

The Impact of SMEs E-Platforms in economic of Kingdom of Saudi Arabia

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Abstract: Micro, small, and medium enterprises (MSMEs) are vital to the economic development of Saudi Arabia, contributing significantly to job creation, innovation, and economic diversification. The advent of digital technology has introduced e-platforms as essential tools for MSMEs to enhance their operations, reach new markets, and improve competitiveness. This research paper explores the impact of e-platforms on MSMEs in Saudi Arabia, highlighting the benefits, challenges, and prospects.

The study employs a mixed-methods approach, collecting data from secondary sources such as previous reports and studies, and case studies. Findings indicate that e-platforms have significantly improved market access, operational efficiency, and innovation among MSMEs. However, challenges such as lack of digital skills, high implementation costs, cybersecurity concerns, and regulatory barriers hinder the full adoption of e-platforms.

Implementing digital skills training programs, providing financial support, enhancing cybersecurity measures, and investing in digital infrastructure. By addressing these challenges, Saudi Arabia can create a conducive environment for MSMEs to thrive in the digital economy, ultimately contributing to the Kingdom's Vision 2030 goals.

Keywords: MSMEs, Economic, E-Platform.

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I. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) play a crucial role in the economic development of Saudi Arabia. They have a crucial role in employment generation, innovation, and economic diversity. With the advent of digital technology, e-platforms have become essential tools for MSMEs to enhance their operations, reach new markets, and improve their competitiveness. This research paper explores the impact of e-platforms on MSMEs in Saudi Arabia, highlighting the benefits, challenges, and prospects.

II. RELATED WORK

The literature on the impact of e-platforms on MSMEs in Saudi Arabia is extensive and highlights various aspects of digital transformation, market access, operational efficiency, and innovation. This section delves deeper into the existing research, providing a comprehensive overview of the benefits and challenges associated with the adoption of e-platforms by MSMEs in Saudi Arabia.

1. Digital Transformation and Market Access

Digital transformation is essential for the growth and competitiveness of MSMEs. E-platforms enable MSMEs to access broader markets, both locally and internationally. According to a study by Monsha'at, the adoption of e-commerce platforms has significantly increased the market reach of MSMEs, allowing them to tap into new customer segments and expand their sales[1]. The study emphasizes that e-commerce platforms such as Souq.com and Noon.com have provided MSMEs with the opportunity to showcase their products to a larger audience, thereby increasing their market presence.

2. Operational Efficiency and Cost Reduction

E-platforms contribute to enhanced operational efficiency and cost reduction for MSMEs. Digital tools such as cloud computing, e-commerce platforms, and digital payment systems streamline business processes, reducing the time and cost associated with traditional methods. A study by the Saudi Electronic University found that the implementation of e-commerce systems improved the operational and financial performance of MSMEs, leading to increased productivity and cost savings[2]. The study highlights

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that cloud-based accounting software and inventory management systems have enabled MSMEs to manage their operations more efficiently.

3. Innovation and Product Development

Innovation is a key driver of growth for MSMEs, and e-platforms play a crucial role in fostering innovation and product development. By providing access to a wealth of information and resources, e-platforms enable MSMEs to develop new products and services that meet the evolving needs of their customers. A study by the Journal of Electronic Commerce in Organizations found that e-platforms facilitate collaboration and knowledge sharing, which are essential for innovation[3]. The study also notes that MSMEs can use online forums and communities to exchange ideas and gain insights into market trends, leading to the creation of innovative solutions.

4. Challenges in Adopting E-Platforms

a. Lack of Digital Skills

One of the major challenges faced by MSMEs in adopting e-platforms is the lack of digital skills. Many MSME owners and employees lack the necessary digital skills to effectively utilize e-platforms, which hinders their ability to fully leverage the benefits of digital technologies[4]. A study by Umm Al-Qura University highlights the need for digital skills training programs to bridge this skills gap and empower MSMEs to harness the potential of e-platforms.

b. High Implementation Costs

The initial cost of implementing e-platforms can be prohibitive for some MSMEs[4]. This includes the cost of purchasing software, hardware, and training employees. A study by the International Journal of Business and Management found that high implementation costs are a significant barrier to the adoption of e-platforms by MSMEs. The study suggests that financial support from the government and private sector can help mitigate these costs and encourage more MSMEs to adopt digital solutions.

c. Cybersecurity Concerns

Cybersecurity is a critical concern for MSMEs adopting e-platforms. MSMEs are often vulnerable to cyber-attacks due to inadequate security measures, which poses a significant risk to their operations and customer data. A study by the Saudi Electronic University emphasizes the importance of implementing robust cybersecurity protocols and raising awareness about best practices to protect MSMEs from cyber threats[2].

d. Regulatory and Infrastructure Barriers

Regulatory hurdles and inadequate digital infrastructure can impede the adoption of e-platforms by MSMEs. Issues related to internet connectivity and access to digital services are significant barriers. A study by Monsha'at highlights the need for government initiatives to improve digital infrastructure and streamline regulations to facilitate the widespread adoption of e-platforms[1].

5. The impact of e-platforms on the Saudi economy

a. 1. Improving access to markets

Online platforms provide new opportunities for small and medium-sized enterprises (SMEs) to reach local and global markets. Through e-commerce, these enterprises can showcase their products and services to a wider audience, increasing sales and growth opportunities. An International Monetary Fund report indicates that digital technologies enable SMEs to achieve operational efficiencies, drive innovation, and access markets and financing.[1] For example, SMEs can use platforms such as Souq.com and Noon to reach customers across the Kingdom and beyond, increasing opportunities for growth and expansion.

b. Increasing Operational Efficiency

Electronic platforms help improve the operational efficiency of small and medium-sized enterprises (SMEs) by reducing costs and increasing productivity. The use of digital tools such as cloud software and resource management systems can contribute to improved process management and reduced errors. A study conducted by the United Nations Economic and Social Commission for Western Asia (ESCWA) reveals that the transfer of technology to small and medium-sized enterprises (SMEs) is essential for enhancing their productivity and competitiveness [5]. For example, organizations can use enterprise resource planning (ERP) systems to improve inventory, human resources, and financial management, increasing operational efficiency.

c. Promoting Innovation

Online platforms provide a conducive environment for developing new products and services, enhancing the competitiveness of SMEs in global markets. Innovation is a critical component of improving the performance of SMEs, as indicated by an OECD study[3]. For example, SMEs can use open innovation platforms such as InnoCentive to collaborate with experts and innovators from around the world to develop new and innovative solutions.

d. Creating Job Opportunities

SMEs contribute significantly to job creation. By adopting digital technology, these enterprises can expand their operations and increase their headcount. A report by the General Authority for Small and Medium Enterprises in Saudi Arabia indicates that these enterprises contribute significantly to GDP and workforce employment. For example, SMEs can use online recruitment platforms such as Bayt.com and LinkedIn to quickly and efficiently find and hire the right talent.

e. Attracting Foreign Investment

Technology plays an important role in attracting foreign investment to the Kingdom. Digital technology provides a conducive environment for business development and attracts foreign investors, thus enhancing the growth of the national economy. A report by the Saudi Arabian General Investment Authority (SAGIA) shows that technology plays a significant role in attracting foreign investment to the Kingdom[9]. For example, small and medium-sized enterprises (SMEs) can

leverage crowdfunding platforms like Kickstarter and Indiegogo to attract investment from foreign investors.

6. Case Studies

a. Al-Jouf Olive Oil Company

Al-Jouf Olive Oil Company, a small enterprise in the Al-Jouf region, successfully leveraged e-platforms to expand its market reach. By utilizing social media marketing and e-commerce platforms, the company increased its sales by 30% within a year[7]. The company also adopted digital payment systems, which improved the efficiency of its transactions.

b. Riyadh Handicrafts Cooperative

The Riyadh Handicrafts Cooperative, a micro-enterprise specializing in traditional crafts, used e-platforms to showcase its products to a global audience. By partnering with online marketplaces, the cooperative was able to reach customers in Europe and North America. This not only boosted sales but also helped preserve and promote Saudi cultural heritage.

However, E-commerce platforms play a pivotal role in fostering the growth of micro, small, and medium-sized enterprises (MSMEs) in Saudi Arabia. By embracing digital technology, these enterprises can achieve sustainable growth and increase their contribution to the national economy[10]. However, these enterprises face significant challenges in fully adopting digital technology, requiring government support and national strategies to promote digitization.

III. METHODOLOGY

In this research, we study various researchers who have primarily focused on MSMEs E-Platform. Although the techniques used in previous studies have been shown to be effective, since we will be conducting this research on a Saudi Arabia Economic.

This study employs a mixed-methods approach, collecting data from secondary sources such as previous reports and studies, and case studies. Findings indicate that e-platforms have significantly improved market access, operational efficiency, and innovation among MSMEs. However, challenges such as lack of digital skills, high implementation costs, cybersecurity concerns, and regulatory barriers hinder the full adoption of e-platforms.

Implementing digital skills training programs, providing financial support, enhancing cybersecurity measures, and investing in digital infrastructure. By addressing these challenges, Saudi Arabia can create a conducive environment for MSMEs to thrive in the digital economy, ultimately contributing to the Kingdom's Vision 2030 goals [10].

IV. CONCLUSIONS

E-platforms have the potential to transform the MSME sector in Saudi Arabia by improving market access, enhancing operational efficiency, and fostering innovation. However, addressing the challenges related to digital skills, implementation costs, cybersecurity, and infrastructure is crucial for maximizing the

benefits of e-platforms. By implementing the recommended measures, Saudi Arabia can create a conducive environment for MSMEs to thrive in the digital economy.

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