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ANALYSIS OF THE DEVELOPMENTAL ROLE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN ALGERIA DURING THE PERIOD 2013–2022

Abstract: Small and medium-sized enterprises (SMEs) are among the most crucial institutions, relied upon for the development of countries, especially developing ones. This is due to their role in creating wealth, increasing the gross domestic product (GDP), generating employment, and more. Today, these enterprises have gained a significant position in modern economies, especially in recent years, given their contribution to solving many challenges that larger institutions could not address. This study aims to analyze the extent to which SMEs contribute to the development of the Algerian economy. To achieve this objective, a descriptive approach was adopted to present the theoretical framework and previous studies, in addition to analyzing and discussing various official statistics from 2013 to 2022, relevant to the topic. The study concluded that the contribution of SMEs to the Algerian economy was limited despite improving indicators year after year. This limitation is due to various challenges these enterprises face, most notably issues related to legislation and laws, financing, and industrial real estate. The paper ends with recommendations, including updating the legal framework, activating the role of support bodies, encouraging scientific research, and benefiting from international experience.

Keywords: small and medium-sized enterprises; economic development; employment; gross domestic product.

Introduction

The multifaceted international economic transformations have compelled countries worldwide to adopt new perspectives and emerging trends across all dimensions of economic globalization. This globalization emphasizes market reliance, i.e. economic freedom, prioritizing private investment in all its forms. This has given rise to a new business model – the small and medium-sized enterprise (SME) sector, characterized by its significant adaptability to the rapid changes witnessed in economic activity.

Today, SMEs are of paramount importance due to the significant role they play in driving development. They contribute to realizing many economic and social policies that larger institutions still need to achieve. Their significance is particularly evident in their minimal capital requirements compared to

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larger enterprises. The latter are considered the backbone of the economy and a primary source of economic growth in both developed and developing countries¹. Currently, SMEs constitute approximately 90% of the global institutional fabric². They employ over 70% of the global workforce, contribute more than 50% to the global gross domestic product (GDP), and account for nearly a third of global export value.³

While SMEs are essential for developed countries, they are even more vital for developing nations, especially Algeria. This is attributed to its growing recognition of their importance as a significant means to revive industrial production and to overcome the rentier nature of the national economy. The country has undertaken several initiatives to encourage young people and small investors to venture into this relatively new investment sector. This includes establishing structures to support and develop these enterprises, initiating legislative and regulatory groundwork to boost this crucial sector, and addressing various challenges it faces, especially financial ones. All these efforts aim to develop these enterprises and to activate their developmental role in the economy, which will be further elaborated and analyzed in this study.

Literature Review

Numerous studies have addressed the topic of small and medium-sized enterprises (SMEs) in Algeria. This topic is a priority research axis for the Algerian Ministry of Higher Education and Scientific Research. However, most existing studies are in French and Arabic, with very few in English. Among the most notable ones is a study by Mechaali⁴, which aimed to elucidate the role of SMEs in job creation and in reducing unemployment in Algeria. The researcher relied on collecting and analyzing relevant statistics, concluding that SMEs in Algeria are fragile and do not sufficiently contribute to job creation for Algerians.

A recent study by Laouar and Benabbes⁵ sought to uncover the role of SMEs in achieving sustainability and in effectively contributing to the advancement of the Algerian economy. The study also found that SMEs in the country are fragile and have a weak contribution to economic and social development, as evidenced by analyzing all relevant official data and statistics.

In the same year, Amroune et al.⁶ studied the success factors of SME rehabilitation programs in Algeria. A quantitative study was conducted using structural equation modelling to identify these factors. The study concluded that, out of eight factors, only two statistically significant factors considerably affect the success of SMEs in Algeria: production management and marketing management.

A study by Mechaali and Mahrez⁷ aimed to understand the reality of SMEs in Algeria and to reveal their contribution to economic development. The analysis showed that, despite the significant efforts made by the government to develop and promote these institutions, the results remain very weak, and that their contribution to economic development has yet to reach the desired level.

¹ **Robu, M.** The Dynamic and Importance of SMEs in Economy. *The USV Annals of Economics and Public Administration*, vol. 13, 2013, pp. 84–89.

² **World Bank.** Small and Medium Enterprises (SMEs) Finance: Improving SMEs Access to Finance and Finding Innovative Solutions to Unlock Sources of Capital. 2023 [online] [Accessed: 11 September 2023]. Available at <https://www.worldbank.org/en/topic/sme/finance>

³ **Henig, D., and Zilli, R.** The New Globalization: SMEs and International Trade – The Supply Chain Is as Important as Direct Exports. 2021 [online] [Accessed: 11 September 2023]. Available at <https://ecipe.org/publications/smes-international-trade-supply-chain-important-direct-exports/>

⁴ **Mechaali, B.** The Contribution of Small and Medium Enterprises to Employment in Algeria (from 2010–2019). *Economics Financing Banking and Management Journal*, vol. 12, 2023, pp. 816–834.

⁵ **Laouar, A., and Benabbes, C.** The Role of Small and Medium-Sized Enterprises in Achieving Sustainable Development in Algeria. *Journal of Economic Growth and Entrepreneurship*, vol. 5, 2022, pp. 11–22.

⁶ **Amroune, B., Bernard, P., and Plaisent, M.** Success Factors of Upgrade Programs for Algerian Small and Medium-Sized Enterprises “SMEs,” Structural Equations Modeling: Resource Dependency Perspective, *Scientific Review of Economic Future*, vol. 10, 2022, pp. 12–46.

⁷ **Mechaali, B., and Mahrez, S.** The Role of Small and Medium Enterprises (SMEs) in Economic Development: The Algerian Experience. *Strategy and Development Review*, vol. 10, 2020, pp. 156–170.

Bouri conducted a study titled “SMEs in Algeria: Sources of Integration and Economic Growth”⁸. It aimed to clarify the importance of SMEs for the Algerian economy. To achieve the objective mentioned above, the researcher analyzed the contribution of these institutions to three leading indicators: employment, GDP, and added value. The conclusion is that the contribution of these institutions to supporting the national economy has improved year after year. However, more is needed, and the Algerian government needs to launch more support programs for this institution.

Theoretical Framework

The term *SMEs*, abbreviated from the French term *petites et moyennes entreprises* (PME) or the English term *small and medium-sized enterprises*, has become widespread in various countries. However, ambiguity and lack of clarity persist in defining this type of institution despite its importance. Due to the variation in criteria and characteristics that help define SMEs, developed and developing countries and international organizations interested in this sector have issued a set of recommendations for their definition. Given the difficulty in encompassing all the definitions set by countries for the concept of SMEs, the focus will be on the main definitions proposed by international organizations, which usually revolve around the criteria of number of employees and turnover⁹ as follows:

A. Definition by the World Bank (WB)

The World Bank classifies SMEs according to three main criteria: number of workers, annual turnover, and total assets, as illustrated in the following table:

Table 1. *Classification of SMEs According to the World Bank*

Type of Enterprise	Workers		Turnover (USD)		Assets (USD)	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Micro-Enterprise	1	10	–	100,000	–	100,000
Small Enterprise	11	50	100,000	3,000,000	100,000	3,000,000
Medium Enterprise	51	300	3,000,000	15,000,000	3,000,000	15,000,000

Source: *By the authors, based on Malhotra et al., 2006.*

B. Definition by the European Union (EU)

Most EU member states have standardized the definition of SMEs proposed by the European Commission. It is summarized in the following table:

⁸ Bouri, N. Small and Medium-Sized Enterprises in Algeria: Sources of Integration and Economic Growth. *Studies in Development and Society*, vol. 4, 2017, pp. 1–18.

⁹ Ardic, O. P., Mylenko, N., and Saltane, V. Small and Medium Enterprises: A Cross-Country Analysis with a New Data Set. *Policy Research, Working Paper Series 5538*, World Bank, 2011 [online] [Accessed: 15 September 2023]. Available at <https://ideas.repec.org/p/wbk/wbrwps/5538.html>

Table 2. *Classification of SMEs According to the European Union*

Type of Enterprise	Number of Employees	Turnover (Million EUR)	Total Assets (Million EUR)
Micro	Less than 10	Less than 2	Less than 2
Small	Less than 50	Less than 10	Less than 10
Medium	Less than 250	Less than 50	Less than 50

Source: By the authors, based on Wach, 2015.

C. Definition by the Organization for Economic Co-operation and Development (OECD)

The Organization defines small and medium-sized enterprises as “those enterprises that employ between 200 to 250 employees at most. However, the United States considers that small and medium-sized enterprises are those enterprises that employ fewer than 500 workers, where they are considered small if they employ fewer than 50 employees and micro-enterprises, they employ between 10 to 5 workers. Meanwhile, European Union countries believe that small and medium-sized enterprises should have a turnover of 40 million euros or less and/or their public budget exceeds 27 million euros.”¹⁰

D. Definition by the United Nations Industrial Development Organization (UNIDO)

This Organization defines small and medium-sized enterprises on the basis of the worker number criterion as “those enterprises where the number of workers is between 15 to 19 to be considered small enterprises, and between 20 to 99 workers to be considered medium enterprises, and 100 workers or more to be considered large enterprises.”¹¹

Based on the above, the definition of small and medium-sized enterprises varies from one country to another according to their economic and social capabilities and to their level of technological advancement. Developed and developing countries have different definitions for this type of enterprise. The same enterprises might be considered medium in developing countries and small in developed countries. The term *small* or *large* for an enterprise is related to the size of the local economy of each country, among other criteria.¹² However, it should be noted that the most prominent criterion used globally to classify small and medium-sized enterprises is the number of workers.

Contrary to the significant variation in defining small and medium-sized enterprises, most previous studies and researchers agree on the importance of this type of enterprise for both advanced and developing economies. For example, in the United States, these enterprises constitute 99.9% of its institutional fabric, with a massive count of 33.2 million. They employ 46.40% of all American workers.¹³ In India, for instance, SMEs constitute 45% of the country’s total industrial output, 40% of total exports, 37.54% of GDP, and 30.50% of total services.¹⁴

These statistics indicate the role which small and medium-sized enterprises play in economic development by significantly contributing to job creation for most of the world’s population.¹⁵ They serve as a means of self-stimulation through their effective contribution to the development process, achieving economic and social objectives, supporting economic growth, enhancing the added value of the product,

¹⁰ OECD. Small and Medium-Sized Enterprises: Local Strength, 2000. [online] [Accessed: 15 September 2023]. Available at <https://www.oecd.org/cfe/leed/1918307.pdf>

¹¹ Katz, J., and Green, R. *Entrepreneurial Small Business*. New York: McGraw Hill Education, 2013.

¹² OECD. Enhancing the Contribution of SMEs in a Global and Digitalized Economy, 2017. [online] [Accessed: 15 September 2023]. Available at <https://www.oecd.org/industry/C-MIN-2017-8-EN.pdf>

¹³ Main, K., and Bottorff, C. Small Business Statistics of 2023. *Forbes Media*, 2023. [online] [Accessed: 15 September 2023]. Available at <https://www.forbes.com/advisor/business/small-business-statistics/>

¹⁴ Story, D. J. *Understanding the Small Business Sector*. London: Routledge, 1994.

¹⁵ SME Chamber of India. SME Sector in India. 2020. [online] [Accessed: 15 September 2023]. Available at <https://www.smechamberofindia.com/about-msme-in-india.php>

promoting unemployment and inflation policies, and reducing poverty. In addition, they help encourage innovation and develop human and technical capacities. They are also considered essential by spreading in small urban and rural centres to achieve many benefits, including better distribution of employment and income opportunities¹⁶; achieving economic savings resulting from choosing locations close to production requirements or production and demand centres; developing and preparing technical and administrative expertise; attracting individual savings; and pushing them towards investment destinations that serve development plans.

However, despite all the advantages mentioned above, small and medium-sized enterprises generally face several challenges. Scaramuzzi¹⁷ and Rao and Sreekrishna¹⁸ stated the most prominent ones:

- They need support in several essential areas, such as financing, marketing, and management.
- Their lack of skilled labour is a significant constraint on their growth.
- Problems related to taxes, social security, and labour law.
- Difficulty in obtaining financing, the need for long-term bank loans to support them, bureaucratic procedures, and high interest rates.
- The ambiguity of government policies supporting SMEs.
- The support bodies and institutions for them needs to be improved.

Research Methodology

The primary purpose of preparing this study is to understand the reality of small and medium-sized enterprises in Algeria and to analyze their contribution to the national economy. This research also aims to provide a preliminary study that enriches the topic of SMEs and their role in developing the Algerian economy. It also paves the way for researchers and specialists to understand the importance of this topic and prepares them for more beneficial studies in the future.

Two primary methodologies were adopted to achieve the objectives: the descriptive and analytical methods. The former was used to address the theoretical and conceptual framework of the study, relying on various forms of previous studies in articles, books, research papers, and international reports in English. The latter analyzed the reality of small and medium-sized enterprises in Algeria and their developmental role. It also analyzed all the statistics that serve the topic, which were obtained from the Algerian Ministry of Industry, exclusively in French.

The Reality of Small and Medium-Sized Enterprises (SMEs) in Algeria and Their Contribution to Supporting the National Economy

The Reality of SMEs in Algeria

Law No. 17-02, dated 10 January 2017, which serves as a guiding law for the development of SMEs, defines and classifies the latter in Algeria as follows: “An SME, regardless of its legal nature, is an entity producing goods and/or services employing between 1 to 250 individuals. Its turnover should not exceed 4 billion Algerian dinars, and its annual revenue should not exceed 1 billion Algerian dinars. It must also adhere to the criterion of independence.”¹⁹ This can be further elucidated through the following table:

¹⁶ Al-Zarkoshi, A. H. K. The Impact of Small and Medium Enterprises on Some Economic Variables in Iraq. *Journal of Iraqi University*, vol. 59, 2023, pp. 706–717.

¹⁷ Scaramuzzi, E. Incubators in Developing Countries: Status and Development Perspectives. *Working Paper Series 26637*, World Bank, 2002. [online] [Accessed: 17 September 2023]. Available at <https://documents1.worldbank.org/curated/en/186751468770425799/pdf/266370WP0Scode090incubators0Infodev.pdf>

¹⁸ Rao, M., and Sreekrishna, T. *Micro, Small and Medium Enterprises*. New Delhi: Ky Publications, 2017.

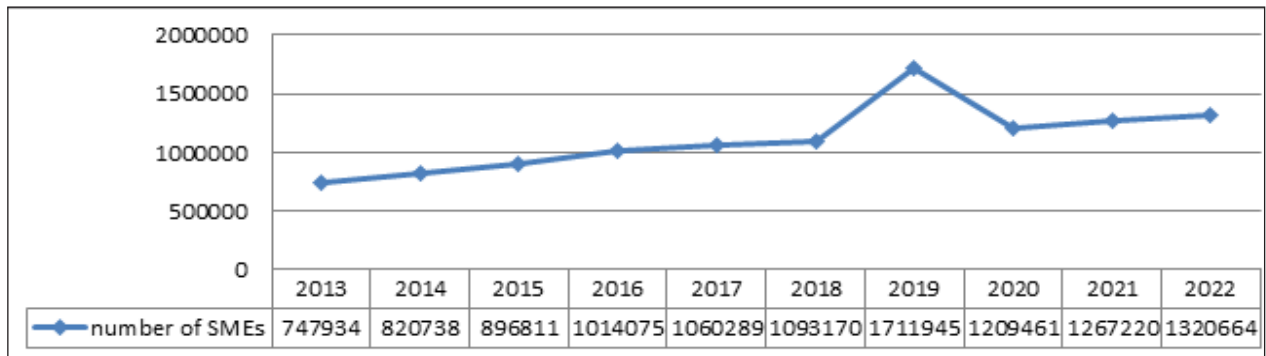
¹⁹ *Journal Officiel d'Algérie*. Loi n° 17-02 du 11 Rabie Ethani 1438 correspondant au 10 janvier 2017 portant loi d'orientation sur le développement de la petite et moyenne entreprise (PME), 2017. [online] [Accessed: 17 September 2023]. Available at <https://www.joradp.dz/FTP/JO-FRANCAIS/2017/F2017002.pdf>

Table 3. Classification of SMEs in Algeria

Type of Enterprise	Number of Workers	Business Turnover	Annual Budget
Micro	From 1 to 9	Less than 40 million dinars	Less than 20 million dinars
Small	From 10 to 49	Less than 400 million dinars	Less than 200 million dinars
Medium	From 50 to 250	From 400 million to 4 billion dinars	From 200 million to 1 billion dinars

Source: By the authors, based on *Journal Officiel d'Algérie*, 2017.

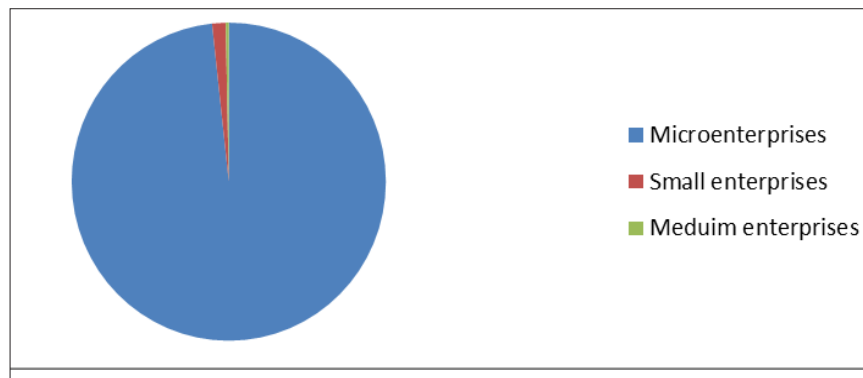
The latest statistics indicate that by 2022, there were 1,320.664 SMEs in Algeria, growing at a rate of 4.22% compared to the previous year. This year also saw the establishment of 34,299 new enterprises. Thus, SMEs account for 95% of the Algerian institutional fabric.²⁰ The increase in the number of SMEs in Algeria from 2013 to 2022 is illustrated in the following figure:



Source: Ministry of Industry and Mines, 2013–2022.

Figure 1. Evolution of SMEs in Algeria (2013–2022)

As observed in Figure 1, the number of SMEs in Algeria has experienced a consistent and significant growth year by year during the period 2013–2022. This reflects the concerted efforts and clear intent to develop this sector. As for the composition of these enterprises, it was distributed by the end of 2022 as illustrated in Figure 2:



Source: By the authors, based on data from the Ministry of Industry and Mines, 2022.

Figure 2. Composition of Small and Medium-Sized Enterprises (SMEs) in Algeria (Up to the End of 2022)

²⁰ Raouya, A. Economic Equality. Oxford Business Group, 2018. [online] [Accessed: 17 September 2023]. Available at <https://www.pwc.fr/fr/assets/files/pdf/2019/02/pwc-the-report-algeria-2018.pdf>

The figure shows that micro-enterprises are currently the predominant form among SMEs in Algeria, accounting for 98.30% (33,716 enterprises). They are followed by the small enterprises, which make up 1.39% (478 enterprises); lastly, the medium-sized enterprises represent 0.31% (105 enterprises). The dominance of micro-enterprises can be attributed to the ease of their establishment, as they can consist of a single individual, the founder, and require minimal financial resources that anyone can provide.

In terms of legal structure, it is observed that most SMEs in Algeria are legal entities, making up 56.19%, compared to 43.79% which take the form of natural persons.²¹ With regard to their ownership nature, 1,320.440 enterprises, or 99.98% of Algerian SMEs, are private companies, while 224 enterprises, or 0.02%, are public companies owned by the state. The most prominent sectors in which SMEs in Algeria currently operate are illustrated in Table 4:

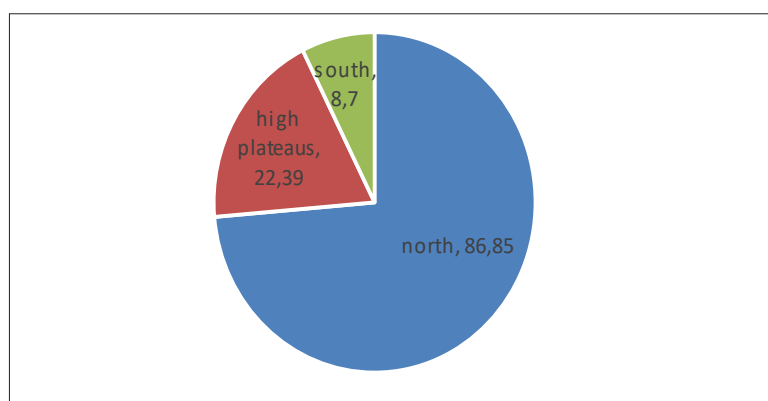
Table 4. Sectors in which Algerian Small and Medium-Sized Enterprises (SMEs) Operate (Up to the End of 2022)

Activity Sector	Number	Percentage
Agriculture	8323	0.7%
Fuels, Energy, Mines	3328	0.3%
Construction and Public Works	201809	15%
Industry	112963	8%
Services and Freelance Jobs	682339	51%
Traditional and Craft Industries	311902	24%
Total	1320664	100%

Source: By the authors, based on data from the Ministry of Industry and Mines, 2022

The previous table shows that most Algerian small and medium-sized enterprises (SMEs) operate in the service and traditional industry sectors, followed by the remaining sectors in varying percentages. However, it should be noted that public SMEs are more active in agriculture, industry, and services. In contrast, private SMEs, which aim to maximize profitability, predominantly specialize in the lucrative service sector. They differ from public SMEs, which strive to achieve a sectoral balance and focus on productive sectors that benefit the national economy.

In terms of geographical distribution, it is observed that most Algerian SMEs are concentrated in the north, accounting for 66.85%, where there is a higher population density and flourishing commercial and service activities. The high plateau region follows this at 22.39%, and the southern region with a tiny share of 8.70%. The geographical distribution of Algerian SMEs can be illustrated in Figure 3 below:



Source: By the authors, based on data from the Ministry of Industry and Mines, 2022.

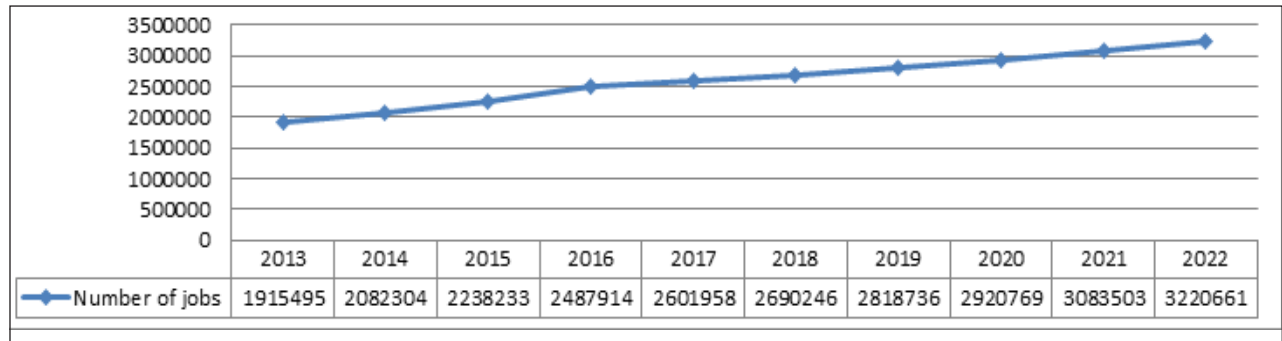
Figure 3. Geographical Distribution of Small and Medium-Sized Enterprises in Algeria (up to the end of 2022)

²¹ Ministère de l'Industrie et des Mines. Bulletin d'information statistique de l'entreprise. N° 40, Alger, 2022.

The statistics presented in the figure indicate a significant disparity in the geographical distribution of SMEs in Algeria, favouring the northern cities. Conversely, their number is considerably lower in the southern regions, which face significant challenges. This adversely reflects the economic and social development levels in these areas, which have come to be termed as “shadow zones.”

Analysis of the Role of SMEs in Supporting Economic Development Efforts in Algeria

Just as SMEs play a crucial role in supporting economic development in countries worldwide, they serve the same function in Algeria. They evidently contribute to creating substantial employment opportunities for Algerians and to reducing unemployment rates, as illustrated in the following figure:



Source: By the authors, based on data from the Ministry of Industry and Mines, 2013–2022.

Figure 4. Contribution of Small and Medium-Sized Enterprises to Job Provision in Algeria during the Period 2013–2022

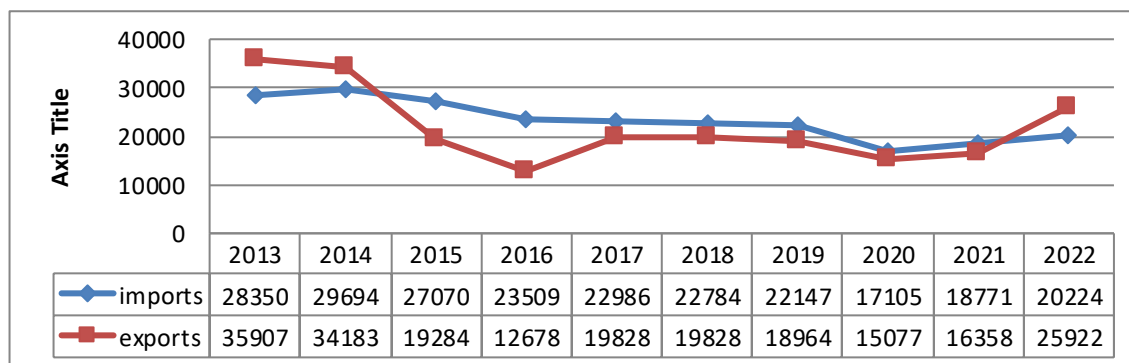
The results from Figure 4 indicate an increasing contribution of Algerian SMEs in employment year after year. The number of jobs provided by these enterprises rose from approximately 1.9 million positions in 2013 to around 3.2 million positions in 2022. In this context, the latest statistics suggest that the SMEs’ contribution to employment in Algeria stands at 56%. This can be attributed to the distinguishing features of these enterprises, which are low capital intensity and labour-intensive nature. SMEs also significantly contribute to Algeria’s GDP outside the hydrocarbon sector, as illustrated in the following table:

Table 5. Contribution of Small and Medium-Sized Enterprises to Algeria’s GDP Outside the Hydrocarbon Sector (2013–2019)

Year	2013	2014	2015	2016	2017	2018	2019
Percentage (%)	45.53	49.49	55.27	56.57	53.54	53.23	56.49

Source: By the authors, based on data from the Ministry of Industry and Mines, 2013–2019.

It is noticeable that SMEs in Algeria greatly contribute to the GDP outside the hydrocarbon sector, with their contribution steadily increasing from 45.57% in 2013 to 56.49% in 2019. They also contribute to the added value (VA) of Algeria, reaching 35% (Raouya, 2018). This demonstrates the vitality of these types of enterprises for the national economy. Nonetheless, it is essential to note that the aforementioned percentages are outside the hydrocarbon sector, which still dominates the largest share of Algeria’s GDP. In terms of foreign trade, SMEs also account for significant portions of Algeria’s exports and imports, as depicted in the subsequent figure:



Source: By the authors, based on data from the Ministry of Industry and Mines, 2013–2022.

Figure 5. Contribution of Small and Medium-Sized Enterprises to Algerian Foreign Trade (2013–2022) (Unit: Million \$)

From the data presented, it is evident that SMEs have a clear contribution to Algerian foreign trade (exports and imports) during the period 2013–2022. However, this contribution has seen fluctuations, both increases and decreases, which can be attributed to various local and international circumstances, such as global oil and financial crises, government policies that restrict imports, the COVID-19 pandemic, and other factors.

In addition to the above, SMEs play a key role in implementing Algeria’s modern strategy of diversifying the economy and of reducing its dependency on the hydrocarbon sector. Moreover, these types of enterprises are crucial in supporting vulnerable segments of Algerian society by providing goods and services that align with the low purchasing power of these societal groups. On the one hand, they enable this vulnerable segment to invest and produce. On the other hand, in this context related to supporting vulnerable groups, the Algerian government supports the establishment of SMEs by these groups through three main formulas²²:

A. The National Agency for Support and Development of Entrepreneurship (ANADE) formula, previously known as the ANSEJ formula. It focuses on technical and financial support and aids the youth in establishing micro-enterprises (TPE).

B. The National Agency for the Management of Microcredit (ANJEM) formula: This is based on technical and financial support, guiding low-income youth in realizing their investment projects.

C. The National Unemployment Insurance Fund (CNAC) formula: It emphasizes technical and financial support, assisting unemployed youth in establishing their investment projects. In this regard, Table 6 shows the number of projects and job positions, realized under each of the above three formulas:

Table 6. Number of Projects and Job Positions under the SME Formulas Specific to Vulnerable Social Groups during the Period 2020–2022

Formula	2020		2021		2022	
	Projects	Job Positions	Projects	Job Positions	Projects	Job Positions
ANADE	386714	923071	391568	934521	401637	958160
ANJEM	922911	1356389	947085	1386648	963071	14080405
CNAC	10827	–	157133	333360	160202	340500

Source: By the authors, based on data from the Ministry of Industry and Mines, 2020–2022.

²² **BDL.** Investisseurs, Banque De Developpement Locale, Alger, 2023. [online] [Accessed: 17 September 2023]. Available at <https://www.bdl.dz/projet%20investissement.html>

These three government formulas significantly contribute to supporting SMEs by providing the necessary funding for their establishment in collaboration with several public commercial banks, notably the Local Development Bank (BDL). This encourages the youth, especially those residing in remote rural and desert regions who face challenges like underdevelopment, weak economic and commercial activity, smuggling, unemployment, etc., to establish their investment projects. In this context, SMEs are an essential tool for achieving comprehensive national economic development throughout Algeria. Table 7 displays the expansion and growth of SMEs in some of Algeria's remote desert provinces:

Table 7. *Growth in the Number of Small and Medium-Sized Enterprises in Certain Desert Regions of Algeria During the Period 2013–2022*

Province	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Illizi	1498	1568	1708	1772	1864	1944	2033	2118	2197	2597
Tamanrasset	2510	2607	2553	2695	2763	2867	3021	3119	3205	3866
Tindouf	1528	1594	1761	1907	1958	2081	2144	2126	2197	2597
Ouargla	7498	7824	8310	8818	9328	9886	10389	10636	11204	11380
El Oued	5772	6114	6928	7535	7900	8433	8829	9213	9868	10020
Béchar	5837	6003	6488	6696	6909	7143	7304	7346	7575	8823
Adrar	3351	3351	3639	4038	3888	4096	4305	4357	4696	4696

Source: *By the authors, based on data from the Ministry of Industry and Mines, 2013–2022.*

From the preceding table, it is evident that there is a significant increase in the number of established SMEs in Algeria's remote desert areas. These enterprises will undeniably make a clear contribution to job creation for the unemployed youth, enhance income levels, and develop these regions as part of a holistic national development strategy.

Conclusion

Throughout this study, it is apparent that SMEs play a vital role in achieving economic and social development in Algeria. This is manifested through their effective contribution to job creation, the gross domestic product (GDP), and through their role in promoting exports and foreign trade and in achieving regional economic balance through inclusive developmental policies.

Upon analyzing the official statistics collected, discussed, and presented, it is evident that various indicators supporting SMEs' contribution to the national economy have seen a noticeable improvement year after year, especially in recent years. This is primarily due to the government's exceptional attention to this sector through various support programmes, facilitation initiatives for SMEs, and financial incentives provided by the government. Nevertheless, however, the contribution of SMEs to the Algerian economy has yet to reach the desired level. The oil sector remains the primary dominator of Algeria's total revenue.

The limited contribution of SMEs to the national economy can be attributed to several factors, primarily a set of challenges and problems facing these types of enterprises in Algeria. Through previous studies, we conducted that there are five main challenges facing the success of SMEs in Algeria:

- The novelty of interest in SMEs as a significant developmental alternative in Algeria. Indeed, interest in this type of enterprise began in the early 1990s when Algeria transitioned from a socialist system to a free-market system;
- The instability of legislation and the absence of a unified law specifically for these enterprises to regulate their operations;
- The issue of industrial real estate. Despite the Algerian government establishing new industrial zones, poor management has led to a scarcity in industrial real estate;

- Financing issues and a need for tax incentives;
- Weak administrative, organizational, and marketing capabilities among these enterprises' owners, along with a decline in the efficiency level of human resources.

Recommendations

Based on the various results, previously mentioned, this study recommends the following:

- Enact more legislation and laws that support SMEs in Algeria and regulate their activities;
- Simplify the administrative and financial procedures related to establishing SMEs;
- Monitor the work of bodies that support, accompany, finance, and activate SMEs, as well as to stop ineffective ones;
- Create a kind of integration between large institutions and SMEs by assigning some of their manufacturing component needs to SMEs;
- Continue to encourage the establishment of SMEs in remote and desert areas and provide special facilities for these regions;
- Intensify scientific research efforts and develop local studies in the field of SMEs and mechanisms to promote them in Algeria;
- It is essential to benefit from leading international experiences in this field, especially the experiences of developing countries like India;
- Exploit Algeria's new economic and political proximity to new economic powers like Italy, which has a pioneering experience in the field of SMEs. This can be done by establishing fruitful strategic alliances between the two countries in this field.

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