IMPACT OF AFGHANISTAN GOVERNMENT SUPPORT ON SMES' GROWTH LEVEL
THE CASE OF AREDP COVERED SMES IN HERAT PROVINCE

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ABSTRACT

Afghanistan Rural Enterprise Development Program (AREDP) is one of the largest governmental SMEs development programs in Afghanistan since 2011.
The aim of this research is to investigate the impact of this program support on SMEs growth level in Herat province of Afghanistan. 4 years secondary panel data of 127 out 146 covered SMEs of this province used for this research.

The number of direct, indirect & and total employees of the SMEs is used as an indicator of growth. Therefore, depended on variables of this study are the direct, indirect and total number of SMEs employees. AUGUST categorical supports (soft skill training, vocational training, exhibitions and machinery & toolkits) & It supports which are combined with 13 individual supports of this program are treatment variables. startup capital, owner's education level, dummy variables for gender and business type of SMEs are used as control variables in this research.

Ordinary least square (OLS) model & Stata 64 software are used for data analysis. Overall, it has been founded that the government support has a positive significant impact on SMEs growth level except for one type of support (vocational training) which is negatively related to the number of employees. we also find an interesting result from control variables.

This study provides evidence for policymakers to prioritize government support for better SMEs development in order to achieve containable economic growth in the country.

Key words: Economic Development, Ministry of Rural Rehabilitation and Development (MRRD), Afghanistan Rural Development Program (AREDP), Small and Medium Enterprise (SME), SME Growth level, Afghanistan Government Support.

1. Introduction:

Small and medium enterprise has always significant role in the economy as SMEs known as engine of GDP and over 65% of total employment in high-income countries, SMEs and informal enterprises account for over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries" (OECD 2004).

Experiences documented from the countries with fast economic growth and development pace regard private sector and Small & Medium Enterprises as one of the key drivers of the growth in those countries. Sustainable SMEs can contribute to generating employment opportunities, poverty reduction, and an overall positive impact on a country's balance of payments. Considering the important role, the private sector and SMEs, play in an economic domain, governments of developing countries with support from international financing entities focus on enterprise development and tend to layout promising frameworks for SMEs.

Two of the famous economic growth theories, Balanced and Imbalanced Growth, suggest that two methods to base an economic growth mechanism on. Balanced Growth claims that an economic growth could be driven by a simultaneous and investment of a government on private sector and public infrastructure, while the Imbalanced Growth theory suggests investment on either of the two. It discussed that in this case, the investment in one of the two sectors can create an intensity for growth in other. Particularly, if a government has limited resources to invest in public infrastructure, the private sector can be used as a tool to boost economic activities and, ultimately, contribute to economic development.

"The World Bank (2002, 2004), however, gives three core arguments in supporting the view that SMEs can function as the engine of growth in developing countries. First, SMEs enhance competition and entrepreneurship and hence have external benefits on economy-wide efficiency, innovation, and aggregate productivity growth. Second, SMEs are able to grow or they can be as productive as LE. This argument is also supported by Berry, et. al (2001, 2002)"(Beck and Levine 2005)

"(Little, et al., 1987). Furthermore, recent work finds that under-developed financial and legal institutions hurt many types of firms besides SMEs. Indeed, research finds that under-developed institutions constrain firms from growing to their efficient sizes (BeckSME playset al., 2003; and Kumar, et al., 2001)"

The tired argument is that, efficient and contribution of SMEs to the economy determined by the natural resource, policy technology and industrial competition of a country, for example, a country may produce a product in small firms with greater comparative advantage than a product produces in large firms and vice versa.

"SMEs, Growth, and Poverty: Cross-Country Evidence Thorsten Beck, AsliDemirguc-Kunt, and Ross Levine First draft: November 2002 This draft: March 2005"

1.2 SME Role in Modern Economy

SMEs play a significant role in the development of each country as the SMEs by providing job opportunities, income generation and sustainability of economic growth. Therefore, in all countries the government always trying to support and assists SMEs in different aspect as SMEs contribute between 60%and 70 % of GDP.

"SMEs performance is very important for economic and Social development of countries (levy, berry, and Nugent,1999) from an economic perspective, SMEs provide number of benefits (Advani,1997, Halberg,1999,liedhom and Mead,1999)"

1. SMEs enhance industrial flexibility due to their size can easily adapt changing demand patterns in economic condition.
2. SMEs are very flexible to adopt technology and produce new products, that, can lead to contribute to national technological development.
3. SMEs can be used as engine of development by generating income and employment, contribute to gross domestic product, reduction of unemployment and reduce poverty
4. SMEs provide skills to individual that lead him to get more economic opportunities and family to support
5. SMEs always bring equity and helping in incoming distribution especially among to labors who work for the firms.

Social Benefit of SMEs always contribute to specific regions and the to be more effective and

efficient for that particular region like a group or cooperate firms, apart from that the SMEs can have another social impact as providing experience, responsibility and individual ability to work and participate in governance (Fischer &Reuber, 2000).

1.3 SME Development and Key Factor of Priority of Afghanistan Government

Afghanistan, being a developing country, grinds in support from international community and international institutions dealing with economic agendas. Hence, the government of the Islamic Republic of Afghanistan, with support from the international donor community, has undertaken national programs to create sustainable SMEs and develop those operating.

An important example of such programs is the Afghanistan Rural Enterprise Development Program (AREDP). AREDP was initially designed a 5-year national intervention to create employment opportunities in rural areas of Afghanistan and increase the income of rural men and women. Multiple donors financed the program. Throughout its implementation, it received donations from the World Bank's International Development Association (IDA), Afghanistan Reconstruction Trust Fund (ARTF), United a Development Program (UNDP), Canadian International Development Agency (CIDA), and the Dutch Government. Some donors dropped their donation upon completion of the program's first phase, while others continue to finance the program via a continuous chain of short-term allocations.

AREDP has two program components and a support component. The program components are; Community-based Enterprise Development (CED), and Small & Medium Enterprise Development. The CED's focus is to begin SME creation from scratch through establishment of Saving Groups (SG) in villages, establishment of Enterprise Groups (EG), graduation of SGs to Village Saving Loan Associations (VSLA – village based small banks for financing), and using VSLAs to as credit sources for EGs while building the capacity of EGs and linking them to urban SMEs.

THE SME Development Component works to make established SMEs sustainable and develop their capacities to employ more, sell more, and widen their scope of coverage. These objectives are achieved through the provision of business development support services such as; provision of soft training, technical training, exposure visits, forward and backward linkages, linkages with financing institutions, and an innovation award scheme.

1.4 Role of Governments on SMEs Development

Afghanistan in recent decades has made great progress in different areas, especially in private sector, livelihoods, rural development and public financial management. We cannot ignore the role and massive support of international community on the rebuild of Afghanistan.

The government of Afghanistan's SMEs Strategy finalize in December 2009long-termand the purpose of this strategy is to inspire pro-poor growth by generating jobs opportunities in rural are where have been neglected on the flourishing economy.

By the help of this strategy the government analyses SME sector and with the following criteria identifying to give priority for assistance

- ➢ Domestic private firms have already entered them spontaneously.
- ➢ The sector is labor-intensive and has a strong rural presence.
- ➢ The sector's current growth rate either in Afghanistan or globally is high.
- ➢ The barriers to entry are low.
- ➢ Necessary raw materials are ANDS Afghanistan.
- ➢ Many of the skills needed to be competitive in the industry already exist.
- ➢ The technology requirements are either moderate or Afghanistan has the ability to introduce the technology quickly and cost-effectively.
- ➢ The technology requirements are either ANDS or Afghanistan has the ability to introduce the technology quickly and cost-effectively.
- ➢ Afghanistan has the ability to compete across multiple parts of value chain.
- ➢ Afghanistan has the potential to move up the value chain.
- ➢ They produce tradable goods and services that have been produced for about 20 years in similar dynamically growing countries – particularly neighboring ones; and
- ➢ Afghanistan is likely to have a competitive advantage.

1.5 Afghanistan Rural Enterprise Development Program(AREDP)

As in my research mostly focused on SMEs, which is covered by AREDP program, therefore I feel to add this chapter to explain the AREDP program and provide more information for the readers.

What is AREDP?

Afghanistan Rural development program is the largest SMEs development program in Afghanistan that jumped to private sector of rural development of Afghanistan.AREDP was initially designed a 5-year national intervention to create employment opportunities, increase the income of rural men and women and sustainability of business in rural of Afghanistan. The program was financed by multiple donors. Throughout its implementation, it received donations from the World Bank's International Development Association (IDA), Afghanistan Reconstruction Trust Fund (ARTF), United Nation Development Program (UNDP), Canadian International Development Agency (CIDA), and the Dutch Government. Some donors dropped their donation upon completion of the program's first phase, while others still continue to finance the program via a continuous chain of short-term allocations.

AREDP Program Structure:

AREDP has two main program components and a Functional &support component.
  - ➢ **Community-based Enterprise Development (CED)**
  - ➢ **Small& Medium Enterprise Development(SMEs)**
  - ➢ **Functional &Support Component**

Covered provinces by AREDP: Heart, Nangarhar, Bamyan, Balkh, Kandahar.

For the purpose of this program the following definitions have been given to micro, small and medium enterprises:

Micro-enterprises:1-10 employees with an average of 2 employees

Small enterprises:11-50 employees with an average of 15 employees

Medium enterprises:51-250 employees with an average of 70 employees

1   Literature Review

Many research and studies evaluated the unique role of SMEs in the developing countries, SMEs plays important role in creating a job, new ideas, innovation and inspiration of business activate and mark a major influence on the well-being of a nation.

The important qualification of SMEs in long-term stability and existence depend on sales and profitability, the profitability of the SMEs has a significant impact on other achievements of the firm and its indicated by the profitability of the firm.

The study investigated the impact of profitability and employment on growth level of SMEs, use of growth always measure by SME performance on Sales and profitability (Markman, 2002) as profitability is the main indicators for sustainability of SMEs and associated with economic scales, it's quite difficult to imagine sustained growth of SMEs without profitability.

"Growth could lead to higher profitability based on evidence that new firms become more profitable when they enter quickly and a large scale" (MacMillan &Day, 1987:2). In addition (Hoy, 1992) indicate that the pursuit of high growth may be slightly or even negatively associated with firm profitability. Sexton et al (2000) "found that firm profitability was simultaneous with sustainable growth," while Chandler and Jensen (1992) "found that sales growth and profitability were not correlated"

In developing countries such as Indonesia Profitability and contribution of SMEs to the national economic structure is not only a priority but also a key factor in the evolution of businesses and regional development. In addition, ACs (1984) discusses how small new firm entered sector as "cause of conversion". Based on new product and process.

It shows that these factors are very essential because given effect on economic growth level, employment, innovation, and technology change. The firm cannot survive without profitability, the firm in order to attract outside capital the profitability comes as a first primary objective of the firm.

Also, studies of SMEs in developed countries such as the United States show the importance of SMEs role not only in creating job opportunities but also can be a source of innovation.

Based on (National Accountability Standard p.289) "incomes make the capital increase" therefore income and expenses are the key factors by which we can measure profitability.

 Income is the gross profit generated during the accounting period, and income can make the capital increase. According to (National Accountability and Standard p.71) Expenses are outflows "the decreases in economic profits" during the reporting period, resulting in the reduction of assets or increase in liabilities and reducing the capital.

Measuring the growth rate of firms can have evaluated by many factors but profitability is one of the important factors of measuring the success of the business.

White Charter of Romanian state that SMEs can generate the highest gross domestic product in each country frequently between55% – 95%, can provide the employment for most population and can create a major part of the technical innovation applicable in the economy (2009, p. 15).

SMEs growth lead countries to development and stability and will help them to recover from the conflicts, as SMEs are the foster of job creation and economic development, SMEs always trying to find required capital, market and networking to grow up their businesses.

Delmar et al, (2003) claimed that the SMEs grow in different ways and the firm's growth depend on the age, size, and field of industry (Delmar overall, 2003).

Delmar et al (2003) stated that the SMEs growth is not static in nature there might be different substantial and also indicate that, the firm is not static in nature and there might be substantial variant over time for firm's growth, such as the dynamic nature of growth is an area worthy of investigation.

SMEs are highly seen to factors stability and economies of countries and most of the government focus to promote and develop SME sectors to endorse economic growth, as SMEs create job opportunities and income generation to the economic, most of the developed and developing countries implementing many programs to promote SMEs for example, in South Africa, SMEs are contributing on private sector 56% on job creation and employment and almost 36% of GDP(Ntsika.2012).

Therefore, SMEs manager always trying to promote the SMEs stability by increasing sales and profit and contribute more to the economic scale, as cited in Rantamaki-Lahtinen et al. (2007), Penrose (1995) observes that managers try to maximize long-run profits, while Barney and Arikan (2005) regard firm as a profit-maximizing entity.

By above statements arguments, we understand that SMEs growth required long term plan and process for capacity building and promoting the business environment, the government can play very critical and supportive role by implementing SME development program and support SME sector to assist the SMEs owner to obtain growth of their business.

Salman and Yazdanfar (2012) stated that SMEs firm act as a pillar of national economic growth and job creation.

Economic growth strategy frees that "poor countries fail to grow can face a serious problem because they are helpless and impotent to crises, one of the best practice to address unemployment is to leverage the employment creation potential of small businesses and to promote small business development (FinMark Trust, 2006:731).

The International Finance Corporation (IFC) reports that SMEs in developing countries supply 45 percent of formal employment in the manufacturing sector and SMEs contribute, on average, to 29 percent of formal GDP in low-income countries. In developed countries, these figures rise to 67 percent and 49 percent, respectively.

Gree and Thurnik (2003) claimed that, the contribution of the SME sector cannot be sustained without the creation of new SMEs. Schumpeter (1934) as cited in Wong et al. (2005) was one of the earliest economists to argue for new firm creation.

According to Schumpeter, new firms are the vital force behind the progress of capitalism.

New SMEs introduce new products and develop new technologies. As an important source of innovation, new firms bring competitive pressure to bear on established firms.

According to Maas and Herrington (2006), new SMEs are seen as a significant component of the solution to SouthAfrica's development issues.

According to fact and evidence, the prosperity of the economy in South Africa is due to creation and sustainability of new firms as SMEs are the engine of growth and without the creation of SMEs South Africa could face economy latency over the time.

Given the failure of the formal and public sector to understand the growing number of job seekers in South Africa, increasing attention has focused on entrepreneurship and new firm creation and its potential for contributing to economic growth and job creation (Herrington et al., 2009:3)

Almost after decades of war that Afghanistan was facing by new government and flows of almost 16 years of reconstruction depends on billions of dollars, the government start implementing many programs for development of SMEs sectors and to ensure the social, economic and political well- being of rural society, especially poor people in the different region.

There are also other research and studies about other factors of SMEs' development, such as innovation, globalization, institutionalization, gender, education improvement as so on. However, there are only a few studies focus on Afghanistan and on SMEs development and the role of government on SMEs development and SMEs growth due to the data limitation.

My studies will apply 160 of SMEs in Heart Province of Afghanistan' where this province is one of the main and potential provinces in existence maximum number of firms and known as an industrial pole of Afghanistan, data and econometric model to fill this gap in the literature and empirical part.

2 Methodologyand Data

3.1 Research Methodology

long-term to investigate the impact of the number of supports on SMEs development. Panel data for 127 SMEs of Heart from 2011 to 2014 will be applied by Ordinary Least Square (OLS) regression analysis. It includes 504 observations.

The dependent variables are the number of the employee that refined three different types, namely, direct employee, indirect employee, and total employee (Table 5.3). We use the number of employees to measure the growth level of the SMEs.

As the research focuses on SMEs which is under coverage of AREDP program, we chose the number of employees has an indicator of growth because the main objective of AREDP is the sustainability of SMEs, income generation and increase employment.

SMEs are highly seen to play an important role on stability and economic of countries and most of the government focus to promote and develop SME sectors to endorse economic growth, as SMEs create job opportunities and income generation to the economic, most of developed and developing countries implementing many programs to promote SMEs for example, in South Africa, SMEs are contributing on private sector 56% on job creation and employment and almost 36% of GDP(Ntsika.2012).

The independent variables are the number of supports, which run two different combinations for each dependent variable (Table 5.3). The first type is the numbers of four categories support by combining the individual supports, namely, soft skills training, vocational training and exposure visits, exhibition, and machinery &toolkits (table 5.4). In addition, the second type is total supports that are the summation of 13 types' individual supports.

Additionally, the four control variables (Table 5.4) chosen according to the literature and data availability, include start-up capital which is the sum of fixed capital and current capital, dummy variable of gender, dummy variable of business type which include solo pro and partnership, and the owner's education level which includes literate, baccalaureate and bachelor, and in order to make analysis, we transferred them as numerical type as 6, 12, and 16 years, respectively.

This study intended to investigate the relationship between the number of the employee of the SMEs and the number of supports. Regression will run by following hypotheses:

$H_{0, A1}$: There is positive relationship between number of direct employee of SMEs in soft skill training

H$_{0, A2}$: There is positive relationship between number of indirect employee of SMEs in soft skill training

H$_{0, B1}$: There is positive relationship between number of indirect employee of SMEs in vocational training

H$_{0, B2}$: There is positive relationship between number of indirect employee of SMEs in vocational training

H$_{0, C1}$: There is positive relationship between number of indirect employee of SMEs in exhibition

H$_{0, C2}$: There is positive relationship between number of indirect employee of SMEs in exhibition

H$_{0, D1}$: There is positive relationship between number of indirect employee of SMEs in machinery

H$_{0, D2}$: There is positive relationship between number of indirect employee of SMEs in machinery

H$_{0, E1}$: There is positive relationship between number of direct employee of SMEs in total support

H$_{0, E2}$: There is positive relationship between number of indirect employee of SMEs in total support.

3.2 Models

This research applied ordinary least square (OLS) for panel data to investigate the impact government supports the SMEs development of Heart in Afghanistan. The dependent variable is the number of employees. We run the regression with a number of the direct, indirect and total employee as the dependent variables.

The independent variables have three different types, four types categorical supports and total supports. When we run the regression, the second term in equation 5.0, $\beta_n S_{nij}$ represent the support. We will change it accordingly. The value of m will be 4 and 1.

The control variables are fixed in the model, including startup capital of each SMEs, owner's gender in dummy variable, business type of the SMEs, and the owner's education level.

$$Y_{ij} = \beta_0 + \sum_{n=1}^{m} \beta_n S_{nij} + \sum_{p=1}^{q} \beta_p X_{pij} + U_{ij} \ (5.0)$$

where,

(5.1)

dependent variables: (Y_{ij}): number of employee of year j

independent variables: (S_{nij}): number of support of year j

control variables: (X_{nj})

β_0: constant term

U_{ij}: error term

n: specific support, m: number of support, i: specific SMEs, j: number of years, p: specific control variable.

3.3 Data analysis:

The Afghanistan Rural Enterprise Development Program (AREDP) is executed by the Ministry of Rural Rehabilitation and Development (MRRD) of Afghanistan with funds from the International Development Association (IDA) of the World Bank Group, and other funds contributed by bilateral donors.

Afghanistan Rural Enterprise Development Program (AREDP) is intended to jumpstart private sector growth in rural Afghanistan by closing this gap over a 10-year time period. By focusing on selected "Champion Products" in strategic sub-sectors of the economy and the country's comparative advantage, the program aims to reduce reliance on imports of mass consumption goods at the same time as supporting value addition to export items.

Heart**,** Nangarhar**,** Bamyan**,** Balkh**,** Kandahar province are covered by AREDP. For the purpose of this program, the following definitions have been given to micro, small and medium enterprises:

- Micro-enterprises: 1-10 employees with an average of 2 employees.
- Small enterprises: 11-50 employees with an average of 15 employees.
- Medium enterprises: 51-250 employees with an average of 70 employees.

Totally, AREDP cover 160 SMEs in Herat province since the beginning of the program and now only 146 SMEs are active and operate in Herat province. The remaining 14 SMEs got phase out automatically as the size of SMEs got large due to the new definition of SMEs for the second phase of the program. Therefore, these 14 SMEs are not registered with AREDP program anymore, it means the final SMEs register with AREDP is 146 SMEs.

For this research, only 127 SMEs out of 146 SMEs will be analyzed. The number of support is considered as the independent variable from the year 2011 to 2014. The reason for other 19 excluded SMEs which dropped and not consider for this research is because most of them

received support after 2015. Apart from that, we had some other limitation & missing data as well which were needed for this research.

Finally, our sample size is 127 SMEs from 2011- 2014. The panel data is our data type for this research.

All the data for this research is secondary data and collected by AREDP program in Herat province during 2011-2014 in different ways such as developing business plans, meetings, workshop, questionnaires and survives. Our data are including of three main part: SMEs profile, Number of Supports, Direct and Indirect Employees.

SMEs profile including names, owner's gender, start-up capital, business type**,** year of establishment, SME cycles, SMEs owners name, SMEs contacts number and email address**,** owner education level**,** year of registration with AREDP**,** fixed and current assets, district and village, websites & social media, market types.

Totally, AREDP provides 18 types of supports for SMEs under the coverage of the following program.

- Soft Skill Training:10 types
- Vocational Training and Exposure Visit: 4 types
- Exhibitions: 2 types
- Machinery and Toolkit: 2 types

AREDP provides 13 types of support for SMEs in Herat province, which is as follow:

Type of Support for Herat Province: SMEs received only 13 types of supports.

Table 1: Categories of Support and individual supports

SoftSkills Training	Vocational Training andExposureVisits	Exhibition	Machineries&Toolkits
Accounting	International Exposure Visits& Technical Training	International	Tools andEquipment's
Advance Accounting	Legal Environmental Social Training	National	
Business Administration& Management	NationalexposureVisits& Technical Training		
Marking Training			
Advanced Marketing Training			
Business Plan Development Training			
On job Training			

The data is including the number of employees for direct and indirect from 2011 to 2014 for each year separately. It means we have the number of direct and indirect employees for 127 SMEs for each single year.

Table 2: List of Observation (Dependent and Independent Variables)

Dependent Variables		Independent Variables	
demp	Direct Employee	Acc	Accounting Training
idemp	Indirect Employee	Adcc	Advanced Accounting Training
temp	Total Employee	Mar	Marketing Training
		admar	Advanced Marketing Training
		Bam	Business Administration and Management
		Bdp	Business Plan Development Training
		İexb	International Exhibitions
		Nexb	Notional Exhibitions
		İexpt	International Exposure Visits & Technical
		nexpt	National Exposure Visits & Technical Training
		Lest	Legal Environmental & Social Training
		Oj	On job Training
		Te	Tools and Equipment's

Table 3: Control variables

Control Variables		Categorical independent variables	
Scap_usd	Startup capital in	Soft	Soft Skill Training
Gen_d	Dummy Geder	Voc	Vocational Training and Exposure Visit
bt_d	Business Type	Exbs	Exhibitions
Oe_n	Owner Education	Mch	Machineries &Toolkits
		Soft	Soft Skill Training
Scap_usd	Startup capital in dolor		

4 Discussions, Limitations and Implications

4.1 Discussion

Table 4: Summary of findings

Variables	Categriocal	demp	idemp	temp	Variables	demp	idemp	temp
Acc								
Adacc								
Mar								
Admar	Soft	+	X	X				
Bam								
Bpd								
Oj					Ts	+	+	+
İexb								
Nexb	Exbs	+	+	+				
İexpt								
Nexpt		-	-	-				
Lest	Voc							
Te	Mach	X	+	+				
	scap_usd	+	X	X	scap_usd	+	X	X
	gen_d	-	X	X	gen_d	-	X	-
	bt_d	-	-	-	bt_d	-	-	-
	oe_n	X	+	+	oe_n	X	+	+

Notes:

Alllistedvariablesareexamined as regardstheirrelationshipwithdevelopment of SMEs.

(X)Nosignificantassociation; (+) SignificantPositiveassociation; (-) Significantnegativecorrelation

Table (4)

summarized all results of the OLS regression results. As we expect, the total support positively impacts on the number of the direct, indirect and total employee. This implies that

government lifestyle has a positive impact on SMEs growth level and by increasing the number of support we can ensure SMEs development and stability for better economic activities.

If we look at each support and see how they had impact on SMEs we could see that, Soft skills training is also positively contributed to SMEs growth and improvement, soft skill training can be increased for SMEs as per their need and it will help them to obtain new skills and improve their knowledge on specific field, apart from that it will lead the SMEs to be more operational and efficient, and SMEs can feel the need of improving that section and will lead the SMEs to provide more job opportunity.

Training is important as stipulated by Patel (1985), as it enables the entrepreneur to explore the environment and identify opportunities for improvement, mobilize resources and implement actions to maximize those opportunities. Mochache (2005) also emphasizes the importance of training and states that skills are necessary for initiation and growth of an enterprise. Our results convinced the previous studies found the positive role of training to the development of SMEs.

In another side, we see positive and significant in an exhibition as well, the national and international exhibitions have a positive impact on SMEs growth, as in Afghanistan mostly SMEs operate traditionally and by stiffer competition in the market and Afghan SMEs must be ready by doing market development to be able to respond accordingly. SMEs face problem on access to the market (Mead &Liedholm, 1998; Swierczek& Ha, 2003). Therefore, international and national exhibition preserving high growth and play key role on connecting the SMEs to the new market. According to Smallbone, Leig, and North (1995) study in UK majority of SMEs who responded and identified to the new market have high growth level.

The exhibition is a new platform for SME to find a new customer for existing products and services, linking with other relevant business with the same field and it leads the SME to promote and grow. Therefore, the opportunities for the exhibitions and supports will provide more chances and experience and business channels for the SMEs on creating network and cooperation with national and international companies, that is why long-term and new market plays positive role in the development of the SMEs, it implies that market stability with high proportion of regular customers is the significant determining business success (Kristiansen et al., 2003).

In this study, it was founded the same result as the exhibition positively impacted on the development of SMEs.

However, in this study, vocational training which combined with international exposure visit Technical training, legal environmental social training, and National exposure visits &Technical training, are the negative impact on the number of employees. There are some logical and possible reasons.

First, if the capacities of an employee increase, then this person may leave the present job and looking for other opportunities, so the number of the employee will decrease. Second, if the average capacity of a SMEs increases by vocational training, then the efficiency of the company will increase. One worker can do more work with advanced technology or skills learned through these supports. Therefore, the SME does not need to hire more employees in order to save cost. Third, this training provides network environment for individual workers; they may use this as resources to change their work.

In all, it is logical to have a negative association of vocational training and number of the employee. "The frequency of an organization undertaking workforce training has been reported to be the positively related to firm size (Storey, 1994; Robson and Bennett, 2000). Still, this research partially managed to support the importance of knowledge and skills of owner and employees for the growth of small business".

Machinery and Toolkits support shows the positive role of the number of employees as we expected as well. The SMEs by receiving machinery and toolkits can work more efficiently and smoothly. It will help the SMEs to increase production level and perform well, therefore SME needs to sustain the operation level and will be in need of hiring more employees.

According to Swierczek& Ha, (2003) the difficulties of SMEs are lack of equipment and old-fashioned technology, The SMEs need to find alternative ways to sustain their competitive advantage in order to positioning new process and new growth method by the fast change of technology. As technology play critical and important role in this aspect. "A study in Ireland extracted that technological posture, automation, and process innovation were significantly linked to satisfaction with return on investment (ROI) (Gibbons & O'Connor, 2003)".

Finally, the positive role of Machinery and Toolkits to the development of the SMEs is also found by this research.

Moreover, in terms of the control founding's are also important. Studies of the educational background of entrepreneur indicate that 72% of successful entrepreneur had the minimum technical qualification and shows 67% of unsuccessful entrepreneurs who had not any technical background.

Additionally, owner's education level as one of the important factors plays a positive role in the development and growth of SMEs. It shows the SMEs who has high education level can gain more from the government support and utilize the support in better way for the success of According to (Federico et al., 2012; Ucbasaran et al., 2008; Boone et al., 1996) there are different lessons which can be associated with education of the entrepreneur in terms of growth, which can be education, capabilities & experience. Our study consistent with the previous studies, and found that the owner's education level contributed to the development of the SMEs.

Partnership business type of SMEs impact more than solo pro type, as capital is one of the key success of the business and the partnership business have more capital flexibility. in Indonesia, Kristiansen, Furuholt, & Wahid (2003) found that financial flexibility was significantly correlated to business success. The SMEs that took advantage of other-party investment experienced a higher level of success because. In a more recent study in Australia, McMahon (2001) discovered that greater dependence upon external finance associated with better business growth.

In our research, we have the similar founding. Table 5.5 indicated that the partnership business type impact on the number of the SMEs employee more than the solo pro type.

The result (table 5.5) also shows female owners impact on the development of SMEs more than male owners. According to the simple education level of female employee is greater than a male employee and it implies that the female SMEs utilize the support more efficiently and effectively.

Gender. Mazzarol et al. (1999) found that female was generally less likely to be founders of new business than male. Similarly, Kolvereid (1996) found that males had significantly higher entrepreneurial intentions than females.

4.2 Limitations

For the data collection and availabilities, secondary data of AREDP program is used only and there may exist some hiding variables and factors are important to the number of employees due to time and resource limitation we couldn't collect primary data of some important control variables and sales as the second indicator of SME growth.

We could not use population as 147 SMEs in Heart because of some missing data and information, dropped 19 companies.

Our study just applies OLS regression one model. Maybe other models with the same database will provide diversified results.

We couldn't find individual to get good result we prefer to categorical as we consider only 4 years,

4.3 Implications and Recommendations

As per result, the government need increase the number of support for the positive result as they have a good impact on SMEs growth level.

For the negative results, the government and related program should find out the reason behind that and try to make the support more effective, logically the national and international exposure visits & technical how to know training needs to be effective therefore the program need to provide this type of support for technical and skilled labor of the SMEs in order to increase the efficiency and increase the knowledge of skilled employees.

Apart from their role in terms of their contribution to exports, employment, and economic growth, there is a wide recognition in the literature about the challenges and barriers facing Herat SMEs.

- There is an insufficient report, information, and data on SMEs development in Afghanistan.
- Due to less number of SMEs and limit years by considering the time we couldn't get a significant result for all of our individual's variables.
- The negative result for direct employment can be clear if we be able to consider another factor of growth which is sales and compares with the employee rate.
- For negative result for the direct and indirect employment, need to be considered an alternative way, number of SMEs, years and other factors effect on SMEs growth.

CONCLUSION

Over all as per purpose study was to identify the government support play positive role in SMEs growth level of Herat province of Afghanistan, we analyze 127 SMEs in Heart out of 146 active SMEs that are from secondary official data sources. After bias checking, we also generalize our research result to all. The panel data include 127 SMEs from 2001 to 2014 for 4-years. The OLS regression to test the relationship between the government support and the growth of SMEs.

The number of the direct, indirect and total employee as the dependent variables respectively, and the four types of combined categorical supports from 13 individual supports and total support that the summation of the 13 supports is the independent variables. According to the data availability and previous studies, four control variables include for all models. They are multi-co-linearity capital, owner's education level, dummy variables for gender and business type of SMEs.

According to the empirical result of this study our $H_{0, A1}$, $H_{0, C1}$, $H_{0,C2}$ $H_{0,D2}$ $H_{0,E1}$ and $H_{0,E2}$ hypothesis or completely supported which $H_{0,D2}$ and $H_{0,C2}$ have the high coefficient among other categorical support

For $H_{0, B1}$ and $H_{0, B2}$ hypothesis we got inverse result and our H_{0A2} and $H_{0, D1}$ hypothesis is not supported,

To be clearer the major foundlings are supported by previous studies and evocative. We found the Soft skills training have a positive impact on SMEs growth and improvement. To increase the opportunities for national and international exhibitions will benefit to the SMEs on finding a new market for the existing product and services. Machinery and toolkit support is one of the very important factors that lead SMEs to be more productive and operational in terms of quality and quantity of production level.

However, only vocational training was found negatively related to the number of employees. The important is that we found the reasonable explanations to indicate this founding, that efficiency of individual and companies improved from the vocational training it may help the SMEs to hire fewer employees in order to save cost but reach a higher level of production.

Moreover, as we expected, the total supports are positively impacted on the development of the SMEs. This convinced that the government supports are very important to the SMEs growth and development.

Moreover, as we expected, the total supports are positively impacted on the growth level of SMEs. This convinced that the government supports are very important to the SMEs growth and development.

According to our result, the supported hypothesis should be more improve in under priority list of government for SMEs growth,

According to the empirical result for better SME development, the government should focus more on that categorical support which the relevant hypothesis supported in our research.

For further research, we recommend to the government and individual researcher to cover more number of SMEs and more years to get a significant result for the tow categorical support which we couldn't get.

Regarding the inverse result of 2 above mention hypothesis government shouldn't focus more on those support as our empirical result is against one of the objectives of this program.

Finally, H_{0E1} and H_{0E2} result shows partially robustness of our empirical result for categorical and total support & we can recommend the government to provide support for SMEs.

There are some spaces to improve the results. To collect all data of 146 SMEs for more years can produce better results. Other models can be applied to checking the result. To add more control variables and avoid important hiding variables will also impact the result.

The results of this study can also be used as a reference for anyone who is interested to start their own business which will provide insights into decision making in starting a business and also for any companies which are interested to continue to sustain and grow. For the policy maker of the government, this result provided some evidence and found some problems for the type and number of supports.

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