
Upgrading process and development of private SME in Algeria

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Abstract

The article attempts to study the impact of the process of upgrade about the reinforcement of the economic situation of the companies having undergone this treatment. In order to tackle this question, and on the basis of sample of 20 SME of the wilaya of Oran pertaining to the sector of profit Manufacturing industries of program (EDPME), we carried out a comparative analysis of which the data of these last were collected for the year 2005 and 2009 thus presenting their situations before and after the installation of the program of setting level.

Keywords: SME, upgrade, program ED SME, indicators of competitiveness.

Résumé

L'article tente d'étudier l'impact du processus de mise à niveau sur le renforcement de la situation économique des entreprises ayant subi ce traitement. Afin d'aborder cette question, et sur la base d'un échantillon de 20 PME de la wilaya d'Oran appartenant au secteur des industries manufacturières à but lucratif (EDPME), nous avons effectué une analyse comparative dont les données de ces dernières ont été collectées pour l'année 2005 et 2009 présentant ainsi leurs situations avant et après l'installation du programme de mise en niveau.

Mots-clés: PME, mise à niveau, programme ED PME, indicateurs de compétitivité.

Introduction

The space field of this empirical study covers a group made up of 20 Oranian SME profit of the program of upgrade Euro Development SME (ED SME), and shared depending on two different states, of which the data of these last are thus collected for the year 2005 and 2009 thus presenting their situations before and after the finalization of installation of the program.

The article attempts to study the impact of the process of upgrade about the reinforcement of the economic situation of the companies having undergone this treatment.

1. Base of the program Euro Development SME (ED-PME)

The purpose of this program is to pre-empt the coming into effect of the association agreement, and to make so that the program of support to the development of the Algerian private PME/PMI aims primarily the reinforcement of the competitiveness of the industrial companies while being aligned on the international standards of organization and management, and evolution of the managerial behavior of the entrepreneur, with respect to the market, and in particular of the emergence of a euro-Mediterranean market, thus of the good practices of management.

This program was spread out over one five years duration, (started in July 2002 and on December 31st, 2007 was completed), with “a budget of 63 million euros which understands 57 ¹million euros coming from the European Commission, 3.4 million euros coming from the Algerian State (Ministry for SME and the Crafts) and the rest constitutes the participation of the companies in their own actions”.

2. Data sources

2.1. Presentation of profit Oranian SME of the program of upgrade

Thus, the space field of this empirical study covers a group made up of 20 Oranian² SME of the sector of profit manufacturing industries of the program of setting level “EDPME”³. Indeed, they are shared depending on two different states, of which the data of these last are collected for the year 2005 and 2009 thus presenting their situations before and after the installation of the program.

2.2. Description of the sample

Our sample is composed of 20 SME shared out of seven (7) industrial sectors:

Table (1): The distribution of 20 SME surveyed by branch of industry

Sector of Manufacturing industries	number of SME
AGRO Food	8
Chemistry & Plastic and Pharmacy	4
Textiles	2
Industry of wood & paper	1
Leathers, Skins & Shoes	1
ISMEE	3
Building materials	1
Total	20

Source: Personal work.

3. Definition of the variables

These indicators are calculated as follows:

- ✓ Investment (INVES) = Investment/CA
- ✓ Taux of debt (ENDET) = \sum Debts/Active
- ✓ Structure of the debt = DLT/DCT
- ✓ Taux of added-value = Added-value/Turnover
- ✓ the profitability of Equities (RFP) = Equities/Bottom line
- ✓ productivity (PROD) = Added-value/ employees
- ✓ the productivity of value (PRN) = Bottom line/ employees
- ✓ the Productivity of sales (PVENTES) = Sales/ employees

¹ MIPI, [2008].

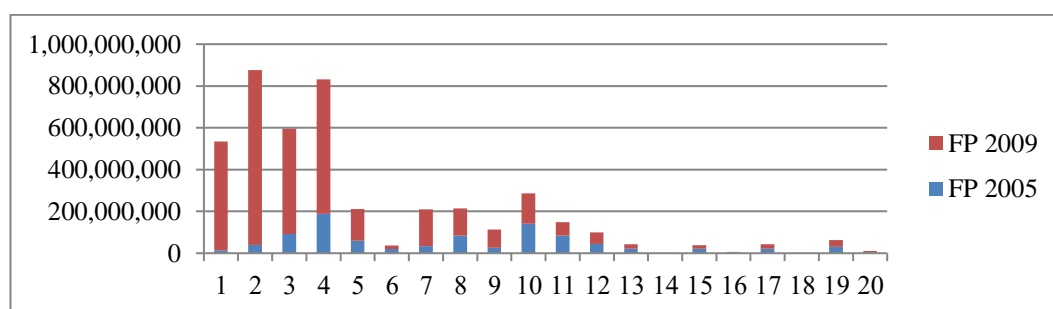
² It is to be announced in this respect, the total of profit SME Oranian of this program of all confused sectors arrives at 25 companies, and thus presenting the population of our sample.

³ As we already mentioned, Program ED-PME is presented as having had more success because of the number of companies which were adhered. It is what justifies the choice of our field of study.

4. Presentation and data analysis

The following figures inform us about the financial situation of each firm of the sample which fell under this process of upgrade, in terms of 9 variables. They relate to a presentation detailed concerning 20 SME surveyed in 2005, like their situations after the finalization of the process of upgrade implemented (in 2009):

Figure (1.): The situation of Equities of 20 SME surveyed before and after the upgrade



Source: Figure based on business accounting records.

Table (2.): The situation of Equities of 20 SME surveyed before and after the upgrade

- In Algerian Dinars (DA) -

	FP 2005	FP 2009
1	13 200 000	520 823 000
2	40 000 000	835 998 291
3	92 130 610	503 923 450
4	188 533 633	643 104 950
5	59 839 014	152 046 675
6	19 942 449	16 148 607
7	33 744 348	176 526 496
8	83 556 623	130 518 321
9	26 235 045	86 741 347
10	140 854 240	145 916 704
11	84 945 095	64 210 837
12	44 543 532	55 377 778
13	20 909 253	21 793 973
14	190 671	287 010
15	21 699 433	17 096 286
16	5 124 835	848 909
17	22 038 179	21 529 842
18	554 231	934 866
19	30 470 101	31 829 895
20	5 124 835	5 579 494

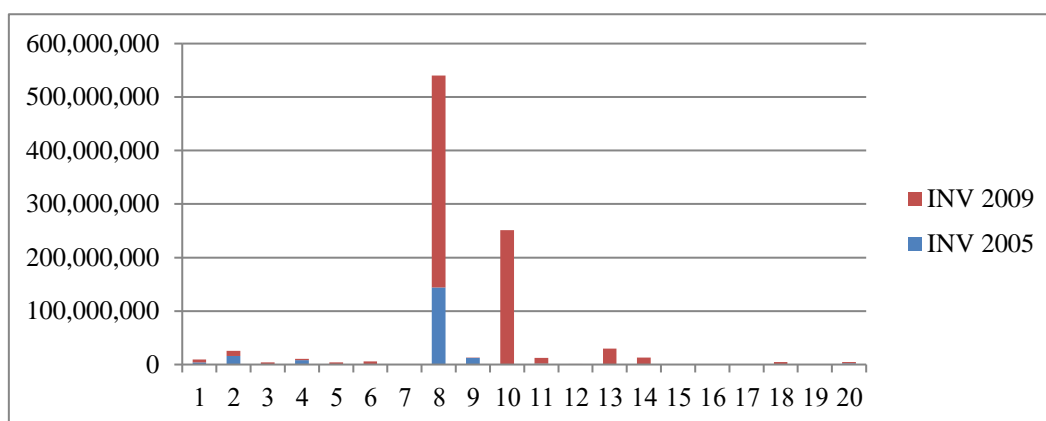
Total	933 636 127	3 431 236 731
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Source: Figure based on business accounting records.

The figure releases a marked progression of Equities in 2009, by recording a total growth of 2 497 600 604 DA, that is to say almost four (4) times the amount generated in 2005. The majority of SME (15) followed same logic, and that is explained by a reinforcement of the structure of the class "1: Equities" of the assessment after the implementation of the upgrade, in which the increase arrives at 76.44%.

It is to be announced in addition that a weak evolution of this variable was noticed for 5 companies out of 20, thus accounting for 25% of the totality of surveyed SME, and in which the reduction arrives at 28.30% after their upgrade.

Figure (2.): The situation of the Investment of 20 SME surveyed before and after the upgrade



Source: Figure based on business accounting records.

Tableau (3.) : The situation of the Investment of 20 SME surveyed before and after the upgrade
- In Algerian Dinars (DA) –

	INV 2005	INV 2009
1	4 262 025	5 447 572
2	15 772 620	9 689 738
3	148 742	3 793 559
4	8 356 272	2 163 221
5	107 243	3 938 521
6	36 640 000	5 643 532
7	2 633 000	10 928 000
8	144 189 101	396 153 398
9	12 281 327	586 875
10	466 461	250 959 193
11	1 458 193	10 739 497
12	284 516	489 245
13	269 750	29 485 651
14	675 760	12 306 396

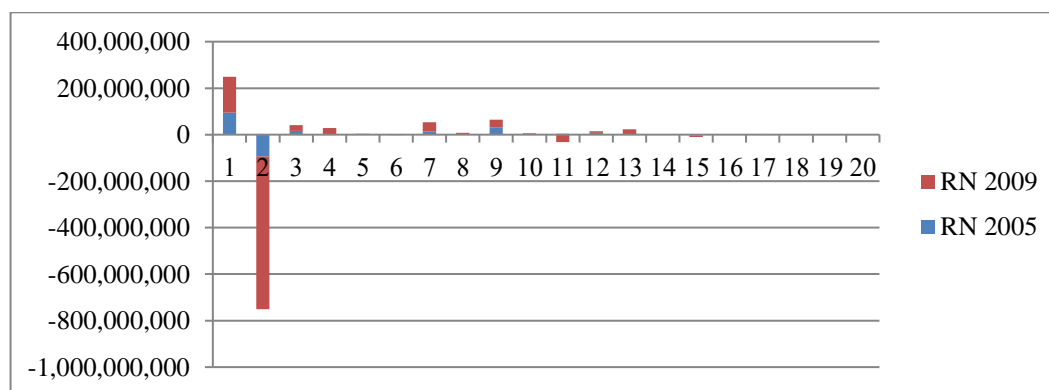
15	65 135	47 308
16	13 275	7 700
17	102 871	117 053
18	1 264 000	3 475 000
19	134 165	267 717
20	2 240 000	2 240 396
Total	231 364 456	748 479 572

Source: Figure based on business accounting records.

The figure clearly indicates a progression of clear accounting values of the investments acquired to the level of our sample, and in which the total increase, is de748 479,572 DA in 2009, after 231 364,456 DA in 2005. The majority of the companies followed the same logic, in which the increase in this variable east can probably be explained by the acquisition of new investments during the period of upgrade. On the other hand, the companies (2, 4, 9, 15, and 16) did not react in a strong way to increase their level of investment. Indeed, they recorded falls on the level of the Clear Accounting value their investments.

In addition, this regression can be probably explained by transfers of credits, and by the irreversible diminution of the values of their investments.

Figure (3.): The situation of the Bottom line of 20 SME surveyed before and after the upgrade



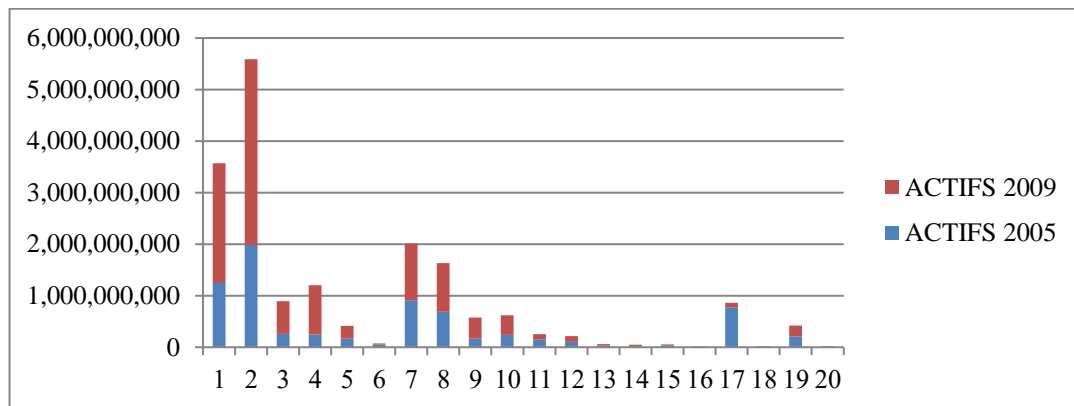
Source: Figure based on business accounting records.

Information on the bottom line is to be taken with much precaution, because the data presented clearly reflect a strong reduction in the bottom line, by thus releasing a negative amount, that is to say (- 366 391 089 DA) like a deficit released in 2009, after 75 074 251 DA, like a benefit created by the totality of our sample before the implementation of the program of upgrade. According to these results, it is probable that the majority of firms (13 SME, thus presenting 65% of listed totality) committed in this process, were able to appreciably improve their results of exercise.

The companies (2, 6, and 11), with is respectively (- 656 762 647 DA, -1,709 505 DA, and -32,609 524 DA) however carried out results obtained thus contrary what is expected with a rather negative and significant sign. This observation requires to be

consolidated by other studies in order to better understand the degree of resistance of the firms to the future shocks.

Figure (4.): The situation of the Credits of 20 SME surveyed before and after the upgrade

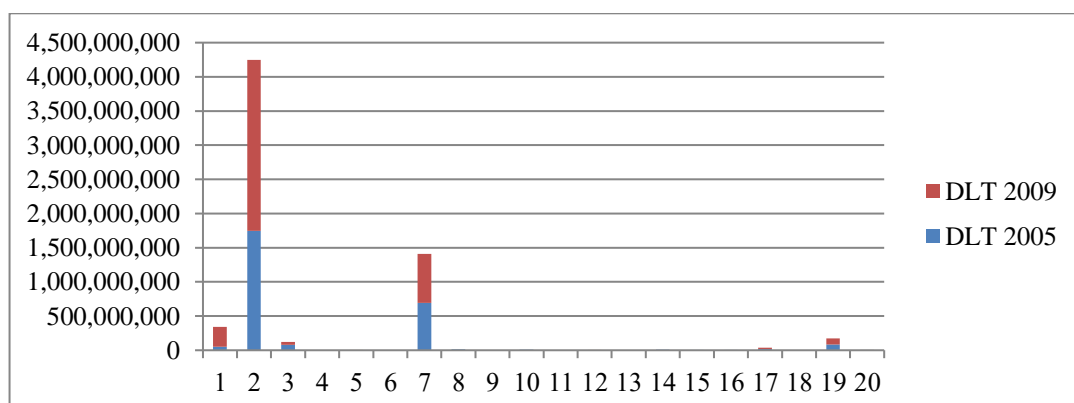


Source: Figure based on business accounting records.

Indeed, the total of credits represents the total of the assessment at the end of the exercise. This variable recorded a progression arriving à 11 251 265 684 DA in 2009, after 7 317 568 509 DA in 2005, thus including the whole of the surveyed companies, and whose 15 SME followed this logic. The companies (6, 11, 16, 17 and 20) knew falls of the total assets, and that can be explained by the fall of the one and/or the majority of the components of the assessment appearing in the level of the credit (investments, stocks, claims), and logically in the level of the liability.

The company (16) recorded falls on the level of its total of credit and its investments (13 275 000 DA in 2005 and 5,643 532 DA in 2009).

Figure (5.): The situation of the long-term Debt of 20 SME surveyed before and after the upgrade



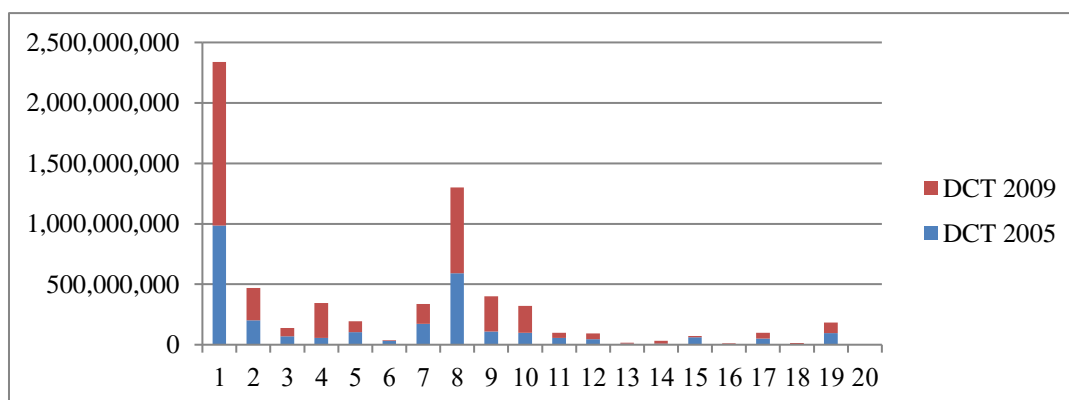
Source: Figure based on business accounting records.

The long-term debts understand all the loans near the thirds, whose expiry is higher than one year. These debts are made up of the loans (including the bank overdrafts or banking competitions). The figure informs us about the total evolution of this variable, thus including the totality of the companies listed after the implementation of the process of upgrade, that is to say a progression of 35% in 2009 compared to the basic year. The companies (4, 6,9,11,13, and 18) display worthless amounts, thus expressing the inexistence of the long-term debts, thus a stagnation is marked concerning the company (20).

In this meaning, it is possible to probably affirm the existence of the debts family thus financing the financial transactions of the companies, and more particularly those relating to the acquisition of the investments. In addition, the companies (8 and 10) presented a disappearance of the debts after two years of finalization of the process of upgrade.

Amongst other things, the companies (1, 2,5,7,12,19) did not follow the same logic of the precedents, they however knew an important progression of this variable, that is to say an increase of 60% in 2009 compared to 2005.

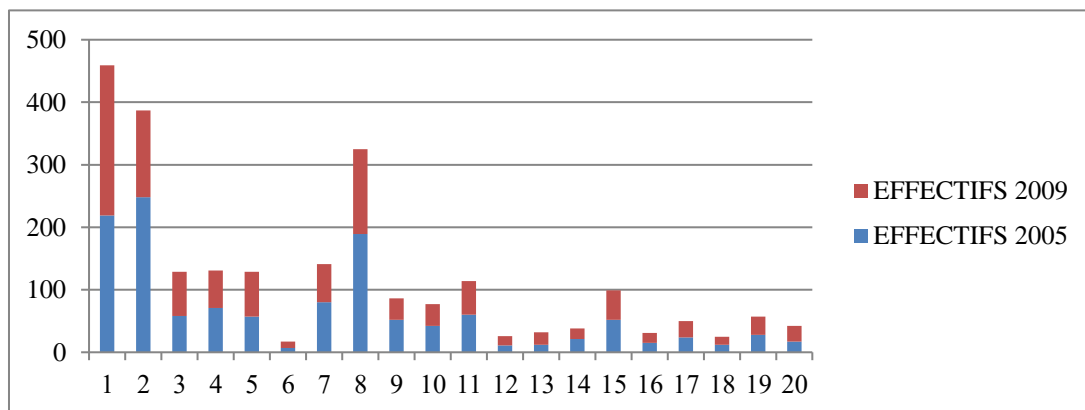
Figure (6.): The situation of the Current liability of 20 SME surveyed before and after the upgrade



Source: Figure based on business accounting records.

The current liabilities form the resources in the short run intended to finance short-term employment (assets at less than one year). The figure releases a marked progression of the Current liabilities in 2009, by recording a total growth of 3 726 050 533 DA, that is to say almost 35.63% compared to 2005. Half of SME (10) followed same logic, and that is explained by a reinforcement of the structure of the debts of exploitation of the assessment after two (2) years of implementation of an upgrade. It is to be in addition announced a regression of this variable was marked on the 10 remaining companies.

Figure (7.): The situation of Manpower of 20 SME surveyed before and after the upgrade

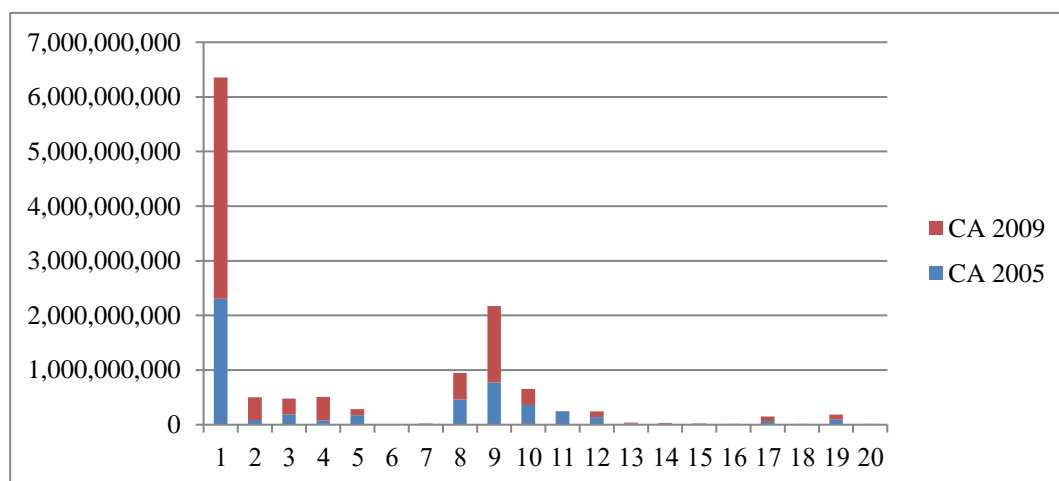


Source: Figure based on business accounting records.

The figure displays a timid regression amongst employees after two years of finalization of the process of upgrade of 155 paid, presenting is a fall from almost 5% of the totality of the companies listed compared to the basic year (2005).

Accordingly, it is imperative to announce that, this regression is indeed explained by the strong fall of employment, released thus by the companies (2 and 8), that is to say respectively of 109 and 53 like job losses displayed in 2009.

Figure (8.): The situation of the Sales turnover of 20 SME surveyed before and after the upgrade



Source: Figure based on business accounting records.

Indeed, the figure above indicates a total increase in the sales in 2009 recorded presenting ains7 844 508 734 DA, after 5 044 192 300 DA like a Turnover generated before the implementation of the process of upgrade.

The majority of the surveyed companies (13 SME) followed the same logic, explained thus by the increase in the sold quantities or the selling prices, and/or the unit costs of the sold productions.

Moreover, the companies (5, 6,10,12,14,19, and 20) knew falls of the sales after their upgrade.

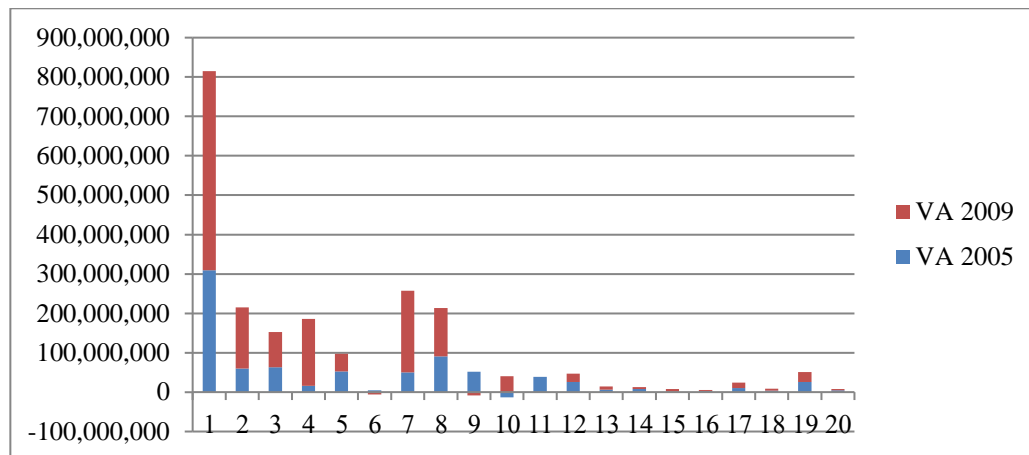
Tableau (4.) : The situation of the Added-value of 20 SME surveyed before and after the upgrade

- In Algerian Dinars (DA) –

	VA 2005	VA 2009	Tx de VA 2005	Tx de VA 2009
1	309 404 298	505 731 843	13,40%	12,49%
2	59 839 775	155 589 738	69,74%	37,66%
3	62 896 279	89 310 584	32,75%	31,27%
4	16 160 473	169 390 205	19,83%	39,58%
5	52 223 323	45 190 184	29,73%	40,74%
6	4 597 037	-5 991 704	274,51%	-855,96%
7	49 790 299	207 496 998	1319,11%	1236,14%
8	90 438 658	123 116 285	19,65%	25,43%
9	51 395 766	-8 651 326	6,68%	-0,61%
10	-13 019 559	40 359 193	-3,63%	13,56%
11	38 834 090	-1 540 900	15,94%	-37,46%
12	25 746 916	21 459 000	18,55%	20,68%
13	6 152 923	7 938 595	33,16%	35,28%
14	8 211 686	4 266 701	45,72%	31,50%
15	1 405 944	6 618 668	15,29%	52,24%
16	2 631 468	3 025 302	38,29%	41,34%
17	10 615 692	13 897 601	15,79%	16,53%
18	3 779 191	5 018 640	69,31%	60,67%
19	25 492 119	25 747 280	27,48%	28,18%
20	4 524 256	3 523 267	58,67%	54,25%
Total	811 120 634	1 411 496 154	16,08%	17,99%

Source : Our calculations based on business accounting records.

Figure (9.): The situation of the Added-value of 20 SME surveyed before and after the upgrade



Source: Figure based on business accounting records.

Later on, the majority of SME (14 companies) followed same logic, and presenting an increase to the level of their added-values. In addition to, the number remaining of SME (6 companies) knew heavy falls and even negative (companies 6,9, and 11).

Concerning the companies; 6,11,14, and 20 the regression marked on the level of their added-values, after the upgrade is thus explained by significant drops on the level of their turnover by recording falls on the level of the rate of added-value arriving at 855.96%, and 37.46% respectively at the companies (6 and 11).

Conclusion

Although the Program of Upgrade refers to the improvement of the macro-economic environment of the company, and in spite of the insufficiencies of our investigation, the studied sample enabled us to note that the upgrade of Algerian SME was not committed with much conviction, as well as the actions conducted on the macro-economic environment (institutional environment, banks, infrastructures, services,...) are far from achieving their goals. Indeed, administration as a whole, as well as the banking environment remain dependent on the influence of the culture inherited the years the economic centralism.

Lastly, the conclusions of our study enabled us to note that, the upgrade of Algerian SME by no means fulfills the checked requirements. This is why Madoui. M, and Boukrif. M, [2009] recommend the real upgrade of the whole of the structures and institutions which compose the environment of SME, which can involve to eradicate the culture inherited the years of state intervention.

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