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Tax Incentives, Financial Aid, and Micro-Enterprise Viability: An Empirical Evaluation of the NESDA System in Khenchela, Algeria (2020–2023)

الحوافز الضريبية والدعم المالي واستمرارية المؤسسات المصغرة: تقييم ميداني لنظام (NESDA) في خنشلة، الجزائر(2020-2023)

* **Mohamed Essedik BEN MESSAOUD**
Abbes Laghrour University of Khenchela, Algeria
Laboratory of Business Incubators and Local Development
Benmessaoud.mohamedessedik@univ-khenchela.dz

Abdel malek ZINE
Abbes Laghrour Universityof Khenchela, Algeria
zine.abdelmalek@univ-khenchela.dz

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Abstract:
This study evaluates the National Entrepreneurship Support and Development Agency (NESDA) system in Khenchela, Algeria (2020–2023), examining the impact of tax incentives and financial aid on micro-enterprise viability. Methodologically, it employs a quantitative research design with an analytical focus, evaluating funding mechanisms while interpreting failure causes through an operational and institutional analysis of the regulatory framework.
Findings indicate that despite extensive support, projects face high pre-operational failure and low survival rates due to opportunistic behavior, managerial deficits, and weak follow-up.
Public policy must therefore shift from quantitative funding to continuous monitoring and managerial training for sustainable growth.

Keywords: Tax Incentives, Financial Aid, Micro-Enterprises, Projects.
JEL Classification Codes: H25,H32, L25, L26,M13

**Corresponding author*

1. Introduction

Micro-enterprises play a pivotal role in driving economic development(Obi, et al., 2018, p. 839),as they constitute a fundamental component of economies worldwide, notably in developing and emerging nations(Gherghina, Botezatu, Hosszu, & Simionescu, 2020, p. 1),contributing significantly to job creation and economic diversification. However, the Algerian business environment presents significant challenges for these nascent companies, including limited financing, a shortage of managerial expertise, and difficulties in accessing markets. In this context, the Algerian government, through institutions such as the National Entrepreneurship Support and Development Agency (NESDA), seeks to provide Financial Aid and Tax Incentives to encourage the growth of these enterprises. This study aims to evaluate the effectiveness of this government support in achieving its objectives and to identify the factors that enhance or hinder the ability of micro-enterprises to benefit from it, through the quantitative analysis of administrative data.

1.1. Research Problem and Hypotheses

Based on the discussion above, the central research problem can be formulated as follows:

~ How effective is the NESDA system of Tax Incentives and Financial Aid in supporting the growth and viability of micro-enterprises during the 2020–2023 period?

In response to this research problem, we formulate the following hypothesis:

~ Despite the tax incentives and financial aid provided by the NESDA system, micro-enterprises failed to expand their structures or develop significantly during the 2020–2023 period.

To address the core objective of our study, we set forth the following research questions:

Q1: What mechanisms constitute the current fiscal incentive and financial aid framework for micro-enterprises?

Q2: What is the direct and indirect impact of tax incentives and financial aid on the growth of micro-projects?

Q3: How do micro-enterprise outcomes and survival trajectories vary across different activity sectors?

Q4: What operational and institutional challenges hinder the

implementation of these support policies, and how can they be mitigated?

To address these questions, we propose the following hypotheses:

H1:The support framework is structured around targeted tax exemptions and a concessional financing mechanism.

H2: Tax incentives and financial aid have no impact on micro-enterprises' growth.

H3: The survival rate of micro-enterprises varies significantly depending on their sector of activity.

H4: Institutional monitoring deficits and managerial skill gaps among project holders significantly hinder the effective implementation of support policies.

1.2. Research Objectives

- To define and describe the TaxIncentives and Financial Aid mechanisms available for micro-projects in Algeria;
- To evaluate the impact of public financial support on the development and operational success of micro-enterprises;
- To analyze differences in outcomes among various sectors and types of micro-projects;
- To identify implementation and monitoring challenges in support policies and propose strategic solutions.

1.3. Methodological Approach

The methodology of this study relies on a quantitative research design with an analytical focus, using administrative data from 628 NESDA projects funded in Khenchela (2020–2023). It evaluates the viability of micro-enterprises by cross-referencing financing models and sectors of activity with survival metrics. The analysis of failure causes is subsequently grounded in an institutional and operational examination of the regulatory framework within the discussion section.

Viability is operationalized through two distinct ratios:Cohort Survival Rate (active micro-enterprises over equipped micro-enterprises, D/B) and Early Viability Rate (active micro-enterprises over total funded micro-enterprises, D/A).

1.4.Literature Review and Contextual Gap

Dakhane(2024) analyzed financial inclusion indicators for SMEs in Algeria compared to Arab regional standards. The author concludes that complex structural barriers persist and calls for an intensification of public policies and strategic integration of

SMEfinancing to modernize the financial sector and achieve national development goals.

Similarly,Merabti and Laoudj(2024) examined how economic and regulatory contexts influence financial access for micro-enterprises across Malaysia, France, and Algeria. Their research emphasizes the need for customized regulatory frameworks and proposes targeted strategies to enhance financial inclusivity and ensure sustainable entrepreneurial growth.

~ While these studies provide a macro and comparative perspective, there is a gap in empirical evidence regarding the local implementation and early viability of these mechanisms in specific Algerian provinces, which this study addresses through the Khenchela case.

2. Theoretical Framework and Micro-Enterprise Support Scheme

2.1. Conceptual Definitions

a. The Micro-Enterprise

According to Algerian Legislation(Algeria, 2017),very small enterprises or micro-enterprises are defined as businesses employing 1 to 9 employees and generating an annual turnover of less than 40 million dinars or with total assets not exceeding 20 million dinars. Micro-enterprises are considered part of the small and medium-sized enterprises (SMEs) sector.

b. Fiscal Incentives and Financial Aid

- **Tax Incentives**

Tax incentives can be characterized as a set of fiscal instruments that offer preferential treatment to specific economic activities or sectors, granting them a competitive advantage over the standard tax regime applied to general industry(Klemm, 2009, p. 3).

According to (Zee, Stotsky, & Ley, 2002, p. 1498)the definition of tax incentives revolves around two distinct approaches: the statutory (legal) view and the effective (real) view.

The statutory definition implies that, legally speaking, a tax incentive is a specific preferential treatment offered to select investment projects that deviates from the standard tax code applied to regular investments.

The effective definition, taken from an impact perspective, characterizes a tax incentive by its outcome, meaning it is any specific measure that successfully reduces the actual tax load borne

by a project compared to what the investor would have paid without this special provision.

A tax incentive is akin to a voluntary tax expenditure by the State. It is characterized by a legislative waiver of certain budgetary revenues, implemented through derogatory mechanisms such as abatements or tax credits, with the aim of stimulating investment (ENGONE, 2019, p. 19).

Tax incentives are preferential fiscal arrangements offered to specific economic sectors, fundamentally aiming to channel or attract capital flows from both domestic and international sources. In practice, these mechanisms manifest as reductions in corporate tax rates, temporary exemption periods, tax credits, or investment allowances.(Klemm & Van Parys, 2012, p. 393).

- **Financial Aid**

Due to inherent information asymmetry and a scarcity of external funding alternatives, SMEs face significant capital constraints that necessitate targeted intervention and specialized support measures (Beck, Demirgüç-Kunt , & Maksimovic, 2008, p. 471), with this imperfect ability to obtain finance often used to justify government intervention.

Very often, government intervention has taken the form of financial assistance, with a concentration on direct subsidized credit programs and indirect credit guarantee schemes, with credit guarantee schemes particularly considered as a market-oriented strategy for improving SME performance and access to finance, and thereby business sustainability(Xiang & Worthington, 2017, p. 19).

Government financial aid for businesses and micro-enterprises refers to the set of monetary or fiscal support mechanisms implemented by the State and public institutions to facilitate the creation, development, and sustainability of business structures (Bakhtiari, Breunig, Magnani, & Zhang, 2020, pp. 24, 27, 30).

Financial support for micro and small enterprises (MSEs) relies on a diversification of instruments tailored to the liquidity constraints of emerging structures.

To address the lack of equity, public policies prioritize the provision of non-repayable grants without co-financing requirements, thereby alleviating the initial financial burden without increasing the entrepreneur's debt. Additionally, the use of subsidized or income-contingent loans provides essential flexibility

during the first, often deficit-running, years of activity(International Labour Organization, 2023, p. 54).

However, the effectiveness of these mechanisms is contingent upon strategic intermediation through Intermediary Organizations, which are uniquely positioned to identify and support the most vulnerable or informal production units (International Labour Organization, 2023, p. 58).

2.2. The NESDA Institutional Framework

a. Evolution and Status of NESDA

NESDA(National Entrepreneurship Support and Development Agency) is a public institution with legal and financial autonomy, supervised by the Ministry of Knowledge Economy and Startups(Algeria, 2020, p. 8).Historically known as ANSEJ and later ANADE, its current designation reflects a structural transformation aimed at professionalizing the support and development of micro-enterprises in Algeria.

Its core mandate is to implement the public policy for fostering the creation and growth of micro-enterprises by young project holders(Algeria, 2020, p. 8),thereby promoting entrepreneurship and reducing unemployment.

b. The Agency's Missions

According to Executive DecreeNo. 20-239(Algeria, 2020, p. 8), the main missions of the agency focus on several key strategic pillars to promote entrepreneurial growth.

First, it provides comprehensive support and guidance to assist young entrepreneurs in developing and implementing their investment projects. In terms of financial management, the organization mobilizes both internal and external resources to finance micro-enterprises. Furthermore, it contributes to economic mapping by creating and updating a national map of business opportunities to ensure balanced regional development. To modernize the sector, the agency drives digital transformation by digitizing management tools and streamlining the micro-enterprise creation process. Finally, it fosters strategic partnerships by encouraging international knowledge exchange and managing specialized micro-activity zones.

c. The Agency's Organizational Structure

According to the regulatory framework established by Executive Decree No. 20-329(2020), and NESDA's official organizational structure (NESDA, 2025)the agency's operational architecture is organized as follows:

- **Institutional Framework:** The National Entrepreneurship Support and Development Agency (NESDA) succeeded the former ANSEJ in accordance with Executive Decree No. 20-329 (Algeria, 2020), amending and supplementing Decree No. 96-296 (Algeria, 1996).
- **Central Level (Macro-governance):** Strategic national oversight relies on a governance structure comprising an Orientation Council, a Monitoring Committee, a General Directorate, a General Inspection, and specialized central directorates(NESDA, 2025).
- **Local Level (Micro-operational):** Territorial deployment is carried out through Wilaya agencies and local branches, responsible for project support, monitoring, and direct financing (NESDA, 2025).
- **Empirical Finding:** Local-level analysis, particularly within theKhenchela Wilaya agency, indicates functional continuity: the agency retained the organizational structure, personnel, and resources of the former ANSEJ, performing an administrative name change without major internal structural overhaul.

3. Analysis of Support Instruments and Financing Regulatory Framework

The establishment of micro-enterprises under the NESDA scheme is governed by a strict regulatory framework designed to ensure the viability and economic relevance of funded projects.

3.1.Eligibility Criteria for Micro-Enterprise Creation

To access these support mechanisms, applicants must adhere to specific eligibility criteria regarding the nature of the activity, project structure, and professional qualifications,as demonstrated in the following table:

Table 1.Constraints and Eligibility Criteria Mandated by the NESDA

Criteria	Description & Requirements
Age Requirement	The applicant(s) must be between 19 and 40 years old.
Qualification	Possession of a Diploma/Certificate (University, Vocational, or State-approved) OR a Professional Qualification/Recognized Know-how (Work certificate or training attestation).

Financial Contribution	The applicant must mobilize a personal contribution in the form of equity.
Prior Aid Status	The applicant must not have previously benefited from any state aid measure for activity creation.
Exceptions (Extension)	ANGEM Beneficiaries: High-performing beneficiaries can access NESDA benefits to extend production capacity in connected activities.
	Farmers, Artisans & Producers: Those already active in goods/services production can access benefits for extension.

Source: Compiled by the author based on (NESDA, 2021, p. 4).

3.2. Lifecycle Tax Exemption Framework

The fiscal incentive framework is structured around the project's lifecycle. These statutory incentives are legally divided into two distinct stages: the realization phase and the exploitation phase (NESDA, 2021).

Table 2.Lifecycle Tax Exemption Scheme Granted by NESDA

Phase	Type of Incentive	Details and Conditions
Realization (Creation & Expansion)	VAT Exemption	Exemption on equipment and services directly used for investment. Note: Excludes tourist vehicles unless they are the primary tool of activity.
	Transfer Duties	Exemption on real estate acquisitions mandated for industrial activity establishment.
	Customs Duties	Reduced rate of 5% on imported equipment directly entering the investment realization.
Exploitation (Operation)	Activity Taxes	Full exemption from the Single Lump-Sum Tax (IFU), Corporate Income Tax (IBS), or Global Income Tax (IRG) for a period of 3, 6, or 10 years depending on location.
	Property Tax	Exemption on buildings and additions for 3, 6, or 10 years starting from completion.
	Conditional Extension	The exemption period may be extended by two (2) years if the investor commits to recruiting at least three (3) permanent employees.

Source: Authors' elaboration based on NESDA data (2026).

3.3. Project Financing Mechanisms

The Agency's work is based on encouraging unemployed youth with investment ideas to create their micro-enterprises. Consequently, it simultaneously combats the phenomenon of unemployment and fosters an entrepreneurial spirit among young

people aged between19and40 years (NESDA, 2021, p. 4). Since the beginning of 2022, the Agency has included all segments of society aged between 18and55 years(Touati & Belhadj, 2022, p. 639). To operationalize this support, the NESDA regulatory framework provides three distinct financing structures adapted to the financial capacity of the project holder and the geographic location of the project. Critically, for all three financing modes, the total investment capital (including all contributions) must not exceed a maximum threshold of 10 000000 DA (NESDA, 2021, p. 24),which are further clarified in the table below:

Table 3.Financing Structures and Capital Distribution under the NESDA Regime

Financing Mode	Zone / Category	Personal Contribution	Agency Loan (PNR)[a]	Bank Credit
Triangular	Standard Zones (North)	15%	15%	70%
	Specific Zones & High Plateaus	12%	18%	70%
	Southern Regions (Grand South)	10%	20%	70%
Mixed	All Zones	50%	50%	0%
Auto-Financing	All Zones	100%	0%	0%

Source: (NESDA, 2021, p. 5).

a. Triangular Financing

This mechanism represents the standard tripartite model involving the project holder, the Agencyand the bank. As illustrated in Table 3, the financial structure is geographically modulated to incentivize investment in remote areas. While the bank credit remains constant at 70% of the total investment cost, the personal contribution required from the project holders decreases significantlyfrom 15% in standard northern zones to 10% in southern regionswith the

[a]**Agency Loan (PNR):** An interest-free loan ("Prêt Non Rémunéré") granted by the support agency (NESDA) to the project carrier. It serves as a complement to the entrepreneur's personal contribution to share the investment risk and facilitate access to bank credit

Agency compensating the difference through an increased interest-free loan.

b. Alternative Funding Models

For project holders with higher capital capacity or those wishing to avoid commercial debt, the framework offers two alternative paths:

- **Mixed Financing:** In this financing model, the Agency, through a non-refundable loan (zero-interest), and the project owner, through a personal contribution, share the funding in equal proportions (50%).
- **Auto financing:** In this type, the project owner is responsible for financing 100% of the project. However, they benefit from the Agency's other services, including accompaniment, technical support, and tax exemptions.

4. Empirical Results and Performance Evaluation

This section provides a detailed analysis of the quantitative data collected from the NESDA records in Khenchela, with the aim of evaluating the system's performance over the study period.

4.1.Portfolio Distribution by Financing Model and Sector

The following analysis categorizes the financed projects based on their funding structure and sector of activity to highlight investment trends.

a. Capital Structure and Financing Mode Distribution

To understand the financial structure of the projects supported by the agency, it is essential to examine the funding mechanisms adopted by the project holders.

The table below displays the breakdown of financed files according to the financing method during the 2020-2023 period, distinguishing between triangular, mixed, and Auto-financing.

Table 4.Distribution of Financed Projects and Capital Allocation by Financing Model (2020–2023)

Years	Triangular Financing		Mixed financing		Auto-financing		Total	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
2020	43	158 420 000	07	4 865 000	01	6 000 000	51	169 285 000
2021	107	578 675 000	12	14 700 000	02	2 740 000	121	596 115 000
2022	288	1 552 155 000	15	18 660 000	03	1 920 000	306	1 572 735 000
2023	145	794 351 604	05	6 955 000	00	00	150	801 306 604
Total	583	3 083 601 604	39	45 180 000	06	10 660 000	628	3 139 441 604

Source: Compiled by the authors based on NESDA internal administrative data (2024).

The empirical data compiled in Table 4 reveals a massive concentration in the distribution of financing methods within the studied region. First, a clear dominance of triangular financing is observed, as this mechanism is overwhelmingly preferred by applicants, accounting for 92.83% of the total number of approved projects (583 out of 628). In terms of capital allocation, this dominance is even more pronounced, representing 98.22% of the total investment volume, which exceeds 3 billion DA over the four-year period.

The overwhelming shift toward the triangular financing mechanism is primarily driven by reduced personal risk exposure and the absence of collateral assets. By minimizing self-financing requirements and waiving complex collateral demands, this framework significantly lowers direct investment costs for project holders. Consequently, credit risk is almost entirely transferred to the banking sector and public bodies, leading to an operational inability to recover disbursed liquidity in the short term upon default, given the lack of pledged assets with realizable liquidation value.

b. Distribution by Sector of Activity

To understand the economic orientation of the investments supported by the agency, it is essential to analyze the sectoral breakdown of the funded projects.

Table 5.Sectoral Breakdown of Financed Micro-Enterprise Projects (2020–2023)

Sector of activity	2020	2021	2022	2023	Total	Percentage (%)
Agriculture	20	32	47	36	135	21.5%
Construction and Public Works	04	12	81	28	125	19.9%
Industry	03	27	23	34	87	13.8%
Hydraulics	01	01	70	00	72	11.4%
Liberal Professions	13	18	24	14	69	10.9%
Services	04	19	28	12	63	10.0%
Handicrafts	04	04	31	10	49	7.8%
Maintenance	02	06	01	16	25	3.9%
Freight Transport	00	02	01	00	03	0.4%
Total	51	121	306	150	628	100%

Source: Compiled by the authors based on NESDA internal administrative data (2024).

From 2020 to 2023, NESDA project financing increased overall, growing from 51 projects in 2020 to a record 306 in 2022, then dropping to 150 in 2023. Most funding went to three main sectors: Agriculture (21.5%), Construction (20.0%), and Industry (13.8%), making up more than 55% of all 628 projects. Agriculture served as the main steady sector (135 projects), but Construction (81 projects) and Hydraulics (70 projects) jumped sharply in 2022 to represent almost half (49.3%) of that year's total. Meanwhile, services remained steady, while Freight Transport and Maintenance stayed under 5%. In short, funding clearly favors agriculture, production, and public works over other sectors.

4.2. Institutional Monitoring Mechanism, Post-Creation Viability, and Survival Dynamics

The monitoring of micro-enterprises during the post-creation phase is governed by a set of internal operational procedures initially established by the General Directorate (DG) of the former ANSEJ. These procedures, defined in internal notes issued in 2015 and 2017, and further reinforced by a supplementary note in 2019, continue to serve as the regulatory and technical benchmark for NESDA. This framework ensures a structured follow-up through three mandatory field visits:

- **First Visit (Equipment Acquisition Verification):** The purpose of this visit is to verify the delivery of equipment by the supplier to the project holder, in accordance with what is mentioned in the invoice.
- **Second Visit (Material Existence and Activity Start-Up Verification):** This visit, which takes place two (02) months after the date of the equipment acquisition verification, aims to verify the existence of the equipment and the effective start-up of the activity.
- **Third Visit (Early Viability and Employment Audit):** This visit, which must take place eleven (11) months after the first visit, aims to verify the current situation of the micro-enterprise, to ascertain the existence of the equipment acquired within the framework of the scheme, and to collect information on the number of actual jobs as well as the CNAS employer number.

a. Pre-Operational failure, Early Viability, and Cohort Survival

During the first two visits carried out by the NESDA monitoring agents, the existence of 628 financed projects was noted, of which 391 acquired the necessary equipment for the realization of their projects. However, only 157 started operating.

As for the third visit carried out by the monitoring agents, it allowed them to note that only 54 micro-enterprises remain in operation.

The physical situation of the micro-enterprises having acquired the necessary equipment for the realization of their projects, as of 31/12/2023, is shown in the following table:

Table 6. Micro-Enterprise Lifecycle Follow-Up, Early Viability, and Cohort Survival Rates (2020–2023)

Year	Funded Projects (A)	Acquisition (1st visit) (B)	Launch (2nd Visit) (C)	Final Status (3rd Visit) (D)	Survival Rate (D/B)	Early Viability Rate (D/A)
2020	51	51	16	10	19.61%	19.61%
2021	121	33	30	08	24.24%	6.61%
2022	306	171	80	07	4.09%	2.29%
2023	150	136	31	29	21.32%	19.33%
TOTAL	628	391	157	54	13.81%	8.60%

Source: Compiled by the authors based on NESDA internal administrative data (2024).

The global early viability rate of funded projects is very low at 8.6% (54/628 projects). Only 13.81% (54/391) of micro-enterprises that acquired equipment managed to maintain activity within one year, underscoring the fragility of project holders when exposed to market constraints.

The critically low survival rate of 4.09% for the 2022 cohort (the peak financing year, 306 projects) demonstrates that pursuing quantitative targets was done at the expense of quality.

To better understand the dynamics of this failure, it is essential to examine the transition from the investment phase to the operational phase. The following table highlights the significant gap between equipment acquisition and the operational status of project11 months later:

Table 7. Pre-Operational Failure Rates

Year	Projects with Equipment (Acquisition)	Projects Launched (Operation)	Projects Failed to Start	Pre-Operational Failure Rate (Failed to Start rate)
2020	51	16	35	68.63%
2021	33	30	3	9.09%
2022	171	80	91	53.22%
2023	136	31	105	77.21%
TOTAL	391	157	234	59.85%

Source: Compiled by the authors based on unpublished NESDA internal administrative data (2024).

As illustrated in Table 7, the system is undermined by a stark early failure. Out of 391 equipped projects, 234 failed to start their activity, representing a Pre-Operational Failure Rate of approximately 60%with a massive gap, culminatingat 77% in 2023. The critically low survival rates and the high volume of early failures are driven by three additional determining factors:

- Lack of Entrepreneurial Capabilities: A significant proportion of the beneficiaries lack higher educational degrees or basic managerial training. Consequently, these young entrepreneurs find themselves unable to properly manage and allocate relatively large capital injections, leading to rapid financial mismanagement and early project cessation.
- Deficient Institutional Monitoring: There is a severe lack of continuous, qualitative guidance and technical support from NESDA post-funding. The monitoring framework operates primarily as an administrative checkpoint rather than a genuine mentoring and incubation ecosystem capable of diagnosing and rescuing struggling ventures.
- Opportunistic Behavior: The support mechanism is severely distorted by opportunistic practices, most notably collusion between projectholders and equipment suppliers. In many instances, funds are disbursed on the basis of overvalued or fictitious pro-forma invoices. This enables the involved actors to misappropriate state-subsidized credit for personal consumption rather than investing in productive business assets.

b. Sectoral Breakdown of Micro-Enterprise Survival Rates (2020–2023)

As of 31/12/2023, the physical situation of micro-enterprises by sector of activity is shown in the following table:

Table 8. Sectoral Breakdown of Project Survival Rates (2020–2023)

Sector of Activity (2020/2023)	Acquisition (1st visit)	Active Micro-enterprises (Final Status / 3rd Visit)	Survival Rate
Liberal Professions	28	18	64.28%
Agriculture	94	15	15.96%
Services	59	07	11.86%
Industry	78	05	6.41%
Hydraulics	03	00	0.00%
Construction and Public	61	01	1.63%

Works			
Handicrafts	37	07	18.91%
Maintenance	31	01	3.22%
TOTAL	**391**	**54**	**13.81%**

Source:Compiled by the authors based on NESDA internal administrative data (2024).

The survival rate of 13.81% conceals a deep sectoral divide. Liberal Professions significantly outperform with a survival rate of 64.28%, validating an economic model based on personal expertise rather than capital intensity.

Conversely, heavy sectors (Industry, Construction, Hydraulics), despite being the primary beneficiaries of funding, record massive failures (rates below 6.5%). This contrast demonstrates that the project holders' competence and qualification are far more decisive sustainability factors than the volume of financial aid or tax incentives granted.

4.3. Evaluation of Objectives for Promoting Job Creation and Combating Unemployment

The results of the job positions created by the micro-enterprises financed under the NESDA scheme in the Khenchela Province are presented in the following table:

Table 9. Job Creation Statistics (2020-2023)

Year	Funded Projects (a)	Jobs Created (b)	Average Job Creation Ratio per Project (b)/(a)
2020	51	89	1.74
2021	121	207	1.71
2022	306	523	1.71
2023	150	245	1.63
TOTAL	628	1064	1.70

***Source*:**Compiled by the authors based on NESDA internal administrative data (2024).

Between 2020 and 2023, NESDA financed 628 micro-enterprises in Khenchela, initially generating 1,064 jobs. However, the low average of 1.7 positions per project indicates a model focused primarily on self-employment rather than structured job growth.

Crucially, the high rate of business failure has substantially eroded these initial employment gains: with only 54 active projects

remaining, an estimated 972 of the initial jobs have been lost, leaving approximately 92 sustainable positions[b].

Note: Despite the fact that certain micro-enterprises were classified as successful projects by the NESDAin Khenchela, they present significant issues:

- They have not honored their credit repayment deadlines.
- The jobs created are not affiliated with the CNAS (National Social Insurance Fund).

5. Conclusion

5.1. Synthesis of Main Findings and Hypotheses Testing

This study evaluated the effectiveness of tax incentives and financial support mechanisms provided by the NESDA scheme in Khenchela Province (2020–2023). The empirical findings allow for a systematic validation of the research hypotheses:

- The analysis confirms **H1**, validating that state support relies primarily on tax exemptions and subsidized loans.
- The results confirm H2, proving that tax incentives and financial aid have no sustainable positive impact on micro-enterprise viability. The overwhelming dominance of triangular financing induced systemic opportunistic behavior, causing a 60% pre-operational failure rate, as well as very low survival and early viability rates.
- The evidence supports H3, showing sharp sectoral variations. Liberal professions achieved a high survival rate (64.28%) due to intrinsic human capital, whereas capital-intensive sectors (construction, industry, hydraulics) suffered widespread collapse.
- The findings validate H4, identifying weak institutional monitoring, managerial skill shortages, and opportunistic supplier collusion as the primary operational constraints.

Consequently, these results exceedthe main hypothesis: during the 2020–2023 period, the NESDA framework did not merely produce stagnant micro-enterprises, but generated high pre-operational failure and critically low viability.

5.2. Policy Implications and Recommendations

To transform NESDA into an effective entrepreneurial ecosystem, public policymakers should implement these strategic shifts:

[b]sustainable positions=**1,7 x 54=92**
Average of positions per project=**1,7**; active projects remaining=**54**

- **Restructure Financing Mechanisms and Collateral:** Rebalance the financing structure by increasing required personal equity contributions and mandating equipment pledging to mitigate opportunistic behavior, prevent capital diversion, and prevent upfront over-invoicing.
- **Condition Support on Managerial Capability:** Shift from pure capital allocation to capability-building by making fund disbursement strictly contingent upon the completion of accredited managerial and financial training programs.
- **Implement Conditioned Tranche-Based Disbursements:** Transition from upfront full funding to a stage gated financial release, where subsequent funding tranches depend on verified physical installation, operational progress, and field inspection audits.
- **Inter-Institutional Data Interoperability:**Establish real-time data integration between NESDA, the TaxAdministration (DGI), and Social Security bodies (CNAS/CASNOS) to identify inactive or "ghost" micro-enterprises.
- **Realign Institutional Performance Metrics:** Transition state agency evaluation metrics away from quantitative targets (number of financed projects) toward long-term qualitative indicators, such as three-year enterprise survival rates, credit compliance, and verified social security (CNAS) registration.

5.3. Limitations and Future Research

While providing robust empirical evidence on local policy implementation, this study is geographically restricted to Khenchela Province and bounded by a four-year analytical window (2020–2023). Future research should expand this empirical framework to multi-province or national panel datasets, allowing for longitudinal tracking of micro-enterprise survival trajectories across diverse macroeconomic environments.

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