SUPPORTING OF THE SMALL AND MEDIUM ENTERPRISES AND THEIR IMPACT ON THE JORDANIAN ECONOMY

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Abstract - This study shows there is increasing interest in the small and medium-sized enterprises sector because of the important role it plays in the economy. These projects are considered the basis of economic development and one of the important tools for them. The problem of study is the weakness of financial support for these projects. This is reflected in the Jordanian economy represented by GDP that suffers from increased indebtedness and increased the trade deficit. The study concluded that there is a strong relationship with statistical significance between financial support for small and medium enterprises in Jordan and the Jordanian economy is represented by GDP. The study recommended the need to increase financial support for small and medium enterprises, and to establish specialized financing institutions for these projects because these projects suffer from poor creditworthiness.

Keywords - Small and medium enterprises, financial support, Jordanian Economy, commercial bank .

I. INTRODUCTION

Small and medium-sized enterprises play an important role in the economy of nations due to its leading role in the provision of varied work opportunities. Thus, it is the best way to foster economic development and social justice throughout the world. It works by creating jobs and solving the problem of unemployment. In addition, the reduction of immigration also increases the gross domestic product. Therefore, SMEs is the backbone of the economy in various countries around the world.

The concept of small and medium-sized enterprises differs from one country to another according to the different possibilities of economic and social conditions. However, there is an agreement among economists on the importance of this sector. This agreement forms the base of the economy in developed countries. The engine of the economy in developing countries is the sector which employs a large proportion of employment, and the sector which is characterized by economic diversification. Furthermore, it contributes to a good percentage of the gross domestic product. Subsequently, this sector suffers from many constraints, especially in terms of the financial side due to weakness in the finance because they carry a higher risk; this sector relies majorly on banks. The problem of the study is the absence of financial and technical support for these projects, subsequently there is a need to provide these projects because it has an impact on the Jordanian economy in terms of increasing the GDP and contribute to solving the problem of unemployment and achieving social justice. The bank can provide this support, especially in the field of financing and economic feasibility studies.

II. STUDY OBJECTIVES

The objectives of the study can be obtained by answering the following questions:

1. What is the reality of Small and medium-sized enterprises in Jordan?
2. What is the size of finance for Small and medium-sized enterprises in Jordan?
3. What is the importance of Small and medium-sized enterprises in the Jordanian economy?

III. STUDY FRAMEWORK AND HYPOTHESES

To study the Supporting of the small and medium enterprises and their impact on the Jordanian economy, the model below was constructed as follows:

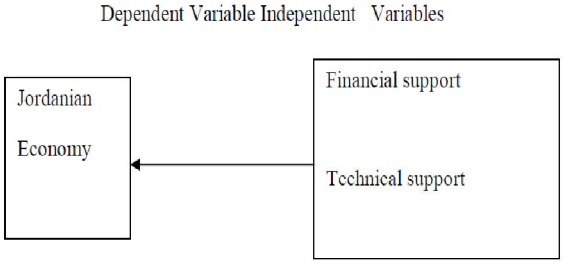


Figure 1.Study framework developed by the researcher

To study the Supporting of the small and medium enterprises and their impact on the Jordanian economy, the following hypotheses was built:

Ho1 - There is no significant statistical impact of (Financial support t ,Technical support) of the small and medium enterprises on the Jordanian economy measured by GDP at $p \leq 0.05$. However, it consists of the followings sub-hypothesis:

Ho1-1 - There is no significant statistical impact of financial support of the small and medium enterprises on the Jordanian economy measured by GDP at $p \leq 0.05$.

Ho1-2 There is no significant statistical impact of Technical support of the small and medium enterprises on the Jordanian economy measured by GDP at $p \leq 0.05$.

IV. THE THEORETICAL FRAMEWORK

4.1. Concept

Jordan's banking system is comprised of the Central Bank of Jordan and the licensed banks. Licensed banks include all Jordanian banks and non-Jordanian banks (commercial and Islamic) operating in Jordan and accept deposits. : (The Annual Report of the Central bank of Jordan, 2016).

The Arab Bank which is one of the oldest banks in Jordan was established in 1930. However, this was followed by the Alahli Bank which started in 1956. Thus, the Jordanian banks provide banking services allowed by law. Furthermore, it also considers the credit facilities of the most important services provided by the banks and which is the most profitable (Abdullah & Trad, 2006).

There are several definitions for small and medium enterprises which are as follows: They are projects or businesses with fewer than five workers and is approved by the Statistics General Department and the Social Security Corporation in Jordan division. On the other hand, the Ministry of Industry and Trade Jordanian stated that the project which employs a number of workers between 5-19 is a small project. In the United States, a project, which has a number of workers between 5-200 is considered as a small project. In addition, the European agency shows that a project whose number of workers is between 10-99 workers is considered as a small project.

Small Projects Characteristics

1. Centralization: The small-sized organizations are characterized by the existence of a single owner of the institution assisted by some helpers. Thus, most of the decisions and strategic focus is done or carried out by one person.
2. Informality: The prevailing relations inside the small-sized organizations are based on the spirit of friendship and family and informal relationships.
3. Locality: Most operations in small-sized organizations in a particular geographic area, means that its operations centers at a local site.
4. 4- Successful Organizations Rely on Specialization: These organizations adopt and specialize in producing only one product.
5. The Use of the Means of Production is Small and Less Expensive: This means that these organizations do not use sophisticated techniques. They depend on the density unions, and lower production volume reduces storage costs (Najjar & Ali, 2010).

4.2. Previous Study

There are many studies that addressed the Obstacles of finance of small projects. The most important of these studies are:

1. The Study (Omar, Ballmosa, 2013) entitled "Obstacles for small and medium projects in Algeria and ways of developing." The study aimed to identify the problems and obstacles that is facing small and medium projects in Algeria and ways of support. The study identifies the importance of these institutions in the economic development of the national economy It also pointed that some of the Asian countries have made tremendous achievements over the past period through its reliance on small projects.The researcher recommended that there is a need to address the problems faced by these projects and there is the need to provide the needed infrastructure for such projects.
2. The Study (Alsawi, Ali, 2015) entitled "The role of the banks in the sustainability of micro-financing projects to address societal poverty." The Study aimed to identify the role of the banks in the sustainability of microfinance to alleviate societal poverty. Here lies the problem of the research in the non-exploitation of banks in Sudan to the proportion of 12% set by the Central Bank of Sudan. This was obtained from the portfolio of funding for financing smaller projects. The study found that no banks deal with this ratio's commitment due to low yield and the high cost of finance. The study recommended that there is a need to encourage banks to grant funding for small projects with state support for banks through tax exemptions.
3. Study (salman,abbadi,2015): mall projects and their developmental impact The research is to identify the developmental impact of small projects supported by the Employment and Enterprise Development Authority in Syria in order to reduce the unemployment problem and improve the standard of living. The study concluded that the subsidized projects provided a lot of job opportunities and this led to improving the standard of living. Are facing funding difficulties. The study recommended the necessity of conducting economic feasibility studies for projects and establishing specialized centers in the provision of professional consultancy.
4. Ali,Rashid and Khan (2014):The role of small and medium enterprises and poverty in Pakistan: an empirical analysis. The aim of the research was to identify the impact of micro and small projects on the level of poverty in Pakistan and study the impact of the increase in inflation rates and the level of income on poverty.

The study concluded that the small and medium enterprises sector plays an important role in economic growth and job creation. The study recommended the necessity of establishing a database for these projects and the need to facilitate the provision of support.

V. METHODOLOGY OF THE STUDY

In this study, the hypotheses were tested, and answers to the questions of the study were provided. The study relied on descriptive and analytic method, as well as field study. With regard to the descriptive method, the study gave an accurate picture of the financial support for small and medium enterprises in Jordan and the Jordanian economy is represented by GDP.. Through previous studies, as for the side of the field, the study relied on a questionnaire designed to collect the necessary data to test hypotheses.

5.1. The Population of the Study: Scope of the Study the population of this study represents the Jordanian commercial banks in the Jordan, which offers various banking services to the customers. Here, the study distributed a questionnaire to obtain information about the study.

5.2.Tools of the Study

The study designed a questionnaire to solicit the views of an employee of Jordanian commercial banks about the study through Likert scale. The study distributed 210 questionnaire, 200 of the questionnaire has been recovered, while the percentage is 95.3%.

5.3. Sincerity and Persistence of the Study Tool

A tool of the study (a questionnaire) has been shown on a group of arbitrators (5 experts). To ensure the veracity of content resolution, good drafting, and representation of the subject accurately, the reliability coefficient of the questionnaire according to the coefficient (Cronbach alpha) is 85%. This was performed through the statistical analysis of the study's sample.

VI. THE RESULTS OF HYPOTHESIS TESTING

6.1.Descriptive Statistics

This section which contains the results of the study aimed to know the impact the financial support for small and medium enterprises in Jordan on the Jordanian economy is represented by GDP.. It also included a description of the personality variables for members of the study sample. In addition, the study used the Statistical Package for Social Sciemces software (SPSS) to extract the averages, arithmetic, and standard deviations of the paragraphs of the questionnaire. Thus, the following is a presentation of the demographic variables according to Table 4:

Variable	Frequency	Percentage %
1- Gender		
Male	160	80%
Female	40	20%
2- Job site		
Manager department	10	5%
Assistant manager of the Department	10	5%
Manager branch	140	80%
Head department	40	20%
3-Academic Qualifications		
Graduates (Ph.D. or Master)	39	20%
Bachelor's	141	60%
Diploma or less	20	10%
4-Years of experience		
5 years or less	10	5%
More than 5 to10 years	10	5%
More than 10 to15 years	160	80%
More than 15 years	30	15%

Table 4. Distribution of the study sample according to demographic variables

6.2. Results of Testing the Hypotheses

6.2.1: Descriptive Statistics

Number	Paragraph Financial support	Arithmetic Averages	Standard Deviations
1-	The Commercial Bank apply low-interest rates on loans for the small and medium enterprises.	3.65	.033
2-	The term of loans of the small and medium enterprises is suitable.	3.21	1.09
3-	The Commercial Bank has required guarantees from the small and medium enterprises in order to approve the finance.	3.62	.59
4-	The amount of the granted loans from the Commercial Bank to the small and medium enterprises is adequate	3.22	0.91
5-	The Commercial Bank does allow the provision of non-funded term on the small and medium enterprises.	3.13	.75
	Total	**3.358**	

Table 5. The results of the answers to the questions of the hypothesis

The researcher notes from the previous Table 5 includes paragraphs that test the first hypothesis that the Arithmetic Averages ranged between 3.13-3.65, and the highest average is paragraph No. 1, which states “The Commercial Bank apply low-interest rates on loans for the small and medium enterprises.” In general, all averages were higher than Class 3, and the overall average of the paragraph is 3.358.

The researcher notes from the previous table 7, which includes paragraphs that test the first hypothesis that the Arithmetic Averages ranged between 3.34-3.89, and the highest average is paragraph No. 8, which states “There There is a support in financial anaylsis to small and medium enterprises..” In general, all

averages were higher than Class 3, and the overall average of the paragraph is 3.512.

Number	Paragraph Technical support	Arithmetic Averages	Standard Deviations
6-	Procedures of registration of small and medium enterprises are very short .	3.34	.47
7-	There are support in feasibility studies to small and medium enterprises .	3.46	1.01
8-	There is a support in financial anaylsis to small and medium enterprises.	3.89	.57
9-	The banks does provide the necessary support to small and medium enterprises with regard to the training of human resources.	3.36	.83
	Total	3.512	

Table 6. The results of the answers to the questions of the hypothesis

Number	Paragraph Jordanian economy is represented by GDP	Arithmetic Averages	Standard Deviations
10-	The Jordanian economy suffers from unemployment.	3.38	.92
11-	Small and medium enterprises increase GDP.	3.37	.21
12-	Small and medium enterprises contribute to solving the problem of unemployment.	3.30	.79
13-	Small and medium enterprises contribute to the increase of foreign currencies through increased exports	3.11	.78
	Total	3.29	

Table 8. The results of answers to the questions of the hypothesis

The researcher notes from previous Table 8, which includes paragraphs that test the first hypothesis that the Arithmetic Averages ranged between 3.11-3.38, and the highest average is paragraph No. 10, which states "The Jordanian economy suffers from unemployment." In general, all averages were higher than Class 3, and the overall average of the paragraph is 3.29.

6.2.2: Test of the First Hypotheses

In the section of this study, we present an analysis of the results of the study hypotheses. As mentioned before, in testing Ho1, we also use a sample of an employee of the Jordanian commercial banks. The following subsections provides an analysis of the results of hypotheses testing at the total sample level.

In testing the first hypothesis, multiple linear regression tests was used and the result is as shown in Table 9.

Ho1 - There is no significant statistical impact of (Financial support ,Technical support) of the small and medium enterprises on the Jordanian economy measured by GDP at $p \leq 0.05$.

From Table 9, there is a significant impact of independent variables on the dependent variable. Thus, this refers to the good relation between Affecting Factors and the financing of small projects, the value of Sig. is less than 0.005, and The value of Pearson correlation (R) =0.89. Thus, this refers to the rejection of the null hypothesis and the acceptance of the alternative hypothesis.

Dependent Variable	Independent Variables	Regression Coefficient B	Value of T calculated	Sig.
Jordanian economy measured by GDP	Financial support	0.141	2.02	0.001
	Technical support	0.107	1.32	0.002
R=0.89 R2= 0.79 F=50.11		Sig.=0.000		

Table 9. Result of the multiple linear regression tests

To test the sub-hypothesis no.(1), we used a simple linear regression test and the result is as shown in Table 10.

Ho1-1 - There is no significant statistical impact of Financial support of the small and medium enterprises on the Jordanian economy measured by GDP at $p \leq 0.05$.

Independent Variable	Dependent Variable	Regression Coefficient B	Value of T calculated	Sig.
Jordanian economy measured by GDP	Financial support	0.123	1.70	0.001
R=0.85	R2=0.72	F=57.1	Sig.=0.001	

Table 10.Result of the simple linear regression test

From the Table 10, there is a significant impact of the independent variable on the dependent variable. Thus, this refers to the good relation between the Banking obstacles and the financing of small projects, the value of Sig. less than 0.05, and the value of Pearson correlation (R)=0.85. This refers to the rejection of the null hypothesis and acceptance of the alternative hypothesis.

To test the sub-hypothesis no (2), we used a simple linear regression test and the result is as shown in Table 11.

Ho1-2. There is no significant statistical impact of Technical support of the small and medium enterprises on the Jordanian economy measured by GDP at $p \leq 0.05$.

Independent Variable	Dependent Variable	Regression Coefficient B	Value of T calculated	Sig.
Jordanian economy measured by GDP	Technical support	0.121	2.57	0.001
R=0.82	R2=0.67	F=44.1	Sig.=0.001	

Table 11. Result of the simple linear regression test

From Table 11, there is a significant impact of the independent variable on the dependent variable. Thus, this refers to the good relation between small projects obstacles on the financing of small projects, the value of Sig. less than 0.05, and the value of Pearson

correlation (R) =0.82. This refers to the rejection of the null hypothesis and the acceptance of the alternative hypothesis.

SUMMARY AND CONCLUSION

This study attempts to investigate the impact of (Financial support ,Technical support) of the small and medium enterprises on the Jordanian economy measured by GDP Thus, the results (findings) shows:

1. There is a significant statistical impact of the Financial support ,Technical support) of the small and medium enterprises on the Jordanian economy measured by GDP .
2. The study rejected the null hypotheses and accepted the alternative hypotheses for the main hypotheses.
3. The study rejected the null hypothesis and accepted the alternative hypothesis for the three sub-hypothesis.
4. There is a good statistical relationship between(Financial support ,Technical support) of the small and medium enterprises on the Jordanian economy measured by GDP .

RECOMMENDATIONS

The study has recommended the following:

1. The Central Bank of Jordan should encourage banks to support small and medium-sized enterprises .
2. There is a need for the government to support to small projects; specifically training of the human resources and the making of an economic feasibility study.
3. Banks in Jordan should assist small and medium enterprises in conducting economic feasibility studies

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