Impact of socio-economic dynamic of SMEs and large enterprises in GCC

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Abstract: This article emphasizes the importance of Small and Medium-Sized Enterprises (SMEs) and large companies in driving economic growth. SMEs are labour-intensive and agile, creating more jobs, while large companies are capital-intensive and rely on technology, having more resources for research and development. In the Gulf Cooperation Council (GCC) region, SMEs contribute significantly to Gross Domestic Product (GDP) and job opportunities, while large companies dominate specific sectors. The research employs a multidisciplinary approach using an extensive literature review to summarize the current literature, highlight the economic impact of SMEs and large companies in GCC, and highlight the importance of large companies in developing local citizens. Policy-makers must consider these differences to integrate these dynamic changes for effective support policies. This study examines the economic impact of SMEs and large companies in the GCC region, providing recommendations to support large businesses. It addresses challenges and opportunities related to employment, household earnings, economic output, and value addition. Promoting the economic impact of SMEs and large companies can lead to sustainable economic growth and development in the GCC region. Also, this article pointed out the importance of large companies and their economic impact in the GCC region; policy recommendations will help the governing bodies in decision-making towards promoting sustainable economic growth.

Keywords: large companies; SMEs; GCC; economic impact; employment opportunities; household earnings; economic output; value addition

1. Introduction

Economic activities are subject to risk, micro and macroeconomic factors, and social and political contexts. Small and medium-sized enterprises (SMEs) and large companies are critical drivers of any country’s economic growth and development. SMEs and large companies contribute to economic growth (Manzoor et al., 2021). SMEs are typically more labour-intensive (Kadocsa and Francisovics, 2011) than large companies and are more likely to create jobs. Large companies may be more capital-intensive and rely on technology and automation to produce goods and services (Knesl, 2023). Even though SMEs are often more agile and innovative than large companies and have fewer layers of bureaucracy and decision-making processes (Istipliler et al., 2023; Ragazou et al., 2023), large companies may have more resources to invest in research and development and are likelier to have a dedicated research and development team (Lavis et al., 2003; Perkmann et al., 2013). Large companies typically generate more revenue than SMEs because large companies generally have higher profits, which results in higher returns.

SMEs (Erdin and Ozkaya, 2020; Surya et al., 2021) and large companies (Ciani et al., 2020; Rana, 2022) are crucial to economic growth and development. Still, their
economic impact differs, so governments and policy-makers must consider these differences to develop policies that support SMEs and large companies in achieving their full potential. Adam and Alarifi (2021) and Gherghina et al. (2020) mentioned that large companies generally have easier access to funding than SMEs because they have a proven track record of success, established brand recognition, and more considerable assets. Large companies can typically secure loans at more favorable terms and access capital markets to raise additional funds (Ashraf et al., 2022; Fazzari et al., 1988; OECD, 2019). Conversely, SMEs may struggle to secure funding, especially during economic downturns or just starting. Additionally, Erixon, (2018) and Manyika et al. (2021) revealed that large companies often significantly impact the local economy, which can lead to higher economic output.

The Gulf Cooperation Council (GCC) is a political and economic union of six countries in the Arabian Peninsula. The GCC was established on May 25, 1981, with the signing of the GCC Charter in Abu Dhabi, United Arab Emirates. The member countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (Britannica, 2023; IMF, 2022). The GCC countries’ importance lies in their economic prowess, regional stability efforts, geopolitical significance, investments in infrastructure, and cultural influence (IMF, 2022). Together, GCC wields considerable influence in global affairs and contributes significantly to the development and prosperity of the Middle East and beyond (Ulrichsen, 2016). Also, the GCC has focused on promoting cooperation and integration among its member countries in various areas, including economic, political, cultural, and social aspects (Alanzi et al., 2022). Further, GCC has worked together to address regional challenges, foster economic development, and strengthen ties between the member states (Abraham, 2015). In addition, the GCC has also played a significant role in regional diplomacy and has been involved in resolving conflicts and promoting stability in the Arabian Peninsula and the broader Middle East.

In the GCC, SMEs contribute to job opportunities in the private sector (Carvalho et al., 2018; Raghu, 2021); in the meantime, large companies make up a significant portion of the GCC’s economy (Al-Ubaydli and Jones, 2018), with several large multinational corporations being the principal reason for choosing the topic. SMEs in GCC are more prevalent in the wholesale and retail trade, food and beverage, hospitality, tourism, and travel (Alpen Capital, 2022); at the same time, large companies deal with manufacturing, banking, insurance, financial services, automobile, infrastructure, logistics, healthcare, and education (Alawi et al., 2023; Darwish et al., 2020; John et al., 2023; Pattali et al., 2024). According to Alpen Capital (2022), GCC registered approximately 1.5 million SMEs to generate 22 million jobs only in the few retail and service businesses, not in manufacturing and high-profile industries where large companies dominate GDP. Typically, there are less than 50 employees in small enterprises and less than 250 employees in medium enterprises (Sidek et al., 2020). Therefore, this study examines the economic impact of SMEs and large companies in the GCC region.

A comprehensive literature review was conducted to identify the research theme, and based on the findings, a research agenda was proposed. According to Onwuegbuzie and Frels (2016), a comprehensive literature review is the best method to highlight the importance of the study topic using the existing body of knowledge.
Further, the reason for using the extensive literature review is to summarize the current literature to highlight the economic impact of SMEs and large companies in GCC and bring out the importance of large companies in the development of local citizens. Moreover, the information presented in the paper is based on selected scholarly articles (Google Scholar, Scopus, and Web of Science), conference proceedings, reliable databases, websites, and government publications. Also, the literature chosen was adequately screened to ensure the data are reliable and the information is relevant to the economic impact of SMEs and large companies in the GCC context.

This article points out why the GCC needs to concentrate on large businesses, what measures it needs to take, and how it can implement them. The recommendations of this paper can serve as guidelines for practical strategies for governing bodies and policy-makers. The remainder of this paper is organized as follows. Section 2 is a problem description of employment opportunities, household earnings, economic output, and value addition in SMEs and large companies. Section 3 describes the approaches and results of the research. Section 4 is about policy recommendations to policy-makers, and Section 5 contains the conclusion.

2. Problem description

2.1. Employment opportunities in SMEs and large companies

Table 1. Summary table of problem description parameter.

<table>
<thead>
<tr>
<th>Employment Opportunities</th>
<th>Reference</th>
</tr>
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<tbody>
<tr>
<td><strong>SMEs</strong></td>
<td>Create more new jobs for non-citizens on average than large companies. SMEs face challenges due to limited resources, market reach, financing, etc.</td>
</tr>
<tr>
<td><strong>Large Companies</strong></td>
<td>Provide citizens significant employment opportunities in specific industries (e.g., oil and gas, aviation, finance).</td>
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<table>
<thead>
<tr>
<th>Household Earnings</th>
<th>Reference</th>
</tr>
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<tbody>
<tr>
<td><strong>SMEs</strong></td>
<td>They have lower household income contributions than large companies.</td>
</tr>
<tr>
<td><strong>Large Companies</strong></td>
<td>Have high salaries and benefits, contributing significantly to household earnings. Large companies have a substantial impact on household earnings. Large companies have advantages such as more significant resources, established market presence, and comprehensive training programs</td>
</tr>
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<table>
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<tr>
<th>Economic Output</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SMEs</strong></td>
<td>Contribute around 16% of the GCC’s GDP.</td>
</tr>
<tr>
<td><strong>Large Companies</strong></td>
<td>Contribute a significant proportion of the GCC’s GDP, with sectors like oil and gas playing a crucial role. Large companies generally contribute more to the overall economy. Encouraging large companies and industrial innovation is seen as vital for diversifying the GCC economies.</td>
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<table>
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<tr>
<th>Value Addition</th>
<th>Reference</th>
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<tbody>
<tr>
<td><strong>SMEs</strong></td>
<td>Have an increasing contribution to value addition in recent years.</td>
</tr>
<tr>
<td><strong>Large Companies</strong></td>
<td>Dominate the overall economic output of the GCC region. Large companies dominate the region’s economic contribution. Large companies have a significant role in driving economic growth and development.</td>
</tr>
</tbody>
</table>

Source: Table by authors based on the problem description.

Employment opportunities create jobs and generate income directly, with the economic impact as an indirect effect (Bozick, 2009). OECD (2020) mentioned that increasing the number of large companies encourages economic development through
competition; the positive side is growing suppliers, sharing a pool of workers, transferring knowledge, and rising consumer spending. At the same time, the negative side is increasing wage and rent pressure, the constraint of labour and inputs, and infrastructure congestion (Flaherty and Gibson, 2017). On average, SMEs create more new jobs in a year than large companies. At the same time, job loss in SMEs is also comparatively higher than in large companies (Moscarini and Postel-Vinay, 2012).

According to Table 1, GCC’s non-citizen and citizen population data were presented, and the non-citizen population is closer to employment in SMEs; it indicates that non-citizens get employment from SMEs. Moreover, SMEs are not preferable to citizens where the expectations of the local youth focus on innovation and development. So, it is a clear indication that an increase in the number of large companies will support employment opportunities for the citizens.

SMEs provide employment opportunities in a broader range of industries, while large companies employ a considerable number of workers as mentioned in Figure 1. In GCC, 1.6 million people are engaged in oil and gas, while other large sectors like construction and manufacturing are less focused (Snc-Lavalin, 2022). Large companies in the GCC private sector employ 35% of the workforce (Elbanna and Fatima, 2022). Moreover, large companies like Aramco, Saudi Telecom Company, Emirates Group, and Qatar Airways, and multinational companies such as British Petroleum (BP), ExxonMobil, and Shell are providing significant employment opportunities for the local population (Ghoddusi et al., 2022). The employment opportunities provided by large companies in aviation, finance, and oil and gas give job security to the local workforce (Shayah and Sun, 2019). In the meantime, other large companies find it challenging to secure employment opportunities (Affum-Osei and Chan, 2024).

**Population by Citizenship in GCC**

![Population by Citizenship in GCC](source: Derived from GCC-Stat (GCC STAT, 2021)).

Gherghina et al. (2020) mentioned that SMEs face several challenges regarding employment opportunities, including limited resources, market reach, specialization, brand recognition, financing, regulatory burdens, and training opportunities. At the same time, large companies have advantages in creating employment opportunities
due to their greater resources, established market presence, specialization and expertise, brand recognition, access to financing, economies of scale, and comprehensive training and development programs (Brennan et al., 2020). These factors enable large companies to compete in the labour market and create sustainable job growth (Shayan et al., 2022). In the GCC, large companies still provide a considerable number of employment opportunities, especially in specific industries; the oil and gas sector in the GCC is dominated by large multinational corporations, which provide employment opportunities to thousands of workers. In the oil and gas sector, with 4% of the total workforce in the region, GCC produced 45% of the GDP, which represents the importance of large companies in the region (Shayah and Sun, 2019).

2.2. Household earnings in SMEs and large companies

Large companies in the GCC have a substantial impact on household earnings. The largest employers in the GCC are large corporations, which collectively employ hundreds of thousands of workers in the region (IMF, 2022). Further, large companies’ high salaries and benefits can contribute significantly to household earnings, particularly for highly skilled workers (Lee and Clarke, 2019). The average monthly salary of a professional worker in the oil and gas industry in the GCC ranges from $6,000 to $20,000, while the average monthly salary of an aviation professional is around $7,500 (Negara and Ramayandi, 2020). At the same time, the average monthly salary in UAE is $3663.27, in Qatar is$3168.05, in Saudi Arabia is $1,888.68, in Kuwait and Bahrain is $1,728.74, and in Oman is $1,626.64 (Ruby, 2022). Côté et al. (2015) mentioned that large companies with high salaries could significantly boost household earnings and contribute to the overall economic well-being of the region.

Even though SMEs create more job opportunities, large oil and gas multinational companies dominate the household income opportunities in the region (Pulka and Gawuna, 2022). Saudi Arabia earns 90% of the country’s income through large companies, and the UAE earns 54% of the country’s revenue through large companies (Kabbani and Mimoune, 2021). Though there is a need for large companies, a high concentration of job opportunities in aviation, finance, oil, and gas will ensure job security for the low percentage of citizens (Allen et al., 1999). Ismail Albalushi and Naqshbandi (2022) revealed that ensuring job security in SMEs is not easy. The downside of less job security is that it might reduce the earning capacity of citizens (Basyouni and El Keshky, 2021). Also, Umar (2022) mentioned that construction companies make a high contribution to the country’s economy, with most of the workforce being foreign.

Some large companies relying on the foreign workforce for skilled positions will create income inequality among the citizens and expatriates (Alsahi, 2020). Further, the total number of employed foreign workers constitutes more than half of the total population of the Gulf countries combined, except Saudi Arabia (ILO, 2018). Moreover, Durand-Lasserre (2022) mentioned that many foreign workforces hold high-paying jobs in finance, oil, and gas; significantly, expatriates earn higher salaries than citizens. SMEs in GCC create new job opportunities in digital transformation, information technology, and the e-commerce sector (Lukonga, 2020).
Figure 2 represents the sectorwise household earnings in GCC. Further, it is viewed as a percentage of sector-wise household earnings in GCC, and it is possible through large companies simultaneously making significant household earnings. Additionally, Figure 2 clearly shows the household earnings in GCC. Large companies across diverse sectors significantly contribute to economic growth and development. Further, large industries dominate fisheries, wholesale, motor vehicles, manufacturing, construction, and so on because they drive innovation, create employment opportunities, and improve living standards, thus fostering sustained prosperity and development.

![Figure 2. Sectorwise household earnings in GCC.](image)

Source: Derived from GCC-Stat (GCC STAT, 2021).

2.3. Economic output in SMEs and large companies

In the GCC, large companies and SMEs have significant differences in economic output, with large companies generally contributing more to the overall economy (Gherghina et al., 2020). Further, large companies in the GCC, such as Aramco, Emirates Group, and Qatar Airways, have a considerable impact on the region’s economic output (Kaya and Tsai, 2016). Kabbani and Mimoune (2021) mentioned that the largest employers in the GCC are large corporations, which collectively contribute a significant proportion of the region’s GDP. For example, the oil and gas sector in Saudi Arabia accounts for around 50% of the country’s GDP, with large multinational corporations such as Aramco playing a crucial role. Similarly, the Emirates Group, which includes Emirates Airlines and other businesses, contributes significantly to the UAE’s economic output (Sim, 2020).

In contrast, the traditional contribution of SMEs in the GCC is less than the overall economic output of the region (OECD, 2017). According to a report by the Organization for Economic Co-operation and Development (OECD), comparatively, SMEs in GCC contribute less than 16% to GDP, which is significantly lower than in other regions. At the same time, Europe has the highest SME contribution, at 50% (Stepanyan et al., 2019). Also, SMEs in the GCC have been identified as important drivers of job creation, with SMEs in Saudi Arabia accounting for more than 95% of all registered companies in the country and employing about 70% of the private sector workforce, according to the Saudi Arabian General Investment Authority (SAGIA) (Rababah, 2023). Even though SMEs contribute to economic growth through
innovation and increased competition, job opportunities are not given to the local workforce (Surya et al., 2021).

According to local business leaders, encouraging large companies and industrial innovation has bolstered recent efforts to diversify the economies of the GCC region (Stepanyan et al., 2019). Investors believe more significant support for manufacturing, export, and logistics industries will help develop more resilient, knowledge-based economies (Alshahrani and Salam, 2022). Elbanna and Fatima (2022) pointed out that such support has seen national and international organizations cooperate in training local talent and offering finance to growing businesses in the region. Overall, the economic outlook for Gulf countries is positive. Several factors drive growth, including higher oil prices, oil and gas production expansion, a favourable business environment, and world-class infrastructure (Alsayegh, 2023). However, some countries may face inflationary pressures and slower global demand.

Figure 3 represents the consumer price index (CPI) expressing GCC’s economic output. Based on several studies and data, it is proved that large companies will increase production. Moreover, large companies are capable of mass output and effective logistics; multinational businesses are possible only through large companies compared to SMEs. Also, large companies may boost production when the CPI rises. This suggests they expect higher demand due to increased consumer spending. Rising CPI signals to companies that it’s an excellent time to increase production, potentially boosting revenues (Ali and Asfaw, 2023).

**Figure 3.** Consumer price index in GCC.

Source: Derived from GCC-Stat (GCC STAT, 2021).

### 2.4. Value addition in SMEs and large companies

Large businesses and SMEs played essential roles in the economic development of the GCC region. Regarding value addition, large businesses significantly contribute more than SMEs in GCC (Bayraktar and Algan, 2019). Nevertheless, in a few areas, SMEs make a high economic contribution to GCC, but in most places, large businesses dominate the economic contribution in the region.

Even though large businesses lead the value addition in GCC, there has been a steady increase in the GDP contribution by SMEs in the region in recent years (Manzoor et al., 2021). Likewise, SMEs’ contribution to the GCC region in 2015 was $53 billion, 22% of the total GDP (OECD, 2017). This indicates that SMEs’ contribution towards value addition has been increasing recently; through value addition, SMEs can support job creation in the region (Pasnicu, 2018). The Imperial
Tobacco Company of India limited (ITC) GCC division report shows that 16.7 million people were employed in SMEs in 2019, four times greater than those employed in large companies, with only 3.9 million (Stepanyan et al., 2019).

In GCC, the contribution value addition in SMEs will differ from country to country. According to IMF (2022), in the UAE, SMEs accounted for 27% of the country’s GDP in 2019, while in Saudi Arabia, they accounted for 21%. In Kuwait, Bahrain, and Oman, SMEs contributed 19%, 25%, and 21% to the respective countries’ GDPs, with an average of 18.83%. Even though SMEs make a steady contribution, large businesses can still dominate the GCC region’s overall contribution to GDP (D’Imperio, 2018). This highlights the potential for large companies to play a more significant role in driving economic growth and development in these countries.

While SMEs have contributed well in recent years in wholesale, retail, hotels, restaurants, and household goods, there are several other key areas where large businesses dominate in value addition. Moreover, large companies like manufacturing, mining, electricity, gas, water, construction, transportation, communication, financial intermediation, real estate, public administration, defence, education, and social responsibility were utterly conquered and capable of dominating the value addition in the GCC region.

Therefore, large businesses significantly contribute more to value addition than SMEs. Despite this, recent trends show a steady increase in SMEs’ GDP contribution, indicating their growing importance in the region. Furthermore, SMEs have demonstrated prowess in specific sectors, mainly wholesale, retail, hotels, restaurants, and household goods, contributing substantially to economic growth and job creation. However, large businesses dominate key sectors such as manufacturing, mining, electricity, gas, water, construction, transportation, communication, financial intermediation, real estate, public administration, defence, education, and social responsibility, driving the overall value addition in the GCC region. In addition, the varying contributions of SMEs across GCC countries emphasize the need for tailored strategies to support their growth. Nevertheless, the potential for large companies to further drive economic growth and development in the region remains significant. By leveraging their resources and capabilities, large businesses can continue to lead in value addition, fostering sustained economic prosperity across the GCC.

3. Approaches and results of research

Several multinational corporations operate in the region, and large companies significantly impact the GCC economy. In contrast to large companies, SMEs are widespread in travel and tourism agencies, hospitality, food and beverage, and wholesale and retail trade. At the same time, large companies deal with education, healthcare, logistics, infrastructure, automobile, financial services, insurance, banking, and manufacturing (Abrar ul Haq et al., 2022; Alawi et al., 2023; Elumalai et al., 2021; John et al., 2022; Pattali1 et al., 2024).

The study brings together the positive side of large companies, like easy access to funds compared to the SMEs in GCC countries; proven track record of success and established brand recognition are the key points of large companies in successful fundraising. Moreover, large companies can access the capital market and get loans at
more favourable terms to raise additional funds. In contrast, SMEs are not getting funds quickly and struggle to raise funds, especially while starting a business and during the economic downturn. Moreover, based on the study, the funding gap hinders SMEs in the GCC region and limits the GDP contribution.

**Figure 4** summarizes SMEs create more jobs annually due to agility in responding to market demands, experience higher rates of job loss due to market fluctuations and limited resources; SMEs offer opportunities across various industries, filling market niches; with support; SMEs can expand operations, enter new markets, and create more jobs; they dominate sectors like wholesale, retail, and services, boosting economic competitiveness; disparities exist between citizens and expatriates, influenced by wages, skills, and opportunities; SMEs drive employment growth through innovation and market creation; limited compared to larger firms due to market volatility and financial instability; and attractive due to flexibility, entrepreneurial opportunities, and fewer bureaucratic hurdles.

![Figure 4. Summary of impact on SMEs.](source: Figure by authors based on the problem description.)

In GCC, the oil and gas sector is a significant sizeable multinational corporation that is predominant in employment opportunities. Thousands of GCC nationals are getting employed in these large-scale companies; moreover, large companies prioritize employment for local people over expatriates. Furthermore, the study found that SMEs create more job opportunities than large companies, but the GDP contribution of SMEs is small compared to large companies. Moreover, GCC nationals getting more jobs in large companies like oil and gas, finance, and aviation will increase the visibility of local people and prioritize job opportunities more than expatriates.

**Figure 5** shows that large companies hold significant sway over the economy, impacting employment, regional output, and household earnings across manufacturing, finance, and other sectors. Their extensive workforce offers sought-after job security and competitive salaries, bolstering stability in the job market. Beyond direct employment, they drive economic activity in their regions, contributing to community financial well-being. Despite challenges, their resilience and innovation remain pivotal in economic growth.
Figure 5. Summary of impact on large companies.
Source: Figure by authors based on the problem description.

The comparison between SMEs and large companies in the GCC region reveals distinct advantages and challenges, as represented in Table 2. SMEs face obstacles such as limited resources, regulatory burdens, and constrained market reach, while large companies leverage economies of scale, robust financing, and established brand recognition.

Table 2. Summary table of comparison between SMEs and large companies.

<table>
<thead>
<tr>
<th><strong>SMEs</strong></th>
<th><strong>Large Companies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited resources</td>
<td>Wage and rent pressure</td>
</tr>
<tr>
<td>Limited market reach</td>
<td>Constraints of labour and inputs</td>
</tr>
<tr>
<td>Lack of brand recognition</td>
<td>Infrastructure congestion</td>
</tr>
<tr>
<td>Difficulty accessing financing</td>
<td>Training and development programs</td>
</tr>
<tr>
<td>Regulatory burdens</td>
<td>Higher competition in the labour market</td>
</tr>
<tr>
<td>Lower salaries and benefits</td>
<td>Higher salaries and benefits</td>
</tr>
<tr>
<td>Less job security for the local citizens</td>
<td>Job security in specific industries and more job opportunities for citizens.</td>
</tr>
<tr>
<td>Limited contribution to household income</td>
<td>Higher concentration of job opportunities</td>
</tr>
<tr>
<td>Lower contribution to the overall economy</td>
<td>Higher contribution to the overall economy</td>
</tr>
<tr>
<td>Less impact on GDP</td>
<td>Significant impact on GDP</td>
</tr>
<tr>
<td>Limited value addition in most sectors</td>
<td>Higher value addition in various sectors</td>
</tr>
<tr>
<td>Increasing contribution to GDP</td>
<td>Dominance in driving economic growth</td>
</tr>
<tr>
<td>Job creation support</td>
<td>Potential for driving economic growth and development</td>
</tr>
</tbody>
</table>

Source: Table by authors based on the problem description.

The study also found several challenges for SMEs in the GCC region, including training opportunities, regulatory burdens, financing, brand recognition, specialization, market reach, and limited resources. At the same time, large companies have the cutting-edge advantages of creating employment opportunities for locals through comprehensive training and development programs, economies of scale, access to financing, brand recognition, expertise, specialization, market presence, and great resources. Large companies can dominate employment opportunities, household
earnings, economic output, and value addition to the GCC region and have the region’s economic impact.

4. Policy recommendations

Based on the analysis of the economic impact of SMEs and large companies in the GCC region, the following policy recommendations are proposed to support large companies. Further, the recommendations include the essence of the "Mercatilish Theory of Development," which encourages countries in both growth and development.

First, policy-makers and government agencies should incentivise research and development activities to foster innovation. Therefore, governments should promote research, and innovation can be encouraged through grants, subsidies, and tax credits for companies to invest in technological innovation and processes. For example, European countries like Sweden and Finland have been prosperous in promoting innovation through such policies (Shao and Wang, 2023). Second, harmonizing and simplifying business regulations can help reduce companies’ administrative burdens and increase competitiveness. For example, countries like Denmark and Estonia are known for their user-friendly regulatory and efficient business frameworks (Billerbeck et al., 2023). Third, the growth of large companies can be achieved through policy support for entrepreneurship or startup ideas supporting large businesses. Therefore, government agencies should encourage incubation centres, mentorship programs, and access to startup funding in creating new ventures. For example, initiatives like Tech Nation and British Business Bank supported the vibrant startup ecosystem of the United Kingdom (Li et al., 2020).

Fourth, in the current digital age, crucial factors like advanced data networks, reliable broadband connectivity, and robust digital infrastructure are essential for the growth of large companies. Therefore, governments must invest in facilities that enhance digital infrastructure to ensure high-speed internet access and reliable broadband connectivity across the country. For example, robust digital infrastructure has supported their large company’s growth in the Netherlands and Switzerland (Sanders and Scanlon, 2021). Fifth, ease of knowledge transfer and innovation between research institutions, universities, and companies can be achieved through industry and academic collaboration. Therefore, governments should develop industry and academia collaborations like technology transfer offices, industry-academia partnerships, and joint research projects. For example, the "dual education system" adopted by Germany is one of the successful industry-academia collaborations (de Wit-de Vries et al., 2019). Sixth, to have long-run benefits for society and the environment, it is mandatory to encourage large companies to have sustainable practices, and the exact needs to be included in the strategic plans of companies and countries. Therefore, governments can encourage large companies to implement environmentally friendly practices, promote renewable energy, and reduce the carbon footprint through grants and tax incentives. For example, Denmark and Sweden promoted sustainable development practices in large companies (Petrescu et al., 2020).

Seventh, large companies need assistance when they are expanding their operations beyond the boundaries. Therefore, governments should promote
international business networks, facilitate market access through free trade agreements, and provide export assistance. For example, with a solid export-oriented internationalization policy, Germany and the Netherlands lead economies with strong large companies set up (Gereffi et al., 2021). Eighth, preparing a stable, skilled workforce is possible through well-designed training programs and technology-embedded education. Therefore, governments should encourage collaboration between large companies and educational institutions, including a strategic framework, system oversight, and service delivery dimensions to align education with industrial requirements. For example, the apprenticeship system in Switzerland is one of the renowned systems for providing practical training to ensure a skilled workforce (Arinaitwe, 2021).

Ninth, encouraging large companies should be accompanied by ensuring fair compensation to encourage the citizens to prefer large companies’ employment. Therefore, governments should restrict monopolistic practices, promote innovation, and prevent market distortions to ensure an equal playing field for all large companies. For example, the competition regulation framework of the European Union is a proven robust system (van Niekerk, 2020). Finally, large companies should include employee benefits, ethical sourcing, community development, and philanthropy practices for effective social responsibility. Therefore, governments should encourage large companies in CSR activities to support the development of large companies. For example, Norway and Denmark were well-recognized for their adequate emphasis on CSR activities (Aras-Beger and Taşkin, 2021). By implementing these policy recommendations, policy-makers can promote the economic impact of large companies in the GCC region. Supporting large businesses will lead to sustainable economic growth, generate employment opportunities, increase household earnings, boost economic output, and promote value addition. It is crucial to strike a balance between supporting both SMEs and large companies to ensure a vibrant and diversified economy in the GCC region.

5. Conclusion

SMEs and large companies are critical to any country’s economic growth and development. However, SMEs are not the best place to generate jobs for local citizens compared to large companies in GCC countries. Also, SMEs cannot contribute more than 25% to GDP compared to large enterprises (Stepanyan et al., 2019). Further, SMEs lack the ability to diversify and transfer technology compared to large companies (Knesl, 2023). Moreover, SMEs have less impact on the middle class in GCC than large companies (Ismail Albalushi and Naqshbandi, 2022). All together, developing economic clusters, SMEs are more resilient to being established than large companies (Conz et al., 2017). Hence, GCC countries should concentrate on growing large companies to generate employment and increase the GDP. Therefore, policy-makers consider the differences and develop policies to support and increase the number of large companies achieving their full potential. Overall, this article pointed out the importance of large companies and their economic impact in the GCC region; policy recommendations will help the governing bodies in decision-making towards promoting sustainable economic growth.
**Author contributions:** Designed the study and was responsible for the quality assurance of the study results, analyzing the data, HAQ; was responsible for the quality assurance of the interpretation of the results, JPS; writing—original draft preparation, editing, reading, and approving the final manuscript, HAQ and JPS. All authors have read and agreed to the published version of the manuscript.

**Conflict of interest:** The authors declare no conflict of interest.

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Ruby. (2022). Bahrain is fifth in the Gulf and the 28th with the highest average salary globally. The News Dept.


