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## The Consequences of Holidays on Small Businesses: Case of the Arabian Gulf

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### **Abstract:**

*The question this study seeks to answer is “What is the impact of public holidays on profitability of SMEs in Bahrain?” In an attempt to better understand the impact of holidays on small businesses in Bahrain, two exploratory research studies were conducted among various selected business sectors of SMEs in Bahrain. For both studies the participants of the questionnaires were selected to best reflect the business owners of various SMEs in Bahrain. In the first study, there were 100 participants, of which 94% were Bahraini; the majority of participants come from the business service sectors. The major finding of the first study indicated the majority of business owners believe Bahrain has a high number of official holidays (65%) and believe that holidays impact their business performance. The finding highlights that the highest impact comes from religious holidays (80%), since majority of residents travel for religious reasons. The majority of the sales owners believe that their sales volume decreases during holidays. In summary, the finding of the first study encouraged us to conduct another field research study, aimed to ascertain the impact of public holidays on the profitability of SMEs in Bahrain. Another questionnaire was distributed to in which 130 SME business owners participated. Here the majority of the respondents (67%) own micro businesses, followed by 20% small business owners. A majority of the respondents believe that Bahrain has too many public holidays (70%). The most preferred to travel abroad, surprisingly, a majority picked religious and national holidays. The most affected business sectors are healthcare and especially private clinics, manufacturing, services such as computer services, and consultancy services. On the other hand, there are businesses that benefit from holidays, such as those involved in entertainment, restaurants and cinemas. The statistical analysis of hypothesis testing indicated that public holidays have an impact on the profitability of SMEs in Bahrain. In conclusion, both studies have shown, through statistical analysis, that holidays have an impact on SMEs. Businesses and business managers are encouraged to develop strategies to avoid the negative impact.*

**Keywords:** Bahrain, holiday and business, impact of holidays on SME, public holidays, research studies

People tend to perceive public holidays positively and look forward to them regardless of their socioeconomic level, education and marital status. The Oxford Dictionary defines a holiday as “an extended period of leisure and recreation; a day of festivity or recreation when no work is done” (n.d.). In their simplest form, holidays are a time off for regular activities such as religious, cultural, national, occupational and/or festival. On the one hand, individuals, and especially working people, look forward to holidays and expect more from them (Amavilah, 2009).

Meanwhile, business owners could have mixed perceptions of the impact of holidays on their businesses. Some acknowledge the positive impact of the holiday on their business, while others, and especially small and medium sized businesses, may view holidays as having a negative impact on their business performance, and as a factor that can lead to financial loss for their businesses. However, every country has its specific holidays observed on different dates and there are different laws on how businesses are to operate during the holidays and whether employees are to be compensated if the business stays open during the holiday (K. Moosa, 2013).

Globally, the number of holidays varies in every country, but the majority of countries have between 10 and 15 holidays a year. In the Kingdom of Bahrain, many holidays are observed, aside from official holidays on weekends on Fridays and Saturdays. Holidays in the Kingdom of Bahrain are New Year’s Day, the Birthday of Prophet Mohammed, Labor Day, Eid al-Fitr, Eid al-Adha, Islamic New Year, Ashura and National Day (CBB 2015). There are 14 public holidays in total (CBB, 2015). Usually, if any of these mentioned holidays fall on the same day as another public holiday or weekend, then that day will be compensated thereafter. Bahrain has the second most public holidays among the GCC countries, after Saudi Arabia, which has 23 (Albilad, 2013; Hafez, 2013).

Although the number of holidays is relatively similar between various different countries, studies indicate that the impact of holidays on small and medium businesses may differ significantly from country to country based on the society, type of holidays, SMEs market

size, economic structure and business sectors, along with people's attitudes toward staying home or traveling during the holidays. Another important factor to highlight is that the occurrence of the holidays on a weekday could have a significant impact.

SMEs are responsible for generating 73% of the private-sector jobs in the Bahraini job market, and contribute 30% of the gross national product in Bahrain. In Bahrain, in recent years small sized enterprises have accounted for 91% while large companies represented about 1%. On examining the business sectors profile and segmentation, it is found to fall into about 40% trade, 18% business activities, 11% manufacturing and 11% construction (Alaradi,2006).

The limited size and capabilities of the SME in Bahrain make it more sensitive to the negative impact of the holidays. This negative impact is greater on businesses with one physical store: if this is closed during the holiday, it means the entire source of income is also closed. The question this study seeks to answer is "What is the impact of public holidays on profitability of SMEs in Bahrain?" The fact is that, due to the large number of holidays in Bahrain, there is a problem as to whether SMEs can maintain their sustainability and profitability with 14 days off in every year.

To understand the extent of the impact of holidays on the business, one needs to highlight three major elements. The first is the day on which the holiday occurs: whether the holiday falls in the beginning or middle of the week, or just before the weekend. The second element is the type of holiday: whether it is a national, festive or religious holiday. The third element is the type of SME or business: customer services, retail, consultancy, construction, industrial, entertainment, or food chain services. For example, last year on one religious holiday 45,000 people traveled to one country, and 11,000 Bahraini traveled to another country for religious events, of which the average person spent 1000 BD during that five day visit (AlWasat, 2009, 2014). While such a considerable number of travelers could possibly profit travel agencies, one can argue that businesses in general would be negatively affected by the removal of customers from the local market through travel.

Retrospective data analysis was performed on the eight different type of holiday events and their day of occurrence, taking into account the day of the week on which the holiday fell and the probability of residents traveling out of the country, for one calendar year. The aim here was to understand the direct and indirect impact on the business. Three assumptions were that the actual day of the holiday would have 100% negative impact on the business; this would be 50% if it preceded the weekend, and 25% for the days before or after the holiday.

In an attempt to better understand the impact of holidays on small businesses in Bahrain, an exploratory research was conducted among various selected business sectors of SMEs in Bahrain. Quantitative data was collected through a questionnaire as the main instrument of data collection in order to analyze a primary source of information with regards to SMEs in Bahrain. The participants of the questionnaire were selected to best reflect the business owners of various SMEs in Bahrain. We adopted the classification of the SMEs established by the Ministry of Industry and Commerce (MOIC, 2013), that is, micro SMEs are those with less than 10 employees, small SMEs those with 11-50 employees, and medium SMEs 41-250 employees. However, these number are different for the construction sector.

In total there were 100 participants, of which 94% were Bahraini. In terms of age, they had about equal segmentation of age ranging from 20 to more than 50 years. In terms of gender, 54% were male and 46% female. The majority (60%) of participants were married. The majority of participants (61%) come from single owned business. In terms of sector, healthcare made up 16% while retail, manufacturing and services were equal at about 12%. These numbers are a good reflection of SMEs in the country. Interestingly, the majority of participants come from the business service sectors (62%). Reflecting on the major finding of the first study, the majority of business owners believe Bahrain has a high number of official holidays (65%) and believe that holidays impact their business performance. The finding highlights that the highest impact comes from religious holidays (80%), since majority of residents travel for religious reasons. The majority of the sales owners believe that their sales volume decreases during holidays. In summary, the finding of the first study encouraged us to conduct another field research study, referred to here as the second research study.

A second research study was conducted to ascertain the impact of public holidays on the profitability of SMEs in Bahrain. A questionnaire was distributed in both Arabic and English languages to enable business owners to respond in the language most suitable to them. In the second study 130 SME business owners participated. Here the majority of the respondents (67%) own micro businesses, followed by 20% small business owners. The majority of participants indicated that their business model has direct contact with customers (91%). The study has a good mix of different business sectors: 23.3% were retail businesses; 22.3% were in the beauty industry; food related businesses comprised 17.5%; businesses in the legal field were 6.8% of the total; construction made up 6.8% of the total respondents; and 24.3% of the businesses defined themselves as other. A majority of the respondents believe that Bahrain has too many public holidays (70%). The statistical analysis of hypothesis testing indicated that public holidays have an impact on the profitability of SMEs in Bahrain. When the public were asked to pick which holiday they most preferred to travel abroad, surprisingly, a majority picked religious and national holidays as the most preferred time for them to travel, and the day of the week on which the holiday occurs had a significant impact on the decision. The most affected business sectors are healthcare and especially private clinics, manufacturing, services such as computer services, and consultancy services. On the other hand, there are business that benefit from holidays, such as those involved in entertainment, restaurants and cinemas.

In conclusion, both studies have shown, through statistical analysis, that holidays have an impact on SMEs. However, the literature confirms that various types of business are impacted in a different way. Businesses in fields such as the restaurant, retail and beauty sectors may be positively impacted as customers choose to employ their services on holidays. For example, the retail sector sees holidays as a great opportunity to increase their sales, which leads to high profit because people tend to spend their holidays with family at malls, restaurants and cinemas. Other businesses such as consulting, clinics and construction companies face negative impacts on their business during holidays. Businesses and business managers are recommended to seek out the options as employers to see if their businesses can remain open during the times of holidays without violating the laws of the Kingdom of Bahrain. SMEs must be encouraged to develop strategies to avoid the negative impact of the social and cultural environment of the country while at the same time benefiting from the positives of the same environment. Nevertheless, holidays are a part of society that cannot be ignored and it is up to the businesses to exploit the positives of this phenomenon. Finally, this study suggests that business owners accept public holidays as a fact of life and plan their business model and cycle. However, they need to plan their budget and expenditure around the fact that some business sectors will be affected.

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