

Assessing SMEs effectiveness in growth and diversification of the Algerian economy through an analytical study during the period (2015-2019)

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Abstract:

The major focus of this research is on the practical side, as it focuses on assessing the efficacy of small and medium-sized enterprises in the global economy, and how they are differentiated from other institutions, furthermore identifying the effectiveness of these organizations in improving and diversifying the Algerian economy during the period (2015-2019), whose development has become inevitable Under the current circumstances.

The results of the research concluded that the growth of advanced economies is undeniably at the heart of small and medium enterprises. The assessment metrics adopted by the research revealed that these institutions were poor and unsuccessful in developing and diversifying the Algerian economy, despite the efforts and support programs directed at and allocated to them.

Keywords: Algerian economy; SMEs; Economic development; Economic diversification; effectiveness.

Jel Classification Codes: O43, M21.

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1. INTRODUCTION

Putting small and medium-sized enterprises in the forefront reflects the role that the latter plays in the world's economies and its contribution to the process of economic development. Additionally, the characteristics and advantages attributed to small and medium-sized enterprises in terms of flexibility and ability to adapt in a fast-moving global economic environment characterized by innovation and change gave it a prominent status within the economies of the world countries and made its development a subject of increasing interest by many countries that have worked to encourage the establishment of this type of institutions.

In the light of the rapid change towards an economy dominated by competition, quality, knowledge, and the repercussions of globalization on the economies of developing countries, Algeria, as a developing country, has had to adapt its production and industrial system through incorporating small and medium enterprises strategy, since it represents a pivotal sector of the Algerian economy and one of the most important engines in the development of the national economy due to its pioneering role in providing job opportunities and in creating wealth outside the hydrocarbon sector. The small and medium enterprises sector contributes effectively to the gross inboard product.

Throughout this research, we will try to identify the importance of these institutions, their characteristics, as well as the development of the number of these institutions all over Algeria and their contribution to various aspects of the national economy.

Through this analytical study, we have tried to assess the effectiveness of SMEs in developing and diversifying the Algerian economy. In view of the fact that efficiency in its economic sense means the degree of achievement of the desired objectives. The effectiveness of SMEs in developing and diversifying the Algerian economy has been assessed by three indicators: their contribution to the net exports, economic diversification and employment.

- The problematic:

The main purpose of the research was to investigate and analyze the following issue:

How effective are SMEs in developing and diversifying the Algerian economy during the study period ?

- study hypothesis:

To examine and analyze the research problem, we have used following major hypothesis:

SMEs are effective in developing and diversifying the Algerian economy During the study period.

The following sub hypothesis can be subdivided from the main hypothesis:

- SMEs are significantly effective in the trade balance during the study period.
- SMEs are effective in providing jobs during the study period.
- SMEs are significantly effective in diversifying the Algerian economy through the diversification of their sectors of activity during the study period.

- study importance

Contributing to the theoretical framing of the subject and enriching the accumulation of knowledge in the field of SMEs on the one hand, and To identify the effectiveness of SMEs and their contribution to the development and diversification of the Algerian economy, in light of what is expected of this organizations on the other hand.

What sets this research apart from prior studies is that it concentrated on studying the Algerian economy from two major components: First, the study was based on giving an opinion on mechanisms that allow for economic diversification and the reduction of reliance on hydrocarbon exports. Second, the research period covering six years from 2014 to 2019, where the year 2014 was chosen as the beginning of the study phase, as it represents the end of a period of the Economic Recovery Programme, which lasted 15 years from 2001 to 2014.

- study objectives

This study aims to achieve the following objectives:

- Showing the development progress of SMEs during the study period;
- Evaluating the contribution of SME's to improving Algeria's trade balance;
- Evaluating the effectiveness of SMEs in employment;
- Evaluating the importance of SMEs and their contribution to diversifying the Algerian economy.

- study approach

The study relies on the descriptive-analytical approach, where a set of collected data was presented and analyzed, It was also based on a set of statistical data related to the development of SMEs and their contribution to the national economy. Excel was used to present and graphically the data, and then to analyze and discuss it in light of study objectives.

- Literature review

The study of **Ishak Kherchi, Mohamed Fellague, Samira Ahlem Haddou (2019)**, in their study they aimed to clarify the way shared value created in small and medium-sized enterprises (SMEs), a Lunicore company model has provided to create shared value Based on the qualitative research. The study found that small and medium-sized enterprises Lunicore create a shared value for university students, society and business companies due to some elements that characterize the small and medium-sized enterprises. (Kherchi, Fellague, & Haddou, 2019).

Nassima BOURI (2019), tried through a study published under the title Competitiveness and upgrade of SME: between the theory and the practice, she tried to study the impact of the upgrading mechanism on the improvement of the performance of Algerian companies and the promotion of their levels of productivity and profitability and their adaptation to the conditions of national competitiveness and even foreign ones, an empirical study was carried out, focusing on a group of industrial SMEs in the Oran wilaya benefiting from the upgrading program, this presenting their situations before and after the installation of the level program. However, the results prove that the upgrade performed does not in any way satisfy the conditions checked. Indeed, these companies face enormous difficulties to survive and to promote their economic and managerial level. (BOURI, 2019).

According to the study that was titled the role of Small & Medium Enterprises (SMEs) in economic development: the Algerian experience, and presented by **Bilal MECHAALI, Salah MAHREZ (2020)**, they have tried to identify the reality of SMEs and their contribution to the economic development in Algeria, as this sector is considered the main engine of economic development in the world. The results show that despite the efforts made by the Algerian state to develop SMEs, the results remain weak and the contribution of this type of enterprises to economic development (employment, export, GDP, value added) has not been met, Which requires intensifying efforts and a new strategy that will raise the challenge and overcome the difficulties of financing, technology and marketing. (Bilal MECHAALI, 2020).

Through the study prepared by **Abdelkader Chachi and Abul Hassan (2004)**, they were aiming to shed some light on financing small and medium businesses in the UK, the different sources of finance available them, and how easy or difficult to secure this finance, the importance of the small and medium business sector in the United Kingdom, the role that this sector plays in the British economy. The paper concludes by stating that small and medium-sized enterprises (SMEs) in the United Kingdom contribute significantly to the wider economy. (Abdelkader Chachi, 2004).

2. SME's and the global economy

2.1. The difference between a startup and an SME

A start-up is a fledgling firm started by one or more entrepreneurs with the goal of developing and marketing a unique product or service.

One of the start-ups first goal is to raise a significant sum of money in order to continue developing the product. To do so they must present a compelling argument, if not a prototype, demonstrating that their concept is actually novel or significantly better than existing products.

In addition to that a vast majority of start-ups fail in the early stages and have no history and less profit to show. That makes investing in them risky.

To the untrained eye, start-ups and SMEs can appear remarkably similar. Both are small companies that were started from the ground up by an entrepreneur to address to market need. However, there are few minor but distinguishing characteristics.

Product or service is one of the most significant differences between start-ups and small businesses. Small businesses make no claims to being one-of-a-kind. They are one of many similar companies. If anyone wants to start with a Small business they could easily follow out-of-the-box options when starting a business. However, the most crucial thing for start-up is innovation. Start-ups are intended to produce something new while also improving on what already exists.

The second most important difference that we could find between small businesses and start-ups is in the field of rate of growth and the profit. Small business should, of course, grow quickly, but profit is a top concern. When a company begins to reap the rewards, it expands as needed. In the other hand a startup should always be growing and developing a repeatable business model in the shortest amount of time possible.

Either way, it is possible for a small business to become a startup or vice versa, but it all depends on a chief's decision, whether the company wishes to be regarded in a different light, and other times it is determined by external forces like change in demand according to quantity and quality.

2.2. SME's definition

The term "SME" may be broadly defined as a business that maintains certain revenue or a number of employees below a certain level. In the United States, one may not readily identify an SME as SMEs' qualifications are industry-specific. However, in the European Union, an SME is any business with fewer than 250 employees (Justin, 2020, p. 220)

There is a difference in the criteria for defining SMEs, with different States and the official bodies that issue these definitions, including (Gibson & Vaart, 2008, p. 5):

Table 1. criteria for defining SMEs

Institution	Maximum of Employees	Max. Revenues or Turnover (\$)	Maximum Assets (\$)
World Bank	300	15,000,000	15,000,000
MIF – IADB	100	3,000,000	(none)
African Development Bank	50	(none)	(none)
Asian Development Bank	No official definition. Uses only definitions of		

	individual national governments.		
UNDP	200	//	//

Source : (Gibson & vaart, 2008, p. 5)

2.3. Advantages of SME's

SME's may obtain some advantages such as (ZAIDA, 2020, p. 67) (KESKÖN, SENTÖRK, SUNGUR, & M. KÖRÖĝ, 2010, p. 185):

- SMEs provide the strength of an element of the balance income spectrum. This balance gains importance in terms of both social and economic sides. These enterprises are sources of new ideas and discoveries. They contribute to the industries for providing required elasticity.
- SMEs have the opportunity to make a decision more quickly. Because they work with less expense of management and general operating, they have faster and cheaper production.
- SMEs play an important role in creating private initiatives. Also, they enjoy large shares in employment and training. These enterprises are the first establishments in which many qualified workers receive technical training.
- The ability to directly meet market requirements for goods and services, which contributes to expanding the production base.
- SMEs are of the situation to be the manufacturer of intermediate goods and inputs of large industrial enterprises.
- SMEs may be effective in increasing quality of life providing some opportunities for small investments to use labor force, raw material, and financial sources that cannot be used because of social and political reasons.
- SMEs possess a significant role to fulfill the function to reflect small savings and family savings directly to the investments.

The advantages of SME's through their own privacy vis-à-vis large enterprises are shown by the dimensions in the following table:

Table 2. deference between SME's and large firms

Dimonsions	SME's Firms	Large Firms
Marketing	Ability to adapt swiftly in order to stay on top of rapidly changing market demands.	Comprehensive distribution and servicing facilities. The high degree of market power with existing products.
Management	Lack of bureaucracy. Dynamic, entrepreneurial managers react quickly to take advantage of new opportunities and are more willing to accept risk.	Professional managers able to control complex organizations and to establish corporate strategies.
Internal Communications	Efficient and informal internal communication networks. Affords a fast response to internal problem-solving; provides the ability to recognize rapidly to adapt to change in the external environment.	Internal communications often cumbersome: this can lead to slow reaction to external threats and opportunities.
Qualified	Frequent lack of suitably qualified	Ability to attract highly-skilled

Technical Manpower	technical specialists. Often unable to support a formal R&D effort on an appreciable scale.	technical specialists. Can support the establishment of a large R&D laboratory.
External Communications	Frequent lack of time or resources to identify and use important external sources of scientific and technological expertise.	Ability to plug into external sources of scientific and technological expertise. Can afford library and information services. Can buy crucial technical information and technology.
Finance	The great difficulty in attracting capital, especially risk capital. Innovation can represent a disproportionately large financial risk.	Ability to borrow on the capital market. Ability to spread risk over a portfolio of projects. Better able to fund diversification into new technologies and new markets.
Economies of Scale and the Systems Approach	In some areas scale economies of form substantial entry barriers to small firms. Inability to offer integrated product lines or systems.	Ability to gain scale economies in R&D, production, and marketing. Ability to offer a range of complementary products.
Growth	Can experience difficulty in acquiring external capital necessary for rapid growth.	Ability to finance the expansion of the production base. Ability to fund growth via diversification and acquisition.
Patents	Can experience problems in coping with the patent system. Cannot afford time and costs involved in patent litigation.	Ability to employ patent specialists. Can afford to litigate to defend patents against infringement.
Government Regulations	Often cannot cope with complex regulations. Unit costs of compliance for small firms are often high.	Ability to fund legal services to cope with complex regulatory requirements. Can spread regulatory costs. Able to fund R&D necessary for compliance.

Source: (Xhepa, 2006, p. 30)

2.4. Importance of SME's in the Global Economy

Small and medium enterprises (SMEs) are considered the backbone of an economy, whether we are referring to a random state, or if we are talking globally. These companies represent an essential source of economic growth, dynamic, and flexibility in advanced industrialized countries, just like they do in emergent economies and development. The main argument for this is that SMEs are the dominant form of business organization, representing roughly 95 – 99% of all companies. According to the Organization for Economic Cooperation and Development (OECD), SMEs represent more than 95% of enterprises and ensure 60-70% of the jobs (ROBU, 2013, p. 86). As in Europe SMEs account for 99.8% of the overall number of companies contributing to employment and growth (De Marco, Martelli, & Di Minin, 2020, p. 2).

SMEs play a key role in national economies around the world, generating employment and value-added and contributing to innovation. SMEs are central to the efforts to achieve environmental sustainability and more inclusive growth. However, these contributions vary widely across firms and countries, and sectors. Better access to global markets and knowledge networks can strengthen SMEs' contributions, but trade and investment barriers undermine SME participation, and poor physical and ICT infrastructure prevents SMEs from operating efficiently and accessing international markets at competitive costs. Digitalization offers new opportunities for SMEs to participate in the global economy, but SMEs are lagging in the digital transition and disruptive effects need to be considered (OECD, 2017, p. 2).

SMEs are frequently offered incentives and preferential tax treatment because of their contribution to the economy, greater difficulty getting funding, and higher fixed costs of taxation and regulatory compliance. Depending on the country, governments may use a range of policies to encourage the growth of SMEs (WARD, 2020).

Table 3. Share of SMEs in Some Countries (%)

Dimonsions	USA	Germany	Japan	France	England	South-Korea	India	Turkey
SMEs in Total Enterprises	97,2	99,8	99,4	99,9	96	97,8	98,6	99,5
SMEs in Total Employment	50,4	64	81,4	49,4	36	61,9	63,2	61,1
SMEs in Total Investment	38	44	40	45	29,5	35,7	27,8	56,5
SMEs in Total Value Added	36,2	49	52	54	25,1	34,5	50	37,7
SMEs in Total Export	32	31,1	38	23	22,2	20,2	40	8
SMEs in Total Credits	42,7	35	50	48	27,2	46,8	15,3	4

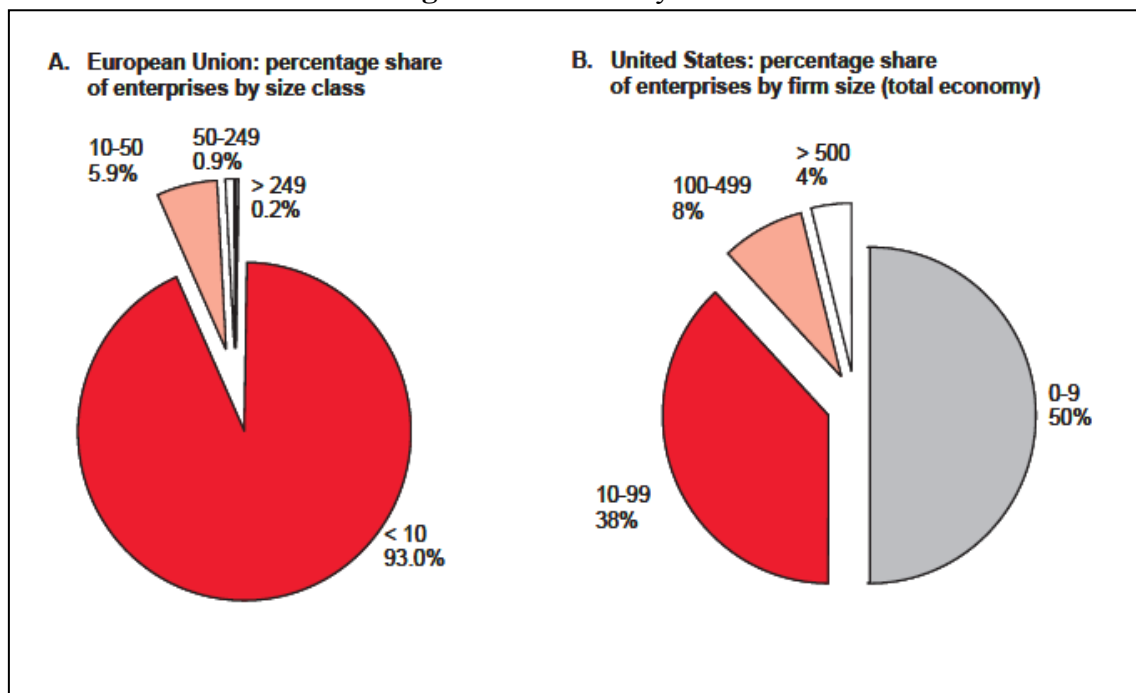
Source: (KESKGN, SENTÜRK, SUNGUR, & M. KGRĞg, 2010, p. 187)

2.5. SME's activity sectors

Most SME jobs are in the service sector, which now accounts for two-thirds of economic activity and employment in OECD countries. Smaller firms are found particularly in wholesale and retail trade, the hotel and restaurant business, communications and business services, and construction. SMEs also account for a high percentage of manufacturing firms in many OECD countries and provide at least half of OECD manufacturing employment. Smaller firms are increasingly present in technology-intensive industries such as information and communications technology (ICT) and biotechnology. SMEs predominate in the important strategic business services subsector, including services relating to computer software and information processing, research and development, marketing, business organization, and human resource development. Increased outsourcing by major manufacturing firms, combined with new technologies that have allowed SMEs to win market niches, has led to 10% annual growth in these knowledge-based services in recent years. The fact that the average firm size in strategic business services is a fraction of

the average size of firms in manufacturing or the economy as a whole is an indication of the importance of SMEs in this field (OECD, 2000).

Fig.1. SME’s activity sectors



Source: (OECD, 2000, p. 2)

3. SME’s in the Algerian economy

3.1. Definitions of SMEs

The definition of SME’s in Algeria is as follows: "The SMEs, regardless of its legal nature, is defined as the enterprise for the production of goods and/or services. It operates from 10 to 250 persons and does not exceed 4 billion dinars or does not exceed the total annual budget of 1 billion Algerian dinars, and meet the criteria of independence (MAHREZ & MECHAALI, 2020, p. 159). and this definition can be summarized in the following table :

Table 4. definition of SMEs in Algeria

Enterprise type	Number of workers	Turnover (DA)	Annual balance sheet total
Micro	1 - 9	Less than 40 million	Less than 20 million
Small	10 - 49	Less than 400 million	Less than 200 million
Medium	50 - 250	Less than 4 milliard	Less than 1 milliard

Source : (SECRETARIAT GENERAL du gouvernement, 2017, p. 05)

3.2. The development of SMEs in the Algerian economy

The following table depicts the evolution of the number of SME in the Algerian economy:

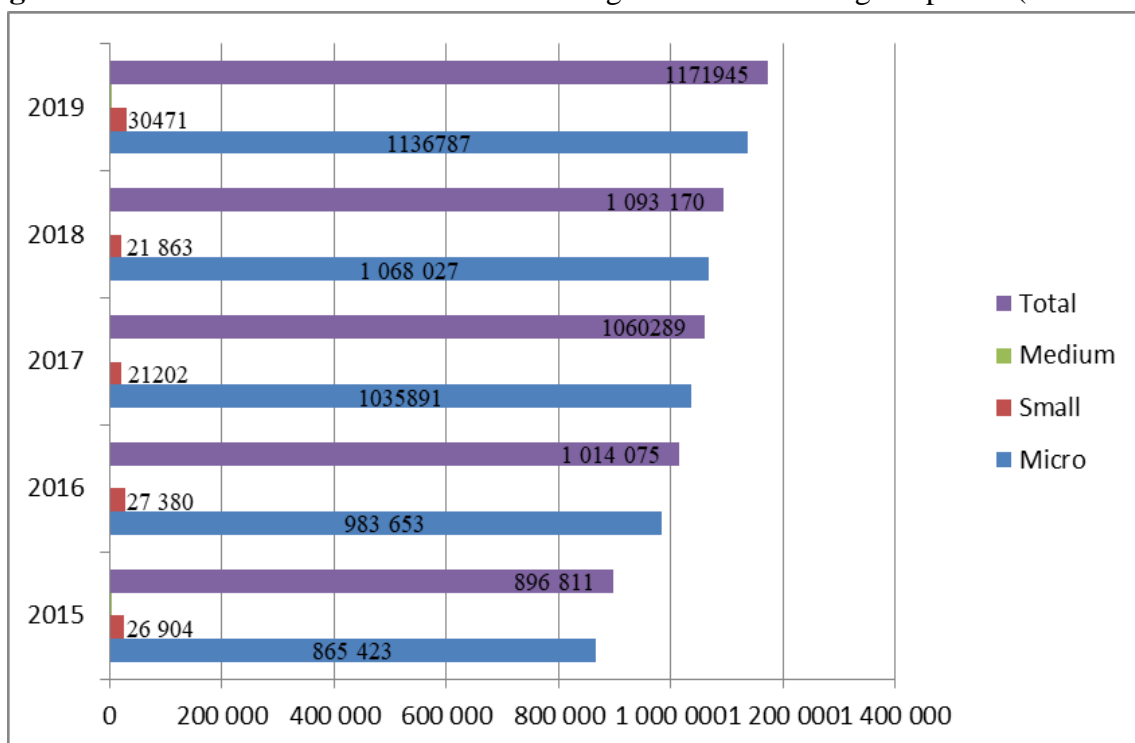
Table 5. Numeric data on the development of small and medium enterprises by size

Type of SMEs	2015	2016	2017	2018	2019
Micro (less than 10 employees)	865 423	983 653	1035891	1 068 027	1136787
Small (between 10 and 49 employees)	26 904	27 380	21202	21 863	30471
Medium (between 50 and 250 employees)	4 484	3 042	3196	3 280	4688
Total	896 811	1 014 075	1 060 289	1 093 170	1171945

Source: (Ministère de l’Industrie, 2019)

The data in the previous table can be represented in the following figure:

Fig.2. Evolution of the number of stalls according to their size during the period (2015-2019)



Source: Prepared by researchers based on data in table 5.

It is evident from the table (5) and the graphic representation in figure (2) that:

- Significant growth in the total number of small and medium enterprises in Algeria during the period (2015-2019), with an average annual increase of 13,07% as of 2015;
- Micro-enterprises represent about 97% of the total number of Algerian SMEs for the period (2015-2019);
- The average rate of small and medium-sized enterprises represents 2.81%, and medium-sized enterprises represent 0.32% of the total number of small and medium enterprises in Algeria for the identified period.

4. RESULTS AND DISCUSSION

The concept of economic diversification is related to the diversification of resources of the holistic local production, and this includes in part the diversification of exports. Therefore, the concept of economic diversification applies to the economies that depend on a non-sustainable single source for holistic local production as is the case with economies that depend on export revenues from hydrocarbons as a dominant source of income, including the Algerian economy.

Therefore, the economic diversification means reducing dependence on fuel export revenues by developing and finding other sources of revenue. It further implies the need to develop the private sector typified by SMEs and boost their role assigned in developing and diversifying the Algerian economy (سدي & هواري, 2019, p. 217).

The national economy is also considered diversified if its economic structure is distributed into a large number of activities that are different from each other. In addition, achieving economic diversification depends mainly on diversifying sources of income and production. (خنشول, 2020, pp. 202-203).

Significantly, the study and evaluation of the effectiveness of small and medium enterprises in developing and diversifying the Algerian economy will be based on three basic indicators related to the concept of economic development and diversification. The first aspect is their contribution to improving exports outside the hydrocarbon sector, as it is shown through the trade balance. The second indicator is related to their effectiveness in employment. Whereas, the third indicator relates to the extent of diversification through its sectors of activity outside the hydrocarbon sector

4.1. Evaluation the contribution of SMEs to the Algerian trade balance

The data in table (6) demonstrate the contribution of Algerian SMEs to the national trade balance over time (2015-2019).

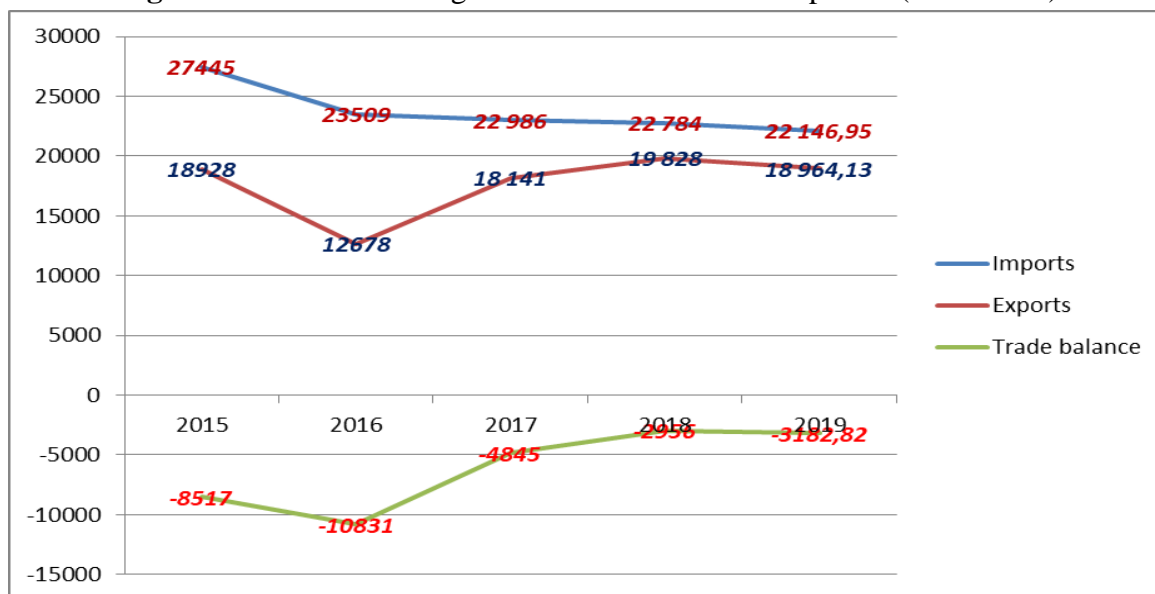
Table 6. Numeric data for the Algerian trade balance during the period (2015-2019) (Millions D US)

	2015	2016	2017	2018	2019
Imports	27445	23509	22 986	22 784	22 146,95
Exports	18928	12678	18 141	19 828	18 964,13
Trade balance	-8517	-10831	-4845	-2956	-3182,82

Source : (Ministère de l’Industrie, 2019)

The data in the previous table can be represented in the following figure:

Fig.3. Evolution of the Algerian trade balance for the period (2015-2019)



Source: Prepared by researchers based on data in table 6.

According to the data obtained from the table (6) and its graphical representation in figure (3), it is clear that:

- SMEs imports exceed its exports for the period (2015-2019);
- Imports decreased during the identified period, starting in 2015, representing an average of 20.12% of annual decline;
- Alternatively, SMEs exports decreased by 49.29% during the year 2016 compared to the year 2015, noting an increase in exports from 2017 onwards, with an average increase of 49.68% compared to the year 2017;
- The deficit of the Algerian trade balance in the aforementioned period (imports exceed exports), pointing out that this deficit decreased as of 2017 compared to 2015 and 2016, as a

result of the decrease in imports by a smaller percentage, while exports increased by a greater rate in 2017.

Significantly, it can be said that there is a limited contribution of Algerian SMEs in the national trade balance for the period 2015-2019, which is the period that followed the end of the economic recovery program (2001-2014). Hence, it can be induced that various support programs along with state policies have paved the way for this type of institution and encourage them to enter foreign markets.

As a result, SMEs' contribution to Algeria's trade balance remains limited and negative, rejecting the first sub-hypothesis.

4.2. Contribution of SMEs to employment in the Algerian economy

SME's contribution to employment is illustrated by the following table data:

Table 7. Contribution of SMEs to employment

Type of SME's	2015	2016	2017	2018	2019
Private SME's	2192 068	2452216	2578279	2668173	2797781
(%)	97.94	98.57	99.08	99.18	99.26
Public SME's	46165	35698	23679	22073	20955
(%)	2.06	1.43	0.92	0.82	074
Total	2238 233	2487 914	2601 958	2690 246	2818736

Source: (Ministère de l'Industrie, 2019)

As table (7) revealed, it is apparent that the contribution of private small and medium enterprises to employment exceeds those affiliated with the public sector. Based upon 2019 data, about 99.26% of workers work in the private sector, while the public sector's contribution to employment is estimated at 0.74 % For the same year.

Almost similarly, as per 2015, data in the table (7) demonstrated that the rate of employment in the public sector has decreased as opposed to the private sector. This can be explained by the limited opportunities in the public sector which in turn paved the way for private small and medium enterprises to attract the labor market, as well as the spread of multi-activity enterprises, and the availability of material incentives.

To assess the effectiveness of SMEs in terms of employment, total employment in SMEs must be compared to total employment in Algeria. In the Algerian economy, the following table gives employment statistics:

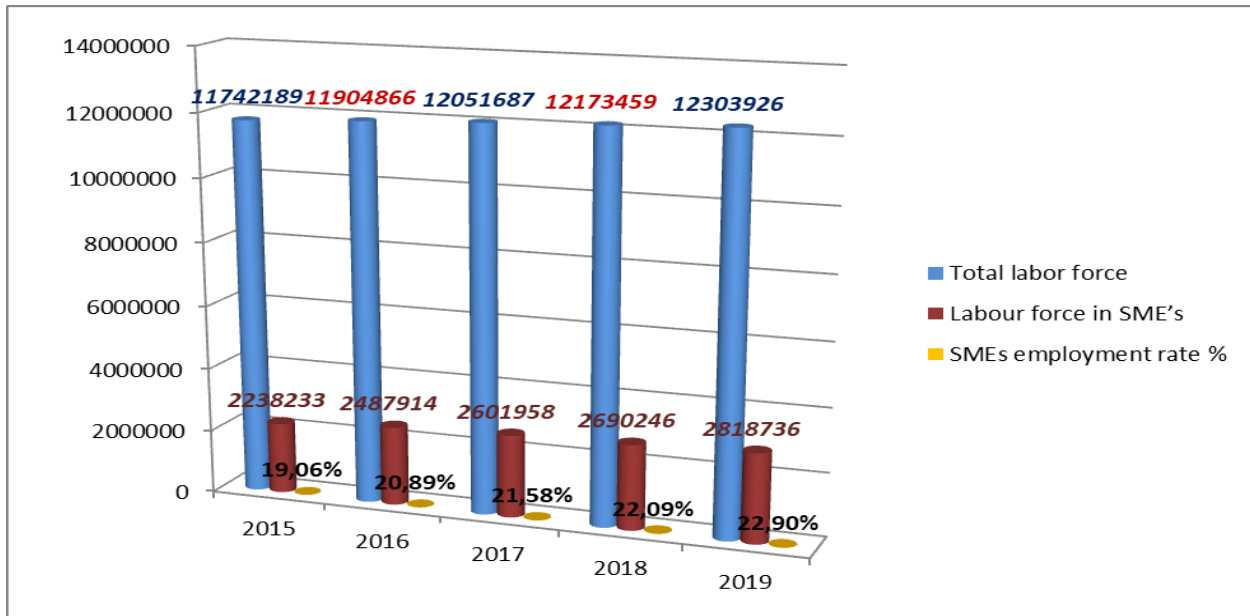
Table 8. Employment statistics in Algeria for the period (2015-2019)

DATE	Total labor force	Labour force in SME's	SMEs employment rate %	Growth rate%
2015	11742189	2238233	19.06	//
2016	11904866	2487914	20.89	1.83
2017	12051687	2601958	21.58	0.69
2018	12173459	2690246	22.09	0.51
2019	12303926	2818736	22.90	0.81

Source: Prepared by researchers based on: (knoema, 2020)

The data in the previous table can be represented in the following figure:

Fig.4. Contribution of SMEs to employment



Source: Prepared by researchers based on data in table 8.

Analyzing the above data, the contribution of SMEs to employment was in the range of 20%, which is relatively limited compared to the number of SMEs and their support efforts, This contribution is also very weak and has not exceeded 1,83 % per year during the period of study (2015-2019), a relatively low ratio compared to the number of SME's in Algeria, which reached 1 171 945 SME'S in 2019. Therefore, It can be said that the second sub-hypothesis is incorrect.

4.3. Development of the number of SMEs according to the branches of activity

The activity areas of SME's with a moral character during the study period can be clarified through the following table:

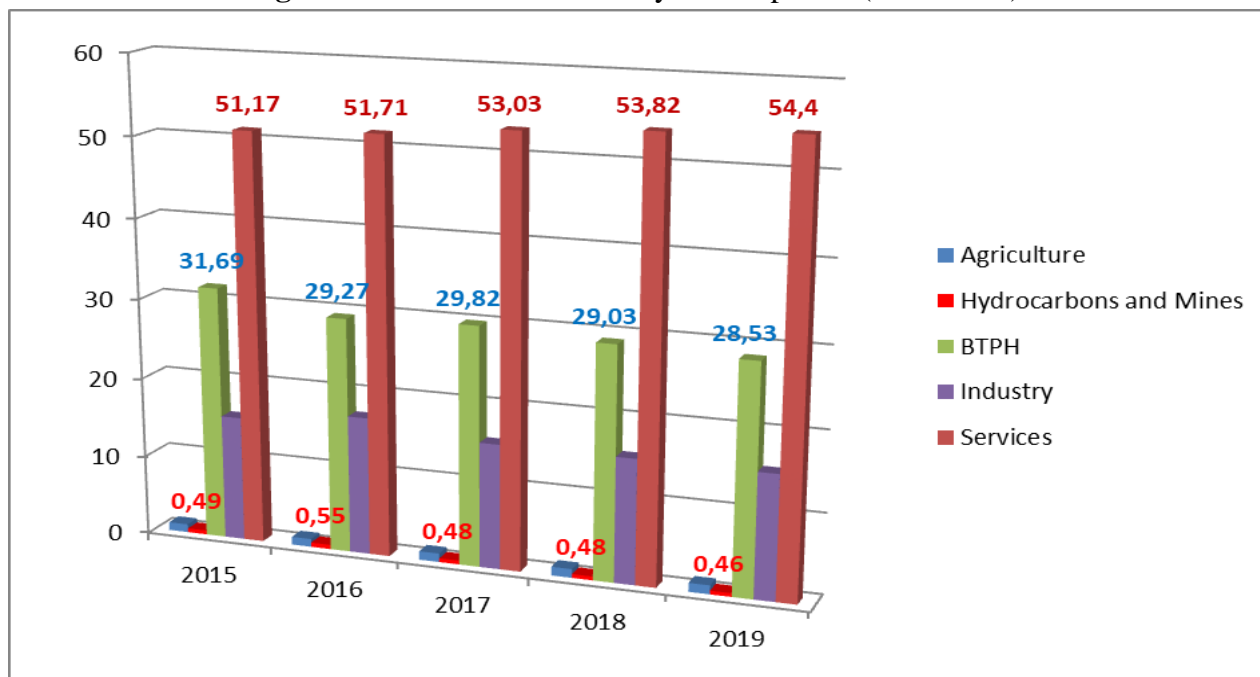
Table 9. SMEs (with a moral character) branches of activity for the period (2015-2019)

Activity sector	2015	2016	2017	2018	2019
Agriculture	5318	7272	6476	6973	7368
Percentage %	1.02	1.25	1.08	1.10	1.11
Hydrocarbons and Mines	2557	3205	2846	2938	3035
Percentage %	0.49	0.55	0.48	0.48	0.46
BTPH	165108	169146	177750	182501	188290
Percentage %	31.69	29.27	29.82	29.03	28.53
Industry	81348	99408	92888	97803	102128
Percentage %	15.61	17.20	15.58	15.56	15.48
Services	266544	298793	316114	338266	358996
Percentage %	51.17	51.71	53.03	53.82	54.40
Total SMEs	520875	577824	596074	628481	659817

Source: (Ministère de l'Industrie, 2019)

The data in the previous table can be represented in the following figure:

Fig.5. SMEs branches of activity for the period (2015-2019)



Source: Prepared by researchers based on data in table 9

From the graphical representation of the development of the number of SMEs for the period (2015-2019) based on the branches of activity shown in Table (9), the following can be stated:

- About 54,4% (out of 358996 SME's) are active in the field of services. According to the data for the year 2019, and therefore the services sector is the most attractive for this type of institution in Algeria.
- Followed by the construction and public works sector, with a rate of 28,5% for the year 2019, then the manufacturing sector with a rate of 15,4% (2019). However, the rest of the fields can be considered less attractive for medium and small size investments, such as agriculture, energy, and mines sectors.

Several factors can explain such investment orientations. The most prominent of which is the impact of technological developments on trade and services sectors that promoted innovation and the ability to transform activity for small and medium enterprises. Besides the nature and diversity of the increasing demand for various service activities, the revival of the construction sector along with public works as a result of the expansion of public spending in this field. The emergence of industrial fields to encourage the establishment and development of medium and small-sized enterprises, in addition to the expansion and diversification of the licensing contracts granted by foreign companies.

As far as the energy and mines sectors are concerned, it could be inferred that the percentage of small and medium-sized investments in this field is due to the monopoly exerted by the government and other dealers from large international companies. Whereas, investments in the fields of agriculture and fishing by small and medium enterprises are governed by limited governmental support and the absence of incentives and support to attract contractors to invest in these activities.

it can be said that the effectiveness of SMEs in diversifying the economy is weak, as most of them are active in the service sector and have not achieved the desired economic diversification. Especially in the field of strategic activities such as industry and agriculture, therefore it can be said that the third sub-hypothesis is incorrect.

The following are among the most significant targets of economic diversification (كورتل, 2019, p. 06):

- Diversification of revenue sources by widening the production base and increasing the contribution of the productive sectors to the development of the gross domestic product, including goods and services.
- Creating and promoting different aspects, industries, and activities capable of generating added value to promote the production of a domestic product capable of serving the needs of the domestic market and, in the future, extending into foreign markets to substitute imports.
- Diversify the national economy's exports with modern, high-technology, diversified goods, allowing the economy to hold a prominent role in international trade.

Therefore, by matching the research results with certain economic diversification goals, on the one hand, small and medium-sized enterprises in the Algerian economy have not demonstrated their effectiveness in achieving these targets; on the other hand, by comparing their effectiveness with that of their counterparts in some advanced economies as shown in Table (03) above, the results are verified with regard to the results of the analysis (2015-2019).

By studying and analyzing data in this research and the study of sub hypotheses, which have all tended to be denied, it can be said that the basic hypotheses are incorrect, so the effectiveness of the SMEs in the development and diversification of the Algerian economy is weak.

Looking at the findings, we conclude that this research paper was distinguished from various previous studies related to the subject by a set of basic elements, the most important of which can be summarized as follows:

- This study focuses on the effectiveness of small and medium firms in diversifying the national economy by focusing on the indicators of diversification indicated in the study, which are unusually large and important in comparison to most previous studies.
- This research is distinguished from previous studies as it focuses on studying the importance of small and medium enterprises in achieving indicators of economic diversification at the national level, while most of the previous studies focused on their contribution to achieving economic development.
- The recency of the academic period, which spanned from 2015 to 2019, distinguishes this study from past research, which was mostly accessible to the chronological field.
- In terms of the effectiveness and importance of small and medium enterprises in diversifying the national economy, the findings of this study differed significantly from those of most previous studies.

5. CONCLUSION

Small and medium enterprises are undoubtedly one of the most important sectors that play a central role in the economies of the developed countries, particularly in light of the rapid and successive changes at the level of technology as well as the multiplicity of economic crises. Algeria is considered one of the countries that have made the small and medium enterprises sector to foster the national economy away from dependence on the hydrocarbons sector. In this respect, and through this research, it is concluded that:

- The weak performance of small and medium-sized enterprises in improving and diversifying the Algerian economy over the period (2015-2019);
- SMEs' ineffectiveness in improving the balance of trade during the study period;
- Small and medium-sized enterprises' poor effectiveness in providing jobs during the study period;
- During the study period, the effectiveness of small and medium enterprises in diversifying economic activities was limited;
- The enumeration of small and medium enterprises in Algeria is constantly evolving due to the measures, procedures, and programs taken by the state to facilitate the establishment of this type of institution, in addition to trying to solve the problems and obstacles that hinder their development;
- Even though small and medium enterprises are increasing in number, numerous problems and obstacles prevent them from continuing;
- The majority of small and medium enterprises in Algeria are mini or very small, with a rate of 98%, that is why its advancement was delayed. Therefore, these small enterprises do not impact the national economy significantly;
- The overwhelming majority of small and medium enterprises are distributed over the northern regions with a rate of more than 70%, which poses a threat to regional development and consequently affects economic development;
- SMEs contribute to the creation of job opportunities in Algeria by about 24% of the total employment; 99% of which is found in the private sector;
- Algeria's small and medium enterprises are virtually entirely private, with a rate of about 99 %, whereas the public sector is essentially non-existent;
- The services sector is the most active in Algerian SMEs, and this is due to the multiplicity of fields in this sector as well as the ease of activities related to it.

In light of the previous findings of the study, the researchers recommend the following:

- Facilitating the establishment and management of Small and Medium Enterprises;
- Providing exceptional facilities for local development in the southern regions;
- Directing the state's policy towards the establishment of public SMEs to balance the public-private sector;
- Directing large enterprises to rely on Subcontracting to revitalize the SME field;
- Create mechanisms to support and motivate SME's to move toward strategic sectors that achieve the true diversification of the Algerian economy, such as Industry, agriculture, and even tourism as a strategic service sector;

- Assisting SME's to rely on domestic resources to reduce imports, and making a positive contribution to alleviating the trade deficit;
- Encourage SME's to export-oriented and external market access, and support them in the area of custom concessions and procedures.

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