

Empowering SMEs: Overcoming Obstacles and Enhancing Economic Growth in Algeria

Boukal Nassim ^{1*}

¹University of Constantine2, (Algeria), Grand Maghereb Laboratory Economy and Society

nassim.boukal@univ-constantine2.dz

Received: 08/09/2024

Accepted: 04/09/2025

Published: 01/12/2025

Abstract:

Small and medium enterprises (SMEs) are a key player in the field of economic development due to their contribution to investment, production, national employment absorption, and support for the balance of payments.

The study reveals that SMEs in Algeria face significant challenges, including limited access to finance, weak entrepreneurial culture, inadequate infrastructure, and limited effectiveness of development programs, which hinder their contribution to economic growth.

It concludes with recommendations for empowering SMEs through enhanced financial support, training, and regulatory reforms to overcome these obstacles and foster sustainable economic development.

Keywords: Small and medium enterprises; Economic development; Development programs.

Jel Classification Codes: L25, O16, O20.

* Corresponding author

1. INTRODUCTION

The national economy of various countries comprises a complex network of institutions and establishments operating in different sectors of economic activity. Within this framework, small and medium enterprises (SMEs) play a significant role in the economies of many nations due to their advantages in organizational skills, innovation capacity, market awareness, proximity to their customers, and their ability to produce goods and services that serve as inputs for other goods and services.

SMEs have gained the attention of economic and social policy planners in both developed and developing countries alike, with researchers widely agreeing on the vitality of this sector and its role in achieving economic development through its diverse contributions to national income. Furthermore, SMEs play a crucial role in alleviating unemployment.

In Algeria, empowering SMEs is critical for overcoming economic obstacles and enhancing sustainable economic growth, given their potential to drive employment and diversify the economy beyond hydrocarbons.

1.1. Study Problematic:

Given the economic and social significance of SMEs, this article aims to address the following central research question:

What are the main obstacles hindering SMEs in Algeria from contributing effectively to economic growth, and how can these challenges be overcome?

This central question is divided into several sub-questions:

- What is meant by SMEs, and what are their key characteristics?
- Have government support programs for SMEs succeeded in achieving their planned objectives to enhance economic development?
- What is the current status of Algerian SMEs, and how do they contribute to the national economy?

1.2. Study Hypotheses:

This research includes the following hypotheses:

- Government support programs for SMEs are limited and unable to achieve their planned objectives.
- Algerian SMEs face numerous and diverse obstacles and challenges in practice.

1.3. Study Objectives:

The study seeks to achieve the following objectives:

- To assess the current state and contribution of SMEs to economic development in Algeria.
- To identify and analyze the major obstacles and challenges faced by SMEs in Algeria.
- To propose strategies and recommendations for empowering SMEs to overcome these obstacles and enhance their role in economic growth.

1.4. Study Methodology:

This study adopts the descriptive-analytical method, utilizing a variety of sources such as books, research studies, journals, reports, and published statistics. These sources are analyzed in a scientific and systematic manner to address the study's hypotheses.

2. The Nature of Small and Medium Enterprises (SMEs):

2.1. Criteria Used to Define SMEs:

There is no consensus on a precise and unified definition of SMEs, as the definition varies depending on each country's capabilities, economic and social circumstances, such as the degree of industrialization, technological advancement, the nature of production factors, the types of existing artisanal industries, population density, the availability and skill level of the labor force, wage levels, and other economic and social factors that shape the characteristics and spread of enterprises. (Information Resources Management Association, 2013, pp. 1839-1840)

As such, defining a comprehensive and inclusive concept for SMEs is challenged by the wide range of criteria upon which definitions are based, such as workforce size, capital, ownership, and so on. However, it can generally be said that various authors, institutions, research centers, government agencies, banks, and other bodies concerned with the SME sector agree on a set of criteria to distinguish SMEs from other enterprises. The most important of these criteria fall into two main categories: (Thrassou, Vrontis, Tsoukatos, Shams, & Weber, 2020, pp. 17-19)

1) Qualitative Criteria: Some of the most important qualitative criteria used to define SMEs include:

- **Ownership:** Typically, SMEs are owned by an individual or a group of individuals, often operating in the private sector. However, ownership can also be public, or it may sometimes be mixed.
- **Autonomy:** Managers of SMEs generally have full authority to make decisions without external interference, This makes them fully accountable for the outcomes of their decisions.
- **Locality of Operation:** SMEs usually focus their activities on a specific area or location where they are well-known, and they do not operate through multiple branches. They concentrate on a particular market segment, offering a range of high-quality products.
- **Market Share:** SMEs focus on a specific segment of the market, which limits their market share due to many reasons like: Small enterprise size; Limited production volume; and Intense competition.

2) Quantitative Criteria: In addition to the qualitative criteria mentioned above, quantitative criteria also play a significant role in defining SMEs, including:

- **Workforce Size:** This criterion is one of the most commonly used in defining SMEs. Based on this criterion, enterprises are generally classified into three main types:
 - **Large Enterprises:** These enterprises employ a massive workforce, often numbering in the thousands, in line with their high production capacity.
 - **Micro-Enterprises or Sole Proprietorships:** These include all forms of economic activity, with the manager relying on a small workforce, typically fewer than ten employees.
 - **Small and Medium Enterprises:** These are found in most countries worldwide and focus on key economic sectors such as agriculture, industry, and especially services. The workforce is generally categorized as follows: (Biffignandi, 2013, p. 490)
 - Small enterprises: employ between 10 and 199 workers;
 - Medium enterprises: employ between 200 and 499 workers.
- **Capital:** The capital criterion is one of the most important factors in determining the size of an enterprise, as it is a crucial element in

defining its production capacity. However, this criterion varies from one country to another, depending on the economic context.

- **Capital-to-Labor Ratio:** A defining feature of SMEs is the low capital-to-labor ratio, as these enterprises are typically labor-intensive. This contributes to reducing unemployment, especially in developing countries suffering from excessive population growth and high unemployment rates.

2.2. Definition of Small and Medium Enterprises (SMEs):

Building on the above, we will present some of the most important global definitions related to the concept of SMEs:

- **American Definition:** According to the U.S. Small Business Administration (SBA), the key defining factor for SMEs is their management style. In other words, SMEs are defined as: “independently owned and operated businesses that are not dominant in their field of operation.” (MacGregor & Vrazalic, 2006, p. 03)
- **British Definition:** The British Companies Act of 1985 defines a small or medium-sized enterprise as one that meets two or more of the following criteria: (Seow & Hughes, 2005, p. 380)
 - Annual turnover not exceeding \$14 million;
 - Capital not exceeding \$65.6 million;
 - A workforce of no more than 250 employees.
- **French Definition:** In France, the first definition of SMEs was provided by Léon Gingembre in 1944. His definition described an SME as: “An SME owner is an investor of their own capital, who personally manages the administrative and technical aspects of the business, maintaining direct and continuous contact with the workers.” (Duchéneaut, 1996, p.129) This definition emphasizes managerial autonomy, with the business owner also being the capital investor and maintaining strong communication with the workforce.

2.3. Key Characteristics of Small and Medium Enterprises:

SMEs differ from other types of enterprises in several notable characteristics, including: (Omar, 2007, p. 38)

1. **Ease of Establishment:** SMEs benefit from relative ease of establishment, as they typically require smaller capital investments.

2. **Autonomy in Management:** One of the most distinctive features of SMEs is that the owner is often also the manager, and has complete freedom in making significant decisions, which provides SMEs with a high degree of operational flexibility, significantly boosting performance levels and allowing them to achieve higher returns.
3. **A Center for Self-Training:** The nature of SMEs makes them a self-training center for both owners and employees. The close, direct relationships between management and staff foster a harmonious and collaborative working environment, facilitating the acquisition of knowledge and a higher absorption of production techniques.
4. **High-Quality Production:** The specialized focus of SMEs allows them to produce high-quality goods and services. Furthermore, their reliance on various artisanal and professional skills enables them to better meet the diverse needs and desires of consumers.

3. The Role of Small and Medium Enterprises in Achieving Economic Development:

It is widely recognized that small and medium enterprises (SMEs) play a significant role in economic development. They represent the backbone of the private sector, accounting for over 90 percent of total enterprises worldwide. SMEs contribute between 50 and 60 percent to global employment, and their importance is even greater in less developed countries, where they represent the most realistic prospects for employment growth and added value. The same holds true for transition economies, where inefficient large public enterprises are being replaced by smaller, more efficient private firms.

The importance of SMEs in the development process stems from several key reasons: (Fischer, Fisher, & Reuber, 2000, p. 3-5)

- 1) **Maximizing Gross Domestic Product (GDP) and Diversifying the Structure of Industrial Output:** SMEs, due to their smaller size and lower capital requirements, contribute to higher capital productivity, thereby leading to a direct increase in GDP. In terms of

diversifying, SMEs play a substantial role by engaging in various sectors such as food products, leather goods, and wood products....

- 2) **Providing Services to Large Enterprises:** SMEs are actively involved in subcontracting, creating a network of interconnections between large firms and supporting them. For instance, many large corporations contract with numerous SMEs to supply essential components for their manufacturing processes.
(Ndubisi & Nwankwo, 2013, p. 272)
- 3) **Adjusting the Trade Balance:** SMEs help adjust the trade balance by producing local products that substitute imports, while also exporting goods to foreign markets. Thus, they can be relied upon to improve the trade balance, which benefits the overall economy.
- 4) **Creating Regional Balance:** One of the main advantages of SMEs is their ability to geographically penetrate regions, particularly disadvantaged and remote areas. This contributes effectively to the development of these regions and helps stabilize their populations.
- 5) **Labor-Intensive Enterprises and Fair Income Distribution:** SMEs tend to be labor-intensive and promote more equitable income distribution compared to larger enterprises. They play a critical role in job creation, alleviating poverty, and offering relatively fair wages to workers, especially for low-income families.
- 6) **Enhancing Resource Allocation Efficiency:** SMEs contribute to improving the efficiency of resource allocation in developing countries. They tend to adopt labor-intensive production methods, which is very consistent with such countries.
- 7) **Supporting National Productive Capacities and Reducing Economic Disparities:** SMEs contribute to the overall productive capacities of countries by efficiently utilizing resources across various economic levels. They help establish dynamic and flexible economic systems where small, medium, and large enterprises are interconnected. Also, SMEs are geographically more widespread than large corporations, promoting entrepreneurship and helping to narrow economic disparities between urban and rural areas.

4. Key Steps Taken by the Algerian Government to Support Small and Medium Enterprises (SMEs):

Small and medium enterprises (SMEs) are a crucial pillar of the Algerian economy, contributing to job creation and economic growth. In recent years, the Algerian government has implemented several measures to support SMEs, aiming to enhance their competitiveness and address the obstacles they face. Below is a detailed and systematic overview of these key steps:

4.1. Improving the Legal and Regulatory Framework:

- 1) **Enactment of the New Investment Law (2022):** In 2022, Algeria introduced a new investment law primarily aimed at improving the business environment and attracting both foreign and domestic investments. This law includes several benefits for SMEs, such as tax and customs exemptions, as well as support for exports. (Ministry of Tourism, 2022)
- 2) **Establishment of the National Agency for SME Development (ANDPME):** Created under Executive Decree No. 18-170 on June 26, 2018, and amended by Executive Decree No. 25-331 on November 22, 2020, this agency provides technical and financial support to SMEs. It offers training and consultancy programs to improve the efficiency and productivity of SMEs.

4.2. Providing Financial Support:

To ease access to financing, the government launched new and flexible mechanisms, including:

- 1) **Credit Guarantee Fund for SMEs:** The Algerian government launched a credit guarantee fund for SMEs. This innovative solution addresses financing challenges by providing financial guarantees that enhance SMEs' ability to secure medium-term loans for investment projects, thereby stimulating economic growth and creating new job opportunities. (Ministry of Industry, 2024)
- 2) **National Agency for the Management of Microcredits:** Established in 2004, this agency addresses shortcomings in previous SME financing efforts, particularly in follow-up and support. It aims to expand and improve SME financing through a variety of financial products and technical support, contributing to both economic and social development and poverty reduction. (ANGEM, 2024)

4.3. Supporting Export and International Expansion:

- 1) **Export Promotion Fund:** This fund serves as a government tool to encourage Algerian companies to expand their operations into global markets. It provides financial incentives and logistical support, enhancing the competitiveness of Algerian products and increasing their share in international trade. The fund allocates an annual budget to support promising export projects, with funding requests evaluated according to specific criteria. (Ministry of Trade, 2024)
- 2) **National Agency for the Promotion of Foreign Trade (ALGEX):** Established in 2004, ALGEX seeks to diversify the Algerian economy and increase its international trade share by providing logistical and financial support to exporters, facilitating their access to foreign markets. It also offers consultancy and training, acting as a bridge between Algerian businesses and global markets to enhance the competitiveness of Algerian products. (algex, 2024)
- 3) **The National Entrepreneurship Support and Development Agency (NESDA):** NESDA is a government institution created to foster entrepreneurship and support the establishment and expansion of SMEs in Algeria. The agency provides consulting, training, and financing services to project owners. NESDA actively contributes to diversifying the Algerian economy and generating new employment opportunities. (NESDA, 2024)
- 4) **Supporting SME Participation in International Exhibitions and Events:** The Algerian government has been working to enhance the country's presence in international markets. To this end, a multi-sectoral permanent committee was established to coordinate and plan Algeria's participation in international economic events. This committee creates an annual plan that outlines the exhibitions and conferences in which Algeria will participate, distributing responsibilities to ensure successful participation. The committee also provides logistical and financial support to participants, easing the process of attending these events. (Ministry of Trade, 2024)

4.4. Promoting Training and Capacity Building:

1) Training and Promotion Programs: Algeria has launched numerous programs aimed at promoting and developing SMEs and their workforce. These programs are designed to improve skills and equip businesses with the knowledge needed to manage operations effectively. Examples of such programs include: (Ministry of Industry, 2024)

- **SME Development Support Program (PAD-PME):** This program aims to enhance the capacities of institutions supporting SMEs in Algeria by providing technical support and training to deliver high-quality services, directly improving the business environment and fostering national economic growth.
- **ECOVERTEC: Support for Algeria's Transition to a Circular Green Economy:** This program supports Algeria's shift toward a sustainable economy by assisting businesses in developing plans to improve resource efficiency and providing the necessary institutional framework, contributing to achieving sustainable development goals.

2) Partnerships with Universities and Research Centers: The Algerian government is working to enhance the role of SMEs in the national economy by fostering partnerships between the public, private, and academic sectors. In this context, the incorporation of entrepreneurship within the structure of Algerian universities is a crucial step toward spreading an entrepreneurial culture among students and researchers. By integrating entrepreneurship programs into university curricula, allocating budgets to support student projects, and establishing university business incubators, universities can play a pivotal role in encouraging young people to create their own businesses. This approach directly supports the broader focus on SMEs, bolstering the national economy and creating new job opportunities. (CDE, 2024)

The recent measures undertaken by the Algerian government clearly demonstrate a commitment to and a genuine focus on supporting SMEs and

enhancing their role in economic development. Through improving the legal framework, providing financial support, promoting exports, and offering training programs, the government aims to overcome the challenges facing these enterprises and empower them to achieve their economic ambitions.

4.5. Statistical Overview of SMEs in Algeria:

Recent statistics illustrate the evolving landscape of SMEs in Algeria. In 2022, the total number of SMEs reached 1320664, with 34057 new enterprises established and 4227 enterprises closed. The sector employed 3220661 individuals. In the first half of 2022, SME imports amounted to \$20.22 billion, while exports reached \$25.92 billion. By 2023, the total number of SMEs increased to 1359803, with 80531 new enterprises and 19179 closures. Employment rose to 3307821, with imports at \$40.173 billion and exports at \$60.384 billion in the first half of 2023.

Furthermore, SMEs' contribution to the non-hydrocarbon GDP was 11450.60 billion DZD in 2019, decreasing to 10626.46 billion DZD in 2020 due to the COVID-19 pandemic, and recovering to 11760.74 billion DZD in 2021. These figures underscore the sector's significant role in the Algerian economy, despite persistent challenges. (Ministry of Industry, 2023)

5. Key Problems and Challenges Facing Small and Medium Enterprises (SMEs):

While we have previously highlighted the importance of small and medium enterprises (SMEs) in driving the economies of many countries, it is also evident that despite their significance, these enterprises often face numerous challenges that hinder their growth and development. In some cases, these challenges can even lead to their failure. The most prominent problems and challenges can be summarized as follows:

5.1. Major Problems Facing SMEs:

The main issues confronting SMEs in Algeria include:

- 1) **Weak Entrepreneurial Culture:** One of the most significant problems impeding the growth and development of SMEs is the lack of appreciation for entrepreneurial culture within society.

Entrepreneurial culture is defined as a societal norm where individuals are respected and rewarded for bold, risk-taking decisions that allow them to achieve significant profits through

legitimate activities. In such a culture, individual and collective initiatives and innovations are celebrated, and failure is not stigmatized. Instead, the costs of failure are kept low, creating a supportive and empathetic environment for entrepreneurial SMEs.

The development of SMEs does not occur in isolation. If the state, educational institutions, legislative bodies, banks, and large businesses lack the spirit of support for innovative and pioneering SMEs, it will be exceedingly difficult for entrepreneurs in various sectors to succeed. Thus, it is crucial to create a work environment that supports and encourages entrepreneurs in the SME sector. In this regard, the existence of supportive organizations that facilitate and aid entrepreneurs plays a fundamental role in fostering an entrepreneurial culture within state institutions and society at large.

- 2) **Legislative and Regulatory Framework:** The legislative and regulatory framework is the foundation through which governments create an "enabling environment" for business. A high-quality, fair, and supportive legal framework, which offers proper incentives without imposing burdensome costs, is a necessary condition for establishing such an environment. (UN Economic Commission for Latin American, 2013, p. 58)

In Algeria, the enabling environment needs considerable enhancement to become truly supportive of SMEs, which are vital to any short- and long-term development strategy. Several key issues directly affect the processes of launching, registering, and licensing businesses, such as: the efficiency and ease of import-export operations, access to investment incentives, protection of property rights, employment policies (including hiring and firing practices), tax administration, contract relations between the public and private sectors, debt collection from the public sector, and resolving contract disputes through the courts. Despite significant progress in reforms implemented in Algeria over recent years, complex procedures remain a persistent challenge for most SMEs, underscoring the need for policy and procedural improvements in this area.

- 3) **Taxation and Customs System:** Tax and customs incentives play an important role in fostering SME growth. However, the multitude of tax and customs burdens borne by SMEs in many countries, particularly during the startup phase, hampers productivity and often drives companies toward informal, tax-evading activities, a common issue in Algeria. Therefore, tax policies must account for the specific needs of this sector by offering special and preferential advantages to help ensure consistent activity and profitability.
- 4) **Institutional Financing Challenges for SMEs:** Access to finance remains a major challenge for many SMEs, particularly given the limited number of specialized banks and financial institutions that provide tailored services to this sector. SMEs typically rely on three traditional sources of financing: (Dominicus, 2012, p. 24)
- **Self-Financing:** A primary source of funding for many SMEs is the personal savings of their owners, along with financial support from family and friends, especially in the early stages. However, one of the main problems with this source is the limited amount of personal assets, which are often tied up in real estate or shared ownership of property, making them difficult to liquidate. Moreover, self-financing tends to involve small amounts of savings, which are rarely sufficient to fully fund the enterprise.
 - **Informal Market Financing:** The informal or non-regulated financial market is the second most common source of SME funding. However, borrowing from this market presents several challenges, including:
 - High-interest rates compared to those in the formal market;
 - Short-term loan offerings;
 - The requirement for onerous financial and material guarantees.Many SMEs are forced to turn to informal financing due to obstacles in the formal financial sector. Therefore, developing an effective financial system that provides comprehensive financing services is crucial to the strategic development of SMEs.

- **Formal Market Financing:** Commercial banks often exhibit extreme caution when lending to SMEs. Evidence shows that banks tend to offer loans based largely on personal relationships and require borrowers to open accounts with wage guarantees and other sources of income, which SMEs often struggle to provide. Additionally, many SME owners are unable to present high-quality business plans or clear financial statements, which hinders their ability to secure the necessary funding.

Experts widely agree that the primary financing challenges for SMEs include limited funding, high-interest rates on loans, the issue of guarantees, and repayment conditions. These factors collectively make financing a critical concern for SMEs, to the extent that it is often the deciding factor between their survival or failure. SMEs must overcome these financial obstacles if they are to continue operating and achieve growth. (Khouni & Hassani, 2008, p. 77)

- 5) **Administrative Challenges and Lack of Information and Organizational Expertise:** One of the primary administrative challenges facing Algerian SMEs is the general neglect of planning—whether it involves production capacity planning, resource planning (materials, labor, machinery, capital, etc.), or the development of work programs. This lack of planning results in difficulties in defining roles, responsibilities, and establishing an organizational structure for the enterprise. Additionally, it leads to inefficiencies in decision-making processes and a lack of detailed feasibility studies. (Youssef, 2002, p. 06)

These shortcomings are direct precursors to administrative problems that may lead to the failure of the enterprise. Moreover, the lack of accurate economic information and the difficulty in accessing it represent serious challenges for enterprises in formulating production policies, expansion strategies, and marketing plans. This problem is exacerbated by the absence of specialized centers for

collecting, processing, and disseminating economic information. (Fields & Pfeffermann, 2003, p. 95)

The lack of information is particularly evident regarding the operating conditions of Algerian enterprises. Although information is a vital input for management, SMEs in Algeria suffer from inadequate and outdated published data, often due to the multiplicity of overseeing agencies and the lack of specific information systems for this sector. In this context, chambers of commerce and industry could play a leading role by gathering business-related data from various stakeholders. Private consulting firms could also conduct surveys and provide data to enterprises for a reasonable fee.

6) Lack of Technical Skills and Business Management Expertise:

SMEs should not limit their activities to traditional sectors but should expand to include various industrial and service sectors that are primarily based on modern technologies. Achieving this requires mechanisms that facilitate the entry of private enterprises into sectors currently dominated by the public sector. This, in turn, demands that these organizations possess a high level of skills to establish and manage competitive and successful businesses. In general, new entrepreneurs and SME owners require diverse technical and professional support to enhance their productivity and competitiveness, especially given the intense competition across various sectors.

Algerian enterprises are characterized by their lack of adoption of modern management and operational techniques, as well as the absence of functional specialization in fields such as job ranking, accounting, and economics. Furthermore, many organizations lack clear administrative structures to govern the workflow within their departments and divisions. A significant portion of these businesses also refrain from training and developing their employees due to financial difficulties, combined with a weak culture of investing in human capital. Moreover, education and training systems are often inadequate to meet the developmental needs of these enterprises.

- 7) **Poor Infrastructure:** The lack of adequate infrastructure (real estate, buildings connected to water, electricity, sewage systems, roads, railways, and airports) presents a major obstacle to the establishment and growth of SMEs. One of the most significant challenges investors face in Algeria is the lack of organization in acquiring industrial real estate, as well as the poor condition of most industrial zones and business parks. Land has been distributed without thorough planning, resulting in many plots remaining unused or being repurposed for other activities. Meanwhile, many genuine investors or those looking to expand their operations are still struggling with this issue.

Land near major urban centers is highly expensive, and securing property rights through leasing is extremely difficult due to a lack of clarity and conflicting ownership rights. Moreover, local authorities often seem unwilling or slow to respond to requests for the sale or lease of public land for SME projects.

Overall, the availability of suitable land with adequate services is essential for any strategy aimed at developing and supporting SMEs. Even when project owners decide to provide these services independently, often through informal means, the costs can become prohibitively high, leading to financial problems before the project even begins.

8) **Marketing Challenges:**

The main marketing challenges facing SMEs include the following:

- **Limited Financial Resources:** SMEs often lack the financial capacity to efficiently market their products due to the inability to gather sufficient information about local and international markets and consumer preferences. Additionally, high transportation costs, delayed payments from customers, and insufficient support for domestic products exacerbate these issues.
- **Lack of Regular Marketing Channels:** There are no consistent channels through which local and international consumers can

be introduced to the products and services of SMEs. The local market is also narrow in scope, and modern, scientific marketing methods are rarely employed. Furthermore, there is a shortage of skilled marketers, and little attention is given to conducting market research, particularly in areas such as market studies, transportation, distribution, packaging, and consumer preferences. These factors significantly limit the ability of SMEs to market their products effectively.

- **Preference for Foreign Products:** In some cases, local consumers prefer foreign products of similar nature, either due to imitation or because they are accustomed to using foreign goods. This reduces the demand for locally produced goods.
- **Lack of Sufficient Incentives for Local Products:** Insufficient incentives for local products contribute to the competition between imported goods and their domestic counterparts. Some foreign companies also engage in market-dumping practices by offering their products in local markets at prices lower than those of local goods. This weakens the competitive position of national SMEs operating in these industries.

5.2. Challenges Facing Small and Medium Enterprises (SMEs)

The shifts brought about by new transformations in international economic relations represent one of the most significant challenges facing SMEs. These challenges can be summarized by the phenomenon of economic globalization, which seeks to allow goods, services, and factors of production to move freely across countries, or, in other words, to establish a global market that opens local markets to foreign products. This results in heightened competition from foreign products, contributing to the loss of numerous opportunities for SMEs in local markets, which are now fully open to foreign goods.

The challenge for SMEs in facing the competition posed by foreign products within their own countries is further exacerbated by two key factors: (Adbi, 2016, p. 15)

1. Quality
2. Cost

SMEs are typically still in their infancy, in contrast to their more established counterparts in developed countries. As competitive advantage has become a strategic choice for every enterprise, and given the globalized economy, the search for this advantage is no longer limited to a national or even regional perspective but is now considered on a global scale that spans all countries and continents.

Moreover, simply possessing a competitive advantage is no longer sufficient to achieve competitiveness. The (quality/price) ratio has also taken on a global dimension, as product prices are now determined by the global market. Therefore, local production costs must be measured by international standards. Global quality standards, such as ISO 9000, have become essential, particularly for producers engaged in external markets. As a result, the coming decade will see significant changes at the level of both SMEs and larger enterprises. International trade is now subject to a set of standards that are not easy to meet, especially for SMEs in developing countries. Consequently, these enterprises face a major competitive challenge, especially as they are still in the early stages of development and suffer from a lack of experience and technology. Therefore, SMEs must strive to optimally allocate their resources to control costs and enhance their technological capabilities through intensive use of modern tools.

6. Discussion and Hypothesis Verification:

The analysis reveals that while the number of SMEs in Algeria increased from 1,320,664 in 2022 to 1,359,803 in 2023, with employment rising from 3,220,661 to 3,307,821, the sector faces persistent challenges. The closure of 4,227 enterprises in 2022 and 19,179 in 2023 underscores significant obstacles, including financial difficulties, limited access to finance, and inadequate government support programs. This supports the first hypothesis: "Government support programs for SMEs are limited and unable to achieve their planned objectives." Despite initiatives like the Credit Guarantee Fund and NESDA, the high closure rates and slow reactivation (4,470 in 2022 and 12,088 in 2023) indicate that these programs fall short of fully empowering SMEs.

Additionally, SMEs' contribution to the non-hydrocarbon GDP—11,450.60 billion DZD in 2019, dropping to 10,626.46 billion DZD in 2020 due to the COVID-19 pandemic, and recovering to 11,760.74 billion DZD in 2021—demonstrates their economic potential but also their vulnerability to external shocks and structural weaknesses. The identified obstacles, such

as weak entrepreneurial culture, regulatory complexities, and poor infrastructure, confirm the second hypothesis: "Algerian SMEs face numerous and diverse obstacles and challenges in practice." These challenges limit their ability to drive sustainable economic growth, despite their growing numbers and employment contributions.

In summary, the results affirm both hypotheses, highlighting the need for more effective policies to overcome these obstacles and enhance SMEs' role in Algeria's economy.

7. Conclusion

In recent years, the number of Algerian SMEs that have closed their doors has reached alarming levels, with 4,227 enterprises closed in 2022 and 19,179 in 2023, primarily due to financial difficulties accelerating their bankruptcy and early exit from the market. At the same time, thousands of enterprises are still awaiting the implementation of rehabilitation programs. For instance, in 2022, only 4,470 enterprises were reactivated, increasing to 12,088 in 2023, highlighting a growing yet insufficient effort to address these closures. These figures reveal significant shortcomings in government policies, which are supposed to focus on economic recovery and the development of national enterprises, particularly medium-sized ones, to enhance national production.

This situation underscores the fact that, despite the notable attention given to SMEs and the support they receive from the government as one of the main tools for boosting economic growth rates, these enterprises still face numerous challenges that hinder them from achieving their expected goals. As a result, the relevant authorities must make considerable efforts to strengthen the competitive capacities of these businesses to confront global competition and ensure their survival in the market. Achieving this requires two simultaneous reforms: first, the reform of the enterprise itself, and second, the reform of the broader environment in which the enterprise operates, to prevent its decline and address the obstacles impeding its development.

Based on all the aforementioned points, it can be concluded that the most appropriate path for advancing SMEs in Algeria lies in adopting a multifaceted approach that addresses the various challenges faced by these enterprises and leverages the opportunities currently available, considering the regional and international changes occurring worldwide. Below are some recommendations to enhance the development of SMEs in Algeria:

- Enhance financial support mechanisms, including expanding the Credit Guarantee Fund and improving access to microcredits.
- Encourage investment in startups and promising SMEs.
- Implement targeted training programs to build entrepreneurial skills and business management expertise.
- Foster partnerships with educational institutions to offer specialized courses in entrepreneurship and SME management.
- Improve infrastructure and reduce bureaucratic barriers to facilitate SME operations.
- Enhance access to high-speed internet and digital infrastructure to enable e-commerce and online business operations.
- Reduce bureaucratic red tape, licensing requirements, and administrative burdens on SMEs.
- Promote innovation through research and development grants, tax incentives, and partnerships with research institutions.
- Promote international quality standards to increase competitiveness in local and global markets.

7. Bibliography List :

1. Adbi, A. (2016). Integrating SMEs into Global Value Chains: Challenges and Policy Actions in Asia. USA: Brookings Institution Press.
2. algex. (2024). National Agency for the Promotion of Foreign Trade . Consulté le 05 28, 2024, sur National Agency for the Promotion of Foreign Trade : <https://www.algex.dz/>
3. ANGEM. (2024). Our Agency. Consulté le 05 20, 2024, sur ANGEM: <https://www.angem.dz/en/article/presentation/>
4. Biffignandi, S. (2013). Micro- and Macrodata of Firms. Germany: Physica-Verlag HD.
5. CDE. (2024). Entrepreneurship Development Centers. Consulté le 05 30, 2024, sur CDE: <https://cde.dz/>
6. Dominicus, v. d. (2012). Financial Structure in Small Business: Theory, Tests and Applications. Germany: Springer verlag.
7. Duchéneaut, B. (1996). Les dirigeants de PME: enquête, chiffres, analyses ; pour mieux les connaître. Paris: Editions Maxima.

8. Fields, G. S., & Pfeffermann, G. P. (2003). *Pathways Out of Poverty: Private Firms and Economic Mobility in Developing Countries*. USA: kluwer academic publishers.
9. Fischer, E., Fisher, E., & Reuber, R. (2000). *Industrial Clusters and SME Promotion in Developing Countries*. . United Kingdom: Commonwealth Secretariat.
10. Information Resources Management Association, . (2013). *Small and Medium Enterprises: Concepts, Methodologies, Tools, and Applications*. United States: IGI Global.
11. Khouni, R., & Hassani, R. (2008). *Small and medium enterprises and their financing problems*. Cairo: Itrac for Printing & Publishing.
12. MacGregor, R., & Vrazalic, L. (2006). *E-Commerce in Regional Small to Medium Enterprises*. Usa: Idea Group Inc.
13. Ministry of Industry. (2023). *Bulletin d'information statistique de la PME N°42, Alger* : Ministry of Industry
14. Ministry of Industry. (2024). *Fonds de Garantie des Crédits aux PME – FGAR*. Consulté le 05 19, 2024, sur Ministère de l'industrie et de la Production Pharmaceutique: www.industrie.gov.dz/fr/fgar
15. Ministry of Industry. (2024). *Soutien aux PME*. Consulté le 05 27, 2024, sur Ministère de l'industrie et de la Production Pharmaceutique: www.industrie.gov.dz/fr/soutien-pme/
16. Ministry of Tourism. (2022). *Les avantages octroyés aux investissements dans le cadre de la loi 22-18 du 28 juillet 2022 relative à l'investissement*. Consulté le 05 23, 2024, sur Ministère du Tourisme et de l'Artisanat: www.mta.gov.dz/les-avantages-octroyes-aux-investissements/?lang=fr
17. Ministry of Trade. (2024). *Exhibitions and demonstrations*. Consulté le 05 29, 2024, sur Ministry of Trade and Export Promotion: <https://www.commerce.gov.dz/foires-et-expositions>
18. Ministry of Trade, E. P. (2024). *FSPE*. Consulté le 06 05, 2024, sur Ministry of Trade and Export Promotion: www.commerce.gov.dz/a-fonds-special-pour-la-promotion-des-exportations-fspe

- 19.Ndubisi, N. O., & Nwankwo, S. (2013). Enterprise Development in SMEs and Entrepreneurial Firms: Dynamic Processes. USA: Idea Group Inc.
- 20.NESDA. (2024). The National Entrepreneurship Support and Development Agency . Consulté le 05 28, 2024, sur NESDA: <https://www.nesda.dz>
- 21.Omar, A. (2007). Management of small projects. Alexandria: Al-Dar Al-Jami'iyya.
- 22.Seow, C., & Hughes, J. (2005). e-learning @ the workplace. United Kingdom: Emerald Group Publishing.
- 23.Thrassou, A., Vrontis, D., & Al. (2020). The Changing Role of SMEs in Global Business: Paradigms of Opportunities and Challenges. Germany: Springer International Publishing.
- 24.UN Economic Commission for Latin American, .. (2013). Latin American Economic Outlook 2013 SME Policies for Structural Change. Paris: OECD Publishing.
- 25.Youssef, a. (2002). Management of small businesses. Amman: Dar Al-Safaa for Publishing and Distribution.