

THE IMPORTANCE OF ISLAMIC FINANCE
PRINCIPLES IN MODULATING SME GROWTH
FACTORS:
A CASE STUDY OF
THE SULTANATE OF OMAN

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requirements of Staffordshire University for the
award of the degree of Doctor of Philosophy.

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the Name of Allah, the Most Beneficent,
the Most Merciful.

وَقُلْ رَبِّ زِدْنِي عِلْمًا

“Oh’ my Lord, increase my knowledge.”

Surah, Taha (20:114).

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DECLARATION

I declare that this thesis represents my personal work, excluding where the information derived from the literature a proper acknowledgement is made, in the text and listed at the end. No component of this thesis been earlier submitted to any other institution for other degree or qualification.

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Waddah Zahir Al Sibani

29/04/2021

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Al Sibani,

Date,

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PUBLICATION

Part of this thesis has been presented and published in a refereed conference, as follows:

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ABSTRACT

Despite acknowledging the importance of SMEs in strengthening economic growth, the current performance and contribution of this sector in Oman is unsatisfactory. This view can be attributed principally to the deficiencies associated with this sector, e.g. the accessibility of financing. This issue is identified in the literature as one of the most significant growth barriers in many developed and developing economies. Often, it results from the requirements and terms to obtain funding considering inadequate collateral, managerial skills, etc. Thus, achieving the desired improvement of SME development will not happen unless the financing process is facilitated, mainly removing obstacles. In this regard, this thesis argues that Islamic finance will overcome these obstacles by incorporating Islamic principles into the financing process. More specifically, this inquiry investigates the impact of Islamic finance principles on SME growth factors to stimulate growth. This project employs a mixed-methods survey of 410 entrepreneurs, semi-structured interviews with 44 of these entrepreneurs and those concerned about this sector development in Oman, using ordered and generalised logistic regressions and thematic analysis. The analysis of data collected through the questionnaire indicates that Islamic finance principles have a significant positive impact on SME growth factors, leading to expanding SME capital, sales and profits, and, to a lesser effect, on employment. This finding can be attributed mainly to the spirit of backing and solidarity in the Islamic finance system, which is identified by this survey as the most influential factors in removing growth barriers. This significance was obtained by operationalising the assurance of ownership, sharing, control, ethical practices, solidarity, and enhancement. This approach creates an Islamic finance framework, including collateralisation, risk management, and sustainability, that increase the probability of addressing challenges. The empirical outputs highlight the importance of Islamic finance in stimulating SME growth—besides, the generation of new insights into the literature by making SME growth factors more effective.

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LIST OF ACRONYMS

Capital structure (CS)
Central Bank of Oman (CBO)
Corporate social responsibility (CSR)
Cost of finance (CoF)
Financial resources (FR/FRs)
Generalised ordered Logit (gologit)
The global financial crisis (GFC)
Gulf Cooperation Council (GCC)
International Finance Corporation (IFC)
Islamic finance (IF)
Islamic finance framework (IFF)
Islamic finance principles (IFPs)
Islamic principles (IPs)
Islamic financial services board (IFSB)
Knowledge (Kn)
Micro, small and medium-sized enterprises (MSMEs)
National Center for Statistics and Information (NCSI)
Ordered Logit (ologit)
Public Authority for SMEs Development - PASMED (Riyada)
Personal values (PVs)
Small and medium-sized enterprises (SMEs)
SME capital growth (SMECG)
SME employment growth (SMEEG)
SME growth (SMEG)
SME growth factors (SMEGFs)
SME profits growth (SMEPG)
SME sales growth (SMESG)
World Bank Group (WBG)

CHAPTER ONE

INTRODUCTION

1 INTRODUCTION

1.1 BACKGROUND

Micro, small and medium-sized enterprises (MSMEs)¹ account for the majority of businesses worldwide. This sector plays a significant role in most economies by contributing more than 50% of job opportunities and 40% of GDP. This number grows significantly if informal SMEs are included, particularly in emerging economies. The growth of the global workforce means businesses worldwide must absorb 600 million jobs by 2030, centring SME development as a leading priority for many governments in developing countries (World Bank Group [WBG], 2020). In Europe, for example, SMEs constitute 99.8% of all enterprises, of which about 93% can be categorised as micro. Just above 25 million SMEs employ slightly over 97.7 million people (66.6%) and generate \$5,098 million² (56.4%) in added value (European Commission, 2019). Further evidence is drawn from the UK, in which SMEs account for slightly over 5.85 million businesses (99.9%): 5.82 million small businesses and 0.03 million medium-sized firms. This sector contributed over 16.6 million employees (60%) and accounted for about \$2.83 trillion in turnover (52%) in 2019 (UK National Statistics, 2019). SMEs are also extensively understood to provide necessities for sustainable development, reflecting their extensive role in terms of social and economic performance. According to the Federation of Small Businesses (FSB), about 80% of this sector in the UK actively contributes to their local community. For example, offering 40% of work experience, 38% donate time for serving, 32% contribute skills, and, above all, 95% have taken on at least one worker from a disadvantaged group in the labour market within the last three years (FSB, 2020).

Nevertheless, in most economies, small enterprises face constraints that ordinarily have accompanied their endeavours in sustainable development. For instance, Lee (2014) investigates the obstacles perceived by SMEs in the UK and finds that they encounter barriers to recruitment, skills, finance, cash flow, and finding suitable premises. Ahmed, Ali and Pathan (2015) affirm that SME growth (SMEG) in Pakistan is strictly restrained by the critical driver of education among the workforce and the lack of available credit. Furthermore,

¹ Henceforth, the thesis uses the word 'SMEs' instead of 'MSMEs' for simplicity.

² All currencies converted into US Dollars at the rate applicable when this research was carried out (Nov. 2020) through the (Xe) convertor. Available at: <http://www.xe.com/>

the high cost of raw materials, the high initial price of an investment, and a shortage of skilled labour have been assessed as factors that hinder Malaysia's SMEs from expanding (Musa and Chinniah, 2016).

The banking industry serves a vital function in economic development by making essential financial resources available for investment, which alleviates poverty and boosts shared prosperity. Accessing finance for start-ups, as one example, improves overall welfare because it enables entrepreneurs to thrive, extend their opportunities, and enhance their living standards. The International Finance Corporation (IFC) provides investment and advisory services to financial intermediaries catering of 10.7 million SMEs amounted to \$406.7 billion in CY³ 2019 (IFC, no date). This importance is reflected in the efforts of the WBG that, with private and public sector partners, set an ambitious target to enable adults worldwide to have access to financial transactions (Universal Financial Access, or UFA) by 2020 (WBG, no date). IFC, in FY 2020⁴, made about \$22 billion in long-term investments supported 282 long-term finance projects, in addition to extended \$6.5 billion in short-term trade finance in emerging countries (IFC, 2020).

Islamic banking is another primary source of funding within the global financial system, similar to WBG initiatives due to its role in reducing extreme poverty, addressing challenges, building stability, and boosting shared prosperity and resilience, all factors that expand access to finance (WBG, 2015a). IF began to draw greater attention in the wake of the 2008 global financial crisis (GFC), motivated predominantly by a heightened interest in risk-sharing and a critical regulatory and governance approach (Mohieldin, 2012). The most recent stability report for the Islamic financial services board (IFSB) indicates that the total worth of this industry maintained its positive growth by 11.4%, accounting for a landmark of \$2.44 trillion in 2019. This significant improvement relies on the share of banking assets, capital market⁵, and financial solidarity (Takaful⁶). These categories dominated by the Gulf Cooperation Council (GCC) countries (IFSB, 2020), as outlined in figure 1.1 below. As such, the Islamic financial industry emphasises its capability to lead the global financial system in a successful recovery.

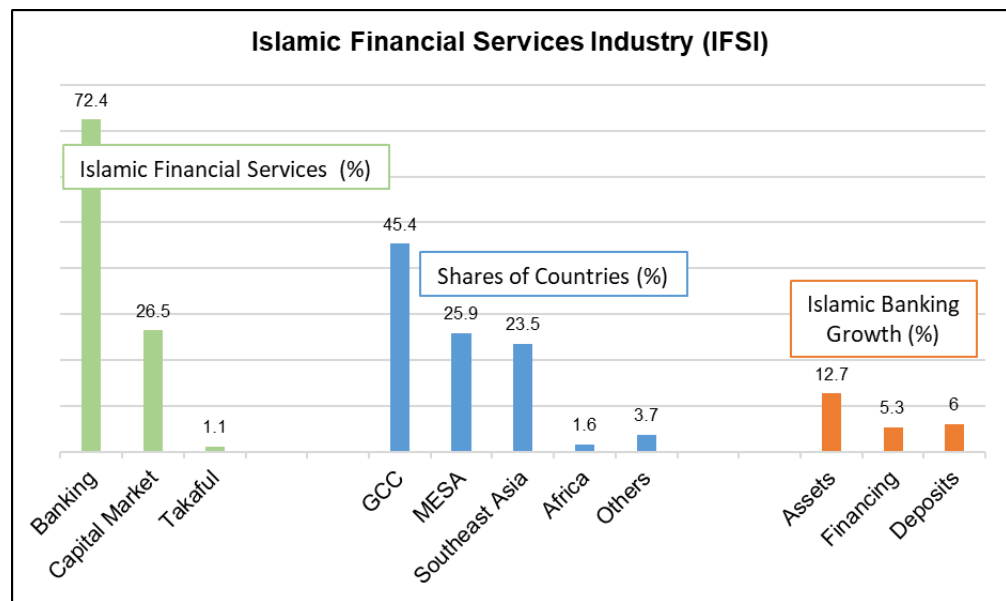
³ Calendar Year.

⁴ Fiscal 2020 reporting covers July 1, 2019, through June 30, 2020.

⁵ Including Sukuk outstanding and Islamic funds' assets.

⁶ An Islamic coverage contribution system to assure the supplied members against loss or damage.

Figure 1.1 Islamic financial services, 2019.



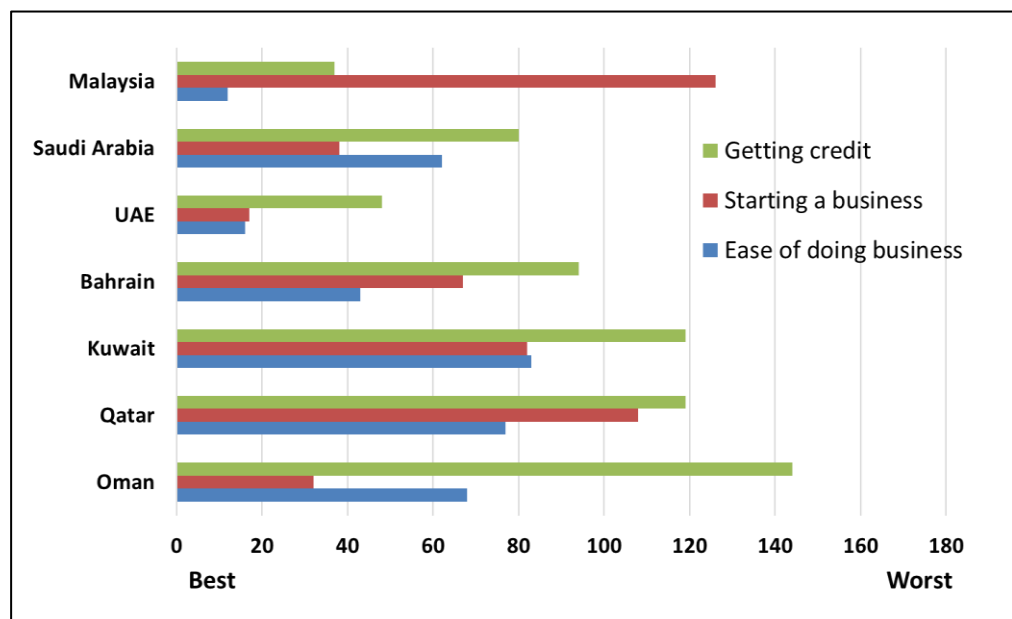
Source: (IFSB, 2020).

1.2 RESEARCH CONTEXT

The recent *doing business report 2020* displayed the advancements made by Omani government initiatives to offer the services needed to start a business, rating from 78 in 2019 (WBG, 2019) to 68 in 2020 (WBG, 2020a). It should be noted that the regulatory environment in the Sultanate of Oman facilitates the founding of domestic enterprises. However, most of the Sultanate's SMEs perform below average levels, and Omani youths are wary and unwilling to work in this vital sector. Ibrahim, Devesh and Ubaidullah (2017) have conducted a survey, which involved 165 graduate students, to assess the implications of graduate students' attitudes in Oman towards startups. They notice that the graduates have a positive outlook, but their preference for starting and running a business is low at 18%. Instead, 38% and 44% preferred work in the public and private sectors, respectively. This finding illustrates that the aspiration to set up a business among students is not preferred to public jobs, although they have a higher level of openness to innovate (Al-Belushi, Stead and Burgess, 2015). In a statement to the Omani Ex-Minister of Commerce and Industry, the insufficient number of qualified entrepreneurs with proper accounting skills, which would help for necessary disclosures, prevents establishing the SMEs' stock market in Oman (Times of Oman, 2015).

The *doing business report 2020* also suggests that countries that provide credit ranked highly and have effective economic outcomes among domestic startup firms, as shown in *figure (3.2)*. For instance, *figure (1.2)* below shows that Malaysia is ranked 37th, ahead of Oman by a considerable distance, in obtaining credit, although it was classified behind Oman, at 126th, regarding starting a business (WBG, 2020a). Yet, the contribution of SMEs to GDP in Malaysia accounted for 38.9% in 2019 (Department of Statistics Malaysia, 2020), compared to Omani SMEs that contributed 15% to GDP in 2019 (OBG⁷, 2019). Similarly, UAE was ranked 48th in obtaining credit (WBG, 2020a), though SMEs contributed 53% to GDP in 2019 (WAM, 2019). These facts highlight that SMEs may contribute more to the economy when they can access financial support, a possible need in Oman due to its lags from the best performance of SME financing. Later, chapter (3) discusses more details over the Omani context.

Figure 1.2 Obtaining credit, starting a business and easing of doing business in GCC countries and Malaysia.



Source: (WBG, 2020a).

Note: Rankings for obtaining credit, starting a business, and the ease of doing business are shown in a range from 1 to 180, where 1 represents the highest rank and 180 the lowest.

⁷ Oxford Business Group

1.3 RESEARCH AIM AND QUESTION

This query stems from a search for the availability of an alternative method of finance that removes financiers' reluctance to fund SMEs. To the best of the author's knowledge, none of the measurement studies of the impact on SMEG variables concern Islamic finance principles (IFPs). Therefore, the primary aim of this research is to investigate the role of Islamic finance (IF) in stimulating SMEG, which leads to the question '*Is Islamic finance appropriate for SME development and growth?*'. This project shines new light on this debate through an examination of IFPs on SME growth factors (SMEGFs). These questions are approached via four objectives with relevant inquiries. This division involves:

(i) **OBJECTIVE 1: An examination of Omani SMEs' performance within the contemporary financial system.**

This objective involves a thorough analysis of SME performance in Oman related to its growths of the conventional banking framework. This approach assesses more familiar consequences of the current financing process. It helps to reveal the possible routes to more beneficial and flexible alternative methods to mitigate the objections blocking the progress of SMEs ultimately. Therefore, it raises a question to be answered by this study: '*What is the role of contemporary finance mechanisms in enhancing the performance of SMEs in Oman?*'.

(ii) **OBJECTIVE 2: Assessment of the main constraints of SMEG in Oman.**

The second objective entails an inspection of the foremost hurdles in financing SMEs and revealing the vital components that limit SME development. This step outlines some technical approaches that serve as the principal obstacles to SMEG and banking to help identify and override their negative impact on current practices. It answers the question: '*What are the key challenges disrupting SME development in Oman?*'.

(iii) **OBJECTIVE 3: An investigation of the role of IFPs in stimulating SMEG.**

According to the third objective, this study addresses the effect of IFPs on SMEGFs. Specifically, it outlines the significance of IFPs in overriding SME finance and growth challenges. It investigates the impact of these principles on

the relationship between SMEGFs and SMEG and impediments that restrain their progress. This objective thus inquired: *‘What are the characteristics of IFPs that stimulate SMEG?’*.

(iv) **OBJECTIVE 4: The development of an Islamic finance framework (IFF) for SMEs in Oman.**

The last objective concerns the development of an IFF for SMEs and maximising the benefits and advantages that emanate from the financing of SMEs. This objective considers the effectiveness of transactions, the efficient allocation of resources, and the provision of cooperation consistent with Shariah law. It helps the context of reinforcing SMEs development with the synthesis of financial and collaborative support. Based on the responses of previous objectives, this objective answers: *‘How does IFF operate to stimulate SME growth in Oman?’*.

1.4 RESEARCH SIGNIFICANCE

Islamic finance is fast becoming a key instrument in the global financial system extended rapidly over the last decade, increasing at 10-12% per year (WBG, 2015a). At the same time, SME growth (SMEG) is receiving considerable critical attention. This thesis posits that IF, to a significant degree, affects and facilitates entrepreneurship growth. It intends to highlight the effect of Islamic finance principles (IFPs) on modulating SME growth factors (SMEGFs). This view indicates the need to understand the various perceptions of IFPs that exist to advance an alternative method to finance entrepreneurial projects, including the rise of more financial practices and innovative start-ups. The recent century sees IF quickly grow in many emerging economies, for example, the GCC countries. Thereby, this study offers additional knowledge to contribute to the limited literature on IF, particularly regarding SMEs. The conclusions, then, may yield a practical approach to the development of entrepreneurship through a new banking pattern in the Sultanate of Oman.

Accordingly, this study enhances the related literature, in which there is a shortage of investigations on the role of IFPs in overcoming the obstacles of SMEG. For the research aspect, this thesis contributes to the typical frame of knowledge by examining Islamic principles (IPs) in financial practices as an opener to an alternative method for SME finance. This thesis also provides insights into Islamic SME finance in the Sultanate of Oman, on which little has

been written, and is meant to encourage those committed to developing SMEs and Islamic banking. It applies to academics interested in exploring the plausible path and paradigms underpinning entrepreneurship, policymakers who would like to build sound regulations and conditions, and non-governmental organisations supporting and promoting SMEs. Moreover, this project was designed to deliver a framework of cooperative relationships and recommendations among various industries in the Sultanate.

1.5 RESEARCH CONTRIBUTION

A necessary facet of any investigation is its scholarly contribution: empirical findings developed through an analysis verified with previous studies. It offers a further novel anchor of the meaningful context within a specific discipline. IF is an increasingly important area in applied finance, and the significance of SMEG for economic expansion has resulted in the proliferation of theoretical research about their principal sources. As a result, it has become urgently necessary to probe in-depth the development of IF and its economic principles across vital economic sectors, specifically overcoming SMEs' challenges and constraints. This work contributes by proffering literature with empirical beliefs, opinions, and practices of SMEs' challenges and the importance of IF for their future development. The results serve as a valuable reference source for executing IFPs on the developing SME sector in the context of Oman, combining the funding process with intrinsic traits and the skills and abilities developed. Consequently, this research seals the knowledge gap of the impact of these policies to expand the business sector.

Recently, IF services have increased as a practicable outlet and an alternative means for those who comply with Islamic Shariah law. Yet, the practical knowledge of IFPs to reduce business risks is considerably low. It is necessary to extend the scope of awareness behind IF policies' performance, particularly to overcome SMEs' challenges that stumble when attempting to obtain financing. The inherent lack of knowledge about this financial discipline inspired this research's design: to understand better the role of trust in mitigating the risk associated with the SME sector. The outstanding performance of risk management strategies in IF establishes an excellent base for managing any participatory venture. Current scholarship has focused on the comparison of IF with conventional banking. As such, this research highlights the leadership and

influence of IFPs within SME portfolios. It is an application that has not yet been envisioned in the existing literature, to the best of the author's knowledge.

To date, the analysis of IFPs effect on SMEG in Oman is missing, and there is an identified gap in the literature. Methodologically, data regarding this area of inquiry is also lacking, which led the author to employ a mixed-methods approach within reactive data gathering that involved all relevant representatives of SME development. Therefore, the upshot of this analysis is a novel extension of the theoretical design of SME Islamic financial practices. It systematically places its mechanism into practice in terms of sector development. Thus, it begins with a quantitative approach that looks at the extent of IFPs impact on the correlation between SMEGFs and SMEG—followed by a qualitative approach that provides insight into this role and the relevant implications.

The process of developing an alternative financing framework for SMEs is also unavailable within the present financial system because of the risk associated with this sector. Furthermore, examining the literature has yielded numerous challenges and obstacles, which created an aggressive hedge that led to the financial gap. It has been challenging to find financing for these emerging companies in the conventional system due to risk-shifting mechanisms. Consequently, this study aims to develop an Islamic finance framework (IFF) that renders funding flexible by incorporating the critical principles of risk-sharing into supportive financial practices. Surveying the existing literature illuminates the absence of attempts to form such a framework, which indicates the significance of this research contribution.

1.6 THESIS STRUCTURE

The thesis is made up of nine chapters. It starts with the background to the study, its context, and the rationale through which the critical aim is developed and the main questions posed, in addition to an outline of the research objectives and questions. Chapter two offers an analysis of the related literature in the field of research, first, on the characteristics of SMEs, including those in the Sultanate of Oman. Also, it surveys their challenges, specifically in the context of finance and development. Second, it reviews Islamic finance in terms of the current knowledge of the impact of IFs in the context of SME finance. This review gives readers insight into the IF role's existing arguments in wealth

protection, sharing, risk management, fairness, etc., under an Islamic Shariah framework. It also discusses the fundamental principles of IF in financing SMEs and emphasises their importance to this study. Chapter two also formulates the conceptual research framework of Islamic finance to draw attention to its ability to address SMEs' challenges and facilitate the financing process. The key hypotheses are then developed to investigate this capability.

Chapter three lays out the study's assumptions, articulates the research approach, and relates the reasons behind the methodology used. Furthermore, it expounds upon the employed data collection mechanisms, sampling, and analysis techniques relating to the first stage of the quantitative method. Chapter four then elucidates the qualitative research's methodological details, illustrating the employed mechanisms of data collection, sampling, and analysis techniques.

Chapter five focuses on describing the findings of this investigation. First, it presents the demographic statistical results of the entrepreneurs and the characteristics of the SME sector in Oman. Then describes SME financial status and the key challenges of SME finance and growth, followed by qualitative interpretation. Chapter six is devoted to illustrating the findings of the quantitative phase of this research. It highlights the primary results of the developed models to investigate the role of IFPs affecting the relationship between SMEGFs and SMEG, guiding the second stage of the study. Chapter seven reports the significance of the regression findings and thematically interprets the statistical results to explain and explore how IFPs operate to modulate this correlation.

Chapter eight brings together the critical analysis of the investigation and discusses the main research findings. Then, it illustrates the process of developing an alternative way of financing SMEs, namely an Islamic finance framework (IFF). Chapter nine concludes this thesis by debating its contributions and implications for SMEs, bankers, policymakers, and researchers. It also identifies the limitations of the study and discusses potential areas for future research.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 INTRODUCTION

Chapter 2 offers a critical review of the current knowledge of Islamic finance (IF) potentials and SME growth (SMEG) to construct a framework for this research project. Its strength lies in its examination of the advanced theories and empirical studies that demonstrate the essentials for SMEG and consistent with the context of Oman. It shows the importance of SMEs as a component of development and underlines its definitions with the current study as a creator of significant income and job opportunities. The importance of access to financing for SMEG and their lack of capacity are also discussed. It surveys the current state of knowledge regarding the features and goals of Islamic law in terms of entrepreneurship development, aiming to set SMEG groundwork in Oman. Initially, it discusses the role of Islam in formulating entrepreneurship values and norms. It then reviews the pivotal operating functions of the IF essentials that clarified the advantages of Islamic rulings for the financing process. Furthermore, it discusses the literature on the IF potentials to bolster SME performance, leading to growth, followed by identifying a knowledge gap within the research topic, specifically in Oman.

Moreover, it addresses the conceptual framework for the incorporation of religious compliance in the SME financing process. It aims to establish the possible application of Islamic finance principles (IFPs) in developing the SME sector. It conceptualises the range of distinctive character dimensions measuring SMEG with a focus on SME funding determinants. Furthermore, it demonstrates the variables' operationalisation, explaining the dependent, independent, and modulated variables individually. It addresses the IFPs approach to realise the possible effects of its modulation of the financing process across SME growth factors (SMEGFs). Consequently, it articulates the development of the project hypotheses, outlining the research model designed for this study. Finally, it closes with a summary of the chapter.

2.2 MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES (MSMES)

2.2.1 Definition of SMEs

SMEs are made up of various business sizes and are marked by different relationships with the government and other financing systems, operations, and governance. Therefore, any SME definition must dismantle this complexity to help SMEs identify their capacities to receive the full backing of government-sponsored initiatives (European Commission, 2016). This intention shows that small businesses start their operations independently through a sole ownership, but in the meantime, they contribute a small share to the market. Thus, these companies make relative contributions to economic growth through the disparate exercise of such trade activities, even if they are administratively independent. Some scholars have distinguished SMEs by the offered size or the extent of investments. For instance, Indian SMEs are defined based on the investment practice in the machinery of less than \$14,000. Alternatively, SMEs in China must have total assets of \leq \$57 million plus a turnover of \leq \$43 million. Such businesses can also be defined based on the number of employees, for example, between 20 and 500, like in the USA and New Zealand, according to Warren (2017).

However, additional countries create categories related to turnover, which is the most common. Most European nations, for example, categorise and define SMEs by staff headcount and either by the turnover or balance sheet total, which are as follows: Micro, with <10 employees and about \leq \$2.4 million turnovers/balance sheet; Small, with <50 employees and almost \leq \$12 million turnover/balance sheet; Medium, with <250 employees and around \leq \$58 million turnover or approximately \leq \$50 million balance sheet (European Commission, 2016). While in the UK, SMEs include businesses with 0–249 employees that can be classified into (1) Micro, with up to nine employees, (2) small firms with 10–49 employees, and (3) medium-sized firms with 50–249 employees (UK National Statistics, 2019). However, some offices of the UK government use the definition put forward by the EU (University College London, 2017).

2.2.2 SME Development

The growing awareness of sustainable development in the SME sector has become a subject of distinct interest, leading to the enactment of legislation and the provision of means and resources to support the emergence of innovative projects, as in Oman (CBO-Annual Report, 2018, 2019). In this context, Matinaro *et al.* (2019) suggest that sustainable business growth relies on trading operations that have real economic significance drivers. Such drivers enhance new business opportunities and allow qualified entrepreneurs to access markets and know customer expectations (Hervas-Oliver and Albors-Garrigos, 2014). For instance, large organisations supply resources, e.g. capital, to grow and distribute the latest technologies developed by start-up ventures. In contrast, the task of SMEs is to bring innovative products and processes as a complementary cooperative approach (Hervas-Oliver and Albors-Garrigos, 2014; Jernstrom *et al.*, 2017).

This collaboration allows SMEs to enter the innovative market in terms of a long-term supply and joint development agreements, either as actors within the value chain or as suppliers or intermediary producers for more giant corporations (Jernstrom *et al.*, 2017). One example is a collaboration with governments and supporting agencies to support the international strategies of SMEs, mainly through experiential learning and network development (Costa, Soares and Pinho de Sousa, 2016). Thus, this approach ensures the firm some external resources to positively improve its productivity and efficiency operation, affecting its competitive market value (Bi, Davison and Smyrniot, 2017). Lee *et al.* (2010) underline that networking is an efficient way to facilitate and support the potential of open innovation among SMEs, in particular with different cooperation networks (Zeng, Xie and Tam, 2010). In this matter, Vrgovic *et al.* (2012) allege that innovative SMEs should receive government guarantees since this sector often dominates national economies by providing substantial benefits of wages for staffs and taxes (IFC, 2011).

Another aspect is that economic development is fostered through improving institutional and educational policies, through which the formation of human capital would allow SMEs to become more inventive (Cravo, Gourlay and Becker, 2012). Germany, as an example, subsidised R&D costs to improve the concept of innovation and cooperation among SMEs and research institutions. It holds annual reserves of approximately \$5.8 billion for R&D ventures through

non-refundable grants. In such cases, SMEs are eligible for subsidies to counter the high rates of project costs (Germany Trade and Invest (GTAI), 2017). Cin, Kim and Vonortas (2017) uncover significant evidence for the public R&D subsidy's concrete outcomes on expenditures and the value-added productivity of Korean manufacturing SMEs. Therefore, the qualifying stages relating to developing the necessary business skills for potential entrepreneurs could further contribute to new businesses' high success rate (Magd and McCoy, 2014).

Moreover, Moreira (2016) has attempted to study the impact on SMEG in Europe when access to finance increases. The author finds that the development of SMEs emerges from the accessibility of credit, which may also significantly foster wealth and employment rates in Europe. Kersten *et al.* (2017) also conclude that interventions to promote financial access are an integral part of any SME development strategy as it positively affects their investments, performance, and employment. In the same vein, finance intervention works better to achieve such results, especially when integrated with additional programmes and technical assistance (Cravo and Piza, 2016). Hughes and O'Regan (2009) interpret that this source would be less valuable when it is more remote than when the firm has an interconnected network, which increases profitability. The authors emphasise the importance of building a mutual financial relationship between different sources to support SME development.

Recent studies suggest that adequate financial resources would significantly contribute to SMEs' financial, innovative (Memon, Yong An and Memon, 2020), and supply chain-related (Jia, Zhang and Chen, 2020) performance. Further, SMEs who interact with their partners have the most control over their operations and financing of working capital, highlighting their operational capabilities as effective indicators for the reliability and sustainability of the business (Song, Yang and Yu, 2020). This contact promotes collaborative networks for the needs of SMEs, such as regional industrial associations (Costa, Soares and Pinho de Sousa, 2020). Accordingly, the most inexperienced entrepreneurs can be motivated by linking support, e.g. financing and participation, to improve their capacities. This strategy of entrepreneurial empowerment would strengthen the establishment of thriving SMEs (Ataei *et al.*, 2020).

In addition to the above, several studies link the higher performance of companies to their embrace of social and environmental issues, the ability of entrepreneurs to reshape sustainable business models (Franceschelli, Santoro and Candelo, 2018) and promote their procedures, behaviours, and actions (Santoro *et al.*, 2020) through combinations of expertise. Consequently, SME development has to accompany the promotion of personal skills (i.e. technical, managerial, and entrepreneurial) by placing more effort into technological innovation and the entrepreneurship of their leaders and building flexible ties with multiple stakeholders (Song, Yang and Yu, 2020).

2.2.3 SME Growth Factors

Although the growth was described as an increment of SME performance (i.e. sales, turnovers, employment, profitability, and productivity) (Robson and Bennett, 2000), Shelton (2005) defined growth as a process of addressing resource deficiency caused by the liabilities of a venture's novelty, such as the insufficiency of competitive, financial resources, management and organisational. According to Phelps, Adams and Bessant (2007), a firm must hold an absorptive capacity to implement the latest knowledge to succeed in a competitive environment that overcomes challenges and continues growing. SMEG was also linked to many factors, e.g. human capital, social capital, firm's strategy, firm characteristics (Rafiki, 2020). Nonetheless, that growth remained hampered by the appearance of financial and institutional constraints (Bartlett and Bukvič, 2001). They have acknowledged the difficulty and incapacity to access financial resources (Beck and Demirguc-Kunt, 2006; Chowdhury, Alam and Arif, 2013; Wang, 2016; Rafiki, 2020), particularly those elements related to the influence of financing patterns (Kachlami and Yazdanfar, 2016). Thus, SMEs should exploit all possible resources and components that foster their evolution and growth opportunities by limiting restrictions relevant to the financing.

The *availability of financial resources* (FRs) stands for business accessibility to the traditional external finance sources, a vitally important factor in initiating distinct enterprises and driving their profitability and success (Jasra *et al.*, 2011). It was admitted as a barrier that delimits investment and productivity (Igwe *et al.*, 2018), especially the growth of SMEs (Wang, 2016). SMEs face financial constraints due to their lack of a competitive business environment, including information technology, inadequate managerial skills, and financial records

(Ferdausi, Sarker and Ashiqur Rahman, 2014), explaining the lack of SMEs' contribution to growth (Beck and Demirguc-Kunt, 2006).

Further, capital structure (CS) has been defined as a merger of finance sources, i.e. debt and equity (Salehi and Biglar, 2009). It has been highlighted as a principal factor affecting SMEG (Kachlami and Yazdanfar, 2016) and demonstrated its influences on financial performance (Salehi and Biglar, 2009). Kachlami and Yazdanfar (2016) investigated the firm-level financial variables affecting SMEG, using both internal finance (profit) and external finance - short-term debt (STD) and long-term debt (LTD). They revealed a positive impact result in a higher growth rate, although SMEs are mostly inclined to STD. Nunes, Gonçalves and Serrasqueiro (2013) concluded that CS, especially debt, is of more paramount importance for SMEG. While Honjo and Kato (2019) evidenced that emerging firms are less likely to fail within the equity-based financing, such as stock exchange that found to relieve the constraints of external funding (Gupta and Gregoriou, 2018). These findings indicate the importance of the optimal CS decisions in spurring SMEG depending on firm-specific factors that explain their differences (Psillaki, National and Resea, 2009).

In return, finance accessibility cost (CoF) outlines the critical dimensions of firms' financial performance and has been highlighted as a key barrier limiting SMEG (Bartlett and Bukvič, 2001). This cost is likely to arise in contractual agreements concerning information asymmetry, moral hazard and adverse selection (Chittenden, Hall and Hutchinson, 1996). Thus, the dealing costs with such problems are costly for SMEs, through monitoring, bonding (Chittenden, Hall and Hutchinson, 1996), reputation effects (Comeig, Fernández-blanco and Ramírez, 2015), information disclosure, e.g. integrated information (García-Sánchez and Noguera-Gámez, 2017) and so on. Let alone the payment of interest on debt is of more elevated concern for diminished SMEG (Nunes, Gonçalves and Serrasqueiro, 2013). Therefore, raising external finance for SMEs affects their growth that is mainly responsive to the unavoidably cost.

According to Deschamps and Finkelstein (2012), personality traits are what a person values most concepts or beliefs related to the purpose or desirable behaviour for achieving specific goals such as security, fulfilment, and autonomy (as cited in Boubakary, 2015). From this view, entrepreneurs have certain traits that promote their initiatives and carry out business projects.

Personal values (PVs) have been a matter of business growth by several studies in different contexts. For instance, Boubakary (2015) concluded that entrepreneurs could improve their business growth by practising personal values, including the desire for autonomy, self-esteem and ethics. Whereas, Dai, Ivanov and Cole (2017) proved that optimistic entrepreneurs often have better opportunities for finance accessibility with lower cost and are less likely to provide collateral. Howorth and Moro (2012) demonstrated that entrepreneurs' trustworthiness, including the tendency to the benevolence acts and integrity, are negatively correlated to the interest rate charged. Hence, the key behavioural factors, e.g. intrinsic motivation, empathy, self-efficacy, ethics and prosocial motivation, are essential for SME sustainability (Tur-Porcar, Roig-Tierno and Mestre, 2018). Thus, SMEG has considered such determinants that almost mirrored the potential impact of the entrepreneurial personality traits, behaviours and characteristics.

In addition, the European Commission has defined corporate social responsibility (CSR) as "*a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders voluntarily*"⁸. This concept has been pointed out as an imperative element that companies should undertake. It has been detected that CSR practices development promotes ties that SMEs have with their stakeholders, improving and affecting competitiveness positively (Madueño *et al.*, 2016). Gangi *et al.* (2018) showed that CSR engagement leads to more effective corporate governance mechanisms, including the risk of financial distress, favourably affects SMEG. Overall, CSR practices ameliorate firm-level investment efficiency by helping firms address agency, information asymmetry problems (Samet and Jarboui, 2017a), cost of capital, capital structure (Benlemlih, 2017) and consumers' perception of service quality and stakeholder value (Liew and Song, 2017).

Further, Knowledge (Kn) is an essential asset, reflecting the decisive force of entrepreneurial awareness and its dimensions on SME performance (Omerzel and Antoncic, 2008). According to Nonaka and Takeuchi (1995), business success is often limited to entrepreneurs' knowledge level, an essential source for sustainable competitive advantages and a basic foundation for economic

⁸ COM(2001)366: Promoting a European framework for Corporate Social Responsibility.
https://ec.europa.eu/info/index_en

performance (as cited in Omerzel and Antoncic, 2008). Deakins and Freel (1998) revealed that a crucial part of SME evolution ensues from the learning process that combines knowledge and reaction to critical events. Liao, Welsch and Stoica (2003) emphasised that absorptive capacity, i.e. external knowledge acquisition and intrafirm knowledge dissemination, is positively related to SMEs' 'organisational responsiveness'⁹. By which, entrepreneurs develop various practical skills to understand market circumstances and requirements, including developing their vision and shaping their structure.

2.2.4 Obstacles to SMEs' Access to Finance

In recent years, IFC conducted a study to determine the finance gap¹⁰ in 128 developing countries. The survey found that about \$5.2 trillion for the formal SMEs is unmet, of a total of \$8.9 trillion estimated in potential demand for SME financing, compared to the \$3.7 trillion supplied. Plus a possible demand of an estimated \$2.9 trillion from informal enterprises in emerging economies. This study also suggests that 40% of the likely market within 128 emerging countries is unsupported, making it one of the toughest challenges and exceeding all other concerns (IFC, 2017). It is highly attributed to banks, which widely consider SMEs too risky because of their small size, age, sole proprietorship, insufficient collateral, credit history, and the hazardous environment, resulting in lost opportunities (Kira, 2013; Singh and Singh, 2014). Beck and Demirguc-Kunt (2006) and Wang (2016) also maintain that borrowing and consultant support costs hinder SME financing.

According to the Organisation for Economic Cooperation and Development (OECD, 2006), emerging economies have a more considerable financing gap and suitable environment for monopolisation. This weakness in commercial and legal systems among business conditions is due to the absence of transparency, highlighting the demand for regulatory policies. Ferdausi, Sarker and Ashiqur Rahman (2014) also find that the insufficient investment of SMEs results from a lack of information technology and adequate finance, as well as inadequate managerial skills, reflecting the lack of financial records and administrative skills. They confirm the valuable role played by the universities

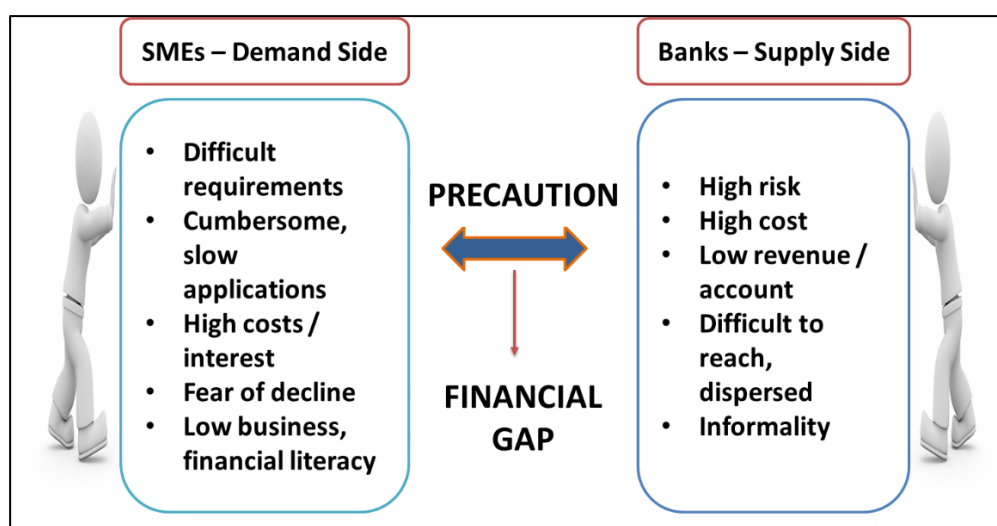
⁹ Firms performance that reflects their speed and coordination with which actions are implemented and periodically reviewed.

¹⁰ The magnitude of the lack of access to finance by SMEs globally.

and government in enhancing such awareness of providing knowledge and collateral for the financing process.

IFC-SMEs Finance Forum (2017) hints that this credit gap results from a sequence of supply and demand issues between the SMEs and financial suppliers, which remain unsolvable, creating a persistent worry regarding financing (*Figure 2.1*). The report declares that finance suppliers often insist on collateral and audited financial statements and frequently use expensive intermediaries, which results in a precautionary process and requirements followed by high costs. It limits the applicability of lower revenue projects to access the lending process. As such, this narrow view will severely limit entrepreneurs' capacity to capture necessary funding and development opportunities, creating a financial gap. This dilemma may lead SMEs to experience further difficulties in the investment process.

Figure 2.1 Supply and demand issues and the SME financing gap.



Source: IFC-SMEs Finance Forum, 2017, compiled by the author, 2020.

The banking sector has become the most likely resource for financing to help the progression of SMEs. However, this source is complex, owing to conditional lending requirements not being available for newly emerging activity. Khan and Almoharby (2007) asserted that traditional financial services lack SME development elements, like in Oman. The influential constraints faced by SMEs in this context include the following: lack of collateral, track record, capital management and commitment, high-interest rates, capital structure, and high failure risks, issues that numerous studies have raised (Magd and McCoy, 2014; Al Bulushi and Bagum, 2017; Al-Maskari *et al.*, 2019). The presence of

such factors increases the probability of risk occurrence. Febianto (2012) asserts that risk management could be crucial in solving an increase in systemic risk at a given institution, i.e. credit, operational, market, etc. The author argues that the participatory arrangements of profit and loss are important to map the route of risk management. It is essential for identifying and simplifying the response policy to various potential crises and risks.

2.3 ISLAMIC FINANCE

2.3.1 Islamic Finance Philosophy

The religion of Islam provides prosperity for humankind through its values, which are derived from God and centred around spiritual guidance and power. Therefore, the epistemological paradigm of Islamic studies (e.g. business and economics) significantly incorporates the Quran and Sunnah, which provide absolute values to guide choices and preferences due to the ability to explain the relevance of behavioural and ethical practices (Choudhury, 2007). Islamic economics' characteristic epistemology and ontology are premised on an exclusive divine doctrine outside of ordinary human thinking, thereby constructing a view of the most effective economic system. Islamic theory relies on the development of reason to evaluate, and forethought supported by the inspiration of God, divided from a materialist view of the human mind. Accordingly, the source of ontological-epistemological knowledge about reality from an Islamic perspective comes from the knowledge revealed through divine instructions (words). While the reasoned knowledge emanates from divine ability (power), it thus proceeds from God. It comes within divine light and instructions, which should be followed due to the infinite knowledge and absolute power that guides and impacts all life. Thus, religious teachings inject better attributes and quality in gaining privileges (Choudhury, 2007; Aydin, 2015).

Originally, nature is a real substance that remains independent of human perception, awaiting detection (Persson, 2010). This recognition opens dimensions for broader and deeper considerations since human ontological knowledge and realisation are consistently below an unseen ontological reality of God's overall understanding. Accordingly, the true ontology is limited unless based on divine guidance (Ismaeel, 2019). From an Islamic perspective, the reconstructions of any operational models subject to the primal roots of divine

knowledge serve as a foundation for the broadest comprehension of reality, developing verifications and inferences for the further sustenance of knowledge development and beyond (Choudhury, 2007). This foundational principle is unique to understanding the Islamic economic system, which differs from other economic systems (Asutay, 2013).

In this regard, the thought of this thesis relies firstly on the premise that Islamic finance principles (IFPs) as divine instructions formulate the SME growth factors (SMEGFs) by the ability to influence. This study argues that the obstacles to SME growth (SMEG) can be resolved by including IPs and their morality in the process of finance. As such, this hypothesis is premised on the relevant source of ontological-epistemological knowledge about reality. It addresses the primal roots of divine wisdom to identify how to derive and address such a financing process formulation within embedded practices. Aydin (2018) concludes that the internalising of Islamic moral axioms serve as an ethical compass necessary to establish an efficient and honest business. This orientation is derived from the paradigm that places divine guidance at the conceptual standards toward maximising socio-economic development. See, for example, the Islamic moral economy based on Maqasid al-Shariah to develop a comprehensive Islamic development Goals framework suggested by Jan, Ullah and Asutay (2015).

Epistemologies frame the acquisition and advancement of knowledge by providing criteria to distinguish between veritable and spurious knowledge (Murphy, 2017). As a result, a substance of the above belief and idea will be evident through a practical investigation. According to Dyer (1995), for the acceptance of ideas arising from the reality available, as facts, they should be tested against experience (as cited in Hersh and Tucker, 2005). Yet, the research community presents three oriented methodologies to search the entire reality of the phenomenon: quantitative-positivists, qualitative-constructivists and mixed-pragmatists. Subedi (2016) demonstrates that positivists adopt a quantitative process to show the truth, believing that knowledge is general and absolute. In contradiction, constructivists espouse a qualitative technique to construct the phenomenon's essence, as they believe that there may be further than a fixed knowledge. However, the pragmatists advocate mixed methods as the third means since it brings the entire landscape of positivism or constructivism. Amidst this diversity of exploring reality, it has

become imperative to determine which paradigm is more useful for this quest for knowledge.

2.3.2 Entrepreneurial Islamic Values

Gumusay (2015) defines an entrepreneur as someone who takes advantage of opportunities in which the existing resources are often reformulated while bearing the uncertainty of the undertaking. It involves their quest for ways to uphold socio-economic or ethical behaviours that adhere to their standards and ideals and behave appropriately to their religious beliefs (Nwankwo and Gbadamosi, 2013). Therefore, the entrepreneurship approach ultimately requires responsible conduct and the auspices of the interests of others (Franzoni and Allali, 2018). As such, entrepreneurs are highly committed to specific aspects of social responsibility compared with individually developed values and norms (Graafland, Mazereeuw and Yahia, 2006). Hoque, Mamun and Mamun (2014) identify entrepreneurs' Islamic traits as the most critical values shaping individuals' behaviour. For example, religiosity levels influenced Turkish Muslim entrepreneurs' daily behaviours and business practices, particularly universalism, self-direction and security (Gursoy, Altinay and Kenebayeva, 2017). Islamic values shape Muslim entrepreneurs' behaviours by ensuring the spiritual responsibility to provide for the welfare of oneself and others (Gumusay, 2015).

According to Gursoy, Altinay and Kenebayeva (2017), religion offers an outstanding base to shape individuals' values and entrepreneurial behaviours. It serves as an ideal ethical system that promotes spirituality and benefaction, leading to positive moral responses based on kindness, trustworthiness, and honesty. Tlaiss (2015) demonstrates that religious commitment places more attention on values that are perceived as instrumental and conducive to the survival and success of enterprises and shaping entrepreneurial behaviours by adhering to Islamic work-related values. These values manifest faith in their families, good character, and helping others shape their business practices and activities (Griebel, Park and Neubert, 2014). Berg and Kim (2014) find religion is precious in environments where reliability is questionable and otherwise complicated for others to observe. Further studies address the relationship between Islamic values and entrepreneurship affected by management (Dyck, 2014) and enterprises' organisational ethics (Ismaeel and Blaim, 2012).

2.3.3 Islamic Finance Principles

Islamic financial instruments emerged as a result of the principles and teachings of Islam. Kahf (2015) has signified that IF centres on providing credit through moral commitment and actual deal-making. The author highlights its essential characteristics, which are derived from the Quran and Sunnah¹¹. On the one hand, the moral aspect would benefit humanity and society by investing in proper activities. On the other hand, the practical side deals with tangible assets that maintain and reproduce natural resources. Based on these sources, Islamic jurisprudence adopted principles that limit the immersion of IF in conventional approaches, including:

- Asset-based investment
- Profit and loss sharing (PLS)
- Prohibition of usury and interest (riba)
- Prohibition of impermissible (haram) activities
- Prohibition of deception and gambling (qimar/maysir)
- Prohibition of excessive speculation (jahalah).

(Atabani, 2019; Franzoni and Allali, 2018).

All financial transactions in the Islamic system are subjected to these Islamic finance principles (IFPs), ensuring fairness among the participants. Thereby it mainly depends on trading that is inclusive of the disciplinary tenets. For instance, *Usury* (riba refer to interest in loan transactions) requires borrowers for an excess amount in consideration of giving them time to repay the loans. Since this period is not valuable property, its revenue is unlawful that must be through fees or service charges based on the actual expenses of the process (Obaidullah, 2005). This unjustified excess of capital in the loan does not depend on the investment achievement (Tatiana, Igor and Liliya, 2015). Therefore, the Islamic shariah bans the exchange of money that undertakes at a discount to the par value; rather, it must be at par with a nominal value (Obaidullah, 2005) and mainly serve as a productive means that the lender shares the results of investment (Bellalah and Masood, 2013).

Moreover, the *asset-based investment* principle requires all financial practices must be linked to real and tangible assets, connecting financial services to the productive economy (Asutay, 2013). The financier would, then, have access to

¹¹ The model for sayings or actions of the prophet Muhammad PBUH that Muslims follow.

the asset's historical (ex-post) risk and return, enhancing the estimation of risk exposure (Ebrahim *et al.*, 2016). By such a principle, there is an existing actual asset corresponding to every financial transaction, compared to the conventional that financial assets go on multiplying by deriving from other debt-based, making the financial practice more vulnerable to speculation leading to instability (Siddiqi, 2006).

Furthermore, the *profit and loss sharing (PLS)* principle dictates the financier to be an investor, not a lender, sharing the risk with the user of capital without a guarantee of regular income (Tatiana, Igor and Liliya, 2015), preventing shifting the entire risk from the financier onto the entrepreneur (Asutay, 2013). The financier and entrepreneur unite to establish partnerships for investing in different ways within various IF instruments, founding a framework of the relationship between capital and work (i.e. "*justice between work effort and return and between work effort and capital*" p.153) (Marzban and Asutay, 2012).

Further, *prohibition of impermissible business activities*, as specific sectors are considered unlawful. Namely, any business activity causing harm to the individuals, society and the environment (Marzban and Asutay, 2012). Islamic law forbids investments and commercial activities that violate the public interest to provide sustainable protection to address social problems (Hassan and Aliyu, 2017). They must inherently comply with what makes the society secure, whereby the operations associated with a prohibited investment such as pork, liquor, and conventional fixed-income financial products are restricted (Tatiana, Igor and Liliya, 2015).

In addition, Tatiana, Igor and Liliya (2015) illustrate that *excessive speculation or gambling* when entering into a contractual bond and obtaining unilateral advantages are prohibited in Islam, under which the parties are required to reveal their intentions and information fully. According to Franzoni and Allali (2018), uncertainty limitation in IF concerns the characteristics and purposes of contracts and instruments. Contracts, to be valid, must contain elements of certainty concerning the essential components of the contract, such as the purpose or the nature of the agreement, the price of the goods, etc. Thereby, shariah law does not allow the contracts characterised by uncertainty, such as those that determine enrichment due to chance (gambling and placing bets) or have speculative elements (derivatives, hedging transactions and swaps).

Accordingly, practising finance must comply with Islamic law by trading and avoiding unlawful elements by respecting these principles (Atabani, 2019). It is worth mentioning that these fundamental principles are designed and introduced inside the applicable instruments in economic and financial activities. A comprehensive IF instruments variety is available for the financing process, but the more extensive circulated are Musharakah, Mudharabah, Murabahah, Ijarah. According to Haron, Ahmad and Planisek (1994), these instruments are defined as:

Musharaka: A partnership agreement whereby the financier provides the capital and participates in the management. It requires the parties to incur the risk based on their proportion of financing participation. However, all parties agree, through negotiation, on the distribution ratio of profits generated from the business, which does not coincide with the financing ratio.

Mudharabah: An agreement between a financier and an entrepreneur. The financier agrees to finance the entrepreneur's business on a participatory (PLS) basis, in which the financier will sustain any loss of the capital provided. At the same time, the profit is split between the two parties according to a predetermined ratio agreed upon during the negotiation.

Murabahah: A sale of goods agreement. The financier purchases the commodity the entrepreneur needs for a resale at a higher price as a profit margin agreed on by both parties concerned. This contract transforms the conventional lending process that basis on interest into a sale and purchases contract basis on PLS compliant with Islamic shariah.

Ijarah: A leasing finance agreement, whereby the financier purchases the assets commanded by the entrepreneur and then leases these assets to him for a contracted period, both parties agree on all lease rental terms and conditions.

For the rest of the Islamic finance instruments explanation, please see Haron, Ahmad and Planisek (1994).

2.3.4 Islamic Finance System

Certain authors (Warde, 2000; Obaidullah, 2005; Ahmad and Hassan, 2007; Elasrag, 2011; Hanif, 2013; Kahf, 2015) indicate the vital role of these principles in providing justice and fairness as maintaining societal well-being and

alleviating poverty. As soon as these principles are integrated into financial practices, communities are preserved from exploitation and behaviours that damage their components. According to Bellalah and Masood (2013), theoretically, this combination, including PLS principle, ensures better long-term allocation of funds. The banking process is engineered with Islamic values, producing ethical, contractual agreements (Marzban and Asutay, 2012). This harmony validates that Islamic finance principles (IFPs) could modulate conventional instruments towards the sustainable development of businesses.

Shah and Bhutta (2016) clarified that Islamic finance (IF) primarily deals with transactions according to Islamic fundamentals, focusing on ethical values and social responsibility. For example, the verses describing *riba*, and all other unlawful actions, indicate that any illegal acquisition of riches at the detriment of others means condemnation. As such, IF maintains the stability of social ties and achieves both consumer and producer equilibrium (Metwally, 1997). Iqbal (1997) indicates that the Islamic financial system encourages laws that maintain equality and promote entrepreneurship through:

- risk-sharing in return for profits
- discouraging speculative behaviour
- upholding the sanctity of contracts
- information disclosure as an absolute duty

Ratten, Rammal and Ramadani (2017) point out that the competence of IF rests in its essentials and norms via discouraging selfish behaviour with fair transactions and a transparent approach. Due to their partnership, both borrowers and lenders share potential outcomes and are equally liable for adverse risk. They adapt their preferences and activities to fit Shariah mandates that identify the Islamic financial system as an alternative (Asutay and Marzban, 2015), creating justice and increasing social bonds and collective interest (Hassan, 2019). According to Hassan and Aliyu (2017), this stand attributed to the foundation of ethical and prudential compliance focuses on transactional relations by capital allocation and financial decisions. For instance, it regulates SME indebtedness and diminishes the cost of financing by controlling agency cost of debt cost and information asymmetry, promoting the firm's stability. Plus, it attains socio-economic and environmental intentions via capital allocation and financial decisions (Hassan and Aliyu, 2017).

IF, therefore, distinguishes itself by maintaining the integrity of the contract through the tenets and norms of Islam that discourage selfish behaviour while promoting financial services that emphasise ethical codes of conduct (Ratten, Rammal and Ramadani, 2017). Basov and Bhatti (2016) note that this procedure, when followed closely and identified through allocating assets, increases investment, stability in the value of money, and other economic benefits. Walkshausl and Lobe (2012) assert that investors could pursue their investment by following their religious beliefs since Sharia-compliant investments do not reduce financial performance because Islamic tenets increase individual accountability, quality, and trust. Ratten, Rammal and Ramadani (2017) note that by translating the advantage of Islamic jurisprudence into more realistic market conditions, there would be more financial resources to promote entrepreneurship and business. In the meantime, it meets the humanity requirements of financial and material resources irrespective of religions, races, and cultures (Kahf, 2015).

2.3.5 The Application of Islamic Finance

IF operates amidst leading principles that display clarity and sufficient attachments that evaluate risk, making the assessment less complex for external investors and reducing risk exposure (Bitar *et al.*, 2017). Ebrahim *et al.* (2016) affirm that this alleviation of risk shifting supports the lower cost of financing and reduces the problem of underinvestment. In comparison, risk-sharing can overcome moral hazard issues because investors can share control or encourage the entrepreneur to make an effort to manage the venture since repayment depends upon their partnership, experience and knowledge (Bitar *et al.*, 2017). This action includes protection against bankruptcy that is essential for riskier projects. It emphasises partnerships rather than imposing the need for collateral and creditworthiness as standard in the traditional financial system (Hearn, Piesse and Strange, 2012).

Abdallah, Hassan and McClelland (2015) explain that sanctioned participatory management is intrinsically conservative. It applies restrictions and boundaries on the financing process, including the prohibition either of paying or receiving *riba*, the ban on gambling or taking unnecessary risks and engaging in speculation (Merchant, 2012), as well as access to capital by the context of PLS and asset-based investment (Khan, 2012). Besides, Othman, Abdul-Majid and Abdul-Rahman (2017) emphasise that partnership financing (i.e. PLS)

improves the efficacy of the financing mechanism due to the best allocation and ability to provide financial support for the most productive profitable ventures. Furthermore, Hussain, Shahmoradi and Turk (2016) clarify that the IF system also incubates ownership principles that tie funding into productive activities, trade, and tangible assets, which leads to certain advantages of limiting speculation, moral hazard, and the amount of leverage.

The IF system entails that SME activities do not involve excessive risk-taking or profit maximisation. The aim is to improve social welfare, alleviate poverty, and foster sustainable economic development (Bitar, Madies and Taramasco, 2017). By prominently improving sales, employment, business and households' expenditures, and net income (Riwajanti and Asutay, 2015). IF, including asset-based investment and PLS, has high capital buffers to absorb a loss, thus decreasing the risk of becoming insolvent or the probability of paying a higher cost for financing, as argued by Othman, Abdul-Majid and Abdul-Rahman (2017). It also involves investment in socially beneficial commercial practices to support community growth (Bitar, Kabir Hassan and Hippler, 2017). According to Tatiana, Igor and Liliya (2015), this mechanism of restrictions makes the Islamic instruments more distinctive with an absolute value of assets, contracts autonomy, precision, and clarity.

With higher quality restricted control, the IF system reduces information asymmetry, leading to corporate risk disclosure (Abdallah, Hassan and McClelland, 2015). It includes the prohibition of speculation, gambling, or any form of personal gain, together with the practices acting to disadvantage any party (Hearn, Piesse and Strange, 2012). It imposes clarity of information for the shareholders to curtail any attempt to conceal or distort information, demonstrating and signals desirable attributes for outside investors (Wilson, Wright and Kacer, 2017). The technique also incentivises the disclosure of relevant risk-related details to signal managerial competence and public accountability through compliance with institutional requirements, resulting in greater transparency (Abdallah, Hassan and McClelland, 2015). Therefore, IF exposes investors to less risk of information asymmetry or the difficulties related to the assessment of entrepreneurs (Bitar *et al.*, 2017). Hearn, Piesse and Strange (2012) claim that the adherence of all parties to Shariah principles leads to information efficiency as promoted by the prescriptive behavioural norms in Shariah compliance.

Additionally, Fearful of jeopardising the shareholders' funds into other social activities, business leaders may forgo pursuing self-interest, where profit maximisation is the only legitimate and overriding objective of a commercial institution within the prescribed rules (Dusuki, 2008). However, this framework, e.g. PLS, enable investors to protect their funds' investments explicitly. Based on its ethical attributes, various schemes of IF further socio-economic responsibilities towards SME development, as it bears high duties without charging interest (Haron and Ibrahim, 2016). In this context, Islamic rules shape economic and financial individuals behaviour within moral dimensions focusing on the public interest (Asutay and Marzban, 2015). Therefore, IF established with the objective of SME development would be oriented to promote such obligations. In this context, IFPs, as explained by Chapra *et al.* (2009) and Chapra (2015), place greater importance on fairness, social welfare, and solidarity, responsibilities achieved by religious commitments.

Moreover, Simonin (1999) concludes that knowledge transfers between the holder and seeker are adequately constituted by the strategic alliances that highlight the critical effect of collaborative partnerships on unsealing ambiguity. Seemingly, collaboration is considered an extraordinary facilitator of this matter, and the essential resources of information and knowledge are sharing (Costa, Soares and Pinho de Sousa, 2016). As such, this collaboration may help SMEs in seeking information that stimulates awareness (Costa, Soares and Pinho de Sousa, 2016), processing complexity and ambiguity (Hsu, Chen and Cheng, 2013), reducing risks and mitigating uncertainty (Nguyen, Barrett and Fletcher, 2006).

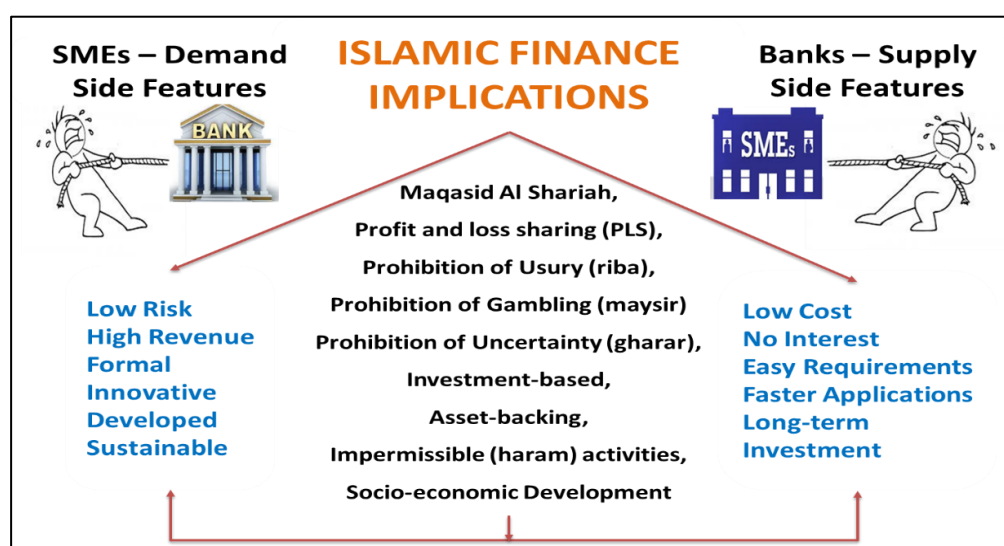
Furthermore, collaboration opens the possibility of generating new firms and products for the market. For example, large corporations have access to markets and knowledge crucial for start-up firms (Hervas-Oliver and Albors-Garrigos, 2014), while innovative products can benefit large businesses (Jernstrom *et al.*, 2017). In another sense, this collaboration provides the required information to reduce the risk or enhance the growth of SMEs by integrating new and existing production processes (Jernstrom *et al.*, 2017). Further, they can conquer cultural and organisational gaps with their partners (Simonin, 1999). Lam (1997) highlights the importance of knowledge structures and work systems in influencing the success of a collaborative venture, including supply chain, distribution, production, and purchasing (Jernstrom *et al.*, 2017).

2.3.6 Islamic Banking for SMEs

The two vital sectors, namely Islamic banking and SMEs, play a crucial and complementary role in enriching the economy. While SMEs participate in economic development by creating jobs and contributing to GDP, Islamic finance paves the way for SMEs to grow through a long-term investment financing approach. On the one hand, Islamic banks invest deposits to achieve profits for their investors. On the other hand, SMEs achieve goals of expansion and growth by investing in those deposits. Therefore, both have a coextending role in helping each other, a distinctive financing approach by Islamic banking.

Beik et al. (2009) conducted a study that addressed the Amanah Ummah Bank in Indonesia's Bogor City through a sample of 30 SMEs. The results showed that the entrepreneurs preferred Islamic banking because of its fundamental approach adopted. The services were superior, the bank's requirements were not strict, and it was approved quickly. The limitation of the sample does not obscure the assumption that this result indicates, to some extent, whereby the concept of IF for investment is worthwhile regarding overcomes the time-consuming and strict requirements.

Figure 2.2 The implications of IFPs in financing SMEs.



Source: Google images compiled by the author, 2020.

Ferdausi et al. (2014) evaluated the SMEs financing program by the Social Islamic Bank Limited (SIBL) in Bangladesh for a sample of 100 SMEs. The authors indicated that the strengths of Islamic banking lie in the enough provided, fully satisfied with collateral requirements and repayment

procedures, the lucrative investment plans, among other satisfactory financial services. This funding demonstrates the efficiency of IF in overcoming the obstacles mentioned above (sub-section 2.2.4), which is the quandary in the conventional financing approach. Therefore, IF seals the financing gap by placing a sound investment funding policy to make SMEs featured with lower risk, innovative, high revenue, and sustainable, serving the markets in an appropriate context of competitiveness. This improvement makes the banks respond to these requests with lower costs and requirements (Figure 2.2). For example, Sudanese Islamic banks (SIB) have managed to employ modes of SMEs funding. It has reached the point where many specialised branches are opened and developed a basis for financing SMEs without the need for collateral and with no default cases, which is the most impressive to their experience (Ibrahin, 2003).

According to Haron and Ibrahim (2016), SMEs preferred IF instruments to the conventional ones due to the fixed mark-up that allows the borrowers to have a stable payment. The authors also found that IF tools are relatively easy to manage, secure the capital, and satisfy the risk-sharing needs of SMEs. This finding could be connected to the Islamic concept of investment-based finance and its valuable tenets that are more fitting to finance start-up businesses than conventional debt-based banks. The reason behind this trade-off is the manoeuvre in developing economy by paying off debts exclusively, instead of the expansion of production and contribution.

Aysan et al. (2016) reported that Islamic banks are more inclined toward financing SMEs than conventional banks, albeit the quality of SME loan portfolios in both banks is similar. The authors also outline that the findings support the notion that “small is the new big” can be viable for SMEs through the IF approach. It proves that the start-up firms can grow and become more prominent with the equity (Islamic) finance method. This type of financing constructs a long-term economic relationship of an investment nature based on the participatory designs in the profit and loss between the financier and the project owner. Huda (2012) revealed that IF instruments allow a longer-term basis lending approach to projects with higher risk-return profiles to support economic growth. Based on its ethical and incorporeal attributes, various schemes of financing provided by IF have asserted furthering socio-economic responsibilities toward SMEs development, as it bears high duties without charging interests (Haron and Ibrahim, 2016). Alternatively, with a participation

concept, incubate societies and enrich the national economy by providing job opportunities and contributing to GDP. Assures equality concerning socio-economic responsibilities because it allows for secure long-term financing based on its spectacular investment-based approach.

To minimise and eliminate the impact of the financing predicament, some suggested entering into a partial guaranteed agreement between the insurer and lender, where the promises are undertaken in case of debt defaults by accessing equity and a fixed-guarantee fee rate (Luo, Wang and Yang, 2016). It appears to be a means of widening the scope of funding by utilising insurance as a guarantee. From another point of view, it will not address the core issue of financing SMEs to ensure their growth but only to provide the fund. It increases the potential risk because of the extension of the financial processes and consequences accumulated from loans, fees, and interest repayment. Therefore, the argument endorses the feasibility of IF since accessing the conventional long-term loan is complicated for SMEs.

2.4 CONCEPTUAL FRAMEWORK

The conceptual framework of this thesis was developed following an extensive study of the literature relating to IFPs and SMEG. Many models for funding SMEs have been developed without consideration of religious affiliation, discarding the role of its call for ethical commitments. Consequently, this thesis is grounded in the evidence of IFP-based theories and their interplay within the synthesis of a better system for SME financing. Therefore, this research has paid more attention to SMEG in financing mechanisms and policies with the potential role of IFPs.

SMEs' sustainable growth in most economies is based on the financial system. However, it faces various challenges, such as the lack of collaboration, knowledge, government support, and management skills. More significantly, the utmost challenge includes the shortage of finance, which is often attributed to fears of default—the lack of an educated workforce or collateral, administrative challenges, financial reporting provisions, and the weaker institution economic status. These impediments are enough to hinder the growth of the SME sector and demonstrate the vulnerability of SME expansion and their ability to contribute economically to a country like Oman.

Conventional finance practices, i.e. debt and equity, rely heavily on financial returns and maximise shareholders property, using the predetermined interest rate (Azid, Asutay and Burki, 2007). According to Ilieva, Ristovska and Kozuharov (2017), conventional finance regards money as a commodity besides a medium of exchange, rented out and store of value, increasing its price higher than its face value, leading to inflation. There is no agreement for exchanging goods and services while disbursing the finance. It is based on interest on lending using the time value as a basis and risk-shifting. This interest is based on the fact that the money-lender has a promised gain, compared to the borrower that has to pay the amount of interest at an agreed rate regardless of invested money result (Rahman, 2017). Such financial market activities broadly influence and grasp the practices of SMEs in complex ways, making it difficult to effectively recognise the possible support for their growth and investment opportunities. Beik, Ayyuniyyah and Arsyanti (2009) argued that the profit margin paid on loans provided to SMEs by traditional banks is critical in reducing the likelihood of investment. Thus, this approach may be inappropriate for SMEs as there are evidence instances in earlier literature showing that external funding functions in a way that is not commensurate with the nature and capabilities of SMEs (Dong and Men, 2014; Quartey *et al.*, 2017; Peter *et al.*, 2018).

In contrast to conventional financial practice, which finds legitimacy in the theoretical underpinnings of modern finance theory and neoclassical economics, IF is deeply concerned with and explicit about inherent moral and ethical dimensions (Rethel, 2011). Money is not a commodity but used as a medium of exchange and store of value. Thereby, it cannot be sold at a higher than its face value or rented out. Hence, earning profits would be based on trading goods or providing services and risk-sharing (PLS) based on the mode of finance used, i.e. *Mudarabah*, *Musharakah* (Ilieva, Ristovska and Kozuharov, 2017). This profitability mechanism means that money must be submitted for effective practices with risk undertaken to justify a return (Akacem and Gilliam, 2002). For instance, interest-based transactions are prohibited; consequently, there is always a close nexus linking financial flow and productivity by allotting credit primarily for purchasing tangible goods and services (Asutay, 2013). This tie is necessary to protect against the risks associated with excessive leverage and speculative economic activities.

Further, the PLS principle requires a high level of information disclosure and transparency, which allows the market to specify the relevant risk premiums by bearing the risk of default by creditors, assuring better and careful evaluation of the risk (Ahmed, 2010). Hence, within the IF system, there is no place for exploitation, dishonesty, or unfairness in any form (Rahman, 2017), providing market built-in checks and balances that enhance business discipline and financial stability (Ahmed, 2010). Therefore, this study argues that, most likely, IFPs can improve the financial supply process and investment opportunities for SMEG.

The primary rational reaction towards finance varies from firm to firm, and many financial decisions are made emotionally rather than rationally (Virigineni and Rao, 2017). Cai and Shi (2019) documented that firms located within a religious environment use less debt financing and receive better credit ratings, whereby investors require lower yields and impose fewer covenants. Therefore, developing an Islamic logic approach to SME finance is particularly worthy of enlarging efforts in theorising the context of Islamic SME finance. It is compatible with what incentivises emerging economies to start paying more attention to the hallmarks of the IF system. Accompanied by taking the Omani entrepreneur's culture based on religious aspects, it can make it easier to realise the effect of IFPs to support SMEs' access to finance and growth.

Accordingly, it is necessary to shed light on the factors that might remove such obstacles and examine the potential for an optimal remedy for the earlier complications mentioned. It is essential to uncover the practical means for removing funding barriers in Oman to facilitate the financing and growth of start-up firms. It helps to build a proper funding model that compiles appropriate sources familiar with the aptitude and capacity of SMEs, particularly in the context of Oman. Consequently, it sets out and adopts a robust IF framework to repair the lines through which these companies gain access to external financing to close the credit gap and thus amplify their role in the growth of the national economy.

2.5 CONCEPTUALISATION

This investigation focuses on SME development in the Sultanate of Oman, seeking distinctive characteristics that will facilitate the financing of this sector. SMEs find difficulty accessing external finance in capital markets due to the lack of collateral, track record, inexperienced management, etc. Therefore, the growth of an SME and its business performance effectively signals their creditworthiness to financial providers. SMEG is determined by its intrinsic characteristics and firm policy and the external (macro-economic) world it works (Ipinnaiye, Dineen and Lenihan, 2017). Gupta, Guha and Krishnaswami (2013) explained that this growth accomplishes in stages, initially taking close supervision, followed by the financial need, earning profits, expansion with new opportunities, and quality control. In this case, the preliminary initial stages, mainly the financial, may make SMEG more challenging to attain. Therefore, this study focuses on possible financial growth indicators, including the capital, sales, profits, and employment, following previous studies (see, for example, Mateev, Poutziouris and Ivanov, 2013; Boubakary, 2015; Kachlami and Yazdanfar, 2016; Butigan and BeniĆ, 2017; Sardo, Serrasqueiro and Alves, 2018; Dowling *et al.*, 2019).

Numerous studies (Barbera and Hasso, 2013; Cowling, Liu and Zhang, 2018) have submitted that these measures are the most relevant indicators of SMEG since they are proper primary channels of SME economic contribution. Recently, Lee and Hallak (2020) considered sales revenue and net profit as measurements for future growth, while employment is used to classify categories within the SME sector. A higher number of employees indicates a higher SME level, as is the case in Oman (Riyada, no date). Accordingly, this research using such determinants to measure SMEG since they are widely used in the literature (Kachlami and Yazdanfar, 2016).

The literature highlights that SME development is positively correlated with financing (Chowdhury, Alam and Arif, 2013; Wang, 2016). However, examining SME financial structure is limited (Baker, Kumar and Rao, 2020), while the financial restraints hold a critical consequence on SME growth (Beck and Demirguc-Kunt, 2006). This thesis, then, identifies variables relevant to the funding process, namely SMEGFs discussed in sub-section (2.2.3). Ordinarily, it is believed that access to finance might result in a growing business. This growth, in return, tends to increase the requirement for expansion, requesting

knowledge, well-management of capital structure and risk, assets, which in turn increases the need for finance. Therefore, it is probable that the positive modulation of IFPs on these factors within the financing process leads to SMEG. Because the financial and institutional improvement enhances access to external finance and helps alleviate SMEs' growth constraints (Beck and Demirguc-Kunt, 2006).

These variables have taken the lead regarding investigation and studies on the possibility of SMEG. For instance, earlier studies have shown that businesses obtaining financial resources (Cole and Sokolyk, 2018) or trade credit (McGuinness, Hogan and Powell, 2018) are more likely to survive and grow. Moreover, a firm's capital structure determines the fate of start-up firms and significantly impacts their survival in the market (Honjo and Kato, 2019). Further, Tumwine *et al.* (2015) have established that the cost of finance elements, disclosures of information (García-Sánchez and Noguera-Gámez, 2017), and loan processing costs (Capasso and Mavrotas, 2010) are correlated with SME performance. Additionally, personal values exert a decisive and noteworthy impact on the evolution of this enterprise (Boubakary, 2015) and related lending decisions (Dai, Ivanov and Cole, 2017).

Moreover, Samet and Jarboui (2017) point out that companies with a high degree of corporate social responsibility fulfilment are investing more effectively. For instance, social activities, including financial donations, boost firm value (Choi, Han and Kwon, 2019). It has an actual impact on the survival capacity of SMEs (Francesco Gangi *et al.*, 2018) and their customer attitudes (Liew and Song, 2017). Additionally, Information is an essential resource that can contribute to creative entrepreneurialism and provide a sustainable competitive advantage, especially for SMEs (Petrov *et al.*, 2019). Knowledge supports entrepreneurs in developing plans and analysing problems relevant to practical ways of alleviating their difficulties (Gumel, 2017). Saunila, Ukko and Rantanen (2014) and Martinez-Roman and Romero (2017) conclude that external information sources impact the core capacity of SMEs, such as creativity and technology. The perception of SMEs also includes the demographic characteristics of the entrepreneurs and the institution itself (Deakins and Freel, 1998; Olawale and Garwe, 2010; Boubakary, 2015).

Considering the value of SMEs and banking within national economies, it is vital to analyse their business growth and sustainability performance through

an Islamic perspective. There are many religious triggers for development, which can entail a spectrum of causative elements, affect decision-making heuristics, and impose informal constraints on preferences and behaviours (Ji, 2019). For instance, religion embraces a dynamic turn in terms of the values and practices of the entrepreneurs (e.g. Eid and El-Gohary (2015); Gursoy, Altinay and Kenebayeva (2017)) in the table (2.2). Also, the large concentration of religious congregations, like mosques in Islam, has a correspondingly higher level of SMEs activities due to the social networks that build legitimacy in the local community, trusted relationships, and behavioural norms (Deller, Conroy and Markeson, 2018). Apart from the influence of spiritual values, more entrepreneurial activities are planned (Riaz *et al.*, 2016).

Recently, Wu and Xu (2020) investigated venture capital's role in lending to SMEs in China, using 1,881 observations. They find that the collaborative approach of combined debt-equity financing can effectively improve SMEs' access to bank loans at lower costs and without collateral. They also conclude that this type of backed loans are less likely to default and are positively related to SME performance. Their results infer that the reduced information asymmetry of better quality financial statement credibility is evidenced by the enhanced finance and allocation efficiency conditions. They hint that this financing scheme is an essential new component for the financial infrastructure of the largest emerging market.

These findings infer the role of the Islamic participatory pattern of financing SMEs, which includes participation in ownership, sharing the risk and a combination of the capital structure. In which participatory strategies force the firm's sustainable disclosure of information (Rustam, Wang and Zameer, 2019). Regarding Oman in particular, the norms of a conservative Islamic society faced by entrepreneurs might afford incentives that favour and support IF at the expense of conventional financing. Hence, their healing impact might be through the vital function of controlling moral hazards, as one example. Thereby, measuring SMEG in Oman is to obtain a more extensive overview of the impact of IFPs by testing the nature of the correlation expected. Accordingly, this examination measures this role of addressing outstanding financing constraints, stimulating SMEG and survival from an Islamic perspective.

Table 2.1 Previous studies on SME growth and financing, and the impact of Islam on behaviours and practices.

Studies	1	2	3	4	5	6
Authors /date	Wu & Xu, 2020	Igwe et al., 2018	Gupta & Mirchandani, 2018	Gursoy et al., 2017	Wang, 2016	Eid & El-Gohary, 2015
Methods	<i>Quan:</i> apply hand-collected VC data from the National Equities Exchange and Quotations (NEEQ) in China, using Pearson test, Logit regression, Tobin's Q and DA, discretionary accruals to analyse.	<i>Qual:</i> Secondary data from World Bank Enterprise Survey has been collected through interviews of owners and top managers.	<i>Quan:</i> self-administrated questionnaires using mail survey Cronbach's α test and factor analysis have been carried out to test the reliability of data and validate the hypothesis.	<i>Quan:</i> A cross-sectional, self-administered survey instrument.	<i>Qual:</i> Secondary data from World Bank Enterprise Survey, which collected through face to face interviews.	<i>Quan:</i> A survey strategy through questionnaires, and structural equation modeling (SEM).
Aims	To examine the role of venture capital (VC) in small and medium-sized enterprise (SME) loans.	To examine the factors affecting SMEs productivity, growth and entrepreneurship	investigating the key factors affecting women entrepreneurs success	investigates the impacts of entrepreneurs' religiosity on their values and on the relationship between their values and entrepreneurial behaviours	investigating the biggest obstacles confronting SMEs growth and the determinants that influence obstacles.	investigate the moderating effect of Islamic religiosity on the relationship between the Muslim customer perceived value (MCPV) and Muslim customer satisfaction
Samples	1881 observations of SMEs and with VC	2,676 small, medium and large firms	289 SMEs (top management & owners)	300 SMEs' owners (members of SME association)	119 Developing Countries	537 Muslim Tourists
Location(s)	China	Nigeria	UAE	Turkey	around the world	UK, Egypt & UAE
Findings	VC backup reduces the information asymmetry between banks and SMEs through both "hard" information of better quality financial statement and "soft" information of SMEs' creditability. In which, the combined debt-equity financing scheme can be an essential new ingredient in the economic infrastructure of the largest emerging market.	explored concern environmental challenges and productivity issues, including access to finance as a most ranked obstacle for SMEs, followed by access to electricity and corruption, respectively.	the personal, environmental factors and government support affect positively and significantly to the success of women-owned SMEs	religion plays a critical role in shaping individuals values and their entrepreneurial behaviours.	Access to finance is the most significant obstacle which hinders SMEs growth due to the high costs of borrowing and a lack of consultant support. Size, age, the growth rate and the ownership of the firm are also the key determinants.	Islamic religiosity moderates the effects of Islamic physical and non-physical attributes value on Muslim customer satisfaction.
Limitations	One approach has been used with a non-religion perspective	lack of employing different measures of SMEs productivity	The study has some limits as to its potential for generalization owing to the sample size, the wide geographic spread of respondents and time limitations with the respondents	one geographic region, data were collected from entrepreneurs by one meeting, behaviours towards social responsibility were not included.	the heterogeneity of individual country conditions which could lead to "identification" problems in regression analysis. The analysis may not be sensitive enough to the country, sectoral and regional differences	One culture and service industry, MCPV could be assessed by more than six constructs, & Islamic religiosity also could be assessed by more than two dimensions.
Difference to Thesis	<i>Mixed Method, different industries, Islamic religiosity would be assessed by Islamic Finance Principles (IFPs).</i>	<i>Investigation would be through a modelling of SMEs growth</i>	<i>The sampling frame will include males and women with the consideration of the broad geographic range of entrepreneurs in Oman.</i>	<i>Mixed Method, CSR is considered, using different categories of SMEs in Oman (i.e. in Micro, Small & Medium).</i>	<i>Sampling frame will include SMEs and its concerned sectors in Oman</i>	<i>Mixed Method, different industries, Islamic religiosity would be assessed by Islamic Finance Principles (IFPs).</i>

2.6 HYPOTHESIS DEVELOPMENT

2.6.1 Financial Resources

Studies identify that SMEs demand for funding is affected to a certain extent by the protection of ownership (Al-Ajmi, Abo Hussain and Al-Saleh, 2009; Thabet and Hanefah, 2014; Yildirim, Masih and Bacha, 2018). This requirement raised the collateral prerequisite, a major challenge for start-up firms to access finance (Al Barwani *et al.*, 2014; Klyton and Rutabayiro-Ngoga, 2018). Since the property is significantly associated with access to finance, as well as the role of participation in indicating creditworthiness (Wang, 2016) and trust in frequent contact (Sani, Mohd-Khan and Zamzuri Noor, 2018), Shariah attention to ownership might be the key to remove SME finance obstacles, restraining this stimulates its growth (Cowling, Liu and Zhang, 2018). This concern offers protection from principles like participation, asset-based investment, and PLS, securing greater business maintenance and management capacity.

The asset-based principle, for instance, holds a tangibility of security (Yildirim, Masih and Bacha, 2018). In contrast, risk-sharing entails threats for all project associates, indicating the relative level of tolerance and acceptance (Abdul-Rahman *et al.*, 2014). Moreover, IFPs tend to institutionalise prerequisites such as transparency, i.e. shared information (Losada-Otalora and Alkire, 2019) and integrated information mechanism (Allen, Qian and Xie, 2019), contract fulfilment, effective monitoring, and inclusive governance, which results in efficiency (Akin, Iqbal and Mirakhor, 2016). This advantage upholds the contractual obligations (Hussain, Shahmoradi and Turk, 2016) of firm receivables (Panda, Nanda and Panda, 2020). It reduces manager-agent conflicts resulting from high managerial ownership (Thabet and Hanefah, 2014). Overall, IFPs reflect a means of ownership protection with a practised effort for the best allocation and production of capital and transparency. Since the financing accessibility strongly depends on ownership, experience, legal rights strength, and the depth of credit information, firm size and export orientation (Quartey *et al.*, 2017). Based on this literature, this research proposes the following hypothesis:

H1: *IFPs positively impact the relationship between FRs and SMEG.*

2.6.2 Capital Structure

Gonzalez *et al.* (2013) demonstrate that entrepreneurs prefer to borrow to maintain their dominance over the enterprise. The reason is to refuse to dilute some of their ownership and power for financing interest since they stand on equal footing within their existing enterprise (Iqbal and Mirakhor, 2013). Also, SMEs with more financial difficulties tend to borrow further, associating with higher credit spreads (Li, Lockwood and Miao, 2017) that diminish their profitability and growth opportunities (Yildirim, Masih and Bacha, 2018). However, Hamzah, Ishak and Rasedee (2018) observe that debt contracts are the model for increasing risk-shifting behaviour. Conversely, investment-based contracts involve the sharing of transactional risks and returns, like in IF. For example, the prohibition of interest (riba) on debt prevents wealth expropriation and inequity. According to Salleh, Jaafar and Ebrahim (2012), the pure interest-bearing debt structures with the real interest rate volatility lead to the confiscation of a lender's assets in the case of a lower rate of interest. In contrast, a borrower's assets are confiscated whenever the interest rate increase. Consequently, this principle curbs the debt-oriented that confiscates wealth and amplifies the risk and the financial exclusion that precipitates financial fragility, leading to high agency costs and adversely impacting the borrowers (Salleh, Jaafar and Ebrahim, 2014).

According to Hussain, Shahmoradi and Turk (2016), IF rules a company's CS within the principles of equity, participation, and ownership, including financial activities based on limiting excessive risk-taking, risk-sharing and a strong link to real economic initiatives. For instance, participating in economic activities with peers diffuses the risk, lowering the individual risk (Mirakhor and Smolo, 2014). Moreover, El-Komi and Croson (2013) argue that PLS contracts are seen as more equitable because of the risk pooling between the lender and the borrower, generating a different power structure that leads to a more vital obligation complies with the terms. In particular, to repay the loan when the project succeeds, limiting the nonperforming loans in the banking sector (Alandejani and Asutay, 2017). This participatory approach includes the delegation of authority that drives higher profitability (Vos and Roulston, 2008) and performance growth (Wang and Poutziouris, 2010). In such cases, the

financier is an investor who shares profits and losses with limited involvement to the extent of the supplies provided (Chapra, 2015).

Further, sharing with an asset-backed principle allows moneylenders to access the asset's historical (ex-post) risk and return, heightening the risk vulnerability evaluation to back their rights (Ebrahim *et al.*, 2016). Recently, SMEs found to prefer using internal finance such as retained earnings (Wellalage and Reddy, 2020). Besides, the ownership power distribution also ensures the quality of control and governance (Crisostomo, Brandao and Lopez-Iturriaga, 2020), thereby ensures investors with a flexible transmission of benefits, avoids exploitation and the usurpation of rights. Based on this insight, this study hypothesises that:

H2: *IFPs positively impact the relationship between CS and SMEG.*

2.6.3 Cost of Finance

SMEs are mainly classified as risky ventures due to their lack of management skills, collateral, traditional initiatives, etc., in addition to the stipulations of the current financial system, leading to heightened finance costs. For instance, the price of conventional finance's interest rate volatility can lead to a high agency cost of debt either under risk shifting or underinvestment (Ebrahim *et al.*, 2016). However, Gogineni, Linn and Yadav (2013) document that agency costs increase with complicated ownership structures, namely the ownership structure of a single owner or manager. In contrast, the shared control of ownership in IF holds actual risk management that improves the regulatory and corporate governance (Elamer *et al.*, 2019), including contractual obligation, reduction of conflict of interest, sharing of managerial experience, and disclosing operational risk (Abdallah, Hassan and McClelland, 2015; Shaban, Duygun and Fry, 2016). It makes the financial provided as collateral (Allen, Qian and Xie, 2019) (i.e. asset-backed), and creates a governance structure associated with operational risk disclosures (Elamer *et al.*, 2019). As a result, it decreases the likelihood of the hazard from carelessness (Baxter and Luhmann, 2014) and, thus, agency cost reduction (Azmi *et al.*, 2019).

According to Ebrahim *et al.* (2016), compliance with Shariah law provides the financial facilities with low-risk financial contracting due to the risk management

and the judicious undertaking of obligations. Besides, the efficient capital allocation and the evaluation of entrepreneurs and their businesses to default throughout the funding period and handle asymmetric information (Hussain, Shahmoradi and Turk, 2016; Orazalin and Akhmetzhanov, 2019). Further, prohibiting gambling and uncertainty manifests as a moral duty to transparently disclose information that results in information asymmetry issues (Hussain, Shahmoradi and Turk, 2016). For instance, investment information and orientation disclosure reveal all the related risks, considered a quality financial report that may reduce finance cost (Bauwhede, De Meyere and Van Cauwenberge, 2015). As a result, information asymmetry declines with the capacity of the shareholders to enforce monitoring of the business's top management (Abdallah, Hassan and McClelland, 2015). Overall, IFPs aim to reduce risk emanating from information asymmetries, immoral practices, default, etc., with correlated cost, e.g. monitoring. Based on the literature discussed above, this research considers the following:

H3: *IFPs positively impact the relationship between CoF and SMEG.*

2.6.4 Personal Values

The instrumental role of personal characteristics is to shape the entrepreneurs to exhibit outstanding values that promote extending business (Hoque, Mamun and Mamun, 2014). Gursoy, Altinay and Kenebayeva (2017) illustrate that religion serves this by controlling the beliefs and managing the entrepreneurial activities of individuals. This impact may stimulate faith in constructing an honest endeavour focused on probity that maintains entrepreneurial trustworthiness, which serves as participatory ownership (Wang, 2016). As the entrepreneur undertakes risk-taking initiatives (Gumusay, 2015), their values are firm and fundamental to what they behold from this undertaking business (Boubakary, 2015). Accordingly, an entrepreneur needs an extraordinary predisposition—specific entrepreneurial salient traits. From an Islamic perspective, these advantages include knowledge, initiative, risk-taking, customer orientation, employee involvement, strategic thinking, fear of God, hard work, innovativeness, excellence, honesty and truthfulness, morality, vision, optimism, patience, social welfare, halal earnings, and an economical approach (Hoque, Mamun and Mamun, 2014). In launching a new business,

these traits consider all the self and social advantages to produce needed products and services.

IFPs can assure these religious traits in entrepreneurs' value systems, particularly with a low reliable environment associated with SMEs (Berg and Kim, 2014) because IF is ethical principles-based (Asutay, 2013). For example, Islam-compliant loans, profit-sharing, and joint venture contracts induce much compliance with their perceived fairness and the borrowers' obligation, resulting in the great promise of a favourable response (El-Komi and Croson, 2013). It often measures the social relations associated with interdependence among actors, risk, and uncertainty regarding a business, as well as the expectation not to abuse an actor's vulnerability (Nahapiet and Ghoshal, 1998). Further, the investors have a right to choose what is desirable and a quality, valuable investment. Thus, entrepreneurs are restricted in their activities through bans on self-interest and illicit activities. Such ethical values play an essential social responsibility role, increasing economic, social and environmental value for all stakeholders (Franzoni and Allali, 2018). Including religious values also adds ethical practices and business criteria as a governance framework (Elamer *et al.*, 2019). Based on this insight obtained from the Islamic perspective, this study hypothesises that:

H4: *IFPs positively impact the relationship between PVs and SMEG.*

2.6.5 Corporate Social Responsibility

Hashim, Mahadi and Amran (2015) find that enterprises with a vision and mission incorporating environmental and social aspects would conduct more sustainable activities. This inclusion of social projects ends with ties and realisation, thus securing a firm's reputation and increasing access to finance opportunities (Sani, Mohd-Khan and Zamzuri Noor, 2018). Nahapiet and Ghoshal (1998) suggest that capital embedded within networks of mutual acquaintance and recognition is associated with a high level of trust, diminishing the probability of opportunism and reducing the need for costly monitoring processes. They also point out the efficiency of information diffusion, which works as a practical indicator highlighting an operational firm's skills and performance (Mertzanis, 2017; Jackowicz and Kozłowski, 2019). According to Ostgaard and Birley (1996), social network theory enables

entrepreneurs of a new venture to gather access to critical resources they do not possess internally. As such, entrepreneurs would access finance through social ties (Sani, Mohd-Khan and Zamzuri Noor, 2018).

The Shariah law frame entrepreneurs' awareness of socialisation. This shaping through behaviours (Hoque *et al.*, 2014) assures community welfare (Gumusay, 2015) and responsible care (Franzoni and Allali, 2018) amidst meaningful emotional bonds (Gursoy, Altinay and Kenebayeva, 2017). Hence, IFPs promote strategies, methods, attitudes and have recently been found to enhance activities (Santoro *et al.*, 2020), deepen ties within a business network and make members more effective Kurt *et al.* (2020). By convergence of better occupational and ethical practices, including institutional network for information sharing and cooperation supports (Costa, Soares and Pinho de Sousa, 2017) and collaborative social alliances for asymmetric information risk reduction (Kim and Vonortas, 2014a). For instance, the asset-backed principle provides a base of competitiveness of an economy and a conducive business environment (Igwe *et al.*, 2018). Hence, it may create numerous projects for a robust and diverse infrastructure. Moreover, the restriction of illicit activities protects the community from perdition and corruption, aiming to improve health and well-being (S&P Global Ratings, 2016). This orientation leads to higher entrepreneurial performance that reshapes innovation in sustainable enterprises (Franceschelli, Santoro and Candelo, 2018). Platonova *et al.* (2018) argue that CSR activities yield favourable advantages for firms' financial performance. Thereby, SME compliance with IFPs may activate their social responsibility for better performance; accordingly, this study assumes that:

H5: *IFPs positively impact the relationship between CSR and SMEG.*

2.6.6 Knowledge

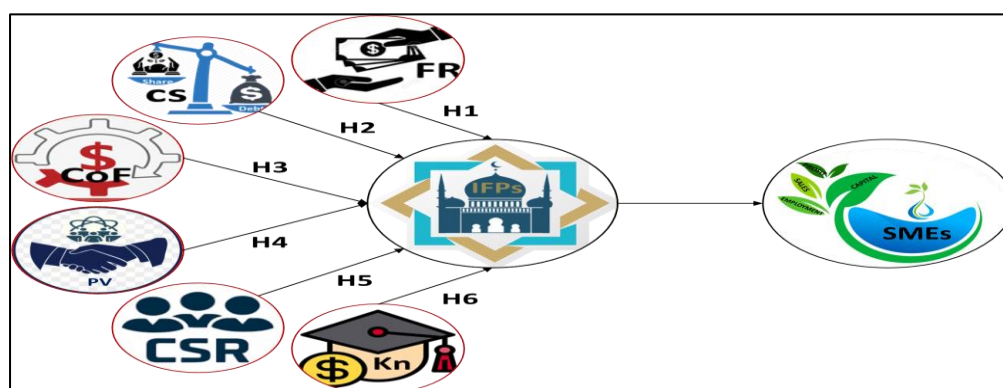
Knowledge helps entrepreneurs adapt more efficiently and professionally to any changes in environmental circumstances, both socially and technically (Aikaeli, 2010; Chowdhury, Maiti and Bhattacharyya, 2016). Therefore, IFPs, specifically participation, undertake knowledge to adapt to challenges and absorb the risks required for business profitability. In this context, (Chowdhury, Maiti and Bhattacharyya, 2016) suggest that the participatory, interactive approach seeks to convey scientific knowledge and formulate methods for

adaptation by restoring ecological experience. Besides, participation enables entrepreneurs to connect with skilful partners (Veronica *et al.*, 2019) and address technical, accountancy, marketing and management issues (Biancone and Secinaro, 2016). For example, the financiers represented in the administrative decision-making of company practices will observe and advise the projects they have taken equity in (Mirakhor, 1987), which provides a better business plan to conquer the risks associated with their business exercise (Jasra *et al.*, 2011).

Partnership supplies SMEs with critical use of limited resources efficiently (Bengtsson and Kock, 2000) and synergy for effective risk management and governance (Albats *et al.*, 2019). In other words, the partnership can offer more precise advice that cannot acquire (Barbera and Hasso, 2013) and a more collaborative market, developing new-to-the-market innovations (Hewitt-Dundas, Gkypali and Roper, 2019), providing the potential for risk reduction (Bustinza *et al.*, 2019). Thereby sharing principle has a definite connection with product improvements due to innovation, experience network, technological advancement, and perceived risk (Kim and Vonortas, 2014b). Besides, recently found to increase SMEs' performance (Nwokocha and Madu, 2020) and deliver sustainability for societal progress (Ordonez-Ponce, Clarke and Colbert, 2020). As a result, entrepreneurs collaborating with investors would be more motivated and creatively oriented towards SME growth (Delmar and Wiklund, 2008). Based on this discussion, this research hypothesis the following:

H6: *IFPs positively impact the relationship between Kn and SMEG.*

Figure 2.3 Research assumptions.



Source: Google images compiled by the author, 2020.

2.7 SUMMARY

This chapter provided an overview of SME development and the IF system based on Islamic Shariah principles. It highlights the difficulties facing SMEs in their development and financing process. This review shows that SMEs with many shortcomings, i.e. possibilities, management and technical skills, have less extensive attention among the banking sector as a risky investment, making credit facilities built on high cost and collateral contracts. In essence, such a problem was a significant reason for this thesis to look into an alternative method of finance overriding SMEG challenges. The chapter has also reviewed the IF system's field, exploring the potentially positive role in the SME finance process. It highlighted the IF essentials by introducing prominent principles based on risk-sharing and restricted contracts to protect wealth and rights. This chapter also addressed the theoretical background of the ability of IFPs to make SMEGFs more effective in surmounting the impediments of SME development. Thus, this research hypothesis investigates the available rectifiers addressing the motivations of SME development. This part, thereby, developed the conceptual framework of this survey, aiming to ascertain the feasible purpose of IFPs in enlarging the SME sector. This chapter also addressed the conceptualisation and operationalisation of the distinctive characters of IFP dimensions focusing on SME financing determinants, which helped realise the research model.

CHAPTER THREE

THE SULTANATE OF OMAN CONTEXT

3 THE SULTANATE OF OMAN CONTEXT

3.1 INTRODUCTION

Chapter 3 produces a comprehensive outlook of the Sultanate of Oman context, an Arabian Gulf country in the Middle East, particularly the incentives of economic performance. It demonstrates the essence of the banking sector for the various Omani economic segments. Furthermore, it articulates the emergence and implementation of Islamic banking as a second financial source in the Sultanate. This chapter also discusses entrepreneurship within the Omani context and its development by the government endeavours. It shows the importance of SMEs as a component of development and underlines its definitions within the study context as a creator of significant income and job opportunities. It also addresses the role of Omani SMEs in economic contribution and development, their growth impediments and lack of capacity. This chapter also reviews the present financing situation for SMEs and presents the research gap within the Oman context. Lastly, it summarises the complete discussion of this chapter.

3.2 OMANI CULTURE

The Sultanate is internationally appreciated as a tolerant country and a key feature of cultural diversity. Oman is still seen as a location where people of all faiths and groups coexist together (Al-Rabaani, 2018). Any form of hostility or the fomenting of religious or cultural differences is not acceptable in Oman, where morality has no definite equivalent in its culture (Hilton *et al.*, 2006). On the other hand, Oman has avoided religious confrontations by extending tolerance among Muslims and non-Muslims with general guidelines encouraging unity (Karabenick and Moosa, 2005). This attitude is encouraged both socially and legally, with laws punishing anyone who incites hatred, prejudice, criticism, or violence against others. They are passionate to advance all possible cooperation to sustain its solidarity and bypass any potential sources of conflict (Al-Rabaani, 2018).

Islam is the state religion that exerts complete control over most aspects of Omani culture in that the Holy Quran rules politics, economics, law, and social behaviour (Karabenick and Moosa, 2005). According to Hilton *et al.* (2006), religion-based morality indicates the presence of an ethics framework that transcends culture, e.g. business ethics, including Omani entrepreneurs making ethical decisions based on Islam. Thus, the Omani community is highly structured within the moral, religious system. Alhousary and Underwood (2016) found that Omani individuals' interpersonal dimension supports reciprocal influence by extending the values of Omani Islamic ethical culture. Oman is a naturally tolerant Islamic country that has tried to keep up with global progress and enhance socioeconomic responsibilities while maintaining traditional religious norms, values, and cultural customs (Karabenick and Moosa, 2005). As a result, Omani culture is projected to smoothly embrace Shariah law and principles in their day-to-day life, i.e. business. Naturally, this trait can help SMEs in Oman to appropriately obtain well-planned Islamic financing processes relevant to their development and growth.

3.3 OMAN ECONOMY

The Sultanate of Oman is one of the economies that rely heavily on oil revenues. Recently, the global oil price has fallen to its lowest levels in nearly a decade. Despite that, hydrocarbon exports continue to be a primary resource

for the economy of Oman, contributing a substantial 34.4% of GDP in 2019 compared to other economic activities (NCSI, 2020) and accounting for 72% of government revenue in 2020 (MoF, 2020). Since economic growth in the Sultanate is highly correlated to oil revenue, the continued decline in oil prices is expected to lead to the atrophy of economic development and make it impossible for the country to attain sustainable growth. One area of particular concern is job opportunities, as Oman has a large youth population of about 48%. For example, Oman's unemployment rate amounts to 2.8%, but among the age group of job seekers, 18–34 years old, the rate is 16.5% (NCSI, 2020). In this matter, the government faces challenges to provide job opportunities and contain the expansion of the unemployed population each year. Nevertheless, the extended oil price crisis remains a common issue, leading the government to take some essential measures to diversify the economy and create job opportunities through private sector activities.

In pursuance of economic diversification and sustainable development, government initiatives embrace the advancement of Omani individuals and the provision of social services, strengthening partnership and integration among SMEs. It stands to enrich the Sultanate's main sectors and achieve mutual benefits. As such, it affords the necessary support to fulfil the social responsibility of the government and reinforce participation among all parties, which are the crucial factors for the success of Oman vision 2040 (Oman Vision 2040, 2020). This programme pays particular attention to creating partnerships and encouraging the private sector to embrace SMEs as a more dynamic approach, consequently generating employment opportunities. It cites the government's current efforts to enable these sectors to play a pivotal role in restructuring the economy, producing employment opportunities, and contributing further to GDP. These initiatives are part of the plan to activate their vital role in taking over economic growth, a keen interest in Oman vision 2040.

3.4 BANKING INDUSTRY IN OMAN

The banking industry commanded vital to promote banking services and financial inclusion to diversify the business initiatives by meeting the needs of credits to all economic segments in the Sultanate. Al-Muharrami (2019)

mentioned that the Omani financial institutional framework comprised the “commercial banks, specialised banks, Islamic banks/windows, finance and leasing companies and money exchange establishments” p.255. The Central Bank of Oman (CBO) is observant and competent in maintaining financial stability and developing the Sultanate financial markets, including 16 conventional commercial banks, two Government-owned specialised banks and two full-fledged Islamic banks operated with six traditional banks’ Islamic Windows at the end of 2019, according to the CBO-annual report 2019 (CBO, 2020a).

Despite the impact of commercial activities due to the economic headwinds and current conditions that kept oil prices at low levels, the banking sector in the Sultanate remains resilient. The data from the Monthly Statistical Bulletin of the CBO indicate a surge in the total credit and deposits growth by 2% and 4.4% to reach \$68.27 billion and \$62.34 billion, respectively, by August 2020. This credit includes a private sector increase of 0.6%, to reach \$59.22 billion, of which non-financial companies acquired 46.4%, followed by the individuals at 45.1%, the financial institutions at 5.1% and other sectors at 3.4%. In return, private sector deposits within the banking sector witnessed an increase of 10.8% to reach \$42.86 billion, of which the share of individuals was 50.6%, followed by the non-financial companies at 31.7%, financial institutions at 15.3, and 2.4% for the rest sectors (CBO, 2020b).

Regarding conventional banking, this industry’s total credit registered an increase of 1.2% to reach \$57.54 billion, mainly represented by the private sector with \$48.83 billion and \$9.9 billion for investment, while on the liabilities side, the total deposit was \$52.94 billion, of which, the private sector held about 70% to reach \$37.14 by August 2020 (CBO, 2020b). The banking sector remained resilient in strengthening the economy by contributing adequate financial services to all economic segments in the Sultanate. As a result, the recent data showed that the total credit inched up by 3%, whereas aggregate deposits grew by 2.5% in March 2021 (CBO, 2021).

Two specialised Government-owned banks were operating in Oman, i.e. Oman Housing Bank (OHB) and Oman Development Bank (ODB). According to the CBO-annual report 2019, OHB renders long-term soft housing loans to different

Omani society segments accounted for about \$1.5 billion in 2019. In return, ODB remains financing SMEs and the significant ventures that add value to national development and generate job opportunities, including agriculture, fisheries, tourism, education, health, logistics, mining, supplies, quarries, and the light industry, which accounted for \$391.43 million (CBO, 2020a).

3.5 ISLAMIC BANKING IN OMAN

The Islamic banking services were launched in the Sultanate of Oman in 2013. It consists of two full-fledged Islamic banks and Islamic windows of six conventional domestic banks to contribute to financial intermediation. Since then, Oman's Islamic banking industry has continued to have the highest growth rates compared to other GCC countries, with the growth of assets, financing, and deposits in 2019 at 12.7%, 13.2%, and 10.3%, respectively. The total funding granted increased by 6.6% to about \$10.73 billion in the Islamic banking sector, while deposits increased by 6.8% to attain \$9.4 billion (CBO, 2020b). These figures exhibit remarkable growth and constitute a 0.7% share of global Islamic banking assets in 2019 (IFSB, 2020). It further represents 14% of the domestic banking system in the Sultanate as of August 2020 and amounts to \$12.73 billion (CBO, 2020b). This data signifies the imperative thriving by the GCC region's market share—confirming its exemplary position in demonstrating the role of banking in stimulating the economy.

In successive crises, Islamic banking entities (IBEs) remain the means of financing that led some to call for introducing and generalising intrinsic Islamic principles (IPs) in this sector. As evidence, many scholars have noted that the IBEs was highly desirable and prominent in the aftermath of the GFC in 2008. Diaw (2015) has proclaimed that there is an acknowledgement of the technical mistakes made by many conventional analysts as causes of the GFC. However, those mistakes would have been restricted by the enactment of IPs. Further, governments have implemented Islamic instruments to boost their economic diversification and finance vast fiscal deficits, as currently witnessed by the GCC region, including Oman (Islamic Markets, 2018). The discussion above suggests that Islamic financial activities are bolstered by the real global needs of a sustainable and ethical economy, at least for 1.8 billion Muslims (Lipka, 2017). This obligation serves as a critical component of the future

protection of growth within Muslim communities, though it would be possible to institute similar policies in other societies.

3.6 SMES IN OMAN

In Oman, SMEs are defined as businesses that include a maximum of 99 employees and have a turnover of up to \$7.8 million (Riyada, 2020). As shown in table (2.1), Omani SMEs consist of Micro, with ≤ 5 employees and $< \$260$ thousand turnovers; Small, with 6 to ≤ 25 employees and $\$260$ thousands to $< \$1.30$ million turnovers; Medium, with 26 to ≤ 99 employees and $\$1.30$ million to $< \$7.80$ million turnovers (Riyada, 2020). In summary, SMEs are commercial enterprises classified by their contribution size, which is based on employment and revenue.

Table 3.1 The categorisation of SMEs in the Sultanate of Oman.

SME Categories	Turnover	Employees
Micro	$< \$260,000$	≤ 5
Small	$\$260,000$ to $< \$1.30$ m	6 to ≤ 25
Medium	$\$1.30$ m to $< \$7.80$ m	26 to ≤ 99

Source: (Riyada, 2020).

3.7 SMES' ROLE IN OMAN

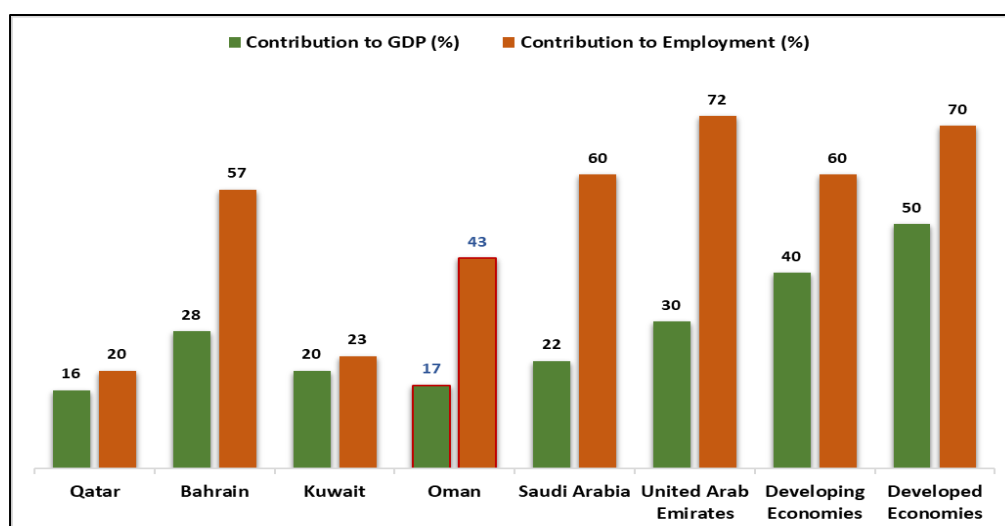
In 2019, the total number of registered enterprises in Oman amounted to 312,720. Of these, about 110,714 enterprises (more than 35%) had a capital investment of less than \$26,000; almost 140,378 (about 45%) were founded with up to \$125,000 (NCSI, 2020). According to the Annual Industry Report of 2014, out of 160,000–170,000 SMEs, only 70,000 are active in the business market and administrated by foreigners (Ministry of Commerce and Industry, no date). This inactivity was confirmed recently by the lower total number of SMEs, about 47,351 (i.e. micro 32,854, small 9,202, and medium 3,349) recorded by Riyada¹² before November 2020 (Riyada, no date). This number of enterprises is characterised more by micro and small categories. The active

¹² Government Authority is assigned to support and facilitate SMEs access to various facilities and benefits from the government and private entities.

business remains low since many owners do not devote themselves to work, as reported by the Omani ex-Minister of Commerce and Industry (Al Habsi, 2015). This short description outlines the SME performance status of internal trade and economic activities in Oman.

According to the SMEF (2017), SMEs contribute about 50% of GDP and around 60% of employment in developed economies. In emerging economies, formal SMEs provide approximately 40% of GDP and up to 60% of the total workers (WBG, 2015b). However, the data indicates that SMEs contribute about 17% to GDP and about 43% of employment in Oman, as illustrated in figure (3.1) (MENA Herald, 2016). Despite the Omani government's initiatives to enrich industrial spheres and become an economic and energetic business hub (Ithraa, 2016a, 2016b), Oman lags behind other developing and neighbouring countries when it comes to the contribution of SMEs towards GDP (Ayoob and Somasundaram, 2012) and, to a lesser degree, employment. For example, UAE SMEs contributed 30% of GDP and 72% of the country's workforce in 2016 (MENA Herald, 2016). This data reflects the inefficiency of Omani SMEs to date and their limited role in contributing to the efficient operation of the economy.

Figure 3.1 GCC SME contributions to GDP and employment in 2016, compared to other emerging and developed economies.



Source: (MENA Herald, 2016).

3.8 SMES OBSTACLES IN THE SULTANATE

SMEs encounter barriers and are strictly typified amidst difficulties in recruiting skilled workers, finance, cash flow, finding suitable premises (Ahmed, Ali and Pathan, 2015; Musa and Chinniah, 2016). Similarly, obstacles such as management issues, marketing, and operations policies have been presented extensively as factors that hinder Omani SMEs from expanding (Bilal and Al Mqbali, 2015; Al Bulushi and Bagum, 2017). Furthermore, the lack of collaboration, scalability, and trust between large corporations and SMEs inhibits growth (Zubair SEC, 2016). Bilal and Al Mqbali (2015) found that SMEs in Al Batinah governorate of Oman has restrictions foremost by the investment environment. Christina et al. (2014) obtained that most SMEs in Oman, specifically in Muscat, endured by impediments of policy, administration, followed by marketing and financial issues.

These businesses' limited ability to maximise their profit, size, and performance is primarily attributed to their low level of knowledge and difficulties in accessing finance. Ashrafi and Murtaza (2008) asserted the lack of awareness among Omani SMEs, e.g. the benefits of adopting ICT and its importance in their business. In other words, it would be a good reason for the financial institutions in Oman to discourage financing and supporting SMEs. Al-Belushi et al. (2015) examined the extent of open innovation in the top 16 Omani marine bio-industry companies, ranked by some employees. They found that the degree of openness in these groups is higher towards market side activities and a need for knowledge by the significant effectiveness of collaboration between universities and government research institutes to use open innovation. It underlines the importance of a framework and mechanism combining these elements to promote financing and enrich the SME innovation context in Oman, where the current SME lending is mainly on a short-term basis with a higher cost of finance (Al Bulushi and Bagum, 2017) and without support.

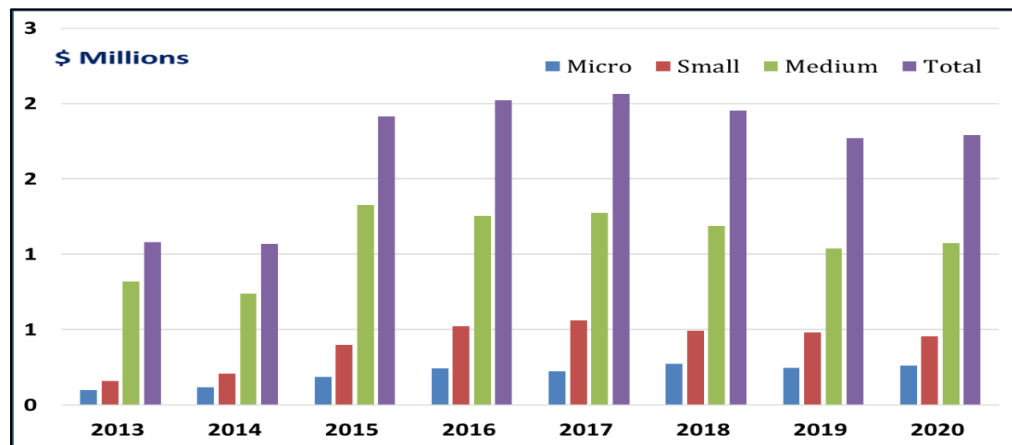
Knowledge is the critical mediator that allows SMEs to access finance and innovate appropriately, thus increasing their organisational competitiveness and sustainability capacity. It appears that SMEs in Oman are determined as businesses that lack commercial, economic, credit, and development assets, which may be eliminated by cooperating within the supportive financing

method. Because the deficiency and insufficiency within this field discourage Omani youths from engaging in entrepreneurship (UNCTAD, 2014). It may even make entrepreneurs less eager to take on risks to expand their business further. Instead, they prefer to work in the public and private sectors rather than become entrepreneurs (Ibrahim, Devesh and Ubaidullah, 2017). Therefore, SMEs' vital and decisive economic role requires throwing light on the obstacles confronted by SMEs and examining the potential and optimum solutions that could address this insufficiency radically within the funding process. As a result, the private sector has received attention through Oman vision 2040 to embrace SMEs and create a supportive platform. It has established the systematic support of funding, consultancy, and various types of financial backing. This embrace is derived thoroughly from its initiatives, including the core orientation of sustainable growth, diversity, and economic recovery.

3.9 FINANCING SMES IN OMAN

The financing of SMEs casts a shadow over emerging economies, prompting calls for action to boost funding in the sector. Therefore, the Oman government attempts included facilitating SME access to finance to create a vibrant, productive sector in Oman. For instance, about 5% of the total credit portfolio has been allocated to finance SMEs by the licensed banks, which equals approximately \$67 million in June 2020, in addition to affordable and low-interest rates and costs. Despite these modest initiatives, SME credit accounted for roughly \$1.8 million by the end of June 2020, 2.67% of the above original allocated amount (CBO, 2020c), as depicted in *figure (3.3)*. This status indicates that SME banking credit in Oman is low and accounted for a similar range of credit valued at around 2% throughout the last decade. This fact reflects SME's weak position in terms of access to credit compared to the MENA region (Rocha and Farazi, 2010).

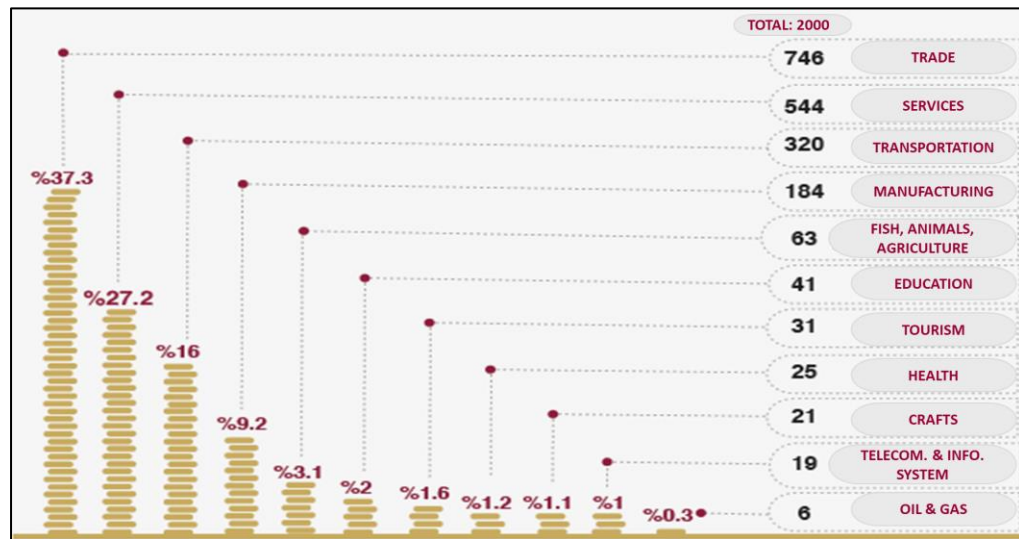
Figure 3.2 Banking credit for SMEs in Oman.



Source: (CBO, 2020c).

A study conducted by The World Bank (2015) showed that the level of credit gap for structured and informal enterprises in the Sultanate of Oman is between 40-50%, while the degree of the credit gap for the official businesses is between 60-70%. This indication illustrates that access to external finance and insufficient financial resources were the significant impediments for entrepreneurs in the Sultanate (Belwal, Belwal and Saidi, 2014). As a result, the sector's importance led to the government's decision to support startup firms with a significant focus on tackling this issue. It implemented funding programmes that matched the target groups according to flexible financing mechanisms through the Al Raffd Fund to facilitate starting such businesses amounted to 2000 projects in 2018 (Figure 3.4) (Al-Raffd Fund, 2019).

Figure 3.3 The meagre number and percentage of SMEs ventures financed by Al Raffd Fund according to the economic sectors in Oman in 2018.



Source: (Al-Raffd Fund, 2019).

Nevertheless, the recent statistics showed that around 2563 SMEs within the fund's lending portfolio, since its inception in 2013 till April 2020, were funded exceeding \$257 million (Al Nasser, 2020). Although the notable progress business environment in Oman (WBG, 2020a). Studies have addressed the complicated financial support that was a significant barrier for entrepreneurs (Al Barwani *et al.*, 2014; Belwal, Belwal and Saidi, 2014; Al Bulushi and Bagum, 2017; Al Qassabi, 2020).

3.10 RESEARCH GAP

The small amount granted to Omani SMEs denotes the disappearance of the leading role of this sector. It also confirms the financial gap and insufficiency of credit allocated toward the development of SMEs through the tiny number of startup firms financed compared to the entire amount of industry. The above data affirms in line with previous findings that the considerable and most significant challenge for SMEG lies in funding, either by the side of demand issues or by the supply concerns, which adopt the conventional method of financing. As Al Bulushi and Bagum (2017) illustrated, access to external finance and insufficient financial resources in Oman were significant barriers head for entrepreneurs.

Traditional financing is inherently limited to lending and interest collection, and therefore, only takes account of the money involved and ensure how to be inflated. Based on the SME nature with many lacks, it would be difficult to overcome the impediments, issues, and fears surrounding SMEs within such financing behaviour. As a result, in contrast to large firms, SMEs are more likely to rely on internal aids such as self-funding, friends and family to launch or run the business. In turn, it assists in maximising the financial gap. This approach does not meet the aspirations and yearning of entrepreneurs to expand and those concerned with the economy towards development. To some extent, this describes entrepreneurs' resistance to obtaining financing from conventional banks and the data of credit gaps created by SMEs around the world.

Consequently, the risk factors around these companies increase and serve as obstacles to accessing finance and growth. In most cases, this gap implies that SMEs generate purposeful ideas without strategic backing, which shows the primary constraint confronting SMEG. It upholds the belief that SMEG is in more considerable need of reinforced resources correlated with the finance process, which implies that SMEs cannot afford the development and generate purposeful ideas with unavailable backing sources. It reflects the lack of a collaborative and participatory financing model that includes an imperative strategic method of backing. Therefore, it is essential to build a proper funding model to compile sources familiar with Omani SMEs. It is admitting a robust framework to impair the reluctance of these companies to access finance and seal the financial gap and thus amplify their role in expanding the national economy.

Financing SMEs with backing model components, like collaboration, enhancement, maintenance, etc., remains essential to build and help SMEs recognise the surrounding and potential risk, which is a significant factor in the institution's assessment process. The limited role played by entrepreneurship in Oman led to the unpretentious proportion of qualified entrepreneurs. Consequently, the risk factor around these companies being an obstacle to access financing and growth that results in a non-stimulating financial means of institutional development. Depending entirely on the commercial financing framework has led to increasing the financial gap and difficulties in resolving other obstacles. Moreover, the literature disclosed the lack of a mature

relationship between finance providers and the sector, revealing the lack of actual needs. In addition, the linking process of financing with advancing economic and social development in the Sultanate.

Studies have produced evidence that access to finance is a significant factor in SMEG (e.g. Jasra *et al.*, 2011; Igwe *et al.*, 2018). However, none of them contained measurements of the overall consequences from an Islamic perspective, although the literature noted that the reactions and responses of entrepreneurs might vary depending upon religious affiliation (Eid and El-Gohary, 2015; Gursoy, Altinay and Kenebayeva, 2017). Therefore, the perspective of the decisive turn in entrepreneurs' values may depend on their religion. Nevertheless, the literature on funding SMEs and IF lacks the crucial position of IFPs to draft SMEGFs towards development effectively. Remarkably, the literature pays less attention to the effect of IFPs, mainly in the context of financial stabilisation and economic empowerment, given that SMEG is likely to be subject to numerous support and reinforcement policies that outweigh the funding itself. This dearth of the IFPs impact raises questions like, what is the optimal role that IFPs would ensure SMEs within the financing process towards development?. Second, how do these principles work to make SMEGFs more effective?. This research addresses these inquiries in the following chapters.

3.11 SUMMARY

This chapter summarises the complete consideration of the Oman context. It discussed the economic outlook and reviewed the critical performance of the Omani banking sector, including the essence of Islamic banking. It also addressed entrepreneurship within the Sultanate context within the government efforts of starting-up projects, indicating the importance of SMEs and underlining their significant structure. It also addressed SME roles in Oman with their economic contribution. Moreover, it articulated the SME growth and finance obstacles and lack of abilities encountering in their development path. This chapter also reviewed Omani SME funding magnitude and circumstances, highlighting the research gap within the Sultanate context.

CHAPTER FOUR

METHODOLOGY

4 METHODOLOGY

4.1 INTRODUCTION

Chapter 4 introduces the methodology to give a conceptual and meaningful framework for utilising research methods. It identifies the paradigm of this research to examine and interpret the assumption articulated in the previous chapters. The collective process applied seeks to magnify the extent and field of inquiry that present a better understanding of SME need and the importance of Islamic finance (IF) in their future development. The quality of this chapter rests in its application of a theoretical model that strives to apply the enactment of Islamic principles (IPs) in SME financing in Oman. Initially, this chapter outlines the philosophy of this research by describing the choice of paradigm. It addresses the thesis approach to substantiate its theoretical underpinnings, followed by an in-depth interview to obtain more extensive insights. It also articulates the strategy of this approach: the method pursued to answer the research questions.

The subsequent sections indicate the activities related to the quantitative and qualitative phases in connection with the development and design of the survey, the collection of data, and the analysis results. To this end, firstly, it defines the arranging of the research instrument, commencing with an overview of the practised survey and interviews, including the suitability and the rationale of its use, design, questions and inspections, highlighting the ethical issues that relate to empirical data collection. Then, it discusses the experiential collecting of data by delimiting and justifying the sampling technique chosen and represented by a wide range of entrepreneurs, the pilot study before starting the principal survey, and the process of distributing the instrument (questionnaire and interview). Next, this chapter moves on to the practical data analysis, reporting the details of this process, software, the regressions and thematic employed to examine the collected data, and its significance level to test the hypotheses. Lastly, it summarises the entire methodological guide at this stage.

4.2 RESEARCH PARADIGM

The choice of a proper model to reach the aim is the most critical task in determining the study's design to collect and analyse the data. As an iterative manner, selecting an appropriate research methodology is to create the context of research conduct (Cope, 2005). Abutabenjeh and Jaradat (2018) state that philosophical ideologies explain why researchers select a particular methodological design to examine the phenomena, seeking an explanation and acquiring further understanding (Saunders, Lewis and Thornhill, 2009). Davies and Fisher (2018) define paradigms as the ways of surveying a set of assumptions about reality, of creating knowledge and detecting value, which often forms the foundation of undertaken research. For instance, the philosophical inquiry that seeks the final thought and precise definition quantitatively would be through selected variables, arranged based on consistency or unity, and organised into remarkable synthesis or combination to arrive at broad generalisations (Leonhard, 1955).

A positivist paradigm builds on epistemological and ontological presumptions to find strong or weak mathematical-statistical relationships measured with variables. It often concerns several patterns of business development, like performance, productivity, effectivity, or competitiveness (Primecz, 2020). It relies heavily on numerical data drawn from extensive samples and statistical analysis programmes to obtain results (Nyein *et al.*, 2020). In contrast, the constructivist paradigm builds on epistemological and ontological emerging themes that incorporate studies on culture. It investigates and shows the reality constructed within a context dependent on the actors (Primecz, 2020). Compared to the former, it relies more heavily on rich, holistic narratives or other descriptive data obtained from small numbers of individuals, analysed to reveal patterns, themes, and categories (Nyein *et al.*, 2020).

Referring to the main research question, in chapter 1, '*Is IF appropriate to stimulate SMEG?*'-this question involves both inquiries. It combines aspects of positivism and constructivism within the same item, what is the relationship and how? (Creswell and Creswell, 2018). For this study, it is imperative to obtain data about the association (positivism) and how it works (constructivism) (Dewasiri, Weerakoon and Azeez, 2018). This study aims to solve SME

financing issues using IFPs in line with the pragmatic paradigm. That involves a series of experiences where previous ideas are updated based on specific research actions that contain quantitative and qualitative components. The concept of an eternal ontology and epistemology is replaced by the interaction of entrepreneurs and concerned people's opinions and behaviours, both of which are temporary (Schoonenboom, 2019). Accordingly, this thesis goes beyond the individual perspective and takes a pragmatic approach to scrutinise the phenomenon using multiple philosophical paradigms, as Nyein *et al.* (2020) recommended.

Schoonenboom (2019) articulates that the flexible configurations of a pragmatic paradigm allow the elements of one research approach to combine with aspects of another methodology. Nowadays, these privileges could be exploited in one study to respond to queries. This approach offers opportunities for social science studies by activating the process of inquiry that creates a continual back-and-forth movement between beliefs and actions about the knowledge produced (Morgan, 2007, 2014). The merged method offers different methodological tools to clarify the reality under consideration (Subedi, 2016). The questions demand by this thesis firstly examine the role of IFPs that might positively affect and modulate SMEGFs. Some findings of such correlations likely need further interpretation and clarification. This transmission between post-positivism and constructivism is formed by sharing beliefs within a community, shifting from research outcomes to current thoughts (Schoonenboom, 2019).

Morgan (2007) indicates that the importance of this philosophy is to create knowledge through 'joint actions' or 'projects' that various people or groups can accomplish together (p. 72). For pragmatism, an inquiry is a constant process that may involve multiple series connecting beliefs and actions to resolve issues (Morgan, 2014). Consequently, matching the design components enables the best prospect of both mono-method perspectives to answer the specific research questions (Harrison, Reilly and Creswell, 2020). For instance, positivists use interviews to engage in their research; in return, interpretivists have employed statistical analyses to accomplish their research goals. It can, therefore, be reported that the philosophical foundations of any study lie in the way that the researcher implements these methods (Atkinson, 2017).

Accordingly, pragmatic philosophy probably is the weighable choice to explain the range of the IFPs phenomenon on SMEs qualitatively since this correlation has been defined and tested quantitatively.

4.3 RESEARCH APPROACH

The mixed-methods approach collects, analyses, and incorporates data from quantitative and qualitative methods in a single or multiphase series of studies (Creswell, 2012; Harrison, Reilly and Creswell, 2020). Voorhees and Howell Smith (2020) urge that both types of data be collected intentionally to address the overall research question. This practice of whatever methodological instruments are also required to search for potentially a greater assortment of divergent views (Subedi, 2016), which enlarges the extent and field of the inquiry (Greene, Caracelli and Graham, 1989). It is superior to a particular method due to comprehending a research phenomenon better and yielding additional insight beyond the offered information while also neutralising each form's weaknesses and biases (Creswell and Creswell, 2018; Harrison, Reilly and Creswell, 2020).

“Careful and alternating use of both research approaches can indeed offer valuable insight, more opportunity for the development of hypotheses, an improved comprehension of existing theoretical insights and, what is more, a direct practical benefit”. (Jonker and Pennink, 2010, p. 92)

On the one hand, quantitative research is an approach for advancing, posing, and examining objective theories of the relationship among variables in terms of questions or hypotheses (Creswell and Creswell, 2018). Thus, it is a means of interfering in the interplay amidst theory and experiment (Goodchild, 2009). It relates to the quantified aspects that express the measurement in various statistical and econometric techniques, including correlation, regressions, time series analysis, etc., (Pal, Acharya and Biswas, 2017a). This statistical inference allows investigators to conclude the general characteristics of populations from evidence based on samples (Goodchild, 2009). This method uses a deductive concept, which operates by argumentation that results from abstractions applied to individual reasoning (Bibel, 2001; Bibel and Kreitz, 2015). The researcher endeavours to collect information by an instrument

completed by the participants, including relevant, factual statements that explain the relationships of interest, ultimately shaping knowledge (Creswell and Creswell, 2018). It begins with theories drawn from the literature to build a theoretical framework, then examines them to end with new knowledge (Spens and Kovács, 2006; Cameron and Price, 2009; Saunders, Lewis and Thornhill, 2009; Creswell, 2012).

On the other hand, a qualitative study attempts to understand and interpret the context by an inductive inquiry of the participants' experiences and background that arises within the interaction with a human community as an essential generator of meaning (Creswell and Creswell, 2018). Ivankova (2014) points out that this method solicits more representative views and develops more meaningful and credible inferences grounded in other research forms, enhancing the study's quality. Using in-depth interviews concerned with the aspects related to the reasons for particular human behaviour discovers their underlying motives and desires (Pal, Acharya and Biswas, 2017a). By the open-ended questions, the qualitative method enables collecting an abundance of additional information on findings via the interaction between investigators and respondents (Guba and Lincoln, 1994; Ponterotto, 2005; Jonker and Pennink, 2010). This approach gathers non-numerical or another form of data, anatomising the central phenomenon under study via an inductive method based upon observations (Saunders, Lewis and Thornhill, 2009; Creswell, 2012). It is an interpretative approach that aims to explain 'how' and 'why'—the subjective understandings, meanings, and reasons behind individuals' social action and experiences (Antwi and Hamza, 2015; Mohajan, 2018). It gives a detailed interpretation of the significance of the data related to the existing quantitative research.

According to Angeles, Centeno and Villanueva (2019), during 2016–2018, there were 19 studies related to SMEs in developing countries that used a mixed-methods approach. Thus, the present research notes the dearth of employing such a method, particularly in Islamic financing SMEs, highlighting the advantages of utilising mixed methods to contribute to this research scope. Where quantitative studies generalise results by a large number of participants, the qualitative approach favours an in-depth exploration of a few individuals (Creswell, 2012). This approach implies that this thesis would have an empirical

investigation to obtain useful information about the importance of IF for SME development quantitatively. Meanwhile, the supplementary collection of qualitative data exhibits a condensed perception of its actual operation.

4.4 THE RATIONALE OF MIXED METHODS

Rationalising to apply mixed methods would bypass flawed research practices—such as the lack of synthesis between the quantitative and qualitative components (Fabregues, Pare and Meneses, 2019). Lo, Rey-Marti and Botella-Carrubi (2020) claim that mono-methodological studies are imperfect, and adopting a mixed-methods approach can be more likely to develop findings. By penetrating more deeply concerning the research questions under investigation, this method impacts both theory and practice. As a result, a mixed-methods design can be helpful due to using a qualitative approach at the group level, while a qualitative investigation addresses the individual level (McCrudden and McTigue, 2019). Thus, the rationale of implementing mixed methods is to collect, analyse, and purposefully integrate all data sets (Voorhees and Smith, 2020). In addition to the advantage of offsetting or counteract biases, this approach strengthens the validity of outcomes that converge or corroborate one another (Greene, Caracelli and Graham, 1989). Creswell (2012) illustrates that a quantitative approach would produce helpful information that describes many people's trends by collecting data. In return, the qualitative method offers many details about those people and information about the topic under study.

The rationale also lies in integrating data that dramatically enhance its value, whereby the qualitative approach works to assess the validity of the quantitative results and instrument (Fetters, Curry and Creswell, 2013). This integration offers more scientifically sound and interchangeable effects by synergistically combining qualitative stakeholder engagement with quantitative results (Ivankova and Wingo, 2018). Moreover, this approach can also be beneficial, more complete, and best for understanding complex phenomena (Creswell and Creswell, 2018). It delivers a positive level of scrutiny (McKinley, 2019) of IF with the increasing complexity of financing SMEs. Ivankova (2014) confirms that this design secures the quality of the inferences with a careful and systematic process for selecting participants, elaborating results, and

observing the interaction of study strands. According to Clark and Ivankova (2016), the use of mixed methods can lead to more rigorous conclusions to offset strengths and weaknesses and complementarity or develop a complete picture (Voorhees and Smith, 2020).

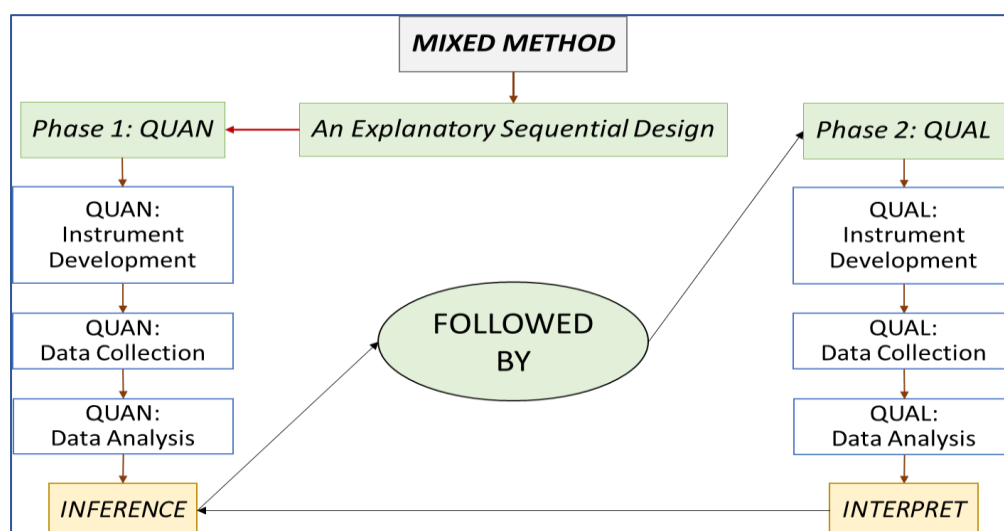
In this review, the application of mixed methods is intended to resolve the intrinsic shortcomings of each approach and promote reflection to complement the detailed description of IF implications on SME development from several aspects. It casts the subsequent phase that might uncover extra perceptions of those concerned with SMEG, thereby ending up with more rigorous, valid, complete, and refined inferences (Clark and Ivankova, 2016; McKinley, 2019). Moreover, the thorough and persuasive rationale lies in answering the questions that appear decisive to improve the quantitative findings in this study. For example, it asks: what is the significant role of IFPs in modulating SMEGFs?. A precise and comprehensive answer to this question would be beyond the experimental findings. Therefore, it needs further details through qualitative data to conclude why and how IFPs stimulate SMEG?. Let alone the question of an appropriate method of financing SMEs relevant to the Oman context?. Here, the study must consider how financing policies lead to such growth. Consequently, it might help address the financial gap of SMEG by providing mixed data that allow for articulated conclusions and reliable outcomes.

4.5 RESEARCH STRATEGY

The research strategy explains and analyses the study's creation, productions, forms, metaphors, and related phenomena (Murphy, 2017). It is a research framework to collect and interpret evidence that would respond to posed questions (Jonker and Pennink, 2010), which grasp much scientific truth as a method (Dilnot, 2018). It leads to specific contextualised guidelines that connect theoretical notions and elements to the dedicated process of inquiry supported by a methodological technique to gather empirical materials (Jonker and Pennink, 2010). Furthermore, the purpose of the study design is the pliability of accommodating maximal information with minimal expenditure of effort, time, and money during the collection of relevant evidence (Kothari, 2004). Therefore, the research design affords an outline of framing the

hypothesis, its operational implications, and the final data analysis (Pal, Acharya and Biswas, 2017a). It introduces meaningful outcomes of such a relationship by imbuing them with more information in two consecutive phases (Angeles, Centeno and Villanueva, 2019).

Figure 4.1 Research design.



This framework comprises sequential mixed methods, where the aim is to extend the interpretation of the earliest findings by additional ones (Abutabenjeh and Jaradat, 2018). Creswell (2012) has indicated that through the four basic models, namely convergent parallel, explanatory sequential, exploratory sequential, and embedded designs, this approach is framed by the primary purpose of the investigation. For an explanatory sequential study with a quantitative approach, the subsequent qualitative one is typically applied to interpret the effects (McKinley, 2019). According to Dewasiri, Weerakoon and Azeez (2018), this design is widely applied when the initial research stage is deductive, as the inductive phase is expected to provide evidence supporting the role later. Ivankova (2014) describes this type of investigation as a study consisting of two sequential strands: the survey followed by an interview to explore and gain a more in-depth insight into the issue. This design utilises qualitative techniques after the availability of the quantitative results to follow up on a particular interest, specifically to explore unjustified statistical correlations or illuminate decisions and processes (Crane, Henriques and Husted, 2018).

McKim (2017) has suggested that the significant effect of using different methods to examine the same phenomenon drives higher perceived value. Therefore, the prime quantitative study provides a comprehensive spectacle whereby IFPs are implicated in modulating growth factors applied to SMEs' financing. Subsequently, interviews enhance the interpretation of the implicated trends and statistical results with a subset of purposeful selection of those concerned with SME development in Oman, as shown in figure (4.1). Further, the findings of both phases integrate into one interwoven approach (Angeles, Centeno and Villanueva, 2019), which facilitates the connection of the results with the theoretical framework (Guetterman, Fetters and Creswell, 2015).

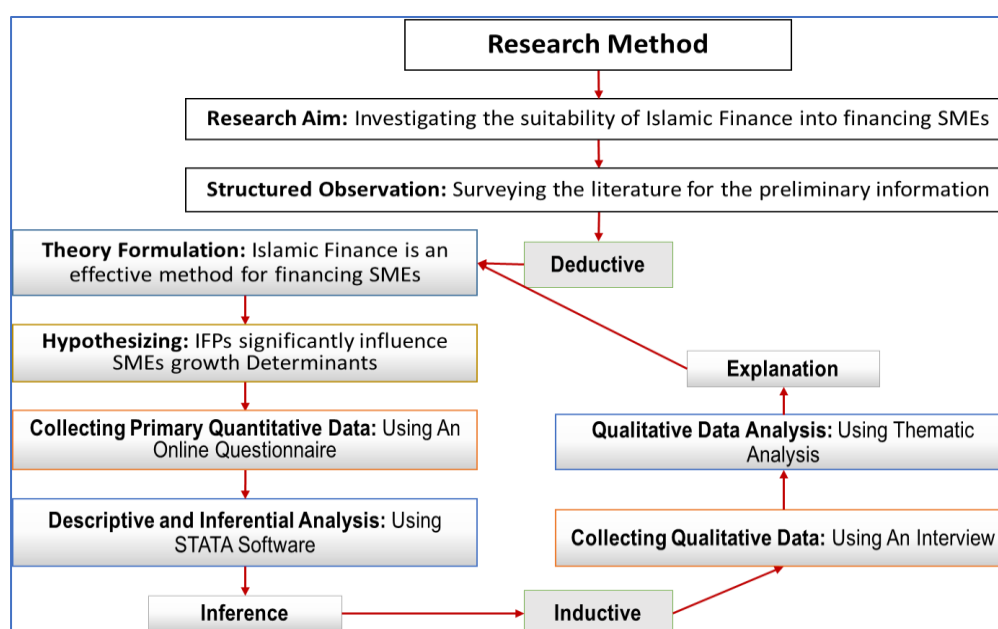
4.6 RESEARCH METHOD

Viergever (2019) defines the research method as technical rules and procedures to collect and analyse the data guided by the research paradigm throughout the scientific inquiry to link the goal of the survey to the unit of analysis (Nyein *et al.*, 2020). Creswell and Creswell (2018) demonstrate the research method as considering the full range of possibilities of data collection, analysis, and interpretation to organise the study process. In this stage, the researcher needs to uncover the details of observational techniques available, such as developing the operations of deciding how to collect data, sampling, instrumenting, interpreting, or other design (Abutabenjeh and Jaradat, 2018).

This thesis commences with surveying multiple sources of secondary data for the preliminary information. This step advances the study with an overarching and complete insight, including the clarity of the research topic, questions, method, and statistical analysis sophistication (Creswell and Creswell, 2018). Surveying the literature helps evaluate the many published studies of the phenomenon under measurement (Abutabenjeh and Jaradat, 2018). According to Kothari (2004), a survey of relevant literature is a fruitful method that provides fertile ground for formulating a specific research problem or developing hypotheses. Furthermore, reviewing specific literature by specialists in the related field is appropriate and allows for an in-depth investigation (Walker and Baxter, 2019).

Moreover, using a thorough and compatible study of the literature, accepted concepts, and current findings by others, the phenomena will be outlined and then tested (Jonker and Pennink, 2010). This building of knowledge is defined as the first wave of research for early publications scrutiny (Primecz, 2020). Thereby, surveying the literature allows for a better illustration of the theoretical foundations and identifies the major synthesis (Abutabenjeh and Jaradat, 2018), which grasps the suitability of IF for SMEG.

Figure 4.2 Research plan.

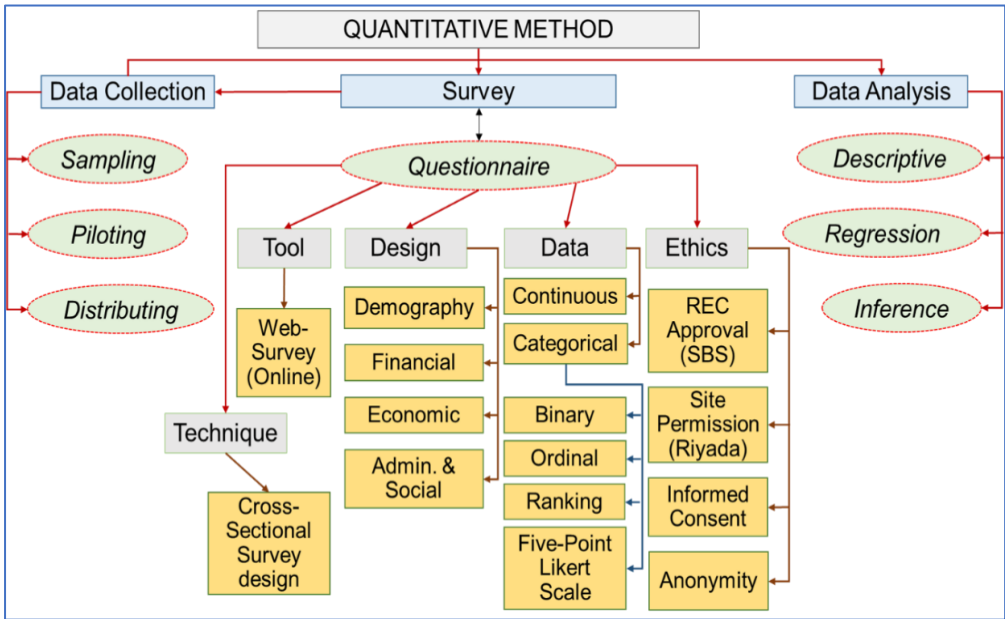


In figure (4.2), a theoretical framework would help build new theoretical arguments and then develop hypotheses for their substantiation to apply advanced methods in different examination contexts to the field (Kothari, 2004; Crane, Henriques and Husted, 2018). It is likely to serve as the critical source of delivering the research questions' response and addressing the study objectives (Saunders, Lewis and Thornhill, 2009). This thesis has theoretically approached empirical studies in finance and religious perspectives, e.g. Eid and El-Gohary (2015). However, it examines the modulating effect of IFPs on SMEGFs for their relationship with SMEG. Based on the given approach, the initial phase surveys the literature. It then provides a broad representation of the opinions of entrepreneurs to obtain the quantitative data, which is later used to address concerned individuals qualitatively in a sequential way. It begins with a deductive reasoning view for the preliminary information that includes

areas of the relevant subject material. The following section elaborates the prime phase of the investigation as a quantitative method.

The explanatory sequential process foremost requires collecting quantitative data (Ivankova, 2014) as a medium to infer empirically whether IFPs have a vital influence on SMEGFs. Initially, it presents the necessary steps in outlining the quantitative study with a specific focus on the survey design, collection, and analysis of data systematically (Figure 4.3). It involves the rules with particular surveillance procedures and addressing the research results (Creswell and Creswell, 2018).

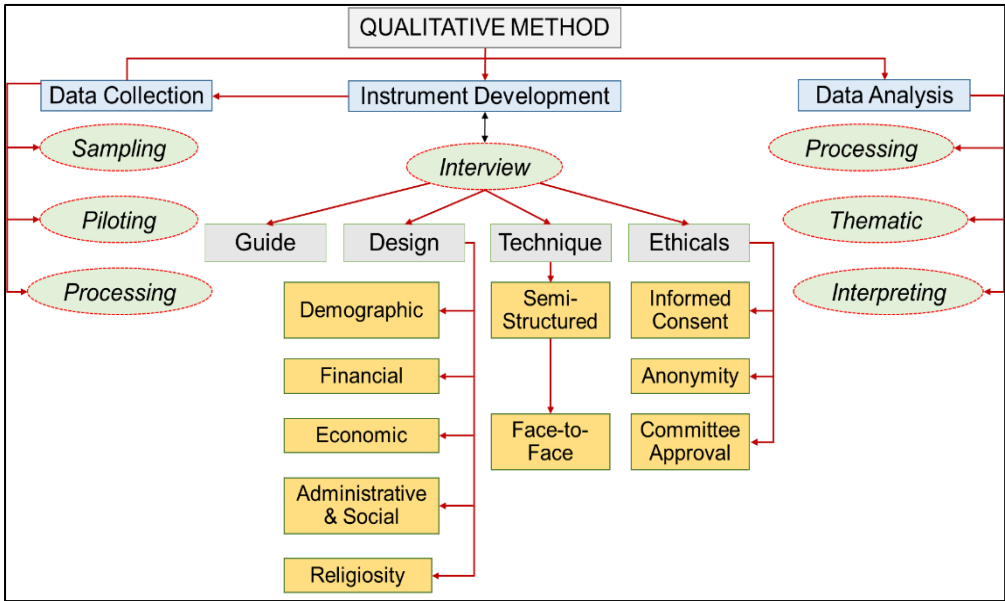
Figure 4.3 Quantitative research map.



Secondly, this complimentary analysis (Figure 4.4) presents the most meaningful interpretation of the results established in the first step, thereby expounding nature's realisation, understanding factors, and interaction of the critical phases (Basias and Pollalis, 2018). This study casts a plausible in-depth explanation about the competence of IFPs in dissolving such complex considerations over the sector of Omani SMEs that complicate the conventional system. It allows understanding multiple dimensions and layers of reality, such as their positions, thoughts, interactions, norms, and how these dimensions come together holistically to describe them (Antwi and Hamza, 2015). The Islamic finance (IF) and business field remain important for using qualitative

research to observe and collect data through interviews to describe and interpret phenomena in their actual dimension (Basias and Pollalis, 2018).

Figure 4.4 Qualitative research map.



Therefore, it is predicted that this approach satisfies this thesis's topic since IFPs for SMEG occur for the first time. The ambiguity of this case requires a genuine understanding of various perspectives. For this, the present research employs surveys and interviews as the best instruments to obtain further information from the identified sampling in Oman.

4.7 QUANTITATIVE SURVEY: QUESTIONNAIRE

Using a survey leads to more generalisable conclusions of measuring changes in cultural awareness of Islamic Shariah influence, obtaining data about practices that are not directly visible (Rickards, Magee and Artino, 2012). Like behaviours related to Omani entrepreneurs' faith and belief in or acceptance of something as real, divorced from bias (Dervishaj, 2018). It also allows for identifying their essential beliefs, trends, and attitudes that offer valuable data to evaluate whether IFPs affect their practices (Creswell, 2012; Creswell and Creswell, 2018). An investigation via a self-administered survey is essential in getting an unbiased conclusion of such impact from respondents (Copuer, Traugott and Lamias, 2001). Therefore, strategy takes a quantitative path as

the first stage of this study to examine a wide range of entrepreneurs within the Omani SME sector.

4.7.1 Instrument Technique

Research technique refers to the specific procedures for collecting and analysing data (Chu and Ke, 2017), taking into consideration the nature of research investigation, its objectives and requirements (Kothari, 2004), in addition to the mechanism of shaping the way to generate, classify and analyse data (Jonker and Pennink, 2010). In such an appliance, this research data would be representative, relevant, valid, replicable and reliable (Cameron and Price, 2009) arises from the point views of Omani SMEs.

This study used a cross-sectional design to compare Shariah law execution in the financing process among the different characteristics and collections of the SME sector in Oman at a particular point in time. This cross-sectional survey describes and assesses this modulation impact on SMEGFs in this Omani SMEs community based on the containment criteria set for the task. After this, the investigator follows the examination to evaluate the exposure and consequences (Setia, 2016). In this case, this research can specify the frequency of certain attitudes of entrepreneurs' commercial, religious beliefs, comparing diverse segments of Omani SMEs. Consequently, this design is more persuasive in setting up a proper tool for collecting perceptions of the target population to investigate the ability of IFPs to mitigate the high risk linked to commercial projects.

4.7.2 Instrument Tools

Today, web surveys have become a standard tool for distributing a given research instrument. Brandon *et al.* (2014) note that an online research instrument delivers relatively inexpensive services that do not require substantial technological expertise or programming experience to implement. Online surveys are reliable, cost-effective and suitable for collecting information on needs and perceptions due to the ease of connecting in the context of user-based social networking (Madariaga *et al.*, 2017). This electronic data collection approach is appropriate for this research due to the technological lack of SMEs as an easy, quick form of data collection (Creswell, 2012). The

extensive use of this type of survey over other survey formats is owed to the advantages of speed, convenience, and cost (Ward and Meade, 2018), making it a proper choice for this investigation.

Commonly cited advantages of this tool include an effective means for accelerating and improving the survey process, for instance, organising spreadsheets, reducing data entry errors and accelerating hypothesis testing (Creswell and Creswell, 2018). It also helps this research easily accessible and instantly distributes the data into groups with a minimum cost and administration overhead (Schleyer and Forrest, 2000). Brandon *et al.* (2014) assert that an online survey distributes experimental materials to geographically dispersed participants widely, immediately, and inexpensively, suggesting a proper choice for this research. Notably, data with a hierarchy and economically diversity of the SME sector in Oman for a representative sample (Holdsworth *et al.*, 2018).

As a result, this thesis used a Google forms (GF) tool as an online strategy to collect the data selected and render immediate feedback with a mixture of visual highlights and reports. It allowed for the dissemination of an internet questionnaire without significant administrative effort, in addition to the simple access to Microsoft Office Excel format, where the data and information were dispatched automatically (Nurulhuda *et al.*, 2020). Further, it was a practical networking software resolving the usability issue for a survey. The importance of offering greater control of the data was less time-consuming, avoided financial implications, and eased the automating of data (Saunders, Lewis and Thornhill, 2009). The adoption of GF software also allowed the author to form this study's questionnaire, ensure smooth delivery, and speed up accurate data collection. It is an efficient system that expedites collecting the massive data of the SME sector in Oman to eliminate the processing of cumbersome and costly transferring and tracking of forms (Cooper *et al.*, 2006).

The context of this research justified the privacy, lack of time and communication details about entrepreneurs in Oman, and the available internet and their high reliance on smartphones and social media. These particular issues have suggested the option of an online-based survey to motivate responses and address the representative and social dissonance issues in this

study. It was perceived that the internet survey allowed greater convenience and privacy, especially for women affiliated to the Islamic culture like in Oman, to answer than the prevailing approach (paper-based), affirmed by (Rowen, Carlton and Elliott, 2019). Although considering low or careless response rates must be considered (Ward and Meade, 2018), employing more web-questionnaire items improves the defects of survey usability and the computer literacy of participants (Schleyer and Forrest, 2000). In return, Creswell (2012) notices that a mixed web-based system advances the rate of response. It examines the entire population around the inference issues that lead to the data's efficiency and quality (Copuer, Traugott and Lamias, 2001). Therefore, the present research distributed the GF survey link among the entrepreneurs via texting and social website (WhatsApp) for the more possible responses.

4.7.3 Instrument Design

In general, a structured questionnaire aims to accumulate statistical information about the participants' characteristics, attitudes, or actions via a formal set of questions related to underlying concepts for statistical analysis (Preston, 2009). This instrument also is applied for collecting data, seeking attitudes and opinions, and enhancing the reliability and validity of the research (Saunders, Lewis and Thornhill, 2009; Creswell, 2012) and is extensively used by various economic and business surveys (Kothari, 2004). It is ordinarily deemed an essential inquiry apparatus for obtaining primary data (Akbar, Shah and Kalmadi, 2012).

The instrument design applied in this investigation is principally derived due to the little availability of the literature in this field to attain the research aim as outlined in chapter 1. Therefore, it uses 50 questions that consist mainly of closed-ended questions and is split into four segments to secure the agreement and lead to the most superior level of simplicity (Appendix A). This portrait might encourage respondents to reply quickly and harness the data for statistical tests, thereby assessing the study's empirical results. The instrument is concentrated and designed to elicit the entrepreneurs' perceptions about their attitudes and opinions of the IFPs' mastery clauses to grow their ventures. Various rating scales have been utilised to decrease the negative results of different possible biases, like inflating data using descending-ordered or

ascending-ordered scales (Chyung, Kennedy and Campbell, 2018). Thereby, this study applied various ascending and descending order Likert-type response scales, standing for reliability and less influence of bias.

Foremost, the demographic profiles of the entrepreneurs and their institutions were addressed to identify any unique characteristics. Then the questionnaire outlined three dimensions of the phenomenon, starting with section (1) by posting multiple-choice questions on the financial status of SMEs, in addition to the viewpoint estimating the factors most greatly hindering access to finance for SMEs. The following section (2) receives information about the salient traits of IFPs that place the opinions and grasp of entrepreneurs concerning economic effects and views on SMEGFs established by the literature. The data on the IFPs enabled an appraisal of the entrepreneurs' expectations concerning the administrative and social dimensions introduced in section (3) of the instrument. The self-administered questionnaire was delivered in Arabic, the principal native language in Oman (Appendix B).

4.7.4 Question Construction

In quantitative research, typically, the researcher asks specific and narrow questions or hypotheses based on a few variables (Creswell and Creswell, 2018) to obtain measurable and observable data (Creswell, 2012). Questions help get a comprehensive, meaningful, and descriptive attitude of data to analyse (Cameron and Price, 2009; Saunders, Lewis and Thornhill, 2009). In this way, they accommodate a stable and consistent answer (i.e. reliability) for sound evidence of interpretation of the test (i.e. validity) to prove the outcomes about the concept assumed (Creswell, 2012). Thus, carefully constructing questions helps participants understand well before answering, providing significant, meaningful answers. For instance, this study's questions formed by a five-point Likert scale and respond between 'strongly agree' and 'strongly disagree'. This pattern was observed as convenient and acceptable for accurate and reliable answers (Kothari, 2004).

As stated in chapter 2, the conceptual framework involved hypotheses supporting the present theory, and thereby, a relevant question raised is '*how is this research measured?*' According to the research objectives, the IFPs' function, application, and support are required to identify their effects on

SMEGFs. Therefore, questions have been developed for responses to perceive entrepreneurs' beliefs and opinions about the phenomenon, taking into account the modulating effect of the IFPs on SMEGFs in drafting these questions. Moreover, it considers the scarcity of data in this field. Specific questions, thus, were drafted with the potential of surveying the whole sector, namely profiles, performance, and perceptions, precisely the awareness of IPs' impact on financing and development. For more precise data, this study applied category, ordinal, and rating scales questions to rate respondents' statements on the capability of IF to improve growth among SMEs. Determining the scales of measurement is essential to assess the quality of the instrument and identify the appropriate statistical analysis method (Creswell, 2012).

Questions initially start with the demographic profiles and characteristics of entrepreneurs and their businesses, with about eight questions that reflect the circumstances and facts of each participant. For instance, the other three dimensions, section two, commence with information on the institution's financial status in an additional eight questions, expressing the possibility of their development drifts. Further, it includes an item with six elements to illustrate the range of challenges affecting their finance access. This question ranks the impression expected on the projected factors, displayed in a three-point scale, where code 1 means 'Low impact'; 2 equals 'Moderate impact', and 3 expresses the 'High impact'. Through this part, the study scouts the scope of the business growth by identifying the variability of the capital, sales, and profit levels. Additionally, it explained the intensity of the challenges that prevent the sector from getting access to finance.

Section three, in return, asks for information about the salient traits of IFPs that place the opinions of entrepreneurs concerning its economic effects on SME expansion. About ten questions in this part measure the preferences of entrepreneurs using a five-point Likert scale: 1 denotes 'Strongly disagree'; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 signifies 'Strongly agree'. However, structuring a good instrument required considering various additional questions to obtain valid and reliable data, using a mix of positively and negatively worded questions (Chyung, Kennedy and Campbell, 2018). As a result, this part includes an ascending and descending order of the five Likert-scales items, meaning items with reverse-log. Higher values consistently indicate lower

levels of agreement as a negative sign (Jackson, 2016). This section also contains an additional question to determine the level of impact of the intrinsic five factors that the literature identified as SMEG impediments and others that respondents might consider, including taxes, competition, policies, political instability (Ur Rehman *et al.*, 2019), etc. This question measures whether they anticipate a low, moderate, or high impact on enterprise growth by the classified factors, using the three-point ranking scale.

Finally, data on the ability of IFPs to meet the entrepreneurs' expectations concerning the administrative and social dimensions was introduced by 12 questions in section three. Likewise, these questions realise the anticipated impact of IFPs on this aspect, including the reverse items of the coded five Likert scales. Overall, the questions focus on the modality of the participants' agreement regarding the effect of the IFPs, including whether they were satisfied with the functions of Islamic tenets in adjusting the factors that hinder the development of their business.

4.8 ETHICAL CONSIDERATIONS

Akaranga and Makau (2016) emphasise that conducting research should consider ethical issues and research misconduct within the framework of the research stages (i.e. methodology, data collection, findings interpretation and dissemination). The moral and methodological framework is the payoff for such ethical considerations due to the extra thought and effort integral to the research process (Drew, Hardman and Hosp, 2008). The researcher should be acquainted with the Research Ethics Committee (REC) 's ethical guidelines at their school, indicating what acts are considered ethically unacceptable practices of disseminating knowledge (Bryman and Bell, 2011). This procedure is informed by social science principles and methods, especially with business and management research, where no research is entirely value-free or exists in a completely risk-free context (Wallace and Sheldon, 2015). Therefore, the permission would ensure that all efforts are exerted ethically, centred on ensuring that research consent is voluntary and informed.

Furthermore, ethical issues of anonymity and confidentiality are potentially more problematic because of the instant recognisability of identities visually or figuratively (Bryman and Bell, 2011). Thereby, the data should be held in strict

confidence to protect anonymity (Drew, Hardman and Hosp, 2008). For example, this relates to ethical issues concerning the protection of unauthorised access or the employment of data differently from the original usage reason. In other words, to what extent are they secured (Bryman and Bell, 2011). This anonymity of respondents' ethnic and cultural backgrounds enhances the research subject's honesty (Akaranga and Makau, 2016).

Therefore, it became necessary for this study to comply with those ethics mentioned earlier, per university procedures, such as the consideration of obtaining ethical approval and ensuring the observance of the moral codes of conduct. The REC at the Business School at Staffordshire University was the first step of seeking such permission. In this context, researchers at this university complete and apply a form that consists of detailed questions about the nature of the proposed study to the REC. As a result, an ethical approval written application was submitted to the REC and granted (Appendix C).

Next, getting permission to access the field of the proposed study (i.e. SME sector) is also essential. Creswell (2012) notes the importance of site respect, in which the research gains permission and reduces their disturbance during the survey. Notwithstanding, SMEs in Oman are entirely independent, though the focal governmental authority develops the enterprise sector. In this respect, correspondence was concluded by a permission letter from the Public Authority for SME Development (PASMED) – RIYADA (Appendix D).

This study pays attention to ethical considerations by protecting the respondents' privacy, which is illustrated in the study compact, indicating that the utilisation of data would be for research only and treated confidentially. Alvesalo-Kuusi and Whyte (2018) emphasise the importance of ethical codes in social science, which give power to the elites and cover the scrutinising lacunae by minimising harm, avoiding the invasion of privacy, and preventing deception. For example, informed consent requires a clear understanding of the intent and data collection of the study and mutual consent to enter or withdraw (Dankar *et al.*, 2020). Therefore, an introductory section provided clear information about the nature of this study and the procedures adopted for the participants that prevent an intentional misrepresentation of facts with the author's contact details for further information (Appendix E and F). Akaranga

and Makau (2016) proclaim that a clear indication of the study aim leads to obtaining information truthfully.

Moreover, it was made clear to all potential participants that they had the right to end their participation at any time without consequences as their involvement was voluntary (Connor, Copland and Owen, 2018). Furthermore, following Bakla, CekiC and Koksai (2012), this study confirmed the confidentiality of their identities, personal details, and businesses in terms of the anonymity of the participants, using a strategy of reference codes to report the findings. For example, all relevant qualitative data such as names, positions, or institutions or any other information were changed and depersonalised under the codes, i.e. entrepreneurs: **ENTPRE**, bank managers: **BANMNG**, policymakers: **POLMAK**, and academics: **ACDMIC**. This assurance of anonymity reduces the potential bias that might result when respondents try to conform to what is professionally or socially desirable or expected (Young *et al.*, 2018).

4.9 DATA COLLECTION

Having developed the instrument, the data collection mechanism was placed, in which the tool has been used to measure identified variables. In this context, data collected on participants review the factors, events, behaviours or experiences in their particular activity (Viergever, 2019). This section considers the main preparatory actions before the implementation of the research instrument. Creswell and Creswell (2018) elucidate that this step lies in collecting detailed views and information from the participants on a tool based on their attitudes. The authors add, in practice, that this includes specifying the character of required data (numeric in this quantitative phase, or text) that best provides a complete understanding, explaining the initial survey, and supporting or refuting the hypotheses. Harrison, Reilly and Creswell (2020) indicate that the high level of mixed methods includes reporting specific collecting data involving sampling, types, and instruments. This rigorous collecting data allows quantifying reality with as little subjectivity as possible and drawing inferences from the trusted results (Nyein *et al.*, 2020).

This part commences with determining the sampling design adopted in this phase, including the framing sample developed to tackle issues of representation. It subsequently discusses the pilot's steps to refine, develop,

and confirm the validity of the research instrument before launching the central online survey. Finally, it is articulated by a comprehensive discussion of the survey distribution process among the identified participants sample in this study.

4.9.1 Sampling

One of the evaluative components of any study is sampling, which primarily involves selecting units (i.e. probability and non-probability based on the research method) from the population (Gray, 2020). Substantially, it is a process or technique to select a suitably representative subset of people to determine their characteristics as a whole (Lo, 2009). Samples are mainly categorised and identified systematically to ensure non-bias, adequate responses, accuracy, validity, reliability (Saunders, Lewis and Thornhill, 2009), and power of influence (Cameron and Price, 2009). This consideration is to extract and generalise the inferences from the whole population's results (Creswell, 2012; Gray, 2020). Further, Kothari (2004) discerns that sampling is a way to save time, money, and energy.

Creswell (2012) clarifies that the unit of analysis is the first step in which the researcher identifies who would be the best appointed to supply information and answer the research question. In this regard, the SME sector in Oman was diverse. It contained various levels in a hierarchy (i.e. micro, small, and medium) and economic activities (e.g. manufacturing, agriculture, mining, and education). It is extensive to call a representative sample selection to ensure that their estimates could be generated (Holdsworth *et al.*, 2018) at these levels and operating in the Sultanate context.

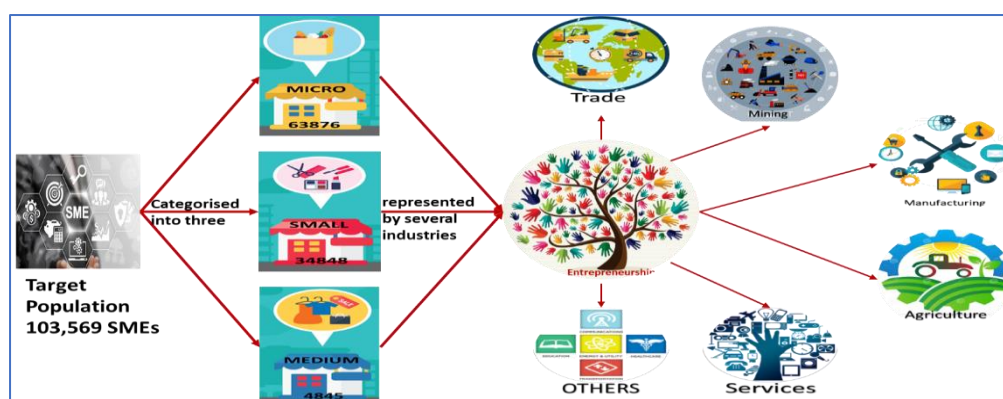
Gray (2020) comments that population representativeness is best found in samples that have similar characteristics. Accordingly, the strata technique was applied in this study to segment the population of Omani SMEs into these three categories, including five relevant strata of economic industries (i.e. agriculture, manufacturing, mining, trade¹³, and services). Moreover, an additional stratum of 'Other' was placed to cover all other unnamed industries (i.e. tourism, education, etc.), representing a tiny portion of the SME sector in Oman.

¹³ Commercial activities that only based on selling and buying commodities.

Holdsworth *et al.* (2018) assert that while there is no ‘sample versus census’ level of validation to refer to, the corroboration of critical management estimates from large scale off-site surveys is worthwhile. This thesis, which ensures the representativeness of the target SME population surveyed (Teddle and Yu, 2007) and generalisation (Saunders, Lewis and Thornhill, 2009), yields fewer participants in a specific industry (Creswell, 2012).

A probability sample used in the quantitative study can be selected for every unit population (Pal, Acharya and Biswas, 2017b). A probabilistic sampling strategy, which involves different forms of sampling (i.e. random, stratified, cluster, and stage) (Gray, 2020), makes the probability of each sample known and thereby grants an excellent quality of representativeness (Pal, Acharya and Biswas, 2017b). In response to the nature of the SME population in Oman, the stratified sampling technique is appropriate with specific categories and industries. In this case, Creswell and Creswell (2018) hint that stratification ensures that all individuals proper proportionality is represented in the sample with their particular characteristics, producing unbiased estimates of the population totals (Pal, Acharya and Biswas, 2017b). Therefore, this phase (1) uses the stratified sampling technique to select the population’s possible representative samples. Such a sampling strategy gives the most reliable conclusion and representation of the whole community (Saunders, Lewis and Thornhill, 2009; Walliman, 2011; Creswell, 2012). Hence, getting precise estimates with more detailed information is possible due to the homogeneity of each stratum of the population (Kothari, 2004).

Figure 4.5 Sampling technique and representativeness.



Source: Google images compiled by the author, 2020.

Therefore, this sample is restricted to the affiliation with the Riyada definition classified in chapter 2, the leading and competent source of SME information in the Sultanate. Given this status, the author sought to obtain an updated record of SME details provided by the official reports (Riyada) to serve as an adequate frame to form the sample of entrepreneurs, as illustrated in figure (4.5). These individuals can articulate and offer accurate information about SMEs. In response, the report included all details of SME statistics, with a list of 103,569 active enterprises officially registered; hence, the sample related to this study was established on or before Oct 2018 in Oman.

In any research, sample size identification is quite necessary to depict the proven results. Otherwise, it might fail in determining the valid impacts or estimate the effects imprecisely (Qasim *et al.*, 2019). Pfeffermann (1993) clarifies the robustness of the inference step obtained by focusing on finite population quantities. Cameron and Price (2009) assure that sample size performs a vital function to secure a robust, meaningful estimation and represent superior results. It also lowers the potential error relating to the differences between the population. Sample size considers the factors of effectiveness, accessing, sizing of population, funding, and analysing, as well as the variables, which maintains the confidence of population attributes and accuracy (Pfeffermann, 1993; Saunders, Lewis and Thornhill, 2009; Creswell, 2012; Meyvis and Van Osselaer, 2018).

Although it mostly depends on the research aim (Qasim *et al.*, 2019), sampling is often associated with the convenience and the cost limitations of performing a census. A known probability of sample selection with a large population improves the accuracy and precision of the results (Holdsworth *et al.*, 2018). Typically, for most quantitative business studies, estimating the population's characteristics would be accurate at 95% certainty of its actual values (Guerrero, 2019). Likewise, this thesis with this percentage will determine the sample volume by employing a Yamane (1967) equation, following Fianto *et al.* (2018). Thus, defining the sample volume of this study would be as follows:

$$n = \frac{N}{1+N(e^2)} \quad n = \frac{103,569}{1+103,569 (0.05^2)} \quad n = \frac{103,569}{259.92} = 398.46 \cong 399.$$

Having delimited the size of the research sample, the next step is to define the number of components that should be chosen from each layer. A survey with

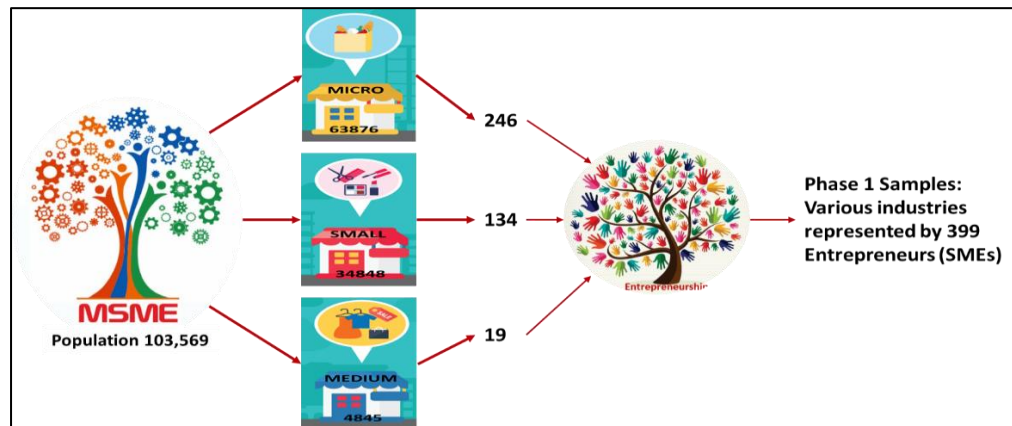
multistage samplings, like in this study, was determined by the proportional probability allocation because SMEs categories vary in population size. Hence, there is a higher probability of unequal selection into the ultimate sampling units. The small group can subsequently end with a higher selection probability than the large one, as elucidated by Cheung (2014). According to Kothari (2004), the optimal sampling plan selected through $i = n \times P_i$, where i denotes the number of elements selected from the stratum, n signifies the total sample size, and P_i describes the proportion of the population. As a result, based on the Riyada database, that is Micro $N_1 = 63,876$, Small $N_2 = 34,848$, and Medium $N_3 = 4,845$, the sample size (Figure 4.6) adopting proportional allocation of this survey is:

$$\text{MICRO: } i(n_1) = n \times P_i = 399 (63,876 \div 103,569) = 246.08 = 246$$

$$\text{SMALL: } i(n_2) = n \times P_i = 399 (34,848 \div 103,569) = 134.25 = 134$$

$$\text{MEDUIM: } i(n_3) = n \times P_i = 399 (4,845 \div 103,569) = 18.67 = 19$$

Figure 4.6 The SME population.



Source: Google images compiled by the author, 2020.

4.9.2 Pilot Study

Creswell and Creswell (2018) describe a pilot study as a methodological prelude intended to provide an initial evaluation of internal consistency. It increases the likelihood of success in the original survey by fulfilling a range of essential functions (Williams-Mcbean, 2019). This mini-test improves the items' questions, format, and instructions or proves the appropriate sample size in the

future broader study. Also, it increases the questionnaire's reliability, validity, and appropriate content (Ghouse *et al.*, 2017; Hamilton and Hekmat, 2018). This randomised controlled experiment is often applied as a reconnaissance phase to develop and validate the components (Ivankova and Wingo, 2018). In addition to delimiting the feasibility of methods by trying out techniques before committing to the precision and constancy required in the primary studies (Foster, 2013), pilot tests with a proper sample group before its release are also expected to consider computer literacy and the number of system configurations (Schleyer and Forrest, 2000).

The reliability of the appointed instruments and the consistency check tested using a pilot study between 10 (Hopkins, 2000) up to 25 observations (Olawale and Garwe, 2010; Wang, 2016) would respect confidence in resuming the larger sample for the main study. However, several different recommendations for pilot study sample size were raised to meet various possible aims. For instance, Hertzog (2008) suggests that the pilot study sample size depends on the ground of the pre-testing. It ranges from 10 to 40 observations to develop the study instrument to evaluate their adequacy in providing enough estimates precisely. However, Johanson and Brooks (2010) propose 30 representatives from the population of interest as a reasonable minimum recommendation for a pilot study, as in Jaffar and Musa (2014).

In this regard, this thesis piloted 50 members from the target SME population before the principal study deployment. The ultimate decision was guided by verifying the logic and efficacy of the questions included, in addition to the cost and time constraints. It was also conducted through Google (web-based survey) to identify any issues that may affect the respondents in completing the questionnaire. The author then reviewed the processing, distributing, and collecting of the questionnaire data—moreover, the wording and order of the questions.

The pilot test indicated some revisions were necessary, but primarily the questions were easily understood and could be completed within the average time estimate of 10 minutes. Further, six academic experts from the Staffordshire University in the UK and Sultan Qaboos University in Oman were consulted, plus four Omani entrepreneurs. Everyone critically commented on

the document both in Arabic and English to minimise bias and ensure accurate data. The questionnaire was corrected based on the feedback received from the representatives and specialists. Some necessary amendments were executed before the distribution of the main questionnaire. It helped in modelling a proper inquiry to get the responses and analysing them readily to obtain reliable and valid findings.

4.9.3 Distributing Instrument

In this section, it is relevant to highlight that selecting appropriate data for this examination was based upon those who hold an official registration in the SME sector in Oman. This restraint derives from the reason that they are the only ones who can appreciate this study's significance, connected to their interest in growing their ventures. To seek more extensive representation, the researcher has conducted a cross-sectional survey among the industries existing and forming the SME sector in Oman, using a bilingual (Arabic and English) SMS posted to the entrepreneurs. They were invited to partake by clicking the URL link of the online instrument hosted on Google. This call, along with an introductory designed to provide the code of conduct, was substantial for making an informed decision about participation (Creswell, 2012).

The survey administered through the Riyada SMS system and via a social network (i.e. WhatsApp) elicited voluntary and dependability participation. Reminder SMS messages were sent two weeks later to motivate further participants to complete the survey readily and expedite data distribution and collection. Data collection was launched on 15 November 2018 and lasted for three months, November 2018–February 2019.

Table 4.1 A summary of survey data collection.

Survey	Statistics
Distributed	2000
Received	432
Rejected	22
Useable	410
Required	399
Response Rate	20.5%

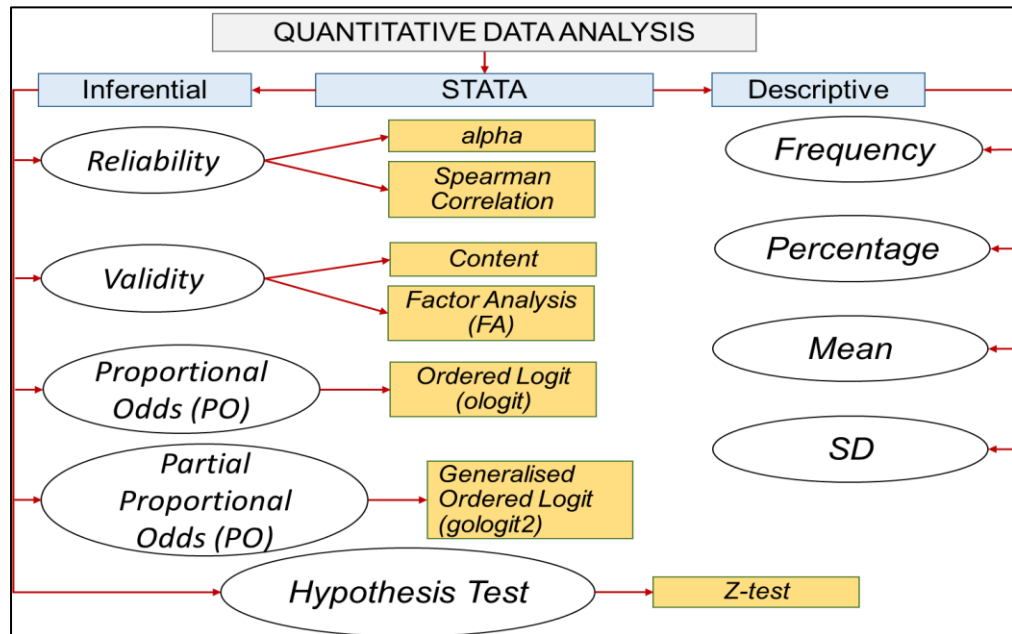
The questionnaire was delivered electronically to 2,000 entrepreneurs (Table 4.1), more than the size required (399) to meet the above-stated sample frame criteria. This number amounted to the reason for previous SME studies conducted in Oman with low response rates, as illustrated by Christina, Neelufer and Al Amri (2014). Furthermore, this ensured enough responses to compensate for nonresponse and minimise the potential for errors and bias (Creswell, 2012). About 432 responses were received, and around 22 were excluded because of repetition, incompleteness, or mistakes. Hence, around 410 responses were useable and deemed valid responses for analysis. Thus, the response rate represented 20.5 per cent (410/2000), which is a sound record for delivering judgements about the inferences of the study (Idris and Saad, 2019). Compared to other SME-related studies conducted in Oman, this rate illustrates the response rate is substantially higher. For example, Ghouse *et al.* (2017), surveying the barriers confronted by rural women entrepreneurs, obtained 57 responses.

The useable responses of 410 were coded for analysis using STATA software, which identifies evidence of the thesis argument by analysing data collected from the perspectives of the sampling frame. Notably, in Oman, where the study phenomenon's current resources are minimal, this approach directly contributes to the thesis queries. Further discussion on this is elaborated in the following section that offers a description of the analysis mechanism.

4.10 DATA ANALYSIS

This section constitutes the most critical part of any research study. The analysis technique is uncovered, defined by correlations and inclinations; then, knowledge is gained into the meaning of the relevant data (Albers, 2017). For example, a quantitative approach begins with a descriptive analysis to portray samples' drifts and tendencies and then offers expression and inference of the substantial relationship (Creswell, 2012). This analysis utilises statistical tests in a multistep iterative process as a tool to interpret the data (Albers, 2017).

Figure 4.7 The quantitative data analysis project.



In this context, an in-depth analysis was applied to recognise the respondents' beliefs and perceptions about the impact of IFPs on SMEGFs (Figure 4.7). The study design would firstly act upon the statistical description that offers to probe and define the nature of the data collected. In contrast, the second part, i.e. inferences, shows the correlations and inclinations uncovered within the collected data.

4.10.1 Statistical Analysis Software

Standard statistical software packages and their application have been recognised as popular programs, including SPSS, Eview, SAS, MATLAB, MINITAB, STATA, Mathematica, etc., utilised across all disciplines user-friendly (Acharya, Mishra and Kaleon, 2017). These analytical software tools are adopted for scientific research investigations readily, swiftly, and precisely, including the use of many nonmetric data types (censored, binary, ordinal, or nominal) (Hair *et al.*, 2014). In particular, the test of samples (i.e. characteristics, internal consistency), data (i.e. reliability, validity, correlation, descriptive statistics), and data distribution analysis (i.e. Cronbach alpha test, factor analysis, Spearman correlation coefficients, and regressions) are included (Pagan-Torres, González-Rivera and Rosario-Hernández, 2020). Therefore, selecting the programme, like STATA (Kaviti and Venigalla, 2019),

is most important to address the specific nature of data (i.e. ordinal, categorical, etc.). This pick helps to deliver a profoundly accurate interpretation of the present study's results.

STATA is widely appropriated to analyse sizeable statistical data with quick calculations and comprehensive capabilities, particularly quantitative data (Yue and Xu, 2019) and econometrics and social science research (Blossfeld, Rohwer and Schneider, 2019). Kaviti and Venigalla (2019) illustrate that this statistical software developed the ordered logit model using 'ologit'. Williams (2006, 2014, 2016) encourages using the generalised ordered logit model using 'gologit2' for the categorical and ordinal data. Importantly, this software provides in-depth analysis using gologit (Williams, 2006), which re-estimates the ologit model subject to restricting equal β coefficients across the categories of the outcome variables (Cyrenne and Chan, 2019). Odeh, Featherstone and Bergtold (2010) illustrate that this software provides consistent, reliable estimation results for both parameter and standard error estimates across the benchmark data sets. The software also performs relatively well on the means and standard deviations (Keeling and Pavur, 2007). Hence, these were justifications for this study to select STATA for analysing the ordered and categorical data collected.

4.10.2 Descriptive Analysis

Descriptive statistics help epitomise and describe large amounts of data in easily comprehended ways (Wienclaw, 2018). Stoica (2018) points out that the purpose of descriptive statistics is to define the essential characteristics of the attributes of a population. It identifies numerous details about the participants to describe behaviours, situations, events and results through their responses to better understand the areas of concern (Purdy and Popan, 2016).

Based on the essence of the research questions, like this study, the questions that start with 'what' fall under the descriptively bound research questions (Dewasiri, Weerakoon and Azeez, 2018). Descriptive analysis demands a quantitative inquiry accompanied by an initial report to understand the accumulated data (Jaffar and Musa, 2016) about a sample's essential patterns by allowing its interpretation (Sadiku-Dushi, Dana and Ramadani, 2019). This analysis describes the complete picture of the data and tests, such as

frequencies, means, standard deviations, numbers, characteristics, and the ratio of the participants in this research (Creswell and Creswell, 2018).

Furthermore, average mean and standard deviation (S.D.) scores are calculated for each statement and the common consensus of a particular statement conclusion by high mean with low standard deviation (Akbar, Shah and Kalmadi, 2012). As the mean pinpoints the centre of the data, the standard deviation measures the disagreement degree of dispersing the responses (Creswell, 2012). Thus, it describes the facts available to appraise the practical effect of IFPs in this investigation critically.

4.10.3 Regression Model Analysis

In quantitative studies, models are often visualised by figures with arrows, symbolising that the relationship between two variables is typically measured by statistical inferential methods, building on dependent and independent variables (Primecz, 2020). This sort of analysis is introduced with statistical inference methods, like tests of hypotheses, means, correlations, factor analysis, and variance analysis (Creswell and Creswell, 2018; Yue and Xu, 2019). Virtually, it establishes statistical correlations that build a database to infer similar characteristics for the larger population (Kothari, 2004) by applying the indicators available along with the information assembled about the trends on a particular scale (Dewasiri, Weerakoon and Azeez, 2018). This analysis also includes a dimensionality reduction, i.e. factor analysis (FA), into a few potential factors while decreasing material information loss (Yue and Xu, 2019).

According to Kaviti and Venigalla (2019), an ordered logit model is typically applied when more than two ordinal outcomes are possible for the dependent variable. It is generally used in various fields, including economics, sociology, political science, and psychology (Long and Freese, 2014). However, to the best of the author's knowledge, the ologit technique has not been executed to define the possible impact of IFPs on the adjustment of SMEGFs. It may serve other future researchers to perform a gologit analysis as a methodological contribution, particularly with categorical and ordinal data and dependent variables with more than two categories with valid sequential order values (Kaviti and Venigalla, 2019).

In this regard, the proportional odds (PO) model, ologit, is overly restrictive. Therefore, the parallel lines (PL) assumptions should not be violated, requiring the β 's to be the same for each value of the dependent variable categories. It is often the critical problem with this model (Williams, 2016). It implies that when the assumptions are violated, this model fails to reflect the nature of such influence accurately (Kral and Cuskelly, 2018). For this, the Brant test would be the best given a comprehensive and complete analysis of whether any variable violates the assumptions (Williams, 2016). Since the Brant test shows various coefficients across the categories, this violation leads to incorrect and incomplete data and creates a misleading impression of the results (Kral and Cuskelly, 2018).

Williams (2006) has argued that gologit analysis could fit models less restrictive than the PL models equipped by ologit. In other words, it relaxes the PO assumptions (for all or some of the predictors). It allows explanatory variables' impact to vary for every point the dependent variable categories are dichotomised, thus enhancing an ordered logistic regression (Kral and Cuskelly, 2018). The rationale of using the gologit model lies in the lack of compelling grounds to believe that the exact impact must be due to explanatory variables in each of the cumulative logits (Sasidharan and Menendez, 2014). Fullerton and Dixon (2010) argue that the gologit model is identical due to the slopes provided varying across cut point equations. This technique has a crucial advantage over other methods due to potential differentiation, allowing asymmetrical effects and offering more information (Sasidharan and Menendez, 2014). Let alone the quality of autofit, pl, or npl options that run when there are unavoidable negative fitted values for some values of X or the likely reduction of non-parallel lines intersecting. In this case, a series of Wald tests on each variable to see whether its coefficients differ across equations. The final model with constraints versus the original unconstrained model should be carried out (Williams, 2006, 2014, 2016).

The autofit option dramatically simplifies the process of identifying the partial proportional odds (PPO) model estimated by gologit that fits the data, including specifying the significance level. For extra details on how to autofit goes through an iterative process, see Williams (2006). Accordingly, this research will pursue the ordered and generalised logistic regression, as justified above.

This research considers the explanatory variables' significant impact wherever the confidence level is less than 90% (Jackson, 2016). On the other hand, hypotheses tests explain some nonsignificant quantitative findings and refine the conceptual model tested (Draucker *et al.*, 2020). They verify the acceptance or rejection of the null hypothesis in favour of the alternative. In other words, if the measured variance is greater than the critical figures, then the assumption that the mean score is 0 is dismissed in favour of the alternative that the variance is not 0 (Guerrero, 2019). To substantiate the thesis's assumptions, the z-test, using ologit and gologit regressions indicate a rejection of the null hypothesis whenever its p-value is $p < \alpha$ at 0.1 as statistically significant up to 10% (Cole and Sokolyk, 2018; Fianto *et al.*, 2018; Zhang, Lu and Zheng, 2020).

4.11 OPERATIONALISATION

4.11.1 Dependent Variables

This study measures SMEG as a dependent variable by four different indicators (capital, sales, profits, and employment), employing categorical dependent variables for empirical validation. Ordinal scales consist of items with an intrinsic order and involve rankings, dividing these dependent variables into four categories: "capital 1, 2, 3 and 4". The aim is to provide a more explicit precise to classify entrepreneurs' sight and perception of their business position for each determinant. It is easier and convenient to collect such ordinal categorical data (Guerrero, 2019) relating to Omani entrepreneurs' business details, particularly the capital, sales and profits.

Following the above, this study classified the capital dependent variable into four levels: the lowest level, with a value of OMR 1–9,999; OMR 10,000–19,999; OMR 20,000–29,999; and the highest level at OMR 30,000 and above. Similarly, the sales-dependent variable was divided into four classes: OMR 1–9,999; OMR 10,000–19,999; OMR 20,000–30,000; and OMR 30,000 and above. Likewise, the profit-dependent variable was also split into four categories: the first category is zero and less than zero; the second category is (OMR 1-4999), the third category is (OMR 5000 to 9999), and the fourth category is (over OMR 10,000). The employment dependent variable, in turn, addresses three levels that reflect SME categories: an SME that has up to five

employees is considered micro; small and medium reach up to 25 and 99 employees, respectively, consistent with the definition of Omani SMEs in chapter 3 (section 3.7).

4.11.2 Independent Variables: SME Growth Factors

The success of an SME depends on many determinants; however, this research analyses the significant role of the independent variables that influence access to finance and growth. It includes the availability of financial resources (FRs), capital structure (CS), cost of finance (CoF), personal values (PVs), corporate social responsibility (CSR), and knowledge (Kn), discussed in sub-section (2.2.3). These six explanatory variables allow us to investigate the moral impact of Islamic principles on the growth of SMEs in the Sultanate of Oman. IFPs related to the participatory investment of long-term finance may positively affect these independent variables. While SMEs may have financial constraints about conventional finance. Thereby, a remarkable interaction is expected between Islamic principles and SMEGFs within the IF system.

4.11.3 The Potential impact of IFPs on SMEGFs

Reaching an adequate measuring tool for business growth is not a straightforward matter, as the phenomenon under investigation in this study is relevant to religion which is personally practised. An often used scale is an agreement scale that comprises items with response categories ranging from strongly disagree (1) to strongly agree (5). This study, thus, incorporates the principles of IF implicitly into the items of the independent variables necessary for distinguishing and becoming familiar with the financial practices within the IF system. Therefore, the independent variables employed in this study are derived from the earlier studies that showed their impact on SMEG. However, the items deliver these factors within the Islamic law character to reflect the Islamic financing approach better.

The availability of FRs remains most significant in developing the SME sector. However, the high cost and the rate of risk associated with SMEs, such as borrowing, consultancy support, the lack of management skills, probability of default, and other factors, may affect this availability. Such challenges make access to finance inaccessible for start-up firms and limit entrepreneurs'

success. As such, IF affects the CS of SMEs via a participatory approach that helps manage projects by lowering the risk of investment, agency, and asymmetric information. It might help in reducing the CoF, making it affordable for SMEs. In addition, PVs control moral hazard and increase the level of trustworthiness among company leadership to assist their access to financing, including considerations of trends of benevolence and other accomplishments. This perspective reflects the role of CSR as a growth factor that affects actual relationships with customers. In return, entrepreneurs strengthen their strategic approaches appropriately, indicating the importance of Kn in growth by gaining the skills to overcome the obstacles posed by the inaccessibility of financing.

Figure 4.8 The interaction between IFPs, SMEGFs and SMEG.



Source: Google images compiled by the author, 2020.

* SME growth factors, i.e. financial resources (FR), capital structure (CS), cost of finance (CoF), personal values (PVs), corporate social responsibilities (CSR), and knowledge (Kn).

** IFPs, i.e. prohibition of speculation (jahalah), prohibition of impermissible (haram) activities, prohibition of deception and gambling (qimar), prohibition of usury and interest (riba), profit and loss sharing (PLS), and asset-based investment.

*** The effect of IFP modulation on SMEGFs, i.e. protection, collaboration, precaution, trust, recognition, and integration.

**** SME growth measurements, i.e. capital, sales, profits, and employment.

IFPs are centred on providing credit through the obligation of morality and realistic practices that restrain destructive and deceptive activities, upholding company interest. Inline, these principles are connected with the interests and property of others and are supremely important to limit exploitative tendencies. They improve personal integrity, discipline, trust and thus ensures the perpetual continuation of a beneficial effect. This refinement implies the curbing of risks, including asymmetric access to information and moral hazard, critical for a business's finance and growth. The essence of IFPs ensures ownership by linking assets and earning only through exerted efforts to bear the involved risks. In this case, IFPs form a tight loop that connects finance with actual initiatives and participates in deciding to afford the risk and exert positive earnings—encouraging skilled partners to participate and upholding contractual duties to disclose information results in a reduction of risks and costs. This study then considers SMEG to facilitate access to financing with the support that surmounting challenges such as the lack of collateral, skills, or experience, and the risks associated with asymmetries in information moral hazards as depicted in figure (4.8) above.

4.11.4 Control Variables

In examining the impact of the IFPs on SMEGFs, this study control for other specifications variables, such as gender, profession, education level, entrepreneurs' age, SME age, and industry (i.e. agriculture, manufacturing, mining, trade, services and others (all other sectors)). Initially, two variables symbolise the nature of SME ownership and management by gender and profession, measured in dummy variables. The first is "Gender", which equals 1 for male and 0 for female, whereas "Profession" equals 1 for owner and 0 for a manager. This research also includes entrepreneurs' age (four levels: 18-24yrs, 25-35yrs, 36-45yrs, & 46yrs and above) and SME age (four levels: 1-3yrs, 4-8yrs, 9-11yrs, & 12yrs and above) as control variables that substitute for experience possibilities, both of which may have opportunities to enhance ample entrepreneurship. In addition, education level embraces entrepreneurs' qualities as a control variable that might influence their administration and evolution of investment and processing SME performance through five levels of education, i.e. Primary/secondary (1), diploma (2), bachelor (3), master (4),

and PhD (5). This study also controls the diversity of industries in the Omani SME sector by employing dummy variables for agriculture (1, as a base), manufacturing (2), mining (3), trade (4), services (5) and others (6) in all regression models.

4.12 RESEARCH MODEL

SMEG model identified through various theories and used as a foundation to address issues at the individual and organisational levels are as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + e, \quad (1)$$

Where Y is the dependent variable that denotes SME growth, the independent variables represented by X_1, X_2, X_3, \dots , and X_n denote the SME growth determinants, and e stands for the error term.

On the other hand, the role of Islam has been studied to examine the relationship between perceived value and tourist satisfaction (Eid and El-Gohary, 2015), as the Quran and Sunnah render guidance on all perspectives of human activity. Thus, this study may infer that IFPs spin the investment direction and construct the CS that entrepreneurs receive under various financing choices. To the best of the researcher's knowledge, there is no inquiry into the efficacy of IFPs in lowering SME finance and growth obstacles. Accordingly, the model outlines the adherence to Islamic law-compliant attributes in all manners of SMEG. This remodelling implies that SMEGFs are implicitly reformulated by IFPs as follows:

$$Y = \beta_0 + \beta_1 \text{financial resource} + \beta_2 \text{capital structure} + \beta_3 \text{cost of finance} + \beta_4 \text{personal values} + \beta_5 \text{corporate social responsibility} + \beta_6 \text{knowledge} + e, \quad (2)$$

where Y is the *dependent variable* that denotes SMEG (i.e. capital, sales, profit, and employment); the *independent variables* denote X_1 , financial resources; X_2 , capital structure; X_3 , cost of finance; X_4 , personal values; X_5 , corporate social responsibility; X_6 , knowledge, and e denotes the error term.

This study aims to examine whether the SME sector would benefit most from IF policies. In this, it aims to improve the accessibility, productivity and development of financial services as a sustainability strategy. The technique of ordered logit modelling was applied to examine the SMEGFs modulated by

IFPs as the explanatory variables and the capital, sales, profit, and employment as the dependent variables. Both variables are measured on the ordinal scale owing to the valid sequential order of the values of the responses with more than two categories (Kaviti and Venigalla, 2019). The ordered logit model was adjusted for this research to estimate the expectations for each class where respondents' focus scored, explained in subsection 3.5.1. This model, following Williams (2006, 2016), is used for the estimation. Since Y_i falls within various threshold limits, the ordered logit form of the four models developed in this study has the same cumulative probability (except the intercepts) across the separate logistic regressions and is given as follows:

$$y^*_i = x_i\beta_i + e_i, \quad (3)$$

where,

y = vector of the dependent variables (i.e. *capital, sales, profit, and employment*).

x = vector of the independent variables (i.e. *FR, CS, CoF, PVs, CSR and Kn*) that have been modulated by *IFPs*, in addition to the controlling variables like *gender, profession, entrepreneur's age, education level, SME age, and industries*.

β = vector of regression coefficients.

e = error terms.

According to Williams (2016), the overly restrictive parallel line assumptions are a fundamental problem with the ordered logit model often violated. Since Y_i comes within various threshold boundaries, it does not mean that the determinants have the same effects equal in magnitude. Consequently, the generalised ordered logit model allows some of the β coefficients to differ among the values of the determinants. For example, the following equation expresses that β 's for X_1 and X_2 are the same for all values of j , but the β 's for X_3 are free to differ:

$$P(Y_i > j) = \frac{\exp(\alpha_j X_1 \beta_1 + X_2 \beta_2 + X_3 \beta_3 j)}{1 + \{\exp(\alpha_j + X_1 \beta_1 + X_2 \beta_2 + X_3 \beta_3 j)\}}, j = 1, 2, \dots, M - 1. \quad (4)$$

Accordingly, the gologit model is better suited to deal with such asymmetries; thereby, a re-specification of the equation is in order. The generalised form of the four models designed for this investigation with the different cumulative probability across the separate logistic regressions is given as follows:

$$P(Y_i > j) = \frac{\exp(\alpha_j X_{1i}\beta_1 + X_{2i}\beta_2 + X_{3i}\beta_3j + X_{4i}\beta_4 + X_{5i}\beta_5j + X_{6i}\beta_6j)}{1 + \{\exp(\alpha_j + X_{1i}\beta_1 + X_{2i}\beta_2 + X_{3i}\beta_3j + X_{4i}\beta_4 + X_{5i}\beta_5j + X_{6i}\beta_6j)\}}, j = 1, 2, \dots, M - 1, \quad (5)$$

Where $P(Y_i > j)$ predicts the likelihood of SMEG by the modulating strategies of the IF system on SMEGFs that scales up the access to the finance compared to the same baseline probability for equation (3).

4.13 QUALITATIVE SURVEY: INTERVIEWS

In general terms, the interview is a pattern extensively used as a qualitative research approach across several disciplines in social science (Mohajan, 2018), like economics and businesses (Basias and Pollalis, 2018). Gudkova (2018) points out that the interview confers potential insight into reality, based on people's perceptions, understandings, and reflection on the research findings via straight-talking (Abalkhail, 2018). An interview is a helpful tool in eliciting the domain and depth of answers required (Gray, 2004), and it is appropriate with an unexplored topic (Azungah, 2018), like Oman. According to Perry, Rahim and Davis (2018), this approach collects the direct perspectives of participants' common characteristics and the targeted sector to provide a more profound understanding of the research phenomenon. It focuses on the informants' beliefs, comprehension, and experiences, explicitly and uttered in their own words. Thereby, it justifies the appropriate choice of the open and liberated conversation between the researcher and the respondents for the context of this research.

4.13.1 Instrument Technique

According to Gudkova (2018), two types of interviews are identified in the literature: standardised and non-standardised interviews (structured and non-structured, or semi-structured, interviews). The former form is specified to verify the hypotheses formulated, whereas semi-structured interviews seek to understand the complexity of the material under investigation. Alsaawi (2014)

describes this as a mix of structured and unstructured questions pre-planned before the interview and allows for the opportunity to elaborate and demonstrate issues using open-ended questions. Semi-structured interviews are in-depth interviews regularly employed by different professionals in their research, where pre-set open-ended questions dominate the conversation (Jamshed, 2014).

The semi-structured interview method is used to keep an open mind about the shape of the phenomenon examined, allowing the IF's concepts and theories to emerge from the data as an inductive approach (Bryman, 2016). Swain (2018) indicates that this type of interviewing developed from collecting data with the flexibility of more open follow-up questions to probe specific issues. This form of interview adopts a middle ground as a sequence of questions posed during the meeting and allows more freedom to interact during the event to ask additional questions and generate new perspectives accordingly (Dikko, 2016; Richter *et al.*, 2017). This interview type has been identified as the best approach to gather more detailed responses to clarify 'how IFPs affect SME growth factors (SMEGFs)'. It allows more flexibility to handle the emerging ideas and concepts relevant to the research topic. It also explores issues of interest by the informants: depending on what direction the conversation takes, additional questions are asked, or new problems arise (Gray, 2004).

In recent years, face-to-face interviews have become a standard tool for data collection in qualitative studies, particularly for research concerning entrepreneurship and business (Ivanova-Gongne *et al.*, 2018; Sebikari, 2019). Kirchherr and Charles (2018) find that such interviews build trust and generate further referrals for other aspects. This close dialogue represents excellent data gathering and facilitates a positive rapport to establish ongoing productive involvement (Potter, 2018). Further, it helps avoid misinterpretation from the questions or main concepts clarified to make them understandable (Ghazinejad, Hussein and T.Zidane, 2018). Consequently, the value of using the face-to-face mechanism in this study lies in eliminating uncertainty during the conversation. Based on these rationales, this design was selected as a proper information collection technique at this stage. The potential advantages are to shed light on the benefits of IFPs.

4.13.2 Instrument Design

Gudkova (2018) advises that the questions should be understandable and compatible with interviewees' characters and language. The theoretical underpinning of this investigation was critical to design the script as it focuses on issues associated with the dimensions of the phase one framework from a religious perspective. These questions were semi-structured to examine the attitudes and decisions of participants on topics related to the impact of IFPs on SMEGFs. Accordingly, each interview was flexible to allow the researcher to guide and manage the conversation and centre specific essential questions. This versatility is critical for research into complex matters (Young *et al.*, 2018). Items of this part were drawn primarily from the findings of the former phase to elicit the maximum information about the subject from several perspectives, i.e. SMEs and other concerned authorities and sectors.

Initially, the instrument was designed to start with the study demographics of the individuals and their business activities to identify their nature and characteristics. Then, it moves to the financial dimension to explore perspectives on the challenges and risks associated with SMEs, looking into IF solutions by observing how they prompt the practicalities of financial resources by introducing constant backing. Next, it addresses the economic dimension by exploring the role of IFPs in enriching the SME sector's development aspect and participation characteristics to improve the growth process. The script further addresses the administrative and social dimensions of the business structure. It liberates the advantages of the participatory style derived from IF to improve entrepreneurs' performance and productivity. Also, it involves the ability to review personal and societal values and their impact from an organisational perspective. Lastly, the instrument addresses the dimension of religion, including questions about the perception of Islamic practices and compliance. It explores how IFPs restrain the causes of risk and exclude its components (Appendix G).

4.13.3 Question Construction

Qualitative research is flexible in the possible modification in questioning or supplementing a slate of questions with new ones that may better reflect the observed phenomena (Strumińska-Kutra and Kołodkiewicz, 2018). Therefore,

the type of questions asked in the interview is often distinguished, like open-ended ones (Creswell and Creswell, 2018). This widening answering distance implies further understanding and enriched interpretations (Ivankova, 2014), mainly through subsequent explanatory studies requiring additional statistical analysis (McCrudden and McTigue, 2019). Likewise, this follow-up phase focuses more on explaining the ground rules investigating how religion could smooth such procedures. For example, questions include determining the obstacles that affect the funding of SMEs and elucidate how IFPs mitigate risk in this context. These inquiries explain IFPs' capability to provide substantial sources act to facilitate the SME management process.

Each interview began by addressing the most critical challenges that prevent start-up enterprises from accessing funding and the risk associated with such a process. Interviewees were also asked about their perceptions on the appropriate method of financing to minimise estimated risk. Next, they were asked a series of questions about the role of IFs in supplementing the real needs of SME financing. This inquiry foremost entails exploring the actual financial needs of SMEs; thus, interviewees were asked about the main challenges facing them. It also included an investigation into the facets of ownership and commitment, explicitly confronting entrepreneurs in providing collateral. It focuses on the participants' ability to ensure the property of the financiers in IF. For example, questions requested their interpretation on how IFPs operate to protect wealth and reduce risk and costs.

Similarly, the economic axis was developed to question the constitutive principles that IF focuses on structuring the capital. For instance, questions were posed to explicate the energetic framework that maintains a participatory method to assure the productive sharing context. In other words, this aspect involved queries on how IF enhances economic productivity and shapes the structure of a business. The administrative and social axis involved questions about the possible Islamic ingredients that might reduce SMEs' risks. On the one hand, items require the interpretation of the essential characteristics of IF that manage risk, as well as the impact of faith on personality and the awareness of trading. On the other hand, social responsibility encompasses questions regarding the ability of these tenets to incorporate the interests of both, i.e. entrepreneurs and community, and to heighten relationships and

create an excellent reputation. The questions for this aspect refer to the regulations of Islam that correspond simultaneously to the interests of society and individuals, particularly the goal of mutual consideration.

The religious axis, in contrast, comprises matters that interpret the possible means of stimulating the development of entrepreneurs' abilities, commitment, awareness, and skills in an attempt to uncover the sources of IFPs to spur an expansion of the SME sector effectively. For instance, the tool embraces questions about the role of discipline for entrepreneurs in IF, mainly to ensure the continuous flow of funding, reducing risk, compensation, and various skills. The intention is to concentrate on their impact and interpret how these elements affect financing SMEs. When necessary, few changes were made considering the diversity of the sectors addressed. Entrepreneurs were asked to explain the central challenges in their business management and policies that hinder access to financing. However, bank managers regularly confessed their reluctance to fund start-up firms. The interviewer also probed the knowledge of experts to define the impact of Islamic financial practices and their use in reconciling these sectors' views. Furthermore, top government authorities discussed their experience of the potential policies of quality management by implementing IF.

4.13.4 Interview Guide

The author paid attention to creating a conversation that would respect the interviewees' privacy and clarify aspects of the research and its objectives. This approach builds trust with the informants, allowing them to share their information without concerns (Gudkova, 2018). It led to obtaining certain confidential information that might not be appropriate to disclose (Veltelen, Konradsen and Ostergaard, 2018). Richter *et al.* (2017) have directed that when the purpose of the discussion is based on a specific research aim, a guided interview would be most suitable rather than information posed on participants' endeavours. This view focuses on generating morally acceptable information that prevents any drawing of external perceptions not relevant to the research phenomenon. Therefore, an interview schedule was developed based on the quantitative findings elaborated in the previous chapters. In this regard, it serves as a directory to ensure accurate data during the conversation,

thereby providing a stable framework of consistency into the internal issues covered within this survey (Brayda and Boyce, 2014).

It is worth noting that this guide was developed as a scheme to stimulate the respondents' reflection upon differentiating perceptions and thoughts resulting from applying the IF system. For example, entrepreneurs looked to smooth access to finance to develop their business, while the bankers were more concerned with collateralising the funding. In return, academics provided the guidelines of Islamic policies and their formulation to be implemented by the government that assure the quality management of such systems and professional practices with a precise emphasis on its suitability in Oman's context.

4.14 DATA COLLECTION

As Robinson (2014) has advised, data collection's rigour is crucial to supply the necessary information for comprehensive analysis. The robustness of the data from the sample proved adequate through its representativeness, strategy, and source. Also, the overall fit was addressed between research questions and the total sample strategy. Therefore, appraising the preliminary procedures drives the research machine progressively towards its proper enforcement. The data in this research was arranged for additional information to widen the understanding of the IF phenomenon. It is worth augmenting the intellectual perspective or insider view with in-depth details on how IFPs interact with SMEGFs.

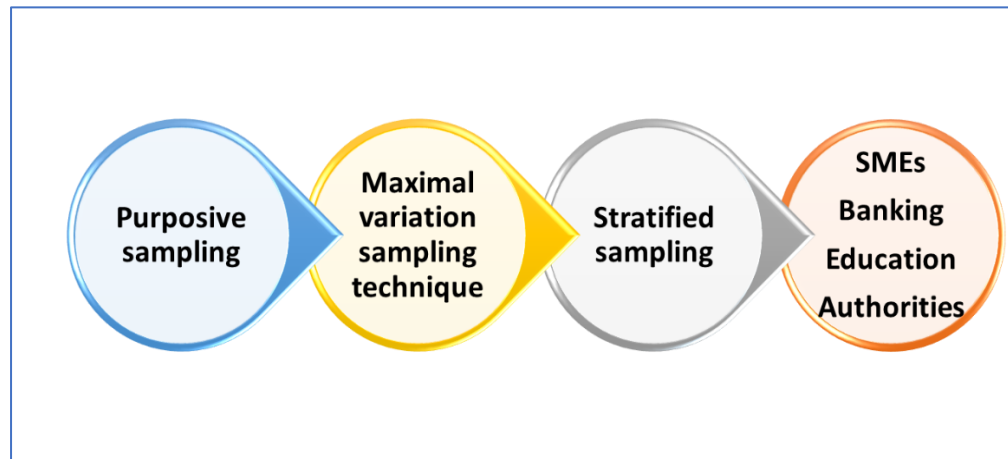
The mechanism of the qualitative approach should be located to collect information about the identified results from previous chapters. This section considers the leading preparatory actions of the qualitative instrument. It begins with the sampling design adopted for the second stage of the research method. It includes the sample frame to identify the potential participants selected to discuss the quantitative results' issues. Further, the technique used to secure the representativeness of the target population was surveyed. It thence reviews the proceedings of the pilot process. This step was utilised to ratify the instrument by refining the approach before the complete set of interviews. It provides a comprehensive overview of the interview practice among the identified sample.

4.14.1 Sampling Design

This section began with the determination of the best possible representation of the leading sample design. It enlarges the comprehension of the research phenomenon tackled by the quantitative results. This tactic undoubtedly awards the best adoption of collecting data in this phase and the most meaningful interpretation of the outcomes. The impact of this study requires sufficient clarity from those who can best understand its essential contribution and articulate the reference frame of the research phenomenon. Ivankova (2014) notes that one of the three steps of securing the quality of the inferences generated in an explanatory sequential study includes a systematic process to select the elite informants for the qualitative follow-up stage.

Purposive sampling strategies ensure particular categories of individuals who have a unique, different, or essential perspective. This aspect of the event in question was based on their prior theoretical understanding of the phenomenon studied (Robinson, 2014). Therefore, this study applied this strategy to represent all parties concerned with SME development in the Sultanate of Oman. This exploration includes entrepreneurs, bankers, academics, and policymakers, ensuring coverage of all relevant categories within the development sector (Weiler, Matt and Hess, 2019) to prevent biased opinions (Kapetaniou and Lee, 2017). Because of vital support, the research was augmented with in-depth evidence from those who have been part (Saleem *et al.*, 2017) of SME sector development, particularly those with knowledge related to institution-wide policies and actions that are usually the purview of top management (Aguinis and Solarino, 2019). The purposive approach enhances transparency by being explicit in the logic of the sampling frame and systematically fitting its processes with all investigation procedures that were mutually supported and theoretically consistent (Robinson, 2014).

Figure 4.9 Qualitative sampling technique.



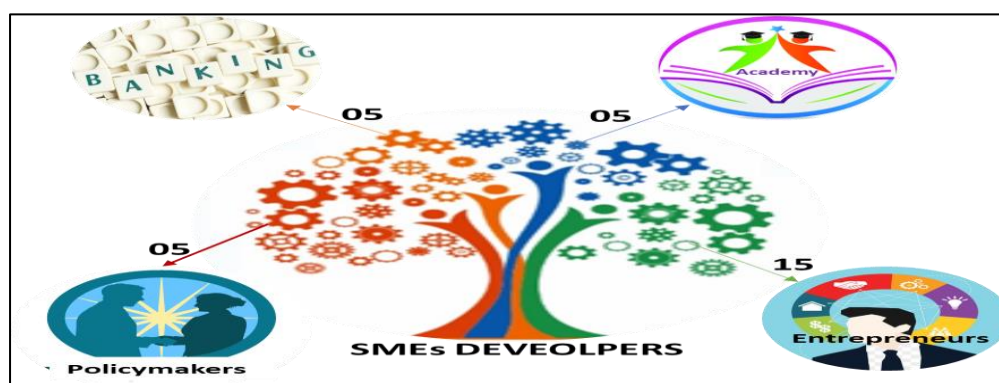
It is essential to present multiple perspectives from individuals who stressed the complexity that faces the SME sector. One of the sampling techniques is to maximise the variation of the sampling, known as a purposeful sampling strategy, in which individuals differ as to some characteristic or trait (Creswell, 2012). Gray (2020) specifies that the absence of such a technique in a qualitative study with small sample size is considered a potential weakness that causes heterogeneity. This diverse sample construction with various characteristics in terms of industries, sectors, and narrators should allow for a comprehensive vision (Harsch and Festing, 2019) of how the adoption of IFPs can achieve SMEG. Accordingly, the maximum variation sampling technique was applied to reach broad knowledge outside of entrepreneurs' explanations, the primary samples investigated in the previous stage (Figure 4.9). This criterion of the sampling selection process is specified according to SME sector development in Oman, especially in facilitating, developing, and managing. This consideration yields the applicability in other contexts of groups; thus, the generalisability and the credibility of findings (Noble and Smith, 2015).

Stratified sampling is a technique to identify the scope of representatives from the selected samples. It divides the population into four categories: practitioners of four relevant private and public sectors, i.e. SMEs, banking, education, and government institutions. As such, the sampling strategy in this study ensures representativeness. According to Robinson (2014), stratification categories of the purposive approach can be differentiated geographically, demographically, socio-economically, physically, or psychologically. Therefore,

the categories selected from the cases should be scrutinised and purposively included in the study phase's final sample according to the development role for this sector. Here, the researcher emphasises a clear theoretical rationale for a meaningful way to use various demographic and socio-economical categories of SMEs. For instance, entrepreneurs were the key actors in providing information regarding the tangible challenges and obstacles that hinder their project growth. In return, bankers facilitate assessing financial needs and detect the deficit of entrepreneurs' ability to manage their finances efficiently. Scholars discuss the development of entrepreneurial skills, and policymakers support this sector consistent with assuring ownership and rights. This targeting enhances reliability due to the in-depth knowledge of the respective SMEs and can provide insights into the underlying motives and goals of the study phenomenon (Ince and Hahn, 2020).

The representation of various positions, disciplines, and independence would enrich and balance the external involvement of these sectors in SME development. For example, the top leaders are the key actors to ensure that their views are well represented in how SMEs can grow through IF in terms of assurance, creditability, collaboration, and other dimensions addressed by the Islamic system. The senior management interview allows for a consideration of the shape of the institution by their perspectives, mainly if other organisational interviews support this (Drew, 2014). Thus, employees and lower-level managers are excluded because they are mostly unskilled or semi-skilled and are far removed from the decision-making process. As such, they are less likely to provide in-depth explanations concerning the topic under investigation within a real-life setting due to the lack of the necessary knowledge and experience (Richter *et al.*, 2017). More crucially, it improves the quality of social disparity by addressing women according to their convenience and permission. Because of a highly conservative Islamic culture in Arab countries, like Oman, most interviewees are men (Al-shanfari, 2012). Nevertheless, since they were well-advised and corroborative by their relatives, this was not a challenge. The researcher was attentive to obtain the relevant data from different social representatives among all sectors.

Figure 4.10 Sample categories and size.



Source: Google images compiled by the author, 2020.

** SME Developers: Entrepreneurs, Bankers, Academics, Policymakers.*

After determining the sample, the subsequent research phase stands upon the 'information power' proposal supported by Malterud, Siersma and Guassora (2015). It provides a guide to the adequate sample size that enables the lowest number of participants necessary for the relevance of the actual study, dependent on the power of the information held. This suggestion of 'sufficient information power' for this study depends on (a) sample specificity that exhibits variation within the experiences of different quarters concerning SME development. In addition, (b) a theoretical perspective offers a concept of IF framework for the financing of start-ups due to the limited theoretical background of this study's phenomenon, which requires a larger sample size. As a result, the researcher targeted elite informants from the determined fields consistent with this concept to coherently ensure more information with empirical data (Figure 4.10). Here, in-depth interviews with a purposive sample of 30 participants are considered large (Fugard and Potts, 2015; Boddy, 2016) and justified through their diverse experiences, which provide sufficient data for the explanation (Malterud, Siersma and Guassora, 2015).

Table 4.2 Qualitative sample categories and size.

SME Development Institutions	Categories	Position	Number of Informants	Totals = 44
SMEs	Micro	Owners	10	18
	Small		5	
	Medium		3	
Banking	Islamic	Executives	4	10
	Conventional	OR	3	
	Funds	Managers	3	
Education	Jurists	Islamic Law	3	9
	Lecturers	Economists	6	
Authorities	Public	Officials	3	7
	Private	Executives	2	
	Shura Council*	Members	2	

* A Consultative Assembly, which is the consultative legislative body in the Sultanate of Oman

Although this phase of the study planned 30 interviews with the specified sample in various disciplines operating or concerning SME development in the Sultanate. However, it was conducted with 44 informants because of their desire to make statements, realising the research importance in this field, and the researcher's willingness to enrich the study with further information. This passion, reflected by the many, lasted for about 60 minutes or more, where the interviews were scheduled to last for about 30 minutes. Therefore, this sample size accommodates the maximum familiar variations within the experiences and practices of the sample chosen (Malterud, Siersma and Guassora, 2015). That is 18 from SMEs, 10 from the banking sector, 9 from the education field, and 7 from the SME development authorities, see table (4.2) above.

4.14.2 Pilot Study

Young *et al.* (2018) acknowledge that a test of the interview instrument is essential for checking length, language suitability, and potential sources of bias. Additionally, they confirm that this trial produces enough relevant data to respond to the research question; otherwise, changes are needed. Abdul Majid *et al.* (2017) highlight the improvisation of the pilot study towards the major examination, where it is crucial to test the questions that help identify any flaws or limitations within the instrument for necessary modifications. This preliminary

survey was held to define the accessibility of the required data to produce an adequate interpretation of the results (Berg and Struwig, 2017). Developmentally, this step is perceived as beneficial for improving the researcher's interviewing skills and obtaining advantages, including exchanging ideas and socialising (Abdul Majid *et al.*, 2017).

The selection of participants in the pilot study was developed from the same criteria used in the primary stage: those engaged in the SME sector, e.g. entrepreneurs and academics. The received feedback, particularly from the three academic experts, helped refine the initial script of this study by incorporating advisable changes to make them more comprehensive, conversational, and idiomatic. Similarly, three entrepreneurs' feedback was essential for developing the initial script regarding familiarity, clarity, and awareness of the possible interpretation targeted (Castillo-Montoya, 2016; Williams-Mcbean, 2019). More importantly, it led to the understanding of the posed questions and smoothing the stream of conversation. The pilot study provided a model for a neat inquiry script to gain trustworthy responses and ensure adequate representation of items that operationalise the concept (content validity) to address the research outcomes (Dikko, 2016) ideally.

4.14.3 Interview Process

The initial few minutes of each interview were spent discussing the research aims and creating a favourable climate for informational exchanges and disclosures, as suggested by Lune and Berg (2017). Notably, like entrepreneurs, most interviewees lacked previous experience and provided a good batch of data for envisaged outputs (Young *et al.*, 2018). The interviewees, then, were acquainted about their rights to withdraw from the interview at any time or not to answer and assured that the collected materials would be employed only for the framework of research and knowledge enrichment.

All interviews were conducted on the premises belonging to interviewees, typically the shops and offices of the participants, to ensure a productive atmosphere and lead to a more familiar and tranquil setting that made them feel comfortable and relaxed. The voluntary information sheet was provided to obtain their consent before the interview, reminding them that their identities

would be anonymous in the final report and the data shared only with the strictest confidence. At the start of each dialogue, the researcher sought permission to record the conversations. This audio recording serves the purpose of promoting the accuracy of the transcriptions (Alsaawi, 2014). It mitigates potential misinterpretations and misunderstandings of the notes taken during the interview (Fletcher, Massis and Nordqvist, 2016). This recording also allows the researcher to focus on the interview contents and the verbal flow of relevant information to capture more valuable data at any point through the conversation (Jamshed, 2014). As such, records give this study a chance to add new information, clarify ambiguity, and analyse these cues more accurately.

Although the differentiation of this sampling was framed, all possible attempts were made to reduce the amount of variation between the questions asked among participants to allocate reliable and valid information for the analysis. In some cases, subjects were verified by matters to re-emphasise what was said and remove confusion, if any, in a proper record of the data. Otherwise, a clarification replaced the misconstrued information. Notably, the data was generally accepted by the participants who were happy with what was captured, reflecting their honest views and experiences about the phenomenon. The majority of interviews were held in the local language (Arabic), except for two conducted in English (preferred by the interviewees).

Most who took part in this survey discussed their knowledge of the challenges for SMEs and possible support by adopting IF on aspects related to business policies and management. The prepared schedule guided the interview, but on some occasions, the informants were allowed to swerve from this schedule due to the need of clarifying matters raised and share any information relevant to the studied phenomenon. Comparatively, some questions with participants were omitted because they had previously debated extensively about the issues they were interested in or were not precisely relevant. Instead, additional questions were asked where necessary for further details about the themes of the survey.

4.15 DATA ANALYSIS

This explanatory phase was pursued to elucidate the essential functions of IFPs that facilitate the financing process. Therefore, the following sections refine the analysis of the qualitative data. For instance, the first section provides a detailed elaboration and justification for constructing the frame of qualitative data analysis. It is followed by an overview of the applied thematic analysis technique used to extract the major themes. Finally, it describes the analysis process to analyse the collected data in this study phase.

4.15.1 Analysis of Qualitative Data

The qualitative analysis is an interpretive lens through which a person describes the relevant themes to capture meaningful information. It typically catalysis more coherent analytic frameworks for an interpretive description of the data (Thorne, Kirkham and MacDonald-Emes, 1997). Furthermore, it develops extensive perceptions of the information furnished by examining and explaining it several times (Creswell, 2012). This study's primary data source stage comprises qualitative, semi-structured, individual face-to-face interviews with entrepreneurs, bank managers, academics, and policymakers in Oman. Therefore, this thesis adopts that analysis method based on the above justifications. In this way, both approaches supplement each other (Jonker and Pennink, 2010). In particular, an in-depth analysis of many different variables (Basias and Pollalis, 2018) is required for this part of this research.

The data analysis of this part of the survey relies on the purpose of the study and the mixed methods research approach to explain the quantitative findings sequentially. The intention is to widely expound the meaning of the survey phenomenon through the knowledge and experience of various characters involved in the SME development process. Therefore, a phenomenology approach was deliberate to 'open up' the IFPs phenomenon in mitigating the obstacles to SMEG and make sense of its invariant structure. This approach conceptualises the meaning of the phenomenon via individuals' awareness to extract details about domains of which there is scarce knowledge (Mohajan, 2018). In this approach, the focus would be on those profoundly familiar with the aspects under investigation and how they experience the event as they are going through it (Mihos, 2019).

Analysis of the qualitative method converts the data into some form of detailed interpretation. The process considers the massive flow of information at the time of the interview. Therefore, the interviewer taped these interviews and used notes for cross-checking and verifying data against the audiotape recordings. It has been taken to transcribe the data later for analysis purposes. This consistency of the analytical procedures used helped validate the data and support the reliability of the qualitative inquiry (Noble and Smith, 2015).

4.15.2 Thematic Analysis Technique

This part addresses the qualitative data analysis form, thematic analysis (TA), as the main focus is to grasp, explain, and clarify situations, perceptions, beliefs, and experiences (Basias and Pollalis, 2018). According to Clarke and Braun (2013), TA is essentially a theoretical flexible analytic method to identify, analyse, and extract patterns within the data. Maguire and Delahunt (2017) add that this flexibility is unrestricted with an epistemological or theoretical perspective that makes the method flexible for a considerable advantage, given the diversity of work. It also embraces a search process across a data set to find meaning among the articulated repeated patterns (Braun and Clarke, 2006). Therefore, TA allows for the interpretation of quantitative findings deeply in this study within the potential themes framed and extracted based on the aim of this research.

The TA approach is most widely applied in the social sciences across various disciplines (Swain, 2018), which involves core skills and techniques essential for many other forms of analysis in the qualitative study (Braun and Clarke, 2006). It also allows for descriptive and interpretative patterns within the data to create maps or tables of analysis (Weiler, Matt and Hess, 2019). The substance of TA lies in its suitability with a wide range of research questions, different types of data, various sizes of data sets, and the production of data-driven or theory-driven analyses (Clarke and Braun, 2013).

As per the six steps identified by Braun and Clarke (2006) and Clarke and Braun (2013), this strategy is utilised for identifying, analysing and proceeding with the patterns within the collected data. First, the researcher must immerse himself in reading and rereading to become familiar with the data. Second, coding every item for important features captures a semantic and conceptual

reading of data and collates all the codes and relevant data extracts. Third, searching for themes with a coherent and meaningful pattern to identify similarities in the relevant data. Fourth, it involves reviewing topics that began by defining the nature of ideas and their relationship for a convincing and compelling narrative about the data. Fifth, it consists of identifying each topic's 'essence' and constructing a concise, punchy, and informative name for each one. Last, it involves writing to weave the analytic narrative extracts for contextualising a coherent and persuasive tale about the data.

For this research, the purpose of TA is to identify important themes to demonstrate the impact of IFPs on SME challenges or indicate the reasons behind this influence. This approach addresses and elaborates the ambiguity about this issue, detects ideas, formulate some conclusions, and finally develop a general framework. It offers an explicit and applicable structure of its implementation that arguably is the most influential process in the social sciences, according to Maguire and Delahunt (2017). Braun and Clarke (2006) state that the theme collects important details about the data concerning the research question and reflects a patterned response or context within the data collection.

The verbatim transcription of the interview in this study includes a vast amount of textual information. Thus, TA was employed to analyse the open-ended nature of data and reduce them into workable themes and emerging conclusions (Castleberry and Nolen, 2018). Primarily, TA considers what has been declared within the collected data, aiming to identify the patterns contained. As a result, the TA is used to uncover the details of the quantitative outcome, employing coding phrases for each theme to determine the quality of IFPs in facilitating the SMEG path. Such procedures entail the basics of credibility, transferability, dependability, and confirmability to establish the reliable findings of this study (Abalkhail, 2018).

4.15.3 Data Analysis Process

The clarity of the data analysis process is vital to remove the ambiguity of the synthesis compared to others (Braun and Clarke, 2006). Thus, it provides a clear path of quality, reliability, and validity in assessing this research examination (Noble and Smith, 2015). This part of the procedure is performed

according to the suggested styles of analysis recommended by Clarke and Braun (2013) and their six-step interactive model. The review of the inductive approach executed in this part outlines the identified themes. Initially, it was established based on the quantitative outcomes, progressing to an interpretative form that attempted to probe the collected data deeply.

The analysis process commenced by transcribing and then reading the recorded interviews, which underpinned the familiarisation with the data. Meanwhile, notes were taken during this process to outline specific data chunks assigned to initial ideas or a particular topic (Richter *et al.*, 2017). The audio recording was to mirror and portray the conversation as realistically as possible and confront the challenges of the transcription process (Saleem *et al.*, 2017). It offers factual perspectives and descriptions by using direct quotes from the informants to report descriptive truth and veracity (Fletcher, Massis and Nordqvist, 2016).

The verbal qualitative data was transcribed into Arabic text (the native language of the participants) and then translated into English to facilitate the analysis approach and writing of the report. In this matter, the researcher has followed the process applied by Abalkhail (2018). It began with listening through the whole records and writing their statements literally in Arabic. It followed by reading the entire narrative to become familiar with the contents and meanings explaining this research phenomenon, then translated into English. Based on the present study's mixed approach, the extraction of pertinent details strictly related to the quantitative findings and its interpretation was the main focus (Saleem *et al.*, 2017).

During this process, interpretation softwares, namely Google Translate, Grammarly, were used to find the correct and accurate meaning of unfamiliar words and sentences. For the accuracy of this process, a final check was performed: rereading the entire narrative as the interpretive approach allows the researcher to interpret the meaning of the statements rendered in the conversations (Abalkhail, 2018). Further, All the conversation records were revised, transcribed, and translated to develop the themes pertinent to the area of investigation. This eliciting data binds the identification of the items required for further explanation (Saleem *et al.*, 2017).

4.16 SUMMARY

This chapter articulated the methodology to describe the survey paradigm that examined the research phenomenon and enunciated to demonstrate the explanatory mechanism of the specified findings. The mixed-methods approach, more specifically the explanatory sequential approach, was applied to increase the extent of knowledge of the IF field to provide an in-depth comprehension of its potential for SMEs' future development. Based on this, the study started with surveying the literature approach that enlarges the broad representation of the obtained data. As this study aims to verify the findings of the hypotheses as a first stage, the second phase is to build a broad and substantial ground of the phenomenon. Then, it delimited and justified the sampling technique to accurately represent the full range of entrepreneurs and those concerned with SME development in Oman. This pattern of frame sampling allows for obtaining various information on the role of IFPs in the modulating process of stimulating SMEGFs. Therefore, the survey was prepared to collect and analyse quantitatively and qualitatively for more illustrations and explanations. The opted analysis technique concludes this chapter with the rational adoption of the IF system for SMEs in the Sultanate of Oman, which is brought by different forms of representation, namely descriptive, inferential, thematic.

CHAPTER FIVE

SME CHALLENGES AND ISLAMIC FINANCE FEASIBILITY

5 SME CHALLENGES AND ISLAMIC FINANCE FEASIBILITY

5.1 INTRODUCTION

This chapter focuses on describing the findings of the data analysis relating to the research objectives. That is, examining the SMEs' financial status and economic performance to identify the key development constraints of SMEs in the Sultanate of Oman. Initially, this chapter prescribes the nature of the leaders of the SME sector in Oman by discussing entrepreneurs' demographics and SME profiles. This analysis profile of the participants' features illustrates a reflective role in defining the unique characteristics of this study by describing participants reactions and circumstances for a clear perception of the phenomenon. In contrast, SME fiscal dimension is elicited via the description of the scale of capital, sales, profits, debt, and sources. This chapter also depicts SME expansion's financing dimension by looking into the major financial challenges interpreted thematically.

Next, Chapter 5 presents the quantitative phase outcomes of this study using an inferential statistical technique to infer various models' statistics and analyse with greater reliability the valid data. For this, STATA utilises Cronbach's alpha test, Spearman correlation coefficients (ρ), and factor analysis (FA). In this case, STATA identifies the correlation between SMEG determinants and implicitly modulated growth factors by IFPs. This analysis is conducted through ordered logistic and generalised ordered logit regressions and validates the hypotheses using z-Statistics. This chapter also discusses the reliability and validity of the data employed. It also articulates the inferential statistics in detail within the analysis process of regressions for the specified models to measure SMEG. Finally, it summarises the scope of the discussion of this chapter.

PART ONE: SME CHALLENGES

5.2 DEMOGRAPHIC ANALYSIS

This study divides the user profiles into two characteristics: entrepreneurs¹⁴ and companies (SMEs). The questionnaire comprises gender, profession, age, and educational level to examining entrepreneurs' demographic characteristics, as shown in table 5.1. In return, SMEs demographic information contains their operating period, industry, employment size, and categories delimited by the number of employees (see table 5.2).

5.2.1 Part One: Demographic Entrepreneurs Characteristics

The analysis offered a detailed description of the respondents' distinctiveness. Concerning gender, men dominated responses, slightly over 84%, compared to women, who made up around 16%, as shown in table (5.1). This result highlights the lower level of female participation in entrepreneurship, corroborated by Ghouse *et al.* (2017). One fact behind this explanation is the dominance of entrepreneurship by men in the Sultanate of Oman; naturally, most are running SMEs, consistent with Al Bulushi and Bagum (2017). This research attributes this disparity to the cultural and traditional factors that restrict Omani women from venturing into business, corroborated with a recent study by Al Qassabi (2020). Similarly, the professional status indicates high participation of SME owners by 84%, whereas managers' responses were about 16%. As a universal characteristic of SMEs, this majority supports the eagerness of ownership and control among entrepreneurs and the lack of external hiring of experts and skilled staff, corroborated in statement 5 (subsection 5.5.1).

The survey shows a marked consistency with (Al Balushi, Locke and Boulanouar, 2018) that the youth dominate Omani SMEs since most are 45 years old and under. This survey indicates that the age group of 36 to 45 was around 42% of the data, and the group aged 25 to 35 years old represented approximately—38%. Both comprised slightly over 80%, making up the vast majority of the total respondents. The age group of 46 and over delivers about

¹⁴ Entrepreneurs defined as those who have power in decision making, such as the owners or managers.

15.8% of the data, compared to the lowest representation of 18 to 24 years: approximately—4%. Most entrepreneurs' highest degree was Bachelor, about 32.7%, which slightly rose over the Diploma grade, with 30% — followed by the primary/secondary level for around 20.5%. In contrast, the Master and PhD degrees were about 14.9% and 1.9%, respectively. This education level among Omani entrepreneurs perhaps implies the potential improvement receptiveness of the best method of development.

Table 5.1 Demographic summary of the entrepreneurs.

Variables	Description/value	Frequency	Percentage
Gender	Male	346	84.4
	Female	64	15.6
Profession	Owner	345	84.1
	Manager	65	15.9
Age	18–24yrs	16	3.9
	25–35yrs	156	38.1
	36–45yrs	173	42.2
	46yrs and above	65	15.8
Educational Level	Primary/Secondary	84	20.5
	Diploma	123	30
	Bachelor	134	32.7
	Master	61	14.9
	PhD	8	1.9

5.2.2 Section Two: Enterprises Characteristics

The data collected also showed a detailed description of the SMEs supplied by the entrepreneurs. For instance, the study describes the extent of SMEs' endurance through four groups of steadfastness years. The majority of the firms sampled were in the groups aged 1–3 yrs, 4–8 yrs, and 12 yrs and above—approximately 28%, 29% and 28%, respectively—while the category of 9–11 yrs was slightly over 15%, illustrated in the table (5.2). This result is likely to explain the reasoning behind the financial gap among Oman's SMEs due to the range of companies' business life. This modernity suggests entrepreneurs lacking business knowledge, technology, management, collateral, and skilled or experienced staff (Al Barwani *et al.*, 2014). This finding

calls the necessity of the supportive system to afford such a lack of enhancing risks SMEs' resistance ability.

Table 5.2 Summary of SMEs characteristics.

Variables	Description/value	Frequency	Percentage
Enterprise Age	1–3 yrs.	113	27.6
	4–8 yrs.	121	29.5
	9–11 yrs.	62	15.1
	12 yrs. and above	114	27.8
Industries	Agriculture	6	1.5
	Manufacturing	111	27.1
	Mining	2	0.5
	Trade (Buying and Selling)	126	30.7
	Services	116	28.3
	Others	49	11.9
SME Categories	Micro (1–5 employees)	178	43.4
	Small (6–25 employees)	177	43.2
	Medium (26–99 employees)	55	13.4

In return, this study includes a list of five industries and those classified as 'others' to measure the main sectoral contribution of SMEs in Oman. The results illustrate that SME industries were broadly construed in this study by three scopes of business: trade at 30.7%, services with 28.3%, and manufacturing by 27.1%. In contrast, the other industries like education and tourism made up 11.9%, and the agriculture and mining sectors are the lowest with 1.5% and 0.5%, respectively. These statistics suggest that the Omani SME sector is dominated by the traditional type of business, namely trade and services (59%), consistent with (Al Balushi, Locke and Boulanouar, 2018). This supremacy is likely to indicate the lack of innovative SMEs with tangible added value in the Sultanate economy. This view being a challenge to finance and development because the dominance of such traditional ventures impedes competitiveness and declines the gains. It gives the idea to the banking sector of ineffective and unsustainable SMEs, as illustrated in subsection (5.4.3).

Regarding the SME categories, micro and small enterprises have dominated the collected replies, almost at 43.4% and 43.2%, respectively, compared to

medium ones that responded at about 13.4%. For ensuring representativeness, Gray (2020) suggests that studies that include split groups should have a minimum sample of 30. Therefore, representatives of entrepreneurs under each category are involved in this research (Micro = 178, Small = 177, Medium = 55). The high percentage of more than 86% indicates a small micro and small market. It shows insignificant national workforce support due to their humble limit of staff, defined in the literature (subsection 2.2.1), with fewer possibilities. This data corresponded with Barwani *et al.* (2014), who indicate that this sector remains distant from a significant promise for a subsistence mode or reasonable income to most Omani youths. It does not constitute employment with liveable wages, let alone avenues for career growth at present.

5.3 FINANCIAL DIMENSION OF SMES

5.3.1 SME Credits and Sources

This survey differentiates between significant sources of SME funding to identify their characteristics since four literature-based criteria were selected for inclusion as a lending source, i.e. Family and Friends, Government, and Banks (Commercial and Personal). Given that, more than half of entrepreneurs (51%), about 210 respondents, revealed that they are operating their own business without credit liabilities (Table 5.3). In contrast, the bulk of loans granted to the rest of 200 SMEs was mainly at the range of OMR 1–9,999 by 46%. However, the loan scale of OMR \geq 20,000 runs to 34%, followed by the content of OMR 10,000–19,999 at 20%. This result may indicate the difficulties in financing emerging firms and confirms the financial gap in the Sultanate of Oman, as noted in chapter 2.

This survey also indicates that family and friends were the primary sources of funding SME sector in Oman at 45%. Customarily, this lending source is less restricted and cost with invisible challenges than an interest-based commercial or personal loan system (Allen, Qian and Xie, 2019). As a result, the commercial loan source (banks) was at 29% of lending SMEs, whereas government and personal loans (banks) were the lowest sources to stimulate SMEs by 12% and 14%, respectively. This finding asserts the complicated

procedures of banking for Oman's SMEs, expressed by respondents in this study (subsection 5.5.1).

The thematic analysis of this study attributed this dominance of family and friends' sources to the ease of proceedings. It includes the absence of collateral, solidarity, feeling their desire for support and aid, the project's advancement. This is additional to the conservative Islamic culture and the principles like preventing riba or condoning credit, the high cost and the hard job of repaying conventional loans. This result refers to the collaboration impact of their relatives based on their culture, religion, and lower price, avoiding complicated procedures within the current system.

Table 5.3 Statistical summary of the source of credit for SMEs.

Source of Loan			Loan (OMR)*		
Type	(%)	Total	1–9,999	10,000–19,999	Loan ≥ 20,000
Family and Friends	45	90	58	20	12
Government	12	24	6	5	13
Banks (Commercial)	29	58	13	9	36
Banks (Personal)	14	28	15	6	7
Funded SMEs	Total	200	92	40	68
	(%)	49	46%	20%	68%
Debt-free SMEs	51	210	-		

*Omani Rials (OMR) 1 = \$2.60. This rate was applicable when the thesis was drafted in April 2021, through the (Xe) convertor. Available at: <http://www.xe.com/>

5.3.2 SME Capital

A substantial standard used in this survey pertains to SMEs' current level of capital and at the beginning stage of business. In the table (5.4) below, the statistics indicate that most entrepreneurs (65.4%) started their ventures within the lowest capital range of OMR 1–9999. Out of these, about 47.4% remain to invest at the same capital level since the inception. In comparison, about 23.9% have a remarkable increase of capital, proceeding to ≥ OMR 30,000. This finding corroborates the recent statistics released by NCSI that 35% of

registered enterprises (312,720) are capitalised with less than OMR 10,000 (NCSI, 2020). This result also reveals the small number of SMEs who were founded initially by a higher capital. Namely, 11.4% of the respondents began their businesses with OMR 10,000-19,999, while 7.6% had a range of OMR 20,000-29,999, and 15.6% commenced with a capital of \geq OMR 30,000. These findings confirm the recent data of a large number of small businesses with a lower capital threshold (i.e. OMR 10 thousand and less) in Oman published by NCSI in chapter one (section 1.3). This result discloses the difficulty of accessing finance without the availability of collateral, high costs, or additional consequences that may suggest the risk of default, corroborated with Al Barwani *et al.* (2014), reflected by 51% of debt-free SMEs (subsection 5.3.1).

Table 5.4 Statistical summary of the capital of SMEs.

Initial Capital			Current Capital (OMR)			
(OMR)*	(%)	Total	Does not Change	10,000–19,999	20,000–29,999	\geq 30,000
1–9,999	65.4	268	127	48	29	64
10,000–19,999	11.4	47	9	3	12	23
20,000–29,999	7.6	31	9	1	3	18
\geq 30,000	15.6	64	11	5	2	46
Total	100	410	156	57	46	151
Current Capital (%)		100	38	14	11	37

*Omani Rials (OMR) 1 = \$2.60. This rate was applicable when the thesis was drafted in April 2021, through the (Xe) convertor. Available at: <http://www.xe.com/>

*Initial Capital: the size of capital at the commence of business.

Around 156 participants, 38%, declared that their capital level has not changed at the current time and during their business turnover, of which about 127 have fixed capital at the same level of OMR 1–9,999. The middle groups have a slight upturn, with around 14% and 11% from 11.4% and 7.6%, respectively. This upshot may hint at the current finance method with the lack of developmental support as an attractive financing competence for SMEs. This conclusion is also highlighted by Khan and Almoharby (2007), who articulate the absence of a financial system that enables SME development within the financial services.

5.3.3 SME Sales

The descriptive analysis (Table 5.5) also illustrated that most Omani start-up firms stand on the sales range of OMR 1–9,999. This outcome is expected due to the categories level represented—primarily micro-small with a minor capital—making up 60.5% of the total sales. The finding illustrates that Oman’s SMEs move forward to hold a higher sales level than the initial one after a while. This improvement reflects the slight rise in upper sales levels at 20.7%, 14.9%, and 27.6%, respectively, compared to reducing the first level from 60.5% to 36.8%. This late SME sales growth may imply their gaining experience impacts operating and marketing through peer collaboration and partner engagement, reported by one interviewee (*ENTPRE11*) in sub-section (6.8.2). Considering the above parallel growth in the capital may lead to a similar exceptional growth of their sales. Overall, these findings illustrate the importance of SME finance with a backing strategy, corroborated recently by Ataei *et al.* (2020); Song, Yang and Yu (2020).

Table 5.5 Statistical summary of the sales of SMEs.

Initial Sales			Current Sales (OMR)			
(OMR)*	(%)	Total	1–9,999	10,000–19,999	20,000–30,000	> 30,000
1–9,999	60.5	248	141	52	27	28
10,000–19,999	17.6	72	4	23	22	23
20,000–30,000	8	33	2	5	8	18
> 30,000	13.9	57	4	5	4	44
Total	100	410	151	85	61	113
Current Sales (%)		100	36.8	20.7	14.9	27.6

*Omani Rials (OMR) 1 = \$2.60. This rate was applicable when the thesis was drafted in April 2021, through the (Xe) convertor. Available at: <http://www.xe.com/>

*Initial Sales: the size of sales at the commence of business.

5.3.4 SME Profits

In table (5.6), about 87 respondents (21.2%) indicate their unprofitable project status during the first year, namely zero and below. Some moved into a better situation that led to dropping SMEs without profits into 8% compared to the inception. This drop is also illustrated by the range of OMR 1–4,999, which constricted the number of companies with this profit series from 49.8% in the opening year to about 36% at the current time. This indication completes the growing number of SMEs with the profit categories of OMR 5,000–10,000 and more, where they currently increased to 27% and 29% from around 17% and 12%, respectively. Earlier finding (subsection 5.3.1), which illustrated the lower level of lending among SMEs in Oman, may hint at the significance of internal finance, i.e. retained profits, presented a decisive influence on a firm's growth, accord with Kachlami and Yazdanfar (2016). Thus, this finding reinforces the importance of accessing SME receivables, where the change in profits correspond with a reduction of credit sales, as specified recently by Panda, Nanda and Panda (2020). This study indicates that Oman's SMEs suffer from the late receiving of their receivables stated by one interviewee (*ENTPRE07*) in subsection (5.5.1).

Table 5.6 Statistical summary of SME profits.

Initial Profits			Current Profits (OMR)			
(OMR)*	(%)	Total	0 and Below	1–4,999	5,000–10,000	> 10,000
0 and Below	21.2	87	29	32	11	15
1–4,999	49.8	204	2	106	58	38
5,000–10,000	17.1	70	1	10	33	26
> 10,000	11.9	49	1	1	9	38
Total	100	410	33	149	111	117
Current Profit (%)		100	8	36	27	29

*Omani Rials (OMR) 1 = \$2.60. This rate was applicable when the thesis was drafted in April 2021, through the (Xe) convertor. Available at: <http://www.xe.com/>

*Initial Profits: the size of profits at the commence of business.

This result may reflect the role behind finance accessibility that helps the firm perform better, consistent with Cowling, Liu and Zhang (2018). The above findings suggest a positive synergy link between capital, sales and profits

growth. Overall, this correlation indicates that financing stimulates SME sales and profits growth, which more likely multiplier SME development.

5.4 FINANCING DIMENSION FOR SME GROWTH

This part compares the three levels of impact of the main factors of finance accessibility and SME growth (SMEG), using frequency and percentage. Each factor represented with three levels of an effect, i.e. high, moderate, or low, the high rate would be the most meaningful measure. In other words, the analysis indicates entrepreneurs' views on which factor is the most influential challenge to confront SMEs in accessing finance and growth via its frequency level. The author posed a question about the challenges of accessing finance by entrepreneurs while investing. Thereby, specific challenges were highlighted concerning their funding process, including financial risk, educational level, collateral, financial status, and the provision of administrative and financial reports. In addition, respondents were asked to identify the most significant impediments to SME growth, including government support, access to finance, collaboration, education and training, skills, and other factors.

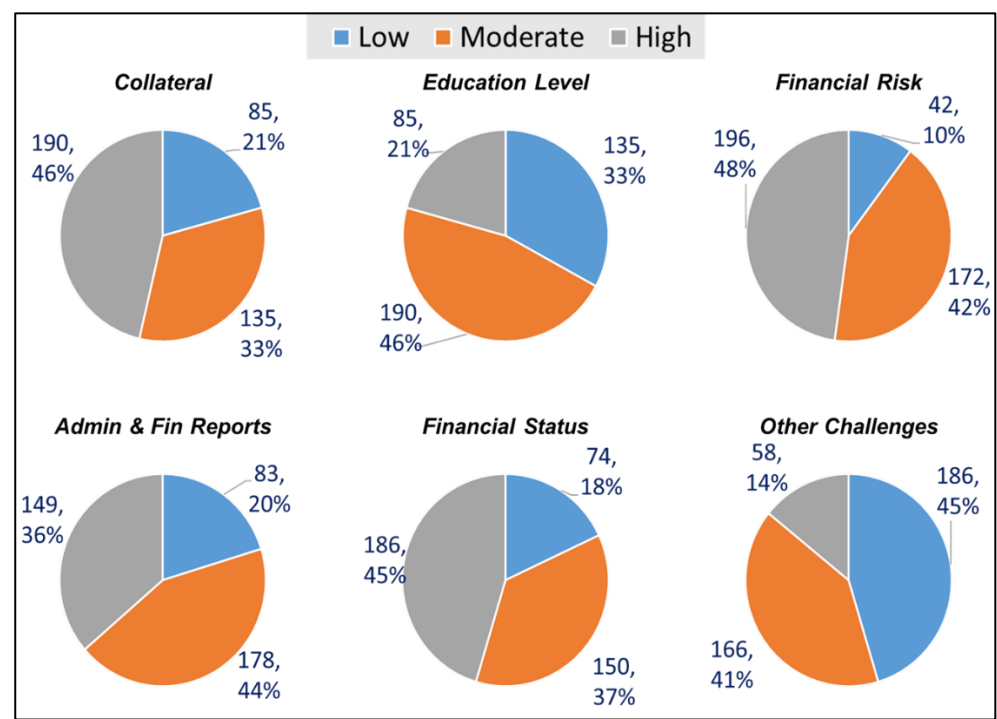
Overall, figure (5.1) shows that SMEs with financial risk, lack of collateral, managerial skills, and weak financial status have significantly lower access opportunities. This significant result hints at the need for a collaborative approach to funding that is more concerned with promoting and preparing SMEs for such difficulties. In return, figure (5.2) depicts that skills, collaboration, and education and training greatly affect the firm's growth more than financing per se. This result also suggests the necessity of a financing approach that is more concerned with SME development.

5.4.1 Finance Accessibility Challenges

The financial risk was the highest challenge influencing SMEs to access financial resources, determined at 48% (Figure 5.1). Because a distressed firm tends towards risk-shifting by overinvesting, which increases default risk, credit spreads, and the fall of returns (Li, Lockwood and Miao, 2017), and ends up with a high financial risk. In comparison, about 42% assume this challenge has a medium effect, and 10% relate its low impact. This perception may occur due to the inadequacy of creditworthiness and lack of skills, weighing as a high risk

that leads to a high premium cost of lending (Allen, Qian and Xie, 2019). In turn, the collateral challenge is second in terms of its high impact on obtaining finance: 46%. In contrast, around 33% presume a medium influence, and 21% suggest its lowest impact. This result leaves no doubt that collateral is one of the main problems facing SMEs in finance, typically unavailable by small businesses, consistent with Klyton and Rutabayiro-Ngoga (2018).

Figure 5.1 The most influential challenges of SME finance accessibility.



Similarly, the financial status of SMEs is assessed as a third challenge to have a higher effect of accessing finance by 45% compared to those who assume that it has a moderate impact, 37%, and the lowest influence, 18%. This perception indicates the value of financial management and planning to retain a business at the lowest level of risk. Entrepreneurs are aware that cash flow failure and receiving receivables would weaken their financial status and profitability (subsection 5.5.1), accord with (Panda, Nanda and Panda, 2020), leading to ineligibility for finance. Thus, providing financial statements is one of the impediments that may deny access to finance. Especially for SMEs with a lack of skills and accounting, which increases risk, including default. This finding reveals that the banking sector depends heavily on the documentation

of companies in terms of their economic and administrative reports when applying for loans, affecting finance costs (Bauwhede, De Meyere and Van Cauwenberge, 2015). Nevertheless, SMEs ranked this challenge as an average impact of 44%, believing in its higher impact at 36%; and the lowest effect at 20%, due to the lack of establishing a base of knowledge and project management skills as explained in subsection (5.5.1).

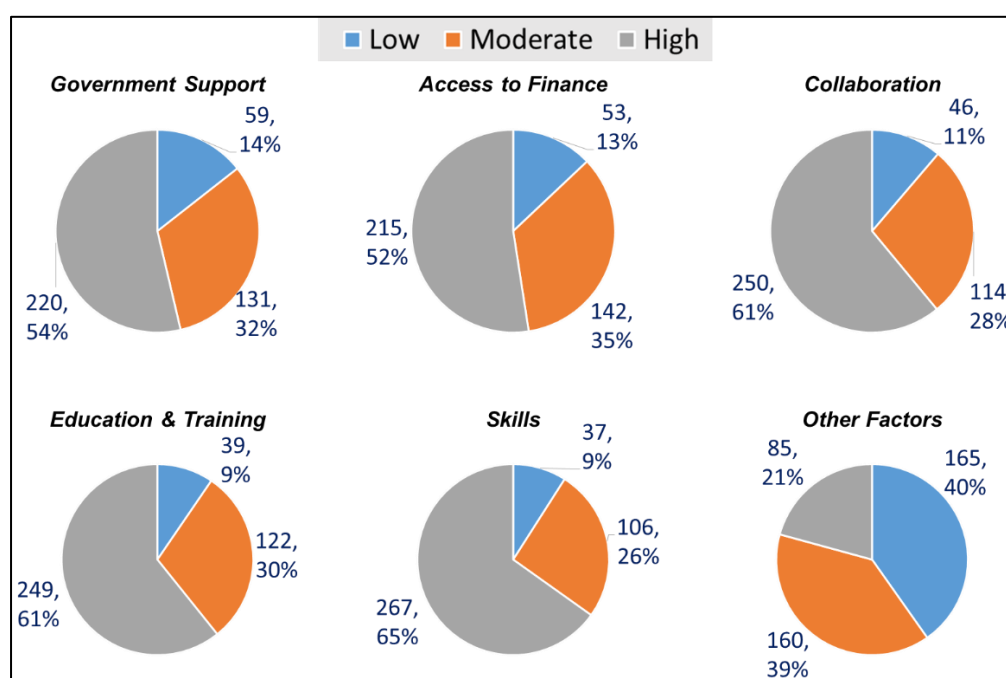
In contrast, the education level as a fifth influential factor was the moderate challenge to deny entrepreneurs secure access to finance, at 46%. Entrepreneurs believed this factor's effect is insignificant at 33%, and only 21% of the respondents considered their education level would increase the chance of getting access to finance. Inevitably, this verdict owes more to securing lending from the banking sector than other developmental determinants, as recent evidence submitted by this research demonstrates. Finally, entrepreneurs perceive that SMEs have different difficulties that may influence their ability to obtain financial support. Yet, it has a lower effect than the above factors to access to finance by 45%. The middle impact is assessed by 41% of respondents, while the more considerable influence was believed by 14% only. This outcome is due to selecting the intrinsic factors and the degree of relevance in the financing process cited by this study.

5.4.2 The Key Factors Impacting SME Growth

Figure (5.2) shows that professional skills were assessed as the highest impact factor on SME growth, expressed by 65% of respondents. In comparison, 26% considered it a medium effect, and only 9% agreed to a low impact. This finding may express the awareness of entrepreneurs regarding the necessity of managerial and technical skills that increase productivity and reduce risk. Education and training as a source of knowledge are vital to delivering the right choice in a proper time and place, where its good acquisition offers the realisation of customer orders and support (Song, Yang and Yu, 2020). This factor is valued as a second critical factor in developing SMEs by appreciating about 61% of entrepreneurs, while 30% confirm it moderately, 9% disagree. This result undoubtedly proved the need for skills development, as Ghouse *et al.* (2017) refer to, scaling up entrepreneurs' performance, innovation, and productivity, simultaneously allowing for more job opportunities.

Collaboration between associates in various aspects might have an excellent return because it contains a complementarity factor that counters others' deficiencies. Therefore, cooperation is assessed in a similar vein as the education factor that has a higher impact on SME growth with 61%, whereas 28% believe it to have a moderate effect, and 11% denoted it as lowest. As an external firm resource, this choice depicts another essential element of the fast growth of SME performance. It increases confidence in the productivity and efficiency of the business to gain highly competitive market value (Bi, Davison and Smyrniotis, 2017). Logically, government support factors were rated highly after the previously mentioned factors by 54% of respondents.

Figure 5.2 The most influential challenges of SME growth.



In comparison, around 32% tend to believe in its moderate influence, and about 14% believe it has little impact. The more considerable effect of this factor is attributed to its backing SME development with knowledge, innovative projects, skills, the stability of executive resolutions, and logistical and environmental support. This perception corroborates the appreciation of such subsidies furnished by the government for SME success (Gupta and Mirchandani, 2018).

Although the importance of finance for SME development is among these elements, only 52% of respondents denoted access to finance as having a

higher impact on SMEG after the above factors. In contrast, about 35% regard it as modest, while 13% ignored its effects. This finding reflects participants' insight into the implications of current funding for development purposes, including the lack of a comprehensive support strategy. This result confirms the need for support in mitigating difficulties beyond the availability of finance. In return, additional factors, e.g. taxes, competition, policies, political instability, may affect SMEG. Yet, they were believed to have a lower impact on SMEG stimulation than the above-discussed elements. Around 39% perceived that these factors have lesser importance, while some nearly 40% assume that they have a fair impact compared to the small proportion of 21% who expected a higher effect. As such, this study reveals these extra underlying factors to be considered in SME development.

5.5 DETERMINANTS OF SME CHALLENGES

This study determined the main challenges facing SMEs in Oman quantitatively, yet the qualitative interviews illustrate the specific understanding of these challenges. This section defines the key theme emerging from SMEG conversations under the current financing challenges, including subthemes of the complicated financing framework, SME risk factors, and lack of practical support (Table 5.7). Furthermore, it articulates the feasibility of the Islamic finance system in surmounting such challenges.

Table 5.7 SME challenges theme.

Theme	Sub-themes
SME Growth Under Financing Challenges	Complicated Financing Framework
	SME Risk Factors
	Lack of practical support

5.5.1 Theme 1: SME Growth Under Financing Challenges

SMEG remains unsatisfactory due to some obstacles that undermine their abilities, especially those related to their need for finance, which obliges them with unavailable requirements.

➤ **Complicated financing framework**

The analysis above illustrates that SME growth relies heavily on reinforcing skills, collaboration, backing, and finance access. It classifies these necessary resources as highly impacting development yet cannot be seen in the current process of financing SMEs. Respondents indicate that SMEs in Oman face challenges in the current funding mechanism that lacks support to serve fully. Perhaps this is due to the absence of developmental backing factors within the current financing framework and process, or it may involve complex requirements that such businesses cannot meet.

- **POLMAK01:** *'Financing SMEs is mostly traditional through loans from various funds and banks'.*
- **ENTPRE01:** *'No one denies that finance is important for SME, but we need a support process treating our needs, not like the current financial system'.*

Typically, banks' reluctance to finance this sector results from banks' desire to preserve depositors and investors' funds. Because SMEs are emerging and modern projects that lack stability, records, and guarantees, suggesting their inability to pay the loans granted. In contrast, respondents illustrated their appreciation of such concerns, but they emphasised that commercial banks mainly are interested in collecting their profits, which entails more than borrowers' development. This point arises the complex process of funding and collateral required by the financiers to avoid capital loss, consistent with Klyton and Rutabayiro-Ngoga (2018). This impediment event has been observed in the Sultanate of Oman, as illustrated in subsections (5.4.1_2). Therefore, the conventional approach focuses mainly on the legal restrictions and conditions that conserve credit and profitability. Such attention restricts the financing process into complicated policies, which considers SMEs high-risk projects that cost more money, consistent with Bauwhede, De Meyere and Van Cauwenberge (2015). This impediment event has been observed in the Sultanate of Oman. The respondents consensually agreed that SMEs in Oman facing a solid challenge of finance accessibility that collateral is the greatest challenge to get it. Some interviewees said that:

- **ACDMIC03:** *'The biggest challenge is financing represented in high-interest rates, which is a restraint factor for start-up enterprises'.*
- **ENTPRE01 and ENTPRE02:** *'The biggest challenge lies in the lack of guarantees, as entrepreneurship has not yet won the confidence of other sectors, such as the banking sector'.*
- **ENTPRE05:** *'The traditional system obliges small enterprises to ensure financing, which is unfortunately not available'.*

From another landscape, respondents indicate the high cost, society's culture, and religion as reasons behind entrepreneurs' reluctance towards the capitalist system to finance their projects, explaining the low level of granted loans or lending SMEs specified in sub-section (5.3.1). Respondents show this view by said:

- **ENTPRE03:** *'I cannot resort to financing from the usurious banks because of my religious faith'.*
- **ACDMIC01:** *'The small companies also do not want to take financing from commercial banks, perhaps because of the society's culture about debt'.*

➤ **SME risk factors**

The present research submits that this risk emanates from a lack of knowledge, management, innovation, and capabilities. This deficiency includes managerial and technical skills, liquidity, innovative products and business culture. Respondents elucidate that SMEs in the Sultanate appear with no experience of understanding customers' real needs, extra shift or diversity of goods. Among the most critical challenges is the lack of entrepreneurs' knowledge and management skills to manage their financial accounts and plan professionally. The participants indicate that entrepreneurs with such shortages cannot convince banks of their finance and payment ability eligibility. In addition to the difficulties in collecting sales receivables, which prevents them from providing liquidity to pay their dues to the financiers. Their risk also lies in their trading culture dominated by unskilled foreign employment and traditional activities (buying and selling), corroborated with Al Balushi, Locke and Boulanouar

(2018). Unfortunately, respondents from the banking sector show that the Omani SME sector is entirely having a lack of:

- **BANMNG01:** *'... managing and understanding the organisational business'.*
- **BANMNG02:** *'... financial knowledge, liquidity, and business structure'.*
- **BANMNG03:** *'... the trading culture dominated by unskilled foreign employment'.*
- **BANMNG04:** *'... liquidity that hinders the paying dues to the financiers'.*
- **BANMNG05:** *'... management skills of entrepreneurs'.*
- **BANMNG10:** *'... innovative projects in this sector'.*
- **ACDMIC02:** *'... lack of experience with limited knowledge of the nature of the market in managing these companies'.*

The policymakers' views also confirm that Omani SMEs cannot establish a base of documentation and auditable financial data with the overflow of these traditional projects. A traditional repetitive business dominates the bulk of Oman SMEs without future development or innovation or awareness of the market's real needs, which causes a decline in gains, thus weakening small enterprises' position and reputation and limiting their growth and expansion. It is the reason behind the inability to obtain financing. Interviewees believe that many current conventional projects have faltered, giving the banks the impression that they are superficial and unstudied projects that will not be sustained.

- **POLMAK02:** *'... lack of documented and auditable financial data and accounting skill'.*
- **POLMAK03:** *'The majority of this business have become dominant over competitiveness; there is no renovation or innovation'.*
- **POLMAK03:** *'They do not have a real feasible study that reflects the institution's actual need and strategic plan and awareness of the market'.*

Participants also raise the failure of SMEs to receive financial entitlements from dealers, and trade credit also weaken their budgetary status and profits, consistent with Panda, Nanda and Panda (2020). The late obtaining their receivables leads to delinquent payments that end with a risky project scale,

where its obligations are high, and its collection is small. Consequently, they are regarded as high-risk ventures, reflecting their ineligibility for finance and the ability to pay their business obligations. This status may indicate the lack of awareness of such a factor in the funding process to deliver a hint of SMEs' trust, pattern, and credibility, reflecting their risk level and the low level of financial support. One interviewee expresses this challenge as follows:

- **ENTPRE07:** *'Failure to obtain the lagging receivables makes fewer returns that lead to the inability to adhere to financial responsibilities and fulfilment of covering costs'.*

As a result, SMEs show no clarity or detailed data about productivity and profitability. The vision is ambiguous, which certainly gives an impression of the project's lack of seriousness and lacks persuasion until financing is obtained. This perception leads to a higher cost of finance, the required collateral ceiling to secure the amount requested, and the default concern.

➤ **Lack of practical support**

Government support has an extraordinary effect on SME development, as noted earlier in sub-section (5.4.2), consistent with Gupta and Mirchandani (2018). However, respondents perceive an inconsistency about ministerial decisions such as Omanisation, environmental permits, and fees in Omani SMEs development policies. Additionally, policymakers also attributed the difficulties of sector development to the instability of logistical support. In other words, the government does not appreciate SME growth determinants that enable this sector to achieve profitability and sustainable development. As illustrated by the participant:

- **POLMAK05:** *'SMEs appear to have no logistical support opportunity'.*

Respondents also express their disappointment with the disadvantage of government financing practices not far from the conventional approach. That is, launching financing initiatives lies in lending and securing the capital, with collateralisation rather than developmental attempts. They mentioned that these financial practices are also tied to Omani entrepreneurs' salaries, who work and have jobs other than trade. This application desists SMEs to benefit against government support and banking services despite some advantage

initiatives. The most chosen financial source, namely family and friends, for Omani entrepreneurs, emphasised this argument, described in section 5.3.1. Therefore, the entrepreneur avoids affording any financial failure within this funding approach, even from the government, which does not consider their fundamental need for growth factors. Instead, it increases their burden into more requirements of collateral to secure the money. Several participants convey this by saying:

- **POLMAK04:** *'the government confines this sector to entrepreneurs, and most of them are employees who cannot access the different facilities'.*
- **ENTPR07:** *'The consequence of failure, and the inability to pay, is what preoccupies us in heading towards commercial banks, even the government support'.*
- **ENTPR12:** *'There is no major difference between the current financial system and government finance, both operating as a lending concept that necessities collateral'.*

In summary, this part reviewed the main obstacles detected in this study in terms of accessing finance and thereby their effect on the significant factors of SMEG. This sector observed factors that impede access to finance, profitability, and sustainability, including a lack of skills, abilities, relations, innovation, renovation, management, and seriousness, in addition to substantial support. This deficiency undoubtedly leads to considering SMEs as high-risk economic activities, which cost them more if they do not fail. Accordingly, the following sections illustrate the possible modulation by IFPs to treat such considerations by addressing these inadequacies in their process of accessing finance.

PART TWO: THE FEASIBILITY OF ISLAMIC FINANCE PRINCIPLES

5.6 ISLAMIC FINANCE FEASIBILITY

This study suggests the feasibility of IF and the crucial indications of IFPs that stimulating SMEG. It indicates the influential role in improving preserving rights and properties, serving society, and providing resources. Besides, the participation, sharing of outcomes, the tangible assets, and linkage of social development. This perception is due to the respect for promises, duties, and the fulfilment of pledges and liabilities in the IF system. This practical perception is inherent in the financing process that includes developmental factors tied to business and social growth. This result appeared the influential position that advancing such success within the financing process amidst compliance with Shariah law. For instance, the potential impact of disclosure of information and social pledge to reduce moral misinformation and risk.

This financing approach has mandatory principles that work to mitigate the level of risk, like those associated with emerging enterprises. More precisely, IFPs provide SMEG pillars by enhancing skills, risk management and production, as complementary support of their lacking aspects and related to their nature. Hence, this part shows the feasible application of IFPs within the Islamic finance system that made SMEGFs more effective to stimulate SME development. A further illustration of the feasibility of IF for SMEG appears in the following sections, the quantitative phase, as the first stage of the investigation.

5.6.1 Reliability

Reliability of data operates as evidence to substantiate the strength of the phenomenon and argument. This agreement employs a logical progression of steps to provide the researcher with reliable conclusions (Walliman, 2011). It reveals the construction of indicators of internal consistency (Jaffar and Musa, 2016). Thereby, the reliability test of the scale and survey data is critical to assess the correlation between observed variables. Cohen, Manion and Morrison (2007) assert that, for consistency, a reliable instrument would yield similar data from similar respondents over time. The item scores in any

research project should be meaningful and valid by their agreement (Creswell, 2012). Gliem and Gliem (2003) claim that reliability is imperative in quantitative studies that apply Likert scales, where the higher coefficient means greater internal consistency and shared covariance of the items. As such, it assures a reasonable measure of the same underlying concept. In particular, when the idea investigated is new, the alpha coefficient at ≥ 0.6 was considered acceptable (Tran and Nguyen, 2019).

Table 5.8 Statistical analysis of items.

Items	Obs.	Sign	Correlation			alpha
			item-test	item-rest	average interitem	
Q1	410	+	0.5215	0.4242	0.1827	0.7815
Q2	410	-	0.1216	-0.0002	0.2101	0.8097
Q3	410	+	0.5399	0.4449	0.1814	0.7800
Q6	410	+	0.4861	0.3848	0.1851	0.7842
Q7	410	-	0.3862	0.2756	0.1919	0.7917
Q8	410	+	0.652	0.5731	0.1738	0.7709
Q10	410	+	0.5092	0.4105	0.1835	0.7824
Q12	410	+	0.5769	0.4868	0.1789	0.7771
Q13	410	+	0.1437	0.0221	0.2085	0.8083
Q14	410	+	0.4621	0.3583	0.1868	0.7861
Q15	410	-	0.3433	0.2296	0.1949	0.7948
Q16	410	+	0.5729	0.4821	0.1792	0.7774
Q17	410	+	0.7088	0.6396	0.1699	0.7660
Q19	410	+	0.572	0.4811	0.1792	0.7775
Q20	410	+	0.2114	0.0913	0.2039	0.8038
Q21	410	+	0.6988	0.6278	0.1706	0.7669
Q22	410	+	0.7039	0.6339	0.1702	0.7665
17	Test scale				0.1853	0.7945

Hence, to assess the scales of reliability applied in this study, each item-scale correlation was analysed using Cronbach's alpha test to determine the coefficient (α) scores. The most common statistical test utilised for reliability measurements, in which items are correlated with a range between 0 and 1 (Hinton, McMurray and Brownlow, 2014). Qasim *et al.* (2019) indicate that this test is used to locate a given standard concept's internal consistency. Table

(5.8) suggests the coefficient alpha statistics in this study, showing that all dimension values ranged from 0.7660 to 0.8097, exceeding the cut-off point of 0.6 specified by Tran and Nguyen (2019). Thus, the reliability test for the 17 items¹⁵ in this study shows relatively highly reliable factors at 0.7945. Considering this, the constructs measured in this research were deemed reliable and retained for additional analyses.

5.6.2 Validity (Content, Correlation, and Factor)

Validity is defined as the degree to which a concept accurately measures the specific phenomenon it is supposed to measure (Heale and Twycross, 2015). For example, content validity provides evidence of the extent of representative relevance of the targeted construct for a particular assessment purpose (Almanasreh, Moles and Chen, 2019). In return, the research instrument's construct validity was measured using a correlation test (i.e. Spearman's), which measures related constructs of the explanatory variables and their respective dimensions (Halamova, Kanovsky and Pacuchova, 2018). However, confirmatory factor analysis (CFA) is typically used to establish the discriminant and convergent validity of scores on measures of a set of variables, to assess whether the hypothesised items construct relationships (Crede and Harms, 2019). Therefore, questions included are raised in the logical and empirical context of the test form, purpose, and the intended population. Walliman (2011) considers this internal validity that measures the level of sophistication of the design and control of the experiment. As such, the study and data gained genuinely support the ideas about the phenomenon and effect examined, using the right sort of processes for an investigation.

Validity of content and construct

This test looks into the content and constructive forms to describe the complete items creating the scales. They reflect the fundamental concepts of the study phenomenon. Initially, content validity was applied to ensure a comprehensive observation of the main variables under investigation to cover the domain and address it in-depth and breadth (Heale and Twycross, 2015). This test also

¹⁵ Out of 22 questions, 17 items are relevant to this study and the rest has been collected for future research.

secures the accurate and sound formulation of the questionnaire framework. It seeks to explain a particular set of data that accurately support the phenomena being studied (Cohen, Manion and Morrison, 2007). The author invited six experts in the field to qualify the appropriateness of selected items, wherever needed, to avoid the potential threats of relevance (Almanasreh, Moles and Chen, 2019). They judged all the fulfilled patterns of scales in the questionnaire and verified them with some corrections.

Next, validity in this study was also affirmed using a pre-testing approach to the study instrument to ensure the relating of each item concept was the measurement's aim. This is a comprehensive evaluation process of the adequate definitions and measures of variables (Almanasreh, Moles and Chen, 2019) to draw verified outcomes that fit the device's construct related to the concept studied (Heale and Twycross, 2015). Construct validity became important in involving the potential members in creating a questionnaire, reflecting their behaviour and criteria. It confirms their role in achieving transparency, understanding, or applicability of the survey instrument (Jonker and Pennink, 2010). Accordingly, about six individuals from the SME sector in Oman have completed the questionnaire set for this research. Their responses revealed the extent of accuracy and matching among the tool measurement. This test also ascertained whether they have had trouble understanding and answering similarly.

Spearman correlation (ρ) test

The robustness and efficiency of inferences drawn from the logistic regression model are essential as their substantive findings can have significant policy impacts (Bergtold, Yeager and Featherstone, 2018). Hence, for more efficient scores and the outcomes' quality, the studies utilised correlation tests, analysis of variance to examine the relationship between the explanatory variables (Varabyova and Schreyogg, 2018). In this sense, the Pearson linear correlation evaluates the linear relationship between real and estimated efficiencies. In contrast, the monotonic relationship between actual and estimated efficiencies is assessed by Spearman. This latter correlation is appropriate when the variables are measured on an ordinal scale (Schober, Boer and Schwarte, 2018), have a non-normal distribution of data, and are less sensitive to outliers (Halamova, Kanovsky and Pacuchova, 2018). For this, the author employs this

nonparametric approach to investigate whether the potential modulation of explanatory variables by IFPs is truly impactful.

The Spearman correlation matrix (Table 5.9) displays the coefficients and illustrates that all items are correlated between (0.0007) and 0.6333, and significant at $p < 0.01$. Schober, Boer and Schwarte (2018) suggested that this test illustrates that most of these variables modulated by IFPs have not exceeded a medium association, equating to a meaningful relationship with SMEG. The lowest correlation of the explanatory variables was negative between Q22 and Q2, while the association's highest level was positively recorded between Q22 and Q21. These results indicate, for instance, a negligible negative correlation, near-zero, by Q22 with Q2 and a moderate positive relationship with Q21.

The highlighted tolerance levels in business and economic studies reach 0.7 (Al Balushi, Locke and Boulanouar, 2018; Hiebl and Richter, 2018). Otherwise, it shows multicollinearity, which reduces any single explanatory variable's predictive power and severely distorts model estimation and subsequent prediction (Dormann *et al.*, 2013). Nevertheless, most research disciplines probably agree that a coefficient of < 0.1 indicates a weak correlation in return for a great relationship of > 0.9 , and the values in between are disputable (Schober, Boer and Schwarte, 2018).

In this research, the Spearman test illustrates the correlation matrix with no associations above the threshold specified. As such, it is plausible to declare that multicollinearity is not detrimental to the regressed variables. Hence, items are reliable and consistent in the regression analysis. Correlations, then, agreed with the theoretical expectations and indicated a good construct validity of the subscales and at a moderate level of the items' correlation matrix in this research. However, it is necessary to factorise this large quantity of items into a few key factors (Gupta and Mirchandani, 2018) to present the substantial modulation of IFPs on SMEGFs.

Table 5.9 Spearman correlation test of the 17 items (out of 22) as explanatory variables.

items	Q1	Q2	Q3	Q6	Q7	Q8	Q10	Q12	Q13	Q14	Q15	Q16	Q17	Q19	Q20	Q21	Q22
Q1	1.000																
Q2	0.0861*	1.000															
Q3	0.3118*	-0.0628	1.000														
Q6	0.2279*	-0.0562	0.2158*	1.000													
Q7	-0.1393*	0.0573	-0.2097*	-0.3004*	1.000												
Q8	0.3006*	0.0283	0.4039*	0.2842*	-0.3312*	1.000											
Q10	0.3153*	0.0675	0.2245*	0.2002*	-0.1125*	0.4046*	1.000										
Q12	0.3182*	0.0333	0.2763*	0.2309*	-0.1216*	0.2985*	0.2729*	1.000									
Q13	0.1239*	0.2106*	0.0397	0.0904*	0.0080	0.0562	0.0961*	0.0156	1.000								
Q14	0.1504*	-0.0225	0.1763*	0.2497*	-0.1758*	0.2063*	0.1446*	0.2160*	-0.0838*	1.000							
Q15	-0.1760*	0.0866*	-0.1747*	-0.1151*	0.0873*	-0.2012*	-0.1081*	-0.1669*	0.2178*	-0.2274*	1.000						
Q16	0.2213*	0.0168	0.2598*	0.2030*	-0.1142*	0.3916*	0.2840*	0.2999*	-0.0351	0.3489*	-0.2912*	1.000					
Q17	0.3426*	0.0700	0.3264*	0.2912*	-0.1264*	0.4192*	0.3223*	0.3976*	0.1032*	0.3925*	-0.2755*	0.5568*	1.000				
Q19	0.2127*	0.0323	0.1991*	0.1639*	-0.0945*	0.3834*	0.2547*	0.3556*	-0.012	0.3253*	-0.2166*	0.5372*	0.5408*	1.000			
Q20	0.2012*	0.1830*	0.1677*	0.1547*	0.0175	0.1247*	0.1822*	0.2089*	0.3390*	-0.0248	0.1072*	0.0732	0.1332*	0.054	1.000		
Q21	0.3534*	0.0354	0.2452*	0.2784*	-0.2133*	0.4006*	0.3884*	0.3953*	0.1202*	0.3075*	-0.2892*	0.3919*	0.5339*	0.3971*	0.1183*	1.000	
Q22	0.2871*	-0.0007	0.3020*	0.2702*	-0.2195*	0.3815*	0.3279*	0.4459*	0.1377*	0.3084*	-0.2729*	0.3593*	0.4426*	0.4197*	0.0953*	0.6333*	1.000

* Legend: * $p < 0.1$.

* The total items used in the Factor Analysis (FA) = 17 questions; the rest is irrelevant to this study.

Table 5.10 Summary of the factor analysis of the validity test.

Variables	Factors	Eigenvalue	Rotated factor loadings	KMO			Decision
				<i>Independently</i>	<i>Overall</i>	<i>Interpretation</i>	
FR	<i>FR1</i>	1.5995	0.7400	0.6350	0.6275	mediocre	used
CS	<i>CS1</i>	1.25613	0.7894	0.5950	0.5014	acceptable	used
CoF	<i>CoF1</i>	1.8433	0.8599	0.5793	0.6010	mediocre	used
	<i>CoF2</i>	1.0694	0.9410	0.3919		unacceptable	unused
PV	<i>PV1</i>	1.9203	0.7968	0.6287	0.6646	mediocre	used
CSR	<i>CSR1</i>	1.7500	0.6843	0.6569	0.6705	mediocre	used
Kn	<i>Kn1</i>	1.5601	0.7183	0.6117	0.6060	mediocre	used

* *FR = Financial Resources, CS = Capital Structure, CoF = Cost of Finance, PV = Personal Values, CSR = Corporate Social Responsibility, Kn = Knowledge.*

Factor analysis (FA)

A FA was applied to create a new platform of optimal components. It fed the regression models of this study with a few explanatory variables. It corresponds to an essential part of the necessary information to minimise the dimensionality of many different variables (Bitar, Madies and Taramasco, 2017). Factor statistical analysis tools were used to reduce many questions and confirm the scales' construct validity (Amin *et al.*, 2011).

Based on this study's aim, the leading 17 items were grouped into six categories representing each factor of SME growth, illustrated in the table (5.10). Overall, about seven explanatory variables were extracted. However, six were retained since they met the necessarily higher eigenvalue (> 1), KMO (0.5 and above), or loading values at a minimum of 0.45. Using varimax rotation to determine each factor advisable for the regression analysis, as suggested by Tran and Nguyen (2019), the CoF items have similar predicting of two factors, CoF1 and CoF2. However, the latter has a smaller KMO by about 0.4, whereas the others produce one element for each variable with acceptable KMOs. Accordingly, these six extracted factors have been chosen to analyse the research model for a competent effect.

5.7 SME GROWTH ANALYSIS

This section discusses the result for each independent variable, showing its contribution to the overall model outcomes by measuring the effect of variations. Following the analysis instruction specified in chapter 4, it imbues each context of the research model's analysis process with further details. It is imperative to state that the regression analysis takes the significance level of 90% and above. The ologit model illustrates the most significant relationship between this influence and measures (i.e. capital, sales, profit, and employment). In comparison, the statistical test on the gologit model reveals that some variables may significantly affect SMEG indicators. This impact occurs when they are unrestricted to meet the parallel lines (PL) assumptions or once partially relaxed for them by the partial proportional odds (PPO) model.

According to Evrensel and Sened (2019), a positive coefficient means that the response variable's degree is likely supportive of the ordered log-odds scale per unit shift within the explanatory variable. In other words, a positive coefficient implies that the chance of SMEG increases in the ordered level

scales per unit shift within the SMEGFs modulated by IFPs. However, in this study, explanatory variables have reverse-logs, like the case of CS, PVs, and CSR. In this context, their inferential findings in the coming models with a negative coefficient would be interpreted as positive (Zhang, Lu and Zheng, 2020) that are more likely to have a chance of growth effect among the dependent categories.

5.7.1 Model 1: SME Capital Growth

Ordered Logistic Regression

Table (5.11) indicates that estimating the SME capital growth (SMECG) model incorporated the IFPs modulation of SMEGFs, using ologit regression. All the coefficients on FR, CS, PVs, CSR and Kn, except the CoF, are statistically significant at a different level of significance, $p < 0.01$, $p < 0.05$, $p < 0.1$. The result documents that SMECG is positively related to IFPs modulation effect on SMEGFs. This model is statistically significant at $p < 0.01$ with a likelihood ratio chi-square (LR chi2) test of 128.60 and has a log-likelihood of -466.00144.

For example, the FR variable has a positive and significant coefficient of 0.584 at the $p < 0.01$ significance level, while the other variables held constant in the model. This output signifies that the probability of financing SMEs within an Islamic perspective has a greater chance to boost their capital growth in the entire categories by almost 58%. This finding implies that SME funding formulates within a protection strategy includes participation, documentation, production, and transparency policies, facilitating finance accessibility. This importance lies in sharing, asset-based and prohibited from excessive speculation and illicit business initiatives, all of which are propel SMECG.

Also, the CS predictor has a significant coefficient of (0.565) at the $p < 0.05$ significance level; all other variables are constant. This outcome means that the likelihood of financing SMEs within a participatory approach has a greater probability of promoting capital growth in all levels by approximately 57%. This conclusion determined that participatory funding sharing profit and loss policy could structure the capital within fairness that enhances finance accessibility. This partnership heightens productive efforts and the best allocation of money for business success and capital protection, which drives SMECG.

In a similar vein, the PVs factor has a significant coefficient equals to (0.617) at a significance level of $p < 0.01$, given that other variables are fixed. This result also shows that SME capital has more probability of increasing across its groups. This outcome suggests that the possibility of expanding capital growth at all levels lies in emphasising the ethical practices within the IF at almost 62%. The present study ascertained that IFPs, including transparent communication and ambiguity prevention policies within co-operative finance, might shape entrepreneurs' values to react ethically, allowing SMECG.

Likewise, the CSR factor has a significant beta of (0.247) at the $p < 0.1$ significance level, where the rest of the variables are held constant. This finding signifies that the probability of financing SMEs within the liability of social engagement has a chance of increasing capital growth in all categories by almost 25%. This decision points that SMEs funded amidst common social interest are more likely to operate with productive commercial activities and social networking. This significance provides SMEs with beneficial externalities with more resources that impel SMECG.

In contrast, the Kn variable has a significant effect by 0.773 at a significance level of $p < 0.01$, given those other variables held constant. This finding hints that financing SMEs within a partnership and collaboration strategies has a likelihood of supporting capital growth in all levels by approximately 77%. This determination reveals that engaged shareholders' and collaborative peers are more likely to prop SMEs with different skills and abilities for qualified management and effective production, which motivate SMECG.

In the control variables, out of six, four variables (i.e. gender, profession, SME age, and industry) are statistically significant at $p < 0.01$. However, men as managers are more likely to support the SMECG into the top categories by 0.886 and 0.771, respectively, compared to women owners. While the SME age levels are more likely to increase the capital among its groups by 0.224. Conversely to the agricultural activity, as a base indicator for the industry variable, other fields of economics are more likely to support capital growth by 0.198.

Despite this significance, the Brant test registers a violation of the PL assumptions in the ologit model, as the betas vary across the levels of capital,

although insignificant at $\text{Prob} > \chi^2 = 0.174$ ($p > 0.05$), with $\chi^2(24) = 30.34$. This implies that the conclusion of the findings may be exaggerated, as explained in chapter 4 (sub-section 4.10.3).

Generalised Ordinal Logistic Regression

In response to the Brant test result, this study, using gologit regression, estimates the SMECG model merging the IFPs in the SMEGFs. This model is statistically significant at $p < 0.01$ with an LR χ^2 test of 168.58 and has a log-likelihood of -449.00911. In contrast, the PPL model is significant at $p < 0.01$ with an LR χ^2 test of 155.13 and has a log-likelihood of -452.73788. The result shows that all SMEGFs' coefficients are significant at a different significance level, $p < 0.01$, $p < 0.05$, $p < 0.1$, which documents the positive influences on SMEGFs by IFPs in stimulating SMECG. This relevant appraisal admitted that the chance of SMECG increases when SMEs receive finance from an Islamic perspective, which observes significantly in the explanatory variables.

Compared to ologit, table (5.11), under gologit regression, underlines that the CoF variable has a significant beta of 0.315 at a significance level of $p < 0.1$ when the rest of the variables are held constant. This effect infers that the likelihood of capital growth rising from the first category of (1 vs 2 3 4)¹⁶ into the higher levels rests in highlighting risk management policies in IF by about 32%. This event reveals that SME capital has more probability of increasing whenever accommodating adequate controls. This Islamic risk management includes transparent, best allocation and excessive speculation prevention policies to reduce the CoF, giving SMECG.

Likewise, the significance effects established by the gologit model for control variables were also found to have a further significant impact on SMECG, mostly at $p < 0.1$ in their first cumulative logit. For instance, entrepreneurs' age and their education level were insignificant in the PO model, while significant in this model. The youngest entrepreneurs were found to be less likely to back SMECG by (0.039) at $p < 0.1$, compared to the older entrepreneurs who are more likely to increase the capital growth, given that all other variables are constant in the model. Furthermore, a higher level of education is more likely

¹⁶ Logits that dichotomies the capital categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–29,999 (4) OMR 30,000 and above.

to enhance SMECG by 0.225, with a significance level of 10%, mentioning that all other variables held constant in the model. It is commendable that when the parallel lines assumptions are enforced on the explanatory variables (SMEGFs), namely the betas vary across the capital levels, an extra implicit influence of IFPs is observed.

The Brant test concludes that the ologit model lets the explanatory variables' influences vary across the capital model's cumulative logits selectively and only as needed (Williams, 2016), which violates the PL assumptions (Celik *et al.*, 2018). The PPO model has a Pseudo R² = 0.1590, higher than the ologit model (0.1213). Although the AIC and BIC (df) of the gologit model records 970.018 and 1126.648 (39), the PPO model recorded 955.476 and 1055.880 (25), which is less than the ologit model that has 962.003 and 1022.245 (15), respectively (Saffari *et al.*, 2015). Moreover, the high likelihood of the observed effects (Williams, 2015), which holds LR(36) = 168.58 and LR(22) = 155.13 compared to the ologit model with LR(12) = 128.60. These records undoubtedly indicate the effectiveness of the gologit model compared to the ologit model, which provides a substantially better fit for the data in this study.

To conclude, these findings illustrate a novel contribution to the existing knowledge of IF and SME fields. These statistical significance results from the IF system's sound, pragmatic attitude make SMEGFs more effective for SME development and sustainability. This IFPs' modulation effect uniquely confirms the ability to stimulate SMEG by providing developmental elements such as protecting capital, risk management, sharing ownership and enhancing productivity. This formulation process on SMEGFs makes finance accessibility more flexible and available. The firm's capital is more productive, affordable finance cost, moral reactional behaviours, close social connections, and more knowledgeable and experienced actions. This significant finding affirms the importance of IFPs in overcoming SMEG obstacles, consistent with Chowdhury, Alam and Arif (2013); Wang (2016). This result contributes towards SME sustainability, specifically in Oman, by offering an IF conceptual structure for SME development, in line with Gupta, Guha and Krishnaswami (2013). Further details cover how IFPs impact SMEGFs interpreted in chapter 6 and discussed in chapter 7.

Table 5.11 The findings of capital inspired by the impact of IFPs on SMEGFs through ologit and gologit2, PPO, models.

CAPITAL	Ordered Logit Model (ologit)	Generalised Ordered Logit (gologit2) Model			Generalised Ordered Logit Model (gologit2) with the Parallel Lines Assumptions		
EXPLANATORY VARIABLES	PO	(1) vs (2) (3) (4)	(1) (2) vs (3) (4)	(1) (2) (3) vs (4)	(1) vs (2) (3) (4)	(1) (2) vs (3) (4)	(1) (2) (3) vs (4)
Financial Resources	0.584*** (0.170)	0.436** (0.208)	0.944*** (0.201)	0.567*** (0.199)	0.588*** (0.188)	0.778*** (0.182)	0.478*** (0.182)
Capital Structure	-0.565** (0.256)	-0.162 (0.324)	-0.557* (0.286)	-0.791*** (0.290)	-0.541** (0.257)	-0.541** (0.257)	-0.541** (0.257)
Cost of Finance	0.198 (0.141)	0.315* (0.184)	0.138 (0.175)	0.129 (0.171)	0.202 (0.142)	0.202 (0.142)	0.202 (0.142)
Personal Values	-0.617*** (0.175)	-0.350 (0.226)	-0.702*** (0.210)	-0.746*** (0.211)	-0.593*** (0.177)	-0.593*** (0.177)	-0.593*** (0.177)
Corporate Social Responsibility	-0.247* (0.135)	-0.451** (0.179)	-0.605*** (0.179)	0.0180 (0.170)	-0.396** (0.165)	-0.507*** (0.161)	-0.0411 (0.158)
Knowledge	0.773*** (0.276)	0.314 (0.360)	0.791** (0.311)	0.987*** (0.312)	0.748*** (0.277)	0.748*** (0.277)	0.748*** (0.277)
Gender	0.886*** (0.288)	1.173*** (0.330)	1.114*** (0.342)	0.403 (0.364)	1.195*** (0.327)	1.007*** (0.336)	0.424 (0.352)
Profession	-0.771*** (0.281)	-0.531 (0.386)	-1.058*** (0.356)	-0.870*** (0.327)	-0.812*** (0.283)	-0.812*** (0.283)	-0.812*** (0.283)
Entrepreneur's Age	-0.0109 (0.0159)	-0.0388* (0.0208)	-0.0198 (0.0196)	0.0129 (0.0198)	-0.0403** (0.0199)	-0.0247 (0.0190)	0.0191 (0.0192)
Education Level	0.0964 (0.0972)	0.225* (0.125)	0.162 (0.115)	-0.0581 (0.116)	0.206* (0.119)	0.164 (0.111)	-0.0490 (0.114)
SME Age	0.224***	0.217***	0.208***	0.237***	0.222***	0.222***	0.222***

	(0.0291)	(0.0376)	(0.0347)	(0.0350)	(0.0292)	(0.0292)	(0.0292)
Industry	-0.198***	-0.230**	-0.177**	-0.211**	-0.208***	-0.208***	-0.208***
	(0.0715)	(0.0961)	(0.0843)	(0.0873)	(0.0726)	(0.0726)	(0.0726)
Constant cut1	-0.266	0.628			0.861		
	(0.665)	(0.863)			(0.799)		
Constant cut2	0.604		-0.413			-0.308	
	(0.667)		(0.818)			(0.765)	
Constant cut3	1.305*			-1.348			-1.554**
	(0.669)			(0.845)			(0.791)
LR chi2	128.60	168.58			155.13		
df	12	36			22		
Prob > chi2	0.0000	0.0000			0.0000		
Pseudo R ²	0.1213	0.1590			0.1463		
Log likelihood	-466.00144	-449.00911			-452.73788		
AIC / BIC(df)	962.003/1022.245 (15)	970.018/1126.648 (39)			955.476/1055.880 (25)		
Brant Test: Ordered Logit (ologit) Model	Result: chi2(24) = 30.34, Prob > chi2 = 0.174, the PL assumption has been violated in all variables, as the coefficients vary across the categories although insignificant (p>0.05).						
Wald Test: Generalised Ordered Logit (gologit2) Model	Result: chi2(14) = 13.69, Prob > chi2 = 0.4733, an insignificant test statistic (p>0.05) indicates that the final model does not violate the parallel lines assumption.						

- Standard errors in parentheses.
- Because of the reverse questions used, a negative coefficient means a positive correlation in such a case, i.e. CS, PVs, and CSR.
- Legend: bold variables are significant at *** p<0.01, ** p<0.05, * p<0.1.
- Capital Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–29,999 (4) OMR 30,000 and above.

5.7.2 Model 2: SME Sales Growth

Ordered Logistic Regression

The present research estimates the SME sales growth (SMESG) model that consolidates the IFPs into SMEGFs, using ologit regression. This model illustrates only the significant coefficients on FR and CSR at a level of significance $p < 0.05$ and $p < 0.1$, respectively. This SMESG model is significant at $p < 0.01$ with a likelihood ratio chi-square test of 107.62 and has a log-likelihood of -492.62071, as indicated in the table (5.12) below.

FR factor has a positive and significant coefficient of 0.412 at the $p < 0.05$ significance level, and all other variables are held constant. This result implies that the probability of financing SMEs within an Islamic perspective has a chance to boost their sales growth in the entire categories by almost 41%. This finding shows the importance of financing SMEs within the IF system, including partnership policies, asset-based and prohibitions that enable SMEs to share capacities and access different resources for production, boosting SME credit trustworthiness. Besides, the CSR variable has a significant beta of (0.234) at the $p < 0.1$ significance level, given that the rest variables held constant. This finding signifies that considering social duty in Islamic finance indicating the likelihood of promoting SMESG in all categories by slightly over 23%. This outcome hints that SMEs funded amidst collective interest are more likely to operate within social activities and communicative networks, impelling SMESG.

Conversely, the rest of the explanatory variables (i.e. CS, CoF, PVs, and Kn) inspected in this model were insignificant. Nevertheless, three controlling variables, gender (male), SME age (based on the first group), and industry (based on agriculture), were statically significant at $p < 0.01$. Men and SMEs aged 1–3 years are more likely to enhance SMESG by 1.041 and 0.199, respectively, compared to women and older SMEs. The agriculture industry is less likely to support SMESG by 0.182 compared to the rest of the industries that are more likely to do so, knowing that other variables are held constant in the model. Other controlled variables show their insignificance support for SMESG in this model. However, the Brant test displays that the PL assumptions are violated, as the coefficients vary across the levels of sales and are significant at $\text{Prob} > \chi^2 = 0.007$ ($p < 0.05$), with $\chi^2(24) = 44.22$. This record infers the findings inaccurately that induces gologit model utilisation.

Generalised Ordinal Logistic Regression

According to the Brant test result over the ologit model, this research used gologit regression to estimate the SMESG model, which is significant at $p < 0.01$ with an LR chi2 test of 151.84 and has a log-likelihood of -470.51156. In contrast, the PPL model is significant at $p < 0.01$ with an LR chi2 test of 131.86 and has a log-likelihood of -480.50345. The decision confirms that SMEGFs' coefficients are significant at a different level of significance, $p < 0.01$, $p < 0.05$, $p < 0.1$. This finding reports the positive influences of IFPs on SMEGFs to stimulate SMESG. This important estimation revealed that the possibility of SMESG rises when SMEs perceive Islamic finance, observing significantly in five explanatory variables, excluding PVs.

Under the gologit model in table (5.12), the FR variable is statistically significant, mainly at a $p < 0.01$ significance level, given that all other variables held constant. This finding underlines that whenever SMEs accommodate IFPs in the funding process, the probability of sales growth with categories of (1 vs 2 3 4)¹⁷ increases by almost 60% (coefficient 0.597 at $p < 0.01$) and (1 2 vs 3 4) increases by approximately 56% (coefficient 0.558 at $p < 0.01$). The same chances have been observed under the PPL model but by around 44% (coefficient 0.439 at $p < 0.05$) for (1 vs 2 3 4) and slightly over 57% (coefficient 0.574 at $p < 0.01$) for the second level (i.e. 1 2 vs 3 4). Further, this accommodation of IFPs in SME social responsibility indicates that the likelihood of sales growth increases would be through the first level (1 vs 2 3 4) at around 29% (coefficient 0.285 at $p < 0.1$). In contrast, this impact would be constant across all levels under the PPL model by approximately 25% (coefficient 0.248 at $p < 0.1$).

This model illustrates the feature of relaxing variables from the PL assumptions, indicating statistically significant coefficients of the explanatory variables not identified in the ologit model to demonstrate sales growth. For example, the CS variable was observed significantly in both models, namely gologit and PPL, at $p < 0.1$ and $p < 0.05$, respectively. This result indicates that whenever SMEs accommodate sharing approach, the probability of sales growth with the

¹⁷ Logits that dichotomies the sales categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–30,000 (4) Over OMR 30,000.

second level of (1 2 vs 3 4) increases by approximately 58% (coefficient 0.583 at $p<0.1$). This effect increases this second level by almost 52% (coefficient 0.522 at $p<0.05$) while in the PPL model. This outcome proposes that the probability of financing SMEs within an Islamic participatory strategy supports their operation and production capacity. This finding shows that IFPs, e.g. sharing, enable SMEs to realise management skills, marketing, and cost reduction on such enhancement, enhancing SMESG.

Similar evidence of the critical impact of IFPs has been observed on CoF but in the third level significant at $p<0.1$ and $p<0.05$. This result indicates that whenever SMEs accommodate IFPs in their financing process, the probability of sales growth, in gologit, increases by approximately 39% (coefficient 0.387 at $p<0.1$) at the category of (1 2 3 vs 4). In contrast, the PPL model appears this effect to increase by almost 35% (coefficient 0.354 at $p<0.05$). This result hints that the likelihood of promoting SMESG can be through the risk management strategy forced by IFPs. This policy accomplishes cost reduction via the risk prohibitions of excessive speculation, gambling, and illicit commercial activities, which develop the firm's reputation, thereby achieving SMESG.

This study also indicates a significant influence of IFPs on the Kn variable to stimulate SME sales growth, but in the PPL model at $p<0.1$ with constant coefficient across all categories. This result indicates that whenever SMEs accommodate IFPs in their financing process, the probability of sales growth increases by slightly over 47% (coefficient 0.473 at $p<0.1$). This finding shows that the possibility of expanding SMESG can be through the partnership subjugated within the Islamic financing system via stakeholders' engagement and collaborative duty. This design fulfils the demands of knowledge, skills, and capacities associated with SMEs limited resources that enhance the quality of products and services, leading to SMESG.

This impact also convened in some of the controlling variables, like profession, related to the owner, which was significant by (0.939) at $p<0.01$, compared to the manager that is more likely to enhance the SMESG from the middle level to a higher one. In return, older entrepreneurs are more likely to support sales growth than the youngest ones, by (0.037) at $p<0.1$. The higher education level

is more likely to support SMESG from its first three categories towards the top by 0.260, at $p < 0.05$, given that the rest of the variables are held constant in the model.

The Brant test, the ologit model, allowed the influences of the explanatory variables to vary across the cumulative logits of the capital model selectively and only as needed (Williams, 2016), which violates the PL assumptions (Celik *et al.*, 2018). The PPO model has a Pseudo $R^2 = 0.1389$, higher than the ologit model (0.0985). Although the AIC and BIC (df) of the gologit model record 1019.023 and 1175.653 (39), the PPO model recorded 1007.007 and 1099.379 (23), which is less than the ologit model that has 1015.241 and 1075.484 (15), respectively (Saffari *et al.*, 2015). Moreover, the high likelihood of the observed effects (Williams, 2015), which holds $LR(36) = 151.84$ and $LR(20) = 131.86$, compared to the ologit model with $LR(12) = 107.62$. These records undoubtedly indicate the effectiveness of the gologit2 model compared to the ologit model, which gives a substantial fit for the study data.

In essence, this model analyses confirm the positive impact of IFPs modulation on five factors, including FR, CS, CoF, PVs, CSR, and Kn, perceived SMEG from the sales context. Practically, these findings uniquely contribute to the SME finance process by revealing a moderate model that enables participatory finance, well-management, productive operations and mutual benefits within the IF applications. These findings assert the importance of IFPs in expanding SME sales within the financing process by making SMEs better innovative, productive and operative. It is reflected by the meaningful link between such variables and SMESG, consistent with Cowling, Liu and Zhang (2018).

Table 5.12 The findings of sales inspired by the impact of IFPs on SMEGFs through ologit and gologit2, PPO, models.

SALES	Ordered Logit Model (ologit)	Generalised Ordered Logit (gologit2) Model			Generalised Ordered Logit Model (gologit2) with Parallel Lines Assumptions		
EXPLANATORY VARIABLES	PO	(1) vs (2) (3) (4)	(1) (2) vs (3) (4)	(1) (2) (3) vs (4)	(1) vs (2) (3) (4)	(1) (2) vs (3) (4)	(1) (2) (3) vs (4)
Financial Resources	0.412** (0.164)	0.597*** (0.205)	0.558*** (0.203)	-0.0931 (0.228)	0.439** (0.186)	0.574*** (0.187)	0.169 (0.197)
Capital Structure	-0.344 (0.253)	-0.335 (0.321)	-0.583* (0.308)	-0.0629 (0.342)	-0.275 (0.276)	-0.522** (0.263)	-0.300 (0.265)
Cost of Finance	0.0628 (0.135)	-0.0747 (0.166)	-0.0644 (0.163)	0.387* (0.198)	-0.0652 (0.154)	-0.0171 (0.155)	0.354** (0.176)
Personal Values	-0.127 (0.165)	-0.257 (0.200)	-0.0319 (0.206)	-0.00676 (0.240)	-0.142 (0.166)	-0.142 (0.166)	-0.142 (0.166)
Corporate Social Responsibility	-0.234* (0.131)	-0.285* (0.163)	-0.254 (0.158)	-0.157 (0.173)	-0.248* (0.132)	-0.248* (0.132)	-0.248* (0.132)
Knowledge	0.428 (0.276)	0.469 (0.341)	0.559 (0.341)	0.286 (0.385)	0.473* (0.277)	0.473* (0.277)	0.473* (0.277)
Gender	1.041*** (0.284)	0.941*** (0.320)	0.949*** (0.344)	1.862*** (0.545)	1.051*** (0.286)	1.051*** (0.286)	1.051*** (0.286)
Profession	-0.417 (0.257)	-0.498 (0.324)	-0.939*** (0.307)	-0.129 (0.319)	-0.359 (0.318)	-0.895*** (0.300)	-0.211 (0.315)
Entrepreneur's Age	-0.0131 (0.0156)	0.00212 (0.0194)	-0.0152 (0.0185)	-0.0367* (0.0204)	-0.0144 (0.0157)	-0.0144 (0.0157)	-0.0144 (0.0157)
Education Level	0.121 (0.0935)	-0.0121 (0.115)	0.159 (0.109)	0.260** (0.120)	0.121 (0.0941)	0.121 (0.0941)	0.121 (0.0941)
SME Age	0.199***	0.233***	0.179***	0.192***	0.206***	0.206***	0.206***

	(0.0277)	(0.0346)	(0.0315)	(0.0354)	(0.0280)	(0.0280)	(0.0280)
Industry	-0.182***	-0.185**	-0.185**	-0.135	-0.190***	-0.190***	-0.190***
	(0.0689)	(0.0848)	(0.0813)	(0.0901)	(0.0695)	(0.0695)	(0.0695)
Constant cut1	0.423	-0.673			-0.455		
	(0.658)	(0.787)			(0.682)		
Constant cut2	1.467**		-0.784			-1.053	
	(0.660)		(0.773)			(0.675)	
Constant cut3	2.252***			-2.826***			-2.435***
	(0.664)			(0.942)			(0.682)
LR chi2	107.62	151.84			131.86		
df	12	36			20		
Prob > chi2	0.0000	0.0000			0.0000		
Pseudo R ²	0.0985	0.1389			0.1207		
Log likelihood	-492.62071	-470.51156			-480.50345		
AIC / BIC(df)	1015.241/ 1075.484 (15)	1019.023/1175.653 (39)			1007.007/1099.379 (23)		
Brant Test: Ordered Logit (ologit) Model	Result: chi2(24) = 44.22, Prob > chi2 = 0.007, the parallel regression assumption has been violated, as the coefficients vary across the categories and significant (p<0.05).						
Wald Test: Generalised Ordered Logit (gologit2) Model	Result: chi2(16) = 18.68, Prob > chi2 = 0.2855, an insignificant test statistic (p>0.05) indicates that the final model does not violate the proportional odds.						

- Standard errors in parentheses.
- Because of the reverse questions used, a negative coefficient means a positive correlation in such a case, i.e. CS, PVs, and CSR.
- Legend: *** p<0.01, ** p<0.05, * p<0.1.
- Sales Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–30,000 (4) Over OMR 30,000.

5.7.3 Model 3: SME Profit Growth

Ordered Logistic Regression

Table (5.13) presents the estimations obtained by the ologit model analysis on the impact of IFPs to stimulate SME profits growth (SMEPG). This model operationalises IFPs into the financing process to improve SMEGFs. It shows the significant of four variables, i.e. FR, CS, PVs, and Kn, at two different levels of significance, $p < 0.01$ and $p < 0.05$. This SMEPG model is significant at $p < 0.01$ with an LR (chi2) test of 115.84 and has a log-likelihood of -467.79949.

FR factor has a positive and significant coefficient of 0.556 at the $p < 0.01$ significance level, given that other variables are constant. This effect signifies that the likelihood of financing SMEs within the sharing principle can support their profit growth by almost 56% across all categories. This conclusion determines that the availability of financial resources within a profit-sharing and loss policy could reasonably protect property and ownership that facilitate finance accessibility. This partnership allows for heightening productive activities and diversity of products, which drives SMEPG.

Moreover, the CS factor is statistically significant with a coefficient of (0.636) at the $p < 0.05$ significance level; other variables are constant. This outcome implies that SMEs have a chance to stimulate their profits growth by approximately 64% within an Islamic structuring of capital. This finding shows the importance of SMEs' participation with limited resources and capacities in the Islamic finance system. This engagement among the stakeholders would open new opportunities and information for emerging projects, which enable them to share risk, knowledge, skills, and experience, enhancing profits growth.

Similarly, the PVs variable has a significant effect of (0.448) and significance level at $p < 0.01$, given that the rest variables are constant. This finding indicates that SMEPG has more probability of increasing across its groups by almost 45% whenever entrepreneurs' values are nurtured from their religious perspective. This research uncovers that religion can shape their excellence within an ethical practice obligation in the financing process, including transparency and ambiguity prevention policies that enhance risk management and cost reduction, supporting SMEPG.

Furthermore, the Kn factor holds a significant influence by 0.733 at a significance level of $p < 0.01$; all other variables are constant. This decision

signifies that the probability of financing SMEs within a partnership strategy has a chance of supporting SMEPG via all categories by slightly over 73%. This result unveils that the Islamic participatory pattern is more likely to advance SMEs by several capacities and resources for efficient operation and production, boosting SMEPG.

There was also a significant impact on entrepreneurs' and SMEs' ages, education levels, and industries as a controlling variable. In terms of entrepreneurs' age and industry variables, it was indicated by 0.033 at $p < 0.05$ and 0.257 at $p < 0.01$, respectively. These outcomes imply that SMEPG is less likely to grow in the hands of the youngest entrepreneurs and the agriculture industry (as a base indicator) than the oldest entrepreneurs and other industries. In contrast, a higher education level and more years of experience are more likely to reinforce SMEPG by 0.261 and 0.228, both at $p < 0.01$; in all cases, the rest of the variables are constant in the model.

However, the ologit model shows a violation of the PL assumption via the Brant test. It indicates that coefficients still vary across the categories, although insignificant at $\text{Prob} > \chi^2 = 0.190$ ($p > 0.05$), with $\chi^2(24) = 29.84$. This outcome signifies an incorrect interpretation of results; accordingly, this survey uses the gologit model to advance the model of SME profits.

Generalised Ordinal Logistic Regression

this study estimates the SMEPG model that practises IFPs within the SMEGFs when financing SMEs, using the gologit model (Table 5.13). This regression is significant at $p < 0.01$ with an LR χ^2 test of 149.19 and has a log-likelihood of -451.12388. In contrast, the PPL model is significant at $p < 0.01$ with an LR χ^2 test of 136.38 and has a log-likelihood of -457.53162. The results uncover that most SMEGFs' coefficients are significant at a different level of significance, $p < 0.01$, $p < 0.05$, $p < 0.1$. This estimation revealed that the possibility of SMEPG increases when SMEs perceive Islamic finance, observing significantly in four explanatory variables, excluding CoF and CSR.

FR factor is significant at $p < 0.01$ significance level across all categories; all other variables held constant. This result underlines that whenever the financial resources are available within the IFPs framework, the probability of profits

growth increases via categories of (1 2 vs 3 4)¹⁸ by almost 60% (coefficient 0.601 at $p<0.01$) and (1 2 3 vs 4) by approximately 69% (coefficient 0.687 at $p<0.01$). In contrast, the PPL model shows fixed coefficients of FR across all profits categories by almost 58% (coefficient 0.578 at $p<0.01$). Similar to the FR, the CS variable is significant, mostly at a $p<0.05$ significance level across the logits, given that other variables are constant. This outcome shows that structuring capital within the Islamic finance framework increases the probability of profits growth in the categories of (1 2 vs 3 4) by almost 78% (coefficient 0.784 at $p<0.01$) and (1 2 3 vs 4) by approximately 67% (coefficient 0.668 at $p<0.05$). In contrast, the PPL model indicates a fixed effect on the CS among the profits levels by approximately 65% (coefficient 0.649 at $p<0.05$).

In a similar vein, the PVs factor is significant, mostly at $p<0.01$ significance level via the levels, other variables held constant. This result indicates the probability of profits growth increasing when the personal values exposure to the IFPs. This influence applies in the second logit (1 2 vs 3 4) by about 57% (coefficient 0.569 at $p<0.01$) and the third logit (1 2 3 vs 4) by approximately 45% (coefficient 0.453 at $p<0.05$). In contrast, the PPL model signifies a constant influence by the PVs on profits levels by almost 46% (coefficient 0.459 at $p<0.01$). Likewise, the Kn variable is significant, mostly at $p<0.01$ significance level through the profit levels; other variables are constant. This finding shows the likelihood of profits growth improving when SMEs meet an Islamic participation approach in financing. This impact appears in the second level (1 2 vs 3 4) by almost 87% (coefficient 0.868 at $p<0.01$) and third level (1 2 3 vs 4) by approximately 85% (coefficient 0.845 at $p<0.05$). In contrast, the PPL model introduces constant coefficients by the Kn on the entire profits categories by slightly above 77% (coefficient 0.772 at $p<0.01$).

Notwithstanding, the generalised model offers a further significant impact over the control variables, i.e. gender, that not released by the ologit model. Compared to women, who are more likely to increase SMEPG from the first group to the top ones by 1.059 at $p<0.1$, men are more likely to support SMEPG from the two lower groups to the higher ones by 0.570 at $p<0.1$. The increment

¹⁸ Logits that dichotomies the profits categories: (1) OMR 0 and below (2) OMR 1–4,999 (3) OMR 5,000–10,000 (4) Over OMR 10,000.

moves from three levels to the top by 0.877 at $p < 0.05$, given those other variables constant in the model.

The Brant test on the ologit model showed the influences of the explanatory variables vary across the capital model's cumulative logits selectively and only as needed (Williams, 2016), which violates the PL assumptions (Celik *et al.*, 2018). The PPO model has a Pseudo $R^2 = 0.1419$, higher than the ologit model (0.1102). Although the AIC and BIC (df) of the gologit model records 980.248 and 1136.878 (39), however, the PPO model recorded at 957.063 and 1041.403 (21), which is less than the ologit model, which has 965.599 and 1025.841 (15), respectively (Saffari *et al.*, 2015). Moreover, the high likelihood of the observed effects (Williams, 2015), which holds $LR(36) = 149.19$ and $LR(18) = 136.38$, are compared to the ologit model with $LR(12) = 115.84$. These records undoubtedly indicate the effectiveness of the gologit2 model compared to the ologit model, which concedes a complete better fit for this research data.

Although this model has been statistically determined, four factors are affected by IFPs, namely FRs, CS, PVs, and Kn. Yet, it will enable SMEs to achieve profitable growth and increase revenues, which will, in turn, enhance their sustainability financial status, abilities and finance accessibility. SME perceived profit growth through this influence of IFPs, for example, the effectiveness of partnership and profit and loss sharing principles, stimulating the hard work, risk management, ethical practices, etc., embedded in the business initiatives. This finding endorses the positive business ethics within the Islamic entrepreneurial values, consistent with Tlaiss (2015). SME profitability within the IF system relies on the participatory approach that brings appropriate exchange experience and knowledge channels that increase SME aptitude and improve entrepreneurs' skills. This result is consistent with Saunila, Ukko and Rantanen (2014); Martinez-Roman and Romero (2017), who revealed that participatory leadership culture exploits external networks and knowledge to motivate a firm's innovation and employee skills improvements.

Table 5.13 The findings of profits inspired by the impact of IFPs on SMEGFs through ologit and gologit, PPO, models.

PROFIT	Ordered Logit Model (ologit)	Generalised Ordered Logit (gologit2) Model			Generalised Ordered Logit Model (gologit2) with Parallel Lines Assumptions		
EXPLANATORY VARIABLES	PO	(1) vs (2) (3) (4)	(1) (2) vs (3) (4)	(1) (2) (3) vs (4)	(1) vs (2) (3) (4)	(1) (2) vs (3) (4)	(1) (2) (3) vs (4)
Financial Resources	0.556*** (0.166)	0.361 (0.303)	0.601*** (0.199)	0.687*** (0.230)	0.578*** (0.167)	0.578*** (0.167)	0.578*** (0.167)
Capital Structure	-0.636** (0.255)	-0.0711 (0.543)	-0.784*** (0.301)	-0.668** (0.339)	-0.649** (0.258)	-0.649** (0.258)	-0.649** (0.258)
Cost of Finance	0.0898 (0.135)	0.0221 (0.276)	0.0734 (0.164)	0.151 (0.191)	0.0986 (0.138)	0.0986 (0.138)	0.0986 (0.138)
Personal Values	-0.448*** (0.160)	-0.0546 (0.354)	-0.569*** (0.192)	-0.453** (0.210)	-0.459*** (0.163)	-0.459*** (0.163)	-0.459*** (0.163)
Corporate Social Responsibility	-0.0794 (0.128)	-0.207 (0.279)	-0.150 (0.154)	0.0449 (0.173)	-0.186 (0.196)	-0.218 (0.145)	0.122 (0.159)
Knowledge	0.733*** (0.275)	0.132 (0.606)	0.868*** (0.327)	0.845** (0.364)	0.772*** (0.279)	0.772*** (0.279)	0.772*** (0.279)
Gender	0.341 (0.257)	-1.059* (0.642)	0.570* (0.314)	0.877** (0.409)	-1.004 (0.638)	0.572* (0.315)	0.804** (0.407)
Profession	-0.367 (0.260)	0.0548 (0.551)	-0.362 (0.308)	-0.495 (0.319)	-0.363 (0.263)	-0.363 (0.263)	-0.363 (0.263)
Entrepreneur's Age	-0.0326** (0.0155)	-0.0521 (0.0326)	-0.0220 (0.0186)	-0.0365* (0.0205)	-0.0334** (0.0158)	-0.0334** (0.0158)	-0.0334** (0.0158)
Education Level	0.261*** (0.0940)	0.0535 (0.195)	0.223** (0.110)	0.385*** (0.126)	0.260*** (0.0955)	0.260*** (0.0955)	0.260*** (0.0955)
SME Age	0.228***	0.284***	0.215***	0.235***	0.232***	0.232***	0.232***

	(0.0289)	(0.0654)	(0.0341)	(0.0386)	(0.0292)	(0.0292)	(0.0292)
Industry	-0.257***	-0.245	-0.353***	-0.136	-0.294**	-0.348***	-0.139
	(0.0685)	(0.159)	(0.0829)	(0.0874)	(0.150)	(0.0814)	(0.0852)
Constant cut1	-2.815***	4.490***			4.109***		
	(0.668)	(1.443)			(1.027)		
Constant cut2	-0.237		0.205			0.412	
	(0.647)		(0.773)			(0.690)	
Constant cut3	1.195*			-2.314***			-2.074***
	(0.652)			(0.885)			(0.748)
LR chi2	115.84	149.19			136.38		
df	12	36			18		
Prob > chi2	0.0000	0.0000			0.0000		
Pseudo R ²	0.1102	0.1419			0.1278		
Log likelihood	-467.79949	-451.12388			-457.53162		
AIC / BIC(df)	965.599/ 1025.841 (15)	980.248/1136.878 (39)			957.063/ 1041.403 (21)		
Brant Test: Ordered Logit (ologit) Model	Result: chi2(24) = 29.84, Prob > chi2 = 0.190, the parallel regression assumption has been violated, as the coefficients vary across the categories although insignificant (p>0.05).						
Wald Test: Generalised Ordered Logit (gologit2) Model	Result: chi2(18) = 12.52, Prob > chi2 = 0.8190, an insignificant test statistic (p>0.05) indicates that the final model does not violate the proportional odds/parallel lines assumption.						

- Standard errors in parentheses.
- Because of the reverse questions used, a negative coefficient means a positive correlation in such a case, i.e. CS, PVs, and CSR.
- Legend: *** p<0.01, ** p<0.05, * p<0.1.
- Profit Categories: (1) OMR 0 and below (2) OMR 1–4,999 (3) OMR 5,000–10,000 (4) Over OMR 10,000.

5.7.4 Model 4: SME Employment Growth

Ordered Logistic Regression

This study also examines the SME employment growth (SMEEG) model that solidifies the IFPs into SMEGFs. This SMEEG model is significant at $p < 0.01$ with a likelihood ratio chi-square test of 106.91 and has a log-likelihood of -354.23 (Table 5.14). This regression represents the sole significance of SMEGFs, namely the Kn variable. This factor holds a significant influence by 0.513 at a significance level of $p < 0.1$, given that all other variables are constant. This result implies that SMEEG has a chance to increase in all categories wherever SMEs are financed within a partnership by almost 51%. This event reveals that the sharing principle allows SMEs by stakeholders' engagement, on the one hand, to improve the quality of products and services that welcoming several businesses. On the other hand, such a collaborative event enhances technical and managerial skills essential for labouring, increasing SME employment growth.

Controlling variables appear to have a significant effect on SMEs' employment growth as well. For instance, gender, profession, education level, and SME age variables held a substantial impact at $p < 0.01$, in contrast to the entrepreneur's age and industry. This result implies that male managers of a project with higher education levels and more SME experience are more likely to enhance SMEEG in all SMEs categories by 0.973, 0.717, 0.270, and 0.212, respectively, considering that other variables are held constant in the model. However, the PL assumptions in the ologit model are violated, as appears by the Brant test. The betas vary across the employment categories despite the insignificance at $\text{Prob} > \chi^2 = 0.574$ ($p > 0.05$), with $\chi^2(24) = 10.48$.

Generalised Ordinal Logistic Regression

This study estimates the SMEPG model that practises IFPs within the SMEGFs when financing SMEs, employing gologit regression (Table 5.14). This regression is significant at $p < 0.01$ with an LR χ^2 test of 118.54 and has a log-likelihood of -348.41331. In contrast, the PPL model is significant at $p < 0.01$ with an LR χ^2 test of 114.54 and has a log-likelihood of -350.414. This model reveals a similar impact on SMEGFs by one factor, i.e. Kn, are significant at a different significance level, $p < 0.05$ and $p < 0.1$. Kn variable is significant at $p < 0.01$ significance level across all logits; other variables are constant. This

outcome shows that whenever an Islamic sharing framework is available while financing SMEs, the probability of employment growth increases in the first level (1 vs 2 3)¹⁹ by almost 63% (coefficient 0.628 at $p < 0.05$).

However, the PPL model indicates constant coefficient values of K_n via employment categories by approximately 51% (coefficient 0.514 at $p < 0.1$). The other significant impact of IFPs is found regarding gologit analysis regarding the control variable of the entrepreneur's age. This finding indicates that the partial enforcement of the PL assumption held a substantial impact at $p < 0.1$, implying that most adult entrepreneurs are more likely to support SMEPG from the first two categories to the higher one by 0.0491.

The Brant test concludes that the ologit model allowed the influences of the explanatory variables to vary across the cumulative logits of the capital model selectively and only as needed (Williams, 2016), which violates the PL assumptions (Celik *et al.*, 2018). The PPO model has a Pseudo $R^2 = 0.1454$, higher than the ologit model (0.1311). Although the AIC and BIC (df) of the gologit model records 748.827 and 853.247 (26), the PPO model recorded 732.828 and 797.087 (16), which is less than the ologit model that has 736.460 and 792.686 (14), respectively (Saffari *et al.*, 2015). Moreover, the high likelihood of the observed effects (Williams, 2015), which holds $LR(24) = 118.54$ and $LR(14) = 114.54$ compared to the ologit model with $LR(12) = 106.91$. These records undoubtedly indicate the effectiveness of the gologit model compared to the ologit model, which renders a considerably more desirable fit for the data in this study.

The difficult determination of IFPs impact on most predictors in this model may arise from the limited measures of employment elements possible or the specific parameter estimates. As significantly linked to the financial perspective, the analysis focused on the influence of IFPs to regulate the funding mechanism. At the same time, job growth is more likely to be the product of strategic considerations (Cowling, Liu and Zhang, 2018).

Overall, this model shows a significant result related to the knowledge predictor. This finding means that the IFPs, i.e. participation and PLS, propel

¹⁹ Logits that dichotomies the employment categories: (1) Micro (1–5 employees), (2) Small (6–25 employees), and (3) Medium (26–99 employees).

the transformation of know-how among the shareholders, which increases innovative SMEs and improving entrepreneurs' skills, including managerial, technical, analytic, marketing and communication. This presence of educated and skilled entrepreneurs improves SME management, operations, and productions, making this sector competitive, motivating, and creating more job opportunities. Therefore, this study concludes that IFPs play an essential role in developing entrepreneurs skills, motives and abilities within a participatory approach. This capacity inspires the quality of knowledge-driven entrepreneurial businesses to expand the emerging industries, motivating future favourable outcomes, increasing employment growth. This effect perceives sound development factors for entrepreneurship in line with Kim and Vonortas (2014a); Hewitt-Dundas, Gkypali and Roper (2019) and corroborated with Delmar and Wiklund (2008).

Table 5.14 The findings of employment inspired by the impact of IFPs on SMEGFs through ologit and gologit2, PPO, models.

EMPLOYMENT	Ordered Logit (ologit) Model	Generalised Ordered Logit (gologit2) Model		Generalised Ordered Logit (gologit2) Model with Parallel Lines Assumptions	
EXPLANATORY VARIABLES	PO	(1) vs (2) (3)	(1) (2) vs (3)	(1) vs (2) (3)	(1) (2) vs (3)
Financial Resources	0.152 (0.175)	0.147 (0.193)	0.103 (0.294)	0.140 (0.176)	0.140 (0.176)
Capital Structure	-0.333 (0.272)	-0.399 (0.299)	-0.0970 (0.404)	-0.315 (0.272)	-0.315 (0.272)
Cost of Finance	-0.151 (0.147)	-0.106 (0.165)	-0.180 (0.235)	-0.130 (0.148)	-0.130 (0.148)
Personal Values	0.193 (0.172)	0.0891 (0.187)	0.474 (0.296)	0.183 (0.172)	0.183 (0.172)
Corporate Social Responsibility	-0.118 (0.136)	-0.119 (0.156)	-0.0740 (0.203)	-0.120 (0.137)	-0.120 (0.137)
Knowledge	0.518* (0.291)	0.628** (0.317)	0.216 (0.435)	0.514* (0.290)	0.514* (0.290)
Gender	0.973*** (0.309)	1.055*** (0.323)	0.729 (0.579)	0.998*** (0.309)	0.998*** (0.309)
Profession	-0.717*** (0.277)	-0.444 (0.316)	-1.133*** (0.381)	-0.468 (0.316)	-1.182*** (0.370)
Entrepreneur's Age	0.000813 (0.0161)	-0.0144 (0.0180)	0.0437 (0.0275)	-0.0160 (0.0178)	0.0491* (0.0262)
Education Level	0.270*** (0.102)	0.267** (0.111)	0.301* (0.165)	0.268*** (0.102)	0.268*** (0.102)
SME Age	0.212*** (0.0298)	0.200*** (0.0323)	0.262*** (0.0549)	0.212*** (0.0300)	0.212*** (0.0300)
Industry	-0.0535	-0.0988	0.00807	-0.0671	-0.0671

	(0.0727)	(0.0821)	(0.118)	(0.0732)	(0.0732)
Constant cut1	1.878***	-1.377*		-1.454*	
	(0.707)	(0.778)		(0.763)	
Constant cut2	4.463***		-6.404***		-5.931***
	(0.737)		(1.290)		(1.075)
LR chi2	106.91	118.54		114.54	
df	12	24		14	
Prob > chi2	0.0000	0.0000		0.0000	
Pseudo R²	0.1311	0.1454		0.1405	
Log likelihood	-354.23	-348.41331		-350.414	
AIC / BIC(df)	736.460/792.686 (14)	748.827/853.247 (26)		732.828/797.087 (16)	
Brant Test: Ordered Logit (ologit) Model	Result: chi2(12) = 10.48, Prob > chi2 = 0.574, the parallel regression assumption has been violated, as the coefficients vary across the categories although insignificant (p>0.05).				
Wald Test: Generalised Ordered Logit (gologit2) Model	Result: chi2(10) = 3.87, Prob > chi2 = 0.9531, an insignificant test statistic (p>0.05) indicates that the final model does not violate the proportional odds/parallel lines assumption.				

- Standard errors in parentheses.
- Because of the reverse questions used, a negative coefficient means a positive correlation in such a case, i.e. CS, PVs, and CSR.
- Legend: *** p<0.01, ** p<0.05, * p<0.1.
- Employment Categories: (1) Micro (1–5 employees), (2) Small (6–25 employees), and (3) Medium (26–99 employees).

5.8 SUMMARY

This chapter described the characteristics of entrepreneurs and the SME sector in the Sultanate of Oman. This analysis defined the essential characteristics and demographics of Omani entrepreneurs. This chapter then presented their enterprises' demographics and their financial status to realise the research phenomenon better. Further, it discussed the factors considered to hamper access to finance and growth. The qualitative outcomes also explain the most challenges hindering SMEG.

This chapter has investigated the collected data for the first part of this study, the quantitative study. It has announced the related analysis findings of the four models, namely capital, sales, profits, and employment. It has provided the investigation outcomes of the ability of IFPs to affect the SME development process. This survey's conclusions were scrutinised using STATA, Spearman correlation coefficients, factor analysis, and ordered and generalised logit regressions to calculate the various models for more excellent reliability and valid statistics. It has highlighted implementing generalised logistic regression where the correlation between SMEG and its determinants implicitly affected by IFPs has been identified significantly.

Drawing upon the hypothesised regressions' (ologit and gologit) findings, this research found significant results. Except for the employment model affected by one variable (Kn), three SMEG determinants, i.e. capital, sales, and profits, were observed to be positively and significantly affected by the modulation process of IFPs over the majority of SMEGFs. The models demonstrated a substantial association between SMEG, and the IF system's factors for most cases. The analysis illustrated that IFPs significantly impact modulating the explanatory variables with various strategies such as protection, participation, collaboration, etc., to stimulate SMEG. The real impact and the broad and extensive interpretation of these findings are articulated in the following chapter (6) to address the central aspect of IFPs raised, clearly citing its effects on the existing knowledge and practice.

CHAPTER SIX

PERCEPTIONS OVER STIMULATING SME GROWTH WITHIN THE ISLAMIC FINANCE SYSTEM

6 PERCEPTIONS OVER STIMULATING SME GROWTH WITHIN THE ISLAMIC FINANCE SYSTEM

6.1 INTRODUCTION

This chapter analyses the z-statistics and the acceptance of the hypotheses and extends an in-depth explanation of the regressions' findings observed in chapter 6. The next sections present the importance of the potential impact of Islamic finance (IF), followed by an interpretation of the results that mainly refer to the hypotheses and regression analyses. The finding elucidates how Islamic finance principles (IFPs) operate to activate each SME growth factor (SMEGF) to stimulate SME growth (SMEG). This chapter, therefore, develops insights into the perceptions and practices of IF by the main themes, including the subthemes, explaining its principles significance of each explanatory variable thematically. This interpretation clarifies the perspectives of the concerned SME development parties in the Sultanate of Oman. Lastly, it summarises the range of debates for the whole chapter.

6.2 THEMES EXPLAINING ISLAMIC FINANCE PRINCIPLES IMPACT

The analysis strategy, thereby, gives the quantitative findings extra weight to know the significance of the themes extracted based on interviewees view and interpretations. For example, the intake of ownership assurance materialises with a policy that can preserve rights and property concerning the wealth holders, which currently cost SMEs by the lack of collaterals (Table 6.1). In return, the theme of assurance of partnership incarnates to ascertain justice and fairness as a quality of the Islamic financial system advantages in achieving good merits and redistribution of the gains. Also, the theme of controls assurance lies in determining the IF system quality in mitigating risk and high cost of financing SMEs that undermine their progress.

Table 6.1 Themes of IFPs impacts.

Themes (IFPs)	Sub-themes	SMEGFs
Ownership Assurance	Transparency & Clarity	Financial Resources
	Capital Allocation	
	Partnership	
Partnership Assurance	Ownership	Capital Structure
	Islamic Structuring of Capital	
	Shareholders Involvement	
Controls Assurance	Trusted Partnership	Cost of Finance
	Monitoring & Supervision	
	Post-finance-support	
	Obligation	
Ethical Practices Assurance	Decision Making	Personal Values
	Quality Management	
	Risk Management	
Solidarity Assurance	Social Interest	Corporate Social Responsibility
	Social Loyalty	
	Social Affiliation	
Enhancement Assurance	SME Renovation	Knowledge
	Participation	
	Collaboration	

Moreover, the assurance of ethical practices emanating to delimit the spirit of entrepreneurs' personality in their treats for their attempts of business progress. The theme of solidarity assurance, in return, commands the quality of the IF advantages for a promising social-economic community in the endeavour of mutual promotion. Finally, the enhancement assurance theme determines the utility of the IFPs in fostering entrepreneurial' aptitude through enhancing their management skills emergence. A thorough depth illustrates the whole findings for each theme in the subsequent sections based on the allocated topics.

6.3 ISLAMIC FINANCE PRINCIPLES IMPACT ON FINANCIAL RESOURCES

6.3.1 Hypothesis Result of Financial Resources

The analysis indicates that IFPs make the availability of financial resources (FRs) more effective and significantly stimulate SMEG determinants. Namely, capital (SMECG), sales (SMESG), profits (SMEPG), and employment (SMEEG), see table (6.2). This result implies that SME financing within the Islamic financial system provides backing for the positive influence on predicting this explanatory variable to produce a significant relationship with SMEG. For example, in the ologit and gologit models, the significance level of this variable is $p < 0.05$, between 0.000 and 0.036, among the SMECG logits. Similarly, both regressions held this insight between 0.002 and 0.019, which registers $p < 0.05$ among the classified SMESG logits. Also, in the SMEPG model, the significance level ranges between 0.001 and 0.003, recording at $p < 0.01$, among the grouped logits. Therefore, these findings prove that IFPs are essential in regulating this factor for boosting SMEG; thus, H1 is accepted. However, there is no evidence observed on this effect on the FR factor to stimulate SMEEG.

Table 6.2 H1: IFPs positively and significantly influence FRs availability to stimulate SMEG.

Financial Resources		SME Growth Dimensions			
MODELS	Logits	Capital	Sales	Profits	Employment
Ologit		0.001*	0.012	0.001	0.384
Gologit	(1) vs (2) (3) (4)	0.036	0.004	0.223	0.446
	(1) (2) vs (3) (4)	0.000	0.006	0.003	0.725
	(1) (2) (3) vs (4)	0.004	0.683	0.003	
PPO	(1) vs (2) (3) (4)	0.002	0.019	0.001	0.427
	(1) (2) vs (3) (4)	0.000	0.002	0.001	0.427
	(1) (2) (3) vs (4)	0.008	0.392	0.001	
Result		Supported	Supported	Supported	Unsupported

* Legend: z-statistics = $p < 0.1$ = Significant.

Ologit: Ordered Logit Model - Gologit: Generalised Ordered Logit Model - PPO: Partial Proportional Odds.

Capital Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–29,999 (4) OMR 30,000 and above.

Sales Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–30,000 (4) Over OMR 30,000.

Profit Categories: (1) OMR 0 and below (2) OMR 1–4,999 (3) OMR 5,000–10,000 (4) Over OMR 10,000.

Employment Categories: (1) Micro (1–5 employees), (2) Small (6–25 employees), and (3) Medium (26–99 employees).

Employment Dimensions: (1) vs (2) (3) and (1) (2) vs (3), for gologit and PPO.

6.3.2 Theme 1: Ownership Assurance

The literature (chapter 2) suggests that SME finance accessibility is very hard due to their lack of capacities and aptitudes, which is required more collaterals that are usually not available with such emerging firms. This lacking suppresses the possible accessibility of finance; however, this research significantly reshaped the SME financing process with an Islamic embodiment. Through the qualitative phase of this study, a specific comprehension developed of this influential role by IFPs. This finding thematically substantiates that IFPs give such a process a concept of 'ownership assurance'. This matter may reduce the burden of collateral from different aspects, like transparency, the best allocation of capital, and sharing.

➤ Transparency and Clarity

Respondents indicate that IF protection of rights and properties can be explained by framing stability and trust between entrepreneurs and financiers.

This protection lies in clarity that is essential for the entrepreneur in project and account management, knowledge of the return and the extent to which contracts and financial responsibilities can be fulfilled. Since the trouble and attention about business feasibility are erected with durability over the prohibition of deception, gambling and excessive uncertainty, in addition to asset-based finance. One interviewee illustrates this by saying:

- **POLMAK06:** *'What distinguishes IF is clarity and providing protection, and therefore the burden and anxiety of the entrepreneurial are framed from the beginning'.*

Participants show their understanding and acknowledgement of what an entrepreneur must do to increase his contractual reputation and obligations in his social and economic relationships. For instance, they indicate that documentation in Islamic law lies in mutually respectful dealings with the flow of recognising people's rights, mostly about money and ownership. This containment of rights and property in documentation dictates that entrepreneurs ensure the accounting of all the inputs and outputs of the firm's accounts. This clarity approach makes it easier for investors and financiers to follow the company's performance and financial arrangements due to the espousing of transparent documentation, as corroborated with (Ebrahim *et al.*, 2016). The verse regarding debt in the Holy Quran has a significant meaning of the financial practice documentation that establishes trusted relationships to preserve the rights. Some interviewees emphasise this importance as stated below:

- **POLMAK06:** *'Documentation is the basis of dealing that strengthening the trust among relations available'.*
- **ACDMIC01:** *'Documenting transactions works as a means of convincing banks of the seriousness of small projects, their path towards growth, and the achievement of profits'.*

In this regard, IF provides SMEs with trust, discipline, and good relations, enhancing their reputation. This frame may occur within a fair and transparent offer by documenting financial and accounting transactions for banking convenience as an example. Such honest features ensure financial providers some seriousness and security that boosts the potentialities of SME finance.

➤ Capital Allocation

Furthermore, the constant, efficient production of resources provided, as protection of sustainability, minimises the burden and anxiety resulting from this practice. This framing interprets the importance of IFPs in ensuring the dynamic allocation of resources and efforts. The respondents highlighted the efficient use of capital in IF by moving away from luxuries and desires, but rather the necessity to develop and enhance the business by harnessing the money into more productive initiatives. This impression corroborated with Othman, Abdul-Majid and Abdul-Rahman (2017), who infer the impact of partnership financing in improving efficiency and directing financial resources to the most prolific investments, leading to the reassurance of ownership protection (Yildirim, Masih and Bacha, 2018). As such, it guarantees the continuous production of goods and services for revenue collection; several interviewees illustrate this as follows:

- **ENTPRE12 and ENTPRE13:** *'Financing should be directed only to productivity and strengthening the operating capabilities of the project, not to luxuries'.*
- **ACDMIC05:** *'Islamic law does not encourage financing for entertainment and consumption without need, but rather constantly producing and consuming the actual requirements'.*

This allocation leads to enhancing profits, thus creating a financial movement and an apparent bid for financiers and investors, which increases their confidence. The disregard of such an event erodes the firm's profits, thereby affecting its financial performance and growth. This strategy will contribute to cash flow, the circulation of money between those who need it and investors who have the money and want to grow it. Respondents explain that IF interpolates SMEs performance within a constant producing and consuming of the actual requirements and necessities, boosting profitability. Thus, it leads the entrepreneur to control financing and achieve the return to pay back their liabilities. This orientation makes the economic feasibility of performance and continuity and not collect the money. Interviewees have made clear that development and production are two means of continuity and progression, originally a guarantee of repayment.

➤ Partnership

Further, participants stated that the principle of sharing in the IF system frames the possible risk facing the progress of the ventures by allowing partners to scrutinise the initial stage of engagement and all subsequent periods. They affirm its support as steps of ownership preservation, consistent with the findings of IF features, and satisfy SMEs' risk-sharing needs (Haron and Ibrahim, 2016). An interviewee emphasises the importance of partnership in protecting resources by forcing this precision of business analysis by stating:

- **ACDMIC07:** *'The partnership allows prior in-depth study on the project, leading to a lot of effort and seriousness to ensure ownership and its growth'.*

According to the principle of participation, IF strives to take factors of success and agreement. By linking risk with profits (profits are concomitant to risk—al-ghunum bi-l-ghurum), business' parties are clear with the returns and risk associated, leading to more efforts and keenness to succeed. In summary, this research interpreted the significant positive correlation between financial resources availability and SMEG by the strong binding of transparency, the best allocation of capital, and partnership in IF. The interpretation discloses participants understanding of the significant influence of IFPs on financial availability observed earlier in the present study by the control of ownership assurance.

6.4 ISLAMIC FINANCE PRINCIPLES IMPACT ON CAPITAL STRUCTURE

6.4.1 Hypothesis Result of Capital Structure

The analysis also shows that IFPs make the capital structure (CS) factor more productive in stimulating SMEG. Table 7.3 illustrates the significance of CS and statistically clarifies the importance of adopting IFPs for better capital construction, mainly to promote SMECG, SMESG, and SMEPG. For instance, the result shows evidence of supporting IFPs in SMECG, in the ologit and gologit models, ranges between 0.006 at $p < 0.01$ and 0.051 at $p < 0.1$, among the cumulative logits. Further, the gologit model obtains a significant level of this factor at 0.047, at $p < 0.05$, and 0.058, at $p < 0.1$ in the second logit of

SMESG. Moreover, the predictor's significant level contrast appears in both regression, between 0.009 at $p < 0.01$ and 0.049 at $p < 0.05$, across the cumulative SMEPG logits. Therefore, these findings prove that IFPs are essential in regulating the CS factor for better structuring to boost SMEG; thus, H2 is also accepted. Again, SMEEG remains with no evidence by CS.

Table 6.3 H2: IFPs positively and significantly influence the structuring of capital to stimulate SMEG.

Capital Structure		SME Growth Dimensions			
MODELS	Logits	Capital	Sales	Profits	Employment
Ologit		0.028*	0.173	0.013	0.221
Gologit2	(1) vs (2) (3) (4)	0.618	0.297	0.896	0.182
	(1) (2) vs (3) (4)	0.051	0.058	0.009	0.810
	(1) (2) (3) vs (4)	0.006	0.854	0.049	
Gologit2 (PPO)	(1) vs (2) (3) (4)	0.035	0.319	0.012	0.248
	(1) (2) vs (3) (4)	0.035	0.047	0.012	0.248
	(1) (2) (3) vs (4)	0.035	0.258	0.012	
Result		Supported	Supported	Supported	Unsupported

* Legend: z-statistics = $p < 0.1$ = Significant.

Ologit: Ordered Logit Model - Gologit: Generalised Ordered Logit Model - PPO: Partial Proportional Odds.

Capital Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–29,999 (4) OMR 30,000 and above.

Sales Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–30,000 (4) Over OMR 30,000.

Profit Categories: (1) OMR 0 and below (2) OMR 1–4,999 (3) OMR 5,000–10,000 (4) Over OMR 10,000.

Employment Categories: (1) Micro (1–5 employees), (2) Small (6–25 employees), and (3) Medium (26–99 employees)

Employment Dimensions: (1) vs (2) (3) and (1) (2) vs (3), for gologit and PPO.

6.4.2 Theme 2: Partnership Assurance

SME capital structure is extensively created by debt, mostly related to the family and friends or retained earnings due to their lack of collateral and high finance cost. This position rests SMEs away from any potential of expansion or growth. Yet, this study significantly shaped their capital structure within the Islamic financing process by perceiving practical participatory synthesis, including sharing outcomes and management. This research, through interviews, verifies this frame by the concept of 'partnership assurance'. The matter may improve SME opportunities of productivity, including stakeholders involvement, best allocation of capital, reduction of excessive consumption,

especially in entertainment. Besides, calling for mastery in the quality of the product, its production speed, and reducing its environmental impacts.

➤ **Ownership**

This research appears with a common consensus among participant SMEs that relinquishing a share of the venture control in exchange for finance is undesirable, as witnessed in subsection 5.5.1. Interviewees revealed that equity finance was unfavourable among Omani entrepreneurs owing to the possible loss of business control, which may undermine the role of sharing in developing SMEs. Because this sole ownership limits the actual determinants of achieving integration in covering the shortcomings of the necessary skills and decision-making. They attribute this avoidance to the lack of awareness of sharing importance in providing support and likelihood of resources for SMEs, which led some to prefer borrowing in necessities. Respondents highlight this issue by stating that:

- **ENTPRE03:** *'Entrepreneurs resist adopting the equity financing approach because of the lack of knowledge, awareness of the effectiveness, and keenness to ensure their social status'.*
- **ACDMIC08:** *'Partnership avoidance lies in the absence of trust, awareness, knowledge and experience of the participatory potentials in business development'.*
- **ACDMIC07:** *'The majority of youth entrepreneurs yield SMEs with no appreciation of the importance of financing and partnership in growing project'.*

This latter statement may refer to the demographic findings described earlier in subsection (5.2.1) that young entrepreneurs primarily represent the SME sector in Oman as a common factor. Interviewees point to this as implying a lack of depth in management with a marketable skill based on experience and perception and highlighting the explicit absence of perception of partnership advantages. The participants attribute this deficiency to the nature of Omani entrepreneurs, whereby their business culture includes risk aversion. An interviewee mentioned this as below.

- **ENTPRE02:** *'Our entrepreneurial nature, in general, except what is rare, tends to the risk aversion, and this is contrary to what we found in our partnership with the brothers in the state of Kuwait.'*

According to the respondents, this outcome reveals a lack of commercial awareness and concepts of entrepreneurship in Oman. Despite being merchants, their trade limits to sole ownership with insufficient and inactive projects and even external expansion is minimal. This result may reflect the lack of deep developmental support, enlightenment and cooperation with government entities and private industries. Since they observe partnership finance as an acquisition and control issue without substantial assistance and support for development. Participants confirm this belief made entrepreneurs prefer borrowing when a financial dilemma is to exist. This case means that there is no regulatory policy for ownership maintenance within the current financing method. Thereby, entrepreneurs refuse to give up some of their property and control in favour of financing. This absence of a regulatory ownership policy would prevent the SME sector from benefiting and achieving expansion and development from the participation approach. Interviewees make statements on this issue as follows.

- **ENTPRE11:** *'Entrepreneurs keen to control the project more than engaging in expansion and development due to the absence of authority or regulation to conserve their efforts in establishing the enterprise'.*
- **ACDMIC07:** *'The partnership attains business development by exchanging services and experiences, providing money, enhancing skills, and counselling, with this, projects are most successful'.*

➤ **Islamic structuring of capital**

Interviewees indicate that partnership in IF has a likely impact on reducing worries related to ownership and control. It enhances the confidence in a partnership due to the potential preservation of rights and wealth as described earlier in subsection (5.5.1). Foremost, this concept is based on documenting the rights before entering the work by defining the entitlements and duties for each party. Then, it requires everyone to exert effort and risk towards achieving returns. This forming capital is derived from the respondents understanding of

constructive principles that attract worthy elements for a firm's success. Recent evidence suggests that the quality of corporate governance and board composition is boosted by the distribution of ownership power (Crisostomo, Brandao and Lopez-Iturriaga, 2020). Below is an interviewee expectation about this pattern effect.

- **ENTPRE18:** *'Having a mechanism for the distribution of tasks and the exploitation of capabilities leads to reduced management problems'.*

Participants affirm this allocation includes integrating values and ethics among the associates, which is vital for accommodating participation. Moreover, the availability of compatibility and affinity opportunities, including goals, beliefs, and conduct, emanate from the principles of commitment, relationships, and education, which helps apply the sharing concept. They emphasise that this participatory style must be based on the most critical incorporation of compatibility in thought, principles, and directions. Accordingly, the system is constructed with integral essentials of knowledge, skills, ability, clarity, transparency, and collaboration. An interviewee asserts this interpretation as follows.

- **POLMAK06:** *'This crucial incorporation gives entrepreneurs experience and knowledge, merging the capable and the non-capable, skills, prestige, and other factors'.*

Thus, entrepreneurs and financiers can bootstrap the sharing of venture capital outgrowths away from such causes of apprehension. In this matter, respondents demonstrate that partnership supports SMEs with different opportunities, for instance, by contracting with other specialist partners or companies to provide the essential knowledge, e.g. to manage their business account and responsibilities. In the case of seriousness and familiarity with entrepreneurship, this approach offers SMEs possible monitoring. In failure, this participatory technique helps entrepreneurs by sharing loss with likely backing from the shareholders, finding an additional partner or at least a buyer for the venture. One respondent illustrates that the before-mentioned advantages extended by the participation as below.

- **BANMNG04:** *'Participation allows SMEs to contract with specialist companies, monitor business, and share profit and loss'.*

The participatory form of investment allows for more success factors, including participating capabilities and skills, as well as sharing profit and loss while combining the requisite elements of complementarity and fairness. For instance, the collaboration between the business partners could mitigate the risk from the lack of managerial and technical skills compared to the project's singular management. This result consistent with Bustinza *et al.* (2019), who find that strategic alliances are essential for product-service betterment. In this partnership, SMEs can be based on blending thought with associates' ability to succeed. Thus, they activate the concept of integration of managerial and technical skills and capabilities in company management. This event was confirmed by some interviewees as follows.

- **BANMNG04:** *'The essential benefit of the sharing concept is to render the aptitudes, skills and experience together to work for the venture growth'.*
- **ACDMIC04:** *'I believe that partaking while funding contributes to finding complementarity and covering SMEs' deficiencies, such as skills among workers in the company'.*
- **ACDMIC05:** *'Participation enhances the innovative and successful projects in the community'.*

➤ **Stakeholders Involvement**

According to the participants, SMEs obtain strength from financiers and investors that could help cover their shortage by continually supporting any circumstance. As such, the sharing approach reduces the potential risk linked to capital structure and management. In this, the loss of capital is limited to the owner of the equity. Simultaneously, the others' damage is limited to the waste of efforts or the idea. On the contrary, lending makes entrepreneurs move away from loans because they worry that they will bear the whole consequences of the loss. An interviewee manifests this beneficial engagement by stating:

- **ACDMIC03:** *'Financing by way of participation will support SMEs and reduce their risk'.*

The participants determine that when the investor enters into a partnership with the entrepreneur, they are initially looking for information about the project's nature and minimising risk and losses, leading to proper decisions and

enhancing management. It shows to clarify all matters relating to the venture, and therefore a selection of viable business. An initial examination step has been allotted for commencing a company, as a respondent stated below.

- **POLMAK07:** *'Investment by its nature begins with risk assessment, exploring the success factors and analysing the extent of seriousness'.*

Consequently, the collaboration between stakeholders may avail SMEs with the capacity against managing and developing the firms. A partnership is a means for stimulating the abilities and skills of the partners in improving SME performance and production, corroborated with the findings of several studies (Barbera and Hasso, 2013; Bustinza *et al.*, 2019; Hewitt-Dundas, Gkypali and Roper, 2019), which lies in underpinning the productivity inclusive of partners' efforts to invest. This finding asserted by an interviewee, who demonstrates that:

- **ENTPRE07:** *'Partnership importance, as a reason for our business success, lies in the assignment of the foremost partner's to design a product, while the other manufacture it, whereas the last one has marketing experience'.*

6.5 ISLAMIC FINANCE PRINCIPLES IMPACT ON COST OF FINANCE

6.5.1 Hypothesis Result of Cost of Finance

The effect of IFPs extends to amend CoF with an ideal risk management strategy that significantly stimulates SMEG. Table 6.4 indicates the significance of CoF in the gologit model, especially for SMECG and SMESG. This factor shows the more responsible IF involves policies of precaution and control, which generate a superior level of risk management, including clarity and commitment. For instance, the finding evidence that IFPs amend CoF variable to arouse SMECG with a significant range of 0.087 at $p < 0.1$, among the capital logits. Additionally, the outcome presents an indication of the IFPs efficiency on this variable to stimulating SMESG, as the significance level appears between 0.044 at $p < 0.05$ and 0.051 at $p < 0.1$, among the cumulative logits. As a result, these findings substantiate that IFPs are essential in reducing the CoF by proper risk management strategy to boost SMEG; thereby, H3 is also

accepted. Conversely, CoF yielded no meaningful evidence in the context of SMEPG and SMEEG.

Table 6.4 H3: IFPs positively and significantly influence the reduction of the CoF to stimulate SMEG.

Cost of Finance		SME Growth Dimensions			
MODELS	Logits	Capital	Sales	Profits	Employment
Ologit		0.160*	0.640	0.505	0.302
Gologit2	(1) vs (2) (3) (4)	0.087	0.653	0.936	0.521
	(1) (2) vs (3) (4)	0.431	0.692	0.655	0.444
	(1) (2) (3) vs (4)	0.452	0.051	0.427	
Gologit2	(1) vs (2) (3) (4)	0.155	0.673	0.476	0.380
(PPO)	(1) (2) vs (3) (4)	0.155	0.912	0.476	0.380
	(1) (2) (3) vs (4)	0.155	0.044	0.476	
Result		Supported	Supported	Unsupported	Unsupported

* Legend: z-statistics = $p < 0.1$ = Significant.

Ologit: Ordered Logit Model - Gologit: Generalised Ordered Logit Model - PPO: Partial Proportional Odds.

Capital Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–29,999 (4) OMR 30,000 and above.

Sales Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–30,000 (4) Over OMR 30,000.

Profit Categories: (1) OMR 0 and below (2) OMR 1–4,999 (3) OMR 5,000–10,000 (4) Over OMR 10,000.

Employment Categories: (1) Micro (1–5 employees), (2) Small (6–25 employees), and (3) Medium (26–99 employees)

Employment Dimensions: (1) vs (2) (3) and (1) (2) vs (3), for gologit and PPO.

6.5.2 Theme 3: Controls Assurance

SMEs are considerably associated with high-risk investments, mostly related to their lacks and individual ownership, costing high finance, forcing SMEs to remain within a lower level of profitability and development and economic contribution. Still, this research significantly addresses this issue within Islamic funding by understanding its strategy of risk management. Therefore, based on the interviews, this part establishes this by the concept of 'controls assurance'. This theme suggests the efficient IFPs that promote enterprises integrity by building sound relations, trustworthiness, supervision, and obligation, resulting in reduced costs.

➤ **Trusted partnership**

Participants saw that the financial practice by this Islamic containment commences with building trust with the correct information flow. The persuasion of the financier is not natural unless the second party reveals accurate and correct information. Therefore, responses hint the presence of a close, reliable relationship is important, highlighting the role of the participation principle in Islamic finance. For instance, this transparent connection helps in taking the appropriate decision when financing and the disbursing of capital for the actual purpose. This system of rendering data would enhance the sincerity of your talk and offer and positively affects the price. An interviewee has illustrated this importance of relations as stated that:

- **BANMNG09:** *'Relationships in business are important to detect the accuracy of the information and the feasibility of commitment, discipline, cooperation, marketing, and business services'.*

Moreover, the participants point out that compliance with shariah law itself build a respectful relationship with the community and peers, in particular within the Oman culture. Thus, forming relationships with other companies in the presence of a business improves income and diversifies the company's investment. Respondents said that this would reduce costs for companies, especially for transparency, credibility and reputation. They attribute cost reduction to trust and risk management by knowing market behaviour and fluctuations and realising the possible benefits. As a result, Islamic risk management provides a confident rapport and compatibility between entrepreneurs and financiers via restriction of the sources of risk from the beginning. Interviewees insist that such relations create an intimate knowledge of the entrepreneur's compliance with his responsibilities, which reduces the chances of ignorance, ambiguity, and deceit and even maintains the sincerity of existing relationships. Therefore, the good connections that SMEs build with their commitment and discipline make it easier for the company to obtain cooperation from the bank, such as marketing and facilitating services, which undoubtedly reduces the entrepreneurs' costs, efforts, and time. This view supported by the narrative of a participant that:

- **ACDMIC03:** *'Commitment and an excellent reputation of the entrepreneur generates credible relationships, even with rivals, by which the facilities and services are easily reachable'.*

This analysis shows that adherence to IFPs concerning asymmetric information efficiency would lower the risk of managerial and technical aspects by anticipating an entrepreneur's ethical compliance, project success, and profitability. This prediction explains the reduction of monitoring costs of asymmetric information, accord to (Orazalin and Akhmetzhanov, 2019). This transparency is required to enhance confidence, and therefore all information must be disclosed. Respondents attributed this ethical commitment and strong consideration of the Islamic trusted partnership strategy to give the other party confidence and reduce the risk and cost. Some of them highlight this argument by saying:

- **ACDMIC04:** *'Adherence to the principles of Islamic Shariah can reduce the risk of fraud and damage, in return to deal with honesty and transparency, and build trust'.*
- **ACDMIC05:** *'The Islamic financing policy includes principles not to cheat and deceive'.*

The responses confirm that business formed with clarity and credibility to make the appropriate decision for optimal capital use and ensure sustainability reduces risk and thus costs. IFPs, therefore, play the role of lessening deception, gambling, and providing transparency to facilitate the process of investigation and access to facts by the pattern of a trusted partnership.

➤ **Monitoring and supervision**

This study uncovers that the principle of sharing, including profit and loss sharing, would reduce the cost of supervision and risk of default by involving many owners with shared control. Responses illustrate that this aspect holds the ability to supervise top management, operating with more honest and higher quality governance and control, resulting in reducing risk. Sharing principle can, then, maintain entrepreneurs' aspirations towards projects with more integrity by the feeling of partner ambition, not acquisition. This thought expressed by an interviewee who stated that:

- **ENTPRE08:** *'Partner involvement ensures the availability of well-management supervision and operation monitoring that frames a regulatory environment associated with risk reduction and costs'.*

Respondents believe that shareholders engagement would provide SMEs with specialisation in operating and regulating the business. There are investors with different perspectives, professional abilities and experience, providing a diversity of assigned controls. This contribution achieves a fertile supervisory environment and management efficiency.

➤ **Post-finance-support**

Interestingly, views indicate the importance of another path of tackling risk when financing, namely pledge backing within entrepreneurship. This study believes that the post-finance entrepreneur should be supported in developing and marketing his project, with a thorough comprehension of trends, challenges, and other things that help him succeed. For example, the conversion of skills and coping with shocks via collaboration and participation (subsection 5.5.2). This concept of post-support affirmed by some participants, who narrated that:

- **ENTPRE01:** *'I believe that SME finance should be held with a post-finance support plan for developing and marketing such limited projects'.*
- **ENTPRE07:** *'Whenever the funding calls for the supportive partnership that develops the venture, this is welcomed by us'.*

Such small businesses look into a financier who stands with their development purpose to take a mutual advantage rather than the solo interest in collecting profits. The responses place further emphasis on meeting the most influential factors within the banking services that treating SME development, e.g. support (i.e. government, banking, education), participation and collaboration, as reported in subsection 5.4.2. This post-finance strategy should include comprehensive knowledge about trends, challenges, and other things that help startup firms to succeed. Many interviewees advocate this view and manifest its effect, as stated below.

- **ENTPRE02:** *'Partner's business skills that framing with good morals, ensures the availability of trust and confidence to reduce risk and borrowing cost'.*
- **ENTPRE06:** *'Sharing knowledge is critical in reducing risk by finding out how best to manufacture the product and the appropriate content'.*

This long-term professional association leads to more knowledge and skills development, thus promoting SMEs production, sales, and profits. Through which they appear able to meet the condition of responsibility and solvency. SMEs with such a strategy does not cause any harm that may affect their reputation, confirming the prominent role of IFPs in reducing the risk and costs.

➤ **Obligation**

According to the participants, compliance with IFPs would lower the risk of default that commonly increases the cost of borrowing in the conventional system. They illustrate that this effect comes due to their cohesive worship obligation. This commitment would be more powerful when entering into a partnership with more religious policies of monitoring and supporting, like in IF. An interviewee mentioned this impact as follows.

- **BANMNG07:** *'Entrepreneur's adherence to religious duties increases the level of commitment and pledge to their liabilities'.*

These religious restrictions, e.g. the limitation of economic activities that fatigue society and ruin wealth, improve the administration of business responsibilities and risk associated. This regulatory scheme frames better risk management practices, e.g. to prevent the depletion and corrosion of assets. This adherence comes from the efficiency of close cooperation that advances prescriptive behavioural norms (Hearn, Piesse and Strange, 2012), which religion enforces as the best pure and beneficial practices. For example, respondents explain that when SMEs are financed and forced to purchase assets, produce assets, or develop assets, their balance sheet's maximum risk will depreciate these assets. In comparison, there are no assets to back up their balance sheet when financing consumables or luxuries. They believe that this latter spending increases their liabilities, which causes trouble and harms productivity, encouraging the philosophy of default, which is costly.

Additionally, the usury ban protects the property value from being squandered due to fluctuations in the interest rate. Small projects struggle to pay off loans affected by this difference in the interest rate. This order, instead, appreciates the efforts exerted by the entrepreneurs by sharing such burdens, which lowers the costs. Interviewees express this concept as below.

- **BANMNG08:** *'The primary concept of IFPs obligation is to preserve parties' rights like to create assets to secure the balance of your liabilities'.*
- **BANMNG02:** *'Loans are not the right way of financing a business because of the high-interest rate that is larger than small business profits'.*

Therefore, the IF system's religious restrictions operate to maintain the dealers' rights through regulating their contracts by treating the risk and reducing the costs.

6.6 ISLAMIC FINANCE PRINCIPLES IMPACT ON PERSONAL VALUES

6.6.1 Hypothesis Result of Personal Values

The analysis also demonstrates the impact of IFPs on PVs due to more faithful ethical practices to spur SMEG. Both models, ologit and gologit, outline the significant implications of embracing IFPs in pledging PVs with ethical practices to stimulate SMEG, especially SMECG and SMEPG (Table 6.5). The results indicate that the IFP-based strategy inspires PVs to boost SMECG, which is statically significant between 0.003 and 0.031 at $p < 0.05$ among the dichotomised capital logits. IFPs also expose a distinct role in predicting SMEPG by this explanatory variable. The significance level of this factor varies with 0.000 and 0.001 at $p < 0.05$ among the categories; therefore, hypothesis H4 is admitted. In contrast, no evidence appeared of this influence on SMESG and SMEEG.

Table 6.5 H4: IFPs positively and significantly influence the shaping of PVs to stimulate SMEG.

Personal Values		SME Growth Dimensions			
MODELS	Logits	Capital	Sales	Profits	Employment
<i>Ologit</i>		0.000*	0.443	0.005	0.262
Gologit2	(1) vs (2) (3) (4)	0.120	0.199	0.877	0.634
	(1) (2) vs (3) (4)	0.001	0.877	0.003	0.110
	(1) (2) (3) vs (4)	0.000	0.978	0.031	
Gologit2 (PPO)	(1) vs (2) (3) (4)	0.001	0.393	0.005	0.289
	(1) (2) vs (3) (4)	0.001	0.393	0.005	0.289
	(1) (2) (3) vs (4)	0.001	0.393	0.005	
Result		Supported	Unsupported	Supported	Unsupported

* Legend: z-statistics = $p < 0.1$ = Significant.

Ologit: Ordered Logit Model - *Gologit*: Generalised Ordered Logit Model - *PPO*: Partial Proportional Odds.

Capital Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–29,999 (4) OMR 30,000 and above.

Sales Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–30,000 (4) Over OMR 30,000.

Profit Categories: (1) OMR 0 and below (2) OMR 1–4,999 (3) OMR 5,000–10,000 (4) Over OMR 10,000.

Employment Categories: (1) Micro (1–5 employees), (2) Small (6–25 employees), and (3) Medium (26–99 employees)

Employment Dimensions: (1) vs (2) (3) and (1) (2) vs (3), for *gologit* and *PPO*.

6.6.2 Theme 4: Ethical Practices Assurance

SME risk considerably extends to moral hazard and adverse selection, bringing SMEs into more complicated procedures and higher costs. This perception of SMEs makes them in a risky situation with less collaboration opportunity and affords further expense. However, the present study significantly marks this issue within the IF by understanding its principles of ethics and norms. Accordingly, this research's interviews place a decisive concept of 'ethical practices assurance'. This theme indicates the importance of IFPs in maintaining and ensuring Islamic business values that serve startup firms to accommodate the best applications and yielding progress and growth. The significant influence of IFPs lies in refining entrepreneurs character, guarding against the immoral risk affiliated with the SME financing process in terms of decision-making, quality management, and risk management. This strategy beats back potential immoral activities such as misleading information or an incentive risk by enforcing a concept of ethical practices assurance.

➤ Decision-making

Respondents declare that the adoption of practical values helps in precise decision-making as a mechanism that leads to proper resolutions for entrepreneurs in accessing finance, as an example. This acquisition means the best allocation of capital that creates an obligation in the great promise of a favourable response, as advocated by El-Komi and Croson (2013). The participants appreciate this evaluation within the effect of Islamic principles in determining the optimal capital employment, including risk avoidance. They emphasised that moralistic practices and the commitment of entrepreneurs gain them additional business agreements. Some interviewees stated that:

- **BANMNG05:** *'Islamic values carried by the entrepreneur are the tools of assessing the efficient use of money'.*
- **POLMAK03:** *'We found that the issue of ethics and handling helps the entrepreneurs obtain business for the company and win contracts compared to others who do not touch on moral commitment'.*

Such moral inclusion is due to the explicit representation of Islamic instructions in their behaviour norms that restricts harm and ensures prosperity. Responses show that compliance with Islamic ethical practices encourages entrepreneurial initiatives to be taken within the common interest. One interviewee proclaims that IFPs as divine teachings; thus, compliance helps in different ways, see below.

- **ACDMIC05:** *'If the entrepreneur follows and complies with Islamic principles, he will be careful not to leave a harmful impact to be reckoned with, and God punishes him in this world and the hereafter'.*
- **ENTPRE04:** *'The compliance of Islamic principles made me reduce our receivables dues from some firms that previously been exposed to financial distress by 10%. With God's grace, I managed to get them all'.*

➤ Quality Management

The participants point out that faith enhances the entrepreneur's values by highlighting his honesty, reducing the risk associated with his financing. For instance, Islamic values drive entrepreneurs to act ethically, looking into quality, ensuring their reputation and excellent transaction. This practice enhances his

products' demand and the continuation of his project, thereby increasing productivity. Besides, quality management based on such ethical practices are customer-focused and aims to improve business processes continuously. It strives to ensure that all employees work towards achieving common goals to improve the quality of the product or service provided and improve the procedures in place for production.

- **ENTPRE10:** *'Having fidelity and straightness makes the entrepreneur careful not to harm the consumer, who works honestly for the quality of the product'.*

As a result, responses confirm the decisive effect of IFPs in practising ethically towards quality management. Islamic directions influence ethical practices of assuring distinct and avoiding defect, controlling production factors, and improving products and services. These faithful practices create reliable and temperate entrepreneurs who engage in business ethically to deliver more coherent quality. Several interviewees indicate this quality management with their ethical practices as follows.

- **ENTPRE06:** *'Throughout the knowledge, honesty, and integrity of the production process, we can ensure customer retention'.*
- **ENTPRE07:** *'Our ethical commitment with large companies made communication between us deliver other additional services'.*

➤ **Risk Management**

In parallel, ethical practices result in transparency and frankness that provide correct and accurate information. Respondents point out that the availability of such moral clarity helps SMEs to realise the surrounding risks. This study has indicated an earlier comprehensive agreement among the respondents about this effect quantitatively that Islamic values' practising minimises evil disposition of risk (subsection 5.5.2). As such, this finding underpins firm control by the reform of entrepreneurs' values that lead coherently to the adoption of sound risk management quality, as promoted by Ebrahim *et al.* (2016). Such values serve SMEs in maintaining strategic risk management, the efficient performance that enables SMEs to maximise opportunities and minimise losses potentially. This pragmatic approach, for instance, focuses on honesty and credibility in providing excellence with service, and transparency with

clients, by finding out how best to manufacture the product and the appropriate content so that they do not cause any harm that may affect the consumers. An interviewee explains how Islamic values affect him, as below.

- **ENTPRE15:** *'Islamic values helped me to gain contentment and tranquillity, to know the quality of management and production, as I am sure that the breach of these principles leads to the loss of a project at the end'.*

Participants expressed that the honest evaluation of personal values drawn from faith can suppress entrepreneurs' adverse reactions, resulting from fluctuations in markets and businesses, into better performance. They interpret this as faithful values would increase self-monitoring; thereby, preventing the possible causes of conflicts or damages. Also, it considers the interest of the other party within the business' operational interests, making the project appreciated and respected. Such motives inherent in IF heighten the enforcement of risk management within the financing process. This dominance also inspires character by the ethics of integrity, duty, patience, and fidelity as a means of governance and continuous growth of a business. Many responses illustrate this aspect as follows.

- **ENTPRE15:** *'Through credibility and honesty, the entrepreneurs could control the risk resulting from gambling, cheating and deception'.*
- **ENTPRE16:** *'My discipline in delivering the product on time, without notes due to commitment, increases the reputation and consumer confidence'.*
- **ACDMIC01:** *'The quality of performance and production is essential for a constant demand for services and products'.*

This analysis shows that IFPs result in cooperation, ethical dealing, and quality in performance and production, therefore, constant production and services; hence, the profits increase. This framing stimulates many projects to emerge with creativity, productivity and employment opportunities, essential economic development factors. Additionally, these values promote healthy behaviour norms towards society and institutions, including workers and honouring their efforts. All are necessary for risk reduction, as hinted by the participant below.

- **ACDMIC04:** *'The public perception of the personality complying with Islamic law involves commitment and discipline and works for the public interest; this discipline gives a perception of limited risk'.*

Interviews assert that this ethical commitment would likely prompt entrepreneurs to pay receivables and obey the stipulated period. This promise certainly would reduce the risk associated with financial obligations and the lack of incentive to guard against risk where SMEs are protected from moral hazard. Some responses indicate the effect of ethical practice emanating from Islamic finance principles, as below.

- **ENTPRE04:** *'Muslim entrepreneurs must follow the policy of Islamic business mentioned in Sunnah, which is 'Pay the worker his wages before his sweat has dried'.*
- **ENTPRE16:** *'Appreciating the worker and preserving his rights enhances his loyalty and sincerity, and increases his production, thus achieving efficiency in work and quality'.*

6.7 ISLAMIC FINANCE PRINCIPLES IMPACT ON CSR

6.7.1 Hypothesis Result of CSR

The effects of IFPs modulate CSR with more support for social ties that boost SMEG. This explanatory factor signifies the outstanding role of IF that contains the profitability of enterprises to including and merging with social services. In both models, i.e. ologit and gologit, the finding frames the significant quality of inspiring social responsibility via IFPs. This scope assures CSR through a social benefit partnership consideration to bring about SMEG, especially SMECG and SMESG. The sequence of the IFP approach motivates CSR to advance SMECG as statically significant between 0.001 at $p < 0.05$ and 0.068 at $p < 0.1$, among capital categories (Table 6.6). IFPs also open a positive social connection in predicting SMESG by this critical variable. The significant level of this factor varies, with 0.059 and 0.081 at $p < 0.1$, among the logits; accordingly, hypothesis H5 is also confirmed. However, no evidence is developed on SMEPG and SMEEG by such a practical impact.

Table 6.6 H5: IFPs positively and significantly influence the activation of CSR to stimulate SMEG.

Corporate Social Responsibility		SME Growth Dimensions			
MODELS		Capital	Sales	Profits	Employment
<i>Ologit</i>	<i>Logits</i>	0.068*	0.073	0.536	0.386
Gologit2	(1) vs (2) (3) (4)	0.012	0.081	0.456	0.446
	(1) (2) vs (3) (4)	0.001	0.108	0.330	0.716
	(1) (2) (3) vs (4)	0.916	0.364	0.795	
Gologit2	(1) vs (2) (3) (4)	0.017	0.059	0.343	0.378
(PPO)	(1) (2) vs (3) (4)	0.002	0.059	0.132	0.378
	(1) (2) (3) vs (4)	0.794	0.059	0.443	
Result		Supported	Supported	Unsupported	Unsupported

* Legend: z-statistics = $p < 0.1$ = Significant.

Ologit: Ordered Logit Model - *Gologit*: Generalised Ordered Logit Model - *PPO*: Partial Proportional Odds.

Capital Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–29,999 (4) OMR 30,000 and above.

Sales Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–30,000 (4) Over OMR 30,000.

Profit Categories: (1) OMR 0 and below (2) OMR 1–4,999 (3) OMR 5,000–10,000 (4) Over OMR 10,000.

Employment Categories: (1) Micro (1–5 employees), (2) Small (6–25 employees), and (3) Medium (26–99 employees).

Employment Dimensions: (1) vs (2) (3) and (1) (2) vs (3), for *gologit* and *PPO*.

6.7.2 Theme 5: Social Solidarity Assurance

Islamic economics is no longer an activity merely intended to achieve financing and profits and to maximise them despite their legitimacy. Instead, it has acquired social, moral, and religious meaning. Therefore, this theme captures the substance of IFPs to enhance the chances of SMEG by respecting social responsibility. The notable social inflexion of IFPs joining CSR to supply overlooked standing on the social containments within the financing process. This attention focuses on the ‘solidarity assurance’ concept, as stated by an interviewee below.

- **ACDMIC06**: ‘Through the Islamic *takaful* emphasising collaboration and spending, the social interest achieved, like philanthropy and charity’.

➤ Social Interest

The respondents believe that their expansion of gains was realised by including community interests (sub-section 5.5.1). In this sense, compliance with IFPs

helps SMEs to achieve socio-economic development. They demonstrate that as a part of religious responsibilities and duties, society members force to distribute a small portion of their wealth among the poor, helping them meet their necessities. This need calls the opening of different markets, which means more fields of trade and job opportunities. This consideration of society in the IF system implies accomplishing a sustainable strategy for mutual benefits and growth between business and society.

- **ACDMIC06:** *'A society grows by using the operating capacity of the wealth and workforces'.*

Participants understand that this cohesive Islamic approach of social togetherness aims to create a steady base of development by the redistribution of wealth and enhancement of the means of production. Previous research has reported that sustainable activities are delivered by incorporating social appearances in the business vision (Hashim, Mahadi and Amran, 2015). They also highlight the beneficial inclusion of social interest within the Islamic financing process. Interviewees appreciate the role of societies and their networks in developing firms values and reputation in the markets. This understanding of IF appears its social aspects for growing businesses, as illustrated below.

- **ACDMIC01:** *'The institution's role in social aspects is considered a marketing purpose'.*

Respondents point out that IFPs restrict commercial activities from unsocial consideration. They confirm these particular advantages via the prohibition of illicit economic initiatives that harm the communities. Besides, the asset-based investment direction enriches the market by creating the diversity of innovative commercial activities to meet multiple and spreading communities necessities. The pivotal discipline towards economy and society extends via real financial services investment linked to the productive, real economy to bring about stability (Asutay, 2013). Such physical assets can support SMEs' development requirements, especially as collaterals for financing.

➤ **Social Loyalty**

The participants indicate another aspect of the social role in the IF system, which is the necessity to build a good reputation for the company for loyalty.

They report that SMEs would strengthen social commitment when they form culture for consumer retention and quality of products and services. For example, avoiding harmful projects, moral and self-respect, and behaviour towards society gives a good impression of the company and the entrepreneur. While improving workers' social status and sustenance needs would boost their appreciation and loyalty towards the firm and increase their performance, consistent with Platonova *et al.* (2018). In this situation, IFPs activate solidarity by enabling the non-profit side and standing with it to market and promote its products using codes. A real example of such astonishing principles effect was elucidated by the interviewees below.

- **ENTPRE13:** *'Our firm avoided costs that result from employees' careless and associated risk by appreciating their social demand. For example, one of them has introduced his care on the firm's vehicle due to our help in his marriage'.*
- **ENTPRE04:** *'Workforce appreciation and what relates to their needs outside of the work scope create social loyalty'.*

Islamic principles oriented into labour's appreciation reduce any cost resulting from the moral hazard associated with them by standing with employees in their social aspects (e.g. marriage, etc.) as a social responsibility. In response, employees are keen to exert more extraordinary efforts, including protecting the company's property.

Therefore, compliance with Shariah principles is a source of achieving trust between society and businesses, where the key to propping up growth requires a commitment and the balance of interests. Respondents reveal that this relevance could increase their clients' loyalty by their extreme desire for social duty and discipline, especially those with high risk. They perceive that community cultural involvement within the production process would increase its attachment towards a brand, ending with business growth. People are more convinced with what convenient to their faith and culture. Therefore, SMEs could follow a marketing strategy to increase awareness and clarify their services and products using this feature. An interviewee asserts this strategy by stating:

- **ENTPRE01:** *'According to the meaning of "Allah (God) is beautiful and loves beauty", my beauty shop grew from one to more than 15 branches*

within seven years, leading other entrepreneurs to open similar projects’.

There are faithful cultural principles that aim to achieve the outstanding quality of the product and concern for the consumer safety, insofar as this positively reflected in the turnout, consumer confidence, and psychological satisfaction, wherein the better formulation of moral exchange. Furthermore, these principles bestow entrepreneurs with humane values, which afford a foundation for social common interest and development. Benevolent work that is part of Islamic law is a manifestation of the control of greed and avarice by entrepreneurs and their lack of interest in their advantages at the expense of society. This endeavour proves their participation to alleviate poverty and attempts to reduce illicit activities. This strategy calls the community to cooperate and support these enterprises because of their vision consolidated with societal safety and well-being.

➤ **Social Affiliation**

The participants also hint that this mutual nexus of dedication and abundant giving between Omani society and entrepreneurs would bolster risk management among businesses. For example, enacting an effective social network serves to disclose information about SME profiles, minimising the dissemination of asymmetric information. Recent evidence infers that being in a network allowed businesses to overcome the challenge of information asymmetry (Song, Yang and Yu, 2020). IFPs with social interest enhances the market with more transparent contracts and frank dealing, away from deception and gambling. Such a close relationship between society members and entrepreneurs means providing correct and accurate information about the project and the surrounding risks. The social policy could be a flow of data for financial institutions, ensuring SMEs’ feasibility. Interviewees show that such a link of social interest in a firm development strategy creates the concept of giving and taking.

- **ACDMIC01:** *‘Social networks guarantee positive reputations and good dealing’.*
- **BANMNG04:** *‘Entrepreneurs who engage in social associations with generosity and giving are more willing to contribute’.*

6.8 ISLAMIC FINANCE PRINCIPLES IMPACT ON KNOWLEDGE

6.8.1 Hypothesis Result of Knowledge

The ologit and gologit models draw significant insight into partnership by IFPs in releasing the Kn factor by mutual benefits to stimulate all measures of SME growth, i.e. capital, sales, profits, and employment (Table 6.7). The activation of IFPs prompt Kn to affect SMECG significantly, ranging between 0.002 and 0.011 at $p < 0.05$, among most capital categories. This case also significantly influences SMEPG at $p < 0.05$, between 0.006 and 0.020, among the dichotomised groups of the models. Further, IFPs impact on Kn seems statically significant in the SMEEG context as well, at $p < 0.05$ and $p < 0.1$, ranging between 0.047 and 0.076, among the dichotomised categories. Despite the positive knowledge attachment in foretelling SMESG by this effect, the Kn factor indicated its significance only in the model of gologit, the assumption of H6 reinforced with a significance level of 0.088 at $p < 0.1$. These results suggest that hypothesis H6 is accepted.

Table 6.7 H6: IFPs positively and significantly influence the promotion of knowledge to stimulate SMEG.

Knowledge		SME Growth Dimensions			
MODELS	Logits	Capital	Sales	Profits	Employment
Ologit		0.005*	0.121	0.008	0.075
Gologit2	(1) vs (2) (3) (4)	0.383	0.169	0.827	0.047
	(1) (2) vs (3) (4)	0.011	0.101	0.008	0.620
	(1) (2) (3) vs (4)	0.002	0.459	0.020	
Gologit2 (PPO)	(1) vs (2) (3) (4)	0.007	0.088	0.006	0.076
	(1) (2) vs (3) (4)	0.007	0.088	0.006	0.076
	(1) (2) (3) vs (4)	0.007	0.088	0.006	
Result		Supported	Supported	Supported	Supported

* Legend: z-statistics = $p < 0.1$ = Significant.

Ologit: Ordered Logit Model - Gologit: Generalised Ordered Logit Model - PPO: Partial Proportional Odds.

Capital Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–29,999 (4) OMR 30,000 and above.

Sales Categories: (1) OMR 1–9,999 (2) OMR 10,000–19,999 (3) OMR 20,000–30,000 (4) Over OMR 30,000.

Profit Categories: (1) OMR 0 and below (2) OMR 1–4,999 (3) OMR 5,000–10,000 (4) Over OMR 10,000.

Employment Categories: (1) Micro (1–5 employees), (2) Small (6–25 employees), and (3) Medium (26–99 employees)

6.8.2 Theme 6: Enhancement Assurance

SMEs are considerably known for lack of knowledge, skills and management, giving an adverse impression of inexperienced SMEs and without a plan. This notice on SMEs displays the inability to yields any continuation or future progression. Nevertheless, this research significantly signifies the potential capacity improvement by Islamic finance principles such as partnership and collaboration. Consequently, the qualitative interviews set an outstanding concept of 'enhancement assurance' that helps companies provide the most competent awareness and practices for business success. This theme indicates the importance of IFPs in maintaining and ensuring advantages that serve startup firms to accommodate the best applications and yielding progress and growth. The notable influence of IFPs gives SMEs an acceptable quality of management to shield against the risk of financing inefficiencies. For example, the enactment of practical participation helps complete the supervision of the ventures as a mechanism of complementary enhancement. This approach fits development endeavours, i.e. management and innovation; meanwhile, it boosts reactions to curb crises, like financial distress and shocks.

➤ SME Renovation

This examination has noted that the SME sector in Oman is characterised by expectations based on another's success. However, there is a relative agreement that proficiency and experience are gained through the reciprocal exchange of thoughts and abilities, even collaboration with rivals. This contradiction reveals the lack of understanding of the participation effect on business growth and reflects the focus on the sole control and management of a project.

- **ENTPRE04:** *'The presence of traditional investment based on an expectation that the competitor has achieved profits and will reap the same'.*

Responses confirm that many of the existing SMEs in the Sultanate are based on others' idea rather than innovation, skills, or knowledge. They report that the same design of traditional businesses is a significant reason why these emerging companies do not continue or at least support the economy. As a

result, they emphasise the lack of experience and knowledge in the private solo ownership development manner. With the difficulties of providing everything, participation becomes a supportive device to help entrepreneurs overwhelm a shortage of business awareness and skills. Participants, therefore, suggest that funding SMEs should submit supportive programmes during the period of finance to reach the development objectives.

- **BANMNG06:** *‘Certainly, self-development emanating from sharing concept helps develop SME management capabilities and finds a better way of repaying and recovering the capital invested’.*

➤ **Participation**

Respondents believe that the Islamic participatory approach works to enhance the abilities of SMEs and the assimilation of mutual knowledge and skills that eliminate SMEG limitations. This approach provides the best capital allocation since shareholders are allowed to determine their favourite investment. This engagement guarantees the continuity of the project and its growth and collecting profits, so standing with the company is more important than the financing itself. As such, entrepreneurs in project management are guided in ways to enrich the organisation and achieve efficiency. For example, having an accounting system, enhancing work efficiency and quality of products, helping the company’s eligibility to pay its liabilities.

- **ENTPRE03:** *‘Small enterprises need to strengthen capabilities, skills, knowledge, management, and other scopes of business development, ensuring the optimal use of money’.*

Here, the respondents’ view includes that IF has intrinsic meaning to help SMEs with mutually beneficial outcomes. With the SME challenge of lack of knowledge, engagement is becoming a helpful mechanism to help businesses address a lack of market knowledge and expertise. Even between business competitors, the long-standing assimilation policy of partnership enhances the level of knowledge, skills, and experience in the entrepreneurship field. This sub-theme represents the practical concept of participation in obtaining these capabilities, consistent with strengthening strategic alliances found by Bustinza *et al.* (2019). An interviewee confirms the above discussion by stating that:

- **BANMNG06:** *‘Sharing concepts allows us to follow the company, visiting it, reviewing its business, and managing it that helps in the company's periodic evaluation’.*

This study indicates that entrepreneurs need an entrepreneurial grasp that distinguishes them from the merchants’ thought (i.e. investment and management thoughts), since financing SMEs requires managerial and technical skills to dispose of goods, increase profits, cover expenses, dividends distribution, etc. According to responses, this demand is consistent with covering lacks associated with SMEs and may accomplish by the participation concept that encompasses support and cooperation.

- **BANMNG01:** *‘We believe that SMEs lack capabilities, skills, and business ideas, not only financing; hence, they need a cooperative approach.’*
- **ACDMIC08:** *‘The existing financing depends on delivering money only, while the actual need is based on rendering capital with insights and experience, ensuring success’.*

Therefore, promoting SMEs performance lies in connecting entrepreneurs with stakeholders and peers for earning the necessary skills of management, marketing and investment. This involvement is an important trend of emerging initiatives development during finance.

➤ **Collaboration**

The cooperative supporting modality, asserted by the Islamic partnership principle, allows entrepreneurs to acquire and utilise externalities. The respondents find this interaction fills the gap of incompetence and the insufficiency of essential resources between the ineffectual companies. Participation generates the collaboration concept that helps SMEs get out of the traditional activities by placing different thoughts and efforts into one venture as a complementary matter. The project combines all stakeholders possibilities, abilities, and properties in exchange for interests and benefits. Here, the concept of sharing and innovation appears in marketing and other qualities that lead to the development and the limitation of a traditional market. An interviewee explains how this collaboration works in favour of expanding the markets below:

- **ACDMIC01:** *'The sale of milk does not require owning a farm, a cow, and a factory. But buying milk from those who preceded in the field, then shopping and selling the products with profitability by others achieves what they want'.*

Additionally, filling the gap of knowledge that is essential skills is a prerequisite for business development happen through participatory idea and effort. The interviewees emphasise this as a focal factor for a robust strategy of business growth. Indirectly, it formulates entrepreneurs' skills and abilities, containing learning through communication and friction. As highlighted by the author, the knowledge factor has significantly cast a promising shadow over SMEG models based on the regression analysis in the previous chapter (5). Therefore, the collaboration between stakeholders gives the project a pillar in enhancing capabilities and knowledge, what they possess in terms of expertise and skills. It was harnessed to serve the project and its advancement, thus reducing risks and the possibility of failure. Some responses show this importance as follows.

- **ENTPRE02:** *'When the partnership takes place, togetherness occurs, providing various efforts, experiences, and skills'.*
- **ENTPRE03:** *'The most crucial thing is sharing the loss and alleviating the risk of skills deficiency of the partners, not to mention the blessing in cooperation'.*

Sharing others' experiences helps in professional awareness enhancement, such as avoidance of risks and failure. It is a way to enhance the entrepreneur's capabilities, access development tools, and improve risk control. Responses reveal that this availability of different thoughts and experience creates awareness of how the project performs and manages it. Therefore, collaboration with rivals detects and identifies the risks associated with competitiveness, downsizing the external risk, consistent with (Bustinza *et al.*, 2019). This finding interprets the agreement regarding the role of cooperation towards enhancing abilities.

- **ENTPRE17:** *'Collaboration in serving each other creates a kind of enrichment of diversity in products and services between them for excellence'.*
- **ENTPRE07:** *'Sound and good relations call to expose risk experience and how to treat them'.*

This collaboration establishes a trustful business network amidst this sector with good relationships between entrepreneurs. Thereby, this exchange network exposes the sophisticated experience with the possible treatment. Respondents assert this command that gives the entrepreneur the most understanding to overcome difficulties, know the risks, and manage them. As such, these relationships convert competition into cooperation of detecting potential risk, which is a way to grow the enterprise. This strategy makes the competitor a partner in providing some business and benefits, as stated below.

- **ENTPRE11:** *‘Cooperation with peers provides some of the mutual businesses, especially serving our company in promoting marketing and mitigating risk’.*

Thus, each SME contributes to the service of the other company. This collaboration also stimulates the economic cycle by activating all its engines and industries. Let alone, it strengthens relationships, places the institution’s reputation at the highest level, and reduces the risks to the competition. Hence, an economic recovery that contributes directly and indirectly to the development of the markets.

6.9 SUMMARY

Initially, this chapter addressed the level of significance among the hypotheses investigated quantitatively in this research. This examination defined the impact of IFPs that affect the correlation between SMEGFs and the four determinants of SMEG, i.e. capital, sales, profit, and employment. This chapter engaged in an in-depth interpretation of this significant relationship by thematic analysis. Surmounting SME challenges was positively correlated with the association between SMEGFs and SMEG amidst Islamic motives, norms and principles outlined in detail. This chapter comprised the most valuable empirical outputs in this research. It elaborated quite a meaningful landscape of the IF system and exceptional views of the respondents from different aspects of SME development in Oman. Namely, entrepreneurs, bank managers, academics, and policymakers. Their interpretation highlights the significant impact of IFPs on professional management, financial behaviours, and productive economic activities. Therefore, SME development in Oman is driven by the IF system’s applications necessity that takes backing strategies to advance SME growth.

CHAPTER SEVEN

DISCUSSION AND SME ISLAMIC FINANCE FRAMEWORK

7 DISCUSSION AND SME ISLAMIC FINANCE FRAMEWORK

7.1 INTRODUCTION

The outcomes of this survey show the critical role played by the Islamic finance principles (IFPs) in modulating SME growth factors (SMEGFs) to stimulate SME growth (SMEG). This chapter (8) debates the hallmark of Islamic finance (IF) in developing a financing framework that helps SMEs override challenges and access to finance with other developmental backing elements.

Part one of this chapter gives a general deliberation about the results of this study; specifically, it indicates the significant impact on SMEGFs by integrating IF characteristics. Initially, it discusses the role in modulating the availability of the financial resources (FRs), articulating the formulation of ownership assurance comprehensively. Further, it deliberates the construction of the business capital structure (CS) based on the sharing concept. It also addresses the influence of the critical function of the IFPs in mitigating risk affecting the cost of finance (CoF). Moreover, it delivers the inspiration of religious obligation, raising ethical practices and absorbing personal values (PVs) for efficiency and solvency. This effect extends to accommodate communal attention incorporated within the business development through corporate social responsibility (CSR) activation. The impact of these principles also is explained in terms of modulating knowledge (Kn) to boost entrepreneurs' abilities, followed by a discussion of the entire research results.

Part two provides a convenient model for financing SMEs that resulted from the outcome submitted by this investigation. Specifically, it indicates the conceptual framework of Islamic finance, addressing the role of religion and economics in prosperity. The preliminary examination of the financial modelling process is explained with the influential determinants of structuring the Islamic finance framework (IFF) for SMEs. It articulates the functions of this framework by outlining the role of determinants in structuring the model. The formative model places the operational steps of the framework in dealing with finance accessibility to assure SME development.

PART ONE: DISCUSSION

7.2 MAJOR FINDINGS





































































This thesis identified the most significant challenges facing and hindering the development of SMEs in the Sultanate of Oman. This determination comes through the most relevant associated factor of SMEG, namely finance accessibility. The notable high impact challenges classified in this research include financial risk and status due to the lack of collateral, managerial skills and sustainability. Nonetheless, this investigation suggests the remarkable influence of IFPs in overriding such challenges by collaborative, supportive, and enhanced partnership approach for SME success. Therefore, this submission held a feasible clarification of what stands against the progress of SME funding and development, as well as the ability of IF to exclude them.

SMEs in Oman consciously strived to attain growth and believed that IF could help their support ambitions regarding their financing, support, collaboration and pursuit of fulfilment and development. They signify the role of religion about their enthusiasm to abide by the IFPs within extraordinary ethical values and guidelines while governing their business, socialising and cooperating with peers and stakeholders. Entrepreneurs brought their faith instructions into their business practising due to the Islamic grounds of ethics within the Omani culture. This integration explains their understanding of the comprehensive character of these Islamic norms to absorb all daily life and aspects, namely business. This method combines Islamic principles and the financing process to motivate entrepreneurs to comply with financial transactions and common societal interest religiously and ethically. This research distinctly confirms that the religion that IF economically exemplifies is the best possible way to surpass SME challenges and underpin their growth in line with the results of previous studies (Eid and El-Gohary, 2015; Gursoy, Altinay and Kenebayeva, 2017).

Interestingly, this analysis defeats SME challenges and reinforces the essential promoting points for their development by the IF system. This vision ensures Omani SMEs with the strategy of protecting wealth, structuring productive capital, managing risk, practising integrity, promising society, and enhancing business awareness. The present study infers the importance of such inclusion through the notable growth of capital via all six explanatory variables—namely,

FRs, CS, CoF, PVs, CSR, and Kn. Besides, sales and profit growth are observed via five and four independent variables, respectively, compared to the employment predictor affected by one factor only (Figure 7.1). This finding may be attributed to the specific explanatory variables that substantially related to the financing perspective, as stated theoretically in chapter 3, where the study placed more attention on the effect of IFPs to control the funding process. In contrast, the growth of the employment measure is perceived more likely a result of strategic considerations separated from factors associated with business and macroeconomic conditions (Cowling, Liu and Zhang, 2018).

Figure 7.1 Summary result of the significant impact of IFPs on SMEGFs.

EXPLANATORY VARIABLES	CAPITAL		SALES		PROFITS		EMPLOYME		RESEARCH
	Ologit	Gologit2	Ologit	Gologit2	Ologit	Gologit2	Ologit	Gologit2	HYPOTHESIS
 FR	 ***	 ***	 **	 ***	 ***	 ***			3 Models 
 CS	 **	 **		 **	 **	 **			3 Models 
 CoF		 *		 **					2 Models 
 PV	 ***	 ***			 ***	 ***			2 Models 
 CSR	 *	 ***	 *	 *					2 Models 
 Kn	 ***	 ***		 *	 ***	 ***	 *	 **	4 Models 
RESEARCH	6 Variables		5 Variables		4 Variables		1 Variable		
HYPOTHESIS									
<div> Insignificant</div> <div> Significant</div> <div> Negative</div> <div> Positive</div>									

Source: Google images compiled by the author, 2020.

* IFPs make SMEGFs more effective within an operational ability of assurance ownership, sharing, control, ethical practices, solidarity, and enhancement, which stimulates SMEG, including the capital, sales, profits, and employment.

* Because of the reverse questions used, a negative coefficient means a positive correlation in such a case, i.e. CS, PVs, and CSR.

* Legend: bold variables are significant at *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Significantly, Omani SME capital grows along with ownership protection and entrepreneurs promotion within the sanctity of contracts. This growth is linked to the fairness principle that advocates partnership and invests with tangible assets, which ensure appropriate support and help limit excessive speculation, and moral hazard, corroborated with Hussain, Shahmoradi and Turk (2016). Therefore, IFPs highlight risk management by forging contractual restrictions

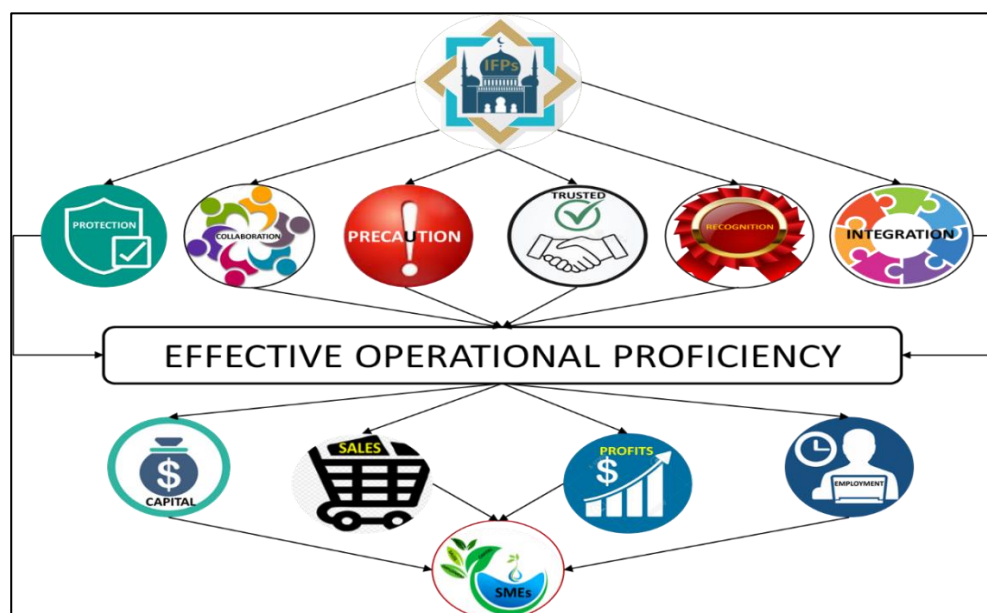
as a robust attachment of investment that increases the trust of FR's availability. This result is consistent with findings illustrating the feature of IF, including fixed mark-up, stable payment, relative ease in managing, ensure capital needs, and can satisfy the risk-sharing needs of SMEs, determined by Haron and Ibrahim (2016). In addition, this study indicates the positive social network character within the Islamic financial system to reduce the risk associated with SMEs in Oman, such as asymmetric information. This result is in line with Allen, Qian and Xie (2019), who find that information advantages, or an altruistic relationship, is critical in financing to support business operations. It clarifies capital framing and commodities production and exchange smoothing amidst the communicative social interdependence, which may reduce the correlated risk.

SME sales have significant growth in a similar context of capital from the most explanatory factors regulated by IFPs. This finding suggests that IF reasonably includes a perfect function of orienting finance to sales growth. For instance, the participation principle makes Omani SMEs yield from the limited resources by using them collaboratively in their operation, production, relying on each other. This partnership strategy enables the SME sector in Oman to attain cost reduction, service quality, innovative products, and several market opportunities that propel sales growth, corroborated with a recent study by Nwokocha and Madu (2020). This research also demonstrates the promotion of Omani SMEs' ability to maximise their profitability within the best allocation of capital and risk management strategies. This role lies in sharing risk, knowledge, efforts, cost, and actual activities reinforced under IF. This embodiment enables these emerging enterprises to share financial risk, handle capital efficiently, and create competitiveness by transferring knowledge, thereby realising substantial cost reduction. It is in line with previous studies that found increasing profitability relying more on strategic alliances (Butigan and Benić, 2017) and owner involvement (Vos and Roulston, 2008).

In terms of employment growth, the analysis exclusively shows the importance of participation, hugely influential in recruitment. IF through sharing and investment-based principles that, in one way or another, allows the shareholder(s) to engage with efforts, abilities including knowledge, managerial and technical skills. This involvement strategy of ownership distribution improves the quality of management and services. Besides, the alliance and

collaboration with peers allow further innovative productions, which increases opportunities for new markets and employment. Let alone the impact of religious teachings with such principles drives for more entrepreneurial initiatives, which means further job opportunities, corroborated with Riaz *et al.* (2016). They reveal that religion can significantly affect entrepreneurial intention among the students in their last year of education.

Figure 7.2 Supporting SMEs via the applicability of IFPs.



Source: Google images compiled by the author, 2020.

** IFPs make SMEGFs more effective within an operational ability of assurance ownership, sharing, control, ethical practices, solidarity, and enhancement, which stimulates SMEG, including the capital, sales, profits, and employment.*

Overall, this research mainly found that SMEs' challenges lie in their lack of sources of collateral and managerial and technical skills, as well as progression plans. This inadequacy would prevent them from maintaining the business, committing to responsibilities and liabilities, admitting ethical practices, and involving society in their benefits. In contrast, it revealed that this shortage might overcome by financing SMEs with the inclusion of Islamic principles. In this regard, an abundance of religious, moral triggers for business development as outstanding improvement elements entailing constraints on entrepreneurs' preferences, decisions, and reactions. This indication conceivably due to the maturity of the cultural level and religion of Omani entrepreneurs. Therefore, this investigation suggests the necessary application of the communities'

religious practice in economic initiatives and social living, corroborated with Deller, Conroy and Markeson (2018). They find a corresponding higher level of small business activity in societies with a large concentration of religious congregations, despite the differences across religious traditions. As in this study, IFPs support the growth of SMEs by effectively reducing their financial constraints (Figure 7.2).

7.3 ASSURING OWNERSHIP FOR FINANCIAL RESOURCES AVAILABILITY

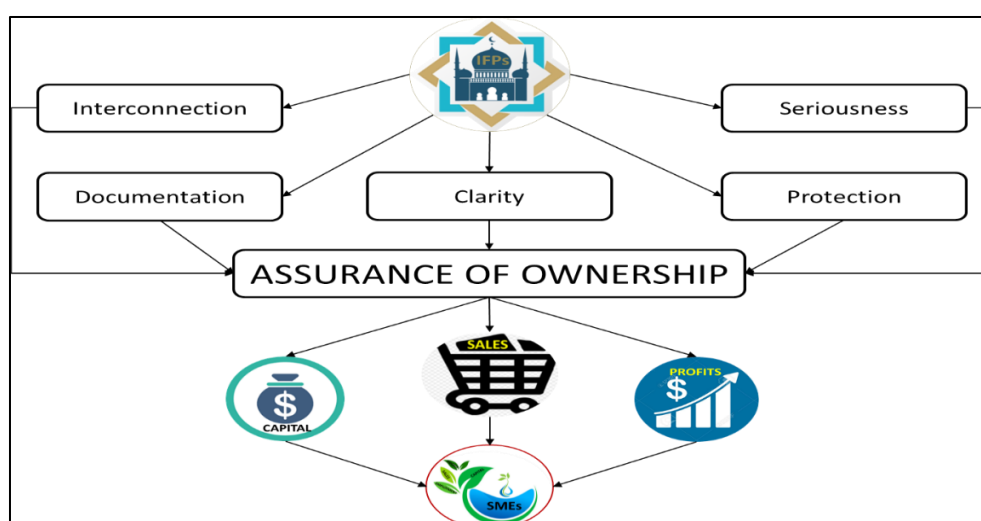
SME finance accessibility remained difficult due to a lack of collateral and records, including credit and accounting. However, the IF system's embodiment of the financing process overcome this challenge facing SMEs in Oman. Through this study, particular Islamic precepts of ownership property protection have reduced the burden of collateral by ensuring a partnership practice (Figure 7.3). This finding implies that IFPs force contractual agreement for capital protection legitimately by emphasising the interaction in partnership, the business's seriousness, recognition and protection of partners rights, and transparency. This assurance of property includes cooperation, sharing profit and loss, best allocation of capital, and lucidity that actively resolve the risk associated with finance access, as illustrated in chapter 7, subsection 7.2.1. This result is compatible with Quartey *et al.* (2017), who find that ownership, experience, legal rights strength, and the depth of credit information are the influential factors to determine access to finance.

Finance accessibility for SMEs requires a high secure volume of capital protection, which becomes a major challenge for Omani SMEs to perceive the possible growth. In this regard, IF frames the relationship between entrepreneurs and financiers from the beginning by emphasising documentation, fairness and clarity. This promise minimises the burden and anxiety of financial practices that result from a lack of certainty and transparency. This study determined the demand for a safeguard strategy, like the excellent practice of capital orientation and documentation, is the basis of strengthening relations, meanwhile convincing investors of SME projects' seriousness. Such a preparatory precaution preserves the rights and enhances entrepreneurs' reputation and commitments. This result is consistent with the notion of upholding contractual obligations by underscoring the sanctity of

contracts within faithful religious duty, corroborated by Hussain, Shahmoradi and Turk (2016).

Moreover, collateralisation provision and productivity increment to facilitate funding are essential, emanating from the Islamic financing process. For instance, financing policy, including free interest and asset-based, places complete collateralisation constructed for curtail risk-shifting such as interest rate volatility. Thereby efficiently linking finance with the production process of actual needs. It simply increases productivity associated with money exchange for assets production as a comprehensive operational framework. This result implies that IF policies undermine the risk of destruction and loss of supplies, which compels more FRs for SMEs in Oman. Yildirim, Masih and Bacha (2018) affirmed this finding by illustrating that firm assets' tangibility generates security to have a further opportunity for increases in financing.

Figure 7.3 Upgrading the availability of FR by protecting ownership and promoting trustworthiness.



Source: Google images compiled by the author, 2020.

** IFPs make FR variable more effective within an operational ability of ownership assurance, including protection, interconnection, documentation, seriousness, and clarity, which stimulates SMEG, including the capital, sales, profits.*

SME supervision in the IF system would be via more conservative control management, appraisal procedures and excessive risk avoidance. The policy of banning speculation and gambling, for example, is a critical provision that indicates credibility and transparency projecting a viable business, helping to

establish good relationships within the SME markets in Oman. Besides, information access within a partnership approach requires frequent contact. The entrepreneur proceeds to solicit funding from different sources and creates a strong relationship with the key suppliers of FRs. This frequency of contact promotes SME trustworthiness amidst the various markets that are an essential factor in the availability of financial support, consistent with Sani, Mohd-Khan and Zamzuri Noor (2018).

Principles, such as banning excessive speculation and PLS, enhances risk management of asymmetric information and conflicts of interest, resulting in protecting the available FRs. Losada-Otalora and Alkire (2019) confirm that shared information (bank information transparency) brings positive attitudes towards financiers. For instance, commercial suppliers become adequately resilient to financial risk, where they can accommodate reasonable investment losses due to the integrated information mechanism. Owing to this transparency, they could be more resilient to shocks, making capital available for Omani SMEs, corroborated with Cowling, Liu and Zhang (2018); Allen, Qian and Xie (2019).

7.4 ASSURING PARTNERSHIP WITHIN THE CAPITAL STRUCTURE

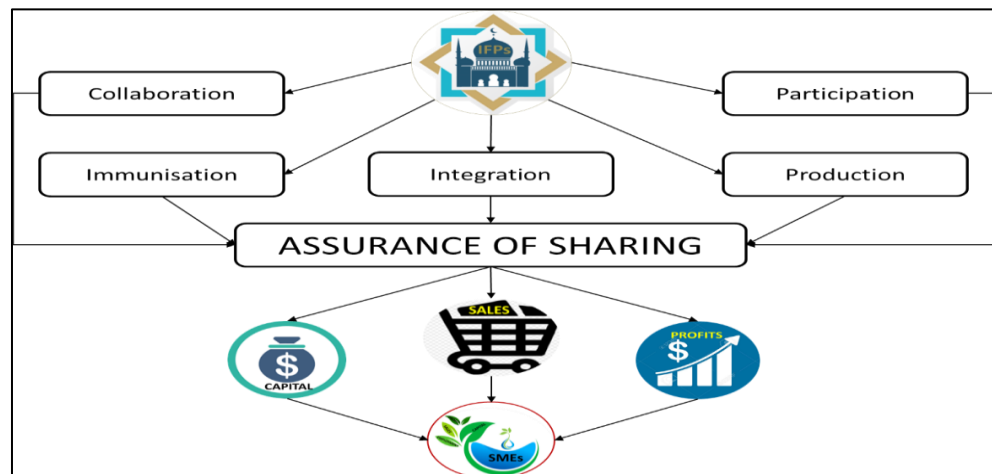
SME capital mostly structured with debt from traditional sources like family and friends or retained earnings. This financing method is considered less complex for SMEs due to their lack of meeting banking requirements, namely collateral and cost, or may breach any cultural and religious duty, as illustrated in chapter 5. Nevertheless, this study indicates the Islamic restructuring of Omani SME capital within the financing process (Figure 7.4). This practical structuring verifies the Islamic partnership concept of sharing efforts and consequences. This partaking structure is associated with the asset-based investment principle to improve productivity by shareholders involvement, the best allocation of capital, and the reduction of excessive consumption, especially constraints for lavish expenditures. Besides, calling for mastery in the quality of the product and its production speed, ensuring SMEG and expansion in Oman. Hence, it is a means of stimulating production and continuously improves performance and profitability due to the attachment of finance modalities to actual involvement, assets and activities. This result shows the fairness of sharing

risk, and returns by immunising ownership, collaborating between shareholders, integrating skills and abilities, producing assets, as explained in chapter (6).

In IF, the sharing principle allows shareholders to lead the SME sector in Oman with a higher production level and variety through their best allocation of capital, monitoring and risk management. The partnership concept's essential advantage surrounds small enterprises with immunity from self-interest and financial liabilities by distributing possession, limiting the individual risk, accord with Mirakhor and Smolo (2014). This shared dominion also determines the impact of this participatory approach on Omani SME management with more checks of project purposes, activities, transactions, production, etc. Therefore, the study's critical results hold that the owner's management participatory impact is embedded in the projects, as corroborated by Wang and Poutziouris (2010). The authors illustrate that owner-managed businesses characterised by a delegation of authority appear to achieve higher growth performance and operate more professionally. Recently, Crisostomo, Brandao and Lopez-Iturriaga (2020) observe that ownership power distribution increases corporate control and board composition quality.

This shared approach also allows Omani SMEs to limit their excessive borrowing inclination, including any consequences of the conventional process (e.g. high interest, control, collateral, etc.). In the case of financial need, the benevolence loan (free-interest) would be an available choice. Therefore, this approach reduces the potential of financial tribulation and liabilities connected to the concept of loans and interest, paving the prosperity and profitability of Omani SMEs, in line with Mateev, Poutziouris and Ivanov (2013). This finding suggests that sharing with asset-backed principle, compared to the debt, preserves SMEs' assets depreciation resulting from the interest rate volatility. As a result, this principle diminishes the widespread credit resulting from the financial distress, defined by Li, Lockwood and Miao (2017). Instead, it shares the business with the expectation of transactional risks and returns while reducing risk-shifting behaviour, according to Hamzah, Ishak and Rasedee (2018). Therefore, Omani SMEs with such participation can reduce the risk and financial cost, thus promoting their profitability and growth opportunities, consistent with Yildirim, Masih and Bacha (2018).

Figure 7.4 Upgrading capital structure based on the partnerships and sharing.



Source: Google images compiled by the author, 2020.

** IFPs make CS variable more effective within an operational ability of partnership assurance, including collaboration, immunisation of self-interest, integration, participation, and production, which stimulates SMEG, including the capital and profits.*

The study also reveals that entrepreneurs and financiers in Oman can bootstrap the sharing of venture capital away from causes of concerns of losing control and the confiscation of assets. Because IFPs organise the contractual relationship between the contractors to provide structural coherence. Islamic contract (i.e. a diminished Musharaka contract) can minimise losing control fears among Omani entrepreneurs. In contrast, other agreements (i.e. sales contract-Mudarabah or PLS contract-Musharaka) determine intervention level. The participatory approach becomes useful for SMEG in Oman and more when shareholders remain active to support the investment, reducing entrepreneurs' concerns resulting from the dominance tendency. This result implies that losing a firm's control based on equity is reduced by determining the extent of intervention, and meeting the compliance requirements, accord with a recent study by Baker, Kumar and Rao (2020). They find that SMEs prefer equity finance due to the complicated listing procedures or their inability to meet compliance requirements; therefore, IF facilitates the preservation and immunisation of ownership by its principles that retain the project at entrepreneurs' shared control.

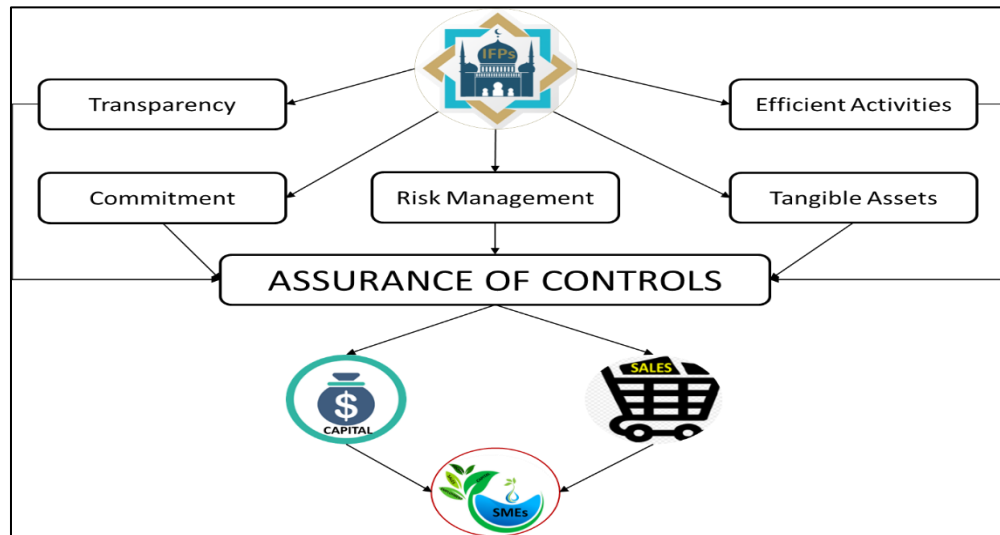
7.5 ASSURING CONTROLS FOR FINANCE COST REDUCTION

SMEs face high finance costs due to the significant association of risk investments with many lacks and sole ownership. Yet, by understanding risk management's IF, this study suggests specific efficient principles that serve enterprises' integrity to reduce costs by developing good relationships, trustworthiness, monitoring, and commitment (Figure 7.5). They act effectively to mitigate finance costs associated with SMEs' considerable risk in Oman's Sultanate. This reduction strategy includes a financing process that makes it more active and productive in managing the project efficiently. Through ample protection to mitigate the risks associated with adverse selection, moral hazard, or loss connected to the financial process—besides participation in the risk emanating from the organisation management.

An uncertain environment allows for the incremental growth of financial costs risk-based, like interest rate variability, information asymmetry and moral hazard. Therefore, IFPs, on the one hand, will eliminate the interest in indebtedness by preventing usury. On the other hand, prohibiting excessive speculation and requiring transparency of information disclosure would mitigate the cost of asymmetric information and moral hazard that reduce equity costs. In return, applying a PLS principle reinforces risk tolerance, as the losses would be somewhat dependent on the parties' level of contribution. Thereby, it would decrease the likelihood of the hazard arising from an individual's indifference, negligence, accord to Bixter and Luhmann (2014), or default in line with (Alandejani and Asutay, 2017).

This finding shows that Islamic managing of risk rests in the controls behind the steering of liabilities, credibility, supervision, business actuality and preventing excessiveness. Thereby, the financing cost is mainly addressed through the risk management resulting from the inequality, ambiguity, favouritism and immoral practices by the compliance of these principles, as interpreted in chapter 6. It would encourage productivity with real economic activities in a realistic climate and reduce the risk connected to various commercial ventures. In this case, IFPs limit financing costs due to the prohibition of usury, deception, and injustice, minimising associated risks.

Figure 7.5 Upgrading finance cost reduction by reinforcing controls.



Source: Google images compiled by the author, 2020.

** IFPs make CoF variable more effective within an operational ability of controls compliance assurance, including transparency, commitment, risk management, tangible assets, and efficient activities, which stimulates SMEG, including the capital and sales.*

Risk management is an inherent assurance component in the IF system, and it appears with reliable rulings that respect property rights and human capital. For instance, IF play an outstanding character in regulatory management, where the authority has been identified for each entrant by the type of contract, e.g. Musharaka or Mudaraba. In other words, the effective practice of this partnership allows SMEs and financiers in Oman either to invest in a favoured productive business (sales contract-Mudarabah) or to be actively involved in its management (PLS contract-Musharaka), indicating the quality of supervisory controls. This implicit equity stake given to the financial suppliers serves as collateral to reduce the risk that Omani SMEs cannot meet, consistent with Allen, Qian and Xie (2019). Besides, the physical assets (asset-backed principle) reduce the agency cost with a resale ability's associated level, accord with Ebrahim *et al.* (2016). They also captured the prohibition of interest involves a safeguarding strategy of ownership rights, where the volatility of interest rates confiscates assets' actual values followed by a high agency cost. Consequently, IF controls minimise agency costs in line with Azmi *et al.* (2019), who point out that firms with better governance undergone lower agency costs.

The study's finding also demonstrates the features of capital allocation, sharing, transparency, and audit quality enforcement by IFPs that are more likely to reduce finance costs. In the participatory structure, IFPs prevent investors and entrepreneurs from engaging in activities that lead to corrosion and capital deterioration. This quality inherently relies on certainty and the transparent disclosure of information from the beginning. This effect indicates that having access to relevant information creates sound knowledge about an entrepreneur's compliance towards their responsibilities that reduce the risks resulting from ignorance, ambiguity, and deceit. This result implies that financing SMEs in Oman with participatory-based allows for financial providers' more remarkable ability to monitor the management and operational context with more honest and quality control. It specifies efficient capital and responsibilities handling by the absolute competitive advantage of reducing interest conflicts with more considerable managerial skills exchange and transparent operational risk disclosures. Therefore, the control structure is significantly associated with such compliance and responsibility determinants, as advocated by (Abdallah, Hassan and McClelland, 2015; Shaban, Duygun and Fry, 2016). As a result, IFPs limit agency costs emanating from sole ownership structures that appeared in the Omani SME sector by emphasising risk management accredited with shared control of ownership within corporate regulatory controls corroborates with Gogineni, Linn and Yadav (2013); Elamer *et al.* (2019).

7.6 ASSURING ETHICAL PRACTICES WITHIN THE PERSONAL VALUES

The most considerable risks of SMEs are related to moral hazard and adverse selection with lack of skilful labours. By following Islamic ethical practices assurance, this research serves emerging firms to receive the best applications of refining entrepreneurs character, guarding against the immoral risk affiliated (Figure 7.6). Enforcing such an ethical practice stimulates the spiritual benefits of faith, contributing to a constructive moral reaction of the business environment focused on trustworthiness and integrity, especially within the financing process that includes possible immoral actions such as misleading information an incentive risk. This approach emphasises the religious impact of effective practice assessment by Omani entrepreneurs, indicating their

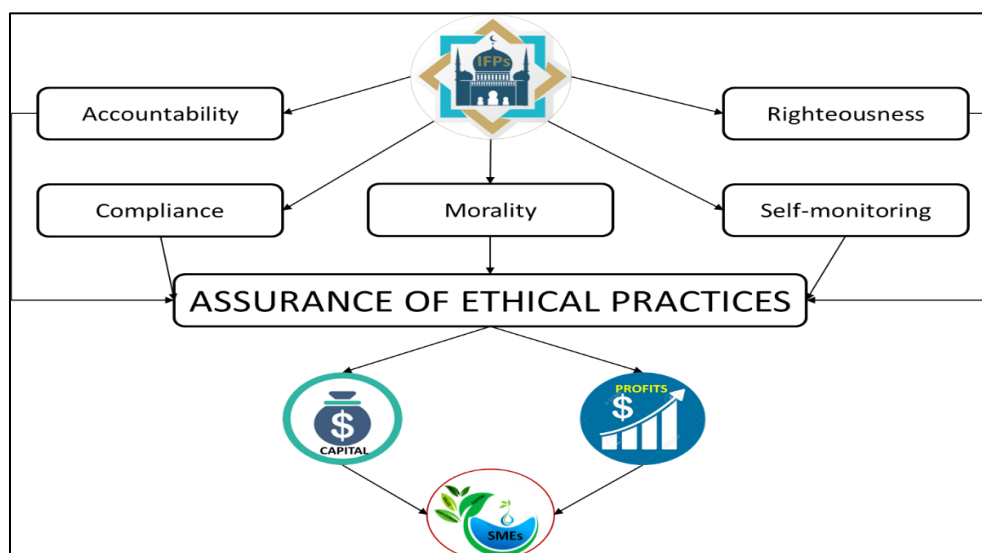
ability to improve decision making, quality, and risk management. This influence assures ethical practices includes self-accountability-monitoring, righteousness, virtue and compliance. Because religion plays a critical role in influencing individuals' beliefs and entrepreneurial activities, defined by Gursoy, Altinay and Kenebayeva (2017). It also shapes entrepreneurial behaviour with the most outstanding values that help their business management agree with Hoque, Mamun and Mamun (2014).

Therefore, the degree of religious devotion emphasises practices that, for instance, resist risk, fraud, and ambiguity in entrepreneurial activities. Adopting practical religious values, conviction as an example, support decision-making with ethical practices includes satisfaction, consideration, etc., leading to fair promises impaired greed. As such, this practical resistance of avarice is contemplated to minimise the risk of immorality and increases creditworthiness for available finance. This reliability stands as a reason behind the ease of access to finance, particularly for a firm with the participatory form of ownership, as raised by Wang (2016). Entrepreneurs' ethical practice suggests greater confidence about their character, which mirrors their compliance indicator necessary for solvency. Berg and Kim (2014) corroborate this by demonstrating that religion is valuable in environments where reliability is questionable or otherwise complicated for others to observe. This formation entails maintaining ethical behaviours that adhere to ideals and standards and serve as an intermediary of reliable entrepreneurial activities, e.g. a commitment to more responsible practices for the advantage of society. This thesis, therefore, holds that IFPs establish the grounds of individual ethical values for the joint development of business and community simultaneously. It is a means of pursuing sustainable, long-lasting progress required to safeguard stakeholders' rights, as evident by Franzoni and Allali (2018).

This research also found that ethical practices raise self-monitoring and awareness, which implies the self-reduction of risk by faith and a real commitment. Thus, their effect extends towards achieving the firm's goals and vision because of ethical norms and good commerce selections towards a reliable entrepreneurial system. Moreover, entrepreneurs' moral structure drives SMEs to lower the risk of default, motivating investors to finance SMEs with lower cost. Such religious, ethical values can ensure customer retention when they have a high level of awareness of the best production, commitment,

and social solidarity. This assurance comprises a higher fulfilment of pledges and induces further investment. As a result, the high level of spiritual worship drives entrepreneurs to employ ethical, religious criteria in their decision-making. This inclusion of Islamic moral values within the investment process creates good corporate regulatory controls, especially transparent practices, as advocated by Elamer *et al.* (2019).

Figure 7.6 Upgrading PVs by submitting to Islamic values and principles.



Source: Google images compiled by the author, 2020.

** IFPs make PVs variable more effective within an operational ability of ethical practices assurance, including accountability, compliance, morality, righteousness, and self-monitoring, which stimulates SMEG, including the capital and profits.*

Ethics are also essential in enterprise progress by considering workers' appreciation and promoting their rights. For example, looking into their social needs consolidates their loyalty and sincerity, increasing their efficiency and production quality. The finding hints that Islamic principles, with their effectiveness and appreciation of fairness, appear to motivate a desirable response of positive performance. This perspective encourages businesses to fulfil their liabilities, corroborated by El-Komi and Croson (2013). They demonstrate that much compliance of obligation results in the promise of a favourable response from contracts with perceived fairness.

7.7 ASSURING SOLIDARITY THROUGH CSR

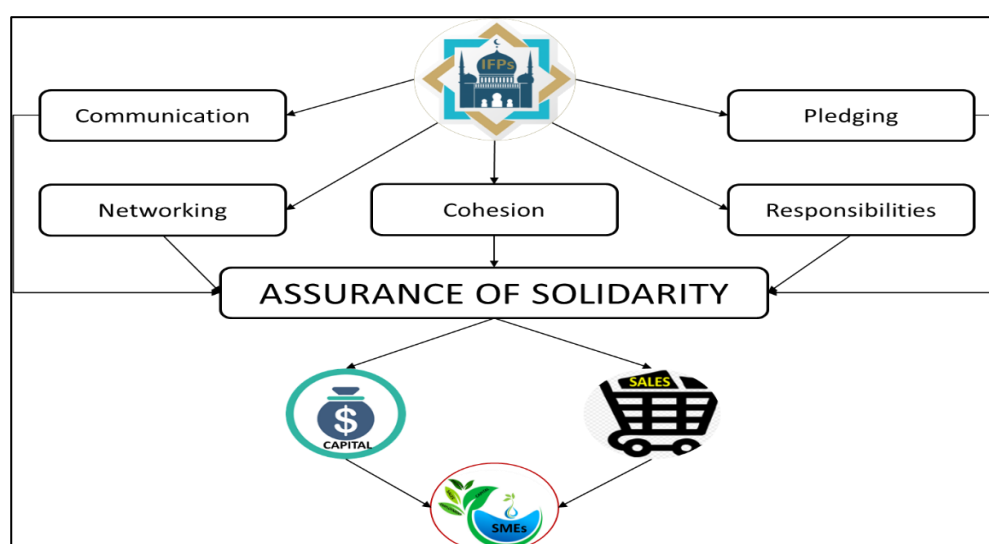
Islamic economics activities intended to achieve financing and profits and to maximise them along with social purpose. Therefore, it captures its substance principles regarding social responsibility and solidarity as pivotal bearings of SME advancement (Figure 7.7). This attachment of sharing concern social activates the development process with communication, cohesion, and pledging based on the mutual benefits of resources and capacities. In contrast, Islamic social relations increase the emotional intensity, intimacy, and reciprocal service as an extension of their religious practice and benefit from social network resources. This finding reflects the spiritual impact on providing meaningful emotional bonds by highlighting the social interest, loyalty and affiliation. This result consistent with Gursoy, Altinay and Kenebayeva (2017), and recently, Kurt *et al.* (2020) demonstrate that Islamic spirituality can deepen ties within a business network and make members more effective.

Islamic social solidarity among Omani SMEs also reinforces collaboration with different institutional entities, suggesting a support network grounded on sharing information, knowledge, and experience. This network extends awareness of market opportunities, which increase production enlargement opportunity. CSR becomes a primary within the commercial initiatives that consider social interest at the core of SME finance, such as transparency, quality of services, honesty, and integrity. As a result, it mitigates information asymmetry with more excellent clarity of Omani SMEs operation and production. This result consistent with (Costa, Soares and Pinho de Sousa, 2017), who found that the institutional network provided through information sharing and cooperation supports their expansion, particularly internationalisation.

Besides, such Islamic social relations being a source of trust, which is often viewed as a measurement associated with uncertainty against abuse and vulnerability among the actors. This argumentation is underlined by Nahapiet and Ghoshal (1998), who suggest that capital, embedded within networks of mutual acquaintance and recognition, diminishes the probability of opportunism. In this case, the principles of IF offer Omani SMEs a complete risk management policy that assists in surmounting such immoral issues. Social ties with Islamic attention to ethical practices improve trustworthiness

among internal and external communications. For example, the perceptions of the banking sector, consumers and community for their performance and service quality expose more opportunities for operational requirements. Additionally, the social relationship works as a practical indicator for SME performance, highlighting their operational capabilities and skills. Platonova *et al.* (2018) verified this finding, who affirm a positive relationship between CSR disclosure and firm's financial performance. This trust helps Omani SMEs to reduce their perceived barriers to finance and development, corroborated with Mertzanis (2017); Jackowicz and Kozłowski (2019).

Figure 7.7 Upgrading CSR by reinforcing social solidarity.



Source: Google images compiled by the author, 2020.

** IFPs make CSR variable more effective within an operational ability of solidarity assurance, including communication, cohesion, responsibilities, pledging, and networking, which stimulates SMEG, including the capital and sales.*

Moreover, the inclusion of Islamic values into social ties outline the standard level of quality that SME activities should engage in respective social goals. For example, the prohibition of illicit economic activities is a philanthropic principle that considers societal interests. Preventing such actions would protect members of society from an uncertain fate and the Omani SMEs from continuous failure. This cohesive approach of social togetherness creates a persistent base of business and social development, including a healthy community amidst wealth circulation. This finding is consistent with Hashim, Mahadi and Amran (2015), who reveal that enterprises with a vision and

mission incorporating environmental and social aspects would conduct more sustainable activities.

This social linkage makes SMEs in Oman close to society, which discloses their real needs; in contrast, the community realises SMEs' vision and mission towards social interest. This perspective captures a set of economic activities for Omani SMEs to increase long-drawn earning opportunities related to continuous social needs. For instance, the asset-backed principle provides a base of competitiveness of an economy and a conducive business environment, especially infrastructure. It thus creates numerous projects for robust and diverse initiatives that help for SME profitability and social poverty reduction. This result implies that IFPs, emphasising solidarity in CSR, play a vital factor in economic activities, consistent with (Igwe *et al.*, 2018). In this way, Islamic solidarity ensures social consumption persistence with real needs and promotes Omani SMEs with a mechanism of continuative, innovative, and diversified commercial activities.

7.8 ASSURING THE ENHANCEMENT OF KNOWLEDGE

This study indicates the intrinsic meaning of partnership within the IF system, including knowledge emanating from IFPs, namely sharing and collaboration. This approach, even between competitors, collects and integrates each ability of stakeholders to perceive success (Figure 7.8). This enrichment implies the more significant enhancement of knowledge, skills, and experience in Oman's entrepreneurship field, which are focal factors that result in business growth, renovation and expansion within partnerships. This finding affirms that shareholders' interaction fills the inadequacy gap of essential skills and an optimal familiar resource of awareness for vulnerable SMEs in Oman. This result implies that this interaction would be fostered with additional technical skills, proficiency, and foresight required for a complete production process and perfect financial management, as a matter of complementarity. This result is consistent with Veronica *et al.* (2019), who demonstrate that the stakeholders' involvement promotes the company with a well-informed and skilful staff, improving profitability.

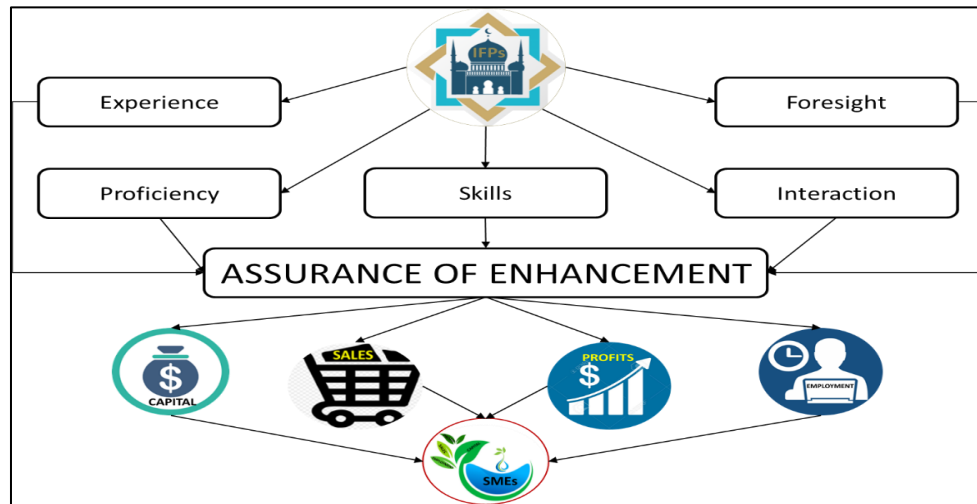
Omani SMEs within the participatory concept have more opportunities to accomplish operational efficiency and growth. In collaborative business

environments, emerging firms with a crucial knowledge strategy reduce the lacks, risks, and uncertainty. This finding bolsters the importance of strategic alliances between SMEs to render opportunities for downsizing risks, getting professional and sharing knowledge, corroborated with Bustinza *et al.* (2019). As a result, Omani entrepreneurs, collaborating with others to achieve experience and benefits, are more likely to achieve growth than those who act alone. This principle strengthens the most efficient way of using the company's limited resources (Bengtsson and Kock, 2000), ensuring the optimal management suggested by this research. Therefore, this investigation presents the entrepreneur with a concept of developing and marketing support framed with comprehensive knowledge.

The supportive synergy among stakeholders increases the probability of delimiting risk and enhances collaborative pursuance of an integral surveillance regime, which imports the different essential means of restraining risk. This combined effect increases risk management and the mutuality and imperative efforts of control, consistent with Albats *et al.* (2019). Furthermore, developing skills by sharing strengthens the relationships that place the enterprise's reputation at the highest level and reduces competition by providing mutual benefits for the business. Thus, everyone contributes to serving other parties' interests. This finding is consistent with several studies (Barbera and Hasso, 2013; Bustinza *et al.*, 2019; Hewitt-Dundas, Gkypali and Roper, 2019) that find that most collaborative firms confer better business performance in terms of growth, turnover, and new-to-the-market innovations. Accordingly, an entrepreneur can acquire abilities and proficiencies that extend the management mechanism comprehension and improve accountancy skills.

In this regard, the effect of IFPs on the Kn factor spurs SMEs' greater sustainable growth orientation, which adequately maintains partnership resources for more innovative commercial practices. The partnership impulse captures the essential perceptive resources of development, including implementing more symmetrical structural, productive, and management strategies. This compensation of awareness and knowledge elevation would promote innovative products or services, making the SME sector in Oman sustainable. This result accords with Veronica *et al.* (2019), who find that the knowledge-intensive environment with stakeholders' involvement elevates an innovative sustainable business's contrivance.

Figure 7.8 Upgrading knowledge by enhancing Integrative partnership.



Source: Google images compiled by the author, 2020.

** IFPs make the Kn variable more effective within an operational ability of enhancement assurance, including experience, proficiency, skills, foresight, and interaction, which stimulates SMEG, including the capital, sales, profits, and employment.*

From this perspective, this research suggests that this partnership allows the public and private sectors to support Omani SMEs in opening and identifying niche markets opportunities. This result offers an informative enhancement to improve SME performance significantly. This intensification of exchange and collaboration ends with further awareness, skills, experience, advancement, and social acceptance, which are necessities for SME sector development in Oman. This finding supports the IFPs' promotion in incentivising the informative material to advance the instructional enrichment network for SMEG through concurrent involvement and alliance among all stakeholders. By this coupling, Omani SMEs can access competencies with more diverse capabilities of partners. This partnership sustains launching small projects with efficient operational resources and management. This result is consistent with the recent study by Nwokocha and Madu (2020), who demonstrate the importance of the strategic alliance impact on SMEs' performance, including carrying out their operations effectively and improving their service quality.

PART TWO: PROPOSAL FOR SME ISLAMIC FINANCE FRAMEWORK

7.9 RELIGIOUS AND ECONOMIC PERSPECTIVES

The most important economic reasoning running with the last objective in this study is the motive to maximise profits and the advantages emanating from the financing of SMEs amidst conducting transactions effectively and allocating resources efficiently based on Islamic principles. In the context of reinforcing the argument, there is an integration between economic and religious thoughts that lie in impacting opportunistic behaviours in a vulnerable legal environment (Chen *et al.*, 2016). Therefore, IF mechanisms can best help secure effective compliance with definite standards of accounting practice (Elamer *et al.*, 2019). Substantially, this thesis draws upon the combined role of both facets, i.e. religion and economics.

Financing SMEs in Oman should be framed within a supportive environment consistent with entrepreneurs' cultural backgrounds. In this adaptation, Islamic law features the socio-economic climate intrinsically, which satisfies steady SMEG. In this connection, the researcher deliberately investigated the issues of the prevailing system and its dilemmas in financing SMEs and examining the ability of IFPs to treat these challenges and enable companies to grow. Intentionally, this plan can help develop a model for funding that suits the circumstances of this sector and allows SMEs to perform their social and economic tasks as they should. The following section furnishes these elements and draws the frame of the proposed financing model.

7.10 ISLAMIC FINANCE FRAMEWORK FOR SMES

Due to the government's interest in developing SMEs in the Sultanate, the public authorities established to raise the specific benefices, namely Riyada and the Al Raffd Fund, and other regulations engaged in rendering their support. Nevertheless, often the conventional system remains central to such efforts, in particular those related to funding. Here, the entrepreneurs were most hesitant to participate due to the religious-cultural implication, ownership, high costs, and the absence of support. In return, capital protection remains an obstacle in front of start-up firms due to the lack of collateral offered by emerging businesses and the possible eventuality of insolvency. As a result,

this consistency dilemma between financier and entrepreneurs may be addressed through solidarity finance supported by public and private shields. It includes financial support and advisory services, which is significantly disregarded by the conventional banking frame.

This thesis uncovers that finance accessibility for Oman's SMEs lies in the involvement and support of other parties, adding weight to the process of securing collateral, risk management, and sustainability, which possibly can offset or reduce the risk for the potential losses in case of default. In this vein, the proposed framework commences with a collaborative deal of investment between the government, private, and society as a source of SME fund. This cooperative approach creates ownership ties, which function as a substitute mechanism for collateral in the entrusted loan banking system due to collecting accurate, valuable information and creating practical opportunities and securing regulation codes.

This participation is also more likely to place trustworthiness at the heart of the close relationship and its related risks, giving a reliable perception of SME institutional risk management and feasibility. Besides, the effect of such partnership extends to support SMEs with the key factors of sustainability. The social-government connectedness allows the 'SME fund framework' to appraise such enterprises' disclosed reports and social behaviours to the extent that insurance requirements are connected with risk management. Thereby, the Islamic finance framework (IFF) is in line with the assurance, prevention, and monitoring activities that ensure a risk management strategy, which offers a requisite aptitude that defeats SMEs' risk. As a result, a supportive platform is created and integrated with an enhanced design to improve SME performance and viability in the market.

7.11 INFLUENTIAL DETERMINANTS OF THE ISLAMIC FINANCE FRAMEWORK MODEL STRUCTURE

Building a model of financing SMEs in the Sultanate stems from a realisation of the significant position of IF with its impact on achieving SME interests. Meanwhile, the actual adoption of this study phenomenon is also an added occasion to convey Islamic values as essential to socio-economic development. This model raises the purpose of finance in the sense of growth,

where the endeavour assumes that an innovative funding system set with the consideration of its primary task entails the maximisation of developmental gains for all. This approach applies to benefit SME improvement as a central point rather than a solitary profit-centred aim, in line with socio-economic development. Thus, it is essential to focus on the potential facets that serve to remove impediments undermining SME economic performance, delivered by the IF for sustainability. Therefore, the remainder reveals the IF theory created by the law of Shariah, following by its enrichment of the applicability in funding SMEs.

The Islamic financing task lies in equipping SMEs with the required developmental means, e.g., enhancing operational and managerial skills that generate advantages for thriving SMEs. At this stage, the modelling of SME finance aims to attach the benefits of IF with several means of shifting obstacles into certain features in handling challenges. Hence, it is essential to define the influential factors as the core focuses on model enrichment. This thesis ascertained that 'Solidarity Environment' is the initial blueprint for the relevant significant factors over constructing the proposed financial model, which steadfastly prompts the SME finance model's effectiveness. This investigation places clear evidence of the practical solidarity of the IF system for SMEs regarding its vulnerable environmental context embedded in real investment, which presently entails the management capabilities of the three critical pillars enriched by IF: (a) collateralisation, (b) risk management, and (c) sustainability.

Drawing on the conclusions illustrated in chapters 5,6 and 7, this research improves the SME financing model by an IF system that brings the financing process under its principles for SMEG and sustainability. It sheds light on the interplay between IFPs and SMEGFs into making SMEs more productive and effective. The interaction influence ensures the SME finance process amidst ownership protection, sharing, controls, ethical practices, social solidarity, and knowledge enhancement on three pillars—collateralisation, risk management, and sustainability. This design performs a vital role in heightening skills that overwhelm the management and operation insufficiencies. Therefore, using these determinants, the research defines the collateralising framework's first pillar in SME finance within the IF system. Further, the second describes the IFF's performance in addressing the risk associated with this process. In

contrast, the third aspect designs the enhancement of business sustainability in this method.

7.11.1 Collateral

The Omani SME financing process is collateralised by constructing joint ownership within the collaboration between government, private, and society. This tie induces reliable evaluation with a disclosure report about the project that may hint at the potential risk that serves the assessment process. Also, it enhances the operational abilities that sustain positive levels of performance due to the supportive platform constructed. As a result, SME investment fund within this joint ownership and liability would be provided with more observant banking relationships. For instance, this approach reduces opportunistic conduct risk among the entrepreneurs due to this socio-state intervention (Dowling *et al.*, 2019). Moreover, Omani SMEs inherently established from an Islamic cultural society, which means an absolute information flow and ethical practices due to the close rapport and Islamic norms controls between the fund founders and entrepreneurs.

By using the cooperation between government, private, and society, SMEs can maintain the availability of finance without having to provide a high collateral pledge because of the alliance that allows low-cost information to select co-borrowers and monitor their behaviour based on the interests of the stakeholders (Flatnes and Carter, 2019). Simultaneously, participatory processes allow the 'fund' to gather in-depth details of SMEs and their social behaviours. It serves a vital task in controlling the risk of SME markets due to the platform of embracing the borrowers as core viability. Besides, it capitalises SMEs with assets labelled as valuable collateral retained to recover the sum owed in the event of unfulfilled contractual responsibilities.

Moreover, the impact of government intervention amidst Islamic controls may reduce the potential moral hazard and increase SME discipline. Because the financing system using the power of state control and Islamic culture on statutory regulation. Hence, this socio-state alliance provides a supportive network for the fund, including SME databases with excellent institutional cooperation relative to firm management, abilities, and skills, hence the possibility of sustainable production, which elevates their position for credit

guarantee. Consequently, such formative essentials stimulate SME viability. It constructs an excellent credible resource to present the vital needs of their continuation and therefore meet the collateral requirement.

Consequently, ensuring the operational process with the best allocation of resources, obtaining the relevant information and promoting ethical practices. This framework maintains SME investment fund with visible credit information and techniques with prudent management, monitoring, auditing policies, and networks, making it more explicit about accumulating historical information about Omani entrepreneurial activities. Given this, the control strategy assures the SME fund with productive and practical investments serving for survival.

Whenever the risk is contained, the level of collateral requirement decreases due to the constituents of fulfilled legal and contractual obligations under this alliance partnership. Therefore, this partnership bearing SMEs in Oman develops substantial formal collateral involving public and private partnerships, offsetting the requested collateral. Owing to this more comprehensive cooperative alliance and contractual documentation, the proposed Islamic model of financing Omani SMEs, tends to incubate partnership among SMEs with such authorities as a collateral requirement. Here, the Islamic framework in modelling SMEs finance promotes risk control within a prevention strategy of collateral management and therefore spurred SME management towards sound performance. Since SMEs are frequently approached, identified, monitored and directed, their steadiness quality should serve as a collateral status.

In this respect, studies have established a robust inverse relationship between collateral and cooperation factors, i.e. government intervention (An, Pan and Tian, 2014), banking relationships (Meles *et al.*, 2017), geographic location (Hanedar, Broccardo and Bazzana, 2014), joint liability (Flatnes and Carter, 2019), and ownership ties (Fang, Qian and Zou, 2020). In financial demands, scientists have argued that default reduction (Carvalho, Orrillo and da Silva, 2020), robust legal protections (Costello, 2019), and requirements for information disclosure (Duarte, Gama and Esperanca, 2017) are inversely correlated with the collateral requirement. Therefore, the IFF slants the demand for collateral to shrink by elevating government-private-social alliance

guarantee and making SME information, continual monitoring, and strategic support available.

7.11.2 Risk Management

The adoption of control and ethical practices endows SMEs with conceptions that equip them for risk management. Networking and collaborative alliances are critical in preparing SMEs within the full dimensions of risk management to overcome a host of challenges. Islamic risk management (IRM) is a discipline to protect Omani SMEs comprehensively from potential risk at the planning and every stage of the business cycle, which involves a series of principal stipulations. Namely, by underlying Islamic principles that help identify, measure, evaluate, and avoid SMEs' risk. They are more risk exposure with a lack of reliable mechanisms to support their best business management application. The whole force of IRM rests in the composition of controls prerequisites in SME operational procedures, which alleviate potential risks. For example, IF ensures SME control framework, including the organisational relationships, entrepreneurial environment, quality management, entrepreneurs attributes, control system, and enhancement emanating from IFPs.

IFF promotes a standardised collaboration scheme involving control guidance and therefore aroused IRM reliance among Omani SMEs. When they raise external ownership, i.e. SMEs with the fund, joint investments mutualise risk within protecting shareholders' interests due to the joint liabilities. This comprehensive collective strategy of reasonable restrictions and state power maximises the statute of risk control within the Islamic framework of financing SMEs. IFF is preferred to control ventures within a discipline policy regarding prohibited activities and conduct that attract risk. Therefore, it compels Omani SMEs to take greater precautions in their relationships and operational processes as the precaution stage. SMEs are initially formative with a supervised, tightened, and regulated scheme for sustainable governing in this model. Hence their realisation of such elements means that their commitment contains the risk management requirement.

From the perspective of controls, it is essential to establish constitutional documents and procedures to be followed in the day-by-day operations. IFF

advances SME production and risk control in Oman within formal contracts via external sources (i.e. government-private-social networking) and thus obtaining the required complementary resources with the relevant information. When they raise external ownership, joint investments mutualise risk within protecting shareholders' interests due to the joint liabilities. It promotes ethical practices. This framework maintains SME investment fund with visible credit information and practices with prudent management, monitoring, auditing policies, and networks, making it more explicit about accumulating historical information about Omani entrepreneurial activities. Given this, the control strategy assures the SME fund with productive and practical investments serving for survival.

The push of the necessary supplements of SME development relies on the presence of supportive synergy between public and private institutions, increasing the likelihood of risk restrains that vouch for the persistence. These endeavours towards Islamic risk management demands can be identified and achieved by supporting stakeholder management and reliance on their experience, knowledge, and market awareness. In this context, IFF modelling such supportive details to drive SMEs perseverance into further participation in supervision and administration with the fund. This control constitutes a covenant that signifies the meeting of essential restrictions and, consequently, coincides with risk management demands.

The above discussion, in line with the substantial effects of an adequate Islamic collaborative framework, tends to mitigate and reduce risk by formal and informal networks (Kim and Vonortas, 2014a), strategic alliances (Nwokocha and Madu, 2020), and co-investing with the private sector (Mukherjee and Satija, 2020). In this vein, authors have argued that risk is negatively related to the controls framework in various area like relationships in entrepreneurial ecosystems (Cunningham, Menter and Wirsching, 2019), leadership attributes (Spasojevic, Lohmann and Scott, 2019), quality management systems (Suprin *et al.*, 2019), and corporate governance (Francesco Gangi *et al.*, 2018). Thus, Omani SMEs demands of risk management can be identified by the support of stakeholder management (i.e. interdependence and strategic actions) (Albats *et al.*, 2019) and knowledge management (Hock-Doepgen *et al.*, 2020).

7.11.3 Sustainability

The adoption of solidarity and enhancement improves SMEs by operationalising proficiency to equip them with sustainable elements and disciplines. IFF combines SME financing with a policy for sustainability through comprehensive engagement with SME investment fund, which places complete operational strategy and sound production practices and activities. With regular management, SME control quality enforcement will attain the requirement of sustainability. This initiative holds the formative pledge of governing business using a systematic control of management policies, enhancing the mitigation of potential risk associated with business activities, including organisational and environmental culture, ownership, management, and objectives standards. Consequently, the IFF delivers SME with sustainable development (SD) through integrative initiatives that enhance economic and social aspects, emerging from SME finance modelling involving sustainable elements.

Within this framework, it is anticipated that SMEs are provided with the necessities through this collaborative alliance, including the capital, support, resources, and sponsors. Such authorities shield this cooperation in different stages of trade exchange with a healthy foundation that further promoted by imperative institutionalising on such partnerships. For example, this synthesis links SME investment fund's resources with collaborative series with various institutions, information flow and exchange, etc., in serving SME sustainability in Oman. This interaction between the stakeholders and SMEs yields structural support for sustainable growth due to the realisation of their benefits of sharing duties, including efficient practices and social partnerships. Such bearing of responsibilities glorifies a receptive business standard, comprising contractual partnerships and thus sustainable SMEs. As a result, IF modelling for SMEs serves to uphold the productive participation of more comprehensive partnerships for sustainable practices.

Stakeholders' engagement expands SMEs' vision and opens a further opportunity for production processes. In particular, government-private-social alliance plays a considerable role in providing the necessary resources, i.e. financial, regulation, market opportunities, and skills development, as a stimulant to introduce new or significantly improved products and services. For

instance, government support is essential for obtaining incentives, policies, legalisation and guidance. While private is essential for new market opportunities that foster business production, the Society must define social-cultural norms and behaviours, which promote business ethics. Therefore, this engagement can support the knowledge and skills level of the SMEs in Oman that improves its operation, production and profitability, which is vital to attain the perfect collaboration and sustainability.

According to the literature, a substantial connection between sustainability and solidarity, in terms of efficient practices (Aboelmaged, 2018), comprehensive strategy (Martin *et al.*, 2016), cross-sector social partnerships (Ordonez-Ponce, Clarke and Colbert, 2020), etc. In addition, in the systematic management for sustainability, experts have contended that governance is influenced by the leadership of organisational culture (Miladi, 2014), ownership and control (Martin *et al.*, 2016), management accounting, and control (Johnstone, 2020). Further, the cross-sector social partnership can enhance innovation (Veronica *et al.*, 2019), integrative dynamic capabilities (Eikelenboom and de Jong, 2019) and associations (Costa, Soares and Pinho de Sousa, 2020), government support (Jabbour, Ndubisi and Seles, 2020) for sustainable business requests. As a result, SME support lies in the motivation of partners to capture perceptive resources for sustainability. Consequently, implementing more formal structural components of its strategies. This cross-partnership for sustainable business requests can enhance integrative capabilities. In this regard, the Islamic framework of financing SMEs highlights such opportunities to encourage more innovative entrepreneurs. Accordingly, a financing model harnesses partnership resources for the essential prerequisites for creative activities and satisfies the sustainability requirement.

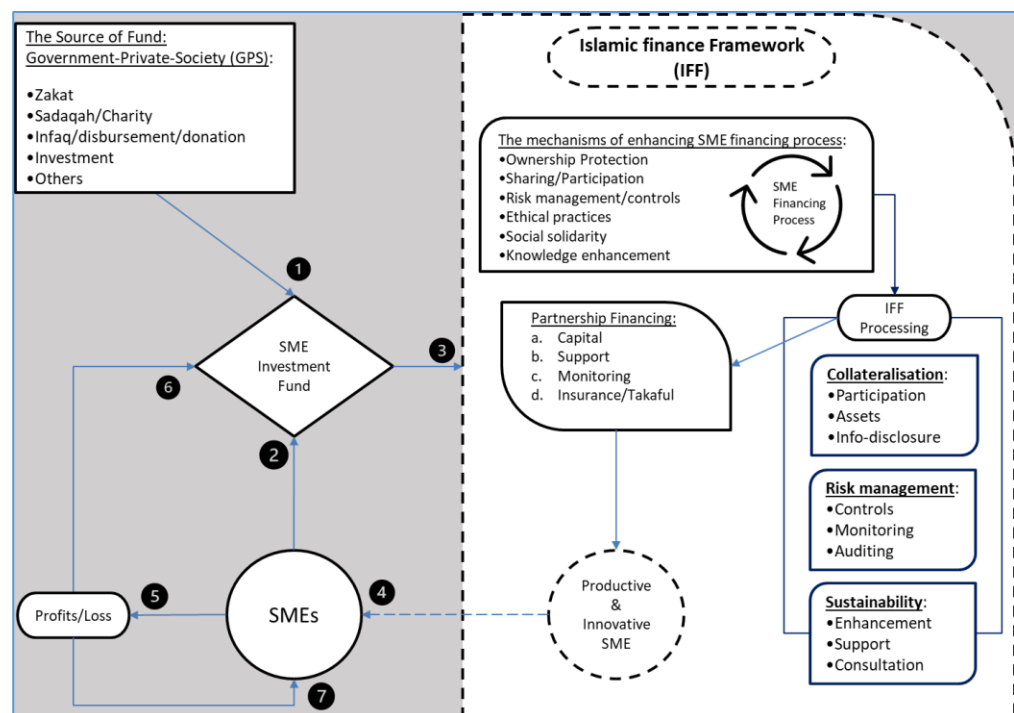
7.12 THE OPERATIONAL FRAMEWORK FOR SME FINANCE

Implicitly, SME investment fund shareholders would share the responsible determinants that frequently caused financial constraints in financing SMEs. Notably, the construction criterion concerning the Omani SMEs financing framework attempts to attain an empowered and sustainable development. This standard implies that the pure profit motive is not at the forefront of investment decision-making but engendering the most potent effect possible of collective gains. This fact entails the framework to match the nature of

influences that adopts ethical, collaborative practices and religious borders. Therefore, a financing structure, a moralistic developmental reflection, requires all parties to behave honestly for the public interest, operating consistently with what people believe, e.g. religious beliefs.

Such collaborative fund pooling provides a fair improvement and enrichment possibility for more innovative entrepreneurship. This cooperative fund includes Waqf (endowment), sadaqat (charity), infaq (disbursement/donation), investment, and others. To some extent, these fund sources would mitigate the risk associated with credit, where the most funds accumulated either voluntary for the sake of Allah or Shariah-compliant investment that composite with returns under PLS principle. This task entails the development of a reliable base of a participatory and collaborative mechanism distinguished with risk limitation strategy from the beginning. Therefore, this framework creates a regulatory environment derived from government, private, and society partnerships. That is appropriate to construct and monitor the exchange of financial practices and heightens cooperation among the joint regulatory authorities to secure sound performance; hence, preserving stakeholders properties and rights.

Figure 7.9 The operational mainstays of the IFF for SME development.



** The operational proficiency of IFF is based on the activation of the continuous process of cooperation, controls, and support pledged to outfit SMEs with the critical determinants that overcome the challenges and promote productive activities for profitability.*

The following eight steps of IFF for SMEs are clear and crystallised, as illustrated in figure (7.9) above, for supervising the entrepreneur's performance and ensuring a long term investment orientation. It is also equitable in combining the goal of SMEG while assuring the development and maintenance of stakeholders' wealth.

STEP 1: Stakeholders' role lies in their collaboration of establishing the 'SME investment fund' by providing capital, support, and security. This initial step indicates the financial flow into the SME investment fund via different fund sources, including zakat, charity, donation, or investment for a reasonable (%) of profits/dividends. Besides, their engagement to resources flow of technical, managerial skills, experiences, controls, and regulatory scheme.

STEP 2: SME applies for finance from the fund coupled with a forward contract that dictates the repurchase of the equity during the business life cycle at market price. This step intends to ensure the protection of ownership combined with the availability of necessary capital and the repayment that would be reinvested with other new companies.

STEP 3: SME investment fund, in turn, addresses the application through the IFF to operationalise the finance towards SMEG by ensuring three pillars: collateralisation, risk management, and sustainability. Initially, IFF obliges SME finance application within the IFPs, modulating the financing process to adopt ownership protection, sharing, risk management/controls, ethical practices, social solidarity, and knowledge enhancement. This framework ensures SMEs' developmental key factors within the financing process with capital, support, monitoring, and insurance to make them more effective.

STEP 3.a: The capital required to support 'Innovative SME' will be provided by the 'SME investment fund' against sharing the project's equity (SMEs) into two forms, i.e. assets and an operational budget. This step assures the project's collateralisation with more assets and risk management with efficient capital allocation and development pursuits.

STEP 3.b: Upon the foundation of the project, the entrepreneur must receive direct support from the SME investment fund to attain the necessary

reinforcement for sustainable growth. It is followed by continuous support, i.e. developmental programmes, supply chain, provision of demand, etc., to provide further operational, service, and productive stages.

STEP 3.c: The monitoring considers the accountable process of SME performance and the extent of their ability to meet its responsibilities and success. It is contemplated that SMEs with accountability and control would improve their accomplishments and increase profitability.

STEP 3.d: Then SME investment fund undertakes a collaborative venture with the stakeholders, 'SMEs Takaful' (Insurance), to provide additional security against various aspects of risk associated with the project, i.e. assets, technical and managerial, ownership, etc. Here, entrepreneurs must secure 'the enterprise' from hidden and unexpected crises involving a supportive authority, like the takaful fund.

STEP 4: Accordingly, within a partnership, the IFF reshapes the SME with more abilities and managerial skills, making it a productive and innovative project with more developmental key factors for expansion and growth opportunities.

STEP 5: In this stage, SME reports their performance status, whether they achieve profits or loss. However, with such formulation of the financing process, SMEs are presumed to increase their performance and profitability.

STEP 6: In the case of profit, the SME investment fund gets the allocated proportional percentage of profits plus the diminishing equity. Entrepreneurs gradually own the project and the 'SME investment fund' receives repayment of their principal with profits (dividends). While in the case of loss, the fund and SMEs bear the principal amount invested, efforts and time spent.

STEP 7: The rest of the profit is oriented foremost based on the project's sustainability; a reasonable percentage of the profits should be directed into expansion and development (reinvesting).

7.13 SUMMARY

Chapter 8 discussed the results inferred quantitatively and interpreted in-depth qualitatively in the previous chapters. It indicated the significance of consolidating IFPs in financing to modify SME performance productively. These findings acknowledge the capability of such policies to smooth funding and develop an alternative method to finance SMEs by paving the path that stimulates growth factors. This chapter dwelled on the explanation of the essential function taken by IF characteristics. They positively overlap in perfecting the role of SMEGFs—thereby formulating possible strategies to improve their management, production and operation processes within a convenient frame of financing for SMEs. AS a result, this chapter designated financing SMEs' modelling process within an IFF induced by the significant IFPs influences concerning collateral, risk management, and sustainability. These pillars have been considered mainstays of building an IFF for SME financing and growth.

CHAPTER EIGHT

CONCLUSION

8 CONCLUSION

8.1 INTRODUCTION

The primary purpose of this last chapter is to contextualise the findings and present a comprehensive synopsis of the research resulting aspects. In this part, this thesis reviews a summary of the most relevant result, which would contribute a set of appropriate recommendations upon the research outputs. Its importance lies in bringing together both philosophical and empirical facets by presenting the contributions of the investigation, exploring its implications, highlighting the limitations, proposing avenues for future work, and providing linkages across the central themes of this study.

This chapter is divided into nine sections that begin with this introduction. It is followed by a concise review centred on the significant research findings. Next, it provides a short reflection on the actual results related to the primary objectives intending to bring awareness of the potential of Islamic finance. Further attention is paid to the pure essence of this study to highlight the knowledge contribution of the valuable insight obtained from the novel empirical findings. This chapter emphasises these contributions by discussing the implications of the conclusions for specific stakeholders. It aims to draw attention to the study limitations and potential for improving future research in the field. The recommendations are developed to boost the development of start-up projects.

8.2 A SUMMARY OF AIM AND RESEARCH QUESTION

The overall objective of this study is to uncover how SME growth factors (SMEGFs) respond to the Islamic finance principles (IFPs) in the process of financing. The idea is to identify missing mechanisms and develop a practical financing method in the context of Oman and understand how IFPs operate to modulate SMEGFs, which fit SME circumstances for better performance. Therefore, the immediate question of this thesis was formulated as follows '*Is Islamic finance (IF) appropriate for SME growth (SMEG)?*'. This query conducted an in-depth survey of the phenomenon from that which would be adopted as a mixed-method approach. Therefore, this research formed four objectives to address the prime aim and question, starting with examining the current SME performance to develop a novel financing framework.

This inquiry defines the influential role of Islamic principles (IPs) in improving the financing process for sustainable development of SMEs and proffering specific codes of ethics and conducts impact significantly in this regard. Accordingly, an extensive survey of the literature was introduced in chapter 2, considering SME finance and growth challenges and Islamic finance system potentials. In particular, the influence of IFPs on issues related to finance accessibility, namely collateral, the lack of management skills, and risks, etc. This review to detect the potential gaps helped set a clear understanding of what challenge SME finance, growth and economic contribution and how the Islamic finance system can deliver a resolution. In this regard, this study centred on what and how IFPs are positioned in the banking system within the context of financing SMEs in Oman.

Hence, the first research question was developed to comprehend the role of financing in developing SME activities. This query emerged from the perspective of the present literature despite the limited research of this field, precisely in the context of Oman. This attention extends into structuring a question of '*What is SME performance within the current financing approach in Oman?*'. Inspecting this role also required a deep understanding of the main challenges facing this endeavour. As a result, the second question was '*What are the key challenges disrupting the development of the SME sector in Oman?*'. The responses to these questions are expressions of entrepreneurs' beliefs and opinions who participated in the survey. This inquiry also

qualitatively restated these questions to them and the concerned officials in SME development, i.e. banking, academics, policymakers, asking their perceptions of significant elements of current financing policies implemented in Oman. This involvement asked what still needs to be settled upon for SMEs financing policies, focusing on the main challenges of procedures that curb their development, as elaborated in chapter 5.

Other literature was searched on SMEs and IF, including access to finance challenges in particular. However, the author observed few studies conducted on how the process of funding can eliminate these challenges. The reality behind this event from the secondary data is to generate explanatory debates. The survey was interested in the fact of how IF is positioned for SMEG. This strategy has a further rationale for the theoretical argument in chapter 2 to develop the hypotheses upon the assertive role of IFPs, including preserving ownership and equity, mitigating risk, enhancing abilities, pledging responsibility, and expanding skills, relating to the best formulation of SME management.

Accordingly, the third research question aimed to investigate the role of IFPs in stimulating SMEGFs. The aim here was to identify '*What are the characteristics of IFPs that stimulate these growth factors?*' by looking at entrepreneurs' interaction with the reformulated services from an Islamic perspective as an alternative method of funding and investment. Thereby, this study was initially interested in distinguishing those IFPs mechanisms. This consideration includes the role of protection and production that enables them to underpin the financing process. This part, thus, examines the impact of IFPs in presenting assurance that makes financing SMEs more effective. The potential competence of IFPs resolves such problems by observing their significance on modulating SMEGFs, as analysed in chapter 6. However, chapter 7 paid more attention to clarifying the main points on how the IF system can smooth finance accessibility and the sustainable success of SMEs.

The fourth research objective was to develop and design an appropriate model of financing SMEs, namely the Islamic finance framework (IFF). Hence, the issue paraphrased as '*Does the IFF redirect the determinants towards SMEG in Oman?*'. This goal was to help entrepreneurs and officials responsible for the SMEs development understand the quintessential rules of IF that practically

affect SMEs and influence their decisions on achieving this development within the economic sector. Policies concerning the possibility of SMEs' access to finance that is beyond their authority was revealed as one obstacle, and this limited their economic contributions. As a result, the fourth research inquiry was linked with the previous objectives to develop a more fitting and practical finance model for Omani SMEs. This purpose was developed based on the findings of IFP influence that combined solidarity into the SME development scheme. This structure includes the assurance of ownership, sharing, controls, ethical practices, social solidarity, and enhancement. It is centred on the containment of the high risk associated with SMEs modernity and lack of collateral, skills, and management, as discussed earlier.

8.3 A SUMMARY OF RESULTS

The significant gap in SMEG lies in the difficulty of accessing finance related to the lack of ability, skills, cooperation, collateral, etc. This scarcity implies that this sector cannot yield innovative ideas and creativity without factors. Consequently, this sector's risk factors are barriers to access to finance and growth within the conventional system. This aspect previously studied with the belief that it measured within the traditional financial strategy focused on a capitalist approach to determine possible change.

Conversely, the exciting consequence of this study advised that Islamic Shariah law should take a preeminent position in the financial system for fulfilling growth, particularly for financing SMEs. However, no studies have looked into IFPs and how entrepreneurs perceive development or use them in investment. For instance, principles like solidarity and participation can assist with collateral, innovation, and experience that support the realisation of their actual and necessary needs. Thereby, this study outlined the understanding and perspective of Islamic laws in sealing the gap of financing SMEs.

This thesis found that IFPs are holding a means of collateral by joining finance with the fundamental requirements of production and some restrictions like ownership protection, equity, and the consequences of participation. It stands expected to fulfil the role of the collateral function. Let alone the policy of enhancement of transparency, participatory, investment-asset-based and guarantees of promises, by which it advances the availability of financial

resources. This enrichment of productivity, clarity and contractual obligations is also a means of risk management. It leads to the reduction of the financial cost, as indicated in this study. The Islamic conception of risk management gives enough confidence to alleviate the risk correlated with control, adverse selection, moral hazard, or loss. This strategy appears with legitimate policies that identify a role for each participant.

Another substantial conclusion lies in contracts with the sharing principle; financing SMEs require an extreme focus on management and experience. The participatory, collaborative rule does confer a meaningful determination of investment and supervision. Participation also underpins productivity and monitoring by strengthening the practical share of partners, including practice, experience, and knowledge. Capital structure is associated with sharing in IF as a means of communion and induces capacity. This approach strengthens the most effective method of using external and limited resources to ensure optimal control, supervision, skilful and efficient performance. This collaboration promotes the fulfilment of real needs and thereby creates innovative SMEs to diversify the economy.

This study also indicates the role of IFPs on the formulation of personal values as a substance to promote entrepreneurs' integrity and loyalties. It flags greater self-confidence, solvency, and professionalism. Islamic practices pay further attention to morals through attachments with the commitment to faith and duties. This argument is sufficient to provide a base of a robust, respectful, and reliable relationship between investors and entrepreneurs. In particular, the service of risk management and the level of discipline demonstrate how entrepreneurs' faith instructs their practice in sound ways. The well-established regulatory framework by Islamic laws prevents the deterioration of wealth. This arrangement lies inherently in the prohibition of illicit activities and the disclosure of surrounding risk and imperfections. This pledge of others' interests positively reflects their contribution as a part of social solidarity, i.e. CSR. As a non-profit facet, this coherence maintains the sustainable production of society's needs with reliable and responsible commercial activities.

In sum, the results of this research provide insight into the favourable implication for the compliance of IFPs on SMEG obstacles. This thesis, therefore, has a quintessential and broader meaning for performing such

subordination and submissiveness to develop banking and business sectors, particularly their financial practices. This investigation looked into IFPs according to how entrepreneurs perceive policies like solidarity and participation, such as providing collateral and knowledge to support their development. The exciting outcomes of this study advised that Shariah law should take a preeminent position in the financial system for fulfilling growth.

8.4 RESEARCH CONTRIBUTIONS

This empirical perspective indicates that the inclusion of IFPs in funding SMEs formulate a diversified and solid base of reinforcement. It provides not only capital but also a bundle of experience, collaboration, and assistance. Substantially, these results extend the literature with many perceptions about the risk levels, including assuring ownership, participation, control, ethical practices, solidarity, and skills enhancement, which is necessary for comprehensive development. This inclusive set of results provides sound reasoning towards the validity of IFPs as a viable new risk management mechanism instead of the current standard. As such, this investigation advances the cause for consolidation of IF policies into conventional financial procedures, while the contemporary literature focuses on a general comparison of Islamic versus traditional finance.

All attempts were pursued to understand and realise the role of IF policies in contrast with conventional ones. It is observed that there is a lack of literature to interpret the Islamic regulatory standards behind risk management, for instance, linked to the SME sector. This scarcity made the Islamic funding process more misunderstood, distorted, and underestimated. The current study adds to the additional explanation facet of analysis for a comprehensive understanding of the phenomenon. This survey strived to augment the literature by garnering officials responsible perspectives for the SME development in Oman on the matters highlighted within the investigation. It extended the interpretation of the technical advantage of the IFPs in overriding SME finance and growth challenges. This strategy includes an inclusive explanation from the practical and knowledge background of the practitioners, namely from authorities in the fields of entrepreneurship, banking, academics, and the government.

For instance, academics were interviewed to explore their scientific insights on the topic because of the relatively modern platform of IF. This research promotes the combined analysis method, i.e. quantitative and qualitative, into the financial and business aspects' proper examination procedures. It supports the literature with an expansion of understanding that focuses on a complementary approach. This examination also reinforces the ideology of a mixed-method perspective.

Aside from the above essential contributions, this research also adopts a new precept for analysing data. The experimental side of the analysis emerges from the Williams (2006) framework, which measures categorically ordered data with ordered and generalised logistic regressions. From a methodological standpoint, a generalised ordered logit regression realises the significance of the influences on variables not achieved in an ordered logit regression. Moreover, the sequential explanatory analysis produces further interpretations of the inferences. The quantitative approach highlighted the significant impact of the adjustment and assurance meaning of IF measures on SMEGFs. Sequentially, the thematic analysis of the transcripts yielded fascinating conclusions that highlighted the considerable supervision impact of IF policies. This approach elaborated six assurance themes that IF holds – 'ownership', 'sharing', 'control', 'ethical practices', 'solidarity', and 'enhancement', which lacked treatment in the existing literature. However, this research with interviews analysis did yield more information about the feature of each approach.

The main knowledge contribution of this study derives from the inspection of the contemporary challenges and barriers of SME finance and growth. Next, the inference impact of the IFPs contributes to a new mechanism of managing the risk associated with SMEs. Additionally, the structuring of development and growth were incorporated into a financing scheme. Then, the project employed a mixed-method approach with an ordered and generalised logit regression followed by a thematic analysis of the substantive participants of SMEG.

The study also contributes to knowledge with the creation of a wholly distinct structure of IFF. This construction embodies principles that consolidate the complementary requirement needs for the growth and development of start-up enterprises. These prospects are aimed to satisfy gaps highlighted in the

literature and advance the economic knowledge base on the Islamic perspective. In sum, these notable contributions grant additional robust support towards the validity of IF in formulating a sound path of business growth with a participatory financing framework.

8.5 RESEARCH IMPLICATIONS

This survey investigates the impact of IFPs on alleviating SME challenges towards access to finance and growth in Oman. This study has a large sample size of about 410 entrepreneurs addressed in the quantitative phase. In contrast, around 44 interviewees among the entrepreneurs and concerned officials of SME development were interviewed qualitatively. Consequently, it is considered one of the most representative studies concerning SMEs and Islamic finance in the Sultanate and its implications might help various aspects. Namely, the promotion of the Islamic banking and SME sectors' prosperity in Oman and other relevant countries.

This thesis indicates quintessential implications for entrepreneurs by outlining the most significant challenges to their access to finance and growth. Instead, it enables them to consider establishing a project based on the awareness and grounds for excellence and achieve lasting success. As such, it reduces the risk considered as an obstacle for the coveted development of this sector. This study presents how IF facilitates the desired requirements frequently sought by financiers or investors, like collateral and management skills. The impact of the IFPs' application regarding financial support are described in this niche, together with the involvement required for structuring a productive firm with investors. This information allows entrepreneurs more excellent knowledge regarding starting a successful project in advance. The comparative facet of the Islamic approach of financing is also beneficial for entrepreneurs, particularly to observe the practical support in the management process in their ventures. Through this, the right and sponsor decision activated to achieve sustainable development and success.

In return, this research provided valuable implications for the banking sector and investors. It creates an effective financing method for capital protection, productivity, and continuity, including the necessary skills needed for successful entrepreneurship. This study showed how it applies in financing

start-up enterprises to overcome common challenges. This strategy makes these projects an actual and permanent means of economic development. This form includes the proper way of how it can preserve ownership and capital that concern the banking sector and investors. Thus, they will become fully aware of entrepreneurial endeavours, available capabilities, the general orientation of the project, and their right to participate in decision-making. This knowledge empowers financiers in advance to a more refined understanding of the venture and the level of risk associated with the capital for a profitable scheme of investment—consequently, an adequate measure of evaluating small projects and the possibility of success and growth before financing.

This study is also likely to provide implications for policymakers in the Sultanate of Oman and other countries. It focuses on the two most important sectors in shaping the national economy, as SMEs and the banking sector are some of the most critical nuclei of economic development. This thesis addresses SME challenges and obstacles by discussing how to remove these obstacles through the banking sector in compliance with Islamic law. Therefore, it acknowledges the existence of a binary development for these two sectors. This thesis identified the challenges of small companies' growth and their implications because of the difficulty faced in obtaining financing. It reflects their limited economic contribution that lies in the absence of some concepts of entrepreneurship, such as partnership and productivity in funding. By being aware of such issues, policymakers are more likely to consider the potential modulation effect in the funding process, removing threats that limit SMEs contribution. For example, it is evident in this survey that administrative and technical skills are inadequate for many entrepreneurs and the lack of awareness of the effect of participatory schemes and initiatives designed by IF. It also noted that the current policies of conventional decisions regarding loans often take collateral as a support base. Policymakers could consider the IF practical techniques of streamlining this method of finance.

From an academic perspective, this survey seeks to extend the knowledge about SMEs and IF, notably concerning the domain of growth challenges and the innovative Islamic policies for the financing process. Accordingly, it is likely to be of interest to the research field since it seems a source of SME and IF knowledge, especially about developing countries. Moreover, this thesis reviews the literature with more significant consideration of SME financing and

the IF regulations and policies in developed countries, which are remarkably acknowledged among researchers. Expectedly, this study will become a source for further future investigations regarding the ability of IFPs towards sustainable growth of business in details that are more comprehensive or with a specific focus.

8.6 RESEARCH LIMITATIONS

This research has attempted to promote understanding the impact of IFPs on SMEGFs in the Sultanate of Oman. Nevertheless, it is crucial to highlight the limitations that this study faced. About four limitations have been identified and are discussed sequentially below for simplicity and efficiency of future treatments and recommendations.

The first limitation lies in the prime focus on factors that influence SMEG through the financing process. This concentration is because of the characteristics that IF contains, which touch the actual need and underpin the development of SMEs. Furthermore, capital is the backbone of growth for these companies and a significant factor in the construction process. Therefore, it was relevant first to understand the role of the investment construction of small companies in an Islamic economy. Furthermore, it can provide them with additional growth elements, in light of their absence in the conventional system's existing studies, making it inevitable to investigate this sphere empirically.

The second limitation identified under this study is the range limited to SMEs in the Sultanate of Oman, as an oil-dependent developing country. This contextualisation means that attention considered in generalising the effects to SMEs in different developing countries, including the nearby states of the Gulf Cooperation Council (GCC) countries. Despite this, the conclusions may render a valuable opening for endeavouring to appropriate IFPs in financing start-up businesses in these countries, given the similarities in the economic and cultural context. Because the Sultanate of Oman is an Islamic country, IFPs effects on non-Muslim countries should be considered. These principles are primarily humanistic and defined to be consistent with all divine laws.

Because of time and financial restraints, this research did not appraise the designed framework of IF based on its actual execution, revealing a third

limitation on the submitted scheme. The current personification of the IFF conferred reality in the context of Oman and limited the analysis results. Further examination of this framework's assessment is required to confirm its effectiveness for SME financing and growth. Finally, this research investigated SMEG accompanied by employment to examine the impact of IFPs based only on their funding. Based on these results, future studies may measure this variable with more sensitive items of recruitment.

The limitations, as acknowledged above, entail the call for further studies investigating the quality of implementing IF that can be more productive for future economic approaches. Expectedly, this preliminary financial study can contribute to the betterment of financing practices and policies for executing risk and quality management in improving SME performance in both Oman and global contexts. Having declared that, the author anticipates that this research has lifted the cap of darkness over the hidden and sometimes unclear concept of IF policies and their implementation in the financing process, particularly concerning start-up businesses.

8.7 RESEARCH RECOMMENDATIONS

Based on the revealed facts and findings illustrated previously in this thesis, it is necessary to suggest some essential and meaningful recommendations. This intention is to improve the economic performance of SMEs and Islamic financial institutions in the Sultanate of Oman. Here it is worth mentioning that SME performance from an Islamic socio-economic perspective is a multifaceted response with many capacities working behind it, as was previously indicated. Among these capacities are participation, collaboration, sharing, completing administrative and technical skills, transparency, commitment, awareness, creditworthiness, productivity, etc. Therefore, it requires more grounded solutions to cover comprehensive aspects rather than proposing a solution to improve one point overnight.

The primary responsibility is to provide financing in line with the actual need for a start-up enterprise. Financial service providers are required to address the inefficiency of comprehensive financial services and products that do not meet the core needs of SMEs. For the time being, financial products and services are subject to money lending to secure capital and collect profits without a real

contribution to the funded projects. This form of financing makes these available services and products extremely difficult to reach due to many conditions and requirements scarcely conceivable for entrepreneurs with a lack of collateral and low incomes. The availability of capital needs to be accompanied by the insight of the financier to provide all the possible means available to help the development of the planned project. These are not limited to providing financial means but rather providing expertise, qualified opinions, participation, and cooperation. Further, all matters support the entrepreneur to work professionally to achieve profits and encourage the sustainable success of the project.

From the entrepreneurs' perspective, this falls under the investors' responsibility and financiers to create a convenient and comprehensive means for developing small projects while preserving their right to profits and recovering the capital. This approach would help in adopting a method to reduce the level of risks faced by start-up projects and the erosion of properties, which often hampers investment. Accordingly, financial institutions and investors who are Shariah-compliant should establish awareness programmes of their importance in social-economic development for the community. In particular, start-up entrepreneurs should invest collaboratively with educational institutions, as they commercially benefit from this industry to promote campaigns and seminars and design valuable products. This cooperation would also facilitate a well-versed understanding of the functional role of IFPs among Islamic financiers and, more concerning, the staff in Islamic banking.

The policymakers in government offices should work collectively in their influential role in preparing a core development for both sectors. This collaboration includes numerous government ministries and entities such as Riyada, Raffd fund and the Central Bank of Oman (CBO). Also, the private organisations engaged in SMEs, Islamic banking, or economic affairs should become more involved. This study strongly recommends the appropriation of financial policies that touch upon the reality experienced by emerging companies. This adoption places Islamic financial regulations onto these available services and products. These statutes reasonably ensure parties to the financial transaction have the rights of protection and development concurrently. The role of these legal cores is not limited to providing and approving financial products and services, which are often limited to the

availability of capital, but the actual participation in standing up to real needs—for instance, sharing risk, providing the necessary skills, facilitating procedures, and advancing guarantees.

The government needs to have a policy in place where they can monitor the fundamental contributions made by these organisations. Furthermore, they must ensure that their duties towards SMEs are being addressed in the financial sphere and entirely within the social-economic perspective. They are equally significant and currently control this sector with generous support. However, they also need to ensure that the complete resources of development are being provided to entrepreneurs, to whom these institutions must award comprehensive support.

The entrepreneurs and all the above institutions and services providers require liaising to arrange the possible formulae for more effective delivery. The entrepreneurs also need to take their ethical and religious obligations into a formulation of means that helps their projects grow. They must develop trust and increase their commitments towards financial institutions. This pledge ultimately leads to the better credibility of entrepreneurship performance. Moreover, entrepreneurs require changing their approach to participation. This form has helped SMEs with fewer skills to gain the other ability of project management. In this case, the participatory manner of financing helps introduce SMEs into the financial inclusivity that excludes them from the banking sector.

Future studies might address the relevant content of this research in more detail. For example, a more extensive investigation of the diverse characteristics of IF or comparison to define its implications on various stages in business development. This study also suggests conducting further research to examine IF policies in economic plans and their influence on socio-economic development. Additionally, how incidents occur will provide a perception of whether such variables will vary according to the assurance provided by IF in financing any business. Research into attitudes relating to the quality of risk management in the IF system would be worthy in ascertaining whether the growth is accomplished across the means of such principles and policies. Future considerations could also include investigations on this model on similar SMEs in different countries, with varying industries, to confirm whether the

findings received are prevailing and compatible across various samples. Keeping in mind the points discussed above, some additional examination fields of future research can improve this thesis's findings by producing different novel approaches.

8.8 CONCLUDING REMARKS

This investigation was conducted to highlight the human aspect of the principles of Islamic Shariah and its capability to adapt to social and economic goals. There is no doubt that SMEs are the mainstay of national economies. Therefore, their advancement is an imperative that cannot be overlooked or neglected. It was necessary to investigate the ability of IF to accommodate the needs of SMEs. This examination helps in mitigating and removing the possible obstacles facing their development path. Instead, this research proved the effectiveness of the Islamic system in providing a sustainable development strategy through risk management and governance with the concepts that properly link economic activities.

Moreover, participation and asset-based investments can enhance the firmness of innovative and productive projects. This adoption of Islamic practices contributed valuable insight into the sources and motives needed for start-up firms' development and, more specifically, an investment perspective. In looking at what has emerged from this study, the undertaking established supportive arrangements for financing small enterprises. It is further expected that this research would render the justifications and grounds for more extraordinary efforts into inspecting the design and propel it within the financial markets.

8.9 SUMMARY

This chapter concluded the results of this investigation, intending to provide a comprehensive summary of the research implications. It reviewed the most important relevant results by offering scientific contributions and highlighting research constraints. This part helps make valuable recommendations and suggest links across the main themes of this study to address in the future. This chapter also provided a brief meditation focused on the essential findings of the primary purposes that advanced the research contributions to highlighting the available support for this study. After highlighting the impact of the research implications on the field, it reviewed the limitations of this investigation. Recommendations were developed to account for the possibilities of reform. Finally, it concluded with the salient points of the project.

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APPENDICES

(1) English version

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(2) follow

SECTION ONE: The Financial Dimension of the Institution			
Please, identify the financial situation of your institution by ticking the appropriate box (one box only).			
[1] The amount invested in your institution at the beginning of the venture:			
<input type="checkbox"/>	OMR 1-9999	<input type="checkbox"/>	OMR 10000-19999
<input type="checkbox"/>	OMR 20000-29999	<input type="checkbox"/>	OMR 30000 and above
[2] The amount invested in your institution currently:			
<input type="checkbox"/>	Does not Change	<input type="checkbox"/>	OMR 10000-19999
<input type="checkbox"/>	OMR 20000-29999	<input type="checkbox"/>	OMR 30000 and above
[3] The annual sales volume of your project in the first year is approx.:			
<input type="checkbox"/>	OMR 1-9999	<input type="checkbox"/>	OMR 10000-19999
<input type="checkbox"/>	OMR 20000-30000	<input type="checkbox"/>	Over OMR 30000
[4] The annual sales volume of your project currently is approx.:			
<input type="checkbox"/>	OMR 1-9999	<input type="checkbox"/>	OMR 10000-19999
<input type="checkbox"/>	OMR 20000-30000	<input type="checkbox"/>	Over OMR 30000
[5] The annual net profits amount of your project in the first year is approx.:			
<input type="checkbox"/>	OMR 0 and below	<input type="checkbox"/>	OMR 1-4999
<input type="checkbox"/>	OMR 5000-10000	<input type="checkbox"/>	Over OMR 10000
[6] The annual net profits amount of your project currently is approx.:			
<input type="checkbox"/>	OMR 0 and below	<input type="checkbox"/>	OMR 1-4999
<input type="checkbox"/>	OMR 5000-10000	<input type="checkbox"/>	Over OMR 10000
[7] The approximate amount of current credit (Loan) is:			
<input type="checkbox"/>	OMR 1-9999	<input type="checkbox"/>	OMR 10000-19999
<input type="checkbox"/>	OMR 20000 and above	<input type="checkbox"/>	Nil (go directly to the question 9)
[8] The source of the current credit (Loan) is:			
<input type="checkbox"/>	Family & Friends	<input type="checkbox"/>	Government
<input type="checkbox"/>	Banks (Commercial)	<input type="checkbox"/>	Banks (Personal)
[9] To what extent do the following challenges affect <u>ACCESSING FINANCE</u> for SMEs: (1=The least influential, 2=The moderate influential, 3=The most influential)			
- Collaterals	Low impact	<input type="radio"/>	Moderate impact
		<input type="radio"/>	High impact
- Educational Level	Low impact	<input type="radio"/>	Moderate impact
		<input type="radio"/>	High impact
- Financial Risk	Low impact	<input type="radio"/>	Moderate impact
		<input type="radio"/>	High impact
- Administrative & Financial Reports Provision	Low impact	<input type="radio"/>	Moderate impact
		<input type="radio"/>	High impact
- Institution Financial Status	Low impact	<input type="radio"/>	Moderate impact
		<input type="radio"/>	High impact
- Other Challenges	Low impact	<input type="radio"/>	Moderate impact
		<input type="radio"/>	High impact

(3) follow

SECTION TWO: The Economic Dimension						
No	To what extent do you agree with the following statements? (Please rate using the following scale)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Preservation of commercial and financial rights within Islamic finance enhance investors' confidence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Participatory funding is not an impetus to increase productivity and profits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Maximising returns requires efforts that include ensuring justice and integrity for the community	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Using internal sources of finance (owners' capital, retained profit and selling assets) is an adequate means for business development and expansion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	There is no problem with financing that allows the financiers to partake in controlling the project	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Asset-based financing (e.g. foundation material and equipment) is a necessary means for business sustainability and social prosperity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	The investment in a participatory business is not relevant to social prosperity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Ethical commitment in Islamic finance would enrich resources and properties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Procedures for obtaining finance in the Sultanate are quite easy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	I prefer participatory financing whenever it is facilitating to retrieve the ownership of my business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[11] To what extent do the following Factors impact the <u>GROWTH</u> of SMEs: (1=The least influential, 2=The moderate influential, 3=The most influential)			
- Government Support (i.e. Funding & Training)	Low impact <input type="radio"/>	Moderate impact <input type="radio"/>	High impact <input type="radio"/>
- Access to Finance	Low impact <input type="radio"/>	Moderate impact <input type="radio"/>	High impact <input type="radio"/>
- Collaboration (i.e. Businesses, Sectors & Staffs)	Low impact <input type="radio"/>	Moderate impact <input type="radio"/>	High impact <input type="radio"/>
- Education & Training	Low impact <input type="radio"/>	Moderate impact <input type="radio"/>	High impact <input type="radio"/>
- Skills (i.e. Management & Technical)	Low impact <input type="radio"/>	Moderate impact <input type="radio"/>	High impact <input type="radio"/>
- Other Factors	Low impact <input type="radio"/>	Moderate impact <input type="radio"/>	High impact <input type="radio"/>


(4) follow

SECTION THREE: The Administrative and Social Dimension						
No	To what extent do you agree with the following statements? (Please rate using the following scale)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
11	Compliance with Islamic law confers a yielding blessing on business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	The investment opportunities mount when the investors share the loss	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Emphasising publishing information, preventing ignorance (Jahalah), has no impact on monitoring financial practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Entrepreneurial creditworthiness depends heavily on the extent of limiting vague information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Benevolent acts cannot reduce the moral misinformation of the entrepreneurs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	The practice of Islamic principles by entrepreneurs makes them more receptive to the risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Entrepreneurship including ethical and social practices are more able to manage the risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	Entrepreneurial education and training have no impact on coping with challenges and shocks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	The practice of Islamic principles is able to ensure the ethical commitment of entrepreneurs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	Gain experience and knowledge in entrepreneurship proficiency entail working with isolation from others, including rivals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	Contracts that uphold rights and fairness reinforce risk management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	Contracts that embrace justice and equality truss up the realisation of interests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thanks for your time to respond.

10.2 APPENDIX B: ARABIC QUESTIONNAIRE INSTRUMENT

(1) Arabic version



أهمية مبادئ التمويل الإسلامي في تعديل عوامل نمو المؤسسات الصغيرة والمتوسطة: دراسة حالة لسلطنة عمان
المرحلة الأولى: الدراسة الكمية لأثر المبادئ الإسلامية على عوامل نمو المؤسسات الصغيرة والمتوسطة

الملاحج الاجتماعية والديموغرافية لعينة الدراسة وبيانات المؤسسة	
أولاً: الخصائص الاجتماعية والديموغرافية لأفراد عينة الدراسة	
[1] الجنس:	<input type="checkbox"/> ذكر <input type="checkbox"/> أنثى
[2] المهنة:	<input type="checkbox"/> مالك المؤسسة <input type="checkbox"/> مدير المؤسسة
[3] العمر:	<input type="checkbox"/> 18 – 24 سنة <input type="checkbox"/> 25 – 35 سنة <input type="checkbox"/> 36 – 45 سنة <input type="checkbox"/> 46 سنة فأكثر
[4] المؤهل الدراسي:	<input type="checkbox"/> دبلوم عام فأقل <input type="checkbox"/> دبلوم <input type="checkbox"/> بكالوريوس <input type="checkbox"/> ماجستير <input type="checkbox"/> دكتوراه
ثانياً: بيانات المؤسسة	
[1] عمر المؤسسة:	<input type="checkbox"/> 1 - 3 سنوات <input type="checkbox"/> 4 - 8 سنوات <input type="checkbox"/> 9 - 11 سنة <input type="checkbox"/> 12 سنة فأكثر
[2] مجال المؤسسة:	<input type="checkbox"/> زراعي <input type="checkbox"/> صناعي <input type="checkbox"/> تعدين <input type="checkbox"/> تجارة (بيع وشراء) <input type="checkbox"/> خدمات <input type="checkbox"/> أخرى
[3] عدد الموظفين (شاملاً المدير أو المالك) في بداية المشروع:	[.....]
[4] عدد الموظفين (شاملاً المدير أو المالك) في الوقت الحالي:	[.....]

(2) follow

القسم الأول: البُعد المالي للمؤسسة		
برجاء التكرم تحديد الوضع المالي للمؤسسة باختيار إحدى الخيارات المطروحة (ضع علامة صح في الصندوق المناسب)		
[1] مقدار المبلغ المُستثمر في المؤسسة عند بداية المشروع:	<input type="checkbox"/> 1 - 9999 ر.ع	<input type="checkbox"/> 10000 - 19999 ر.ع
	<input type="checkbox"/> 20000 - 29999 ر.ع	<input type="checkbox"/> 30000 ر.ع فما فوق
[2] مقدار المبلغ المُستثمر في المؤسسة في الوقت الحالي:	<input type="checkbox"/> لم يتغير	<input type="checkbox"/> 10000 - 19999 ر.ع
	<input type="checkbox"/> 20000 - 29999 ر.ع	<input type="checkbox"/> 30000 ر.ع فما فوق
[3] حجم المبيعات السنوية للمشروع في العام الأول تقريبا:	<input type="checkbox"/> 1 - 9999 ر.ع	<input type="checkbox"/> 10000 - 19999 ر.ع
	<input type="checkbox"/> 20000 - 30000 ر.ع	<input type="checkbox"/> أكثر من 30000 ر.ع
[4] حجم المبيعات السنوية للمشروع في الوقت الحالي تقريبا :	<input type="checkbox"/> 1 - 9999 ر.ع	<input type="checkbox"/> 10000 - 19999 ر.ع
	<input type="checkbox"/> 20000 - 30000 ر.ع	<input type="checkbox"/> أكثر من 30000 ر.ع
[5] صافي الأرباح السنوية للمشروع في العام الأول تقريبا :	<input type="checkbox"/> صفر ر.ع فما دون	<input type="checkbox"/> 1 - 4999 ر.ع
	<input type="checkbox"/> 5000 - 10000 ر.ع	<input type="checkbox"/> أكثر من 10000 ر.ع
[6] صافي الأرباح السنوية للمشروع في الوقت الحالي تقريبا :	<input type="checkbox"/> صفر ر.ع فما دون	<input type="checkbox"/> 1 - 4999 ر.ع
	<input type="checkbox"/> 5000 - 10000 ر.ع	<input type="checkbox"/> أكثر من 10000 ر.ع
[7] حجم الدين (القرض) الحالي يصل تقريبا إلى:	<input type="checkbox"/> 1 - 9999 ر.ع	<input type="checkbox"/> 10000 - 19999 ر.ع
	<input type="checkbox"/> 20000 ر.ع فما فوق	<input type="checkbox"/> لا يوجد (اذهب مباشرة للسؤال رقم 9)
[8] مصدر الدين (القرض) الحالي هو:	<input type="checkbox"/> المائلة والأصدقاء	<input type="checkbox"/> حكومي
	<input type="checkbox"/> البنوك (تجاري)	<input type="checkbox"/> البنوك (شخصي)
[9] إلى أي مدى تؤثر التحديات التالية على فرصة الحصول على التمويل للمؤسسات الصغيرة والمتوسطة		
(1=تأثير قليل، 2=تأثير متوسط، 3=تأثير عالي):		
- الضمانات:	<input type="radio"/> تأثير قليل	<input type="radio"/> تأثير متوسط
- المستوى التعليمي:	<input type="radio"/> تأثير قليل	<input type="radio"/> تأثير متوسط
- المخاطر المالية:	<input type="radio"/> تأثير قليل	<input type="radio"/> تأثير متوسط
- توفر التقارير الإدارية والمالية:	<input type="radio"/> تأثير قليل	<input type="radio"/> تأثير متوسط
- الوضع المالي للمؤسسة:	<input type="radio"/> تأثير قليل	<input type="radio"/> تأثير متوسط
- أخرى:	<input type="radio"/> تأثير قليل	<input type="radio"/> تأثير متوسط

(3) follow

القسم الثاني: البُعد الاقتصادي					
م	إلى أي مدى تتفق مع العبارات التالية:	لا أوافق بشدة	لا أوافق	محايد	أوافق
1	الحفاظ على الحقوق التجارية والمالية في التمويل الإسلامي يعزز ثقة المستثمرين	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	التمويل التشاركي ليس دافعا لزيادة الإنتاجية والأرباح	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	تحقيق أقصى قدر من العوائد يتطلب جهود تشمل ضمان العدالة والنزاهة للمجتمع	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	يعد استخدام مصادر التمويل الداخلية (رأس مال المالكين والأرباح المحتجزة وبيع الأصول) وسيلة مناسبة لتطوير الأعمال التجارية وتوسيعها	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	لا مانع من التمويل الذي يسمح بمشاركة المُمولين في التحكم بالمشروع	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	التمويل القائم على الأصول (مثل المواد والمعدات الأساسية) هو وسيلة ضرورية لاستدامة الأعمال والازدهار الاجتماعي	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	الاستثمار في الأعمال التشاركية لا علاقة له بالازدهار الاجتماعي	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	الالتزام الأخلاقي في التمويل شأنه أن يُثري الموارد والممتلكات	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	إجراءات الحصول على التمويل في السلطنة سهلة للغاية	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	أفضل التمويل التشاركي كلما كان ذلك يسهل استعادة ملكية أعمال	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[11] إلى أي مدى تؤثر العناصر التالية على إمكانية نمو المشاريع الصغيرة والمتوسطة
 (1=تأثير قليل، 2=تأثير متوسط، 3=تأثير عالي):

○ تأثير قليل	○ تأثير متوسط	○ تأثير عالي	- الدعم الحكومي (مثال: التمويل، التدريب):
○ تأثير قليل	○ تأثير متوسط	○ تأثير عالي	- الحصول على التمويل:
○ تأثير قليل	○ تأثير متوسط	○ تأثير عالي	- التعاون (بين المؤسسات، القطاعات، الموظفين):
○ تأثير قليل	○ تأثير متوسط	○ تأثير عالي	- التعليم والتدريب:
○ تأثير قليل	○ تأثير متوسط	○ تأثير عالي	- المهارات (مثال: الإدارية، الفنية):
○ تأثير قليل	○ تأثير متوسط	○ تأثير عالي	- أخرى:

(4) follow

القسم الثالث: البعد الإداري والاجتماعي						
م	إلى أي مدى تتفق مع العبارات التالية:	لا أوافق بشدة	لا أوافق	محايد	أوافق	أوافق بشدة
11	الامتثال إلى الشريعة الإسلامية يُضفي بركة التوفيق على الأعمال	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	تزايد فرص الاستثمار عندما يتفق المستثمرون على تقاسم الخسارة	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	التأكيد على نشر المعلومات، بمنع الجهالة، ليس لها تأثير على مراقبة الممارسات المالية	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	تعتمد الجدارة الائتمانية لريادة الأعمال بشكل كبير على مدى الحد من المعلومات الغامضة	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	الأعمال الخيرية لا تحد من التضليل الأخلاقي لرائد الأعمال	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	ممارسة المبادئ الإسلامية لرائد الأعمال تجعله أكثر تقبلاً للمخاطر	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	ريادة الأعمال الشاملة للممارسات الأخلاقية والاجتماعية أكثر قدرة على إدارة المخاطر	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	ليس للشراكة والتعاون ضمن ريادة الأعمال أي تأثير على التعامل مع التحديات والصدمات	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	ممارسة المبادئ الإسلامية قادرة على ضمان الالتزام الأخلاقي لرواد الأعمال	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	اكتساب الخبرة والمعرفة في إتقان ريادة الأعمال يستلزم العمل بمعزل عن المنافسين	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	العقود التي تتبنى المحافظة على الحقوق والعدالة تُعزز من إدارة المخاطر	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	العقود التي تتبنى العدل والمساواة تُعزز من تحقيق المصالح	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

شاكرين لكم المشاركة وتخصيص جزء من وقتكم للإجابة على الاستبانة ،،،

10.3 APPENDIX C: ETHICAL APPROVAL

(1) School of Business – Staffordshire University (SBS)

School of Business, Law and Economics

School Ethics/Proportionate Review Report



Researcher Name:	Waddah Zahir Salim Al Sibani
Title of Study:	CHALLENGES FACING SMES AND THE IMPORTANCE OF ISLAMIC FINANCE IN THEIR FUTURE DEVELOPMENT IN THE OIL-DEPENDENT ECONOMIES: A CASE STUDY OF THE SULTANATE OF OMAN
Panel Reviewer:	Dr. Andrew Hanks

Comments:

The submitted form for ethical approval is reviewed and approved for the planned research to take place, subject to the contact details of the supervisor being added to the information sheet. Please confirm with your supervisor that they are happy that the changes have been made, before progressing with your field work.

Best Wishes,

Dr Andrew Hanks

A handwritten signature in black ink, appearing to read 'A. Hanks'.

Recommendation:

Approved subject to above changes

Approved.

Date: 25/10/18

If you recommended Review and Resubmit – do you wish to see the revised application?	YES	NO <input checked="" type="checkbox"/>
--	-----	--

10.4 APPENDIX D: PERMISSION FOR CONDUCTING RESEARCH

(1) Riyadh Permission Letter

 Public authority for small and medium enterprises development	 سلطنة عُمان Sultanate of Oman	 الهيئة العامة للتنمية المؤسسات الصغيرة والمتوسطة
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Ref: *riyada/31285/2018*
28/ 10/2018

Dear Dr Ahmad Mlouk
Senior lecturer/ Staffordshire University
United Kingdom

No objection letter

This is to certify that public authority for SMEs development has no objection to collaborate with the PhD student, Mr Waddah Zahir Al Sibani in doing his research titled *"Measuring the impact of Islamic principles on the small and medium enterprises growth factors"*. We really do appreciate your strict ethical research procedures, and we are ready to support him with all data and needed efforts to accomplish his research, with asserting on the fact that all provided data should remain entirely confidential and will be used for scientific research purposes only.

We would be happy too to answer any questions or concerns that you may need. So please do not hesitate to contact us for any additional requirements or questions on the following email. Walid@riyada.om

✓ Your sincerely ,

Dr. Ahmed Mohan Al.Ghassani

CEO Riyada




ص.ب. ١٢٥٢، الرمز البريدي ١١١، مسقط، سلطنة عُمان، هـ.ن. ٤٦١٠٠١١، ف. ٩٦٨ ٢٤٥٩٠٨٣٦، ت. ٩٦٨ ٢٤٢١٠٠١١، ف. ٩٦٨ ٢٤٥٩٠٨٣٦
P.O Box 1252, PC 111 Muscat, Sultanate of Oman , T: +968 24210011, F: +968 24590836

10.5 APPENDIX E: RESEARCH INFORMATION FOR QUESTIONNAIRE

(1) English version



Research information

THE IMPORTANCE OF ISLAMIC FINANCE PRINCIPLES IN MODULATING SMEs GROWTH FACTORS: A CASE STUDY OF THE SULTANATE OF OMAN

Dears Entrepreneurs,

The researcher is conducting a study on "Measuring the impact of Islamic principles on the Small and Medium Enterprises (SMEs) growth factors" within the requirements of obtaining a PhD in Islamic Economics from Staffordshire University in the United Kingdom. Please fill out this questionnaire, which explores your opinions and beliefs on obtaining greater opportunities for financing, which will further drive to the development of your institutions and projects. Please be advised that the questionnaire will only take about 10 minutes of your time, with the assurance that the data will be treated confidentially and will be used for scientific research purposes only.

If you have any questions or queries, please do not hesitate to contact the researcher on +96899373343 or wadhah15@yahoo.com.au. You may also contact the supervisor on +441782294196 (office) or at his email address a.mlouk@staffs.ac.uk.

Thank You ...

Waddah Zahir Salim Al Sibani
PhD Candidate in Islamic Economy
Staffordshire University, UK

The online questionnaire link in English is: <https://goo.gl/forms/1QG0EUzkURkoiwUQ2>

(2) Arabic version



معلومات البحث

أهمية مبادئ التمويل الإسلامي في تعديل عوامل نمو المؤسسات الصغيرة والمتوسطة: دراسة حالة لسلطنة عمان

أعزائي رواد ورائدات الأعمال ...

يقوم الباحث بإجراء دراسة حول "قياس أثر المبادئ الإسلامية في عوامل نمو المؤسسات الصغيرة والمتوسطة" وذلك ضمن متطلبات الحصول على درجة الدكتوراه في الاقتصاد الإسلامي من جامعة ستافوردشاير، بالمملكة المتحدة، وعليه يرجى التكرم بتعبئة هذا الاستبانة لأهمية آرائكم ومعتقدكم حول موضوع الدراسة، ولأهميتها في الحصول على فرص أكبر للتمويل مما سيؤدي إلى تطوير وتنمية مؤسساتكم ومشاريعكم. كما يرجى التكرم بالعلم بأن تعبئة الاستبانة لن يستغرق لأكثر من عشر دقائق من وقتكم مع التأكيد بأن البيانات ستعامل بشكل سري وستستخدم لأغراض البحث العلمي فقط.

في حال وجود أية تساؤلات أو استفسارات يرجى التواصل مع الباحث على هاتف رقم: +96899373343 أو على البريد الإلكتروني: wadhah15@yahoo.com.au، أو يمكنكم التواصل مع المشرف على هاتف رقم 441782294196 (المكتب) أو على البريد الإلكتروني: a.mlouk@staffs.ac.uk ولكم جزيل الشكر،،،

الباحث / وضاح بن زاهر بن سالم السبياني
طالب دكتوراه في الاقتصاد الإسلامي
جامعة ستافوردشاير، بالمملكة المتحدة

الرابط الإلكتروني للاستبيان باللغة العربية: <https://goo.gl/forms/cM8EFOfEzZaYY0gB02>

10.6 APPENDIX F: RESEARCH INFORMATION AND INTERVIEW CONSENT

(1) English version



Research information and interview consent

THE IMPORTANCE OF ISLAMIC FINANCE PRINCIPLES IN MODULATING SMEs GROWTH FACTORS: A CASE STUDY OF THE SULTANATE OF OMAN

The researcher is conducting a study on "Measuring the impact of Islamic principles on the Small and Medium Enterprises (SMEs) growth factors" within the requirements of obtaining a PhD in Islamic Economics from Staffordshire University in the United Kingdom. This study concerns the impact of Islamic principles on SMEs growth factors in the Sultanate, and explores your opinions and beliefs on obtaining more attractive opportunities for financing, which will further drive to the development of the sector and economy. Initially, it begins with a quantitative investigation of the modulating role played by these principles on those factors. Afterwards, it will explore qualitatively further explanations through this interview that would extend the existing knowledge about this phenomenon.

This interview would be scheduled to be most convenient for you and last for roughly 30 minutes. Further, to be familiar with the nature of asked questions, the interview schedule will be provided prior in advance, so you have time to prepare. There is no personal liability or risk associated with the interviewees in this study. They have been extremely considered by getting approval from the Faculty Ethics Committee at Business school. The findings of this research will be made available to you without any promise of straight benefits. Information provided will not attribute directly to the participants to ensure the anonymity in the final report. Your voluntary participation gives you the right to avoid questions that would you prefer not to answer, as well as, to withdraw at any time of the interview when you change your mind and no matter the reason behind.

I would be grateful if you consider some time to read this information carefully, and I am delighted to clarify any ambiguous issues for the details provided before you decide to participate. Given this, I would like to invite you to take part in my research by signing below.

NAME:

SIGNATURE:

DATE:

Should you require any further information, please do not hesitate to contact the researcher on **+96899373343** (WhatsApp), **+447393923758** (Mobile) or wadhah15@yahoo.com.au. You may also contact the supervisor on **+441782294196** (office) or at his email address a.mlouk@staffs.ac.uk

Thank you so much for your approval to take part in this research.

Researcher: *Waddah Zahir Salim Al Sibani*

PhD Candidate in Islamic Economy

Email: wadhah15@yahoo.com.au

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(2) Arabic version



معلومات البحث والموافقة على إجراء المقابلة

أهمية مبادئ التمويل الإسلامي في تعديل عوامل نمو المؤسسات الصغيرة والمتوسطة: دراسة حالة لسلطنة عمان

يقوم الباحث بإجراء دراسة حول "قياس أثر المبادئ الإسلامية على عوامل نمو المؤسسات الصغيرة والمتوسطة" وذلك ضمن متطلبات الحصول على درجة الدكتوراه في الاقتصاد الإسلامي من جامعة ستافوردشاير، بالمملكة المتحدة، هذه الدراسة مهتمة بأثر المبادئ الإسلامية على قطاع المؤسسات الصغيرة والمتوسطة في سلطنة عُمان، والتي تستكشف آرائكم ومعتقدكم لأهميتها في الحصول على فرص أكبر لممارسة الأعمال التجارية وريادة الأعمال، مما سيؤدي إلى تنمية الاقتصاد، تبدأ الدراسة بالنهج الكمي من خلال التحقيق في دور المبادئ الإسلامية في تحفيز عوامل النمو للمؤسسات الصغيرة والمتوسطة، ثم تقوم بالنهج النوعي في استكشاف المزيد من التفسيرات حول هذه الظاهرة، وذلك من خلال هذه المقابلة، والتي سوف تُثري المعرفة في هذا المجال.

تستغرق هذه المقابلة حوالي نصف ساعة (30 دقيقة تقريباً)، وحتى تكون على اطلاع بما تجويبه من أسئلة، سوف نضعها بين يديك مقدماً، لتتمكن من الاستعداد والإعداد، لن تكون هناك أية مسؤوليات أو تبعات للعبئة المشاركة في هذا البحث، حيث يحظى هذا الأمر باهتمام بالغ من قبل اللجنة الأخلاقية بكلية إدارة الأعمال والاقتصاد بجامعة ستافوردشاير، ولهذا تم الحصول على موافقتها لمزاولة تحصيل البيانات من خلال المقابلات، هذا وسوف تكون نتائج البحث في متناول المشاركين دون وعود بالفائدة المباشرة للفرد، ولن تكون هناك إشارة للمشاركين، ولن تنسب إليهم المعلومات المقدمة، بل سيتم إخفاء الهوية في التقرير النهائي للبحث، مع التأكيد بأن البيانات ستعامل بشكل سري وستستخدم لأغراض البحث العلمي فقط، ونتيجة لمشاركتهم التطوعية، فإن للمشاركين الحق في تجنب الأسئلة التي لا يفضلون الرد عليها، وكذلك الانسحاب في أي وقت من المقابلة دون إبداء للرأي وبغض النظر عن السبب.

سأكون ممتناً في تخصيص جزء من وقتكم لقراءة هذه المعلومات بتأني، وسأكون سعيداً بتوضيح الغموض حول هذه المعلومات قبل الإجابة على الأسئلة، ولهذا أدعوكم إلى المشاركة بالتوقيع على هذه الاستمارة أدناه:

الاسم:

التوقيع:

التاريخ:

وفي حال وجود أية تساؤلات أو استفسارات يرجى التواصل مع الباحث على هاتف رقم: +96899373343 أو على البريد الإلكتروني: wadhah15@yahoo.com.au، أو يمكنكم التواصل مع المشرف على هاتف رقم +441782294196 (المكتب) أو على البريد الإلكتروني: a.mlouk@staffs.ac.uk

شاكرًا لكم الموافقة على المشاركة، ونسأل الله لنا ولكم التوفيق والسداد...

الباحث / وضاح بن زاهر بن سالم السبياني

طالب دكتوراه في الاقتصاد الإسلامي

البريد الإلكتروني: wadhah15@yahoo.com.au

10.7 APPENDIX G: INTERVIEW INSTRUMENT

(1) English version



THE IMPORTANCE OF ISLAMIC FINANCE PRINCIPLES IN MODULATING SMEs GROWTH

FACTORS: A CASE STUDY OF THE SULTANATE OF OMAN

The Qualitative Study (Phase 2): Interview Instrument

Discussion themes and questions sample:

First Axis: Demographic Characteristics of the study samples and firms, general questions on their nature and field:

- Could you please tell us a brief about you (name, age, profession, category, type of business... etc.)?

Second Axis: The financial dimension of the firm that includes questions about the most critical challenges of the financing process and to what extent that Islamic finance could overcome these hurdles:

- What are the challenges that prevent financing SMEs? Why?
- What are the risks associated with SMEs? How would these risks impede business expansion and growth?
- How would the entrepreneurs able to reduce such risks to get the needed support?
- How faith, personality, education or transparency, etc. factors can improve the capabilities of the entrepreneurs and reduces the risk?
- Why do entrepreneurs not prefer to take external financial support (i.e. *Raffd or banks*)?
- How decisions made when funding needed? How would Islamic principles help for the right choice?
- To what extent do you think that Islamic finance is different from the conventional one, why?
- How can the characteristics of Islamic finance make financing available and at the same time, a means of ownership protection?

Third Axis: Economic dimension: It contains questions that explore the role of Islamic finance principles in enriching the development aspect of the SMEs sector:

- How can the characteristics of participation in Islamic finance (e.g., cooperation, loyalty, ethics, etc.) redraft the financing/growth process for small enterprises?
- How does finance become a means of boosting investor confidence?
- How can productivity be enhanced when financing, and what is the real meaning of Islamic finance principles in this matter?
- Why are corporate profits a sufficient means of expansion and development for SMEs?
- Why entrepreneurs are keener to control the enterprise more than expansion and development?
- How can the principles of participation, investment, commitment, ethics, relationship, education, help the business to grow?

(2) follow

Fourth Axis: The administrative and social dimension: It involves questions about the ability of the Islamic finance principles in formulation the personal values of entrepreneurs and their impact from the organisational perspective:

- How would compliance with Islamic law impact on entrepreneurs and their socio-economic development?
- How can Islamic principles improve the level of business awareness of the entrepreneurs, risk management as an instance?
- To what extent can faith affects personality, knowledge, transparency, credibility and integrity, please explain?
- How can participation be an incentive for investment and community development?
- How do Islamic principles and charity affect the entrepreneurs and enterprise (goodwill) including commitment and discipline?

Fifth Axis: The religiosity dimension that includes questions about their perceptions of practising and compliance to influence the growth factors of SMEs through financial, economic, administrative and social aspects:

- How can an entrepreneur maintain the flow of resources (financial) to the company and obtain support?
- How can a capital structure be a means of growth and expansion of the firm?
- How can the entrepreneurs reduce the cost of financing?
- How can entrepreneurs make moral responsibility and personal values as a factor of enhancing trust and discipline?
- How can entrepreneurs make social responsibility as a means of business development?
- How can Islamic finance boost the level of skills and abilities as a means of business growth?

(3) Arabic version



المرحلة الثانية: الدراسة النوعية لأثر المبادئ الإسلامية على عوامل نمو المؤسسات الصغيرة والمتوسطة

محاور النقاش وعينة الأسئلة لأداة المقابلة:

المحور الأول: الملامح الديموغرافية لعينة الدراسة والمؤسسة: أسئلة عامة عن طبيعة العينة ومجالها:

- أرجو تقديم نبذة مختصرة عنك وعن الشركة (العمر، الوظيفة، إلخ)؟

المحور الثاني: البُعد المالي للشركة: ويتضمن أسئلة عن أهم التحديات التي تواجهها المؤسسات الصغيرة عند التمويل، ومدى تأثير المبادئ الإسلامية في تذليلها:

- ما هي التحديات التي تحول دون تمويل المؤسسات الصغيرة والمتوسطة (القطاع)؟ ولماذا؟
- ما هي المخاطر المرتبطة بقطاع المؤسسات الصغير والمتوسطة؟ وكيف لها أن تُعيق توسعها ونموها؟
- كيف لرائد العمل أن يقلل من هذه المخاطر للوصول إلى الدعم اللازم؟
- كيف يمكن لمعامل الإيمان، الشخصية، المستوى العلمي، الشفافية وغيرها أن تحسن من قدرات رائد العمل والتقليل من المخاطر؟
- هل تفضل الحصول على التمويل الخارجي (كمثال الحكومي، البنوك)؟ ما هي الأسباب وراء ضعف هذا التمويل للمشاريع الصغيرة؟
- ما هي آلية اتخاذ القرارات عند الحاجة إلى التمويل؟ كيف يمكن للمبادئ الإسلامية أن تؤثر على هذه القرارات؟
- في رأيك كيف يختلف التمويل الإسلامي عن التمويل التقليدي؟
- كيف يمكن لخصائص التمويل الإسلامي جعل التمويل مُتاحاً وفي ذات الوقت وسيلة لتملك المشروع؟

المحور الثالث: البُعد الاقتصادي: ويشمل أسئلة تستكشف دور المبادئ الإسلامية في إثراء الجانب الاقتصادي وتنمية المؤسسات الصغيرة والمتوسطة:

- كيف يمكن لخصائص التمويل الإسلامي (مثال، التعاون، الوفاء، الأخلاق، إلخ) حفز عملية التمويل/النمو للمشاريع الناشئة؟
- كيف يمكن للتمويل أن يُصبح وسيلة لتعزيز ثقة المُستثمرين؟
- كيف يمكن تعزيز الإنتاجية عند التمويل، وما هو دور المبادئ الإسلامية في هذا الأمر؟
- لماذا يرى البعض/الكثير من رواد الأعمال أن الأرباح الصافية للمشروع كافية لتوسعة وتنمية مشاريعهم الخاصة؟
- لماذا يحرص البعض/الكثير من رواد الأعمال على التحكم بالمشروع أكثر من التوسع والتنمية؟
- كيف يمكن لمبدأ المشاركة، الاستثمار، الالتزام، الأخلاق، العلاقة، التعليم، أن يساعد على نمو المؤسسة؟

المحور الرابع: البُعد الإداري والاجتماعي: ويتضمن أسئلة تدور حول إمكانية المبادئ الإسلامية من صياغة القيم الشخصية لرواد الأعمال وأثرها على الجوانب الإدارية والاجتماعية:

- ما هو أثر الامتنال إلى الشريعة الإسلامية على رواد الأعمال (مثل تنمية جوانبهم الاجتماعية والاقتصادية)؟
- كيف يمكن لهذا الامتنال أن يُحسن من مستوى الوعي التجاري، كالمخاطر وإدارتها على سبيل المثال؟
- إلى أي مدى يمكن أن يؤثر الإيمان على الشخصية والمعرفة والشفافية والمصادقية والزاهة... إلخ، يرجى توضيح ذلك؟
- كيف تكون المشاركة حافزاً للاستثمار، وتنمية المجتمع؟
- كيف يؤثر العمل الخيري على سمعة رواد الأعمال والمؤسسة، بما في ذلك الالتزام والانضباط؟

المحور الخامس: ويتضمن أسئلة تدور حول تصورات رائد العمل بما يحمله من امتثال للشريعة الإسلامية للتأثير على عوامل النمو للمؤسسات الصغيرة والمتوسطة من خلال الجوانب المالية، الاقتصادية، الإدارية والاجتماعية:

- كيف يمكن لرائد العمل أن يُحافظ على تدفق الموارد (المالية) إلى المؤسسة والحصول على الدعم؟
- كيف يمكن أن يكون هيك رأس المال وسيلة في تنمية وتوسعة المؤسسة؟
- كيف يمكن لرائد العمل أن يعمل على خفض تكلفة التمويل والدعم؟
- كيف يمكن لرائد العمل أن يجعل من المسؤولية الأخلاقية والقيم الشخصية عامل لتعزيز الثقة والانضباط؟
- كيف يمكن لرائد العمل أن يجعل من المسؤولية الاجتماعية عامل لتنمية علاقة المؤسسة مع المجتمع؟
- كيف يمكن للتمويل الإسلامي أن يعزز من قدرات ومهارات رواد الأعمال، كوسيلة لنمو الشركة؟



“All the praises be to Allah.”