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THE SMALL AND MEDIUM-SIZED ENTERPRISES (SME) SECTOR AS A BASIS FOR ECONOMIC GROWTH “ALGERIA CASE STUDY”

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ABSTRACT

This study aimed to identify the role and position of the small and medium-sized enterprises (SME) sector in economic growth in Algeria, it relied on official reports from accredited bodies and institutions from 2021 to 2025, The study reached a set of conclusions, including: the growth in the SME population was 5.71% across all legal sectors, representing a total net increase of 73,438 SMEs, thus contributing to the country's economic growth, and increased funding support for SME financing through an expansion of loan programs. The study concluded with a set of proposals, including the need to rely on digitization and reduce heavy bureaucracy and complex tax procedures.

KEYWORDS

Small and Medium Enterprises, Financing Sources, Economic Growth, Algeria

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Introduction:

Algeria's economic development focuses on reducing oil and gas dependency through diversification into areas like agriculture, manufacturing, and tourism, attracting foreign investment, and supporting small and medium enterprises (SMEs) with government initiatives, efforts include boosting productivity, fostering entrepreneurship, and improving the business environment by addressing challenges like bureaucracy and lack of competition, the government aims to build a more diversified, modern, and resilient economy, but success depends on improving governance and creating conditions that attract significant foreign and domestic investment.

Algeria's economy is experiencing significant growth, with SMEs playing a vital role in its diversification and development, small and medium-sized enterprises (SMEs) represent a large portion of the Algerian business landscape, they contribute significantly to job creation and economic activity, especially in sectors like agriculture, renewable energy, tourism, and manufacturing, the Algerian government is actively supporting SMEs through various initiatives, including access to finance, streamlined regulations, and training programs, SMEs are also increasingly involved in non-hydrocarbon exports, contributing to the country's economic diversification, these businesses are essential for Algeria's future economic success.

Accordingly, the principal problematic of this study is as follows:

To what extent has the Algerian state succeeded in developing the small and medium-sized enterprises (SMEs) sector and achieving economic growth?

This problematic includes a set of sub-questions that can be addressed, as follows:

- Defining the concept of small and medium enterprises?
- What are the approved mechanisms for financing small enterprises and what is the amount of support granted to this sector?
- The reality of the small and medium-sized enterprises sector in Algeria?

The scientific importance of this study is highlighted in the following points:

- The importance of this study appears from the fact that it addresses an important topic that has great weight in the Algerian economic policy, which is the small and medium enterprises sector, as Algeria seeks, through many mechanisms and investments, to develop this sector and make it the main engine of the Algerian economy in order to find solutions to local development problems and absorb the competencies and energies that would provide added value.

The main objectives of this study can be identified as follows:

- Clarification of the terminology and legal concept, and the importance of SMEs.
- Diagnosing the reality of the small and medium enterprises sector.
- Identifying mechanisms to support the small and medium enterprises and restructuring this sector within the Algerian economy.

Study Tools: We were assisted in completing this study, official annual reports and official statistics were consulted, in addition to the official websites of government institutions and agencies active in the economic field.

Study boundaries: This study covers the time period from 2023 to the end of 2025, analyzing and listing the various events that occurred during this period. The spatial boundaries are limited to Algeria.

Study Methodology: To complete this study, we relied on the descriptive approach, as it relies on studying phenomena as they exist in reality, based on the facts surrounding them, which were obtained through numerous official sources.

I. Theoretical framework:

1. Definition of SME:

The definition of the Small and Medium-sized Enterprises (SMEs) concept is complex due to varying criteria across different nations, Baumback (1983) characterized SMEs based on factors such as employment numbers, asset values, and sales figures, broadly speaking, SMEs can be understood as economic entities that demand less capital investment, possess the ability to make swift decisions, rely on manual labor, and maintain low operational and production costs to provide affordable products, simultaneously, small enterprises are dynamic and innovative, effectively identifying and seizing opportunities as they arise. (Baumback, 1983, pp. 4-6), some researchers believe that numbers are not enough, they define SMEs by qualitative characteristics such as independence (not a subsidiary of a large company), centralized management (by an owner-manager), and proximity to the market. (Welsh & White, 1981, p. 02)

There are other concepts that differ according to the party's affiliation, the European Commission offers one of the most widely cited definitions, it is based on three quantitative criteria: number of employees, annual turnover, and annual balance sheet total to be considered an SME, a company must have fewer than 250 employees and meet one of two financial ceilings. (Commission Européenne, 2003, p. 36)

In the United States, the definition varies by sector, the definition used by the US Small Business Administration (SBA) Advocacy Office for SMEs is the most straightforward, encompassing all businesses with fewer than 500 employees, While the vast majority of SME fall within the \$7 million or less annual revenue threshold, a few generate higher revenues despite having fewer employees and are therefore defined by the agency using a higher standard (\$25 million). (United States International Trade Commission, January 2010, p. 03)

In Algeria, the characteristics of SMEs are defined by law and regulations, notably Law No. 17-02 of January 10, 2017, on the development of small and medium-sized enterprises, this law establishes specific criteria that distinguish SMEs from other types of businesses.

Algerian law defines an SME by a combination of three criteria: headcount, annual turnover, and total annual balance sheet it also distinguishes several subcategories. (Law No. 17-02 of January 10, 2017, 2017, pp. 5-6)

- Headcount: an SME must employ between 1 and 250 people.
- Annual turnover: this must not exceed 2 billion Algerian dinars.
- Total annual balance sheet: this must not exceed 500 million Algerian dinars.

The law also divides SMEs into three categories:

- Very Small Enterprises (VSEs): 1 to 9 employees, turnover less than 40 million dinars or total assets less than 20 million dinars.
- Small Enterprises: 10 to 49 employees, turnover not exceeding 400 million dinars or total assets not exceeding 200 million dinars.
- Medium Enterprises: 50 to 250 employees, turnover between 400 million and 4 billion dinars, or total assets between 200 and 1 billion dinars.

Table 1. Quantitative standards of SME in Algeria

Types	Number of workers	Turnover (Million DZD)	Budget (Million DZD)
Micro	1-9	Less than 40	Less than 20
Small	10-49	Less than 400	Less than 200
Medium	50-250	From 400 to 4 billion	From 200 to one billion

Source: Prepared by the researcher based on (Minister of Industry, 2025)

2. Importance of SMEs :

There are two types of SMEs, the small traditional enterprise that make goods inherited from past generations, and the modern enterprise uses high technology, search of new markets to maximize their efficiency in developed countries 20% of new SMEs last no more than a year, 20% last only two years and 50% last not more than five years. As a result, only 10% of SMEs have a chance to survive more than five years, the success of an economy depends on number and dynamic of SMEs and success on the market, SMEs serve as a source of entrepreneur skills, innovation and employment also they stimulate competition for prices, product design and efficiency, if there are no SMEs, big enterprises become monopoly, SMEs also help big enterprises such as supplying raw materials and parts and distributing products made by them A study from US showed SMEs makes four times higher profit for a dollar invested than big companies (Bayraktar & Algan, 2019, p. 56)

Small and Medium-sized Enterprises (SMEs) are crucial to a nation's economic development and social stability they are often seen as the backbone of an economy, here are some of the key reasons why they are so important:

- Job Creation: They are major sources of employment, especially in developing economies. SMEs often employ a larger portion of the workforce compared to large corporations.

- Innovation and Flexibility: Due to their smaller size, SMEs are typically more agile and can adapt to market changes more quickly, they are often at the forefront of innovation, developing new products, services, and technologies. (Amoah, Belas, Dziwornu, & Khan, 2022)

- Economic Growth: SMEs are significant contributors to a country's Gross Domestic Product (GDP) they drive economic growth by creating a competitive environment and fostering innovation. (Oluwayemisi, Patra, & Muchie, 2020, p. 406)

- Supply Chain Resilience: They play a vital role in supply chains, acting as suppliers to larger firms, a healthy network of SMEs makes the overall supply chain more resilient and less dependent on a few large companies.

- Social Cohesion: SMEs help to reduce economic inequality by providing opportunities for marginalized communities and supporting local economies, they are integral to the social fabric of communities, particularly in rural or less developed areas. (Thanh , 2023)

3. Factors affecting the SME:

The development of SMEs depends on a number of factors, in general, they can be:

- Business environment. The cost of entry, starting with the registration costs, payment of licenses and processing time, is very important for their development, these costs cannot be covered during business operations, because required as initial capital, the enforcement of contracts and protection of property rights with low-cost are a very important element to start and survive a business, if the costs of enforcing contracts are too high, business may prefer to operate in the informal economy rather than engages in economic activities by law another factor that contributes to the development of SMEs is the level of the regulatory environment because it provides certainty for businesses operating in their respective industries, in particular labor market regulations play an important role in the cost structure.

- Macroeconomic factors. The government expenditures are among the key macroeconomic factors that contribute to the growth of SMEs, procurements help of registered businesses and discourage illegal businesses, monetary policy plays a crucial role in the development and organizing the SMEs because a low inflation would reduce the informal economy, additionally a stable exchange rate is very important for SMEs because the business may be exposed to danger and can go up to bankruptcy.

- Growth opportunities. The SMEs in the early stages of activity are subject to bankruptcy risk the survival rates of SMEs are not high, especially after the first year, therefore, a well-functioning infrastructure in terms of services delivery such as police, energy, contribute to the growth of SMEs, they cannot provide basic services privately different from the large enterprises, because they would be too expensive, on the other hand, political stability is essential for entrepreneurs, also, fees and high rates of taxation may discourage the growth of SMEs and enhance the informal economy.

- Historical determinants. Businesses that are historically located in favorable geographical locations tend to survive and grow, demography is also a determining factor, businesses located in favorable environments, where mortality rates are lower tended to grow. (Cania, Nexhipi , & Korsita, 2021, p. 39)

4. Characteristics of SMEs :

SMEs are defined by several key characteristics that influence their operations, strengths, and challenges within the economy.

The size of these firms seems to be an important factor on their success, because it allows some flexibility, which is difficult to find on the large firms, “Through their flexibility and their potential for employment creation, SMEs can play a major role in regional development” SMEs are more flexible, speedier and adaptable than larger organizations, constrained by size-related disadvantages, small firms typically rely on flexibility and timely responsiveness to customer needs to create and serve profitable market niches, the positive relation found in this study between the capacity to transform and profitability appears to render support to the widely held notion that quick response to market signals is vital for the survival of small firms (Nelson, 25th - 29th August 2004, p. 05)

There are other characteristics, Julien (1994) considers (06) six criteria to characterize the concept of an SME: (Nomoa & Ndaob, 2022, p. 77)

- Small size, characterized by direct contact, less hierarchical distance, and relatively informal working relationships: in this respect, SMEs are contrasted with large companies, which are more anonymous, highly hierarchical, and formal;

- Centralized management around the owner-manager;

- Simple and informal internal and external information systems;

- Weak job breakdown: this is manifested by low specialization of the owner-manager, who performs both strategic and operational functions, furthermore, employees must have a high degree of adaptability in order to regularly change positions and, therefore, tasks;

- An implicit and often short-term strategy: the formalization of management is almost systematic, so current strategies are very rarely written down;

- Direct contact with customers.

II. SME in Algeria (case study):

In this section, we will review the Algerian experience in the field of supporting and developing the small and medium enterprises sector, in addition to the status of this sector and its role in economic growth.

1. SME business financing sources:

Algeria has issued a set of decisions that will contribute to supporting and developing the small and medium enterprises sector by launching a set of funds, laws and programs that will encourage the expansion of this sector and contribute to its success.

1.1 Investment Loan Guarantee Fund for Sme's (CGCI-PME):

Investment Loan Guarantee Fund for Small and Medium Enterprises (FGSI) revealed that it granted bank financing guarantees exceeding 35 billion dinars in 2024, outside the agricultural sector, compared to approximately 28 billion dinars in 2023. (CGCI, 2025)

The Fund explained that it guaranteed 561 investment loan transactions with a total value exceeding 35 billion dinars during 2024, recording a 30% increase in the number of files compared to 2023 (431 files), and a 26% increase in value.

The fund was established in 2006 and specializes in providing financial guarantees to banks in exchange for a 0.5% deposit of the loan value. This covers a significant portion of the potential risks in the event of non-payment, thus contributing to encouraging financing for small and medium-sized enterprises and facilitating their access to loans.

Since its inception, the Fund has provided guarantees to 5,256 investment projects, with a total value of guaranteed loans exceeding 114 billion dinars by the end of 2024.

The value of compensation recorded in 2024 amounted to approximately 2.3 billion dinars, while the total compensation amounted to 8.6 billion dinars since the fund's establishment.

In the field of digitization, the Fund continued to develop its new version of the "E-garantie" electronic platform during 2024, which was launched in 2023 with the aim of improving the effectiveness of services provided to banks and financial institutions.

This platform enables bank partners to instantly subscribe to the guarantee, with all contractual documents being exchanged electronically, including guarantee applications, payment schedules, invoices, and loss declaration forms (APS, 2025)

1.2 National Microcredit Management Agency (ANGEM):

ANGEM Algeria in the last report indicated that last year's results showed the financing of 17,000 micro-project leaders, and 24,000 people who benefited from training sessions in several areas. Thus, the total number of people who benefited from financing under the ANGEM system reached, at the end of last year, more than one (01) million beneficiaries, in various fields, including agriculture, industry, fishing, services and very small industry, and this since the creation of the agency. (ANGEM, 2025)

The amount of credits granted by ANGEM according to the mixed financing method (ANGEM-Promoter), for the purchase of raw materials, amounts to 250,000 DA, and to 1 million DA according to the triangular financing method (ANGEM/Bank/Promoter), for production activities.

In this context, the agency announced was currently examining the possibility of revising the funding amounts in coordination with the supervisory ministry.

Furthermore, and with a view to facilitating marketing and expanding the agency's scope of activity, ANGEM was working on developing a digital platform dedicated to e-commerce, to promote the various products of microcredit beneficiaries throughout the year, this platform is able to encourage local production and promote it internationally, but also to contribute to the preservation of trades and small industries. (APS, 2025)

1.3 The SME Credit Guarantee Fund (FGAR):

The SME Credit Guarantee Fund (FGAR) supported 386 companies in 2024, by granting its guarantees to projects with a total value of 58 billion dinars (mds DA)

According to the latest FGAR report, 386 companies benefited from bank loans totaling 39 billion dinars in 2024, accompanied by financial guarantees amounting to 16.3 billion dinars these projects should lead to the creation of 8,307 jobs. (FGAR, 2025)

By region, the FGAR supported 147 projects implemented in the wilayas of the center of the country, 118 across the east, while 78 projects were supported in the west of the country and 43 in the wilayas of the south.

Regarding the distribution of beneficiary projects according to the nature of the activity, the FGAR report shows 178 projects supported in the industrial sector, 102 projects in services, 56 in construction and public works and 50 in agriculture and fishing.

Established in November 2002 and operational since March 2004, the FGAR, which is under the supervision of the Ministry of Industry and Pharmaceutical Production, is tasked with facilitating SMEs' access to bank loans and it also allows banks to share the risks associated with financing these businesses through the financial guarantees provided

In addition, the FGAR supports Algerian SMEs in the financial structuring of viable projects, thus facilitating their launch and development in a complex competitive environment.

Recently, the FGAR obtained approval from the supervisory authority to extend guaranteed loans to operating loans, whereas previously this guarantee only concerned investment loans.

Thus, Article 188 of the 2025 Finance Act, which amends and supplements the provisions of Article 108 of the 2009 Supplementary Finance Act, stipulates that the guarantee issued by the FGAR to banks and financial institutions to cover the loans they grant to small and medium-sized enterprises, as defined in Executive Decree No. 17-193 of June 11, 2017, amending the statutes of the FGAR, is considered to be a state guarantee. (Algerian Radio, 2025)

1.4 The Algerian Investment Promotion Agency (AAPI):

During the period from November 1, 2022 (date of the start of the agency's activities) until March 1, 2025 the number of projects registered at the decentralized one-stop shops and the one-stop shop for major projects and foreign investments of the agency amounts to 12,843 declared projects, with a total value exceeding 5,776 billion DA, capable of creating more than 316,000 jobs, according to the commitments of their promoters. (AAPI, 2025)

This report includes 12,608 projects registered by local investors, worth 4,587 billion DA, likely to create more than 288,000 jobs, as well as 235 foreign projects with a total value of 1,189 billion DA, with the commitment to create more than 20,000 jobs, according to AAPI, specifying that these foreign investments are divided into 89 foreign direct investment projects and 146 projects in partnership with foreigners.

Regarding the most attractive sectors for investment, industry represents 37% of all projects registered with the agency, followed by transport with 22.2%, construction and public works (22%), agriculture (7.2%), services (4.6%), tourism (3%), as well as health (2.7%) and mining (0.8%).

Regarding the distribution of investment projects by region, AAPI data indicates that 51.3% of them (6,595 projects) are located in the north of the country, 27.5% in the High Plateaus (3,527 projects), while 21.2% are located in the south of the country (2,721 projects).

Furthermore, the AAPI report notes that 99% of the total number of investment projects registered during the same period concern the private sector, with 12,752 projects, while 85 projects concern the public sector and 6 joint investment projects.

As for the financing structure of the projects, more than 45% of them are financed with own funds (5,799 projects), while about 55% (7,044 projects) are financed by bank loans, AAPI said.

Created in 2022 under the new investment law, this agency is responsible for receiving and supporting investment projects undertaken by nationals or foreigners in the various economic activities of production of goods and services. (Algerian Radio, 2025)

1.5 National Agency for the Support and Development of Entrepreneurship (ANADE) :

The National Agency for the Support and Development of Entrepreneurship (ANADE) confirmed that its 2025 goal is to create 12,000 sustainable microenterprises, this is achieved through a "new strategy based on a comprehensive economic vision aimed at supporting youth, developing microenterprises, and integrating them into the core of the state's public policy, while correcting the shortcomings of the previous system", the system will soon focus on a project based on diversifying financing forms, including operating loans in addition to investment loans, with the participation of banks, in addition to risk coverage through cooperation with insurance companies, this allows project leaders to take advantage of the diverse roles of banks and insurance companies, while benefiting from the support and training provided by the National Agency for the Support and Development of Entrepreneurship, since training improves business success rates, the agency has focused on this aspect by establishing at least 117 entrepreneurship development centers within universities across the country, and another 190 centers are currently underway in vocational training centers, in just two months, 5,300 university graduates have been trained, and this number is expected to double in the vocational training sector, in addition, 700 trainers have been trained in the fields of analysis, evaluation, financing, and operation of projects, more than 600 small projects have been established for vocational training graduates, while 7,000 small project establishment files and 1,000 business expansion files are currently being studied. (El moudjahid Economic, 2024)

The National Agency for Investment Development registered 1,877 investment projects worth 526 billion Algerian dinars in 2021, creating more than 46,000 job opportunities.

Of the total investments, the agency registered 980 projects in the industrial sector, worth more than 275 billion Algerian dinars and creating more than 28,000 jobs.

Regarding the total number of projects announced to the agency, 268 "large" investment projects were registered, with an investment amount exceeding 500 million Algerian dinars this represents a total investment of more than 358 billion Algerian dinars, creating more than 21,000 jobs.

All of these projects have received registration certificates from the agency and have begun the implementation phase, they have also obtained the necessary licenses from the relevant authorities, in addition to bank loans, the new investment law has granted the agency broad powers, enabling it to play a significant role in supporting investors and benefiting from financial support from the Ministry of Finance, this will allow it to implement its digitalization project, by creating the agency's electronic platform, which will serve as a link between the investor and all departments, the agency will be able to monitor all investor steps at the administrative services level and identify any obstacles that may hinder investment projects. (APS, 2022)

2. Situation of SME in Algeria:

2.1 Growth in the overall SME population:

Overall, the growth in the SME population between 2021 and 2022 was 5.71% across all legal sectors, representing a total net increase of 73,438 SMEs:

Table 2. Evolution of SMEs

	Year 2021	Year 2022	Evolution
Overall SME population	1286365	1359803	5.71%

Source: (Ministry of Industry and Pharmaceutical Production, 2023, p. 13)

2.2 Evolution of SMEs by sector of activity:

The sectors with the highest business creation between 2021 and 2022 remain the services sector with 51.74%, or 703,499 SMEs, in second place are craft activities with 23.83%, and in third place are SMEs in the construction and public works sector, which represent nearly 15.04% of the total number of SMEs.

Industrial SMEs are in fourth place, numbering 115,992 at the end of 2021, compared to 109,991 at the end of 2021, an increase of 3.65%.

Table 3. Evolution of SMEs by sector of activity (2021-2022)

	Sector of activity	2021	Parts (%)	2022 (%)	Parts (%)	Evolution (%)
1	Agriculture	2010	0.62	8404	0.62	4.92
2	Hydrocarbons, energy, mining and related services	3243	0.25	3371	0.25	3.95
3	BTPH	199331	15.50	204452	15.04	2.57
4	Industries manufacturers	109991	8.55	115992	8.53	5.46
5	Services	662185	51.48	703499	51.74	6.24
6	Craft activities	303605	23.60	324085	23.83	6.75
7	Total General	1286365	100	1359803	100	5.71

Source : (Ministry of Industry and Pharmaceutical Production, 2023, p. 13)

2.3 Employment trends by type of SME:

The total workforce of SMEs, at the end of 2022, was 3,307,821 employees, of which only 19,608 were in public SMEs, it should be noted that the total workforce of SMEs increased by 5.46% between 2021 and 2022.

Table 4. Evolution of declared jobs

Type of SME	2021		2022		Evolution
	Number	Parts	Number	Parts	
Employees	1828720	58.33	1928633	58.31	5.46
Employers	1286140	41.03	1359580	41.1	5.71
Subtotal	3114860	99.36	3288213	99.41	5.57
Public SMEs	20108	0.64	19608	0.59	5.51
Total	3134968	100	3307821	100	5.46

Source : (Ministry of Industry and Pharmaceutical Production, 2023, p. 14)

- The growth:

The growth of private SMEs during the year 2022 is 5.71%, representing a growth of 73,440 SMEs, bringing the total number of private SMEs to 1,359,580.

Table 5. Movement observed in the demographics of private SMEs

Nature of SME's	2021	SME movements of the year 2022				2022
		Creation	Radiation	Reactivation	Growth	
Legal entities	720495	37932	4799	9141	42274	762769
Liberal profession	262040	15993	6205	898	10686	272726
The Craftsmen	303605	26606	8175	2049	20480	324085
Total private SMEs	1286140	80531	19179	12088	73440	1359580

Source : (Ministry of Industry and Pharmaceutical Production, 2023, p. 14)

- SME Creation:

During 2022, 80,531 SMEs were created, Business creations registered with the CNAS at the end of 2022 amounted to 37,932 new SMEs (legal entities), while at the CASNOS (National Social Security Fund for the Self-Employed) level, 42,599 new SMEs (natural persons) were created during the same period.

- Reactivation:

At the end of 2022, the reactivation of private SMEs affected 12,088 private SMEs, of which 9,141 SMEs were registered with the CNAS (National Social Insurance Fund for Salaried Workers) and 2,947 SMEs were registered with the CASNOS.

- Deregistration (Cessation):

During 2022, 19,179 private SMEs were deregistration's, including 4,799 legal entities¹⁴ and 14,380 SMEs natural persons.

2.4 Distribution of SME in the country's regions:

According to the spatial distribution of the National Land Use Plan (SNAT), SMEs are predominant in the North and, to a lesser extent, in the High Plateaus.

The North region accounts for 945,153 SMEs, or nearly 69.51% of the country's SMEs, followed by the High Plateaus region with 300,745 SMEs, or 22.12%, and the South and Grand Sud regions host 113,905 SMEs, representing 8.38% of the total (see Table 6).

Table 6. SMEs by region

Region	Number of SME 2022	Concentration rates
North	945153	69.51
High plateaus	300745	22.12
South	113905	8.38
Total	1359803	100

Source: (Ministry of Industry and Pharmaceutical Production, 2023, p. 11)

Taking into account the national population as of January 1, 2022, according to the ONS forecasts of 45.5 million inhabitants, the SME density is 30 companies per 1,000 inhabitants.

By region, the SME density is as follows:

- 34 private SMEs per 1,000 inhabitants in the north of the country;
- 23 private SMEs per 1,000 inhabitants in the high Plateaus region;
- 26 private SMEs per 1,000 inhabitants in the south region.

Table 7. the density of SMEs

Region	Number of SMEs 2022	Population by Wilaya	Parts (RGPH 2008)	Population by Wilaya	density
North	945153	21075874	0.618	28057200	34
High plateaus	300745	9765202	0.287	13029800	23
South	113905	3238954	0.095	4313000	26
Total	1359803	34080030	1	45400000	30

Source: (Ministry of Industry and Pharmaceutical Production, 2023, p. 12)

This national ratio (30 per 1,000 inhabitants) decreases to 17 per 1,000 inhabitants for private SMEs of the "legal entity" type and shows a significant variation from one region of the country to another:

- 19 private SMEs per 1,000 inhabitants in the north of the country;
- 13 private SMEs per 1,000 inhabitants in the high Plateaus region;
- 15 private SMEs per 1,000 inhabitants in the south region.

3. Discussion of result:

In view of the above, the economic landscape in Algeria, despite the large number of establishments, is structurally fragile and dominated by very small activities with limited geographical influence. This highlights the magnitude of the challenges facing efforts to diversify the Algerian national economy:

- Dominance of Very Small Enterprises (VSEs): The most striking feature of the Algerian SME sector is the overwhelming number of Very Small Enterprises (VSEs), a significant percentage of businesses in 2023 were micro-enterprises with 1 to 9 employees, this structure, largely composed of individual entrepreneurs and family-run businesses, indicates a fragmented economic fabric with a limited number of high-growth, high-impact firms.

- Slow growth and creation Rate: the data shows a relatively modest growth in the number of SMEs in 2023, this slow pace of creation, coupled with the high number of VSEs, suggests that the environment for starting and scaling up businesses remains challenging.

- Sectoral concentration: the data confirms that most SMEs are concentrated in the services and construction sectors, this heavy reliance on internal markets, such as building and public works, reflects the economy's dependence on public spending and its limited integration into global value chains, the manufacturing sector, which is crucial for job creation and export diversification, accounts for a much smaller portion of the total.

- Contribution to the economy: while the data doesn't provide a direct figure for GDP contribution, its analysis of the sector's structure and its concentration in non-export-oriented fields implies a limited overall macroeconomic impact, the data confirms that SMEs are a vital source of employment, but their ability to drive innovation, generate substantial wealth, or contribute significantly to exports is still a work in progress.

- Uneven Distribution: the majority of SMEs are located in the northern regions of Algeria, particularly in coastal provinces like Algiers, Oran, and Sétif, this concentration leaves the southern and interior regions with a low density of businesses, highlighting a major regional development disparity and a missed opportunity for job creation in these areas.

Conclusion:

In conclusion, SMEs are not just a segment of the Algerian economy; they are its fundamental backbone and a key driver for future growth and diversification, where the future of Algeria's economic landscape hinges on its ability to support and empower its SME sector, by implementing targeted reforms and providing strategic support, the country can foster a dynamic entrepreneurial ecosystem that reduces its dependence on hydrocarbons, creates sustainable employment, and builds a robust, diversified economy for generations to come.

The study recommends a set of proposals that would support the development of SME sector:

- Algerian SMEs often struggle to secure bank loans due to high collateral requirements, a crucial recommendation is to diversify funding sources, this includes establishing dedicated venture capital funds for startups, promoting micro-credit for micro-enterprises, and simplifying the procedures for obtaining subsidized loans, the government could also create a loan guarantee fund to mitigate risk for banks and encourage lending to small businesses.

- Heavy bureaucracy and complex tax procedures are major obstacles, it's recommended to reduce red tape by digitizing administrative services (e-government), creating a single-window system for all business creation and management steps and simplifying labor laws, a fiscal reform could also include tax breaks on reinvested profits, tax exemptions for startups, and the implementation of a simpler and more transparent tax regime for small businesses.

- Many SMEs lack qualified staff and strong managerial skills, to address this, it's vital to invest in professional training, this can involve launching mentorship programs for entrepreneurs, strengthening partnerships between universities and businesses to better align academic curricula with market needs, and subsidizing continuous training for SME employees.

- Low adoption of new technologies and a lack of innovation hinder the competitiveness of Algerian SMEs, it's recommended to support digital transformation, the government can offer grants for purchasing management software, creating e-commerce platforms, and adopting other digital solutions, establishing incubators and accelerators for startups is also key to fostering innovation and creating high-growth potential businesses.

- Algerian SMEs often face difficulties entering both local and international markets, to overcome this, it is advised to implement export support mechanisms, this includes providing assistance for participating in international trade fairs, creating platforms to promote Algerian products, and offering subsidies for quality certifications; additionally, encouraging large public and private companies to use SMEs as subcontractors can create stable and sustainable market opportunities.

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