

**The efforts of the Algerian state to support small and medium-sized enterprises “SMEs” in order to reduce unemployment during the period (2013-2019)
- A detailed look at the organisms in charge of support -**

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Abstract:

This study aims to clarify the efforts made by the Algerian state to support SMEs in order to reduce unemployment, through the interpretation of the various statistics related to SMEs and unemployment, in addition to giving a detailed look at the organisms authorized by law to supervise the work of SMEs in Algeria.

We used the deductive approach in order to explain the concepts related to SMEs and unemployment, we also used the inductive method in order to interpret the statistics related to SMEs and unemployment in Algeria.

This study concluded that all unemployment rates from 2013 to 2019 were more than 10% and that the Algerian state has established three organisms (ANADE, ANGEM and FGAR), whose mission is to supervise and follow up the activity of SMEs.

Keywords: SMEs, Unemployment; Organisms; Efforts :Alegria.

JEL Classification: L29; E24.

Introduction

Unemployment is considered the most important challenge that every state seeks to eliminate, due to its negative repercussions on the economic, social and political reality. Therefore, every state seeks to make efforts and take measures that contribute to eliminating or reducing its severity.

Among the efforts undertaken at the international level in order to eliminate or reduce unemployment rates, is to encourage the unemployed to establish small and medium enterprises, which contribute to creating new jobs and increasing the value of locally manufactured product.

For the success of small and medium enterprises, each state must provide facilities to the unemployed who wish to establish them, by providing loans with little or no interest and also giving them tax privileges.

Through the above, we formulate the problematic of the study as follows:

What are the efforts made by the Algerian state to support small and medium-sized enterprises in order to reduce unemployment?

Importance of the study:

- Determine the impact of unemployment on the Algerian economic, social and political reality;
- Determine the importance of small and medium enterprises in reducing unemployment in Algeria.

Objectives of the study: The study aims to clarify the mechanisms used by the Algerian state to encourage the establishment of small and medium enterprises in order to reduce unemployment rates.

Methodology of the study: we used the deductive approach in order to explain the concepts related to SMEs and unemployment, we also used the inductive method in order to interpret the statistics related to SMEs and unemployment in Algeria.

1- Conceptual framework for SMEs and unemployment

1-1- Conceptual framework for SMEs

1-1-1- Definition of SMEs

Small Medium Enterprises has been defined and used differently in various contexts. Definitions vary between industries, countries and even between studies (Tahsina & Mosaddak, 2019, p. 18), so that there are three major factors used by countries in classification and definition of enterprises. These include; capital investment on plant and machinery, number of workers employed and volume of production (Ikon & Ohue, 2019, p. 20).

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The European Union specified in 2007 that a medium size company which has less than 250 employees and the annual turnover is equal or less than (€50) m fifty million euro. On the other hand, a small size organization is one having less than 50 employees and the annual turnover is equal or less than (€10) ten million euro (Shirin, 2018, p. 71) .

In America, small and medium-sized enterprises were defined according to the 1953 law, which specified a set of characteristics represented in (A service and retail company with annual sales not exceeding \$5 million, Wholesale businesses with sales of \$ 5 to \$ 15 million, Industrial enterprises employing a maximum of 250 workers) (HASSAINE & BADRI, 2021, p. 158) .

In Algeria, small and medium enterprises were defined in accordance with Law 01-18, which defined them as “SME, any entity producing goods and services, whatever its legal status, employing 1 to 250 people, whose annual turnover does not exceed 2 billion dinars or whose annual balance sheet total does not exceed not 500 million dinars and which respects the criterion of autonomy” (Mehdi-Amzal & Boukhezer-Hammiche, 2017, p. 268).

1-1-2- An overview of SMEs in Algeria

1-1-2-1- Volume of SMEs according to the Algerian law: The following table shows the volume of SMEs according to the Algerian law:

Table number (1): Volume of SMEs according to the Algerian law

Criterion / type of enterprise	Very small	Small	Medium
Workforce	1-9	10-40	50-250
Turnover	Less than 1 million DA	Less than 400 million DA	Between 400 million DA and 4 billion DA
Budget	Less than 10 million DA	Less than 100 million DA	Between 200 million DA and 1 billion DA
Independence	25% or more of the company's capital does not belong to a company or companies that are not small or medium.		

Source: (LOUKRIZ & KEZZAR, 2020, p. 344)

1-1-2-1- Characteristics of Algerian SMEs: they are as follows (MANSOURI, CHABANI, & Djema, 2017, pp. 144,145):

- An often fragile financial structure and the predominance of friendly (family) capital;

- A relative concentration in the sectors of consumer production and services;
- Professional skills and qualifications of SME managers are often not justified (Low managerial capacity);
- Lack of technical support;
- weakness technological accumulation;
- Almost absence of innovation and lack of inventiveness;
- Weakness of the subcontracting activity;
- Lack of reliable, relevant and updated information;
- Great structural flexibility and a lack of specialization.

1-1-2-2- Statistics on the situation of SMEs in Algeria (2013-2019):

According to the statistics presented by the Algerian Ministry of Industry and Mines, we prepare the following table:

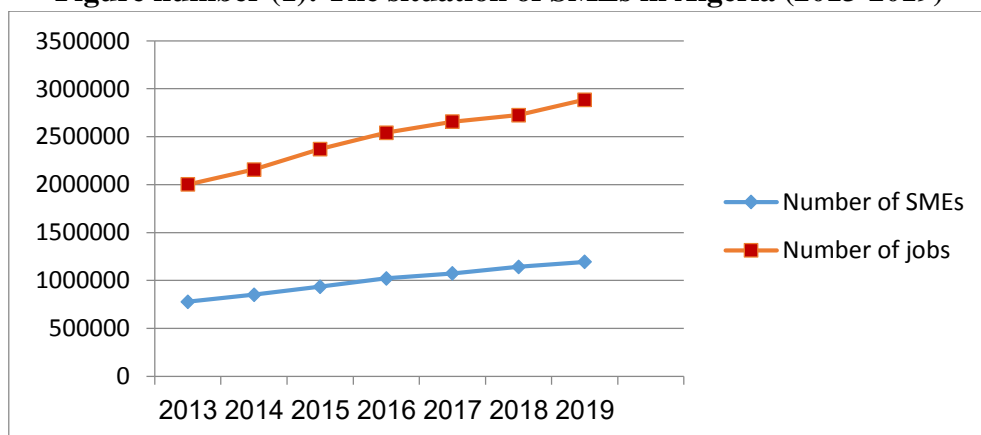
Table number (2): Statistics on the situation of SMEs in Algeria (2013-2019)

Years	2013	2014	2015	2016	2017	2018	2019
Number of SMEs	777818	852053	934569	1022621	1074503	1141863	1193339
Number of jobs	2001892	2157232	2371020	2540698	2655470	2724264	2885651

Source: prepared by the researcher based on the website of (Algerian Ministry of Industry and Mines).

Through the data in table No. 2, we can convert them into curves as follows:

Figure number (1): The situation of SMEs in Algeria (2013-2019)



Source: prepared by the researcher based on the website of (Algerian Ministry of Industry and Mines).

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Through the figure number (1), we observe the augmentation of the number of SMEs, in addition the swift augmentation of the number of jobs, thanks to the facilities and support provided by the Algerian state.

1-2- Conceptual framework for unemployment

1-2-1 Definition of the unemployment

The International Labor Organization defines unemployment as” the person who is above a certain age without a job and who has the ability and willingness to work and who is looking for a job at the prevailing wage level, but has not found it” (Bouchenaki & Fekir, 2021, p. 1436).

The international Labor Office defines unemployment as “the situation of a person who wishes to work and has the capacity to do so (notably age), finds himself unemployed, despite his research. The absence of employment can result from the failure to enter working life, the desire to find a job after a period of inactivity, a dismissal, a voluntary resignation or a desire to change activity” (BOULAHRIK, 2019, p. 614)

1-2-2 Types of the unemployment: there are three types as follows (Cyriac, 2020, pp. 133-136):

- **Frictional unemployment:** it occurs due to constant adjustments between the supply (from persons willing to work) and demand (from companies) for labour;
- **Structural unemployment:** depends on the structure of the economy. It is therefore the consequence of structural changes in the organization of the productive apparatus;
- **Cyclical unemployment:** is correlated with changes in economic conditions. More precisely, cyclical unemployment fluctuates according to the economic cycle. Thus, when economic activity is reduced, aggregate demand decreases, which leads companies to slow down their production and therefore their need for labor.

1-2-3- Statistics on the situation of unemployment in Algeria (2013-2019):

In order to clarify the unemployment situation in Algeria from 2013 to 2019, we have the following table:

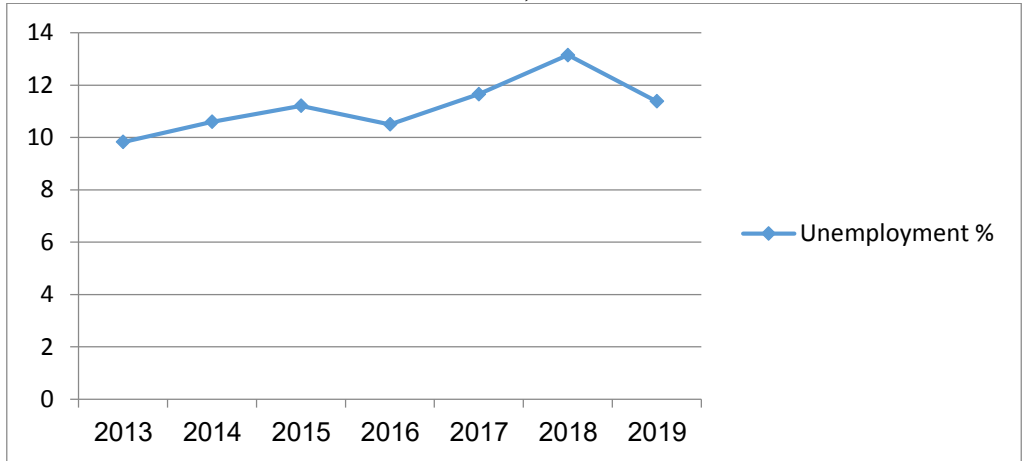
Table number (3): Statistics on the situation of unemployment in Algeria (2013-2019)

Years	2013	2014	2015	2016	2017	2018	2019
Unemployment %	9.83%	10.6%	11.21%	10.5%	11.66%	13.15%	11.38%

Source: prepared by the researcher based on the website of (fr.statista.com)

Through the data in table No. 3, we can convert them into curve as follows:

Figure number (2): The situation of unemployment in Algeria (2013-2019)



Source: prepared by the researcher based on the website of (fr.statista.com)

Through the figure number (2), we observe the following points:

- Fluctuation the percentage of unemployment in Algeria from 2013 to 2019;
- All percentage of unemployment in Algeria over 10%, due to the saturation of public and private economic companies and various public organisms with employees;
- The highest percentage of unemployment was in 2018 (13.15%).

2- The organisms in charge of support the SMEs

2-1- ANADE (Ex Ansej)

2-1-1- Overview about “ANADE” (joradp, 1996, p. 11): Founded by Executive Decree No. 96-296, its tasks are as follows:

- Make available to young promoters all information of an economic, technical, legislative and regulatory nature relating to the exercise of their activities;
- Create a bank of economically and socially useful projects;
- Advise and assist young promoters in the process of financial arrangement and credit mobilization;
- Maintaining continuous relationships with banks and financial institutions in the context of the financing of projects, the

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implementation of the financing plan and the monitoring of the realization and operation of projects.

2-1-2- Financing mechanisms provided by ANADE: there are three mechanisms (ANADE):

2-1-2-1- Setting up Microenterprise with “TRIANGULAR FINANCING”: provides for a personal contribution, an unremunerated loan from the agency and a bank loan with 100% interest rate subsidies and it is constituted as follows:

- The personal contribution of the young promoter;
- ANADE’s unremunerated loan (PNR);
- Bank credit enhanced 100% for all sectors of activity and guaranteed by the National Caution Fund to guarantee credits risks of the young promoters.

2-1-2-2- Setting up Microenterprise with “MIXED FINANCING” : the mixed financing requires a personal contribution and unremunerated loan from the agency as follows:

- The young promoter’s personal contribution;
- ANADE’s unremunerated loan (PNR).

2-1-2-3- Setting up Microenterprise with “SELF FINANCING”: this financing mechanism is as follows:

Table number (4): SELF FINANCING

Investment amount	Personal contributions
Up to 10.000.000 DA	100%

Source: The website of (ANADE, Useful documents)

2-2- ANGEM

2-2-1- Overview about “ANGEM” (joradp, 2004, p. 7): National micro-credit management agency was established by Executive Decree No. 04 – 14, its tasks are as follows:

- Establish a database on the activities and beneficiaries of the system;
- Advise and assist the beneficiaries of the micro-credit system in the process of financial arrangement and credit mobilization;
- Maintain ongoing relationships with banks and financial institutions within the framework of the financing of projects, the implementation of the financing plan and the monitoring of the realization and operation of projects and participate in the recovery of debts not reimbursed on time;

- Call on any specialized legal or natural person to carry out actions that may contribute to the achievement of its missions;
- implement any measure likely to allow the mobilization and use of external resources, intended to support the achievement of the objectives of the micro-credit mechanism in accordance with the laws and regulations in force.

2-2-2- Financing mechanisms provided by ANGEM: the following table shows the financing mechanisms provided by ANGEM:

Table number (5): Financing mechanisms provided by ANGEM

Project size	Promoter profile	Personal contribution	Bank credit	Free interest loan	Interest rate
Does not exceed 100.000DA	All profile (Acquisition of raw materials)	0%	-	100%	No interest
Does not exceed 250.000DA	All profile (Acquisition of raw materials) In the southern wilayas	0%	-	100%	No interest
Does not exceed 1000.000DA	All profile	1%	70%	29%	Subsidized 100%

Source: The website of (ANGEM)

2-2-3- Statistics about the services provided by ANGEM: the following table shows the services provided by the agency since its establishment in 2004 until 2021:

Table number (6): Statistics about the services provided by ANGEM

Cumulative lending		Jobs created	Beneficiaries of the not financial services
949944			
Loans granted to men	Loans granted to women	1390654	367942
346383	603561	Last update date March 30, 2021	-
Last update date September 30, 2021			

Source: Prepared by the researcher based on the website of (ANGEM, Home)

2-3- FGAR

2-3-1- Overview about “FGAR” (joradp, 2002, pp. 11,12): Small and medium-sized enterprise loan guarantee fund established by Executive Decree No. 02-373, its tasks are as follows:

- Intervene in the granting of guarantees in favor of SMEs making investments in (enterprise creation, equipment renovation, enterprise extension and equity investment);
- Manage in accordance with the laws and regulations in force, the resources made available to them;
- Decide on the eligibility of projects and the guarantees requested;
- Take charge of the follow-up of the recovery operations of the debts in dispute;
- Monitor the risks arising from the granting of the fund's guarantee;
- Receive periodically the communication of commitments from banks and financial institutions covered by its guarantee;
- Guarantee the relays of programs put in place for SMEs by international institutions;
- Provide advice and technical assistance to SMEs benefiting from the fund's guarantee;
- Promote specialized agreements that take charge of risks between SMEs, banks and financial institutions;
- Undertake any partnership project with institutions activating as part of the promotion and development of SMEs;
- Monitor the risks arising from the granting of the Fund's guarantee and issue guarantee certificates for all financing formulas;
- Establish agreements with banks and financial institutions;
- Undertake any action aimed at adopting measures relating to the promotion and support of SMEs within the framework of the investment guarantee.

2-3-2- Guarantees provided by “FGAR”: there are two types of guarantees provided by “FGAR”:

2-3-2-1- Normal guarantee: this type guarantees the payment of part of the loss incurred by the bank in the event of non-payment of the loan, so that the guarantee percentage reaches 80% of the bank loan, and the percentage related to each file is determined according to the cost of the loans and the

degree of risk, and the maximum amount of the guarantee should not exceed 100 million DA (FGAR).

2-3-2-2- Loan Guarantee Fund/EU Program: this fund is for small and medium enterprises active in the industrial sector and services directly related to industry with at least 03 years of activity, Small and medium enterprises that benefited from the rehabilitation program through the programs of the Ministry of Industry and Mines and enterprises that are obligated to carry out the rehabilitation process (FGAR, صندوق ضمان ميديا/القروض).

Conclusion

Through the above, we conclude the following;

- All unemployment rates from 2013 to 2019 are more than 10%;
- Among the causes of unemployment are the graduation of a large number of university students, and the inability of economic enterprises and public organisms to employ them;
- The Algerian state has established three organisms (ANADE, ANGEM and FGAR), whose mission is to supervise and follow up the activity of SMEs;
- In order to encourage the unemployed to establish SMEs, the Algerian state provided many facilities (Bank loans with low interest, tax advantages).

Through the findings, we can recommend the following:

- Raising the awareness of university students about the importance of SMEs in achieving economic development, through the organization of forums and field trainings;
- Awareness of craftsmen and motivating them to establish SMEs according to their specializations;
- Solve all the problems facing owners of SMEs, through periodic follow-up of their activities.

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