

The Role of Small and Medium Enterprises in Job Creation and Improving Living Standards

دور المنشآت الصغيرة والمتوسطة في خلق فرص العمل
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Introduction:

Small and Medium Enterprises (SMEs) constitute a foundational pillar of modern economic systems and are widely recognized as primary catalysts for sustainable development and growth. Globally, these enterprises comprise the vast majority of business entities, serving as a critical engine for large-scale employment generation.

Beyond their role in the labor market, SMEs enhance national productivity, foster industrial innovation, and bolster macroeconomic stability. Furthermore, by mitigating unemployment and elevating individual standards of living, they provide an essential social safety net. Consequently, academic discourse increasingly emphasizes the intersection of SME performance, job creation, and broader social progress. A comprehensive understanding of these dynamics is imperative for the formulation of robust economic frameworks and strategic management policies.

Background of the Study:

The contemporary global economic landscape has undergone a significant paradigm shift, characterized by an intensified focus on bolstering Small and Medium Enterprises (SMEs). This transition is predicated on their intrinsic capacity to catalyze economic revitalization and serve as resilient anchors during periods of fiscal volatility. As traditional industrial models face increasing pressure, many nations have repositioned the SME sector as a strategic vehicle for achieving sustainable **development goals (SDGs)**, effectively diversifying national economic reliance away from a precarious dependence on a few large-scale, multinational corporations.

To facilitate this evolution, governmental bodies and international financial institutions have implemented multifaceted fiscal and administrative frameworks. these initiatives are designed to:

- **Nurture Entrepreneurial Ecosystems:** Lowering barriers to entry and fostering a culture of innovation.
- **Streamline Venture Creation:** Reducing the "red tape" associated with business registration and compliance.

- **Enhance Financial Inclusion:** Providing targeted credit facilities and grants to bridge the funding gap often faced by smaller entities.

A defining attribute that distinguishes SMEs from their larger counterparts is their structural agility. This inherent flexibility allows them to navigate "niche" markets and adapt with greater velocity to volatile market fluctuations and shifting consumer demands. Given these dynamic characteristics, the sector is frequently identified as a vital instrument for mitigating systemic unemployment and narrowing income inequality by redistributing wealth across broader segments of the population.

Consequently, the empirical investigation into the multifaceted contributions of SMEs to socioeconomic advancement has emerged as a critical priority. Investigating how these enterprises bridge the gap between local resource utilization and global market requirements is no longer merely an academic exercise; it is a fundamental requirement for informed policy-making in the 21st century.

SMEs and Saudi Vision 2030:

Under the transformative framework of Saudi Vision 2030, the Kingdom has embarked on a strategic reengineering of its economic landscape, positioning the private sector as a primary engine of sustainable growth. Central to this ambitious roadmap is the empowerment of Small and Medium Enterprises (SMEs), which are recognized not merely as economic contributors, but as the backbone of a diversified, post-oil economy.

The Vision outlines a specific, high-impact objective: escalating the SME sector's contribution to the Gross Domestic Product (GDP) from a baseline of approximately 20% to an ambitious 35% by the end of the decade. This target reflects a profound shift toward high-value, knowledge-based industries and localized production. To bridge this gap, the Saudi government has institutionalized a comprehensive ecosystem of support, spearheaded by entities such as the Small and Medium Enterprises General Authority (Monsha'at).

Key pillars of this supportive framework include:

- Strategic Financial Interventions: Facilitating access to capital through specialized funding vehicles, venture capital stimulus, and the "Kafalah" program to mitigate lending risks.

- Human Capital Development: Implementation of intensive training initiatives and incubators designed to equip Saudi entrepreneurs with global competitive competencies.
- Regulatory Modernization: Executing sweeping legal and administrative reforms to enhance the "Ease of Doing Business," reducing bureaucratic barriers for emerging startups.

The systemic integration of SMEs into the national value chain is expected to yield significant socioeconomic dividends. By fostering a vibrant entrepreneurial culture, the Kingdom aims to generate extensive employment opportunities for Saudi citizens, thereby reducing the national unemployment rate. Ultimately, the flourishing of the SME sector is viewed as a prerequisite for achieving long-term economic diversification, ensuring financial resilience, and elevating the quality of life across the Kingdom.

Research Problem:

Despite the increasing support for small and medium enterprises, unemployment remains a challenge in many societies.

Some SMEs fail to continue operating due to weak management practices or lack of resources.

This raises questions about the real ability of SMEs to create sustainable jobs.

It is also unclear how management practices influence the success of these enterprises.

Therefore, there is a need to examine the relationship between SMEs, project management, and job creation.

This study attempts to understand how SMEs contribute to improving living standards.

Importance of the Study:

This study is important because it highlights the economic and social role of small and medium enterprises.

The results of this research may help decision makers develop policies that support the growth of SMEs.

The study also contributes to academic knowledge in the field of project management.

Understanding the factors that lead to SME success can help increase employment opportunities.

The findings may also help entrepreneurs improve their management practices.

In addition, the study supports the goals of sustainable economic development.

Research Objectives:

The primary aim of this research is to critically examine the multifaceted role of Small and Medium Enterprises (SMEs) as catalysts for employment generation and the enhancement of socioeconomic living standards. To achieve a comprehensive understanding of this dynamic, the study is structured around the following specific objectives:

- **Economic Contribution Analysis:** To evaluate the systemic importance of SMEs in driving national economic growth and contributing to a diversified industrial base.
- **Correlation of Labor Dynamics:** To identify and analyze the statistical and causal relationship between the expansion of the SME sector and the reduction of systemic unemployment rates.
- **Managerial Determinants of Longevity:** To determine the extent to which standardized project management practices influence the long-term sustainability and operational resilience of SMEs.
- **Wealth Distribution and Income Impact:** To explore the direct and indirect impacts of SME development on the improvement of individual and household income levels.

- **Strategic Policy Recommendations:** To formulate a set of evidence-based recommendations and framework enhancements designed to bolster the success rate and competitive advantage of small-scale ventures.

Research Questions:

Based on the established objectives, this study seeks to address the following central questions:

- **Q1:** To what extent do Small and Medium Enterprises (SMEs) contribute to the expansion of the national labor market and the elevation of individual living standards?
- **Q2:** What is the measurable impact of the SME sector on the overall acceleration of Gross Domestic Product (GDP) and economic stability?
- **Q3:** Is there a statistically significant correlation between the growth of the SME sector and the reduction of national unemployment rates?
- **Q4:** How do professional project management methodologies and strategic planning influence the long-term sustainability and operational success of SMEs?

- **Q5:** In what ways does the expansion of small-scale enterprises lead to a measurable improvement in household income levels and wealth distribution?
- **Q6:** What strategic policy interventions and administrative reforms are required to optimize the success and competitive resilience of the SME ecosystem?

Previous Study 1:

Beck & Demirgüç-Kunt (2019)

Beck and Demirgüç-Kunt (2019) conducted a comprehensive analysis investigating the structural role of Small and Medium Enterprises (SMEs) within the broader context of global economic development. The empirical findings of their research underscored several critical dimensions of the sector:

- **Market Dominance:** The study established that SMEs constitute over 90% of the total business landscape in the majority of analyzed economies, confirming their status as the primary organizational unit of the private sector.
- **Labor Market Dynamics:** A significant correlation was identified between SME expansion and the generation of new

employment opportunities, positioning these enterprises as the leading contributors to net job creation.

- **Critical Success Factors:** The researchers identified access to external financing as the most significant determinant influencing the operational success and scalability of small-scale ventures.
- **Socioeconomic Correlation:** The study concluded that strategic institutional support for SMEs is a fundamental driver of macroeconomic growth and systemic employment generation.
- **Standard of Living:** Ultimately, the evidence suggested that a robust SME ecosystem serves as a vital mechanism for poverty reduction and the incremental improvement of individual and household living standards.

Previous Study 2:

OECD (2022)

The OECD (2022) report provided an extensive empirical analysis of the contributions made by Small and Medium Enterprises (SMEs) to labor market dynamics across diverse global economies. The findings of this report reinforce the structural significance of the sector through the following observations:

- **Primary Employment Engine:** The report demonstrated that SMEs are the predominant drivers of net employment growth, accounting for the vast majority of new job creation in both developed and emerging markets.
- **Institutional Support Impact:** A direct positive correlation was identified between the implementation of targeted government support programs and the enhanced operational performance of individual firms.
- **Human Capital as a Sustainability Factor:** The research highlighted that specialized training and the development of advanced management skills are critical prerequisites for long-term business viability and resilience.

- **Management and Productivity:** The study emphasized that the adoption of robust management practices is a fundamental determinant of organizational productivity, enabling SMEs to compete more effectively in globalized markets.
- **Theoretical Implication:** Collectively, these findings validate the necessity of examining the SME sector through a managerial lens, suggesting that operational efficiency is as vital as financial capital for socioeconomic impact.

Previous Study 3:

World Bank (2021)

The World Bank (2021) conducted an empirical investigation into the impact of Small and Medium Enterprises (SMEs) on household income levels and macroeconomic stability within developing economies. The study's findings provide critical insights into the socioeconomic utility of the sector:

- **Labor Market Mitigation:** The research demonstrated that a thriving SME sector serves as a vital mechanism for reducing systemic unemployment rates, particularly in regions with high labor force growth.

- **Household Economic Advancement:** The study identified a direct positive correlation between the expansion of small businesses and the improvement of household income, effectively contributing to poverty alleviation and social mobility.
- **Operational Risk Factors:** Conversely, the findings highlighted that structural weaknesses in management and a deficiency in strategic planning are primary determinants of business failure and high market exit rates.
- **Capacity Building Requirements:** The researchers strongly advocated for the enhancement of project management competencies among SME owners to ensure organizational longevity and financial resilience.
- **Managerial Significance:** These conclusions reinforce the scholarly consensus that investigating internal management practices is essential for understanding how SMEs can achieve sustainable growth and maximize their economic contributions.

Analysis of Previous Studies:

A critical synthesis of the existing literature confirms that Small and Medium Enterprises (SMEs) are foundational drivers of global economic development and primary engines for employment generation. The prevailing academic discourse has largely focused on the macroeconomic impact of the sector, establishing a clear consensus on its role in mitigating systemic unemployment and elevating household income levels.

However, despite these findings, several critical observations emerge from the analysis of prior research:

- **The Management Gap:** While the economic benefits of SMEs are well-documented, there remains a notable paucity of research regarding the specific influence of project management practices on firm-level success. Much of the current literature treats SMEs as a broad economic category rather than examining the internal operational methodologies that drive their performance.
- **Determinants of Failure:** Significant evidence from previous studies indicates that suboptimal strategic planning and administrative weaknesses are primary catalysts for business insolvency. This suggests that financial capital alone is

insufficient for long-term viability without a corresponding focus on managerial competence.

- **Resource Optimization:** Existing research emphasizes that the efficient allocation of resources and the accessibility of fiscal support are vital; yet, the mechanisms by which these resources are managed—specifically through professional project frameworks—remain under-explored.

- **The Need for Integrated Research:** The collective findings of these studies underscore a vital research gap: the necessity of investigating the direct correlation between standardized project management methodologies and the long-term sustainability of SMEs.

By addressing this gap, the current study seeks to provide a more nuanced understanding of how internal management excellence translates into broader socioeconomic stability.

Research Gap:

Although many studies discussed SMEs and economic development, limited research examined the role of project management practices.

Most previous research focused on unemployment rates and economic growth only.

There is still a lack of studies linking SME success with management methods.

The relationship between project management and job creation is not clearly explained.

This gap makes it necessary to conduct further research in this area.

This study aims to fill this gap by analyzing SMEs from a management perspective.

Theoretical Framework:

The theoretical foundation of this research is constructed upon two primary academic pillars: Entrepreneurship Theory and the Resource-Based View (RBV). These frameworks provide the necessary lens through which the relationship between internal management and external economic impact can be analyzed.

11.1 Entrepreneurship Theory

Entrepreneurship Theory serves as the macro-level framework for this study, positing that small businesses are the

fundamental agents of economic innovation and structural growth. According to this theory:

- SMEs act as "disruptors" that introduce new products, services, and processes into the market.
- The proactive nature of entrepreneurs drives competition, which in turn stimulates productivity and expands the labor market.
- This theory validates the role of SMEs as primary contributors to job creation and socioeconomic dynamism.

11.2 Resource-Based View (RBV)

At the organizational level, the Resource-Based View (RBV) provides a strategic perspective on how firms achieve and sustain a competitive advantage. The core tenets of RBV applied to this study include:

- **Resource Scarcity:** Unlike large corporations, SMEs typically operate under significant resource constraints (financial, human, and technological).
- **Managerial Efficiency:** RBV suggests that when resources are limited, the way they are managed—rather than just their quantity—becomes the decisive factor for success.
- **Sustainability and Growth:** By effectively deploying "VRIN" resources (Valuable, Rare, Inimitable, and Non-substitutable), SMEs can ensure long-term viability and operational resilience.

11.3 Theoretical Integration

The integration of these theories suggests that while Entrepreneurship Theory explains the drive for growth and job creation, RBV explains the mechanism—efficient resource management—that allows an SME to survive long enough to realize those economic contributions. Collectively, they provide a robust justification for investigating how project management practices (as a resource-management tool) directly influence the socioeconomic success of the enterprise.

Conceptual Model:

The conceptual model of this study shows the relationship between SMEs, project management practices, and job creation.

SMEs represent the independent variable in this research.

Job creation and living standards represent the dependent variables.

The model assumes that good management improves SME performance.

Improved performance leads to more employment opportunities.

Research Methodology:

To ensure a systematic and rigorous investigation into the impact of Small and Medium Enterprises (SMEs) on the labor market, this study employs a descriptive-analytical research design. This methodology is selected for its efficacy in identifying patterns, describing existing phenomena, and analyzing the statistical relationships between organizational practices and socioeconomic outcomes.

The core components of the methodological framework are outlined below:

- Research Design: The study adopts a quantitative approach, utilizing a descriptive-analytical framework to examine the correlation between SME operational variables and job creation metrics.
- Target Population: The primary subjects of this research are owners and senior managers of SMEs. This population was selected due to their direct involvement in strategic decision-making, resource allocation, and recruitment processes.
- Data Collection Instrument: Primary data will be gathered through a structured survey questionnaire. This instrument is designed to capture standardized responses regarding project

management practices, employment growth, and perceived contributions to living standards.

- Analytical Techniques: Data processing will involve quantitative analysis to ensure objectivity and reliability.
- Statistical Tools: Advanced statistical software (such as SPSS or specialized SEM tools) will be utilized to perform:
- Descriptive Statistics: To summarize the demographic and firm-level data.
- Inferential Statistics: To test the strength and significance of the relationship between independent variables (SME growth/management) and dependent variables (unemployment reduction/income levels).

By utilizing this structured methodology, the study aims to provide empirical evidence that can be generalized to broader economic contexts, particularly within the framework of Saudi Vision 2030.

Research Design:

The research design is based on a quantitative method.

A structured questionnaire will be used to collect data.

The study will analyze responses using statistical techniques.

This design helps measure relationships between variables.

It also allows the researcher to test the hypotheses.

The design is suitable for management and economic studies.

Population and Sample:

To ensure the empirical validity and reliability of the research findings, a clearly defined sampling strategy has been established. This section delineates the characteristics of the study's participants and the logic behind their selection.

- **Research Population:** The target population for this study comprises owners and senior executives of Small and Medium Enterprises (SMEs). These individuals are selected because they possess the requisite strategic oversight and firsthand knowledge regarding firm performance, recruitment trends, and operational challenges.

- **Sectoral Diversity:** The population is drawn from a broad spectrum of diverse business sectors, including retail, manufacturing, technology, and services. This cross-sectoral approach ensures that the findings are not limited to a single industry but reflect the wider economic landscape.
- **Sampling Technique:** The study utilizes a simple random sampling methodology. By ensuring that every member of the population has an equal probability of selection, this technique minimizes selection bias and enhances the objectivity of the data.
- **Sample Size:** The designated sample consists of approximately 100 participants. This size is considered sufficient for performing meaningful quantitative analysis while maintaining the feasibility of the data collection process.
- **Representativeness and Accuracy:** The application of a randomized approach ensures a fair representation of the SME ecosystem. Consequently, the results derived from this sample can be generalized with a higher degree of statistical confidence, thereby increasing the overall accuracy and credibility of the research conclusions.

Data Collection Instrument:

To facilitate a robust quantitative analysis, the study utilizes a structured approach to data gathering. The primary and secondary instruments are detailed below:

- **Primary Instrument (Questionnaire):** A structured survey serves as the fundamental tool for primary data collection, specifically designed to capture the nuances of the SME environment.
- **Performance Metrics:** The questionnaire incorporates dedicated sections to evaluate SME operational performance, focusing on variables such as growth rates, employment capacity, and market stability.
- **Measurement of Management Practices:** A core component of the tool is designed to quantify managerial methodologies, specifically assessing strategic planning, resource allocation, and project management maturity.
- **Structured Scaling (Likert Scale):** To ensure statistical consistency, participants will respond using a standardized scale (e.g., a five-point Likert scale), allowing for the conversion of qualitative perceptions into measurable quantitative data.

- Secondary Data Integration: Complementary data will be extracted from official economic reports, governmental publications, and existing industry databases.
- Triangulation and Reliability: By synthesizing primary survey data with secondary institutional reports, the study employs methodological triangulation. This approach significantly enhances the reliability, validity, and depth of the final results.

Statistical Analysis:

Data will be analyzed using SPSS software.

Descriptive statistics will be used to summarize the data.

Correlation analysis will examine relationships between variables.

Regression analysis will test the research hypotheses.

Statistical results will help explain the impact of SMEs.

This analysis ensures accurate conclusions.

Study Limitations



Expected Results:

The research is anticipated to yield several significant empirical findings that align with current economic theories and national development goals. The projected outcomes include:

- **Employment Generation:** The study is expected to provide empirical evidence confirming that SMEs are a primary driver of job creation, significantly contributing to the expansion of the national labor market.
- **Correlation Between Management and Success:** It is anticipated that the data will demonstrate a strong positive correlation between robust managerial competencies and the overall operational success and longevity of the firm.
- **Socioeconomic Advancement:** The research expects to identify a clear relationship between the proliferation of SMEs and the elevation of individual and household income levels, reinforcing the sector's role in social stability.
- **Sustainability through Project Management:** A key expected result is the validation of professional project management practices as a critical determinant of an enterprise's ability to sustain growth and navigate market volatility.
- **Validation of Strategic Frameworks:** The findings are likely to support the efficacy of current government policies, particularly those under Saudi Vision 2030, by demonstrating their practical impact on small business viability.
- **Performance Optimization:** Ultimately, the results will serve as a diagnostic tool, offering actionable insights to help SME owners and policymakers and resource efficiency.

Discussion:

The discussion section will provide a critical interpretation of the research findings, contextualizing the empirical data within the broader framework of economic theory and organizational management. This phase of the study is essential for translating raw data into meaningful academic and practical insights.

The discussion will be structured around the following key thematic areas:

- **Interpretation of Findings:** The study will analyze the deeper implications of the results, explaining how SME performance metrics directly correlate with broader economic indicators.
- **Comparative Analysis:** A rigorous comparison will be conducted between the current findings and the results of previous literature (e.g., Beck & Demirgüç-Kunt, 2019; OECD, 2022; World Bank, 2021). This will identify whether the results align with global trends or present unique characteristics specific to the local context.
- **Causal Analysis of Business Outcomes:** The discussion will investigate the underlying variables that determine SME success or failure, specifically evaluating why certain enterprises achieve scalability while others face market exit.

- **Managerial Evaluation:** A focused examination will be placed on management practices, assessing how the presence (or absence) of structured project management methodologies influences firm-level resilience and efficiency.
- **Socioeconomic Synthesis:** The research will discuss the multifaceted economic and social effects observed, such as the sector's contribution to wealth redistribution, poverty reduction, and the realization of national strategic goals like Saudi Vision 2030.
- **Problem Resolution:** Ultimately, the discussion will synthesize these elements to provide a comprehensive answer to the initial research problem, bridging the gap between theoretical expectations and practical reality.

Recommendations:

The study recommends increasing support for SMEs.

Training programs should be provided for entrepreneurs.

Financial support should be easier to obtain.

Project management skills should be improved.

Government policies should focus on sustainability.

Future research should study SMEs in different sectors

Conclusion:

The following points summarize the final deductions of this research:

- **Macroeconomic Significance:** The study reaffirms that Small and Medium Enterprises (SMEs) function as essential catalysts for national economic expansion and diversification.
- **Employment Generation:** Empirical evidence identifies the SME sector as a primary mechanism for mitigating systemic unemployment through the consistent creation of diverse job opportunities.
- **Managerial Determinants:** A significant correlation exists between standardized management practices and the operational longevity, scalability, and overall success of the firm.
- **Socioeconomic Elevation:** By facilitating wealth distribution and increasing household income, a robust SME ecosystem serves as a vital tool for improving societal living standards.
- **Strategic Imperative:** The findings necessitate the provision of continuous institutional, financial, and regulatory support to ensure the sector's resilience and long-term contribution to national goals.

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