

**T.C.
ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCE**



**THE EFFECT OF SMALL AND MEDIUM ENTERPRISES ON POVERTY
REDUCTION IN AFGHANSITAN**

**THESIS
MAHMOOD HASSAAS**

**Department of Business
Business Administration Program**

Thesis Supervisor: Asst. Prof. Dr. Emine Zeytinli

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İSTANBUL AYDIN ÜNİVERSİTESİ
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To my respect parents
The reason of what I become today
Thanks for our support and continuous care



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ABBREVIATIONS

ACBAR	: Agency Coordinating Body for Afghan Relief
AEFU	: Afghan Evaluation Forecasting Unit
AGDP	: Agriculture Domestic Product
AISA	: Afghanistan Invest Support Agency
ANDS	: Afghan National Development Strategy
ARED	: Afghan Research Evaluation Development
AREU	: Afghan Research and Evaluation Unit
ASMED	: Afghanistan Small and Medium Enterprise Development
EU	: European Union
GDP	: Gross Domestic Product
HIPC	: Heavily Indebted Poor Countries
IFAD	: International Fund for Development
IFC	: International Finance Corporation
IMF	: International Monetary Fund
JICA	: Japan International Corporation Agency
MFGDP	: Manufacture Gross Domestic Product
MOCA	: Ministry of Commerce of Afghanistan
MOUD	: Ministry of Rural Development
MRPD	: Ministry of Rural Development
MSMEs	: Ministry of Micro, Small and Medium Enterprises
NATO	: North Atlantic Treaty Organization
NGOs	: Non-Government Organization
NRVA	: National Risk and Vulnerability Assessment
PPP	: Public Private Partnership
PRG	: Poverty Reduction Development
PRSP	: Poverty Reduced Strategy Paper
SME	: Small Medium Enterprises
SGDP	: Second Material Domestic Product
UN	: United Nation
UNDP	: United Nation Development Program

URSP : Urgent Rehabilitations and Support Program
USD : United State Dollar
USA : United State of America
USAID : United State Aid
WTO : World Trade Organization
WB : World Bank





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THE EFFECT OF SMALL AND MEDIUM ENTERPRISES ON POVERTY REDUCTION IN AFGHANSITAN

Abstract

This paper explores the effect of SMEs (Small Medium Enterprises) on poverty reduction in Afghanistan through alleviation and database. The role of SME is very important in employment generation, poverty alleviation, Gross Domestic Product (GDP) and economic growth which automatically reduce poverty in a country. Annual data used to examine the impact of SMEs on poverty reduction in Afghanistan. This article aims at finding out that which small medium scale and enterprise with use of activities of employment helped to reduce poverty reduction and it is recognized that SMEs is a powerful tool to poverty reduction and economic growth.

After three decades of war in Afghanistan, the system and infrastructure of Afghanistan is completely destroyed and after create of temporary government in Afghanistan in 2001, Afghanistan is involved into many protocol and aids program to rescue this country from poverty and raise the poverty line. They raise many tools, regulation and innovation to decrease poverty from Afghanistan and this is a very effective topic to decrease the problem of poverty through SMEs which is corporate with the help of World Trade Organization (WTO), World Bank (WB), United Nation (UN), Japan International Corporation Agency (JICA) and many other organization or Non-Government Organizations (NGOs).

Keywords: Poverty Reduction in Afghanistan, Annual data and effect of SMEs, JICA, Word Bank, United Nation, NGOs, Taliban, Afghanistan.

KÜÇÜK VE ORTA ÖLÇEKLİ İŞLETMELERİN YOKSULLUĞUN AZALTILMASINDAKİ ETKİSİ: AFGANİSTAN ÖRNEĞİ

ÖZET

Bu makalede KOBİ'lerin (Küçük-Orta Ölçekli İşletmeler) Afganistan'daki yoksulluğun azaltılması üzerindeki etkisi, hafifletme ve veri tabanı aracılığıyla araştırılmaktadır. KOBİ'lerin istihdam yaratmada ve yoksulluğun azaltılmasındaki rolü çok önemlidir. Bir ülkedeki yoksulluğu otomatik olarak azaltan ekonomik büyüme ve yıllık veri, KOBİ'lerin Afganistan'daki yoksulluğun azaltılması üzerindeki etkisini incelemektedir. Bu çalışma, küçük ve orta ölçekli işletmelerin ve istihdam faaliyetlerini kullanan işletmenin yoksulluğun azaltılmasına yardımcı olmasına dair çözümü bulmayı amaçlayıp KOBİ'lerin yoksulluğu azaltmada ve ekonomik büyümede güçlü bir aracı olduğunu tanımlanmaktadır.

Afganistan'da 30 yıl süren savaş sonrasında, Afganistan'ın altyapı sistemi tamamen çökmüştür ve 2001 yılında Afganistan'da yeniden geçici bir hükümet kurulmuştur. Afganistan, yoksulluktan kurtulmak ve yoksulluk sınırını yükseltmek amacıyla birçok yardım programına katılmıştır. Yoksulluğun azaltılmasına yönelik pek çok araç, yönetmelik ve yenilikler geliştirilmiştir. Dünya Ticaret Örgütü (DTÖ), Dünya Bankası (DB), Birleşmiş Milletler (BM), Japonya Uluslararası Kuruluş Ajansı (JICA) ve birçok kuruluş veya STK'nın yardımıyla işbirliği yapan KOBİ'ler yoksulluk sorununu azaltmada çok etkili bir konu olarak düşünülmektedir.

Anahtar Kelimeler: *Afganistan'daki Yoksulluğu Azaltma, KOBİ'lerin yıllık verileri ve etkisi. Dünya Ticaret Örgütü, Dünya Bankası, Birleşmiş Milletler, Japonya Uluslararası Kuruluş Ajansı, Taliban, Afganistan.*



1. INTRODUCTION

1.1 Background and Conceptual Framework

Reduction of poverty is process which their target is only to decrease poverty from a country or nation. There are some progresses on strategies which their target is only to the poor people. Those who bear or suffer from social, political and economic growth in their family and it is the reason which is poverty reduction become the main central for plans of development. If poverty aimed to be decreased, it is definitely needed to increase economic growth and we have some tips for poverty reduction and economic growth.

Poverty is a condition of living in which people fight against that with political, social and environmental problem. Poverty is performing the very good challenging for better developing of the world. Poverty reduction in region of pacific and especially, Asia in 2005 and 2008 was very important, 150 million of world is under poverty in 2008, as estimation of WB. Poverty reduction has become the goal and aims of universe and institution even government, private and development institution for growth economic to reduce poverty. The poverty of global are estimated that are made by WB to help the undeveloped countries for better poverty reduction. There are many ways that the universal can decrease and flush Poverty which are more belong to national economy where economy of a country getting larger on other side of the people of a country will get and earn more money and the government will spend their all money to build schools, hospital and social welfare for better services for poor people (Wan and Sebastian, August 2011, pp. 1-2).

Growth of economic in a country is implies that there is many more opportunities in jobs. In this case people will find jobs and the income will increase, by this income which is find from job and good opportunities they can afford for better life of themselves. Growth economic is always will not good for the poor people of society, because when there is develop in economy, develop and revenue which is trickle down to poor people of society

in which some organization is who is member of organization in poverty is disagree with this. When economics is growth and this growth should be trickle down to poorest people of society because they need first for that.

Growth of economic is regarded for poverty reduction and it should be develop equally among the poor and rich people of the society and increase in activity of economic which they can provide more money and this money need to be distribute equally to rich and poor people and it is a benefits to all people, for the economic growth all people should be participate equally include of man and women at the local level, government should include all the people in their strategy and they should be very loyal about their occupation (Wan and Sebastian, 2011, p. 3).

If people just consider the war and construction in Afghanistan it can be a good an example which Afghanistan sector of building has been a lot of progress in their investments. On other part, if we consider about the GDP only and this income which we are getting from the boom construction which is effect the GDP. It is distributed equally to the people and this distribution should make equally to the poor and rich people of the society and that time we can consider a good Economic growth.

SMEs are affecting the poverty reduction, SMEs are machine of modern economic growth and it provides more and more employment to the huge amount of population in the economy of a country. According to WB statements, the problem of poverty are considered to the capacity of SME enterprises will make economic growth in every situation. The WB and other aid international agencies which accelerate and progress economics and reduce poverty, provides and make assisted targets to SME enterprises in economic. For instant, the WB support 10 million US dollars in SME progress over the year 1998 to 2002 (WB, 2015, p. 5).

Even though SMEs has distinct or cleared in a different way by singular economics but they have known and accepted as a vital prospective division for generation of opportunities of employment and foremost a main supplier of occupations or income of poor people. SMEs will raise output and production expansion in the economic enlarged output or production growth are acting on a significant role for community welfare in poverty reduction.

The WB and UN are planning with NGOs, private sector and government sector for providing a plan for enterprises to build factories, industrial park that people will get job from these factories which is very valuable for employment and it is very useful to provide a source of income for poor people and growth for economic and the most unskilled labor will be appointed by municipality and ministries. The administration of government should use the plan of WB which is very useful to poverty reduction process. Poverty is a condition of low income which low income will give us not enough food or instinct fund which in return provide us a poor nutrient that it will leads to illness and disease. There are more problems which we called poverty. Poverty is not only food but it is scarce of education, problem of health facilities, problem of drink water, limited access to political and scares of society welfare.

According to UN statistics estimation in 2005 approximately 3.5 billion people are staying in urban part in the world and 1 billion are account for resident in part of slum and it is increasing day by day which is 2.2% in a year. Unfortunately, it is higher than the growth of global population. For sake of this, poverty Urban became an important issue for challenge of assistance institution for the WB and UN. Now the WB and UN assistance with many other corporations of public and private sector which they work together to improve a social environment to reduce poverty, they want to raise the social, Political culture, economic growth and capabilities of human of poor people (Afghan Research Evaluation Unit (AREU), 2006, p. 3).

To increase economic growth and reduce poverty, the WB and aid agencies have provided embattled support to SMEs in developed and underdeveloped countries that by aids of organization, NGOs, UN and banks, the process and mechanism of poverty reduction will establish through these things and the very important topics which is going to discuss about poverty reduction through help of SMEs. And it is very useful to reduce poverty in a country because SMEs accelerate growth of economy that helps poor people can find job very easy and the rate of unemployment will decrease and many more facilities will be provide by SMEs and It is deduce that enterprise are worker or employer.

1.3 Limitation of the Study

This topic and research is not complete or comprehensive on the effect of SMEs on poverty reduction in Afghanistan but the government and NGOs should have more research on this point and another barrier is that the many of heads have enough high education in this field which only research and investigate in this point. The study about effect of SMEs on poverty reduction in Afghanistan is not an exhaustive due to scarce of resources and a background of war of three decades which is totally destroy the system of economic, infrastructure and business which in reflect endorse people to poverty. Since 2001 after built of temporary government, the UN, WB and NGOs came together to rehabilitees Afghanistan in such manner. And the very next important barriers and limitation of data in Afghanistan is that people do not have any proper data from the poverty and SMEs in Afghanistan.

They are many bit data, it seems different from each one and these data is only available in some people hand due to acknowledgment of society and institutions and these official report which is not published in internet due to scarcity of communication and internet.

1.4 Organization of the Thesis

This thesis is prepared in only five chapters. The first section is about the introduction limits methodology and organization of the thesis. The second chapter is prepared about the definition of that issue which is the key of the topics and conceptual framework of the subject which is define the meaning and illustration of this issue with the help of some diagrams and tables.

The third part is the main part which is discussing about the main issue of the thesis that it stated about every part of poverty which happened in Afghanistan with the data and estimation which is taken from different resources with show of graphics and tables which shows the estimation and data of poverty of Afghanistan and the way to reduce the poverty with different issue and manner.

The fourth chapter is discussing about the wellbeing of economic growth with the help of SMEs which is how SMEs will affect to the economic growth which challenge an

increase in the economic growth for well-being stability and sustainability of economic and business in Afghanistan. The last chapter is more common which is prepared for conclusion and summary of thesis in a best manner with the reference and appendix.

1.5 Methodology and Approach

Data methodology is the very significant and aims part of thesis and the most effective part of research about a thesis. An area of studies is statistical tool and model theoretical, tools of collection data, sampling technique and size of the sample. The primary data analysis is based on this study data. Hence, this data is separated in two types of data. One part is the effect of SMEs on employment and especially for poverty alleviation reduction and the other part is which taking data to describe the effect of SMEs on progress of economic.

According to the research requirement the purpose of questionnaire research is involve of this part of research, the sample Random technique is used for this purpose and different kind of SMEs by their class of labor were choose to show their society used through this technique of sampling and researcher are selected SMEs through sampling random. The work number is which is chosen from SMEs in which the select worker number is not fixed because of the employee number which it is change in every part of unit (Ali and Rashid, 2014, p. 68).

And this research is concentrate on effect of SMEs on reduction of poverty of Afghanistan from the year of 2001 to 2016 after ending of regime of Taliban and attack of USA (United State of America), the new government is made on that time which the research about the effect of SMEs on poverty reduction and economic growth is established and it is followed by the researcher. At this point the effect of health expenditure, rate of growth of population, inequality of income and inflation on poverty reduction has been described, the understood of autogressive is used to previous year to levels of poverty and data is taken from annual time of all variables and the output of scale of small of industries is used for the percentage of GDP to variables of small enterprise. The report of annual of poverty is take from the Ministry of Rural

Development and annual report of increase on SMEs has been taken form Ministry of Commerce and Deputy of Afghanistan Invest Support Agency (AISA).

The output of GDP as taken from the Afghan Evaluation Forecasting Unit (AERU) from the Ministry of Commerce government of Afghanistan and other NGOs and organization.

And this research is calculated by analysis of Regression to find the results from this calculation and analysis which is the first thing of poverty reduction and alleviation is employment which is depend most on increase of variable of employment. The increase of employment is very important as like SMEs which is reduce the poverty reduction. And the only issue which can be decrease the poverty is employment and that is only create by SMEs.

Suppose, if sufficient of SMEs income that impact to employment, it atomically increases the income of people which reduce poverty by passing time. More than 70% OF GDP is calculated from agriculture, GDP is very positive and useful variation of employment in Afghanistan. There are three kinds of GDP, the part one which is effect to employment is Manufacturing Gross Domestic Product (Mg GDP), the second part is Agriculture Gross Domestic Product (Ag GDP) and the very important of employment is second metal GDP (Oregwu and Chima, 2011, p. 9-10).

EMPLOYMENT = function of (MF GDP, SGDP, Ag GDP)

EMPLOYMENT = Mf GDP + Ag GDP + S GDP

MFGDP = Manufacturing Gross Domestic Product

AGDP = Agricultural Gross Domestic Product

S GDP = Second metal gross domestic product

Economically, the model of formula is as follows:

EMPLOYMENT = x0 + x1 Mf GDP + x2 Ag GDP + x3 S GDP + m

There are also some other factor which influence the SMEs in a relation of second model where it is consider some other factor which influence of productivity of Government funds issue in terms of investment with include of Interest rate with Commercial bank to SMEs.

Where the second model formula is this:

$$\text{SGDP} = x_0 + x_1 \text{Cmbr} + x_2 \text{Gov F} + x_3 \text{I} + \text{M}$$

The SMEs of GDP, GDP of agriculture on GDP of manufacturing are statistically important in decreasing the poverty reduction alleviation in Afghanistan and Mf GDP is explained by the level of employment and it seems relationship of positive with the variable dependent. Mf GDP increase positively the employment level where the Ag GDP instead of increasing the level of employment. It also does low expectation that corporate to poverty reduction and employment (Oregwu and Chima, 2011, p. 11).

The credit bank of commercial to SMEs is important but the SMEs fund and rates of interest with the duration of study is not important. Statistically, the finding of government and rate of interest shows the true sign on expectation of theory and it is a source which is lack of SMEs to institution of financial that government intervention in case of Debt or loan, emphasize that, the GDP and SMEs is very important to the level of employment for reduction of poverty in Afghanistan.

1.6 Theoretical Framework

The choose of SMEs as poverty reduction was very significant for the many academic and organization to apply these theories in their part for development of economic growth as well as employment through intensive of capital and large scale, for better sustainable of economic, economist will enjoy the growth of economic.

The aims principle of this paper is to make strong and give strength to SMEs for poverty reduction through many ways which are going to discuss about this as follows.

In Nowadays, role of technology is no longer in dispute. Technology should be present is such a way that it should have main objectives and it should be effective in whatever it is applied. Technology should be considered having following properties (Mukras, 2003, p. 16):

- Technology should be friendly considering entrepreneur's capabilities.
- Technology should not be provided in such a way that it should cost operational management.

- Technology should be presented in such a way that it should be soft for Administration demand.
- After presenting technology it should raise the employment capacity and it should generate the income.
- SMEs require appropriate technology but the technology may not be available to purchase. In this era if it try to get a second technology then it will not be sufficient to meet this criteria. If it try to conduct a research to challenge such technology and similar related technological products it will be cost effective.

For having a smooth and efficient management environment to meet the requirements then it must train the entrepreneurs in their respective fields in such a way that it may ensure that they can handle the operational management professionally. Participating as entrepreneurs, females are having many difficulties in their start up process. The females are poorest than their male counter parts and they have large number than males.

Having right and positive attitude towards success of our enterprise and choosing the right target will encourage our entrepreneurs to urge for relentless work. Fiscal and financial incentives are important elements whether in the service sector, manufacturing sector or educational sector. Mauritius has set a great example of SMEs succession by providing the SMEs facilities. They are income tax free, they are exempted from custom duties and exempted from VAT (Mukras, 2003, p. 9).

1.8 Literature Review

Open up studies in economy development indicates by Nukes, Lewis and Rosenstein. Rodan pay attention on development of economic. Hence these theoreticians are being pay attend to the effect of development of economic on poor people issue, regarding to Robinson and Adelman in 1989, the economic development are more under take on areas of urban. Therefore, the poor people are not taken revenue from this situation process. The unskilled labors growth are good or satisfied in reduction of poverty and equal income of distribution but the use and exploitation of wage low of worker in process of production, if less salary is more enough for poverty reduction and less enough for challenging in the market place with rural, it provides the intensive of worker

of industry fight in market of international and corporate of help to reduction of poverty at the same time (Ali and Rashid, 2014 p. 69).

Mydal in the year 1968 and Sen in the year 1960 describe on poverty reduction by the roles of intensive of worker industrialization. In current year the benefits of SMEs for aids of growth of economic and progress of economic has accepted and known as a growth of economic. SMEs utilize many force of labor than the massive many corporation (Ali and Rashid, 2014 p. 70).

Aldreth statement in the year of 2001 said that, SMEs is the cause of disguise for making policy for growth and progress of economic of a country and nations. For a better economic objective like poverty reduction only can be reachable by progressing of SMEs, by these objectives the job creating will make people activities to their live for better income and facilities which automatically bring down to poverty (Ali and Rashid, 2014 p. 70).

In 2003 the great author Mukras stated that there are some set of strategy recommendation for reduction or mitigation through SMEs. The topic SMEs create increase economic growth and employment in the economy. The proponent of SMEs falls out that consumerist and commercial entrepreneur. SMEs aid to increase the expansion of economy and decrease the level of poverty in country of developing. (Ali and Rashid, 2014, p. 71).

As we see in below diagram, SMEs sector is giving job or employment for three category which is 24% taking from Small firms of SMEs. 7% is taking from Medium firms of it and remain 69% people taking from Micro firm and organization, the Number of generation of employment by MSEs Sector and all the diagram data source or annual report estimation statistic is taken from Ministry of Micro and Medium Enterprise, government of India.

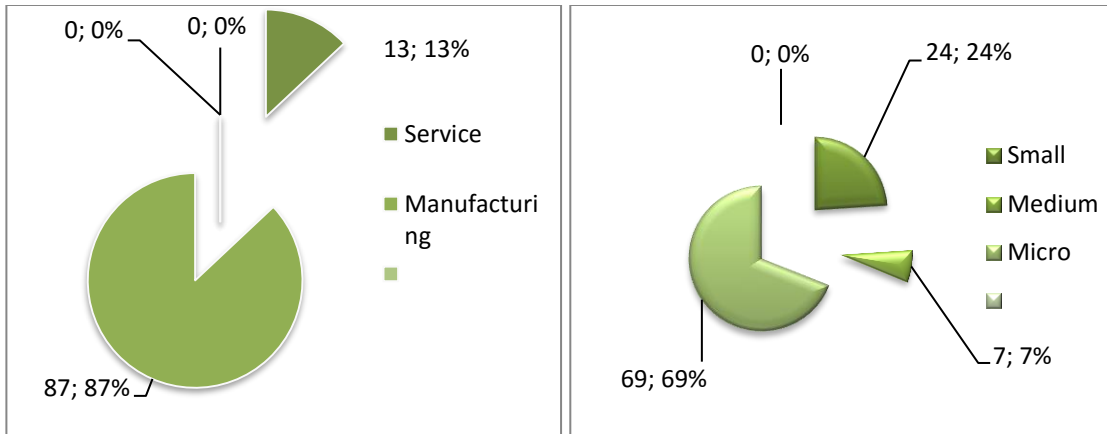


Figure 1.1 Number of Employment Generation by SMEs Employment by Type of MSME Enterprise

Source: Annual Report of Government of India, 2010, www.scielo.cl viewed on 2011

In the year of 2007 Aina and Amries demanded many efficient and full program of policy fund for the program of SMEs in west Nigeria. The acceptance of strategy growth aid to endorse workers for better manufacturing and SMEs increase which is above the ground of level of progress with little levels of outcome variation in Taipei and Korea Republic.

Due to establishment of SMEs aids economy to progress with low disproportion, the Republic of china people despite fact that has shown healthy and growth levels is high than earlier but inequality of income setting high for three decade ago. In china during year 2008 an author in the name of Li and Lou stated that, some of these research focus point is only SMEs sector giving aid or payment to the GDP and employments that it provides in the growth of economy. SMEs played extremely significant function in development. (Ali and Rashid, 2014, p. 71).

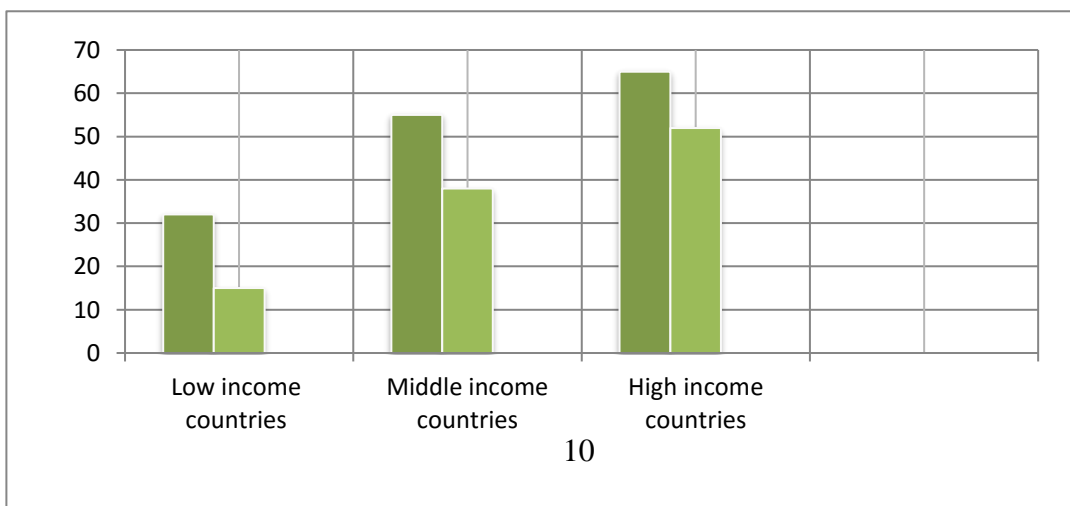


Figure 1.2: Contribution to Employment and GDP (Median Value)

Source: WB, www.worldbank.com viewed on August 22, 2017

The diagrams show the contribution of SMEs on Employment and GDP on low income countries, Middle income and high-income countries which is statistic estimation is taken from WB which shows SMEs effect on 34% on employment and 16% on GDP on low income countries. The effect of SMEs in increase of 56% on employment, 38% of GDP on Middle income countries and SMEs increasing on High income countries, which is 65% on employment and 53% on GDP (www.worldbank.com) viewed on August 2017).

The Poverty Reduction alleviation and generation of employment in Ghana is made by sector of SMEs and these parts consist of 93% business and contribute of 80% of GDP in Ghana, South Africa. This part provide to 52%-57% of GDP and contribute 61% of employment which early people income will increase which effect poverty alleviation in high level. SMEs in this part represent or compose of 91% of the formal business in Africa.

The discussion about poverty alleviation in year 2010 about the role of Micro Small Medium Enterprise (MSMEs) in reduction of poverty in Ghana. The view is that town and rural based on MSMEs aid to provide jobs and make high the level outcome of people. This progress outcome donates the people to get good health, school facilities and stand on their feet to fight against poverty. In addition, progress on SMEs also provide capital of human through job (Abor and Quarter, 2010, p 17).

2. CONCEPTUAL DEFINITIONS AND CONCEPTUAL FRAMEWORKS

2.1 Definition of Poverty

The issue of poverty is a circumstance in which an individual, society and group of people who have lacks of the monetary, economic resources and fundamentals to take pleasure in a less standard of existence and happiness that's measured and called a satisfactory in society. Poverty rank and position in developed countries is assign to people that do not get together a positive and confident of health and life level set by the human services and healthcare. Eagerly obtainable to member of civilization, there is a percentage of poverty which is 95% of universal poverty is located in Africa, East Asia and South Asia since 1990s.

The WB and UN are main response in decreasing the humanity poverty. The estimation from WB which is almost 702 million persons are living under poverty line in the year 2015 and if it compare to the 1.75 billion person in 1990, it is less but in the year of 2016 it estimated that Only 10% of the world is under poverty line (www.investopedia.com, Viewed 25 July 2017).

2.2.1 Incident of Poverty

The WB at 1990 estimated the incident of poverty in some countries. Here is that how a country of developing which estimate the incident of poverty. Now suppose an Asian developing country which is joint in a program of international comparison survey in the year of 1985 by used of other model countries data and their GDP in a currency of local input. Therefore, they need estimation and data from other inputs of countries, and here is the table of estimation of incident of poverty in Asian countries is as follows (WB, 1990, p. 26):

Table 2.1: Incident of Poverty & Under 1 US Dollar per day Poverty Line

Country	Incident of Poverty Percentage	1 Dollar / person / day
Republic of China	6 %	22.2
Thailand	13 %	2
Indonesia	15 %	7.7
Malaysia	15 %	4.3
Pakistan	34 %	11.6
Indian	34 %	2
Kazakhstan	35 %	47
Sri Lanka	35 %	4.
Kyrgyzstan	40 %	18.9
Philippines	40 %	26.9
Nepal	42 %	50.3

Source: WB, 1990, p. 27

Here is the poverty line which is sub regionally under the 2 US Dollars at poverty line of per days which is East Asia has a better reduction of 30 % which performed better than other region. Southeast Asia get done with 16 % of reduction has become the second country in rank in Asia and the west and central Asia performed good with 13 % reduction. South Asia reduced by 4% of their and finally HCR is reduced in this region. In south Asia, the number of poor is all increase under the 2 US dollars per day under poverty line in which population is increased and vice versa the poverty line is decreasing in some region of South Asia and here is the table as follows (Sabastian and Wan, 2011, p. 13).

Table 2.2: Poverty by Region under the 2 US Dollar per Day Poverty Line

Region	Headcount Ratio			Number of Poor (Million)		
	2005	2008	% Change	2005	2008	% Change
Developing Asia	54.22	47.76	-10	1802.56	1634.83	-9
Southeast Asia	44.34	37.54	-30	221.47	193.93	-12
South Asia	75.54	72.32	-2	978.83	982.77	0.40
Pacific	53.34	52.43	-3	379	337.36	6.23
East Asia	34.34	47.56	-16	474.92	116.99	-28
Central west Asia	53.32	35.43	-12	123.55	123.22	-5

Source: Sabastian and Wan, 2011, p.13.

2.2 Poverty Reduction in Afghanistan

As a war of decades and inequality in Afghanistan and due to this instability and war, the economics of this country is down for 30 years and almost 40 % of population is under poverty line and they are suffering through extreme poverty and most poor people is in rural area of Afghanistan, and this country is the second poorest country in the Asia after Bangladesh.

Poverty is neither accidental nor inevitable but in Afghanistan, it reflects the way society is organized, the way decisions – including by the international community are taken and resources allocated (UN, 2010, p. 7).

In Afghanistan as a WB statements. Those who are living in rural area and have less access to education are more suffer from poverty and livelihood of life and poverty is very concerned in rural area of Afghanistan (WB, 2015, p. 56).

They are some difference of percentage of accessibility in some parts. In case of urban, more than 90% of household of urban have access to electricity but in rural area only 20% of household have it. In addition to, 60% of household have save water in urban part

but in rural area they only have 20% of save water. There is no such a good quality of education in rural area of Afghanistan. The Paktia province which is located near border of Pakistan in south of Afghanistan has an illiteracy of 75% that many jobs are in agriculture. In which that the poverty line rate in this province is more than 70%. In urban areas of Afghanistan have the lowest rate of poverty, like Kabul, the capital of Afghanistan have a poverty rate of 30% that almost 10 percent below the rate of as whole of country, while 36% of poverty exist in rural area and 55% of Afghanistan people live under poverty.

The WB found that higher income of human capital will make people life better and to remove poverty from this country and Afghanistan should increase school enrollment rate. The Afghanistan country less of children are in primary school, 35 % of poorest people children is attend primary school while 46% of richest people are enrolled to primary school (NRVA, 2010, p. 53).

In case of Gents and Ladies, 43% of boys enrolled to school and 31% of girls are attend to school. In 7 provinces out of 34 province in Afghanistan there is only 1 % of children are enrolled in primary school that even the capital of Afghanistan Kabul has an illiteracy rate of 47 %, at the end by learning of education, Afghanistan people will have better future income to go away from poverty. Afghanistan is one of the poorest country in the Asia after war of Russia and war of three decades in this country which more than 40% is under poverty line. Poverty in Afghanistan is more in rural part than urban area and Afghan family tend to be big and want more child and the people of Afghanistan works on agriculture and it is traditional in this country and more of rural part income are come out from agriculture. And the poorest people is called Kochi which they lived in rural area. Which they shift to other province of Afghanistan due to change in climate and almost 50% of Kuchi people is poor as compared to 28% of urban population.

Afghanistan have 1 million widow which they have 3 to 4 children and without husband protection and these widows suffer from poverty and social issue and even they don't have any choice or became bigger in the street due to lack of income and more expense of children. Afghanistan children are at the age of 5 and under 5 are most suffer from this poverty and vulnerable of this society. The 1.5 million Kuchi which lived in rural area are

nomadic herder where their life is depend all in trip and migration. As an insecurity in Afghanistan 15 % Kuchi people families forced to live in separate part of Afghanistan without any migration route and now they called the poorest people in Afghanistan (NRVA, 2010, p. 54).

War has affected insecurity in the country and has been beneficial to the poverty reduction. Furthermore, almost 6 million Afghans fled the country and displaced to other countries, and about one million Afghans were emigrant within the country. In addition, in some areas both the private and public assets were looted and increasing poverty day by day in Afghanistan. In Afghanistan poverty is different between provinces. In percentage of to 70% and the most area which more suffer from poverty is in northwest and a part of southeast, many other province like Zabul, Paktia, Badakhshan, and Daikundi province are most suffer from a big amount poverty in Afghanistan (Rahimi, 2015, p. 183).

2.2.1 What is Poverty in Afghanistan?

In Afghanistan, poverty is involved in many things different and it is a briefly overview of poverty in different types in Afghanistan.

Table 2.3: Profile of Poverty

Population of Afghanistan	32 million
Expecting of life	44-year-old
Life of population under line of poverty	54%
Rate of unemployment	40%
Percentage of people who is able to write and read	28%
Number of child born per women	6.6
Doctor is available in time of birth	12%
IDPS displaced internally person	136000

Source: Purves, 2005, p. 9

2.2.2 Rate of Illiteracy in Afghanistan

The illiteracy is a very low average in Afghanistan band, it is just rate of 28% of people who is able to write and read and the graphs are below, showing that only 37% of men are able to read and write and only 17% of women are able to read and write (Purves, 2008, p. 10).

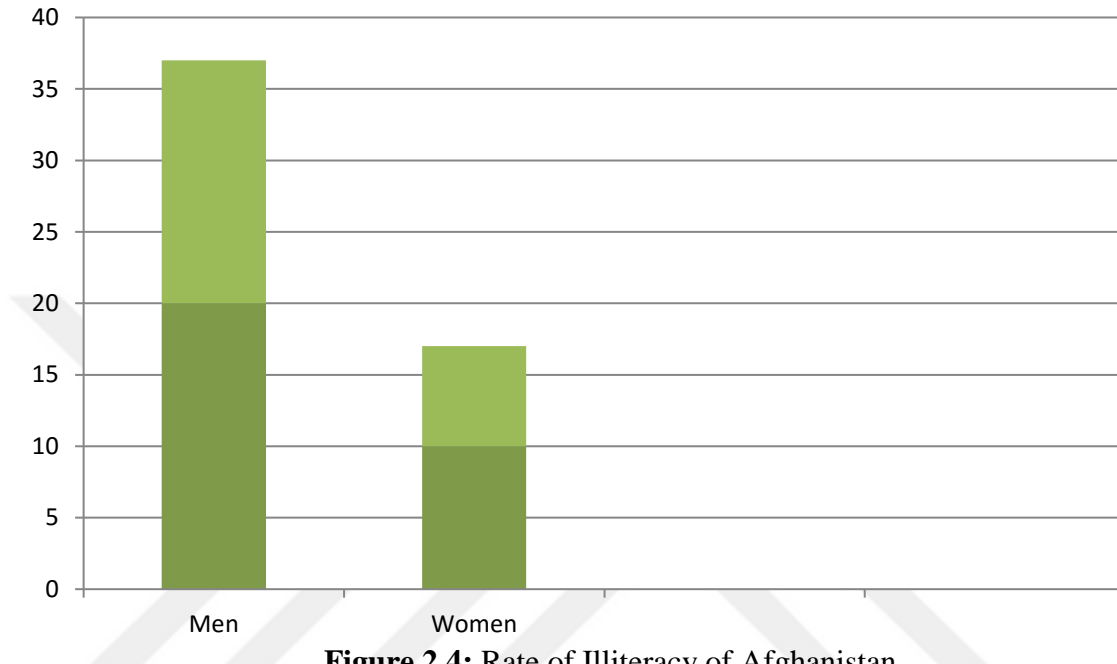


Figure 2.4: Rate of Illiteracy of Afghanistan

Source: Purves, 2008, p. 10

2.2.3 Attendance to School

The children of ages of 6 to 13 year those children who enrolled to primary school at the estimation 2005, the average of attendance of primary school is around 37% as whole of Afghanistan and the enrolled of boys are rare then girls, the children of Afghanistan is often working in behalf of attendance in school and which is badly effect to their future progress. If a child did not attend the school and did not get will education than he will not have a good job that it really effect in social and growth of economic. The below graph show that the 45% boys are attending the school but the girls is only 28% (USAID, 2008 p. 11).

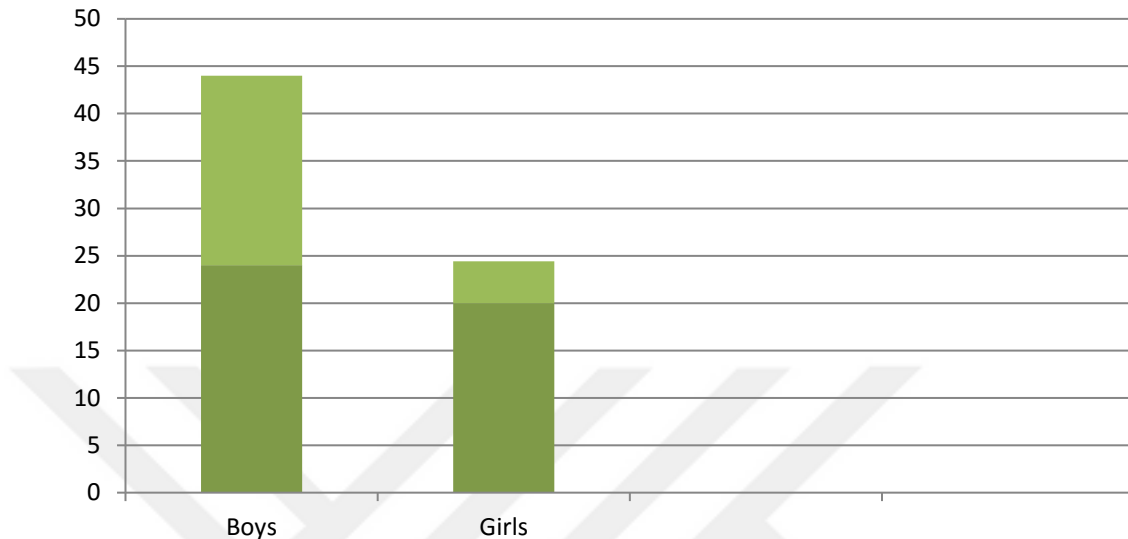


Figure 2.5: Attendance to School of Afghanistan

Source: UNSAID, (Purves) 2008, p. 11

2.2.4 Healthcare

The below information will tell that the health right of women in Afghanistan is not faced on situation that women of Afghanistan get their rights of health and participate economically and socially. If women have their health rights and they can participate in to decision making of their economic and politics which really affect their future in terms of economic and social growth (Purves, 2008, p. 11).

Below, some information about the reproductive of health of Afghanistan listed (Purves, 2008, pp. 11-12):

- Women are marrying at young age 20 but we have a case of 52000 in which young girls are married at age of 10 to 15.
- There is only 19 % of babies born in facilities of healthcare.
- 57% of babies were delivered by relative of female and friend and 41% of them are delivering by attendant of birthing traditional.
- There is only 31 % of women married that who knows about method of pregnancy.

2.2.5 Sanitation and Water

Afghanistan have only access of 31ater they will get illness. Therefore, they will not find any job to join economic an% of drinking safe water and this is a very low percentage, due to less access of safe w d social progress of the country in Afghanistan. Only 7% of people are reach for standard toilet facilities and this problem of scarce can cause to increase disease which can be very bad for those who they cannot provide doctor and medicine (Purves, 2008, p. 13).

2.2.6 Annual Growth Rate and Gross Domestic Product

The Afghanistan country is the very poorest country in the world in list of developed countries but since the attack of Taliban regime and invasion of NATO in 2001, the Economy of Afghanistan is growing very good due to corporation and help of WB, UN and other countries in investment and infrastructure. However, the security is threatening by Taliban and corruption is also affected to the growth of economy of Afghanistan.

Table 2.6 Gross Domestic Product

Afghanistan GDP	Last	Previous	Highest	Lowest	Unit
GDP A Growth Rate	-2.40	2.20	28.20	-2.40	Percent
GDP	19.47	19,70	20.54	0.54	\$ billion
GDP per Capita	596.30	599.10	630.40	364.10	USD
GDP per capita PPP	1739.60	1748.0	1839.30	1062.20	USD

Source: (www.tradingeconomics.com) viewed on august 2017

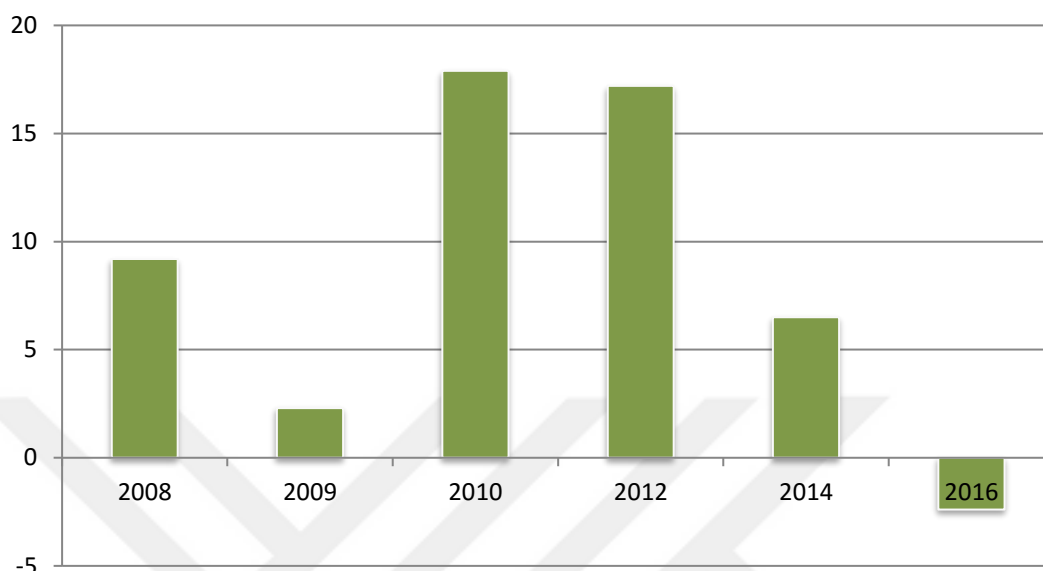


Figure 2.7: Afghanistan GDP Annual Growth Rate

Source: (www.tradingeconomics.com/afghanistan) viewed on 2003-2017

2.2.8 Measuring Poverty in Afghanistan

The GDP is 2.40 % in 2016 from the last year in Afghanistan, the annual rate of growth in average is 8.78% in Afghanistan in 2016. From the year of 2013, it is the highest in all the time which is around 28.60%. In the year of 2003 and in the year 2016 it became the lowest record of all the time and it is -2.40 (Foster-Greer-Thorbecke (FGT), 2007, p. 50).

Table 2.8 Trend of Poverty

Poverty Indicator	Survey Year		95% of Confidence in Interval	
	2007-2008	2011-2012	2007-2008	2011-2012
Year				
Poverty headcount	36.3	36.5	(34,96,37,62)	(34,84,38,18)
Poverty Gap	7.9	8.6	(7,49,8,31)	(8,11,9,10)
Square poverty gap	2.6	3	(2,39,2,75)	(2,75,3,19)

Source: (Foster-Greer-Thorbecke (FGT), 2007, p. 51)

2.2.9 Reason behind Poverty in Afghanistan

There are many reasons behind this, first of all, the lack of condition of climate is different in many parts of Afghanistan and the most important part is the war of a decade in Afghanistan which has destroyed the transport infrastructure, social services, regulation, industries, and lack of machinery in agriculture and the most important is security is not stable in this country. Still this country remains insecure, markets are still backward and many infrastructures are still down, behind this people are getting jobs to earn income for their better life and because of this instability, the rate of unemployment is increasing day by day. This information is strongly related to poverty in Afghanistan. The rate of illiteracy is very high in rural areas which 64% of males and 91% of females are under the dark of illiteracy and these big amounts of people cannot write and read (NRVA, 2010, pp. 14-32).

In rural areas of Afghanistan agriculture is a very important phenomenon because all families in rural areas get their income from agriculture and it is vital for them and people of Afghanistan do not have any other income. Unfortunately, Afghan people face many problems, there is not enough ownership of land and most of it belongs to the government and Qairadar (Head of district area). The outcome of agriculture is also not too much for the sake of shortage of irrigation rehabilitation and technology machinery. The poorest people are rural families because of debt and their male head died in the war of Soviet invasion, even one or more of their family members is injured and disabled and cannot work and find jobs to earn income for their families and children that they can afford and provide their primary needs like education, treatment facilities, food, and many other issues in life which make a difference between the poor and the wealthy. The Soviet invasion and Taliban war have made Afghanistan backward and still Afghan people are not able to use resources and are related to aids from any other countries UN, WB and NGOs for the rehabilitation of Afghanistan.

Table 2.9: Incident of Poverty in Afghanistan 2001 to 2016

Year	Incident of Poverty (percentage)
2009	42%
2010	41%
2012	40%
2013	43%
2014	40%
2015	41%
2016	43%

Source: WB, 2015, p. 3

In the year 2009, the incidence of poverty 42% and it is very high from 2001, passing of one year, it dropped to 41% in 2010 and by passing to years of 2014, it dropped to 40%. Due to growth of economic and situation of employment, it is getting well and it again dropped 40% but after 2014 it again getting high to 38%. At the beginning of 2001 due to donation and corporation of WB and UN getting raised till 2007 but the statistic is not fixed and calculated due to instability.

Table 2.10: The Ranking of Provincial of Afghanistan by Size and Poor

Rankin of Provincial By Size of Poor	Number of Poor	Percentage of Poor Population	Poor Headcount Poverty
Kabul	1,033,759	11.37	24.4
Nangarhar	663,565	7.3	38.4
Herat	660,397	7.23	35.4
Takhar	610,048	6.74	65.3
Badakhshan	588,030	6.44	62.2
Ghazni	582,742	6.43	45.5
Kunduz	398,534	4.34	40.2
Ghor	378,028	4.16	53.0
Laghmaan	310,740	3.44	63.8
Sari –Pull	308,038	3.35	59.1

Source: WB, 2015, p. 27.

2.3 Strategy of Poverty Reduction

The poverty reduction has described from many years. The Afghanistan government has accepted a strategy of poverty reduction approach, this will get the figure of Afghanistan National Development Strategy (ANDS) and will sketch the plans of governments to decrease poverty as well as what the countrywide plan will be used up. The ANDS is incorporated in the national financial plan and it is consequently topic to the similar lawful law. For instance, the prioritized of government, finalize of the health, education, roads and transport.

Essentials of the ANDS to contain their charge in the national financial plan. Earlier than look at what the ANDS is obtainable to decrease poverty and let's firstly disclose about the poverty reduction Process strategy (PRPS).

PRPS is the process of to get financial support for help and money owing relief. The government of Afghanistan are mutually with global funds lenders. The social society and supplementary stakeholders have go through a process of extend and progress a strategy for growth and reduction of poverty. The consequence of this procedure is the PRSP which the government of Afghanistan is named Afghanistan National development (AND). Sequentially to meet the criteria to get funds the PRSP and ANDS have to do the subsequent (Purves, April 2008, p. 22).

The country of Afghanistan is the second poor country in Asia and just the once the PRSP is accepted it is permitted to be division of a group known it the Heavily Indebted Poor Countries (HIPC). As a part of this organization, it can obtain capital and funds from WB. The International Monetary Fund (IMF) is below the Reduction of poverty and other organization (Afghanistan National Development Strategy (ANDS), 2008, p.2)

And it is started by the WB and IMF in 1996 and 1999 correspondingly. The HIPC scheme and the Poverty Reduction Growth (PRGF) offer balance respite and short tempo loans to unfortunate countries. The monetary aid provide comes with requirements. This resources, that when a country comprehends liability reprieve and loan, there are confident ladder they have to take on the whole.

2.4 Actors in Poverty Reduction

There are three categories for development and poverty Reduction

- Private Sector
- Public Sector
- Civil Society

2.4.1 Public Sector

The sector of public is prepared of association and groups that go to the administration. These condition organization are in charge for allocate the state resources – the cash raise from duty and other source of revenue to be used up on all the equipment obligatory to make sure the country can utility and produce, circumstances of institutions are also dependable for organize the rescue of armed forces the financial plan is used up on such the same as learning and healthcare to get together the wants of the citizens. Institutions of state do not forever bring these services themselves but may provide the work of once-over release to a private or social civilization association. A case of a public sector of public organization is the Ministry of Development and Rural Rehabilitation (MRRD) is implicated in the preparation and completion of a lot of project and programmer rural expansion. A model of a MRRD scheme is the state cohesion program.

This programmers with the hold up of communal humanity organization, encourage confined community to be mixed up in advance. MRRD mechanism with together the classified part and civilization.

The municipal sector acting a very imperative responsibility in poverty reduction initially. The sector of public provides important services to public to make convinced their desires are met. People require to be able to right of entry the armed forces that will give them a good excellence of life. Secondly, the sector of public which can aid to encourage financial growth. In classify for this to occur, the sector of public is must

effort healthy and there wants to be good group of in order and decision creation, think the question of ground listing as an illustration (USAID, 2008, pp. 18-19).

2.4.2 Private Sector

The sector of private is all the business institutions and actions that are not synchronized by the rule and government. The majority sector of private institution is business and for that reason normally effort to make a revenue or monetary achieve. An instance of a sector of private institute in Afghanistan is a private and personal media institute. Circumstances own media are division of the sector of the public. The sector of private theater a very significant position in reduction of poverty.

In many other countries, the private sector makes many of the employment. As an economy gets superior, there will be supplementary deal by companies of sector of private. The additional asset there is an extra job that will be shaped. Unemployment and joblessness is regularly connected with poverty. If citizens discover job, they are further able to acquire admittance to the belongings they need for a superior life. Sector of private companies can also be salaried to do the job of the community sector and having healthcare as an instance. Occasionally the regime is not capable to supply all aspect of healthcare and consequently the sector of private may walk through this in, on ask for or freely, to afford a positive service. Though since the sector of private works to create an income and earn some revenue. It will blame money for the forces and service it supplies. It is regularly understood that the sector of private are can be further proficient than the public area. This is appropriate to the truth that the sector of private has a financial inducement, the resources that extra job they do and added powerfully.

They do it, the additional cash they can create, when an organization sector of private is ask by the rule to afford an exacting service it is very significant that the wish to make Money does not decrease the excellence of services (USAID, 2008, p. 20).

2.4.3 Civil Sector

The civil society institution is the organization which is not part of government sector and private sector and it is separate sector which work with their own business. There is some

organization and groups that effort for the public to do public and political aims. They are sovereign from command and the situation and work and often sponsor and support themselves. Social Civilization Organizations (SCO) are not profitable, this resource they do not effort for substance or monetary income. SCOs comprise organization and groups that such as charity group, group of people, cultural groups, media groups, cooperative union of trade association of religion and policy institutions. There are some studies conduct by the Afghanistan national people meeting and a short list of society of civilization institution in Afghanistan would contain are as follows: Shuras, Jirga and society council are part of it.

Here are some other partition of society which is involving in part of society of Afghanistan and they are as follows:

- Social society of traditional
 - Religious records, network and institution like Ulamas (religion leader) are social of society actor because of their manipulation in civilization.
 - Ethnic and structure of Qowm (Association of People) that occupation by the side of the aims and morality of a vivacious municipal society.
 - Organization of markets, together with Tejaar (businessman) are energetic buddies and followers in civilization society.
 - Controlled and proficient links, interest groups, NGO and public and culture organization.
 - Encouragement and privileges base on groups counting on the partner of media.
- (USAID, 2008, p. 22).

3. SMALL AND MEDIUM ENTERPRISES AND THEIR POSITION IN POVERTY REDUCTION

3.1 Small and Medium Enterprises

It is recognized that SMEs are strongly effective on poverty reduction and developing of SMEs is mean economic developing and reduce on poverty and relating to the issue of SMEs. SMEs has become very important in progress of world third nation. No nation is not progress without the SME opportunities for their economy by using of SMEs will developed economic growth which automatically effect poverty reduction. It is very poor level in case of Afghanistan which almost SMEs make 75 % employment of industrial and 80% of employment sector of agriculture.

SMEs are machine of modern economic growth and it provides more and more employment to the huge amount of population in the economy of a country. According to WB statements, the problem of poverty is considered to the capacity of SMEs will make economic growth in every situation. The WB and other aid international agencies which accelerate and progress economics and reduce poverty provides and make assisted targets to SMEs in economic, for instant, the WB support 10 million US dollars in SMEs progress over the year 1998 to 2002. In case of SMEs it is major concern in the progress of economic. According to the definition of statistical of SMEs are part of it, in size and donation to GDP and employment opportunities prepared by these companies. In 1988 the author in the name of Jordan describes the SME which have less than 100 human recourses or workplace and income of less than 16 million US dollar. The classification of SMEs as follows in developing countries in terms of figure and digit of employees (Ali and Rashid, 2014, p. 68).

- Big firms with more than 100 staffs.

- Medium companies from 20 to 100 employees.
- Small workplace from 5 to 20 personnel.
- Micro firms (less than 6 personnel).

The classification of SMEs in type of manufacturing nation as follows (Ali and Rashid, 2014, p. 68).

- Small companies less than 100 personnel.
- Big companies more than 500 human resources.
- Medium companies from 100 to 500 personnel.

Even though SMEs has distinct or cleared in a different way by singular economics but they have known and accepted as a vital prospective division for generation of opportunities of employment and foremost the main supplier of occupations or income of poor people. SMEs will raise output and production expansion in the economic enlarged output or production growth are acting on a significant role for community welfare in poverty reduction.

3.1.1 Small Medium Enterprise in Afghanistan

Instead of this specification, SMEs enterprise have also play as innovation in the economy which SME e growth provide and increase specialization, hence a professional network or system of SMEs in Afghanistan is a requirement for the founding of healthy industrialization. Government of Afghanistan has confirmed SMEs is one of four significant of growth for the Afghanistan economy and SMEs is playing a very significant task in cost addition and employment production. Afghanistan SMEs sector is extremely worker manual and this part make employment to the main part of non-agriculture worker force in Afghanistan. (Naithani, 2007, pp. 3-4).

The huge and infinite mass of are local individual and family outlets, more than 90% of this enterprise are retailer which automatically raise the worker in which they are busy with that and the employment rate will be affected by those retailer shop which member of family are involved for that. In Afghanistan, there is no such systematic enterprises but by these enterprises like local shop, which more than 90 % are have in rural area that are

all belong to individual and family member which are all belong to the income of the family which settle their live by this income from retail shops.

The classification of SMEs business is different in case of a country. For example, if it discuss about the effect of SMEs on employment, a huge business element in Afghanistan may utilize the same number of citizens as a small. The International Finance Corporation (IFC) department of SMEs discuss the level of business as follows:

Micro business and enterprises include up to 16 personnel and the revenue of annual is less than 100000 US dollar and small business enterprises comprise of up to 50 employees and annual revenue is three million US dollar. The medium business enterprise is made up of 300 hundred personnel which total revenue is less than 15 million US dollar. SMEs in Afghanistan definition according by World Financial Bank and Private Sector:

SMEs in Afghanistan are the place of promote and sell of actual and realities of Afghanistan. In Afghanistan, the formulation of SMEs is different from place to place. Naturally, SMEs activities are very vital and well in Kabul, Jalalabad and Herat province, other side like business outlet, workshops, repair by the road side, Groceries, office supplier, tailor shop, pharmacies, dry cleaner, restaurant, barber shop and retailer stores, these are maybe the most useful enterprise of today in Afghanistan.

All below information which categorized are take place effectively to all afghan enterprise (Naithani, 2007, pp. 3-4).

Table 3.1: Sectors of Investment of Machinery and Plant

Enterprise	Number Employee	of Manufacturing Sector Investment on Machinery and Plant	Service Sector Investment of equipment
Large	> 100	> 10 million Afghani	> 5 million Afghani
Medium	20 to 99	5 up to 10 million Afghani	2>, = 5 million Afghani
Small	5o up to 9	2.5 up to 5 million Afghani	2>,,= 5 million Afghani
Micro	< 5	< 2.2 million Afghani	1 million Afghani

Source: Ministry of Commerce of Afghanistan (MOCA) and AISA, www.moca.gov.af/ viewed on 2005

3.1.2 Development of Small and Medium Enterprises in Afghanistan

In country of Afghanistan, it is crucial for the broader aim of achieve personal sector-led trade and industry, increase as affirmed in the Afghanistan state expansion strategy. The market distribute of SMEs is up to 91% of the economic with a predictable of 250,000 up to 750,000 units—compel, all agency running towards secret sector progress in Afghanistan to meet on different aspect of SMEs expansion (Naithani, 2007 p. 10).

Conversely, it is causative in the direction of GDP increase became a growing universal fact initial in the 1970s. Small set-ups were deem to be additional original than heavy mechanized and technical state agency. As learning level, greater than before in the industrial countries' economy next to with evolution in the banking structure that permitted for easier admission to acknowledgment. Business skill are vested in opportunity clean and new startups. The awareness of SMEs was formed as consumerist hub of financial action. They are seen to convey regarding quickness, device modernization and employment elasticity to a zone. The urbanized country SMEs form might be the incorrect orientation structure for such enterprise in Afghanistan. Though while a SMEs here have not essentially been calculated by profitable alternative alone extended civil disagreement has acted as a muscular outside feature. SMEs amount and level of operation has been a living approach and there stay alive mean structural constraint for trade development such as fragile communications and admission to acclaim for business. There is also no exacting motivation to sponsor small or medium-sized commerce unit while it does not promise practical competence since size vestiges to a great degree a purpose of tools. Some manufacture process necessitates large savings and in commission freedom such as flour mills and electrical energy project, the comparatively compactness of such trade units can aid persons get easier entry into market. It has been experiential that the present marketplace of economy which this economy contained by Afghanistan is base in a without viable situation where opportunity is detain and barren by those who are in a point to do so. This condition inhibits the expansion of lesser company in all trade who are unable to extend their behavior and shatter the grip of big players. The correct maintain communications by the government will help smaller commerce grow entrance in market. A case research of the

increase market in Afghanistan describe these structural dynamics that require to be conquer. The worth of the raisin and the organization of advertising bound both existing export probable and the cost returned to diverse actors in the manufacture Sequence. The proceeds gained from mounting the raise in market restricted primarily to large traders who previously control the market. The farmer's producers of raisins and little restricted traders get a division of the takings that this main Afghan dry out growth generates, Lack of marketplace in turn, such as price and substitute trade or business network to a great extent contributes to this disproportion. SMEs are also apparent to be creative and offering contained solution with limited setting to outfit their creation needs and therefore charming property and manpower from within the urgent community.

It has long been recognized that SMEs can be a potentially powerful tool for economic growth and poverty reduction. Several studies conducted in recent years have taken a relatively undifferentiated view of the entire SME sector, often including micro-enterprises and spanning various countries. However, none of these studies examines specific experiences at the actual SME level and how SMEs actually effect economic development (SEAF, 2007, p. 2).

SMEs in Afghanistan also recommend significant employment in opportunity in complete information and statistics as well as for the limited population where such company unit activate while by the environment of their operation, they are moderately limited to a small area entities. They may not be present the best conditions of employment though in a country like Afghanistan's case where there is given business such as a trade passage might have equally official and unofficial operation, there is a substantial amount of oral unprotected labor with no job security or social security to verbalize of a common of employees also have not any authorized alternative. The circumstances are most likely inferior in urban and rural center where the worker is even new recurring, middle and continuation oriented.

Afghanistan Small and Medium Enterprise Development (ASMED) helps sector of private growth in Afghanistan with the critical objectives of SMEs development and job making, ASMED expanded technical groups and established a new essential area office,

enabling the project to growth the delivery of support to Afghanistan sector of private (USAID, ASMED, 2009, p. 5).

It is specified in the phase of Afghanistan's growth and the vital need to connect people with the proper or official economy. SMEs can be view as precious employment creator. SME expansion tie in with service in total statistics and this effortless logic cannot be disregarded. SMEs also give with a calculated footstep towards minimum cost and essential value products import replacement, within the bulky agricultural part itself. Roastery, cumin and saffron, wheat base on the goods and cashmere are trade in which can help economic augmentation while causal to SME growth. For example it has a less start up price with simple infrastructural supplies suit minute businessmen with partial funds with the apparent structure booms the country of economic is spectator. A Large division of insist that has so far been meet by import can be harness by local producer though some sectors without a doubt pause in provisions of eminence and principles. Strips frame doors cabling fixtures and plumb it can all be provided for by sustaining industry from Afghanistan by itself.

Manufacturing are in the shine industry can be a physically powerful entrance tip to change the sonata of SMEs from being largely retail outlet and towards radiance manufacturing. Poorer capital funds are mandatory along with presented raw substance accessibility to appear manufacture in the trade mentioned on top of. A further foundation of original escalation of light developed arises from customer produce such as shampoo, soaps and detergents since they are not composite harvest and the demand is reasonably dependable coupled with questionably the notion of edifice brand alertness in a division where no foreign company has recognized a name for itself in less end foodstuffs such as soaps and toiletries, between others. At the current Afghanistan is import almost all of the customer goods in this group. SMEs hence form a part of the superior procedure of economic revitalization in Afghanistan. The long-term belongings of SMEs are such that as per capita revenue per person in a financial system increase in the income of people.

The donation of SMEs unit to the GDP and employment power increases. The country of Afghanistan posse what the Ministry of trade characterizes a 'subdued economy'. A study additional point out. A business enterprise is attentive in a micro level of

financially and economy plan and strategy activity with delicate to reticent for growth and development (Naithani, 2007, p. 10-11).

3.1.3 The Main Characteristics of Small and Medium Enterprises and their Importance for Urbanization

A huge amount and number of SMEs are collected of outlet of retails which working individually on a small scale with limited to a small area operating as a set with an informal economic issue.

The condition of working is poor for those workers who taken wage within the business enterprise which have social weak protection and the income of workers are not guaranteed. The business man or most producer are more access to the poor market and these businesses which have access to the market will impose new price and service of new trading to the market which defeat the networks and there is also a problem of shortage of transitional or halfway of supplying between retailers and suppliers. In case of Afghanistan which this country is underdeveloped countries. The SMEs is very valuable enterprise and important the outfits of business causative toward GDP progress that it a phenomenon of worldwide growth which started in 1970s. And it is very innovative and effective than heavy industries and manufacturing and technical agencies of government.

The SMEs in Afghanistan are very useful and introduce the best opportunities of employment in complete numbers in a society or community which these opportunity of employment will clearly affect the poverty alleviation which hundred percent belong to the income of member of family the effect of SMEs in long term such as per capita income increase in an economy, the giving and involvement of SMEs business units to GDP and force of labor will increase instantly. Many business enterprise face gave structural to progress like as the shortage of need of infrastructure of communication and entrance of credit. Today domestic profit compose of just 5 % of budget of national and up to 90% activity of economic (Naithani, 2007, p. 12-15).

Finally, unlawful manufacture of opium for the accounted of for 1/3 of the GDP and while it form a whole system employ many of them, it pose of actual challenge to poverty reduction national safety and the lawful economics. A generally drawing of the economic is equally informative. The equilibrium of expenses of Afghanistan today are mainly funded by three sources and none of that which are sustainable above the middle to extended, manufacture a postwar production report which given experience in other assignment conflict country foreign help and the opium of economics. The ANDS Strategies point of to the ‘prevalence of familiar economic and frail taxpaying culture of a circumstance and constriction to economy of authority and confidential division development. Most of the personal enterprise undertake by Afghans which is occur in the familiar part of economy. The casual segment has been of massive important without enough fiscal and authorized and communications and infrastructure to carry out trade in familiarity has been the custom rather than an irregularity in Afghanistan. The improvement in unceremonious monetary organization it really aids attracts a large part of uneducated and semi trained labors and provide livelihood to million peoples. Private business and activity wants to be the reign of back from the level of recent familiarity still in classify to be registered of accounted for duty muster, principles and guideline, social safety of labors and improve growth of economy throughout tax and other proceeds to the official economic (Naithani, 2007, p. 12-15).

3.2 Small and Medium Enterprises and Women

Allowing women to join in the economy and society to a greater scope is an importance for Afghanistan’s successful development. Totally, women’s economic empowerment has caused in reduced poverty and economic growths. The 2004 Constitution of Afghanistan enshrined women’s inequality before the law, the right to a learning, and the right to work. Investment over the long term in women’s learning, health and services will increase women’s financial and economic activity (ANPDF, 2017, p. 8).

Women are more effected in poverty reduction in Afghanistan for SMEs and for making employment of women and it is good to look closer at participation of women in work and enterprise in case of opportunities for business, arrangement of employment as

poverty alleviation is only reduce by growth on business and economic and increase the volume of employment, In this manner the women are very effective in the society for making jobs. At the same time as circumstance leftover difficult there has been touchable change which is related to women appointment in a very unusual forms of paying work and further than sectors of traditional for relation of women economy and women outcome of income where they control over their money. In city than urban area women and girl are more interested to work outside of the house and the job searching is also available now in social site in the internet which women can follow them from internet.

In capital of Afghanistan, Kabul more than 60 % of women and girls are doing job outside of their house in the average age of 22 to 25 years and now married girls still under restricted in their house and remain jobless. Specially, these things happen in south of Afghanistan like Pashtun Nationality. In 2005, the foundation of Asia survey estimated that the women and girls are contribute of their income to their family and which is raised from 13.6% in the years of 2009 to 22% to the year 2015, and the women mobility of economic is indicated that women should involve in every sector of public. It should participate in every kind of job in society which are able to do. In fact, many of Afghans people almost 85 % remain on value of old and they saying that women should only works in female school a reader or servicer and it is a very acceptable job in Afghanistan society which is 83% followed by employment in a clinic and hospital. The ASFO surveyed in 2015 described that the Asian survey foundation are agreed to a third of women are working in private sector or companies (Ritchie and Nairobi, 2015, p. 8).

Two-thirds of Afghans (64.0%) say women should be allowed to work outside the home, including 72.9% of women and 53.8% of men. This percentage has slowly declined over time, from a high of 70.9% in 2006. The percentage of respondents who say women contribute to the family/household income has steadily increased from 13.6% in 2009 to 22.6% in 2015 (Sadat and Warren, 2015, p. 13).

3.2.1 World Bank

The PRSP project is a main attempt by the IMF and WB to build and corporate more useful in reducing poverty, which this introduce in the year of 1999. It has resulted in

primary and initial creation strategy papers and significant procedure changes in extra than 35 short earnings Countries. The WB want to make bigger the PRSP proposal to all small income countries in the world. The WB has started their aids to Afghanistan after the temporary government in Afghanistan in 2001 regarding poverty reduction and to aids the system and people to be out of poverty. The WB has many research, reports and articles regarding poverty reduction strategy in Afghanistan from 2001 till now. Here are some tips to discuss about it.

According to the most current Afghanistan poverty figure update which was together in collaboration fashioned by the direction of the Republic of Afghanistan that the WB and Ministry of Economic use the NRVA data. 36% of Afghans remain under of poverty line in 2007-08 and 2012. It means that it is more than one in three people of Afghans citizens do not have sufficient money to purchase food or wrap their basic wants and requirements. This is regardless of a yearly GDP rate of growth of 6.9% for the duration of the same stage.

Information which analyzed factors behind Afghanistan poverty time and provide a case for reduction of poverty and also to find that pattern of development in Afghanistan widen the break among the poor and rich. The 20% poor of the population qualified a 2% turn down in real per capita spending at the same time. Widen inequality which is additional reflect in add to index of Gini which encouraged from 29.7% in 2008 to 31.6% in 2012. (www.data.worldbank.org/country/Afghanistan viewed on September 5, 2017).

Afghanistan poverty is determined in rural part. In Afghanistan Four out of five poor citizens live in rural part. The North, east, west and Central region that where about partly of the population are poor (WB, 2015, p. 43).

Unavailability of education, entrance to fundamental services supply to Afghan poor quality and livelihood. In Afghanistan 75.6% of poor citizens are uninformed that the people of poor which is face advanced joblessness of 8% and which are under the employment of 41%.

The coordination of spending of International helped which raises the growth of economy but it is not equally satisfied poor people. The global expenses twisted jobs in the community. Education and health services sector and benefit are far above the ground

difference area. It did not move up efficiency in the farming segment which employ more poor people of Afghanistan.

The literacy of people of Afghanistan which is developed by 8%, the primary school enrollment grow up by 6% and drinking safe water which is grow up by 14%. Therefore, for decrease poverty of Afghanistan, Afghanistan should improve and make strong to their agriculture (WB, 2015, p. 43).

3.2.2 Japan International Corporate Agency in Afghanistan

It is the report of poverty reduction in urban part of Afghanistan which is held in August of 2006 in Kabul Afghanistan with the sponsor of European Union (EU) and with participate of government of Afghanistan, officially Department of Municipality of Kabul, Mazar Sharif, Kandahar and Herat Province. Minister of Urban Development (MOUD) and Minister of Labor and Social Welfare with the researchers of Afghanistan evaluation department. In this workshop MOUD stated that the poverty urban is not only the problem of Afghanistan but also it is the problem of Asia, America Latin and especially in South Asian. In part of rural area, there is no enough work or job for the poor people so the poor people of rural area are moving or migrate to urban area due to facilitate of society, because in urban area there is enough facility of public environment but unfortunately due to war of three decades in Afghanistan, Afghanistan is destroyed and all system and infrastructure are damaged. Specially, Kabul province the capital Afghanistan, but Afghanistan have that

kind of people who enjoyed the situation and condition of life in Kabul, like they have built best house and provide brand cars but on other hand, poor people with bad condition and situation of low economic where these poor people faces with many problem and suffer from extreme poverty. Afghanistan government cannot provide any enough facilities of environment to make easy life for them. Afghanistan Research Evaluation (ARED) is completed the recently research regarding the urban poverty and they informed that the people are really facing with poverty (AREU, 2006, pp. 2-4).

Japan corporation international agency (JICA) since 2002. This organization are having participate in rehabilitation and growth of Afghanistan and did urgent program to support

for Urgent Rehabilitation and Support Program (URSP). The URSP are involved into reconstruction of Kabul and other provinces after 2001.

As see in this graph which is taken by annual report of MOUD which show the average of almost 30 % poverty on urban area but the poverty rate is in rural area is more than that and it is counted more than 39%, and the average aggregate is 36% of poverty in Afghanistan (Redaelli and Olinto, 2006, p. 5).

Poverty Counts in Rural and Urban area of Afghanistan

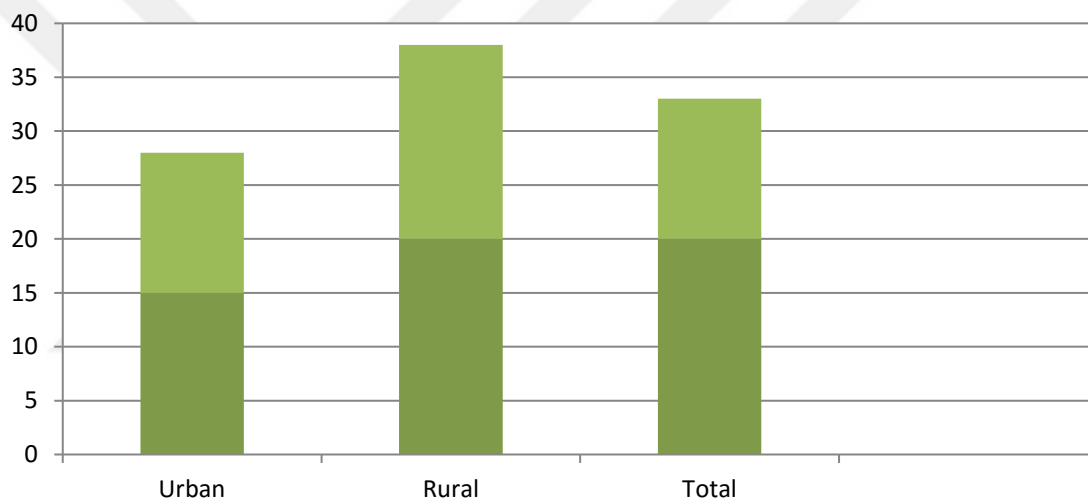


Figure 3.2: Poverty Reduction in Afghanistan

Source: (Redaelli and Olinto, 2006, p. 5)

The URSP organization immediately respond to work in need of society and urgent rehabilitation for building, schools, facilities of hospital, media, roads, school and program of poverty reduction besides of construction in Kabul, the URSP cover support to other city like Kandahar, Mazar Sharif and Herat province for mainly school.

JICA have goals of overall Afghanistan and it is the progress at activities of economic (AREU and JICA, 2006, p. 3):

- increase people living situations

- improve to enroll more children to school
- build factories for unskilled labor
- provide Health facilities

There is not enough well security, for this reason the quality of school for primary and secondary is very low and children are suffering from this point and especially girls are rare in enrollment of school.

Gender and Education

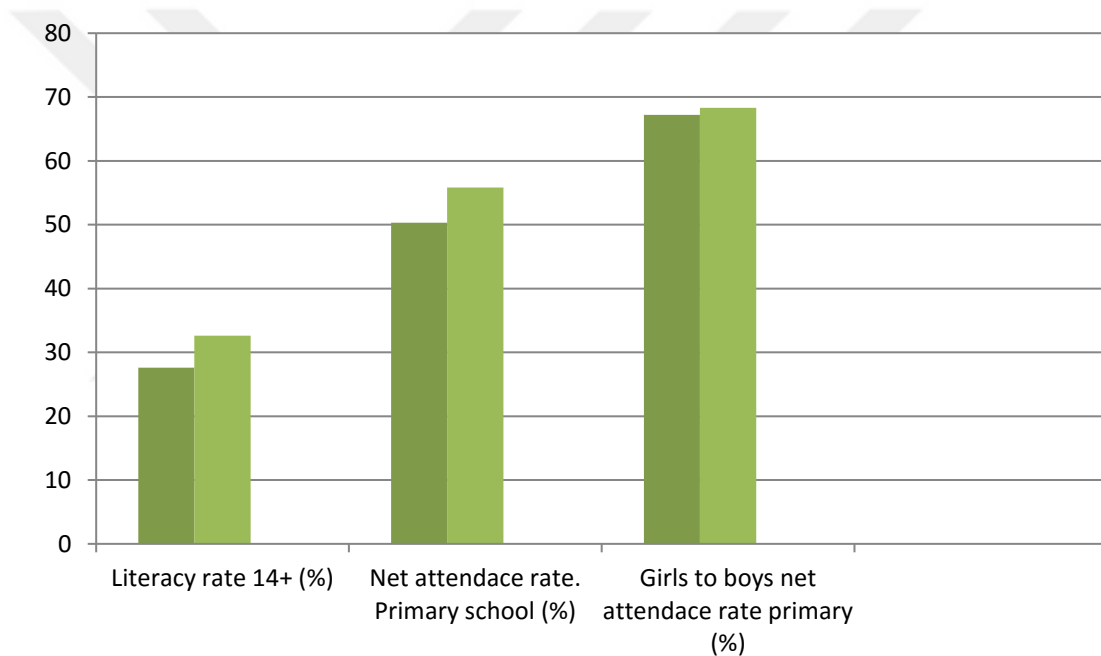


Figure 3.3 Urban Poverty Reduction in Afghanistan

Source: (AREU, 2006, p. 67)

This statistic estimation is also taken from Ministry of Development with the help of JICA organization and NGOs which show the education of girls and boys. This diagram describes the literacy rate of children under 14 and school enrollment rate of boys and girls in Afghanistan. Though the JICA organization give more attend and first step is to build the school of girls with more facilities in high standard such as sewage system, water supply and clean toilets and it should be noted that a close or better relationship

with JICA and other NGOs it make highly essential to have better coordination for gaining projects and also it is really efficient for implementation of project.

The urban poor area are becoming worse: 78.2% of urban families were initiate to fall under the poverty line, a symbol that the economics condition of urban area of households has declined meaningfully over the past 3 years. Urban poverty is persistent through the board and there is slight stratification within urban people or across cities, even though Kabul charges marginally better than the other towns (Samuel Hall, 2014, p. 6).

JICA learned many things form the rehabilitation and construction of project which they have done in some major cities of Afghanistan in field of construction buildings, road, school enrollment and a very aim point for the employment of unskilled labor. Approximately 100000 job vacancy are created for the people who are very poor and it is in field of project which project create labor and this project will really effect economic growth activity through the investment in source of growth program of education, building and roads which really fight against Poverty Reduction, therefore more than 80% of people of Afghanistan are staying in rural part and it is very serious issue to be mention for growth of urban population and the population of Kabul is almost 3 million in a very small place and Kabul don not have enough sewer system and crisis on energy and have not adequate of road and buildings which traffic is very jam. In recent studies of JICA, it implies that population of Kabul will be 6 million in upcoming year of 2020, which really inflect the extreme poverty in this city (AREU, 2006, pp. 4-5).

3.2.3 United State Agency for International

As an estimation USAID evaluation, the Afghanistan became the poorest country after Bangladesh in the worlds and it became conduits for assistance of development of United States. But now as a war of against Al Qaida at 2001 and effort of US and NATO military to destroy Taliban regime, Afghanistan became the US strategies for aids of 48 billion US dollar from the government of America in every part of Afghanistan for strengthen the country. Where USAID has a lot of project to aid Afghanistan, The program of USA has multiple aims to work on many sector and the very important

program is for developing of economics and poverty reduction. Therefore, from 2001 the 4% of Aids represent by USA program. USA are becoming the great context for strategy of afghan government.

In the year of 2008, the ANDS as offered to the world in 18 sectors of development that it has start the program from poverty reduction to security. Afghanistan forecast for the value of these project or to reach to that goal is almost 50 billion US dollars that which Afghan are made it 6.8 billion US dollar which Afghanistan government to suggest to world to provide this. The USAID Afghanistan plan for 2015 for conversion is based on the principle of private sector for the increase of economic that will became the very major foundation of raise in revenue of economic to restore contributor support and afford property for service of quality to deliver. The economic sustainable growth with the dogmatic situation for commerce and trade which is more joint and share with strengthened. Government of Afghanistan capacity to direct and manage in which to control corruption and collect payments owed, will generate increased public revenue.

As public revenues increase and these key services for the most part in poverty reduction which mostly called are education and health which are the most highly rate fundamentals and essentials of government effectiveness, delivery of these key services, along with security and the equitable rule of law, will ultimately generate increased confidence in the legitimacy and usefulness of the government in which in return will give us stability in this point (USAID, 2008, p. 23).

There are also practical studies concentrating on how foreign support affects economic growth and household wellbeing in conflict-affected countries. During an engagement, aid can increase state legality and service distribution. After a conflict it could help implement peace contracts and help rebuilding and development (Floreani and Rama, 2016, p. 6).

3.3 Access to the Credit of Bank

Afghan people citizens left an important limitation. A small amount like 2% of SME in Afghanistan are reachable to official credit and the other remain are depend to the family income or other relative sources for their work. The system of credit creation in economic

system in this country is very low and bank of commercial are having a better reason not to involve with these business to lack of transaction, lack of financial records and statement. Due to this problem, private bank will not engage or cannot take a risk to their capital with these business man or enterprises, even the institution of small finance. MFIs will connect with those firms and enterprise which have better business professional and successful in their business (Naithani, 2007, p. 10).



4. ECONOMIC WELL-BEING IN AFGHANISTAN WITH THE SMALL AND MEDIUM ENTERPRISES

4.1 Economic Activity of Small and Medium Enterprises in Afghanistan

For calculating the SMEs role in economy of Afghanistan, we are using a new database on total employment manufacturing share which is calculated by SMEs. While, this is an important data on SMEs across the countries, it is very important to have information about the employment of SMEs more than manufacturing. Because it is rare in all countries to use data which is not available for SMEs share on another sector. Therefore, we can control the entry and exit of a new firm to the market.

Afghanistan Small and Medium Enterprise Development (ASMED) cares the sector of private growing in Afghanistan with the definitive objectives of SMEs growth and job formation, ASMED extended technical teams and recognized a new central section office, qualifying the project to growth the delivery of support to Afghanistan's private sector (USAID, 2009, p. 60).

USAID has operated with the government of Afghanistan in many things, international followers and private sector to implement the laws and rules to increase exports, funding trade, help clearness, and decrease trade problems. USAID helped the Afghan government to adjust the Afghanistan with other countries trade and transportation contract. USAID also reinforced Afghanistan's current fortitudes to linking the WTO, Afghanistan's permission and approval to the WTO is the finale of more than a decade of legislative reforms and trade agreement consultations. Since USAID started providing practical help for customs development in 2009, usual times for goods overpass Afghanistan's borders have concentrated. Domestic profits to the Afghan government raised by an average of almost 27% per year from 2002 to 2014. During the identical period, profits from customs, import obligations and taxes on exports grew at an average

rate of closely 20% per year. Through developed allowance and marketing, USAID has helped agriculture export deals of fresh and dry fruit, nuts, and cashmere worth over 54 million USA dollars (USAID, 2009, p. 21).

4.1.1 Achieved Economic Growth with and Small Medium Enterprises

The SMEs divide employment in manufacturing is linked with the rate of GDP per progress of capital. Deduction of correlation is a fundamental, in addition, SMEs showed that the compliment of regression is preliminary of GDP per capita. The primary level of learning is premolar educational achievement. The consumption of government exposes and the price is increase on cost.

The scale of financial progress as calculated by intermediary financial credit to the sector of private as a divide and allocate of GDP which these results are for making the control of economic growths of large number of development. Specially control of achievement of educational, original in come, inflation, conservation of government expenses, trade and development of financial which is approximately to the dimension and volume economy of informal as a proportion of GDP.

SMEs with below 300 employees create up 80-90% of Afghan businesses, SMEs make over 50% of GDP and hire 75% of labor force Nations such as Pakistan or Singapore have shown that SME development is critical for job creation and poverty reduction (MOCAI and MOAIL, 2011, p. 3).

Table 4.1: Effect of SMEs on Economic Growth of Afghanistan

Effect of SMEs	Percentage/Numbers
Trade and Retail	80%
Business	80%
Labor Force	40%

Source: Mashal, 2014, p. 14

4.1.2 Improvement in Poverty Reduction and Economic Growth

The variable change which is dependent to analysis and it should be use the calculation of economic growth. A change in inequality of income will be a change in reduction of poverty. The poor growth of income is equal to the growth of annual average in GDP. Over the period of average per capita, the poor growth of income is equal to the annual growth rate of GDP which is the lowest quantity of income. Measuring the effect of different size of SMEs on the quintile of lowest income which is further effect the rate of growth and overall level of GDP (Beck and Levine, 2002, p. 21).

The Progress of Gini is different by annualized of coefficient of Gini, therefore, the coefficient of Gini is distinct as the part of proportion of between the curves of Laurens, which residence plots shares beside sharing income in which expected with the Trans curve. The upper ethics show more of profits and income difference, hence the huge downbeat rates of growth shows a movement of quicker toward equity of income. Headcount is the divide up of the people staying on less than one USA dollar on a day. The estimate of country wide are fixed or estimate on population group which is based on survey of household. We apply the progress rate of quantity of headcount to review the crash of SMEs growth and progress on poverty reduction alleviation.

4.1.3 Improvement in Inequalities of SMEs and Poverty Reduction

After looking in to the relation between the significance of change in allocation of income and manufacturing of SMEs in poverty, they are four dissimilar proportion and dimension. The evaluation is the SMEs authority and pressure on the progress rate of poorest income quantity of country. At the second, describe the relation of change in allocating of people income and SMEs which is calculated by coefficient of GINI, the point which already study about the relation of SMEs sector and manufacturing which is calculated the change in Size of manufacturing sector of SMEs and change in proportion of those people which is living in poverty alleviation. At the last point which finally examine the relationship between a change in the role of SMEs effect on manufacturing and change in the strictness and profundity of poverty in a country. (Beck and Levine, 2004, p. 24).

Table 4.2: Economically Effect of SMEs on Employment and Manufacturing Service

Categories of SMEs	Percentage
Small	24.24%
Medium	7.7%
Micro	69.34%
Service	13 .20%
Manufacturing	87.80%

Source: www.scielo.cl viewed on August 28, 2011

As the world economies are recovering from the financial crisis of 2008-2009, many economists are immediately need to make employment opportunities for their people. Therefore, creation and growth of SMEs is a significant element on the policy program due to evidence that points to important influences by SMEs to employment (Ardic and Saltane, 2011, p. 2).

5. CONCLUSION

Because of three decade of war in Afghanistan, the emergence of strong private sector, which is very important for the economy of any country, was not materialized in Afghanistan and as result pervert remained as a main challenge in front of Afghan Government, among others. Big companies and enterprises are established in economies which are very strong and stable. Unfortunately, Afghanistan is neither economically strong nor politically and economically stable that's why Afghanistan failed to attract the investment by big enterprises which are very important in creation of jobs and also creation of middle class population that is the main factor and stimulus for an emerging economy.

Because of above reasons, Afghanistan economy and poverty reduction can be possible with facilitating and supporting the emergence of strong and big number of SMEs. Afghanistan's economy, socio-political environment is very suitable for a strong SME as one of the most important and major factors for job and wealth creation and reduction of poverty. There is no doubt that SME sector is one of main factors in poverty reduction however there are many obstacles for the development and creation of strong SME sector. At macro level, the major players that can support the creation of strong SME sector to reduce poverty are the Government of Afghanistan, International Community and major donor organizations.

The Government of Afghanistan should develop a very comprehensive and pervasive SMEs Strengthening and Support Strategy with clear goals for major players within the economy. Obstacles towards registration of SMEs should be removed and bureaucratic processes needs to be simplified to attract investment in this important sector for poverty reduction within Afghanistan. Bureaucracy paves the way for manipulation of processes and corruption that's why all the activities that somehow link with SMEs, needs to be

simplified. Special attention needs to be paid to reduction and illumination of corruption within the business registration and operation procedures. It is consequently very important that strategists and role makers within the government and their representative must be determined and committed towards creation and supporting of strong SME sector. Infrastructures, including the use of technological and latest trends must be adopted and provided for the investors who wish to invest in SMEs sector in Afghanistan. These will allow and encourage SMEs to establish itself as major player in terms strengthening economy and reduction of poverty within Afghan economy.

The international community including neighbors of Afghanistan need to be brought in to the table to support newly emerged Afghan SME sector as major factor for poverty reduction and linkage between the nations for multi-lateral beneficial relationship. Poverty results in conflict and insecurity and by reduction of poverty, the neighbors of Afghanistan, countries of the region and the world can benefit a lot. Afghanistan which is centrally located in the hearth of Asia can play a major role in linking Central Asia with the South Asian countries. The SME sector in Afghanistan can be very successful by having access to major markets within the region apart from Afghan markets and can create thousands of jobs for reduction and illumination of poverty in Afghanistan. The SMEs will help Afghanistan in its mission to be among the countries of the region with relatively very low poverty rate.

The donor agencies, which are the most important factors in maintaining and developing current Afghan economy, always desire to create a sustainable and progressive economy for Afghanistan. Afghan Government must coordinate the activities of the donor agencies to better utilize the use of financial resources extended and committed to Afghanistan by donor countries and organizations in supporting SME sector in Afghanistan.

During the study of the subject, apart from above mentioned points, I specifically suggest the following:

The strategy always target to calculate the at cheering small local firms to accept up to date product blueprint, manufacture method and sale of technical for increasing the manufacture, outcomes and life style principles and values . Conversely, we must see at the possible effect of transformation on joblessness circumstances as too. The collection

of right strategy and rule calculate at which assist in changing the elderly good and with new goods. Particularly quality superior and cost aggressive harvest ought to end up growing job service indirectly and directly.

The SME and this policy require to make certain that it is not discourage the employment in a customary division. The solution feature in shaping the final crash and effect of these progress would be the generally expansion in the economic as in a rising economic which is the job service generate the belongings of transformation are to be expected to be bigger than the employment falling property.

On the source of the experiential data from many countries in which we can with assurance stated that recent little engineering can make a payment to further service and revenue provide the main sector of the growth of economy in cycle with the whole economic. The subsequent procedures are recommended for exclusion in the original SME strategy.

Afghanistan SMEs require to spotlight on growth of new goods and trade in replacement which exports goods with rising order. It will be suitable to place and set the inadequate recourses of a country, in exacting resources to make utilize of for the making of new goods relatively than reproduction appearance of manufacture that are being approved. Conventional foodstuffs need version and modification to plan and superiority. SME institutions enclose to beside with favorable economy situation. The right of entry to organizational investment are the center and essential circumstances for the encouragement of SMEs. As said before, the institute of finance competence barely reach the very little firm instead of it. It is avail by the extra creative and capable of intermediate firms. This crisis and trouble has its derivation in the absence of an obvious and purposeful classification and explanation of medium and small firms. The government supervision has to obviously describe the medium and small on an enduring foundation.

It is very poor level of SMEs in case of Afghanistan which almost SME enterprise make 75 % employment of industrial and 80% of employment sector of agriculture. The GDP and SMEs describe an important relation with the concept of level of employment in reduction of poverty in Afghanistan which SMEs will effect perfectly by help of GDP for

progress of employment in order to reduce poverty in Afghanistan in which more than 80% of job and wages comes through the process and strategy of SMEs in order to income 8 out of 10 families in Afghanistan. In other part, the agriculture is also performed for the reduction of poverty in Afghanistan which is show a good relationship with SMEs and GDP, that 50% of farmers take loans from SMEs process for agriculture. In 2005, the foundation of Asia survey estimated that, the women and girls are contribute of their income to their family and which is raised from 130.6% in the years of 2009 to 22% to the year 2015, and the women mobility of economic is indicated that women should involve in every sector of public. It should participate in every kind of job in society which are able to do. In fact, many of Afghans people almost 85 % remain on value of old and they saying that women should only works in female school a reader or servicer and it is a very acceptable job in Afghanistan society which is 83% followed by employment in a clinic and hospital.

Afghanistan SMEs strategy helps micro in business sized to receive loans and acquire technique and new skills and to link to market. USAID worked to and create wages and jobs for more than 31000 Afghan which is 35% of them is women. Since 2009 the USAID has strength Afghanistan private sector, USAID generated over 261 million US Dollar that between 2001 – 2014 over 1 billion US dollar was disbursed to debt for nation. Since 2011 the government of Afghanistan facilitate more than 52 million US dollars in loans to individual, which is taking advantage of 43,646 families and provide 5957 jobs over the country. The SME Strategy paper has estimated that exports of Afghanistan will grow at an average of 20% on year (twice the average GDP growth), reaching 3.8 billion of US dollar by 2016. The combination of dried fruits, fresh fruits and medicinal plants form 43% of that growth. The SMEs strategy provide more than 60% of agriculture loan for farmers which is make an increase in employment with 20%.

There are some recommendation points for better effect of poverty reduction (Oregwu and Chima, 2011, pp. 14):

The loan of agriculture which it should be evaluated very hardly in where the agriculture loans should be given for those who will use them for many other aims also and the SMEs activities will open unemployment very effective way in which reduce poverty. The SMEs is stigmatically very important for poverty reduction, if the bank of

commercial credit is applied for SMEs but due to interfere of government in interest rate of that and the government interfere in performance of SMEs, and the poor policies credit in case of poverty reduction occurred in major problem.

The infrastructure is also a better key for making of SMEs function then the entrepreneur and SMEs work effectively that make the entrepreneur to motivation and increase their operation and assign more workers, therefore, it reduces poverty and employment.

The Rate of interest in Afghanistan should be very low because when the rate of interest is high in Afghanistan the entrepreneur and investor will not invest too much longer and it will not affect for entrepreneur progress and if it is low, it will affect to investor to invest more and more, in case the SMEs is developed which affect poverty reduction by growth of GDP beside unemployment.

The government of Afghanistan should be invested adequately on SMEs, SMEs play an important policy on role for progress of economic and poverty reduction in this manner. The micro finance should be establish that SMEs will able to access on loan in a sustainable basis in partnership with microfinance organization.

The scarcity of bank of commercial to SMEs should be very lawful and they should repay the borrow for better qualification, the finance and government authorities should make a very effective formulation mechanism where the problem of repayment borrows or loan to the bank should be reduced.

Afghanistan SMEs needs to focus on increase of new goods and trade in replacement which exports goods with rising order. It will be suitable to place and set the inadequate recourses of a country, in exacting resources to make utilize for making of new goods relatively than reproduction appearance of manufacture that are being approved. Conventional foodstuffs need version and modification to plan and superiority. SME institutions enclose to beside with favorable economy situation. The right of entry to organizational investment are the center and essential circumstances for the encouragement of SMEs. As said before, the institute of finance competence barely reach the very little firm instead of it. It is avail by the extra creative and capable of intermediate firms.

The SMEs will help Afghanistan in her mission and targets to appropriate to be a country of with minimum percentage in central Asia. The strategy always target to calculate the at cheering small local firms to accept up to date product blueprint, manufacture method and sale of technical for increasing the manufacture, outcomes, life style principles and values. Conversely, we must see at the possible effect of transformation on joblessness circumstances as too. The collection of right strategy and rule calculate at which assist in changing the elderly good and with new goods. Particularly quality superior and cost aggressive harvest ought to end up growing job service indirectly and directly. The SMEs policy require to make certain that it is not discourage the employment in a customary division. The solution feature in shaping the final crash and effect of these progress would be the generally expansion in the economic growth and poverty reduction.

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