

Impact of the Government's role in the development of SMEs In the Arab Republic of Egypt

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Abstract:

Small and medium enterprises (SMEs) are crucial economic drivers, serving as strategic priorities for governments seeking to spur development and address poverty and unemployment. This study examines the impact of the Egyptian government's role in SME growth, focusing on impoverished governorates as well as areas with significant SME populations. The research explores both short-term and long-term considerations surrounding the government's policies and initiatives targeting the SME sector. By analyzing the dynamics between government interventions and SME performance across different regional contexts, the study aims to provide insights that can inform more effective policymaking and support mechanisms for this vital economic segment. The findings shed light on the complex interplay between government actions, regional disparities, and the development trajectory of small and medium enterprises in Egypt, offering valuable lessons for policymakers and SME stakeholders alike.

Keywords: Small Business, Unemployment, Entrepreneurship, Government Role.

Introduction:

Small, medium and micro-enterprises are one of the important economic pillars in the national economy of any country. They also receive great attention from the countries of the world, as well as international and regional organizations and bodies at the global level. These projects have found different forms of care and support from the public and private sectors. (Tambunan, 2019) Given their importance, States have focused on eliminating the most important obstacles facing these small enterprises, namely, the inability of their owners to provide the necessary funding for the establishment of new projects and the continuation of existing projects, as well as the provision of legal and technical advice to new enterprises through entrepreneurship. (Aernoudt, 2004), and work to train the technical workers needed to set up these projects and provide them with the necessary publication and attention to the establishment of business incubators at different levels of technical, technological, and industrial and prepare feasibility studies for different projects to use when initiating such projects and the need to enact different laws and legislation (Mukherjee, 2018), which overcomes these obstacles to the establishment of small and medium enterprises, as well as the marketing of products for these projects through exhibitions, electronic platforms and the media (Sahut, Iandoli, & Teulon, 2021).

Research Problem

The weak capacity of small and medium-sized enterprises to achieve the desired goal is due to the multiple difficulties encountered by these enterprises, both at the beginning of their activities and during their operating period, as well as the weak media role of the state in the good marketing of these enterprises and the lack of field experience, taxes and government routines.

Study Questions

The study's questions are one question: is there a real and effective role for the State in supporting and developing small, medium and micro enterprises at all levels or is there no role?

Study Hypotheses

- There is a statistically significant relationship between the government's role in finance and the development of SMEs.
- There is a statistically significant relationship between the Government's role in legislating and the development of SMEs.
- There is a statistically significant relationship between the Government's role in technical support and the development of small, medium and micro enterprises.
- There is a statistically significant relationship between the government's role in marketing and the development of SMEs.

Study Objectives

- Examine the current situation of micro, medium and medium-sized enterprises in Egypt.
- Examine the role and importance of small and medium enterprises in addressing unemployment and combating poverty.
- Recognize new opportunities created by small and medium enterprises.
- Identify the obstacles to the success of small and medium-sized enterprises and how they are addressed and developed.

Significance of the Study

- Small and medium projects are among the most important elements in the process of development and development.
- The State has provided many facilities and encouraging incentives to establish such projects.
- Study new methods and ways to activate and increase revenues from these projects

Research Methodology

The study uses the method of analytical descriptive curriculum in this study and appropriate statistical methods using the statistical package program (SPSS) after the field application of a number of questionnaire forms. The quinquennial and trimeter lycert scale is used. The scale is based on responses indicating the degree of approval or objection to its wording. The results analysis has been used to test the veracity and stability of data using the Alfa Chrombach method with the use of correlation and regression equations.

Review of Literature

A study (Belitski, Guenther, Kritikos, & Thurik, 2022) examined the concept and importance of the development of small and medium enterprises and highlighted the role of small and medium enterprises in economic development. This study discussed the history of the development of small enterprises since the 1990s and even to the third category. It reviewed some criticism of small enterprises because their rates of bankruptcy are high and they provide many jobs and services and goods. Microenterprise development depends on a range of factors, most important being the macroeconomic factor, the business environment and the level of the legal environment. Opportunities for microenterprise growth are initially exposed to bankruptcy risks. Therefore, some enterprises resort to borrowing because they do not self-finance themselves after the first year.

A study (Dvouletý, Srhoj, & Pantea, 2021) examined the impact of public and private financing on small and medium-sized enterprises (SMEs) to identify the most important problems facing the small enterprise sector and their success, as well as the success of the State's financial policies in encouraging a special cut for small enterprises and knowledge of the economic and financial implications of these policies on the sector. Its economic and social importance and the extent to which the sector is developing globally.

A study (Sohail, Belitski, & Christiansen, 2023) examined the concept of business incubators and their impact on small and medium-sized enterprises. It focused on the impact of the absence of business incubators on the growth and development of small enterprises and companies. It defined incubators and their importance and the need of the small and medium-sized corporate community for these incubators and attempts to identify small and medium-sized incubators. Translated into distinct small production projects and this makes them competitive enterprises from some previous experiences.

Commentary on previous studies.

- Previous studies have confirmed that for the success of these projects, the assistance, funding and facilities required for these projects must be provided by the State.

- Previous studies have reviewed the most important views of the importance of small and medium enterprises and their vital role in the process of economic development and the government's role in financing these projects.
- Previous studies have focused on the positive periodicity of business incubators in creating jobs and alleviating unemployment ratios.

The new one this study will offer.

- The study will shed more light on the impact of the Government's role in the development of small and medium enterprises that are characterized by the diversity of economic activities in them and its attempt to shed light on those projects.
- This study will address the role of the State in granting special loans for the establishment of such projects, the extent to which State institutions contribute to development, the establishment of incubators, the identification of the projects they have embraced and the measurement of the level of services provided by the incubators to these projects and the beneficiaries of these incubators.
- This study will focus on the role of some government bodies represented in the enactment of laws, legislation and tax methods, as well as the marketing bodies for such projects and their integration into major projects, exports to outside the state and follow-up of endless projects.

Definition of small enterprises

Most organizations rely on a variety of large and small projects that have unique challenges that do not exist in large projects. Their management requires time, effort and discipline. Most small project methodologies designed for large projects cannot be easily designed to fit all the needs of small projects for maximum benefits. (Wiklund, Patzelt, & Shepherd, 2009), and small projects are seen as relatively easy, but otherwise there is no single way to identify a small project in some cases that can be identified on a cost basis. There are indicators used in the first rating of the small project is its effect on the net profits of the company if a company loses a large enterprise, it may even have a significant detrimental effect on its future. (Antonovica, de Esteban Curiel, & Herráez, 2023), the second indicator is whether the project has allocated resources or not, and small projects typically do not include allocated resources (Fairlie & Fossen, 2021).

Features of Small Enterprises

- The short duration usually lasts less than six months and what you do part-time in hours of effort (Page, Forer, & Lawton, 1999).
- Includes a small number of skill areas.
- It has one goal and a solution that can be easily achieved, and has a precise scope and definition.
- The project manager is the leader and the decision-maker.
- Small enterprises have access to project information (Merrifield, 1987), and this does not require solutions from external sources of the project.

The Government's role in supporting micro-enterprises in Egypt is a model

Small and medium enterprises (SMEs) are one of the economic sectors that attract great interest from all countries of the world and international and regional organizations and bodies in the light of global economic changes and transformations. In view of its central role in improving productivity, generating and increasing income, Half-skilled and unskilled employment, innovation and technological advancement, where small enterprises are the core economies of many countries, including Egypt As a dynamic force for economic development, a large part of the population is employed with some 5.2 million small and medium-sized enterprises We provide an analysis of Egypt's various efforts in support of the economic role of SMEs.

Legal procedures to support small enterprises in Egypt:

The Small Enterprises Act No. 141 of 2004 defines small enterprises as every company or enterprise engaged in productive or economic activity whose paid capital is not less than fifty thousand pounds and not more than one million pounds. In the case of microenterprises, the law defines them as "any individual company or enterprise engaged in productive, service or commercial activity with less than Pound50,000 in paid capital".

(*). Amend the definition of micro, small and medium enterprises (MSMEs), which is an amendment to the definition issued on December 7, 2015 and followed by the Micro- and Small Enterprise Finance Initiative on January 11, 2016 and the

Medium Enterprise Finance Initiative on February 22, 2016. The new definition is each company or enterprise that engages in an industrial activity with an annual turnover of not less than Pound50 million and not more than Pound200 million. For new companies or enterprises, their paid-up capital is at least Pound5 million and not more than Pound15 million.

(*) The resolution stipulates that small enterprises shall mean each company or enterprise activity with an annual turnover of not less than 1 million pounds and not more than 50 million. For newly established companies, their capital paid is not less than 50 thousand pounds and not less than 5 million. With regard to the definition of microenterprises, the decision stipulated that any company engaged in an industrial activity with an annual turnover of not more than 1 million pounds, and for modern companies with at least 50 thousand pounds of paid capital.

Number of small and micro enterprises in Egypt: Egypt is one of the largest Arab countries in terms of the number and density of small and medium enterprises operating in Egypt The number of such projects is about 2.45 million, with an average of 39 thousand projects added annually. And about 85% of those projects are classified as microenterprises, But 14% of them are small projects, and only about 2% are medium projects according to 2019 statistics, while in previous years those ratios were different, with 97% of all enterprises operating Followed by 3% small enterprises with a sharp decline in medium-sized enterprises.

Establishment of the Small and Medium Enterprises Development Authority (SMEDA): The Egyptian State issued a decision to establish the SMEDA on 24/4/2017 under the Ministry of Industry and Foreign Trade; As part of the Government's interest in developing a national programme for the development and development of SMEs and creating the necessary environment to encourage them and promote the culture of entrepreneurship, research, creativity and innovation.

The Agency develops and develops strategic policies and plans for the development of SMEs, micro-enterprises and entrepreneurship as well as the necessary controls for coordination between entities and initiatives working in this field, In addition, programmes have been developed to promote this sector of projects, rules and conditions of participation, including programmes to develop the capacity and skills of working human resources. and programmes to link and integrate these projects with

supply chains, as well as marketing skills development programmes within and outside the country.

Population & Research Sample

Table (1) Persistence factors of the resolution axes through the calculation of the square root of the authenticity and stability transactions of the study sample

Axis	Stability Alfa Kronbach coefficient	Repeats	Honesty
Project Questions	٠,٧١٨	١٠	٠,٨٤٧
Small entrepreneurs	٠,٩٣٦	١٦	٠,٩٦٨
Project Business Environment Elements	٠,٩٢٤	٢٢	٠,٩٦١

The previous table shows a general increase in honesty and stability transactions, all of which exceed 80% for the first axis. The second and third axis increased by more than 90%, which confirms the availability of style formulation and the placement of liquid clearly among respondents by small and medium entrepreneurs. This also reflects the quality of the study data.

Demographic Description of Study Society

The following table deals with the most important demographic variables that have been studied, represented by a variable that sees gender. The average age of study society is 39 years. This is measured by the fact that most small, medium and infinite entrepreneurs are in the middle age groups. The age difference is recorded in the age range under 23 years and over 62 years.

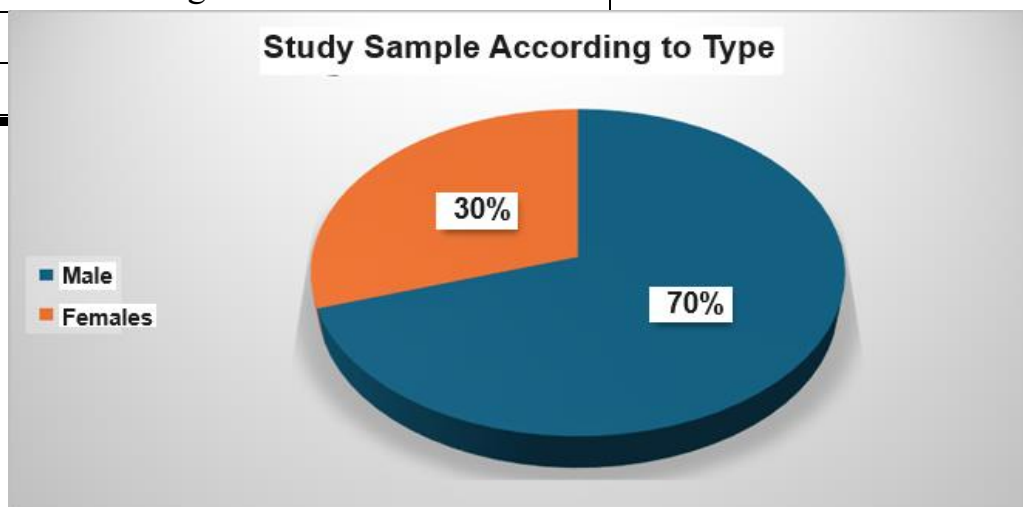
Table (2) Binding coefficient according to age variable

Variable	Lowest Value	The greatest value	Arithmetic Average	Standard deviation	Statistic
Age	٢٣	٦٢	٣٨,٩٥	٨,٤٠١	٠,٦٤

When addressing the second demographic variable in the place of study, the table indicates that most of the owners of small and medium enterprises are male. This is 81%. Women are 19%, although the number of women is low. However, this is due to the fact that entrepreneurs are a good indicator to reflect the extent of women's participation in the labour market.

Table (3) Correlation Factor for Elements of Government's Role

Component	%
Technical Support	0,640
Legislation	0,481



The previous table reflects the following points:

- The existence of a moral force link between the government role and technical support. This indicates that the greatest support received by these small, medium and micro enterprises by the Government is technical support.
- The role of the state in terms of legislation and marketing has been modest with an average correlation factor of 48%, although it is statistically moral below the level of 1%.
- The role of the state in terms of financing was the lowest of them with a 34% correlation factor. This relates to the previous analysis when addressing problems faced by projects, including poor funding.

Results.

- The first assumption was to show how important government finance is in the development of small and medium enterprises. The levels of government funding support have come to grow in their entirety on average. The financing record analysis of the survey statistician is the lowest rate of correlation force. The correlation coefficient is morally positive at level 1%. The problem of financing is one of the biggest constraints facing small and medium enterprises Because they are not able to provide the large guarantees required by these banks and financial institutions.
- The study has demonstrated a less than average correlation between government support in finance and the development of small and medium-sized enterprises, so it can be said that there is government funding support but it does not achieve the desired goal enough to achieve the development of these small, medium and micro-enterprises.
- The second imposition was achieved to demonstrate the importance of legislation in the development of small enterprises. This is reflected in the role of the State in legislation, such as the Government's role in the business environment for the enactment of current laws and legislation. The study found an intermediate correlation between the Government's role in the enactment and application of legislation and the development of small, medium and micro enterprises.
- The third imposition was achieved in demonstrating how important it is to support the state in marketing in the development of small and medium enterprises. This shows a strong relationship between the state's support for marketing and the development of small, medium and micro enterprises.
- The fourth individual has seen how important he is to the technical support provided by the State for the development of these small and medium-sized projects. The levels of technical support in their entirety are strong, but some flaws impede the achievement of the fullest possible benefit from technical government support from both the entities involved and the life stages of the project and indicate what services these agencies can provide.

Recommendations

- The need to launch a clear strategy for the development of small and medium-sized enterprises with the overall objective of the State and its general policy so that countries can achieve the goals of sustainable economic development.

- The need to innovate new financing instruments and systems at low prices commensurate with the nature of small and medium enterprises and taking into account potential crises in the short term.
- The need to enact laws and legislation that encourage small and medium-sized informal enterprises to enter the formal sector.
- The need for an electronic platform with data on micro, medium and micro projects to include all the related projects and products in terms of their geographical distribution while standardizing the bases and standards of such data at the national level so that some families can benefit from them.
- It is necessary to provide a comprehensive reference on the laws dealt with by small enterprises.
- The necessity of establishing business incubators both technologically and working to provide industrial incubators performed by industrial countries through the Enterprise Development Agency.
- The need to establish specialized marketing companies that provide the necessary information for such projects on goods required for export, their marketing locations and quality, and the companies' adherence to the rules and laws imposed by each country.
- Increasing the role of the State in promoting the spirit of creativity and innovation among young people and demonstrating the importance of technical education and technological schools for parents and young people.

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