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AFRICAN SMALL AND MEDIUM ENTERPRISES (SMES)
CONTRIBUTIONS, CHALLENGES AND SOLUTIONS

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Daystar University
KENYA

ABSTRACT

Small and medium enterprises (SEMs) are notably the engines that drive economic development. The businesses account for almost 90% of businesses in both leading and developing economies through job creations, employment, tax provision and contribution to Gross Domestic Product (GDP). However, in Africa, besides their critical and positive role, many SMEs face numerous challenges ranging from power shortage, lack of capital, poor management skills and competencies, and inadequate information and corruption. It is notable that most African governments give very little support to SMEs thereby neglecting a vital economic trigger and should form pillars of development. This paper explored the role played by SMEs, their contributions, challenges and solutions. The paper is based on empirical evidence and current research on SMEs worldwide with a major focus on African SMEs and how to improve their operations and profitability. The paper calls for African governments to develop policies favourable to SMEs development and put them in their development agenda. With appropriate legal framework, business infrastructure, continual power supply and accessible financial supply, SMEs stand to contribute to African development and position the continent as a competitive and innovative and create jobs to unemployed communities thereby providing income and essential goods and services the 1.2 billion Africans, forming a huge market.

Keywords: SMEs, Employment, challenges, economic driver.

INTRODUCTION

The last few decades has seen significant growth in the African continent compared to the rest of the world. For instance, since in the ten years, while the rest of the world economies struggled with economic growth, African growth averaged more than 5% far above America, Europe and South America. Though uniformed growth was experienced across the continent with some countries like Angola, Rwanda and Malawi doing well, other like Zimbabwe continue to struggle. However, the overall positive growth has made Africa attracts a number of investors having direct investment especially from USA, China and India, a process expected to further boost long term economic growth.

Small and medium enterprises (SMEs) are the engine that drives world economies and the stepping stone to industrialisation, both for developing and developed economies. The businesses account for 99% of all businesses in developing countries thereby signifying their importance (Fjose, Grunfeld & Green, 2010). For instance, SMEs account for 52% of the private work force and 51% to United States (USA) GDP (Longenecker et al., 2012) while in the United Kingdom (UK), they are associated with 62% of total employment and 25% to GDP (Burns, 2001; Day, 2004). Like USA and UK, SMEs contribute 79% of Italian
employment, 63% and 60% of France and Germany employment respectively (Burns, 2001). In China, SMEs employ 80% of urban population and contribute 60% of GDP (Sham, 2014).

LITERATURE REVIEW

Likewise, at the heart of Africa’s encouraging growth are small and medium enterprises, commonly known as SMEs. In the Sub-Saharan Africa region, SMEs account for more than 95 percent of all firms (Hatega, 2007; Kauffmann, 2005). It is notable that SMEs are even more significant given their role to reduce poverty, boost countries’ GDP and provide employment for majority of the population (Benzing & Chu, 2012). The sector is particularly important due to their simple approach in response to majority of Africans needs by offering affordable goods and services at reasonable terms and prices besides being a source of income and employment (Kauffmann, 2006).

SMEs businesses range from very small micro-firms run by one or two persons and very slow growth or no growth to fast growing medium businesses earning millions of dollars and majority employing as many as 250 employees (Fjose et al., 2010). The businesses’ definitions also vary from those requiring little money to start to others demand millions of dollars to start (Adisa, Abdulraheem, & Mordi, 2014). Various sectors in different parts of the world focus on certain indicators to define SMEs among them number of employees, total number of assets, annual turnover and capital investments (Gibson & Vaart, 2008).

Analysis of different SMEs definitions worldwide reveal that it is very difficult to arrive at a common definition. In fact one study by Auciello (1975) in 75 countries found more than 75 definitions were used in the target countries. This demonstrates very well that there is no common accepted definition of SMEs. Depending on the country and industry, business size, assets and products, the definitions will continue to vary. For instance, Canadians and United States refer to businesses with less than 500 employees as SMEs while small businesses are those with less 100 employees and earns. For Germans, SMEs are businesses with maximum of 250 employees while in Belgium, SMEs are those with less than 100 employees. In Germany an SME has a limit of 250 employees, while, in Belgium it has a limit of 100 employees (Katua, 2014). For developing countries (Africa included), a business with more than 100 employees is termed as large while a small business could have one to five employees. In developed countries like United States of America, a business with 499 employees is considered medium sized (Levine, 2005). The most used definitions are generally quantitative in nature focusing mostly on number of employees, assets, size and revenue. Nevertheless, the most recently agreed definition from numerous researches define SMEs those with less than 250 employees although very small businesses may have less than 50 employees while micro-enterprises have between 5 and 10 workers. It is also observable that more than 50% of businesses in low and lower middle income countries have few than 100 employees (Beck & Cull, 2014; Dalberg, 2011; Fjose et al., 2010; Levine, 2005; Katia, 2014; OECD, 2005).

SMEs are the source employment and a source of income for about 80% for majority world population (Kamunge, Njeru & Tirimba, 2014; Okafor, 2006). Specifically, micro businesses accounts for 30% of employment, small businesses (20%) while medium businesses provide 10% employment (Fjose et al., 2010). In Africa, SMEs accounts for more than 90% of businesses and contribute about 50% and Gross National Product (GDP) (Fjose et al., 2010; Kamunge, Njeru & Tirimba, 2014). For instance, in Kenya, SMEs contribute 40% of the GDP, over 50% of new jobs and account for 80% of the workforce (Kithae, 2012; Mwarari &
Ngugi, 2013). In 2003, SMEs offered employment to 3.2 million Kenyans (Kauffman, 2005). Similarly, SMEs accounted for 70% of Nigerian industrial jobs and 95% of the manufacturing sector (Kauffman, 2003) while in Ghana SMEs accounts for 70% of all businesses and employed 70% of the total workforce (Government of Ghana, 2003; World Bank, 2006). The sector also amounts to 97% of businesses and 18% of workforce in Zambia (Parker, 1996). It is also notable that more than 50% of employment in low and lower-middle-income countries is from businesses with less than 100 employees (Ayyagari, Beck & Demirgüc-kunt, 2011). Table 1 demonstrates SMEs contributions to the GDP and employment in various countries.

Table 1: Selected African SMEs contributions to employment and GDP

<table>
<thead>
<tr>
<th>Countries</th>
<th>Contributions to GDP (%)</th>
<th>Contributions to employment (%)</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>3.4%</td>
<td>90%</td>
<td>Central Statistic Agency (CSA), 2003; Gebrehiwot, 2006</td>
</tr>
<tr>
<td>Ghana</td>
<td>70%</td>
<td>49%</td>
<td>Ghana Bank Doing Business Report, 2013; World Bank, 2006; Abor &amp; Quarterny, 2010;</td>
</tr>
<tr>
<td>Kenya</td>
<td>40-50%</td>
<td>80%</td>
<td>Mwarari &amp; Ngugi, 2013;</td>
</tr>
<tr>
<td>Nigeria</td>
<td>50%</td>
<td>70%</td>
<td>Ariyo, 2011; Kolasinski, 2012;</td>
</tr>
<tr>
<td>Rwanda</td>
<td>20.5%</td>
<td>60%</td>
<td>Mukamuganga, 2011</td>
</tr>
<tr>
<td>South Africa</td>
<td>50-60%</td>
<td>60%</td>
<td>DTI, 2012; Willems, 2010;</td>
</tr>
<tr>
<td>Tanzania</td>
<td>60%</td>
<td>20%</td>
<td>Echengreen &amp; Tong, 2005; Ngasongwa, 2002</td>
</tr>
<tr>
<td>Uganda</td>
<td>18%</td>
<td>90%</td>
<td>Uganda Ministry of Trade, Industry and Cooperatives (MTIC), 2015</td>
</tr>
<tr>
<td>Zambia</td>
<td>8%</td>
<td>30%</td>
<td>Mbuta, 2007</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>40%</td>
<td>15%</td>
<td>Katua, 2014; Zwinoira, 2015</td>
</tr>
</tbody>
</table>

SMEs are involved in all sectors of industrial development, from mining, manufacturing, service industry to agriculture, fishing to climate change. However, most SMEs are involved in the service industry sector where they account for two-thirds of employment levels (Kamunge et al., 2014). SMEs are also the link between simple industries to complex and highly developed large industries and provide a platform for Africa-take off to development. The industries play pivotal role as facilitative development through provision of inputs and services for industries while at the same time providing direct goods and services to consumers. This make SMEs continue to propelling the engine for sustainable growth and economic development of African countries (Fjose et al., 2010).

While SMEs are important for economic development, their role is rarely formally spell-out with thousands of micro businesses still operating as informally and not recognised as economically viable.

THE ROLE OF SMES

The presence of SMEs in all sectors of the economic would signify their critical role in steering development. However, according to Fjose et al. (2010), there is very little information from literature on specific roles and contributes of SMEs toward economic growth. This could be associated by the fact that SMEs are visible in all sectors and it is difficult to single them out against a few large businesses. The problem of identifying the SMEs could also be associated on how they are defined since as seen above, their definitions
vary with industry and whether they are formal or informal. However, Africa is primarily composed of informal microenterprises scattered across the continent (Benzing & Chu, 2012). It is left to individual countries or sectors to define what SMEs is, its composition and contribution. A small business is United States may be termed as big business in Kenya or South Africa.

According to Ayyagari, Beck and Demirgüç-kunt (2003), the contribution of SMEs correlates strongly with a country’s Gross Domestic Product (GDP). A country with healthier and better GDP reflects great contribution of SMEs to the national economic (Harris & Gibson, 2006; Sauser, 2005). However, this relationship has not fully been identified in developing countries (Kamunge et al., 2014) although it can be derived that for struggling economies, as found in Africa, there are high level of unemployment which triggers large number of informal SMEs that may insignificantly contribute to the GDP of many economies.

It is generally agreed that SMEs contribute significantly to economic development. They are associated with discovering of new markets and exploiting them to their advantage. Similarly, they are the heart of founding new ventures and a source income and employment for millions of Africans. This means that SMEs are central to wealth creation by stimulating demand for goods, investment and trade (GEM, 2006). Without SMEs, many African governments will experience financial and developmental constraints, all which would only worsen living standards of low income persons often served by the sector (Santrelli & Vivarelli, 2007).

Another important role played by SMEs is that of inventing and Innovation of new ideas, technology. The businesses provide room for pre-incubating, incubating and introducing and commercialising new products. In many SMEs originate and pioneer new knowledge and test it before it disseminate to large industries or macro economies. Through their entrepreneurial spirits and central locus, the business founders take the risk to identify and cease opportunities and turn them into workable and market driven products (Longenecker, Carlos, Moore, William, 2012; Rwigema & Venter, 2004;)

The realisation of economic development can only be realised if the right business environment is created. According to Tassesse, Executive Vice President of the Development Bank of Southern Africa (in Fjose et al., 2010), for most African countries, SMEs from the informal sector only contribute 20% to GDP compared to 60% contribution in developed countries, an argument supported by Arinaitwe (2002). This means that the role of SMEs in terms of economic development is only realised when a country start showing signs of developmental growth, indicating that no amount of SMEs will results to development as long as the no development agenda has been put in place.

CHALLENGES

Much has been written and researched on SMEs success World-wide. However besides many studies on SMEs, few studies have given much attention to challenges experienced by these businesses in order to provide businesses owners and entrepreneurs with the right information and guidance to improve their businesses. SMEs operating in Africa face many challenges that deter their growth (Nikolić, Dhamo, Schulte, Mihajlović & Kume, 2015). This is supported by Kamunge et al. (2014) and Beck, Asili, Luc and Vojislaw (2006) who observed that beside their positive role to development, SMEs face many obstacles that restrict their long term survival. The rate of business failure is alarming with only a few businesses surviving a few months to one year (Kenya National Bureau of Statistics, 2007). According
to Adcorp (2014), the mortality rate of SMEs among African countries remains very high with five out of seven new businesses failing in their first year. For instance, in Uganda, one-third on new business start-ups not going beyond one year of operation while in South Africa, the failure is between 50% and 95% depending on the industry (Willemse, 2010). A study by Yeboah (2015) also revealed that 75% of SMEs in South Africa do not become established businesses making the country to have the highest failure rate in the world. Chad has also been named as a country with failure of 65% and one of the most difficult countries to do business due to unfavourable regulatory frameworks (World Bank, 2012). Although the continent has shown significant improvement in business environment in the last ten years thereby attracting numerous businesses from different parts of world, it is still ranked by World Bank as the most difficult region to do businesses for SMEs. In many African countries, SMEs, find it difficult to do business due to unfavourable business environment arising from hostile legal requirements, high taxes, inflation, fluctuating and unreliable exchange rates, all making it difficult to make significant profits to survive (World bank, 2006; Olawale &Garwe, 2010) In terms of ranking, Africa is at the bottom of regions like Eastern Europe, Central Asia, East Asia & Pacific, Middle East & North Africa, Latin America and South Asia. The major challenges facing African SMEs are discussed below. Top on the list of challenges are:

1. Access to financing: The growth of SMEs in Africa requires adequate supply of financial capital. However, lack of finance has been termed as an impendent to such growth (Fjose et al., 2010). In fact, lack of access to finance or credit is universally recognised problem facing SMEs. In Africa, it is agreed among researchers that inability to access finances remains a major hindrance to SMEs survival and growth (Ariyo, 2004; Cook, 2001; Horn, 1998; Mambula, 2002). A survey by The Enterprise Surveys of the World Bank in a period of ten years and covering over 100 countries found that access to finance as the most important constraint hindering operations and growth of SMEs compared to other parts of the world where the problem was moderate (Beck & Cull, 2014). The study found that found that Africa’s financial systems are not only small, shallow and costly, but they have very limited outreach thereby only reaching a small percentage of the total population. This forces many SMEs to do their own self-financing or depends on colleagues and friends to provide capital for their businesses. For instance, Inegbenebor (2006) study found that only 10% of Nigerian SMEs borrowed finances from banks while another study by Umoh (2001) had discovered that 61% of SMEs owners got their financing from friends and other informal settings rather than financial institutions or government. SMEs owners find it very difficult to access finance from financial institutions due their high comparative interest rates, demand for collateral and loan guarantees (Shah, Nazir, Zaman & Shabir, 2013). Banks also cite difficulties in issuing finds to SMEs owners. They argue that the cost of administering small loans to SMEs only reduce their profits. Similarly, in many countries, there very weak laws to enforce or make financial defaulters pay back their loans in fully (Benzing & Chu, 2012). According to a World Bank Enterprise Survey Database, lack of access to finance was cited by 48% of total respondents compared to South Asia which has only 25% that termed financial access as a constraint. The lack of adequate or accessible finances is associated to weak financial markets or unfavourable borrowing conditions to make many Africa businesses take advantage and facilitate their growth (Hatega, 2007; Kauffmann, 2005). A World Bank report (2006) demonstrated a strong correlation between financial access and GDP per capita. Where there was good access to financial capital, the level of GDP was higher. With lack of adequate financial access, SMEs or any other business sector cannot exploit
opportunities or invest optimally. It may also mean that businesses cannot set appropriate financial measures to grow their businesses (Rajan & Gleacher, 2007).

2. Electricity supply: Power supply is central to SMEs operating and cost efficiency. Lack of electricity or adequate power supply means that the businesses cannot operate in full capacity or it is very expensive to operate (Fjose et al., 2010; Hatega, 2007). A study by World Bank Enterprise Survey (2010) ranked problem of electricity as the most important (25%) hindrance facing African SMEs followed by access to capital which was cited by 18% of respondents. Compared to other world regions, Africa is the only continent where electricity still remains a major hindrance to business growth (Fjose et al., 2010).

3. Poor management: A major challenge facing businesses from different parts of the world is poor management. This arises from the fact that most SMEs operators or their managers lack managerial expertise. Since many business owners lack appropriate training and experience to operate their businesses, their management style is basically on trial and error and driven by performance and short-term gains with little attention paid to strategic planning (Hill, 1987). It is notable that some entrepreneurs have workable ideas and are competent in their specific fields but lack any managerial skills or knowledge of how to run a business (Brink, Cant & Lightelm, 2003). The consequence has been poor management and performance of SMEs. The problem of poor management has dominated both developed and developing countries. As early as 1930s, the problem of poor management was noted as a major cause of business failure in the US and a major cause of retail bankruptcies (Cover, 1933). The problems still persist and is associated with 92% of businesses failure in US and 96% failures in Canada (Peacock, 1985). Several studies highlight several elements of management as responsible for failures. Such elements include SMEs inability to manage: finance, deficiency in accounting knowledge, credit management, inventory management, cash flow management, marketing management and human resource management (Berryman, 1983; 1994; Bowen, Morara & Mureithi, 2009), examined management components associated with business failures and found to be. According to King and McGrath (2002) good education and training empowers SMEs managers to be successful in their businesses. Specific skills and training in management and information technology is essential for good business practice. Good management encompasses planning, organising, leading and controlling, functions that are critical to SMEs proper functioning, survival, sustainability and growth. The process of management will also not be complete unless competent and qualified staff is put in place. As Harper (1984) observes, scarcity of competent managers remains a serious constraints to SMEs success and requires special attention if these businesses will survive.

4. Competency and capability: A major challenge facing many SMEs is their lack of managerial competency. This denotes business owner and managers’ knowledge, skills and experience. Competency is developed from a managerial ability to combine both tangible and intangible resources to develop capabilities which upon Excelling results to competencies (Muriithi, 2015). Hewitt and Wield (1992) goes beyond managerial competency and argues that the importance of human resource capabilities cannot be emphasised enough. SMEs with appropriate skills and educated workforce perform efficiently. The argument is further supported by Lee (2001) who observed that businesses with well-developed human resource capacities are the most successful. Such businesses also realise positive growth resulting from skilled and motivated employees, and eventually resulting to high productivity and long-term existence and sustainability of
the businesses. Unfortunately, numerous studies have recognised low human resource capabilities and competencies as major challenges facing SMEs in most developing countries including Africa (Geeta, & Hong, 2003; Bouazza, Ardjouman & Abada, 2015; Lee, 2001). This problem is even more serious at the top management where lack of core competencies and capabilities remain a main challenge for SMEs in Africa and other parts of the world (Aylin, Garango, Cocca & Bititche, 2013; Bhide, 1996; Pasanen, 2007).

5. Negative perception: Another challenge facing SMEs is a negative perception from potential customers. The businesses are perceived to be unable to provide required quality products and services compared to large businesses (Amyx, 2005). It is notable that SMEs large recognition in the market place and often loss binds to competition with well know names and reputation (Bowen et al., 2009). To change the negative perception, SMEs must work very hard to excel in their services and product quality. They must also have well elaborated strategies to enable them stand the pressure from existing competitions and win loyal customers.

6. Access to reliable information: Another challenge faced by SMEs in Africa is lack of adequate business information from both governments and service providers. The problem arises from poor information environment resulting from underdeveloped technological and communication infrastructures and inadequate business support systems (Kamunge et al., 2014; Oshikoya & Hussain, 2007). Present of appropriate technology and associated support systems like hardware and software make it easier for businesses to be efficient and effective which in turn lowers costs of production and operations, something that African governments and other bodies must pay attention if SMEs are to play their critical developmental role (Benzing & Chu, 2012).

7. Government support: The role of the government in facilitating and supporting SMEs remain critical worldwide. It is the government that creates the right or undesirable environment for businesses growth. When the government pays little attention to SMEs sector, then, the sectors is prone to suffer leading to many businesses being unable to survive. A government that does not support SMEs does not only hurt the sector but experiences negative growth in its economic development. The environment created by the government in terms of wages framework, taxation, licencing, opportunities, technological support and infrastructure pave the road to success or failure for the SMEs. Depending on the regulatory frameworks put in place by the government, can easily crush or promote small business economy (Kamunge et al., 2014). It is notable that unfavourable tax system, unfair competition, complicated rules and regulations and punitive environment crippling and negatively obstruct SMEs growth (Davidsson, 1989; Krasniqi, 2007). These legal requirements vary from one country to another. For instance, while it takes between 34-44 days to establish a business in Ghana, Kenya and Nigeria, it takes 100 days in Kenya, 220 days in Ghana and 350 days in Nigeria to obtain all business licences (Benzing & Chu, 2012). The tax paid by the businesses also differs with Kenya requiring 51% of total profit while Ghana demands 33% and Nigeria 30% respectively. Besides taxes, it has been found that SMEs in Africa face lengthy and costly delays during numerous procedures and clearances demand by various regulatory frameworks (Agbali & Ukaegbu, 2006). These differences definitely mean that motivation to SMEs operations and continued growth differs across the continent. Countries like Kenya and Nigeria are said to have put measures meant to support SMEs especially in the informal sector. The dual government have not only increased credit
facilities in this sector, but they have also reduced government interference to business operations (Benzing & Chu, 2012). Kenya in specific is singled out as having put different mechanisms meant to increase access to the youth, women groups and SMEs by setting special funds accessible through public initiatives and financial institutions (Business Daily, 10-21-07; The Nation, 10-22-07). Some banks such as Fina Bank, Equity Bank and Family Bank have played significant role in empowering SMEs and other businesses. Other countries like Ghana, South Africa and Rwanda are other examples of countries where their governments have put measures in place to encourage and boost SMEs. For countries like Nigeria, the government has been accused of having little interest in boosting SMEs (Chu, Kara & Benzing, 2010). These are only a few examples of governments that are given attention to SMEs development and growth. However, it is notable that besides many development plans and sessional papers aimed at empowering SMEs many African governments rarely actualise these plans resulting to no tangible evidence of growth for SMEs (Sule, 1986).

8. Corruption: A major challenge facing businesses in Africa is corruption. The ill practice force SMEs to divert their well-intended finances to non-financial activities. The corruption practice has become a norm in many countries and is especially expected by government officials before service is rendered. To SMEs owners, this means spending extra-money outside their budget or cut their budget to pay for unwarranted activities which also reduce their revenue and affect business performance (Benzing & Chu, 2012). It is not uncommon to see constant harassment and intimidation of business person by legal authorities who often confiscate business merchandise in name of unpaid licences and other penalties (Macculloch, 2001). This ill-called practice continues to work negatively against African governments efforts’ to promote SMEs in Africa. In fact, some of the most corrupt countries in the world are in Africa (Transparency International Corruptions Perception Index, 2007). The practice undermines well thought-out plans and commitment to reduce poverty and boosts economic growth of the African continent.

9. Other challenges facing SMEs in Africa include: political instability, labour issues due to lack of established legal frameworks, lack of coordination, ethnic violence destructions and lack of qualified personnel (Bowen et al., 2009; Katua, 2014). Corruption is also cited as a major interference to smooth SMEs operations. In fact a World Bank report (2005) stated that 70 % of SMEs lamented that corruption is a major hindrance to their operations. Usually SMEs lack the capacity to cope with uncertainty and associated with upheavals that may results from conflict and political crisis and informal requirements like corruption making thereby subjecting them to major risks of failure.

Table 2: Challenges facing SMEs in Africa

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Supporting Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Electricity supply</td>
<td>Fjose et al., 2010; Hatega, 2007; World Bank Enterprise Survey, 2010;</td>
</tr>
<tr>
<td>2. Access to financing</td>
<td>Fjose et al., 2010; Hatega, 2007; Kauffmann, 2005; Rajan &amp; Gleacher, 2007; Shah et al., 2013; World Bank, 2006;</td>
</tr>
<tr>
<td>3. Poor management</td>
<td>Benzing &amp; Chu, 2012; Berryman, 1983; 1994; Bowen et al., 2009; Brink, Cant &amp; Lightelm, 2003; Cover, 1933; Harper, 1984; Hill, 1987; McGrath, 2002; Peacock, 1985;</td>
</tr>
<tr>
<td>4. Competency and capability</td>
<td>Aylin et al., 2013; Geeta, &amp; Hong, 2003; Bhide, 1996; Bouazza et al., 2015; Lee, 2001; Muriithi, 2015; Hewitt &amp; Wield, 1992; Pasanen, 2007;</td>
</tr>
</tbody>
</table>
5. Negative perception
Amyx, 2005; Bowen et al., 2009;

6. Access to reliable information
Kamunge et al., 2014; Oshikoya & Hussain, 2007;

7. Government support
Davidsen, 1989; Kamunge et al., 2014; Krasniqi, 2007;

8. Corruption
Benzing & Chu, 2012; Chamlee-Wright, 1997; Macculloch, 2001; Transparency International Corruptions Perception Index, 2007;

**DISCUSSION**

Given the importance SMEs to the national economies indicates they cannot be ignored. As demonstrated in this paper, SMEs contribute more than 50% of most African GDP and an average of 60% of employment. However, it is notable that most African governments do not pay little attention to SMEs well-being nor do they put appropriate infrastructure to encourage their growth. Yet by addressing challenges related to power shortage, access to capital, poor management skills and competencies, inadequate information, lack of government support and rampant corruption, SMEs are able to put Africa on a leadership map in terms of development and innovation. It is through positive role of SMEs can Africa transforms its economic status and position itself as a competitive giant for the rest of the world to recon with. The continent is rich with minerals, agricultural and people resource to match any challenge arising from Asia, Americas or Europe.

**CONCLUSION**

The importance of SMEs in an economy cannot be under estimated. In fact, world governments, policy makers whether in developed or developing countries now see SMEs are as sources of employment, wealth creation and innovation (Nieman, Hough & Nieuwenhuizen, 2003). The area also major sources of manufacturing and service products for both exports and domestic consumptions. Although various challenges and solutions have been discussed in relation to SMEs in Africa, a study by Benzing and Chu (2012) found that the most important factors associated with success of the SMEs were non-managerial characteristics such as honesty and integrity, hard work, business reputation, good customer service and good quality products at competitive prices. The personal success factors remove the blame for failure from external forces such as governments and financial institutions and put success or failures squarely on the owners/entrepreneurs as responsible for their fate. However, it is important that different African countries develop policies and regulatory framework that would favour and encourage SMEs development and growth. With well laid strategies to develop SMEs means developing strategies to alleviate poverty reduction and improvement of GDP, a thing any government would like to accomplish for its citizen. However, with a very high rate of failures of SMEs in Africa, the African governments must put more effort and come up with practical rather than theoretical solutions to SMEs alarming rate of failures and dissolutions. Focusing and devoting time and resources to addressing SEMs challenges, African governments will be indirectly creating room for development through thousands of jobs to be created by SMEs thereby boosting individual country economic development and overall growth and poverty reduction (Adisa, Abdulraheem & Mordi, 2014), thereby giving more hope the majority of poor citizens that are dependents on their businesses for survival.
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