

## CRITICAL REVIEW OF CURRENT STATUS, GROWTH TRENDS AND FUTURE PROSPECTS OF OMAN ECONOMY, WITH SPECIAL REFERENCE TO SERVICE SECTOR

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### Introduction

Oman is an Arab country on the southeastern coast of the Arabian Peninsula. Holding a strategically important position at the mouth of the Persian Gulf, the country shares land borders with the United Arab Emirates to the northwest, Saudi Arabia to the west, and Yemen to the southwest, and shares marine borders with Iran and Pakistan. Its capital city is Muscat, Official language Arabic, Religion Islam, Government Unitary parliamentary absolute monarchy, Sultan- Qaboos Bin Said Al Said, Total Area 309500 km<sup>2</sup>, Population 4654471 (2016), Gross Domestic Product in billions of U.S. dollars 69.83 billion in 2015, Currency Rial (OMR).

Sultanate of Oman is a middle-income economy with notable oil and gas resources and substantial trade and budget surpluses. Petroleum accounts for 64% of total export earnings, 45% of government revenues and 50% of GDP. Hydrocarbon sector represents one of the most important sectors of the Omani economy. Oman possesses 5.50 billion barrels of proven crude oil reserves which account for 1.2% of the total GCC reserves – almost 0.4% of the world total reserves. With current oil production at 0.806 million barrels a day, oil reserves are expected to last for 19 years. A period between 2003 to late 2008 was the best period for the economy in terms of economic performance on the back of sustained high oil prices, which have helped build Oman's twin surpluses (budget and trade surpluses), and foreign reserves. It has a strong and diversified private sector, which covers industry, agriculture, textile, retail and tourism. Its major industries are copper, mining and smelting, oil refining and cement plants. It further seeks private foreign investors, especially in the industrial, IT, tourism and higher education fields. Industrial development plans focus on gas resources, metal manufacturing, petrochemicals, and international transshipment ports. Oman was confronted with two challenges: high liquidity and inflation until late 2008. The slump in the world oil market and the emergence of the global financial and economic crisis reduced Oman's budget surplus significantly in 2009, and slowed the pace of investment and development projects. By using enhanced oil recovery techniques, Oman succeeded in increasing oil production in 2009, giving the country more time to diversify. Oman is actively pursuing a development plan that focuses on diversification, industrialization and privatization, with the objective of reducing oil sector's contribution to GDP to (9%) in 2020. The global economic recovery will have a positive impact on the economy.

### Services Sector

Service is made up of deeds, processes and performances. A formal definition of Service Marketing: Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essential intangible concerns of the first purchaser. Services sector produces intangible goods, which consists of the "soft" parts of the economy; services are the activities where people offer their knowledge and time to improve productivity to the national productivity.

Countries have transformed their economy by diversifying their economy in service sector wherein they are largely exporting software products and providing BPO & KPO services to the entire world. Today service sector is the major contributor to the world's major economically developed countries, with the growth of their economy they have seen a catapult in growth, wherein plenty of employment opportunities are created people's earning potential has gone-up, higher disposable income and enhanced savings thus leading to higher standard of living. With the growth of higher disposable income with people at all levels, the services sector has enhanced growth and development of **Software, Financial, Banking, Insurance, Consulting, Tourism, Hospitality, Entertainment, Telecom, Medical, Health, Education, BPO, Call centers, KPO, Transportation, Security, Advertising, Social and Personal services** etc.

With the growth in savings, people started accumulating wealth thereby contributing to the boost in Financial Services sector such as Banking, Insurance, Mutual Funds, Business Services and Financing etc. This scenario has further attracted variety of potential entrepreneurs to invest into these sunrise/ emerging sectors that resulted in growth of other sectors like Automobile, Petroleum, Retailing, FMCG etc in service sector, where they are catering to the requirements of customers with various types of services, thus giving great competitive push to services marketing as a sector. In the afore-mentioned context, due the hardcore efforts by the service professionals the service sector has emerged as the biggest contributor to the GDP of major developed countries.

Human resource forms the most important factor for the construction of any country. It is the human resource which mobilizes other resources to employ them in an economic activity. For the development of service sector human resource of a country plays dominant role, since services are the deeds and performance of promises by the provider of service it require lower gestation period and minimal capital investment people with specialize skills can easily establish service organization it may be DTP center, Car service station, Tutoring, Technical support service organization, Tailoring, Beauty Parlor, Game play center, Internet center, Tax consultancy, Law firm, Cable TV operators, Engineering services, Baby care center, Coffee Shop, Electrical & electronic service center as a micro & small service based businesses and Banking, Insurance, Hospitality, Health care, BPO, Call Centers etc as a large scale service based organization. Human resource is the key factor for the inception, growth of these organizations to contribute towards the nations GDP.

### Problem Identification

“Whether to diversify the economy in sunrise sector of service industry or whether to focus on the present petroleum sector to come out from economic crises”.

**Objectives of the Study**

1. To identify potential sunrise sectors which leads Oman economy to diversify?
2. To study the potential opportunities available in service sector which contribute to Oman economy?
3. To analyze the potential strengths available in Oman for the diversification of economy.
4. To study the infrastructure and other potential requirements to invest in service sector.
5. To study and understand the possibility of inception of various service industries in Oman.

**Hypothesis Testing**

**H<sub>0</sub>:** There is no relation between the diversification of economy and the growth of Oman economy.

**H<sub>1</sub>:** There is relation between the diversification of economy and the growth of Oman economy.

**Research Design**

This is an exploratory research which studies the present scenario of Oman economy and also describes the various sectors who contribute to the Oman economy and investigates the possibilities of services sector’s contribution for the growth of Oman economy. This study also investigates the potential infrastructure and resources available for the development of services sector and how effectively those can be employed for the growth of services sector which ultimately contributes to the Oman economy. This study also describes the demographics of Oman like Official language, Religion, Government Unitary parliamentary, Sultan, Total Area, Population, Gross Domestic Product, Currency, strategic location, contribution made by different sectors and the scope of development of service sector.

**Limitations of the Study**

It is true to highlight that every research has it is own limitation. Such research needs longer time to get better outcomes. This study is based upon secondary data, the data which is collected for some other purpose has been used in this study. As per the requirement latest and specific data was not available so with the available data researcher has analyzed and drawn conclusion.

**Data Analysis**

**1. Oman: GDP, Current U.S. Dollars**

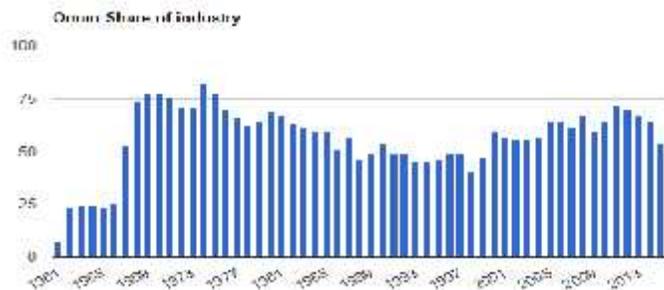
S. No	Year	GDP (in Billion US Dollars)	% of Change (Compared to previous year)
1	2015	69.83	-13.83
2	2014	81.04	2.66
3	2013	78.94	2.93
4	2012	76.69	12.87
5	2011	67.94	17.13



**Inference:** As depicted in the above table & graph it is found that the GDP of Oman is at decline since from the year 2015, if we analyze the previous 5 years data from 2011 to 2015 there is a boom in the economy in the year 2012 and maintained the same till the year 2014. All this details are tabulated with the help of Table No. 1 and visualized with the help of figure No.1.

**2. Oman: Share of Industry**

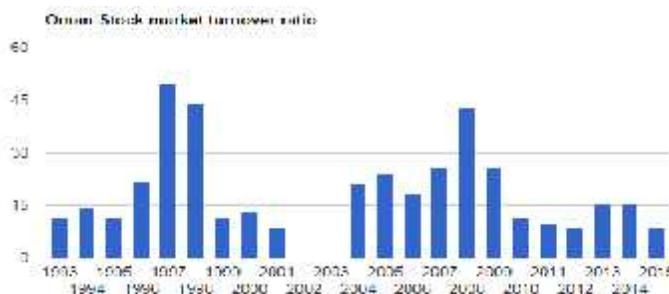
S. No	Year	Percentage	% of change (Compared to previous year)
1	2015	53.94	-15.71
2	2014	64	-5.25
3	2013	67.55	-3.5
4	2012	70.07	-2.20
5	2011	71.65	12.38



**Inference:** As depicted in the above table & graph it is found that the share of industry is constantly at decline with limited percentage from 2011 to 2014 but in the year 2015 there is a drastic decline in the share of industry. All this details are tabulated with the help of Table No. 2 and visualized with the help of figure No.2.

**3. Oman: Stock Market Turnover Ratio**

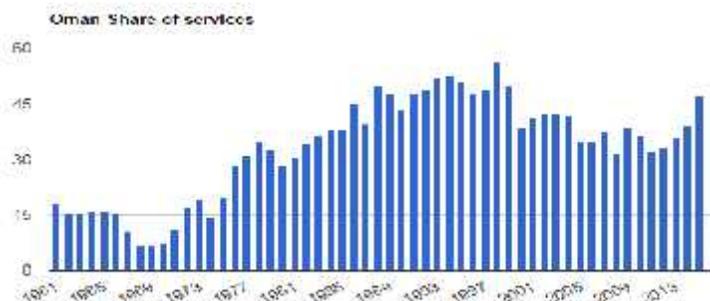
S. No	Year	Percentage	% of change (Compared to previous year)
1	2015	8.66	-43.54
2	2014	15.34	-1.66
3	2013	15.6	77.47
4	2012	8.79	-7.37
5	2011	9.49	32.54



**Inference:** As depicted in the above table & graph it is found that there is a great rise in Stock Market turnover ratio in the year 2013 it maintained with small decline till 2014 but in the year 2015 there is drastic decline. All this details are tabulated with the help of Table No. 3 and visualized with the help of figure No.3.

**4. Oman: Share of Services**

S. No	Year	Share (in Percentage)	% Change (compared to previous year)
1	2015	47.42	21.65
2	2014	38.98	8.85
3	2013	35.81	7.86
4	2012	33.2	2.97
5	2011	32.24	12.43



**Inferences:** As depicted in the above table & graph it is found that service sector has great potential for the growth in the year 2015 its contribution to GDP is 47.42% which is highest in previous 5 years. All this details are tabulated with the help of Table No. 4 and visualized with the help of figure No.4.

**5. Oman: Youth Unemployment**

S. No	Year	Percentage	% of change (Compared to previous year)
1	2014	18.8	1.07
2	2013	18.6	-1.06
3	2012	18.8	-1.05
4	2011	19	-1.55
5	2010	19.3	-1.35

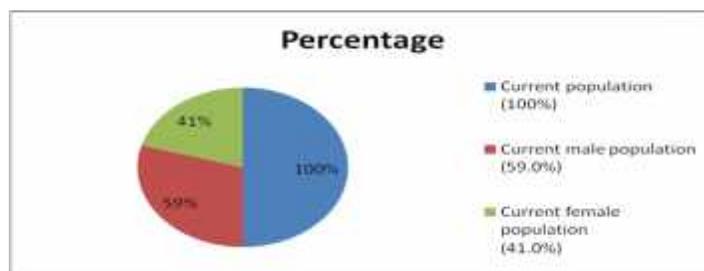


**Inferences:** As depicted in the above table & graph it is found that around 19% of youth population is unemployed throughout the past 5 years. All this details are tabulated with the help of Table No. 5 and visualized with the help of figure No.5.

**6. Population Index**

All data as of beginning of year 2017

S. No	Parameters	Population size
1	Current population (100%)	5 119 745
2	Current male population (59.0%)	3 075 332
3	Current female population(41.0%)	2 136 567

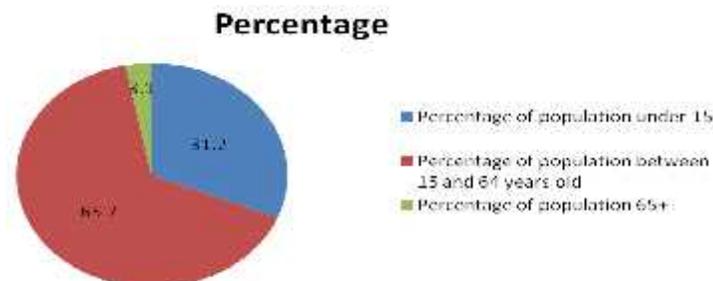


**Inferences:** As depicted in the above table it is found that male population is greater than female population with a difference of 18%. All this details are tabulated with the help of Table No. 6 and visualized with the help of figure No.6.

**7. Oman Age Structure**

As of the beginning of 2017 according to our estimates Oman had the following population age distribution:

S. No	Parameters	Percentage
1	Percentage of population under 15	31.2
2	Percentage of population between 15 and 64 years old	65.7
3	Percentage of population 65+	3.1

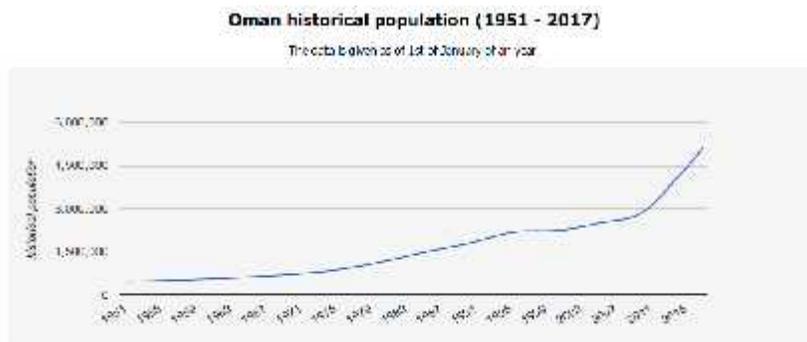


**Inferences:** As depicted in the above table it is found that Oman is a young nation as the population between the age group 15 to 64 is 65.7 which is really high a positive sign for a nation to explore economic activities. All this details are tabulated with the help of Table No. 7 and visualized with the help of figure No.7.

### 8. Oman Historical Population (1951-2017)

The data is given as of 1st of January of a year.

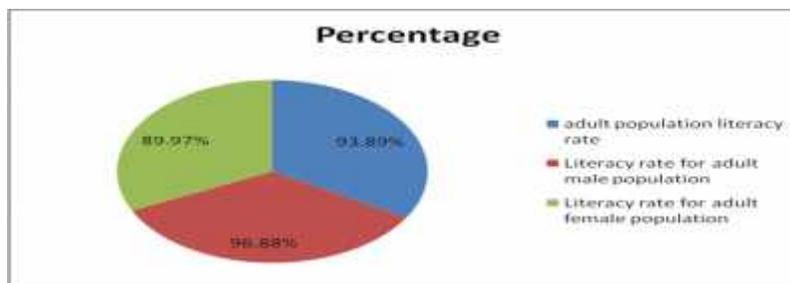
Year	Population	Growth Rate
2017	5 119 745	8.32 %
2016	4 726 413	8.32 %
2015	4 363 299	7.17 %
2014	4 071 485	9.27 %
2013	3 726 052	10.32 %



**Inferences:** As depicted in the above table it is found that every year population growth is around 10%. All this details are tabulated with the help of Table No. 8 and visualized with the help of figure No.8.

### 9. Literacy of Population

S. No	Parameters	Percentage
1	Adult population literacy rate	93.89%
2	Literacy rate for adult male population	96.88%
3	Literacy rate for adult female population	89.97%



**Inferences:** As depicted in the above table it is found that Oman is a highly educated nation with an adult population literacy rate 93.89%, Male adult literacy rate 96.88, and Female adult literacy rate 89.97%. All this details are tabulated with the help of Table No. 9 and visualized with the help of figure No.9.

### Suggestions

- Oman economy has to be diversified in sunrise sector of services, since the contribution of industry to GDP is declining. The major contribution to Oman economy is petroleum sector and due to global oil price crises currently GDP is declining. Since the service industry require lower gestation period and low capital there is a great scope of development of service sector.
- There is a constant decline in the share of industry participation in an economic activity over the past 5 years there are lot many service industry options available for Oman like **Software, Financial, Life Insurance, Consulting, Hospitality, Entertainment, Telecom, Health, Education, BPO, Call centers, KPO, Transportation, Security, Advertising, Social and Personal services, Legal services** etc.
- Service sector is on positive way as it is inclining since from the year 2011 to 15 it is mainly due to improvement in tourism banking, telecom and health sector. There is a great potential for the improvement in the growth of service sector as plenty of the resources like land, communication, infrastructure, and power are available in plenty in Oman.
- Since the unemployment rate of youth population is around 19% throughout previous 5 years, there is a great potential to divert this youth towards services sector. Government can plan specific workshops for a small duration for varied services oriented business and influence them to get into services business. They have lot of options in services sector like DTP center, Car service station, Tutoring, Technical support service organization, Tailoring, Beauty Parlor, Game play center, Internet center, Tax

consultancy, Law firm, Cable TV operators, Engineering services, Baby care center, Coffee Shop, Electrical & electronic service centers a micro & small service based businesses. **Software, Financial, Banking, Insurance, Consulting, Tourism, Hospitality, Entertainment, Telecom, Medical, Health, Education, BPO, Call centers, KPO, Transportation, Security, Advertising, Social and Personal services** etc., as a large scale service based organization.

5. Oman is most young country as there is 65.7% of the population is aging in the range of 15 to 64 years. It means plenty of productive human resource is available which can be sourced for an economic activity. The economy should be diversified to cope with employment opportunity for every young citizen. This is only possible with the development of services sector. The government should provide an environment for the development of BPO, KPO, Call centers to take inception in Oman. There is great scope for the development of BPO like "Language translator, Payroll, Human Resource, Accounting, Customer interaction services, Back office transactions, IT Software Operations, Procurement , Technical support services, Insurance processing, Data entry services, Telemarketing services,
6. Oman is a highly educated country adult population literacy rate is 93.89%, Literacy rate for adult male population 96.88%, Literacy rate for adult female population 89.97% and there is a constant growth in population every year to cope up with unemployment challenges the government should take the initiative to support young competent citizen in the form of loans, technical support, subsidies, knowledge sharing centre to establish services oriented organizations to influence entrepreneurship.

### Conclusion

Oman has got great potential to diversify its economy in various sectors. Since service organizations require lower gestation period limited capital, limited resources, and highly skilled human resource and in a present scenario Oman has to focus on services sector, its strength is its educated youth this youth can be directed towards entrepreneurship, can be employed for the development of services sector. With a little support from the government there may be inception of BPO, Advertising, Call centers, Transportation Consulting Hospitality Entertainment, industries etc this will give rise to more employment opportunities, improved standard of living of people, more disposable income and saving, savings leads to more investment, more disposable income leads to increased market growth this scenario will develop the economy.

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