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SME and Local Development in the Bejaia Region

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Abstract:

In Algeria, the SME sector has made appreciable progress since the attempts to open the national economy to the international market at the end of the 1990s. Today, the economic and social role of SMEs is not to demonstrate. This contribution then aims to use the data from the field survey carried out in Bejaia to draw up an observation of this sector and to see the difficulties and obstacles which hinder its development and fulfillment as well as the contribution of SMEs and their role in development local

Keywords: SME, development, local development**.** Small business

Jel Classification Codes: H23, H32, J40, J60, O15

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1. INTRODUCTION

In Algeria, the SME sector has made appreciable progress since the attempts to open up the national economy to the market at the end of the 90s. Indeed, the Algerian authorities and with the forcing of the International Monetary Fund have understood that the public sector alone cannot meet the growing economic and social expectations of the country, therefore, the privatization of the national economy has become an absolute necessity. From there, the creation of the SME will gain momentum and it is often used as an important lever in the process of national economic development.

The district of Bejaia is endowed with an important economic fabric and considerable basic infrastructure which ranks it among the first district of the country in terms of number of private enterprises. These assets in addition to its rugged terrain favor the orientation towards small business. In this sense, this region is one of the regions which enjoy a certain power of attractiveness and competitiveness. Indeed; the district of Bejaia observes significant economic dynamics in the various branches of activity, due to the fact that it occupies the third position in terms of the population of SMEs established in its territory at the national level. The contribution of the SME to job creation, the fight against unemployment, poverty reduction and its contribution to the local development of the region is not to be proven.

To this end, the purpose of this contribution is to question the role that small and medium-sized enterprises play in local development in the region of Bejaia. Therefore, the research question that arises from this issue is the following: **What is the role of SMEs in economic development in Algeria?**

The field of research is large and little explored until now. This is why, aware of the risks that may arise from the dimensions of a large-scale field of investigation, we will limit our study to a small sample and a territory that offers us more facilities to conduct an empirical study. In this sense, our approach is inductive and qualitative and our sample meets the requirements of representativeness, since the object of the research is much more theoretical than statistical.

Nevertheless, a significant number of entrepreneurs and businesses suffer from several constraints that penalize their development in economic life. This study is based primarily on information collected in the field in the district of Bejaia, and which aims primarily to identify the constraints and difficulties encountered by SMEs in Algeria.

2. Theoretical concepts used

2.1 The concept of local development

The economic literature identifies several definitions of development. Indeed, this concept is very complex and difficult to define despite the existence of multiple writings on the subject. Faced with this observation, it seemed useful to us to present some attempts at definitions attributed to this concept taken from the literature in order to contribute to a better understanding of this term.

According to F. Perroux (1981), development is considered as the combination of mental and social changes in a given population which make it capable of cumulatively and sustainably

increasing its real global productive potential. As for the design of the territorial approach in development, it begins to take place little by little with the awareness by economists of the inequality of the diffusion of development and progress in different spaces.
Local development also suffers from the same difficulties in being identified as development at the national level, it is also perceived as being economic, social, human, ecological ... We can thus understand the diversity of definitions of local development according to the theoretical approach adopted and used. Faced with this observation, it seemed useful to us to present some attempts at definitions attributed to this concept taken from the literature in order to contribute to a better understanding of this term. Thus according to J.L Guigou (1982), local development is considered as the will of the inhabitants of a micro-region and their efforts to set up a system of local solidarity.
For B. Pecqueur, (1989), notes that "Neither mode nor model, local development is a dynamic which highlights the effectiveness of non-exclusively commercial relations between men to enhance the wealth at their disposal". Currently, local development involves new variables, too often ignored by global development, these variables are generally: - The spatial variable (space –milieux-zone). - The local or territorial variable. - Integrated or endogenous development. - Decentralization of decision-making, - Flexible specializations, etc.
Several actors are directly or indirectly involved in the local development process. In this sense, the territorial or local authorities remain the first pawn which maintains very close relations with the territory, in particular in terms of direct intervention conferred on it by its proximity to the citizen. Faced with this panoply of definitions, local development can therefore be seen from several angles. But, all these definitions converge to consider the latter as being, a process allowing creating an environment conducive to local initiatives, which stimulate local potentialities for hope for sustainable development including economic, social and cultural dimensions.

2.2 The concept of SMEs

To date, there is no consensus on a single or unitary definition of SMEs in the world; which sometimes makes comparisons difficult and very erroneous, in this sense we will suggest some, in order to try to understand and define this term SME.
The general confederation of small and medium-sized enterprises (CGPME) defines the SME as "the enterprise in which the entrepreneur personally and directly assumes financial, technical, social and moral responsibilities, whatever its legal form" For BRESSY G. C KONKUYT, “SMEs are companies with a salaried workforce of less than 50. They include very small companies (less than 10 employees). Small companies (10 to 49 employees) and medium-sized companies (50 to 250) " And for P-JULIEN and M.MARCHESNAY “The small enterprise is above all a legally, if not financially independent enterprise, operating in the primary, manufacturing or service sectors, and whose functions of responsibilities fall most often to a single person, otherwise two or three, generally the sole owner of the capital”.

In Algeria, the definition of different types of companies was based on the following criteria: workforce, turnover, annual balance sheet and independence of the company.

The following table illustrates all the categories of companies according to their size:

Table 1: The different categories of businesses according to size

Category	Number of employees	Turnover
Microbusiness	**From 1 to 9**	Do not exceed 20 million DA
Small business	**From 10 to 49**	Do not exceed 200 million DA
medium-sized company	**From 50 to 250**	Between 200 million and 2 billion DA
Big business	**From 500 to 1000**	Around 5 billion DA
Very large company	**More1000**	More than 10 billion DA

Source: Ministry of Industry, Small and Medium Enterprises, and Investment Promotion, Statistical Information Bulletin No. 17, first semester 2010, P.3.

Reading Table 1 allows us to make the following observation:

- **The small and medium-sized enterprise (SME):** is defined, whatever its legal status, as being a company producing goods and services employing 1 to 250 people, whose annual turnover does not exceed 2 billion DA or whose annual balance sheet total does not exceed 500 million DA and which meets the independence criterion;
- **Very small or micro-enterprise**: is a company employing 1 to 9 employees and having an annual turnover of less than 20 million DA or whose balance sheet total does not exceed 10 million DA;
- **Small business**: a business employing 10 to 49 people and whose annual turnover does not exceed 200 million DA or whose balance sheet total does not exceed 100 million DA;
- **The medium-sized company**: is a company which employs 50 to 250 people and whose turnover is between 200 million and 2 billion DA or whose balance sheet total is between 100 and 500 million DA.

2.3. General overview of SMEs in Algeria

The Algerian economy has undergone profound economic and social changes, moving from the administered economy to the market economy, since the end of the 1980s. Throughout the first period, the Algerian economy is based on the large-scale public enterprise on which the public policies of the Algerian state were based. It was only from the beginning of the nineties with the forcing of the IMF and within the framework of the reforms aiming at the liberalization of the Algerian economy that the public authorities began to give an interest to the SMEs.

The private sector is now predominant in the national economy following economic liberalization and the decline of the state monopoly.

At the end of the first half of 2018, the overall population of SMEs stood at 1,093,170 entities, over 57% of which are made up of legal entities, of which there are 262 Public

Economic Enterprises (EPEs). The rest are made up of natural persons (43%), of which 20% are liberal professions and 22% craft activities. (See table N ° 2)

Table 2: Global population of SMEs at the end of the first Semester / 2018

SMEs	**Number of SMEs**	**Share in%**
Private SMEs		
Moral people	628219	57,47
Physical persons	464689	42,55
Of which liberal professions	*223 195*	20,42
Of which artisanal activities	241 494	22,09
Total 1	**1 092 908**	**42,51**
SMEs Pblic		
Moral people	**262**	**0,02**
Total	**1 093 170**	**100,00**

Source: Economic information bulletin "Ministry of SMEs"

3. Approaches and methods used

3.1. Presentation of the study area

The district of Bejaia is inserted between the large massifs of Djurdjura, Bibans and Babors, these large mountainous groups are separated by plains, which constitute a narrow strip in the form of a corridor between these two mountain ranges and which are connected with the plain of the coastal region. The district is characterized by the predominance of mountainous areas since the majority of its area is made up of sloping land which occupies almost three quarters of the total area.

The choice of this study area was dictated at least by the following reasons:

- The large number of SMEs existing in the wilaya, which was ranked third at the national level in 2018 according to the economic information bulletin of the Ministry of SMEs.
- Significant momentum in the creation of SMEs. Indeed, this district occupies the third position at the national level in 2018 after Algiers and Tizi Ouzou in terms of the creation of new businesses according to the economic information bulletin of the Ministry of SMEs.
- This area also offers us more facilities to conduct this field survey, that is to say it is a region that we know best (wilaya of residence).

Table 3: The population of SMEs in the wilaya of Bejaia

Type of SMEs	Number of SMEs	Employment	Shares
Private SMEs	21 026	56 849	99,80%
Public SME	41	2 464	0,20%
Total	**21 067**	**59 313**	**100%**

Source: the department of SMEs of the wilaya of Bejaia (DSMEs).

3.2. Sampling

Before determining the sample to be studied, we must first determine the mother population, this population which will then serve as the basis of the sampling. In our case, the mother population is represented by all the SMEs operating in the district of Bejaia. For a better representativeness of the sample, the sample must include the entire mother population, but in our situation, it is almost impossible to achieve this objective in the field. We have resorted to the use of random sampling; this method is based on the principle that all elements of the population have an equal (non-zero) probability of being part of the sample to be studied.

The official statistics put forward by the management of the small and medium-sized enterprise of the district of Bejaia and the files of the CNAS (National Social Insurance Fund), allowed us to identify the most dominant business sectors in the study area. Under the constraints of time and cost, we managed to contact 32 SMEs active in the various sectors of activity; tables 3 and 4 give us more information on the SMEs concerned by the study.

Table 4: Distribution of companies by size

Workforce	Number	Rate (%)
01 - 09	23	72%
10 - 49	8	25%
50 - 250	1	3%
TOTAL	**32**	**100%**

Source: Developed by from our field survey

The largest part of our sample is made up of enterprises belonging to the category of small enterprises (employing 0 to 9 employees), ie 23 units representing more than 72% of the total. These results reflect fairly well the reality on the ground within the territory studied, since official statistics confirm the predominance of this category in the total population of businesses in the district.

In turn, our sample is made up of approximately 38% of SMEs belonging to the transport sector, followed by the service sectors with 28% and agriculture with 16%, BTPHP with 12% and the Agri-food and industrial sectors with 3% for each of these sectors. The sample is made up of approximately 38% of SMEs belonging to the transport sector, followed by the service sectors with 28% and agriculture with 16%, BTPHP with 12% and the agri-food and industrial sectors with 3% for each of these sectors.

Table 5: Distribution of companies by sector

Secteur d'activité	Nombre	%
Services excluding transport	9	28%
Transport	12	38%
Agriculture	5	16%
Agri-food	01	3%
Industry	01	3%
BTPH	04	12%
Total	**32**	**100%**

Source: Developed by from our field survey

4. RESULTS AND DISCUSSION

4.1 General information on the SMEs surveyed

- The profile of the company and the entrepreneur

Table 6: Distribution of companies by gender

Gender	Effective	%
Male	**30**	**94**
Female	**2**	**6**
Total	**32**	**100**

Source: field survey

According to the results of the survey, almost all entrepreneurs are men (94%). The observed presence of women is limited in the service sector.

- The age of business creators

Table 7 represents the age groups of the entrepreneurs interviewed when setting up their own business. The information tells us that 81% of the respondents were grouped into the two age groups which range between 30 years and 50 years. These results are justified by the fact that the youngest are busy with training and studies, they lack the experience and the means to begin their adventure in setting up businesses.

Table N ° 7: Distribution of business leaders by age

Age range in years	-20	20- 30	30 -40	40 – 50	40 – 50	+ 60
Effective	**0**	**3**	**18**	**8**	**2**	**1**
%	**0**	**9**	**56**	**25**	**6**	**3**

Source: Field survey

- **Investment financing**

Table 8: Distribution of companies by financing

Designation	**Effective**	%
Family help	**08**	**25%**
Personal funding	**03**	**9%**
Bank credit	**6**	**19%**
State aid (ANSEJ, ...)	**15**	**47%**
TOTAL	**32**	**100%**

Source: Field survey

We note through Table N ° 8 that informal financing represents an important part in the coverage of the investments of the SME in the district of Bejaia is that for several reasons which we will underline then. To this end, financial organizations must make more efforts to further contribute to the development of national economic activities.

- The legal form of the companies surveyed

The results obtained during this survey affirm that the majority of the companies surveyed are sole proprietorships (59%), that is to say 19 out of the 32 companies this refers to the reduction of administrative complications by creating micro companies. As for other forms, the EURL form (sole proprietorship with limited liability) for setting up a business represents 25%. The SNC form (common name company) represents 6% and the SARL form (limited liability Company) represents 9% of the total sample. However, SPA is not represented by our sample.

4.2. The role of the SME in local development

- The fight against unemployment:

Table 9: SMEs and employment

Nature of positions created	**workforce**	**%**
Permanent	310	92
Contractual	25	8
TOTAL	**335**	**100**

Source: Developed by from our field survey

In addition to the indirect jobs created by these SMEs, the latter actively participate in reducing unemployment in the region. Indeed, the SMEs in our sample create more than 10 direct jobs on average. In turn, most of the entrepreneurs questioned, or 78% of them, plan to create another job, which prompts a promising future for these SMEs in local development in the region.

In this sense, it is imperative to encourage this sector of SMEs, this recommendation is justified by the fact that today SMEs are creating new jobs while large companies are laying off and reducing staff.

- The creation of added value

The majority of the companies in our sample are considered to be very profitable, so, we can say, this profitability in the activity is a positive sign, in particular to recruit more people, to consider make extensions in the field and this added value created can serve as a lever for growth and encouragement to boost other activities.

Table 10: The profitability of the activity

Company profitability	effective	%
Very profitable	2	6
Satisfactory profitability	21	65
Low profitability	9	29
TOTAL	**32**	**100**

Source: Developed by from our field survey

In addition to job creation and added value, SMEs indirectly participate in local development, in particular with: - tax revenue which is considered a considerable source for the region and which makes it possible to cover part of the financial needs of local communities:

- Poverty reduction with subcontracting and indirect jobs created;
- training a qualified workforce through collaboration with training centers, schools and universities and through the integration and support of new graduates in their jobs;
- The aid granted to the various associations in their charitable activities in the region;
- reduce the rural exodus and reduce the demographic pressure exerted on the city center.

5. CONCLUSION

Today, SMEs constitute a real pole of development in all countries of the world, industrial or developing. In Algeria, SMEs currently play a fundamental role in the process of economic and social development, this essential role in pushing the public authorities has established a support policy for SMEs, by committing to the program of economic recovery of the private sector and in particular that of SMEs. Moreover, since the implementation of these public policies, the number of Algerian SMEs continues to grow remarkably. The field survey allowed us to identify a series of observations on the daily life and the difficulties encountered by the Algerian SME.

The first observation is that the share of the private sector is important in the fabric of Algerian SMEs. In fact, almost all SMEs come from the private sector and they operate mainly in the service and construction industry.

Regarding the constraints that the interviewed entrepreneurs are confronted with during their creation:

- The lack of manpower,
- the insufficiency of the sources of financing,
- the bureaucratic and administrative obstacles,
- the problem of rent and land as well as the unfair competition and the tax issue.

Today, the question of the contribution of SMEs to local development is not to be justified. Indeed, SMEs have greatly contributed to the development of local communities and to improving the daily life of the local population, in particular thanks to the stable and sustainable jobs created and to other direct or indirect actions that contribute to improving the level of the local population, of life in the region.

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