T.C.

ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES

IMPACT OF AFGHANISTAN GOVERNMENT SUPPORT ON SMES' GROWTH LEVEL THE CASE OF AREDP COVERED SMES IN HERAT PROVINCE

MBA. THESIS

Kaihan Barakzai

Department of Business

Business Administration Program

Thesis Advisor: Assist. Prof. Dr. Çiğdem Özarı

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İSTANBUL AYDIN ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ

Yüksek Lisans Tez Onay Belgesi

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DEDICATION

*To my dearest **Father** and **Mother** for their endless love, support & encouragement…*
To my Brothers, Sisters, Family & Friends who never left my side and giving me support and inspiration…
To my dearest brother Dr. Mohammad Nasir Sarfarazi who stand by me when things look bleak…
To my greatest Uncle Ahmad Shah Azizi for his limitless Motivation and Love…
To all people in my life, who touched my heart….
To Love, peace and beauty in this world….

With Love,
I dedicate this research…

FOREWARD

First of all, I would like thank to **Allah Almighty**, whose many blessings have made me who am i today.
I would like to express the deepest gratitude to my dear supervisor Dr. Cigdem Ozari for her excellent guidance, caring, useful comments, remarks, engagements, support and admirable atmosphere through the accomplishment process of this master thesis, which I greatly appreciate.

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August 2017 **Kaihan Barakzai**

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ABBREVIATIONS

ACCI : Afghanistan Chamber of Commerce & Industries
AREDP : Afghanistan Rural Enterprise Development Program
ARTF : Afghanistan Reconstruction Trust Fund
CED : Community-based Enterprise Development
CIDA : Information and Communication Technology Development Index
EG : Enterprise Group
GDP : Gross Domestic Product
IDA : International Development Fund
MAIL : Ministry of Agriculture Iregation and Live Stock
MRRD : Ministry of Rural Rehabilitation and Development
SG : Saving Group
SME : Small and Meduim Enterprise
UNDP : United Nation Development Program
VSLA : Village Saving Loan Associations

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ÖZET

AFGANİSTAN HÜKÜMET DESTEĞİNİN KÜÇÜK ORTA İŞLETMELERİN BÜYÜME DÜZEYİ ÜZERİNE ETKİLERİ

AREDP programı 2011 yılından bu yana Afganistan'ın hükümet destekli KOBİ'leri geliştirme programlarının içinden en büyüğü olarak tanımlanabilir. Bu araştırmanın en önemli amaçlarından biri ise bu program desteğinin KOBİ'ler üzerindeki etkisini yani KOBİ'ler üzerinde olumlu bir büyüme etkisinin Afganistan'ın Herat ilinde oluşup oluşmadığını araştırmaktır. Bu bölgede yer alan 146 KOBİ içinden 127 tanesi seçilerek 4 yıllık süreç incelenmiştir. Böylelikle araştırmada panel veri seti kullanılmıştır. Yapılan incelemeler sonucunda KOBİ'lerin doğrudan, dolaylı ve toplam çalışanlarının sayısı büyümeyi etkileyen değişken olarak kabul edilmiştir. Bu nedenle, bu çalışmanın bağımlı değişkenleri doğrudan, dolaylı ve toplam KOBİ çalışanlarının sayısı olarak belirlenmiştir. Analiz sonucunda ise Afganistan için sürdürülebilir bir ekonomik büyüme sağlayabilmek adına hükümetin KOBİ desteği vermesi gerektiğini vurgulayan bulgular elde edilmiştir.

Anahtar Kelimeler: Ekonomik Kalkınma, *Kırsal Rehabilitasyon ve Kalkınma Bakanlığı, Afganistan Kırsal Kalkınma Programı, Orta ve Küçük Boy İşletmeler (Kobi), Kobi Büyüme Seviyesi, Afganistan Devlet Desteği.*

IMPACT OF AFGHANISTAN
GOVERNMENT SUPPORT ON SMES' GROWTH LEVEL
THE CASE OF AREDP COVERED SMES IN HERAT PROVINCE

ABSTRACT

Afghanistan Rural Enterprise Development Program (AREDP) is one of the largest governmental SMEs development programs in Afghanistan since 2011.
The aim of this research is to investigate the impact of this program support on SMEs growth level in Herat province of Afghanistan. 4 years secondary panel data of 127 out 146 covered SMEs of this province used for this research.

The number of direct, indirect & and total employees of the SMEs is used as an indicator of growth. Therefore, depended on variables of this study are the direct, indirect and total number of SMEs employees. AUGUST categorical supports (soft skill training, vocational training, exhibitions and machinery & toolkits) & It supports which are combined with 13 individual supports of this program are treatment variables. startup capital, owner's education level, dummy variables for gender and business type of SMEs are used as control variables in this research.

Ordinary least square (OLS) model & Stata 64 software are used for data analysis. Overall, it has been founded that the government support has a positive significant impact on SMEs growth level except for one type of support (vocational training) which is negatively related to the number of employees. we also find an interesting result from control variables.

This study provides evidence for policymakers to prioritize government support for better SMEs development in order to achieve containable economic growth in the country.

Key words: *Economic Development, Ministry of Rural Rehabilitation and Development (MRRD), Afghanistan Rural Development Program (AREDP), Small and Medium Enterprise (SME), SME Growth level, Afghanistan Government Support.*

1 INTRODUCTION

Small and medium enterprise has always significant role in the economy as SMEs known as engine of GDP and over 65% of total employment in high-income countries, SMEs and informal enterprises account for over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries" (OECD 2004).

Experiences documented from the countries with fast economic growth and development pace regard private sector and Small & Medium Enterprises as one of the key drivers of the growth in those countries. Sustainable SMEs can contribute to generating employment opportunities, poverty reduction, and an overall positive impact on a country's balance of payments. Considering the important role, the private sector and SMEs, play in an economic domain, governments of developing countries with support from international financing entities focus on enterprise development and tend to layout promising frameworks for SMEs.

Two of the famous economic growth theories, Balanced and Imbalanced Growth, suggest that two methods to base an economic growth mechanism on. Balanced Growth claims that an economic growth could be driven by a simultaneous and investment of a government on private sector and public infrastructure, while the Imbalanced Growth theory suggests investment on either of the two. It discussed that in this case, the investment in one of the two sectors can create an intensity for growth in other. Particularly, if a government has limited resources to invest in public infrastructure, the private sector can be used as a tool to boost economic activities and, ultimately, contribute to economic development.

"The World Bank (2002, 2004), however, gives three core arguments in supporting the view that SMEs can function as the engine of growth in developing countries. First, SMEs

enhance competition and entrepreneurship and hence have external benefits on economy-wide efficiency, innovation, and aggregate productivity growth. Second, SMEs are able to grow or they can be as productive as LE. This argument is also supported by Berry, et. al (2001, 2002)"(Beck and Levine 2005)

"(Little, et al., 1987). Furthermore, recent work finds that under-developed financial and legal institutions hurt many types of firms besides SMEs. Indeed, research finds that under-developed institutions constrain firms from growing to their efficient sizes (BeckSME playset al., 2003; and Kumar, et al., 2001)"

The tired argument is that, efficient and contribution of SMEs to the economy determined by the natural resource, policy technology and industrial competition of a country, for example, a country may produce a product in small firms with greater comparative advantage than a product produces in large firms and vice versa. ()

"SMEs, Growth, and Poverty: Cross-Country Evidence Thorsten Beck, AsliDemirguc-Kunt, and Ross Levine First draft: November 2002 This draft: March 2005"

1.1 SME Role in Modern Economy

SMEs play a significant role in the development of each country as the SMEs by providing job opportunities, income generation and sustainability of economic growth. Therefore, in all countries the government always trying to support and assists SMEs in different aspect as SMEs contribute between 60%and 70 % of GDP.

"SMEs performance is very important for economic and Social development of countries (levy, berry, and Nugent,1999) from an economic perspective, SMEs provide number of benefits (Advani,1997, Halberg,1999,liedhom and Mead,1999)"

1. SMEs enhance industrial flexibility due to their size can easily adapt changing demand patterns in economic condition.
2. SMEs are very flexible to adopt technology and produce new products, that, can lead to contribute to national technological development.
3. SMEs can be used as engine of development by generating income and

employment, contribute to gross domestic product, reduction of unemployment and reduce poverty

4. SMEs provide skills to individual that lead him to get more economic opportunities and family to support
5. SMEs always bring equity and helping in incoming distribution especially among to labors who work for the firms.

Social Benefit of SMEs always contribute to specific regions and the to be more effective and efficient for that particular region like a group or cooperate firms, apart from that the SMEs can have another social impact as providing experience, responsibility and individual ability to work and participate in governance (Fischer &Reuber, 2000).

1.2 Determination Factors of SMEs Development

There are many determinates which have a direct impact on SMEs development such as macroeconomic factors, business environment, growth opportunities and historic which will discuss in the below with details.

1.2.1 Macroeconomic factor

Government program plays an important role in the development of small and medium enterprise, sustainability of exchange rate has a direct impact on SMEs growth while education level of the country also has an impact on registered SMEs while due to some high expenses of government leads the SMEs to operate unregistered and economy lean to be less productive.

- The other factor that has a high impact on SMEs is credit and easy access to capital and credit for investment that allows SMEs to Grow and encourage unregistered SMEs to register and contribute to the economy.
- The banking system in a country and with an easy policy to provide loan for SMEs with low interest is another factor of SMEs development.

1.2.2 Business environment

Business environment plays significant role in SMEs growth, the easy registration of new

firms and low cost of registration and short time for registration tend the SMEs growth and SMEs perform and whiling to operate significantly, rather the high registration cost, long period of registration tend the SMEs to operate unregistered which can have negative impact on development of SMEs.

track

1.2.3 SMEs growth opportunities

Economic development is always concern with the political situation, political stability is the main factor of SMEs development, and survival rate of SMEs is in developing country related to the stable situation.

SME with a long-term investment needs the stable situation to operate while unstable situation leads the SMEs to failure, therefore safe environment reliefs SMEs to grow.

As SME development needs a long time and therefore most of the entrepreneur invest where they feel stable situation politically and economically because stable situation within the country where SME operate has a direct impact on SMEs growth and SME can grow with stable situation faster and more efficient.

1.2.4 SMEs development and historical determinates

Another factor affecting on SMEs development is geographic location, geographic location at the beginning stage of establishment play a critical role in SMEs expenses, cost and can have a direct effect on SMEs survival, easy access to infrastructures such as water, electric, transportation, and stable security tends the SMEs to grow very fast. Demographics is also having an impact on SMEs growth level for example in areas where there is cultural ethic on a product can have a negative impact on the firm (Caner, 2010).

1.3 SME Development and Key Factor of Priority of Afghanistan Government

Afghanistan, being a developing country, grinds in support from international community and international institutions dealing with economic agendas. Hence, the government of the Islamic Republic of Afghanistan, with support from the international donor

community, has undertaken national programs to create sustainable SMEs and develop those operating.

An important example of such programs is the Afghanistan Rural Enterprise Development Program (AREDP). AREDP was initially designed a 5-year national intervention to create employment opportunities in rural areas of Afghanistan and increase the income of rural men and women. Multiple donors financed the program. Throughout its implementation, it received donations from the World Bank's International Development Association (IDA), Afghanistan Reconstruction Trust Fund (ARTF), United a Development Program (UNDP), Canadian International Development Agency (CIDA), and the Dutch Government. Some donors dropped their donation upon completion of the program's first phase, while others continue to finance the program via a continuous chain of short-term allocations.

AREDP has two program components and a support component. The program components are; Community-based Enterprise Development (CED), and Small & Medium Enterprise Development. The CED's focus is to begin SME creation from scratch through establishment of Saving Groups (SG) in villages, establishment of Enterprise Groups (EG), graduation of SGs to Village Saving Loan Associations (VSLA – village based small banks for financing), and using VSLAs to as credit sources for EGs while building the capacity of EGs and linking them to urban SMEs.

THE SME Development Component works to make established SMEs sustainable and develop their capacities to employ more, sell more, and widen their scope of coverage. These objectives are achieved through the provision of business development support services such as; provision of soft training, technical training, exposure visits, forward and backward linkages, linkages with financing institutions, and an innovation award scheme.

1.4 Purpose of the Study

Millions of dollars have SMEs spent on developmental projects in Afghanistan. Although, the impact of these projects and programs on economic growth and development seems to be comparatively low. Amongst other reasons contributing to slow the developmental impact of these projects, one important reason is that the impact assessments, which should SMEs as tools for lessons learned and a revision of new projects designs, are

beneficiary-focused and consider beneficiary desires rather than what is good in the light of a knowledge-based economic development framework.

I have chosen to research AREDP impact on the growth of the targeted SMEs particularly because I hold practical experience of working with a broad range of SMEs, I have access to accurate data records by AREDP, and the fact that no such knowledge-based research is done on AREDP impact after seven years of its establishment. I aim to present my research to the management of AREDP and share it with Ministry of Rural Rehabilitation and Development for possible policy and operational changes. I will share the research outcome with Afghanistan Chamber of Commerce & Industries (ACCI) as well.

ACCI, as an advocate of private sector economy's interests, plays a key role in forging developmental scenarios of the government and the donors in Afghanistan.

As a researcher, I plan to pick out possible flaws in AREDP's operations, plans, and activity implementation methods that have led to unsatisfactory results, and propose revised knowledge-based mechanisms that can have impactful results considering my knowledge of the field.

The structure of the thesis as follows: the next chapter will illustrate a special government program of SMEs development- AREDP.

Chapter 3 will be a literature review, Data and Methodology will be given after, followed by empirical analysis and discussion, then conclusion and suggestion will be given by the author, the last chapters are some implications.

2 AFGHANISTAN RURAL ENTERPRISE DEVELOPMENT PROGRAM (AREDP)

As the research mostly focused on SMEs, which is covered by AREDP program, therefore I feel to add this chapter to explain the AREDP program and provide more information for the readers.

2.1 Program Introduction

For long-term stability and economic development, the main priority is the stable political situation; therefore, from past 15 years of new government in Afghanistan, we cannot ignore the success of Afghanistan governments support and programs on reduction of poverty and job creation. Especially in rural development, the area of Afghanistan where most of the people suffer from unemployment and poverty which the international institution had no access to rural area due to insecurity, other challenges and deprived of many supports.

As most of the people in rural are busy with farming and agriculture and there is a huge potential of being self-sufficient on agriculture and other related products.

As per AREDP survey on SMEs in the rural area shows that major obstacle in SMEs growth in rural is the lack of business planning, management, marketing and lack of access to financial credit.

Above 60% of surveyed on SMEs reveal on the need of knowledge of business development services and almost 96% of SMEs shows interest in receiving financial services while only 7% of SMEs had access and received loan which compeering with interested percentage is so less.

The aim of AREDP is to contribute to SMEs growth in the rural area where apparent failures of business development and financial services for the enterprise through

governments support and imitative on targeting rural are specifically by providing business advisory services, access to credit with the cooperation of another government program as well as with private sectors initiatives.

2.1.2 What is AREDP?

Afghanistan Rural development program is the largest SMEs development program in Afghanistan that jumped to the private sector of rural development of Afghanistan.
AREDP was initially designed a 5-year national intervention to create employment opportunities, increase the income of rural men and women and sustainability of business in rural of Afghanistan. The program was financed by multiple donors. Throughout its implementation, it received donations from the World Bank's International Development Association (IDA), Afghanistan Reconstruction Trust Fund (ARTF), United Nation Development Program (UNDP), Canadian International Development Agency (CIDA), and the Dutch Government. Some donors dropped their donation upon completion of the program's first phase, while others still continue to finance the program via a continuous chain of short-term allocations.

2.1.3 AREDP Program Structure:

AREDP has two main program components and a Functional &support component.

- **Community-based Enterprise Development (CED):** The CED's focus is to begin SME creation from scratch through establishment of Saving Groups (SG) in villages, establishment of Enterprise Groups (EG), graduation of SGs to Village Saving Loan Associations (VSLA – village based small banks for financing), and using VSLAs to as credit sources for EGs while building the capacity of EGs and linking them to urban SMEs.
- **Small& Medium Enterprise Development(SMEs):** The SME Development Component works to make established SMEs sustainable and develop their capacities to employ more, sell more, and widen their scope of coverage. These objectives are achieved through a provision of business development support services such as; provision of soft training, technical training, exposure visits, forward and backward linkages, linkages with financing institutions, and an innovation award scheme.

- **Functional &Support Component:** The aim of support component of the program is to manage, plan, support, supervise, and monitor the program activities at whole and give hand on implementation of program plus policy issues for rural enterprise, research and technical services in order to help the program to more smoothly and efficiently with cooperation of provincials.

2.1.4 Program Coverage roll-out

AREDP at beginning expect to be a national program and operate in all 24 provinces of Afghanistan, as far the aim of the program is to target potential enterprises in rural area of Afghanistan and as per track records of NSP the program starts to operate in the below 5 provinces where potential SMEs and EGs have existed and the program can easily start and implement.

Covered provinces by AREDP: Heart, Nangarhar, Bamyan, Balkh, Kandahar.

2.1.5 Organization Chart of AREDP

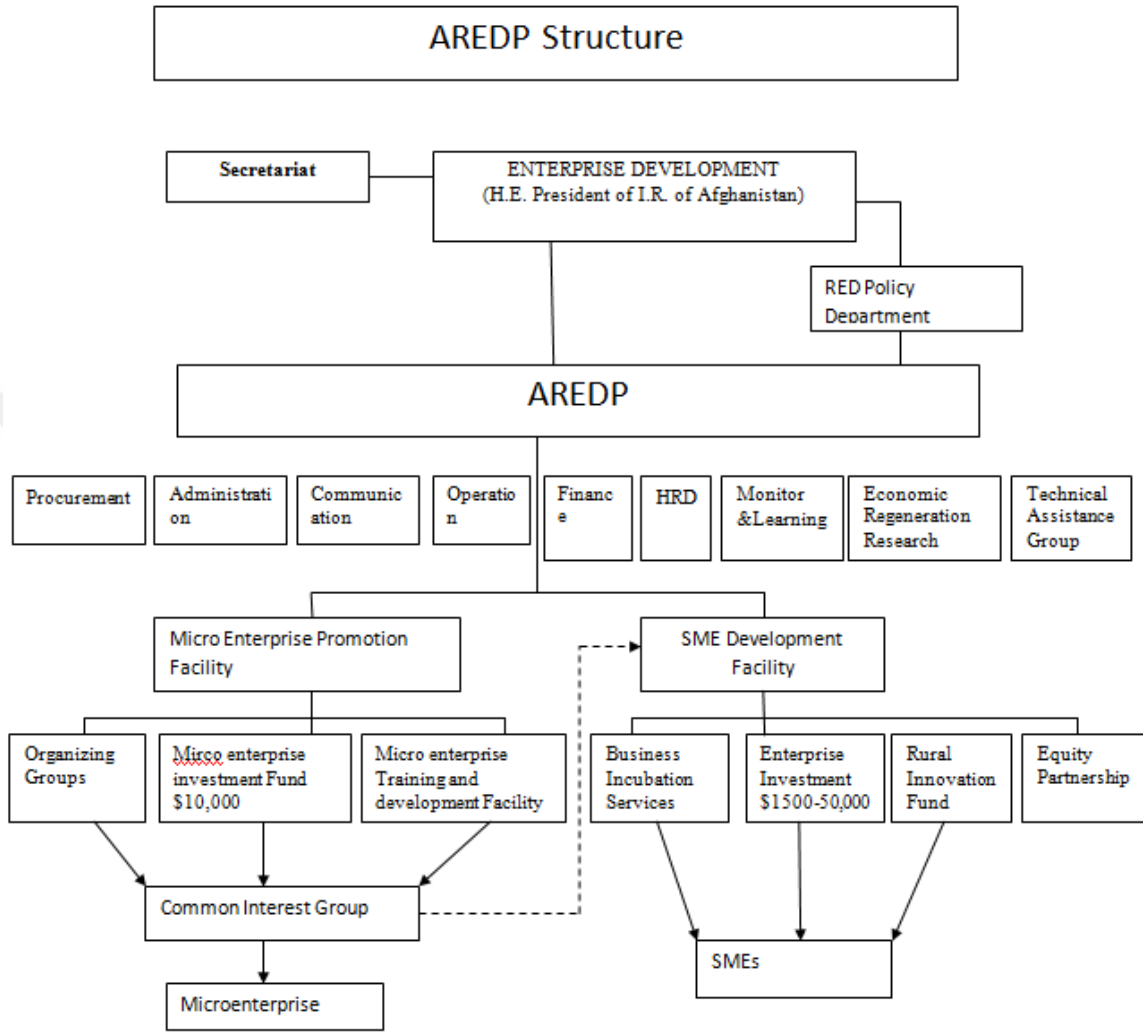

Figure 2.1: Organization Chart of AREDP

For the purpose of this program the following definitions have been given to micro, small and medium enterprises:

Micro-enterprises: 1-10 employees with an average of 2 employees

Small enterprises: 11-50 employees with an average of 15 employees

Medium enterprises: 51-250 employees with an average of 70 employees

(Afghanistan 2009, *Operation Manual*, Ministry of Rural Rehabilitation and Development, Kabul Afghanistan, December 2009).

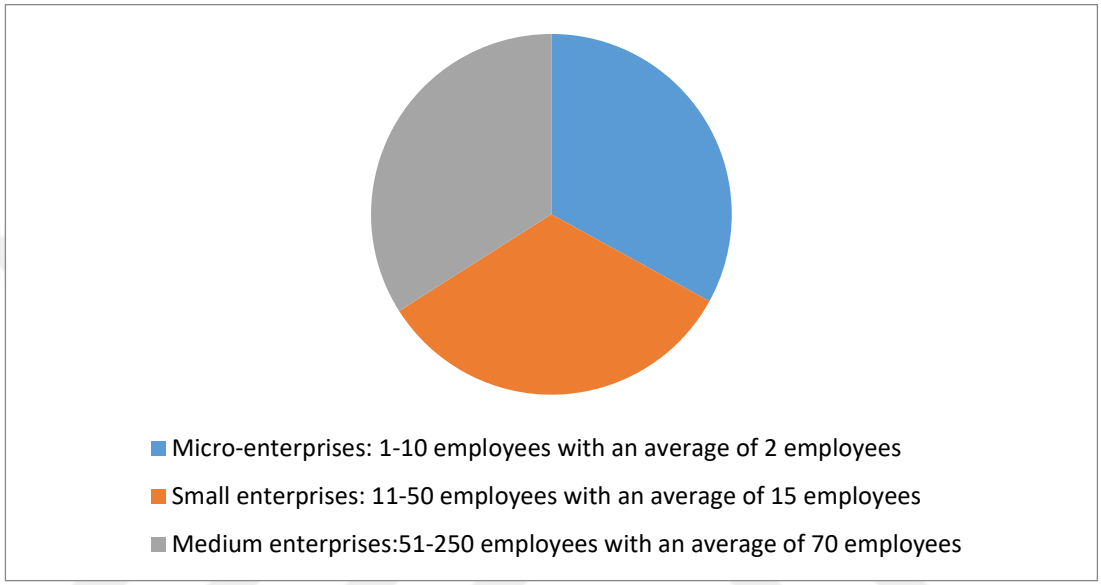

Figure 2.2: Types of the SME

2.1.6 Role of SME Unite

AS the AREDP was working for sustainability of SMEs in rural area for increasing income generation of man and women and employment opportunities, therefore as Business development unit focus is on the following task:

- Plan, manage and coordinate the implementation of the AREDP Project related to Enterprise Development initiative in Herat Province in coordination with the PMO in Kabul to ensure that the activities and delivered as planned.
- Launch the competitive process through which potential SMEs can apply for the AREDP provisioned a set of service and incentive.
- Assets SMEs on developing detailed business support action and plan for each targeted SMEs.
- Liaise with the business development training, technical training, access to finance unit, to provide necessary training according to SMEs need and wants.

- As development program, they helping SMEs on Establishment of forwarding and backward linkages with community suppliers, raw material suppliers, technology providers and other linked to the value chain and providing them with exposure visit to link them with other business to promote their market linkages.
- Conduct, arrange and facilitate exposure visit for target SMEs countrywide and internationally too in order to link them with some international companies, new technology, and help them to link with international market outside Afghanistan

As SME development Unit, mostly focus to assist SMEs on business advisory, consultancy and assist SMEs on overcome the challenges and enable them to grow by increasing their sales and employment.

Through AREDP the main focus of SME Unit was to facilitate all necessary assistance for the SMEs in different aspects to enhance SMEs to growth by increasing number of employment, increase sales and profit. As the main objective of growth in AREDP program on SMEs development increased income, employment opportunities, and sustainability.

2.2 Contribution to Afghanistan National Development Strategy (ANDS)

The strategic determined for Ministry of Rural Rehabilitation and Development (MRRD), finalized in 2007, defines the mission statement for the Ministry as follow:

"To ensure the social, economic and political well- being of rural society, especially poor and vulnerable people, through the provision of basic services, strengthening local governance and promoting sustainable livelihoods free from a dependency on illicit poppy cultivation. This Program is structured to assist the MRRD in achieving this goal. MRRD is responsible for the Afghanistan National Development Strategy (ANDS) for Benchmark 6.2: Comprehensive Rural Development; which states '800,000 households (22% of all Afghanistan households) will benefit from improved access to financial services; livelihoods of at least 15% of the rural population will be supported through the provision of 91 million labor days; policy and regulatory framework will be developed to support the establishment of small and medium rural enterprises, and institutional support will be established in all 34 provinces to facilitate new entrepreneurial initiatives by rural

communities and organizations'. MRRD is also a large contributor to Benchmark 6.3: Counter Narcotics, which states 'the Government will design and implement programs to achieve a sustained annual reduction in the amount of land under poppy and other drug cultivation by the strengthening and diversification of licit livelihoods and other counter-narcotics measures, as part of the overall goal of a decrease in the absolute and relative size of the drug economy in line with the Government's MDG target"(Afghanistan 2009, *Operation Manual*, Ministry of Rural Rehabilitation and Development, Kabul Afghanistan, December 2009)

In addition, it is notable that there are other benchmarks that trust on strengthening livelihoods to reach their goals. These include, but are not limited to, security, governance, health, and education. In order to accomplish these goals, the Government must create policies that will stimulate the development of the private enterprise sector.

2.3 Role of Governments on SMEs Development

Afghanistan in recent decades has made great progress in different areas, especially in private sector, livelihoods, rural development and public financial management. We cannot ignore the role and massive support of international community on the rebuild of Afghanistan.

The government of Afghanistan's SMEs Strategy finalize in December 2009 long-term and the purpose of this strategy is to inspire pro-poor growth by generating jobs opportunities in rural are where have been neglected on the flourishing economy.

By the help of this strategy the government analyses SME sector and with the following criteria identifying to give priority for assistance

- Domestic private firms have already entered them spontaneously.
- The sector is labor-intensive and has a strong rural presence.
- The sector's current growth rate either in Afghanistan or globally is high.
- The barriers to entry are low.
- Necessary raw materials are ANDS Afghanistan.

- Many of the skills needed to be competitive in the industry already exist.
- The technology requirements are either moderate or Afghanistan has the ability to introduce the technology quickly and cost-effectively.
- The technology requirements are either ANDS or Afghanistan has the ability to introduce the technology quickly and cost-effectively.
- Afghanistan has the ability to compete across multiple parts of value chain.
- Afghanistan has the potential to move up the value chain.
- They produce tradable goods and services that have been produced for about 20 years in similar dynamically growing countries – particularly neighboring ones; and
- Afghanistan is likely to have a competitive advantage.

2.4 Objectives of the SME Strategy

The objective of this strategy is to overcome the rate of unemployment and poverty, as the SMEs are engine of growth and SMEs mostly generate up to 50 % of GDP and plus create labor force up to 75%, therefore, the SMEs development is key factor of growth in policy of most of the country, as its proved in countries such as Pakistan, Singapore that SMEs development is very critical in creation of job opportunities and reduction of poverty, as SMEs with 300 workforces makes up to 80 to 90% of Afghan business, therefore, the policies of Afghan government should reduce the expenses in order to increase the benefit of SMEs.

2.4.1 The SME strategy in Afghanistan

Afghanistan didn't have clear strategy for SMEs till it's finalized on December 2009 but start implementing officially on 2011 when the SMEs Directorate formed in Ministry of Commerce and industrial, after the formation of Directorate focused and targeted sectors developing import by providing capacity building and marketing information due to huge trade deficit and start requesting for donor and governmental support for target industries such food, vegetable oil, dairy and poultry production but in terms of export as there is less number of traditional items to export they didn't give much consideration or priority but just more consideration on import and mineral export. In addition, most of this support

is by the help of international donors as there is no clear awareness and campaign by the government on SME development.

A majority of the SMEs in between 70 to 80 percent, not registered and operating informally as registration from their point of view is paying tax and having trouble with the tax office.

Despite of have years of problem, corruption and market economy if the government had a clear strategy for development of SMEs and put on action now we would have had a value chain and the support and assistance of government to the all business owners and increasing willingness of SMEs to register with official authorities and take part in economy. Despite to the government support and development strategy many international organizational and donors are ready to shrink on SME development one of this project is AREDP/MRRD multi-donors program for SMEs development of rural area, USAID five and half year ASMED program supported Value chain development and many other projects on SME development implemented and helped SMEs improve their technique on producing final products links to international market (Afghanistan, MOCI&MAIL, 2011-2013).

2.4 Program Development Objective (PDO)

Improvement of employment opportunities, income level of men and women in rural area and the sustainability of targeted enterprise is the main principle of development goal of the program

- 70% of Enterprise Groups (EGs) will have increased their net revenues by over 50%. At least 35% of these will be female EGs;
- At least 30% increase in direct and/or indirect employment by Small and Medium Enterprises (SMEs) and EGs.
- At least 35% of those employed will be women;
- On average SMEs report, at least a 50% increase in purchase of inputs produced in rural areas;
- 50% of supported EGs are still operating 2 years after start-up. At least 35% of

these will be female EGs.

In line with the PDO, results & monitoring framework on-job-training by AREDP and the World Bank.

(Afghanistan 2009, *Operation Manual*, Ministry of Rural Rehabilitation and Development, Kabul Afghanistan, December 2009).

High-level objectives to which the program contributes:

MRRD through AREDP program will contribute to a high level of objective and will have the multi-collinearity initiative with Agriculture Rural Development, which institutes a coordinated approach to rural development and assists in plugging the gap to identify as being disruptive to progress.

Initiatives of the program council will complement the Initiatives of the Afghanistan Enterprise Development Council will newcomers the significant work of the National Security Council and their efforts to the re-establishment of security and prosperity of the country. The government understands the key role of private sectors in creating economic opportunities and social stability.

As opium was making almost 33 % of total Afghanistan economy, the government objective was to reduce the income generated by narcotics and work to increase the income generated by export, rural development products, industrial and other services. See Diagram 2. 1. The AREDP projects will contribute substantially towards the goal.

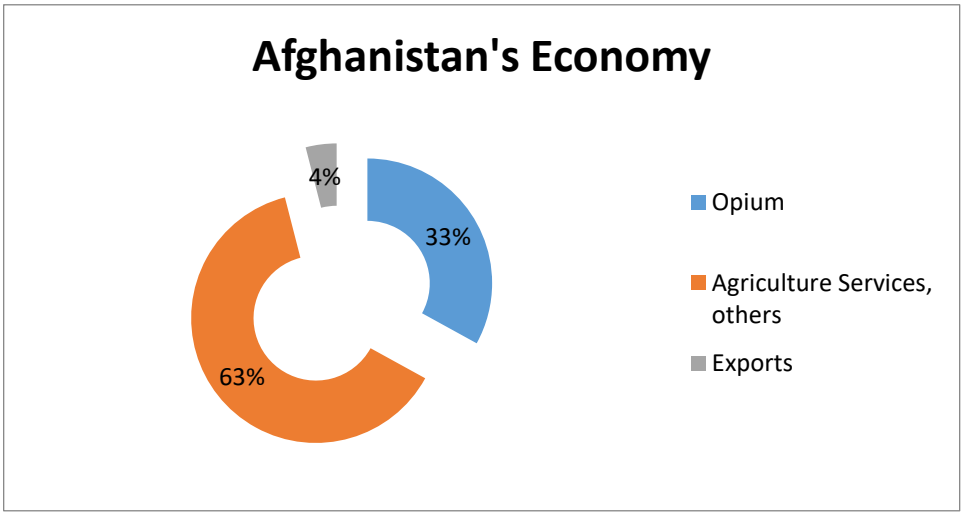

Figure 2.3: Afghanistan's Economy

And in below diagram you can see breakdown of Export by Industry in Afghanistan

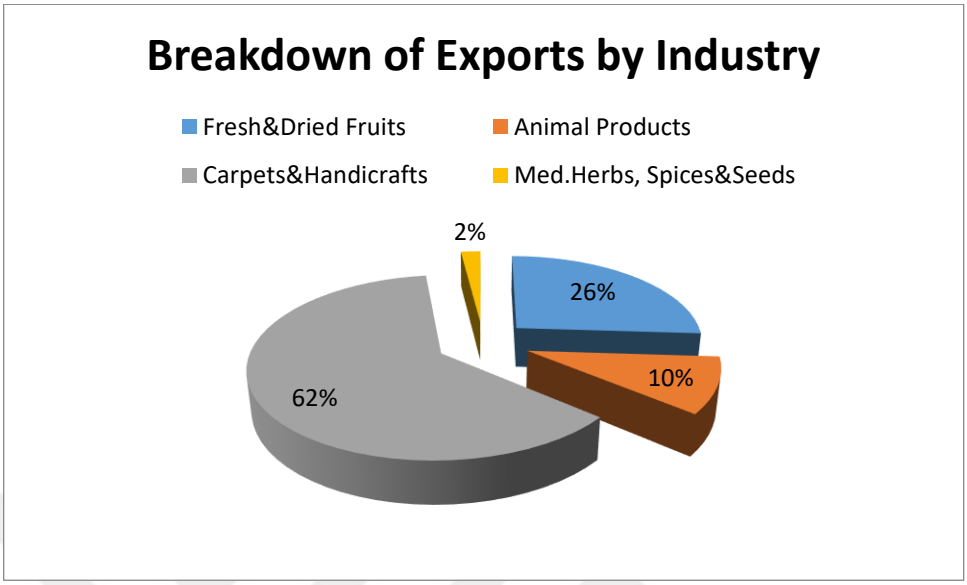

Figure 2.4: Breakdown of Exports by Industry

2.4.1 Key principle

Market orientation:

The program involvement is to empower the community enterprise and SMEs to engage directly with the local and international market a per their own decision.

Sustainable businesses: All Program activities are aimed at developing long-term economic potential and creating sustainable businesses that will persist long after the duration of the Program.

- Clients decide AREDP will follow a non-prescriptive approach in all Program interventions and will empower outside to make their own informed decisions.
- Improving coordination AREDP aims to integrate the disparate activities of other projects, agencies, and institutions into an effective national enterprise development Program. The Program will assume a coordinating function and act as a source of knowledge for other organizations. AREDP will continue to develop its database of contacts of businesses that operate in the rural areas, to facilitate trading linkages.

- Building partnerships AREDP will not duplicate existing programs, but will rather partner with the private sector, other donors- funded initiatives, government Programs and particularly the burgeoning financial sector wherever possible.
- Crowding in not crowding out AREDP has adopted a principle of avoiding competition with existing institutions, particularly with respect to MFIs but also business development service providers. AREDP will support BDS providers through outsourcing contracts.
- Simple design AREDP will set up minimal structures in a few suitable provinces and gradually scale up as learning effects are continuously incorporated into the Program.
- Sharing best practices AREDP will leverage opportunities for identifying and disseminating emerging successful business models among community enterprises and SMEs in Afghanistan.
- Vertical integration Working with a wide range of enterprises, AREDP aims to improve backward and forward linkages between community-based Enterprise Groups and SMEs.

3 LITERATURE REVIEW

Many research and studies evaluated the unique role of SMEs in the developing countries, SMEs plays important role in creating a job, new ideas, innovation and inspiration of business activate and mark a major influence on the well-being of a nation.

The important qualification of SMEs in long-term stability and existence depend on sales and profitability, the profitability of the SMEs has a significant impact on other achievements of the firm and its indicated by the profitability of the firm.

The study investigated the impact of profitability and employment on growth level of SMEs, use of growth always measure by SME performance on Sales and profitability (Markman, 2002) as profitability is the main indicators for sustainability of SMEs and associated with economic scales, it's quite difficult to imagine sustained growth of SMEs without profitability.

"Growth could lead to higher profitability based on evidence that new firms become more profitable when they enter quickly and a large scale" (MacMillan &Day, 1987:2). In addition (Hoy, 1992) indicate that the pursuit of high growth may be slightly or even negatively associated with firm profitability. Sexton et al (2000) "found that firm profitability was simultaneous with sustainable growth," while Chandler and Jensen (1992) "found that sales growth and profitability were not correlated"

In developing countries such as Indonesia Profitability and contribution of SMEs to the national economic structure is not only a priority but also a key factor in the evolution of businesses and regional development. In addition, ACs (1984) discusses how small new firm entered sector as "cause of conversion". Based on new product and process.

It shows that these factors are very essential because given effect on economic growth level, employment, innovation, and technology change. The firm cannot survive without profitability, the firm in order to attract outside capital the profitability comes as a first primary objective of the firm.

Also, studies of SMEs in developed countries such as the United States show the importance of SMEs role not only in creating job opportunities but also can be a source of innovation.

Based on (National Accountability Standard p.289) “incomes make the capital increase” therefore income and expenses are the key factors by which we can measure profitability. Income is the gross profit generated during the accounting period, and income can make the capital increase. According to (National Accountability and Standard p.71) Expenses are outflows “the decreases in economic profits” during the reporting period, resulting in the reduction of assets or increase in liabilities and reducing the capital.

Measuring the growth rate of firms can have evaluated by many factors but profitability is one of the important factors of measuring the success of the business.

White Charter of Romanian state that SMEs can generate the highest gross domestic product in each country frequently between55% – 95%, can provide the employment for most population and can create a major part of the technical innovation applicable in the economy (2009, p. 15).

SMEs growth lead countries to development and stability and will help them to recover from the conflicts, as SMEs are the foster of job creation and economic development, SMEs always trying to find required capital, market and networking to grow up their businesses.

Delmar et al, (2003) claimed that the SMEs grow in different ways and the firm's growth depend on the age, size, and field of industry (Delmar overall, 2003).

Delmar et al (2003) stated that the SMEs growth is not static in nature there might be different substantial and also indicate that, the firm is not static in nature and there might be substantial variant over time for firm’s growth, such as the dynamic nature of growth is an area worthy of investigation.

SMEs are highly seen to factors stability and economies of countries and most of the government focus to promote and develop SME sectors to endorse economic growth, as SMEs create job opportunities and income generation to the economic, most of the developed and developing countries implementing many programs to promote SMEs for example, in South Africa, SMEs are contributing on private sector 56% on job creation and employment and almost 36% of GDP(Ntsika.2012).

Therefore, SMEs manager always trying to promote the SMEs stability by increasing sales and profit and contribute more to the economic scale, as cited in Rantamaki-Lahtinen et al. (2007), Penrose (1995) observes that managers try to maximize long-run profits, while Barney and Arikan (2005) regard firm as a profit-maximizing entity.

By above statements arguments, we understand that SMEs growth required long term plan and process for capacity building and promoting the business environment, the government can play very critical and supportive role by implementing SME development program and support SME sector to assist the SMEs owner to obtain growth of their business.

Salman and Yazdanfar (2012) stated that SMEs firm act as a pillar of national economic growth and job creation.

Economic growth strategy frees that "poor countries fail to grow can face a serious problem because they are helpless and impotent to crises, one of the best practice to address unemployment is to leverage the employment creation potential of small businesses and to promote small business development (FinMark Trust, 2006:731).

The International Finance Corporation (IFC) reports that SMEs in developing countries supply 45 percent of formal employment in the manufacturing sector and SMEs contribute, on average, to 29 percent of formal GDP in low-income countries. In developed countries, these figures rise to 67 percent and 49 percent, respectively.

Gree and Thurnik (2003) claimed that, the contribution of the SME sector cannot be sustained without the creation of new SMEs. Schumpeter (1934) as cited in Wong et al. (2005) was one of the earliest economists to argue for new firm creation.

According to Schumpeter, new firms are the vital force behind the progress of capitalism. New SMEs introduce new products and develop new technologies. As an important source of innovation, new firms bring competitive pressure to bear on established firms.

According to Maas and Herrington (2006), new SMEs are seen as a significant component of the solution to SouthAfrica’s development issues.

According to fact and evidence, the prosperity of the economy in South Africa is due to creation and sustainability of new firms as SMEs are the engine of growth and without the creation of SMEs South Africa could face economy latency over the time.

Given the failure of the formal and public sector to understand the growing number of job seekers in South Africa, increasing attention has focused on entrepreneurship and new firm creation and its potential for contributing to economic growth and job creation (Herrington et al., 2009:3)

Almost after decades of war that Afghanistan was facing by new government and flows of almost 16 years of reconstruction depends on billions of dollars, the government start implementing many programs for development of SMEs sectors and to ensure the social, economic and political well- being of rural society, especially poor people in the different region.

There are also other research and studies about other factors of SMEs' development, such as innovation, globalization, institutionalization, gender, education improvement as so on. However, there are only a few studies focus on Afghanistan and on SMEs development and the role of government on SMEs development and SMEs growth due to the data limitation.

My studies will apply 160 of SMEs in Heart Province of Afghanistan' where this province is one of the main and potential provinces in existence maximum number of firms and known as an industrial pole of Afghanistan, data and econometric model to fill this gap in the literature and empirical part.

4 FACTORS IMPACT ON GROWTH OF SMEs

For better understanding of the SME growth level, it is needed to study the factors effecting on SMEs growth level. In this chapter indicated the important factors based on previous studies. As SME development is a long-term process and there are many factors can have effect on SMEs growth level, therefore, the following factors have significant impact on SMEs growth level

4.1 Theoretical Outline

Storey (1994) classified the main factors to be important while analyzing the SMEs growth, these factors are,

- Characteristics of Entrepreneurs
- Characteristics of SMEs
- Contextual variables.

4.2 Characteristics of Entrepreneurs

Many factors such as age, gender, individual background and related experience which is affecting and have impact on entrepreneurial objective stated by (e.g. Kolvereid, 1996; Mazzarol et al., 1999).

Age: The Age is one of the important factors, which has a great impact on entrepreneurs, and the entrepreneur is more active between ages of 25-44 Reynolds et al. (2000). a

- **Gender:** have also impact on entrepreneur because females have less interest than the male to be the founder of, business but males have higher interest to behave founder of a business and have high intentions being an entrepreneur (Mazzarol et al. and Kolvereid 1999,1996).
- **Work Experience:** related to entrepreneurial has also significantly high impact on having entrepreneurial intention than those who do not have related experience Kolvereid (1996).
- **Education:** provides high self-sufficient to entrepreneur which led the entrepreneurship to increase the formation of new endeavors, the probability of self-employment Charney and Libecap(2000).
- **Characteristics of the SMEs:** Characteristics of SMEs are essential on adoption of the factors of growth by which the SMEs can set up the future goal of the firm.
- **Foundation of Enterprise:** When the ownership and management are combined in the small firms, the future goals of the firms can be driven and determine by family and personal lifestyle by consideration of profit-making Smal bone, Leig, and North (1995).
- **Length Time in Operation:** Kristiansen, Furuholt, & Wahid (2003) indicate that success of business significantly relates to the owner and employees time of operation. It means those SMEs from the past they have a learned then newcomers and it leads them to success.
- **Size of Enterprise:** Size is one of the main measurement indicators on SMEs growth level as the size state the enterprise in terms of employment rate. According to McMahon (2001), the better-quality performance of the enterprise has significant relation with the size of the enterprise. It shows that larger enterprises are more successful in many aspects.
- **Capital Source:** Studies in Indonesia shows that business success was correlated with the financial flexibility Kristiansen, Furuholt, & Wahid (2003) it means the SMEs who are more flexible in terms of finance and get the benefit from the third party is way successful.

- **Relative variables**

  policies variable such marketing, technology, information, willingness, social network, legality, capital access, government support and business plan have an impact on SMEs growth level.

4.3 Contextual Variables

Marketing: New market identification and marketing development in order to compete well in the market in respect to products to obtain new customers and build more linkages with the similar businesses and customers are necessary for SMEs Growth level. Studies in Directorate shows that the high rate of SMEs growth is its identification of new market opportunity and respond to it accordingly Smallbone, Leig, and North (1995).

Technology: Technology plays important role in SMEs growth SMEs in respect to obtain a competitive advantage by changing and adopt the technology. It helps and leads SMEs to find alternative ways to sustain growth level by producing new product and process. Market growth has significant relationship with the technology changes and innovation state it by Kickul, Welsch, and Posig (2003)

Access to Information: Access to the information play key role in SMEs growth as it helps SMEs to succeed by initiating related to market, technology, design, input and rules, and regulation. This information has relation with the characteristics of an entrepreneur such as education, experience. (Duh, 2003; Kristiansen, 2002; Mead &Liedholm, 1998; Swierczek& Ha, 2003) state it that, the survival, growth, and induction of the firms depend on the new and update information.

Entrepreneurial willingness: Entrepreneurial willingness is the individual perception on self-efficacy, and this self-efficacy has a high influence on how an individual is acting with the availability of knowledge and skill and utilized them. Therefore, people do not behave according to their capability but they behave according to their thoughts and beliefs so we can understand that the entrepreneurial willingness can area as self- efficacy. The term of self-efficacy, derived from Bandura's (1977) and capability of performing a given job is referring to the person's belief According to Ryan (1970),

Self-efficiency and self-perception plays a critical role in development of intentions

It indicated that business success significantly linked with the entrepreneurial willingness Kristiansen, Furuholt, and Wahid (2003)

Social network: Social network also plays important role a success of a business, network is the essential elements of entrepreneurial to survival, according to the Huggins (2000) the companies have no choice to engage with network to survive, it means networks help to decrease the risk, transaction cost and to improve access to business ideas, knowledge and capital (Aldrich & Zimmer, 1986).

Legality: Not too many research has been done for legality as factor of growth and its direct impact on SMEs growth level, but in developing countries like, Afghanistan, Indonesia the legality is a kind of limitation access to source of growth, most of the SMEs without legal operation cannot get access to financial to ensure success of their business.

According to operation Manual of MRRD-AREDP (2009) shows that after a survey 96% enterprise a reported and showed interest in receiving financial service in case of availability and access, but while 7% of these enterprises received the loan because most of the SMEs operate illegally and cannot receive a loan from a financial institution.

Lately, AREDP also focused on linking SMEs which were under coverage of the program to some related institution for registrations and help them to get the relevant business license in order to operate legally.

Sometimes being legal is used on choosing operation decision to ensure the business success and future of firms (Mazzarol& Choo, 2003). Therefore, being legal and operation legal let the SMEs develop and grow faster and help them to access on financial sources and a part can gain from the government support and other international NGOs and organization who working for the development of SMEs.

Capital access: Having access to capital is on the main difficulties to the startup of any businesses, mostly these difficulties is an increase in developing economies when there is lack of credit and endorse capital institution.

Previous studies indicate that lack of access to capital and credit systems and limits of the financial scheme is deemed as main challenges of preventions to business innovation and success of economic development (Marsden, 1992; Meier & Pilgrim, 1994; Steel, 1994).

As Robinson (1993) indicate it that, the best potential source of capital access is personal savings, family and friend's networks, community-saving and credit system and financial institution and banks, he also mentioned that informal access to credit would be with high rate of interest constitute very substantial contributions to business start-ups in developing countries, where the capital to labor ratio is normally low and small amounts of capital may be not sufficient.

Government support: According to (e.g. Chaston, 1992; Mulhern, 1996; Patrianila, 2003) most of the government in the world paying attention to SMEs development as reinforce the national economy of the country. Afghanistan government also in recent years by implementing many programs under the coverage of Ministry of Rural Rehabilitation and Development, Ministry of Commerce and Industry and Ministry of Agriculture, irrigation and livestock launched many programs dedicated to SMEs development such as AREDP program, which is national program which is working for income generation, employment opportunities and sustainability of businesses in rural area of Afghanistan.

Business plan: Lack of having a proper business plan for SMEs is one the main challenges on the way SME development, as a business plan is the snap picture of the business. Mostly Scarce knowledge of the need for a business plan was recognized as one problem at the start-up phase among SMEs (Chaston, 1992).

In this context, business plan considered as development orientation. McMahon (2001) determined that greater development orientation significantly cause business growth in a better way.

According to Afghanistan SMEs development strategy, within the AREDP program, the first support which was provided to SMEs were developing a comprehensive business plan for target SMEs which was combined with financial plan and support action plan. AREDP were planning and providing related support to SMEs according to their need and wants which indicate in business plan (Afghanistan, MRRD_AREDP, 2009:18).

4.4 Other factors influencing on SME growth

A part from above-mentioned factors which have an effect on SMEs growth there is many other indicators also which can effect on SMEs growth and development. Foley and Green (1989) stated that SMEs with respect to a wide range of activities all have one thing in common which is being successful and they all struggling to be successful.

Success can be determined in many ways like high level of profitability, develop new product, satisfaction with services and technology but according to Harvard Business School (1998) leading business success is not only financially but customer satisfaction, innovative, market share which reflect the economic condition and growth of the business with respect to reported incomes.

4.4.1 Entrepreneur's Innovativeness

Innovative has relation with the innovation and experience shows that using too much technology can have a negative impact on innovativeness, businesses recognize their self by using technology to the surroundings. Innovation and technology let the SME plays more stable and effective in the market significant but at the end, therefore, it is a market that shows the success or failure of an innovation (Hallber,1999).

Lack of innovation among SMEs in Afghanistan can refer to the personal problems, such as unavailability of skilled labor and other factors which has an influence on the innovativeness of SMEs is limited to capital and financial resources. If an SME entering to market with same product and services which already exists in the market there will be no reason that, customer buys the products and unfortunately it leads the SMEs to failure.

All the difficulty to innovation on SMEs way is lack of skill labors, inadequacy to of information, management, and marketing, lack of financial resources and weak external resources and linkages.

Finally, lack of proper information and knowledge lead the lack of innovativeness in SMEs, usually SMEs can only take few innovation projects at the time is still difficult to control the economic balance and risk. "SME is often undersupplied with information.

Furthermore, the systematic information which is available is often fragmentary" (Foley &Green 1989).

4.4.2 Interest Rates policy

Interest rate policy is related to economic policy as the level of interest rate recognize by the government, as the interest rate rises the cost of business borrowing money rise and will lead the consumer to decrease the expenditure.

The high rate has an effect on business because it has an effect on direct cost and the ability of the customer to borrow and expand.

As the capital-intensive of business can lead to additional cost earned by borrowing and expensive loan to the consumer through pricing power, experts say it's unfortunate as most of them have least price elasticity and are least able to balance rise in borrowing cost with high price. Meanwhile, SMEs often borrow short-term loan to cover shortfalls in expenditure and the high-interest rate will turn to expensive shortfalls as the business need to pay back more interest to lenders.

4.4.3 Taxation policy

Tax plays important role in growth of SMEs especially in the low-income country like Afghanistan, as the SMEs play a key role on promoting the socioeconomic of the country. Therefore, the policymaker should consider them and have the best agenda to promote the SME with the association of tax system to the environment. The aim is to bring the tax effectiveness in promoting SMEs to the attention of Managers and executive officers, as taxation policy has a direct effect on business costs, for example, an increase in corporation tax can have the same impact as an increase in costs. Enterprise in the situation of high price can pass some of the tax to consumers but It can have effect in bottom line too.

There are other taxes as well like VAT (Value Added Tax). Which is pass down to the line and to the end user but the administration of VAT system is always a cost for business. Sometimes SMEs is not able to make high profits due to high taxation cost and will enable SMEs to entertain sustainability on leading to their cessation. To measure the impact of

the tax system on SMEs is just a matter of tax rates, as the tax systems play a key role in inspiring growth, investment and innovation and facilitating international trade and progress. Minimization of administration load while ensuring compliance, including consideration of the impacts of operating the formal way of the economy must be in prior consideration of SMEs.

4.4.4 Physical Infrastructure

Physical infrastructure is where all the activity of related to the operation of the business increasing on it. other projects Infrastructure can contribute to economic growth through both supply and demand channels just by reducing the cost of production with modern technology, increasing the efficiency and economic returns of worker and to permute the quality of life by creating services and consumption of good Kessides (1993).,

"Infrastructure provides to economic development through the promotion of private sector development by increasing access to the factors of production, goods, and market" (Tsauni, 2005)

5 METHODOLOGY AND DATA

5. 1 Research Methodology

long-term to investigate the impact of the number of supports on SMEs development. Panel data for 127 SMEs of Heart from 2011 to 2014 will be applied by Ordinary Least Square (OLS) regression analysis. It includes 504 observations.

The dependent variables are the number of the employee that refined three different types, namely, direct employee, indirect employee, and total employee (Table 5.3). We use the number of employees to measure the growth level of the SMEs.

As the research focuses on SMEs which is under coverage of AREDP program, we chose the number of employees has an indicator of growth because the main objective of AREDP is the sustainability of SMEs, income generation and increase employment.

SMEs are highly seen to play an important role on stability and economic of countries and most of the government focus to promote and develop SME sectors to endorse economic growth, as SMEs create job opportunities and income generation to the economic, most of developed and developing countries implementing many programs to promote SMEs for example, in South Africa, SMEs are contributing on private sector 56% on job creation and employment and almost 36% of GDP(Ntsika.2012).

The independent variables are the number of supports, which run two different combinations for each dependent variable (Table 5.3). The first type is the numbers of four categories support by combining the individual supports, namely, soft skills training, vocational training and exposure visits, exhibition, and machinery &toolkits (table 5.4). In addition, the second type is total supports that are the summation of 13 types' individual supports.

Additionally, the four control variables (Table 5.4) chosen according to the literature and data availability, include start-up capital which is the sum of fixed capital and current

capital, dummy variable of gender, dummy variable of business type which include solo pro and partnership, and the owner's education level which includes literate, baccalaureate and bachelor, and in order to make analysis, we transferred them as numerical type as 6, 12, and 16 years, respectively.

This study intended to investigate the relationship between the number of the employee of the SMEs and the number of supports. Regression will run by following hypotheses:

$H_{0, A1}$: There is positive relationship between number of direct employee of SMEs in soft skill training

$H_{0, A2}$: There is positive relationship between number of indirect employee of SMEs in soft skill training

$H_{0, B1}$: There is positive relationship between number of indirect employee of SMEs in vocational training

$H_{0, B2}$: There is positive relationship between number of indirect employee of SMEs in vocational training

$H_{0, C1}$: There is positive relationship between number of indirect employee of SMEs in exhibition

$H_{0, C2}$: There is positive relationship between number of indirect employee of SMEs in exhibition

$H_{0, D1}$: There is positive relationship between number of indirect employee of SMEs in machinery

$H_{0, D2}$: There is positive relationship between number of indirect employee of SMEs in machinery

$H_{0, E1}$: There is positive relationship between number of direct employee of SMEs in total support

$H_{0, E2}$: There is positive relationship between number of indirect employee of SMEs in total support.

5.2 Models

This research applied ordinary least square (OLS) for panel data to investigate the impact government supports the SMEs development of Heart in Afghanistan. The dependent variable is the number of employees. We run the regression with a number of the direct, indirect and total employee as the dependent variables.

The independent variables have three different types, four types categorical supports and total supports. When we run the regression, the second term in equation 5.0, $\beta_n S_{nij}$ represent the support. We will change it accordingly. The value of m will be 4 and 1.

The control variables are fixed in the model, including startup capital of each SMEs, owner's gender in dummy variable, business type of the SMEs, and the owner's education level.

$$Y_{ij} = \beta_0 + \sum_{n=1}^{m} \beta_n S_{nij} + \sum_{p=1}^{q} \beta_p X_{pij} + U_{ij}(5.0) \quad \textbf{(5.1)}$$

where,

dependent variables: (Y_{ij}): number of employee of year j

independent variables: (S_{nij}): number of support of year j

control variables: (X_{nj})

β_0: constant term

U_{ij}: error term

n: specific support, m: number of support, i: specific SMEs, j: number of years, p: specific control variable.

5.3 Data analysis

The Afghanistan Rural Enterprise Development Program (AREDP) is executed by the Ministry of Rural Rehabilitation and Development (MRRD) of Afghanistan with funds from the International Development Association (IDA) of the World Bank Group, and other funds contributed by bilateral donors.

Afghanistan Rural Enterprise Development Program (AREDP) is intended to jumpstart private sector growth in rural Afghanistan by closing this gap over a 10-year time period. By focusing on selected "Champion Products" in strategic sub-sectors of the economy and

the country's comparative advantage, the program aims to reduce reliance on imports of mass consumption goods at the same time as supporting value addition to export items.
Heart**,** Nangarhar**,** Bamyan**,** Balkh**,** Kandahar province are covered by AREDP. For the purpose of this program, the following definitions have been given to micro, small and medium enterprises:

- Micro-enterprises: 1-10 employees with an average of 2 employees.
- Small enterprises: 11-50 employees with an average of 15 employees.
- Medium enterprises: 51-250 employees with an average of 70 employees.

Totally, AREDP cover 160 SMEs in Herat province since the beginning of the program and now only 146 SMEs are active and operate in Herat province. The remaining 14 SMEs got phase out automatically as the size of SMEs got large due to the new definition of SMEs for the second phase of the program. Therefore, these 14 SMEs are not registered with AREDP program anymore, it means the final SMEs register with AREDP is 146 SMEs.

For this research, only 127 SMEs out of 146 SMEs will be analyzed. The number of support is considered as the independent variable from the year 2011 to 2014. The reason for other 19 excluded SMEs which dropped and not consider for this research is because most of them received support after 2015. Apart from that, we had some other limitation & missing data as well which were needed for this research.
Finally, our sample size is 127 SMEs from 2011- 2014. The panel data is our data type for this research.
All the data for this research is secondary data and collected by AREDP program in Herat province during 2011-2014 in different ways such as developing business plans, meetings, workshop, questionnaires and survives. Our data are including of three main part: SMEs profile, Number of Supports, Direct and Indirect Employees.
SMEs profile including names, owner's gender, start-up capital, business type**,** year of establishment, SME cycles, SMEs owners name, SMEs contacts number and email address**,** owner education level**,** year of registration with AREDP**,** fixed and current assets, district and village, websites & social media, market types.
Totally, AREDP provides 18 types of supports for SMEs under the coverage of the following program.

- Soft Skill Training:10 types
- Vocational Training and Exposure Visit: 4 types
- Exhibitions: 2 types
- Machinery and Toolkit: 2 types

AREDP provides 13 types of support for SMEs in Herat province, which is as follow:

Type of Support for Herat Province: SMEs received only 13 types of supports.

Table 5.1: Categories of supports

Number	Type of Support
1	SoftSkills Training
2	Vocational Training andExposureVisits
3	Exhibition
4	Machineries&Toolkits

Table 5.2: Categories of Support and individual supports

Soft Skills Training	Vocational Training and Exposure Visits	Exhibition	Machineries &Toolkits
Accounting	International Exposure Visits& Technical Training	International	Tools and Equipment's
Advance Accounting	Legal Environmental Social	National	
Business Administration& Management	National exposure Visits& Technical Training		
Marking Training			
Advanced Marketing			
Business Plan Development Training			
On job Training			

The data is including the number of employees for direct and indirect from 2011 to 2014 for each year separately. It means we have the number of direct and indirect employees for 127 SMEs for each single year.

Table 5.3: List of Observation (Dependent and Independent Variables)

Dependent Variables		**Independent Variables**	
demp	Direct Employee	acc	Accounting Training
idemp	Indirect Employee	Adcc	Advanced Accounting Training
temp	Total Employee	Mar	Marketing Training
		admar	Advanced Marketing Training
		Bam	Business Administration and Management
		Bdp	Business Plan Development Training
		İexb	International Exhibitions
		Nexb	Notional Exhibitions
		İexpt	International Exposure Visits & Technical
		nexpt	National Exposure Visits & Technical
		Lest	Legal Environmental & Social Training
		Oj	On job Training
		Te	Tools and Equipment's

Table 5.4: Control variables

Control Variables		**Categorical independent variables**	
Scap_usd	Startup capital in	soft	Soft Skill Training
Gen_d	Dummy Geder	voc	Vocational Training and Exposure Visit
bt_d	Business Type	exbs	Exhibitions
Oe_n	Owner Education	mch	Machineries &Toolkits
Scap_usd	Startup capital in dolor	soft	Soft Skill Training

Table 5.5: Abbreviation

Short Name for Support	Full form for Supports
Sname	SME Name
Year	Year of registration with AREDP
Demp	Direct Employee
Idemp	Indirect Employee
Temp	Total Employee
Acc	Accounting Training
Adcc	Advanced Accounting Training
Mar	Marketing Training
Admar	Advanced Marketing Training
Bam	Business Administration and Management
Bdp	Business plan Development Training
Iexb	International Exhibitions
Nexb	National Exhibitions
Iexpt	International Exposure Visits& Technical Training
Nexpt	National Exposure Visits& Technical Training
Lest	Legal Environmental & Social Training
Oj	On job Training
Te	Tools &Equipment's
Ts	Total Support
Soft	Soft Skill Training
Voc	Vocational Training and Exposure Visit
Exbs	Exhibitions
Mch	Machineries & Toolkits
Scap_afn	Startup capital in Afghani
Scap_usd	Startup Capital in dolor
Gen	Gender
Gen_d	Dummy variable of Gender
Id	SME Code Number
Bt_d	Dummy variable of Business Type
Oe	Owner's Education Level
Oe_n	Owner's EducationLevelNumeric data

6 EMPIRICAL RESULT ANALYSIS

6.1 Data and Descriptive Statistics

The data collected for 127 SMEs in Herat province and according to the definition of AREDP as average 71 employees are considered as SME, the SMEs database was overall 160 SMEs which 14 of these SMEs dropped off by program as the size of SMEs were large and total 146 remains in a base as active SMEs but only 127 SMEs Is chased for this research. Apart from 14 dropped SMEs the rest of SMEs which is not considered in the research is because they received support of the program after 2015 & due to other limitation and missing data.

In order to generalize the result, we also did a t-test to check the bias for the control variables for the population 146 SMEs and our sample 127 SMEs. The t-test result indicated that there is no strong evidence to reject that null-hypothesis that there is no difference between 19 dropped SMEs and 127 responded SMEs an owner's education level, start-up capital, and business type. Only for gender, there is strong evidence to reject the null hypothesis.

However, after checking the gender in detail between dropped and responded SMEs, we found 19 dropped SMEs owners are all male. That is why there is a difference between dropped and remaining SMEs.

As average, the percentage of SMEs' owner gender is 91.3% male and only 8.7% are female, however, the percentage of the education level of SMEs are 31.7% with a university degree, 13.5% with baccalaureate and 54.7% are literate. Totally, 46.6% SMEs received soft skill training, 11.4% of SMEs received vocational training and exposure visit, 13.4% of SMEs received national and international exhibitions and overall only 2% of SMEs received the Machineries and toolkits. A large percentage of 96.8% of SMEs are a sole proprietorship (sole pro) and only 3.2% is a partnership.

Table (6.1) shows the descriptive statistics of the dependent, independent and control variables. For 127 SMEs in Heart, the total observation is 504. The mean of the direct employee is 5.08 and the standard deviation is 4.66, range from 1 to 32. Indirect employee mean and the standard deviation is 7.96 and 15.72, respectively, and the range from 0 to 150. The total employee mean and the standard deviation is 13.04 and 17.43 respectively and minimum 1 person and maximum 161.

In terms of the supports, the mean value, standard deviation, and range are giving by the table. (6.1) for total support, the mean is 1.472 and the standard deviation is 1.943, and range from 0 to 11. The maximum support for 4 years from 2011 to 2014 is 11 supports. The mean and standard deviation for startup capital is 135040.40 USD and 267025.600USD, respectively. The average education year is 9.984.

6.2 Correlation Analysis

Correlation analysis was applied to find the relationship between the number of employee and number of supports. Table 6.2 presents that a number of the direct employee has statistically significant positive relations at 5% significant level with accounting, advanced accounting, business administrative management, national exhibition, on the job training, start-up capital, gender, business type and owner's education level. However, for the business plan of development, the relationship is negative related.

In terms of the indirect and total employee, the correlation results are very similar. Accounting, advanced accounting, marketing, national exhibition, on job-training, owner’s education level is positively correlated with 5% significant level. In addition, for the business plan of development, the correlation result is same as a number of direct employees that negatively related. Gender is also significantly related; however, the business type is no significant correlation between the dependent variables.

Table 6.1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
demp	5.081	4.663	1	32
idemp	7.958	15.723	0	150
temp	13.040	17.433	1	161
acc	0.155	0.389	0	2
adacc	0.060	0.237	0	1
mar	0.067	0.259	0	2
admar	0.065	0.248	0	1
bam	0.143	0.383	0	2
bpd	0.300	0.601	0	2
iexb	0.022	0.159	0	2
nexb	0.165	0.495	0	5
iexpt	0.054	0.225	0	1
nexpt	0.071	0.273	0	2
lest	0.060	0.237	0	1
Oj	0.292	0.652	0	4
Te	0.020	0.140	0	1
Ts	1.472	1.943	0	11
soft	1.141	1.541	0	7
voc	0.125	0.360	0	2
exbs	0.187	0.561	0	6
mach	0.020	0.140	0	1
scap_usd	135040.400	267025.600	6000	1473580
gen_d	0.913	0.283	0	1
bt_d	0.968	0.175	0	1
oe_n	9.984	4.558	6	16

N=504

Table 6.2: Correlation Result

	demp	idemp	Temp	Soft	voc	Exbs	mach	ts	scap_usd	gen_d	bt_d	oe_
demp	1											
idemp	0.238* 0	1										
temp	0.482** 0	0.966** 0	1									
soft	0.104** 0.0198	0.044 0.326	0.067 0.131	1								
voc	-0.031 0.488	0.014 0.755	0.004 0.924	0.223** 0	1							
exbs	0.176** 0.000	0.181** 0	0.210** 0	0.317** 0	0.121** 0.007	1						
Mach	0.043 0.332	0.153** 0.001	0.149** 0.001	0.079 0.075	0.426** 0.000	0.105** 0.019	1					
ts	0.131** 0.003	0.101** 0.024	0.126** 0.005	0.932** 0	0.427** 0	0.570** 0	0.244** 0	1				
scap_us	0.1036* 0.02	-0.029 0.514	0.001 0.974	0.094** 0.035	0.115** 0.010	0.046 0.301	0.036 0.414	0.112* 0.012	1			
gen_d	- 0	- 0.039	- 0.003	0.001 0.984	0.068 0.125	- 0	0.044 0.324	-0.070 0.119	0.091** 0.041	1		
bt_d	-0.1037* 0.020	-0.050 0.268	-0.072 0.105	0.002 0.967	- 0.005	0.060 0.177	-0.055 0.215	-0.008 0.850	- 0	-0.056 0.209	1	
oe_n	0.0897* 0.044	0.277** 0	0.274** 0	0.003 0.944	0.045 0.315	0.135** 0.002	0.157** 0.000	0.061 0.172	-0.113** 0.011	- 0	0.158** 0.000	1

Note:

*1: *p<0.1, **p<0.05, ***p<0.01*

2: soft: soft skill training, voc: vocational training, exbs: international and national exhibitions, mach: machineries and toolkits, scap_usd: startup capital, gen_d: gender dummy, bt_d: business type dummy, oe_n: owner education dummy

6.3 Regression Analysis Results

To show the exact relationship between n the dependent and independent variables, OLS is applied to this panel data.

OLS regression analysis for this panel was employed to examine the relationship between the number of employee and supports. In this research, the regression is run six times according to the hypothesis. The dependent variables are the direct, indirect and total employee. The support types are including categorical support and total support. The control variables for each regression are same, namely, start-up capital, gender in dummy variable, business type in dummy variable and owner's education level.

Table 6.3: Regression result for categories supports.

Variables	Model 1 Demp		Model 2 idemp		Model 3 temp	
	Coef.	**P>t**	**Coef.**	**P>t**	**Coef.**	**P>t**
soft	0.244*	0.083	0.072	0.876	0.317	0.536
voc	-1.329**	0.037	-3.538*	0.093	-4.867**	0.036
exbs	0.871**	0.03	4.218***	0.002	5.089***	0.001
mach	1.879	0.244	14.136***	0.008	16.015***	0.006
scap_usd	0.00000156**	0.05	0	0.417	0	0.843
gen_d	-2.514***	0.001	0.208	0.935	-2.306	0.408
bt_d	-3.007**	0.014	-10.089**	0.012	-13.095***	0.003
oe_n	0.068	0.14	0.882***	0	0.950***	0
_cons	9.08	0	8.315	0.087	17.396	0.001
	Number of obs	504	Number of obs	504	Number of obs	504
	F(8, 495)=	5.970	F(8, 495)	8.660	F(8, 495)	9.880
	Prob> F		Prob> F		Prob> F	
	R-squared	0.088	R-squared	0.1228	R-squared	0.1377
	Adj R-squared	0.0733	Adj R-squared	0.1086	Adj R-squared	0.1237
	Root MSE	4.489	Root MSE	14.845	Root MSE	16.319

Note:

*1: *p<0.1, **p<0.05, ***p<0.01*

2: soft: soft skill training, voc: vocational training, exbs: international and national exhibitions, mach: machineries and toolkits, scap_usd: startup capital, gen_d: gender dummy, bt_d: business type dummy, oe_n: owner education dummy

Table 6.4: OLS Regression of Number of Direct, Indirect and Total Employee Result for Total Supports

Variables	Model 4 Demp		Model 5 idemp		Model 6 temp	
	Coef.	**p>t**	**Coef.**	**p>t**	**Coef.**	**p>t**
ts	0.247**	0.019	0.684**	0.05	0.931**	0.016
scap_usd	0.00000153 *	0.055	0.000	0.441	0.000	0.861
gen_d	-2.956***	0	-1.677	0.492	-4.632*	0.085
bt_d	-2.622**	0.031	-9.378**	0.02	-12.000***	0.007
oe_n	0.073	0.113	0.961***	0	1.034***	0
_cons	9.019	0	8.245	0.092	17.265	0.001
	Number of obs	504	Number of obs	504	Number of obs	504
	F(5, 498)	7.820	F(5, 498)	10.420	F(5, 498)	11.790
	Prob> F		Prob> F		Prob> F	
	R-squared	0.0728	R-squared	0.0947	R-squared	0.1059
	Adj R-squared	0.0635	Adj R-squared	0.0856	Adj R-squared	0.0969
	Root MSE	4.5128	Root MSE	15.035	Root MSE	16.567

Note:

*1: *p<0.1, **p<0.05, ***p<0.01*

t*s: total support, cap_usd: startup capital usd, gen_d: gender dummy, bt_d: business type dummy, oe_n: owner education dummy*

Table 6.3 indicated the OLS regression result of number of employee to the categorical suppots.

In Table 6.3 model 1, soft skill training (β=0.244, p<.10), exbsβ=0.871, p<.05), scap_usd (β=0.156, p<.05), are positively impact on the number of the direct employee, due to the p-value of the coefficient are statistically significant. This means increase the soft skill trainings, conducting and providing more national and international exhibitions & assist on financing SMEs with greater startup capital, will increase the number of direct employee.

However, some significant independent variables are showing negative relations with number of the direct employee in model 1 unexpected. Those independent variables are voc with the (β=-1.329, p<.05), this result implies more support of vocational training for SMEs will decrease the direct of number of employee& apart from that gender and business type also have negative impact on number of direct employee.

Moreover the gen_d(β=-2.514, p<.05), bt_d (β=-3.007, p<.05), are showing negative relations with the number of direct employee, due to they are dummy variables, for gender 0 represent female and 1 represent male, business type 0 represent partnership and 1 means sole pro.. Therefore, the significant negative coefficient for gender means the female owner impact on more than male to the direct employee. The similar explanation for business type is that partnership SMEs impact of the number of direct employee more than sole pro.

Finally, other independent variable including machineries and toolkit (β=-1.879, p=0.244), owner education (β=0.068, p0.14), are insignificant, which implied those support do not impact on the development of the SMEs.

First, independent supports statistically positive related to the indirect and total employee are exbs(model 5,β=4.218, p< .01& model 6, β=5.089, P<.01), mach (model 5β=14.136, p<.01 & model 6β=16.015, p<.01), it indicated that increase support for exhibitions to SMEs and providing with machineries and toolkit for business has significantly contribute to SME growth level.

The control variable owner's education level (model 2, β=0.882, p<.01 & model 3, β=.950, p<.01) is strongly positive related to the development & growth of the SMEs, which means 1 percent increase in the owner's education level will increase 86.5 and 94.5 percent of the number of the indirect and total employee of SMEs. In addition to that

scap_usd dummy in model 5(β=0.000, p0.417), & model 3 (β=0.000, p0.843), has also positive significant of on SME development.

Second, for model 2&3 (table 6.3), also have only one unexpected negative significant coefficient occurred in categorical Independent variables which is vocational training (model 2 β=-3.538, p<.10& model 3 β=-4.867, p<.05), is statistically negative related to the indirect and total employee. That implied negative relationship between vocational Training and the number of indirect and total employee. one of the control dummy variable business type also negatively significant, which means the partnership type of SMEs, impact on more than dependent variables in model 5&6 than sole pro. Type SMEs.

Finally, there is no adequate evidence between indirect and total employee and soft skill training (model 2, β=0.072, p=0.876& model 3, β=0.317, p=0.536), and other control variables as well.

In model 4,5, &6 (Table 6.4) shows total support respectively (β=0.247, p<.05), (β=0.684, p<.05), (β=0.931, p<.05), are positively impact on the number of the direct employee, indirect employee and total employee due to the p-value of the coefficient are statistically significant. This means increase in total support for SMEs, will increase the number of direct, indirect and total employee of SMEs.

However, in model 4(table 6.4) shows owner education (β=0.073, p0.113) has no relation with direct employee, but model 5 (β=0.961, p<.01), & model 6 (β=1.034, p<.01), shows positive significant effect on the indirect and & employees.

Moreover, the coefficient of gen_d (β=-2.956, p<.10) and bt_d(β= -2.622, p<.05) are shows negative. However, due to they are dummy variables, for gender 0 represent female and 1 represent male, business type 0 represent partnership and 1 means sole pro. Therefore, the significant negative coefficient for gender means the female owner impact on more than male to the direct employee. The similar explanation for business type is that partnership SMEs impact of the number of direct employee more than sole pro.

Finally, coefficient of scap_usd in model 4 (β=0.00000153, p=0.000), model 5 (β=0.000, p=0.441), and model 6 with (β=0.000, p=0.861), are all insignificant, which implied not impact on the development of the SMEs.

VIF checking result

After regression, we also checked the Variance Inflation Factors (VIF). In our regression, the VIF are 1.19 and 1.08 that fall within the acceptance range. Therefore, there is no multi-co linearity problem in the regression model used for this study.

7 DISCUSSIONS, LIMITATIONS AND IMPLICATIONS

7.1 Discussion

Table 7.1: Summary of findings

variables	Categriocal	demp	idemp	temp	variables	demp	idemp	temp
acc adacc mar admar bam bpd Oj	soft	+	X	X	ts	+	+	+
iexb nexb	exbs	+	+	+				
iexpt nexpt lest	voc	-	-	-				
Te	mach	X	+	+				
	scap_usd	+	X	X	scap_usd	+	X	X
	gen_d	-	X	X	gen_d	-	X	-
	bt_d	-	-	-	bt_d	-	-	-
	oe_n	X	+	+	oe_n	X	+	+

Notes:

All listed variables are examined as regards their relationship with development of SMEs. (X)No significant association; (+) Significant Positive association; (-) Significant negative correlation

Table 7.1 summarized all results of the OLS regression results. As we expect, the total support positively impacts on the number of the direct, indirect and total employee. This implies that government lifestyle has a positive impact on SMEs growth level and by increasing the number of support we can ensure SMEs development and stability for better economic activities.

If we look at each support and see how they had impact on SMEs we could see that, Soft skills training is also positively contributed to SMEs growth and improvement, soft skill training can be increased for SMEs as per their need and it will help them to obtain new skills and improve their knowledge on specific field, apart from that it will lead the SMEs to be more operational and efficient, and SMEs can feel the need of improving that section and will lead the SMEs to provide more job opportunity.

Training is important as stipulated by Patel (1985), as it enables the entrepreneur to explore the environment and identify opportunities for improvement, mobilize resources and implement actions to maximize those opportunities. Mochache (2005) also emphasizes the importance of training and states that skills are necessary for initiation and growth of an enterprise. Our results convinced the previous studies found the positive role of training to the development of SMEs.

In another side, we see positive and significant in an exhibition as well, the national and international exhibitions have a positive impact on SMEs growth, as in Afghanistan mostly SMEs operate traditionally and by stiffer competition in the market and Afghan SMEs must be ready by doing market development to be able to respond accordingly. SMEs face problem on access to the market (Mead &Liedholm, 1998; Swierczek& Ha, 2003). Therefore, international and national exhibition preserving high growth and play key role on connecting the SMEs to the new market. According to Smallbone, Leig, and North (1995) study in UK majority of SMEs who responded and identified to the new market have high growth level.

The exhibition is a new platform for SME to find a new customer for existing products and services, linking with other relevant business with the same field and it leads the SME to promote and grow. Therefore, the opportunities for the exhibitions and supports will provide more chances and experience and business channels for the SMEs on creating network and cooperation with national and international companies, that is why long-term

and new market plays positive role in the development of the SMEs, it implies that market stability with high proportion of regular customers is the significant determining business success (Kristiansen et al., 2003).

In this study, it was founded the same result as the exhibition positively impacted on the development of SMEs.

However, in this study, vocational training which combined with international exposure visit Technical training, legal environmental social training, and National exposure visits & Technical training, are the negative impact on the number of employees. There are some logical and possible reasons.

First, if the capacities of an employee increase, then this person may leave the present job and looking for other opportunities, so the number of the employee will decrease. Second, if the average capacity of a SMEs increases by vocational training, then the efficiency of the company will increase. One worker can do more work with advanced technology or skills learned through these supports. Therefore, the SME does not need to hire more employees in order to save cost. Third, this training provides network environment for individual workers; they may use this as resources to change their work.

In all, it is logical to have a negative association of vocational training and number of the employee. “The frequency of an organization undertaking workforce training has been reported to be the positively related to firm size (Storey, 1994; Robsonand Bennett, 2000). Still, this research partially managed to support the importance of knowledge and skills of owner and employees for the growth of small business”.

Machinery and Toolkits support shows the positive role of the number of employees as we expected as well. The SMEs by receiving machinery and toolkits can work more efficiently and smoothly. It will help the SMEs to increase production level and perform well, therefore SME needs to sustain the operation level and will be in need of hiring more employees.

According to Swierczek& Ha, (2003) the difficulties of SMEs are lack of equipment and old-fashioned technology, The SMEs need to find alternative ways to sustain their competitive advantage in order to positioning new process and new growth method by the fast change of technology. As technology play critical and important role in this aspect. "A study in Ireland extracted that technological posture, automation, and process

innovation were significantly linked to satisfaction with return on investment (ROI) (Gibbons & O'Connor, 2003)".

Finally, the positive role of Machinery and Toolkits to the development of the SMEs is also found by this research.

Moreover, in terms of the control founding's are also important. Studies of the educational background of entrepreneur indicate that 72% of successful entrepreneur had the minimum technical qualification and shows 67% of unsuccessful entrepreneurs who had not any technical background.

Additionally, owner's education level as one of the important factors plays a positive role in the development and growth of SMEs. It shows the SMEs who has high education level can gain more from the government support and utilize the support in better way for the success of According to (Federico et al., 2012; Ucbasaran et al., 2008; Boone et al., 1996) there are different lessons which can be associated with education of the entrepreneur in terms of growth, which can be education, capabilities & experience. Our study consistent with the previous studies, and found that the owner's education level contributed to the development of the SMEs.

Partnership business type of SMEs impact more than solo pro type, as capital is one of the key success of the business and the partnership business have more capital flexibility. in Indonesia, Kristiansen, Furuholt, & Wahid (2003) found that financial flexibility was significantly correlated to business success. The SMEs that took advantage of other-party investment experienced a higher level of success because. In a more recent study in Australia, McMahon (2001) discovered that greater dependence upon external finance associated with better business growth.

In our research, we have the similar founding. Table 5.5 indicated that the partnership business type impact on the number of the SMEs employee more than the solo pro type.

The result (table 5.5) also shows female owners impact on the development of SMEs more than male owners. According to the simple education level of female employee is greater than a male employee and it implies that the female SMEs utilize the support more efficiently and effectively.

Gender. Mazzarol et al. (1999) found that female was generally less likely to be

founders of new business than male. Similarly, Kolvereid (1996) found that males had significantly higher entrepreneurial intentions than females.

7.2 Limitations

For the data collection and availabilities, secondary data of AREDP program is used only and there may exist some hiding variables and factors are important to the number of employees due to time and resource limitation we couldn't collect primary data of some important control variables and sales as the second indicator of SME growth.

We could not use population as 147 SMEs in Heart because of some missing data and information, dropped 19 companies.

Our study just applies OLS regression one model. Maybe other models with the same database will provide diversified results.

We couldn't find individual to get good result we prefer to categorical as we consider only 4 years,

7.3 Implications and Recommendations

As per result, the government need increase the number of support for the positive result as they have a good impact on SMEs growth level.

For the negative results, the government and related program should find out the reason behind that and try to make the support more effective, logically the national and international exposure visits & technical how to know training needs to be effective therefore the program need to provide this type of support for technical and skilled labor of the SMEs in order to increase the efficiency and increase the knowledge of skilled employees.

Apart from their role in terms of their contribution to exports, employment, and economic growth, there is a wide recognition in the literature about the challenges and barriers facing Herat SMEs.

- There is an insufficient report, information, and data on SMEs development in Afghanistan.

- Due to less number of SMEs and limit years by considering the time we couldn't get a significant result for all of our individual's variables.
- The negative result for direct employment can be clear if we be able to consider another factor of growth which is sales and compares with the employee rate.
- For negative result for the direct and indirect employment, need to be considered an alternative way, number of SMEs, years and other factors effect on SMEs growth.

8 CONCLUSION

Over all as per purpose study was to identify the government support play positive role in SMEs growth level of Herat province of Afghanistan, we analyze 127 SMEs in Heart out of 146 active SMEs that are from secondary official data sources. After bias checking, we also generalize our research result to all. The panel data include 127 SMEs from 2001 to 2014 for 4-years. The OLS regression to test the relationship between the government support and the growth of SMEs.

The number of the direct, indirect and total employee as the dependent variables respectively, and the four types of combined categorical supports from 13 individual supports and total support that the summation of the 13 supports is the independent variables. According to the data availability and previous studies, four control variables include for all models. They are multi-co-linearity capital, owner's education level, dummy variables for gender and business type of SMEs.

According to the empirical result of this study our $H_{0,\,A1}$, $H_{0,\,C1}$, $H_{0,C2}$ $H_{0,D2}$ $H_{0,E1}$and $H_{0,E2}$ hypothesis or completely supported which $H_{0,D2}$ and $H_{0,C2}$ have the high coefficient among other categorical support

For $H_{0,\,B1}$ and $H_{0,\,B2}$ hypothesis we got inverse result and our H_{0A2} and $H_{0,\,D1}$ hypothesis is not supported,

To be clearer the major foundlings are supported by previous studies and evocative. We found the Soft skills training have a positive impact on SMEs growth and improvement. To increase the opportunities for national and international exhibitions will benefit to the SMEs on finding a new market for the existing product and services. Machinery and toolkit support is one of the very important factors that lead SMEs to be more productive and operational in terms of quality and quantity of production level.

However, only vocational training was found negatively related to the number of employees. The important is that we found the reasonable explanations to indicate this

founding, that efficiency of individual and companies improved from the vocational training it may help the SMEs to hire fewer employees in order to save cost but reach a higher level of production.

Moreover, as we expected, the total supports are positively impacted on the development of the SMEs. This convinced that the government supports are very important to the SMEs growth and development.

Moreover, as we expected, the total supports are positively impacted on the growth level of SMEs. This convinced that the government supports are very important to the SMEs growth and development.

According to our result, the supported hypothesis should be more improve in under priority list of government for SMEs growth,

According to the empirical result for better SME development, the government should focus more on that categorical support which the relevant hypothesis supported in our research.

For further research, we recommend to the government and individual researcher to cover more number of SMEs and more years to get a significant result for the tow categorical support which we couldn't get.

Regarding the inverse result of 2 above mention hypothesis government shouldn't focus more on those support as our empirical result is against one of the objectives of this program.

Finally, H_{0E1} and H_{0E2} result shows partially robustness of our empirical result for categorical and total support & we can recommend the government to provide support for SMEs.

There are some spaces to improve the results. To collect all data of 146 SMEs for more years can produce better results. Other models can be applied to checking the result. To add more control variables and avoid important hiding variables will also impact the result.

The results of this study can also be used as a reference for anyone who is interested to start their own business which will provide insights into decision making in starting a business and also for any companies which are interested to continue to sustain and grow.

For the policy maker of the government, this result provided some evidence and found some problems for the type and number of supports.

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Yahya, A. Z., Othman, M. S., & Shamsuri, A. L. S. 2012, 'The impact of training on small and medium enterprises (smes) performance', *Journal of Professional Management*, Vol.*2, no.1,* pp.1 - 8.

RESUME

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Current address: Istanbul, Turkey
Contact Number: +90 5318352132

KEY SKILLS

- Business Planning & Development
- Project/Program Management & Coordination
- Business Plan & Proposal Development
- Extensive Knowledge of Business & Rural Environment of Afghanistan
- Innovative Marketing
- Team Work
- Ledearship
- Community Development
- Managerial
- Exhibitions
- Business Strategy

CAREER STATEMENT

- I believe in devotion to working smart and dedication to excellence in my career's accomplishments. I aim to be a key part of operations executions, organizational supervision and corporate decision-making in a well-reputed and well-disciplined organization.

EDUCATION

Executive MBA Program	Istanbul Aydin University	2015-2017
Master of Business Administration (MBA- Finance) Distance learning Major Subjects: • International Finance Management • Project Management • Business Communication • Organizational Behaviour	Indian School of Business Management (ISBM), Pune, India	2013-2015
Bachelor of Commerce and Accountancy • Graduated cum laude	Pune University, Pune, India	Jul 2007- May 2010

Advance Diploma in Business Management	Indian School of Business Management (ISBM), Pune, India	Jul 2009- Jul 2010
Baccalaureate (High School Diploma)	Sultan Gh. Ghori High School, Herat, Afghanistan	1989-2006

TRAININGS

Business Planning for enterprise development	MRRD/ AREDP, Kabul, Afghanistan	July 6-10 2013
Certificate in Computer Concepts • MS Windows/Mac OS, MS Office Package, Internet & E-Communication	Deccan Muslim Institute, Pune, India	15.08.2010
Certificate in Communication Skills	Deccan Muslim Institute, Pune, India	05.06.2010

PROFESSIONAL WORKING EXPERIENCE

- **Provincial Manager - Herat** Junuary 2015
  September 2015
- Ministry of Rural Rehabilitation & Development (MRRD) | World Bank
- -Afghanistan Rural Enterprise Development Program (AREDP)

- Provincial Manager is responsible for overall in charge for conducting all programs in the Province, which includes (but not limited to) representation, management, needs assessment, monitoring, logistics, finance and administration. He manages her/his team to achieve the program objectives according to AREDP development objectives

- **Duties & Responsibilities:**

- Plan, manage, and coordinate the implementation of the AREDP Project related to Enterprise Development initiative in Herat Province in coordination with the PMO in Kabul to ensure that the activities and delivered as planned.
- Lead transformation of relevant field staff into service providers, monitor their performance and facilitate their access to clients
- Supervise productivity enhancement pilots and ensure timely reporting on successes and failures.
- Work in close coordination with Community Enterprise Development (CED) Unit, Small and Medium Enterprise (SME) Unit and Training Unit in Kabul for the success of Enterprise and Entrepreneurship Development;
- Plan, manage and monitor day-to-day activities and performance of provincial AREDP staff including: the Provincial Enterprise Facilitators (PEFs); Senior CED Officer, Business Development Support Officer (BDSO), the Administration & Finance Assistant (AFA); support staff and the Village Facilitators (VFs), and if other staff include in the team also;
- Ensure effective coordination and representation to, and with, the provincial PRRD office, provincial and district governors, the NSP facilitating partner in Herat GoA institutions and NGOs, and all other relevant stakeholders to the Pilot Project initiative;
- Manage the Provincial team and make sure that the team respect the project/program guidelines;
- Manage, supervise and report on the administration, finance, procurement and logistics activities of the AREDP Provincial Office in Herat as performed by the Administration and Finance Assistant in coordination with the Program Support Services Office of the PMO in Kabul;
- Responsible to constantly assess the security situation in the area of operations and consider the appropriate security measures and response to ensure the safety of AREDP staff, operations, and assets;
- Prepare weekly and monthly project reports for the Project/s and others as required by the PMO;
- Mentoring and handholding of all relevant project (CED, SME, SG and VSLA) staff in assessments, designing, implementation and monitoring & evaluation.
- Contribute and facilitate in the recruitment process if and any required, anticipate and plan human resources requirement;
- Provide vision and suggestions for the improvement of the projects of CED, SME, SG and VSLA.
- Ensure presence of field staff in the communities;
- Create dynamic of collaboration between staff and communities for the implementation of work related to CED, SME, SG and VSLA;
- Organize and help to solve team conflicts and make sure working condition are as good as possible;
- Assist in the identification and solution of key points related with the implementation of the project activities regarding CED, SME, SG and VSLA;

- Encourage community involvement and contribution in kind or and financial with respect to CED, SME, SG and VSLA;
- Support market assessment activities in Herat province
- Contribute to the on-going development and planning of the design and implementation of the pilot project initiative with the PMO;
- Other duties as assigned by the Field Operations Manager and the Senior Management Team of AREDP.

- **Business Development Services Officer**
- Ministry of Rural Rehabilitation & Development (MRRD) | World Bank - Afghanistan Rural Enterprise Development Program (AREDP)

- August 2011 to
- March 2015

- **Duties & Responsibilities:**

- Hold initial orientation meetings with the provincial stakeholders at various levels;
- Arrange and chair meetings with those SMEs previously identified by external consultants in a detailed situation analysis study;
- Continue networking to identify potential SMEs in the respective region;
- Conduct seminars, workshops, and media campaigns to attract potential entrepreneurs in the province;
- Launch the competitive process through which potential entrepreneurs can apply for the AREDP provisioned set of services and incentives;
- Perform a need assessment for each of the interested SMEs in the region;
- Conduct a general technical feasibility and economic viability study for each of the potentials and interested SMEs;
- Develop a detailed business support action plan for each of the targeted SMEs;
- Liaise with the business development trainings providers to prepare and to arrange general business development trainings for the selected SMEs;
- Liaise with the technical training specialists to arrange product/service specific trainings;
- Assist the SMEs in preparing their loan applications and brief them on the general procedures and requirements of the various financial institutions in the region;
- Assist the SMEs in developing an adequate organizational structure and in improving their human resource, administrative and accountancy systems;
- Assist the SMEs in developing an adequate product branding strategy;
- Establish backwards linkages with community suppliers, raw material suppliers, technology providers and other suppliers linked to the value chain;
- Monitor the progress of the SMEs and provide support as needed;
- Launch the Innovative Award scheme at the respective province and identify the best SME(s) for the year;
- Assist SMEs to participate on the available fairs at the respective province, region;

- Conduct, arrange, or facilitate exposure visits for targeted SMEs countrywide and internationally;
- Based on the knowledge of the local community, support and communicate to the headquarters any new initiative which could improve the SMEs' development processes;
- If necessary, provide (technical) assistance to the Provincial Enterprise Facilitators (PEFs) in the province;
- Perform any other relevant assignment as required;

- **Executive Director**
- Afghan Polika Production Company

- Aug 2010-Aug 2011

Duties & Responsibilities:

- Develop the company's physical infrastructure in consultaion with the Board of Owners
- Manage the overall operations and functions of the Company
- Supervise the management team of the Company
- Lead the Sales & Marketing team in achieving the sales targets
- Ensure sales increments via promotions and advertisements, and revise the marketing strategy to ensure its effeciency
- Meet & liaise with stakeholders, donors, NGOs, Unions, etc; to explore new development channels and opportunities and promote the Company's brand name
- Represent the Company in provincial, national and international business forums, events, conferences, and fairs
- Take active part in the Company's HR Management
-

- **Business counulate advisor**

- Memory International – Istanbul, Turkey October 2015
  july 2016

Duties and Resopnsiblites:

- Representative for Afghanistan, Iran, India and Pakistan Market .
- Manage all related business meeting and cooperation with the related clients.
- Provide the necessary informaiton of all project for the clients.
- Acompany sales director during meetings and visiting project with business client.
- Providing market linkages for develping the company and increase sales.
- Presenting new projects for the clients
- Manage over all market of Afghanistan, Iran, Pakistan and India and ensure the sales incresment via promoting the new project and provide based project for clients.
- Developing Daily, weekly and monthly plan for supervisor and director of the company
- Take active part in other related issues of the company and cooperate with other units

- **International Students President**

Istanbul Aydin university December 2016
Present

Duties and Responsibilities:

- To communicate with the international students and act appropriately to their concerns.
- To increase international awareness among student's groups and encourage European and international student to choose IAU.
- To ensure that the voice of the international student is heard while providing mentoring scheme for the international students.
- Working closely with international student and staff affairs office to facilitate better services for international students at IAU
- Organise and implement seminars, workshop and conferences for international students at IAU.
- Working closely with management and students to enhance better quality of education within the IAU campus.
- Providing advisory to international students & enable them to achieve their academic goal and objective.

SEMINARS & CONFERENCES

Leadership Workshop	Afghan Institute of Learning, Herat, Afghanistan	25.12.010-4.1.011
Challenges of Liberalization for Small Business Entrepreneurs	Poona College, University of Pune; Pune, India	11-13 Feb, 2010
Current Economic Scenario in India: Problem and Prospects	Poona College, University of Pune; Pune, India	13 Mar, 2010
Interest Free Banking as a Means of Inclusive Finance in India	Poona College, University of Pune; Pune, India	19-20 Mar, 2010
National Conference on Modern Approaches to Indian Fiction in English	ABEDA Sr. College of Science & Commerce, Pune, India	04-06 Feb, 2010
Fostering an Entrepreneurial Environment	Poona College, University of Pune; Pune, India	30 Jan, 2010

LANGUAGES

Language	Speaking	Reading	Writing
Pashtu	Native	Native	Native
Persian	Excellent	Excellent	Excellent
English	Excellent	Excellent	Excellent
Urdu	Excellent	Excellent	V. Good
TURKISH	Avrage	GOOD	GOOD

REFERENCES

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