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REVIEW ARTICLE

A review of constraint factors affecting the growth of Small and Medium Enterprises (SMEs)

Sihem Djidjik ^{a*}

^aDepartment of Management and Organization, Ankara Yildirim Beyazit University, Ankara, Turkey

Abstract

Internationally, small and medium enterprises (SMEs) growth depends upon an opportune market environment. However, in Algerian context, SEMs face numerous obstacles such as limited financial resources, lack of entrepreneurial knowledge, mediocre market accessibility, poor learning and growth, bureaucracy procedure and corruption etc. which impedes their growth. This research paper aims to evaluate the factors hindering the development of SMEs in Algeria. Several factors as insufficiency of business training, capital scarcity, financial constraints, poor production, lack of innovation, strict regulations, high corruption, slight access to information, lack of motivation from managers and business owners, insufficient raw materials, human resources challenges, collateral concern, lack of human skills, lack of a strong managerial strategies and consistent culture. In this study, a mixed-methodology approach was carried, an overall content of analysis to extract the common constraints from 20 articles of literature review in the case of Algerian SMEs. Following this line, a quantitative approach is applied by using statistical description to determine both frequency and percentage of the chosen factors to be analyzed in order to select the highly significant variables affecting SMEs growth in Algeria. The results reveal that Algerian SME growth of companies in Algeria is particularly effected and exercised under several constraints; Access to finance and the business environment in which SMEs operate present gaps that can significantly hinder their growth...etc. The study suggests that more financial support with a whole control process by lowering interest rates and simplifying the procedures as regards to bank loans should be given to SMEs to support and enable them to manage their business, in addition, the government must fund these SMEs by reduce some corporate barriers such as reducing regulations, levying taxes. Moreover, business training should be provided to all SMEs by the government through the launch of new organizations to facilitate business knowledge.

Keyword

SME, constraints, obstacles, growth, challenges

*Corresponding author.

Contact: Sihem Djidjik ✉ djidjiksihem91@gmail.com

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1. INTRODUCTION

Algeria as a developing country is characterized by a slightly diversification on its economic structure. Undoubtedly, the country's economic activities highly depend on the dominant of hydrocarbons sector, this makes up approximately 96% of total exports and nearly 1/3 of government revenues. Additionally, the oil sector produces more than 72% of the government's monetary revenue and more than 47% of the country's GDP as well as 98% of the country's export. Since the end of 2011, the economic attention of the Algerian government started to invest on the private sector, especially on small and medium enterprises (SMEs) due to their huge contribution in the development of the country (Abadli et al, 2020).

Due to the liberal adoption of a market economy in Algeria in the mid-1990s, the SME sector has achieved a net increase in numbers. Statistics from the ministry of industry indicates that the creation of the SMEs occupies a leading position in the process of Algerian development, which explains a significant demographic phenomenon exceeding the bar of 606,737 SMEs in 2016 (99% of the total enterprises in the country) . No one could deny the role and the crucial importance of the SMEs in any economy worldwide, because it enables and contributes to the economic growth and development of the following points: creation of jobs, creation of added value, participation in the distribution of income. In one hand, the trend observed in recent years in the evolution of the unemployment rate in Algeria continues to decline overall due to the involvement and contribution of the SME sector to generate employment, especially by the private sector (Merzouk, 2020). Thus, the data on unemployment rates in Algeria declined in both years successively 2015/2016 from 15.3% to 12.3%. As for the income distribution, the added value created by SMEs covers all the remuneration of services that have been rendered during the production process and the administrative operations, this latter is used to: remunerate services, labor force, capital, and finance, it contributes to the functioning of the administrations, in particular by paying taxes, it is therefore clear that the company, whatever its size, by creating added value and redistributing the surplus in various forms to other agents, fulfills an essential role in the economic activities of the country (Zaida, 2020).

Although the vigorous role of SMEs in generating a private competitive sector and its significant contribution to economic development as well as the opening opportunities for creating new jobs, however, nowadays SMEs are facing several constraints and challenges in developed countries in general and most particularly developing countries. Besides, Algerian SMEs face a number of serious challenges that inhibit their growth. In the beginning of 2013, the motives of Algerian government to implement new policy in order to improve the private sector were remarkable. Likewise, Algerian SMEs face numerous and serious challenges to their growth: The weighty legal control and regulatory restrictions, poor access to external funding, lack of human resources aptitudes and capacities, low technological abilities, limited training and lack of expertise, lack of management in small enterprises...etc. Despite an effort of previous scholars (Bouazza, Abada, 2015) to analyze and document Algerian SME challenges, these matters still continue and as a result, SMEs still suffer from these constraints which force a greatest number to take out of business.

The purpose of this study is to examine the main factors affecting the Algerian SMEs growth. This work is conducted by the following objectives:

- A mixed-methodology approach was carried, an overall content of analysis to extract the common constraints from 21 articles of literature review in the case of Algerian SMEs.
- Following this line, a quantitative approach is applied by using statistical description to determine both frequency and percentage of the chosen factors to be analyzed in order to select the highly significant variables affecting SMEs growth in Algeria.
- To elaborate a conceptual frame on the key factors hindering the growth of Algerian SMEs.

This study, therefore, aims to analyze and evaluate the critical obstacles impeding the development of small and medium enterprises in order to provide possible recommendations on how these challenges can be

addressed to simplify the growth of such businesses in the Algerian context.

1. LITERATURE REVIEW

The growth of small and medium enterprise, regardless of its business sector, has almost been a sore research subject since many years concerning strategic management, organization, international business and entrepreneurship. In spite of wide-ranging research that has investigated the factors affecting SMEs growth, up to now, there is no particular theory or empirical study evidence that could help researchers to reach consent on the key factors that impact firm's growth in Algeria (Amroune et al, 2016).

Our literature review is divided into three areas:

- **In the first area:** we provide the definition of SMEs in general because there is no wholly upon definition and the one of SMEs in Algeria.
- **In the second area:** we examine the theoretical factors affecting the growth of SMEs in Algeria.
- **In the third area:** we select relevant studies on SMEs growth constraints in Algerian context, implement the hypotheses and the proposed conceptual framework

2.1 Definition of SMEs

An SME has no standard or typical definition worldwide, however SMEs have been acknowledged by different individuals, organizations and governments (Bouazza, 2015), for instance, an enterprise that is viewed as small and medium in one country could be seen otherwise in another country. Certain mutual indicators between SMEs worldwide employ capital investment and yearly income (Aylin, 2013). Furthermore, there is no single definition of small and medium enterprise existing amongst executives of multilateral officials and development institutions, as shown in (Table 1).

Table 1 SMEs definitions used by multidimensional organizations

Institution (region / country)	Maximum of employees	Maximum revenue / turnover	Maximum assets
EU	10-250	40 Million €	-
WB	300	15.000.000 \$	15.000,000 \$
IMF-IADB	100	3.000,000 \$	-
African Development Bank	50	-	-
Asian Development Bank	<i>No official definition. Use only definition of various national governments</i>		
UNDP	200	-	-
OECD	10-250	>20million €	-
China	> 2000employee	300 million ¥	400 million ¥

Source: Bouazza (2015)

2.2 Characteristics and definition of Algerian SME

The small and medium-sized company has a low financing capacity, the capital inflows are of family-type, and this contribute to less use of foreign capital. Algerian SMEs have non-homogeneous characteristics which differ from one sector of activity to another depending on the dimension (size) of the enterprise and the locality (province) of its establishment (AGC,2018).

Algerian SMEs are distinguished by some of the common following characteristics: weak financial structure and the predominance of family capital, relative concentration in sectors of production of goods & services; domination of micro-enterprises, the overall population of SMEs in 2018 is made up of 97% of very small enterprise (VSE) which is the leading sector class according to the size, distribution by sector, trade, construction and transport, whereas food industry is the sector in which presents a huge population of SMEs (Omar & Khamsa,2017). Despite this fact, the SME in Algeria has stated its socio-economic role. Micro enterprises are characterized with less than 10 employees, account of the bulk of the industrial landscape, medium enterprises are of total 3170 (2017) those having between 50 and 249 employees (0.31%) of all SMEs as its illustrated in table (2).

Table 2 Definition of Algerian SME

Business size	Number of employees	Total turnover (dzd)	Annual balance sheet (dzd)
MICRO	1-9	≤ 40 Millions DA	≤ 10 millions
SMALL	10-49	≤ 400 Millions DA	≤ 200 millions
MEDIUM	50-250	400 Millions DZD 3 Billiards	100 Millions- 1 Billiards

Source: Algerian Ministry of Industry and Mines, article 8, (2019)

2.3 The global population of SMEs

At the end of the first half of 2018, the overall population of SMEs reached 833,205 entities, of which nearly 60% are incorporated, the rest are made up either of natural persons (18.49%) or of entities operating in craft activities (22.63%). Moreover, there are 555 EPE type companies (see table 3).

Table 3 Overall population of SMEs at the end of the first half of 2018

Types of SME	Number of SME	Part (%)
1. Private SMEs		
Natural persons	492130	59,75

Legal persons	153 771	19,47
Craft activities	187 304	19,78
S/Total 1	833, 205	99,22
2. Public SMEs		
Legal persons	555	0,3
S/Total 2	555	0,7
Total	834, 315	100

Source: Algerian Ministry of Industry and Mines, Information report about SME Statistics 2018, P18.

2.4 The creation of SMEs:

The number of SMEs created in the first half of 2017, all legal sectors combined, is 42,275 SMEs. The radiation affected 2,698 private SMEs while the reactivation activity affected 3.557 entities (see table 4).

Table 4 Demography movement of Private SMEs

Nature of SME	Mouvements PME 1 ^{er} semestre 2017					1 ^{er} semestre 2018
	2018	Creation	Reactivation	Radiation	Growth	
Legal persons	469415	21 629	3 567	2 488	22 716	483140
Moral persons	152 169	9 854	-	162	9 493	161 762
Craft activities	185676	10 774	-	48	10 737	187 304
Total of Private SME	807 260	42 275	3 557	2 698	42 946	832 206

Source: Algerian Ministry of Industry and Mines, Information report about SME Statistics 2018, P18.

2.5 The impact of Small and Medium Scale Enterprises in the Algerian economy

The creation of the very small enterprises (VSE) / Small & Medium enterprises (SME) / Micro enterprises (MI) occupies a leading position in the process of Algerian development, which explains a significant demographic phenomenon exceeding the bar of 606,737 SMEs in 2016. No one could deny the role and the crucial importance of the SMEs in any economy worldwide, because it enables and contributes to the economic growth and development of the following points: creation of jobs/ creation of added value/participation in the distribution of income. In one hand, the trend observed in recent years in the evolution of the unemployment

rate in Algeria continues to decline overall due to the involvement and contribution of the SME sector to generate employment, especially by the private sector. Thus, the data on unemployment rates in Algeria declined in both years successively 2015/2016 from 15.3% to 12.3% (Mustapha, 2019). As for the income distribution, the added value created by SMEs covers all the remuneration of services that have been rendered during the production process and the administrative operations, this latter is used to: remunerate services, labor force, capital, and finance, it contributes to the functioning of the administrations, in particular by paying taxes, it is therefore clear that the company, whatever its size, by creating added value and redistributing the surplus in various forms to other agents, fulfills an essential role in the economic activities of the country (Klaa, 2019).

2.6 Evolution of jobs declared by type of SME

The total number of SMEs at the end of June 2018 was 2,082,306, of which only 47,088 were owned by public SMEs. It increased by 8.26% compared to 2017 (see table 5).

Table 5 Evolution of jobs declared by type of SME

Types of SME	1 ^{er} semester 2018		1 ^{er} semester 2018		Evolution (%)
	Number	Parts (%)	Number	Parts (%)	
Private SME					
Employees	1 123 978	59,69	1214483	58,35	8,26
Employers	749 388	39,09	820739	39,45	9,88
S/Total	1 603 363	98,77	2035222	97,77	18,13
Public SMEs	46 133	1,25	47088	2,32	2,09
Total	1 649 495	100	2 082 306	100	20.19

Source: Algerian Ministry of Industry and Mines, Information report about SME Statistics 2018, P18.

2.7 Evolution of SMEs by sector of activity

Private SMEs (legal entities) have a strong presence in services, which account for almost half of them, followed by the construction sector. Due to their vulnerability, private SMEs tend to take shelter in sectors where competition is not fierce and where the control of compliance with labor legislation is more delicate, thus offering them largely exploited margins of escape, in particular. In services (transport in particular) and construction (construction in particular, as its show in table 6).

Table 6 Evolution of SMEs by sector of activity

Activity sector	1 st semester 2018		1 st semester 2018		Evolution(%)
	Parts(%)	Parts(%)	Parts(%)	Parts(%)	
I. Agriculture	4 460	1,04	4886	1,09	9,59
II. Hydrocarbons	2 228	0,55	2403	0,57	8,36

III. BTPH	147 006	33,24	156312	32,41	6,35
IV. Manufacturing industries	70 850	16,09	76007	15,79	7,29
V. Services	227 333	49,08	242533	50,14	11,56
Total Général	451 877	100	482 141	100,00	43,15

Source: Algerian Ministry of Industry and Mines, Information report about SME Statistics 2018, P18

The investment projects registered at ANDI level during the first half of 2018 are presented in the following tables (table 7,8,9). It should be noted that the data displayed does not represent the aggregate of investment projects registered since the creation of this Agency.

During the first half of 2018, the majority of projects were carried out in the transport sector with 46.68% of the total number of projects declared to ANDI; this sector accounts for 13,583 jobs, or 16.43% of overall employment. On the other hand, the industry sector represents 18.64% of projects and records 46.71% of declared jobs.

2.8 Investment projects declared by sector of activity

Table 7 Summary statements of investment projects (Declared projects)

	Activity Sector	Transport	BTPH	Industries	Services	Tourism	Health	Agriculture	Total
Declared projects	1 st sem.2018	2 267	926	815	581	54	44	86	4 769
	1^{er} sem.2019	2326	973	927	528	89	51	86	4978
	Part1 ^{er} sem 2017 (%)	46,67	19,55	18,69	10,67	1,79	1,09	1,75	100
	évolution (%)	3,55	4,95	15,00	-8,56	66,06	21,94	1,29	4,95

Source : Algerian Ministry of Industry and Mines, Information report about SME Statistics 2018, P18.

Table 8 Summary statements of investment projects (Millions of DZD)

Millions of DZD	1 ^{er} semestre 2018	52 708	88 304	395 529	118 747	76 099	8 208	12 578	752 168
	1 ^{er} semestre 2019	63397	90412	1055923	66427	45315	9968	10799	1342238

Part 1 ^{er} sem 2018(%)	4,73	6,75	78,69	4,96	3,37	0,75	0,81	100
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Source: Algerian Ministry of Industry and Mines, Information report about SME Statistics 2018, P18.

Table 9 Summary statements of investment projects (Jobs of the first half of 2018)

Jobs	1 ^{er} sem 2018	8 885	20 44	29 605	9 168	5 346	877	1 283	75 598
	1 ^{er} sem 2019	13582	16236	38618	8347	3303	1204	1378	82659
	Part 1 ^{er} sem 2018 (%)	16,44	19,65	46,72	10,12	3,99	1,47	1,67	100

Source: Algerian Ministry of Industry and Mines, Information report about SME Statistics 2018, P18.

During this fiscal year, the number of investment projects declared by foreigners to ANDI numbered 23 projects, representing only 0.45% of the overall volume (see table 10). Of the twenty three (23) declared projects, 5 projects will be carried out within the framework of the partnership with national operators (public and private) and 20 will be carried out in FDI.

Table 10 Investment projects declared local-foreign

Project investissement	Declared projects		Amount		Job	
	Number	%	Millions of DZD	%	Number	%
Local investesments	4 954	99,58	1 211 816	80,52	71 214	82,69
Total foreign investesment	23	0,45	130 423	9,73	11 448	05,77
*Partenership	5	0,09	9 275	0,70	11 448	5,77
Foreign direct investissment (FDI)	20	0,11	122 153	9,05	11 448	5,77
Total	5 002	100,00	1 473 667	100,00	105 558	100,00

Source: Algerian Ministry of Industry and Mines, Information report about SME Statistics 2018, P18.

2.9 Algerian SMEs policies & growth

The Algerian SME has existing in Algeria since the independence, it plays an important entity in today's socio-economic development, and this presence is manifested by the statistics recorded in this sector. Commonly SMEs have grown through four historical periods:

Table 11 Major historical periods of transition faced the growth of Algerian SMEs

Date/period	Description of the SMEs situation	Algerian SMEs policies
1962-1982	IGNORED SECTOR	This period was described by the adoption of 1) an economic plan and based industry on the production of goods & services, and 2) the issue of investment code to give the private sector a great role in the development of economic sector, plus, the birth of national investment commission (NIC).
1982-1988	BETTER REFLECTION	This period was marked by great transformations within the system of planned economy. Reforms was noticeable with specific reluctance which gave birth to two five-year plans in favor of the private sector allowing SMEs access to global import permits (GIP); and the implementation of free tax-import system.
1988- 2001	GREATER CONSIDERATION	Approval for foreign investment has been implemented in 1990 by the law 90-10 related to money and credit, more encouragement and support to SMEs through the creation of a number of institutions. The government has set up a new legislative framework and reforms for recovering the economy.
Since 2001- today	FULL SUPPORT	The acceptable results have led the state to encourage the development of private, national and foreign investment such as the Ordinance on the Investment Development and the Law Guidance on the Promotion of SMEs. The private sector is dominant with more than 97% of Algerian economy.

Source: Authors own elaboration (<http://anom.archivesnationales.culture.gouv.dz>)

2.10 Factors affecting the growth of SMEs in the international context

Why do some firms have better performance than other firms? What allows a firm to grow and create and take profit from different opportunities? In her book 'theory of the growth of the firm', Edith Penrose (1959) presented some philosophies leading the firms to grow and succeed in the market, she appealed that firms are a package of resources, both internally and externally, those assets help the firm to achieve a competitive advantage.

As reported by Penrose, 'firm size is related to the process of firm growth', while firm growth is decided by the operative and advanced decision-making and innovative resources, furthermore, she highlighted the importance of the accessibility of top managerial and technical ability that assists as a device to the firms growth knowing that ignoring these kind of factors could result failure and lack of competitive advantage. Experimental testimonial of the elements affecting SMEs growth: Researchers have been used several theories to recognize the common factors influencing the SMEs development. Thought, there is a significant distinction in the results of preceding studies. For instance, the annual entry of new firms is extremely high, but, a huge

number of these entry rates fail and bankrupt within a short period of time (one to three years). For example, (Bartelsman et al., 2005) examined the late entry performance of new businesses in 7 countries (OECD countries), their research showed that 20% to 40% of firms give up within the two first years of implementation, whereas only 40% to 50% survive between fifth to seven years. The reasons of successive failure are due to the different obstacles they are facing over time. Hence, taking into consideration both internal and external factors is crucial for controlling SMEs.

The obstacles related to SMEs business in general have been known as stagnating barriers for SMEs development at an international level. (Mashenene & Rumanyika, 2014) reported lack of commercial training, lack of capital and issues related to entrepreneurship culture to be the central issues affecting Tanzanian SMEs (Bilal, Khan & Akoorie's (2016). Study made on the South of Asian countries stated insufficient finance to be the key obstacle affecting the SMEs in India and Pakistan. It was found by Wang (2016) that external finance is the biggest challenge to the growing of SMEs in developing countries. The same was found by Bouazza (2015) who stated that legal and regulatory agendas, external finance access, human resource abilities and factors related to environmental business are the foremost restraints affecting SMEs in Algeria. In his research study Baporikar et al (2016) reported that SMEs in Namibia are incapable to progress due to several factors like robbery and insecurity of the customers, failure linked with finance accessibility, issue of adapting to technology know-how, inappropriate marketing and its strategies, absence of skillful employees. As for Russian SMEs, Yukhanaev et al. (2015) reported that those SMEs face different challenges due to economic, political and governing issues which impede their evolution and growth. As regards to UK and some European countries such as Spain and Poland, clegg (2018) found lack of competences as one of the major issues in these countries, as well as the lack of people's competency based, lack of IT and skills, so those used to be the essential factors obstructing the growth of SMEs in UK and Europe.

➤ **External factors impeding SMEs growth in Algeria according to Bouazza (2015):**

Scholars have been used multitude methods to explain the external factors including environmental factors to have a considerable effect on the production and performance of the SMEs (Lumpkin and Dess, 1996; Govori, 2013).

Three main items: Legitimate and controlling agenda, Finance accessibility, Human resources (see figure 1).

➤ **Internal factors impeding SMEs growth according to Bouazza (2015):**

SMEs failure or success is not only about external factors, but also related to the internal factors of the firm and strategic management key factors.

Six Entrepreneurial aspects, innovativeness, competence of human resources, managerial abilities, marketing skills & poor production, technological capacities as its shown in figure 1 (Bouazza, 2015).

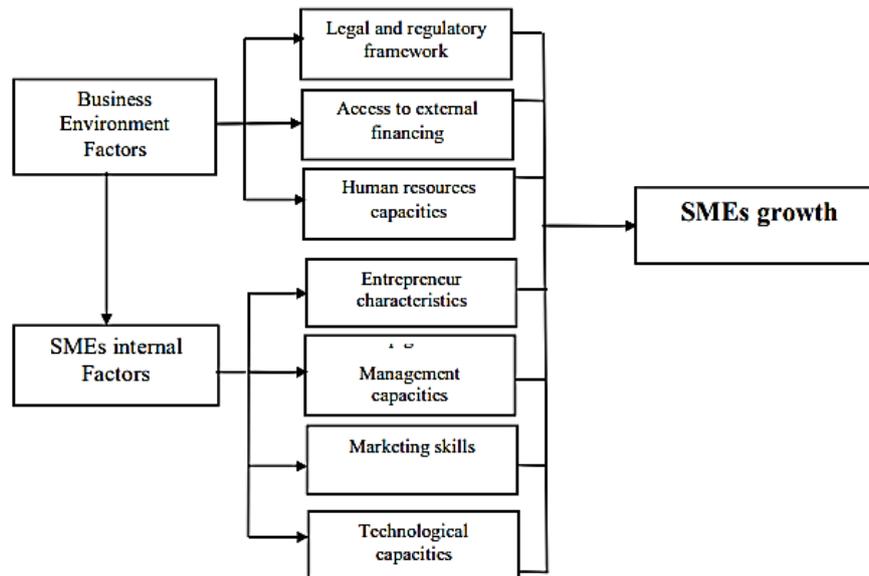


Fig 1 Internal and external impeding the growth of Algerian SMEs according to Bouaaza (2015)

2. Characteristics, obstacles and problems of Algerian SMEs

According to the survey that was carried on by (Alia, 2014; Gougui, 2017; Kartiwi et al., 2018) they found that Algerian managers are facing similar difficulties during the development of their business.

Three major encountered obstacles of these SMEs were related to:

i. The financing issue

SMEs, even in powerful economies, believe that access to finance, especially in the medium and long term, is one of the main obstacles preventing them from developing their business and investing. Access to sources of finance is particularly difficult for SMEs that lack sufficient collateral, have no established credentials, and no credit over the past time. In the case of Algerian SMEs corporate financing is a very severe constraint for 50% (i.e. 25/50) of the managers surveyed and a major constraint for 28%.

Most of these leaders confirm that obtaining credit is difficult due to the complicated conditions of access and bankers' mistrust. The response times are considered very long, they vary between 6 and 10 months and sometimes exceed 12 months. The guarantees required in several forms are extremely subjected to several consultations at the level of the bank. Thus the procedures for the constitution of the necessary documents (administrative, legal, accounting, fiscal and technical documents) are considered disproportionate.

In the Doing Business (DB) 2017 ranking, Algeria is ranked 177th among the economies classified in terms of obtaining loans. In this Doing Business ranking of Algeria, overall, the statistics have mentioned about a restrictive environment where entrepreneurs suffer enormously from the lack of collaboration and the absence of integration of banks which, for their part, are reluctant and cautious about "risk" they represent. This is how the weight of guarantees demanded by banks is considering in blocking the process of development and creation of companies.

ii. Business climate and relationship with the administration

- *The obstacles indicated by the entrepreneurs surveyed are written in the following points:*

- Land constitutes a limited key resource and a determining element in all economic development policies. It is one of the most important socio-economic problems encountered in the creation and development of SMEs in Algeria and it undoubtedly remains a major constraint for investors. According to the results of the survey

42% of managers said it is a severe obstacle in the development and expansion of their business and a major obstacle for 26%, see the following table:

- Tax pressure, unfair competition and corruption are also among the most troublesome obstacles to the development of their business. 53% of investigators say that these constraints are very hard in the process of developing entrepreneurial activity

iii. Managerial skills and the labor market

- *The most important listed obstacles by the managers of the surveyed SMEs:*

- Despite the influence of their studies in the success of the creation of their projects, managers still have gaps in the management and development of their companies, and this because of the lack of training in the field of management.

- Regarding the skills of the workforce, the problems are both macroeconomic and microeconomic, since the unsuitability of the vocational training system to the demands of the market economy and to the needs of the labor market. In addition to the company production, there are recruitment practices (HRM) based on kinship, family proximity, etc. (Only 9.4% resort to hiring by qualification and merit), all of which is at odds with performance and production efficiency of the wage system in forcing the established of a market economies. SME managers show a strong desire to distinguish themselves and integrate into a more dynamic and competitive market economy, but their willingness is becoming insufficient in the face of the limits of the current environment in which they operate their business.

3.1 Selected studies on SME growth constraints in the Algerian Context

Table 12 Selected papers (studies) on SME growth constraints in the Algerian Context

S/NO	Title of the study	Author names	Key findings (Constraints factors impeding the growth of Algerian SMEs)
1	Establishing the factors affecting the growth of small and medium-sized enterprises in Algeria.	Bouazza, A. B., Ardjouman, D., & Abada, O. (2015)	Lack of access to finance Human Resources Capacities Poor market access Marketing Skills Technological capacities Bureaucracy Tax system Unfair competition with non-official sector
2	Evolution Of The Environment Of The Algerian Public Enterprise And Its Impact On Its Performance	Aoumeur AKKI ALOUANI (2015)	Environmental entrepreneurship Lack of partnership, Capital restrictions and limited finance

			Lack of HR capacities, Absence of collateral.
3	Small And Medium Enterprises As An Effective Sector For Economic Development And Employment Creation In Algeria	Ramdani, B., & Atik, L. (2012)	Poor network analysis, Lack of human resource skills Corruption Lack of finance Poor technology
4	The Role of Women's Entrepreneurship Orientation in Achieving Sustainable Development: Case of Algeria	Dakhane, Hassyna; Baali, Mounya (2015)	Insufficient finance, Poor human and social resources, Lack of managerial skills. Inadequate capital Inadequate information flow
5	Development Of Algerian SMEs In The Age Of Globalization	Aissa Mosbah (2015)	Poor access to market economy, Lack of finance, Lack of investments, Poor marketing strategies & raw material Lack of capital
6	The effectiveness of small and medium enterprises adoption as a strategic option to solve unemployment problem in the Arab World, an example of Algeria.	Ali, Youssef. Alia. (2015)	Poor technology adoption. Insufficient business training and skills Unskilled labor market Bureaucracy & limited finance Lack of HR skills Lack of capital
7	Characteristics, obstacles and problems of Algerian SMEs by sector	Nassim Bouri (2016)	Lack of Access to finance Competences of HR Lack of capital Modern technology Poor products demand
8	SMEs and innovation in Algeria: limits and perspectives	Amina Leghima, Hassiba Djema (2016)	Lack of business successors. Lack of entrepreneurial skills Bureaucracy and lack of finance
	An overview of SMEs in Algeria:	<u>Si Lekhal</u>	

9	constraints and prospects	<u>Karim . Korichi</u> <u>Youcef . Gaboussa</u> <u>Ali</u> . (2016)	Lack of social capital & finance Lack of business training Bureaucracy
10	Clusters and SMEs: An opportunity to be taken: Algerian Experience	Cherroun Reguia (2016)	Lack of information flow Unfavorable environment. Unfavorable policy to market access
11	Corporate governance among small and medium size enterprises in Algeria: “Impediments to the practice of business system”.	Zerrouki Brahim & Fellag Nourredine (2017).	Lack of business training, Lack of capital Lack of entrepreneurship culture, Complication of administrative procedures Lack of transparency.
S/NO	Title of the study	Author names	Key findings (Constraints factors impeding the growth of Algerian SMEs)
12	Mediating role of the innovation effectiveness on the relationship between entrepreneurial orientation and the SMEs performance in Algeria	<i>Debili</i> <i>Rochdi , Omar</i> <i>Khatijah , Abi</i> <i>Sofian Abdul Halim</i> <i>Muhammad</i> (2017)	Limited access to debt finance, Lack of collateral Strong bureaucratic procedures, Informality of business Unskilled labor market Corruption issue Lack of entrepreneurial orientation
13	Small and Medium Sized Enterprises in Algeria: sources of integration and economic growth	Nassima Bouri (2017)	Financial complications, Tax system Lack of constructin & investment.
14	The Algerian Family Business And The Upgrading Programs: A Qualitative Approach	OUABDESSELAM, L., & Fethi, N. O. U. I. (2017). (2017)	The motivation of the business owners Corruption perception Inadequate managerial capacities Technology capacities
15	The characteristics and causes of Vulnerability of SMEs. Case of the food production SMEs	Kaci-Moussa Sarah (2017)	Lack of capital, lack of access to finance, Poor business training,

			Poor demand for products, Lack of raw materials Poor information
16	Internal and external determinants of export performance: Insights from Algeria	Haddoud, M. Y., Nowinski, W., Jones, P., & Newbery, R. (2018)	Insufficient human capacity. Lack of resources Lack of managerial strategies Lack of innovation capacity
17	Women's Contribution to Development in Algeria through Small and Medium Enterprises: Between Reality and Local Pressures.	Klaa Cherifa. (2019)	Lack of capital, Lack of raw materials, equipment, Poor market accessibility, Lack of business training Corruption
18	Competitiveness and development constraint of SMEs in Algeria	Filali Sarra Yousfi Rachid (2019)	Lack of access to finance, Corruption & Bureaucracy Lack of business training Inadequate social capital
19	The Impact of Information Asymmetry on the Bank Financing of SMEs in Algeria: An Econometric Study.	Abdelhafid, M., & Mohammed, S. (2019)	Lack of access to capital. Poor access to information Restricted charge to technology Unskilled labor market Lack of human potential
20	The Factors of Influence in the Export Decision of Algerian Manufacturing SMEs. International Business Managing Through Change and Crises in the Global Economy.	Kadi, Mohammed. (2019)	Lack of access to finance, Lack of human potential Poor production & products demand, Poor technology, IT& information, Complexity of regulations Bureaucracy & Corruption
21	SME's as an engine to diversify the Algerian economy	Aid Mahdi Mourad Aitmed (2020)	Bureaucracy & corruption Poor information, Unskilled labor market, Lack of finance Marketing issues,

Lack of business skills.

Authors' own elaboration

2.2 Conceptualization & Hypotheses

3.2.1 Conceptual framework

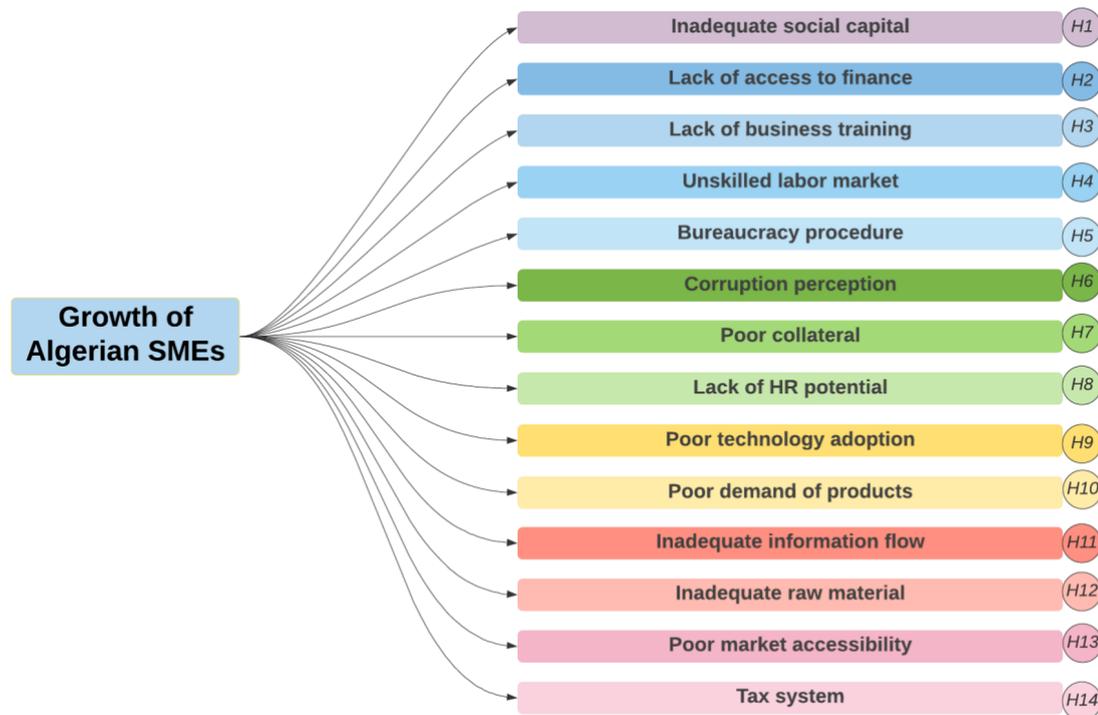


Fig 2 Conceptual framework

Authors' own elaboration

3.2.2 Hypotheses of the study

H1: There is a negative relationship between inadequate social capital and SMEs growth in Algeria

H2: There is a negative relationship between lack of access to finance and SMEs growth in Algeria

H3: There is a negative relationship between lack of business training and SMEs growth in Algeria

H4: There is a negative relationship between unskilled labor market and SMEs growth in Algeria

H5: There is a negative relationship between bureaucracy procedure and SMEs growth in Algeria

H6: There is a negative relationship between corruption perception and SMEs growth in Algeria

H7: There is a negative relationship between poor collateral and SMEs growth in Algeria

H8: There is a negative relationship between poor marketing strategies and SMEs growth in Algeria

H9: There is a negative relationship between lack of HR potential and SMEs growth in Algeria

H10: There is a negative relationship between poor technology adoption and SMEs growth in Algeria

H11: There is a negative relationship between poor demand of products and SMEs growth in Algeria

H12: There is a negative relationship between inadequate information glow and SMEs growth in Algeria

H13: There is a negative relationship between poor market access and SMEs growth in Algeria

H14: There is a negative relationship between tax system and SMEs growth in Algeria

3. Research methodology

In this research analysis a mixed-methodology approach was conducted by using a statistical description and content analysis.

-Frist step: the employment of a content analysis by studying and reviewing twenty one (21) current items (articles) related to the chosen thematic literature from six (6) previous years (2015-2020) on SMEs in Algeria.

-Second step: a statistical description was implemented; in this case only frequencies (%) were calculated to find out the utmost significant key factors affecting the growth of Algerian SMEs. Knowing that the size of the chosen sample is of twenty one (21) items which were supposed appropriate for this work. () 2015; 2017 has considered a minimum of fourteen (14) items taken out as an adequate number to carry out such investigation and reach conclusions.

4. Findings

Table 13 Business constraints affecting SMEs growth in Algeria

S/N	Research articles	IS C	LA F	LB T	UL M	BP	CP	PC	PM S	LH P	PT A	PD P	IIF	PM A	TS
1	Bouazza, A. B., Ardjouman, D., & Abada, O. (2015).	✓	✓			✓			✓	✓	✓			✓	✓
2	Aoumeur AKKI ALOUANI (2015)	✓	✓					✓							
3	Ramdani, B., & Atik, L. (2012).	✓	✓	✓			✓			✓					
4	Dakhane, Hassyna; Baali, Mounya (2015)	✓	✓							✓			✓		
5	Aissa Mosbah (2015)	✓	✓					✓	✓						
6	Ali, Youssef. Alia. (2015)	✓	✓	✓		✓	✓				✓				
7	Nassim Bouri (2016)	✓	✓								✓	✓			

8	Amina Leghima, Hassiba Djema (2016)		✓			✓	✓		
9	Si Lekhal <u>Karim . Korichi</u> <u>Youcef . Gabouss</u> <u>a Ali .</u> (2016)	✓	✓	✓		✓	✓		
10	Cherroun Reguia (2016)								✓
11	Zerrouki Brahim & Fellag Nourredine (2017).	✓			✓				
12	Debili Rochdi, Omar Khatijah , Abi Sofian Abdul Halim Muhammad (2017)	✓	✓	✓	✓	✓			✓
13	Nassima Bouri (2017)		✓					✓	✓
14	Fethi Noui (2017)							✓	
15	Kaci-Moussa Sarah (2017)	✓	✓					✓	✓
16	Mohamed Yacine Haddoud (2018)	✓	✓	✓				✓	
17	Klaa Cherifa (2019)				✓			✓	
18	Filali Sarra Yousfi Rachid (2019)		✓	✓					
19	Abdelhafid, M., & Mohammed, S. (2019)				✓			✓	✓
20	Kadi, Mohammed. (2019)	✓	✓			✓	✓	✓	✓

21	Aid	Mahdi							
	Mourad (2020)	Aitmed	✓	✓	✓	✓	✓	✓	✓

Source: Own compilation

The extracted variables in this work consist of:

- (i) Inadequate social capital (ISC),
- (ii) Lack of access to finance (LAF),
- (iii) Lack of business training (LBT),
- (iv) Unskilled labor market (ULM)
- (v) Bureaucracy procedure (BP),
- (vi) Corruption perception (CP),
- (vii) Poor collateral (PC),
- (viii) Poor marketing strategies (PMS),
- (ix) Lack of human resource potential (LHP),
- (x) Poor technology adoption (PTA),
- (xi) Poor demand of products (PDP),
- (xii) Inadequate information flow (IIF),
- (xiii) Poor market access (PMA),
- (xiv) Tax system (TS).

Table 14 Results of the Algerian SME growth constraints

Variables	Abbreviate Nomination	Frequency	Percentage %
Inadequate social capital	ISC	12	13.79 %
Lack of access to finance	LAF	16	18.39 %
Lack of business training	LBT	8	9.20 %
Unskilled labor market	ULM	3	3.45 %
Bureaucracy procedure	BP	7	8.05 %
Corruption perception	CP	7	8.05 %
Poor collateral	PC	4	4.60 %
Poor marketing strategies	PMS	3	3.45 %
Lack of human resource potential	LHP	6	6.90 %

Poor technology adoption	PTA	6	6.90 %
Poor demand of products	PDP	3	3.45 %
Inadequate information flow	IIF	5	5.75 %
Poor market access	PMA	3	3.45 %
Tax system	TS	2	2.30 %

Author's own elaboration

5. Discussion of the findings

The analysis extracted from the above literature as it's shown in table (15), reveals that three following aspects: lack of access to finance (LAF)¹ (18.39%), inadequate social capital (ISC)² (13.79%) as well as the lack of business training (LBT)³ (9.20%) have the utmost negative relationship with Algerian SMEs growth.

This attests that first, most of Algerian SMEs fail to grow because of the constraints related to finance, second, this shows that Algerian SMEs struggle to grow due to the restrictions of social capital and the complexity of being undersupported to attain their preliminary business objectives, mission and vision as fixed during the launch of the business. Followed by the lack of business training which reflects the poor job performance of employees and their poor commitment to their professions, lack of training can highly lead to experience demotivation and frustration that could threaten the SME growth and affect the retention rate of employees. Next to LBT, both bureaucracy regularities (BP) and corruption perception (CP) scored (8.05%) as the subsequent variables impeding the growth of Algerian SMEs. Other aspects limiting the growth of Algerian SMEs including lack of human resource potential (LHP) and poor technology adoption (PTA) with a slight percentage of (6.90%), inadequate information flow (IIF) with (5.75%), poor collateral (PC) with 4.60%, then there is unskilled labor market (ULM), poor marketing strategy (PMS), poor demand of products (PDP), poor market (PMA) access which all of them scored 3.45% in term of their negative influence of the growth of Algerian SMEs. The last factor is tax system (TS) with a minor percentage of 2.30.

The results show that the fifth strongest factors constraining the growth of Algerian SMEs are lack of access to finance, inadequate social capital, lack of business training as well as bureaucracy and corruption which have a parallel impact on the SCM growing. This result reveals that hypotheses (**h1, h2, h3, h5 and h6**) are highly significant and have been supported. These points out that Algerian SMEs fail to make a progress due to several challenges in capital, finance, trainings, regulations and corruption; those factors are extremely imposed directly by the Algerian government.

These results are in agreement line with those of (Bouazza, Ardjouman & Abada, 2015; Abdelouahab, 2018) who concluded that lack of access to finance and costly bureaucratic procedures considerably affect SMEs growth in Algeria. The findings also reveals those of (Nassima Bouri, 2017) who found that low technology, lack of marketing skills, insufficient social capital are the factors hindering SMEs growth. Additionally, some of the supported hypotheses are congruent with (Si Lekhal Karim et al., (2016) who found that poor insurance, lack of human resource potential with the dominance of the corruption in industrial sectors are the major obstacles to SMEs growth in Algerian market.

Regardless of the vigorous role of SMEs in generating a competitive advantage within the private sector and contributing meaningfully to job creation, novelty, and the development of local economy in particular and international economy in general, SMEs are facing further challenges all over the world including developed countries and in developing countries in specific. Besides, Algerian SMEs are hindered by a number of factors, which may be unlike from province to province within the country, between urban and rural regions, between zones, sectors or even between distinct enterprises within a subdivision or sector. Though, there are explicit barriers that are communal to practically all SMEs.

The findings reflected in this work indicate that inadequate social capital, lack of access to finance, lack of business training, unskilled labor market, bureaucracy procedure, corruption, poor collateral, poor marketing skills, lack of human resources potential, poor technology, poor demand of products, inadequate information flow, poor market access and tax system are the main issues responsible for the insecure, unstable and restricted growth of Algerian SMEs. Definitely, in the case of Algerian SEMs, these challenges rise normally from the interaction between construct factors, certain specific conditions and under unsured circumstances as its shown in the established framework below (See figure).

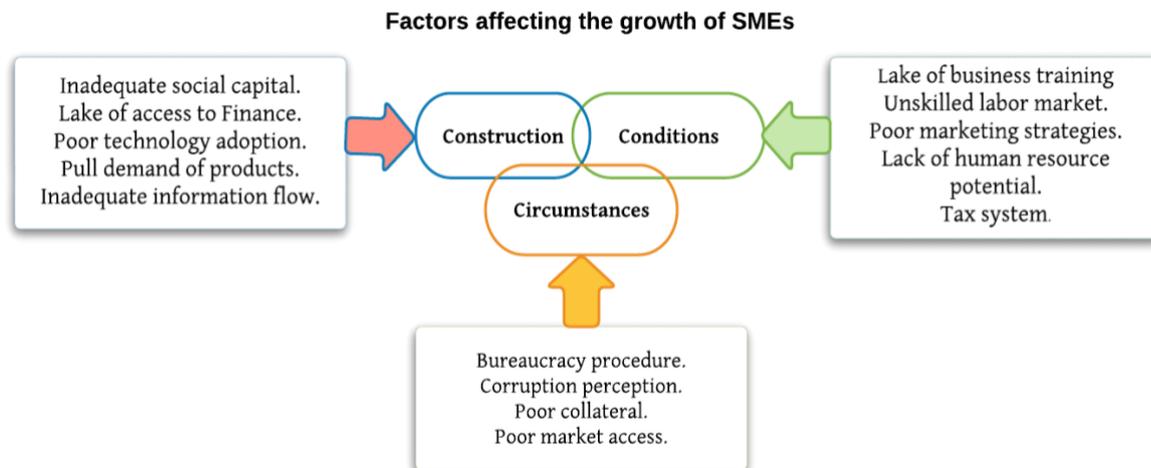


Fig 3 Conceptual framework for the factors affecting the growth of Algerian SMEs

Source: Author's own elaboration

6. Conclusion and recommendations

The main drive of this paper was to examine the constraints and challenged affecting the growth of SMEs in Algeria. The study determines that lack of access to fiannce, inadequate social capital, lack of business trainin, bureaucracy and corruption are the most constraints to SMEs growth in Algeria.

Through the findings, we can suggest that the institutions of fiannce in Algeria such as banks and microfinance institutions must afford financial assistance through enhancing their borrowing measures by lowering the rates and insurance. Its necessary to modernize the banking system for the financing of small entrepreneurs, by developing instruments adapted to the specific needs of SMEs and by decentralizing the credit granting decision. Additionally, its important to strengthen the financing capacity of companies by creating a bank specializing in the financing of SMEs, such as OSEO in France or BFPME in Tunisia. Who will have for vocation to support the development of these companies at all stages of their growth and facilitate their access to financing.

As a result of the results of this work , the following recommendations are made:

-Developing financing system through venture capital, which remains very rare, but also microcredit, an instrument likely to ignite the economic engine of individuals who do not have the financial means and will awaken the creativity that exists in each person (Lekhal,2012); microcredit can also provide a response to the financial difficulties encountered by unemployed promoters to constitute the famous personal contribution (5% or 10% of the cost of the project) demanded by ANSEJ and the banks.

- Reform the public administration and its institutions, adapting their operations to the demands of the market economy and reducing the levels of bureaucracy and corruption.

- Train SME managers, increase the potentiality of human resources and employees by organizing seminars on work organization, worthy trainings at national and international scale, improve managerial strategies, use of IT tools, etc., with the creation of a network of training of SME managers, such as the one existing in Tunisia

and Morocco since 1980.

- The popularization of financial aid and existing guarantees to maximize the use of SMEs for open credit lines and reduce tax system.
- Involve local communities (APC and Daïras) more in the process of promoting SMEs. Allow them to provide guidance and technical assistance, through their proximity to entrepreneurs thanks to specific budgets.
- Provide access to land at the best cost and facilitate the installation of entrepreneurs with business creation projects and creating a consistent collateral system.
- The establishment of an effective national system for the collection, analysis and dissemination of economic and financial information and the encouragement of the use of new communication techniques such as the Internet.
- Encourage the learning of foreign languages among business leaders and new graduates, considering that nearly 80% of internet content is written in English.
- Encourage the diversification of the fabric of SMEs and SMEs by promoting subcontracting and support for craft activities, through fiscal and financial incentives.
- The establishment of new support and promotion mechanisms for SMEs-High Tech, oriented towards innovation and information technologies.
- Strengthen the role of public authorities to improve the competitiveness of businesses, with the aim of increasing the size of SMEs and stimulating their innovations.
- Create support and accompaniment organizations for the international development of Algerian SMEs in order to open access to international investments.
- Put in place control mechanisms and instruments to reduce the impact of hazardous practices and increase the quality of the produced products, which can improve the various measures and support programs intended for SMEs especially the one related to lack of unskilled labor.

Although SMEs find certain difficulties in Algeria in terms of financing, the existence of bureaucracy and especially the administrative procedures which seem cumbersome, entrepreneurs have always thought of participating in the development of their local economy and find more ways to create more jobs and adopt new technologies, and this through their attempts to expand their business units. On this basis, however, Algerian SMEs are not very innovative due to several obstacles mentioned in the findings. Therefore, a change in political and economic orientation in Algeria may be the solution so that Algerian SMEs can bridge the constraint factors that impede their local development.

7. Future research

Definitely, this study has several limitations, first it was carried out with mainly focusing on private sector where the public sector was not examined in the chosen study. Second, this work was based on the examination of common articles related to the thematic of SMEs constraints in the Algerian context. Hence, future implications may need to consider qualitative approaches and focus on how these barriers affect the growth of Algerian SMEs by conducting a survey with a primary data collection and analysis. It would be more interesting to carry out a comparative study between Algerian and Turkey or between a developed and developing countries on the impediments of SMEs growth in Algeria.

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