SME Promotion Policy and its Impact on the Growth of Small Firms
The Case of Afghanistan

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Abstract

Since 2009, the Afghan government has adopted a Small and Medium Enterprise-SME Development Strategy within which the creation of a globally competitive and socially responsible SME sector in Afghanistan is especially emphasized. Since 2001, Afghanistan has practiced a market economy and has adopted a pro-private sector stance and a liberal trade regime. In this environment, SMEs with fewer than 300 employees make up 80-90% of Afghan businesses and nearly all rural businesses. They generate over 50% of GDP and employ 75% of labor force (Ministry of Commerce and Industry, 2009). The government has since incorporated a set of support policies for small and medium enterprises into successive strategic plan, with varies agencies and donor organizations involved.

This research aims to investigate the impact of SMEs promotion strategy and policy support on the development and growth of individual recipient firms. It will also investigate the degree and magnitude of SME access to official development assistance. An attempt will be made to assess the effects of development of SME sector on economy too. To examine these objectives, this paper will benefit the “dualist approach”, “transaction-cost theory” and “theory of the firm” which will be critically reviewed in the thesis. As empirical evidence, it presents the findings from a survey of 500 small scale firms in Afghanistan. The methodological approach, with definition of variables and indicators as well as the statistical techniques will be used in analysis of the data which will be outlined in the thesis.

The research will contribute to our understanding of how policy support facilitates the growth of small enterprises, improvement of entrepreneurship skills and hence creation of a competitive private sector in developing countries. It is hoped that this research and the findings stemming from it can aid future research into the area of SME-support policies, SME growth, and private sector development, and to open the door to further research that looks further into these three constructs and respective interrelationships that exist between them.