

The Role of Small Business in Economic Growth in Puntland

¹Mohamed Hassan Abdullahi | ²Prof. Mohamed Samantar, PhD.

Faculty of Business and Economics

Puntland State University

Abstract

This study, the role of small business in economic growth in Puntland, was undertaken to find out the role of small business in Puntland and its impact on the economic growth of Puntland. Small Enterprises are accepted globally as a tool for empowering the citizenry and economic growth. It has been associated with rapid economic growth of the well developed countries across the world. In Somalia since the government was collapsing in 1992 efforts have been made by the citizens of the country to establish their own small scale businesses and therefore step by step they succeeded their dreams and established lot of small businesses, employed lots of people invented new buildings and infrastructure and later on established companies. A total of 90 small business owners were randomly selected from the cities; Bosaso, Galkaio and Garowe. A questionnaire was constructed and distributed to the selected people. The responses were collected and analyzed using Excel sheet 2013 for analytical tool.

Keywords: *Small Business, Economic Growth*

1.0 INTRODUCTION

The northeast region of Somalia has, since mid-1998, been referred to as the Puntland State of Somalia. After a series of locally sponsored conferences, in which a traditional council of elders (Isimada) played an important role, the SSDF leadership and community elders had at last taken positive steps by calling an all-inclusive general conference in Garowe on May 5, 1998. As stipulated in Article 1 of the Transitional Constitution, Puntland is a part of an anticipated Federal State of Somalia. It is striving for the unity of the Somali people and the creation of a Somali government based on a federal system. The Puntland State consists of the following seven regions: Bari, Nugal, Mudug, Sanaag, Sool, Ayn & Karkaar. A fast-growing state, it has also evolved into different modes of business. Since the 1960s to date, small and medium-sized enterprises (SMEs) have been given due recognitions especially in the developed nations for playing very important roles towards fostering accelerated economic growth, development and stability within several economies.

They make-up the largest proportion of businesses all over the world and play tremendous roles in employment generation, provision of goods and services, creating a better standard of living, as well as immensely contributing to the gross domestic products (GDPs) of many countries (OECD 2000). Unfortunately, according to the U.S. Small Business Administration, over 50% of small businesses fail in the first year and 95% fail within the first five years "Businesses with fewer than 20 employees have only a 37% chance of surviving four years (of business) and only a 9% chance of surviving 10years", reports Dun & Bradstreet and of these failed businesses, only 10% of them close involuntarily due to bankruptcy and the remaining 90% close because the business was not successful, did not provide the level of income desired, or was too weak to continue. For the past thirty years, a big change has faced to the respect and the value that people give to Small Business. And most of these changes were that the small business became well respected by the societies. Although in earlier times the big businesses were having a role and respect among their societies, today most of the world civilized countries agreed that the development of a country is depending on the number and the value of small businesses that they have (Shire 2008).

According to Leon, Charles & William (1991), a small business is any business that is independently owned and operated, is not dominant in its field, and does not engage in many new or innovative practices. It may never grow large, and the owners may not want it to. These small business people tend to enter business for reasons "other than making a lot of money". Thus these owners usually prefer a more relaxed and less aggressive approach to running the business. In other words they manage the business in a normal way, expecting normal sales, profit, and normal growth. In Somalia, after the collapsed of the Somalia Government, the number of existing big business and firms has closed or looted and as a result of that many small businesses were started and created. At the same time the small business in Somalia has strong impact on the economy as whole and specifically in the life style of the society living in Puntland. In this study we are going to examine the role of small business in economic growth in Puntland as a whole and especially in the largest three cities; Garowe, Bosaso & Galkaio.

2.0 LITERATURE REVIEW

Although there are many researchers who have studied this field internationally yet there is no academic researchers that has been written about this topic in the context of Puntland in that case this research paper will study the role of the small business on the economic growth of Puntland. In this chapter we will summarize some of the main ideas and definitions wrote about this field.

2.1 What is Small Business?

Superficially, this appears essay to answer. A number of firms that you patronize-such as the fast food restaurant, small shops, beauty salon, car washes/cleaners/repairs, Minimarkets and milk sellers are all examples of small businesses. The Committee for Economic Development stated that a small business has at least two of the following four features: Management is independent, since the manager usually owns the firm. Capital is supplied and ownership is held by an individual or few individuals. The area of operation is primarily local, although the market isn't necessarily local.

The firm is small in comparison with the largest competitors in the industry. Perhaps the best definition of small business is the one used by congress in the small business act of 1953. Which states that a Small Business is once that is independently owned and operated and not dominant in its field of operation¹. The Bolton Committee's Report on Small Business (1971) is one of the most widely quoted sources of definitions and understandings of the small business sector. Bolton (1971) attempted to overcome the problem of small firm definition by formulating what it called an 'economic' definition and 'statistical' definition.

2.2 The Role and Importance of Small Business

It has long been recognized that small and micro businesses have a vital role to play in the economy (Stanworth and Gray, 1991) with small business accounting for 99% of all businesses in the UK, and an estimated 3.7 million active businesses in 1998. Collectively, small and medium enterprises (SMEs) are responsible for 65% of employment and 57% of Gross Domestic Product within the UK (Tange, 2001)⁴.

2.3 Diversity of Small business

Small firms come in many types and sizes, and defining and classifying them is difficult. The Small Business Administration (SBA) the federal agency that gives advice, financial assistance, and other services to small business classifies them as follows. Manufacturing firm uses raw material and semi-finished parts to produce finished goods. Since the initial investment-the plant, machines, and equipment- is large, and operating costs and risks are high, relatively few such firms are true small. A small manufacturing business is one where the maximum number of employees may range from 500 to 1500, depending on the industry on which is primarily engaged.

General Construction firms build a residence (both private and rental) commercial and industrial buildings, government offices and installations, and structures of other types. Small businesses are those average annual receipts for the past three years do not exceed \$9.5 to \$17 million, depending on the industry. Wholesalers buy finished products from manufacturers and other producers and resell them to retailers for sale to the ultimate consumer. A small firm has a maximum of 100 employees. Retailers obtain goods from manufacturers, wholesalers, broken and agents and sell them to the customers for use. Small retailers have annual sales not exceeding \$ 3.5, to \$13.5 million. Depending on the industry. Stores, drug stores, and food service establishments are examples. Service businesses perform essential specialized, often technical service for customers, businesses and institutions, such as schools, governments and hospitals. To be classified as small. They must have annual not to exceed \$3.5 million to \$14.5.

2.4 Major Contributions of Small Business

Small firms differ from their larger competitors. Let's look some of the major contributions made by small businesses that set them apart from large firms. Smaller firms tend to:

- Maintain close relationship with customers and the community.

- Keep large firms competitive.
- Provide employees with comprehensive learning experiences.
- Develop risk takers.
- Generate employment.

2.5 Challenges of the SMEs

Most SMEs die within their first five years of existence. Another smaller percentage goes into extinction between the sixth and tenth year thus only about five to ten percent of young companies survive, thrive and grow to maturity (Patrick Onuorah 2009). Many factors have been identified as to the possible causes or contributing factors to the premature death. Key among this include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right calibre staff, plan-lessness, cut-throat competition, lack of official patronage of locally produced goods and services, dumping of foreign goods and over-concentration of decision making on one (key) person, usually the owner, fuel crises or shortages, policy inconsistencies, reversals and shocks, uneasy access to funding, poor policy implementation, restricted market access, raw materials sourcing problems, competition with cheaper imported products, problems of inter-sectorial linkages given that most large scale firms source some of their raw material outside instead of subcontracting to SMEs, insecurity of people and property, fragile ownership base, lack of requisite skill and experience, thin management, unfavourable monetary policies, lack of preservation, processing and storage technology and facilities, lack of entrepreneurial spirit, poor capital structuring as well as poor management of financial, human and other resources. The reason for this all-important sector's dismal performance have been varied and convoluted depending on who is commenting or whose view is being sought.

For sure it has nothing to do with government's appreciation of the vital central role of the sector as evidenced by how well SMEs have been acknowledged and orchestrated in the various government's budget, with the imperativeness of SMEs as the bulwark for employment generation, poverty reduction and technological development being highlighted. While many attribute the relatively poor performance of SMEs in Puntland when compared to the significant roles which SMEs have played in developed economies such as the United Kingdom, Germany and the United States and even developing countries of the world like India to the challenges outlined above, some others hinge the reasons on the fair share of neglect on the sector by the government. The latter group argues that government's appreciation of the SMEs in capacity building has always been restricted to the pages of the budget presentations and submissions at various fora. The theories explored herein is in line with my findings. Setting up viable SME businesses will attract infrastructural developments and such infrastructures like road, electricity, water etc. Will aid the operations of the SMEs in areas of production cost reduction, marketing and products' accessibility which will in turn lead to increase in profit margins irrespective of the type of businesses involved. While the SMEs maintains good profit margins and healthy balance sheets, banks and other financial institutions will be disposed to granting financial assistance like loans and grants to the SMEs.

Government support is however required to ensure these loans are given at affordable interest rates. Government support is also required in providing favorable and stable policies to make SME businesses more conducive. With such conducive environments, SMEs will continue to thrive and improve on their profit records and will readily embrace Information Technologies (IT). With IT enough knowledge and information is accessible on the globe with which SMEs can use to turn around and improve on their businesses.

2.6 Economic growth

Is the increase in the amount of the goods and services produced by an economy over time? It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP. Growth

is usually calculated in real terms, i.e. Inflation-adjusted terms, in order to obviate the distorting effect of inflation on the price of the goods produced. In economics, "economic growth" or "economic growth theory" typically refers to growth of potential output, i.e. Production at "full employment". As an area of study, economic growth is generally distinguished from development economics. The former is primarily the study of how countries can advance their economies. The latter is the study of the economic aspects of the development process in low-income countries.

Investopedia explains 'Economic Growth' Economic growth is usually associated with technological changes. An example is the large growth in the U.S. economy during the introduction of the Internet and the technology that it brought to U.S. industry as a whole. The growth of an economy is thought of not only as an increase in productive capacity but also as an improvement in the quality of life for the people of that economy. Economic growth is important because it provides a foundation for the future of society. Economic growth can contribute to advancements in all fields, creating beneficial outcomes and solutions to many economic problems.

2.7 Economic growth versus the business cycle

Economists distinguish between short-run economic changes in production and long-run economic growth. Short-run variation in economic growth is termed the business cycle. The business cycle is made up of booms and drops in production that occur over a period of months or years. Generally, economists attribute the ups and downs in the business cycle to fluctuations in aggregate demand. In contrast, the topic of economic growth is concerned with the long-run trend in production due to structural causes such as technological growth and factor accumulation. The business cycle moves up and down, creating fluctuations around the long-run trend in economic growth.

2.8 Theories of economic growth

Classical growth theory: The modern conception of economic growth began with the critique of Mercantilism, especially by the physiocrats and with the Scottish Enlightenment thinkers such as David Hume and Adam Smith, and the foundation of the discipline of modern political economy. David Ricardo argued that the trade was a benefit in a country, because if one could buy a good more cheaply from abroad, it meant that there was more profitable work to be done here. This theory of "comparative advantage" would be the central basis for arguments in favor of free trade as an essential component of growth.

The neoclassical growth model: The notion of growth as increased stocks of capital goods was codified as the Solow-Swan Growth Model, which involved a series of equations which showed the relationship between labor-time, capital goods, output, and investment. According to this view, the role of technological change became crucial, even more important than the accumulation of capital. This model, developed by Robert Solow and Trevor Swan in the 1950s, was the first attempt to model long-run growth analytically. This model assumes that countries use their resources efficiently and that there are diminishing returns to capital and labor increases. From these two premises, the neoclassical model makes three important predictions. First, increasing capital relative to labor creates economic growth, since people can be more productive given more capital. Second, poor countries with less capital per person will grow faster because each investment in capital will produce a higher return than rich countries with ample capital. Third, because of diminishing returns to capital, economies will eventually reach a point at which any increase in capital will no longer create economic growth. This point is called a "steady state".

Salter cycle: According to the Salter cycle, economic growth is enabled by increases in productivity, which lowers the inputs (labor, capital, material, energy, etc.) For a given amount of product (output). Lowered cost increases demand for goods and services, which also results in capital investment to increase capacity. New capacity is more efficient because of new technology, improved methods and economies of scale. This leads to further price reductions, which further increases demand, until markets become saturated due to diminishing marginal utility.

The big push: In theories of economic growth, the mechanisms that let it take place and its main determinants are abundant. One popular theory in the 1940s, for example, was that of the "Big Push" which suggested that countries needed to jump from one stage of development to another through a virtuous cycle, ISSN: 2676-2803 (Online) | Impact Factor (IF): 9. 305| Journal DOI: 10.15373/22501991

in which large investments in infrastructure and education coupled with private investments would move the economy to a more productive stage, breaking free from economic paradigms appropriate to a lower productivity stage

Schumpeterian Growth: Schumpeterian growth is an economic theory named after the 20th century Austrian economist Joseph Schumpeter. Unlike other economic growth theories, his approach explains growth by innovation as a process of creative destruction, which captures the dual nature of technological progress: in terms of creation, entrepreneurs introduce new products or processes in the hope that they will enjoy temporary monopoly-like profits as they capture markets.

2.9 The Contribution of small business to the economy

In the US, small business (less than 500 employees) accounts for more than half the nonfarm, private GDP and around half the private sector employment. Regarding small business, the top job provider is those with less than 10 employees, and those with 10 or more but fewer than 20 employees comes in as the second, and those with 20 or more but fewer than 100 employees comes in as the third (interpolation of data from the following references). The most recent data shows firms with less than 20 employees account for slightly more than 18% of the employment. According to “The Family Business Review,” “There are approximately 17million sole-proprietorships in the US.

It can be argued that a sole-proprietorship (an unincorporated business owned by a single person) is a type of family business” and “there are million small businesses (less than 500 employees) in the US and approximately 14,000 big businesses.” Also, it has been found that small businesses created the most new jobs in communities, “In 1979, David Birch published the first empirical evidence that small firms (fewer than 100 employees) created the most new jobs” and Edmiston claimed that “perhaps the greatest generator of interest in entrepreneurship and small business is the widely held belief that small businesses in the United States create most new jobs. The evidence suggests that small businesses indeed create a substantial majority of net new jobs in an average year.” Local businesses provide competition to each other and also challenge corporate giants.



3.0 RESEARCH METHODOLOGY

The previous two chapters we're dealing with the orientation and the literature of previous studies. In this chapter it will a detailed description of all the procedures to be followed in order to achieve the research objectives. Before we step forward lets define what research methodology is? According to S. Rajasekar & P. Philominathan & V. Chinnathambi (2013). A research methodology is “a systematic way to solve a problem. It is a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology. It is also defined as the study of methods by which knowledge is gained. Its aim is to give the work plan of research”.

3.1 Research Design

Burns and Grove (2003:195) define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings”. This study will employ Correlation research design; tests for statistical relationships between variables. The researcher begins with the idea that there might be a relationship small business and economic growth, In order to investigate the relationship between small business and economic growth at Puntland. The researcher employed both quantitative and qualitative research methods.

3.2 Population

According to Parahoo (1997:218) defines population as “the total number of units from which data can be collected”, such as individuals, artifacts, events or organizations. This study will be limited in Puntland special in Garowe, Bosaso & Galkaio districts within the context of business markets, and it will target the small business owners; Restaurant, Shops, Car washes/cleaners/repairs, Minimarkets, Milk sellers, Cosmetics, Taxi drivers & Grocer. In this study we will cover 90 respondents; Garowe (30), Bosaso

(30) and Galkaio (30). These respondents will represent all the small business owners in Puntland to establish the role of small business in economic growth.

3.3 Sampling Procedure

The researcher will use Stratified sampling & Purposive sampling to select the respondents of this study. In stratified Sampling; the population will be divided into groups, each group will be selected randomly, and the researcher first divides the population into groups based on a relevant characteristic and then selects participants within those groups. Stratified random sampling is typically used by the researcher to ensure that specific subgroups of people are adequately represented within the sample. In purposive sampling also commonly called a judgmental sample, is one that is selected based on the knowledge of a population and the purpose of the study. The subjects are selected because of some characteristic. In purposive sampling, the researcher uses their expert judgment to select participants that are representative of the population.

3.4 Research Instrument

The instrument is the generic term that researchers use for a measurement device (survey, test, questionnaire, etc.). In this study researcher will use Questionnaires & Interviews to collect the information from the respondents. The questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. Questionnaires are popular with researchers because information can be obtained fairly, easily and the questionnaire responses are easily coded. The questionnaires are popular because the respondents fill them at their own convenience and are appropriate for large samples.

Also in this study the researcher will use interviews to collect the information from the respondents. Interviews is a conversation between two or more people where questions are asked by the interviewer to elicit facts or statements from the interviewee. Interviews are a standard part of journalism and media reporting, but are also employed in many other situations, including qualitative research.

3.5 Sources of Data

Generally the researcher will use primary data to draw the role of small business in economic growth.

3.6 Research Procedure

These are all the procedures to be followed to carry out the study, it involves three processes; before: in this stage the researcher collects all the data related to the study. During: in this stage the researchers will use questionnaires and interviews to collect the information from the participants. After: this is the final stage where the researcher checks and oversees all the procedures of the study.

3.7 Data Collection

This is the systematic gathering of data for a particular purpose from various sources, including questionnaires, interviews and observations. This involves three stages: Before data collection: the researcher is developing all the data collection tools and making communications with research stakeholders in advance, on top of that the researcher is organizing all the needed facilities in advance. During data collection: the researcher is meeting with the respondents, giving them an introduction and instructions for responding to the researcher, also in this stage the researcher is giving to respondents all the needed guidance to the respondents. After data collection: the researcher is checking and reviewing all the processes of data collection.

3.8 Ethical Consideration

Here are some specific points that the researcher is considering when conducting the study, these include: Asking the permission to the respondents of the study, focusing on confidentiality, Asking

respondents not to write their names in the questionnaires, not harming or forcing the respondents to take part of the study, and freedom of response.

4.0 DATA ANALYSIS

This chapter outlines the findings of the data collected from 90 respondents of Bosaso, Garowe & Galkaio. The main purpose of this study was to find out the relationship between small business and economic growth. The results will be presented as it was listed in the questionnaire. Therefore, the research was divided into three sections (I) Democratic Characteristics of the Respondents, (2) Small business & (3) Economic growth.

4.1 Democratic Characteristics of the Respondents

In this section I, the study focuses on the respondents' profile, the purpose of analyzing this was to get a full information from the respondents in terms of; gender, age, Level of Education duration, Position? Working hours, type of business.

4.1.1 Gender

Chart 4.1. Shows classification of respondents according to gender

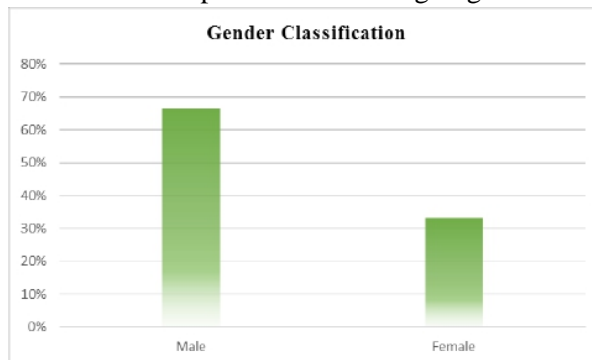


Chart 4.1.1 shows that 67% of the respondents were Male, while 33% were Female. In this chart the study clearly defines that the majority people running the small business are male.

4.1.2 Age of the respondents

In order to categorize the respondents and find out their age distribution the researcher grouped the age from 18 to 50+ the following table shows the result: Chart 4.1.2 shows the classification of respondents according to age

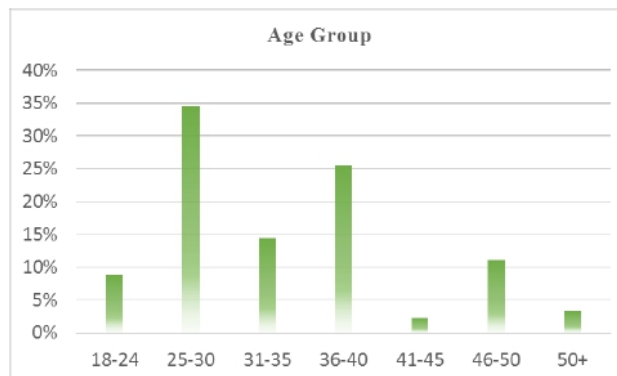
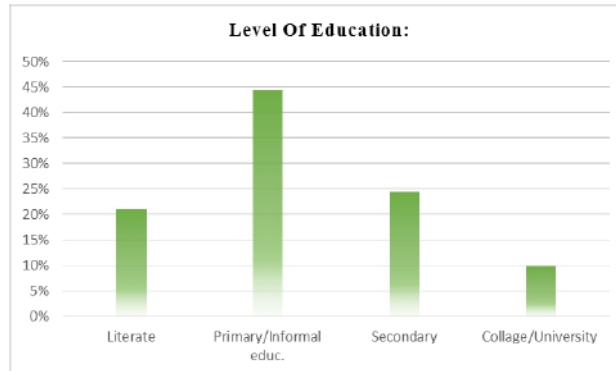


Chart 4.1.2 shows that the majority of the respondents 34% were in between the range of 25-30 age, because most of the small business are directed by young men and women. 26% were 36-40 years old, 14% were 31-35 years old, 11% were 46-50 years old, 9% were 18-24 years old, 2% were 41-45 and finally

3% of the respondents were more than 50 years old. Furthermore the study has proven that the majority people that are running businesses their age is in between 25-40.

4.1.3 Level of Education

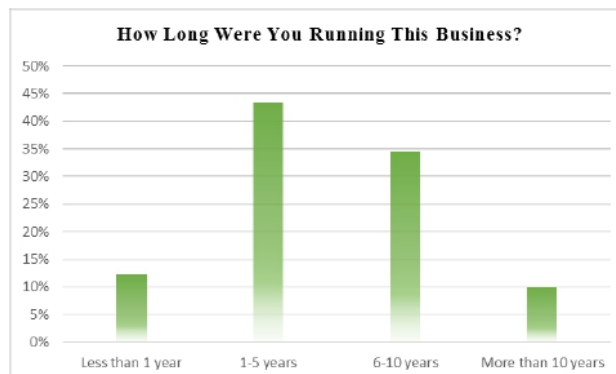
The researcher listed four categories to determine the respondent's level of education, the following table shows: Chart 4.1.3 shows the classification of respondents according to the level of education



As shown in **chart 4.1.3** the respondents hold different education qualifications literate to college level. As this table shows the majority of the respondents 44% have primary or informal education certificates, 24% were secondary graduates, 21% were literate (those who can write and read) and 10% were college/university level. Therefore as the study proves it can be inferred that small businesses are dominated by people with relatively low level of education.

4.1.4 How long were you running this business?

According to this table the respondents were categorized into four groups to determine how long they were running the business: Chart 4.1.4 shows the classification of respondents according to the term of running the business



As shown in Chart 4.1.4, the majority of the respondents 43% were running the business 1-5 years, 34% were running the business 6-10 years, 12% were running the business less than a year and 10% were running the business for more 10 years and this was last scored. This study has proven that the majority of small businesses run within 1-5 years; in other words the life of a small business may face challenges after this time frame.

4.1.5 The position of the respondents

The researcher categorizes the respondents into four categories to determine their position in the business: Chart 4.1.5 shows the classification of respondents according to their position

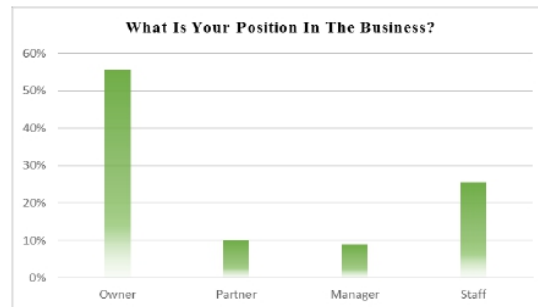


Chart 4.1.5 shows that the majority of the respondents 56% were running a business of their own, 26% of them were running a business as staff for someone, 10% of them partners of the business while 9% of them were managers of the business. In a good majority this study has proven that most of the small businesses 56% are run by the owners of the business.

4.1.6 Working times

The researcher categorized the respondents into two groups to determine working times: Chart 4.1.6 shows the classification of respondents according to the working times

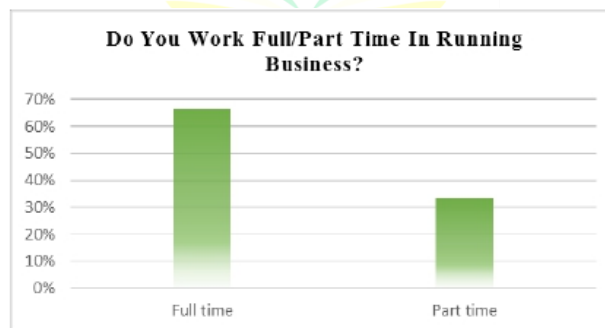
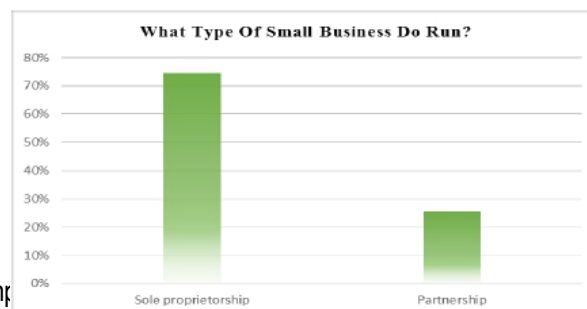


Chart 4.1.6 shows that the majority of the respondents 67% were running the business full time while 33% were part time. Thus this can draw that small businesses are working full time on running the business.

4.1.7 Type of small business

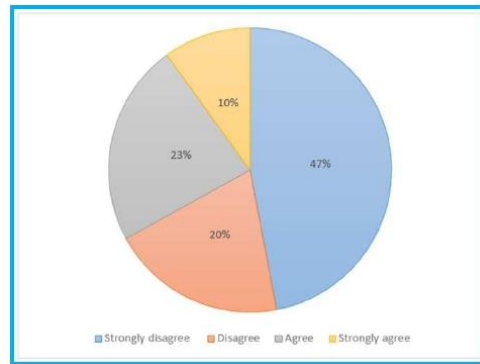
The researcher defined two types of small business to know the type of business that respondents were running, this table saw: Chart 4.1.7 shows the classification of respondents according to the type of business



As shown in chart 4.1.7 the majority of the respondents 74% were running a sole proprietorship type of business while 26% were running partnership type of business. Therefore this study has proven with a good majority 74% that small business are solely owned by one individual and in the most cases he is the one who runs his business as shown in table 4.1.5.

4.2 The degree of small business

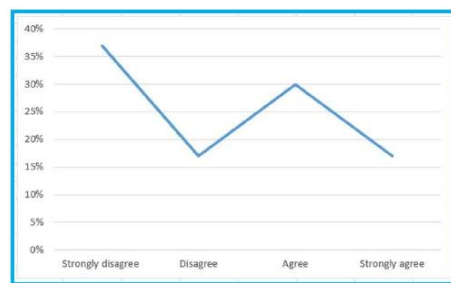
4.2.1 Have ever attended any trade shows or seminars designed to grow your business within the past 5 years? Chart 4.2.1 shows whether respondents attended seminars to grow their business



This chart indicates that 47% of the respondents replied with strongly disagree, 23% of the respondents answered agree, 20% of the respondents replied disagree and 10% of the respondents answered strongly disagree, therefore this research shows that the majority of the business owners are not receiving any trainings and seminars to grow their businesses. This study confirmed with a great percentage 47% that the owners of small business have never attended any training/seminars to advance their business.

4.2.2 I make a plan for my business

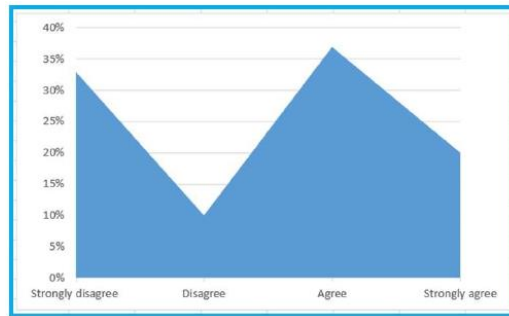
Chart 4.2.2 shows whether respondents make business plans



This chart illustrates that 37% of the respondents strongly disagree to make plans for their business, 30% agree that they make business plans, 17% disagreed to make business plans and also 17% strongly disagreed to make business plans. Therefore the majority owners of small business fail to make business plans. As the graph may show the study determined that 37% of the small business owners fail to make a business plan in advance, this is not strange cause as the 4.1.3 shows most of the small business are running under someone who is not well educated or qualified in his field they are in between primary and informal education. While 30% agree that they do business plans. According to a study made by Ijeoma Ekwem (2011) in NIGERIA 67% of the small business owners have no any business plan.

4.2.3 My business employs other people

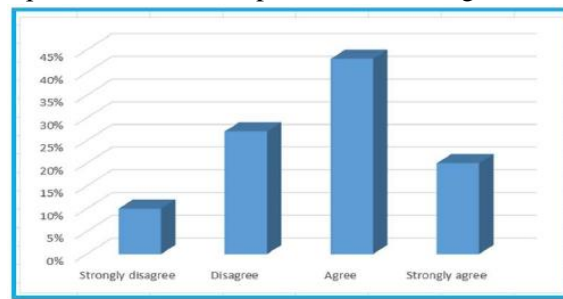
Chart 4.2.3 shows whether respondents employ other people



This chart indicates that 37% of the respondents agree that their business employ other people, 33% strongly disagree that they employ other people, 10% of the respondents disagree that they employ other people while 20% strongly agreed that they employ other people. As the study shows most of the small business 37% employ other people so this can support the thesis statement of this study.

4.2.4 The Profit in your business is increasing compared to other players in the market

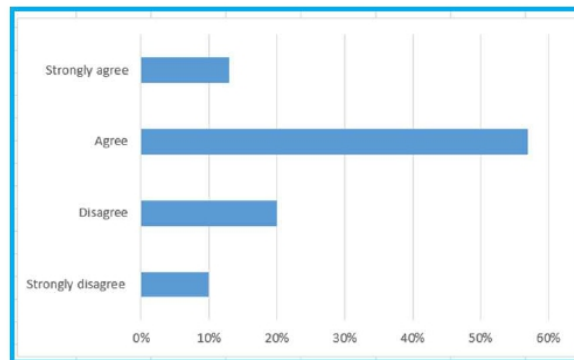
Chart 4.2.4 shows whether respondent's business profit is increasing



This chart is pointing that 43% of the respondents agree that their business profit was increasing, 27% of the respondents disagreed that their business profit was increasing, 10% strongly disagreed that their business profit was increasing and finally 20% of the respondents strongly agreed that the profit of their business was increasing. As this study shows 43% of small business's profit is increasing compared to other players of market while 27% disagree that they were earning a profit more than the other players of the market.

4.2.5 The Market share of your business is as big as you expected expects

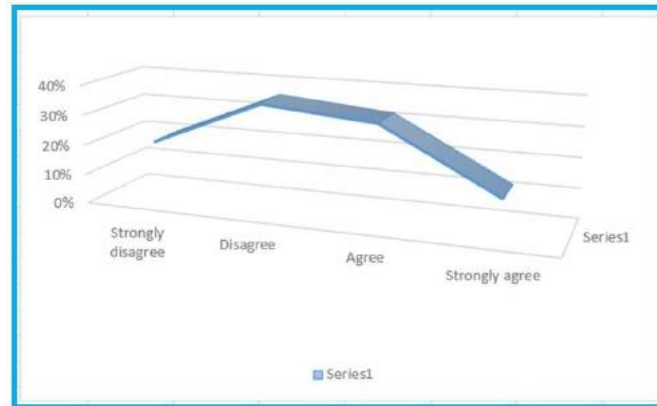
Chart 4.2.5 shows respondent's market share expects



This chart demonstrates that the majority of the respondents 57% agree that the market share of their business is as big as they expected, 20% disagree, and 10% strongly disagree and 13% strongly agree that the market share of their business is as big as they expected. This study shows that the majority 57% of small business owner's market share is big as they expected.

4.2.6 The Net profit in your business is high compared to others of the same size

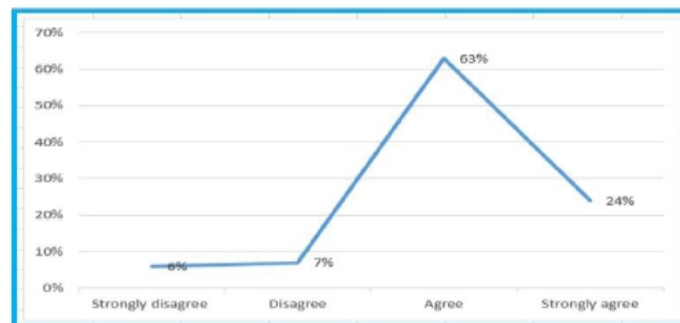
Chart 4.2.6 shows whether respondent's net profit is higher



This chart is telling that 36% of the respondents disagree that they earn higher profit compared to other of the same size, 32% agree, 20 % strongly disagree and 12% strongly agree that they earn higher profit compared to other of the same size. Therefore this study proved that the same size businesses are earning the same profit as shown in the graph 37% of the respondents disagreed they were earning a higher percentage of profit while 32% of them agreed that they were earning a higher percentage of profit compared to the same size.

4.2.7 The Net profit in your business satisfies your expectation

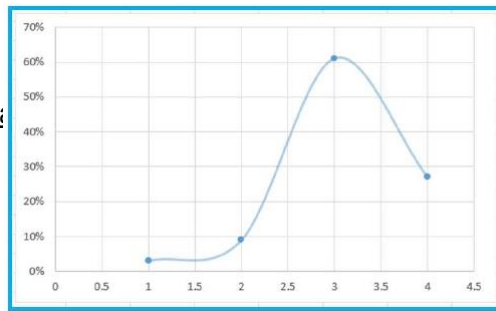
Chart 4.2.7 shows whether the net profit of their business is satisfying their expectations



This chart illustrates that 63% of the respondents agree that the net profit of their business is satisfying their expectation, 24% strongly agree, 7% disagree and 6% strongly disagree that the profit they earn is satisfactory. For this study 63% of the small business owners were satisfied with the net profit of their businesses, thus we may know that the net profit produced from the small business was satisfying the expectations of their owners.

4.2.8 Your current revenue is satisfactory

Chart 4.2.8 shows whether the respondent's current revenue is satisfactory

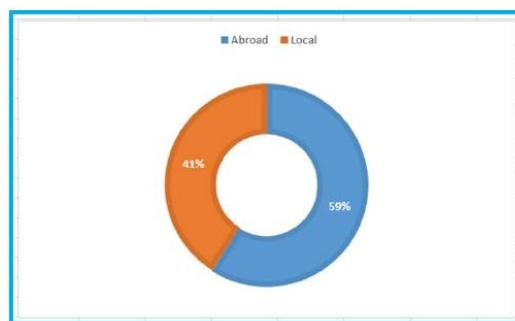


This chart is presented that 61% of the respondent's current revenue are satisfactory, 27% strongly agree, 9% disagree and finally 3% of the respondents' current revenue is satisfactory. As a result of this study 61% of small business owner's revenue were satisfactory and they were happy with it, while 27% of them strongly agreed that they're earning revenue was satisfactory.

4.3 The degree of economic growth

4.3.1 Where do you bring your business product?

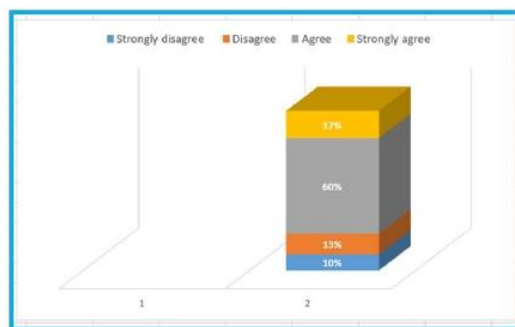
Chart 4.3.1 shows the source of business products



As shown the above chart 59% of the business products are brought from abroad while 41% are from the local areas of the country. This is study proved that the majority of the small business products 59% were brought from outside the country as imports, and as a result of these the profits goes back to the abroad.

4.2.9 Do you find enough customers for your goods and services?

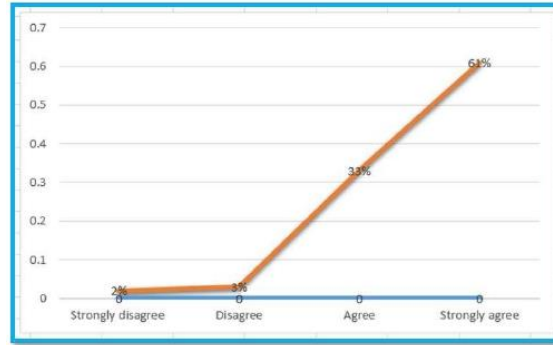
Chart 4.3.2 shows whether respondents find enough customers



As shown in the above chart 60% of the respondents agreed that they get enough customers for their goods and services, 17% of them strongly agreed that they get enough customers, 13% of the respondents disagree and finally 10% of the respondents strongly disagreed that they get enough customers. As a result of this study it has proven that 60% of small businesses find enough customers for their goods and services.

4.3.3 The establishment and starting of small businesses can contribute the employment generation.

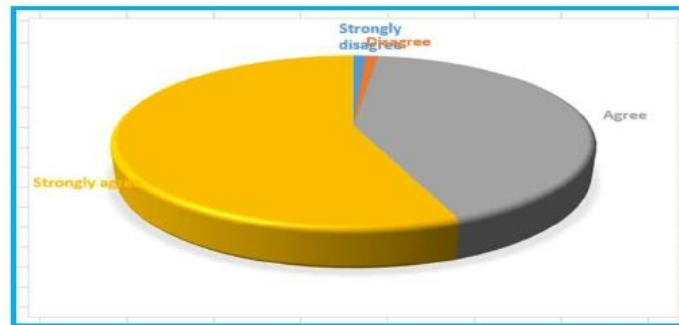
Chart 4.3.3 shows the role of small business on employment generation



As shown in the above chart the majority of the respondents strongly agreed 61% that small business contributes employment generation, 33% of the respondents agreed, 3% disagreed and finally 2% of the respondents strongly disagree that small business contributes employment generation. The majority of the respondents 61% strongly agreed that small business contributes employment generation, thus, this statement is supporting the thesis statement of my research paper.

4.3.4 The establishment and creation of small business has a vital role in the economic growth and improving social life.

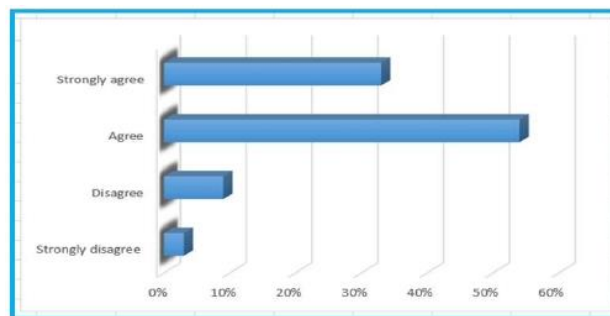
Chart 4.3.4 shows the role of small business in economic growth



This chart illustrates that the majority of the respondents 56% strongly agreed that small business has a vital role in the economic growth and at the same time improves the social life of the community as a whole, thus this finding is supporting the thesis statement of this research paper, 42% agreed, 1% disagree and also 1% strongly disagreed.

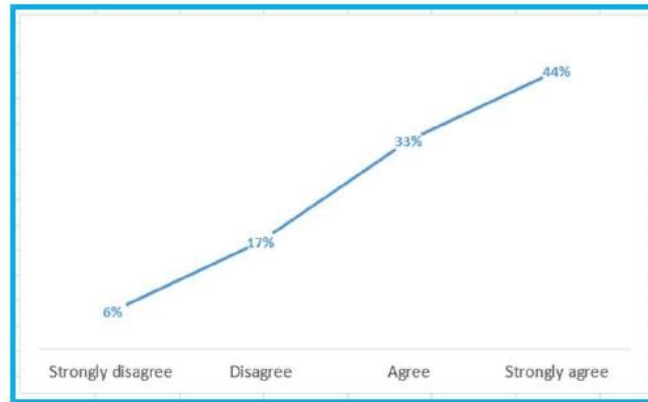
4.3.5 Your business provides enough income for your needs.

Chart 4.3.5 show whether business provides enough income for the needs



As shown in this chart the majority of the respondents 54% agreed that their business provides enough income for their needs, 33% of the respondents strongly agreed, 9% of them disagreed and 3% of the respondents strongly disagreed that their business provides enough income for

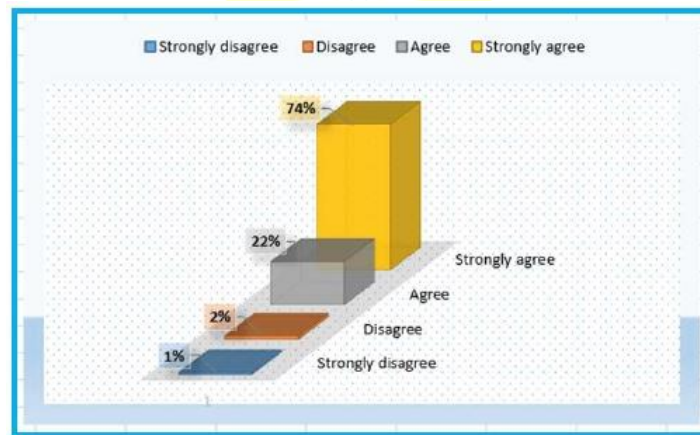
their needs. 54% of the respondents agreed that their running on small business was proving enough income for their needs.



The above chart illustrates that 44% of the respondents strongly agreed that the income they were earning was growing time after time, 33% of the respondents said agreed, 17% of them disagreed and 6% of the respondents strongly disagreed that their earning income was growing time after time. The majority of the respondents 44% strongly agreed that they're earning from the small business was increasing time after time and at the same time they were very happy practicing this kind of business.

4.3.7 Small scale business contributes economic growth of Puntland

Chart 4.3.7 shows the role of small scale business in the economic growth of the Puntland



This chart illustrates that the majority of the respondents 74% strongly agreed that small business contributes to the economic growth of Puntland, 22% of the respondents agree that small business contributes the economic growth, 2% disagree while 1% of the respondents strongly disagreed. This study has proven that small business contributes to the economic growth of Puntland with a majority of 74%, therefore for sure we can say that small business has can and have contributed the economic growth if this region of the country.

4.4 Significant relationships between Small business & Economic growth

As we have discussed in chapter three (Research Methodology) this research was supposed to employ **Correlation Research Design** (tests for statistical relationships between variables), and as shown in this below, there is a strong relationship between small business & economic growth (%75).

Variable correlation	R-Value	Interpretation
Small business & Economic growth	-0.75	Negative Strong Correlation

5.0 CONCLUSION

This chapter presents the summary of the findings of this study, conclusion and finally provides recommendations based on the research findings.

5.1 Summary of the Findings

Democratic Characteristics of the Respondents: Regarding the gender classification, this study found that the majority of the small business owners 67% are male while 33% are female. Therefore because of the Islamic laws and the Somali culture Men have to serve for Women and that's why in the market you will find lot men running the businesses. According to the age of the business owners this study found that the majority of the people 34% are in between the 25-30 years old. 31-35 are 14%, 46-50 are 11% and 3% of the respondents are more than 50 years old. This can be concluded that most of the businesses run under adult persons. This study shows that 21% of the respondents were literate, 24% are secondary graduates while 10% of them are graduated from colleges/universities thus, the majority 44% of the people running small businesses their level of education is not higher than primary or other informal educations and the reason is that most of the businesses are started by people who have faced challenges with the continuation of their education or may not got the chance to step forward for higher educations. Regarding the time, this study found that most of the businesses 43% were running 1-5 years also as this study shows 34% of the business run 6-10 years, 10% of them were running the business more than 10 years while 12% were running the business less than a year.

With a good majority 56% this study proved that most of the small businesses are practiced and directed by their owners, 10% are partners, 9% of them are managers while 26% of the small businesses are run by the staff members. This study demonstrated that 67% of the small business owners work full time in running their businesses, while 33% of them were working part time. Regarding the type of the business, this study found that 74% of the small businesses are solely owned by one individual and as the chart 4.1.5 shows most of these businesses are practiced by their owners, while 26% of the businesses are owned by more than one person.

The degree of small business In line with this study, the majority of the business owners 47% said they have never attended or received any trainings or seminars to manage and develop their businesses, while 23% of them agreed that they received and gained trainings on how to run and manage a small business. Regarding to this study the respondents were asked if they make business plans for their businesses, 37% of them said that they have never made any plan for their business w, 30% agreed that they make plans in advance and 17% strongly agreed that they have business plans. In other words most of the businesses they have plans indicating when to purchase and what quantity to purchase but, mostly they don't have any strategies indicating where their business will be in the next years or what development they are intending to reach.

As this study is indicating, 33% of the respondents strongly disagreed that they employ other people while, 37% of the respondents strongly agreed that employ other people, this can be divided into two; some of the businesses the owner and some other people are working together and some them the owners assign some other people to run for their business. This can be concluded that small businesses are a source of employment and this statement supports the thesis statement. The majority of the small businesses 43% confirmed that their profit was increased compared to others in the market. Also this study presented in a good majority 57% that the owners of small business their share is as big as they expected. According to the net profit, this study proved that same sized business owners earn same profit, which means that they get equal customers for their goods and services. 20% strongly disagreed that they were earning same profit as the others while, 12% strongly agreed that their earning profit was same like the others. In line with this study, it has confirmed in a good percentage 63% that the net profit earned from the small business satisfies

the expectation of its owners. Also the study revealed in a good majority 61% the revenue earned from the small business is satisfactory and the owners of small businesses confirmed that they are happy with their earning revenue.

The degree of economic growth: Regarding the business products, this study stated that 59% of the business products are brought from the outside world while 41% of them are locally produced products. Therefore as a result of these the majority of the business products imports from the outside countries. Also this study revealed that 60% of the small businesses finds enough customers for their goods and services. Therefore, we can conclude by saying that small business has enough market. As the respondents of this study confirmed 61% strongly agreed that the starting and the establishment of small business contributes employment generation, while 33% agreed and 2% strongly disagreed thus, this result supports the thesis statement of this research paper. As this study proved 56% of the respondents strongly agreed that the establishment and creation of small business has a vital role in the economic growth and improves social life, 42% agreed and 1% strongly disagreed.

Therefore this result strongly supports the thesis statement of this research paper. According to this study it has confirmed with a good majority 54% that small business was providing enough income for their needs as well as their income was growing time after time. Finally this study proved with a good percentage 74% that small business contributes to the economic growth of Puntland as a whole. 22% agreed and 1% strongly disagreed, In other words this finding strongly supports the thesis statement of this research paper. Therefore, the main purpose of this study was to examine the role of small business in the economic growth of Puntland, the correlation of the variables (Small business & Economic growth) is shown that they are correlated 75%, which means that small businesses has a great role in the economic growth of this region. As this study revealed that 42% of the respondents agreed and 56% of the respondents strongly agreed that the establishment and the creation of small business has an important role in the economic growth of Puntland. Likewise, this study strongly confirmed 61% that small business plays a tremendous role in the employment generation.

Also this study shows that 59% of the business products are brought from the outside world in other words this means that small business provides goods and services that the community needs. Regarding the respondents of this study 44% strongly agreed that their income was growing time after time, 54% of them agreed that their business was providing enough income for their needs and 56% of them confirmed that small business has an important role on improving the social life. According to this study small business owners confirmed strongly 44% that their income was increasing time after time, thus the increase in the income of these people immensely contributing to the gross domestic products (GDPs) of Puntland. In addition to this, when judging whether the economy is doing well or poorly, it is natural to look at the total income of everyone in the economy is earning. That is the task of gross domestic product (GDP). Therefore, now we can draw a general conclusion by saying small business has an important role in the economic growth, employment generation, provision of goods and services, creating a better standard of living and immensely contributing to the GDP of Puntland.

5.2 Conclusion

Small business have been fully recognized by governments and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership. The main achievements of this study was that: most of the business owners are men 67% and most of the business owners are aged in between 25-40, also as this study indicated most of the businesses are owned or run by not qualified person (primary/informal education graduates) also their experience in business was almost in between 1-10 years, also mostly small businesses are practiced by its owners 59% and most of these owners they work full time in running their business and most of the businesses are solely owned by an individual 74%.

This study also proved that most 47% of the small business owners are not equipped with the knowledge relating how they manage and run their businesses. Likewise 37% of the business fail to make plans in advance. As shown in this study 37% of businesses employ other people and the net profit they earn is satisfying their expectations 63% as well as their current revenue was satisfactory 61%.

Regarding to the findings of this study it reveals that 59% of the products sold by the small businesses are brought from the outside countries (imports) while 41% are locally produced products. Also this study demonstrates that 60% of the small businesses get customers for their goods and services. Likewise 61% of the small business owners strongly agreed that small business contributes employment generation, also 56% of them said small business has a vital role in the economic growth and improves social life.

Furthermore the small business owners confirmed that they earn enough income and their income was growing time after time. Finally this study proved with a good percentage that small business contributes to the economic growth of Puntland. Therefore, the development of the small business sector represents an essential element in the growth strategy of most economies and holds particular significance in the case of Puntland.

Small businesses contribute to the improvement of living standards, employment generation and reduction of poverty. The profitability of small businesses could be the reason why respondents generally support the establishment of small businesses as an element which contributes to the economic growth of the region as a whole. Therefore, now we can draw a general conclusion by saying small business has an important role in the economic growth, employment generation, provision of goods and services, creating a better standard of living and immensely contributing to the GDP of Puntland.

5.3 Recommendations

Universities/higher institutions of education should organize and design seminars and trainings for the small business owners and teach them how they run and manage their business as well they should teach them how to allocate their profit and make a business plan in advance.

Though it's difficult for one person to establish and start/investing new business; the owners of small businesses should come together and instead of running a personal business they should form a partnership business.

For small business owners if they can avoid it is better they work half time and employ other people to for the other half to contribute employment generation.

The government should establish investments in order to reduce the imports from the outside world, because, then ever the imports of the country increases the profit goes out of the country.

Since this study proved that small business contributes the employment generation, government and the investment banks should give loans to the people to start businesses and also the government should help and give guidance to the existing businesses as not to fail.

There is also need to introduce entrepreneurial studies in our Universities in Puntland. Finally the government should set polices and principles to the small businesses and also encourages the big companies and the investment banks to invest on the starting of small businesses.

References

Bolton. J. F (1971). Report of the Committee of Inquiry on small firms. Bolton report Cmnd. 4811. London: HMSO.

Burns and Grove (2003:195). "Research design and methodology", (2003). Gobooskee.org (Electronic). from www:

http://www.gobooskee.org/get_book.php?u=aHR0cDovL3Vpci51bmlzYS5hYy56YS9iaXRzdHJlYW0vaGFuZGxlLzEwNTAwLzE3OTYvMDRjaGFwdGVyMy5wZGYKQ0hBUFRFUjAaZlFJlc2VhcmNoIGRlc2lnbiBhbmQgbWV0aG9kb2xvZ3kgLSBVbmlzYU1SIEhvbWU= Retrieved on (Oct.20.2013).

<http://www.thomhartmann.com/users/natural-lefty/blog/2012/01/what-economic-growth>,

Retrieved on (Oct.20.2013)

Ijeoma Ekwem. (2011). SMALL AND MEDIUM SCALE ENTERPRISE DEVELOPMENT IN NIGERIA. Thesis for MDF, University of Stellenbosch.

Investopedia. (2013) “Definition of economic growth”, (2013). Investopedia (Electronic). From WWW: <http://www.investopedia.com/terms/e/economicgrowth.asp>. Retrieved on (Oct.09.2013)

Jane Tange. (2001). A review of small business literature. Manchester Metropolitan University.

Leon c. & Charles R. & William L, (1991). Defining Small Business. Successful Small Business Management (6th) (pp. 11-17). Boston: Domnelley & Sons Company.

Patrick Onuorah. (2009). THE ROLE OF SMALL AND MEDIUM SIZED ENTERPRISES FOR ECONOMIC GROWTH. Thesis for MBA School of Management, Blekinge Institute of Technology.

S. Rajasekar & P. Philominathan & V. Chinnathambi (2013). Research methodology. Research methodology, (5) pdf.

Stanworth, J. And Gray, C. (1991). Bolton 20 years on: the small firm in the 1990s. London: Paul Chapman.

Thom Hartmann. (2011). “Economic Growth”, (2011), Wikipedia (Electronic). From WWW: http://en.wikipedia.org/wiki/Economic_growth#Historical_sources_of_economic_growth. Retrieved on (Oct 09. 2013)

