	3.5%
10- The government does not provide the needed support to small businesses	35	24.8%	45	31.9%	49	34.8%	5	3.5%	7	5.0%
11- Disregard for preparing feasibility studies and estimated budgets	40	28.4%	51	36.2%	46	32.6%	3	2.1%	1	.7%
12- Financing risks are not observed when taking investment decisions	44	31.2%	47	33.3%	45	31.9%	3	2.1%	2	1.4%

The source: Prepared by the research team, the field study, 2014.

Table (5) shows that most entrepreneurs have chosen "agree or strongly agree" on all the questions related to financing constraints ( more than 50%). This confirms that the majority of small businesses in

Tabuk region suffer from financial problems as mentioned above. Money is the main engine for these projects, and it is not available in the quantity and conditions required by entrepreneurs. The less percentages of the answers adopted the neutrality aspect followed by the disapproval percentages.

**The third axis: Marketing constraints:**

**Table No. (6): Marketing constraints that cause stumbled small enterprises in Tabuk region**

Options questions	strongly agree		agree		Neutral		disagree		strongly disagree	
	frequency	Percentage	frequency	percentage	frequency	percentage	frequency	Percentage	frequency	percentage
1- Banks avoid granting loans to newly-established enterprise	45	31.9%	48	34%	43	30.5%	3	2.1%	2	1.4%
2-High interest rates of enterprise`s funding loans	44	31.2%	48	%34	45	31.9%	3	%2.1	1	%0.7
3- Procedural restrictions imposed by banks when granting funding	47	%33.3	49	%34.8	39	%27.7	5	%3.5	1	%0.7
4- Financing institutions are strict in their demands for guarantees	50	35.5%	43	30.5%	43	30.5%	3	2.1%	2	1.4%
5- High cost of production due to the high prices	47	33.3%	50	35.5%	42	29.8%	2	1.4%	0	0
6- Inadequacy of the fund provided by financing institutions	42	29.8%	46	32.6%	49	34.8%	4	2.8%	0	0
7- No surveillance on cash fluency going in or out of the enterprise	40	28.4%	43	30.5%	46	32.6%	8	5.7%	4	%2.8
8-The enterprise lacks the necessary skills to face funding problems	43	30.5%	43	30.5%	43	30.5%	6	4.3%	6	4.3%
9- The enterprise`s management is not capable of providing and analyzing financial data	37	26.2%	46	32.6%	45	31.9%	8	5.7%	5	3.5%
10- The government does not provide the needed support to small businesses	35	24.8%	45	31.9%	49	34.8%	5	3.5%	7	5.0%
11- Disregard for preparing feasibility studies and estimated budgets	40	28.4%	51	36.2%	46	32.6%	3	2.1%	1	.7%
12- Financing risks are not observed when taking investment decisions	44	31.2%	47	33.3%	45	31.9%	3	2.1%	2	1.4%

The source: Prepared by the research team, the field study, 2014.

Table (6) shows that most of the answers to the marketing constraints questions of the study sample tend to adopt the neutrality aspect by more than 50%. This highlights the lack of awareness among the majority of small businesses owners on the importance of marketing activities. Entrepreneurs don't give them any priority and are not familiar with their concepts. The study of enterprises should start with a knowledge of the target market dimensions and its requirements before starting the implementation process. The least percentages were in favor of the "agree" aspect followed by the "disagree".

#### Testing the validity of the assumptions

The research team used the Odds Ratio analysis and Chi-square test to test the validity of the assumptions.

#### Odds ratio analysis

The research team used the Odds Ratio analysis to test the validity of the assumptions and to determine respondents' percentage who approve the fact that a factor causing enterprises to stumble upon is due to a financing or marketing constraint.

**The first hypothesis: There is a statistical relationship between financial constraints and the stumble of small enterprises in the region of Tabuk**

**Table No. (7): Odds Ratio to test the validity of the first hypothesis**

Questions	Financing constraints	Odds ratio
Decline in the enterprise's sales	The enterprise's management doesn't have the necessary skills to face financing problems	5.58
	The government doesn't support small businesses	3.67
	Financing risks are not observed when taking investment decisions related to the enterprise	12.00
Lack of cash fluency to cover for the enterprise's commitments	Procedural restrictions from the part of banks when providing finance	6.08
	Financing institutions are strict in their demands for guarantees	8.88
	Inadequacy of the fund provided by financing institutions	5.67
	No surveillance on the cash coming in and going out in a business	9.43
	The government doesn't support small businesses	1.4
Volatility in earnings	The interest rates for small businesses financing are high	6.83
	The enterprise's management doesn't have the necessary skills to face financing problems	5.78
	The enterprise's management disability to provide and analyze fiscal data	14.44
	Disregard for preparing feasibility studies and estimated budgets	41.50
	Financing risks are not observed when taking investment decisions related to the enterprise	4.05
The high operational cost	The enterprise's management doesn't have the necessary skills to face financing problems	9.75
	Financing risks are not observed when taking investment decisions related to the enterprise	13.5
Decline in the quality of the enterprise's products	Banks avoid granting loans to new small businesses	1.83
	Inadequacy of the fund provided by financing institutions	11.82
	The government doesn't support small businesses	5.50
Constant decline in the number of customers	Inadequacy of the fund provided by financing institutions	102.00
	The enterprise's management doesn't have the necessary skills to face financing problems	33.00
	Disregard for preparing feasibility studies and estimated budgets	13.60

Prepared by the research team, field study data, 2014.

**The second hypothesis: There is a statistical relationship between the marketing constraints and the stumble of small businesses in Tabuk region.**

**Table No. (8): Odds ratio analysis to test the validity of the second hypothesis**

Questions	Marketing constraints	Odds ratio
Decline in the enterprise's sales	The enterprise does not follow free offers and discount policies	2.75
	The enterprise does not adopt a sound basis for advertising	3.19
	The enterprise does not have the capacity for distributing its products	3.54
	The enterprise's management does not choose qualified people for its sales operations	1.98
	The availability of foreign products similar to those of the enterprise	0.76
Lack of cash fluency to cover for the enterprise's commitments	The enterprise's management does not apply pricing policies in accordance with sound standards and rules	1.16
	The enterprise does not have the capacity for distributing its products	1.77
	The enterprise's management lacks the capacity to identify marketing problems and their reasons	0.26
	High cost of products' promotion	1.80
Volatility in earnings	The enterprise's management does not apply pricing policies in accordance with sound standards and rules	0.55
	The enterprise's management does not choose qualified people for its sales operations	0.38
The high operational cost	The enterprise does not follow free offers and discount policies	1.59
	The enterprise's management lacks the capacity to identify marketing problems and their reasons	1.07
	High cost of products' promotion	2.71
Decline in the quality of the enterprise's products	The enterprise does not follow up with studies and researches related to the customer satisfaction	6.67
	The enterprise's management lacks the capacity to identify marketing problems and their reasons	1.71
	The enterprise's management lacks the capacity to market analysis, opportunities exploration and identification of threats	0.79
Constant decline in the number of customers	The enterprise does not follow up with studies and researches related to the customer satisfaction	6.38
	The enterprise does not follow free offers and discount policies	9.17
	The enterprise does not adopt a sound basis for advertising	5.00
	New competitors	2.13
	The enterprise's management lacks the capacity to market analysis, opportunities exploration and identification of threats	21.43

Prepared by the research team, field study data, 2014.

**The third hypothesis: The influence of financing constraints as a cause of stalled enterprises is stronger than the influence of marketing constraints in Tabuk region**

By comparing table (7) and table (8), we find that the odds ratio for the relationship between financial constraints and stumble of small enterprises in Tabuk region is high if compared to the odds ratio for the relationship between marketing constraints and stumble of small enterprises. This proves the validity of the third hypothesis.

#### **Chi-square analysis test of independence**

The research team used also the Chi-square analysis test of independence to test the validity of the assumptions.

**The first hypothesis: There is a statistical relationship between financial constraints and the stumble of small enterprises in the region of Tabuk**

**Table No. (9): Results of Chi-square analysis test of independence of the first hypothesis**

Questions	Financing constraints	Chi-square value	Probability value
Decline in the enterprise's sales	The enterprise's management doesn't have the necessary skills to face financing problems	34.41	0.001
	The government doesn't support small businesses	25.95	0.011
	Financing risks are not observed when taking investment decisions related to the enterprise	36.10	0.000
Lack of cash fluency to cover for the enterprise's commitments	Procedural restrictions from the part of banks when providing finance	25.15	0.067
	Financing institutions are strict in their demands for guarantees	40.32	0.001
	Inadequacy of the fund provided by financing institutions	33.32	0.001
	No surveillance on the cash coming in and going out in a business	33.27	0.007
	The government doesn't support small businesses	31.09	0.013
Volatility in earnings	The interest rates for small businesses financing are high	16.71	0.404
	The enterprise's management doesn't have the necessary skills to face financing problems	38.73	0.001
	The enterprise's management disability to provide and analyze fiscal data	49.52	0.000
	Disregard for preparing feasibility studies and estimated budgets	154.12	0.000
The high operational cost	Financing risks are not observed when taking investment decisions related to the enterprise	38.73	0.001
	The enterprise's management doesn't have the necessary skills to face financing problems	24.15	0.086
Decline in the quality of the enterprise's products	Financing risks are not observed when taking investment decisions related to the enterprise	47.89	0.000
	Banks avoid granting loans to new small businesses	43.58	0.000
	Inadequacy of the fund provided by financing institutions	40.94	0.000
Constant decline in the number of customers	The government doesn't support small businesses	41.35	0.000
	Inadequacy of the fund provided by financing institutions	63.89	0.000
	The enterprise's management doesn't have the necessary skills to face financing problems	102.31	0.000
	Disregard for preparing feasibility studies and estimated budgets	112.29	0.000

Prepared by the research team, field study data, 2014.

**The second hypothesis: There is a statistical relationship between marketing constraints and the stumble of small enterprises in the region of Tabuk**

**Table No. (10): Results of Chi-square analysis test of independence of the second hypothesis**

Questions	Marketing constraints	Chi-square value	Probability value
Decline in the enterprise's sales	The enterprise does not follow free offers and discount policies	32.79	0.001
	The enterprise does not adopt a sound basis for advertising	33.52	0.001
	The enterprise does not have the capacity for distributing its products	37.15	0.000
	The enterprise's management does not choose qualified people for its sales operations	36.73	0.000
	The availability of foreign products similar to those of the enterprise	32.93	0.010
Lack of cash fluency to cover for the enterprise's commitments	The enterprise's management does not apply pricing policies in accordance with sound standards and rules	34.06	0.005
	The enterprise does not have the capacity for distributing its products	38.99	0.001
	The enterprise's management lacks the capacity to identify marketing problems and their reasons	39.58	0.001
	High cost of products' promotion	24.56	0.078
Volatility in earnings	The enterprise's management does not apply pricing policies in accordance with sound standards and rules	29.53	0.020
	The enterprise's management does not choose qualified people for its sales operations	37.69	0.002
High operational cost	The enterprise does not follow free offers and discount policies	27.22	0.039
	The enterprise's management lacks the capacity to identify marketing problems and their reasons	32.83	0.008
	High cost of products' promotion	41.20	0.001
Decline in the quality of the enterprise's products	The enterprise does not follow up with studies and researches related to the customer satisfaction	72.60	0.000
	The enterprise's management lacks the capacity to identify marketing problems and their reasons	33.04	0.007
	The enterprise's management lacks the capacity to market analysis, opportunities exploration and identification of threats	30.74	0.015
Constant decline in the number of customers	The enterprise does not follow up with studies and researches related to the customer satisfaction	45.53	0.000
	The enterprise does not follow free offers and discount policies	75.49	0.000
	The enterprise does not adopt a sound basis for advertising	35.36	0.004
	New competitors	41.35	0.000
	The enterprise's management lacks the capacity to market analysis, opportunities exploration and identification of threats	51.40	0.000

Prepared by the research team, field study data, 2014.

## RESULTS AND RECOMMENDATIONS

The study proved the validity of its hypotheses. There is a statistical relationship between financial constraints and stumble of small enterprises in Tabuk region, and a statistical relationship between marketing constraints and the stumble of small enterprises in the same region. The study reached the following conclusions:

1. The majority of small businesses in Tabuk region face financial problems, where funding is inadequate in quantity and conditions required by small businesses owners. Financing constraints that mostly affect small businesses come from the avoidance of banks to grant loans to newly established small businesses as well as the procedural restrictions imposed by banks in granting funding.
2. Some banks do not grant individuals the necessary financing for their small enterprises, such as Alinma Bank. Other factors provide limited support, such as the Centennial Fund, which financially supports enterprises in the amount of 50,000 riyals to 300,000 thousand riyals and this support is limited to certain sectors. Likewise, the National Entrepreneurship Institute supports a small number of enterprises. In women`s section in Tabuk, only a number of 30 enterprises have been supported.
3. The Tabuk society is an agricultural one mostly dominated by Bedouins who lack the ability to manage small enterprises.
4. Overlapping and duplication of procedures related to the establishment of small businesses between more than one entity in the region.
5. Opportunities for women in relation to the establishment of small businesses are very limited in the region because the majority of the community in Tabuk does not accept women's work.
6. The reasons behind stalled enterprises come from the high operating cost and volatility in earnings, followed by a decline in project sales, lack of cash to pay for the enterprise`s commitments. The least factors causing the stumble are the low quality of the enterprise`s products and the constant decline in the number of customers.
7. Lack of awareness among the majority of the enterprise`s owners on the importance of marketing activities. Moreover, there is no study on the target market dimensions and its requirements before starting the implementation phase.
8. The financial constraints cause cash inadequacy to pay for the enterprise`s commitments, volatility in profits and lower project sales. Marketing constraints cause lower project sales and the continuing decline in the number of customers.
9. There are other obstacles that may be a reason for the stalled enterprises. The change in the regulations adopted by the state without notifying the entrepreneurs, imitation of others, urgency for quick profit, the Labour Office consideration of small enterprises as large-scale projects, the vulnerability of feasibility studies, the presence of large multi-activity commercial centers, the lack of credibility from the supporting entities and lack of skilled labor.

In light of the above, it can be concluded that small businesses are of paramount importance as well as their contribution to economic development. It is clear that these small enterprises face many problems and difficulties in their management style and organization of the financing and marketing aspects. In this regard, some suggestions can be made to solve these problems, namely:

1. Provide the necessary support with flexible conditions from government agencies to finance small enterprises.
2. Training entrepreneurs to modern management systems in terms of how to provide productivity supplies, manage the production and marketing process and how to transact with banks and government institutions by setting a specific place, such as the Chamber of Commerce or a specialized section at the Labor Office in Tabuk.

3. Organizing specialized exhibitions to promote and market products of small enterprises and dissemination of marketing information necessary to help them market their products inside and outside the Kingdom.
4. Activate the role of supporting actors for small enterprises logistically and financially.
5. Reduce duplication and overlapping of work between the actors responsible for small enterprises, and identify a clear regulatory framework and a single actor to cater for all the procedures needed for the establishment of a small enterprise.
6. Giving attention to scientific research regarding these projects and creating a system of financial and marketing information. Using Internet and modern communications should be a must.

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3. Director of sustenance bab rizq jameel, Tabuk

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