

# Globalization - An Opportunity for Outward Expansion or Survival Risk for Bahrain Small and Medium Enterprises (SMEs)?

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## Abstract

This study supports the Bahrain's Economic Vision 2030 which defines a pivotal role of the private sector as the engine of growth and productivity. The country's national economic strategy is anchored on stimulating entrepreneurial activity to develop a dynamic small and medium enterprise sector. The study which focuses on SME development and promotion is also one of the priority research agenda of the AMA International University of Bahrain. The main objective of this study is to ascertain the state or condition of SMEs in the country in the face of globalization. The descriptive method was used in generating the data set which includes the status of SMEs in Bahrain in the advent of free trade, challenges and opportunities as well as on the effectiveness of interventions, programs and projects of the government and private sector in assisting these SMEs. Ranking, weighted mean and the Likert scales were used to analyze the primary data. Correlation analysis was applied in assessing the significant relationship between the interventions / program / projects for SMEs and the factors that influence business environment. It was found out that globalization specifically free trade can serve as the driving force for the competitive SMEs to become more innovative and produce higher quality of products that are acceptable in the global landscape. On the other hand, if safety nets or appropriate programs / projects are absent or lacking, these SMEs faced difficulties arising from liberalization-induced adjustments. The most difficult issue which limits these SMEs to thrive in the economy is their characteristic of being a small company. They cannot manage their business by themselves to ignore the presence of MNCs and importers that contributed to the strong foreign trade performance of Bahrain. On the other hand, the present economic condition of Bahrain, as construed it as very good one, is a favorable factor in supporting these SMEs from the brunt of free trade.

**Keywords:** in Bahrain, Globalization and SMEs, SMEs development and promotion, SMEs, SMEs on free trade

## 1. Introduction

The process of globalization has been creeping up on society. Everything is seemingly globalized. A bicycle is an example- The frame and the tires were made in China, the wheel and rims in Malaysia, the gears in Japan, the label in Bahrain.

However, life in the global village is a contradiction. Faster and cheaper communications bring the world closer together, but consumers of goods and services are becoming farther from the producers. Impersonality is observed in economic decisions as market prices replace any personal linkage between consumers and suppliers. It is where ideas and practices can be freely exchanged and appreciated. Globalization is a complicated issue which is considered an advantage for many developing countries which can access global markets and export cheap goods. It is also beneficial for multi-national corporations and Wall Street. However, globalization is considered appalling for working people for both blue or white collar and this has led to the continuing decline of industrial activities not only in America but also worldwide. With this inconsistency, concepts of 'globalization' and 'anti-globalization movement' have become so commonplace. The question is – what does these concepts of 'globalization' and 'anti-globalization movement' actually mean and stand for. This research tried to provide some clarity to the conflicting globalization perspectives to focus its scope on the impact of globalization to small entrepreneurial ventures.

Governments have given due recognition on the importance of SMEs and their role to economic growth, employment, local development and willingness to survive and prosper. The small business sector has become a worldwide interest because of its economic implications. Statistics not only in the United States but also all over the world (sources like the U.S. Small Business Administration, Bahrain Ministry of Trade and Commerce, New Zealand Business Demographic Statistics, and other statistical yearbooks) dramatically showed the impact of small business on the country's economy.

It is a worldwide acceptance that SMEs is considered a driver of the economy which is why government's attention is focused on this sector. As indicated in various report, the SMEs comprise of 80 percent of the work force, and its share to GNP and export is about 30 to 60 percent and for around 35 percent, respectively in the region. They dominate economic activities comprising about 95% of all businesses. They also have inherent characteristics that make them thrive. They can adapt so easily to the changes of market, and are able to find niches that cannot be served by large firms. With such characteristics, they are creative and innovative in the use of indigenous resources and technology.

According to the report of Trade Arabia News Service, there are more than 6,000 productive micro and

SMEs in the Kingdom of Bahrain which they represent a large share of the country's Gross Domestic Product and have created thousands of jobs outside trade and contracting sectors. Further, The Report Bahrain 2011 of Oxford Business Group [1] essayed that SMEs play a major role in Bahrain's economy. According to data compiled by the Kingdom's Labour Market Regulatory Authority and its labour fund, Tamkeen, the SMEs account for 99% of the country's firms and employ 70% of its work force. These SMEs are concentrated in three main industries: trading, manufacturing and construction. Based from EDB annual review [2], SMEs contribute 28% of the country's GDP and collectively, the board declared SMEs are the Kingdom's "engine of growth".

While it is large firms that provide most of the impetus of cross-border operations, globalization presents challenges and opportunities for the development of SMEs. The process of globalization, which has intensified over the years, affects all economic activities. The presence of international activities prepares firms to penetrate new markets, to take advantage of their technology and organization, and to lessen anticipated lower profits.

Therefore, this research focused on the effects of globalization as the driving force for the competitive SMEs in Bahrain to become more innovative and produce higher quality of products that are acceptable in the global landscape. On the other hand, it examined on the difficulties SMEs faced arising from liberalization-induced adjustments. The question lies on the ability of SMEs to cope with globalization. Is it an opportunity for outward expansion and growth or a survival risk the SMEs have to take, as they are unable to adapt to globalization pressures?

### *1.1 Objectives of the study*

This study sought to ascertain the state or condition of SMEs in the Kingdom of Bahrain in the face of globalization. It further explores the challenges and opportunities faced by SMEs arising from economic integration or globalization, and the interventions that addresses these difficulties and challenges. It also examined the effectiveness of current programs and projects provided to SMEs by government and other sectors as perceived by the SMEs to the present business environment in the Kingdom of Bahrain.

### *1.2 Scope and limitations of the study*

The study focused on the assessment of existing interventions, programs and projects in determining the condition of SMEs vis-à-vis the presence of business environment in the Kingdom of Bahrain in the advent of globalization. The distribution of the questionnaire was, as much as possible, to reach all SMEs through email, direct visit, through friends, colleagues and students working in this type of enterprise. The scope of the study was limited only to SMEs that responded to the questionnaires due to constraint on time and resources to cover all the SMEs in the country and also to retrieve the questionnaire. Respondents were owners or managers of the SME who are familiar with the company's management and operation as well as the current interventions, programs, and projects provided by the government in assisting the enterprise to become globally competitive.

### *1.3 Theoretical Framework*

The theoretical framework of this study was anchored on past studies that SMEs form the economic backbone of the economy. It is substantiated with a combination of various theories on SME development and globalization.

The association of entrepreneurship and economics has long been accepted norm. Majority of definitions and references to entrepreneurship had come from economists [3]. There were well known economists - French, British, and Austrian – who wrote purposely about entrepreneurs as the "change agents" of dynamic economies.

The role of SMEs is very significant in developing countries. These firms which belong to the industry and service sectors typically account for more than 90% of all firms, represent a major source of employment and generate significant domestic and export earnings. Globalization and trade liberalization have ushered in new opportunities as well as challenges for SMEs [4]. However, only a small part of the SME sector is able enjoy these opportunities and most of them face challenges. These local SMEs are more often than not under pressure from cheaper imports and foreign competition. A major objective of this work, to promote and develop the SME sector, is therefore to change the balance between these two groups of SMEs and to equip them to better meet the challenges of globalization and to benefit from its opportunities.

Trading blocs strongly support that SMEs are the main source of innovation by which entrepreneurs bring new ideas, skills and creativity. According to such studies, it is imperative that government and other concerned sectors, to provide an integrated enabling environment for SME development. Among these development and promotion support includes financing support, access to market, technology adoption, market information and the like. Continuous improvement of technology, communications and organization make international small business venture more competitive thus, this is an increased opportunity for them to expand and grow across borders. SME development requires an interlinking strategy that affect many areas like ability of governments to implement sound macroeconomic policies, capability of stakeholders to develop conducive

microeconomic business environments including good governance, accessible finance, better infrastructure, quality education, adequate skilled labor as well as workable public and private institutions, and the ability of SMEs to operate in a competitive operating business practices and strategies. If these strategies and interventions are successfully implemented, the outcome is for SMEs' opportunity for outward expansion and growth.

On the other hand, there is a plane where globalization is regarded as the devil incarnate. Streeten [5] emphasized that there are uneven benefits and costs of globalization for the global growth of production, for profits and for the owners of capital and sophisticated skills. Adherents of globalization champion this as universal and natural. Yet it privileges the interests of a select group of power and transnational capital actors while purporting to serve the interests of the majority of humankind. Thus, anti-globalization movement exists. Ainger [6]; Faraclas [7]; Perlas [8] mentioned that these protesters have been criticizing the unfair policies of the WTO and the backlash of globalization to their economies. These protesters include small businessmen and entrepreneurs who are one of the victims from the brunt of globalization.

Based on APEC studies, SMEs in developing countries have reached and achieved international best practice, but the overwhelming majority is at risk because of globalization and which these SMEs are unlikely to survive in their present form. Numerous concerns attendant to size hound them. Most of these SMEs are characterized by low levels of productivity and efficiency.

To the entrepreneurs resisting globalization, a new business environment brought about by globalization places tremendous pressure on SMEs to restructure and change. Traditional problems faced by SMEs become more pressing in a global and technology-driven environment.

It is in the above framework which outlines existing related theories, principles, and research findings that held or supported the research study. These studies serve as the basis in finding out the ability and capability of SMEs in the Kingdom of Bahrain to cope with globalization, with the interventions, programs and projects provided to this sector. Is it an opportunity for outward expansion and growth or a survival risk the SMEs have to take, as they are unable to adapt to globalization pressures?.

#### *1.4 Research paradigm*

The study applied the Input-Process-Output model. The inputs of the study used the a) state of the SMEs in the Kingdom of Bahrain arising from economic integration or globalization; b) existing interventions, programs and projects provided by the government and private sector to SMEs, and c) the level of effectiveness of such interventions, programs and projects provided to SMEs. These inputs were generated through a survey instrument.

Under the process, the study undertook the following activities: a) the compilation of secondary data collected from official sources; b) researcher-made survey instrument; and c) documentary and data analysis.

The outputs of the study are the policy options/recommendations to achieve outward expansion and growth of SMEs to compete globally.

The paradigm adopted a cyclical approach as indicated by the feedback loop to ensure the adoption of would respond to the issues faced by SMEs in the advent of globalization.

## **2. Research Design and Procedure**

The descriptive type of research was used in the study. Such research entails data gathering that shows easier understanding of facts by organizing and putting them in a table [9]. The study employed this type of research design to assist the reader in discerning the distribution of data set and in reducing it to manageable form. In detail, it is a tool for constructing data into patterns and such patterns were used during analysis and subsequently in arriving the appropriate implications and conclusions in the study.

In using the descriptive method, data were generated from primary sources. This data set includes the status of SMEs in Bahrain in the advent of globalization as well as the effectiveness of interventions, programs and projects of the government and private sector in assisting these SMEs.

Survey questionnaires which focused on the identified problems of the study particularly on the status, issues and opportunities faced by the respondents as well as their perception on the level of effectiveness of the government and private sector's interventions, programs and projects offered to them against the brunt of globalization were distributed to SMEs. This was supported through the conduct of both semi-structured interviews and documentary reviews.

Since this research was based on purposive sampling technique, the alternative use of probability sampling was not considered due to limited time, space and resources. This was also in consideration of the degree of SME population in the Kingdom of Bahrain which is estimated of about 3,000 enterprises. This is regarded as a sampling hard-to-reach group considering the limitations of the research. The selection of respondents was done through nonparametric identification for respondent-driven sampling. Respondent-driven sampling is a survey method for hidden or hard-to-reach populations in which sampled individuals enlist other respondents in the study population through their social connections [10]. This is simply getting individuals to

refer those they know, and these individuals in turn refer those they know and so on. The most popular estimator for the population mean assumes that individual sampling probabilities are proportional to each subject's reported degree in a social network connecting members of the hidden population.

The managers / owners were the main respondents of the study. Potential respondents were contacted through the use of telephone, e-mails and through friends and network. Visit to nearby SMEs was also done. There were 188 SMEs-respondents in the study.

The instrument that was used in the study is a tailored survey questionnaire to generate the information needed to answer the problems stated in the research. This questionnaire comprises of four parts.

Part I encompasses the status of the respondents in terms of the category of the company, the sector where the company belongs, number of years operating in Bahrain, experience in international operation, the number of employees, capital investment and annual turn-over. This set of indicators is to establish whether these company-respondents are categorized as SMEs or not. Some personal / demographic information on the owners was also included like age, nationality, and among others.

Part II presents queries on the challenges and opportunities being faced by the owner in operating his / her business in the Kingdom of Bahrain particularly with the presence of similar, competing and competitive firms, industries, large and multinational corporations. The responses served as bases in generating the major issues / problems and challenges as well as opportunities in the advent of internalization or globalization.

In terms of challenges, indicators like issues on access on financing and credit, technology, marketing, marketing information, managerial and technical capabilities, presence of importers and expat businessmen and other issues which affect their business operation in the Kingdom of Bahrain formed part of the questionnaires. These issues were rated by the respondents by ranking the indicators from 1 to n as 1 as the most problematic area n as the least.

As to opportunities, the respondents was asked on how they view the open market here in Bahrain - the presence of multinational corporations, large companies and free flow of similar goods and services from abroad in terms of opportunity to market their products abroad, opportunity to be provided with the government and private sector support, reduction of cost of doing business, opportunity to use updated technology, wider market information, access to financing and credit, alliance / partnership with large companies and greater profit. These opportunities were rated by the respondents by ranking the indicators from 1 to n as 1 as the highest opportunity and n as least opportunity.

Part III shows the level of effectiveness of the interventions, programs / projects provided by the government to SMEs in the Kingdom of Bahrain in terms of the following factors that influence the current business environment: a) business environment (competition, economy, investment climate, and among others, b) Ease of doing business (regulatory environment, business procedures and permits), c) Incentives to business operations, and d) Government and private sector's activities (imposition of taxes, provision of subsidies, infrastructure support, technology, and among others). The interventions / programs / projects provided were taken as one variable and this variable includes the following - access to finance and credits, available market information, extension of marketing assistance, facilitation of ease of doing business, provision of updated technology, provision of better infrastructure, managerial skills training, technical training. However, the status of each program / project was assessed by the respondents in terms of the extent of implementation. The correlation analysis was employed on this part of the study.

Part IV comprises of recommendations from the respondents to address their difficulties and issues encountered by them due to market openness or in general the increasing pace of globalization. These are listings provided by the respondents.

### *2.1 Data Processing and Statistical Treatment*

The data gathered were coded for organization purposes. These were analyzed, and interpreted to have a sensible result. Ranking was done in coming out with the issues and opportunities which the SMEs are encountering with the existing market openness or with the advent of globalization. Weighted mean and the Likert scales were used to analyze the data particularly in assessing the level of effectiveness of the government interventions, programs and projects provided to the SMEs as perceived by the respondents in terms of the current business environment. A score of 1.00 to 5.00 was given as basis of their choices in the level of effectiveness of the interventions, programs and projects offered to them by the government and private sector as discussed in the research instrument portion of the study.

### *2.2 Statistical Tool*

The data collected were analyzed using descriptive statistics and correlation analysis. Microsoft Excel (data analysis) and SPSS were used in the correlation analysis of data. The study used the Pearson product moment coefficient of correlation  $r$  which measures the strength of the linear relationship between two variables. The significance of the correlation coefficient was also tested [11].

### 3. Findings

#### 3.1 Part I: Status of the Respondents

##### Profile.

The average age of proprietor or manager is about 40 years old. About 67 percent of the companies are being managed by Bahraini proprietor. They are assisted by Bahraini or expatriate manager. Most of them are operating their business in Bahrain for at least 10 years.

##### Business Category

*By Sector.* Figure 1 shows that 23 percent of the sample were from wholesale and retail trade sector, followed by manufacturing sector of about 20 percent. The rest came from information and communication, construction and real estate sectors.

*By SME type.* Small enterprises dominated the sample of about 85 percent of the total and the remaining 15 percent were medium enterprises. Table 1 shows that wholesale and retail trade sector, and the manufacturing sector

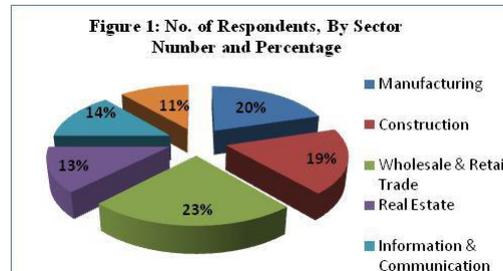


Table 1: No. of Samples by Sector & by SME Type

Sector/Category	Small	Medium
Manufacturing	23%	4%
Construction	14%	47%
Wholesale & Retail Trade	26%	11%
Real Estate	13%	13%
Information & Communication	14%	14%
Transportation & Storage	11%	11%
Total Samples	85%	15%

accounted for about 49 percent of the total number of small enterprises. While the medium enterprises, the construction sector accounted for 47%.

The results of the sample accordingly support the data compiled by the Kingdom's Labour Market Regulatory Authority [12] and its labour fund, Tamkeem [13] that SMEs are concentrated in three main industries: trading, manufacturing and construction.

##### *By number of employees and by Capital Investment.*

Majority of the small enterprises employed about 12 to 20 employees while that of the medium enterprises (specifically the construction sector) have 55 to 75 employees. While that of the capital investment, it ranges from 25,000BD to 500,000B.

The result is befitting with the definition of SMEs provided by the Ministry of Industry and Commerce in Bahrain [14].

#### 3.2 Part II: Challenges and Opportunities being faced by the SME owners

The objective of these parameters (challenges and opportunities) is to assess the respondents' view on the openness of market in Bahrain. This is in consideration with the presence of multinational corporations, large companies and importers with cheaper similar products; free flow of similar goods and services from abroad; and among others.

*Challenges.* From the result of the survey, the characteristic of SMEs as a small company, is considered as the most difficult issue faced by the respondents. According to the respondents, it constrained them to vibrantly compete in the market. The presence of similar large companies and the lack access of financing and credit accorded as 2nd and 3rd focus of concerns. High cost of doing business, inadequate marketing assistance and presence of importers and similar cheaper products are also issues and pressures in their business operation.

These SMEs cannot afford to ignore these large companies as threats in their business operations because of their size and lack of capital.

APEC studies [15] emphasized that SMEs in developing countries have reached and achieved international best practice, but the overwhelming majority is at risk because of globalization and they are unlikely to survive in their present form. Numerous concerns attendant to size is a major issue. Most of these SMEs are characterized by low levels of productivity and efficiency. The utmost concern of the respondents is that Bahrain has become a home to numerous multinational firms with business. These SMEs are always on guard on the condition of business in the country as well as on the support being provided by both the government and private sector. The recent price increase of oil in the country is also a major concern mentioned by the owners.

These concerns articulated by majority of the respondents are actual risks they are facing right now. These local SMEs are more often than not under pressure from cheaper imports and foreign competition. Studying the economy of Bahrain and as supported by the 2016 CIA World Factbook and other sources [16], Bahrain has endeavored to expand its economy to compete globally. Its highly developed communication and transport facilities make Bahrain home to numerous multinational firms with business in the Gulf. Foreign trade is one of the economic growth drivers of Bahrain which encourages the entry of foreign business which the respondents consider as threats in the operation of local SMEs.

*Opportunities.* While there were issues mentioned by the respondents, there were also prospects which these SMEs are taking advantage of for them to remain in the open market. The responses reflect the opportunities in operating in Bahrain and in competing with MNCs and other importers in the country.

Based on the result of the survey, respondents accorded the present economic condition of the Bahrain as number 1 opportunity. Ease of doing business, presence of updated technology, and development and promotion support given by the private sector were also considered as favorable options in supporting these SMEs as a result of open trade. SMEs are given as top priority for promotion and development in the Bahrain Economic Vision 2030.

The performance of the economy is perceived as satisfactory which gives the SMEs the chance to better operate their business due to higher demand of their product. The presence of multinational corporations and importers that contributed to the strong foreign trade performance of Bahrain, ventilated the economic status of the country. With this economic condition, the respondents said that the support from both government and private sector is critical. Ease of doing business is very important for them to flourish in the economy. Regulatory environment should be more conducive in starting and operating a local firm. These findings support Osman's statements which he emphasized that the strength of the economy in the Gulf comes from the capability of the government to firmly take the initiatives towards strengthening private sector involvement in supporting SMEs and entrepreneurship. It is essential to develop and promote entrepreneurship considering the cultural risks, business environment and the structure of the market. The development of SMEs in GCC is crucial particularly that they account substantial contribution to employment and economic growth [17]. Bahraini small and medium enterprises contribute nearly 30 % of nominal Gross Domestic Product of Bahrain and also provide jobs for nearly 73% of private sector employees [13]. Support from government and other sectors from all over GCC is needed to promote and develop SMEs in enhancing their contribution to the economy.

*3.3 Part III: Respondents' perception on the level of effectiveness of interventions / programs / projects provided by the government and private sector to SMEs in Bahrain with the factors that influence business environment*  
*Status on the extent of implementation of interventions / programs / projects provided to SMEs.* Majority of the respondents perceived that the status on the extent of implementation of interventions / programs / projects provided both by the government and the private sector is moderately effective. This means that government and concerned private sector must allocate more efforts and resources to these programs and projects, and SMEs must have wider participation to such programs / projects.

Access to financing and credit was not easy to these small industries. They found it difficult to avail funding from financing institutions to expand their business. Research indicates that banks particularly commercial banks do not usually take the risk in lending finances to small companies particularly with non- or partially collateralized loans including unfunded and unsecured facilities for working capital. Commercial banks' callousness in lending funds to SMEs, and SMEs' indifferent attitude and approach to financial planning and book keeping practices contribute to difficulty in accessing finance by these small owners.

The provisions of programs / projects to shore up SMEs had been emphasized in the OECD report [4] that trading blocs strongly support SMEs as the main source of innovation by which entrepreneurs bring new ideas, skills and creativity. It is imperative that government and other concerned sectors then to provide an integrated enabling environment for SME development. Among these development and promotion support includes financing support, access to market, technology adoption, market information and the like. Continuous improvement of technology, communications and organization make international small business venture more competitive thus, this technology improvement is an increased opportunity for these SMEs to expand and grow across borders. It is just unfortunate that some SMEs lack access or information on the matter of support provided by the government and concerned private sector.

*3.4 Relationship of the respondents' perception on the effectiveness of interventions / programs / projects provided to SMEs with Bahrain's business environment.*

Table 2 summarizes the relationship of the effectiveness of interventions / programs / projects provided to SMEs with the factors influencing the Bahrain's business environment.

Table 2: Correlating the effectiveness of interventions / programs / projects provided to SMEs with business environment

Indicator	Correlation	Projects / Programs	Description
Business environment	Pearson Correlation	.048	Statistically not significant
	Sig. (2-tailed)	.514	
	N	188	
Ease of doing business	Pearson Correlation	<b>.195*</b>	Statistically significant
	Sig. (2-tailed)	.007	
	N	188	
Incentives to business operation	Pearson Correlation	<b>.183*</b>	Statistically significant
	Sig. (2-tailed)	.012	
	N	188	
Government & private activities	Pearson Correlation	<b>1.000*</b>	Statistically significant
	Sig. (2-tailed)	.000	
	N	188	

\* Correlation is significant at the 0.05 level (2-tailed).

*Null Hypothesis:* There is no significant relationship in the perceptions of the respondents on the level of effectiveness of the implementation of current programs / projects provided to SMEs and the factors that influence the present condition of business environment in the Kingdom of Bahrain.

*Interventions / programs / projects with business environment.* The correlation tests conducted show that there is a weak relationship between the interventions / programs / projects provided to SMEs and business environment of Bahrain and there is no statistically significant correlation between the two variables. With the calculated correlation coefficient of .048 and the Sig (2-Tailed) value 0 .514, the null hypothesis is accepted. This can be construed that the extent of implementation of interventions / programs / projects to SMEs is not adequate to respond to the present condition of the business environment particularly on competition and business climate. The issues / challenges that the respondents identified particularly on the presence of: a) similar competing and competitive firms, b) similar large companies, and c) importers and cheaper similar products are very critical that need to be addressed with strengthened programs / projects, and with wider SME penetration.

Streeten (2001) puts forward that while it is large firms that provide most of the drive of cross-border operations, globalization presents challenges and opportunities for the development of SMEs. However, only a small part of the SME sector is able to enjoy these opportunities and most of them face challenges. These local SMEs are more often than not under pressure from cheaper imports and foreign competition [5]. The process of globalization, which has intensified over the years, affects all economic activities. The presence of international activities either prepares or limits small firms to penetrate new markets and enjoy free trade. The appropriateness and strength of safety nets to be provided to these SMEs which cannot cope with the market will protect them from the brunt of free trade.

*Interventions / programs / projects with ease of doing business.* There is a significant relationship between the programs / projects implemented and the ease of doing business in Bahrain. The null hypothesis for programs / projects and ease of doing business is rejected and therefore, the alternative hypothesis is accepted.

Simplified procedures to set up new businesses, an effective & transparent regulatory mechanism to further competition, setting up of world class infrastructure, availability of resources at competitive price, maximized market access through multilateral and bilateral trade agreements and optimized use of technology to deliver services are some of the noteworthy measures to spur the growth of entrepreneurial activity in Bahrain [18]. Improving the ease of business registration is the primary strategy to improve the ease of setting up business in the county.

*Interventions / programs / projects with incentives to business operations.* There is a significant relationship between the programs / projects implemented and the incentives provided to SMEs and both are statistically significant. The null hypothesis for these two variables is rejected and therefore, the alternative hypothesis is accepted.

The respondents regard the incentives provided to them (with the interventions / programs / projects focusing on SMEs) as recognition on their part play a major role in driving the growth of the country's economy. They mentioned that among the interventions that are being provided to them are the a) Tamkeen that fosters the development of enterprises, and provides support to enhance their productivity and growth, b) ease of business registration, c) online SME toolkit which is a single portal advising entrepreneurs about regulation, assistance, marketing intelligence, export advice and investment opportunities and d) among others. These are incentives given to them as an acknowledgment from the government and concerned private sector that they are part and play an important role in strengthening the economy of Bahrain.

This perception is consistent with Kuratko's & Hodgetts' that the small business sector has become a worldwide interest because of its economic implications [3]. OECD and APEC studies also emphasized that the role of SMEs is very significant in driving the growth of the economy and there is an urgency to improve their performance as they account for more than 90% (manufacturing and trade) of all firms as major source of employment and generate significant domestic and export earnings.

*Interventions / programs / projects with government and private sector activities.* The correlation tests conducted show that there is a strong relationship between the interventions / programs / projects provided to SMEs and projects and private sector activities and these variables are significantly correlated with each other. The correlation result means that the interventions / programs / projects implemented by the government and private sectors for SMEs are consistent with the government and activities in respond to the condition of the business environment. By examining the government and private sector activities toward the development and promotion of SMEs, there are linkages which are being done for the thriving SME sector.

Reason & Deprey stated that the provision of development support to these economies is deemed which include a variety of intervention in responding to the issues in the access of finance, information, managerial and technical knowledge faced by SME internationalization [19]. The presence of support programs and even duplicating interventions in these economies are apparent to motivate SMEs internationalization.

3.5 Part IV: Proposed measures / recommendations to improve the competitiveness of SMEs and to address the difficulties and issues encountered by SMEs due to market openness or in general the increasing pace of globalization. The following recommendations were provided by the respondents: 1) access to financing and credit facilities; 2) participation to government programs / projects for SMEs; 3) Provision of managerial and skills training; 4) Marketing assistance; 5) Training on use of technology; and 6) Information on exporting products.

#### 4. CONCLUSION

The objective of the study is to ascertain the state or condition of SMEs in the Kingdom of Bahrain in the face of globalization. It specifically generated the following: a) challenges and opportunities faced by SMEs, b) the level of effectiveness of current interventions, programs and projects provided to SMEs by government and other sectors in the Kingdom of Bahrain as perceived by the SMEs, c) the significant relationship in the perception of the respondents on the level of effectiveness on the implementation of current programs / projects provided to SMEs by the government and other sectors and the present business environment in the Kingdom of Bahrain, and d) the recommended interventions that would respond to the difficulties and challenges pose to SMEs. Based on the findings of the study, the following conclusions are drawn:

1. Majority of the SMEs are owned and managed by Bahrainis and are from the industry and service sectors which typically dominated by manufacturing, construction, wholesale and retail sub-sectors.
2. The most difficult issue which limits these SMEs to thrive in the economy is their characteristic of being a small company. They cannot manage their business by themselves particularly with the presence of MNCs and importers that contributed to the strong foreign trade performance of Bahrain.
3. On the other hand, the present economic condition of Bahrain as being affirmed as a very good one is a favorable factor in supporting these SMEs from the brunt of trade liberalization.
4. The strength of the economy then comes from the capability of the government to firmly take the initiatives towards strengthening private sector involvement in supporting SMEs and entrepreneurship.
5. The presence of international activities either prepares or limits small firms to penetrate new markets and enjoy free trade.
6. The extent of implementation of interventions / programs / projects provided both by the government and the private sector is perceived as moderately effective. This means that more efforts and resources be given to these programs and projects to bring wider participation of SMEs to such programs / projects.
7. The weak relationship between the interventions / programs / projects provided to SMEs and business environment of Bahrain could mean that the extent of implementation of interventions / programs / projects to SMEs is not adequate to respond to the present condition of the business environment particularly on competition and business climate.
8. The significant relationship between the implemented interventions / programs / projects and the ease of doing business means that simplified procedures to set up new businesses, effective and transparent regulatory mechanism to further competition, world class infrastructure, availability of resources at competitive price, and among others are essential measures to spur the growth of entrepreneurial activity in Bahrain.
9. Small business sector has become a national interest because of the sector's economic implications as shown in the study that interventions / programs projects of government and private sector are significantly correlated with the incentives provided to SMEs and with the government activities.
10. SMEs sector is very important in driving the growth of the economy. There is an urgency to improve their

performance as they account for more than 90% (manufacturing and trade) of all firms as major source of employment and generate significant domestic and export earnings.

In the final analysis, the only way to resolve the conflicting perspectives on globalization is for the government not only to be aware of the cascading effects of trade liberalization but also for them to develop and sustain some safety nets in mitigating the plight of the small firms and these safety net must be accorded as priorities by the government for development and implementation.

## 5. RECOMMENDATIONS

Based from the findings and conclusion the following are recommended to further improve the status of the SMEs sector in the face of trade liberalization:

1. Continuous efforts of the government to further strengthen the entrepreneurial environment through comprehensive policy measures and in partnership with other stakeholders (private sector) that can contribute to the growth of the economy in terms of productivity, exports and employment.
2. Access to financing is one of the most difficult issues raised by the SMEs particularly that commercial banks are not giving them priority in terms of lending. Giving this sector easier access to credit, albeit with proper risk measures in place, will allow business owners to achieve their full potential. If SMEs thrive, the entire economy will reap the rewards.
3. Galvanize entrepreneurial activity to develop a dynamic small and medium enterprise sector as an essential platform for Bahrain's national economic strategy.
4. Facilitate and continue formulating development plans for SMEs directed at furthering the improvement of the overall business environment and draw purposeful policy actions to move forward by capitalizing on the strengths and unique advantages of Bahrain for the SME sector to prosper.
5. Tamkeen, as part of Bahrain's national reform initiatives and Bahrain's Economic Vision, and is tasked in supporting Bahrain's private sector and positioning it as the key driver of economic development, should continue to foster the creation and development of enterprises, and provide more support and reach greater number of SMEs to further enhance the productivity and growth of enterprises and individuals.
6. In terms of ease of doing business, government policies supporting a dynamic business environment—with firms making investments, creating jobs and increasing productivity— policy makers should continue to review and strengthen the quality of laws, regulations and institutional arrangements that shape the economy.
7. Capability building – technical and managerial - is very important factor for the SME sector to scale up and grow to survive and contribute to economy, thus aside from the provision of credit assistance, assisting in managing their finances and their business shall also be accorded as priority.
8. Market information is also vital to the SME development and promotion in providing advisory services to SMEs. Strengthen market information dissemination and infrastructure support.
9. The government recognized that synergy and getting all different entities to work on different facets and combine expertise will be of great help to SME sector to advance in the present condition of business environment and in the economic landscape of Bahrain.
10. Globalization is a process that in practice is not as smooth and homogenous in its effects as it may seem in theory. It is recommended then that the government would set more safety nets and flexibilities for affected sectors and products to cushion the impacts of globalization to ensure that everyone – the large, medium, and the small companies, and even the micro firms - stays on board.

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