



DOI 10.2478/sbe-2023-0037

SBE no. 18(2) 2023

ASSESSING THE SITUATION OF MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES IN THE EMERGING MARKETS OF EGYPT UNDER COVID-19 IMPLICATIONS

SAAD Nourhan Ahmed

Arab Academy for Science, Technology, and Maritime Transport, Alexandria, Egypt & Faculty of Logistics, Maribor University, Celje, Slovenia

MLAKER Kac Sonja

Faculty of Logistics, Maribor University, Celje, Slovenia

ELGAZZAR Sara

Arab Academy for Science, Technology, and Maritime Transport, Alexandria, Egypt

Abstract:

Micro, Small, and Medium-sized Enterprises (MSMEs) play a vital role in emerging economies, thus this research aims at assessing the current situation of Egyptian MSMEs under COVID-19 pandemic and identifying the role of Egyptian MSMEs in economic growth and development. This research adopted qualitative design; 24 semi-structured interviews were conducted with different eco-system stakeholders and MSMEs' managers using content analysis to analyse collected data based on NVivo software. The findings revealed the importance of MSMEs sector in the emerging markets as well as global ones. Additionally, MSMEs play a significant role in enhancing country's economic growth and development, particularly in GDP, job opportunities, domestic products/services, national income, sub-contractor, and individual/society welfare. Furthermore, the findings identify the main challenges that face Egyptian MSMEs under COVID-19 implications through analysing the four main strategic factors and concluded by policy recommendations that could be implemented by MSMEs' owners to take full advantage in the Egyptian context and their contribution on country's economic growth.

Key words: MSMEs Sector; COVID-19; Economic Growth; Egyptian Context; Policy Action

1. Introduction

Micro, Small, and Medium-sized Enterprises (MSMEs) exemplify the main catalyst for economic development for countries. The countries should focus intensively on MSMEs as they have a significant impact on employment rate and economic growth (Gunjati & Adake, 2020), as well as social progress (IMF, 2019). MSMEs sector plays a remarkable role in the modern economy, proving the fact that this sector is the most attractive and

remarkable innovative system, due to its key role in the world's economic growth and development (Neagu, 2016).

Policy makers, economists, and business experts agreed that MSMEs are the main drivers for economic growth. A healthy MSME sector has a significant contribution to the world's economy as it increases employment rate, generates higher production volumes, enhances exports, and introduces innovative and entrepreneurial technologies as well as skills (National Creditor Regulator, 2011).

MSMEs are considered to be the main engine for economic growth and development. MSMEs have a major significant impact on the global economy and play a fundamental role in building a poverty-free society. This could be reached through MSMEs' ability to generate more job opportunities to different societal classes and to ensure the flow of funds across all societal levels (Katua, 2014). As the main form of business and employment, MSMEs are considered the key players in promoting more sustainable growth environment, enhancing economic resilience and improving social cohesion. MSMEs are important partners in building a better future (OECD, 2019). Recently MSMEs sector in the emerging market have grabbed attention form practitioners and scholars (Ali *et al.*, 2020; Falahat *et al.*, 2020).

Recently, the Egyptian eco-system has supported the MSMEs sector through providing several initiatives and rules, starting with the regulators who launched a new law in 2020 to facilitate licensing procedures for MSMEs, moving to the policy-makers who put all their effort to transform informal enterprises to formal ones through several initiatives and incentives (Ministry of Finance Arab Republic of Egypt, 2020).

Moreover, the society has supported MSMEs through launching new concepts as social entrepreneurship, incubators, capacity building, and supporting for MSMEs sector and start-ups (Molina *et al.*, 2018), as well as financiers through Central Bank of Egypt (CBE) who provides 20 percent of banks' fundings to the MSMEs (CBE, 2020). Therefore, the Egyptian eco-system has convinced the importance of MSMEs sector in generating job opportunities and enhancing employment rates, increasing value-added activities, supporting national products and industries, improving efficiency and effectiveness, enhancing innovation level and productivity, and thus enhancing competition level (Mansour *et al.*, 2018).

MSMEs are anticipated to be the backbone of the Egyptian economy with both domestic and international investors in Egyptian market. The new initiative of Egyptian MSMEs exposed by CBE and Micro, Small, and Medium-sized Enterprises Development Agency (MSMEDA) focused on developing new business systems to support the provision of products/services and to deliver them to all served markets with appropriate quality and competitive price (Abdel Bary, 2019). Therefore, the aim of this research is to analyse the current situation of Egyptian MSMEs particularly under COVID-19 pandemic and identify the role of Egyptian MSMEs in economic growth and development.

This research is organized as follows: the following section reviews the literature and illustrates the current situation of MSMEs, as well as reviewing recent studies due to COVID-19 pandemic; the third section outlines the methodology that the study follows; the fourth section presents the findings of this research, and the final section represents a

discussion on the main contributions and the conclusion, which includes limitations and recommendations for further research.

2. Literature Review

MSMEs are considered as the backbone of local economies and also the machine that pumps the lifeblood for developed countries. Additionally, MSMEs are the main sector responsible for economic growth and recovery of the nation's economies (Youssef, 2014). Therefore, MSMEs sector plays a practical role in worldwide economies (Kot, 2018).

However, MSMEs have been affected by COVID-19 pandemic more than large enterprises, which have exposed their greater vulnerability (OECD, 2021), which is reflected on demand crises, disruption to transportation and value chains, and also limited availability of credit. These factors led MSMEs to cease their operations, which increases the number of bank loans that are not performed as well as threatens the nations' financial system stability and the overall economic growth (Hartwich & Larsen, 2021).

Therefore, the aim of this section is to present an overview of MSMEs' definition globally, as well as identifying the challenges and obstacles that face MSMEs sector and impact of COVID-19 pandemic on MSMEs sector, and finally defining an overview about Egyptian MSMEs.

2.1. An Overview about Global Micro, Small, and Medium-Sized Enterprises

The definition of MSMEs varies between different countries, sectors and organizations. There are several definitions: around 267 used by different 155 countries (Gonzales et al., 2014). MSMEs are defined by the Organization for Economic Co-operation and Development (OECD) and International Monetary Fund (IMF) as enterprises employing up to 249 persons. They divided the category into micro (1-9 employees), small (10-49 employees) and medium (50 – 249 employees) enterprises, while lower income economies define MSMEs as enterprises with (50-100) employees. Annual turnover varies between high-income economies and low-income economies. In high-income economies, MSMEs' annual turnover ranges between \$50 million to \$70 million, while in low-income economies it ranges between \$1 million and \$5 million (Gonzales et al., 2014).

MSMEs play a significant role in most economies, especially in developing countries. They account for the majority of world's businesses, and they are also considered as the main contributor for job creations and global economic development. MSMEs' sector represents around 90 percent of businesses and more than 50 percent of employment rate worldwide. Formal MSMEs contribute up to 40 percent of Gross Domestic Product (GDP) and total national income in emerging economies. This percentage could significantly be higher when informal ones are included (World Bank, 2020). The following Table (Table 1) will present the number of enterprises, turnover and employment aggregated about MSMEs globally.

Table 1. Global MSMEs Turnover and Employment Rate

Type	Enterprises		Turnover (m €)		Persons employed	
	total	(%)	total	(%)	total	(%)
Independent	7 308 321	93.6	:	47.6	:	74.9
Dependent	497 762	6.4	:	52.4	:	25.1
In group of < 250 persons	334 798	4.3	:	15.3	:	10.6
In group of 250 or more persons	34 307	0.4	:	13.4	:	4.8
In international group	128 650	1.6	:	23.6	:	9.7

(:) not available

Note: aggregate over the 11 member states that participated in the 2016 microdata linking project (Bulgaria, Denmark, Estonia, Croatia, Italy, Latvia, the Netherlands, Portugal, Romania, Finland and Sweden)

(Source: Eurostat, 2018)

It was also revealed in the literature that MSMEs in both developing and developed countries faced several challenges. However, the magnitude of their different weights is considered more negatively for developing countries (Rahman, 2019).

2.2. Challenges and Obstacles affected MSMEs Sector

The growth and survival of MSMEs has been threatened by obstacles that may exist in either operational functional areas or management areas of business. Literature has identified some core obstacles that threaten MSMEs in developing countries: inexperience in business field, lack of technical knowledge, poor managerial and manpower skills, lack of planning and market research skills (Baron & Shane, 2007). Moreover, recent studies have revealed that there are three main competitive challenges that confront MSMEs in the global economy: sustainability, global challenges, and technological ones (Noe *et al.*, 2017). Furthermore, literature has identified several types of challenges faced by MSMEs in both developing and developed countries in the globalization era (Naradda Gamage *et al.*, 2020).

Environmental challenges also affect growth of MSMEs, in terms of market competition, unfriendly business environment, laws and regulations issued by government, global capital and economic crisis, information communication technology, and the economy conditions. The key challenge faced by MSMEs in developing economies is sharp local and global competition from existing enterprises. Also, the competitiveness of MSMEs in developing economies was hindered due to their lack of manpower and development skills as well as access to adequate finance (Urban & Naidoo, 2012). Lack of macro-economic policies and other forms of regulatory policies hinder the success of MSMEs in developing countries (Okpara, 2011).

Additionally, MSMEs have difficulties in accessing appropriate technologies and information. In most cases, MSMEs lease or share ownership of foreign technology with other business companies (Ocloo *et al.*, 2014). Limited access to market information is considered as a tickle challenge that faced MSMEs (Oreku *et al.*, 2009). Moreover, lack of access to equipment, poor infrastructure and access to international markets may affect small business development (Martin & Staines, 2008). Finally, lack of support services also hinders MSMEs' effort to improve their management functions as consulting firms are often not equipped with appropriate cost-effective management solutions for MSMEs (Kim, 2011).

Moreover, MSMEs faced some obstacles in developing countries such as; product quality, human resources capabilities, access to finance, infrastructure, and technological capabilities (Sugiarto, 2018). Finally, MSMEs faced some global challenges in economic globalization, these factors are global market competition, global financial and economic crisis, information communication technology, rise of Multinational Corporations (MNC), transnational corporations, changing profile of consumer and their preferences, trading dumping, international terrorism and religious conflicts, and trade wars (Naradda Gamage *et al.*, 2019). Therefore, based on the previous discussion, the following figure (Figure 1) will sum-up the main obstacles and challenges faced global MSMEs.



Figure 1. Main Obstacles and Challenges in Global MSMEs

(Source: Developed by Authors)

2.3. Impact of COVID-19 Pandemic on Micro, Small, and Medium-Sized Enterprises

According to Organization for Economic Co-Operation and Development (OECD) report (2020), it was illustrated that COVID-19 pandemic has negatively affected the MSMEs' sector on demand side as well as supply side. On the supply side, MSMEs faced a severe drop in utilizing capacity due to huge reduction in the supply of labor, lockdowns, and quarantine period. Moreover, they face a huge disruption in their SCs, which leads them to suffer from shortage of parts, raw materials, and intermediate goods. While on the demand side, MSMEs face a dramatic and sudden drop in both demand and revenue. The pandemic affects MSMEs' ability to function and lead to severe liquidity shortages. In addition, end-consumers face loss in their income, fear of contagion and heightened uncertainty, which in turn reduces the level of spending and consumption. COVID-19 affects both large and small firms; however, the effect on MSMEs is dramatic, due to their higher level of vulnerability and lower resilience related to their size (OECD, 2020).

Due to COVID-19 pandemic, more than half MSMEs face severe losses in sales as well as revenues. Also, one-third of MSMEs fear to get out of the market within one

month without any further support, while up to 50 percent of MSMEs fear to liquidate their whole businesses within three months (OECD, 2020). MSMEs on global scale faced incredible levels of interruptions. Most of them are searching for different ways to cope and survive with pandemic, as they are left with little choices to survive in the market. Nowadays, they keep finding different solutions to maintain their position amidst their employees, their customers, and the legislation (Naradda Gamage *et al.*, 2020).

Based on reviewing the literature and statistical reports, it was concluded that global MSMEs suffer from different problems, especially after COVID-19 pandemic took place: access to finance as they faced severe decline in their sales and revenues, penetrating different markets as their SCs had been disrupted and sometimes could not satisfy their customers' needs. Therefore, global MSMEs should focus on maintaining their operational and SC practices to enhance their overall performance and hence satisfy their customers' needs and requirements as well. For instance, Coronavirus (COVID-19) pandemic is one of the main serious challenges that faced MSMEs by the global economy, which is considered the worst economic recession (WEO, 2020).

A number of studies indicated that global MSMEs face several obstacles and challenges due to COVID-19 pandemic (Acee-Eke & Ogonu, 2020; Alonso *et al.*, 2021; Bartik *et al.*, 2020; Beraha & Đuričin, 2020; Dayour *et al.*, 2020; Larsson & Gustavsson, 2020; Mehta & Kaur, 2020; Shafi *et al.*, 2020), which are Supply Chain (SC) disruption, financial difficulties, production disruption, limited resources, changing in consumer behaviour in terms of changing in demands, needs and preferences, profit turnover, and market information as well as market penetration. The following table (Table 2) will illustrate the different previous studies that cover impact of COVID-19 on MSMEs.

Table 2. Previous Studies on Impact of COVID-19 on Micro, Small and Medium-sized Enterprises

Reference	Industry / Country	Impact of COVID-19
(Alonso <i>et al.</i> , 2021)	South America, Europe & Australia	Financial Losses Uncertain Situation Fear amongst Clients and Consumers Health, welfare and well-being (Clients & Staff) Length of the pandemic
(Shafi <i>et al.</i> , 2020)	Pakistan	Financial Problems Supply Chain Disruption Decrease in Demand Reduction in Sales and Profit
(Sultan & Sultan, 2020)	Palestinian	Production Profit Turnover
(Mehta & Kaur, 2020)	Woolen Knitwear Industry - North Indian State – Punjab	Capacity Utilization Infrastructural Bottlenecks Internal & International Connectivity
(Bartik <i>et al.</i> , 2020)	USA	Financial Fragile Business Operations & Employment
(Beraha & Đuričin, 2020)	Serbia	Production Disruption Limited Resources Supply Chain Disruption Business Capacity Utilization

(Larsson & Gustavsson, 2020)	Hospitality Industry, Norrbotten	Reduced Production Supply Chain Disruption Layoff & Termination of Personnel Financial Aspects Changing in Consumer Behaviour
(Acee-Eke & Ogonu, 2020)	Port Harcourt Rivers State, Nigeria	Knowledge Innovation Customer Empathy
(Robinson & Kengatharan, 2020)	Sri Lanka	Supply Chain Disruption Operation Financial Difficulties Customers' Demand
(Dayour et al., 2020)	Hospitality & Tourism, Ghana	Supply Chain Disruption Financial Aspects Crisis Management

(Source: Developed by Authors)

2.4. Overview about Egyptian Micro, Small, and Medium-Sized Enterprises

The Egyptian MSMEs were defined by the Central Bank of Egypt (CBE) as the micro-sized enterprises with less than 10 employees and with business volume less than EGP 1 million, while small enterprises are those enterprises with business volume ranging between EGP 1 million and EGP 50 million and employees ranging from 10 to 200, whereas medium enterprises are those enterprises with business volume ranging between EGP 50 million to EGP 200 million and employees ranging from 10 to 200 (MSMEs Development Law, 2020). The following table (Table 3) will illustrate the main definitions of MSMEs in Egypt.

Table 3. Definition of Egyptian MSMEs

Enterprises	Existing Enterprises		New Enterprises (No More than 2 Years)	
	Business Volume	Employees	Paid-up Capital*	Employees
Micro-sized	Less than EGP 1 million	Less than 10	Less than EGP 50,000	Less than 10
Small-sized	From EGP 1 million to less than 50 million	Less than 200	From EGP 50,000 to less than 5 million (industrial companies) and less than 3 million (non-industrial companies)	Less than 200
Medium-sized	From EGP 50 million to less than 200 million		From EGP 5 million to 15 million (industrial companies) and from EGP 3 million to 5 million (non-industrial companies)	

*Paid-up Capital is used in the case of new enterprises rather than business volume, for a period of one year from the start of its practice.

(Source: MSMEs Development Law, 2020)

Therefore, it was concluded that the definition of MSMEs in Egypt depends on two main categories: the number of employees inside the organization and the annual business volume.

Egypt provides several types of and access to funds to support MSMEs in all sectors (industrial, commercial, craftsmanship, and service institutions). Access to finance is categorized into two ways (MSMEDA, 2020):

- Direct Financing: a direct dealing with the donor without any intermediaries. The amount of funding is determined according to the type and needs of each project.
- Indirect Financing: obtaining financing through one of the intermediaries contracting with the grantor of the loan (banks / NGOs / cooperative societies / financial leasing companies / commercial deduction companies).

MSMEs development agency provides various financing packages that can be obtained from multiple sources with different payment methods and facilities, in order to meet the needs of individuals and companies to establish and implement small, medium and micro enterprises and activities (new / existing) in several areas (production / service / commercial).

The Central Agency for Public Mobilization and Statistics (CAPMAS) (2020) revealed that the establishments of micro, small and medium-sized enterprises reached 3.653 million enterprises during 2017 – 2018. Based on the Middle East News Agency, it was published that all MSMEs employed around 9.7 million employees with total wages around EGP 119.2 billion. The total production amount reached EGP 1.237 trillion and a total value added of EGP 804 billion.

In Egypt, micro-sized enterprises represent 94 percent of the total MSMEs, which represent 3.4 million enterprises, while the number of employees reached 7.7 million employees, which represent 79 percent, and they received total wages of EGP 67.7 billion at a rate of 56.8 percent. The central bank indicated that the total production for micro-sized enterprises amounted EGP 534.9 billion, which represents around 43.2 percent, and they achieved a value added of EGP 411.5 billion, which represents around 51.2 percent.

However, small-sized enterprises reached 216.9 enterprises, which represent around 5.6 percent, while the total number of employees reached 1.9 million employees by 19.7 percent, with total wages of EGP 45.1 billion at a rate of 38.1 percent. The total production volume of small enterprises reached EGP 527.5 billion, which represents around 42.6 percent, with a value added of EGP 296.3 billion, which presents 36.8 percent.

Lastly, the total number of medium-sized enterprises reached 2,181 enterprises, and the number of employees reached 131 thousand at a rate of 1.3 percent, with total wages of EGP 6.1 billion or 5.1 percent. The production volume of medium enterprises amounted to EGP 175.1 billion with a percentage of 14.2, while value added reached EGP 96.3 billion, which presents 12 percent. The following figure (Figure 2) will illustrate the statistical records for Egyptian MSMEs.

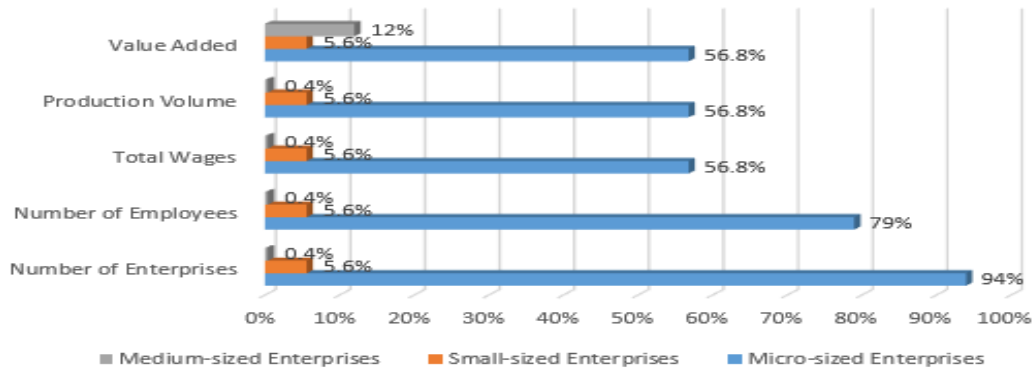


Figure 2. Statistical Records for Egyptian Micro, Small and Medium-sized Enterprises

(Source: CAPMAS, 2020)

Based on the previous discussion, it was concluded that MSMEs sector is considered as a vital one for both developed and developing countries, particularly in Egypt; moreover, this sector plays an important role in the country's economic growth and development due to its large percentage and huge contribution. However, most of Egyptian MSMEs are affected negatively by coronavirus pandemic as illustrated by (Zaazou & Abdou, 2021). Therefore, this research focuses on identifying the impact of MSMEs on economic growth and development as well as maximizing their benefit on overall economic growth in the Egyptian context. Then, it proposes an action plan for enhancing MSMEs situation after pandemic occurrence. Additionally, this empirical literature allowed to assume the following study proposition: "Enhancing MSMEs sector in emerging markets leads to maximize country's economic growth and development". The following section will present the research methodology through which the aim of this research will be achieved.

3. Research Methodology

3.1. Analysis Method

This research aims at analysing the current situation of MSMEs sector in the Egyptian context and especially after pandemic took place. Thus, the researchers had conducted semi-structured interviews (i.e., 24 interviews) with different Egyptian stakeholders who have involved in the eco-system of the Egyptian MSMEs in different industries; where six interviews were held with the eco-system stakeholders and eighteen interviews were held with MSMEs' owners and managers. The following table (Table 4) summaries the characteristics of interviewees.

Table 4. Interviewees' Job Positions

#	Interviewee's Position
1	Economic Advisory
2	Head of the Central Sector for Non-Financial Services
3	Operations Manager at Entrepreneurship Centre

4	International Cooperation and Business Development
5	Head of Economic Research and Advocacy Department
6	Deputy Director of the Credit Department
7	Marketing Manager
8	CEO
9	Operations Manager
10	General Manager
11	CEO
12	Executive Director
13	Co-Founder
14	CEO
15	Owner
16	Owner
17	CEO
18	Founder
19	Owner
20	Owner
21	Owner
22	Logistics Manager
23	Regional Manager
24	CEO and Co-Founder

The interviews' questions had been grouped into two sections: the first section assesses the current situation of MSMEs in Egypt through using strategic analytical tool (SWOT) to identify the internal and external factors that affect Egyptian MSMEs as well as to define the impact of COVID-19 on Egyptian MSMEs sector. Then, the second section illustrates the impact of MSMEs sector on the economic growth and development upon which a road map for MSMEs sector in Egypt will be recommended.

Through these interviews, the researchers try to know different views, opinions, and perspectives of the participants that depends on their prior experience and knowledge. Therefore, the researchers had asked group of questions on each of the 24 participants, where the answers are analysed into generative themes, which were described individually how these themes overlapped and then cascaded into categories and codes. In order to extract suitable codes from word frequencies' table. The researchers had made a restructure of words and quotes used by interviewees' and had generated codes and themes on the developed model. The analysis was done through NVivo software program.

This research conducted content analysis through implementing the six steps developed by (Scharp & Sanders, 2018): (1) gaining familiarity with data through writing interviewees' responses in word file and importing them into NVivo software; (2) extracting and categorizing responses through creating coding categories or sub-categories; (3) generating themes through evaluating collected data and creating images of word cloud of the most frequently used words; (4) reviewing the themes through classifying similar codes under one theme and different ones under a separated theme; (5) labelling themes and

steps through identifying the emerging themes and their relative weight with respect to other themes through counting the codes' frequencies; and (6) identifying exemplars.

3.2. Population and Sample Definition

To analyse the current situation of MSMEs sector in Egypt, a semi-structured interview method was conducted via zoom meeting and face-to-face at the beginning of 2021. The eco-system stakeholders were selected as a representative from each association that deals or support MSMEs sector in a direct way (i.e., UNIDO organization, MSMEs development agency, entrepreneurship centre, businessmen association, chamber of commerce, bank). Moreover, the MSMEs were selected based on three regions in Egypt (Alexandria, Cairo, and Giza) as they contain the highest percentage of population and economic activities (Aboelmaged and Hashem, 2019). Regarding the classification of MSMEs, the definition adopted was that developed by Egyptian MSMEs development law in 2020, where the following table (Table 5) will represent the sample of MSMEs used in this research.

Table 5. Sample of the Study

Manufacturing/Service	Industry	Frequency
Service Sector	E-Commerce	1
	Logistics Activities	4
	Transportation and Delivery	3
	Real Estate	1
	Software	1
Manufacturing Sector	Car Spare Parts	1
	Exporting Activities	2
	Clothes and Fashion	2
	Retailing for Medical Supplies	1
	Watches	1
	Armoured Doors	1

Therefore, a simple random sampling techniques was used to select participants across Egypt. Moreover, the sample of enterprises were divided into three categories, which are micro-enterprises that represents 27.8 percent, small enterprises that represents 55.5 percent, and medium enterprises that represents 16.7 percent. The following section will focus on analysing the findings of semi-structured interviews (qualitative method).

4. Results and Discussion

This section will focus on analysing the current situation of the Egyptian MSMEs sector through identifying the external and internal factors and four main strategic factors that affect Egyptian MSMEs (strength, weaknesses, opportunities, and threats) as well as discussing the impact of COVID-19 on different MSMEs' industries, and, additionally, illustrating the impact of MSMEs on economic growth and development.

4.1. SWOT Analysis of Egyptian Micro, Small, and Medium-sized Enterprises

The assessment of Egyptian MSMEs is categorized into external and internal analysis. The external factors that affect Egyptian MSMEs are COVID-19 pandemic, laws and regulations, technological factors, licensing procedures, financial support, consumer behaviour, level of competition, government support, and economic factors. While the internal factors are human resources, financial resources, technological adoption, management system, level of experience for co-founders, teamwork, capabilities, and company's expenses. The following figures (Figure 3) summaries the external factors that affect Egyptian MSMEs as well as their portion based on interviews' response and (Figure 4) summaries the internal factors that affect Egyptian MSMEs as well as their portion based on interviews' response.

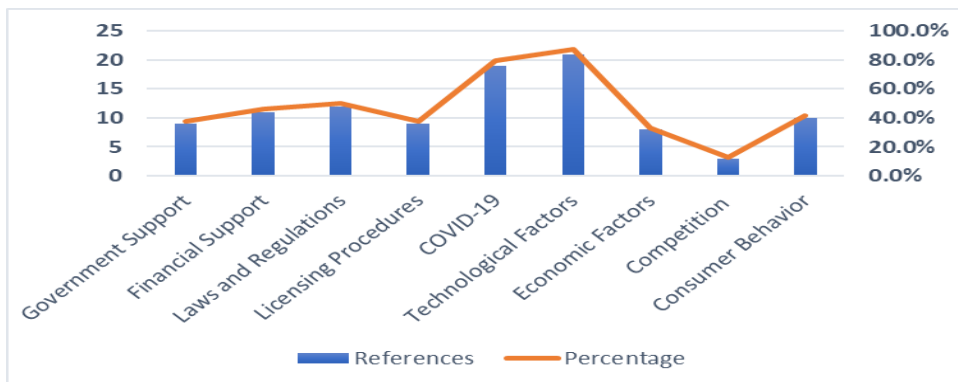


Figure 3. External Factors that Affect Egyptian MSMEs

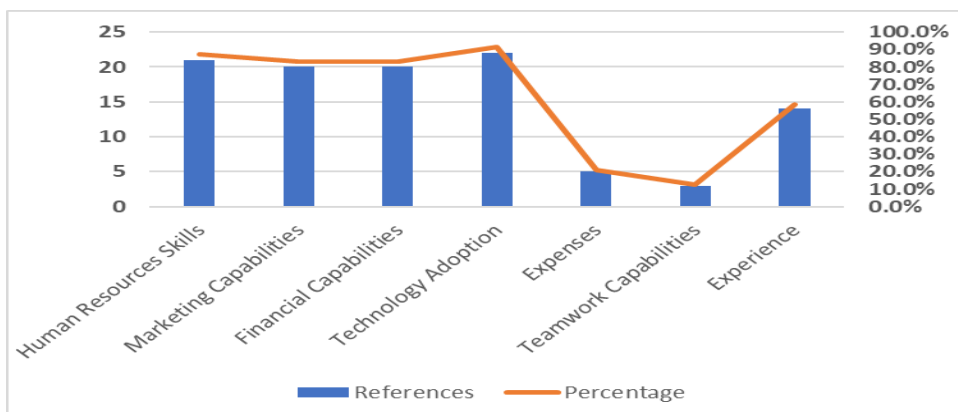


Figure 4. Internal Factors that Affect Egyptian MSMEs

Based on analysing internal and external factors that affect Egyptian MSMEs from different points of view for interviewees from eco-system stakeholders as well as MSMEs' owners and managers, the following table (Table 6) summarizes the four main strategic factors that affect MSMEs sector in Egypt.

Table 6. SWOT Analysis for Egyptian MSMEs Sector

<u>Strength</u>	<u>Weaknesses</u>
<ul style="list-style-type: none"> • Law wages of employees • Low initial investment • High chance of investment in Egyptian market • Human Resources • Hiring youth employees • High experience of co-founders • Good management system • Good communication capabilities 	<ul style="list-style-type: none"> • Informal enterprises • Lack of technical and technological capabilities • Lack of financial capabilities • Lack of developing creative ideas, market researches in some industries • Lack of time management • Unstable pricing strategies, due to imported raw materials • Lack of integrated systems • High salaries for technological developers
<u>Opportunities</u>	<u>Threats</u>
<ul style="list-style-type: none"> • Government support • Financial support through banking loans and low interest rate • Institutional support and awareness • Law and regulations that support MSMEs • Egypt as potential market and logistical hub • High level of demand, due to high population number • Technological adoption • Expansion in new product lines 	<ul style="list-style-type: none"> • High level of competition • COVID-19 Pandemic • Taxes, tariffs, and custom clearance procedures • Consumer culture and behavior • Licensing Procedure • Technological adoption cost • Price fluctuation • Changes in exchange rate

(Source: Developed by Authors)

The four main strategic factors of the Egyptian MSMEs were illustrated, and it was concluded that the Egyptian MSMEs sector could avoid some of its weaknesses by enhancing the strength points and grabbing some of the opportunities. Egyptian MSMEs have low initial investments, high chance of investment, and low wages for employees. Moreover, the Egyptian market is considered to be a potential market and a logistical hub as well as having a great market capacity and demand. MSMEs have a huge availability of government support as well as financial support. Moreover, the Egyptian MSMEs have a huge expansion in new production lines, which could encourage exporting Egyptian products. Nowadays, the Egyptian MSMEs should focus more on enhancing technological capabilities to adapt to consumer behavioural changes due to COVID-19 pandemic.

Furthermore, the semi-structured interviews revealed that COVID-19 pandemic has affected some of the industries negatively; however, some of them have been affected positively. Firstly, it was mentioned that COVID-19 pandemic causes different lockdown and demand disruption in industries that could not adopt any technological dependency. Secondly, the sectors that face higher demand and a booming customers' request are e-commerce sectors as well as delivery activities and online shopping services. Finally, the sectors that face dramatic declines are software industries, especially in business management and Enterprise Resource Planning (ERP) system as well as enterprises that depend heavily on imported raw materials.

Moreover, the main challenges that face Egyptian MSMEs due to COVID-19 pandemic are changes in consumer behaviour, unstable demand, full dependence on technological platforms, and uncertainty of marketplace. Therefore, the following sub-

section will focus on identifying the impact of Egyptian MSMEs on the country's economic growth and development.

4.2. Impact of Egyptian Micro, Small, and Medium-Sized Enterprises on Economic Growth and Development

Based on the semi-structured interviews with different stakeholders, the following figure (Figure 5) illustrates the main determinants that are mentioned in the interviews as the importance of Egyptian MSMEs on economic growth and development.

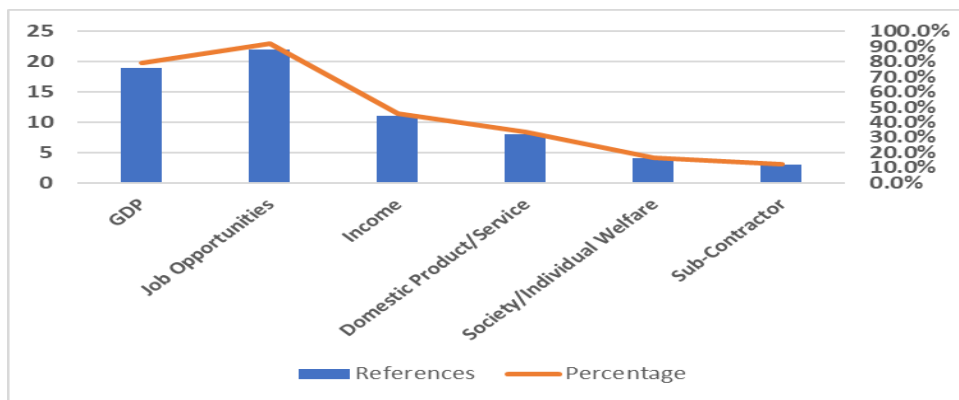


Figure 5. Impact of Egyptian MSMEs on Country's Economic Growth and Development

The majority of interview respondents mentioned that the impact of Egyptian MSMEs helps in generating more job opportunities for individual as well as enhancing the GDP of country and individuals' income while 50 percent of respondents agreed that Egyptian MSMEs contribute in enhancing level of domestic products/services, achieving better welfare for consumers and whole society, and finally most of the MSMEs are working as sub-contractor for large enterprises.

The findings of this research provide an in-depth analysis of assessing the current situation of the Egyptian MSMEs through identifying the four main strategic factors of Egyptian MSMEs as well as illustrating the impact of COVID-19 pandemic on different MSMEs' sectors in Egypt and identifying the impact of Egyptian MSMEs on economic growth and development. However, MSMEs face several challenges and barriers over the market: a huge number of informal enterprises, mismatch between employees' capabilities and job requirements, a huge amount of fund needed for technological advancements, changing consumer behaviour, and disruptions and uncertainty of market demand.

Therefore, the following table (Table 7) illustrates the recommended roadmap that should be implemented as a policy action for MSMEs in Egypt in order to get used to their importance factors and to developing their economic situation.

Table 7. Policy Action for Egyptian Micro, Small, and Medium-sized Enterprises

POLICY	KEY ACTIONS
TAKING ADVANTAGE OF SUPPORT OF EGYPTIAN INITIATIVES	<ul style="list-style-type: none"> • Keeping the formal enterprises competitive in the market through the following initiatives issued by Egyptian government: <ul style="list-style-type: none"> - Central Bank of Egypt (CBE) initiatives to facilitate financial credit with lowest interest rate. - MSME Development Agency (MSMEDA) initiatives to expand soft loans for MSMEs as well as expanding the establishment of MSMEs' products/services to be able to access international/export market. - The Egyptian financial supervisory authority and the Egyptian federation of microfinance initiatives. - Ministry of Commerce and Industry initiatives to support rapid growth of specialized industrial complexes like furniture industries and plastic industries. - Banking initiatives to offer specialized financing services for micro-enterprises. - Legislative frameworks to support MSMEs with specialized incentives and facilities. • Transferring the informal enterprises to registered and formal ones through different initiatives offered by the country in order to take advantages of formal ones. • Establishing guidelines for banking loans and procedures.
ENTER BOOMING SECTORS IN THE EGYPTIAN CONTEXT	<ul style="list-style-type: none"> • Egypt is considered to be an agricultural-based country, which enabled it with best agricultural products that can compete on international markets. • Egypt is considered to be a strong potential logistical hub, due to the country's trends to support logistics activities as well as easily connecting whole supply chain partners worldwide. • A large portion of MSMEs focus on service sector, especially on delivery services. • Providing specialized and customized logistics services for large enterprises. • Focusing more on famous manufacturing in the Egyptian market like cotton industries. • Enhancing exporting activities to maintain country's GDP as well as magnified local/domestic products.
SUPPORT INNOVATIVE AND ENTREPRENEURIAL ENTERPRISES	<ul style="list-style-type: none"> • Developing innovative enterprises to use technological advancements that are lately required and essential in the marketplace. • Encouraging entrepreneurial thinking and start-ups. • Adopting more technological advancement to facilitate MSMEs' work and to adapt to uncertainties like pandemics. • Providing financial facilities for start-ups and innovative enterprises. • Developing workshops through institutions and universities to encourage entrepreneurial thinking and start-ups adaptation. • Establishing clear frameworks for start-ups and incubators.
ACCES TO MARKET	<ul style="list-style-type: none"> • Facilitating access to market information to help companies in identifying their situation and helping them in preparing feasibility studies. • Facilitating market penetration for start-ups and MSMEs.

**ADOPTING
REQUIREMENTS**

MARKET

**COLLABORTION BETWEEN ALL
STAKEHOLDERS**

- Demonstrating procedures and requirements for developing MSMEs or start-ups during different workshops sessions.
- Providing several modules in training courses and workshops that cover all requirements to open the business, including procedures, service providers, and required information.
- Providing capacity building for MSMEs to implement quality standards required in international markets.
- Following technological trends to cope with uncertainties and dynamic consumer behavior and taste.
- Updating MSMEs' platforms launched by MSMEDA and making them accessible for new MSMEs' owners/potential owners.
- Providing well-trained instructors to enhance entrepreneurship educational processes.
- Trying to match between employees' education and marketing requirements, through enhancing multi-tasking disciplines.
- Launching public awareness campaigns covering all MSMEs' procedures and accessibility.
- Developing a collaborated system among all MSMEs' eco-system stakeholders and be announced to MSMEs' owners to guide them with new procedures and market requirements as well as the country's facilities.
- Focusing on connecting different stakeholders together to reach win-win situation for partners.
- MSMEs could act as sub-contractors for large enterprises.
- Enhancing SCM practices of MSMEs to reach better organizational performance on both operation and strategic levels as well as customer satisfaction.
- MSMEs should develop a strong CRM system to build a strong database.
- MSMEs should monitor and evaluate their customers' feedback to provide ongoing improvement programs.

(Source: Developed by Authors)

5. Conclusion

This research provides a more in-depth understanding regarding the assessment of Egyptian MSMEs sector under COVID-19 implications and the impact of MSMEs sector in the Egyptian context on the overall economic growth and development. Based on the findings of the interviews, Egyptian MSMEs should focus on enhancing their Supply Chain Management Practices (SCMPs) to adapt to uncertain changes that happen in the market, especially after COVID-19 pandemic took place as well as focusing on consumer behaviour that constantly changes.

Moreover, the results of this research supported several ideas illustrated by different researchers on enhancing MSMEs overall performance and survival under COVID-19 pandemic through adopting technology and digitalization (Guo *et al.*, 2020) and proactive policy actions (Bularafa & Adamu, 2021). Additionally, the results supported that MSMEs sector had a great impact on economic growth and development as illustrated by (Surya *et al.*, 2021).

Finally, this research focuses on analysing Egyptian MSMEs in general; however, further research could identify and clarify current situation of each sector separately in the Egyptian context. Moreover, this research recommends policy action theoretically; however, further research could focus on evaluating the practical part of this recommended policy action.

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