Small and Medium Enterprises (SMEs) in Algeria, Turkey, and Kenya: A Comparative Analysis of Issues and Challenges

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Abstract. This study presents a comparative analysis of the innovation landscapes within Small and Medium Enterprises (SMEs) across Algeria, Turkey, and Kenya. While SMEs play a key role in driving economic growth and development in emerging economies, their ability to innovate is often limited by various challenges and constraints. Through an overview approach, this research examines the commonalities and differences in the innovation ecosystems of these three countries, offering light on the unique challenges encountered by SMEs in each environmental context. Drawing upon a qualitative review of secondary data, including government academic literature, and business views, the study identifies key barriers to innovation, such as limited access to funding, regulatory difficulties, and lack of technology infrastructure. Additionally, it explores the enabling factors that contribute to innovation, such as government support initiatives, cooperation networks, and entrepreneurial culture. By providing a comparative perspective, this research aims to reveal valuable insights for policymakers, business leaders, and researchers seeking to foster innovation and entrepreneurship within the SME sector across varied socio-economic circumstances.

Keywords: SMEs; Innovation; Challenges; Opportunities.

1. Introduction

Small and Medium-sized Enterprises (SMEs) are pivotal for entrepreneurial development and economic growth globally, serving as a reference point for enhancing economic policies and regulatory frameworks (NKwinika & Akinola, 2023). Their role in fostering equitable, inclusive, and sustainable development underscores the need for supportive policy environments that offer equal opportunities alongside larger enterprises (Ceptureanu, 2015). Algeria, Turkey, and Kenya each recognize the importance of SMEs in their economies and have tailored approaches to foster SME growth based on their unique contexts (GRIBI, 2024; Uzkurt, 2024; Osano, 2023). SMEs significantly contribute to employment growth, output, export promotion, and entrepreneurial development (Algan, 2019). Recent studies reveal that SMEs account for over 55% of GDP and 65% of total employment in high-income countries, more than 60% of GDP in low-income countries, and about 70% of GDP in middle-income countries (World Bank, 2021).

In Algeria, SMEs play a significant role in sectors such as manufacturing, services, agriculture, and construction. The government has introduced policies to support SMEs, focusing on access to finance, entrepreneurial skills, and infrastructure development. However, challenges such as limited capital, bureaucratic hurdles, and infrastructural deficiencies remain (Boudiaf et al., 2021). Similarly, Turkey has emphasized SME development, particularly since the 1990s, when large firms downsized following EU membership efforts (Abdullah, 2015). SMEs account for 79% of employment in Turkey (World Bank, 2011), with government support through financial programs and regulatory reforms. However, challenges persist in productivity, financing, human capital, and innovation (Buyukkeklik et al., 2016). In Kenya, SMEs are crucial for employment and GDP. The government provides financial incentives, training, and infrastructure support, yet challenges such as access to finance, market entry, and technology adoption persist (Mwaura, 2024). By examining the existing literature on the role of SMEs in the economic development of Algeria, Turkey, and Kenya, the study offers valuable insights into the specific strategies these countries employ to foster the growth of SMEs. While SMEs are making significant contributions to their respective economies, they continue to face challenges in key areas such as financing, technology adoption, and market access. Although prior studies have examined SME challenges within each of these countries individually, there is a notable gap in studies that compare the dynamics of SMEs across these diverse economic, cultural, and regulatory contexts.

The focus of this research is important because SMEs play an important role in economic development, job creation and innovation promotion, especially in emerging economies. Small and medium-sized enterprises represent a significant share of businesses around the world and play a key role in achieving the sustainable development objectives. Nevertheless, despite their importance, they face continued challenges that hamper their growth and innovation capabilities. The study, which focuses on Algeria, Turkey and Kenya, addresses the key research gap and provides detailed exploration of the common and unique problems faced by small and medium-sized enterprises in these three different contexts. This comparative approach is highly relevant because it provides a crucial insight for enhancing the competitiveness and resilience of small and medium-sized enterprises in different socio-economic environments. The study reflects the growing global interest in understanding factors affecting the performance of micro enterprises in regions with rapid economic changes and structural challenges. Thus, Comparing SMEs from Algeria, Turkey and Kenya reveals similarities and differences. The three countries are heavily dependent on small and medium-sized enterprises to contribute to the economy, but the scale and impact vary, for instance, Turkey and Kenya play a more important role in the employment sector. Each country has different policies to support SMEs, although their effectiveness varies. Turkey's intervention dates to the 1990s, while Kenya's policy is more recent and focuses on entrepreneurship. Algeria's policies are evolving, but they face challenges in implementing them. Common issues such as finance, technology and market access affect small and medium-sized enterprises in three countries to changeable degrees. For example, Algeria is facing more bureaucratic obstacles, and Kenya is facing rapidly changing market demand.

This paper is distinguished by its innovative approach to SMEs by comparative analysis of three countries whose economic, cultural and regulatory environments are unlike. Although many existing literatures focus on individual countries or regions, the study explores the common and unique dynamics of SMEs in Algeria, Turkey and Kenya and bridges the gaps. Algeria is an economy dependent on resources from the perspective of North Africa, Turkey is an industrialized and strategically positioned country, and Kenya is a sub-Saharan African business model. The originality of the research lies in the ability to integrate these perspectives into coherent analysis, revealing patterns and contrasts that are often ignored in regional studies. By adopting this international lens, the paper brings new perspectives to the field of small and medium-sized enterprise research and improves understanding of how diverse socio-economic factors affect the challenges and opportunities of small and medium-sized enterprises.

Algeria, Turkey and Kenya are carefully chosen and justified in this comparison analysis because of the different socio-economic, cultural and regulatory environments in which their enterprises operate. Algeria's resource-dependent economy is facing unique challenges in diversifying its economic base, and SMEs play an important but undeveloped role. Turkey is a fast-growing industrialized country with a dynamic small and medium-sized sector that contributes significantly to its economic growth. Kenya, a leading economy in sub-Saharan

Africa, is a vibrant entrepreneurial ecosystem, and SMEs are at the centre of challenges such as unemployment and poverty. Therefore, the aim of this study is to examine the contributions, problems and challenges of small and medium-sized enterprises in Algeria, Turkey and Kenya, and to explore the common challenges facing them.
The study is structured as follows. It starts with an overview of small and medium-sized enterprises in Algeria, Turkey, and Kenya, focusing on criteria like the number of employees and turnover thresholds. A comparison of the challenges and contributions of SMEs in these countries highlights the influence of their different economic environments. Finally, the similarities and differences in the characteristics and economic roles of SMEs are discussed, emphasizing their adaptation to each country's unique economic context.

2. SME definitions across countries: A comparative overview

According to the OECD (2004), small and medium-sized enterprises (SMEs) are defined by the number of employees and revenues. To be classified as an SME, a business must meet specific criteria established by each country. The standards for identifying SMEs vary by country; generally, they are non-subsidiary, independent companies employing fewer than a specified number of employees. This number differs from one country to another. For instance, the European Union (EC, 2023) commonly uses a limit of 250 employees to classify SMEs, which is also applied in Algeria, Turkey, and Kenya (Dinçer, 1994; Bouazza, 2015; Douglas, 2017).
In some countries, the limit is set at 200 employees, while in the United States, SMEs include companies with fewer than 500 employees. Small enterprises typically have fewer than 50 employees, and micro-enterprises usually have a maximum of 10 or, in some cases, 5 employees. Financial assets are also used to define SMEs. The following table shows the definition of SMEs according to the European Commission (see Table 1 below).

Table 1. Comparison of SME Definitions in Algeria, Turkey, and Kenya

Aspect	Algeria	Turkey	Kenya
Definition	- Micro: <10 employees, turnover < 10 million DZD. - Small: 10-49 employees, turnover < 50 million DZD. - Medium: 50-249 employees, turnover < 200 million DZD.	- Micro: <10 employees, turnover < 3 million TRY. - Small: 10-49 employees, turnover < 25 million TRY. - Medium: 50-249 employees, turnover < 125 million TRY.	- Micro: <10 employees, turnover < 5 million KES. - Small: 10-49 employees, turnover < 50 million KES. - Medium: 50-99 employees, turnover < 500 million KES.

** Algerian Ministry of Industry, World Bank reports the Kenyan National Bureau of Statistics / 2023

Table 1, entitled "Comparison of the Definitions of Small and Medium-sized Enterprises in Algeria, Turkey, and Kenya," provides a detailed comparison of the classification of SMEs in these three countries. These definitions are based on two main criteria: the number of employees and turnover, which vary greatly in each country and reflect its unique economic landscape. In terms of the number of employees, Algeria and Turkey have aligned definitions for micro, small, and medium-sized enterprises. Both countries classify micro-enterprises as having fewer than 10 employees, small enterprises as having 10 to 49 employees, and medium-sized enterprises as having 50 to 249 employees. However, Kenya's definition of medium-sized enterprises is different, with a threshold of 99 employees, which is far below the 249-employee threshold used by Algeria and Turkey.

There are significant differences in the turnover thresholds among the countries. For micro-enterprises, Algeria has a limit of less than 10 million DZD, equivalent to less than 5 million KES in Kenya, and a slightly lower limit of 3 million TRY in Turkey. The threshold for small and medium-sized enterprises in Algeria is 50 million DZD, while Turkey sets a lower threshold of 25 million TRY. However, Kenya sets an upper threshold of 50 million KES. This discrepancy is even more pronounced in the medium-sized sector, where Kenya's turnover limit is significantly higher, i.e., 500 million KES, compared to 200 million DZD in Algeria and 125 million TRY in Turkey. These differences in definitions reflect the varying economic conditions and scales of each country, emphasizing the importance of local standards for identifying SMEs. The turnover threshold indicates the various financial scales at which businesses operate in these economies, and Kenya's higher limits may be indicative of a broader recognition of the economic role played by larger enterprises. This comparison highlights the need to understand and apply these definitions in the specific contexts of each country, as they are adapted to their unique economic environments (Table 2 below summarizes the collected data).

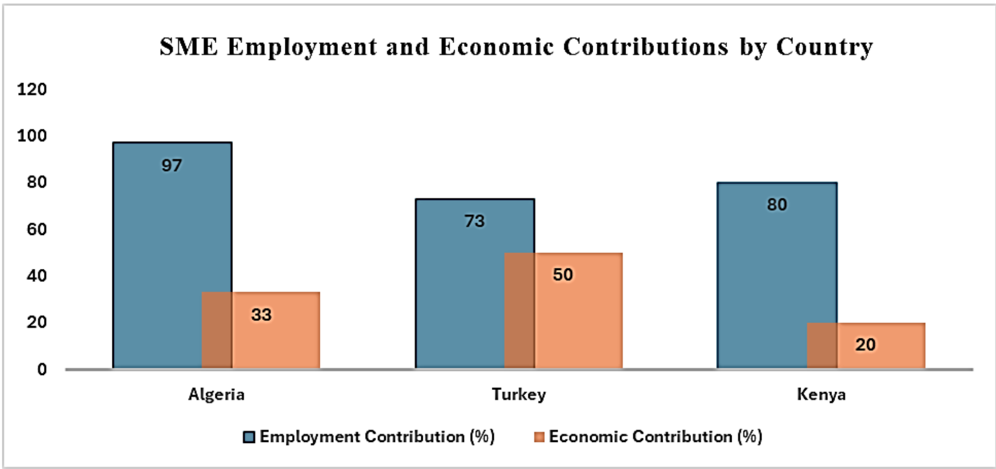
Table 2. SMEs are classified based on employee count and turnover (2023)

Aspect	Algeria	Turkey	Kenya
Employment Contribution	SMEs provide about 97% of employment in the private sector.	SMEs contribute to approximately 73% of employment in the private sector.	SMEs provide approximately 80% of employment, especially among the youth.
Economic Contribution	SMEs contribute around 33% to the GDP.	SMEs contribute around 50% to the GDP.	SMEs contribute about 20% to the GDP.
Key Challenges	- Bureaucratic hurdles - Limited access to finance - Infrastructure issues - Regulatory burdens	- High taxes - Bureaucratic barriers - Complex regulations - Access to finance - Market competition	- High failure rate of startups - Limited innovation - Access to finance - Bureaucratic barriers
Government Support	- SME development programs - Financial incentives - Business incubators	- Funding programs - Tax incentives - Industrial zones	- Digital programs - Tender opportunities for youth and women - Tax exemptions for digital projects
Growth Trends	- Slow growth due to economic instability - Increasing focus on diversification	- Rapid growth, particularly in tech and manufacturing sectors - Significant foreign investment	- Increased focus on technology and innovation - Government initiatives to foster entrepreneurship

*Algerian Ministry of Industry, World Bank reports the Kenyan National Bureau of Statistics / 2023

The above Table 2 and Figure 1 both provide comparative analyses of SMEs in Algeria, Turkey, and Kenya, highlighting their role in employment, economic impact, challenges, government support, and growth trends. In terms of employment, SMEs are crucial in all three countries, with Algeria leading at 97%, Turkey at 73%, and Kenya at 80%, with a strong focus on the employment of Kenya's youth. From an economic perspective, Turkish SMEs account for around 50% of GDP, followed by Algeria at 33% and Kenya at 20%, reflecting different levels of economic integration. The main challenges include bureaucratic obstacles and access to funds, which are common in all three countries, but specific issues such as Turkey’s high taxes and Kenya’s high failure rates add complexity. Government support varies: Algeria focuses on development programs and financial incentives, Turkey provides funding and tax incentives, and Kenya offers digital programs and opportunities for youth. The growth trends show that Algeria's growth rate is slow due to instability and a focus on diversification, Turkey's growth rate is rapid due to foreign investment and technological progress, and Kenya emphasizes innovation and entrepreneurship through state initiatives. This comparison underscores the diversity in the SME landscape in each country and the need for tailored approaches to address their unique contexts.

Figure 1. SME Employment and Economic Contributions in Algeria, Turkey, and Kenya



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3. Contribution of SMEs in Algeria, Turkey and Kenya

a. Algerian context

i. Historical Context and Importance of SMEs

Since the late 1980s, Algeria has recognized the importance of the private sector in complementing the public sector’s transition to market-based systems. Small and medium-sized enterprises are crucial in compensating for large-scale deficits due to their flexibility and job-creating capabilities (CHADLIA, 2023). To support this sector, various institutions and incentive programs have been established, including the 2001 Law defining SMEs (Allal, 2006). Despite two decades of reform, Algeria continues to strive towards creating a conducive environment for the development of the private sector.

ii. SMEs Economic impact

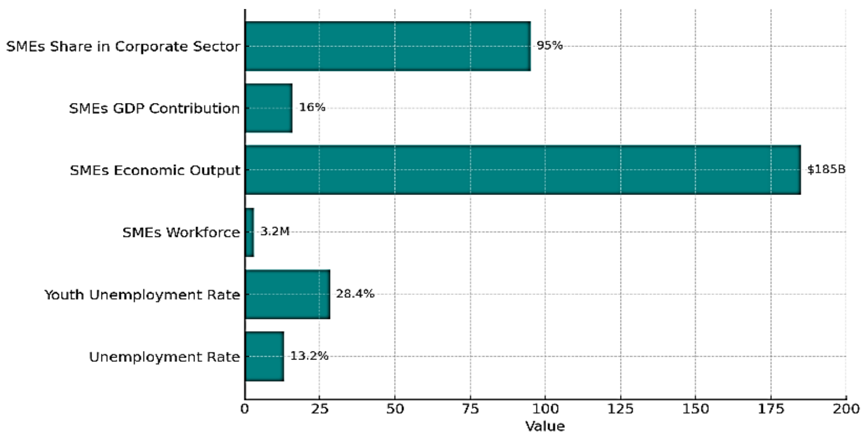
Algeria is the largest country in Africa by land area and plays an essential role in the economy of North Africa. Despite its considerable natural resource wealth, particularly hydrocarbons, which account for more than 90 percent of its export income (ALI, 2021), Algeria faces

significant socio-economic challenges and struggles with high unemployment rates, especially among young people. The economic opening of Algeria in 1989, the introduction of the new Investment Law in 1993, and the strengthening of public measures related to the development of investment and SMEs in 2001 have collectively supported the development of the private sector and SMEs (GRIBI et al., 2024). According to CEDEF (2019), since 2002, the growth of private enterprises has been driven by both the rapid increase in project promoters following the opening of the national economy and the encouragement from private investment authorities, as well as the establishment of the three investment promotion agencies (ANDI, ANSEJ, and ANGEM). The number of employees in Algerian small and medium-sized enterprises (SMEs) is relatively small, with an average of fewer than three. In 2019, very small companies, also known as micro-enterprises, represented 97 percent of all existing companies (INSEE, 2019).
Small enterprises, on the other hand, accounted for 2.6% of the business sector, while medium-sized enterprises hardly exceeded 0.4% (Ministry of Industry, 2020). The dominant influence of small and medium-sized enterprises in the economy is not unique to Algeria. However, Algeria's very small-scale businesses are disproportionately larger compared to industrialized countries, with an average share of 91.8%, and neighboring countries such as Morocco, with a share of less than 69.2% (Ministry of Industry, 2020).

iii. Current SME landscape

In 2023 and according to figure 2, Algeria's unemployment rate was 13.2%, while youth unemployment was 28.4% (World Bank, 2023). This high level of unemployment continues to contribute to social instability and underscores the urgent need to promote entrepreneurship and support small and medium-sized enterprises (SMEs), which are the main drivers of economic diversification and employment (Baaziz, 2019).
During the same year, more than 1.2 million registered SMEs dominated the Algerian market and continued to play a key role in the economy. These companies employ about 3.2 million people, which represents an important share of the private sector's workforce. In terms of economic output, Algerian SMEs generated around $185 billion in various forms of trade and economic activity (World Bank, 2023). However, despite the government's efforts to promote SMEs, the sector is still underdeveloped, contributing only 16% of GDP (Ministry of Industry, 2020). SMEs account for more than 95% of the corporate sector and are crucial for job creation and economic growth (Amroune et al., 2016).

Figure 2. SME’s role in Algeria (2023)



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iv. Current SME landscape

The sector faces significant barriers, including inadequate infrastructure, limited access to financing, and burdensome regulatory frameworks that impede its innovation and expansion capacity, particularly in non-hydrocarbon industries that are essential for economic diversity. One of the most significant obstacles to innovation for Algerian SMEs is the lack of funding (Amarouche, 2010). Algeria's financial system is dominated by state banks, which tend to favor large companies established in the hydrocarbon sector, and small and medium-sized enterprises have limited funding options. The World Bank (2021) and the Ministry of Industry (2020) have pointed out that only 10% of Algerian SMEs have formal credit opportunities, which is lower than in many other countries in the MENA region. The lack of investment in venture capital and private equity further exacerbates the problem, especially for startups and businesses looking to innovate in sectors such as technology, agriculture, and manufacturing. This conservative lending approach and the lack of a vibrant private equity market limit the ability of SMEs to pursue innovative projects and expand their businesses (Buenstorf, 2007).

Bureaucracy is also a significant challenge. The process of starting and operating a business in Algeria is fraught with administrative burdens and requires entrepreneurs to navigate a complex system of licenses and regulatory approvals. Bouazza (2015) argues that complex regulatory environments and excessively complicated regulations deter business activities and innovation. The World Bank's Doing Business Report (2021) ranks Algeria 157th in the world in terms of the ease of doing business, highlighting how regulatory inefficiency is hampering entrepreneurial activity. The complexity of this bureaucracy is exacerbated by corruption and a lack of transparency, which further discourages investment in the SME sector. Dris et al. (2022) highlight the effects of bureaucratic inefficiency on the slow pace of entrepreneurial growth, especially in rural areas, where limited infrastructure hampers market access for many SMEs. Additionally, the infrastructure in rural areas of Algeria remains undeveloped. Inadequate road networks, unreliable electricity supplies, and limited access to technology are significant obstacles to the growth and innovation of SMEs. These infrastructure deficiencies make it difficult for companies to scale their businesses, access new markets, and integrate into global value chains (GRIBI et al., 2024).

v. Government initiatives and support programs

The Algerian government has undertaken several initiatives to improve the business environment for SMEs. The establishment of the National Agency for the Development of SMEs (ANDPME) and the introduction of the National Strategy for SME Development provide a framework to encourage entrepreneurship and innovation. Additionally, financing schemes like the National Youth Employment Support Agency (ANSEJ) offer financial assistance to young entrepreneurs. However, these efforts have been hampered by inefficient implementation and a lack of coordination between state agencies (Bouguerra, 2022). Reforms to simplify business registration and reduce the time and costs of obtaining permits, including the launch of an electronic registration system, represent positive steps. However, bureaucratic constraints and slow digitalization have limited their effectiveness (Djebbar, 2004). Algeria's tax system also presents challenges for SMEs, with high corporate tax rates and complex regulations. Although the government introduced tax incentives to encourage formalization and support startups, many businesses continue to operate in the informal sector to avoid heavy tax obligations (Abdessemed & Chouchane, 2020).

The government has made progress in promoting innovation, notably through technology hubs like the Sidi Abdellah Cyberpark, supporting growth in IT, telecommunications, and digital services (Fetni & Barhoum, 2022). The 2020 Startup Act provides a legal framework and financial incentives for startups, but Algeria's innovation ecosystem remains underdeveloped. Research and development (R&D) expenditure is less than 1% of GDP, and collaboration between universities, research institutions, and the private sector is minimal (MAIZA et al., 2021). Despite these challenges, SMEs in Algeria have opportunities beyond the hydrocarbon sector. The government's push for economic diversification has led to investments in agriculture, renewable energy, and technology. Sectors like solar energy and agriculture offer significant opportunities for SMEs to innovate and contribute to sustainable development (Belkaid, 2020). Furthermore, Algeria's young and tech-savvy population presents potential for digital entrepreneurship, with the growth of e-commerce, mobile payment systems, and digital services reshaping sectors like retail, logistics, and finance. Government digitalization efforts, including smart cities and public service digitization, also provide a promising landscape for SME innovation (Aymene & Mounir, 2020).

b. Turkey context

i. Historical context and importance of SMEs

Turkey, strategically positioned at the crossroads of Europe and Asia, is one of the most dynamic economies in the region. The country has undergone significant economic transformation over the past few decades, transitioning from a predominantly agrarian economy to one characterized by a diverse industrial base (Sultan, 2021). As of 2021, SMEs in Turkey play a crucial role in the economy, contributing to over 60% of employment and approximately 55% of GDP (World Bank, 2021). The proportion of SMEs in all formally registered enterprises in Turkey is 99.9%, indicating that the sector plays a central role in the economy. Despite this, SMEs face several challenges that impact their growth and innovation potential. Small and medium-sized enterprises (SMEs) form an important part of the economies of both developed and developing countries. SMEs also play a very important role in the Turkish economy.

ii. SMEs Economic impact

They represent 91.9% of all enterprises, 78% of all employment, 55% of GDP, and 50% of total investment (World Bank, 2021). In fact, supporting small and medium-sized enterprises can offer sustainable and balanced economic growth. Their role in the economy has become a source of inspiration for several academics studying SMEs from different perspectives (Başçı & Durucan, 2017). Turkey's economic landscape is marked by a diverse range of industries, from manufacturing and services to technology and agriculture. SMEs are vital to the country's economic fabric (Ministry of Industry and Technology, 2020). They not only provide employment but also contribute significantly to economic growth and regional development. Yet, despite their importance, Turkish SMEs face various barriers that hinder their development and innovative capacity (Baysak et al., 2023).

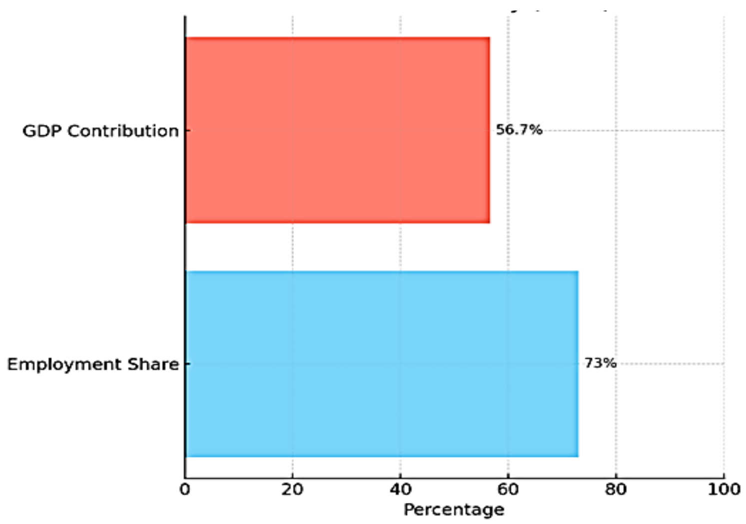
To illustrate, small and medium-sized enterprises are still facing serious challenges, particularly because of the severe economic crises of the last 30 years, which have seriously weakened the economy and forced the Turkish government to take decisive measures to achieve a more stable economy and sustainable growth (Uzkurt et al., 2024). The resilience and flexibility of small and medium-sized enterprises in chaotic and changing environments have made them one of the key elements of Turkish social and macroeconomic development policy. As a result, the already high share of these economic units in total GDP, new employment opportunities, and export volumes have increased further, drawing the attention of policymakers, researchers, and practitioners (Nurrachmi et al., 2012).

As an emerging economy in a geopolitically complex region (Middle East and North Africa), Turkey faces unique geopolitical risks as a member of various regional agreements. Turkey has suffered from terrorism and faced regional conflicts, both of which have had a variety of effects on small and medium-sized enterprises' performance (Asgaray et al., 2020). For instance, Bilgel and Karahasan (2017) found that after the rise of terrorism, real GDP per capita in eastern and southeastern Anatolia declined by about 6.6%. Other studies have also found that terrorism had a major negative impact on Turkish foreign direct investment (Omay et al., 2013).

iii. Current SME Landscape

Turkish small and medium-sized enterprises play a similarly important role in the "non-financial business economy" as SMEs in other European countries. They account for more than half of the total value added, nearly three jobs in four, and more than half of the total value added (World Bank, 2021). Most SMEs (approximately 39%) operate in the wholesale and retail sectors, accounting for more than a fourth of SME employment and added value performance (Razak et al., 2018). Like other parts of the world, SMEs are essential for Turkey's economy and social structure (see figure 3). To increase their global competitiveness, the problems of financing, exploitation of new technologies, marketing, management, institutionalization, internationalization, global competitiveness capabilities, and know-how faced by SMEs must be analyzed and resolved (Şener et al., 2014). In addition to improving financing conditions for SMEs, supporting policies such as enhancing research and development, training human capital, and fostering cooperation with other companies and universities at national and global levels will contribute to strengthening SMEs' global competitiveness capabilities (Şener et al., 2014).

Figure 3. SME's role in Turkey (2023)



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iv. Challenges Facing Turkish SMEs

Access to finance remains one of the most critical barriers for Turkish SMEs. The Turkish banking sector, while relatively developed, often favors larger enterprises with established credit histories. SMEs frequently encounter difficulties in securing loans, particularly for innovative projects. According to the World Bank (2021), only 15% of Turkish SMEs have access to sufficient external financing, which limits their ability to invest in research and development (R&D) and pursue innovation (Sarı, 2023). Bureaucracy and regulatory challenges also impede SME growth (Karadag, 2015). Turkey's regulatory environment, though improved in recent years, still presents significant obstacles. Entrepreneurs must navigate complex procedures to start and run a business, including obtaining permits, licenses, and adhering to various compliance requirements (Sorkun, 2023). The World Bank's "Doing

Business Report" (2022) ranks Turkey 33rd globally for ease of doing business, reflecting ongoing bureaucratic inefficiencies despite substantial improvements. These challenges are worsened by frequent regulatory changes and inconsistencies in enforcement, which create uncertainty for business owners. Infrastructure gaps further exacerbate the challenges facing SMEs. While Turkey's urban areas benefit from relatively developed infrastructure, rural and less developed regions often suffer from inadequate transportation networks, unreliable energy supplies, and limited access to high-speed Internet. These issues limit SMEs' ability to expand their activities, access new markets, and integrate into global value chains (EBRD, 2022).

v. Government Initiatives and Support Programs

To address these challenges, the Turkish government has implemented several policy measures aimed at improving the business environment for SMEs. The government has introduced various reforms to streamline business registration processes and reduce administrative burdens (Napier et al., 2004). For example, the e-Government Portal allows entrepreneurs to handle many administrative tasks online, which has simplified processes such as business registration and tax compliance (Ministry of Industry and Technology, 2020). Moreover, the Turkish government has established several funding programs and support mechanisms for SMEs. The Small and Medium Enterprises Development Organization (KOSGEB) provides financial and technical support to SMEs, including grants for innovation and R&D projects. The Turkish Technology Development Foundation (TTGV) also offers funding and support for high-tech startups and innovative enterprises (KOSGEB, 2021). Despite these efforts, some programs face challenges related to bureaucracy and the slow disbursement of funds (OECD, 2022).

c. Kenyan context

i. Historical context and importance of SMEs

In Kenya, micro and small-scale enterprises (MSEs) contribute significantly to the economy by creating jobs and reducing unemployment (Douglas, 2017). There are more than 41,000 official MSEs, accounting for 75 percent of all official enterprises (KNBS, 2013). These formal MSEs employ 42 percent of Kenya's workforce. However, most MSEs operate in informal markets, employing about 11.1 million people. According to KNBS, Kenya has 17 million registered SMEs, of which 98 percent contribute to 25 percent of the country's GDP and employ 50 percent of the labor force (Mwakio, 2024). Kenya has the largest gross domestic product (GDP) in Central and Eastern Africa and is fourth in Africa overall. Despite the country's economic growth, the World Bank (2021) reported that 37.3 percent of its population lives below the poverty line. Youth unemployment in Kenya stands at 12.7 percent—approximately 67 percent of the unemployed—which has led to severe issues such as poverty, homelessness, and social instability. Many youths live in slums, face health issues, and are involved in crime and drug abuse (Amenya et al., 2011; Muiya, 2014). As expressed by Awogbenle and Chijioke (2010), the degree of unemployment and underemployment reflects the state of a nation's economy, indicating that youth unemployment is closely tied to the overall economic condition of the country.

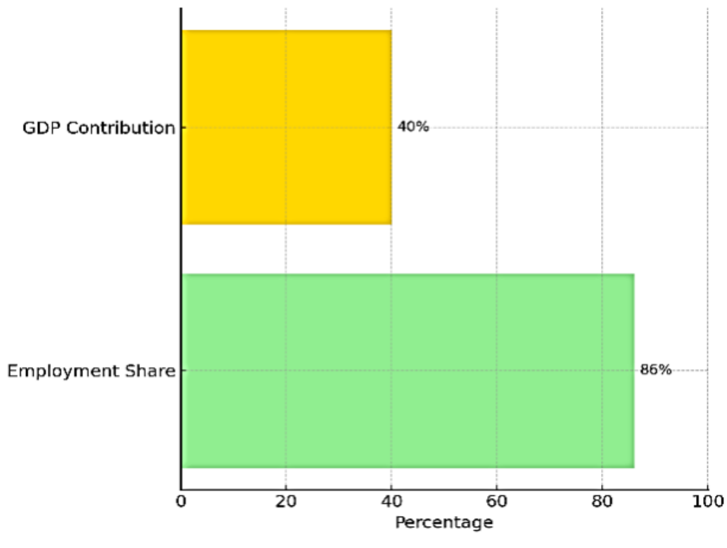
ii. SMEs' Economic Impact

According to the Kenyan National Bureau of Standards (2015), SMEs provide employment for approximately 80% of the youth in Kenya. However, these businesses contribute only 20% to the economy due to inadequate infrastructure, policies, and limited financial accessibility. In response, the Kenyan government has introduced various development programs and business policies aimed at reducing unemployment by promoting entrepreneurship and making self-employment more appealing to the youth (Kaburi et al., 2012). For instance, the government allocates 30% of tender procurement opportunities to people with disabilities, youth, and women, with all governmental enterprises required to comply. This policy aims to empower and enhance the participation and growth of enterprises owned by women, youth, and people living with disabilities (PLWD) in government contracts (AGPO, 2013; PPDA, 2015). Additionally, the Kenyan government exempts taxes on income earned by individuals participating in the Ajira Digital Program (ADP), an initiative designed to engage millions of youths in digital projects (GoK, 2020).

iii. Current SMEs landscape

The growth in SME entrepreneurship and innovation in Kenya has significantly increased due to government investment in new technologies, technology hubs, and mobile connectivity (Global Entrepreneurship and Development Institute (GEDI), 2016). The report notes that Kenya leads Sub-Saharan Africa in Digital Technology Development (DTD) and Gross Expenditure on Research and Development (GERD). Additionally, the World Bank ranked Kenya 56th globally in terms of the ease of doing business in 2020. However, Herrington and Kew (2017) point out that despite the rising number of SMEs in Sub-Saharan Africa, most of these ventures are very small and contribute minimally to noticeable economic growth. Many existing startups are small-scale businesses and shops with minimal market entry barriers, making it difficult for them to create substantial employment opportunities (see figure 4). Herrington and Kew highlight that most entrepreneurs in Sub-Saharan countries establish ventures for lifestyle and family purposes rather than wealth creation or economic dynamism. Moreover, a high percentage of startups fail within the first six months, with 46% closing within a year. This suggests that many small and medium-sized enterprises (SMEs) struggle to survive beyond the nascent stage due to the challenges faced during their initial setup (The Kenya National Bureau of Statistics, 2016).

Figure 4. SME's role in Kenya (2023)



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iv. Challenges facing Kenyan SMEs

Diraditsile and Maphula (2018) highlight that the absence of continuous financial support, along with hostile environmental conditions such as high taxation, inadequate marketing, and barriers to market entry and penetration, often leads many young entrepreneurs to discontinue their businesses. However, Sumberg and Hunt (2019) argue that inadequate funding is not the primary challenge for youth entrepreneurship; rather, it is insufficient innovation and creativity among the youth. For example, Emerson (2011) notes that if a group of Kenyan youth were provided with substantial capital, they would likely invest in clothing, food, cosmetics, or hair enterprises rather than in manufacturing, technology, transport, or communication sectors. Many young entrepreneurs tend to replicate existing successful business models instead of pursuing innovative and unique ventures. The GEM 2013 report underscores the influence of societal norms on entrepreneurial choices, with many ventures aligning with perceived career prospects and societal expectations.

Dos Santos (2024) acknowledges the ingenuity and creativity of Kenyan youth but criticizes the government's role in stifling innovation. Restrictive policies, an education system focused solely on academic achievement, and inadequate investment in research and development (R&D) contribute to a challenging environment for start-ups. Despite these barriers, the increasing number of technology-based startups reflects the potential for innovation in Kenya. While Douglas and Cobb (1928) advocated for the autonomy of technology and innovation, Broughel and Adam's (2019) report emphasizes the significant impact of public policy on technological development. High taxation, for instance, can discourage innovation and entrepreneurship. Research has consistently shown a strong correlation between tax policy and entrepreneurial activity (Baliamoune-Lutz & Garello, 2014; Acs & Szerb, 2007; Chu et al., 2011; Kreft & Sobel, 2005). High taxes, customs duties, and tariffs are frequently cited as major impediments to business development. As Micah et al. (2012) note, elevated tax rates hinder capital accumulation, savings, investment, and overall business growth. To encourage entrepreneurship, countries like Kenya, Nigeria, and Senegal have implemented tax incentives, such as income tax waivers for new businesses during their initial twelve months of operation.

v. *Government Initiatives and Support Programs*

While the Kenyan government has demonstrated support for business creation and entrepreneurship through various initiatives, including funding programs, industrial parks, the Industrial Technology Research Institute (ITRI), and local industrial clustering, challenges persist (Chirchietti, 2017). Despite efforts to facilitate access to startup capital, bureaucratic processes and limited information have deterred many young people from engaging with government programs. The introduction of industrial parks, technology hubs, service centers, and other initiatives has positively influenced enterprise vitality. However, the cumbersome process of business registration encompassing permits, certifications, and corruption remains a significant obstacle for new businesses (Owiro, 2011; Njenga, 2015). For example, the Kenyan government has made strides to streamline business processes through online automation (Gathuma & Shigadi, 2017). The E-Citizen portal has simplified business registration, reducing the process from eleven steps to three. Additionally, property search, transfer, and tax filing have been automated through the iTax Kenya portal. The government has also waived regulations such as business premises registration, company seal, and business permits for the first two years (Gok, 2020).

Despite these improvements, the E-Citizen platform may still necessitate physical visits to government offices for specific procedures, licenses, and documents, potentially undermining the goal of a fully digital process (Mburu, 2024). Studies by Lecuna et al. (2020), Okpara and Wynn (2007), and Bruton et al. (2021) highlight the negative impact of bureaucratic barriers and corruption on entrepreneurial efforts. While technology offers numerous advantages for startups, addressing these challenges through policy reforms is crucial for fostering a thriving business ecosystem.

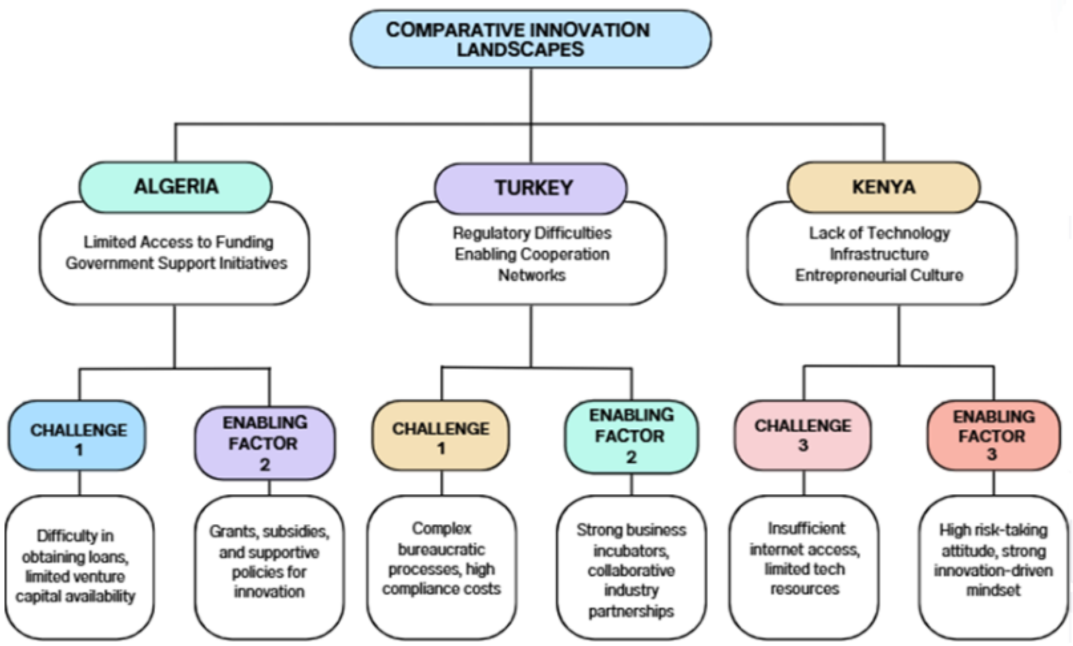
4. Discussions

Firstly, the importance of SMEs in creating employment is a key feature of these three countries' similarity. Small and medium-sized enterprises in Algeria, Turkey, and Kenya are an important source of employment and constitute a significant proportion of the workforce. In Algeria, small and medium-sized enterprises accounted for between 70 and 75% of employment, Turkey for between 73%, and Kenya for about 80%. This highlights the importance of SMEs as a contributor to not only economic growth but also as an important element in maintaining the existence and reducing unemployment in these countries. Another significant similarity is that there is a high proportion of SMEs in all registered companies in these countries. In Algeria, SMEs account for 99.8% of all registered enterprises, while in Turkey, this percentage increases slightly to 99.8%, and in Kenya to 98.8%. In these statistics, SMEs in the three countries are the backbone of the business landscape, and their significance in economic activities and their widespread presence in various sectors are highlighted.

However, these countries' SMEs also face challenges, particularly in exporting. Turkish SMEs contribute about 40% of the country's exports, reflecting relatively better access to international markets. On the other hand, Algerian SMEs account for only 5-10% and Kenyan SMEs for 20-25% of their respective national exports. This difference highlights the difficulties faced by Algeria and Kenya's SMEs in entering global markets due to factors such as limited resources, lack of market knowledge, and obstacles to international trade. Although there are similarities, the SME sector in these countries has significant differences. One of the major differences is their contribution to GDP. Turkish SMEs make up 55–60% of national GDP, while Algeria makes 35–40% and Kenya 33–40%. This indicates a stronger integration of SMEs into Turkey's economy, and they play a greater role in economic growth and development.

Another difference is the number of small and medium-sized enterprises operating in each country. Kenya has about 7.4 million small enterprises, far more than Turkey (approximately 3.5 million) and Algeria (approximately 1.2 million). This significant difference reflects the widespread distribution of Kenya's large informal sectors and small enterprises across the country compared to the more formalized small and medium-sized enterprises sectors of Turkey and Algeria. Finally, sector domination varies between these countries. Algeria's economy is heavily dominated by the oil and gas sector, which limits the broader impact of SMEs on the national economy. Concentration in this sector reduces the diversification of the activities of small and medium-sized enterprises and restricts their overall economic impact. On the other hand, Turkish SMEs are more diversified and integrated into various sectors, including manufacturing and exports, thereby strengthening their role in promoting economic growth. Kenya's small and medium-sized enterprises (SMEs) are diversified but have large informal sectors and focus on agricultural enterprises, forming a unique economic contribution. Consequently (Figure 5) provides an overview of the key challenges and enabling factors that affect the innovation of small and medium-sized enterprises in each country.

Figure 5. Comparative Innovation Landscapes in SMEs: Algeria, Turkey, and Kenya



Author's own elaboration

The following Table 3 provides a concise summary of the key challenges faced by SMEs and the government support programs implemented from 2021 to 2023. It highlights the main challenges facing SMEs in Algeria, Turkey, and Kenya between 2021 and 2023, as well as government support programs for these challenges.

Table 3. Key Challenges Faced by SMEs and Government Support Programs 2021-2023

Country	Challenge	Number of Challenges	Program Types	Number of Programs
Algeria	Bureaucratic hurdles, Limited access to finance, Infrastructure issues, Regulatory burdens	4	SME development programs, Financial incentives, Business incubators	3
Turkey	High taxes, Bureaucratic barriers, Complex regulations, Access to finance, Market competition	5	Funding programs, Tax incentives, Industrial zones	3
Kenya	High failure rate of startups, Limited innovation, Access to finance, Bureaucratic barriers	4	Digital programs, Tender opportunities, Tax exemptions	3

Author's Own elaboration

In Turkey, significant progress has been made in encouraging innovation, particularly in the high-tech sector. The establishment of technology parks and innovation centers, such as ARI Teknokent and Ankara Technopolis at the Istanbul Technical University (ITU), created an environment conducive to technological development and startup growth (ncekara, 2023). The government's support for research and development activities, including tax incentives for R&D investments, is a positive step towards improving the innovation ecosystem. However, the innovation ecosystem is facing challenges. Research and development expenditures are rising but remain below the OECD average. Cooperation between universities, research institutions, and the private sector has improved but has not yet reached the level required to fully transform research into commercially viable products and services (SARIGÜL, 2021).

Moreover, although the government has invested heavily in digital infrastructure, more emphasis is needed on cultivating an innovation culture in various sectors (Kepenek, 2018). Despite these challenges, Turkey offers significant opportunities for small and medium-sized enterprises. The country's strategic location offers access to a wide and diverse market, providing opportunities for increased trade and investment. The government's focus on digital transformation and Industry 4.0 opens the way for SMEs to innovate and compete globally. Growth sectors such as renewable energies, biotechnology, and information technology offer opportunities for small and medium-sized enterprises to explore new business models and technologies (Aygün & Sat, 2022). In addition, Turkey's young and qualified population is a solid basis for digital entrepreneurship. The expansion of e-commerce, finance, and digital services reflects the growing demand for innovative solutions and business models supported by government initiatives aimed at improving cybersecurity and promoting digital skills, creating opportunities for SMEs to use technology for growth (Karatum, 2018).

In Kenya, to address the gaps in SMEs, access to financing needs to be strengthened by creating more affordable credit facilities and expanding microfinance institutions. Improvements in infrastructure, especially in rural areas, will enable SMEs to operate more effectively. Simplifying regulatory frameworks, reducing bureaucratic barriers, and promoting transparency are essential to fostering a business environment (Kiiru et al., 2023). In addition, the promotion of innovation and diversification, especially in high-potential sectors such as technology and agriculture, will lead to growth. The expansion of market access through trade promotion and the improvement of product quality standards are also crucial. Furthermore, continuous entrepreneurial education and support for digital transformation will improve the efficiency and sustainability of SMEs. Collectively, these efforts aim to create a more conducive environment for the growth of SMEs in Kenya (Abey and Abu-Danso, 2023). Figure 3 summarises the comparative analysis of small and medium-sized enterprises (SMEs) in Algeria, Turkey and Kenya. It highlights the main challenges and factors that enable innovation in each country and provides a clear visual representation of their unique innovation landscape.

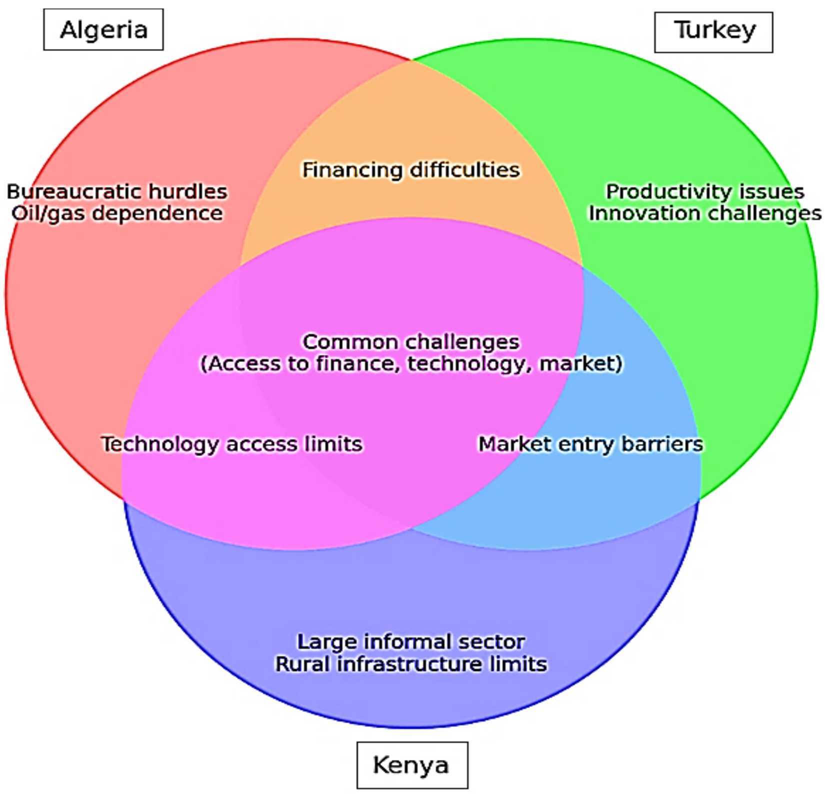


Figure 3. Comparative Analysis of SMEs in Algeria, Turkey, and Kenya

Author's own elaboration

5. Conclusion and recommendations

Although various measures have been taken in Algeria to support private investment, the sector is still underdeveloped and has not yet significantly compensated for the deficiencies of the public sector. Many of the structures promoting small and medium-sized enterprises are relatively new, and their results have not yet met expectations, although their programs show promising results (Djamila, 2023). To strengthen their impact on economic development, authorities must adopt a result-oriented approach. Although small and medium-sized enterprises have gained increasing importance in the Algerian economy, their contribution needs to be further strengthened through new support mechanisms, technical assistance, and training, especially for rural small and medium-sized enterprises (BEZTOUH, 2021).

There is a significant gap between academic research and business needs, with a lack of collaboration between universities and the business sector, and insufficient integration of economic development into local governance, which impedes entrepreneurship (LEKHAL et al., 2013). To address these problems, governments and institutions must focus on forward-looking projects that combine research and education with market demands. This includes establishing quality management and business training programs, promoting work training programs, and integrating entrepreneurship into university curricula to cultivate an entrepreneurial culture. The concept of higher education for entrepreneurs deserves strong support.

This study review enhances the theoretical framework and offers practical implications for the field. In theory, it enriches existing literature by providing a comparative view of the challenges and enabling factors of SME in three different contexts, revealing common barriers such as financial constraints and regulatory complexity and contextual factors affecting the innovation and growth of SME. This in-depth analysis deepens the understanding of the micro-enterprise ecosystem in emerging countries and is the basis for future research. In practice, the results provide valuable insight for stakeholders, including policymakers and business leaders. Policy makers can use these insights to develop targeted interventions that address both systemic and local barriers while creating an environment enabling SMEs. Business leaders can use comparative results to adopt best practices and improve their resilience to various challenges. The study provides added value by offering actionable recommendations and identifying critical areas of intervention, promoting evidence-based strategies to support the development of small and medium-sized enterprises. Furthermore, it highlights the potential for increased business collaboration between the chosen countries, encouraging cross-country partnerships to strengthen SMEs' growth and contribute to broader socio-economic objectives such as sustainable development. Further research, particularly empirical studies, could provide more targeted policy recommendations to address these obstacles and enhance the potential of SMEs in driving sustainable economic growth.

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