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Identifying Existence Barriers in Small and Medium Size Enterprises Development (Herat Industrial Town, Afghanistan as a Case Study)

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Abstract- Small and medium enterprises are among the most effective factors in the growth and development of economic and social systems of any country. These companies account for about 80 percent of Afghanistan's business and half of the country's gross domestic product. However, a large part of the labor force in Afghanistan is engaged in these enterprises. The present study has identified the most important obstacles in the development of small and medium size enterprises. Due to the small size of the statistical population, which includes 440 units in the industrial town of Herat, Krejci and Morgan table have been used to determine the sample size. Thus, the statistical sample size of 205 companies is considered. Exploratory factor analysis has been used to identify the factors and in the next step, confirmatory factor analysis has been performed to confirm the model obtained from the structural equation method. A questionnaire was used to collect the required data. In order to identify the obstacles of small and medium-sized companies, the opinions of 30 managers and experts of the relevant executive bodies and professors of universities in the city who had sufficient information on the subject were used. Then the questionnaire was made and its validity also examined. Cronbach's alpha method was used to test the reliability of the questionnaire which was equal to 0.91, which is a statistically acceptable coefficient. in this study, SPSS24 software was used to analyze the data at the level of exploratory factor analysis and Smart PLS3.0 software was used to analyze the data in the inferential statistics section, which includes fitting the measurement model, fitting the structural model and testing the research hypotheses. The results showed that the most important barriers to the development of small and medium enterprises are Organizational costs, as well as the Lack of proper infrastructure and new technology.

Keywords: Small and Medium Enterprises, Development, Barriers

I. INTRODUCTION

Small and medium enterprises face to many problems due to their special nature and characteristics compared to large companies. These types of companies need less capital to start and operate compared to large companies and in terms of type and field of activity have the ability to be very effective in developing the business environment. Therefore, in different countries, special methods of development of this type of company are considered (Svetlicic et al., 2007).

In most of the world developed countries, adopting policies related to supporting small and medium enterprises in order to increase growth, generate income and employment and even reduce poverty, is one of the most important socio-economic priorities of governments. Governments, regardless of achieving a national determination to develop and cope with the process of globalization, have initially given a conventional or contractual definition of small and medium-sized enterprises, which relies heavily on the number of people employed in companies. In recent years, the importance and role of small and medium enterprises in industrialized and developing countries has been increasing. In the last two decades, with the emergence of new technologies in production and communications, developments in capabilities of industrial units, production and distribution methods, and organizational structure of companies have emerged that generally has increased the importance of small and medium units (Ye Young and Zang, 2005).

Increased competition and focus of companies on core activities, has led to vertical separation of companies, expansion of contractual relationships with suppliers of raw materials and materials in the supply chain. All these developments have increased the importance of small units (Sadrinia et al., 2010). In addition, because the learning process in small and medium industries leads to the training of capable managers and the exit of these industries from the competition imposes less damage to society, so small and medium industries are

considered as a suitable platform for creating competitive and powerful industries. In most countries, appropriate policy-making for these industries has been emphasized (Bashiri, 2008).

Necessity and Importance of Research

Today, in most countries of the world, small and medium industries are playing a role in various aspects of society, industrial production and service provision, and in many countries, these units are the main suppliers of new employment, the cradle of transformation and innovation and pioneers in inventing new technologies. On the other hand, these companies play an effective role in the economic development of countries with significant exports; today, almost all countries are trying to develop these companies in their industrial structure. Existence of environmental challenges and changes in management processes have also highlighted the role of these institutions, and policies of downsizing, outsourcing, restructuring, re-engineering, and especially encouraging entrepreneurship in the age of globalization, accelerating the creation of entrepreneurial enterprises. And has institutionalized the medium (Svetlicic et al., 2007).
According to the current situation in the country and lack of sufficient incentive to invest in the creation of large industries by the private sector on the one hand, and the inadequacy of various government support on the other hand, it seems to help keep small and medium-sized production units alive. Creating the right conditions for potential entrepreneurs to set up new units is one of the most effective ways to mobilize productive activities, meet some of society's needs, increase global presence, and reduce the problems caused by Afghanistan's unemployment rate. In spite of the above advantages and despite government assistance to these industries, small and medium-sized production units in playing the expected role in the Afghan economy, competing with similar industries abroad and large domestic industries, as well as gaining a competitive advantage that requires a serious presence in global markets are in trouble. In Afghanistan, despite the significant presence of small and medium industries in the industrial structure of these units are facing problems and these companies have not been able to have a comparative advantage over large companies in the industrial and economic development of the country. Also, the marketing power of these companies to sell their products due to insufficient knowledge of market needs as well as markets outside Afghanistan is relatively weak, and therefore these companies face to lack of demand problem for their products and this in reducing sales and their provisions are effective. In this regard, the present study intends to investigate the most important obstacles and problems of small and medium enterprises in Herat industrial town, the adequacy or inadequacy of government support for small and medium-sized production units and identify areas that Government institutions are far from looking to offer practical solutions to support entrepreneurs and small and medium-sized companies operating in the country (iarcsc, 2017).

Small and Medium Enterprises in Afghanistan

Afghanistan has seen steady economic growth over the last decade, with real gross domestic product (GDP) growing by an average of 10.5% between 2005 and 2012.The rise was felled by the foreign intervention, in particular by the military presence, which resulted in huge spending. Much of the service sector, especially construction and logistics, remains heavily dependent on military and development aid. As foreign troops continue to withdraw, growth is expected to slow down due toa decline in assistance and political instability that generates a risk perception for investors. Construction and service industries have also slowed down in major cities. The transition comes at a time when, considering the policy and legislative mechanisms in place, the market economy, the Afghanistan structure implemented after the US invasion, has not fully taken root. After decades of Soviet-style socialism accompanied by a decade of statelessness, it was hoped that the government would again exert its control on the economy and the price of subsidies. The opening up of the economy and the privatization of industries have met with skepticism, fueling the idea that the government does not generate jobs or control prices. Until now, some of the void has been filled by a huge influx of aid money and military expenditure. As currency devalues fluctuate in the face of volatility and costs, more concerns will be asked about the fragile market economy. (Mashal, 2013).
Industries are generally divided into large industries, medium industries and small industries. Each country has provided a definition in this regard according to its specific circumstances (Vasant, 2003). In fact, the economic and industrial conditions prevailing in each country are representative of its small and medium

industries. These definitions are mainly based on quantitative criteria such as number of employees and turnover. Although classification based on quantitative criteria simplifies definitions, these criteria are not always appropriate tools for classification. But the qualitative characteristics of companies are also important in this division. According to the definition of Ministry of Finance of Afghanistan, companies are divided into three groups of small, medium and large companies based on their annual gross income. Small companies are companies with an annual gross income of less than 50 million Afghanis. Medium-sized companies are companies with a gross annual income of between 50 and 150 million Afghanis. Similarly, large companies are companies with annual gross revenues of more than 150 million Afghanis. (MEA[1], 2021). According to the figures and information of Ministry of Finance of Afghanistan, by the end of 2019, about 28,000 units are registered as small, medium and large companies in the SIGTAS system[2], which is shown in the below table (MEA, 2021).

Companies	Location	Quantity		Total
		Service	Industry	
Small Enterprises	Kabul	2636	13	2649
	Other Province	4919	208	5127
Medium Enterprises	Kabul	13301	1289	14590
	Other Province	4373	1224	5597
Total		25229	2734	27963
Large enterprises	Kabul	480	91	571
	Other Province	877	339	1216
Total		26586	3164	29750

Table 1: Number of small and medium-sized enterprises in Afghanistan (Ministry of Economic of Afghanistan)

The private sector, which includes guilds, small, medium and large enterprises, is recognized in the economies of countries as an important element in socio-economic development. These enterprises are particularly important in creating jobs, contributing to economic development, product innovation, and creating creative methods of production and employment. A look at the socio-economic system in many developing countries shows that supporting small, medium and large enterprises is one of the main priorities in the economic development programs of these countries. Although these enterprises require less investment, they are more effective and play an important role in creating employment, developing the value chain of products and increasing exports. According to the National Bureau of Statistics and Information, in 2016, about 1.6 million people were employed in small and medium enterprises alone, which is about 25% of the total employment in the country. Small and medium enterprises alone paid about 15 billion Afghanis in taxes in 2019, which is more than 30% of the government's tax revenues. Despite the strengths mentioned in the case of small and medium-sized enterprises, the weakness in financing current expenses and the very limited access to financial resources make these enterprises very vulnerable to economic shocks. Also, for large companies, the creation of restrictions, the reduction of domestic and foreign trade, and the disruption of the supply chain of most goods and commercial services have had a significant impact on their business activities. According to the Ministry of Economy's Center for Economic Analysis, about 86 percent of small and medium-sized enterprises and enterprises are directly vulnerable to the Covid-19 crisis and quarantine conditions. In other words, the continuation of quarantine restrictions and conditions in the country, with the negative impact on the private sector, especially guilds and small and medium enterprises, poses a serious threat to the employment of 1.38 million people working in these vulnerable jobs (MEA, 2021).

Development of Small and Medium Enterprises

Through entrepreneurship, job creation, and sales development, small and medium-sized enterprises are shaping the global economy and can also adapt more easily to rapid environmental change and respond more

[1] Ministry of Economic of Afghanistan
[2] Standard Integrated Government Tax Administration System

rapidly to economic and political factors. Small and medium-sized company growth is a powerful tool to identify opportunities that can be used to resolve concerns such as jobs, lack of innovative and diverse workforce, low productivity, decreasing quality of goods and services, and economic recession. In order to generate new employment, small and medium-sized businesses are more user-centered than large industries and thus need little expense and investment. Therefore, the main advantage of small and medium-sized enterprise development tends to be linked to the support of these types of enterprises in the job and employment sectors. Due to their unique existence and characteristics, these types of enterprises are of great importance to governments, as well as their significant contribution to the job rate in countries and to growing economic growth and the creation of communities. Many governments are persuaded that, in the form of technology development centers, industrial parks and technology, they need to provide growth opportunities for small and medium-sized enterprises and help them as long as they can join the market as an independent enterprise (Omidi et al., 2019).

Around the same time, modern business conditions have made entrepreneurial activity more challenging and important to have the necessary skills to conquer obstacles. Studies by Depilis, Rirdon, and Kigundo (2002) show that the process of business growth and development plays an important role in data, information and information systems. Choe also points out in his analysis that, in order to preserve political interests, the government should prioritize investments related to entrepreneurial ventures and maximize them. This researcher notes that the absence of a loan repayment guarantee for capital reduces the incentive of banks to provide entrepreneurship facilities and considers the central government's intervention in this field to be successful (Omidi et al., 2019).

Barriers in Small and Medium Enterprises Development:

The growth of Afghanistan's private sector faces challenges that are common to many landlocked, underdeveloped and war-torn countries. The Strategic Plan of the Department of Strategy, Policy and Plan of the Ministry of Trade and Industry of Afghanistan writes about the major challenges to the development of trade and industry in Afghanistan. In this plan, the company faces insecurity, widespread corruption, limited rule of law, weak infrastructure, export challenges, lack of access to financial services, and limited and insufficient human capital (MEA, 2021).

In Afghanistan, enterprises are in an unfavorable and fragile situation, because in the first years after the arrival of the United States in Afghanistan, little attention was paid to small and medium enterprises. The Afghan government did not have a specific strategy for the growth of these companies until 2009, and even after its finalization, this strategy was not implemented until 2012. In addition, as Afghanistan faced a trade deficit, the strategy initially focused on finding alternatives to imported items. Promoting and boosting the export sector was not a priority of this strategy. However, although there was no clear strategy in this area, projects sponsored by donor organizations have somewhat filled this gap in terms of upgrading technical capabilities and added value chain to domestic production have helped. The Afghanistan Small and Medium Enterprises Development Program, funded by the United States Agency for International Development (USAID), is one of them. Despite of the challenges, important questions arise about the ability of these enterprises to compete in the market, the skills needed to innovate, and even the ability to survive and thrive during the transition phase. The main challenges that these enterprises face including: decreased confidence of investors and entrepreneurs, reliance on donor start-up assistance, low access to credit, lack of energy for industrial work, quality control of products and innovation skills, low product diversity and access to markets. Insufficient technical and human capacities and lack of security, as well as lack of full knowledge about the functioning of the new economic system are also considered as major obstacles to the growth of small and medium enterprises. The majority of these enterprises operate in urban areas and away from official government structures. About 70 to 80 percent of them operate illegally without being officially registered in government offices. The fear of these enterprises stems more from this so that corruption in the system of government departments does not harm the course of their activities (MEA, 2021).

Support for Small and Medium Enterprises:

Supporting domestic policies refers to protecting certain activities within countries against foreign competitors, through which foreign goods are prevented from entering the country or through the imposition of tariffs on imported goods relative to similar domestic goods, are more merchandised. In contrast, supported producers are expected to spend the benefits of the support received in the interests of the

country. National interests in this area can also lead to positive results such as principled support for modern industries, improving national security, maintaining and improving employment and income, maintaining and strengthening the balance of payments, diversifying production, creating economic stability and increasing rate growth. Economic theories indicate that in addition to roles such as maintaining the market mechanism, correcting the shortcomings of the market system, controlling aggregate demand, maintaining and improving the income level of economists, is the guiding role of government in the market system. Because of this role, the government has provided the necessary impetus to help the economy and steer it in the right direction, and to establish effective coordination between its activities and the private sector. These policies can help the private sector to develop industry, especially in developing economies, through components such as the use of industrial development policies, helping to promote innovative activities, strengthening research and development institutions in non-governmental sector and support services (MEA, 2021). In developing societies, rational government support and the use of advanced management systems will further enhance the performance and efficiency of these companies (Anderser, 2005). Thus, government support for small and medium-sized companies can provide development and promotion of these companies in domestic and foreign markets and create many benefits for the country (Balazade et al., 2019).

In Herat Industrial Town, despite the fact that there are more than 440 small and medium-sized companies, they suffer from severe shortages due to the lack of a development strategy based on existing industrial structures and leaving small production units to their own devices. It seems that the reduction of the position and advantage of small companies over large industries is affected by several factors inside and outside the company. Also, setting up small production units and increasing the mentioned capabilities is a function of internal organizational and environmental variables as well as appropriate support mechanisms. Under favorable conditions and with the right support, small and medium-sized production units can play an important and decisive role in meeting market needs (Mashal, 2013).

Therefore, examining the barriers and problems inside and outside the company of small and medium production units along with studying the effects and results of government support policies and identifying the areas of support needed for them in order to plan and correct policies for economic and social development of the city and country. And the realization of the long-term vision of the system has special importance. To formulate research hypotheses, the following analytical model has been used. The model, which is based on library and field studies and interviews with experts and experts in the field, indicates the most important obstacles and problems of small and medium-sized companies. These problems and obstacles are divided into two general groups, internal and external. Insufficient government support for small and medium enterprises has also been considered as an external harm that has a great impact on the situation of small and medium enterprises and their internal problems.

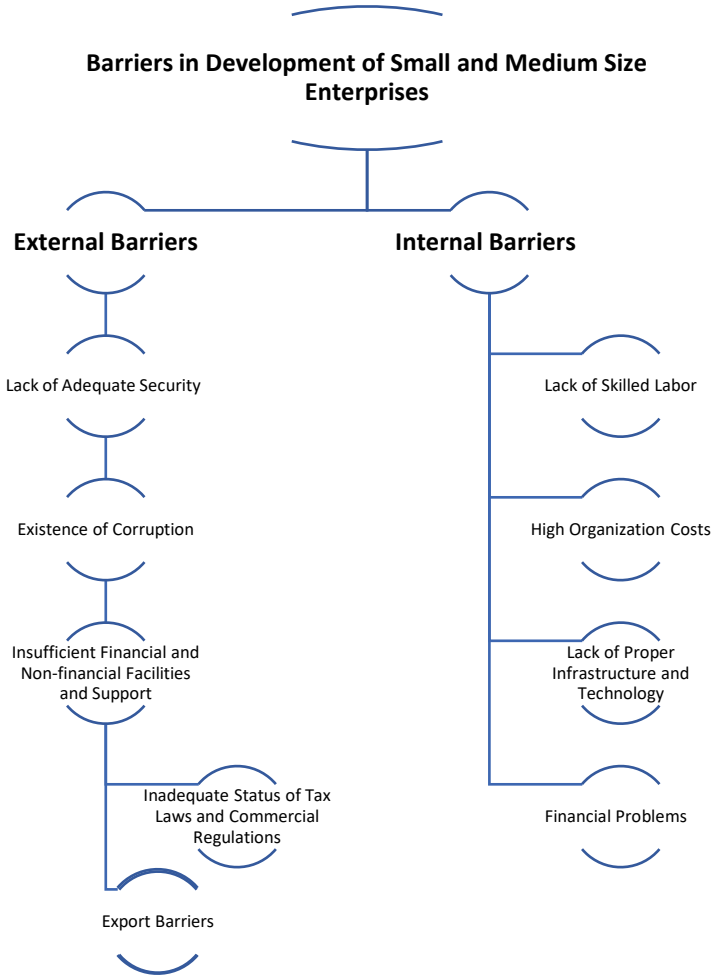

Figure 1: Conceptual model of research (Proposed Private Sector Support Package: Afghanistan Economic Analysis Center, 2021 / Beidakhti, A. & Zargar, M.,2011)

II. THEORETICAL FOUNDATIONS OF RESEARCH

The importance of small and medium units in Afghanistan can be examined from both quantitative and qualitative dimensions. In a small way, a very high percentage of companies in our country and many countries in the world are small and medium units and the number of employees in these units is significant. In terms of quality, these units can encourage the private sector to invest, because the private sector usually does not have enough facilities to create large units. These units can also be considered as a good tool for privatization. These units have the ability to know the market and can adapt to the needs of the market, and because of their small size, the decision-making process is very fast. These units can have more initiative and creativity; in the distribution of technology in the country, they can be more successful and quickly adapt to the necessary technologies and in one point they can act specialized, which happens less in large units (Carlsson, 2004).

Small and medium-sized enterprises in countries, especially those that have been very active in recent decades and have been seen as a symbol of success in development, show that instead of emphasizing twentieth-century views of being economic, Large companies have relied on entrepreneurs and small and medium enterprises. Although the socio-economic structure of countries that have emphasized small and medium-sized enterprises is very diverse, all of them have insisted on establishing a free economic environment; that is, where the forces of supply and demand can move away from any rent-seeking and

monopoly. Some countries have developed this space to different degrees and have therefore taken steps to expand it, but others (especially in Eastern Europe) have not benefited from it and have therefore discovered it. This should be considered a fundamental step to get out of the "vicious circle" of underdevelopment. It seems that weakening, and then eliminating the management problems that stand as a serious obstacle to any change and keeping pace with global developments. It is possible only through a new approach to small and medium companies (Roozbeh, 2004).

Basically, in most developed countries of the world, adopting policies related to supporting small and medium-sized economic enterprises in order to increase growth, create income and employment, and even reduce poverty, is one of the most important socio-economic priorities of governments. Governments, regardless of achieving a national determination to develop and cope with the process of globalization, have at the beginning given a conventional definition or contract of small and medium-sized enterprises, which mainly depends on the number of people employed in companies. The next step, in fact, must be sought at the organizational level. This means that governments, typically believing in a free market economic system, have made a government agency responsible for policy-making and implementation of issues related to small and medium-sized enterprises. These policies pursue a specific goal, which is to strengthen and expand these companies and the entrepreneurial culture in the country (Berger, 2006).

Wang, 2016 conducted a study entitled "What are the biggest obstacles to growth of SMEs in developing countries? - An empirical evidence from an enterprise survey". the result of study is shown that the main barriers to external financing are high costs of borrowing and a lack of consultant support.

The study of Olawale, F. Garwe, D. 2010 entitled" Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach" shows that the most important obstacle was termed Financial which is largely an internal factor. The other obstacles respectively as determined by the PCA were Economic (external), Markets (external) Management (internal) and Infrastructure (external).

Govori, A. 2013 described the "Factors Affecting the Growth and Development of SMEs Experiences from Kosovo" pointing out that SMEs in developing countries face numerous barriers to funding, although this problem is not unknown even in developed countries. Barriers that face SMEs usually relate to high administrative costs, high collateral requirements and the lack of willingness of banks to lend to SMEs. Raising the level of awareness of their role and availability of access to finance for SMEs can improve economic conditions in developing countries by promoting innovation, growth of GDP and reduce unemployment.

Research Questions

In this research, the following questions have been examined:

1- Is the lack of security one of the barriers in development of small and medium enterprises?

2- Can corruption be considered as one of the obstacles in development of small and medium enterprises?

3- Are inadequate financial and non-financial facilities and support obstacles in development of small and medium enterprises?

4- Are the status of tax laws and commercial regulations among the obstacles in the development of small and medium enterprises?

5. Is lack of marketing knowledge and skilled labor one of the obstacles in development of small and medium enterprises?

6- Are production costs in small and medium companies considered as obstacles in the development of these companies?

7- Is the lack of infrastructure and new technology the reason for the lack of development in small and medium companies?

8- Is financial problems one of the obstacles in development of small and medium enterprises?

9- Are export barriers among the barriers in development of small and medium enterprises?

III. METHODOLOGY

Sampling

The sampling method used in this research is simple random sampling method and also the samples were selected from Krejci & Morgan table sampling method.

Data Collection

The statistical population of the present study includes managers and officials of small and medium industrial companies located in Herat industrial town. At present, according to the latest information obtained from the relevant authorities, small and medium-sized industrial companies located in industrial town of Herat amount to 440 units. Due to the limited statistical population, Krejci and Morgan table have been used to determine the sample size. Thus, the statistical sample size of 205 companies is considered. In this study, exploratory factor analysis has been used to identify the factors and in the next step, confirmatory factor analysis has been performed to confirm the model obtained from the structural equation method. A questionnaire was used to collect the required data. In order to identify the obstacles of small and medium-sized companies and to evaluate the government's supportive policies, the opinions of 30 managers and experts of the relevant executive bodies and professors of universities in the city who had sufficient information on the subject were used. For this purpose, by asking a few main questions, the interviewees were asked to present their statements in detail about each of the questions, and finally, by classifying the answers, they were analyzed qualitatively. Then, based on library and experimental studies, and the results of interviews and the most important issues and problems within the organization and outside the organization, the initial questionnaire was designed. Then, to ensure the validity of the research questionnaire, first a sample of the designed questionnaire was provided to 10 experts and academic experts and they were asked to comment on the form and form of each question and their content in terms of express attractiveness and comprehensibility to the respondents. Then, a set of opinions received on the questions of the questionnaire was collected and after applying them, the modified questionnaire was sent to them again and in a summary, the final correction was made. Cronbach's alpha method was used to test the reliability of the questionnaire. For this purpose, the designed questionnaire was distributed among 30 members of the statistical population and its Cronbach's alpha value was equal to 0.91, which is a statistically acceptable coefficient.

Data Analysis Techniques

In this study, SPSS24 software was used to analyze the data at the level of exploratory factor analysis and Smart PLS3.0 software was used to analyze the data in the inferential statistics section, which includes fitting the measurement model, fitting the structural model and testing the research hypotheses.

IV. FINDING

Exploratory Factor Analysis

Exploratory factor analysis has been used to identify development barriers. A total of 34 indicators related to the Development Barriers Scale were tested for principal components (PCA) using Spss25 software. Before performing exploratory factor analysis, the suitability of the data for factor analysis was evaluated. The Kaiser-Mir-Oaklin (KMO) value was 0.930, which is higher than the recommended value of 0.6 (Schultz, Whitney, & Zicker, 2013) and the Bartlett test was statistically significant, confirming the correlation matrix factor. The results of this test can be seen in Table 2.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.930
Bartlett's Test of Sphericity	Approx. Chi-Square	6541.789
	Df	561
	Sig.	.000

Table 2: KMO test and Bartlett Sphericity test results for heuristic factor analysis of development barriers

The results of the principal component analysis report show the existence of seven components with a specific value greater than 1, which explains a total of 66.94% of the total variance.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	13.249	38.969	38.969	13.249	38.969	38.969
2	1.712	5.035	44.004	1.712	5.035	44.004
3	1.550	4.559	48.563	1.550	4.559	48.563
4	1.319	3.880	52.443	1.319	3.880	52.443
5	1.220	3.590	56.032	1.220	3.590	56.032
6	.971	2.856	58.888	.971	2.856	58.888
7	.955	2.808	61.696	.955	2.808	61.696
8	.913	2.686	64.382	.913	2.686	64.382
9	.872	2.565	66.947	.872	2.565	66.947
10	.836	2.458	69.405			
11	.765	2.249	71.655			
12	.744	2.187	73.842			
13	.695	2.045	75.887			
14	.630	1.852	77.738			
15	.625	1.838	79.576			
16	.614	1.806	81.382			
17	.570	1.675	83.058			
18	.534	1.570	84.628			
19	.485	1.426	86.054			
20	.475	1.396	87.450			
21	.457	1.343	88.793			
22	.431	1.267	90.060			
23	.406	1.193	91.253			
24	.383	1.125	92.378			
25	.347	1.021	93.399			
26	.315	.925	94.324			
27	.312	.916	95.241			
28	.292	.858	96.099			
29	.252	.741	96.840			
30	.238	.701	97.541			
31	.228	.672	98.213			
32	.226	.664	98.877			
33	.197	.580	99.457			
34	.185	.543	100.000			

Table 3: Percentage of variance and specific values of extracted factors for development barriers

The rotated solution showed that there were strong factor loads for each of the identified factors. Due to the fact that the factor loads for all indicators were higher than 0.4, as a result, they are necessary and none of the indicators were removed. Table 4 shows the rotating factor loads for the indices of each component.

	Lack of security	Corruption	Insufficient financial and non-financial facilities	Status of tax and commercial laws	Status of tax and commercial laws	High Organizational costs	Lack of proper infrastructure and new technology	Companies financial problems	Export problems
Q1	.613								
Q2	.579								
Q3	.603								
Q4	.594								
Q5	.629								
Q6	.656								
Q7		.727							
Q8		.669							
Q9		.744							
Q10			.626						
Q11			.635						
Q12			.658						
Q13				.744					
Q14				.704					
Q15				.702					
Q16				.767					
Q17					.753				
Q18					.576				
Q19					.671				
Q20						.638			
Q21						.702			
Q22							.663		
Q23							.773		
Q24							.595		
Q25							.679		
Q26							.685		
Q27								.702	
Q28								.743	
Q29								.618	
Q30									.635
Q31									.664
Q32									.633
Q33									.735
Q34									.622

Table 4: Rotated factor matrix for development barrier components

Confirmatory Factor Analysis

Index reliability, divergent and convergent validity were used to measure the fit of the measurement model. Index reliability for measuring internal reliability includes three criteria: factor load coefficients, Cronbach's alpha, and composite reliability. The appropriate value for it is equal to and greater than 0.7

Variables	Cronbach's Alpha	Composite Reliability	AVE
Barriers to development	0.756	0.816	0.690
Corruption	0.700	0.788	0.553
Export problems	0.795	0.859	0.550
Financial problems	0.716	0.795	0.564
Insufficient financial and non-financial facilities	0.771	0.866	0.682
Lack of marketing knowledge and skilled labor	0.809	0.887	0.724
Lack of proper infrastructure and new technology	0.747	0.831	0.497
Lack of security	0.798	0.853	0.492
High Organizational costs	0.752	0.801	0.673
Status of tax and commercial laws	0.731	0.832	0.555

Table 5: Cronbach's alpha reports and model combined reliability

According to Cronbach's alpha values and composite reliability reported in Table 5, as can be seen, all latent variables have a Cronbach's alpha value above 0.7 and a combined reliability coefficient above 0.7, indicating that the model has reliability (both Cronbach's alpha and combined reliability) are suitable. Magner et al., 1996 considered the criterion displayed for the desirability of AVE to be equal to and greater than 0.4. Table 5 shows the output results of the model for AVE.

As can be seen, the results indicate the appropriateness of convergent validity (AVE). Factor loads are calculated by calculating the correlation value of the characteristics of a structure with that structure and its appropriate value is equal to or greater than 0.4(Hallund, 1999) .Factor loads are shown in table 5 and all factor loads are higher than 0.4 and there is no need to delete any of the questionnaire questions.

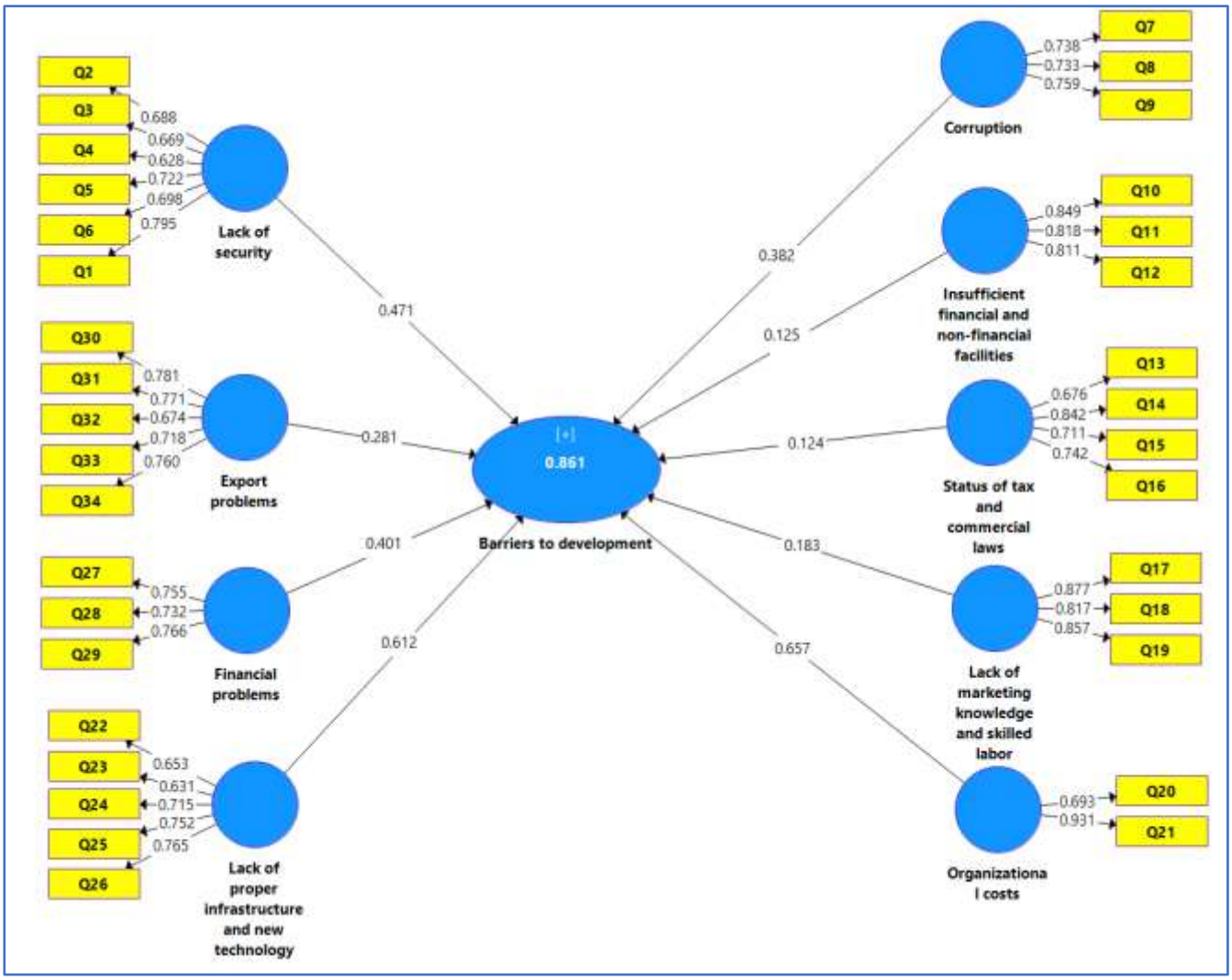

Figure 2. Factor loads and impact factor

The Fornellarker criterion was used to evaluate the divergent validity of the measurement model. According to this criterion, the acceptable divergent validity of a model indicates that one structure in the model has more interaction with its characteristics than other structures.

Table 3 shows that the cells of this matrix contain the values of the correlation coefficients between the structures and the square root of the AVE values for each structure.

Variables	Barriers to development	Corruption	Export problems	Financial problems	Insufficient financial and non-financial facilities	Lack of marketing knowledge and skilled labor	Lack of proper infrastructure and new technology	Lack of security	High Organizational costs	Status of tax and commercial laws
Barriers to development	0.831									
Corruption	0.568	0.743								
Export problems	0.678	0.611	0.742							
Financial problems	0.563	0.514	0.682	0.751						
Insufficient financial and non-financial facilities	0.576	0.684	0.655	0.607	0.826					
Lack of marketing knowledge and skilled labor	0.635	0.697	0.724	0.632	0.654	0.851				
Lack of proper infrastructure and new technology	0.531	0.690	0.641	0.588	0.586	0.689	0.705			
Lack of security	0.760	0.732	0.705	0.596	0.694	0.681	0.593	0.702		
Organizational costs	0.800	0.477	0.646	0.566	0.500	0.578	0.532	0.566	0.820	
Status of tax and commercial laws	0.535	0.600	0.711	0.609	0.647	0.682	0.569	0.661	0.522	0.745

Table 6. Calculation of Farnerllarker

Based on the results obtained from the correlations and the square root of AVE, which is placed on the diameter of Table 6, it is possible to conclude the divergent validity of the model at the structural level according to the Fornellarker criterion. After measuring the validity and reliability of the measurement model, the structural model was evaluated through the relationships between latent variables. In the present study, the most widely used criteria have been used to fit the structural model. These criteria include; the coefficient of determination (R^2) is the coefficient of predictive power (Q^2) and the coefficient of significance (T-values) and the determination of the effect of F^2.

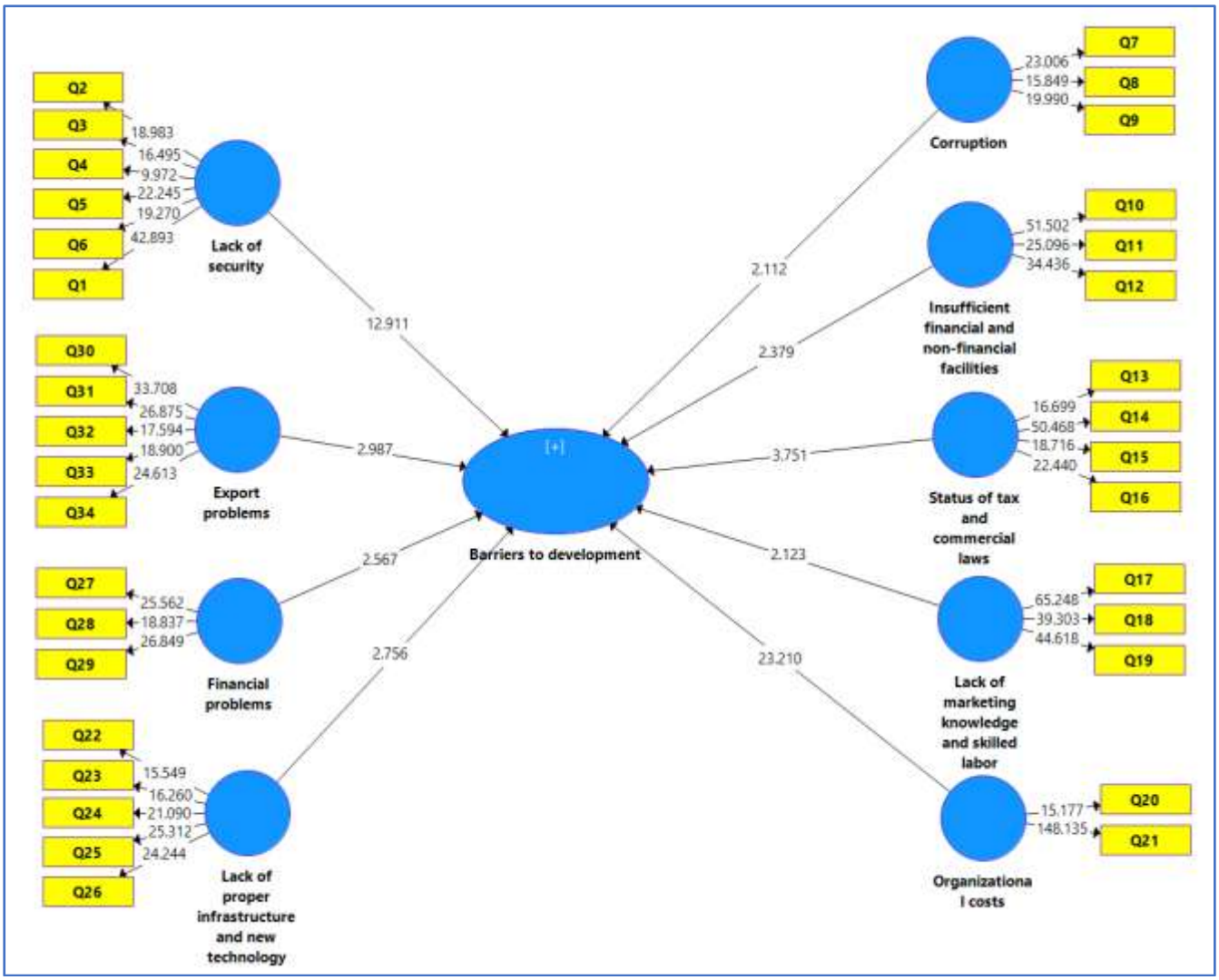

Figure 3: Significant coefficients related to research data

The results obtained from the analysis of the structural model in the table show the R^2 criterion (R Square[3]) for the endogenous variable of the research model.

The results of this criterion show that the endogenous variables are greater than 0.67 and this indicates a strong fit of the structural model. Also, in Table 7 and considering that the Q Square[4] of the endogenous variables is greater than 0.35, it can be concluded that the model has strong predictive power.

	Barriers to development
R^2	0.86
Q^2	0.54

Table 7: Coefficient of determination R2 Predictive power coefficient Q2

[3] 0.67, 0.33, 0.19

[4] 0.35, 0.15, 0.02

Also, in this section, the F Square[5] index, which shows the magnitude of the effect of the independent variable on the dependent, is examined, the results of which can be seen in the table.

F^2	
Variables	Barriers to development
Corruption	0.823
Export problems	0.452
Financial problems	0.655
Insufficient financial and non-financial facilities	0.758
Lack of marketing knowledge and skilled labor	0.415
Lack of proper infrastructure and new technology	0.511
Lack of security	0.509
High Organizational costs	1.629

Table8. The magnitude of the effect of the independent variable on the dependent / F2

According to the table, the effect of each exogenous variable on endogenous is more than 0.35 and does not show that the effect is strong. The SRMR criterion is used to check the fit of the overall model, which controls both parts of the measurement model and the structure, which must be less than 0.08 to claim that the overall fit of the model is acceptable. According to the results, this index is 0.07 and indicates the acceptability of SRMR.

Investigation of t-statistics and coefficients of impact of development barriers

According to the tested model of model number three, the T-value of all variables is higher than 1.96, which indicates the significance of the relationships. Statistics (T) if it be less than 1.96 indicates rejection of the test and above 1.96 indicates the significance of the relationship between variables. The path coefficient between the variables is also given in pattern number two. In the following, according to Table 9 of the path coefficients, the t-statistics for the development barrier variables are given.

	B	T Statistics	P Values
Corruption -> Barriers to development	0.38	2.11	0.013
Export problems -> Barriers to development	0.28	2.98	0.024
Financial problems -> Barriers to development	0.40	2.56	0.010
Insufficient financial and non-financial facilities -> Barriers to development	0.125	2.37	0.005
Lack of marketing knowledge and skilled labor -> Barriers to development	0.18	2.12	0.000
Lack of proper infrastructure and new technology -> Barriers to development	0.61	2.75	0.000
Lack of security -> Barriers to development	0.47	12.91	0.000
High Organizational costs -> Barriers to development	0.65	23.210	0.000
Status of tax and commercial laws -> Barriers to development	0.124	3.75	0.000

Table 9. Study of t-statistics and impact coefficients of development barriers

As can be seen in the table, the t-statistic of all variables related to development barriers is higher than 1.96 and this shows a significant effect of relationships. According to the results, the most effect is related to organizational costs (0.65). and the lowest effect is related to Status of tax and commercial laws (0.124).

[5] 0.35, 0.15, 0.02

V. Discussion and Conclusion

Small and medium-sized enterprises are influencing the global economy through entrepreneurship, job creation, and revenue growth, and can also more easily adapt to rapid environmental change and respond more quickly to economic and political factors. Small and medium-sized company growth is a powerful instrument for recognizing opportunities that can be used to address problems such as jobs, lack of innovative and diverse workforce, low productivity, decreasing the quality of goods and services, economic decline, and rising competitiveness. In order to generate jobs, these sectors are more user-centric than large industries and thus need little expense and investment. It is therefore of great importance for governments to recognize the obstacles in the development of these industries because of the existence and unique characteristics of these industries, but also because of the significant contribution to jobs in countries and the increase in economic growth and development of societies (Wonglimpiyarat, 2015). This research is an Exploratory study in which using the method of interviewing experts and specialists in this field and also using a questionnaire to examine the barriers to the development of small and medium enterprises, we concluded that nine factors include lack of security, corruption Inadequate financial and non-financial facilities and support, status of tax laws and commercial regulations, lack of marketing knowledge and skilled labor, production costs, lack of infrastructure and new technology, financial problems and export barriers, including barriers affecting the development of companies It is small and medium in Afghanistan.

Regarding the first question of the research on the lack of security, it should be said that security is one of the obstacles to the development of small and medium enterprises, because it is difficult to attract and sustain investment where security is unstable (MEA, 2021). In this study, the t-test for the lack of security variable is equal to 12.91, which is greater than the critical value of 1.96, which indicates a significant effect of these two variables, and on the other hand, due to the impact factor of the lack of security variable, which is equal to 0.47, it can be concluded that the lack of security as one of the barriers has a relatively strong impact on the development of small and medium enterprises.

Afghanistan is known as one of the most corrupt countries in the world and in the Transparency International's 2014 Corruption Perceptions Index, it ranks 172nd out of 175 countries (iarcsc, 2017). In this study, the corruption variable was analyzed. The results show that the coefficient T of this variable is equal to 2.11 and shows a significant difference compared to the critical value of 1.96, which indicates that corruption is one of Development barriers in these companies are considered.

The T-statistic for inadequate financial and non-financial facilities and support in small and medium-sized companies is 2.37, which is higher than the critical value of 1.96, so inadequate financial and non-financial facilities and support in these companies with an impact factor of 0.125 as It is considered as one of the effective obstacles on the development of small and medium enterprises.

In the question related to the status of tax laws and commercial regulations in this study, the t-statistic is equal to 3.75. Since this statistic is greater than the critical value of 1.96, it indicates a significant effect between the two variables. On the other hand, considering the impact factor of 0.124, it can be concluded that this factor is one of the factors affecting the development of small and medium enterprises. But its effect is less than other factors. Human resources are another important factor in the development of small and medium enterprises, so understanding and dealing with human resource management issues is essential for the success of small and medium enterprises (Pual et al, 2017). Managers and owners are often concerned with issues. Ignore training, development and performance management and staff advice and so on. It is the collective knowledge of all employees that enables an organization to achieve sustainable competitive advantage. Lack of marketing knowledge and skilled manpower in this study was examined as one of the influential components on the development of small and medium enterprises with a t-statistic of 2.12, which according to the impact factor of 0.18 indicates a relatively weak relationship with Shows the development of small and medium enterprises.

In the competitive market, the only way for the organization to survive and stay in business is to reduce overhead and unnecessary costs, which in this study is one of the obstacles to the development of companies. According to the results of statistical analysis, the t-test for this variable is equal to 23,210, which is much higher than the critical value of 1.96. So, it shows that company costs are one of the obstacles to the development of these companies. According to the statistical table, the impact factor of this variable is equal to 0.65, which shows the highest impact of development.

The t-statistic for the lack of infrastructure and new technology is equal to 2.75, which shows a significant effect compared to the critical value of 1.96. On the other hand, the impact factor of this variable is equal to

0.61, which shows that the lack of infrastructure and new technology has a relatively large impact on development. Financial problems were examined as one of the obstacles to the development of small and medium enterprises. The results show that the t-statistic for this variable is 2.56, which is more than the critical value of 1.96 and with an impact factor of 0.4 as Obstacles are considered to affect the development of small and medium enterprises. According to the research results, export barriers as one of the barriers to development in these companies with a coefficient of T equal to 2.98 compared to the critical value of 1.96 shows a significant impact, which according to the impact factor of 0.28 indicates a relatively weak impact. High development of small and medium enterprises.
In general, according to the research results, organizational costs in small and medium companies are considered as the most important obstacle in the development of these companies. However, the state of tax laws and commercial regulations is considered as an obstacle that has the least impact on the development of these companies.

Theoretical Implications

The private sector, which includes guilds, small, medium and large enterprises, is recognized in the economies of countries as an important element in socio-economic development. These enterprises are particularly important in creating jobs, contributing to economic development, product innovation, and creating creative methods of production and employment. A look at the socio-economic system in many developing countries shows that supporting small, medium and large enterprises is one of the main priorities in the economic development programs of these countries. Although these enterprises require less investment, they are more effective and play an important role in creating employment, developing the value chain of products and increasing exports. According to the National Bureau of Statistics and Information, in 2016, about 1.6 million people were employed in small and medium enterprises alone, which is about 25% of the total employment in the country (MEA, 2021).

Small and medium-sized enterprises in countries, especially those that have been very active in recent decades and have been seen as a symbol of success in development, show that instead of emphasizing twentieth-century views of being economic, Large companies have relied on entrepreneurs and small and medium enterprises. Although the socio-economic structure of countries that have emphasized small and medium-sized enterprises is very diverse, all of them have insisted on establishing a free economic environment; that is, where the forces of supply and demand can move away from any rent-seeking and monopoly. Some countries have developed this space to different degrees and have therefore taken steps to expand it, but others (especially in Eastern Europe) have not benefited from it and have therefore discovered it. This should be considered a fundamental step to get out of the "vicious circle" of underdevelopment. It seems that weakening, and then eliminating the management problems that stand as a serious obstacle to any change and keeping pace with global developments. It is possible only through a new approach to small and medium companies (Roozbeh, 2004).

Practical Implications

The present study examines the existing obstacles in the development of small and medium enterprises operating in the industrial sector of Herat province. The results of statistical studies and analyzes showed that small and medium enterprises in Herat province face many obstacles and problems inside and outside the organizations. In addition, the results of statistical analysis showed that the high costs of organizations and the lack of new technology infrastructure are among the most important obstacles in small and medium enterprises. Therefore, considering the many advantages and capabilities of small and medium-sized companies and their prominent role in the economies of countries, and considering the issues and problems that this group of companies face, various support for these companies is required to increase their efficiency and witness their growth and prosperity in the country and Herat province.

According to the findings of data analysis and the issues raised in the discussion and conclusion, the following practical suggestions are presented to the managers of the organizations under study:

1- Reduce organization costs through employees: To reduce costs, the first thing many managers do is lay off a number of employees. Although this can be cost effective, it can also cause others to worry about their job position and reduce productivity. It is best to reduce salaries slowly.

Many people prefer to continue working together in this situation. There is a need to review the work situation of people. In some cases, it is necessary to slightly change the job positions of individuals to improve the company's costs. Systematization in business will help a lot in such situations.

2- Financial support for small and medium enterprises: Banks and financial and credit institutions are one of the effective institutions in the development of small and medium enterprises and can provide various services for the establishment and development of these enterprises. In this regard, the establishment of a bank for the development of small and medium enterprises by offering a wide range of various services to finance these companies and their management in all stages of business growth, from the start to become a global business is proposed. This can be done with the cooperation of other banks and under the supervision of the Ministry of Economy or the Central Bank, and using the experiences of other countries in the field of creating financial institutions for the development of small and medium enterprises.

3- Support for new technologies infrastructure: Most small and medium enterprises lose the quality of products and services due to the high cost of mechanization and lack of familiarity with new technologies over time, and their ability to maintain a position in the region and the world is shrinking. Therefore, government support for purchasing and installing the required hardware and equipment and creating a communication network between small and medium enterprises with each other and with the organizations supporting them through information technologies and computer networks should be considered by the government and government institutions.

4- Supporting training programs and advanced training: Research shows that training is one of the major challenges for small and medium-sized enterprises. Therefore, the support of relevant organizations to train entrepreneurs and train competent managers for small and medium-sized businesses is essential for their growth and survival. These trainings should cover the business and management courses of these firms.

5- Support through the creation of consulting services: Small and medium-sized companies in Afghanistan in the field of starting a business with its development need guidance and advice. Therefore, one of the required supports for these companies is the possibility of accessing consulting services that should be provided by all relevant institutions and sometimes specialized in the fields of marketing, management and business management, information technology, finance and accounting and Legal to be provided.

6- Support for access to global markets: Most small and medium-sized enterprises, because they focus only on local markets, are unaware of international transactions and the opportunities that this market offers them. Therefore, recognizing and introducing global markets is an essential support for these firms. In this regard, creating conditions for the connection of small and medium industries with larger domestic and foreign industries, networking and clustering of small and medium enterprises should be seriously considered and pursued.

7- Coordinating SME support: Government institutions and authorities and legislators can play an important role in the development of small and medium enterprises by enacting laws or formulating budgets and providing support, facilities and executive solutions. The main supports of the government are the following:

- Training the creative force and creating an entrepreneurial atmosphere and promoting it;
- Tax cuts for small and medium enterprises and entrepreneurs;
- Reducing administrative bureaucracy;
- Establishment of research institutes in cooperation with industries and universities;
- Allocation of government funds (incentives and prizes for special groups such as entrepreneurs).

VI. Limitations and Directions for Future Research

This study tried to identify existence barriers in small and medium size enterprises development. Future researcher to increase the generalization of research results, can generalized the study area provinces and other regions, especially in provinces that are the size of Herat province in terms of development of industrial estates and compare the findings and results. And Future research can study other domestic international

activities (such as imports, domestic investment, and foreign technology adoption) as well as international cooperation (such as licensing in small and medium-sized enterprises). Or that the impact of export barriers and challenges of small and medium enterprises on the export performance of companies can be examined to know the impact of each barrier. Access to regular information data of companies and the statistical community under study is one of the things that helps to improve the quality of data used in exploratory studies. However, due to a lack of such resources in the country, researchers are forced to rely on field methods such as questionnaires, which, in some cases, cast doubt on the quality and accuracy of data collected. Similarly, access to information resources was limited in the current study. As a result of the lack of codified information resources in the country, another limitation of the current study is the inability to use ideal methods in obtaining the required data, which is one of the factors that necessitates more considerations in the field of generalizability of the research findings.

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