

RESEARCH ARTICLE

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Small and Medium Enterprises in Algeria; Between Government Support Programs and Banking Finance

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ABSTRACT:

"Small and Medium Enterprises" (SMEs) are of exceptional and great importance in all countries of the world in general and developing countries in particular, including Algeria, and this importance appears through establishing the pillars of development in all its aspects, due to the low investment costs enjoyed by these enterprises, in addition to their ability to contribute seriously to solving social problems, foremost among which are poverty and unemployment, through expansion in employment and recruitment policies for increasing numbers of workers at their various levels, in addition to the extent of their contribution to raising the pace of production and supporting the national economy through reducing imports and developing exports.

This study comes in conjunction with the efforts made by the Algerian government, and its endeavor to develop the national economy through caring for "small and medium enterprises," and this sector occupying a special and distinguished position within the state's priorities expressed by the government to achieve development in its multiple aspects in the coming stage, especially in light of the current political and economic conditions, and weak investments in this sector, especially foreign investments.

It is expected that the "small and medium enterprises" sector will witness development in the coming stage and achieve a distinguished position within the priorities of social development through economic development, and that "small and medium enterprises" will be the lever of economic growth in Algeria in the coming years, especially in light of the decline in oil revenues on which the Algerian economy depends almost completely, and the Algerian government has adopted a package of policies, programs and regulations, to activate and develop the role of these enterprises, to push them to contribute to raising economic and social growth rates.

Keywords: SMEs, Algeria, Economic Development, Unemployment, Diversification.

INTRODUCTION

"Small and Medium Enterprises" (SMEs) are considered of great importance in all countries of the world, especially in developing countries. The development of this sector has become one of the priorities in the economic and social development process, especially in light of the increasing need to create more new job opportunities, to contribute to solving economic problems, foremost among which are unemployment and poverty. From this starting point, it was necessary to look at the role of these institutions to be more effective in participating in the comprehensive development process on the economic and social levels. From here, reports issued by specialized "international" and "regional" institutions began to call for the importance and necessity of encouraging "small and medium enterprises" especially in developing countries, given the characteristics enjoyed by these enterprises, the most important of which are ¹:

- Relatively low capital costs.
- Intensive labor.
- Wide spread which makes them cover different areas of the country.
- Their high ability to settle and grow where labor forces are available.
- The possibility of an apparent role for women in them.
- They are a main source of income, and contribute to the development of various economic and productive sectors.

From this standpoint, "small and medium enterprises" can contribute with great effectiveness in the fields of economic and social development alike, through their impact on a number of macroeconomic variables such as (gross domestic product, consumption, employment, savings, investment and exports), in addition to the importance of their active contribution to achieving social justice. For this reason, "small and medium enterprises" have become a subject studied in various colleges, universities and scientific institutes, and special curricula and courses have been established for them ².

The "small and medium enterprises" sector in Algeria is supposed to play the role of leverage (Leverage) that is supposed to lead the development process, and thus it can play an important role in light of the current global recession conditions, the decline in oil prices and growth rates in general. Therefore, these enterprises are no longer just employment projects to face the unemployment problem, as much as they have become the main tool for development, increasing growth rates, activating economic fields, and compensating for the state of stagnation and economic recession resulting from the decline in oil revenues suffered by the markets ³.

It is hoped that this sector will occupy a distinguished position in the coming stage, within the priorities of economic and social development, and that "small and medium enterprises" will be the economic locomotive in Algeria in the coming years, and that they will contribute an active role in providing more job opportunities.

The Algerian government has adopted a package of policies and strategies to activate the role of "small and medium enterprises," to contribute to raising economic and social growth rates, the most

¹ Hassan Khader, Development of Small Projects, Development Bridge Series, Arab Planning Institute, Kuwait, 2002, p. 3.

² Mohamed Heikal, "Small Enterprise Management Skills," Al-Nile Group (2003), p. 10.

³ Samira Khalil, SME Financing: An integrated vision for the next era- Narrowing the gap: SMEs and Banks, Access to finance, Egyptian Banking, October 2010, p15.

prominent of which are ⁴:

- Providing the legal framework governing small enterprises with the issuance of the Law on the Development of Small Enterprises No. 141 of 2004, which provided a number of facilities and incentives to establish such enterprises.
- Creating appropriate infrastructure and encouraging the private sector, especially the banking sector, to provide various services, foremost among which are facilities and loans.
- Providing the necessary financing tools and means to support these enterprises.

Research Problem

The development of the "small and medium enterprises" sector in Algeria has become one of the basic directions pursued by the state with the aim of developing and accelerating development rates, recognizing the importance of the role that these enterprises can play in the wheel of comprehensive economic and social development, and the serious contribution to solving unemployment and poverty problems and reducing youth migration.

From this standpoint, the researcher has a main question revolving around:

The extent of the adequacy of banking support programs directed to "small and medium enterprises" in facing the problems faced by these enterprises, especially financial problems?

Several sub-questions arise from the main question that the researcher will try to answer, and these questions can be stated as follows:

1-What is the concept of small and medium enterprises? And what is the importance of unifying this concept?

2- What is the economic, social and political importance of small and medium enterprises?

3- What are the banking support programs for small and medium enterprises? And why was it decided that the banking system should enter into supporting development programs for these enterprises?

First: The Concept of Small and Medium Enterprises

We find that the term "small and medium enterprises" faces, like many other terms, a wide disagreement in opinion about establishing a specific and unified definition for it, as it overlaps with other terms, such as the focus of various definitions on "small and medium" industries on the grounds that they express small and medium enterprises, but in reality the term "small and medium enterprises" is considered a broad term with a more general and comprehensive concept. These enterprises include, in addition to "small and medium" industries, other enterprises such as service, professional, medical, industrial, agricultural, and tourism enterprises, and any project that seeks to increase the productive base, provide new job opportunities, and raise national production ⁵, and the definition varies according to the intended purpose, whether it is for statistical survey purposes, financing purposes, or any other purposes. The words "small" and "medium" are words indicating relative concepts that differ from one country to another and from one sector to another, even within

⁴ Ministry of Finance "Activating the Role of Small Enterprises in Serving Development Goals in Egypt" Financial Research Volume, 2007, p. 210.

⁵ Abdel Karim Ibrahim Mohamed "The Role of Small Enterprises in Achieving Economic and Social Development in Egypt and the Most Important Problems Facing Them" research presented to the Conference on Supporting and Developing Small Enterprises, in cooperation between the Faculty of Commerce, Ain Shams University and the National International Organization for Human Rights, March 2012, p. 247.

the framework of the same country ⁶.

Despite the lack of agreement on a specific definition of "small and medium enterprises," these enterprises are characterized by common characteristics that are almost universal in all countries of the world, related to the size of "capital" required to establish such enterprises, the extent of their contribution to absorbing the workforce, and their role in developing the role of women in economic activity, and other features that distinguish these enterprises from other large enterprises ⁷.

- The researcher believes that the definition of "small and medium enterprises" should be unified, and the same criteria should be adopted in the definition because this contributes to the following:

1- Counting and identifying economic units operating in the sector under research, as this contributes to determining the extent of these enterprises' eligibility to obtain various incentives.

2- It facilitates the process of directing development programs and economic policies that encourage their growth.

3- Designating the categories to which the definition applies, if the goal is to add some responsibilities or gain some rights, or apply certain tax policies, especially if there is a trend to provide differential tax treatment ⁸.

Second: The Importance of Small and Medium Enterprises:

"Small and medium enterprises" are currently receiving great attention from economic and social policy makers in various developed and developing countries alike, due to the vital role that these enterprises can play in achieving comprehensive development and desired economic and social goals ⁹, and the importance of these enterprises comes in activating the pillars of development, due to their relative decrease in general investment cost, in addition to their high ability to absorb unemployment, through expansion in employment and recruitment policies for huge numbers of labor force, and accommodating their varying skill levels. In addition to their contribution to increasing production, reducing imports and supporting exports ¹⁰, they are also considered one of the most important strategic elements in development and economic development in most developing countries, especially countries taking growth, as they represent more than 99% of enterprises in most world economies, provide about 40% to 80% of total job opportunities, and are considered responsible for more than half of the national production of the private sector in the world ¹¹, and we can claim that more than half of the technical innovations presented in the last century started from small and medium enterprises.

The increasing interest in "small and medium enterprises" is due to the expected role they will play

⁶ Shaimaa El-Sayed Fadel El-Zallat "Measuring the Efficiency of International Financing for Small and Medium Enterprises (Applied Study on Egypt for the Period 1991-2010)" unpublished master's thesis, Cairo University, Faculty of Economics and Political Science, 2012, p. 4.

⁷ Ali Lotfy, The Role and Future of Small Enterprises in the Egyptian Economy, research presented to the Conference on Supporting and Developing Small Enterprises, in cooperation between the Faculty of Commerce, Ain Shams University and the National International Organization for Human Rights, March 2012, p. 17.

⁸ Council of Ministers, Information and Decision Support Center report on "Small Enterprises in Egypt: Problems and Solution Proposals," 2002, p. 27.

⁹ Ali Lotfy, previously mentioned reference, p. 15.

¹⁰ Emad El-Din Ibrahim Ali, Field Study on Identifying the Most Important Obstacles to Small Industrial Enterprises in Egypt "Scientific Journal of Economics and Commerce, Ain Shams University, Issue Two, April 2011, p. 625.

¹¹ Iman Ahmed Mohamed Mari, "Managing Small Enterprises in Egypt: A Study on the Role of the Social Fund for Development" unpublished master's thesis, Cairo University, Faculty of Economics and Political Science, 2001, p. 6.

in economic and social development alike, and the researcher will shed light on both the economic, social and also political importance of "small and medium enterprises" as follows:

First: The Economic Importance of "Small and Medium Enterprises":

A- Creating new job opportunities and limiting the size of unemployment:

Where "small and medium enterprises" contribute a prominent and effective role in developing job opportunities, because their nature is labor-intensive, which means their superior ability to employ larger labor ¹².

B- Creating a base of trained and skilled workforce:

Where trained and skilled labor force constitutes one of the basic components of development if it does not constitute the most important component, and this requires forming a broad and diverse base of workers who possess the skills required by various enterprises, and this can be achieved by adopting two methods:

First: Training workers in training centers established by the state.

Second: Training workers in the project itself.

It seems that the limited number of training centers and even the decline in their level of effectiveness due to weak financial resources allocated to them or a decrease in the number of trainees represents a fundamental challenge to the success of these enterprises. Therefore, expansion in the number and type of these centers, although necessary, but achieving it sufficiently and as required requires a period of time and large financial allocations.

C- Upgrading the administrative and organizational efficiency of project managers ¹³:

Usually, the founder and owner of the small or medium project has low administrative and organizational efficiency, due to the small size of production, and with the passage of time and the growth of the small or medium project activity, the administrative and organizational efficiency of a large sector of owners of small and medium enterprises develop, who form a basic base to bear the burdens of development during its advanced stages, whether through the development of small or medium enterprises, or the establishment of large-scale enterprises.

D- Supporting large enterprises ¹⁴:

These enterprises can be developed and supported through many tools and means, the most important of which are:

- Formation of skilled labor: Where "small and medium enterprises" usually use unskilled labor that they undertake to polish and train technically until it becomes skilled labor, and sometimes these workers leave these enterprises to work in large enterprises, where serious wages and better benefits are available. In this case, large enterprises can raise their productive efficiencies without incurring any cost to prepare these skilled workers.
- Low production costs and increased added value: Where there are many industries in which the final product goes through several production stages such as: textile and ready-made clothing industry and the manufacture of metal products and equipment.... etc. In such industries, what is called partial contracting arises between large and small enterprises, and under this system small

¹² Ayman Ismail Mohamed Khaled, "The Role of the Social Fund for Development in Economic Reform in Egypt" unpublished master's thesis, Al-Azhar University, Faculty of Commerce, 2001, p. 115.

¹³ Iman Ahmed Mohamed Mari, previously mentioned reference, pp. 33-34.

¹⁴ Ahmed Mohamed Al-Saeed Ali Hegazy, "The Role of Egyptian Banks in Financing Small Enterprises and the Impact of This Policy on the Profitability of These Banks" unpublished master's thesis, Ain Shams University, Faculty of Commerce, 2010, p. 13.

enterprises undertake to produce part of the final product and supply large enterprises with it to employ it in producing their own final product, and through this system large enterprises achieve an apparent reduction in their production costs.

E- Attracting small savings and self-financing ¹⁵:

"Small and medium enterprises" are labor-intensive, and require relatively small capital, and therefore they are more capable of attracting limited individual savings. Also, the ability of these enterprises to survive and develop depends in part on the extent of their ability to self-finance, or their ability to achieve an economic surplus of capital compared to large enterprises.

Given that these enterprises are characterized by low capital compared to large ones, they are more attractive to small savers, who do not tend toward participation patterns that may deprive them of the right to directly supervise their investments, and encourage them to make good use of their own savings, and benefit from them in different investment fields, instead of squandering these savings on consumption ¹⁶.

F- Supporting exports:

"Small and medium enterprises" play a distinctive role in developing exports and reducing the deficit in the balance of payments through:

- "Small and medium enterprises" can reach foreign markets when they benefit from approved standards to raise the quality level of their products, because these products usually depend on craft and manual work and find increasing demand in the markets of industrially developed countries.
- These enterprises contribute to providing some products for which it is difficult to establish large industries to produce them, which helps meet part of the local market's needs for these goods, which reduces the deficit in the balance of payments, and saves hard currencies by compensating for what would have been imported of these products, and even contributing to exporting these products on many occasions ¹⁷.

Second: The Social Importance of "Small and Medium Enterprises":

The basic goal of developing "small and medium enterprises" does not stop at creating independent economic development, but its purpose is to achieve comprehensive development, and the extent of the contribution of "small and medium enterprises" from the social aspect can be shown through the following ¹⁸:

A- Supporting national participation in developing the national economy:

Where "small and medium enterprises" are considered one of the most important means of strengthening national participation in developing the national economy because they depend in their formation by virtue of their nature on national capital and the savings of small savers to invest in them, and they also cannot attract foreign capital.

B- Combating abnormal consumption behavior patterns:

Where "small and medium enterprises" limit the unemployment problem, and reduce the formation of groups of society members who suffer from lack of suitable job opportunities for them, which pushes them to practice abnormal consumption behavior patterns, which may result in many social

¹⁵ Ayman Ismail Mohamed Khaled, previously mentioned reference, p. 115.

¹⁶ Sahar Mostafa "The Role of Insurance Companies in Supporting and Protecting Small Enterprises" working paper presented to the Conference on Supporting and Developing Small Enterprises, in cooperation between the Faculty of Commerce, Ain Shams University and the National International Organization for Human Rights, March 2012, p. 295.

¹⁷ Sahar Mostafa, previous reference, p. 297.

¹⁸ Abdel Karim Ibrahim Mohamed, previously mentioned reference, pp. 260-261.

behavioral phenomena characterized by deviation and social corruption.

C- Supporting the social gender path through increasing women's participation in economic activity: Many women in the world seek to fight poverty through self-employment processes ¹⁹, and "small and medium enterprises" contribute to raising the percentage of women's participation in various activities, especially those that require or accommodate female labor, which helps exploit their own energy and benefit from their free time and increase their income and raise their standard of living, especially in rural areas.

D- Contributing to supporting the poor:

A number of categories of the poor can be identified who can benefit from "small and medium enterprises" ²⁰:

- 1- The poor who can establish small enterprises to secure their own source of income.
- 2- The poor who can work in these enterprises.
- 3- The poor whose burden of support is borne by the owners of these enterprises, or those working in them.
- 4- The unemployed poor who can obtain job opportunities in these enterprises.
- 5- Finally, the poor who obtain their needs for goods and services from these enterprises.

E- Developing rural areas:

Large enterprises are characterized by their high ability to use advanced production techniques, and usually are located in areas close to large markets, and areas of advanced "infrastructure," and these places are often near major cities. In Algeria, they are concentrated in the northern regions, where ports and major cities, for example, those in Algiers and Oran, where industrial and service activities are widespread, which results from this concentration a wide disparity in the development of other regions. From this standpoint, developing "small and medium enterprises" is very important as these enterprises can play a major role in developing various rural areas through (21):

- i. Providing work in the location where the workforce is located, which results in limiting migration to urban areas.
- ii. Creating productive job opportunities for a large sector of society members in rural areas, and this results in an apparent and real increase in the level of rural household incomes, and clearly affects their standard of living, which leads to modernizing and developing rural areas with their own capabilities.
- iii. "Small and medium enterprises" are characterized by their great ability to spread over a large geographical area, unlike large enterprises that require various requirements that are only available in cities, specifically industrial zones. This is due to the flexibility enjoyed by "small enterprises" in choosing their locations and settling, as well as the capabilities available to them such as: their need for only a small amount of services from traditional basic infrastructure, as well as their ability to market their outputs and commodity and service products in markets close to them, in addition to their level of ability to benefit from the areas where they settle in obtaining their work requirements such as raw materials and other production requirements.
- iv. The limited outputs of their work and products, which are often for consumers within the limits of the project area, which requires meeting the needs of the local community of those enterprises by

¹⁹ Aliya Abdel Hamid Aref "Managing Micro Loans: Mechanisms, Objectives and Challenges," Journal of the Arab Administrative Development Organization, quarterly bulletin, Issue 1, 2009, p. 168.

²⁰ Paul Vandenberg, "Pov. Rty reduction through Small enterprises, seed working paper No 75" Small enterprisesuevriopmentprogramme, international labour office, Geneva, 2006, PP. VII- VIII.

establishing more of these enterprises (22).

Third: The Political Importance of Small and Medium Enterprises

The political importance of caring for, supporting and developing "small and medium enterprises" is represented in different aspects including:

A- Governments that direct their attention to all segments and classes regardless of geography must care for and direct toward enterprises and activities that provide services to the vast majority of the country's citizens.

B- Governments that show their support and adoption of a policy of investing youth energies, to push the development process focus in their programs on "small and medium enterprises," considering that they are one of the best means that spare society the waste of its human energies and thus enable society to develop skills (23).

C- Although political independence has been achieved in many countries, these countries have remained in many countries economically dependent due to the control over them by foreign interests, and different economic sectors especially depending on foreign expertise. Therefore, focusing on establishing economic and service enterprises that are "small and medium," that can develop and grow, considering it the most appropriate way to create an independent economy.

D- "Small and medium enterprises" play a specific role in preserving the national cultural heritage that symbolizes national identity.

E- Small and medium enterprises are considered the most appropriate means for the "popular capitalism" model that aims to prevent the concentration of wealth in the hands of a specific and small class in society.

F- Contributing to the trend toward food security, and achieving production sufficiency in fulfillment of the slogan "we eat what we grow and wear what we manufacture" (24).

G- The owner/owners of the project and those in charge of it seek to maintain the stability of the surrounding economic climate to preserve what he has achieved of success, which contributes to the political stability of any country (25).

Third: Small and Medium Enterprises in Algeria

Small and medium enterprises in Algeria cover more than 77% of job opportunities in the private sector ²¹, and are considered a contributor to the Algerian economy. The national economic strategy requires this sector to provide more job opportunities. The number of small and medium enterprises has developed and risen during a decade from 245,348 in 2001 to 619,072 enterprises in 2010, meaning it almost doubled and a half (152%) ²², (26) and in general, in the case of a decline in the growth rate, economies turn to small and medium enterprises, for several reasons, perhaps the most important of which is the necessity of large establishments to lay off workers as a result of reducing production volume, and thus increasing unemployment rates, which may find opportunities for employment in small enterprises, where the cost of creating a job opportunity in them is relatively lower (27) than large enterprises.

The Reality of Small and Medium Enterprises in Algeria:

1- The small and medium enterprises sector contributes in total to more than 77% of gross domestic product, which is a considerable percentage that should not only be maintained but also developed

²¹ Jumaa, Ayman, (2015), The Economic Importance of Small Enterprises and Their Development Prospects, www.aljazeera.net

²² Zawaq Al-Hawas, (2014), Small and Medium Enterprises as a Mechanism to Face Unemployment - Based on the Algerian Experience -, Laboratory of Economic Strategies and Policies in Algeria, M'sila University.

2- The majority of private small and medium enterprises in Algeria constitute 74%, of which 99% belong to traditional industries ²⁴.

3- The decline of small and medium public sector institutions from 778 institutions in 2004 to 457 at the end of 2013. ²⁵

4- The contribution of exports for 2004-2012 did not exceed 2.96%, which indicates the dependence of the Algerian economy outside hydrocarbons in total exports, compared to total exports at 97.04% in 2012, and non-oil exports remain marginalized despite their development ²⁶.

The different forms of small and medium enterprises in Algeria vary as follows ²⁷:

- Craft enterprises
- Rural enterprises
- Small home enterprises
- Independent small enterprises
- Non-independent small enterprises
- Small enterprises in the unorganized sector

Studies indicate the concentration of these enterprises in (10) northern states of the country, and this shows the imbalance in the geographical distribution of these enterprises ²⁸.

Despite this great diversity, the participation and contribution of small and medium enterprises in production and employment in Algeria is still significantly less than large companies, and growth rates for this sector remain slow. One of the most important reasons for this is the failure of small, medium and micro enterprises to obtain sufficient financing, as the percentage of enterprises that receive banking financing ranges between 10% and 15%, which affects the ability of these enterprises to develop and expand. Given the multiplicity and diversity of forms of small and medium enterprises in Algeria, as well as the lack of a clear definition for them, estimating the value of credit facilities provided to these enterprises by the banking system requires more accurate statistics.

The Role of Governmental and Non-Governmental Organizations in Supporting Small and Medium Enterprises

The role of "non-governmental organizations" increases with the beginning of the third millennium as major, important, active forces pushing to strengthen, develop and develop societies, and actual support for the sustainable development process, as they take the role of the national "popular" partner in adopting national issues, and contribute effectively to adopting the integration system of roles and performance to develop human energies with a triangular dimension (education, health, income), and develop this system in coordination with official bodies in facing poverty, ignorance

²³ Jamal Belkhiyat, Qualification of Small and Medium Enterprises in Light of Current Economic Transformations, International Forum on Qualification Requirements for Small and Medium Enterprises in Arab Countries, Globalization Laboratory, North African Economics, Chlef University, Algeria, April 17-18, 2006.

²⁴ Alyan, Nabila, (2015), The Developmental Role of Small and Medium Enterprises - Algeria Case Study, unpublished master's thesis, Akli Mohand Oulhadj University - Bouira, Algeria, p. 111.

²⁵ Previous reference, p. 111

²⁶ bulletind'informationstatistique n° 22, 2012, op.cit, p47.

²⁷ Alyan, Nabila, The Developmental Role of Small and Medium Enterprises, - Algeria Case Study -, unpublished master's thesis, Akli Mohand Oulhadj University - Bouira, Algeria, (2015), pp. 19-22.

²⁸ Loukaddir, Maliha, The Role of Banks in Financing Small and Medium Enterprises in Algeria, unpublished master's thesis, Mouloud Mammeri University, Tizi Ouzou, Algeria, 2012, p. 74.

and disease, in a better way, which reflects positively on their economic, social and cultural level ²⁹ and we find in Algeria that the large segment of actual lending parties is in non-governmental organizations.

Small and medium enterprises resort at the beginning of establishment and work to "self-financing" which is done mainly through private and self-funds from the savings of the person or persons owning the institution. The small and medium enterprises sector in most countries, especially developing ones including Algeria, is characterized by low individual savings capacity, which prevents self-financing. Owners of these enterprises usually resort to external financing sources represented in:

1.1 Informal sources: Through channels that generally operate outside the framework of the official legal system of the state, such as borrowing from family and friends, mortgage creditors, sales agents, savings and credit associations... etc. Informal financing usually provides most financial services to small enterprises.

2.1 Official sources: Through official financial institutions and are represented in the Algerian case by the following entities:

First: Commercial Banks (Banking Finance):

Where the bank provides loans to institutions to meet their financing needs in exchange for the bank obtaining a specific interest in return for this loan, and this is done according to conditions and guarantees agreed upon between the two parties. These loans are divided into: short-term operational loans and long-term investment loans, and usually operational loans are the most used to meet the immediate needs of small and medium enterprises ³⁰.

In Algeria, the number of banks operating in Algeria at the end of March 2014 reached 20 banks, including 6 government banks and 14 private banks. The latter are distributed among local, Arab, and foreign banks. The total number of domestic branches of Algerian banks reached 1,328 branches. About 35,000 employees work in the Algerian banking sector.... Banks in Algeria are also divided into 17 commercial banks and 3 Islamic banks. As for the division in terms of local or foreign ownership, there are 7 local banks and 13 foreign banks. Government banks dominate the largest share of banking activity in Algeria, as they control about 80% of banking sector assets, 85% of loans and 90% of deposits ³¹.

Second: Specialized Bodies and Institutions: Loans sometimes granted by these special bodies and institutions fall within bank loans, but their source is not banks but rather specialized entities in supporting small and medium enterprises. They may be governmental, semi-governmental or non-governmental, and among their most prominent goals is economic development and their basic goal is not profitability but rather the public interest, and their most prominent activity is focused on providing support to small and medium enterprises ³².

It should be noted that the types of financing available to small and medium enterprises are represented in:

-Commercial financing: Where it is considered automatic or natural financing because it results

²⁹ Najah Abdel Wali Saleh "The Role of Small Enterprises in Sustainable Development in Yemen - Field Econometric Study, unpublished doctoral dissertation, Ain Shams University, Faculty of Commerce, 2011, p. 129.

³⁰ <http://etudiantdz.net> consulté le 20/01/2012.

³¹ www.uabonline.org/ar/research/banking

³² <http://etudiantdz.net> consulté le 20/01/2012.

from the normal commercial operations of the institution ³³.

-Islamic financing (Islamic banks): The financing system in Islamic banks is considered a stable or flexible system that aims to establish the principle of cooperation and freedom, as it is governed by values and rules that benefit both parties to the exchange and therefore one party does not profit at the expense of the other. Islamic financing is considered alternative financing techniques to the system in force in classic banks based mainly on the interest rate. For example, we mention the following financing formulas ³⁴:

- Investment or financing by speculation: The bank is the financier and the investor is the owner of the idea.
- Financing by partnership: The bank participates in financing.
- Financing by Murabaha: The bank takes care of purchasing equipment and means of production.

-Financial leasing (financing by lease): It is a technique for financing investments, done through a contract between the lessor and the lessee to rent a movable or real estate asset for a specific period, in return for the lessee's commitment to pay installments ³⁵.

-Financing through venture capital: Venture capital financing is defined "as the structural change in the financial management of an individual or family institution through a client who has the status of a partner in the institution who finances and directs the strategic decisions of the project, and aims in return to achieve returns in the long term" ³⁶.

-Financing through the financial market (stock exchange): It is either through financing by issuing ordinary or preferred shares, which is considered participation in capital, or through financing by issuing bonds, it is long-term debt financing ³⁷.

Based on what has been presented in this study, the researcher has included a set of recommendations and proposals that she reached, which she found to be of necessity and importance, to be put on the table for research, discussion and follow-up, which are as follows:

1. The necessity of unifying the definition of small and medium enterprises, as well as micro enterprises, and adopting the same criterion in the definition among different sectors and state agencies because this helps identify and count operating units in the sector, and determine enterprises' eligibility to obtain various incentives, or when applying certain tax policies. It also facilitates the process of directing support programs and economic policies that encourage their growth.
2. Providing a comprehensive guide to the laws that small and medium enterprises deal with, while working to facilitate procedures, legislation and laws governing the registration and operation of these enterprises.
3. Encouraging informal small and medium enterprises to enter the formal sector for the benefits at the state level or the benefits accruing to the project itself.
4. Working to create the economic and social environment that encourages youth to initiate the

³³ Samir Mohamed Abdel Aziz "Financing and Reforming Financial Structure Imbalances" First Edition, Al-Ishaa Al-Fanniya Library and Printing Press, Lebanon, 1997, p. 146.

³⁴ Hassan Mohamed Ismail: "Shariah Graduation of Islamic Financing Formulas," Islamic Institute for Research and Training 1995, p. 05

³⁵ Mostafa Rushdi Shihah "Money, Banks and Credit" First Edition, Modern University House, Alexandria, p. 314.

³⁶ Azoulay; hervé, kriegei: de l'entreprise traditionnelle a la Start-up édition d'organisation 2001p38.

³⁷ Abdel Ghaffar Hanafi "Fundamentals of Investment and Finance," without edition, University Youth Foundation, Egypt, 2000, p. 540

establishment of such enterprises, so that investment opportunities are available in light of actual and realistic data about investment opportunities and not just slogans and speeches empty of content.

5. The researcher believes that to eliminate the problem of multiplicity of parties interested in small and medium enterprises and conflicts of jurisdiction among them, the supervisory authority should be unified in the hands of one entity, by restoring work with a specialized ministry that plans for these enterprises and cares for them, from all financial, technical and marketing aspects.
6. Finally, the researcher believes that a specialized bank should be established at the republic level to finance small and medium enterprises, similar to what was done in some Southeast Asian countries, which have successful experiences in this field. The researcher suggests that it be one of the following two banks: United Bank, in which the Central Bank participates in its capital, or Bank of Cairo as a government bank due to its large number of branches and their spread throughout the republic, with training current employees, and supporting the bank with specialists in the field of financing small and medium enterprises.

Study Footnotes

Ayman Ismail Mohamed Khaled, previously mentioned reference, p. 115.

- (16) Dr. Sahar Mostafa "The Role of Insurance Companies in Supporting and Protecting Small Enterprises" working paper presented to the Conference on Supporting and Developing Small Enterprises, in cooperation between the Faculty of Commerce, Ain Shams University and the National International Organization for Human Rights, March 2012, p. 295.
- (17) Dr. Sahar Mostafa, previous reference, p. 297.
- (18) Abdel Karim Ibrahim Mohamed, previously mentioned reference, pp. 260-261.
- (19) Aliya Abdel Hamid Aref "Managing Micro Loans: Mechanisms, Objectives and Challenges," Journal of the Arab Administrative Development Organization, quarterly bulletin, Issue 1, 2009, p. 168.
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