



The Role of Small Business Investments in Limiting the Impact of the Global Financial Crises on Jordan Economy

LE RÔLE DES INVESTISSEMENTS DES PETITES ENTREPRISES À LIMITER L'IMPACT DE LA CRISE FINANCIÈRE MONDIALE SUR L'ÉCONOMIE JORDANIENNE

Mohammad Awwad Alzyadat^{1,*}

¹Faculty of Planning and Management, Al-Balqa Applied University, Assalt, 19117, Jordan

*Corresponding author.

Email: drzyadat@yahoo.com

Received 13 October 2011; accepted 1 December 2011

Abstract

This study aimed to describe and categorize the roots of the financial crises, causes, factors that stimulated the financial crises, and the role of small business in limiting the effects of such crises. Further, the study described small business investments in Jordan and tested its current ability to withstand additional financial burdens and to compete for business investment opportunities. Data obtained from a random sample of 220 Jordanian small businesses.

The results of this study showed a positive role of small business Investments in coping with financial crises in Jordan. Small business investment represents 17.2% of the GDP in addition to attracting diversified foreign investments resulted from international trade agreements such as WTO and QIZ. The amount of small business investment exports reached 263 million JD distributed to 50 foreign markets. The study recommended establishing a small business investment fund to support local small business and provide interest free loans.

Key words: Small business; Financial crises; Investment

Résumé

Cette étude visait à décrire et classer les racines de la crise financière, les causes, les facteurs qui ont stimulé les crises financières, et le rôle des petites entreprises en limitant les effets de ces crises. De plus, l'étude décrit les investissements de petites entreprises en Jordanie et a testé ses capacité actuelle de résister à des charges financières supplémentaires et à concourir pour les opportunités

d'investissement des entreprises. Les données obtenues à partir d'un échantillon aléatoire de 220 entreprises jordaniennes petits.

Les résultats de cette étude ont montré un rôle positif des investissements des petites entreprises à faire face à des crises financières en Jordanie. Investissements des entreprises de petite taille représente 17,2% du PIB en plus d'attirer les investissements étrangers diversifiés résultent d'accords commerciaux internationaux comme l'OMC et QIZ. Le montant Les exportations de petits investissements des entreprises ont atteint 263 000 000 JD distribués aux 50 marchés étrangers. L'étude a recommandé l'établissement d'un fonds de petites entreprises d'investissement pour le soutien local aux petites entreprises et fournir des prêts sans intérêt.

Mots clés: Petites entreprises; Les crises financières; Investissement

Mohammad Awwad Alzyadat (2011). The Role of Small Business Investments in Limiting the Impact of the Global Financial Crises on Jordan Economy. *Canadian Social Science*, 7(6), 22-29. Available from: URL: <http://www.cscanada.net/index.php/css/article/view/j.css.1923669720110706.058> DOI: <http://dx.doi.org/10.3968/j.css.1923669720110706.058>.

Small businesses are considered essential to global economy, especially in developing nations, at the time of financial crises and labor layoffs. Despite the difference in the definition among developed and developing countries, small businesses are the corner stone in economic and social development due to its positive economic impact in creating jobs, increasing investment, and increasing sales and exports. As any other business investments, small businesses investments are affected by the financial crises are resulted from the complex financial derivatives that caused such crises to affect global financial markets. Any financial or economical crises in any major global market as the American market, a global economic leader

with 33 percent of the global financial market, results in similar financial crises in other markets and become global financial and economical crises beyond the control of a single economy. The current American housing and property crises represent a good example how a crash in one financial market, Wall Street, affected other financial markets in London, shanghi, Tokyo, Cairo, Amman,.... etc. The American crises affected world markets and all industries and it is considered worse than the 1930s Great Depression (Barnoti, 2008).

As for Jordan, it has several trade agreements with the United States such as the Free Trade Zone and Qualified Industrial Zone QIZ agreements in addition to having the value of the Dinar pigged to the Dollar. Such agreements made Jordan economy directly affected by the American global financial crises. As any other economy, Jordan pursues economic prosperity and competitiveness. Through the years, Jordan attempted to create a strong and competitive economy and lower the levels of unemployment and poverty. This study is an attempt to describe the social and economical importance of small businesses, its ability to rescue Jordan economy from the current financial crises, describe small business characteristics, and the growth challenges it faces in Jordan.

Small businesses investments are vital to the Jordanian economy. According to the Bureau of Statistics (2008) the number of small business investments reached 182 thousand businesses with a capital value of 834 million JD and employed 123 thousand people. Such statistics reveal the importance of small businesses in revitalizing the economy, improving income levels, training and development of labor, and helping big business by providing support goods and services to satisfy domestic and exporting needs.

1. PROBLEM STATEMENT

The problem of this study emerged from the economic recession that plagued the industrial world due to the global financial crises which affected Jordan economy as well. The financial crises impacted all economic sectors including small business investments. The major question in this study is the role of small business investments in limiting the impact of the global financial crises on Jordan economy. The study also attempted to answer the following questions:

1. What is the definition of small business in Jordan?
2. What are the causes of the financial crises?
3. Does the financial crises have an impact on small business and small investors in Jordan? Or increase small business investment opportunities?
4. Why small businesses are important to tackle economic criseses? Are they considered a safeguard to avoid the dangers of economic criseses? And how they can be a solution to lowering unemployment and poverty?

5. What are the challenges and hurdles to the growth of small business and its role in limiting the impact of the financial crises in Jordan?

2. THE SCOPE OF THE STUDY

The study includes all small businesses in Jordan that employed 5 or fewer employees as defined by the Bureau of Statistics. Those businesses include the following economic activities:

1. Manufacturing and production businesses such as
2. Reseller businesses such as wholesalers, retailers, brokers
3. Service businesses such as tourism, insurance, logistics, morels, sports, education, health, entertainment...etc
4. Non-government small businesses such as Noor Alhusian, Jordan River, development agencies.
5. Entrepreneurial businesses related to economic and social development of women.
6. Agriculture businesses owned by locals such as livestock, poultry, fishing.

3. THE OBJECTIVES OF THE STUDY

The study objectives are the following:

1. Show the role of small businesses in Jordan in fighting unemployment and the financial crises that caused bankruptcy of several international companies.
2. Define what is small business investments and the difficulties that face small business investments in Jordan and the reasons that limit their growth.
3. Explain the factors behind economic recession, the consequences of the financial crises, and the difficulties challenging investment in small business in Jordan
4. Discuss the importance of developing small business sector and government economic policies to cope with global changes and challenges of the current financial crises.

4. IMPORTANCE OF THE STUDY

The importance of this study resulted from the importance of investing in the small business sector that proved to have the ability to withstand economic fluctuations and is considered economically the most stable. At the same time, Jordan economy has a competitive advantage for foreign direct investment (FDI) where it was ranked fifth among 17 Arab countries in simplifying investment regulations and processes. In addition, Jordan was ranked ninth on the FDI scale, and tenth on the GDP scale among 72 countries. This study emphasized the importance of benefiting from such advantages to invest in small business sector (Jordan Investment Board, 2008).

5. STUDY SAMPLE

The population of this study is represented by all small businesses that employ 5 or less workers according to the labor force standard issued by the Bureau of Statistics which include industrial, agriculture, and service businesses.

6. STUDY LIMITATIONS

1. Collected data was general and cannot be used to investigate the effect of the financial crises on small business in depth.

2. The analysis of small business role to cope with the financial crises was general without depth due to the lack of more quantitative data.

3. Lack of studies that investigated the effects of the financial crises

4. The lack of a universal definition of small business.

5. The difficulty of to predict the future of the financial crises.

7. STUDY METHODOLOGY

The study used a descriptive analysis methodology, and small business as a unit of analysis. The study used secondary data such as web sites, journals, conference reports, newspapers, and books to describe the financial crises, factors that created the crises, its effects on economic development, small business role, and future predictions of the crises. The study used several reports by government and nongovernmental agencies that were related to small business investments.

8. LITERATURE REVIEW

The literature emphasized the importance of small business sector in supporting domestic production and decreasing exports to minimize trade balance deficit at a time negative of the financial crises and abandoning projects the depend on foreign consumption. The current financial crisis extends to the free market system as most current economical systems do not follow the free capital systems of the Adam Smith invisible hand. The current economic systems, with different degree, are mixed economics that depend on free economic markets with effective government economic role as suggested by the famous economist John Keynes.

Nonetheless, attention must be paid to that capital economic systems provide economic efficiency and incentives regarding the principle of economic and social justice that require according to Keynes a Government role to cover the gap.

The economic cycle and what accompany it of economic changes are considered characteristics of capital systems. Capital economics since its birth faced growth

and recession cycles varied in strengths and length and were able to bypass them including the 1930s Great Depression.

As there is growth and profits in economic development, there are losses and bankruptcies in economic recession. It can be said that the current financial crises is not different from the previous ones as its related to the economic cycle that will die down with time and more financial suffering. In addition, the current economic system and the absence of effective government role and control considered responsible for the today economic and financial crises. As noticed, this period witnessed fast economic development in financial markets and increased economic dependence between countries. Such globalization of markets created a big gap in government legislations, control systems, and economic regulations.

8.1 Global Financial Crises: Beginning, Diagnoses, and Reasons

The roots of the current financial crises started in the early 1970s as a result of abandoning Bretton Woods payment systems and what followed of British-American economic policies that resulted in decreasing Government role that was emphasized by the economist Keynes. Meanwhile, a wave of business privatization and the absence of laws and economic deregulation, and decreasing government role paved the way for economic and financial practices that were quick, greedy, and profitable that lead to problems such as the sub prime lending.

Furthermore, the problem became worse with the practices of the international financial institutions such as World Bank (WB), International Monetary Fund (IMF) and World Trade Organization (WTO) that participated in reaching to such problems of capital flow, exchange trade, and decreasing Government role. Those programs directed toward privatization, the absence of control systems and pushing the Governments to quick economic openness, helped reach the crises the world is witnessing today.

The reasons behind the financial crises can be traced to the policies and the management of central banks when they lowered the interest rates on property loans where it reached 18 trillion in 2008.

Is the current crisis real, or fabricated? In reality the crises that started in September 2008 by a crash in NY stock market where private businesses (banks) provided easy loans to Americans to purchase property and houses on credit and repays those loans plus interest through banks. The interest rates increased with property value where at the end result inability of owners to repay the loans or make payments, hence, the crises were called sub prime lending crises. Consequently, banks were dried out of liquidity and unable to finance more projects and a cycle of bankruptcies started and a new great economic recession just begun. Global economies felt the effect

of the American recession which also included Jordan economy.

One of the reasons behind the crises was the increase in bank loans that were up to 60 folds of banks capital value such as UBS and Layman Brothers. They ignored the Bazel control agreement. The increase in loans meant financing more at risk customers which resulted in repayment defaults similar to the sub prime lending and its financial derivatives and securitization that banks use as financial portfolio and issue financial bonds to borrow from other banks on portfolio guarantees which is known as hedge funds. The hedge funds are used to borrow money from other banks at low interest and invest them at high interest rates to profit from interest difference. A practice known as financial leveraging (Alali & Najjar, 2006).

The reasons behind the financial crises can be summarized as follows:

1. Inflation of credit and liquidity in Western financial system for more than 10 years.
2. Lifting government control on investment banks and financial stock market in the USA and European countries since the mid 1980s.
3. Relaxing credit and loan restrictions.
4. Concentration of risk and loss of confidence in the financial system
5. The financial derivatives in the US reached 668 trillion which equals 10 times of the global economy.

As for Jordan, the economy is similar to other Arab countries with little economic openness and suffered minimum effect of the financial crises but less than the Gulf countries. Meanwhile the stocks markets suffered similar effect in all Arab countries.

8.2 Financial Crises and Economic Crises

Financial crises can be defined as the sudden decrease in the prices of equities. Equity could be capital used in production (equipment, buildings) or ownership of capital or products (stocks, saving accounts) or financial derivatives such as future contracts of oil or foreign currencies. Economic crises differ from financial crises. Economic crises is a result of sudden economic imbalance between production and consumption affected by the inability of supply to equal demand as it happened in the 1930s great depression.

The current global financial crises witnessed by the global economy can be classified as a real economic crises that affected the production sector and lead to economic recession. The IMF which monitors and predicts global economic development indicated that the global economy is witnessing a slowdown that will extend to the near future. Every report indicated an economic slowdown worse than the one before. As it is known in economics, to sustain a healthy and stable economic environment, the financial sector must be strong and stable. In the current case, the financial sector is unstable and it is difficult for

the economic environment to remain stable.

There is another classification of financial crises where the effect on real economy is very limited and won't create an economic recession. Such case is what the developing countries, including Jordan, are witnessing. The current crisis is totally financial and for the first time its global. The 1930s great depression was the worst in history but it was limited in its impact mainly on developed countries and the rest of the developing countries were spared from its consequences (Najee, 2004).

8.3 Description and Definition of Small Business

There is no one universal definition of small business. The concept of small business differs among countries and among business sectors. A study by Georgia State Institute indicated that there are more than 55 definitions of small business in 75 countries. In Jordan small business is defines as an economic activity that is characterized by small production lines, limited production capacity, small investment capital, and employs 5 or fewer workers (Bureau of Statistics, 2007).

As it is difficult to determine a universally accepted definition of small business, a look at the quantitative and descriptive variables can help determine a description of small business. In the quantitative approach, small business can be defined according to capital, added value, equity, market share, or sales. In the descriptive approach, small business can be defined according to management style, specialization, production method, degree of independence, and job characteristics.

According to a government report of 2007, the number of small businesses in Jordan was 225720 businesses that represented 95.1 % of Jordan businesses. The average number of employees was 3.4 employees, majority of those businesses are single and family owned, and the total capital invested reached 834.6 million JD (Blyan , 2009).

The use of labor size in this study as a measure of small business with 5 workers or less according to the bureau of Statistics is beneficial as follows:

1. Make comparison easier between countries and business sectors.
2. Worker size is a unified standard and not related to price changes, exchange rates, or financial crises.

8.4 The Economic Importance of Small Business in Jordan

Research studies indicate the importance of small business in limiting economic and social imbalances such as unemployment, women participation, individual share in GDP that cause poverty levels to increase. Small business play an essential role in decreasing unemployment which is estimated at 12.7 %. Small business importance in securing a source of income especially in rural areas and build a strong economy and the ability to attract foreign investment as a start for bigger projects that will support and stabilize the future economy.

Small business is best suited for the Jordanian economy and society where its size does not allow it to compete with big and multinational companies. As is it known, Jordan unemployment problem demands creating and investing in small business to lower unemployment levels and minimize the negative effects of the financial crises. small business is a stepping stone for the private sector in economic development and minimize the effect of financial depravities where the public sector cannot provide enough jobs for the unemployed and the expected lay outs of workers in economic recessions (Abdalgag, 2009).

Small businesses start small and as they grow and profit, they will attract small investors and increase the levels of private investment away from financial markets which will result in increasing macro investments in local markets and increase economic growth rates. Its been proven that small business in Jordan have the capacity to increase exports, provide foreign currency, and decrease the balance of payment deficit. In addition, small business improves production efficiency of big businesses. According to Table 1, small business in Jordan account for 95% of businesses, employs 61% of the labor force, and account for 50% of the GDP.

Small business participation in the economy was measured by employment, production and share of total businesses. The social and economic characteristics of small business according to Jordan Investment Board can be summarized as follows (JIB,2008).

1. Family owned and managed businesses.
2. Small size capital investment.
3. Small overhead capital.
4. Capacity to balance economic development.
5. Flexibility to adapt to changing environment.
6. Sub contractors for medium and large size companies.
7. Creating minimum cost jobs as compared to big businesses.
8. Provide convenient work environment.
9. Small and efficient management of finances and labor.

10. Unaffected by price fluctuations, financial crises, or exchange rates.

11. Incubator for creativity, innovation, and talents

12. Enhance political and social stability.

13. Improve women participation in economic activities.

14. Increase exports and capacity to absorb new technology.

15. Improve quality and strengthen competition.

16. Decrease poverty levels and unemployment rates.

8.5 Challenges of Small Business in Jordan

Despite the importance of small business to social and economic development and its role in limiting the effect of the global financial crises, small business is facing difficulties that limit its growth. Such difficulties can be summarized in the following:

Financial Difficulties: financial difficulties are represented in the increase of management cost, financial risks, low securities needed for financial loans, business owner limitation of financial knowledge, and inability of business to pay high interest rates or loan guarantees. In Jordan, the government established the loan Guarantee Corporation to support small business financial needs depending on business size, nature of business, and financial use of loans. Such support will enable small business to withstand financial crises and motivate business owners to believe of real success of ventures.

Market Difficulties: marketing difficulties can be seen in the imbalance growth of marketing communication, marketing experiences of the labor force, and inability to evolve from sales mentality to marketing communication mentality, and lack of contemporary managerial styles of business owners. Such difficulties are considered major problems facing small business in Jordan. As a result capital investors during such financial crises will be hesitant to finance small businesses unless they pay high interest rates and provide high loan guarantees. Furthermore, the lack of information about small business, marketing of production or end products, weak marketing feasibility studies resulted in weak market and unsuitable

Table 1
Small Business and Local Economy in Selected Countries

Country	No. of Workers	% of Export	% of GDP	% of Labor Force
USA	50	60	50	59
Jordan	5	41	50	61
Australia	50	32	33	85
Malaysia	25		52	
Japan	50	52		
95				
EU(Germany)	50	66	40	
Egypt	50	40		66
Canada	100		34	
Gulf Nations	30			

Source: www.stat@dos.gov.jo

for market demand for local or foreign markets.

Investment Difficulties: increase of investment risks and inability to predict future positions, and difficulty in preparing investment feasibility studies by government and non-government agencies that support investments.

Managerial and Organizational Difficulties: managerial difficulties can be seen in the lack of appropriate organization structure, inability to separate management from ownership, inefficiency to manage resources, dependence on managerial experience of owners, and lack of managerial expertise.

General Difficulties: external environment difficulties such as inflation, government regulations, taxes, foreign competition, scarcity of raw material, limited scientific research to support and develop local small business, and the lack of future plans to support small business sector.

8.6 Previous Studies

8.6.1. South Korea Chamber of Commerce (2008): Financial Crises Until When?

The study objective was to anticipate the time period of the current financial crises.

A sample of a 180 small companies was studied. The results showed that 84% of the sample thought that the current financial crises will last 2 to 3 years, and 12 % of the sample thought the crises will subside in one year. The study also showed that 89% of the sample thought that the American economy will suffer from economic depression as Japan did in the 1990s. In addition, the study predicted continuous economic problems and 67% of the sample demanded the Korean government to follow appropriate economic policies to stabilize interest and exchange rates.

8.6.2. Ebsos Jordan Study (2009): Financial Crises Effect on Jordan Economy.

The study showed that 69% of Jordanians agreed that the current financial crises will affect their personal finances, 18% said it will not affect investment projects, and 13% said it will not affect them at all. The study also showed that 38% of the 1100 sample participants thought that their financial position was affected by the financial crises, and 18% with no effect.

Regarding the negative effect of the crises on Jordan economy, 53% of the sample agreed, and 9% did not. On the reasons behind the crises, 62% of the sample thought that the US was behind the crises, and 5% said that geopolitical and capital forces were behind the crises. The study recommended a redesign of capital policies and regulations in Jordan in order to minimize the negative effects of the financial crises.

8.6.3. German Industries Study (2009): German Small and Medium Size Companies in the Current Global Financial Crises.

The study objectives were to measure investment in small business sector and show the importance of small business to the German economy to avoid a long term economic recession. The study was conducted on small and medium

size businesses. The study showed that German businesses in general are optimistic about their financial position. German small businesses account for 40% of GDP, 66% of industrial exports, and employment of the majority of the labor force. The most important result in this study was that the current economic recession slightly affected small business in Germany. The study recommended that both public and private sectors must share responsibility toward small and mid size businesses especially in financing and marketing.

9. DISCUSSION OF FUTURE AND POSSIBLE RESULTS

No one denies that Jordan economy will be negatively affected by the global financial crises. Jordan will not be isolated from what is happening in global markets, and it is natural for some business sectors to slowdown and shrink. The fear from further development of the financial crises and its negative impact on Jordan economy as it did to economies around the world is somewhat exaggerated. Jordan was rated sixth among the top 20 countries in FDI scale in 2007. Jordan was also rated number one among regional Arab countries in attracting foreign investment, and 4th among west Asia in attracting investment behind Turkey, Saudi Arabia, and UAE (JIB, 2008).

In the last few years, attention to small business increased. Small business are considered a backbone and a lifeline in crises times, a job creator, women opportunity to participate in economic activities, and create competition spirit among businesses. Small businesses also improve quality of life, minimize the gap between saving and investment, increase private ownership base, and lowering poverty levels. Furthermore, small business is an essential factor in increasing exports, positively affect the balance of payments, and stabilizing exchange rates.

The current global financial crisis is thought to be at its beginning and no one knows how long it will last or how far it will reach. It is difficult to predict the path of the financial crises and its effect on international economic aid. Consequently, small business will be the only shelter to ease the suffering at a time of low economic growth. As for Jordan, the policies that should be adopted to deal with the current financial crises as follow:

1. Increase investments size in small business and lower taxes on its exports.
2. Lower interest rate on loans for small businesses.
3. Simplify regulations to expedite approval of small businesses and attract investors
4. Create investment fund with large capital for small business.

For small business to withstand future financial crises, the cost ratio of equipment to capital invested must not be more than 20%, total cost ratio of labor to capital must not be more than 30%, and labor size must not be more than

5 employees. In addition, the ratio of total raw material to total investment must not exceed 70% as it was proven in the Malaysian experiment (DOS, 2008).

Furthermore, loans for small business in the West bank proved successful in lowering poverty and unemployment levels, and were considered the most secured loans when compared to other projects. Also, banks that provided loans to small businesses witnessed increased growth in the last few years as seen in Jordan financial sector.

The financial crises of the American economy showed that most of the companies affected by the crises were big companies and little effect was noticed by small and mid size affected by the stock market as big companies. Upon this fact, small business according to Matrshin of University of Wisconsin and Franklin of University of Harvard can minimize its business outcome relation to the Dollar where the Euro will replace it as the universal currency within the next 10 to 15 years.

As for Jordan, the current studies showed that majority of targeted segments for small loan programs are concentrated in Amman and its suburbs and far from utilizing its operation to serve rural areas. At the mean time, rural areas were the most affected by the financial crises and one could imagine how it would have been if such capital was invested in small production projects that provided income in such areas.

From the financial prospective, financial institutions directed toward small business in Jordan account for 33% of institutions. Such low percentage requires a remaking of the financial policies where the risk ratio is minimal when compared to risks in financing big projects. More importantly small business play a more efficient role in achieving economic development and energize the economy instead of achieving profits as it was proven by the Malaysian experiment. It also showed that small business achieved permanent investment and development objectives depending on domestic labor instead of foreign capital. Such findings emphasize the importance of distributing small businesses all over the country to benefit and utilize people abilities to create and improve their quality of life far from the financial crises.

Several studies that investigated the effect of financing small business showed the positive impact on personal and national income levels, on production levels, on ability of low income people to achieve financial security, on improving quality of life, and thus minimizing poverty levels. In addition increasing women participation in trade as it happened in East Asia countries.

Previous studies agreed with the government directives during the Economic Forum that concentrated on the importance of small business to support the economy. The Forum suggested that policies to increase industrial exports and investment in small business are considered the best method to cope with the challenges of economic crises such as unemployment and industrial gaps. The outcome of the Forum showed that investment capital

of 62 million will create 9 thousand jobs and will attract added value investments in sectors such as food processing, Dead Sea health products, pharmaceuticals, olive oil, furniture, marble, and maintenance services.

Small business in Jordan play an important and positive role in providing jobs for all segments of society and improve income and self sufficiency away from government interventions and thus limiting the impact of the financial crises on the economy. What made Small business so important is its business diversification in all business sectors such as trade, manufacturing, services, tourism, and agriculture. Such wide range of business support self employments, continuous knowledge, and ability to cope with changes in crises times. As a result, the government strategies are directed to small business development to fight poverty and unemployment, increase productivity, develop entrepreneurship spirit, utilize resources, improve income distribution, and minimize dependence on changes of global economics.

Small business is an essential factor in political and social stability where it allows many segments of society an opportunity to participate in the productivity process, and achieve personal goals and aspirations. Small business also strengthens social relations through continuous contact between business owners and society.

As a result, Jordan government must adapt policies to support and develop small business such as creating a ministry or agency solely for small business as in the US and Algeria, or create a government affiliated agency as in Canada and Singapore, or create a public agency as in Korea, and or a small business fund as in Egypt. Most importantly is to establish fully functional small business incubators that deal with placing, equipping, servicing, consulting, and organizing of new businesses. Such business incubators will assist in overcoming difficulties that face business entrepreneurs and help them in expertise, quality, and marketing.

Most countries around the world realized that small business is essential to intensify competition and entrepreneurship spirit that will energize the economy to be efficient, creative and productive. Such impact on the economy requires the government to support small business and concentrate on production economy and limit the expansion of finance to areas that support production economy. As a result, real and permanent job opportunities will be created.

Paying much attention to small business in Jordan has its reasons. As the intensity of the financial crises increased, Jordan economy suffering from economic and social problems also increased. Problems such as unemployment, limited women role in production, low personal share of GDP, and eventually increase in poverty levels. In order to limit and minimize such problems, small business role must increase in developing investment opportunities as Jordan economic resources are scarce and market is small. Small business is considered an effective

tool to minimize economic problems in Jordan where the economy is labor intensive and not capital.

10. RECOMMENDATIONS

The study classified recommendations in the following:

A. Recommendations related to the market:

1. Create an agency to support small business owners in marketing of products, management, and quality standards.

2. Connect small business with production and marketing centers and encourage creating a social fund to support small business as part of developing future efficient and competitive ventures.

3. Establish a small business center to provide information about market opportunities, marketing requirements, consultation services, and training.

B. Recommendations related to finance:

1. Encourage finance institutions to provide small businesses with low interest loans, financial credit advantages, and tax exemption profits.

2. Share responsibility by public and private sectors toward small business in areas of management and create a department for small business.

3. Convince banks to finance small businesses by crediting projects not the owner.

4. Increase loan limits to small businesses as long as it does not exceed capital and reserve percentages.

C. Recommendations related to investment and government incentives:

1. Establish capital fund to support domestic investment in small business in areas such as tax free loans, exports, investment tax at 15% or less, non sales tax on advertisement and promotion.

2. Support small business as it represent economic independence, and investment to increase productivity and wages.

3. Rethink of foreign investment strategies and concentrate on domestic investment in production and service projects as to provide employment opportunities, training, and priority for local businesses in a long term investment planning.

4. Establish small business incubators to support local businesses in all areas.

5. Dedicate a percentage not less than 10% of new

industrial zones to small businesses.

6. Establish coordinate a board for small business similar to others in countries around the world.

REFERENCES

- Abu Gazalah, Talal (2009). *Financial Crises Impact on the Region*. Seminar at the Royal Cultural Center, Amman.
- Abdulhag, Mohammad (2009). *The Liquidity Needed for Various Sectors Under Global Financial Crisis*. Afaq economic forum, Amman March, 2009.
- Alali, abdsatar & Alnajar, Faiez (2006). *Entrepreneurship and Small Business* (1st ed.). Amman: Dar Alhamid Publishing.
- Awamreh, Mohammad (2002). *Small Business in Jordan: Structure and Effect on Rural Development*. (Unpublished master thesis). Al Albaiet University, Mafrqa, Jordan.
- Barnooti, Sua'ad (2008). *Small Business Management* (2nd ed.). Amman: Dar Wael publishing.
- Blayn, Ohan (2009). *Jordan Economy and the Extent Affected by the Global Financial Crisis*. Afaq Economic Forum, Amman, March, 2009.
- Bureau of Statistics (2007). *Annual Report*.
- Azzar, Wasef (2008). *The Impact of Financial Crises On 2009 Budget*. In *Proceedings of Conference on Budget and Social Life*. Jordan Center of Studies, December, 2008.
- Ebsos Jordan Center. (2009). *The Impact of Financial Crisis on Jordan Economy*. Retrived from <http://www.alrai.com>.
- Finance Ministry (2008). *Budget Report to Jordanian Parliament*. Amman, October, 2008.
- Jordan Investment Board (2008). *Annual Report*.
- Jordanian Parliament (2008). *Government Report to Discuss the Impact of Financial Crises on Jordan Economy*. Amman, November, 2008.
- German Industries Union (2009). *German Small and Medium Size Companies and Global Financial Crisis*. Retrived from <http://www.lycos.com>.
- Najee, Husian (2004). *Investment in Small and Medium Size Businesses in Algeria*. *Mukber Almagreb Alkabeer Journal*, 7(2), 58-71.
- South Koria Chamber of Commerce (2008). *The Financial Crisis Until When*. Retrived from <http://www.lycos.com>.
- Toqan, Umaiah (2008). *Global Financial Crises and Its Impact on Jordanian Economy*. Proposed at Seminar at Hashemite University. Zarqa, November, 2008.