

**THE EFFECT OF SMES' PERFORMANCE
INDICATORS ON BUSINESS TURNOVER
AS A DIMENSION OF ECONOMIC GROWTH:
BORAMA CASE**

**Master Thesis
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MASTER THESIS

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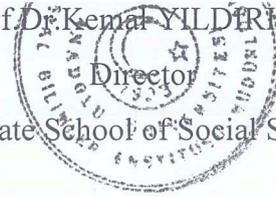
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ABSTRACT

THE EFFECT OF SMES' PERFORMANCE INDICATORS ON BUSINESS TURNOVER AS A DIMENSION OF ECONOMIC GROWTH IN BORAMA.

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This study examines the effect of SMEs' performance indicators on business turnover as a dimension of economic growth, in a manner which SMEs can improve their performance for effective contribution to economy Borama city such as utilization local production and social economic condition improvement. Challenges hinder SMEs performance also examines in this study, SMEs in Borama face militating problems while government and other related institutions giving no attention also there is no clear SMEs policy. Financial problem and lack of government support become the main problem blocks SMEs potentials for improving their performance and their contribution to economy in Borama. For that reason, the study used to uncover the effect of SMEs performance indicator on business turnover as a dimension of economic growth in Borama, Primary data gathered from the responses of 211 SMEs operating in Borama. Descriptive statistics conducted to realize demographic characteristics of the main variables, SMEs performance, source of their finance and challenges they face. Further, the researcher investigates the direction and the strengths the relationship between the main variables of the study through regression and correlation analyses. The result of both regression and correlation analysis indicates that SMEs performance indicator of business turnover portrayed negative effect on profitability of the business and Entrepreneurship. Investment, employment and infrastructural development followed SMEs establishment show positive influence SMEs performance indicator of business turnover. Therefore, based on the result of the study, government should give more attention development and support of SMEs in Borama and the country as well.

Keywords: SMEs, SME performance, Economic growth, Turnover.

ÖZET
KÜÇÜK VE ORTA ÖLÇEK İŞLETMELERİN (KOBİ) PERFORMANS
GÖSTERGELERİNİN İŞLETMELERİN CİROSU EKONOMİK BÜYÜMENİN BİR
BOYUTU OLARAK ÜZERİNDEKİ ETKİSİNİ.

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Danışman: Yard.Doç.Dr. Tuğberk TOSUNOĞLU

Bu çalışma, küçük ve orta ölçek işletmelerin (KOBİ) performans göstergelerinin Borama'daki yerel kaynaklardan daha etkin yararlanmayı ve sosyal ekonomik durumu iyileştirmesi nedeniyle ekonomik büyümenin bir boyutu olarak işletmelerin cirosu üzerindeki etkisini ele almaktadır. Borama'da KOBİ'lerin performansını etkileyen güçlükler, özellikle de hükümetin ve ilgili kurumların politika oluştururken özen göstermedikleri durumlar bu çalışmada ayrıca incelenmiştir. Bu kurumların ülkede bir KOBİ politikası bulunmayışı konusunda hassasiyet göstermedikleri görülmüştür. Finansal sorunlar ve devlet desteğinin olmayışı KOBİ'lerin performansını artırmalarını engelleyerek Borama ekonomisine katkıda bulunmalarını mümkün kılmamaktadır. Bu nedenle, çalışmada belirtilen hususlarla ilgili olarak, Borama'da faaliyet gösteren 211 adet KOBİ'den elde edilen birincil verilerle, performans göstergelerinin ekonomik büyümenin bir boyutu olarak işletmelerin cirosu üzerindeki etkisi araştırılmıştır. Ana değişkenlerin demografik özellikleri, KOBİ'lerin performansı, finansman kaynakları ve karşılaştıkları zorlukları anlayabilmek için tanımlayıcı istatistikler kullanılmıştır. Çalışmada, ana değişkenler arasındaki ilişki yönü ve gücünü belirtmek için regresyon ve korelasyon analizleri kullanılmıştır. Analiz sonuçları, KOBİ'lerin performans göstergelerinden kârlılık ve girişimciliğin KOBİ'lerin cirosu üzerinde olumsuz etkisi olduğunu göstermektedir. Ayrıca, yatırım, istihdam ve altyapının gelişiminin ise olumlu etkisi bulunduğu görülmüştür. Bu nedenle, çalışmada elde edilen sonuçlardan yola çıkarak devletin Borama'da ve tüm ülkede KOBİ'lerin gelişmesine daha fazla önem vermesi gerekmektedir.

Anahtar Kelimeler: KOBİ, KOBİ'lerin performansı, Ciro, Ekonomik büyüme

DECLARATION

I declare here that all information in this thesis has been obtained and presented as academic rules and ethical conduct of Anadolu University. I also declare here this my original work and all materials which are not my own work have been cited and acknowledged. I understand that University deserves rights to apply measures in the event that my work found to be breach of the academic rules and ethical conduct of the University.

Mohamed Aden ABDIRAHMAN

Signature:

Date: 06/06/2017

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LIST OF ABBREVIATIONS

SME:	Small and Medium Scale Enterprises.
IFC:	International Finance Corporation.
GDP:	Gross Domestic Production.
OECD:	Organization for Economic Cooperation and Development.
ILO:	International Labor Organization.
SNDP:	Somaliland National Development Plan.
UNIDO:	United Nation Industrial Development Organization.

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CHAPTER ONE

BACKGROUND OF THE STUDY

Studies uncovered small and medium scale enterprise (SME) are familiar in the economy of developed countries while there is a massive of rapidly increase SMEs in developing countries. SME's performance is referred as a good indicator of economic growth in new era. Developing economies including Somaliland SMEs plays a crucial role fostering economy and development of these nations. On the other side, SMEs are the largest portion of all business over the global and contribute immensely creating jobs, provision of high quality goods and services which from competition between small businesses, generating income which improves living standard of small business owners and overall increase of income level. SMEs contribute huge portion to the gross domestic production(GDP) of many countries both developed and developing countries.

Small and medium scale enterprises are recognized the most significant basic proxy of achieving a viable economic growth and sustainable development because they create income, provide a chance to develop wealth and gives motivation entrepreneurs to utilize their talents for creating opportunities to stand financially independence and take part income redistribution. Looking another positive side of the SMEs is believed vehicle of globalization era and considered worth chain connecting internationally via different business activities crossing international boundaries creating an international business market. Globalization brings small businesses chances to create niche markets, ability to expand the business, integration in technology and promote the ability to get advanced technology, lower risk of cost allotment and improving getting finance.

Most studies underlined the importance of SMEs to economic growth and job creation. More than half of the worldwide work force get their jobs from SMEs. SMEs registered formally in developing countries contribute up to 45 percent of total jobs and approximately 33 percent of national gross of domestic production (GDP), (World Bank, 2015). According to (IFC, 2012, p. 1) indicated that SMEs accounts more than 50 percent of overall employment around the globe and approximately 90 of businesses.

Small and medium scale enterprises are realized innovation and economic improvement engine, the contemporary key of economies transformation is the

establishment of new business and omitting or reducing less functioning enterprises. Creation of new enterprises brings enthusiasm of creating new business activities, brings novel goods and services and rises employment opportunities by creating new jobs. SMEs are considered as a significant source of the new production process, improvement of economic productivity which results in both sustainable economic development and better living condition for the communities in particular area (Muhammad Usaini, 2014, pp. 10–11).

In 1990, when civil war began in Somalia and central government collapsed, economic pillars of the country as well start to disappear. From that time, small and medium scale enterprises (SMEs) has been the backbone and a key source of income for many Somalis. SMEs were created all most every region in the country, the vast majority of these small businesses established northern region which later in 1991 announces self-declaration as an independent state of Somaliland but not get international recognition which is politically stable when compared southern regions of Somalia. Harsh economic times, SMEs show great potential and play a crucial role on income generation and employment particularly small-scale sector. From this importance, SMEs owners not government established an organized program for an investment environment to realize industrial transformation.

The largest component of Somaliland (Northern regions of Somalia) business sector is SMEs and contributes national economy more than 90 percent of the GDP as well as employment. SMEs succeeded to stimulate the economy of the country during distressed times when all economic sectors were in disequilibrium. SMEs have been an immense sector of employment accelerator and main income source of in the country they creates job opportunities to many labor force and helped to decrease unemployment rate, give families and small business owners chances to get by financial difficulties and get an alternative source of income (SNDP, 2011, p. 98).

Recent researches of economic growth and development underlined benefits of investment and trade activities bring chance country's ability to make interrelation of international economic activities (Muhammad Usaini, 2014, p. 24). Small and medium scale enterprises are the most suitable tools considered the evolution of development and economic prosperity for developing nations. Starting new business bring advantages of

subsidizing local economic development. Important factors cause starting small business include income generation and joblessness of the work force. So, from these importance SMEs bring their development and support, assisting financial support, enhancing working conditions are considered basic tools of achieving sustainable economic growth, employment creation and alleviation of poverty.

Despite the significance of SMEs and their immense role contribution to Somaliland economy there are a lot of challenges hampered the smooth performance of small and medium scale sector. Financial access is recognized as the major constrains of Somaliland small businesses face, electricity become second problem and land is also another major problem. These problems seen also most of the developing nations but in Somaliland, problems face SMEs is deeper than that, lack of powerful central government and working central bank which can support financial or credits, training, patent control, lack of commercial banks or any other financial except small bank created by local businessmen are documented major problem of Somaliland small businesses having alone. Structural adjustment programs from United Nation organizations collaborating Somaliland government really helped the SMEs sector. Regardless of these constrains Somaliland SMEs to continue to carry out activities left government and other economic sectors as well as filling gaps and creating large industries connecting between large enterprises and customers (Somaliland Ministry of Planning, 2013, p. 12).

1.1. Problem Of Statement

The purpose of this study is to investigate the role of small and medium scale enterprise performance indicators on business turnover as dimension of economic growth in Borama, Somaliland which was formally part of the Republic of Somalia. As stated in the introduction of the study that there is no state can accomplish a feasible economic sovereignty without fortunate performing small and medium business enterprises (SMEs).

Most of the small and medium scale business enterprises in Somaliland start operations by financing their own businesses or getting from family support to get start-up fund. Unfortunately, most of these business starts to fail immediate within two years from the business establishment date. Report from Non-governmental and independent organizations states most of the SMEs in Somaliland complain lack of credit facility

which makes their operation cost limit, lack of banking system, inadequate capital financing, lack of proper organization, lack effective management and specialist staffs, difficulties in recruiting qualify employees, low level productivity due to lack of natural resources producing in the country, low level of technological use, limited service range nearly almost of operating business doing the same service. These obstacles define the operational problems, which hugely limit the performance of the SMEs to achieve profit optimization and operational efficiency to their contribution of economic and decreasing unemployment rate in Somaliland.

Obstacles and challenges face SMEs resulted in the decline of their expected role of contribution to the economic growth and development of the nation, so regardless of the immense role SMEs play in Somaliland economic growth, small and medium scale enterprise performance's role to the economy of the nation is not properly evaluated. A proper evaluation of their role on country's economy would be a yardstick to ease their challenges and gets chance larger finance better than they have now (Mohamed, 2014, p. 3).

Based on above mentioned problems, this study will seek to examine the role of SMEs performance indicators of business turnover as economic growth dimensions, the role of the government and Non-governmental organizations (NGOs) played towards promoting the development and the growth of SMEs in Somaliland, and their extent they are successful. The role of financial institutions played toward SMEs performance improvement. Evaluate the extent of small business performance on SMEs share economic growth dimensions factors in Borama city and the importance SMEs in the Somaliland's economy for investigating the implication of an absence of small business in a contribution of economy of the nation.

1.2. Purpose of The Study

The main purpose of this study is to examine the role of small and medium scale enterprises performance indicator used as proxy on business turnover to SMEs share of economic growth dimension of Borama city. Constrains of a high degree of poverty and unemployment rate, high level of illiteracy, and low level of living standard in country have been created great concern civil society and government of Somaliland. The vital role

contributions of SMEs to the economy of both developing and developed economies appearing today can bring solution most of these constrains. The increasing number of SMEs operating in Somaliland which their primary objectives are generating wealth, reducing poverty, creating employment opportunities and stimulating economic growth, become energized toward playing expected role of contributing economic growth in the Somaliland economy.

More precisely, the aim of the study is to check the effect of SMEs performance indicators as a proxy of business turnover to the promotion and development of Somaliland economy, and ensure their contribution to economic growth. to identify the problems and constrains of SMEs, find a strategies and recommendation to improve the development, growth and survival of SMEs in Somaliland and finally give government hints toward the importance of small and medium scale enterprise toward Somaliland economy.

1.3. Objectives of The Study

From the general purpose of the proposed study is to identify the effect SMEs performance indicators as a proxy of business turnover as economic growth dimension factors of Somaliland and the challenges that paralyse the SMEs performance development. The proposed study is aimed to investigate effect on SMEs performance indicator on business turnover as economic growth dimensions in Somaliland particularly Borama city and how SMEs performance participate the economy of the city. In order to meet the general objective of the study, based on past studies and literature review related on SME their role of economic growth following specific objectives aimed to achieve.

- To assess the effect of SMEs performance indicator on business turnover as economy growth dimensions of the Borama city,
- To determine effect of SMEs performance indicator of business turnover on job creation, income generation, investment, infrastructural development and encouragement of entrepreneurship.
- To find out major problems that hinder small and medium scale enterprise performance
- To examine the implication of an absence of SME contribution to Somaliland economy

1.4. Significance of The Study

Small and medium enterprises in Somaliland play a crucial role on economic activities, largely rely on saving and contributing poverty alleviation. The problems and challenges that SMEs contend with and without doubt enormous, but it is interesting to note that some SMEs are able to overcome them. This gives hope and basis for optimism that there is a way out. This study intends to investigate some key business survival strategies, which have worked for a few thriving SMEs and their role in sustainable economic development.

The study is important for the people of Somaliland as whole and especially for the entrepreneurs; who wish to start a new business and those have already started. The result of the analysis will indicate the facts of contributions of SMEs performance to SMEs share of economic growth measuring variables. The study will also help government and other business-related institutions and NGOs who can't able to find such an academic study which deeply investigates SMEs performance relations to an economic growth dimension to decide the best way to improve SMEs. The improvement of SMEs performance will double the contribution of SMEs to the economic growth like creation of job opportunities and to avoid inflation in the economy. The hope of this study will be to provide businesses and those who interest doing a business complete background for the importance of SMEs also provide the government an opportunity to evaluate the importance of the SMEs in the economy. The study can be part the backbone of decisions related to small business, like decisions government take toward the improvement of small business. The study will provide strategies and procedures to establish successful small businesses and the role of small business performance to some of the economic growth dimension factors, although this study is undertaking for primarily for academic purposes, its findings and recommendations are important for both practical use and future references.

1.5. Limitations of The Study

Every study has some certain of limitation. The first limitation of the study was that unavailability of data related to SMEs and economic issues due to lack functioning banking system neither central bank nor commercial banks in Somaliland and also there is no statistical center for data collection. For that reason, there is no current statistical data

related to SMEs in Somaliland as a whole and particularly such as the number of SMEs operating, sizes, contribution to GDP, employment, etc.

The study has also another major limitation which is that some sort of like this study related to SMEs had not been taken in Somaliland, for that reason it is difficult to find previous literature related to SMEs in Somaliland. This study used primary data, researcher finds difficulties of gathering data because the majority participants of the study have not seen any previous study like this study. The researcher found difficulty in scheduling time for an interview for SMEs managers or operators, because of not familiar such interviews. Some of the participants refused to complete and return the questionnaire this becomes a major obstacle to the sample size of the study. Some of the respondents find sensitive to these sorts of questions while some of the respondents have doubt that the study was not purely for academic purpose. Finally, researcher planned to conduct in all SMEs in Somaliland, but due to data availability and time constraints, the study could not focus on all SMEs in the country, but emphasized only on SMEs in Borama town.

1.6. Definition of Terms

It is not easy to find a precise and clear-cut definition for the small and medium scale enterprise sector. There are various conceptual definitions provided by different organizations, academics and policy makers to suit their purposes and objectives. Most of the conceptual definitions have tended to concentrate the degree of informality, a number of employees and turnover of the enterprise. It is thoroughly agreed that it is not easy to tell single definition but it might be found an easy way to do that based on fixed nations boundaries.

Most definitions used is based on the number of employees, sales, loan size. A number of employees are the most widely accepted among those three criteria. Definitions still differ from bank to bank and even from nation to nation. In this regard, according to Istanbul OECD conference on SME in 2004 two conclusions of how defining SMEs have presented both member and non-member nations, to develop international comparability of SME statistics and develop a common definition of a SMEs. Lack of universal definition of SME become the main challenge in adopting cross county studies. Recent literature indicated many nations collect data on SME financing at the same time

shows that there is no particular definition and the definitions across nations are not reliable ones statistically (Ardic, Mylenko, and Saltane, 2011, p. 4).

A study from ILO Somalia report revealed that there is no common definition and some sort of working understanding of each component of the sector i.e. Micro, Small and Medium. The report revealed that SMEs definition using a number of employees is common among countries in the east and central African region. It is also noted that these measurements are also largely used in universally to define SMEs. While it is understandable that any financial or economic measurement will be different because of the differences in each country's economy, there can and perhaps should be uniformity in a number of employees (International Labour Organisation, 2010, p. 10).

According to Somaliland ministry of planning (2013), SMEs are separated from other business units mainly by size criteria, looking several dimensions e.g. turnover, capital intensity, market share and number of the employee. SMEs are categorized following: Micro business which has not more than 5 workers. Small scale business has labour size which is between 5 – 19 workers. Medium scale business has a labour size 20 – 99. Finally, large scale business has a labour size over 100, so this study was accepted the definition of ministry of planning which is used to define SMEs in Somaliland (Somaliland Ministry of Planning, 2013, p. 2).

Abor and Quartey, (2010, pp. 219–220) Defined small and medium scale enterprise from United nation development Organization in terms of employee separating from developed economies and developing economies.

The definition classification of SMEs in developing countries is as follows:

- Micro enterprises with less than five employees,
- Small enterprises with 5 to 19 employees,
- Medium enterprises with 20 to 99 employees
- Large enterprises with 100 or more employees.

The definition Classification of SMEs in developed countries is given as follows:

- Small enterprise having 99 or less employees,
- Medium enterprises having 100 to 500 employees.
- Large enterprises having 500 or more workers.

1.6.1. Small and medium scale enterprises performance measure

Small and medium scale performance measure is widely different. Several challenges are believed preventing to find exact measure of SMEs performance, these challenges include; hard to collect performance related information from private SME due to lack of historical information and their accessibility, difficulties of interpretation on financial data, measure of survival and future profit, industry factor related financial data, information source bias, importance of potential performance and future of the SMEs than lagged performance, SMEs emphasize daily operation and finally not formalized decision making of the SMEs and poor strategic planning (Wu, 2009, pp. 37–41).

There are several attempts to define SMEs performance to figure out contribution of SMEs to wealth creation and employment via establishment, survival and development of businesses (Sandberg, 2003, p. 409). Researchers also tried to define business performance Wood, (2006, p. 443) described SMEs performance how well business objectives are achieved.

Studies of financial and non-financial performance measures was used growth indicators, such as sales growth used two-third of these studies, as well as profitability indicator but not find an accurate measure of the small business performance most of the researches suggested use of hybrid measure of performance. Chong, (2008, p. 8) argued hybrid approach could use to measure SMEs performance combining both financial and non-financial measures. Finally, Blackburn, Hart, and Wainwright, (2013, p. 18) suggested that SMEs performance should be measure turnover, employment size and profitability growth. When compared to employment and turnover to measure small enterprise performance, turnover is believed as a suitable measurement on SMEs performance (Jarvis et al., 2000).

Murphy, Trailer, and Hill, (1996, p. 17) studied the measures and performance dimensions of SMEs used earlier studies and later tested the relationship between performance variables. From 1996, this study was used as literature more than once particularly on empirical studies of measuring Small and medium scale enterprise performance. SMEs performance measure approach found Murphy et al in 1996, indicates that profitability and growth are the two performance dimensions frequently used in the empirical studies as shown in the following table.

Table 1.1: *Performance Dimension Measure and Frequency Measures.*

Dimension	Measure	Freq- uency	Measure	Freq- uency
Efficiency	Return on assets (ROA)	10	The internal rate of return(IRR)	1
	Return on investment (ROI)	4	Earnings before interest and taxes(EBIT)	1
	Return on equity (ROE)	3	Ratio of gross profit to sales	1
	Revenue per incremental change in cost.	1		
Growth	Growth in sales	18	Acquiring capital on timely basis	1
	Grange in employees	5	Asset growth	1
	Growth in market share(GSM)	5	Grange in return on sales	1
	New product/development process	3	Profitability growth	1
	Market development	2	Increase available capital	1
	The growth of Margins	1	Revenue growth	1
Profit	Net profit	12	Stock market return	1
	Return on sales	4	Profitability relative to competitors	1
	Net profit margin	1		
Size/liquidity	Number of employees	6	Net cash flow (NCF)	2
	Growth revenue	5	Cash flow relative to competitors	1
	Sales share	3		
Success/failure	Survival	4		
Other	The number of patents applied	4	Customer satisfaction	3
	Operating efficiency	3	Financial stability	1
	The actual return as compared to industry return(RINDU)	1	The actual return compared to business plan return(RPLAN)	1
	Initiate strategic alliance	1	1-year sharp's measure (e.g. the 1 year risk adjusted stock price returns controlling for market effects)	1

Source: *Vol: 35, published papers from year 1997 to 2006 on Journal Business Venturing.*

1.6.2. Economic growth dimension factors

Economic growth refers long-term expansion in the productive potentials of the economy in a satisfying way individuals wants in the society and increase economic potentials to produce goods and services in a particular period of time. Sustained economic growth of a nation has positive impact on national income, employment level and a higher living standard. The economic growth of a country can be measured by comparing the level of Gross National Product (GNP) of a year with the GNP of the previous year. Economic growth is directly related to percentage increase in GNP of a country. In real sense, economic growth is related to increase in per capita national output or net national product of a country that remain constant or sustained for many years. Economic growth can be

achieved when the rate of increase in total output is greater than the rate of increase in population of a country.

According to Ross, (2017,p.1) suggested that most economist and statisticians use to measure economic growth a Gross domestic production overtime but some other economist highlighted some limitations and bias in GDP calculations. In this study, for the reason of lack of recorded data on GDP in Somaliland, it is tried to find alternative economic growth dimensions to use in order to meet the objectives of the study some suggested dimensions will be used in this study include an Investment, Employment, Infrastructure, Income (profitability of the business) and Entrepreneurship. Firstly, Investment is believed as good indicator of economic growth to increase GDP of a countries there must be an investment in capital goods, like factories, machines, technology, buildings and property, the more capital goods a nation has the more goods and services able to produce as well the more money they make. According to UN (2014, p. 44) study was found that investment has positive relation to GDP of the country. Second, Entrepreneurship also considered as an important factor to measure economic growth, entrepreneurs take the risk for their own money and time to invest business which they believe they will make profit. Entrepreneurs invest their capital in an organized way their business they bring together natural, human and capital resources to produce goods and service to be provided by their businesses. Entrepreneurs are the source of jobs and lessen unemployment. The more entrepreneurs country has the higher country's GDP will be. Thirdly, infrastructure is also another factor for economic growth dimension most academic researches links infrastructure to economic growth. Where good infrastructure is available leads economic growth, the effect of infrastructure to economy seems indirect and relatively long-term (Kessides, 1993, p. 5). Fourth, Employment as well a good indicator for economic growth dimension, Seyfried, (2006, p. 22) found his study that there is a nature relationship between employment rate and economic growth, during the beginning of economic recoveries when the economy starts to grow provide an impetus to employment this explains the period of economic growth accompanied by employment growth. Once this occurs, the combination of economic growth and employment persistence should result in more substantial and sustained gains in employment (Seyfried, 2006, p. 22).

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Frame Work

There are more proactive theories and studies explored in the field of SME, these studies shows the importance of SMEs to economic growth and poverty alleviation, setting up an infrastructural development. From this view in this chapter will postulate some previous theories and literacy studies.

Neoclassical economist's theory in the 1980s believes that country's economic development is based on the support of free market, privatization and export increase, the neoclassical approach is more favor on market-friendly approach. The Wealth of Nation, Adam Smith's (1776) book emphasizes market, Smith believes that division of labour could generate more productive process. According to Smith's approach the nation's wealth improvement and economic growth mechanism can reach through privatization of business and specialization. Adam smith contends that privet investors pursuing their own enthusiasm is guided by "invisible hand" could double national production and enhance public interest. Fair competition, privet ownership and free trade is seen as the base that could boost economic growth, poverty reduction, and improve social moral (Dang and Pheng, 2015, p. 15).

Schumpeter was also one of the economists find interest the analysis of economic development, Schumpeter argues entrepreneurship is the center and the most importance system of innovative nature. Schumpeter proposes an approach "New combination" of economic development, Schumpeter's theory comprises five cases of establishment of a new process of production in order to reach economic growth which is needed, a new method of production, new product, opening new markets, a new source of supply and new forms of organization (Hagemann, 2013, p.5).

Based on the New Combination theory from Schumpeter of economic development is a pioneering entrepreneur. Entrepreneurs, are the only ones can implement Schumpeter's new combinations approach system. Innovation and credit are the centers of Schumpeter's theory of economic development. If there is a lack of bank credit facility theory were not figure pioneering entrepreneurship and innovation. Schumpeter's theory proposes that bank

credit is significant for economic development but the lack of credit in Schumpeter's theory become creative destruction by innovation, and the idea of bank credit was a requirement of innovation and the basis for the establishment of new enterprises. Linking new combination theory to economic area of the community is the approach to capital and its function, In Schumpeter's words "capital is nothing but the level by which the entrepreneur subjects to this control the concrete goods which he needs, nothing but a means of diverting the factors of production to new uses, or of dictating a new direction to production " (Joseph A. Schumpeter, 1934, p. 116). Loans from Banks attain a crucial level of importance when credit's application connected with the activity of doing new combination approach and bringing production into a new process of production so in that way "the entrepreneur is the typical debtor in the capitalist society". Carrying out of new combinations approach necessitates utilizing fully existing resources and restructuring these resource (Joseph Alouis Schumpeter, 1934, p. 114).

Economic development system points out that Schumpeter emphasized the role of innovation which figures the significance of credit can't exclude form entrepreneurial activities. Entrepreneurs of Schumpeterian approach are not owners of capital used for carrying out the new combination but in most cases uses bank loan capital, for that reason there is a close relation between credit and innovation and this connection makes possible for the creation of new enterprises which are demonstrators Schumpeter's theory of new combination (Joseph Alouis Schumpeter, 1934, p. 142).

Keynesian economic growth model postulates that government's macroeconomic policies should be included funding Small and medium enterprises both fiscal and monetary policies which can achieve crave level of economic growth and development. In this sight microfinance can give assistance in the enhancement or creation of new business, making alleviating poverty and bring economic stability (Abdul-Kemi and Zubair, 2014. citted from Zeller and Sharma, 1998, p.218).

2.2. Nature and Importance of SMEs in Global Economy

Definition of SMEs vary across nation, policies, programs and measures takes account into three criteria, employment size, annual turnover and annual balance sheet total. some statistical studies use in the SMEPOL project which currently used is defined macro enterprises has less than 10 employees, small enterprises with 10-49 employees having revenue less than 7 million pound and medium enterprises with 50-249 employees and annual revenue of less than 40 million pound (Muhammad Usaini, 2014, p.11).

Late of 70s to early 80s, SMEs began to turn on into more innovative and more pliable in terms of cost reduction. SMEs starts giving intermediate goods more conveniently than large scale businesses. Moreover, rise of the level of education, business related skills and decline in job security. Entrepreneurial engagement is increased around the global. Small and medium scale business emerges due to the lessening of labor lows on developing and emerging markets. In transition nations, Small businesses emerged as the outcome of the separation of large business and denationalization of government owned enterprises. Beside the enhancement of the cost reduction industries, SMEs alter the manufacturing process and brings the emergence of new markets. The interest of SME as a source of economic growth and employment become appear. On the other side Large enterprises were believed as Schumpeter states earlier brings industrial development for undertaking huge investment for the future growth (Caner, n.d, p.1).

Small and medium enterprises emergence was needed to carry out activities by filling gaps left large enterprise from big industries to the consumers, for that reason SMEs dramatically exist between industry ranging from traditional to the modern high technology industries (Muhammad Usaini, 2014, cited from Olurunshola, 2013 p.1). Assurance of the World Bank Group to the development of small and medium enterprises, starts recognition of SME as an essential component plan to enhance economic growth, employment generation and poverty mitigation (Ayyagari, Beck, and Demirguc-Kunt, 2007, p.1). A pliable, strong and dynamic small and medium enterprise sector develop a sustainable economic condition. SME inspire private ownership and innovation from entrepreneurial skill, they are vibrant and easily adopt market changing in supply and demand condition. Small and medium enterprises generate huge employment opportunities and establish the

new route of export by creating international trade integration. SME is considered the backbone of industrial economy driver collectively but not individually (Survey, 1999, p.1).

Pro-SME policy argues direct support SMEs from government and other financial institutions can spur economic growth and development, generate employment, enhance competition, entrepreneurship, innovation, productivity increase and alleviate poverty. Advocates of pro-SME argue subsidizing SMEs boost economy rather than large enterprises (Beck, Demirguc-Kunt, and Levine, 2005, p.1). World Bank Group supported SME 2.8 billion in 2004, after recognition increase the role of small and medium enterprises play to maintain regional and global economic readjustment (Beck et al, 2005, p.2). February 17, 2009 the American Recovery and Reinvestment Act (ARRA) perform to \$800 billion tax mitigation and new spending to goad the economy, including a few target to bolster SMEs, \$720 million to bolster programs at the U.S. SMEs Administration, other \$400 million backings to advance financial improvement and entrepreneurs, especially in bothered rustic, urban, and low-salary groups and Tax motivating forces for private companies, including a continuation of area 179 expensing up to \$250,000 on new capital investments (SBA, 2010, p.9).

Small and medium enterprises make a contribution greater than Large enterprises to GDP, as nations evolve prosperous, there is a rise in the work force engage working in small and medium manufacturing rather than large manufacturing firms (Ayyagari et al., 2007, p.9). According to International Labor Organization (ILO) SMEs has been a key area to interfere with the promotion economy, because of their crucial contributions to job creation and income generation, SME accounts two-thirds of all jobs globally (International Labour Office, 2015, p.1). In Asian Pacific regions, SMEs are considered as the core of employment which accounts 90 percent of the business. SMEs give nearly 32 to 48 percent of total jobs and contribute to GDP approximately 60 to 80 percent. In Switzerland and European Economic Area (EEA) total 16 million enterprises only 1 percent is considered as a large company while the remaining are small and medium enterprises (Survey, 1999, p. 3). SMEs are considerable to global economy, following example will shed the light their role to sustainable development and economic growth.

2.2.1. Small and medium scale enterprises in world economies.

Small and medium scale enterprises are defined most of the nations around the world as enterprises having between 10 to 250 employees, businesses have up to 10 workers always referred as micro businesses but there is no common definition agreed for defining micro or SMEs.

In world bank enterprise survey took a sample of 99 businesses of developing and emerging economies. SMEs account two third of private sector job opportunities created by formal non-agricultural. another sample of 17 enterprises of OECD nations includes Brazil micro businesses and SMEs actively contribute 63% net jobs of the overall employment particularly new productive enterprises.

Based on world trade organization figures on world bank enterprise survey checked over 25,000 SMEs in developing economies, total sales on SMEs represent only 7.6% of manufacturing sector while large manufacturing firms account 14.1%. African nations have the lowest export participation among developing economies at 3% compared to 8% of Asian developing nations. SME on developing economies are insignificant on international trade export participation they only account 0.9% when compared to 31.9% of large firms (WTO, 2016, p. 5). In direct export participation SMEs with less 250 in developed economies accounts 68% of total exports and 83% of total import most of the nations. On the other hand, indirect export participation on SMEs in developing nations in manufacturing sector accounts 2.4% compared to 14.1% of large manufacturing firms of overall sales export (WTO, 2016, p. 6)

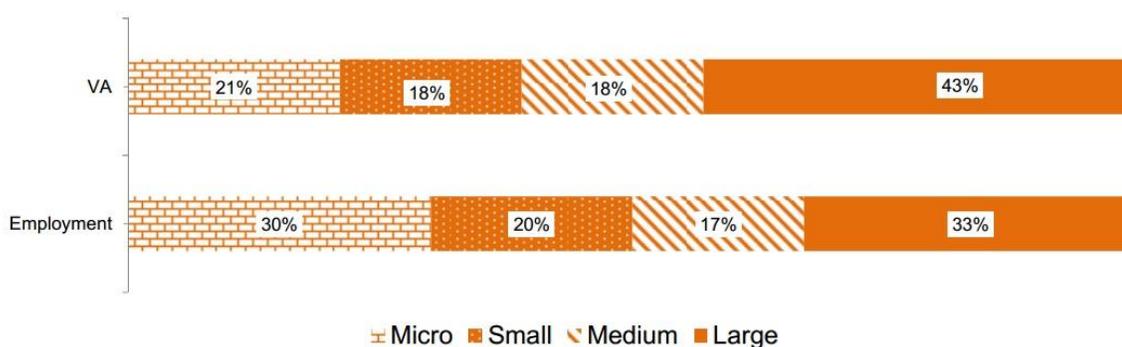
Small and medium scale enterprise on technology participation indicates survey on eBay covering 22 nations that 97% and in some nations 100% SMEs practice technology-enabled export compared to 2% to 28% practice traditional SMEs export most of the nations. SMEs export reached distance destination for practicing both internet enabled and traditional export. Despite the good adaptation on SMEs internet based commerce participation but they are still behind large firms on technology participation (WTO, 2016, p. 6).

2.2.2. SMEs European Union

Small and medium scale enterprise sector in the European Union is considerable like rest of the world, micro businesses which have less than 10 employees accounts almost 93% of all firms in non-financial EU sector. across the European Union member nations SMEs are recognized key engine of the economy. Only 2015, just 23 million SMEs created 3.9 Euro trillion in value added and employed 90 million employees, make up 99.8% of all operating firms, 57.4% of value added and 66.8% of total employment (Dimitri Gagliardi, 2016, p. 1).

As seen in Figure below, major three small and medium scale enterprise categories accounts average of 20% of the total value added individually while large enterprises account 43% but in terms of jobs micro firm accounts alone 30% of total jobs and small account 20% and medium accounts 17%. Five SMEs sectors are considered as important in terms of employment contribution, accommodation and food, service, construction, manufacturing and wholesale or retail all these sectors accounts 78% of total jobs generate SMEs and 71% of Small and medium scale enterprise value added in 2015 alone (Dimitri Gagliardi, 2016, pp. 4–5).

Figure 1: Value added and employment in the non-financial business sector in the EU28 by enterprise size, 2015



Source: Eurostat, National Statistical Offices and DIW Econ

Source: Eurostat, National Statistical Offices and DIW Econ

Figure 2.1: Value Added and Employment of Non-Financial Business Sectors Of EU In 2015

Small and medium scale enterprise effect on economic performance has increased when compared 2015 amount of 5.7% from 3.8% in 2014 in value added as well as employment grow by 1.1% in 2014 to 1.5% in 2015. Addition to that micro firms accounts more than half of the employment increase over SMEs in 2015. Micro firms accounts for 37% of the increase in total jobs in the non-financial sector in 2015 relatively medium 17% while small business was 20% of the total jobs in 2015. Finally in the terms of value added SMEs accounts 39% (Dimitri Gagliardi, 2016, p. 10).

Table below shows SMEs share in all EU member nation and Norway, they make up more than 99% of all business and accounts approximately two-third of total jobs (Airaksinen, Luomaranta, Alajääskö, and Roodhuijzen, 2015, p. 2).

Country	Enterprises		Persons employed		GVA (million €)	
	Total	% SME	Total	% SME	Total	% SME
EU-28	22 346 729	99.8	133 767 348	67.0	6 184 825	57.5
Belgium	566 006	99.8	2 718 355	70.1	189 086	62.2
Bulgaria	312 608	99.8	1 872 997	75.5	18 246	62.3
Czech Republic	1 007 441	99.9	3 521 520	69.8	84 142	56.0
Denmark	213 358	99.7	1 602 105	65.0	119 936	62.5
Germany	2 189 737	99.5	26 401 395	62.5	1 385 501	53.3
Estonia	58 408	99.7	393 545	78.1	9 338	74.9
Ireland	146 741		1 097 444		88 360	
Greece	726 581	99.9	2 198 986	86.5	54 703	72.8
Spain	2 385 077	99.9	10 923 323	73.9	434 156	63.0
France	2 882 419		15 495 621		890 597	
Croatia	148 573	99.7	1 002 905	68.3	19 115	54.8
Italy	3 825 458		14 715 132		646 476	
Cyprus	46 139	99.9	224 915		7 864	
Latvia	91 939	99.8	573 580	78.8	9 269	69.2
Lithuania	141 893	99.8	835 630	76.2	12 155	68.5
Luxembourg	29 265	99.5	242 533	68.3	19 250	70.7
Hungary	528 519		2 430 681		46 497	
Malta	26 796	99.8	119 224	79.3	3 548	74.9
Netherlands	862 697	99.8	5 359 446	66.7	310 022	62.9
Austria	308 411	99.7	2 671 477	68.0	164 976	60.5
Poland	1 519 904	99.8	8 326 839	68.9	171 627	50.1
Portugal	793 235	99.9	2 942 895		66 360	
Romania	425 731	99.6	3 837 868	66.4	48 432	
Slovenia	119 644	99.8	574 479	72.3	17 140	62.8
Slovakia	398 392	99.9	1 417 228	69.7	32 922	60.5
Finland	226 373	99.7	1 457 599	63.0	86 957	59.6
Sweden	661 822	99.8	3 025 006	65.4	210 859	58.5
United Kingdom	1 703 562	99.7	17 784 620	53.0	1 037 293	50.9
Norway	278 899	99.8	1 510 838	67.6	230 661	58.6

Source: Statistics Explained (<http://epp.eurostat.ec.europa.eu/statisticsexplained/>)

Figure 1.2: SMES Employment Share in EU Plus Norway

2.2.3. SMEs in Turkey

Small and medium scale enterprises in Turkey like other nations accounts 99.8% of total enterprises and generate 73.5% of total employment, 54.1% of total paid salaries and wages in privet sector, 53.5% of value added finally constitutes 55% of gross investment in tangible goods in 2014. Major SMEs sectors in Turkey are a wholesale and retail trade which and motor related firms are 39.2% transportation and storage 15.4% and 12.4% of active manufacturing businesses in 2014.

In wholesale and retail trade, repair of motor vehicles and motorcycles sector that had the maximum share as number of firms, share of employment was 26.9%, share of wages and salaries was 23%, share of turnover was 49.6%, share of value added at factor cost was 26.1% and share of investment in goods was 19.4% in 2014. In Turkish SMEs context manufacturing sectors works low level technology. SMEs in turkey made 55.1% export and 37.7% import in 2015 (Turkish Statistical, 2016, pp. 1–3).

2.2.4. SMEs in United Kingdom

In 2016 more than 99% of the businesses in the United Kingdom was SMEs having less than 249 employees, operating businesses was almost 5.5 million enterprises. 96% of the business in UK were micro enterprises with less than 9 employees which accounts 32% of employment and turnover of 19%.

In London alone there are 1,464 enterprises. SMEs are categorized as following service industries which are the largest portion is accounted for 74% of the enterprises with 79% of total employment and 72% of turnover, manufacturing sector is 5% of the enterprises with 10% of employment and 15% of turnover. Interestingly 20% of the SMEs are owned or led female while other 26% are female board member. Despite the progress the SMEs in the UK there was birth of 383,000 enterprises in 2015 252,000 of them died or bankrupted (Rhodes, 2016, p. 3).

Private sector businesses in the UK

	Number of businesses (000s)	Change on year (000s)	% change on year	% that are employers
2000	3,467	-	-	32%
2001	3,502	35	1%	33%
2002	3,573	71	2%	33%
2003	3,679	106	3%	32%
2004	3,925	247	7%	30%
2005	3,927	1	0%	30%
2006	4,125	199	5%	29%
2007	4,272	146	4%	29%
2008	4,284	12	0%	29%
2009	4,375	92	2%	28%
2010	4,483	108	2%	27%
2011	4,589	106	2%	26%
2012	4,818	229	5%	26%
2013	4,914	97	2%	25%
2014	5,247	333	7%	24%
2015	5,401	154	3%	24%
2016	5,498	97	2%	24%

Source: BIS, Business Population Estimates

Notes: Data relates to the start of each year

Source: BIS, Business population Estimates

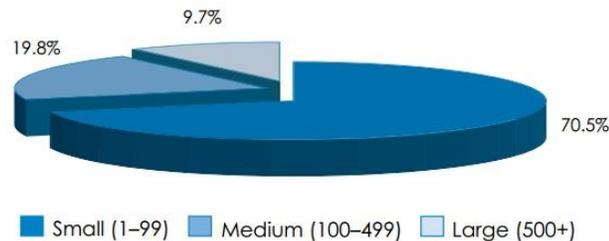
Figure 2.3: Privet Sectors Number In UK From 2000-2016

2.2.5. SMEs in Canada

Small and medium scale enterprises in Canada as observed in 2015 was totaled 1.17 million enterprises, 1.14 million (97.9%) were small enterprises, 21,214 (1.8%) were medium-sized enterprises but only small number of enterprises were large firms 2,933 (0.3%) this indicates that small and medium enterprises dominantly exist on Canadian economy. Female entrepreneur's participation is also significant, in 2014 15.7% of the SMEs were possessed by women and 19.7% were equally possessed women and men. Female owned SMEs are in common on these areas information, health care centers, admiration and service. Death of the small and medium sized businesses is also along with high rate in 2013 alone 78,430 SMEs was birth but 83,240 were death this is larger than

number of birth business rate of 4,810 this result shows that number if business dying is larger than number of birth.

Figure 2.1-1: Share of Total Private Employment by Size of Business, 2015



Sources: Statistics Canada, Labour Force Survey (LFS); and Innovation, Science and Economic Development Canada calculations.

Source: Statistics Canada, Labour Force Survey(LFS); and Innovation Science.

Figure 2.4: Shows Employment Contribution SMES Sectors

When come to the contribution of employment for Canadian SMEs, in 2015 Canadian small enterprises generated more than 8.2 million jobs of 70.5% of total privet sector, as well medium-sized enterprises also generated 19.8% or 2.3 million jobs. To sum up Canadian small-scale enterprises account the majority of net jobs 87.7% between 2005 and 2015 compared to medium-sized enterprises which accounts 7.7% and large enterprises which accounts 4.6% only.

On the innovation side, SMEs accounted 27% of total research and development outflows, spending 13 billion over the period between 2011 and 2013. In 2014, manufacturing sector accounted highest percentage of innovation 61.5% second was sitting wholesale trade 50.5% and professional, scientific and technic service accounts 45%.

When come to export of goods Canada exports in 2013, \$420 billion worth goods which \$106 billion or 25% was exported SMEs, in 2014, 73,000 (11.8%) SMEs exported goods and service. SMEs also contribute Canadian GDP great portion, in 2014, SMEs make up to 30% of the GDP (Canada, 2016, pp. vi-vii).

Major problem small and medium scale enterprise face is obtaining finance this problem becomes more extensive during the economic recession. Despite the importance of SMEs for employment, income generation. SMEs related studies point out the actuality that small business face problems of getting finance than large businesses, which hampers their growth, limits performance and development. These obstacles are from the results of lack

of collateral, problems of small cash flow, low credit history, high risk of bankruptcy, underdeveloped bank borrow relationships and high transaction cost inherited SME to find difficulties of getting commercial bank financing also uncertainties of Macroeconomic in developing nations and competitions from developed nations are recognised another major problem to SME finance (Dias Duarte, Matias Gama, and Paulo Esperan??a, 2016, p.407).

2.3. SMEs Importance on Developing Economies.

Broad existing studies regarding small and medium enterprises for developing countries underlined the importance and their contribution to economic improvements. Recent studies conducted in developing countries indicated small business sector is an essential part of the economic output, a major source of income and employment generation, almost labor force are enlisted SMEs. Share of SME of employment lean to be higher in developing countries then developed economies.

Vast majority of Small and medium scale enterprise in developing countries like Myanmar which is 83 percent of privet sector in these countries are counted household-based, family owned or self-employed naturally operate in labor-intensive manufacturing and service rendering (Kapteyn and Wah, 2016 cited from OECD, 2013, p.1). Entrepreneurs of developing countries start a business to generate income, but most of SME in developing countries operates lack off profit opportunities and capability of skilled labour. Resource and technology expose least tendency toward development, which brings business owners emphasize firm survival (Nichter and Goldmark, 2009, p.1460). Daniels states on his study, SME in developing countries are significant to poverty alleviation because of their job creation, increase owner's income who were poor. In Kenya study shows 72% of micro and small enterprise owners lie lower than poverty line (Daniels, 1999, p.60).

Developing economies, SMEs do not increase few employees but few experiences rapidly increase in terms labor due to high performance and considerable growth (Nichter and Goldmark, 2009, p.1453). Existing studies show that there is a connection between firm age and small business growth in developing nations. Young SMEs expand considerably faster than older ones on average, studies in many countries of developing economies both Latin American and Africa indicates that new businesses are more like to

grow when compared to SMEs existing longer (Mead and Liedholm, 1998, p.67-68). Another study, reveals most of SMEs expansion occur during their third year of operation and expansion decrease when a firm becomes older (Nichter and Goldmark, 2009, p.1453).

Small and medium scale enterprises in developing countries have an important relationship between SME growth and the business cycle, SMEs often expand during economic recessions due to rise in survivalist-type activities and more resilient during severe economic crisis than larger firms. During East Asian economic crisis more SME business managed to survive better than large business in Indonesia and mostly like to repay loans from Bank (Nichter and Goldmark, 2009, p.1459).

Recently studies for SMEs in developing nations provides a new insight of business start-ups is from entrepreneurs motivated to get a new way of living and invest in to small business to generate income for family survival and overcome limited jobs characterized by their nations. Most SME in developing countries are a Family-owned shop, restaurants, hotels dominantly run by males and their start-up capital was from family contribution, personal saving and not much bank loans from a local bank and some entrepreneurs start their business without external funding. Successfully, family business gives a better living standard for the residents in that area by improving societal development and generation of various new jobs (Banki and Ismail, 2015, p.18-19).

Small and medium scale enterprise sector is recognised as an integral part in the economies of developing nations, their importance becomes quite clear in current years and flattering to be the source of future economic growth (McPherson, 1996, p.273; Daniels, 1999, p.63). SME sector essentially contributes national income and employment, One-third of all working people in developing countries are employed in SMEs and donate 13% to the GDP. For example SMEs in Mexico and Thailand are 97% of all operating firms (Kantis, Angelli, and Koenig, 2004; Simmons, 2004 cited Nichter and Goldmark, 2009, p.1).

United Nations report on 2014, Poor people derive their house hold income from self-employment, so SMEs become an important source of self-employment of most of the low-income communities in both developing and least developed nation. To decrease poverty, United Nation states on their report that SMEs are significant in low income society for their momentous provision of jobs to the poor. Enhancement of SME performance could

bring improvement of living standard and increase the income of owners and as well wage of SME workers (Maksimov, Wang, and Luo, 2016, p.2).

Ayyagari, Demirguc-Kunt, and Maksimovic, (2011, p.10) examine their study SME role of employment generation which indicates small business that has less than 250 workers were significant economy in the most nations, following this study (Beck et al., 2005, p.3) combined SMEs account over average of 60 percent of overall employment in most developing nations. In china SME represents 99.4 % in 2012 and added to 59% GDP and they accounted 60% of overall sales (Wang, 2016, p.1). Formal SMEs contribute 33 percent to the GDP of developing countries (Teima et al., 2010, p.6).

Survey based on SMEs conducted Six developing nations include the Dominican Republic and five African nations Botswana, Kenya, Malawi, Swaziland and Zimbabwe shows 17-27% of labor force employ in SMEs (Mead and Liedholm, 1998, p.62). On the other hand, Sub-Saharan African SMEs employs 22% of adult (Daniels, 1999, p.55). In Chana SME contributes approximately 85% of production and roughly 70% to GDP and accounts 92% of overall enterprises in Chana. As well as South Africa 91% of formal enterprises considered SMEs while they contribute to 52 to 57% of GDP and account 61% of total employment (Abor and Quartey, 2010, p.223)

Small and medium scale enterprises in developing nations encounter challenges like many firms around the globe, such a lack of credit access, limited economic scope, technology, poor managerial skill, rarely available training and not improved the financial market condition. Financial access is one of the main challenge facing SMEs across the world (Maksimov et al., 2016, p.2). SME in developing economies have the same obstacle but they face additional problems which hampered their development and limit their contribution. Challenges SMEs in developing nations face include information asymmetric which is often make difficult for banks to conduct a risk assessment, weak credit information system to find historical credit information, weakness of bank collateral, bankruptcy (Dias Duarte, Matias Gama, and Paulo Esperan??a, 2017, p.3).

Many developing countries, credit market decline cause limitation of SMEs performance. Entrepreneurs often suffer inadequate credit as a major obstacle. Borrowing is also another main challenge hamper to start and running a small business in developing countries. Information asymmetry between lender and borrower influence lending terms

and conditions (Yaldiz Hanedar, Broccardo, and Bazzana, 2014, p.106-107). Finally many SMEs in developing countries suffer an electricity shortage, insufficient voltage and power shortage are popular (Wang, 2016, p.7; Kapteyn and Wah, 2016, p.7).

2.4. SMEs Performance to Economic Growth

Economic growth is about concurrently improvement from various economic sectors, increase goods and services, GDP growth, high income, low inflation level, investment booming, increase in real wage, capital and, the number of employing labour force increase in specific time. Although there is the benchmark for determining the level of economic development take proxies include; per capita income, quality of living standard, urbanization, technological improvement, industrialization, equitable distribution, modernization, and meaningful employment for a citizenry. Like many studies addresses the importance of SMEs on both developing and developed economies are recognized as the backbone contributor almost these sectors.

Small and medium scale enterprises are the main mounting power behind the china's rapid economic growth, SMEs counts 40% of china GDP, the scale of capital, product differentiation, and job creation. Similarly, the importance of SMEs is recognized well in nations include South Korea, Japan and most of the industrialized nations in terms of employment generation, poverty alleviation and improvement of social welfare. In addition SMEs characterized as a significant contributor of fostering economic growth, they play a vital role in the enhancement of a nation through subsidizing provision of desirable sustainability and innovation, a huge number of people rely on directly and indirectly on SMEs (Ijeoma Ekwem, 2011, P. 11,40).

Small and medium scale business as privet sectors are the proxy backbone of many Somalis survived during the post-conflict in Somalia as a whole and particularly in Somaliland. After the collapse of the Somali government in 1991, widespread civil war began even continuing today and entering new face not willing to finish soon. Somaliland announces after several reconciliations held between clans living in Somaliland as an independent state of Somaliland on 18 May 1991 but not internationally recognized yet. Despite wide spread of civil war, and the collapse of almost economic pillar, SMEs become a sign of hope for economic development restoration. SMEs start to contribute income

generation, and many people start willing to establish their own business hoping it is the only way to get income. For that reason, SMEs become a factor of good hope of economic growth and redistribution of per capita income.

It is obvious, a major portion of Somaliland economic growth is from SMEs, studies indicate that SMEs contribute in term of GDP 90 percent, main SME contributor of Somaliland GDP is livestock export which subsidizes to the GDP 29% and account 47% of employment in Somaliland (Bank, 2014, p.7-8; Planning, National, and Plan, 2012, p.93). If Somaliland economy is a lack of SMEs, there would be a big doubt about the living condition and the surviving of Somaliland citizens. People of Somaliland are heavily depending on self-business owned and there is no other source of income expect small portion comes from the government. for that reason, SMEs play an important role in the economy of Somaliland. Post conflict Somaliland had one of the most difficult climates for business in the world as measured by conventional indicators, protection of poverty, the ability to attract investors, all government's financial sectors, economic growth indicators and efficiency of export/import among others were all extraordinarily become weak. This discourages new investment as well as the existing of businesses. But the only survival way is that the privet sector has the ability to protect its interest and managed to continue their works while others have not. SMEs during the hard-economic conditions contributes rebuilding economic growth and provision of entrepreneurial development, employment, wealth, self-dependence, income and another economic uplifting (Aremu 2004 cited Muhammad Usaini, 2014, p. 21). From 1991, up to day SMEs in Somaliland is considered as an avenue for growing and spurs Somaliland economic development, help in the alleviation of poverty, reduce unemployment rate, source of income of many families, a stimulator of the economy and increase in GDP.

Moreover, recent Somaliland economic recession, SMEs bring emergence small industries and increase in service sectors, which cause import and export of the country become double. Incredibly export of livestock, which is densely the Somaliland economy become the backbone source of hard currency in all privet sector, Fishing and Agricultural sectors also show importance to Somaliland economy. Summing up all the above-mentioned Somaliland economic growth without SMEs was not measurable. Furthermore,

SMEs plays a vital role in the economy of particular neighboring countries for making easy trade integration of these countries.

However, all these positive contributions of SMEs to the economics growth, there are some studies make strong this argument. They argue that sufficient funding and enhancement of SMEs can help to reduce unemployment rate and curtail poverty in Somaliland, it is commonly unveiled that enhancement of small and medium scale enterprise sector can be reached the desired economic growth, higher income level, low unemployment rate and GDP growth. On the other hand, SMEs is considered investment engine from saved income through the process of entrepreneurial development (Aremu, 2004; Gunu, 2004 cited Muhammad Usaini, 2014, p.22).

2.5. Role of SMEs in Economic Development

There is an increasing argument which indicates small and medium scale enterprise significance for both economic and social development in many countries of both developed and developing countries. SMEs development and improving their performance has importance feature of rising and developing economy. SMEs have been noted their crucial role for the development of nations in varies ways in an attempt to accelerate the rate of economic development, employment provision of both urban and rural inhabitants and contribute in general to the economy's sustainable innovation.

Small and medium scale enterprises recently observe main debate of concern area most of the economic development policy makers, for their attempt to economic growth enhancement. SMEs has been considered the prime mover through goals of economic development of developing nations can be realized. Privet business sector is the potential source of income and employment most of the developing nations (Abor and Quartey, 2010, p.223). Study indicate that, development of nation can be seen by the economic condition, increasing or decreasing rate of peoples living standard is the major concern of confirming development process. Least development process needs obtaining basic necessities of people living in particular area to afford life sustaining, if there is a lack of basic necessities of certain people make life danger to that area. Furthermore, when the majority of people live under poverty life but few of them enjoy benefiting development there is no sustainable economy in that region (Todaro and Smith, 2012, p.4-5).

Small and medium scale enterprises are more momentous than large enterprises, in EOCED economies they compose almost 95 percent of all business created jobs and gives approximately between 60 to 70 percent of overall jobs because SMEs are more labor intensive and lower cost accompanying with job creation. They play a crucial role making secure income stability, economic condition improvement, employment and they are more likely to attain good outcome in smaller urban areas to rural spheres, where SMEs can afford to participate economic distribution activity in rural areas and slow down rural-urban migration. Due to the SMEs availability and labor intensity, some studies argued they promote a more income distribution equitability than large enterprises. They also enhance local market production efficiency and make easier use of scare resources this simplifying long term economic development (Abor and Quartey, 2010, p.223; OECD, 1996, p.7)

Small and medium scale enterprises in Africa takes the greatest portion of the country building, economic development and nation's innovativeness. SMEs in Africa generates 80% of the continent's employment, bring novel middle class and increasing new demand of goods and services. recent studies which emphasize small and medium scale business sector in Africa reveals that they are the engine of income generation and source of employment. without small and medium scale enterprise Africa's development cannot happen as well as socio-economic improvement and poverty alleviation become so hard to achieve (Oigara, 2015, p.1).

There has been an increasing SMEs consideration as the incentive of global economies build. SMEs offer entrepreneurial enthusiasm and vitality which brings movement of economic activity through different industries. Nature of SMEs is known competition enhancement and entrepreneurship which are prime engine of economic efficiency, innovation and double aggregate productivity. Entrepreneurs contribute economy rapid supply of idea, skill and fruitful innovation (Thomas, 2014, p.464).

The Recent economic crisis has globally affected the economy of a large number of societies, with concern to that economic recession, a study revealed that SMEs are considered an effort to create job and initiate income for many people, their enhancement could reduce the risk of economic uncertainty for communities. Therefore, other studies backed SMEs development and giving full support to them bear to give a contribution to economic development and national development than large enterprises. SMEs have

convenience over their competitors of large scale businesses their ability for adapting market situation easily, and able to endure adverse economic situation for their nature of flexibility (Abor and Quartey, 2010, p.223).

Manufacturing goods of value and service provision is another way SMEs take part contribution of national production; this extent compromises the facilitation of products and services to consumers and subsidizes the total export of the country to increase the balance of payment performance. In Somaliland SMEs represent a boundless portion of businesses, they represent almost 95 percent of the Somaliland businesses and accounts nearly 89 percent of Somaliland's GDP and more than 47 percent of all jobs (World Bank, 2014, p.7)

There is another significant contribution SMEs perform in revamping agricultural economy into an industrial one that brings an opportunity for setting out particular activities which could give a sustainable method of income generation and enhance the process of economic development. Previous literature indicates that SMEs give support to make sure the system of economy is flexible; SMEs and large enterprises interrelations is a significant particularly for drawing attention foreign direct investment (Fida 2008, cited Muhammad Usaini, 2014, p.23).

Recent researches reveal that there is a broad agreement from policy maker, economists and academicians underlining the importance of SMEs improving and developing their performance through entrepreneurs will enhance and give donation to economic development. in economic development SMEs generate almost the available jobs in an economy and provide a favorable environment which SMEs could enact and give needed jobs for the intention of ensuring economic development (Edmiston, 2004, p.2).

2.6. SMEs Contribution to the Economy.

Historical experience scrutiny of the importance of SMEs to economy and development to all most in global economies, particularly to those in emerging economies having employment and income redistribution problems is filled with success record of the healthy effect and positive influence in industrial emergence, technology invention, export improvement, and most of the industrial structure is consisted from SMEs.

During industrial revolution between 1760-1850 has been good evidence of the innovative spirit of SMEs which is challenged a current century of winds of economic

alteration of technological innovation and industrial liberalization which cleans different economies of the world. Apart from these challenges, SMEs have kept on significant and relevant to economic catalysts in developed nations as they are in the developing countries. More than 90 percent of all enterprises in developed nations are SMEs while 80 percent of labor force in Japan, 50 percent in Germany, and 46 percent of USA SMEs add approximately 39 percent of the national income. SMEs in developing economy's role are more significant since they provide realistic expectations for generating extra jobs and scale down poverty and improving the quality of living standard. A salutary small and medium scale business sector is the sine qua non for broad and socially sustainable development (Basil Anthony Ngwu Onugu, 2005, P.32).

Point view of socio-economic development, SMEs have several benefits over large scale businesses do not have when comparing, main different benefit aspect include, innovation, evolution, easily adaptation with the market condition even calamitous economic situation could withstand because of their flexibility nature, labor intensive and job creation cost is relatively low. Additionally, for their important effect on income distribution, government tax revenue and job creation, efficient utilization of resources, family income stability, economic growth and development (Ijeoma Ekwem, 2011, p.10; Liedholm and Mead, 1987, p.89-116).

Small and medium scale enterprise's flexibility and innovation able to react customer's market demands. Technological production of many SMEs could restrict flexibility so they believe their people rather than technology that grant flexibility (Carrie *et al*, 1996 cited Agyapong, 2010, p.199; Gupta and Cawthon, 1996, p.78).

SMEs give contribution to an economy of a country, prosperity establishment needed to be recognized by the government at first stage and to be considered as an important part of the process of economic development. when the definition of SMEs glanced, it shows that they have less than 500 employees this number of employee is an important ratio of a country's economy (Edmiston, 2004, p.2). SMEs in terms of job provide an approximately quarter of almost total jobs each year as well as produce almost more than half of private sector's output (Muhammad Usaini, 2014, p.24).

Although it is not easy to get an accurate figure of small and medium scale contribution to the economy in most of developing countries, it is clear the role and

significant contribution of SMEs to economies of developing economies. Despite SME's vast contribution toward economy they face obstacle that hinder their economic contributions, expensive electricity, poor infrastructure, capital shortage, high cost of transportation, foreign exchange, weak local currency, lack of access to technology and low quality labour are most severe problem impact to small and medium scale performance in developing economies. Therefore, these obstacles are susceptible locked technology and investment. Elements required developing countries to achieve sustainable development include, economic growth and poverty reduction, foreign direct investment and technology acquisition which will help the improvement of SME performance (Ijeoma Ekwem, 2011, P.11).

Contribution of small and medium scale enterprise to economy is considerable and their importance is emerging time after time, SMEs performance in the economy is active several sectors and play crucial role these areas such, employment generation, income creation, export and import, technological progress, value added, investment, turnover, infrastructure, and GDP growth. In this study will try to check the importance and their role of income generation and job creation which seems two of the most important proxies in this study.

2.6.1. SMEs and income generation

Small and medium scale enterprises from results of entrepreneurship start-ups have a crucial role on economic growth and comprise increase per capita outcome and income generation, it also involves altering social living structure and method of business activity, therefore this change follows an increase in national output, a development which brings more prosperous and redistribution of income. Social change and development progress expedited economic growth theory of innovation. Key of evolving novel product is not prime function of innovation but also investment stimulation concern in business being along with. Investing a new venture effects both supply and demand sides of growth equation. These new investing will result expand both capacities of growth in supply side and capacity output on the demand side. The rise of innovation and entrepreneurial activity of small business start-ups give an assistance income generation and enhance sustainable economic growth (Hisrich. Peters and Shepherd, 2017, p.20).

Small and medium scale enterprises from entrepreneurial activity have a significant relationship with economic success as they are contributing revenue of government through tax, GDP, job creation, simplifying distribution of goods and services, industrial innovation, and giving particular flexible goods and services. According to Beck, Demirgüç-kunt, and Levine, (2003, p.1) on their World Bank report small and medium scale improvement programs create a special contribution to economic growth by reducing poverty as result of generating needed income.

Past centuries economic growth assisted by entrepreneurs played a significant role which is estimated an increase in income of United States approximately 2000 percent even more. Hence, these income increase is the result of entrepreneurial work of establishing companies collectively facilitated economic growth. Similarly, Dahabshiil, Omaar group, Indhadeero Group, Region Company, and Telesom have improved Somaliland Economy (Baumo 2007, cited Agyapong, 2010, p.200).

Somalilanders key source of income is small and medium scale sector undeniably. This is because of limited source of government and other formal sectors which employ the least portion of the labor force. SMEs generate most job chance in the country particularly they create most job outside the capital city (Hargeisa). The main reliable source of income of the people living other cities of Somaliland include Borama city and job creation source of these people is SMEs. Establishment of SMEs in Somaliland assist poverty reduction through income generation, employment, facilitating children to go school, allowing families to get health care and empowering income redistribution. SMEs in Somaliland accounts almost of all business this indicates that they are a source of economic growth and major contributor of income generation and employment and contributes over 90 percent to the GDP of the country, Privet sector in Somaliland businesses have less than 20 employees (Planning et al., 2012, p.4).

2.6.2. SMEs and job creation

Small and medium scale enterprises improvement in relation to economic development can be the desired economic conditions. Therefore, SMEs have a vital effect upon job creation, efficiently resource utilization, government revenue generation through taxation, income distribution as well family income stability. According to United Nation

Industrial Development Organization(UNIDO) global economic integration through liberalization of the economy is a vital way to overcome poverty and inequality of living. A significant method to achieve this goal, SMEs could facilitate as a key central player (Muhammad Usaini, 2014, p.25).

Literature on assessment of net job creation trying to locate the type of business generate the most net jobs indicates that business start-ups play vital significant role in employment generation, but have narrow effect on net employment creation in the long term because of approximately more than half of all business start-ups close by their second year of operation and few of them continues to operate after five years. However, small businesses that have less than 20 employees with their start-up's likely insignificant effect on net employment generation in long-term but businesses with 20-499 employees likely to have a significant effect on job creation. Small business effect on job creation varies by business size (Dilger, 2013, p.1).

For instance, SMEs contribute approximately more than 65 percent of overall employment developed economies while informal SMEs contribute over 40 percent of total employment least developed economies about 55 percent of total employment in developing economies (OECD, 2004, p.11). Somaliland situation does not easily determine the contribution of SMEs to job creation because of data is not readily available, However, data available on world bank report indicates that 47 percent of total employment is from SMEs particularly livestock (World Bank, 2014, p.7). Therefore SMEs in Somaliland play a crucial role in the development of the Somaliland economy and employment generation (World Bank, 2016, p.27).

Unlike large scale business, small businesses have a passion for granting jobs, the huge number of people particularly in the process of production. In terms of job opportunities provision, poverty reduction and revenue generation they play a crucial role. Hence, based on empirical studies SMEs provide most of the privet sector jobs in industrialized nations. Therefore, planning strategic development of small business certainly can help firms to increase their performance and grow a particular point in time and would not remain stationary when development strategy adequately put in work. The process of altering firm class from small to medium and form medium to large certainly

give assistance each group. Nevertheless, altering business class size into and out at the same time causes increase jobs within those group changes (Edmiston, 2007, p.24).

2.7. Role of Entrepreneurial SMEs Start-ups to Economic growth

Entrepreneurship is a way of creative human being process which organizes resources from stage of manufacturing to another stage of productivity, an excellent one, who figure out market opportunities where other people find only confusion, disorientation and chaos. An entrepreneur is a person who is ready to accept both intellect and responsibilities the risk from his action of performing a task from idea to implementation. According to Schumpeter's theory of entrepreneurs underlined their role of innovation are not only innovators but they are an agent of altering and coordinators of the manufacturing process, through the process of new combination theory of the new good, new production process, new market, and a new source of material. Bestowing from Schumpeterian suggestion entrepreneurial process compromises a key factor of economic growth and development of a nation (Toma et al., 2014, p.438). On the other side Kirzner state that entrepreneurs are a responder of market opportunities rather than creating them by capturing economic convenience. A Recent entrepreneur is recognised as superior who figure out hidden economic chances and contribute to economic growth and fight against poverty through creation of new jobs (Kirzner, 1973, p.9)

Economic policy makers, financial institution, and governments giving their prior attention to the performance of entrepreneurship toward economic growth. Economists leave their old approach based on giving priority large enterprises but today they are relying on SMEs than in the past. Entrepreneurial activity recent is widely considered by nations throughout the world as a crucial key mechanism for improving economic conditions, especially areas where entrepreneurial activity is booming because this provides a relatively and complete agreed way to increase job creation and improving per capita income increase. For that reason, entrepreneurs wanted access to resources and market to thrive and play national policies a significant role (Kressel and Lento, 2012, p.6). However, the entrepreneurial operating mechanism on how can enhance entrepreneurship or how entrepreneurial activity effect economic performance is still known little how (Wennekers S. Thurik R, 1999, p.51).

When comes to define economic growth and development there is no single definition collects of all features of economic development but it can define in some ways increase in GDP, higher income, reduce unemployment and inflation rate, growth, increase investment, capital, labour capacity and wages. In other words, it is defined as a process of interfering development in order to promote the wellbeing of people in a particular area. Therefore economic growth stands for development procedure of structural alteration of an economy to modern economy advanced technologically based on production and service which refers to sustainable development for the side of GDP per capita, manufacturing and increase job opportunities (Naudé, 2011, p.10).

The entrepreneurial activity of starting up new small businesses is a crucial indicator of economic sufficient and community wellbeing, according to OECD, (2008, p.5) entrepreneurship is an essential tool for mitigating of economic inefficiency and center of market finance. Post war decades most of the developed economies shown the importance of large enterprises, which recognized they are only capable of complying industrial community in that time small businesses seemed calamity to endure not significance of their contribution toward economic growth. Earlier in 1970s importance of SMEs in the economic was emerged evidence and indicated the economic performance of business contribution to economy moved away from large enterprises to small businesses between 1970s and 1980s. in other words there have been small businesses, new businesses have roots with entrepreneurship from that time. In 1973 late of past century Schumacher states large businesses and the increase of specialization of could bring to an economic deficiency at the macroeconomic level, decline working condition as an increase in intermediary technological base of production (Burns, 2011, p.516 cited Toma et al., 2014, p.439).

Economic recession and unemployment rate increase in the 1980s resulted in high consideration of the supply side of economics and figure out determining growth toward the economy. Parallel to that, between 1980 and 1990s was observed re-emergence of the interesting role of SMEs for entrepreneurship (Wennekers S. and Thurik R, 1999, p.27)

Importance of small and medium scale enterprise rise again and people start to give an interest, in the 1980s approximately SMEs create job opportunities in labor market which more than 80% of overall new jobs in U.S market created by SMEs which have not more than 500 employees, this scenario continue up to day. At the same time, SMEs in the

United States contributes more than half of the GDP and account 50 percent of all exports. Latin America governments also realized the importance of SMEs after years of investment of multinational enterprises the true source of employment generator is SMEs which count more than 80-90 percent of enterprises (Toma et al., 2014, p.439).

Recent studies revealed that entrepreneurship has become a crucial source of employment generation and has granted to economic growth and national wealth development. distinguish entrepreneurship and businesses are needed in order to measure the entrepreneurship relation to economic growth. Entrepreneurship has singled out new entry and newness, in other words, entrepreneur is the one who establishes a new business, organize and operate in an innovative way. Also, entrepreneurs perform general pioneering in an economic life. So, start-up through newness and innovation are most applicable determinant connecting entrepreneurship to economic growth (Wennekers, Sander; and Thurik, 1999, p.33)

There is an agreement between traditional theories and new theories, traditional theories connect entrepreneurship, innovation and economic growth later new evolutionary theories supported with empirical evidence and suggested entrepreneurship improvement, for three reasons; first, competition stimulation which increases the number of businesses in the market. This brought to double growth and vanish market monopoly and encourages entrepreneurial activity. Secondly, knowledge transmission, it brought knowledge transmission between individuals and organizations. This helps entrepreneurs to get significant mechanism of underlying original growth and start-ups in a spot of market chance and innovate. Thirdly, it established firm diversity in location and their capacity of economic growth influence (Toma et al., 2014, p.440).

To sum up, entrepreneurship effects economic growth several ways, economic growth process is all about “the overall, unintended outcome of a complex of myriad individual acts of entrepreneurial discovery” (Harper, 2003, p.2). Which implies entrepreneurs figure out how to add to economic development through improving wealth redistribution and asset reallocation for slightest to more manufacturing. Today’s economic growth change strategy, entrepreneurs sit the first line particularly recent decades recognised entrepreneurial action practices results in competition between businesses (Walzer, 2009, p.2). Secondly, a significant economic growth mechanism through job

creation, innovation and wellbeing's of people bringer has recognised an entrepreneurship. Thirdly, words of Kressel and Lento, " Entrepreneurship is essential to a growing economy in large part because its innovations create demand for new products and services that were not previously available" (Kressel and Lento, 2012, p.6).

2.8. SMEs Sector in Somaliland

A way of definitining SMEs is not similar countries around the world even there is no single agreeable definition in the global. Definition of SMEs (SMEs) depends on country's regulation and performance of SMEs sector. Therefore, there is some approaches majority of countries take when defining SMEs include, business owned capital, employment size and production volume and turnover of the business.

Although, there is no thoroughly accepted single definition in global for SMEs, but there are still criteria which are classifiable most of the developing nations from developed nations. factors influence definition of SMEs is quantitative or comparative. When talking quantitative factors, it emphasizes managerial structure ranging from decision making process, financial issues and attendance these kinds of SMEs are the majority of business handles by one person, two or three who are partners of the business, they reach a collective decision. For the second factor of comparative, is when compared SMEs with large business. According to SNDP, Small and medium scale business in Somaliland, mostly owned by family, retail, peddlers and street vendors dominate in commercial and retail trade (SNDP, 2011, p. 77)

2.8.1. Structure of SMEs in Somaliland.

Structure of SMEs in Somaliland contains several types of businesses meet the criteria of business ownership law in the country, SMEs operate completely in all regions of the country. SMEs in Somaliland are considered same as SMEs in world as the engine of income, employment and source of many family's daily life consumptions according to the Ministry of commerce and ministry of national planning, small business in Somaliland are 93% either a sole proprietorship or partnership firms, average size of firms is 4.5 employees which may increase to 7 employees. SMEs in Somaliland 97% of them use imported inputs while other 85% of business constitute all their inputs are imported,

percentage input import of both manufacturing and service sector is like that micro 85.1% small firms 87.2% and large business 77.7% of their inputs are imported (Somaliland Ministry of Planning, 2013, p. 8).

15.1% SMEs in Somaliland have the largest female owned, 22.3% have at least one female owned and about 11.9% are completely owned by a female. Recently SMEs in Somaliland have introduced a new method of production and service, 63.9% of firms use a new method of manufacturing and service offering while the majority of business in Somaliland involved new technique of production and innovation. 53.5% of retail businesses brings an advanced method of production and delivery, correspondingly higher than retail businesses 74.6% for manufacturing and 75.3% for service businesses (Somaliland Ministry of Planning, 2013, p. 8). Almost livestock sector constitutes 30%, general trading includes wholesale and retail sector counts 20%, while agricultural sector carries 8% and 6% service and remaining sector take 36%. Several studies indicate that, in term of employment provision and contribution to GDP, SMEs constitutes almost 90% of GDP and 47% of total jobs in Somaliland (World Bank, 2014, p. 7).

2.8.2. Source of finance of SMEs in Somaliland

Small and medium scale enterprise around the globe get their start up fund from different source include: Debt and equity, firms get their start up fund through external loan from Banks and rarely from government financial agencies which are formal debt or informal debt, family, friends, communities, nongovernmental financial institution and saving of business owners. In Somaliland, informal sector fund gets by small business is high when compared to the formal sector because most SMEs start-up is from family saving, personal saving or loans from family, friends and sometimes non-governmental financial agencies, but the formal financial sector in Somaliland inactive, in 2008 major investment made Somaliland diaspora made up to 80 percent of start-up capital for SMEs (World Bank, 2012, p. 1).

Small and medium scale enterprises can't afford to obtain loans from private financial banks because of the complicated process of borrowing conditions, on the other hand, central bank and government institution don't give any financial support business these challenges bring most of SMEs get their first start-up fund from informal sectors. These financial challenges exist for a long time starting from the collapse of Siad bare regime in

1991 and still continue. although Somaliland presented in Somaliland national development programs, several points to assist SME but the establishment is still on the ground and not fully achieved its aim. Small and medium scale enterprise support offering by the government or any other financial institution of both developing and developed nations is necessary in order to gain together economic progress and social welfare and efficiency of productivity of in the privet sector (Hallberg, 2000, p. 1).

2.8.3. SMEs capacity building in Somaliland

Somaliland governments exertion of recognizing the importance of SMEs in Somaliland economy remained need to promote improvement and growth of privet business sector. Therefore, government effort for building SMEs capacity demonstrated through Somaliland national development plan 2012-2016 report by the Ministry of planning and development. National development plan deposited substantial contribution of small and medium scale enterprise toward nation's economy. The initiative and development strategies of SMEs point out government plans toward enhancement and growth of privet sector, clear effort and strategies demonstrated toward creation of a business friendly environment which is secure and stable, establishment of rule of law, uplift of overburdened unnecessary rules and regulation and high taxes, support and work in partnership with privet sector, provide technical and financial support, promote export, create research and development institute, seek foreign direct investment, facilitate development of financial sector, establish public privet partnership and promote private joint venture in the form of companies and coops (SNDP, 2011, pp. 99–100).

Somaliland government carried out privet sector regulation immediate after announced its independence 1991 form former Somalia republic collapsed at that time, economy was socialist modelled changed to the market driven economy rather than government led which SMEs face obstacles in terms of growth and working conditions (SNDP, 2011, p. 98). Challenges SMEs faced were like only large enterprises could easily obtain licenses for import while small scale businesses were forgotten, financial access were very restricted to small scale enterprises and process of getting financial is already not include government plan, while some privet financial institution give loans to small business but their process of obtaining loans is not easy, this gives chance to large business

to control market. Another problem was that there is no effective government regulation, this was very discouraging to small and medium businesses, like not stable tax amount, floating exchange rate and inflation, patent control, and the process of getting a license was not working. Finally, nature of under development of the country without lack of international recognition, hamper financial inflow and outflow through import and export, lack foreign direct investment, results poor infrastructural business environment include expensive electricity, land access, lack of skilled entrepreneurs, which hampers and brings difficult situation that SMEs can't make development (Muhammad Usaini, 2014, p. 16).

Recent business environment change to technological innovation and the process of globalization impulse SMEs and other organizations in Somaliland to enhance and realize the novel competitive advantages with the market. With regard this phenomenon, Somaliland government need to accelerate its exertion toward small and medium scale enterprise development and motivate local investment in order to increase small and medium scale enterprise's contribution to the Somaliland economy (Muhammad Usaini, 2014, p. 16).

2.8.4. SMEs and sustainable development

Sustainable development is a goal that UN assigned to reach all over the world, it is recognized a significant tool to harvest economic fruit, in order to reach sustainable development, it is needed to ensure the improvement of the privet sector to take a positive step close to achieve sustainable development. Sustainable development can be achieved through following issues and maintaining for their improvements; organizations, sustainable politics, individuals, and enhancement of overall economic conditions (Muhammad Usaini, 2014, p. 16; Starik, M. and Rands, 1995, p. 912).

Sustainable development often comes after regional development achieved, local development espouse method of quantitative improvement as well as qualitative development embrace, economic enhancement, technological development, environmental protection and improving condition of society these changes toward development have both economic and community aspect in the long term and direct to improvement of the quality of living standard of local dwellers, establishment of new businesses and generation of new job sources, enhance local infrastructure and local economy. All these bring an increase in GDP per capita and general economic condition of the country. Based on these changes is a

possible contingent type of resources redistribution and current level of economic development (Arent, Diniz, and Duarte, 2013, p.3).

Small and medium scale enterprises provide support economy to grow, good performance and increase SMEs operating in the economy is a good sign to achieve sustainable development. Improvement of SMEs in particular place show enthusiasm in achieving sustainable development effect all side of life including; socio cultural, living standard, environment, infrastructure and generally economy of the nation, this come through SMEs run or owned by the inhabitant and indigenous of that area (Muhammad Usaini, 2014, p. 17).

Small and medium scale enterprises account an immense role for many nations to achieve sustainable development goal set by United Nations for their great potential contribution, innovation of new method of production, organization and establishment of new markets, contribute government budget astronomical portion and as well communities for their wellbeing, this facilitates to take step toward change in the sustainability of the economy. Previous Studies indicated small and medium scale enterprise life and performance range play a significant role for adopting and ensuring sustainable development strategy. Some studies reveal that entrepreneurial activities and establishment of enterprises shape the local and regional economic development particularly small and medium scale businesses. It is underlined that SMEs increasingly play a significant role in the current procedure of economic sustainability (Arent et al., 2013, p. 11).

Entrepreneurial activities and regional development found earlies studies have a relationship, the establishment of new firms, improvement existing business and firm growth in the economy effect the development of specific sphere and near remote location to their development and improvement of economic conditions and assist easier achievement to sustainable development. On the other hand, government, society, business client support and observe securing sustainable development, will result, economic growth and development sustainability to be realized (Muhammad Usaini, 2014, p. 17).

Small and medium scale enterprises around the worldwide account almost 90 percent of all business activities, particularly SMEs in developing economies considered key mover of employment and economic growth. They contribute 45 percent of total employment and up to 33 percent of total income in developing nations (world Bank, 2015). In Somaliland,

SMEs account 90% of Gross Domestic Production and 47% of total employment. Assistance giving the development of entrepreneurs for business start-up incentives, capacity building and strengthening for the operation of the businesses to inspire to double their performance, needs setting up effective and efficiency sustainable development strategy (Ministry planning, 2012, p. 4; World Bank, 2014, p. 7).

Small and medium scale enterprises performance is extremely important to consider for every nation because of its crucial role of provision of income, employment, rural and urban enhancement and the effective contribution of social and economic development, as mentioned above original inhabitant were permitted by small businesses to take part in the economic development to get economic returns realized by the society, additionally SMEs owners should re-invest their profit upon the society (Hallberg, 2000, p. 5; Muhammad Usaini, 2014, p. 18; Oecd, 2004, p. 33).

Despite good performance and their economic contribution small and medium scale enterprise sector is more vulnerable obstacles face them, these problems hard to survive SMEs include, start-up capital, financial credits, poor profitability and sales return. Solving these challenges and starting capital provision to SMEs in order to meet their highest performance assist to achieve easily complete sustainable economic development.

2.8.5. SMEs growth constrains in Somaliland.

Previous studies and reports made researchers examined factor effected negatively SMEs performance, growth and improvement of SMEs in Somaliland, a number of factors were confirmed. In 1991 after the collapse of the Somali government, the widespread civil war started and the union of Somali British Protectorate now Somaliland and Italian Somali Protectorate ended disastrously which leads the economic pillars of the country declined deep into recession. Small business starts to recover but they encounter severe challenges that hamper still their growth and development. These problems include; lack of international and political recognition in Somaliland this putt serious constraint into small businesses to interact international trade activities and lack of insurance or guarantees. Other constrains like, business do not have access to financial credits, absence functional central bank and commercial bank, limited access to land, expensive electricity, inadequate or poor infrastructure, limited technical skills and absence of support institutions. These

constrain inherited SMEs face limited their performance progress in terms of employment generation, income and contribution to the economy (SNDP, 2011, p. 98).

CHAPTER THREE

METHODOLOGY

3.1. Introduction

Research methodology and approaches of systematic analysis will be explained in this chapter. To get information and reliable conclusion of any study is what behind carrying out research methodology and follow systematical procedure of data collection and analysis on any study, which in turn guide the researcher to meet particular generalization and significant conclusion. Research methodology is a way which is conducted in an organized way of getting evidence on the research objectives to handle problems identified. The purpose of this chapter structured is to present a useful way provide complete guide methodology. This chapter was organized as follows, research design, study population, sample size, data collection technique, sampling tools and data analysis and hypothesis test. It is also including problems met during the data collection.

3.2. Research Design

Responsibility of the researcher is to find and set up a research design getting a scientific solution to the problems identified. Setting up a research design provide the researcher on basis of data collection and their analyses in a capable way of providing the reliable solution for the study whether it is data collection and method of analysis of the study which gives the research to reach successful completion.

Cross sectional survey research design is adopted in this study for investigating relevant information of small and medium scale enterprise performance as an economic growth dimension. This study was conducted questionnaire which administered through allocation to sample SMEs in Borama. Implementation of survey design method is aimed to get information which is not available another source. Survey design gives the researcher ability for asking and collecting same question and information from the sample of the study. With this regard, there are some other methods included to survey design which is mail, face to face, and combination of methods.

Cresswell, (2014, pp. 42-201) adoption of survey research design provides a quantitative or numeric description of trends, attitude or opinions of a population by studying sample of that population. Survey method approach is most suited for gathering a

descriptive information. The structured survey is conducted the proposed study because same questions were asked participants of the study (Kothari, Kumar, and Uusitalo, 2014, p. 169). Survey design is significant because it is resourceful in that many variables can be measured without increasing the time or cost. Cross-sectional survey design is most suited for this study because for collecting data from a target population at one point in time (Oso, 2013, p. 240). This study chose survey research method because of the target participant of the study was 242 participants of SMEs for the reason of direct contact with study problems identified. The research design used in this study was alongside with some sort of interview not direct interview because of the questionnaire was designed English language most of the target population cannot understand English well for that reason researcher was a forced to translate them by explaining participant every question into Somali language.

3.3. Hypothesis test.

The applicable research hypotheses for this study are specified in the following form:

H₁: SME's Investment has positive effect on business performance indicator on business turnover.

H₂: SME's Employment has positive effect on business performance indicator on business turnover.

H₃: SME's Profitability has positive effect on business performance indicator on business turnover.

H₄: Entrepreneurship increase has positive effect on business performance indicator on business turnover.

3.4. Population of the Study

The population of this study will cover in SMEs of Borama city (west of Somaliland) in the Awdal region will be the study area. The importance of studying in this area is that the city is the second largest city in Somaliland as well as capital city of Awdal region which is populated area and has long border with both Ethiopia and Djibouti. Borama has most SMEs after Hargeisa which is capital city of Somaliland, people live in Borama get their income small business and they mostly depend on SMEs and they have trade

integration with Ethiopia and Djibouti. SMEs database found in the local Municipality of Borama town, is used as a sample of the proposed study. The target population of the study consisted of all sections of 665 SMEs in Borama town. The target population of SMEs was selected purposively 242 sampled SMEs in Borama town who are assumed to be potentially resourceful SMEs for the problems of under investigation (Krejcie and Morgan, 1970, p. 2) which are accessible to the researcher to reach within the available time. The recommend a sample of 242 for a population of 665 of SMEs at 95% level of the confidence level of significance and 5% margin of error. These were also the parameters the researcher set for this study. The table was used because it is widely used to determine sample sizes for finite populations in social science research.

3.5. Sampling Procedure

Sample selection adopted this study was simple random sampling and several cases used purposive sample. Simple random sample was adopted in this study because of intended to select participants without bias for the reachable population which ensures that each of target population had an equal probability to be included in the sample. This method of selection sampling was conducted to select SMEs respondents of Borama town. This was achieved through getting list of SMEs from Borama local municipality and then selecting sample interval was started by random method to select the participants consistently (Oso, 2013, pp. 127–145)

Purposive sampling was conducted because of selecting specific participants based on the judgment and the knowledge of the researcher. The purposive sampling method allows the selection of the participant who possesses essential data and allowing gaining better insight into the problem. Data of the study was collected between August 2016 to November 2016. During the data collection of this study participants were contacted individually, as the researcher want to get information from their mouths and keenly questioned participants opinion on the problem under study.

Finally, this study was adopted convenient sampling of participant's choice. For instance, the researcher interviewed SMEs managers, owners and some of the staffs who were available at the time of data collection, for those who were not available were skipped also those who are not willing to participate or refused in the research.

3.6. Data Collection Instruments and Methods

The study conducted a self-administered questionnaire to collect data from SMEs in Borama town (Oso, 2013, p. 306). suggested a questionnaire if the researcher is mindful that the research participants are in position and ready to participate responding the questionnaire of the study. Closed ended and scaled items were adopted this study because of getting guided information which assists response since the questions are multiple choices and data could be categorized easily. The scaled questionnaire, gives a correct appraisal of responses and give answers of few member in a short time (Oso, 2013, pp. 101–106).

Administered questionnaire to the managers, proprietors and staffs of SMEs were conducted, self-administered questionnaire was adopted because it is popular and the participants can easily fill them an appropriate option for their own convenience. Finally, all the questions were closed ended questions.

3.7. Source of Data

Primary data was collected from SMEs of Borama town who were assumed to give first needed information on the subject under study.

3.8. Data Analysis

Quantitative method was used for data analysis. Descriptive quantitative data involved use of frequencies tables and their percentages, and charts see values in figured and statistical models of Pearson Correlation and Multiple Regression analysis showing values data interpretation.

The data analysis of this study was used to analyze the Statistical Package for Social Scientists (SPSS) version 21 and Microsoft Excel 2016. This tools for statistical analyses is a powerful and performs tests such as Pearson's correlation, regression, multiple regression, factor variance analysis (ANOVA) and chi-square. To be able to analyze the questionnaire answers of the participants were coded and entered the program SPSS.

The study was conduct for analyzing questionnaire multiple regression and Pearson coefficient correlation methods. Multiple regression is one of the main statistical techniques used to measure the relationship between dependent and independent variables, also correlation is used to check the strength of the relationship between two variables but not

tell the effect of the variables. In this study, was used these tools to analyze because we have one dependent variable of SME performance as proxy of (business turnover) and multiple independent variables of SMEs share of economic growth dimension factors (employment, investment, income generation, entrepreneurship and infrastructure). this will help the researcher to identify the major determinant SMEs performance indicators on business turnover on dimension of economic growth in the study area.

3.8.1. Data presentation

After the data edition was completed, data presented in a form of frequency tables and charts used to draw from both SPSS and Microsoft excel for better interpretation.

3.9. Ethical Consideration

Possible problems in the study were privacy and confidentiality of the participants. Many of the participants of the study of SMEs were at first feel uncomfortable to give information on particular aspects like revenue and profitability of the business. However, the participants were convinced of the confidentiality of their responses by the researcher and eventually responded but few of the participants did not give answers or skipped some the questions.

CHAPTER FOUR

FINDINGS

4.1. Introduction

This chapter will present the findings of the questionnaire in order to facilitate conducting empirical analysis descriptive statistics using tables are presented first and followed by inferential statistics used in correlation and regression analysis. Data finding and interpretation of the study was arranged a way which meets the objectives of the study, in order to find the effect of small and medium scale performance indicator used as proxy of business turnover to SMEs share of economic growth dimensions. Data were collected from managers, operators or owners small and medium scale enterprise in Borama town.

4.2. Descriptive Statistics

4.2.1 Section 1: Demographic characteristics of the business

Table 4.1: *Sex Of The Respondent*

		Frequency	percent	Valid percent	Cumulative percent
Valid	Male	181	85.8	85.8	85.8
	Female	30	14.2	14.2	100.0
	Total	211	100.0	100.0	

The results in the table indicates that 85% of the respondents were males whereas only 14.2% were female, implying that the males were more active than female in the field of small businesses and willing participate in the study. Thus, there are more men as compared to women employed in the different sections of SMEs in Borama town.

Table 4.2: *Type of Business Ownership*

		Frequency	percent	Valid percent	Cumulative percent
Valid	Sole proprietorship	148	70.1	70.1	70.1
	Partnership	53	25.1	25.1	95.3
	Corporation	10	4.7	4.7	100.0
	Total	211	100.0	100.0	

As above table indicates, sample firms practicing three type of ownership. 70 % of the business is owned by single person or sole proprietorship while other 25 % is owned by a partnership and only 4.7 % is corporate. This division of ownership is believed that most of the business owners started themselves their businesses. That means the degree of business ownership in Borama is owned by one person and not practice other types of ownership while some of the business owners start coming together to start partnership business and only a few businesses operate in corporates type of ownership.

Table 4.3: Reasons for Starting Business

		Frequency	percent	Valid percent	Cumulative percent
Valid	No alternative business	32	15.2	15.2	15.2
	To improve income	78	37.0	37.0	52.1
	Unhappy previous job	16	7.6	7.6	59.7
	identification of market opportunity.	85	40.3	40.3	100.0
	Total	211	100.0	100.0	

As shown in above table response of the participant indicates that 40 % of the business owners start their business after they identified available market opportunities, while 37 % of them starts to improve their income, another 15 % mentioned that there is no alternative business they can start which not different for the one they are doing and least number of 7.6 % responds that they are not happy their previous jobs. So, this is a symbol of entrepreneurship which most of the participants of this study has the ability to identify market opportunities while others number close to this believes small business starting increase their income and has no alternative source of income.

Table 4.4: Business Access to Start-Up Capital

		Frequency	percent	Valid percent	Cumulative percent
Valid	Family saving	70	33.2	37.0	37.0
	Loan from family	12	5.7	6.3	43.4
	Loan from financial institution	8	3.8	4.2	47.6
	Own saving	99	46.9	52.4	100.0
	Total	189	89.6	100.0	
Missing	24	22	10.4		
Total		211	100.0		

Regarding participants responds 52.5% of valid percent states get their source of start-up capital from their own saving while 33 % of them get capital from family saving, 6.3 % revealed that they get their start-up capital from family loan while another 4.2 % indicate get loan from financial institutions, finally 10 % of them not tell where their start-up capital is from. This show that most of the small business owners get their start up capitals from two major sources which is their saving or family saving. However, production sector was observed their major source of business finance is from banks followed by personal savings.

Table 4.5: Business Age

		Frequency	percent	Valid percent	Cumulative percent
Valid	Less than One year	13	6.2	6.2	6.2
	1-5 years	123	58.3	58.3	64.5
	6-10 years	55	26.1	26.1	90.5
	Over 10 years	20	9.5	9.5	100.0
	Total	211	100.0	100.0	

Above table revealed that 58 % of the businesses in Borama town is operating between one to five years, other 26 % of the business is working between six to ten years while other 9.5 % is in operation over ten years but only 6 % is running only less than one years. This revealed that most of the business in Borama town is in operation at least more than one year.

Table 4.6: Business Type

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Trading	147	69.7	70.0	70.0
	Production	7	3.3	3.3	73.3
	Service	56	26.5	26.7	100.0
	Total	210	99.5	100.0	
Missing	24	1	.5		
Total		211	100.0		

As it can be seen from the above table 70% of the business is engaged general trading while other 26.7% is giving service to their clients but only 3.3% is doing production which is the least sector of business in the town while 0.5% is missing. This result leads to the conclusion that major sector of small business is doing general trading which client get from them mostly items they need.

Table 4.7: Source of The Resource

		Frequency	percent	Valid percent	Cumulative percent
Valid	National	26	12.3	14.2	14.2
	Import	135	64.0	73.8	88.0
	Both	22	10.4	12.0	100.0
	Total	183	86.7	100.0	
Missing	24	28	13.3		
Total		211	100.0		

According to responds of the participants' answers in the above table indicates that 73.8% of the small business import their resource from foreign countries while other 14.2% use national resource for their business operation but as indicate in the above table only 12% use both national and import resource and other 13% is missing or not responded. This revealed that business operating in Borama city is handling problem of lack off national resource which can be a result of the lower performance of the small business because of their great outflow. Most the business in Borama has a problem which is their expenses is very high, one of the main reason for their high cost of importing their resource which can cause bankruptcy of the business. Getting national resource for SMEs for their daily

operations will double performance of SMEs, taking this into consideration, government and other related institution consider SMEs sector should therefore ensure that SMEs can get national resource and encouragement of the national product use will reduce cost of import and increase the contribution of SMEs to national economy.

Table 4.8: *SME's Financial Institute Collaboration*

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Central Bank	5	2.4	2.4	2.4
	Commercial Bank	83	39.3	39.3	41.7
	Remittance	11	5.2	5.2	46.9
	No Bank Collaboration	112	53.1	53.1	100.0
	Total	211	100.0	100.0	

Regarding to result found during the survey asking participants of the study whether they collaborate any financial institutions, results from their respond indicates that 53% of the small business do not collaborate any bank while only 39.2% have collaboration with commercial banks and other 5.5% have relation with remittance and 2.4% which is least small business number have a collaboration with central bank. So, this makes strong arguments of lack of functioning financial system in Somaliland which is from weak government policies toward financial system in the country. Lack or small collaboration of SMEs with financial institution in Somaliland make hard to tell how SMEs in Borama city can make progress to integrate into international trade because of no financial relation to another part of the world. On the other side, some commercial banks like Dahabshiil and Salaama Bank make little progress for connecting Somaliland and the world by doing limited financial activities also remittance play significant role financial activities in Somaliland while the role of the commercial bank has no effect in Somaliland financial activities. finally, financial institution is very important any economies in the world whether its developing or developed country, if Somaliland gets an effective working financial system this means allot to SMEs in Somaliland and raise their role to economic growth.

Table 4.9: SMEs Accessibility for Bank Loan

		Frequency	percent	Valid percent	Cumulative percent
Valid	Yes	63	29.9	29.9	29.9
	No	148	70.1	70.1	100.0
	Total	211	100.0	100.0	

In the above table, responses of the study participants underlined that 70% of them cannot get loans from banks but only 29.9% can access bank loan this indicated how poor financial and liability system of Borama city is. Small and medium scale enterprise in Somaliland in this study revealed reasons for not getting bank loans, 37% of them state that the process of getting loans is more complicated, 16% have inadequate collateral banks operating in Somaliland while 10% fears not to pay back loans if they take from banks and other 15% answered that there are other reasons for not getting loans from bank. Come to conclusion for this result, the poor financial system is the main reason that small business and bank have no collateral, almost three banks operate in Somaliland generally and all of them are owned privately, so owners restricted loan system only small number of business owners afford to pass required conditions.

Table 4.10: Government Support to SMEs

		Frequency	percent	Valid percent	Cumulative percent
Valid	Yes, regularly	2	.9	.9	.9
	Yes, Sometimes	36	17.1	17.1	18.0
	No	172	81.5	81.5	99.5
	Total	211	100.0	100.0	

Regarding survey small and medium scale enterprise indicates that 81.5% of them cannot get any support from the government but 17% % get support from government sometime and only 0.9% get support regularly.

4.2.2. Section Two: SME performance

Table 4.2.1: *Annual Turnover of Business*

		Frequency	percent	Valid percent	Cumulative percent
Valid	Less than \$5000 US dollar.	15	7.1	7.1	7.1
	\$5000 US Dollar	55	26.1	26.1	33.2
	\$6000-\$10,000 US Dollar	45	21.3	21.3	54.5
	\$11,000-\$50,000 US Dollar	44	20.9	20.9	75.4
	\$51,000-\$100,000 US Dollar	30	14.2	14.2	89.6
	\$110,000-\$500,000 US Dollar	18	8.5	8.5	98.1
	1 Million and above	4	1.9	1.9	100.0
	Total	211	100.0	100.0	

Above table show annual turnover regard to responds of the participant most of the business which represents 26.1% has an annual turnover of \$5000, while other 21.3% has between \$6000-\$10,000 and 20% of them has \$11,000-\$50,000 annual turnover, some other 14.2% has an annual turnover of \$51,000-\$100,000. Other 7.1% has annual less than \$5000, finally on 1.9% has an annual turnover which is equal to or over \$1 million.

Table 4.2.2: *Do You Think Your Business is Profitable?*

		Frequency	percent	Valid percent	Cumulative percent
Valid	Strongly agree	88	41.7	41.7	41.7
	Agree	74	35.1	35.1	76.8
	No comment	11	5.2	5.2	82.0
	Strongly Disagree	8	3.8	3.8	85.8
	Disagree	30	14.2	14.2	100.0
	Total	211	100.0	100.0	

Data in the above table revealed that 41.7% strongly agree that their business is profitable while other 35% agree that business is profitable but on the other side 14.2% is underlined that business in not profitable and other 3.8% strongly oppose that business is profitable and 5.2% not commented whether business is profitable or not.

Table 4.2.3: Investment Make Small Business

		Frequency	percent	Valid percent	Cumulative percent
Valid	No	105	49.8	49.8	49.8
	Other small business	105	49.8	49.8	99.5
	Other	1	.5	.5	100.0
	Total	211	100.0	100.0	

According to field data shown in the above table small business in Borama town revealed that 49.8% have made investment other small business which is half of the small business while another half of them do not make any investment but only a few of them which is 0.5% states they do another thing. This indicates that investment they do is equal to others don't do any investment which means half of the business is doing a high performance which can help the economy to grow.

Table 4.2.4: SMEs Contribution to the Employment of the Country

		Frequency	percent	Valid percent	Cumulative percent
Valid	Strongly agree	87	41.2	41.2	41.2
	Agree	78	37.0	37.0	78.2
	No comment	30	14.2	14.2	92.4
	Strongly disagree	1	.5	.5	92.9
	Disagree	15	7.1	7.1	100.0
	Total	211	100.0	100.0	

In the table above small business representors asked to answer role of SMEs on employment in Somaliland, survey revealed that 41.2% strongly agree that small business contribute employment while another participant answer not less than previous one that 37% agree small businesses increase employment rate, another 14.2% have not commented while 7.1% have disagreed that small business contribute and only 0.5% strongly disagreed that small business contribute employment in Borama city. So, this indicates that SMEs are the backbone of employment and source of job creation for many labor force of the country, improvement and development of small business will create an environment which can bring sustainable jobs and reduce an unemployment rate that hampers economic growth of Somaliland.

Table 4.2.5: Infrastructure Followed by SMEs Establishment.

		Frequency	percent	Valid percent	Cumulative percent
Valid	Road/ bus stops	43	20.4	20.6	20.6
	Street lights	65	30.8	31.1	51.7
	Housing projects	39	18.5	18.7	70.3
	Electricity	17	8.1	8.1	78.5
	Communication	17	8.1	8.1	86.6
	No	28	13.3	13.4	100.0
	Total	209	99.1	100.0	
Missing	24	2	.9		
Total		211	100.0		

When come to the role of SMEs to improvement of infrastructure above data in the table 5 indicates that 31.1% of small business bring street light which accompanies their opening while another 20.6% underlined that they introduced Road/bus stops, and another 18.7% introduce spread of housing projects while 8.1% revealed that small businesses activity increase facilitate establishment of electricity and communication but opposite to that 13.4% does not agree that SMEs have any relation to establishment of any infrastructure due to small business. Overall, data shows SMEs have some significant role in development infrastructure.

Table 4.2.6: Does Small Business Start-up Raise the Entrepreneurship?

		Frequency	percent	Valid percent	Cumulative percent
Valid	Yes	148	70.1	70.1	70.1
	No	63	29.9	29.9	100.0
	Total	211	100.0	100.0	

Regarding data in the above table checking the relationship between entrepreneurship and small business, participants of the study were asked whether Small business increase is a sign of entrepreneurship or not. 70.1% answered that small business increase is a good sign of entrepreneurship increase but other 29.9% rejected that there is any relationship between starting small business and entrepreneurship. To sum up data

support that there is a relationship between small business start-up and entrepreneurial activity which is a good indicator for economic growth in the nation.

Table 4.2.7: Do SMEs Promotion Accelerate Economic Growth

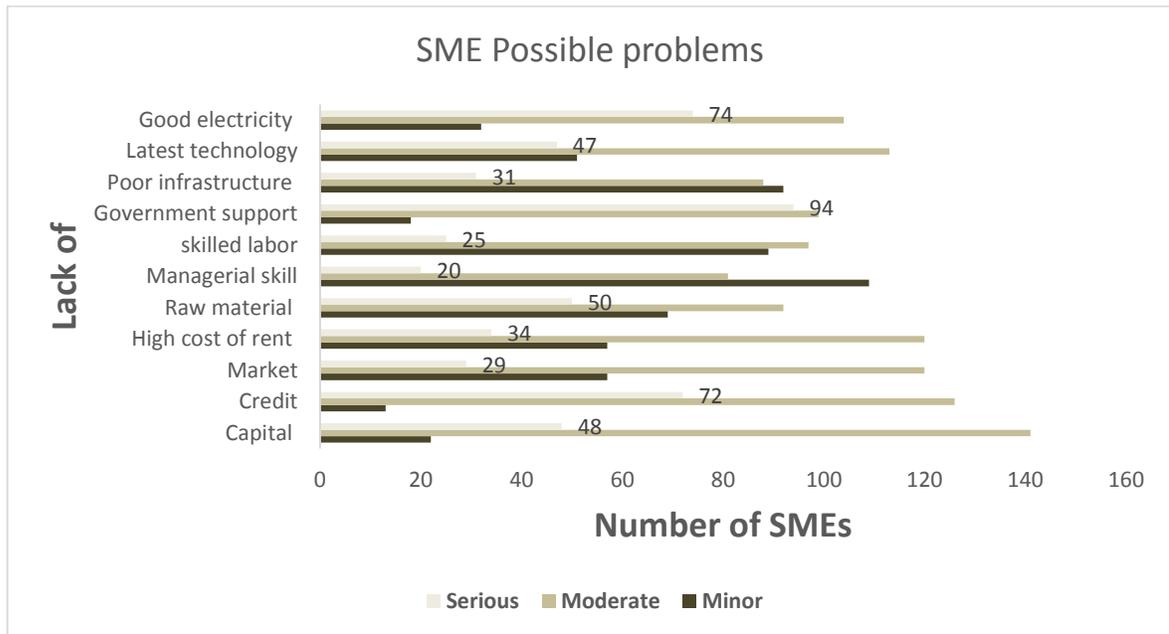
		Frequency	percent	Valid percent	Cumulative percent
Valid	Yes	147	69.7	69.7	69.7
	No	64	30.3	30.3	100.0
	Total	211	100.0	100.0	

Result in the above table revealed when asked participants of the study whether small business development accelerates economic growth of the country. 69.7% agreed that promotion and development of the small business play a crucial role acceleration of economic growth and another 30.3% rejected and indicate whether improve or not a small business will not affect the economy of the nation. Come to the conclusion most of the participant indicated the economic growth of the country has a relationship with the small business their development and improvement will contribute economy of the nation.

4.3. Small Business Problems

An attempt to find a generalized possible list of problems face small and medium scale enterprise made during preparing questionnaire of this study. However, the list should not be considered as a comprehensive since there could be another problem unaddressed here. With this limitation, some eleven problems known well in developing nations were listed. The participants of the study were asked to identify them in the order of seriousness as Minor, moderate, serious.

Figure 4.1: Somaliland SMEs Problems



The five most serious problems in the order of their hamper SMEs performance on the basis of their percentages are: first major serious problem identified is a lack of government support as identified as a serious problem by 94% of the participants. Second, 74% of the participant recognized an electricity as second major challenges faced SMEs. Third, credit facility sits on third major problems face by SMEs they considered 72% of them hamper their performance while 50% of the respondents put raw material fourth place challenges they face. Finally, fifth place sits getting start-up capital which 48% of them underlined start-up capital hampered starting businesses.

All these five problems can be described as major challenges hinder SMEs performance. The next problems are ranked as follows, 6th lack of latest technology; the 5th high cost of the rent also become a challenge; 8th poor infrastructure; lack of market become a 9th place and lack of skilled labour become a 10th place and finally 11th management problem become the least problem SMEs.

4.3.1. Identifying problems hinder entrepreneurial activity

Table 4.3.1: *Factors Hamper Entrepreneurship*

Problem	SME No	Most hampering (%)	Moderate (%)	Least hampering (%)
Lack of motive	211	84(39.8)	65(30.8)	62(29.4)
Lack of Hard work tolerance	211	54(25.6)	107(50.7)	50(23.7)
Failure fear	211	86(40.8)	58(27.5)	67(31.8)
Lack of start-up capital	211	64(30.3)	70(33.2)	77(36.5)
Lack of Entrepreneurship Training	211	60(28.4)	79(37.4)	72(34.1)
Lack of Market Information	211	72(34.1)	60(28.4)	79(37.1)

Entrepreneurs who like to start SMEs face various challenges, study deposited six of the possible problems entrepreneurs can face. Lack of motive, Hard work intolerance, Failure fear, Lack of start-up capital, Lack of Entrepreneurship training and lack of market information. Entrepreneurs feel that all problems confronting them to the extent of upsetting their start-up for business. Nevertheless, failure fear by 40.8% is felt to be relatively most important hampering problems they have, followed by lack of motive which is 39.8% then lack off market information become a third most hampering problem which is 34.1% stated. Apart from that survey data revealed Least hampering problem suffer entrepreneurs, lack of market again become least hamper which 37.1% of the participant stated followed by lack of start-up capital which is 36.5% is believed it has least effect problem they have and finally they stated third least hampering problem which is lack of entrepreneurship training which 34.1% stated lack of entrepreneurship training challenges their starting for new business.

4.4 Discussion of the Findings

4.4.1. SMEs' operation

Responses from the study participants regarding understanding the performance of SMEs revealed that most of them are operating far below expecting efficiency level. Most of the small and medium enterprises do not have a collateral with financial institution. This accounts for the financial institutions unable to give them funds. They also do not have sufficient local raw material for their operations, SMEs import from foreign countries their operation resources this inherited them to occur more expenses.

The majority of the SMEs are owned by one person whose education below university level. One person handles all the business activities and does not have managerial skill because of his low-level business knowledge. The sole proprietorship practice is the majority of the business which limits the emergence of partnership and challenges the development and investment of collective individuals and limited the progress of the business. Business owners believe to have their own business rather than making a partnership or corporation. Addition to that, data show that there is a low level of business owners educational background, most the SME operator as 44.1% of the respondents have an education level below university, only 38% have education level same to university while 12% have no education. The result supports findings from (Basil Anthony Ngwu Onugu, 2005, P. 37) and (Ekpenyong and Nyong, 1992, p. 16) who both concluded in their studies that the most of the small and medium scale enterprise operators have the problem of inadequate education. The improvement level of education of the business operators by supporting education will result as more educated individuals find the necessity to find productive businesses. However, today SMEs in Borama city suffer from both in adequate natural resource and man power to achieve their expected performance and role of contribution to the economy.

4.4.2. SME's financing

Small and medium scale enterprise finance is classified to the survival of the enterprises. However, there are several sources finance of the businesses come from, but the result of the study in surveyed SMEs revealed that the main source of the business finance was from, in descending to the writing order, own saving, family saving, loan from family and loan from financial institutions. While those in the production sector and those who have, high turnovers are mostly getting easily finance from the financial institution.

Result indicates that those who have low turnover, in both sectors of trading and service don't have the ability to access financial institution loans as only 29.9% of the sample of the study able to get finance for their business operations but the majority which is 70.1% do not have the ability to get finance.

This seems there is a correlation between turnover size of the businesses and the banks' willingness to give finance. Business having a turnover over \$100,000 US dollar is only 24.6% while those who have below \$100,000 dollar is 75.4%. and as mentioned in above paragraphs only 29.9% can access financial institution loans. However, this clearly revealed that there is a significant relation between the firm turnover size and their loans from financial institutions accessibility.

The majority of the surveyed SMEs does not know financing avenues and where to get financial support rather than financial institutions, but only 0.5% of the surveyed SMEs indicate that they can access finance from microfinance institution while other 17% stated that they get finance from government sometimes but not regular. This shows that there is a limited possibility that SMEs can get funds for their operation. Finding other financial sources to SMEs will give SMEs to enhance their performance and rise the hope of their contribution to national economy.

It is clear that there is a high problem of the financial institution and SMEs collateral and the restricted process of getting loans from financial institutions. Surveyed SMEs 72% of them ranked financial access worst problem they have. SMEs revealed that reason of not getting financial access from financial institutions as 47% indicate the process of getting finance from a financial institution is too restricted while other 20.5% tells that they have inadequate collateral with financial institutions. This show that there is a need for

improvement of financial system and their accessibility to SMEs and the collateral between the financial institution and SMEs.

4.4.3. Ranking problems

Figure 4.1 represents most serious problems face SMEs in Somaliland particularly Borama city of the finding in this study as they revealed ranking all eleven problems ranking as they are serious. The figure clearly illustrated the relative position of the problems from the point view of the participant of this study. In the following descending list lack of government support, lack of sufficient electricity, lack of credit facility, lack of national raw material, lack of start-up capital, lack of technology, high rent cost, poor infrastructure, poor market, lack of skilled labour and managerial problem.

It is interesting that 94% of the SME operators ranked lack of government support as most serious problems they face. This indicates that there is no clear government policy to SMEs. However, electricity problem is ranked as second, as 74% of SME operator are suffering expensive electricity which limited their performance as known in Borama city there is no government controlled electricity industry and no other powerful electric plants but some of the businessmen brings middle level electric machines which give electricity all parts of Somaliland this made electricity expensive. Credit facility also ranked third serious problem with 72% of the study participants argue that they have the problem of getting credit form financial institutions. Raw material and start-up capital was respectively ranked as fourth and fifth serious problems by SME problems, they are also ranked sixth, seventh and eighth severe problems technology, high cost rent and poor infrastructure, finally lack of market, lack of skilled labor and managerial problem is ranked as ninth, tenth and eleventh problem face by SMEs in Borama city.

4.5. Inferential Statistics

4.5.1. Correlation

First correlation of the main variables was checked in order to know whether variables have a relationship. Correlation analysis shows that business turnover is negatively related to profit of the business, the negative relation between turnover and profitability is consistent with the view that less profit seeking of the business turnover will increase and make expenses fully paid because businesses in Somaliland are incurring more expenses than they expected, but if business owners try to get profit, sales will decrease and expenses will not fully pay this will result in low performance of the business. Entrepreneurship also has a negative relationship to the turnover because any entry of new entrepreneur in the market will bring market share competition and decline of the business turnover, this will result in decreased small business performance because the market cannot carry the burden of new business entry, so in the Somaliland context entrepreneurial activity is not significant. The result in the table below shows that turnover has a positive relation with other three variables. The result indicates that an increase in turnover of the business is followed by an increase in investment, employment size and improvement of infrastructure, but infrastructure has a weak correlation with business turnover at the same time infrastructure results from correlation are also insignificant, this shows that business turnover has no effect on infrastructure.

Table 4.5.3: Correlation

		Turnover	Profitable	Investment	Employment	infrastructure	Entrepreneurship
Turnover	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	211					
Profitable	Pearson Correlation	-.389**	1				
	Sig.(2-tailed)	.000					
	N	211	211				
Investment	Pearson Correlation	.593**	-.393**	1			
	Sig.(2-tailed)	.000	.000				
	N	211	211	211			
Employment	Pearson Correlation	.612**	-.221**	.442**	1		
	Sig. (2-tailed)	.000	.001	.000			
	N	211	211	211	211		
Infrastructural	Pearson Correlation	.014	.150*	-.023	.057	1	
	Sig. (2-tailed)	.843	.031	.738	.419		
	N	205	205	205	205	205	
Entrepreneurship	Pearson Correlation	-.331**	.325**	-.243**	-.250**	.028	1
	Sig.(2-tailed)	.000	.000	.000	.000	.693	
	N	211	211	211	211	205	211
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

4.5.2. Model specification

This part of the research represents the specified model being used in this study, the investigation made use of econometric model to find out the roles of SMEs performance indicator on business turnover on SMEs share of economic growth dimension factors on Borama city after get the result of correlation and know variables relationship, infrastructure will not be part of the regression analysis because correlation result shows that there is a weak correlation between turnover and infrastructure at the same time statistically insignificant, we don't need to put in regression. The general model can be portrayed as follows:

$$Y_t = \alpha + \beta_1 INV + \beta_2 EMP - \beta_3 ENT - \beta_4 PRF + \mu$$

Where Y= Annual turnover of the business

INV= Investment

EMP= Employment

PRF= Profit

ENT= Entrepreneurship

4.5.3. Method of Analysis

Multiple regression analysis is one of the simplest and appropriate method fit a function with the data. Because in this data there is one dependent variable and five independent variables.

4.5.4. SMEs' performance indicator of business turnover as a dimension of economic growth

The table below portrays the result of the multiple regression analysis. Independent variable use SMEs performance indicator which is used as a proxy of Annual turnover of the businesses while SMEs share on economic growth dimension factors which is independent variable is used proxies of a share of employment, investment, profitability, and entrepreneurship.

Table 4.5.1: Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731a	.535	.526	1.027
a. Predictors: (Constant), INV, EMP, ENT, PRF.				

Table 4.5.2: Coefficients

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.526	.464		5.443	.000	1.611	3.441
	INV	.978	.165	.335	5.932	.000	.653	1.303
	EMP	.120	.016	.408	7.603	.000	.089	.151
	ENT	-.339	.167	-.104	-2.030	.044	-.668	-.010
	PRF	-.271	.108	-.134	-2.501	.013	-.485	-.057
a. Dependent Variable: Turnover.								

Based on the multiple regression results in the above table business turnover used as an independent variable. R-Square (coefficient of determination) is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. R^2 is the percentage of the variance in the dependent variable explained jointly or uniquely by the independent variables and is 53%. The overall model is fit.

From the findings of the multiple regression table, the regression model for the stated variables was;

$$\text{Turnover} = 2.526 + 0.978(\text{INV}) + 0.120(\text{EMP}) - 0.339(\text{ENT}) - 0.271(\text{PRF}) + \varepsilon$$

H₁: SME's investment has positive effect on SMEs performance indicator of business turnover.

The results from multiple regression supports Hypothesis two which indicates that the coefficient rate of investment had a strong and healthy effect on business performance, which means whenever a business makes one additional investment annual turnover of the

business will increase the rate of 0.978 and significant at the level of 5%. This will result both increase in investment and turnover of the business which good indicator of economic progress.

H₂: SME's employment has positive effect on SMEs performance indicator of business turnover.

Employment had a positive effect on business performance and significant which indicated if one additional employer hired business turnover will increase 0.120 and significant at the level of 5%. This result supports hypothesis three. This means business turnover effect employment rate in Borama positively and reduce number of unemployment.

H₃: and H₄: SME's profitability and Entrepreneurship has negative effect on business performance indicator of business turnover.

Based on the result of the multiple regression table Entrepreneurship had a negative effect on the business performance, increase in entrepreneurship activity in the market had negatively effect the performance of the existing business and reduce their performance 0.339 which is significant 5% level. Regard to this finding it is difficult that business owners find extra income from their businesses whenever new entrepreneur enter the market. This result contrasted finding of economic growth and Entrepreneurship have a strong positive relationship found Toma et al., (2014, p. 441) so we reject hypothesis and the alternative will be accepted.

The study multiple regression results also indicate that the profitability of the business had negative effect on the performance of the business because performance of the business will decrease amount of 0.271 whenever business owners try to get profit, the reason was that business expenses are more than normal due some certain problem they have, include import of mostly resource needed to run business, electricity, lack of skilled labour and high rent cost and lack off effective government support, all these problems inherited business operators always try to survive rather than seeking profit. This result bear theory of economic that business can operate negative profit in the short run(Daniels, 1999, p. 56).

Based on the result shown in table 4.5.2 of the multiple regression analysis it is to conclude that the relationship between SMEs performance indicator as economic growth

dimension of Borama city is good but not strong enough as expected. This means in Somaliland particularly Borama context, SMEs performance indicator don't effect positive enough as expected to economic growth dimension factors and development of the city. However, investment rate that SMEs made lead to a higher SMEs performance rate with regard employment contribution made SMEs is also significant to Somaliland economy.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1. Discussion

The study has the main purpose of investigating the effect of SMEs performance indicator of business turnover as a dimension of economic growth of Borama, Awdal region in Somaliland. Cross-sectional research method is adopted to ensure objectives of the study results. First, quantitative data have been gathered, analyzed and presented as described in the research methodology section of the study. SPSS software for statistical analysis was analyzed quantitative data, like descriptive statistics which summarized demography of the main variables of the study which is presented as tables charts as well inferential statistics is measured the effect of SMEs performance indicators of a Business turnover business share of economic growth dimension variable used for regression and correlations techniques. SMEs performance indicator on business turnover was treated as dependent variable while SMEs share of employment, investment, profit, entrepreneurship and infrastructure was treated as an independent variable and then discusses the results get from both phases of descriptive and inferential sections.

First, the result from the analysis of descriptive showed evidence of the operational performance of the SMEs, their efficiency is low for expecting level, collaboration of SMEs with financial institutions, and the major problems include lack of raw material in other word lack of local production which causes business operation suffering a lot of losses. Data also show the enthusiasm of sole proprietorship ownership, Major business operating in Borama is owned by one person or one family. Education of the businesses operators is below university level was also revealed, this means the level of education of business in low generally and another major problem was that most of the SMEs in Borama import their product from foreign nations this causes hard currency to go to out of the city at the same time out of the country.

Second, in the demographic section, data revealed that SMEs source of finance is from several sources like own saving, family, and sometimes financial institution like a business which have the largest turnover generally those in the production sector. data

revealed that SMEs have the problem of getting finance whether it is credit or grants and not having or minor chance to get finance outside their funds.

Third, the result shows that SMEs in Somaliland particularly Borama town indicated their major problems as capital, lack of credit is underlined as a most severe problem they have, electricity, lack of local product, lack of technology, poor infrastructure was also emphasized as another major problem. Lack of government support to SMEs have was also indicated one of the major problems.

In the inferential section result shows that SMEs performance indicator of business turnover has a good relationship with SMEs share of both employment, and investment but have a negative effect on profit and entrepreneurship this shows that SMEs have not strong positive enough relationship to Somaliland economy.

Generally, the result of the study supports the previous studies which states that SMEs are good indicator of economic growth but in Somaliland context result shows positive effect but not strong enough. The evidence of the result of both inferential and descriptive show enthusiasm that SMEs contribution to development and growth of the economy of Borama town but not enough as expected before the study. Study underlined drawbacks of SME contributions to the economy of Somaliland is from several problems SMEs face during their operation process which hindering SMEs vital role in Somaliland economy also these bottlenecks causes doubt of new investment on SMEs sector and overall performance of SMEs.

5.2. Conclusion

This study investigates the effect of SMEs performance indicator of business turnover as a dimension of economic growth in Borama town. In the conclusion section, a study has to summarize the result on the base of conclusion and recommendation, this is the main concern of this section. Starting on literature and the view of the role of SMEs to economic growth in globally and locally were largely explored for several directions that SMEs can contribute economy of Somaliland.

Cross-sectional research design has been adopted to disclose the perceived effect of SMEs' performance indicator of business turnover as a dimension of economic growth dimension. Response from quantitative study survey of 211 SMEs in Borama town has

been used to illustrate study result in a way of descriptive statistics which is tables and charts as well as inferential statistics which is depicted the relationship between SMEs performance indicator of business turnover and economic growth of Borama town.

This study emphasis on the effect or role of SMEs performance indicator of business turnover as a dimmension of economic growth in Borama. Primary date collected from SMEs operating in Borama, and the analysis presented as follows: descriptive statistics which is used table and chart and inferential statistics which is used multiple regression and correlation aimed to check relationship between SMEs performance indicator of business turnover and their role of SMEs share of economic growth dimension factors.

Based on descripted statistics results, positive strong relationship between SMEs performance indicator and Borama economy has been shown. Respondents of the study revealed that their business is profitable which means that SMEs performance indicator of business turnover will increase and gives chance to create income for SMEs operators. Investment made SMEs is also high and contribute to business turnover as well, employment, infrastructure they introduce. increase of entrepreneurship are as well is significant contribution SMEs made. Finally, respondents were asked whether SMEs promotion accelerates economic growth of the city they accepted or a majority of the respondents stated that SMEs promotion will contribute economy to boost. On the other side, this section also depicted problem that hinders SMEs performance is included, finance problem or lack of credit, expensive electricity, excessive cost of rent, lack of land, lack of government support and lack of national products.

On the inferential statistics, multiple regression results revealed SMEs performance indicators of business turnover shows a positive strong relationship with SMEs share of economic growth dimension factors, but not enough as expected prior the result, several reasons challenged full contribution of SMEs on Borama town to economic growth dimensions. Correlation also showed that SMEs performance indicator has an effect on SMEs share of economic growth dimension measuring variables.

This study succumbs previous studies of the small and medium scale enterprise performance effect to economic growth dimension and developments findings but effects of SMEs in Somaliland economy growth dimensoins is not positive strong enough. The

empirical result of this study of SMEs performance indicator of business turnover as a dimension of economic growth revealed that investment of SMEs made have strong effect on turnover of the business which means SME's investment increase contributes economy of Borama city as well as the country, same to this SMEs employment increase as well have positive impact on the SMEs performance this brings whenever SMEs employment rate increase many labor force enter the market and this opportunity generates income to the labor force, this is positive sign to the economic growth of the country as well as Borama city. On the other side, SMEs profit has a negative impact as well as entrepreneurship because of the unfriendly business environment existing in Somaliland which many challenges hinder SMEs performance. the empirical of this study clearly indicates that strong and operating SMEs performance is paramount significant for sustainable economic growth and development happen in Somaliland.

5.3. Recommendation

From the findings of this study and conclusion presented above the researcher make following recommendations: Small and medium in Somaliland have a long way to be significant, relevant, productive enough, and play a significant role, it is expected to be contributing to the economic growth and development of the Somaliland economy. Small and medium scale enterprise in Somaliland particularly in Borama city has shown an important sector of the economy, and needing particular incentives to assist its development. from the empirical result of this study, following implication are suggested to develop and promote SMEs sector in Somaliland.

- There is an extreme need for infrastructural enhancement such as, roads, electricity, water supply, working environment facilities. There is not enough infrastructural development as witnessed currently, it needs to provide high standard such as enough and cheap electricity, adequate and clean water supply, good transportation can improve SMEs performance and wellbeing of the business operators. Government should enhance existing and establish rural/urban means of the transportation system.
- There is need an information generating framework and data centers for proper implementation. This would make sure the availability of the SMEs information and assist doing and planning researches.

- Government policy for making access to fund easier than as it is current for SMEs is needed such as encouraging financial institutions to give credits, loan guarantees and monitoring Financial institutions for the implementations and find rules for transparent lending process and guarantees of paying backs for the borrowers.
- There is dire government fiscal incentives and support of SMEs such as tax rebates, direct financial and training and encourage their development. it also needs government to review tax system and remove multiple taxes and levied.
- Establishment of national entrepreneurship institute is needed from government, to provide SMEs development guide and training related to SMEs operators. This will make SMEs operators to identify importance for practicing financial recordings, planning, holding a meeting for business staffs, feasibility study and preparing a budget.
- Providing adequate capacity building and training to SMEs operators and staffs through government and their privet partners (NGOs) will promote the capacity of SMEs in Borama as well as Somaliland.
- There is dire for banks should simplify required conditions for accessing credits, and improve collateral relationship between SMEs and financial institutions. This will enhance and reduce the gap between SMEs and financial institution and remove as well as asymmetric information between them.
- Government proper monitoring to microfinance and bank activities and taking some measure if made mistake will ensure smooth work for these institution as well as give SMEs chance to develop.
- There is a need to add country's study curriculum and education system entrepreneurial and technological studies. This will improve complete integration of the technological use and entrepreneurial skill.
- Government should improve tax system and devoid tax fraud, corruption and bureaucracy as well as motivate SMEs operators and entrepreneurs. Establishing sound and consistent policies and regulation toward SMEs will bring economic growth and sustainable development.
- SMEs operators should ensure the quality of their goods as well as service.

5.4. Recommendations for Future Studies

This study focused on the effect SME performance indicator of business turnover on SMEs share of economic growth dimension variables of Borama town. From the result of this survey study revealed that SMEs performance indicator effect positively but does not affect as expected prior the study to the economy of Somaliland particularly Borama. Future study is recommending covering the whole country, it will be a good measure role of SMEs to Somaliland economy. this study focused turnover as a proxy for SMEs performance to measure economic growth, future studies is recommending getting GDP of the country and use as a proxy of the economic growth measure this will help researcher and will provide a better perspective on the relationship between small and medium scale enterprise and the economic growth of the country. This will be great opportunity to show the role of SMEs and their contribution to the economy growth and sustainable development of the Somaliland economy.

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Appendixes

Appendix 1: Questionnaire for the study.

Dear Respondents:

This study is being conducted as a part requirement for the award of the degree of Master of Economics of Anadolu University, Turkey. The purpose of the study is to determine the role of Small and medium scale enterprises in economic growth in Somaliland. Your views as participants of this study of a relationship between small business and economic growth are very crucial to this study. Kindly complete the questionnaire enclosed and return it to the researcher. All information provided are strictly confidential, used only for academic purpose and shall not be passed to a third party unless by your permission.

SECTION I: BACKGROUND OF THE SME

- 1- Gender of the respondent
 - Male
 - Female
- 2- What is your position on work in the business?
 - Owner
 - Manager
 - Partner
 - Staff
- 3- Do you have a business-related education?
 - University degree
 - Secondary level
 - Business-related training
 - No education
 - Other _____
- 4- What type of business ownership you are running?
 - Sole proprietorship
 - Partnership
 - Corporation
- 5- What is the main reason for starting the current business?
 - No alternative business

- To improve income
 - Unhappy previous job
 - identification of market opportunity.
- 6- How do you access startup capital of your business?
- Family saving
 - Loan from family
 - Loan from financial institution
 - Own saving
 - Loan from small cash loan
 - Social grants
- 7- How many years have you been running a business?
- Less than One year
 - 1-5 years
 - 6-10 years
 - Over 10 years
- 8- React the following statement by checking the alternatives most reflect the type of your business by filling the blank.
- Trading
 - Production
 - Service rendering
 - Other (specify)_____
- 9- Where did you get, the resources use your business?
- National
 - Import
- 10- What is the level of import in your company resource (state in percentage)?
- _____
- 11- What kind of financial institution you collaborate?
- Central Bank
 - Commercial Bank
 - Remittance
 - No bank collaboration
- 12- Do you access to bank loan?
- Yes
 - No
- 13- What is the reason for not to getting a bank loan?

- Inadequate collateral
- Process of getting loan too restricted
- Fear inability to pay
- Other

14- If you use a computer, how many percentage your daily work depends on computer?

- 10-20 percent
- 21-50 percent
- 51-80 percent
- 81-100 percent
- Not use computer

15- If you use internet connection. Why you use internet?

- Online programs needed to operate
- Make an advertisement
- Make online service
- Not use internet connection

16- Do the government provide support for your business?

- Yes, regularly
- Yes, Sometimes
- No

17- If you get support, what kind of support do you get?

- Financial support
- Technical support
- Educational support
- No support

18- Did you get these any supports from Microfinance institutions?

- Yes, financial support
- Yes, Training
- No
- Other (please specify) _____

19- Do you make a business plan?

- Once a year
- Two times a year
- Monthly
- Other (please specify) _____

No

SECTION II: PERFORMANCE OF SME TOWARD ECONOMIC DEVELOPMENT

20- What is current annual revenue status of your business?

- Less than \$5000 US dollar.
- \$5000 US Dollar
- \$6000-\$10,000 US Dollar
- \$11,000-\$50,000 US Dollar
- \$51,000-\$100,000 US Dollar
- \$110,000-\$500,000 US Dollar
- 1 Million and above
- Other (please specify) _____

21- When entering your current business what broad financial objectives did you initially set out to achieve?

- To achieve high profit
- To achieve medium profit
- To achieve small profit
- To get by financially

22- Do you think your business is profitable?

- Strongly agree
- Agree
- No comment
- Strongly Disagree
- Disagree

23- What is the level of profitability status of your business?

- Exceeded our prediction
- Satisfied our prediction
- Moderate
- Not profitable

24- Does your business make any other investment?

- No
- Yes, other Small business
- Other (please specify) _____

25- Does the establishment and creation of SME contribute to raise employment rate in the country?

- Strongly agree
- Agree
- No comment
- Strongly disagree
- Disagree

26- What is your company size (number of employees)?

	Fulltime	Tart time
- At start up	<input type="text"/>	<input type="text"/>
- 1 year	<input type="text"/>	<input type="text"/>
- Current	<input type="text"/>	<input type="text"/>

27- Does the number of employee in your business is increasing annually?

- No
- 1-10 employee
- more than 10 employees
- Other (please specify) _____

28- Do you believe that small business increase is a sing of raise of entrepreneurship?

- Yes
- No

29- What are the factors that hamper the entrepreneurs to start SMEs? Select the following statement by ranking 1 for best option to 7 least option

Entrepreneurs hampering factors	Rank
Lack of motive to drive	
Lack of tolerance to work hard	
Lack of persistence and courage to take the responsibility failure of SME	
Lack of startup capital	
Lack of entrepreneurship training	
Lack of information to exploit business opportunity	

30- Do you think SME's promotion and development accelerate economic growth (GDP) of the country?

- Yes
- No

31- SMEs brings infrastructural development

- Yes
- No

32- Has there been any infrastructure introduced because of SME?

- Road/ bus stops
- Street lights
- Housing projects
- Electricity
- Communication
- No

33- Please indicate possible problems and indicate the extent to which the following factors affect your business as a serious problem. Mini moderate and sick tick under the appropriate column

Factor	Mini	Moderate	Serious
Lack of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of credit facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High cost of rent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of raw material	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of managerial skill	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of skilled labor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of local government support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack or poor infrastructure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of latest technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of good electricity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thank you for your corporation.