

Small and medium-sized enterprises: A tool for socioeconomic development



Abdijabbar Ismail Nor*

Faculty of Economics and Management, Jamhuriya University of Science and Technology, Mogadishu, Somalia

ARTICLE INFO

Article history:

Received 26 June 2024

Received in revised form

2 October 2024

Accepted 21 November 2024

Keywords:

SMEs

Economic growth

Job creation

Poverty reduction

Income generation

ABSTRACT

Small and medium-sized enterprises are universally recognized as critical catalysts for socioeconomic development. Therefore, this study explores the empirical relationship between SMEs and economic growth, job creation, income generation, and poverty reduction. Through a cross-sectional research design, data was gathered via a questionnaire from 130 participants, including SMEs owners, operators, and young entrepreneurs who received training from entrepreneurship training programs such as the Next Economy program by SIMAD-Innovation Lab and the Start-Improve Your Business (SIYB) Training program by the International Labor Organization (ILO), as well as the entrepreneurship training program provided by Jamhuriya Incubation Centre (JIC). The study employed partial least square structural equation modeling (PLS-SEM) to test the hypotheses through SmartPLS (v.4.0.9.5). The study found that SMEs significantly contribute to economic growth, job creation, income generation, and poverty reduction. The findings provide significant implications for governments, international organizations, financial institutions, and policymakers, emphasizing integrating SMEs development initiatives into national development plans to improve social and economic development.

© 2024 The Authors. Published by IASE. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

1. Introduction

Small and medium-sized enterprises (SMEs) are the main drivers of socioeconomic development (Omri and Ayadi-Frikha, 2014; Omri et al., 2015; Al-Tit et al., 2019), SMEs contribute significantly to various aspects of social and economic development such as economic growth, job creation, poverty alleviation, income distribution, and technological innovation (Maneesha, 2020; Msomi and Olarewaju, 2021). In high-income nations, SMEs account for over 55% of gross domestic product (GDP) and 65% of employment opportunities, while in middle-income countries, they contribute more than 95% of employment and around 70% of GDP. Even in low-income economies, SMEs play a crucial role, constituting over 70% of employment and 60% of GDP (Zafar and Mustafa, 2017). According to OECD (2016) reports, SMEs makeup about 99% of all firms in their member countries, generating approximately

70% of job opportunities and contributing 50-60% of total value added (Mwale, 2020). SMEs also create job opportunities, employ a huge number of the labor force, particularly for low-skilled workers, and provide skills development opportunities (Mwale, 2020). Thus, SMEs are essential channels for inclusion and poverty reduction for economically disadvantaged regions, especially in emerging and low-income economies.

SMEs have been recognized as essential drivers of socioeconomic development. In the United States of America (USA), SMEs played a substantial role, contributing to more than half of private non-agricultural GDP between 1998 and 2004. Additionally, they employed nearly 50% of the non-farm private sector workforce in 2006 and were responsible for generating 64.1% of net new jobs from 1992 to 2009 (Cantele and Zardini, 2020). Similarly, in several European countries, SMEs contribute approximately 56% of the GDP (Pletnev and Barkhatov, 2016; Muller et al., 2017; Al-Tit et al., 2019). According to Muller et al. (2017), SMEs accounted for 67% of total employment in the European Union (EU-28) non-financial business sector and generated 57% of value added in 2016 (Cantele and Zardini, 2020). SMEs also play a significant role in the socioeconomic development of highly industrialized nations like Japan, where they

* Corresponding Author.

Email Address: abdijabbar57@gmail.com<https://doi.org/10.21833/ijaas.2024.12.014>

Corresponding author's ORCID profile:

<https://orcid.org/0000-0003-4204-6691>

2313-626X/© 2024 The Authors. Published by IASE.

This is an open access article under the CC BY-NC-ND license

(<http://creativecommons.org/licenses/by-nc-nd/4.0/>)

constitute 99.7% of business enterprises, employ 87% of the workforce, and contribute to 51% of total goods exported. SMEs contribute notably to the GDP, with contributions of 60.0%, 57.0%, 55.3%, 50% and 47.3% in China, Germany, Japan, Korea, and Malaysia respectively (BNM, 2003).

According to the NBS (2003), SMEs have played a part in various aspects of China's economic development, such as economic growth, employment opportunities, expanding exports, and promoting innovations. SMEs have been major contributors to economic growth in China. They accounted for substantial portions of the output value, sales revenues, and tax revenues within the industrial sector, representing 60%, 57%, and 40%, respectively (Chen, 2006). Additionally, SMEs created 75% of the incremental industrial output value, as reported by the National Bureau of Statistics of PRC (NBS) (NBS, 2001; NBS, 2003; Chen, 2006). This indicates their crucial role in driving industrial expansion and productivity. SMEs have been a key in creating employment opportunities, accounting for about 79% of new jobs nationwide. This highlights their importance in absorbing labor and reducing unemployment rates, thus contributing to social stability and economic development. SMEs have played a significant role in boosting Chinese foreign trade and exports. They have manufactured bulk export commodities such as handicrafts, metal goods, light industry products, textiles, and toys. These products encompass high-tech and labor-intensive categories, showcasing the diversity and adaptability of SMEs in meeting global market demands and enhancing China's trade competitiveness (Chen, 2006). SMEs have made substantial developments in technological innovation, emerging as key drivers in the spread and application of new technologies and innovations. The establishment of numerous high-technological business incubators, university science parks, and initiative business parks for returned overseas students, service centers for SMEs' technology innovation, and productivity promotion centers by the Chinese government in 2003 reflects its commitment to fostering an environment conducive to SME-led innovation and technological advancement (Chen, 2006).

In Pakistan, SMEs contribute more than 30% to the country's exports and engage approximately 3.2 million workers. This emphasizes their crucial role in driving economic growth and providing livelihoods for a significant portion of the population. Moreover, SMEs are described as the backbone of the industrial sector in Pakistan, indicating their fundamental importance to the country's industrial landscape and overall economic stability (Zafar and Mustafa, 2017). Similarly, in Indonesia, SMEs are important players in local economic activities, serving as primary sources of employment opportunities and income generation, particularly for low-income households and rural communities. These enterprises are recognized as vital engines for local economic development,

fostering prosperity and sustainability within their respective regions. Notably, SMEs in Indonesia employ over 90% of the country's workforce, with a significant emphasis on youth and women, thereby playing a critical role in addressing unemployment and empowering marginalized groups (Tambunan, 2006; 2008).

In Malaysia, SMEs play a vital role in driving economic growth (Hashim, 2007; Chelliah et al., 2010), as evidenced by their substantial share of total businesses and their contribution to the country's GDP. Nearly 97.3% of all businesses in Malaysia are SMEs, indicating their dominance within the business landscape. Moreover, SMEs contributed 33.1% to the country's GDP in 2020, underlining their significant economic impact (NSDC, 2015). SMEs are responsible for generating 59.5 percent of total employment in the country, providing livelihoods for millions of individuals across various sectors. Around 3.0 million workers are engaged in SMEs, and they account for a significant portion of the workforce, particularly in key economic sectors such as manufacturing, services, and agriculture (NSDC, 2015). SMEs' dominance is particularly noticeable in the services sector, where they account for 86.5% of total business establishments. However, they also hold a considerable presence in the manufacturing and agricultural sectors, contributing 7.3% and 6.2% respectively (NSDC, 2015). Beyond employment and GDP contributions, SMEs in Malaysia also contribute to output and value-added, further emphasizing their role in the country's economy.

The role of SMEs in driving economic growth and development across various African nations is significant, as highlighted by several studies and statistics. In Ghana, SMEs contribute significantly to the economy, accounting for 70% of GDP and representing 92% of business establishments (Zafar and Mustafa, 2017). Similarly, in Nigeria, SMEs play a crucial role in the economy, producing about 40% of GDP and creating 70% of employment opportunities (Effiom and Edet, 2018). In Tanzania, SMEs contribute more than 33% to the GDP, further emphasizing their significance in driving economic output and development (Zafar and Mustafa, 2017). South Africa also benefits significantly from its SME sector, with micro, small, and medium enterprises estimated to constitute 91% of formal business entities. These enterprises contribute 52% to 57% of GDP and provide around 61% of employment opportunities (Zafar and Mustafa, 2017). SMEs in South Africa also make up 70% to 80% of the labor force, contributing 36% to GDP and creating 28% of jobs (Msomi and Olarewaju, 2021). In Botswana, SMEs contribute approximately 30% to 45% to the GDP and account for 50% of formal employment (Gagoitseope and Pansiri, 2012).

In Kenya, micro and small-scale enterprises, particularly in agriculture and rural businesses, contribute to economic growth by creating jobs, generating income, and providing livelihoods for low-income families. SMEs also contribute 12-14%

to the country's GDP (Kombo et al., 2011; Osoimehin et al., 2012).

Approximately 51 percent of the population in Somalia lives in poverty, although the poverty condition in the Internally Displaced People (IDPs) camps is worse, where it is estimated that 70% of the IDPs live in poverty (WBG, 2016; MOP, 2020; Nor, 2021). The youth under the age of 30 constitute more than 70% of the population, and unemployment and underemployment are widespread among them (Nor, 2021). Youth are considered as much of the population (75% of those below the age of 30) suffering from a higher rate of unemployment than the overall population. WBG's (2016) study shows that 70% of Somali people are under the Age of 30, and two-thirds of them are unemployed (Maow, 2021). Therefore, investing and developing SMEs in all business sectors will be a life-changing tool for the Somali youth in job creation, income generation, poverty reduction, and economic growth for the country. Although there is no worldwide definition of SMEs, the definitional criteria of SMEs are usually based on common variables such as the number of employees working for the enterprise, the annual turnover or sales, and the total assets of the enterprise. Thus, in Somalia, according to the Micro-Small and Medium-sized Enterprise Ecosystem Report in 2021 (www.sesric.org), SMEs are defined as those businesses that employ between 5-100 employees and their annual sales/turnover or total assets account for between USD 5000 and Over USD 500,000. Small and medium-sized startups have grown in Somalia in recent times and drive the country's social and economic development by creating jobs for the youth, income opportunities for families, and increasing innovation and local production (Nor, 2024). SMEs create jobs, increase income generation, improve well-being, and formulate capital for youth and women entrepreneurs (Nor, 2021). SMEs contribute to the growth of the economy and job creation (Maow, 2021). In Somalia, The Agricultural sector accounts for 60.2% of the country's GDP, while services, which mainly comprise SMEs, account for 32.5% of the GDP of the country, and industry accounts for 7.4% of the GDP (www.sesric.org). In employment, the Agricultural sector accounts for 83.02% of the Labor Force, the industry sector accounts for 3.55% of the Labor Force in 2020, and the service sector accounts for 13.44% of the Labor Force.

Several studies have been conducted on SMEs and socioeconomic development. Scholars from different disciplines indicated the significance of SMEs in social and economic development (Al-Tit et al., 2019). SMEs contribute to economic growth, create jobs, alleviate poverty, distribute income, and improve technological innovation (Maneesha, 2020; Msomi and Olarewaju, 2021). SMEs play a significant role in socioeconomic development in developed countries, such as the USA (Cantele and Zardini, 2020) and several European countries (Pletnev and Barkhatov, 2016; Muller et al., 2017; Al-Tit et al.,

2019). Previous literature has also shown that SMEs play an important role in socioeconomic development in emerging countries by creating jobs, inspiring economic growth and reducing poverty, generating income, and promoting innovations (Chen, 2006; Tambunan, 2006; 2008; Zafar and Mustafa, 2017). In the context of African Countries, numerous studies have been conducted and found SMEs play an important role in job creation, income generation, economic growth, and reduction in poverty in African nations (Msomi and Olarewaju, 2021).

In the context of Somalia, SMEs are the businesses that have been growing in recent years and play a substantial role in social and economic development by creating jobs for the youth and women, income opportunities for low-income families, and increasing innovation and domestic production (Nor, 2021; Maow, 2021; Kulmie et al., 2023; Hilif et al., 2024; Nor, 2024). However, to the author's knowledge, there is a lack of sufficient studies investigating the empirical role of SME development in job creation, income generation, economic growth, and poverty alleviation. This means any attempts to empirically explore the roles played by SMEs in socioeconomic development are still interesting issues in low-income economies, especially in Somalia. Therefore, this study examines the contribution of SMEs to economic growth, job creation, income generation, and poverty reduction. This study contributes to the previous literature in several ways; first, the study provides a comprehensive understanding of the SMEs' contributions to socioeconomic development. Second, the study demonstrates the concepts and characteristics of SMEs, as well as the major constraints SMEs face in low-income economies. Finally, this study examines the empirical relationship between SMEs and socioeconomic development. The findings of this study provide significant implications for governments, international organizations, financial institutions, and policymakers who are interested in improving and developing SMEs.

This paper comprises several sections; Section One covers the introduction, and Section Two discusses the Literature review by demonstrating the concepts and characteristics of SMEs, identifying the major challenges SMEs face, and examining the relationship between SMEs and job creation, income generation, economic growth, and poverty alleviation. Section three illustrates the study methodology. Section four presents the results. Section five discusses the results, while section six concludes and presents the implications.

2. Literature review and hypotheses development

The study outlines the concepts and the characteristics of SMEs and the major challenges faced by SMEs, as well as reviews previous conceptual and empirical studies concerning SMEs

and their role in fostering employment, generating income, alleviating poverty, and promoting economic growth.

2.1. SMEs: Concepts and characteristics

The concept of SMEs was introduced from a development standpoint in the late 1940s to improve trade and industrialization in the currently developed countries (OECD, 2004; Etuk et al., 2014). SMEs are crucial contributors to socioeconomic development globally. The definitions of SMEs are usually different from country to country and industry to industry based on the role of SMEs in the economy. For example, small enterprises in developed countries like the United Kingdom (UK), the United States of America (USA), and Germany may be medium or large-scale enterprises in developing economies like African nations. Likewise, the definition of SMEs in the service sector may be different from that of SMEs in the manufacturing sector. Although there is no universal definition of SMEs worldwide, the definitional criteria of SMEs are usually based on common variables such as the number of employees working for the enterprise, the annual turnover or sales, and the total assets of the enterprise. In Somalia, like other countries, MSMEs are defined in terms of the number of employees as well as annual sales/turnover or total assets. For example, Micro-enterprises are considered those that employ 1-4 employees and generate USD 5000 annually. Small enterprises are also defined as those employing 5-20 employees, and their annual sales/turnover or total assets are between USD 5,000 and 50,000. Medium enterprises employ 21-100 employees and generate Over USD 500,000 Annual sales/turnover or total assets. Large enterprises are considered those that employ Over 100 employees, and their annual sales/turnover or total assets account for between USD 50,000 - 500,000. Therefore, from the above definitions, SMEs are considered those businesses that employ between 5 and 100 employees and generate between USD 5,000 and Over USD 500,000 in Annual sales/turnover or total assets.

In contrast to large enterprises, SMEs are born out of individual or group entrepreneurial initiatives. SMEs are known for their innovation, flexibility, and ability to respond to changes in the market. They also often operate with lower production costs, specialize in niche markets, prioritize employment generation, and make use of locally available resources, thereby minimizing geographical disparities. SME management practices are more informal than larger companies due to their smaller size. On the other hand, SMEs commonly encounter challenges such as limited negotiating power in sales, pricing pressures, and high operating costs, resulting in reduced income and profitability. They may face difficulties in accessing markets, adapting to new technologies, developing strong brands, managing high debt levels, and lacking adequate management skills due to insufficient training.

Additionally, SMEs often grapple with a weak human resource base characterized by low levels of compensation and insufficient institutional support (UN, 2012). SMEs always depend on traditional loans more than big businesses, lack management skills, inadequate capital, difficulties accessing bank credit, difficulties in adopting technology, land, and low production capacity (Kongolo, 2010). SMEs are mostly owned by an individual or family; they also face challenges in obtaining short or long-term investments from organized capital banks but instead rely on loans from friends, family, relatives, or their savings (Abdullahi et al., 2015). Flexibility is another major characteristic of SMEs (Levy and Powell, 2004). MacGregor et al. (1998), as referenced by Abdullahi et al. (2015), outlined several features of SMEs, which include a small management team, centralized power and control structures, informal and inadequate planning and control systems, limited control over the business environment, resource constraints, restricted technological capabilities in both processes and products, limited market share, and heavy reliance on a small number of customers. Raymond et al. (1998) further suggested that SMEs typically exhibit low levels of organizational maturity, resulting in less formalized planning and control processes, with decision-making often resting only on the owner or manager.

2.2. Constraints of SMEs

Challenges encountered by SMEs encompass a range of issues such as limited capital, obstacles in sourcing raw materials, restricted access to financing, challenges in marketing and distribution, modest technological capacities, high transportation costs, communication barriers, obtaining necessary licenses, and compliance with regulations (Tambunan, 2008). Additionally, SMEs struggle with insufficient financial resources, inadequate infrastructure, strategic planning difficulties, multiple taxation, and unfavorable fiscal policies, as highlighted in the study by Abdullahi et al. (2015). SME operators encounter various obstacles, including limited financial access, inadequate capital for startups, insufficient entrepreneurial training, absence of robust business strategies, inadequate market research, poor management skills, and lack of copyright protection, as outlined by Nor (2021). Osotimehin et al. (2012) categorized SMEs' constraints into financial and non-financial categories, encompassing challenges like inadequate funding sources, lack of sufficient collateral, poor record-keeping practices, and limited understanding of business risks. Additionally, Osotimehin et al. (2012) highlighted challenges such as lack of essential infrastructure, difficulties in accessing financing, capital shortages, and inflation as further impediments faced by SMEs. SMEs often rely on informal sources of financing, such as personal savings and borrowing from families, friends, and credit associations. The reasons behind SMEs' failures typically include a lack of essential

managerial and entrepreneurial skills crucial for their success, insufficient support from infrastructural and institutional frameworks, and weak infrastructural provisions like electricity, water, and roads. Furthermore, inadequate protection of intellectual property poses another significant challenge (Etuk et al., 2014). Though the constraints faced by SMEs can be different depending on factors like location, business sector, or individual enterprise, these challenges are universally obstructive to the development of SMEs.

2.3. Conceptual relationship between SMEs and socioeconomic development

From the socioeconomic development perspective, SMEs are crucial for generating income, creating jobs, and fostering economic growth, as noted by Liedholm and Mead (1987), Schmitz (1995), and Kongolo (2010). SMEs also contribute significantly to income distribution, tax revenue generation, job creation, and augmenting family incomes (Kongolo, 2010). Through innovation, technology adoption, and the conversion of resources into new products and services of enhanced utility and value, SMEs exert substantial influence on economic development and societal transformations. Moreover, SMEs play a crucial role in community development by offering goods and services tailored to local needs at affordable prices for residents. They also serve as a primary source of employment, particularly for individuals with lower skill levels, as well as for women and youth, who often form the largest segment of the unemployed population in developing countries (Etuk et al., 2014). As noted by Tambunan (2006), SMEs are central to domestic economic activities in Indonesia, particularly in terms of job creation and income generation for numerous households. Additionally, they are recognized as significant drivers of both economic growth and community development (Tambunan, 2008). SMEs play a crucial role in bolstering employment rates and are viewed as essential for attaining growth and employment goals (Erdin and Ozkaya, 2020). Micro and small enterprises (MSEs) are often considered effective strategies for enhancing the nation's gross domestic product, mitigating unemployment, fostering job creation, and promoting economic development (Kassa, 2021).

SMEs accounted for 85 percent of the overall increase in employment, exhibiting significantly higher employment growth rates compared to large enterprises during the period from 2002 to 2010. Approximately 67 percent of job opportunities within the non-financial business sector were generated by SMEs. Micro enterprises constituted nearly 30 percent, small businesses approximately 20 percent, and medium-sized enterprises accounted for around 17 percent of these employment opportunities. Furthermore, SMEs were found to have a positive impact on economic growth. In the EU27, SMEs added 0.9 million jobs per year, while

micro-enterprises accounted for 58 percent of the total employment growth during the period from 2002 to 2010. On average, employment progress in the EU stood at 0.9% annually, with large enterprises contributing 0.4%, medium-sized enterprises 0.5%, and small enterprises 0.7%. Notably, micro-enterprises demonstrated employment growth rates exceeding the average. The growth of SMEs in Romania plays a significant role in generating employment, thereby contributing to the rise in the employed workforce in the country (Herman, 2012). While there are considerable differences in the proportion of employment attributed to SMEs among EU countries, most of them exhibit SME employment shares ranging from 60 to 70% (Erixon, 2009).

According to Nor (2021), SMEs play a vital role in job creation, boosting income generation, enhancing overall well-being, and providing crucial capital for aspiring youth and women entrepreneurs. Additionally, these enterprises serve as primary sources of income for their owners, although they might also rely on supplementary sources of revenue. The establishment of SMEs significantly contributes to improving socioeconomic development, including job creation, raising living standards, and boosting household incomes (Oyelana and Adu, 2015). In the South African context, SMEs are crucial drivers of socioeconomic development, as they facilitate job creation, alleviate poverty in both rural and urban areas, mitigate income inequality, and make significant contributions to the nation's Gross Domestic Product (Mwale, 2020). Sen (1999) suggested that in developing countries, SMEs, particularly micro-enterprises, constitute over 90 percent of non-agricultural businesses and often employ family members and close associates. Consequently, fostering the growth of SMEs is essential for poverty alleviation, economic growth, employment creation, and income generation (Etuk et al., 2014). Entrepreneurial training and the development of SMEs have been identified as effective strategies for increasing income and alleviating poverty (Nor, 2021). Moreover, the development of micro, small, and medium enterprises (MSMEs) and entrepreneurship has the potential to restore hope for economically marginalized and excluded individuals and communities (Edoho, 2015).

SMEs play a significant role in various economies worldwide. They contribute to more than 55 percent of GDP and over 65 percent of total employment in high-income countries. In middle-income countries, they produce approximately 70 percent of GDP and account for 95 percent of overall employment. Additionally, in low-income countries, SMEs and informal enterprises collectively contribute to over 60 percent of GDP and more than 70 percent of total employment (Fida, 2008). As per the ADB (2002) reported, SMEs contribute significantly to the growth of the GDP. These enterprises, along with micro businesses, constitute over 95% of all firms and employ 60-70% of the workforce. Moreover,

they contribute to 55% of GDP and are the primary source of new job opportunities in the OECD economies (Etuk et al., 2014). Zafar and Mustafa (2017) highlight that in Pakistan, SMEs constitute 99% of all enterprises. SMEs, together with the agriculture sector, contribute to 90% of employment, encompassing 78% of the non-agricultural workforce. Additionally, SMEs contribute more than 30% to the GDP. Herman (2012) noted that the progress and development of SMEs have a positive impact on the overall level of economic development.

2.4. Empirical relationship between SMEs and socioeconomic development

Herman (2012) conducted research to explore the relationship between SMEs and employment generation from 2000 to 2010. The study uncovered a strong positive correlation ($r=0.982$) between SMEs and job creation. Additionally, it identified a highly significant and direct association, with a correlation coefficient ($r=0.961$), between SMEs and economic growth over the same period. Nor (2021) carried out research into the relationship between entrepreneurship training and education and income generation. The study revealed a significant positive correlation between entrepreneurial training and education and income generation ($r=0.451$, $p=0.000$ at $\alpha=5\%$). Furthermore, the findings suggested that the provision of entrepreneurial training led to a 20.4% increase in the income of entrepreneurs, contributing to poverty alleviation. Another study conducted by Nor (2024) investigated entrepreneurship and SMEs' development, focusing on their roles in job creation, income generation, and poverty reduction. The results indicated significant positive relationships between SMEs and job creation ($\alpha=0.05$, $p\text{-value}=0.002$), income generation ($\alpha=0.05$, $p\text{-value}=0.000$), and poverty reduction ($\alpha=0.05$, $p\text{-value}=0.001$). Etale and Light (2021) assessed the impact of SME development on Nigeria's economic growth. The results indicated a positive relationship among the variables ($r=.488$), although the overall regression model did not achieve statistical significance at the 5% level. Syed et al. (2012) demonstrated that SMEs significantly contribute to Pakistan's economic growth, foreign exchange earnings, and GDP. Oyelana and Adu (2015) examined SMEs as a tool for job creation and poverty reduction. The findings highlighted the vital role of SMEs in nurturing employment opportunities and reducing poverty.

Opafunso and Adepoju (2014) explored the impact of SMEs on economic development from 2006 to 2013. The results revealed a significant positive correlation between SMEs and various indicators of development, including poverty reduction, job creation, and improvement of the standard of living. Mwale (2020) investigated the impact of SMEs on socioeconomic development within the South African context. The findings highlighted the significant role of SMEs in fostering

job creation, poverty alleviation in both rural and urban areas, diminishing income inequality, and contributing to the nation's GDP. Iyiola and Azuh (2014) investigated the contributions of women operating SMEs to socioeconomic development. Their findings indicated that 32.3% of the variation in poverty levels could be attributed to the activities of women entrepreneurs in SMEs. Additionally, 23.8% of the changes in the employment rate and 23.4% of the variation in living standards were explained by the activities of women engaged in SMEs. Akingunola (2011) studied the relationship between SMEs and economic growth. The findings revealed a positive relationship between SMEs and levels of investment growth. Similarly, Opafunso and Adepoju (2014) discovered that SMEs exert a significant impact on employment generation and the improvement of living standards for individuals.

Mwale (2020) highlighted SMEs as a fundamental segment of enterprises, representing approximately 99 percent of all businesses in OECD countries. These enterprises contribute significantly to job creation, accounting for nearly 70 percent of employment, and generate between 50 percent and 60 percent of aggregate value added (OECD, 2016). In developing economies, SMEs contribute substantially, comprising up to 45 percent of total employment and 33 percent of Gross Domestic Product. Abdullahi et al. (2021) investigated the impact of small entrepreneurship development on poverty reduction. Their findings demonstrated a strong positive correlation between small business enterprises and poverty alleviation ($r=.740$, $p < 0.01$). Al-Haddad et al. (2019) investigated the impact of SMEs on job creation, income generation, and economic growth. Through a structured questionnaire and data analysis using SPSS, they discovered a significant positive correlation between SMEs and a reduction in unemployment ($r=.518$, $p=.000$). Additionally, the study revealed a significant positive relationship between SMEs and an increase in income levels ($r=.241$, $p=.000$). Similarly, Manzoor et al. (2021) explored the role of SMEs in rural development, with SMEs' access to finance as a mediating variable. Their study identified a significant positive relationship between SMEs' development and rural development ($r=0.434$, $p < 0.01$).

Numerous studies have examined the impact of SMEs on socioeconomic development, yet there is a notable gap in empirically exploring their roles in economic growth, employment creation, income generation, and poverty reduction in low-income economies. Thus, this study aims to examine the contribution of SMEs to job creation, income generation, poverty reduction, and economic growth by identifying theoretical frameworks and empirical evidence. This study aims to enhance understanding of the relationship between SMEs and socioeconomic development. Drawing from existing literature, which suggests a positive relationship between SMEs and socioeconomic development, the study formulates and tests the following hypotheses.

H1: There is a significant positive relationship between SMEs and economic growth.

H2: There is a significant positive relationship between SMEs and income generation.

H3: There is a significant positive relationship between SMEs and job creation.

H4: There is a significant positive relationship between SMEs and poverty reduction.

3. Methodology

This study adopted a cross-sectional research design, using an adapted questionnaire to collect data from 150 participants. The respondents included SME owners, operators, and young entrepreneurs who had completed entrepreneurship training through the Next Economy program by SIMAD-Innovation Lab, the Start-Improve Your Business (SIYB) training by the International Labor Organization (ILO), and the Jamhuriya Incubation Centre (JIC). Data collection employed a simple random sampling method, ensuring a representative sample and reducing research bias. This approach enhances the validity and reliability of findings, allowing robust conclusions about the population. Structural equation modeling was used to test the hypotheses, with data analyzed using SmartPLS software (v.4.0.9.5).

Of the 150 questionnaires distributed via email, 130 were returned and deemed suitable for analysis, yielding an 86.7% response rate. Among the respondents, 53.8% were male, and 46.2% were female. Age-wise, 11.5% were under 20 years old, 84.6% were between 21 and 30 years old, and 3.8% were between 31 and 40 years old. Regarding marital status, 81.5% were single, 17.6% were married, and 0.8% were divorced. In terms of education, 86.2% held a Bachelor's degree, 3.8% had completed secondary school, 9.2% had a Master's degree or higher, and 0.8% had informal education backgrounds. The study employed a five-point Likert scale to measure variables, ranging from "Strongly disagree" (1) to "Strongly agree" (5). The questionnaire items were derived from previous studies. Specifically, five items related to SMEs (SMEs1, SMEs2, SMEs3, SMEs4, and SMEs5) were adapted from administrative questions developed by Ajagbe et al. (2015), Al-Haddad et al. (2019), Nor (2021), and Nor (2024). Additionally, items of job creation (JC1, JC2, JC3, and JC4), income generation (IG1, IG2, IG3), economic growth (EG1), and poverty reduction (PR1, PR2, PR3, PR4) were adopted from Ogundele et al. (2012), Nor (2021), and Nor (2024). A pilot testing survey was conducted with a sample of 20 respondents who had received entrepreneurship training programs to ensure the clarity and appropriateness of the questionnaire items. Cronbach's alpha and composite reliability were verified and confirmed to exceed the threshold of 0.70, as recommended by Hair et al. (2021). The study ensured the validity of the content of the questionnaire by assessing its reliability and

Cronbach's alpha coefficients for each scale. It was confirmed that all coefficients met the reliability criteria outlined by Hair et al. (2021), with values of 0.70 or higher in all cases. Additionally, the study evaluated the internal consistency, convergent validity, and discriminant validity of the measurement model, all of which were confirmed to be satisfactory, as indicated in Table 1 and Table 2. Moreover, the study examined the potential collinearity issue and found that the maximum variance inflation factor (VIF) value was 2.179, which is below the threshold of 3, indicating no collinearity problem, as presented in Table 3.

4. Data analysis and results

This study employed a cross-sectional research design, utilizing an adopted questionnaire to gather data from 150 participants. The respondents included owners and operators of SMEs, as well as young entrepreneurs who had undergone entrepreneurship training under the Next Economy program offered by SIMAD-Innovation Lab, as well as beneficiaries of the SIYB Training packages provided by the ILO. Data collection was conducted using a simple random sampling technique. Partial least square Structural equation modeling was applied to assess the hypotheses, with data analysis performed using SmartPLS software (v.4.0.9.5). The study initially tested the measurement model (Fig. 1) and subsequently examined the structural model results (Fig. 2).

4.1. The assessment of the measurement model

The study evaluated construct reliability using Cronbach's alpha and composite reliability. Convergent validity was assessed through factor loadings and Average Variance Extracted (AVE), while discriminant validity was tested using Heterotrait-Monotrait (HTMT) ratios. These analyses aimed to confirm the reliability and validity of the measurement model. To examine internal consistency, Cronbach's alpha was tested, with all coefficients exceeding the recommended threshold of 0.70. Composite reliability was also evaluated, showing values above the threshold of 0.70, following the guidelines of Hair et al. (2021). The results are summarized in Table 1, which presents measures of internal consistency and convergent reliability.

As shown in Table 1, both Cronbach's alpha and composite reliability were found to exceed the recommended threshold of 0.70, in line with the guidelines of Hair et al. (2021). Additionally, the AVE surpassed the required threshold of 0.5, indicating that each construct explains more than half of the variance in its measurement items, consistent with the recommendations of Hair et al. (2014). Table 2 evaluates the model's effectiveness by analyzing HTMT values.

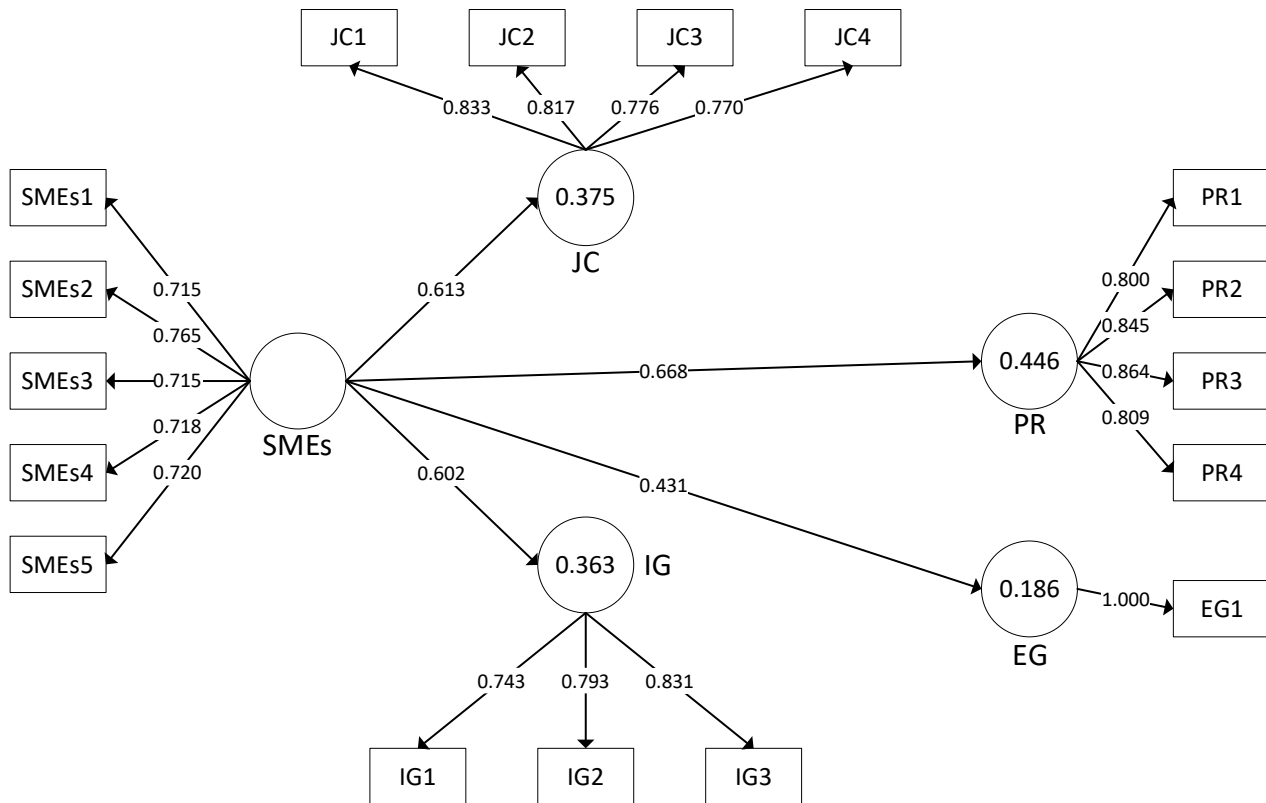


Fig. 1: Measurement model

Table 1: Internal consistency and convergence validity results

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
Income generation	0.714	0.758	0.832	0.624
Job creation	0.812	0.817	0.876	0.639
Poverty reduction	0.850	0.857	0.898	0.689
Small and medium enterprises	0.777	0.779	0.848	0.528

Table 2: HTMT results

	Economic growth	Income generation	Job creation	Poverty reduction
Economic growth				
Income generation	0.309			
Job creation	0.351	0.816		
Poverty reduction	0.517	0.764	0.776	
Small and Medium Enterprises	0.479	0.749	0.768	0.807

The study assessed discriminant validity by examining HTMT ratios, as presented in Table 2. The maximum HTMT ratio observed in this study was 0.816, which is lower than the recommended thresholds of 0.90 and 0.85, as suggested by Hair et al. (2014) and Henseler et al. (2016). Thus, the study confirmed the discriminant validity of the constructs.

4.2. The assessment of the structural model results

Once the study established the reliability and validity of the measurement model, it proceeded to assess the structural model for collinearity issues. Furthermore, the significance and relevance of the relationships within the structural model were evaluated. Finally, the study examined the explanatory power of the model to determine its effectiveness in explaining the relationships between variables. The study examined the presence of collinearity issues within the structural model, and the results presented in Table 3. The study assessed

the presence of collinearity problems using the Variance Inflation Factor (VIF), and the results indicated no collinearity issues among the explanatory variables, as illustrated in Table 3. According to Hair et al. (2021), a collinearity problem arises when the VIF value equals or exceeds 3. However, in this study, the maximum VIF value observed was 2.179, which is below the threshold of 3. Therefore, the study confirmed the absence of collinearity problems. Table 4 shows the significance of the structural model relationships (path coefficients). The study investigated the direct relationship between the exogenous and indigenous variables using a bootstrapping technique. The results revealed that all exogenous variables had a significant positive impact on the indigenous variables at a significance level of 0.05. Furthermore, the regression coefficients (β) were examined to test the hypotheses, confirming a significant positive relationship between SMEs and economic growth, income generation, job creation, and poverty reduction. These relationships were found to be

significant at the 5% level, as evidenced by the p-values being less than 0.05, as illustrated in Table 4. Consequently, all hypotheses were supported. The

study assessed the explanatory power of the model by evaluating the coefficient of determination (R^2), as presented in Table 5.

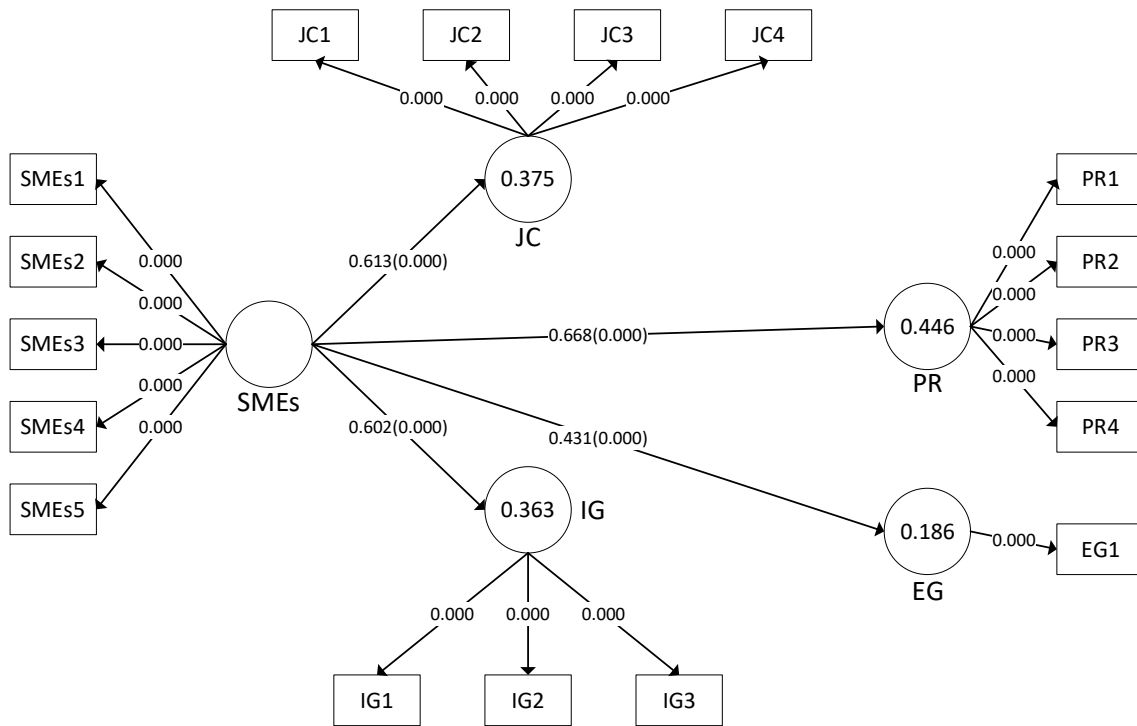


Fig. 2: Structural model

Table 3: Outer VIF values

Items	VIF
EG1	1.000
IG1	1.533
IG2	1.717
IG3	1.264
JC1	1.772
JC2	1.759
JC3	1.627
JC4	1.559
PR1	1.878
PR2	2.069
PR3	2.179
PR4	1.855
SMEs1	1.408
SMEs2	1.615
SMEs3	1.438
SMEs4	1.521
SMEs5	1.435

The study evaluated the coefficient of determination (R^2) of the endogenous constructs to measure the explanatory power of the model. According to Hair et al. (2021), R^2 values of 0.75, 0.50, and 0.25 are considered substantial, moderate, and weak, respectively. Table 5 illustrates that SMEs explain 18.6% of economic growth, 36.3% of income generation, 37.5% of job creation, and 44.6% of poverty reduction. Thus, based on Hair et al. (2021), the model's explanatory power in this study is considered weak as the R^2 values of the endogenous

constructs are lower than 0.50 or 50%. However, Chin (1998) suggested that an R^2 value of 0.67 is substantial, 0.33 is average (moderate), and 0.19 is weak. Therefore, based on this criterion, the explanatory power of the model is considered average. Specifically, SMEs moderately explain 36.3%, 37.5%, and 44.6% of the variance in income generation, job creation, and poverty reduction, respectively, while weakly explaining 18.6% of the variance in economic growth.

5. Discussion of the results

SMEs are widely recognized as critical catalysts for socioeconomic development. Therefore, for nations striving to maximize their economic and social progress, acknowledging the role of SMEs in fostering economic growth is essential. Thus, this study examined the contributions of SMEs to job creation, income generation, economic growth, and poverty alleviation. Hypotheses testing was conducted at a significance level of $\alpha=0.05$, with the acceptance or rejection of hypotheses determined by the p-value. This study investigated four hypotheses, focusing on the relationships between SMEs and job creation, income generation, economic growth, and poverty reduction.

Table 4: Direct effects

	β -value	T-value	P-value
Small and medium enterprises -> economic growth	0.431	4.626	0.000
Small and medium enterprises -> income generation	0.602	9.709	0.000
Small and medium enterprises -> job creation	0.613	9.332	0.000
Small and medium enterprises -> poverty reduction	0.668	10.308	0.000

Table 5: The assessment of the model's explanatory power (R²)

	R ²	R ² adjusted
Economic growth	0.186	0.179
Income generation	0.363	0.358
Job creation	0.375	0.370
Poverty reduction	0.446	0.442

Hypothesis 1 assumed a significant positive correlation between SMEs and economic growth. The result revealed a statistically significant positive relationship between SMEs and economic growth at a significance level of 0.05 (p-value=0.000). Thus, the hypothesis was supported. Hypothesis 2 suggested a significant positive association between SMEs and income generation. The findings demonstrated a statistically significant positive relationship between SMEs and income generation at a significance level of 0.05 (p-value=0.000). Hence, the hypothesis was supported. Hypothesis 3 proposed a significant positive correlation between SMEs and job creation. The study found a statistically significant positive relationship between SMEs and job creation at a significance level of 0.05 (p-value=0.000). Therefore, the hypothesis was supported. Hypothesis 4 hypothesized a significant positive relationship between SMEs and poverty reduction. The findings revealed a statistically significant positive relationship between SMEs and poverty reduction at a significance level of 0.05 (p-value=0.000). Hence, the hypothesis was supported.

The study examined the contributions of relevant literature on the subject and noted similarities with previous research. Specifically, the study resonates with Herman (2012), who explored the correlation between SMEs and both employment creation and economic growth. Herman's (2012) study revealed a strong positive relationship between SMEs and job creation (r=0.982), as well as a very strong positive correlation between SMEs and economic growth (r=0.961) during the 2000-2010 period. Additionally, the findings of this study align with those of Al-Haddad et al. (2019) regarding the role of SMEs in employment generation, income generation, and economic growth. Al-Haddad et al. (2019) revealed a significant positive correlation between SMEs and unemployment reduction (r=.518, p=.000), as well as a significant positive relationship between SMEs and an increase in income level (r=.241, p=.000). These findings complement the results of the current study, further supporting the importance of SMEs in driving socioeconomic development.

This study shares similarities with research conducted by Hussain et al. (2014) concerning the impact of entrepreneurship development on poverty alleviation. Hussain et al. (2014) found that innovations, entrepreneurship training and education, youth and women participation, and micro SMEs are crucial elements for entrepreneurship development, which can stimulate employment and alleviate poverty. Additionally, this study aligns with the findings of Iyiola and Azuh (2014) regarding the roles and contributions of women SMEs operators to socioeconomic

development. Iyiola and Azuh (2014) discovered that 32.3% of the variance in poverty, 23.8% of the variance in employment rate, and 23.4% of the variance in the living standard are explained by the activities of women entrepreneurs in SMEs. Moreover, the results of this study are consistent with the research conducted by Manzoor et al. (2021) on the role of SMEs in the development of rural areas, particularly through the mediating role of accessibility of SMEs to finance. Manzoor et al. (2021) found a significant positive relationship between SMEs' progress and rural development (r=0.434, p < 0.01). These findings corroborate the importance of SMEs in fostering rural development and increasing economic growth.

This study contrasts with the findings of Cravo et al. (2012) regarding the correlation between the SMEs sector and economic growth. Cravo et al. (2012) observed a negative relationship between SMEs' size and economic growth, suggesting that the human capital embodied in SMEs is more crucial for economic growth than the size of the SME sector. They argued that the significance of SMEs and entrepreneurship in developing countries differs from that in developed countries. While SMEs contribute to and sustain economic growth through new technologies in developed countries, the effects of entrepreneurship and SMEs on economic growth are less favorable for developing countries. Cravo et al. (2012) proposed that differences in economic performance between developed and developing countries are attributed to disparities in economic and institutional development. They suggested that the negative correlation between a larger SME sector and higher economic growth in developing countries might be explained by the role of human capital. Specifically, SMEs in developing countries might possess lower levels of human capital, thereby limiting their ability to contribute to productivity growth. This perspective challenges the notion that SMEs uniformly drive economic growth across all contexts and emphasizes the importance of considering factors such as human capital and institutional development when assessing the impact of SMEs on economic growth.

6. Conclusions

Small and medium-scale enterprises are widely recognized as essential drivers of contemporary economies. Scholars across various disciplines agreed on their crucial role in social and economic development. Thus, this study investigated the nexus between SMEs and economic growth, job creation, income generation, and poverty reduction. The study revealed a significant positive relationship between SMEs and the variables under examination. These findings are essential as they underline the substantial impact of SME development on both social and economic development. Moreover, the study's findings align with those of previous research conducted by scholars such as Herman (2012), Hussain et al. (2014), Iyiola and Azuh

(2014), and Al Haddad et al. (2019), emphasizing the contributions of SMEs to economic growth, employment creation, income generation, and poverty reduction. Similarly, the study supports the works of Mwale (2020), Maow (2021), and Nor (2024), highlighting the impact of SMEs on socioeconomic development in low-income economies. Furthermore, this study contributes to the existing literature on SMEs by providing a comprehensive examination of SME concepts, characteristics, and constraints. Additionally, it examines the conceptual and empirical relationship between SMEs and socioeconomic development, enriching our understanding of this relationship.

The findings of this study suggest several implications for governments, international organizations, financial institutions, and policymakers interested in improving SMEs. Firstly, it is recommended that governments consider SMEs' development as a strategic tool for socioeconomic development. Furthermore, developing and strengthening policies and programs to sustain and grow SMEs to contribute to socioeconomic development is also recommended. Moreover, the study suggests the importance of formulating and reinforcing policies and programs aimed at nurturing and expanding SMEs to support SMEs in overcoming challenges to growth, such as access to finance, market access, technology adoption, and skills development. Secondly, it is recommended that governments take steps to lower the costs associated with conducting business in their countries by creating a favorable environment through developing infrastructure. Additionally, governments and commercial banks should establish specialized small business development banks dedicated to funding micro SMEs to provide cost-effective and readily accessible funds, along with other essential investments, to support the growth and development of SMEs. Thirdly, to maximize the potential of SMEs as drivers of job creation, income generation, economic growth, and poverty reduction, the results suggest important implications for governments, international organizations, and policymakers to work together to effectively coordinate the efforts of international development organizations and their local counterparts in enhancing SME development and ensuring their sustainability. Fourthly, the results of this study propose significant implications for institutions such as the Ministry of Commerce, Chambers of Commerce, and entrepreneurship and innovation centers. These findings highlight the importance of organizing entrepreneurship seminars, workshops, and training sessions for SMEs operators to enhance their business operational and managerial capabilities. Fifthly, the study emphasizes the importance of incorporating entrepreneurship and SME development programs into national development plans to enhance the entrepreneurial competence, knowledge, and skills of youth.

This study has several limitations. Firstly, the sample size was relatively small, which may limit the

generalizability of the results. Therefore, increasing the sample size would be helpful to ensure broader applicability of the findings. Secondly, the respondents primarily consisted of SMEs owners, operators, and young entrepreneurs who had participated in entrepreneurship training and education programs provided by specific organizations such as SIMAD-innovation lab and beneficiaries of the ILO-start-improve your business (ILO-SIYB) Training packages as well as the beneficiaries of the entrepreneurship training program provided by JIC. Thus, it is important to include respondents who have benefited from entrepreneurship training programs offered by other institutions to provide a more comprehensive understanding of the subject matter. Additionally, another limitation of the study relates to the variables under investigation. This study focused only on SMEs and their associations with economic growth, job creation, income generation, and poverty reduction. Therefore, future studies may include additional variables to explore their contributions to socioeconomic development. This study investigated the development of SMEs and their impact on socioeconomic development. Therefore, further research is crucial to comprehend the critical factors contributing to their success in low-income economies. Additionally, with the advancement of emerging technologies, future studies should also consider the role of digital marketing in the performance of SMEs.

Compliance with ethical standards

Ethical considerations

Informed consent was obtained, participation was voluntary, and confidentiality was ensured.

Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

References

- Abdullahi AM, Khelghat-Doost H, and Hassan MS (2021). The impact of small entrepreneurship development on poverty alleviation: Empirical study from Mogadishu, Somalia. *Journal of Somali Studies*, 8(2): 33-51. <https://doi.org/10.31920/2056-5682/2021/v8n2a2>
- Abdullahi MS, Tahir IM, Aliyu RL, and Abubakar A (2015). Strengthening small and medium scale enterprises (SMEs) for poverty alleviation in Nigeria. *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, 20(6): 101-110.
- ADB (2002). Technical assistance for the development of a framework for SME support. Asian Development Bank, Mandaluyong, Philippines.
- Ajagbe M, Fadeyi O, Adegbuyi A, Oke A, and Isiavwe DT (2015). Building sustainable future for Nigeria through entrepreneurship. *International Journal of Academic Research in Accounting, Finance and Management Science*, 5(3): 42-49. <https://doi.org/10.6007/IJARAFMS/v5-i3/1740>

- Akingunola RO (2011). Small and medium scale enterprises and economic growth in Nigeria: An assessment of financing options. *Pakistan Journal of Business and Economic Review*, 2(1): 78-97.
- Al-Haddad L, Sial MS, Ali I, Alam R, Khuong NV, and Khanh THT (2019). The role of small and medium enterprises (SMEs) in employment generation and economic growth: A study of marble industry in emerging economy. *International Journal of Financial Research*, 10(6): 174-187. <https://doi.org/10.5430/ijfr.v10n6p174>
- Al-Tit A, Omri A, and Euch J (2019). Critical success factors of small and medium-sized enterprises in Saudi Arabia: Insights from sustainability perspective. *Administrative Sciences*, 9(2): 32. <https://doi.org/10.3390/admsci9020032>
- BNM (2003). A comprehensive framework for the development of small and medium enterprises in Malaysia. Bank Negara Malaysia, Kuala Lumpur, Malaysia.
- Cantele S and Zardini A (2020). What drives small and medium enterprises towards sustainability? Role of interactions between pressures, barriers, and benefits. *Corporate Social Responsibility and Environmental Management*, 27(1): 126-136. <https://doi.org/10.1002/csr.1778>
- Chelliah S, Sulaiman M, and Yusoff YM (2010). Internationalization and performance: Small and medium enterprises (SMEs) in Malaysia. *International Journal of Business and Management*, 5(6): 27-37. <https://doi.org/10.5539/ijbm.v5n6p27>
- Chen J (2006). Development of Chinese small and medium-sized enterprises. *Journal of Small Business and Enterprise Development*, 13(2): 140-147. <https://doi.org/10.1108/14626000610665854>
- Chin WW (1998). The partial least squares approach to structural equation modeling. In: Marcoulides GA (Ed.), *Modern methods for business research*: 295-358. Erlbaum, Mahwah, USA.
- Cravo TA, Gourlay A, and Becker B (2012). SMEs and regional economic growth in Brazil. *Small Business Economics*, 38: 217-230. <https://doi.org/10.1007/s11187-010-9261-z>
- Edoho FM (2015). Entrepreneurship and socioeconomic development. *African Journal of Economic and Management Studies*, 6(2): 127-147. <https://doi.org/10.1108/AJEMS-03-2013-0030>
- Effiom L and Edet SE (2018). Success of small and medium enterprises in Nigeria: Do environmental factors matter. *Journal of Economics and Sustainable Development*, 9(4): 117-127.
- Erdin C and Ozkaya G (2020). Contribution of small and medium enterprises to economic development and quality of life in Turkey. *Heliyon*, 6(2): e03215. <https://doi.org/10.1016/j.heliyon.2020.e03215>
PMid:32055722 PMCID:PMC7005425
- Erixon F (2009). SMEs in Europe: Taking stock and looking forward. *European view*, 8(2): 293-300. <https://doi.org/10.1007/s12290-009-0093-7>
- Etale LM and Light OB (2021). An evaluation of the impact of small and medium enterprises (SMEs) development on economic growth in Nigeria. *International Journal of Small Business and Entrepreneurship Research*, 9(1): 54-70.
- Etuk RU, Etuk GR, and Michael B (2014). Small and medium scale enterprises (SMEs) and Nigeria's economic development. *Mediterranean Journal of Social Sciences*, 5(7): 656-662. <https://doi.org/10.5901/mjss.2014.v5n7p656>
- Fida BA (2008). The role of small and medium enterprises (SMEs) in economic development. *Enterprise Development*, Free Online Library.
- Gagoitsope PK and Pansiri J (2012). Evaluation of critical success factors for developing small and medium-sized enterprises in Botswana. *Journal of African Business*, 13(1): 51-61. <https://doi.org/10.1080/15228916.2012.657955>
- Hair Jr JF, Hult GTM, Ringle CM, Sarstedt M, Danks NP, and Ray S (2021). *Partial least squares structural equation modeling (PLS-SEM) using R: A workbook*. Springer Nature, Berlin, Germany. <https://doi.org/10.1007/978-3-030-80519-7>
- Hair Jr JF, Sarstedt M, Hopkins L, and Kuppelwieser VG (2014). *Partial least squares structural equation modeling (PLS-SEM) An emerging tool in business research*. *European Business Review*, 26(2): 106-121. <https://doi.org/10.1108/EBR-10-2013-0128>
- Hashim J (2007). Information communication technology (ICT) adoption among SME owners in Malaysia. *International Journal of Business and Information*, 2(2): 221-240.
- Henseler J, Hubona G, and Ray PA (2016). Using PLS path modeling in new technology research: Updated guidelines. *Industrial Management and Data Systems*, 116(1): 2-20. <https://doi.org/10.1108/IMDS-09-2015-0382>
- Herman E (2012). SMEs and their effect on the Romanian employment. *Procedia Economics and Finance*, 3: 290-297. [https://doi.org/10.1016/S2212-5671\(12\)00154-2](https://doi.org/10.1016/S2212-5671(12)00154-2)
- Hilif MD, Kulmie DA, and Osman BM (2024). The impact of Islamic microcredit on economic development of women in Somalia. *International Journal of Economics and Finance*, 16(8): 31-39. <https://doi.org/10.5539/ijef.v16n8p31>
- Hussain MD, Bhuiyan AB, and Bakar R (2014). Entrepreneurship development and poverty alleviation: an empirical review. *Journal of Asian Scientific Research*, 4(10): 558-573.
- Iyiola O and Azuh DE (2014). Women entrepreneurs as small-medium enterprise (SME) operators and their roles in socio-economic development in Ota, Nigeria. *International Journal of Economics, Business and Finance*, 2(1): 1-10.
- Kassa ET (2021). Socioeconomic determinants of micro and small enterprise growth in North Wollo and Waghimira Zone selected towns. *Journal of Innovation and Entrepreneurship*, 10: 28. <https://doi.org/10.1186/s13731-021-00165-5>
- Kombo A, Wesonga J, Murumba N, and Makworo E (2011). An evaluation of the impact of risk management strategies on micro-finance institutions' financial sustainability: A case of selected micro finance institutions in Kisii Municipality, Kenya. *Educational Research*, 2(5): 1149-1153.
- Kongolo M (2010). Job creation versus job shedding and the role of SMEs in economic development. *African Journal of Business Management*, 4(11): 2288-2295.
- Kulmie DA, Hussein MS, Abdi BM, Abdulle MA, Adam MA, Bank P, and Mogadishu S (2023). Entrepreneurship training, job creation and youth empowerment. *Asian Social Science*, 19(6): 111-122. <https://doi.org/10.5539/ass.v19n6p111>
- Levy M and Powell P (2004). *Strategies for growth in SMEs: The role of information and information systems*. Elsevier Butterworth-Heinemann, Oxford, UK.
- Liedholm C and Mead DC (1987). *Small scale industries in developing countries: Empirical evidence and policy implications*. International Development Paper No. 9. US Department of Agricultural Economics, Michigan State University, East Lansing, USA.
- MacGregor RC, Bunker DJ, and Waugh P (1998). *Electronic commerce and small/medium enterprises (SMEs) in Australia: An electronic data interchange (EDI) pilot study*. In the Proceedings of the 11th International Bled Electronic Commerce Conference, Ljubljana, Slovenia.
- Maneesha V (2020). Small scale enterprises and their contribution to economic growth. *International Journal of Social Science and Economic Research*, 5(12): 3913-3920. <https://doi.org/10.46609/IJSSER.2020.v05i12.013>
- Manzoor F, Wei L, and Sahito N (2021). The role of SMEs in rural development: Access of SMEs to finance as a mediator. *PLOS ONE*, 16(3): e0247598. <https://doi.org/10.1371/journal.pone.0247598>
PMid:33684146 PMCID:PMC7939373

- Maow BA (2021). The impact of small and medium enterprises (SMEs) on economic growth and job creation in Somalia. *Journal of Economic Policy Researches*, 8(1): 45-56.
- MOP (2020). Somalia national development plan 2020 to 2024. Ministry of Planning, Mogadishu, Somalia.
- Msomi TS and Olarewaju OM (2021). Factors affecting small and medium enterprises' financial sustainability in South Africa. *African Journal of Inter/Multidisciplinary Studies*, 3(1): 103-117. <https://doi.org/10.51415/ajims.v3i1.893>
- Muller P, Jenna J, Herr D, Koch L, Peycheva V, and McKiernan S (2017). Annual report on European SMEs 2016/2017: Focus on self-employment SME performance review 2016/2017. European Commission, London, UK.
- Mwale B (2020). The impact of SMEs on socio-economic development in South Africa: A theoretical survey. *European Journal of Business and Management*, 12(20): 73-79.
- NBS (2001). Gazette on third national industrial census. National Bureau of Statistics of PRC, Beijing, China.
- NBS (2003). Gazette on second national census of basic units. National Bureau of Statistics of PRC, Beijing, China.
- Nor AI (2021). Alleviating poverty through youth and women entrepreneurship developments. *European Journal of Business and Management*, 13(11): 37-46.
- Nor AI (2024). Entrepreneurship development as a tool for employment creation, income generation, and poverty reduction for the youth and women. *Journal of the Knowledge Economy*. <https://doi.org/10.1007/s13132-024-01747-w>
- NSDC (2015). SME development framework: The Malaysian case. National SME Development Council, Kuala Lumpur, Malaysia.
- OECD (2004). Promoting entrepreneurship and innovative SMEs in a global economy: Towards a more responsible and inclusive globalization. In the 2nd OECD Conference of Ministers Responsible for Small and Medium-Sized Enterprises (SMEs), Istanbul, Turkey.
- OECD (2016). The productivity-inclusiveness nexus. OECD Publishing, Paris, France. <https://doi.org/10.1787/9789264258303-en>
- Ogundele OJK, Akingbade WA, and Akinlabi HB (2012). Entrepreneurship training and education as strategic tools for poverty alleviation in Nigeria. *American International Journal of Contemporary Research*, 2(1): 148-156.
- Omri A and Ayadi-Frikha M (2014). Constructing a mediational model of small business growth. *International Entrepreneurship and Management Journal*, 10: 319-342. <https://doi.org/10.1007/s11365-012-0223-6>
- Omri A, Frikha MA, and Bouraoui MA (2015). An empirical investigation of factors affecting small business success. *Journal of Management Development*, 34(9): 1073-1093. <https://doi.org/10.1108/JMD-07-2013-0088>
- Opafunso ZO and Adepoju OO (2014). The impact of small and medium scale enterprises on economic development of Ekiti State, Nigeria. *Journal of Economics and Sustainable Development*, 5(16): 115-122.
- Osothimehin KO, Jegede CA, Akinlabi BH, and Olajide OT (2012). An evaluation of the challenges and prospects of micro and small scale enterprises development in Nigeria. *American International Journal of Contemporary Research*, 2(4): 174-185.
- Oyelana AA and Adu EO (2015). Small and medium enterprises (SMEs) as a means of creating employment and poverty reduction in Fort Beaufort, Eastern Cape Province of South Africa. *Journal of Social Sciences*, 45(1): 8-15. <https://doi.org/10.1080/09718923.2015.11893481>
- Pletnev D and Barkhatov V (2016). Business success of small and medium sized enterprises in Russia and social responsibility of managers. *Procedia-Social and Behavioral Sciences*, 221: 185-193. <https://doi.org/10.1016/j.sbspro.2016.05.105>
- Raymond L, Bergeron F, and Rivard S (1998). Determinants of business process reengineering success in small and large enterprises: An empirical study in the Canadian context. *Journal of Small Business Management*, 36(1): 72-85.
- Schmitz H (1995). Collective efficiency: Growth path for small-scale industry. *The Journal of Development Studies*, 31(4): 529-566. <https://doi.org/10.1080/00220389508422377>
- Sen AK (1999). *Development as freedom*. Oxford University Press, Oxford, UK.
- Syed AASG, Ahmadani MM, Shaikh N, and Shaikh FM (2012). Impact analysis of SMEs sector in economic development of Pakistan: A case of Sindh. *Journal of Asian Business Strategy*, 2(2): 44-53.
- Tambunan T (2008). SME development, economic growth, and government intervention in a developing country: The Indonesian story. *Journal of International Entrepreneurship*, 6(4): 147-167. <https://doi.org/10.1007/s10843-008-0025-7>
- Tambunan TT (2006). Development of SMEs in Indonesia from the Asia-Pacific perspective. LPFE-University of Trisakti, Jakarta, Indonesia.
- UN (2012). Contributions, challenges and prospects of SMEs. In: UN (Ed.), *Policy guidebook for SME development in Asia and the Pacific*: 13-39. United Nations, New York, USA.
- WBG (2016). *Socio economic survey: Somali poverty profile*. World Bank Group, Washington D.C., USA.
- Zafar A and Mustafa S (2017). SMEs and its role in economic and socio-economic development of Pakistan. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 6(4): 1-16. <https://doi.org/10.6007/IJARAFMS/v7-i4/3484>