

2018-05-21

The role of small business in economic growth, a case study Bosaso Somalia.

Botan, Halimo Sadik

Daffodil International University

<http://hdl.handle.net/20.500.11948/3118>

Downloaded from <http://dspace.library.daffodilvarsity.edu.bd>, Copyright Daffodil International University Library



Daffodil
International
University

DISSERTATION PAPER

On

**The Role Of Small Business In Economic Growth, A Case Study Bosaso
Somalia.**

Submitted to

Professore: Mr Shahjahan Mina

Department Of Business Administration

Faculty of Business and Economic

Daffodil International University

Submitted by

Halimo Sadik Botan

ID: 172-14-2433

Program: MBA

Major: Finance

Department Of Business Administration

Faculty of Business and Economic

Daffodil International University

Date of Submission: 21TH, May, 2018

1 Table of Contents

2	Background of the study	1
2.1	Small Business	1
2.2	Contribution of Small Business towards Economic Growth and Development.	2
2.3	The challenges faced by Small businesses.	3
2.4	Problem statement.	4
2.5	Research Objective	4
2.6	Scope of the Study	4
3	Introduction	5
3.1	Small Business Theory.....	5
3.2	The Role and Importance of Small business.	6
3.3	Diversity of Small business.....	6
3.4	Major Contributions of Small business.	7
3.5	Challenges of the SMEs.....	7
3.6	Economic growth	9
3.7	Economic growth versus the business cycle	10
3.8	Theories of economic growth.	10
3.8.1	Classical growth theory.....	10
3.9	The neoclassical growth model.....	11
3.10	Salter cycle	11
3.11	The big push.....	12
3.12	The Contribution of small business to the economy	13
4	RESEACH METHODOLOGY.....	14
4.1	Research Design	14
4.2	The Target Population.....	14
4.3	Sampling Procedure	16
4.4	Data Analysis and Presentation	16
4.5	Reliability Research Instrument	16
4.6	Method of Data Collection.....	17
4.6.1	before data collection: the researcher is developing all the data collection tools and.....	17
4.6.2	during data collection: the researcher is meeting with the respondents, giving them an.....	17

4.6.3 After data collection: the researcher is checking and reviewing all the processes of data.....	17
4.7 Data Analysis	17
4.8 Ethical Considerations.....	18
4.9 Limitations of the Study.	18
CHAPTER FOUR	19
RESULTS	19
5 Introduction	19
5.1 SOCIO-DEMOGRAPHIC CHARACTERISTICS	19
5.2 Respondent’s net profit is higher.....	28
5.3 On Economic Growth Performance Sector	29
6 Summary of the Findings.	33
6.1 The degree of small business	34
6.2 The degree of economic growth	35
6.3 Conclusion.....	37
6.4 Recommendations.....	39

LETTER OF TRANSMITTAL

Date: 20, May, 2018

To: Professor. Mr: Shahjahan Mina application for the Submission of Thesis Paper Dear Sir,

With due respect, I'm glad to submit my thesis paper entitled "**The role of Small business in economic growth a case study of Bosaso Somalia**" as a partial fulfillment of Master of Business Administration. It is pleasure to complete this thesis within due time under your guidance and supervision.

While conducting this research all instructions and guidelines were duly followed. A sincere time was spent and all necessary effort was made to complete this research in a feasible and realistic way, with hope that this thesis will meet all the requirements and expectations.

Halimo Sadik Botan

Signature

ID No: 172-14-2433

MBA Program (Major in Finance)

Faculty of Business Administration and Economics, Daffodil International University

DECLARATION

I confirm that the work reported in this report was carried out by the candidate under my Supervision and submitted to the faculty of Business and Economics for examination with my approval as the supervisor.

Professor: Mr: shahjahan Mina

SIGNATURE_____

LETTER OF AUTHORIZATION

I hereby declare that this submission is my own work towards completion of the program of Master of Business Administration, major in Finance, and that to the best of my knowledge, It's my work and it contains no material previously published by another person which has Been accepted for the award of any other degree of the university except where due Acknowledgement has been made in the text this thesis was prepared according to the regulations for postgraduate study of Daffodil International University

Dhaka Bangladesh.

Halimo Sadik Botan

ID: 172-14-2433

Signature -----

Date: 12-5-2018

DEDICATION

I dedicate this thesis to my beloved sister, mother and my whole family and also anyone who Struggled and motivated me to educate and to attain some of my dreams and goals. Much Regards to my supervisor Professor. Mr Shahjahan Mina for the tremendous guidance and Instructions during the writing this thesis.

ACKNOWLEDGEMENT

First, my special gratitude goes to the almighty God who made everything possible in His Own time because His mercy is without bounds. Who gave me time and allowed me to prepare this thesis. Secondly, I would like to thank my main guidance supervisor Professor: Mr Shahjahan Mina for guiding me to prepare this thesis.

I sincerely appreciate the efforts of my supervisor during the course of the program to the Professor: MrShahjahan Mina. I am also grateful for everyone who supported me to prepare this thesis including my classmates and other students.

Thirdly I thank all my family who helped me during the education process and supported in all funds that needed. Special thanks to my mother, my father and my sister Hibo Sadik Botan. Finally I thank my entire classmate friends special Abdikarim Ali Mohamed and Bashir Mohamoud and special my friend, Hayad Mohamoud Abdi during the education and thesis either whom helped for his biggest contribution and hard work during the time.

Writing my research thesis. I am also grateful my friend mss. Aisha Ali Adan she helped me communicational Support and moral support during the preparation process to do my thesis and helped me to prepare this thesis. I am besides great appreciation Faculty of Business Administration in Daffodil international University for the information rendered to me when I was handling this report.

ABSRRACT

This study, the role of small business in economic growth in Puntland, was undertaken to find out the role of samll 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 responseswere collected and analyzed using Excel sheet 2007for analytical tool.

List of Abbreviations

ROA: Return On Assets

ROE: Return on Equity

ROI: Return on Investment

SM: Small Business

EG: Economic Growth

CHAPTER ONE

2 Background of the study

The north east region of Somalia has, since mid-1998, been referred to Somalia, after a series of locally sponsored conferences, in which a traditional council of elders important role the 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 Somalia is a part of an anticipated federal 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 Somalia consists of the following seven regions: Bari, Nugal, Mudug, Sanaag, Sool, Ayn&Karkaar.

A fast-growing regions, 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.

2.1 Small Business

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 regions.

In this study we are going to examine the role of small business in economic growth in Somalia as a whole and especially in the largest three cities; Garowe, Bosaso&Galkaio.

Unfortunately, according to the Somalia 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.

2.2 Contribution of Small Business towards Economic Growth and Development.

Small scale businesses have been the means through accelerated economic growth and rapid industrialization have been achieved (Harris and Gibson, 2006; Sauzer, 2005).

Micro and small scale business have been accepted word wide as instrument of economic growth and development.

While small businesses may not generate as much money as large corporations, they are a critical component of and major contributor to the strength of local economies.

Small businesses contribute to local economies by bringing growth and innovation to the community in which the business is established.

Small businesses also help stimulate economic growth by providing employment opportunities to people who may not be employable by larger corporations.

Small businesses tend to attract talent who invent new products or implement new solutions for existing ideas.

Larger businesses also often benefit from small businesses within the same local community, as many large corporations depend on small businesses for the completion of various business functions through outsourcing.

These businesses tend to be more economically innovative than larger companies, more able to respond to changing consumer demand, more receptive to creating opportunities for women and minorities and activities in distressed areas. Small and large businesses are not distinct segments of economy; they buy each other's products and build on each other's innovations to generate economic growth.

The smaller businesses are 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.

2.3 The challenges faced by Small businesses.

Poor infrastructure the major barrier to business success is the lack of infrastructure and the high costs associated to its development for the administration and location of the business activities nevertheless the ones available are also expensive in terms of rent as some are not easily accessible especially for the case of roads in more remote areas (Barney, 1991).

The unavailability of entrepreneurship courses and one-stop business set up information centers, which causes new entrepreneurs making unnecessary mistakes such as starting small partnerships with oral agreements and without sufficient and adequate pre-feasibility, which later results the quick dissolution of the businesses.

The unavailability of commercial banking system and effective and efficient micro-finance institutions which further puts a strain on those businesses who face shortage of liquidity and those who are inspiring to set up their own startups. Lack of sufficient commercial legal framework and commercial arbitration mechanism is one of the biggest obstacles in SSBs growth and success.

Lack of linkages with international and regional businesses which erodes the chance of sharing with them best business practices and business opportunity identification.

Lack of basic book-keeping, sales, marketing, business planning, recently prevalent attitude among university graduates, who seek only to work with an employer rather than taking the risk of establishing their own startups.

This employer dependence syndrome creates to university graduates dismay and losses of hope since there are few employers and employment generating projects in the country.

Lack of Managerial Knowledge: According to Harper (1994), the formation of small scale businesses the owners can easily run the business but as it grows and ages, managerial demands rise

Non-existence of professional bodies: with an international standing such as certified public accountants, commercial lawyers, business tax experts.

Insufficient attention by the civil society groups, mainly the print media, radio, TV, and news websites as far as the importance of the SSBs sector is concerned.

2.4 Problem statement.

The establishment and the starting of small business is very common in Somalia, recently, there is a lot of people investing their money in order to start a small business.

Despite the risks that comes from the small business are uncertainties and yet many families are busy in Collecting of wealth to start up small business with the aim of generating profit.

Since, the starting of small business is rapidly increasing and common in the market this study identifies the role of small business in economic growth and provides recommendation in order to rectify the gaps.

2.5 Research Objective

The general objective of the study is to find out the role of small business in economic growth in Markets, the special objectives of this study are to, determine the level of profile of respondents in terms of age, gender, qualification and experience of small business owners in markets, to assess the degree of small business at Bosaso Somalia, to find out the extent of economic growth, to establish a significant relationship between small businesses and the economic growth.

2.6 Scope of the Study

This study will be limited in region special in Garowe, Bosaso&Galkaio districts Within the context of business markets, it will primarily focus on the relationship between small business and economic growth. This study will generally be conducted Oct-Dec 2013.

CHAPTER TWO

LITERATURE REVIEW

3 Introduction

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

3.1 Small Business Theory

Superficially, this appears to be an essay to answer a question: 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 one that is independently owned and operated and not dominant in its field of operation. 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'.

They were managed by owners or part-owners in a personalized way, and not through the medium of a formalized management structure.

3.2 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).

3.3 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 \$17million, 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.

3.4 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, and develop risk takers, Generate employment.

3.5 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 caliber 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, unfavorable 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 or chest rated 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 Bosaso of Somalia 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 fore. The theories explored herein are 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.

3.6 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, "economicgrowth" 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.

3.7 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 occurs 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.

3.8 Theories of economic growth.

3.8.1 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.

3.9 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".

3.10 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.

3.11 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, 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 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.

3.12 The Contribution of small business to the economy

In the Somalia, small business (less than 500 employees) accounts for more than half the non-farm, 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 17 million sole-proprietorships in the Somalia. 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 22 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 Edisto 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.

CHAPTER THREE

4 RESEARCH METHODOLOGY

Research methodology is the plan which enables collection and analysis of data in the most economical and feasible manner.

This chapter explains the research design, sampling technique, data collection, analysis and Interpretation methods that will be used in carrying out this study.

Research methodology is the plan which enables collection and analysis of data in the most economical and feasible manner.

This chapter explains the research design, sampling technique, data collection, analysis and Interpretation methods that will be used in carrying out this study.

4.1 Research Design

Burns and Grove (2003:1995) 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 Somalia. The researcher employed both quantitative and qualitative research methods.

4.2 The Target Population

According to Paratoo (1997:2018) 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 Punt ‘land special in Garowe, Bosaso&Galkaio districts within the context of business markets, and it will target the small business owners; Restaurant, Shops, 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 Punt land to establish the role of small business in economic growth.

Category population	Population	Sample size
Restaurant	5	10
Shops	5	12
Minimarkets	3	18
Milk sellers	3	13
Cosmetics	5	15
Taxi drivers	3	12
Grocers	6	10
Total	30	90

Sample size

In view of the nature of the target population was the economic growth of some Small business in Bosaso; a sample was taken from each category. Table 1 shows the respondents of the study. The Slovene’s formula is used to determine the minimum sample size.

$$N=n$$

$$1+N (E) 2$$

$$N_{30/1+30(0.05) ^2}$$

$$30/1+30(0.0025)$$

$$30/1+0.1$$

$$30/1.1=27$$

4.3 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.

4.4 Data Analysis and Presentation

Data will be analyzed using Statistical Package for Social Sciences(IBM SPSS Version 25) program. Both quantitative analysis and regression Analysis was used as data analysis technique.

The data collected was run through various models so as to clearly bring out the role of small business in economic growth Somalia.

Logit model was used to analyze the regression equation. The focus of this study is the link between role of small business and economic growth in Somalia.

The study measured performance through profitability of the small business. the set of dependent variables includes small business in economic growth, Independence variable of the established and starting of small business can contribute the employment.

4.5 Reliability 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 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.

4.6 Method of 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:

4.6.1 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.

4.6.2 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 responds all the needed guidance to the respondents.

4.6.3 After data collection: the researcher is checking and reviewing all the processes of data collection.

4.7 Data Analysis

The statistics for package for social science and Microsoft excel were used in the study for the purpose of analysis and presentation of results.

Descriptive statistics based on frequency tables and percentages was Used to provide information on demographic variables, the information Was later recorded in term of percentage as if will enter in computer Package for statistics for package for social science analysis.

4.8 Ethical Considerations

Here are some specific points that the researcher is considering when conducting the study, these Include:

1. Asking the permission to the respondents of the study.
2. Focusing on confidentiality.
3. Asking respondents not to write their names in the questionnaires.
4. Not harming or forcing the respondents to take part of the study.
5. Freedom of response.

4.9 Limitations of the Study.

The researcher experienced a problem of limited finances with respect to this study.

Costs regarding this limitation included transport, printing and photocopying of relevant materials.

However, the researcher had to receive some money from family members, relatives and used it sparingly so as to overcome the cost constrain.

The researcher experienced internet constraint during preparation of this study.

However, the researcher persisted to overcome this challenge and gave more efforts to Complete this task.

CHAPTER FOUR

RESULTS

5 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 90 respondents from which 21 filled in and returned the questionnaires making a response rate of 97.8%.

5.1 SOCIO-DEMOGRAPHIC CHARACTERISTICS

Table 4.1 Age in years of respondents

Age interval	Frequency	Percentage
25-30	12	13.0
41-45	15	16.3
Total	27	29.3

Figure 4.1. Respondents of the age

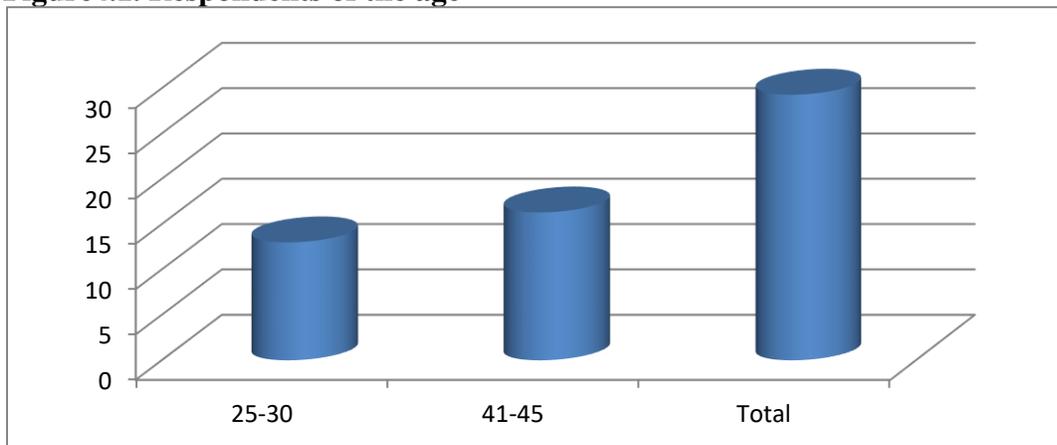


Chart4.1 shows that majority of the respondents 10 were between the range 20-30 because most of small business are directed by young men and women and finally 15 other respondents were more than 41-45 years old further more study has proven that majority people that are running business their age is in between 25-45.

Table 4.2 gender of respondents

Gender	Frequency	Percent
Male	46	50.0
Female	44	47.8
Total	90	97.8

Chart 4.2 Shows classification of respondents according to gender

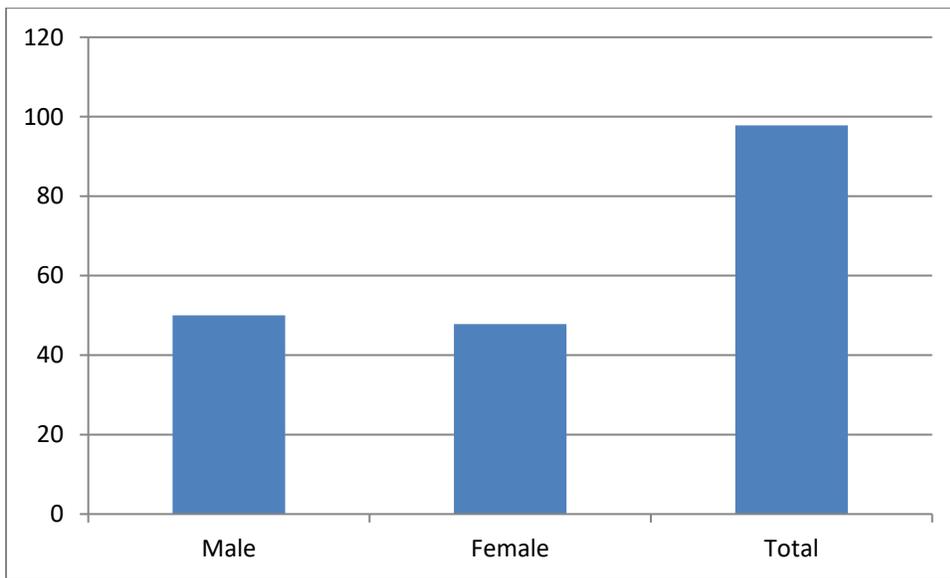


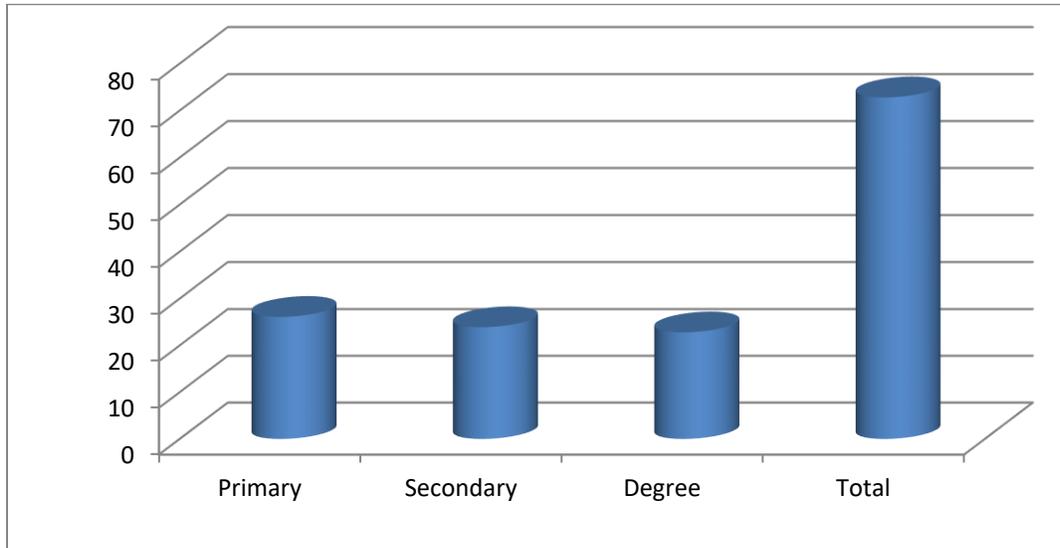
Chart 4.2 shows that 50 of the respondents were male, while 40 were female.

In this chart the study clearly defines that the majority people running the business are male.

Table 4. 3 level of education respondents.

Respondents	Frequency	Percentage
Primary	24	26.1
Secondary	22	23.9
Degree	21	22.8
Total	67	72.8

Figure 4.3 Education levels of respondents.



The respondents hold different education qualifications University level.

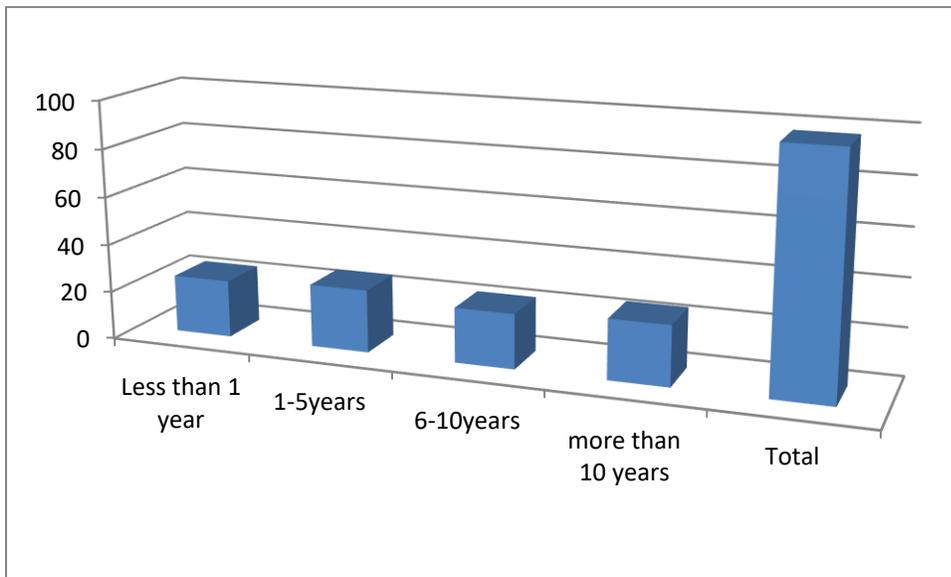
As this table shows the majority of the respondents 20 have primary or informal Education certificates, 15 were secondary graduates, and 13 levels.

Therefore as the study proves it can be inferred that small businesses are dominated by people with relatively low level of education.

Table 4.4 How long time where you run this business.

Work experience	Frequency	Percentage
Less than 1 year	6	23.9
1-5years	11	26.1
6-10years	18	22.8
more than 10 years	23	25.0
Total	58	97.8

Figure 4.4 Respondents work experiences.



The majority of the respondents 20 were running the business 1-5 years, were running the business 6-10 years, 15 were running the business 1-5years, were running the business 6-10years 15 were running the business 6-10 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.

Table 4.5 Respondents of the position business.

Position business	Frequency	Percent
Owner	5	18.1
Partner	11	20.5
Manager	19	25.6
Staff	21	23.9
Total	56	88.1

Figure 4.5 of respondents of the position business.

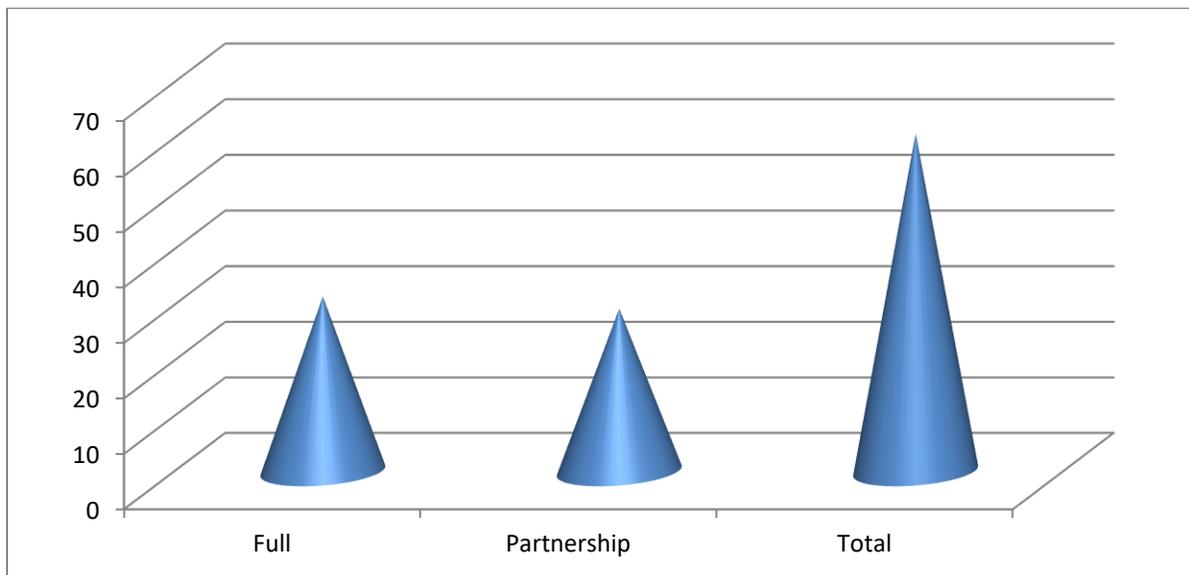


The majority of the respondents 10 were running a business of their Own 18 of them were running a business as staff for someone, 25 of them partners of the Business while 25 of them were managers of the business. In a good majority this study has proven that most of the small businesses 10 are run by the owners of the business.

Table 4.6 Respondents of their position

Time work	Frequency	Percentage
Full	29	31.5
Partnership	27	29.3
Total	56	60.8

Figure 4.6 Respondents of their position

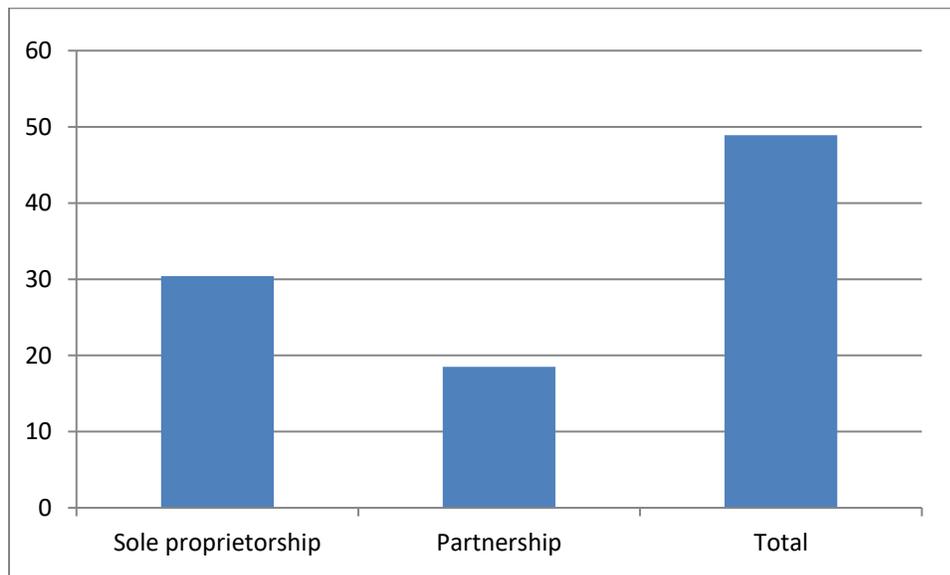


The majority of the respondents 28 were running the business full time while 23 were part time. Thus this can draw that small businesses are working full time on running the business.

Table 4.7 Respondents of the type of business

Type of business	Frequency	Percentage
Sole proprietorship	28	30.4
Partnership	17	18.5
Total	45	48.9

Figure 4.7 respondents of the type of business.



The majority of the respondents 30 were running a sole proprietorship type of business while 18 were running partnership type of business.

Therefore this study has proven with a good majority 30 that small business are solely owned by one individual and in the most cases he is the one who runs his business.

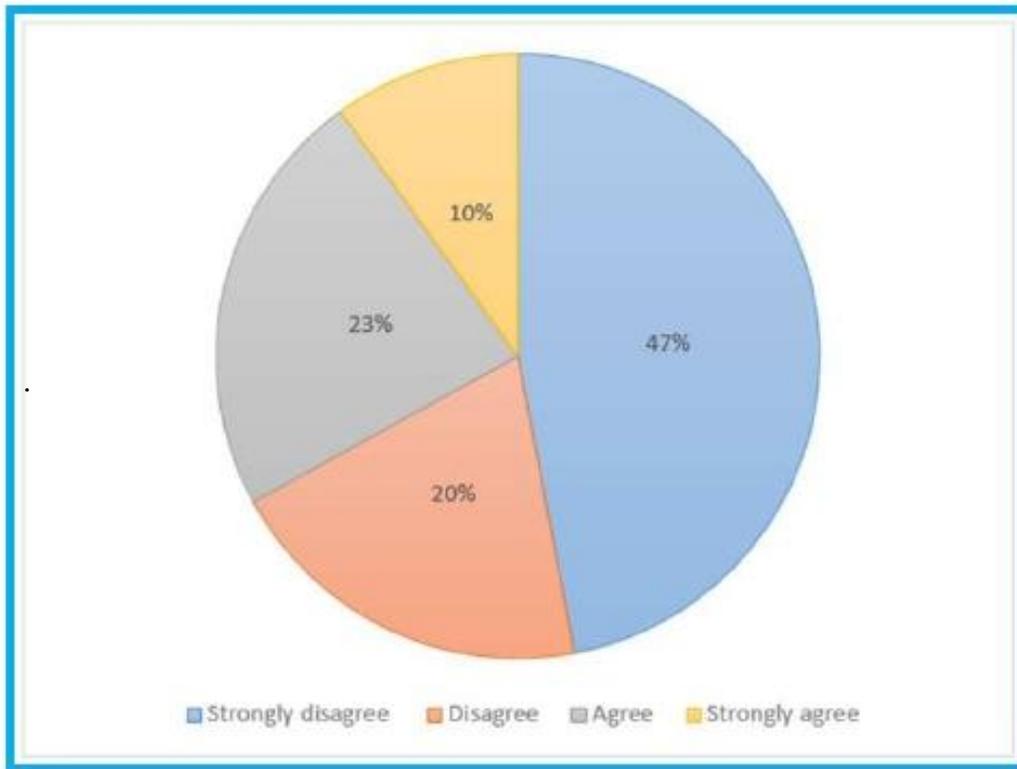
Section A: IV

As research required to identify in brief the small business in Punt-land especially the commerce Region of Bosasowhere as research choose business a case study. During study research used the following questions to investigate small business. The views of the respondents were as follows.

4.5.1The Degree of small business

Respondents	Frequency	Percentage
Strongly disagree	11	10%
Disagree	6	20
Agree	8	23%
Strongly Agree	15	47%
Total	33	100%

Figure 4.5.1 The Degree of small business

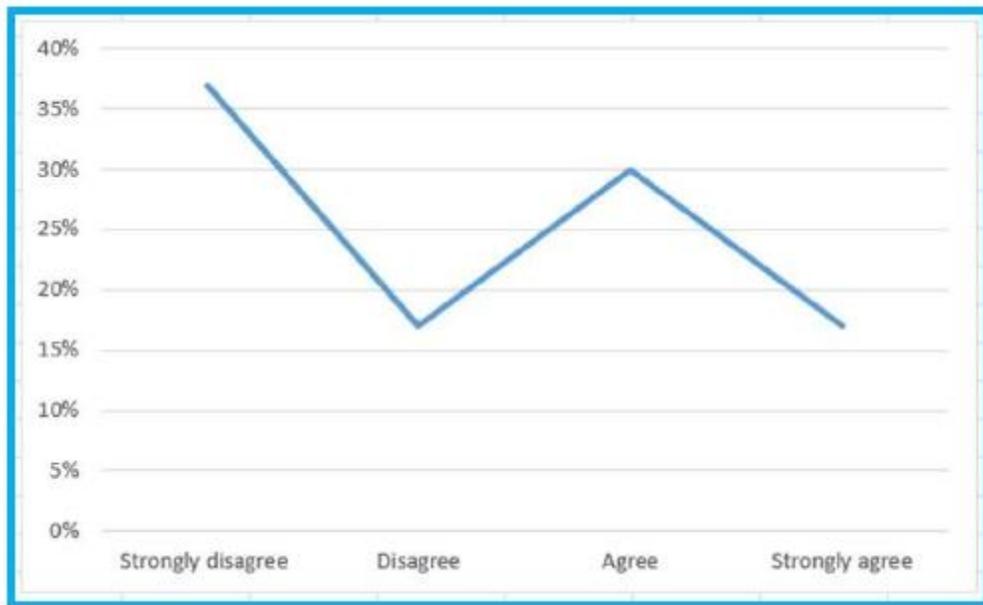


This chart indicates that 47% of the respondents replied with strongly disagree, 23% of the Respondents answered agree, 20% of the respondents replied disagree and 10% of the Respondents answered strongly disagree, therefore this research shows that the majority of the Business owners are not receiving 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.

Table 4.5.2 Respondents make business plans.

Respondents	Frequency	Percentage
Disagree	11	36%
Strongly disagreed	6	32%
Strongly agreed	18	20%
Agreed	12	12%
Total	47	100%

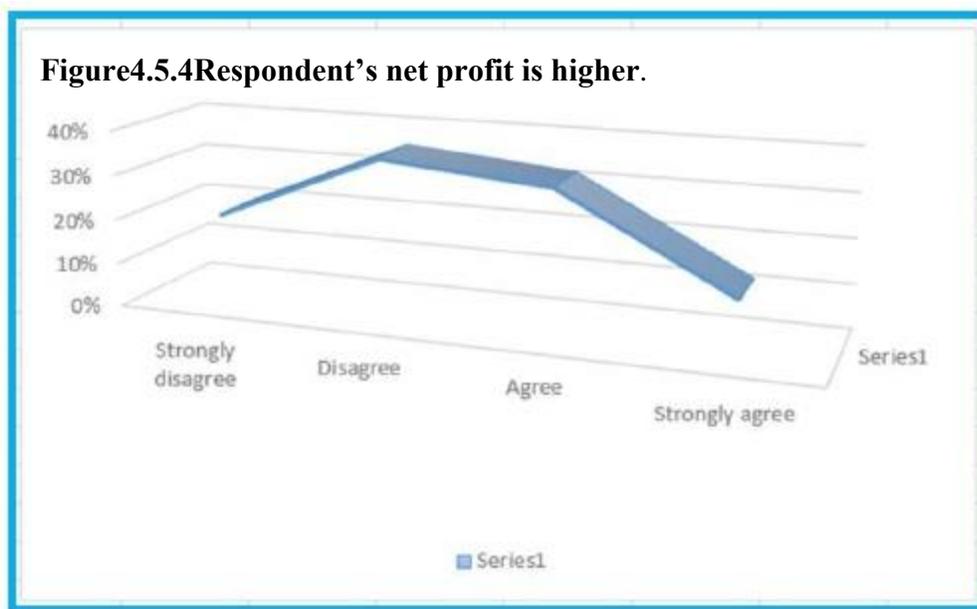
Figure 4.5.3 Respondents make business plans.



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.

5.2 Respondent's net profit is higher.

Respondents	Frequency	Percentage
Strongly Agree	11	36%
Agree	6	32%
Strongly disagreed	18	20%
Disagree	12	12%
Total	47	100%



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.

Section B: DV

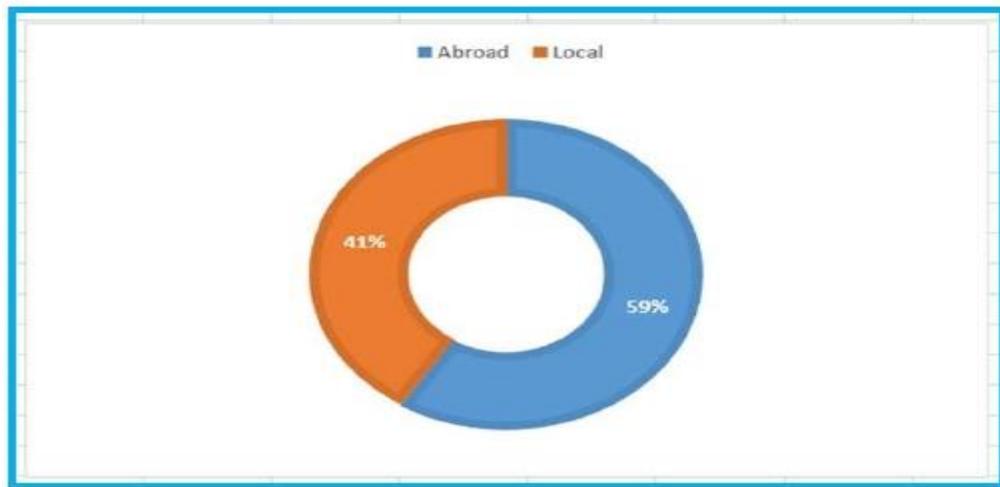
5.3 On Economic Growth Performance Sector

The third section of the question paper researcher required to recognize the economic growth sector in Somalia particularly the business capital of Bosaso, whereas researcher chose economic growth as a case study. Throughout research, researcher used the Following questions to examine the employee performance. The questions and Ideas of the respondents were as follows.

Table: 4.6.1 Respondents Source Of business Products.

Respondents	Frequency	Percentage
Abroad	20	41%
Local	29	59%
Total	49	100%

Figure4.6.1 Respondents Source Of business Products.

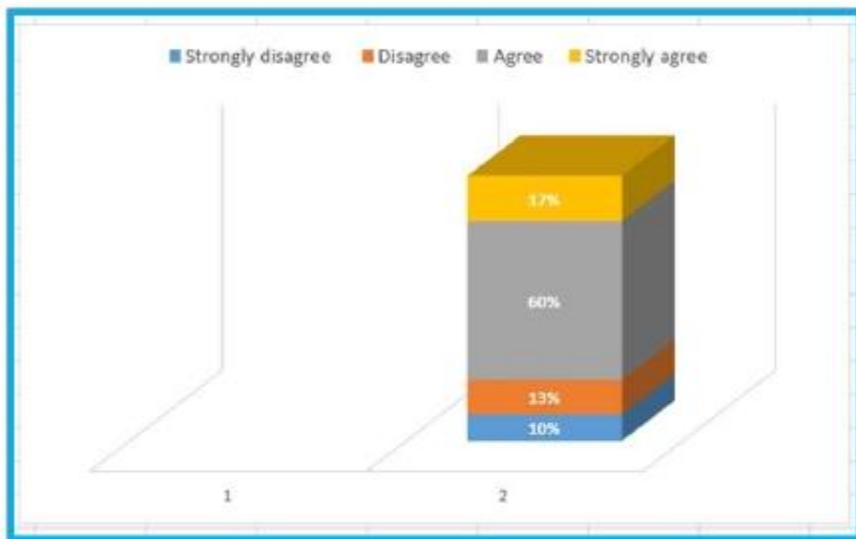


The above chart 59% of the business products are brought from abroad while 41% are from the local areas of the country. This is study proved that the majority of the small business products 59% were brought from outside the country as imports and as a result of the profits goes back to the abroad.

Table 4.6.2 Respondents find enough customers.

Respondents	Frequency	Percentage
Strongly Disagree	3	10%
Disagree	7	13%
Agree	10	17%
Strongly agree	5	60%
Total	25	100

Figure 4.6.2 Respondents find enough customers.



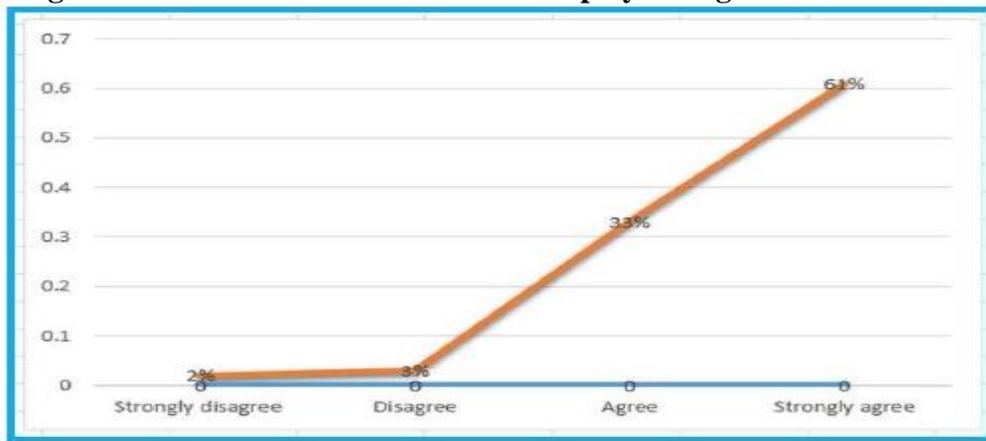
As shown in the above chart 60% of the respondents agreed that they get enough customers for Their goods and services, 17% of them strongly agreed that they get enough customers, 13% of The respondents disagree and finally 10% of the respondents strongly disagreed that they get Enough customers.

As a result of this study it has proven that 60% of small businesses find enough customers for their goods and services.

The Table 4.6.3 Role of small business on employment generation.

Respondents	Frequency	Percentage
Strongly disagree	10	2%
Disagree	10	3%
Agree	20	33%
Strongly agree	30	61%
Total	70	99%

Figure: 4.6.3 Role of small business on employment generation.

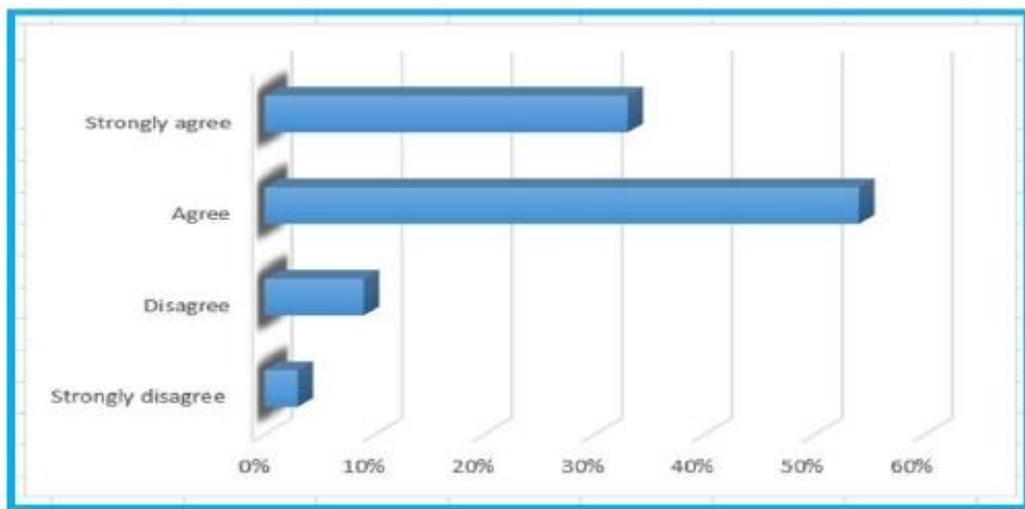


As shown in the above chart the majority of the respondents strongly agreed 61% that small business contributes employment generation, 33% of the respondents agreed, 3% disagreed and Finally 2% of the respondents strongly disagree that small business contributes employment Generation The majority of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

Table.4.6.4.The Respondents business provides enough income for the needs.

Respondents	Frequency	Percentage
Strongly Agree	5	3%
Disagree	5	9%
Agree	8	33%
Strongly Agree	12	54%
Total	30	95%

Figure:4.6.4.The Respondents 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 the their running on small business was proving enough income for their needs

Chapter five

FINDINGS, CONCLUSION & RECOMMENDATIONS

6 Summary of the Findings.

Regarding the gender classification, this study found that the majority of the small business owners 50.0% are male while 47.8% 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 13.0% are in between the 25-30 years old. 41-45 11% and 3% of the respondents are more than .

This can be concluded that most of the businesses run under adult persons.

This study shows of the respondents , 20, are secondary graduates while, 25% of them are graduated from universities thus, the majority 15% 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 26.1% of the business run 6-10 years.

10% of them were running the, business more than 10 years while 25.0% were running the business less than a year.

With a good majority 18.1% this study proved that most of the small businesses are practiced and directed by their owners, 20.5% are partners, 9% of them are managers while 26% of the small businesses are run by the staff members.

This study demonstrated that 25% of the small business owners work full time in running their businesses, while 31.5% of them were working part time, regarding the type of the business, this study found that 29.3% of the small businesses are solely.

6.1 The degree of small business

In line with this study, the majority of the business owners 20% 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, 36% of them said that they have never made any plan for their business w, 32% agreed that they make plans in advance and 12% 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, 32% 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 of 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 36% 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.

10% strongly disagreed that they were earning same profit as the others while, 60% strongly agreed that their earning profit was same like the others.

6.2 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 find 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.

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 have 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), 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.

6.3 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 48.9% 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 25% 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 Punt land.

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 Punt land.

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.

6.4 Recommendations

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). Gbookee.org(Electronic). from www:

http://www.gbookee.org/get_book.php?u=aHR0cDovL3Vpci51bmlzYS5hYy56YS9iaXRzdHJlYW0vaGFuZGxlLzEwNTAwLzE3OTYvMDRjaGFwdGVyMy5wZGYKQ0hBUFRFUlAzIFJlc2VhcmNoIGRlc2lnbiBhbmQgbWV0aG9kb2xvZ3kgLSBVbmlzYUlsIEhvbWU= 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 ENTERPR ISE DEVELOPMENT INNIGERIA. 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)

APPENDIX A: Research Questionnaire

Dear Respondents,

SECTION I: FACE SHEET: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Please place (√) in the space that most accurately reflects you

I am a student of Daffodil International University pursuing a master's degree of Business Administration department

of Finance.

THE ROLE OF SMALL BUSINESS ECONOMIC GROWTH IN SOMALIA, this is to request you to complete the attached questionnaire diligently and honestly as your view will be used for the purpose of achieving the academic objectives of this study.

1. **Gender:** Male Female

2. **Age group:**

18-24

25-30

31-35

36-40

41-45

46-50

50 +

3. **Level of Education**

Literate

Primary/informal education

n

Secondary

College/University

4. **How long time have you run this business?**

Less than 1 year

1-5 years

6-10 years

more than 10 years

5. **What is your position in the business?**

Owner

Partner

Manager

Staff

