ARABIAN GROUP OF JOURNALS
Arabian Journal of Business and Management Review (Nigerian Chapter)
Research Article Homepage: www.arabianjbmr.com AGJ

THE ROLE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN DEVELOPMENT

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Abstract

In most developed countries, the adoption of policies to support small and medium-sized enterprises in order to increase growth, generate income and employment, and even reduce poverty, are among the most important socio-economic priorities of governments. Recent developments, especially demographic pressures, instantaneous innovations, the complexity of management processes and decision-making, while also requiring immediate and urgent decisions highlighted the importance and benefits of small and medium enterprises and thus the preparation of the business environment for small and medium enterprises was on the agenda of growth and development programs of different countries.

Keywords: Support, Small and Medium Enterprises, Government, Development

Introduction

SMEs[1] have the largest employer and participant in market economy. Although small and medium sized enterprises play a valuable role in national economies, but due to their particular nature and characteristics face with many problems in financing the required funds compared to large firms. These firms are generally avoided by setting these financial statements because of costly nature of auditing financial statements. This issue, compared to the clear position of large firms that have been generated by the use of accounting systems and accounting standards and financial statements audited by auditors, has led to lack of transparency of financial information about activity of small and medium size (SMEs). In addition, shorter duration of these firms compared to large firms, as well as the weak operational records of SME's activities, have added to depth of lack of transparency of existing information and it can disrupt the ability to closely monitor their financial position by financial institutions (Soltani & et al, 2011).

Small and Medium Enterprises

Small and medium enterprises include a range of home-based activities to manufacturing and service activities. Therefore, it is not strange that there is no clear, unique, comprehensive definition of small and medium enterprises. In addition, due to different goals pursued by different policies, which are considered sometimes objectives and supportive policies, and sometimes tax purposes, etc., different definitions of these enterprises are presented (Beck & et al, 2012). But the low number of employees, the small turnover and the informal structure governing small and medium enterprises is generally known that is managed by a person who owns enterprise (Attar & et al, 2016). Most definitions of small and medium enterprises are based on quantitative criteria such as the number of employees, the turnover, the value of assets and the amount of capital. At the same time, the simplest criterion is to use the number of employees to define and characterize them. But according to this criterion, several definitions are already provided. For example, the European Union considers the maximum number of 250 people for small and medium enterprises, in

[1] Small and medium-sized enterprises

United States, the definition of these enterprises is limited to 500 people and in Malaysia, and this is a limit of 150 people (Bakker & et al, 2014).

In Iran, although almost 95% of enterprises are small and medium enterprises, manufacturing, services, etc., there is no comprehensive definition in this area and various agencies and organizations, each according to their business requirements, the classification of firms in terms of large, medium and small are being addressed. The central bank classifies workshops of more than 50 employees in large workshops and other considers small workshops. According to the Ministry of Industries and Mines and the Ministry of Agricultural Jihad, small and medium enterprises are industrial units and services that employ fewer than 50 employees.

But the Iranian Statistics Center has classified businesses into four categories: there are 1-9 workers, 49-10 workers, 50-99 workers and more than 100 workers, and only businesses with fewer than 10 labor consider as small and medium enterprises. According to the latest definition provided by the small industries organization and industrial towns, small industries are referred to as "industries" that the number of their employees is between 5 to 50 people, and large industries are industries that the number of employees is more than 50 people. The EU uses three criteria for the definition and identification of SME's that include: The number of employees, the annual turnover of the firm and the amount of its assets and liabilities. The last definition of EU was adopted in 2003, replacing its previous definition in 1996.

Table 1. Classification of micro, small and medium enterprises in EU

Total Balance Sheet (Assets and liabilities)	Turnover (Million euros)	Number of Employees	Classification of enterprise
43 ≤	≤ 50	< 250	Medium
10 ≤	≤ 10	< 50	Small
2 ≤	≤ 2	< 10	Micro

Table 2. Definition of Small and Medium Industries in Asian Countries

Country	Definition	Definition criterion
Malaysia	The annual turnover is less than 25 million Malaysian rings and the number of employees is less than 150 people	Turnover rate and number of employees
Taiwan	Registered capital of less than $ 40 million Taiwan, total assets less than $ 120 million Taiwan, and for non-manufacturing firms, sales volume less than $ 40 million Taiwan	The amount of capital, the amount of assets and the volume of sales
Philippines	The total assets are less than 40 million pesos and the number of employees is less than 200 people	Amount of assets and number of employees
South Korea	The total assets are less than 80 million won and the number of employees is less than 300 for manufacturing enterprises and less than 20 for service enterprises	Amount of assets and number of employees
China	It varies in industries, and usually firms with less than 200 personnel are small and medium enterprises.	Number of Employees

Problems and Backwardness of Small and Medium Enterprises

Small and medium-sized enterprises are faced with problems and backwardness, which are referred to below:

- Lack of necessary scales of different aspects of capital, production and markets;
- Lack of suitable business environment from different aspects of lawful, legal and other aspects;
- Lack of software and organizational infrastructure;
- Production with old technology and lack of access to new technologies;
- The lack of a coherent relationship with banking networks and financial of country;
- Lack of inter-firm collaboration networks.

The Barriers to Development of Small and Medium Enterprises in Iran

1. Market barriers such as monopoly purchases, fluctuations in supply and demand, purchases of raw materials at low scales leading to rising prices, and so on.
2. Financial barriers such as problems related to the provision of bank guarantees, delays in receiving revenue from sales, increase liquidity squeeze on small and medium-sized enterprises, and so on.
3. Unavailability of various types of information, including: marketing information about domestic and foreign markets, information about situation of financial and technology of small and medium enterprises to help investors choose the right businesses for investment, technical and operational information, information about sources of supply of raw materials for production and buyers, and ...
4. Government policies, such as: the inability to create enabling environments for small and medium enterprises, administrative barriers to obtaining compensation, and the lack of possible conflict resolution institutions and so on.

Owners of small and medium enterprises also have problem in identifying and determining their help needed and this problem seems to be due to the complexity of organizational challenges facing them. In addition, weaknesses and disabilities such as lack of financial resources and problems in obtaining bank facilities, lack of specialist force in the industry, inadequate knowledge and skills of existing forces, old machinery, high interest rates of facilities, obscurity of some rules of business and commerce, the increase of production intermediaries, the massive trafficking of goods to the country, the large number of current foreign competitors in the market, the welcome of consumers from foreign products, traditionality of activities in the field of industry, and the lack of economic, financial and managerial knowledge special at the time of are considered as an obstacle to the optimal activity of small and medium-sized enterprises and the removal of these barriers-both for companies and for the government- can largely provide many entrepreneurial opportunities in the small and medium-sized industries and have balanced and sustainable development of the country's manufacturing and industry (Amin Bidokhti & Zargar, 2011).

Clusters and Networks of SMEs

The development of small and medium enterprises, given their vast potential in the country due to job creation, the development of social justice, the creation of balanced regional development and others, have great importance in policy making. Development of single and separate firms is not only desirable, but because of the dispersion and variety of products, it is impossible to monitor and allocate resources to the state. Therefore, one of the best mechanisms for their development is to encourage small and medium enterprises to operate in clusters or, more precisely, to organize and develop clusters of small and medium enterprises. Clusters of small and medium enterprises can be considered a set of small, moderate, homogeneous industrial units that are located based on the relative regional advantages of each other, and there are defined relationships between them (Ghasemi & Elmi Moghadam, 2009). Basically, the number of small and medium-sized industrial and manufacturing workshops and units that engage in the same activity in a region reflects a particular regional potential, or, in other words, confirms the existence of specific regional advantages.

In other words, in terms of potentials such as raw materials or the existence of a historical record in the occupation or jobs concerned many workshops and industrial units are engaged in the same activities and the desired area has ability to manage and provide multiple and similar workshops. However, the exact development of each cluster depends on the specific conditions of that cluster, but the general steps of cluster development are: 1. step of concentration or geographic aggregation of enterprise, 2. Embryo step or emergence of cluster; 3. Growth step of cluster; 4. Cluster maturity step; 5. Reconstruction step. Metamorphosis of clusters and the formation of new clusters of units located in a mature industry clusters is so that can be likened to the separation of parts of a large industrial unit in the form of new workshops (Gilanina & et al, 2013; Moghasemi & Gilaninia, 2017). The concept of industrial clusters is a new phenomenon, although its manifestations are reflected in the material that has been carried out in the Arabic and Islamic texts after the renaissance, but for the first time, Alfred Marshall specifically deals with the phenomenon of geographic focus of industries and the costs created for each of the firms and then other people have dealt with the theoretical development of this concept. Michael Porter is one of the most important theorists of this field. According to Crowe and Gharl (2001), the cluster is a general concept that reflects the tendency of firms to be close to each other in a similar type of business.

According to Maskle (2001), the term cluster is synonymous with industrial aggregation or concentration, while the term of industrial areas is used somewhere the purpose of this explicitly refers to the values and norms of corporate congruence. According to Asheim and Isaac Sen (2002), basis of the logic of firms is point that regional and local resources have particular importance for firm and helps him achieve global competitiveness. Firms active in the cluster are highly dependent on the region's exclusive resources and when these firms innovate, they do not move toward each other. According to Cook & Hudgins (2002), the cluster is a neighboring set of firms that have vertical and horizontal relationships and includes supportive local firms of infrastructure and sharing on vision. This set of firms will cooperate and compete in a specific market. In general, the concept of clusters has undergone many changes in its historical evolution, but the main point in these definitions is the existence of a geographic concentration due to geographical factors and geographical concentration due to historical factors (Ghasemi & Elmi Moghadam, 2015).

Government Support from Small and Medium Enterprises

The study of small and medium enterprises in countries, especially those that have been active in many recent decades and as a symbol of success in development, suggests that they rely on entrepreneurs and small and medium-sized enterprises rather than the "ownership" and "state of affairs" of the state and emphasize the views of the first half of the 20th century on the economics of large and large firms. Although the socioeconomic structure of countries that have emphasized small and medium-sized enterprises is very diverse but all of them are pushing for a free economic space; that is, where supply and demand forces are able to circulate away from any renditions and exclusivity (Amin Bidokhti & Zargar, 2011). Some countries have considered this space as different degrees of development and so they have taken steps to expand it, but some others (especially in Eastern Europe) have been deprived of it.

This should be considered as a fundamental and principled step towards leaving the "False circle" of underdevelopment; that is, the False circle in which the "reduce management" strives to protect its interests in order to prevent it from opening. It seeks to weaken and then eliminate this reduce, which is a serious obstacle to any change in line with global developments - is possible only through a new approach to small and medium enterprises (Roozbeh, 2004). Generally in most developed countries, the adoption of policies to support small and medium-sized enterprises in order to increase growth, generate income and employment, and even reduce poverty, are among the most important socio-economic priorities of governments. Governments, despite the achievement of a national resolve to develop and confront the process of globalization, have a conventional or contractual definition of small and medium enterprises. This definition is based largely on the number of employees in firms. In fact, the next step should be sought at the organizational level. That is, governments typically, in the belief of a free-market economy, have made a government organization responsible for policy and implementation of problems related to small and medium enterprises. These policies follow a specific goal that includes the strengthening and expansion of these enterprises and the culture of entrepreneurship in the country (Berger & Udell, 2006; Amin Bidokhti & Zargar, 2011).

Discussion and Conclusion

The complex and rapid transformations of recent decades and the acceleration of the globalization process have led to struggling communities to embrace evolution. Up until a few decades ago, the establishment and activation of large companies was considered an economic advantage and it was argued that the larger the companies would be more dynamic the economy. Though based on the same thinking, giant corporations emerged, but recent developments, especially demographic pressures, instantaneous innovations, the complexity of management processes and decision-making, while also requiring immediate and urgent decisions highlighted the importance and benefits of small and medium enterprises and thus, the preparation of the business environment for small and medium enterprises was on the agenda of growth and development programs of different countries.

Due to the existence of a set of prominent features that separate small and medium enterprises from large enterprises, we see the different economic effects of these firms on the economy than the large enterprises that these effects determine the need to address the situation of SME's in general and, in particular, to solve their funding problems more than ever.The main effects of small and medium enterprises in all countries are helping to increase employment and reduce unemployment, particularly in less developed or developing countries that uncontrolled growth of the population, the depletion of human capital formation and the ineffectiveness of the market mechanism in a balance between supply and demand are characteristics of their economic structure and has led that despite the massive potential of the economy, employment becomes an unresolved problem.

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