

Business Failure of Small and Medium-Sized Enterprises "A Point of View of Algerian Entrepreneurs."

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ABSTRACT

This study aims to know the point of view of entrepreneurs about the factors that affect the business failure of small and medium enterprises in Algeria (Sidi Bel Abbess).

Our sample includes 91 entrepreneurs of small businesses who work in Algerian industries. The study examined three factors that influence the SME's business failure. These factors are : the characteristics and skills of the entrepreneur are there ; Managerial factors ; Agencies of support and accompanying SME's Our findings show that there is a significant relationship between Managerial factors, Agencies of support, and accompanying SME's and business failure in Algerian SME's, and that the characteristics and skills of entrepreneurs have no significant effect on business failure.

1. Introduction

Small and medium-sized enterprises have been given due recognition for playing a very important roles towards fostering accelerated economics growth, they are not only seen as main driver for generation employment they also promoting innovation and their ability to adapt to change in environment.

Small and medium-sized enterprises (SMEs) are an important concept in entrepreneurship and small business research. The definition of SMEs can vary depending on the size of the company, and it is important to understand the different definitions used in research. SMEs play a significant role in many economies, accounting for over 95% of all firms and generating a large share of new jobs. However, SMEs face many challenges, including economic turbulence, risk management, and tax planning. Private equity firms can provide a source of risk capital for SMEs, which can help strengthen their position in the market. In this introduction.

In recent years, a great number of studies focused on success of SMEs, while a small number of studies were related to the reason for failure of SME's, detection of this negative factors will enable entrepreneurs to better analyses their business in order and avoid bad business decision.

Several studies conducted in Europe and the United States have shown that small and medium-sized enterprises (SMEs) have a high failure rate within the first five years of their establishment. The failure rate in the United States is four years less than that of Europe, which is considered less dynamic economically. In the beginning of 2013, the number of small and medium-sized enterprises (SMEs) in Algeria was estimated to be 747,944. The National Advisory Council for the Promotion of Small and Medium-sized Enterprises estimated the SME failure rate to be 20%, which is equivalent to 2,423 enterprises.

The failure of SMEs can be attributed to several factors This high failure rate highlights the need to understand the reasons behind SME failure in Algeria (sidi bel abbes).

The Research problem lies in:

What are the factors affecting business failure of small and medium-sized Enterprises in Algeria (sidi bel abbes)?

Study Objectives and Intérêts :

- Knowing if a relationship between the characteristic and skills of entrepreneur is there, Managerial factors, Agencies of support and accompany of SME's and business failure in Algeria (Sidi Bel Abbes) SMEs.
- Learn the reality of small and medium enterprises in Algeria.
- Helping the entrepreneurs to know the reasons for the failure of small and medium enterprises to maintain the continuity and survival of the enterprises.

the aim of the current research is to identify the factors that affected the SMEs failures in Algeria. The paper has the following structure: literature review, methodology and then empirical analysis conducted to support the study, and finally concluded, and future research.

2. Literature review

2.1. Definition of SMEs

The definition of SMEs varies among countries and organizations, and different indicators are used to define SMEs, such as the number of employees, annual turnover, and balance sheet (See Table1).

Table 1: Definition of SMEs in Algeria

Type of enterprise	Employée	Turnover	Annual
Micro	1-9	< 40Million DA	< 20Million
Small	10-49	<400Million DA	< 200Million
Med	50-250	400Million DA- 4 Billion DA	200Million- 1 Billion DA

Source: Based on (Law N°-12-17)

Algeria has adopted the European Union's definition of SMEs, which defines SMEs in Algeria according to Law No 12-17 (2017). According to this law, SMEs are defined as any enterprise producing goods and services.

- employing 1 to 250 persons;
- An annual turnover not exceeding 4 billion dinars or total annual proceeds not exceeding 1 billion dinars;
- the enterprise's capital should not be owned by 25% or more by the enterprise or other enterprise groups that do not meet the definition of small and medium-sized enterprises.

2.2. Definition of Business Failure

Over the years, there have been several definitions of business failure and number of theories and thoughts on what constitutes a failed business. There are some scholars who view business failure.

Business failure often happens when a business experiences financial trouble and is forced to shut down operations in order to pay off its debts. A literature study identifies at least four major definitions that approach business failure in different ways and demonstrates how research in entrepreneurship has utilized more precise criteria to define failure. These classifications are based on things like bad financial performance, the insolvency of the company, and not being able to pay creditors or suppliers (Dias & Teixeira, 2017), Business failure often happens when a business experiences financial trouble and is forced to shut down operations in order to pay off its debts. However, there are at least four major definitions that approach business failure in different ways (Watson & Everett, 1993), These classifications are based on things like bad financial performance, the insolvency of the company, and not being able to pay creditors or suppliers. Entrepreneurs may also fail if they do not hire the best people, attract capital, or build self-sustaining companies (Watson & Everett, 1993) ,and there are many different definitions of business failure, which we have classified in (table 2).

Table 2: Definition of Business Failure

Autor	Definition
(Burt, Dawson, & Sparks, 2003)	define failure as an unexpected underperformanee that results in operational losses in one or more of the business units in foreign markets.
(Ucbasaran, Shepherd, Lockett, & Lyon, 2013)	the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneurs.
(Siegfried & Evans, 1994)	Exit refers to the exit of the firm from a particular market or creasing to produce a certain product

Source: Realised by researchers based on several references

2.3. The organisms in charge of support the SMEs.

The recent economic developments and circumstances have made it imperative for all countries and governments to strive for the development of the economy and to provide all the necessary means to support and promote it through a range of initiatives and programs, given the importance that this sector has gained across various levels, including job creation and enhancing the value added to the national income. Despite all the measures taken by the Algerian government, which are considered sufficient to upgrade economic practices.

-ANADE (Ex Ansej):

ANADE was established through Executive Decree No. 96-296. Its main responsibilities include providing young entrepreneurs with information on economic, technical, legislative, and regulatory matters related to their activities. ANADE also aims to create a database of projects that are both economically and socially beneficial. Additionally, the organization offers guidance and support to young entrepreneurs in securing financial arrangements and credit mobilization. ANADE maintains ongoing relationships with banks and financial institutions to facilitate project financing. (Jourdap, 1996).

-ANGEM:

ANGEM, the National Microcredit Management Agency, was established through Executive Decree No. 04-14. Its main responsibilities include creating a database of information on the activities and beneficiaries of the micro-credit system. ANGEM also provides guidance and support to micro-credit beneficiaries in securing financial arrangements and credit mobilization. The organization maintains ongoing relationships with banks and financial institutions to facilitate project financing, implementation, and monitoring. ANGEM is authorized to call upon any specialized legal or natural person to carry out actions that may contribute to the achievement of its missions. Additionally, the organization is empowered to implement any measure that may allow the mobilization and use of external resources to support the objectives of the micro-credit mechanism in accordance with the laws and regulations in force.

2.4. The factors of SME's Failure:

Based on the literature and research carried out by the specialists in the field Business failure factors can be divided into two categories: environmental factors and symptoms of management disability (Murphy, 1996). Apart from environmental factors, there are three categories of failures mentioned: functional knowledge, managerial skills, and managerial behaviour.

The findings and research carried out by (KHELIL, 2013) all factors are classified in tow groups. The first group consists of individual factors that refer to characteristics of the owners of SMEs factors such: lack of experience and skills, as well as the fragility of their network of relationship, inadequate financial resources and elements with psychological perspective, by feeling incompetent, unmotivated, suspicious, personal disillusionment, stress and insecurity leading them to abandon their enterprises.

The second consists of non-individual factors (organizational and environmental) and this factor divided in to:

- ✓ -internal and external factors that is related to the environment surrounding the enterprise, whether it is financial crisis, high interest rate or change in consumer behaviour, intense competition, and government legislation.
- ✓ -Internal factors relate to the financial, administrative, and entrepreneur skills and experience as well as personal characteristics, organizational, human and psychological determinants (De Hoe & Janssen, 2014; Coulibaly, 2004)

Based on a systematic literature review, several factors can influence the failure of small and medium-sized enterprises (SMEs). These include a lack of owner operational skills, managerial skills, financial control, capacity and facility planning, critical thinking, preparation, and communication (Jayasekaraa, Fernandob, & Ranjani, 2020) Other factors identified in the literature such : include the lack of availability and optimal combinations of resources and opportunities, limited access to finance, -size, age, poor market conditions, unbeatable competition, isolation, inadequate skilled labor, wrong pricing, lack of institutional support, innovation and necessary skills of entrepreneurs (Jayasekaraa, Fernandob, & Ranjani, 2020) Improving entrepreneur skills, transforming to advanced technology, and enhancing staff skills can help reduce business failure.

Another study found that different firm failure processes exist among failed UK SMEs and that director characteristics including director age and board gender structure affect the transition to failure of UK SMEs (MAKROPOULOS, WEIR, & ZHANG, 2020). Due to the multiplicity of causes of failure, has been combined into set of key factors agreed by researchers : Financial problem, lack of Management efficiency, inability to account financially, poor marketing, economic weakness, lack of attention to planning, high taxes, disasters, lack of support, high competition (Ihua, 2009) who researched these ten factors to find out which of these were affected by the failure of SMEs in Nigeria and England- he concluded that the failure of enterprises in Nigeria was due to financial problems while the failure of small enterprise in England was due to Management inefficiencies This means that the factors of failure differ from country to country and from enterprise to enterprise ,While (Tremblay, 2007) collected all the factors of failure of small enterprises mentioned earlier and divided them into individual factors related to the vision and skills of the entrepreneur, organizational factors related to the organizational structure of the enterprise ,And the financial resources and to environmental factors identified in the economic context, legislative elements, alliances.

According to a study by Kazooba (2006), administrative problems have been cited as a major cause of failure for small businesses. The study revealed that poor recordkeeping and a lack of basic business management experience and skills were major contributors. Additionally, researchers identified inexperience in the field of business, particularly a lack of technical knowledge, plus inadequate managerial skills, lack of planning, and lack of market research as other factors that contribute to business failure (Jayasekira, Fernando, & Ranjani, 2020). (GUENNOUN, 2020)To identify the various factors affecting the entrepreneurial practice, and to test and measure their impact on the success or failure of entrepreneurs. Through the theoretical study and addressing the various previous studies, the four dimensions affecting the entrepreneurial practice were identified: (the personal and skill factor, the cultural and social factor, the support mechanisms factor and the economic and legislative framework factor). And through this literature review we will try to find out which of these factors most affect the failure of small and medium enterprises in Algeria

3. Research Methodology

Business failure is the dependent variable and independent variables are characteristic and skills of entrepreneur, management factors, Agencies of support and accompany of SME's. This research paper used the causal descriptive approach A self-designed questionnaire was used to gather the research data. The questionnaire consisted of Two parts. The first part comprised of demographic characteristic, and profile information of the respondents. The respondents were asked to rank statements on contextual condition related to each failure factor faced by the respondents in the second part. This part consisted of 35 failure questions which were intended to measure factors of business success, using 5-point liker scale.

A total 120 sets of questionnaires were distributed to SMEs directors, Overall, only 91 sets of questionnaires were collected and filled up completely from total of 120 sets that were distributed early.

The study sought to examine the relationship between, characteristic and skills of entrepreneur, management factors, Agencies of support and accompany of SME's towards Business failure.

From the above theoretical framework, the following hypotheses were derived:

H1 There is a Relationship between characteristic and skills of entrepreneur and business failure in Algeria (Sidi Bel Abbes) SMEs.

H2 There is a Relationship between Managerial factors and business failure in Algeria (Sidi Bel Abbes) SMEs.

H3 There is a Relationship between Agencies of support and accompany of SME's and business failure in Algeria (Sidi Bel Abbes) SMEs.

4. Survey Results

This sample consisted of A total 120 set of questionnaires has been distributed to SMEs located in Algeria (Sidi Bel Abbes) in which only 91 questionnaires were usable. The response rate is 75.8%. Data analyse was done on 91 questionnaires by SPSS.

Reliability analysis was used to measure both consistency and internal stability of data using Cronbach's Alpha. Cronbach's Alpha that are less than 0.6 are generally considered to be poor, those in the 0.7 range to be acceptable, and those over 0.8 to be good, the closer the reliability coefficient gets to 1, the better. Cronbach's Alpha for independent variables and the dependent variable. are 89.4% above 70. Therefore, data that were collected for this research were internally stable and consistent.

Descriptive analysis shows that out of 91 respondents, there were more female than male respondents. The results show that 57.1% of the respondents are female and the remaining 42.9% are male. The majority of respondents, a total of 52 (57.1%) were aged between 19 to 30 years old, 28.6% (26) were aged between 40 to 50, 14.3% (13) were aged between 31 to 40 years old, 13 (14.3%) were from Secondary School, 13 (14.3%) were from Certificate/Diploma, 65 (71.4%) were from university graduates. The Duration of Organization Operated, 78(85.7%) were less than 5 years, 13(14.3%) were between 6 to 15 years. The number of employees, 91 (100%) were less than 10 employees.

4.1. Correlation

In this study we used Pearson correlation by SPSS for evaluating the correlation of the variables. The results indicate that there is a significant positive relationship between entrepreneur characteristics and skills and Business Failure ($r=0.473$, $p<0.001$).and we found that the Managerial factors has a significant positive correlation with Business Failure ($r = 0.258$, $p < .001$. Furthermore, Agencies of support and accompanying of SME's has a significant positive correlation with Business Failure ($r = 0.281$, $p < .05$). (Table 3)

Table3: Correlation results

Business Failure	Entrepreneur characteristics	Management factor	Agency's of support and accompanying of SME's	Business Failure
Entrepreneur characteristics	1	0.258*	0.482**	0.473**
Management factor	0.258*	1	-0.432	0.475**
Agencies of support and accompanying of SME's	0.482**	-0.432	1	0.281*
Business Failure	0.473**	0.475**	0.281*	1

**Significant at the 0.01 level. * Significant at the 0.05 level

Source: Realised by researchers-based on results of SPSS

4.2. Factor affecting business failure of SMEs.

In order to find out the relationship between independent variables: Entrepreneur characteristics, Management factor, Agencies of support and accompanying of SME's and **Business Failure of Algerian SMEs**. A multiple linear regression was used. The results of the regression model Is in (Table 4).

The findings of the study revealed That, Management factor, Agencies of support and accompanying of SME's have significant positive effect on the Business failure of SMEs in Algeria (sidi bel abbes)) we accept H2 (There is a

Relationship between Managerial factors and business failure in Algeria (Sidi Bel Abbès). SMEs) and we accept H3 (There is a relationship between Agencies of support and accompany of SME's and business failure in SMEs Algeria (Sidi Bel Abbès)). Entrepreneur characteristics so we refuse the hypotheses H1 (There is a Relationship between characteristic and skills of entrepreneur and business failure in Algeria (Sidi Bel Abbès)).

SMEs were found to have no significant effect on the Business failure of SMEs in Algeria. The overall results of the regression analysis shows that this model is well constructed, and it is well represented as reflected in the variables selected. Table 4, the summary table on regression analysis indicated that the R-square is 51.6 percent. This means that the variables which include SMEs characteristic, Management factor, Agencies of support and accompanying of SME's can explain 51.6 percent variations in the business failure of SMEs in Algeria.

The Durbin-Watson statistic shows that the serial correlation of residuals is 1.689, the value falls within the acceptance range. (1.5 and 2.5). This means that there is no auto correlation problem in the data. The histogram indicates that data used in this study is normally distributed and F-value is found to be significant (sig. $F = <0.01$). This concludes that the regression model used in this study is adequate or in other words, the model was fit.

Table 4 régression results

R2	Unstandardized coefficients		Standardized coefficients		t	Sig.
	B	Std. Error	Beta			
Managerial factors	1.148	0.173	0.736	6.635	<0.001	0.516
Entrepreneur characteristics And skills	-0.016	0.262	-0.007	-0.060		0.953
Agencies of support and Accompanying of SME's	0.766	0.155	0.602	4.924		<0.01

Dependent variable: Business Failure

Source: Realised by researchers-based on results of SPSS

5. Discussion and conclusion

the aim of this study is to know the points view of 91 entrepreneurs about the factors that influence Business failures (Entrepreneur characteristics and skills, Management factor, Agencies of support and accompanying of SME's) in Algerian SMEs, we discovered that there many obstacles that causes the failures of SMEs in ALGERIA and one of this causes the firm to fail. In this study we tried to Learn the reality of small and medium enterprises in Algeria, to Help the entrepreneurs to know the reasons for the failure of small and medium enterprises to maintain the continuity and survival of the enterprises our findings show that:

- ✓ There is a Relationship between Managerial factors and business failure in Algeria (Sidi Bel Abbès) SMEs: Poor management practices, including inadequate planning, lack of leadership, and ineffective decision-making, Marketing problems can lead to SME failure,
- ✓ Agencies of support and accompany of SME's Agencies of support and accompany of SME's, are one of the reasons of failure, as they play the role of financier and forgot their role as accompaniator in the establishment stages of the firm (before, during, after).
- ✓ There is no Relationship between characteristic and skills of entrepreneur and business failure in Algeria (Sidi Bel Abbès) SMEs, the personal factor is not considered a reason for the failure of the establishment, according to the entrepreneurs. because they have a high level of education, and skills that enable them to run their business which are: self-confidence, risk taking, and their vision.

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