
SMALL AND MEDIUM ENTERPRISES AS A MEANS TO PROMOTE ECONOMIC DEVELOPMENT STUDY THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN JOB CREATION AND GROWTH

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Abstract

The investigation intended to determine the degree to which small and medium sized companies in Iraq have grown and created jobs, as well as the role that small and medium sized companies play in increasing income per capita and decreasing unemployment. Descriptive analysis was employed, and questionnaires were distributed to the participants in the study of small and medium sized enterprises (180) in the Baghdad region. (169) questionnaires were retrieved, (8) questionnaires containing missing values and (11) questionnaires containing extreme values were deleted as suitable for analysis, and (150) were solved for the final total. The study found that the level of growth of small and medium enterprises in Iraq was associated with the arithmetic mean of (3,534) and moderately. In contrast, the average job creation and growth were associated with the arithmetic mean of (3,413). The study also showed that the study found that there was a significant relationship between the growth of small and medium enterprises in Iraq and the size of the employment creation and growth (access to financing from financial institutions, increase in per capita income, and reduction in unemployment).

Keywords: SMEs, economic development, job opportunities.

Introduction

Small and medium-sized enterprises are significant and play a prominent role in the economic development of almost all countries. These projects are the cornerstone of any economic development because they play an essential role in achieving a fair distribution of wealth, naturally reflected in eliminating unemployment and poverty and reducing crime. After all, they directly contribute to increasing national income and economic added value. They play an essential role in supporting the balance of international payments by reducing the need to import similar goods and products and increasing the volume of exports. These projects have an efficient approach to capital utilization, low costs, and the absence of issues or complications in their construction centers, and their products can be quickly released to different markets. On this basis, all developed and developing countries pay attention to this sector and have developed regulatory laws and policies to promote the development of this sector in a way that positively impacts their economies. However, some developing countries, especially petro-countries, attach little importance to these projects because other

sources can generate more secure income, such as interest in the oil and gas sector and the petrochemical industry. And other energy superiority. In recent years, there has been increasing talk about adapting various economic sectors to development and improving their ability to meet the challenges of globalization. Due to the communication and information revolution and its impact, the world has become interconnected and is called the "global village," characterized by fierce economic competition. In this context, the importance of traditional production factors such as capital and people has declined with the rise of information technology. National economies' relative or differential development depends on their control over science and information technology and their ability to use it to promote economic development, emphasizing creativity, innovation, and sustainable development.

The first topic: research methodology

First: The problem of the study:

Small and medium-sized enterprises are one of the fundamental factors for the socio-economic development of all developing and industrialized countries. Therefore, these countries attach great importance to regulating these enterprises and adopting appropriate policies and laws to make them successful. However, the sector must still catch up to the required success in some developing countries, including Iraq. Although these initiatives are often implemented, no funds are generated for a long time. This creates a problem. It is necessary to understand the factors that hinder the development of small and medium-sized enterprises, analyze their role in promoting economic development, and analyze to what extent these projects affect job creation, reduce unemployment, and drive economic growth. In addition, it is necessary to study the strategies and measures that can be taken to develop this vital sector and ensure its sustainability.

The main question of the problem can be identified as follows:

" Do SMEs have a statistically significant impact on job creation and economic growth?"

Second: The importance of the study:

The significance of this study lies in recognizing the importance of the relationship between SME growth and job creation and growth. The following points illustrate the importance of this study:

1. Analysis of economic, social, and political factors that influence the success or failure of SMEs in Iraq.
2. Assessment of the growth, job creation, and growth of SMEs in Iraq.
3. Contribution of the study to determine the nature of the relationship between SMEs and job creation and growth in Iraq.
4. Highlight the importance of SMEs as part of the economic solution to overcome financial challenges such as weak economic growth and unemployment in Iraq.

Third: Objectives of the study

To clarify the research objectives of this period, we need to focus on supporting small and medium-sized enterprises to create employment opportunities. The objectives can be determined as follows:

1. Analyze the role of SMEs in promoting economic development in Iraq.
2. Assess the growth of SMEs in Iraq.
3. Assess the impact of SMEs on job creation and economic growth in Iraq.
4. Propose strategies to improve the performance of SMEs through recommendations for supporting and developing SMEs in Iraq.
5. Analyze the role of Iraqi government policies in supporting SMEs in job creation.

Study Form:

A hypothesis diagram illustrates the logical relationships of the main variables or sub-variables under discussion in a study. The pattern depicts a set of associations between the study variables that are shown in pattern (1):

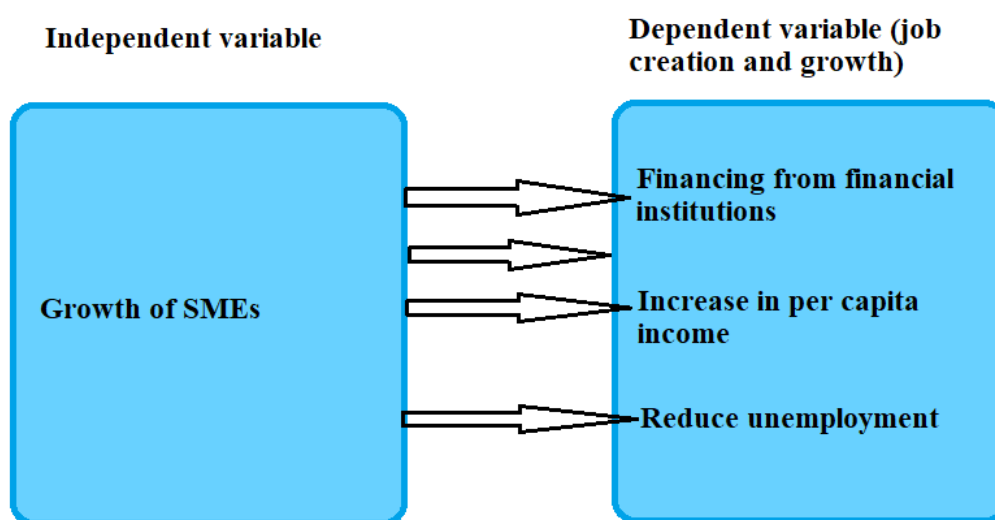


Figure 1 Hypothetical study outline

Fourth: Hypotheses of the study:

The main and sub-hypotheses can be stated as follows:

The first primary hypothesis is that SMEs in Iraq grow at an average level.

The second primary hypothesis is that job creation and growth in Iraq are average.

Third central hypothesis: There is a statistically significant correlation (0.05) between SMEs and job creation and growth”, and the sub-hypotheses state:

First sub-hypothesis: There is a statistically significant correlation (0.05) between SMEs and individuals' ability to obtain financing from financial institutions.

Second sub-hypothesis: There is a statistically significant correlation (0.05) between SMEs and increased per capita income.

Third sub-hypothesis: There is a statistically significant correlation (0.05) between SMEs and a decrease in unemployment.

Limitations of the study:

Spatial boundaries: The researchers selected SMEs in the Baghdad Governorate as the research sites and municipalities.

Human Boundaries: The community includes founders, decision-makers, and managers of small and medium-sized enterprises in Salah Al-Din Governorate.

Time limits: 2024-2025

Fifth: Study Methodology

The study relied on descriptive analysis methods. The data instrument (questionnaire) containing the research variables was used to collect, organize, categorize, and obtain information through statistical programs (SPSS) analysis.

Sixth: Research Community and Sample

Research Community

It covers all small and large projects in the Baghdad Governorate until 2024, involving all small and medium-sized enterprise founders, managers, and workers.

Study Sample

A random sample was drawn from the study population, including all small and medium-sized enterprise employees in the Baghdad Governorate, including founders, managers, and workers. Table (1) is shown below:

Table (1): Demographic characteristics of the study sample

figure	Variable	Category	Number of sample members	Percentage %
1	gender	male	69	46
		Female	81	54
		Total	150	100
2	Age Group	Less than 30 years	36	24
		31 - 40 Years	53	35.3
		41 -50 years	32	21.3
		Over 50 years old	29	19.3
		Total	150	100
3	Qualification	High school	8	5.3
		Bachelor	58	38.7
		Higher Diploma	46	30.7
		Master	25	16.7
		Doctor	13	8.7
		Total	150	100
4	Type of institution	Small	56	37.3
		Medium	94	62.7
		Total	150	100
5	Years of Experience	Less than 5 years	30	20
		5 to 10 years	30	20
		From 10 years to 15 years	90	60
		Total	150	100
6	Pre-utilization status	retired	22	14.7
		Government employee	36	24
		homemaker	25	16.7
		Private Sector Employee	5	3.3
		I do not work	62	41.3
		Total	150	100

The second topic: Theoretical concepts, research, and previous studies

First: The idea of small and medium-sized enterprises

There is no uniform definition of small business, as its concept varies from country to country. However, many factors depend on the definition, including the number of employees, amount of investment funds (capital), sales, technology used, and production standards (Shiha, 2001). The Organization for Economic Cooperation and Development defines SMEs as independent enterprises with at least 50 employees, while microenterprises employ more than 10 employees (El-Badri, 2006).

The European Union defines small enterprises as enterprises with (99-100) employees, while medium-sized enterprises have (100-499) employees. (Haddad, Manipulator, 2006).

Second: Characteristics of Small and Medium Enterprises

The following characteristics characterize this type of project:

1. Ease of creation and spread: From a legal and practical point of view, SMEs can be created quickly and simply as long as there is a will and the ability to generate personal incentives, especially since their capital scale is usually tiny; these projects do not have significant assets such as buildings, machinery, and equipment, operating materials or operating costs (Al-Sahlawi, 2001). Suppose such projects can be created by ordinary people, relatives, or friends. Further research and documentation are optional because ingenious ideas and creations often exist behind establishing such works, and the space is small (Al-Ghalbi, 2009).
2. Ability to attract savings: In general, due to the simplicity of the scale of capital, the owners of these projects grow and develop with their own money, from the personal savings of the family or the project's savings. Therefore, these projects are essential to using surpluses and accumulated fiscal savings to benefit the economy (Al-Badri, 2006).
3. Creation of jobs and employment of the labor force: SMEs contribute to the creation of jobs, improved use of natural resources, and reduced poverty since they are widely distributed in all regions and affect different parts of society. The method of employment is simple and direct, without the need for any skills or scientific qualifications. In addition, these projects usually adopt simple, easy, and direct production and operation methods, so they do not require skilled, managed, and well-prepared labor. Therefore, they contribute to creating and hiring good jobs, mainly because their owners employ relatives, friends, and close people in their area, thus ensuring the absorption of workers from different regions and with different productivity levels (Al-Asraj, 2006).
4. Easy to manage: These projects are characterized by an informal approach to employees or customers, a simple organizational structure, and centralized decision-making. They usually do not require qualifications and a lot of management experience, nor do they require document cycles or complex administrative follow-up. They rely on the owner for management and have all the power to make them successful. Therefore, they do not have conflicts of interest, and these projects can adapt to changing working conditions and have the opportunity to adopt new policies that adapt to environmental changes. They are characterized by low management, marketing, and fixed costs and must sell large quantities of products at low prices.

5. Capacity utilization: SMEs optimize the use of all economic resources, improve production efficiency, and maximize benefits. Therefore, they control all production factors, such as raw materials, operating costs, and human capital, and the production process is usually simple and straightforward (Al-Khatib, Al-Rifai, 2006).

6. Dependence on local markets: These projects are often in urban, rural, and rural areas.

7. Ease of entry and exit: These projects' capital and assets, including equipment, machinery, supplies, inventory, buildings, etc., are small in scale.

8. High flexibility and adaptability to variables: Due to the proximity of SMEs to consumers and their limited regional scope, they can adapt to various variables, such as the quality and composition of the workforce, operating and production policies, price fluctuations, and market fluctuations. Persecution behavior. Consumers and the realization of their desires (Balfather & Baghrsa, 2006). 9. Tools for self-training and technological development: Unlike the public sector, SMEs provide a good atmosphere for creativity, development, and innovation because they provide material incentives to employees and link these incentives to productivity. One of the essential characteristics of SMEs is that they use simple machines and equipment that do not require highly skilled workers to operate. However, they always try to develop their production capacity by cultivating cadres who participate in their work for creativity and innovation to develop and compete under their working conditions. Therefore, SMEs are an essential source of new ideas and inventions.

10. Integration with large projects: Some small and medium-sized companies are trying to produce results that can be used as inputs for some large projects, or these projects do not have enough experience to commercialize their results beyond their market boundaries. From this, it can be said that SMEs are essential in promoting economic development (Sayed, 1994).

11. Geographical distribution to achieve industrial localization: One means of settling industries in the region is the geographical distribution of SMEs through enterprises where competition prevails.

Third: The concept of economic development

The systems through which the concept of economic development is promoted refer to the process of the national economy at all levels (Roman et al., 2020).

Fourth: Economic Development Criteria

There are many criteria for judging a country's degree of economic development. The most important is the level and growth rate of per capita income because a significant improvement in people's living standards directly affects the overall economic situation, especially in developing countries with high and low per capita incomes (Pretorius, 2020, Platzeck).

Fifth: The importance of economic development

It is summarized in the following points:

- 1.To strive to improve the economic situation of an individual in order to increase his ability to save and think about new investment opportunities that will benefit his future.
- 2.To enable people to overcome many social obstacles that arise due to career development in their work sector, thereby improving the quality of life. •
- 3.To develop the infrastructure of countries, drive the development of fields such as health and education, and increase the satisfaction and comfort of the people of society.
- 4.To develop a trading system that increases the rotation speed of the national economy by increasing the value of exports and the productivity of the industrial sector.
- 5.To allow countries to carry out specialized studies that help find solutions to economic problems related to the census. (Stoica et al., 2020).

Second: Previous Studies

1- Study (Saad et al., 2021) Titled "The role of small and medium enterprises in economic development and social (The Syrian Experience) "

Economists in various countries attach great importance to the critical role of small and medium-sized enterprises in the construction of the national economy, especially since these projects have made a significant contribution to the employment of the labor force on the one hand. On the other hand, they have also promoted the development of the national economy. On the other hand, they support large projects and provide them with many essential services and goods. This study covers the concept of these projects and a series of experiences of some countries in promoting these projects, especially in managing these projects in the Syrian economy. This study mainly discusses the concept of small and medium-sized enterprises and their essential role in promoting economic development. These projects are an important part of economic and social development and help promote the development of various sectors. Even in unsustainable projects, small and medium-sized enterprises are essential in meeting economic and social needs. These projects are committed to improving the country's and the people's cultural identity through local activities and community development support. The study aims to provide solutions for developing the working environment of small and medium-sized enterprises because they are essential for improving organizational and management aspects, laying a legal foundation for increasing opportunities to receive financing and employing effective marketing strategies.

2- A study (Al-Subaihi, Sayel, 2008) entitled "Financing small projects as an entry point for economic development in Iraq and solving the unemployment problem." Anbar University Journal of Economic and Administrative Sciences

The study aims to determine the importance of small projects and their positive role in the economic development process and to use the experience of leading countries in this field to show the possibility of applying it to solve economic problems in Iraq, which suffered a severe blow after 2003. This study concluded that the best working methods are used to achieve the desired goals of supporting and financing small projects. At the same time, it was also found that financing small enterprises contributes to achieving social goals and, on

the other hand, provides material returns for achieving social goals if applied very effectively.

3- Study (Mikael et al., 2021) entitled **The Role of Small and Medium Enterprises in Achieving Economic Development in Theory and Applied Studies "**

The study aims to analyze the role of SMEs in the economic development of Egypt and Libya. The study found that these projects are evenly distributed in both countries and noted the importance of SMEs in promoting economic development, positively contributing to increasing GDP, and creating jobs. The applied study of the relationship between various types of SMEs and economic development goals shows that these projects play a crucial role in promoting development and economic and social stability.

4- A study (Al-Sheikh, 2019) entitled **"Small Projects and Their Role in Economic Development: An Applied Study of the Gaza Strip during the Period (2011-2018)"**

The study aimed to identify small projects for economic development in the Gaza Strip. The report found that small projects contribute 58.5% to the economic development of the Gaza Strip through their role in reducing unemployment, alleviating poverty, and improving living standards, and 18.9% through their role in creating jobs and reducing unemployment.

The second topic: the practical side

This portion of the review discusses the statistical analysis results that were obtained using a statistical analysis software program (SPSS, V27). If the study's cut-off points are determined by the recognized three-level test, the value is the difference between the highest value on the scale (5) and the lowest value on the scale (1). Three levels $(1-5)/3=1.33$, then this number is added to the lowest number in the scale's gradient (1). This results in the category's maximum importance and elevation. Table (2) illustrates this.

Table (2): Criteria for evaluating Likert scales with arithmetic means in axes, distances, and paragraphs

Arithmetic averages category	Grade
2.33-1	Weakly
3.67-2.34	Medium degree
5-3.68	Significantly

1. Believe the study tool

The instrument's validity is intended to ensure that it accurately measures what it is supposed to measure, while also checking the quality and consistency of the research instrument as evidence of authenticity was found in the following ways:

First: Obvious honesty:

In order to verify the authenticity of the content of the questionnaire, it was submitted in its original form to a committee of referees consisting of (4) experienced and capable referees

who were asked to assess the quality of the research instrument's axes, its paragraphs about the number of axes, the completeness of the language expression of the paragraphs, its clarity, appropriateness and belonging to its axes to achieve the research objectives and to add any feedback or changes they deem appropriate. Based on the revisions and comments of the reviewers, the revisions suggested by the reviewers were made.

2. Stability of the study instrument

The research instrument was validated by calculating the Cronbach alpha coefficient. Table (3) shows the total stability value, the stability coefficient for each axis, and the number of shoulders belonging to each axis. When looking at the values of the Cronbach alpha coefficient, it can be seen that all the values are more significant than (0.7). This indicates that the research instrument is robust, that it was created, prepared, and evaluated in an acceptable manner, and that the intended goals were achieved.

Table (3): Cronbach's alpha coefficient for measuring the research instrument

Axis	Dimension	Number of ferries	Coefficient of stability
SME Growth	-	8	0.835
Job creation and growth	Access to financing from financial institutions	8	0.758
	Increase in per capita income	8	0.884
	Reducing unemployment	8	0.762
	Total	24	0.823
Total stability		32	0.858

3. Study Results and Discussion

The first primary hypothesis: Iraq's SMEs grew on average.

Table (4): T-test for the arithmetic average of the growth of small and medium enterprises

Axis	Average Arithmetic	Deviation Normative	T value	Function level	Statistical significance
SME Growth	3.534	0.66	9.910	0.000	D

From Table (4), it can be seen that the average growth rate of SMEs is (3.534), the standard deviation is (0.66), and the T value is (9.910), which is significant and is greater than the critical value (1.96). The probability of the event (0.000) is less significant than the probability of the event (0.05). As a result, the results demonstrate a significant difference between the actual average of SME growth in Iraq and the hypothesized average (3). As a result, the first central hypothesis is legitimate.

The second critical hypothesis is that Iraq's job creation and growth are average.

Table (5): T-test of the arithmetic means of job creation and growth

Axis	Average Arithmetic	Deviation Normative	T value	Function level	Statistical significance
Job creation and growth	3.413	0.456	11.073	0.000	D

Table (5) shows that the arithmetic mean of Iraq's job creation and growth is (3.413) and the standard deviation is (0.456), which is at the average level, and the T-value is (11.073), which is significant, it is above the critical value (1.96) and its significance level (0.000) is below the moral level (0.05). Therefore, the results indicate that there is a statistically significant difference between the actual arithmetic mean of Iraq's job creation and growth and the hypothesized arithmetic mean (3), so the second main hypothesis is acceptable.

The third central hypothesis: "There is a statistically significant correlation (0.05) between SMEs and job creation and growth", the sub-hypothesis states:

Table (6): Pearson correlation coefficient between small business growth and job creation and growth

Axis	Job creation and growth	Correlation coefficient	Function level	Statistical significance
SME Growth		0.405**	0.000	D

****:** The correlation coefficient is significant at the level (0.01).

The results in Table (6) indicate that the coefficient of correlation between SME growth and job creation and growth is (0.405), this is a significant value, and its probability of being significant (0.000) is lower than the probability of being significant (0.05). As a result, the results demonstrate that there is a significant association between SME growth and job creation and growth, so the third central hypothesis is justified.

The first sub-hypothesis is that there is a statistically significant correlation (0.05) between SMEs and individuals' ability to obtain financing from financial institutions.

Table (7): Pearson correlation coefficient between SME growth and financing opportunities of financial institutions

Axis	Access to financing from financial institutions	Correlation coefficient	Function level	Statistical significance
SME Growth		0.304**	0.000	D

****:** The correlation coefficient is significant at the level (0.01).

From Table (7), we can see that the correlation coefficient between the growth of SMEs and the financing opportunities of financial institutions is (0.304), which is a significant value, and its p value (0.000) is less significant than the p value (0.05). As a result, the results demonstrate a significant association between the growth of SMEs and the financing possibilities of financial institutions, so the first sub-hypothesis is justified.

Second sub-hypothesis: There is a statistically significant correlation between SMEs and increased per capita income (significant level (0.05)).

Table (8): Pearson correlation coefficient between SME growth and per capita income growth

Axis	Increase per capita income	Correlation coefficient	Function level	Statistical significance
SME Growth		0.208**	0.000	D

****:** The correlation coefficient is significant at the level (0.01).

The results in Table (8) indicate that the coefficient of correlation between the growth of SMEs and the average income of per capita is (0.208), this is significant, and the level of significance is less than the ethical standard (0.000). Level (0.05), which is greater than the t-test's p value of 0.10, so the results indicate a significant association between the growth of SMEs and the average income of their owners, so the second sub-hypothesis is reasonable.

Third sub-hypothesis: There is a statistically significant correlation between SMEs and a decrease in unemployment (0.05).

Table (9): Pearson correlation coefficient between SME growth and unemployment decline

Axis	Increase per capita income	Correlation coefficient	Function level	Statistical significance
SME Growth		0.320**	0.000	D

****:** The correlation coefficient is significant at the level (0.01).

The outcomes in Table (9) demonstrate that the association between the growth of small businesses and the decrease in unemployment is significant, with a correlation coefficient of (0.320), and its significance level (0.000) is less significant than the moral level (0.05). As a result, the results demonstrate a significant association between the increase in SMEs and the decrease in unemployment, so the third sub-hypothesis is significant.

Fourth Theme: Conclusions and Recommendations

1. Conclusions:

The study found the following results:

1. Average (modest) growth in Iraqi SMEs.
2. Iraq has a moderate level of job creation and growth.
3. There is a statistically significant relationship between small and medium enterprise growth, job creation, and economic growth in Iraq, highlighting the importance of small and medium enterprise growth in promoting economic development.
4. There is a statistically significant correlation between small business growth and access to finance from financial institutions.
5. There is a statistically significant relationship between small business growth and growth in per capita income in Iraq.

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6. There is a statistically significant relationship between small business growth and a decline in unemployment in Iraq.

2. Recommendations:

Based on the research results, the following recommendations are made:

1. The need for financing of SMEs through financial institutions.
2. There is a need to focus on SMEs as they provide additional income to individuals.
3. Efforts to provide government schemes to support small and large projects as these are good indicators for reducing unemployment.
4. Provide necessary advice to SME owners to increase the activities of these projects as they make new contributions to economic development.
5. Conduct workshops and training courses for graduates and those with fewer qualifications to create awareness about the creation of SMEs and their importance in providing additional sources of income and creating jobs for the unemployed.

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