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## SMES IN THE IMPORT-EXPORT SECTOR: ARE THEY PROFITABLE?

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**Received:** 2018/06/03

**Accepted:** 2019/05/17

**Published:**18/05/2020

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### ABSTRACT

This article aims to analyze the performance indicators of SMEs activating in the import-export sector. These companies have recorded a satisfactory commercial situation expressed by a strong commercial profitability, they thus seem good in terms of productivity of the value, productivity of the sales and the rate of indebtedness, and average in terms of financial profitability. However, they point to weaknesses in terms of productivity and the value-added rate explained by negative added values for most companies, even for those whose net book results were profitable.

**Key words:** Import-export SMEs, Productivity, Profitability, Investment, Debt.

### Résumé

Cet article vise à analyser les indicateurs de performance des PME actives dans le secteur import-export. Ces entreprises ont enregistré une situation commerciale satisfaisante exprimée par une forte rentabilité commerciale, si bien qu'elles semblent bonnes en termes de productivité de la valeur, de productivité des ventes et du taux d'endettement, et moyennes en termes de rentabilité financière. Cependant, ils signalent des faiblesses en termes de productivité et de taux de valeur ajoutée expliqués par des valeurs ajoutées négatives pour la plupart des entreprises, même pour celles dont les résultats comptables sont rentables.

**Mots clés:** PME d'import-export, Productivité, Rentabilité, Investissement, Dette.

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## **Introduction**

This empirical study covers a group made up of 6 Oran SMEs in the "Import-export" sector. The purpose is then to study the financial situation of each firm in the sample, in terms of 9 chosen and calculated performance indicators (Return on Equity (ROE), Financial Profitability, Commercial Profitability, Tax Rate), added value, Productivity "PROD", Productivity value "PRN", Productivity sales "PVENTES", Investment "INVES", and the debt ratio "ENDET", as well as the Structure of the "SDETTE" debt), using the following variables: (Own Funds (FP), Investments (INV), Net Income (NP), Assets, Long Term Debt (LTL), Short Term Debt (SDR), Employees (EFFE), Value Added (VA), and Revenue (CA)). The work plan of our article is based on two main parts, one theoretical that allows to emphasize the conceptual and managerial aspect of the term "Performance", and the second deals with the empirical framework of our analyzes of indicators. of the six SMEs surveyed anonymously.

### **1. The apprehension of "performance" in the managerial context**

The definitions of performance used in various works in management sciences suggest an immense potentiality of valorization of the term of performance. Each author develops a dimension that is often very flexible. In the area of management, performance has always been an ambiguous notion, rarely defined explicitly. In fact, it is used in management control only by transposing its meaning in English (Dohou A, and Berland, N, [2009]).

So, Martory, [1990] argues that the definition of performance is sometimes confused with its measure. Definitions that refer to performance measurement reveal two different approaches. It points out, in fact, the relationship between the results obtained and the means used, so it refers to the measurement of efficiency. Other authors report the results obtained to the objectives initially set, which is then a question of efficiency measurement (Slim, A, [2004]).

Thus, Miller and Toulouse, [1986] integrate the strategy, structure, decision-making style and personality of the leaders in the evaluation of the performance. They define these indicators in the following way: the strategy corresponds to the different generic maneuvers in the sense of Portern, [1981]; the more or less rigid structure, allows to meet the objectives of the company;

leadership style in the sense of Mintzberg, [1973] and Ansoff, [1968]; and the personal characteristics of leaders such as his psychological profile.

## 2. Calculations and empirical analyzes of performance

The table below presents a detailed presentation of the 6 SMEs surveyed, the import-export sector by main activity, and this during the five years [2008], [2009], [2010], [2011], and [2012]:

**Table 1. The distribution of the 6 SMEs surveyed in the "Import & Export" sector by main activity carried out**

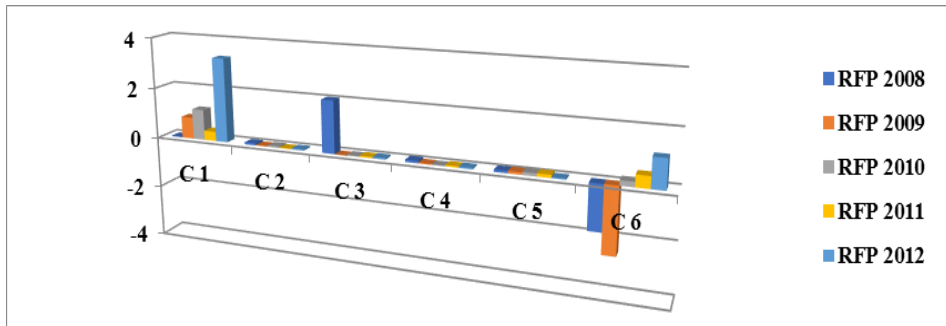
<b>C1</b>	Import of "Cosmetics & detergents", "Fabrics and Confections" and "Apparel and sporting goods"
<b>C2</b>	Import of "Cosmetics & detergents", "Fabrics and Confections" and "Apparel and sporting goods"
<b>C3</b>	Importing "Building Materials"
<b>C4</b>	Import of "tools" and "Miscellaneous products"
<b>C5</b>	Import of "wood & derivatives"
<b>C6</b>	Import and distribution of "miscellaneous products"

**Source:** Personal confection.

In this sense, it should be noted that we were able to collect the necessary data from these companies to calculate the list of performance variables (indicators) for each company in our sample. In fact, these indicators are as follows: Return on Equity (RFP) (Financial Profitability), Commercial Profitability, Value Added Rate, Productivity "PROD", Productivity Value "PRN", Productivity "PVENTES" sales, the "INVES" Investment, and the "ENDET" debt ratio, as well as the "SDETTE" debt structure).

## 2.1. Analysis of the Profitability of Equity

**Figure 1. Evolution of the Capital Profitability of SMEs activating in the sector "Import-export (C.)"**



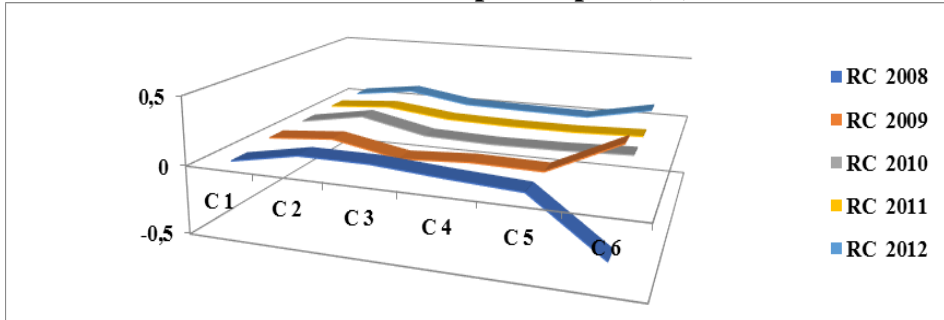
**Source:** Our calculations from the balance sheets of companies.

Return on equity or financial profitability is the preferred way for shareholders to measure the profit that pays for their contribution. Indeed, this ratio is expressed by the ratio between net income and equity. Its interpretation varies according to the type of profit allocation policy of the company. In fact, if the latter distributes its profit to its shareholders (dividend policy), the return on equity will be similar to a shareholder remuneration rate. On the other hand, if it invests its profit internally (self-financing policy), return on equity will be similar to an internal growth rate of assets (Dumoulin, R, Guieu, G, Meschi, PX, and Tannery. , [2010]).

Then, the Import export sector presented a negative rate in 2009, an average of -0.25 explained by negative rates recorded by the two companies (C.3.), And (C.6.). This sector recorded a high rate in 2012, an average of 0.77. Thus, the company (C.3.) Records in 2008 a return on equity of more than 1, ie (2,045), and this expresses an accounting result higher than the collected own funds, thus the company (C.1.) with a ratio of 3.29 in 2012.

## 2.2. Business Profitability Analysis

**Figure 2. Evolution of the Commercial Profitability of SMEs activating in the sector "Import-export (C.)"**

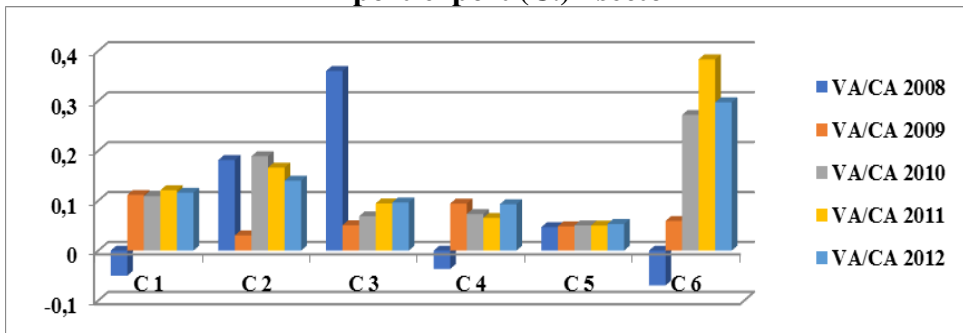


**Source:** Our calculations from the Company's Results Tables (T.C.R).

Commercial profitability is one of the financial indicators of the model that measures the firm's ability to generate significant margins. It represents the ratio between the net result and the turnover. In the context of strategic management, the commercial profitability ratio provides information on the firm's ability to differentiate its products from the competition (Dumoulin, R, Guieu, G, Meschi, PX, and Tannery, F, 2010). ). Indeed, the tables below represent the evolution of the commercial profitability concerning the 80 companies surveyed, by sector of activity. The Import-Export sector reports a positive commercial profitability in 2009, 2010, 2011, and 2012, respectively 0.07, 0.04, 0.04, and 0.06 as calculated averages, then a negative rate in 2008, expressed by a loss-making result declared by the company (C.6.).

**2.3. Value Added Rate Analysis**

**Figure 3. Evolution of the value added rate of activating SMEs in the "Import-export (C.)" sector**

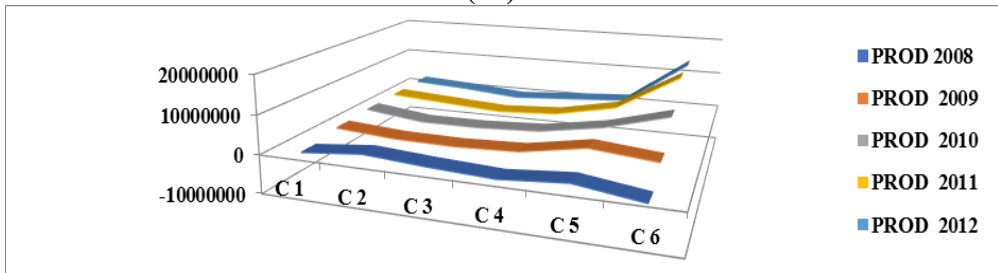


**Source:** Our calculations from the Company's Results Tables (T.C.R).

The value-added rate represents the ratio between the added value created by the firm and its turnover. This indicator has positive overall rates for all the sectors of activity during the five fiscal years studied: [2008 - 2009 - 2010 - 2011- 2012], respectively; 4.545, 0.254, 0.484, and 0.731, and 0.681. In fact, the Import-export sector reported positive value-added rates during the five fiscal years [2008-2009-2010-2011-2012], with a clear progression from "0.072 in 2008, to 0.132 in 2012 ".

**2.4. Productivity Analysis**

**Figure 4. Productivity evolution of SMEs activating in the "Import-export" sector (C.) »**

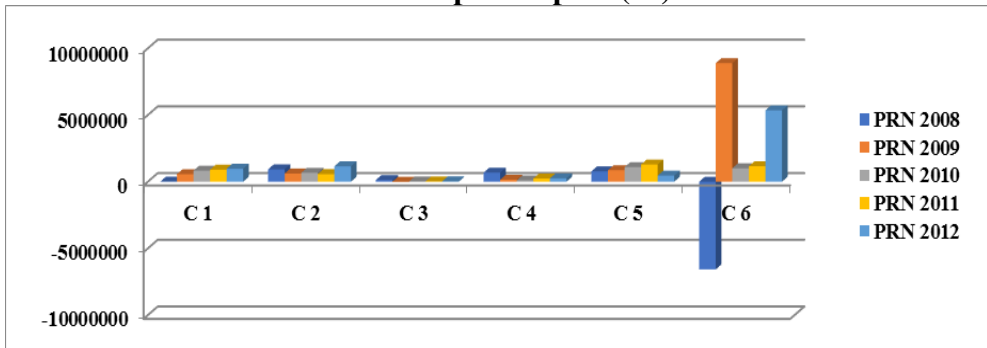


**Source:** Our calculations from the Company's Results Tables (T.C.R).

Productivity (PROD) is a performance ratio that represents the ratio of value added to the number of employees. This indicator had positive values during the five years studied, and a clear evolution between [2009] and [2012], respectively 702 987.369 and 1 233 192.454 as calculated averages.

**2.5. Value Productivity Analysis**

**Figure (5.): Evolution Productivity of the value of activating SMEs in the sector "Import-export (C.)"**



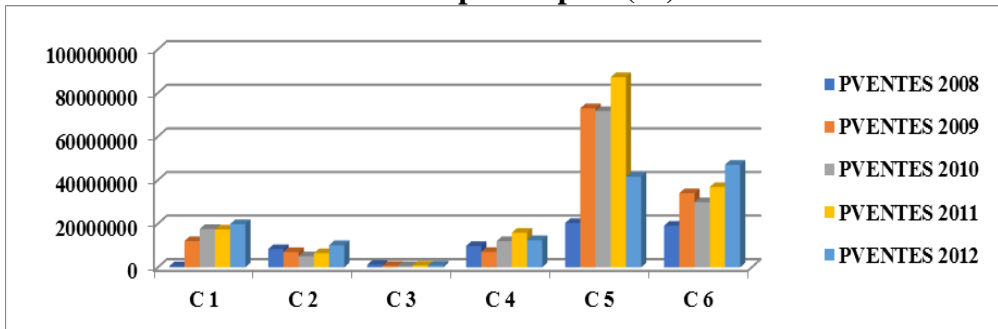
**Source:** Our calculations from the balance sheets of companies.

Value productivity is the ratio of the net result achieved by the firm to the number of employees. This indicator recorded an overall change between 2008 and 2012, respectively (-143,362, 688) and (229,340, 850), as calculated averages.

Thus, the Import-export sector reported an average productivity of the negative value in 2008, explained by a net deficit accounting profit declared by the company (C.6.). So, more than 83% of the SMEs active in this sector recorded positive rates, and this during the five fiscal years studied, this is what expresses profit accounting results.

**2.6. Sales Productivity Analysis**

**Figure 6. Evolution of the sales productivity of SMEs activating in the sector "Import-export (C.)"**

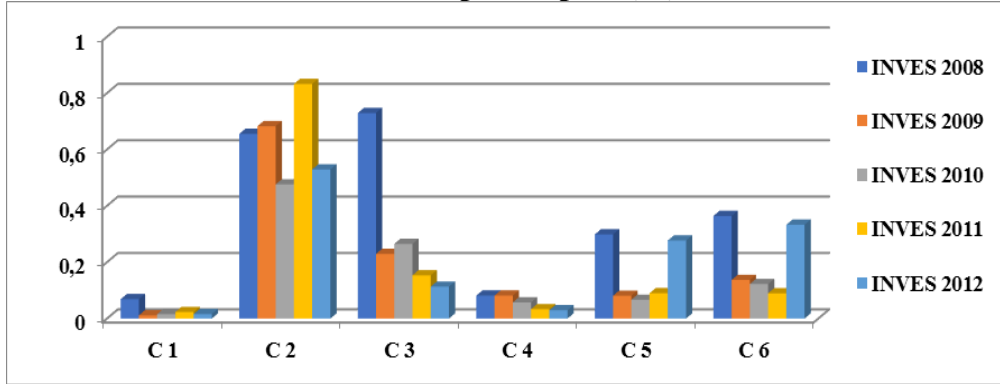


**Source:** Our calculations from the Company's Results Tables (T.C.R).

Sales productivity is a performance indicator that represents the ratio between turnover and the number of employees. Indeed, this indicator recorded positive values, thus an overall progression during the surveyed period [2008 - 2012], respectively "2,846,834,336", and "4,460,322,898" as averages calculated and recorded in relation to the sample surveyed (80 SMEs).

**2.7. Analysis of investment expenditure**

**Figure 7. Evolution of Investment Expenses of SME activating in the sector "Import-export (C.)"**

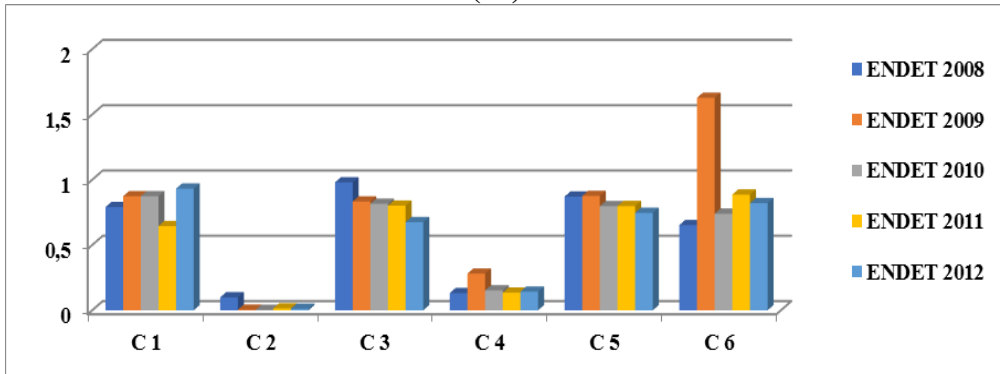


**Source:** Our calculations from the balance sheets of companies.

Capital expenditures represent the ratio between the level of investments and the level of sales. Notwithstanding the limitations in the credit and production financing market, which are indeed major obstacles at the moment, the investment results are convincing. As a result, it appears that firms have reacted strongly to increase the level of investment since this indicator increased between [2008] and [2012], namely "5,010" and "23,971" as general averages.

**2.8. Debt ratio analysis**

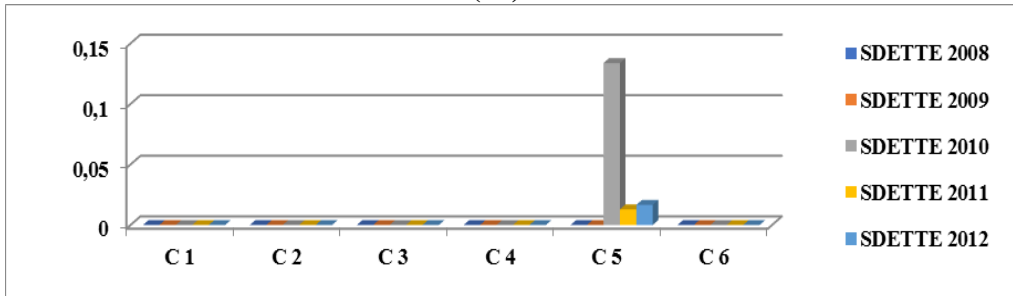
**Figure 8. Evolution of the debt ratio of SMEs activating in the sector "Import-export (C.)"**



**Source:** Our calculations from the balance sheets of companies.



**Figure 9. Evolution of the Debt Structure of SMEs in the sector "Import-export (C.)"**



**Source:** Our calculations from the balance sheets of companies.

A negative note concerns the evolution of the level of indebtedness during the period [2008-2010], since an increase is observed for the two measures of indebtedness, namely the debt ratio, recording respectively "0.657" in 2008, and "0.730" in 2010 as the average of the 80 SMEs surveyed. The debt structure expresses the relationship between long-term debt and short-term debt.

Long-term debt includes all third-party borrowings maturing in more than one year. In fact, these debts consist of loans (including bank overdrafts or bank overdrafts). Short-term debt is then the short-term resource for short-term employment (assets less than one year old). Indeed, the level of debt accounts for more than 66% of total assets during the period studied, registering an average of almost 74% in 2009.

**Conclusion**

The import-export companies surveyed recorded a satisfactory commercial situation, particularly in 2012, of which 83.33% of the companies were considered as performing. This is expressed by a strong commercial profitability. They appear to be good in terms of value productivity, and sales productivity, as well as investment rate, and average in terms of financial profitability. On the other hand, they show weaknesses

in terms of productivity, and the value added rate expressed by the negative added values for most companies, especially in 2008, even those whose net profit or loss was profitable. For this reason, we can conclude that belonging to this sector has particularly influenced these two indicators, especially the value added rate. The majority of these companies (nearly 67%) have remarkable debt ratios "exceeding 65%".

In spite of these satisfactory results, these companies activating in import-export nevertheless suffer from the difficulties expressed, indeed, by the setting up of a certain number of payments abroad to confront needs of complementary services essential to the performing an import. In many industrial sectors (pharmacy, cosmetics, agri-food, quarries, etc.), obtaining an import authorization by producers is extremely difficult.

For example, the import of hazardous chemicals is subject to strict regulations, including prior import authorization issued by the relevant departments of the Ministry of Energy and Mines. According to I.F.P.E, [2011], the chemicals concerned being production inputs unavailable on the domestic market, the difficulty of importing them is a major constraint. Thus, the complexity of the import authorization application file and the often long delays in obtaining it are the aspects most often mentioned by companies. Without calling into question the safety imperative, simplification measures could be retained for producers.

Like importing SMEs, exporting SMEs also suffer from a range of obstacles and problems. Indeed, despite petitions in principle around the necessary support for the development of non-hydrocarbon exports, the system put in place to subsidize export activities is considered by exporters as globally limited and inefficient (IFPE, [2011]) . Exporters generally emphasize the low incentive nature of the non-hydrocarbon export development support scheme.

These obstacles cover in particular the administrative constraints and burdens expressed by the complexity of the export procedures, as well as the persistent weaknesses of the institutional mechanism of export support. So, the limits of financial and banking framework of the export act expressed by the lack of a specific and more favorable system of financing of the exploitation dedicated to the act of export, the slowness of the procedures of authorization of export credits, as well as the difficulty of transferring the necessary foreign currency to cover the costs of prospecting abroad (IFPE, [2011]).

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