

STRATEGIES OF SMALL ENTERPRISES DEVELOPMENT IN AFRICAN COUNTRIES

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Abstract

The article describes the basic concepts and classification icons/symbols of small enterprises. Small enterprises are defined by the author as irreplaceable drivers of economic development, which are a source of economic growth and a tool for resources redistribution. This study analyzes the current strategies of small enterprises development in African countries such as Morocco, SAR and Tunisia, which made it possible to formulate conclusions and recommendations.

Keywords: African country, SMEs, entrepreneurship, small enterprises development strategies, competitiveness.

JEL classification:

1. Introduction

The relevance of the study is determined by the need of increasing the productivity of small businesses in Africa, as a catalyst for progress on this continent. On the African continent small enterprises make up 90% of private companies and provide 66% of workplaces, while micro-enterprises make up 70%. The low level of socio-economic status and political instability in Africa are obstacles in the acceleration of economic development.

The aim of the article is to analyze the existing strategies of small enterprises development in African countries (Morocco, SAR, Tunisia).

Increasing of small business productivity and creating programs for its development can be a catalyst for the progress in Africa, which determines the relevance and promptness of this study.

2. Concept and classification of small enterprises

In the scientific literature “small enterprises” are defined as “entrepreneurial activities carried out by subjects of a market economy in certain cases established by laws, government agencies or other representative private or public organizations” [1]. The economic, social and cultural aspects of a country are reflected in the characteristics of small enterprises. That is why the definitions of small businesses change over time and in accordance with the certain geographic region. For example, some countries do not distinguish between legal and statistical definitions. This applies to Canada, Greece, Portugal, Mexico and Slovakia. In this case, the definition may be based on an income threshold, such as in Canada, or on labor rates such as in the UK, the Slovak Republic or Mexico. Also, the evaluation of small business can be based on two criterias: the number and qualifications of employees (e.g. in Portugal). The countries of the European Union have accepted the differences between legal and statistical definitions. The main criteria for determining statistical target is the number of employees; in a legal definition – considering the number of employees, annual turnover, total balance and degree of autonomy (Table 1).

Table 1. Criteria of small enterprises in European Union

Companies	Number of	Annual	Total balance	Autonomy

	employees	turnover (euros)	(euros)	
Micro-enterprises	From 1 to 9	Less than 2 million	Less than 2 million	25% and more from the capital or the vote from another company
Small enterprises	From 10 to 49	Less than 10 million	Less than 10 million	

In Morocco, there are the following small business criterias: a workforce of at least 90 full time employees and annual turnover, excluding tax, at least 50 million dirhams and/or a total balance limited to 60 million dirhams. For new small enterprises the law provides that they must have an initial investment program of less than 10 million dirhams and take into account the ratio of investment and employment to less than 100,000 dirhams [5].

Regarding the definition of small business in the Democratic Republic of Congo, several definitions are formulated either according to financial capital, or according to labor, or according to the nationality of the owner or the specialized management method. There are four definitions.

Law No. 073-011 of January 5, 1973, establishing the Office for the Development of Small Congolese Enterprises, defines small enterprises as agricultural, commercial, industrial and service enterprises owned by individuals Congolese citizens or companies whose capital belongs to the majority, individuals or legal entities of the Congolese citizenship in which all management functions, i.e. management, finance, production, marketing and supply are carried out by the head of the company. It is worth noting that this definition has a generalizing character and does not demonstrate the necessity of small business. Table 2 presents the classification of small enterprises.

Table 2. Characteristics of a small enterprise [2, p.268].

Business activity	Business-sections	Legal forms	Company origin
Commercial enterprise	Primary (agricultural enterprises and possibly mining)	State company	African
Banks or similar financial institutions	Secondary (industrial enterprises)	Private company	
Administration	Tertiary (service companies: transport, commerce, banking etc.)	Company anonymously (SA)	
Industrial enterprise	Informal	Individual business (EI)	Foreign
Service companies		Limited Liability Company «Interpersonal Limited Liability Company» (EURL)	
		Limited Liability Company (SARL)	

3. Characteristics of small enterprises development strategies

Let us analyze the strategies of small enterprises development in certain African countries.

3.1. Small enterprises development strategies in Morocco

To ensure the efficiency and sustainable development of small business, the government of Morocco introduces a policy for supporting small businesses. The state has established institutions and funds designed to assist and modernize small businesses. The Central Guarantee Fund provides access to financing and the National Agency for the Promotion of

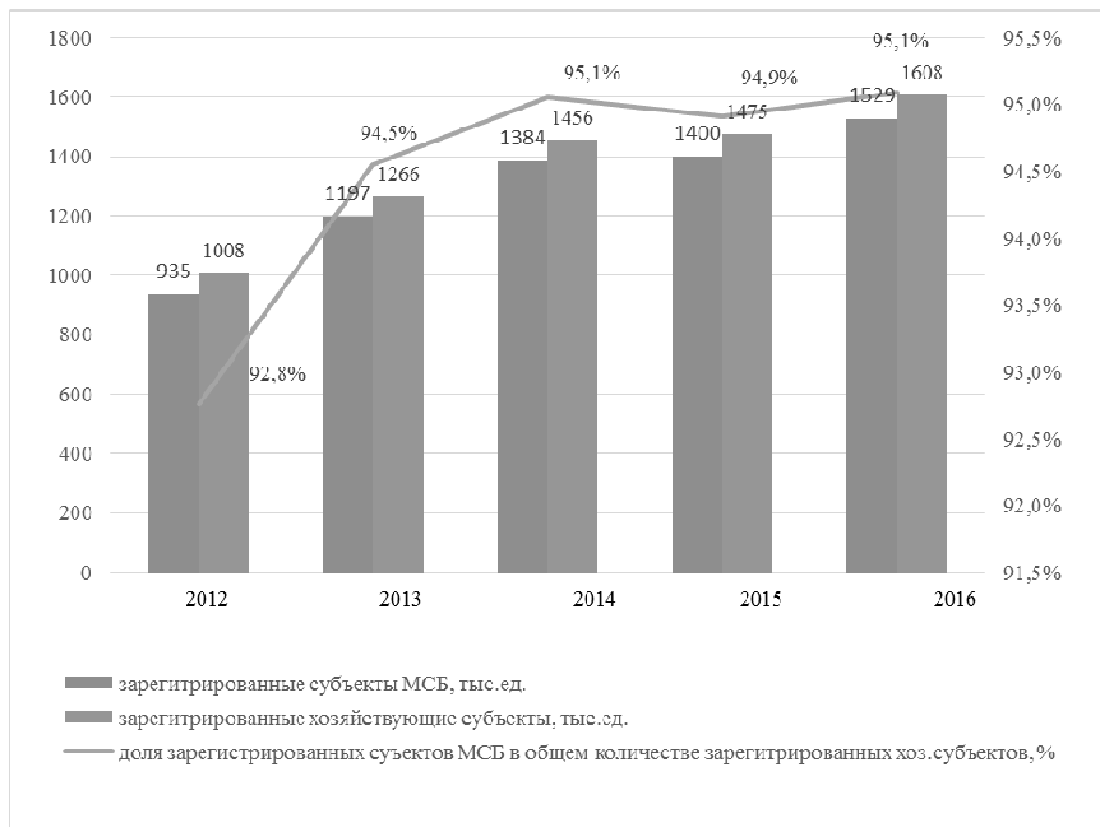
Small Enterprises for the pilot implementation of the national program of small businesses modernization.

The government of Morocco is implementing a number of programs (MICNT, INTILAK, TATWIR, Innov'Act) aimed at improving the competitiveness of small business through three initiatives: small business growth, strengthening its competitiveness and creating the competitiveness of new small businesses.

The Imtiaz program is one of the measures taken by the National Industrial Development Pact (PNEI), which aims to support small businesses by strengthening its financial and non-material assets. Analysis of the distribution of small business by regions in Morocco showed that the largest number of it are in the city of Casablanca – 220.4 thousand or 14.4%, Tangier-Tetouan – 213.9 thousand or 14.0%, and Rabat-Sale – 186.0 thousand or 12.2%. The smallest quantity of small business subjects are in North-Moroccan region – 40.8 thousand (2.7%), West-Moroccan region – 45.3 thousand (3.0%) and Menes-Fez – 49.4 thousand (3.2%) [9]. This is due to the agrarian orientation of the regions and small volumes of production.

Among the registered subjects of small and medium businesses the largest number of legal entities are in the city of Casablanca – 77.8 thousand (31.4%), Tangier-Tetouan – 34.8 thousand (14.0%), South Moroccan region – 22.2 thousand (9.0%) and Rabat-Sale – 16.8 thousand (6.8%). Figure 1 shows the dynamics of the number of registered SMEs and their unit weight in the structure of the total number of economic entities of Morocco [8].

Fig. 1 Dynamics of the number of registered SMEs and their unit weight in the structure of the total number of economic entities of Morocco[9]



In 2016, the number of active SMEs were increased by 6.9%. At the same time, in the structure of SMEs the share of active individual entrepreneurs were 73.3%, peasant (farmer) entities – 18.2%, legal entities of small and medium-sized business – 8.4%.

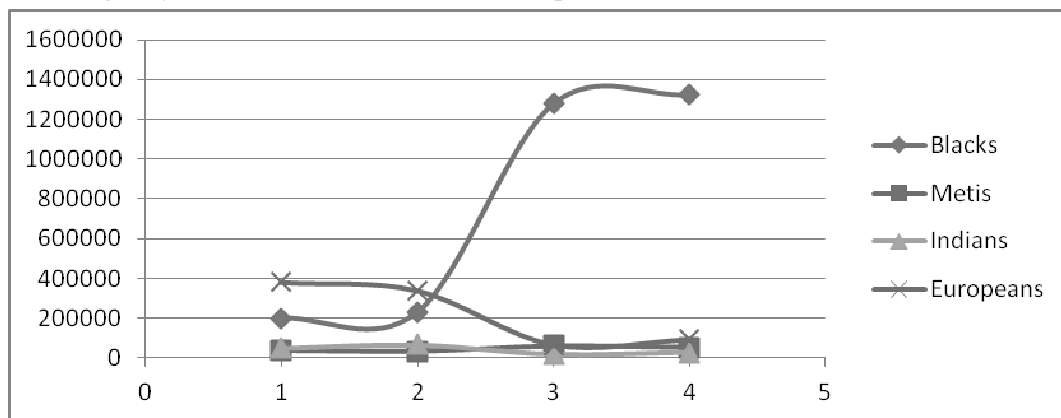
3.2. Strategies of small enterprises development in SAR

The characteristics of South African small enterprises are very different from those of other developing countries because of the apartheid heritage. A new economic sequence is a sufficient condition for the revival of small business economy. The elimination of apartheid

(if necessary) is not enough to master the full potential of small business economy. Structures inherited from apartheid make a major contribution to economy that has two sides, characterized not only by a high level of productivity (modern), but also by another (informal) sector with low productivity and little interaction between the two sectors. There is also a division by race [16]. The transitional stage is marked by political uncertainty and significant crimes and violence that have a negative impact on direct investment in the business sector.

Most small business owners (71%) in South Africa are African and followed by Europeans (20%). The number of white homeowners declined in the period 2008-2015. Indians and blacks were the only groups of people who emphasized an increase in the share of small business ownership. The number of small enterprises owned and operated by Indians increased by 47% in the period 2008-2015, while the number of small enterprises owned by blacks increased by 5% (Figure 2).

Fig2. Dynamics of structure of small enterprises owners in SAR in 2011-2015 [13]



The national structure of local economic development in South Africa aims to support the development of a sustainable economy through integrated government action. This government action is aimed at planned development, it stimulates the “heart” of the economy, which includes small enterprises operating in local municipalities [4]. It is based on an assessment of economic development practice and on the current context and problems of South Africa. The entry into force of the Small Enterprises Act since 1996 officially recognized the existence of small business in South Africa, which served as the basis for creation and promotion of small business at all levels of public administration. Many informal small enterprises provided means of subsistence for people in South Africa. That is why the creation of local economic development units requires an understanding of various forms that can be implemented in this area, including the development of small business.

Let us regard the distribution of small enterprises between 9 regions of South Africa (Table 3).

Table 3. Placing of small enterprises in South Africa [15]

Small enterprises	The number of small enterprises in 2008				The number of small enterprises in 2015			
	general	Formal	Informal	Other	general	formal	informal	other
General	2182823	666501	1420933	95389	2251821	667433	1497860	86528
Western Cape	223933	114976	95212	13745	230324	110107	110188	10030
Eastern Cape	218865	56579	154631	7655	197366	50670	141739	4957
Northern Cape	29894	11450	11768	6676	20611	8534	9058	3019
Independent states	114949	31040	76127	7783	96846	26224	60816	9806
Kwazulu-Natal	418406	102591	289347	26468	373434	74976	283165	15293
North-West	109860	25817	76855	7188	112856	27430	79153	6273
Gauteng	687556	270093	405180	12283	785321	306231	465100	13989
Mpumalanga	193259	29760	156814	6685	185399	35208	141129	9063

Small enterprises	The number of small enterprises in 2008				The number of small enterprises in 2015			
	Sector	general	Formal	Informal	Other	general	formal	informal
Limpopo	186101	24193	155001	6907	249663	28054	207512	14098

From 2008 to 2015 the number of small enterprises in South Africa increased by only 3%. As recorded the highest rate of growth in the number of small business (34%) was among the Limpopo regions, and second place goes to Gauteng (14%). Northern Cape lost the most (31%), after it the rest of the independent states (16%) [19].

The ratio of GDP and small business is an indicator of the economic environment in which small enterprises operate. Of the 2.2 million small enterprises in South Africa, the overwhelming majority (944.5 thousand) are in the domestic trade (wholesale and retail trade) and residential sectors, followed by the public and social services sector [11]. However, the turnover of small enterprises in different sectors varies greatly.

Taxes paid by small enterprises increased significantly between 2010 and 2015. In 2010 the economy had just “recovered” after the Great Recession, after which companies recovered a little in subsequent years. Currently, most corporate taxes are paid by enterprises in the trade and manufacturing sectors.

Financial services are a general process of providing basic financial opportunities such as loans, grants and donations. Small enterprises need to build relationships with relevant financial service providers. Issues of managerial literacy in small enterprises of SAR have a number of problematic aspects in terms of the availability of business knowledge, lack of management skills, inadequate planning and staff inexperience [6]. Dependence on the sole ownership of the majority of small enterprises leads to inefficient use of human resources, where there are no new qualified personnel.

Today South Africa focuses on how to ensure effective economic development so that most citizens enjoy the benefits of the country's economic activities. Leaders in the economic sphere of the country adhere to the fact that sustainable economic activity is necessary for the well-being of the society.

South Africa has provided many initiatives to find answers to development problems. Interventions to promote local economic development include different initiatives such as public-private partnerships and small business promotion [12].

3.3. Strategies of small enterprises development in Tunisia

The small business development strategy in Tunisia for the coming period is based on the implementation of a new generation of economic and social reforms by consolidating the foundations of management and improving the climate of the economy. Priorities are business, the development of economic structure, the deepening of integration into world markets and the development of partnerships in addition to developing the financing system, upgrading infrastructure, ensuring a balance between regions, maintaining human and social resources, and strengthening sustainable development. The new management policy is aimed at consolidating the principles of democracy and increasing the efficiency of the administration in addition to improving the management of public funds and facilitating access to information [3].

The development of the small business sector is a top priority considering the potential of this sector, which calls for the need to accelerate the recovery of the sphere, liberalization of service sector and supporting of promising small enterprises in this section.

The economy of Tunisia is considered one of the most diversified and stable economies in Africa.

The new industrial strategy for 2025 (what does it have specifically for the development of the SB?) demonstrates the country as a pole of innovation for the future in the Euro-Mediterranean region. The new industrial policy is based on the creation and development of small business, as well as on investments in research and development of technological innovations in the conditions necessary for increasing attractiveness and competitiveness at

the international level (Agency for the Promotion of Industry and Innovation, 2016) [17]. The main objectives of the strategy of the Tunisian industry by 2025 are:

- increase in exports of the industrial sector of Tunisia to 50 billion dinars by 2025 compared with 23.7 billion dinars in 2014;
- increase in added cost of export sectors from 15% at present to 20% by 2020;
- growth in the share of sectors with high technological content from 20% of GDP in 2015 to 30% in 2020;
- growth rate of investment to 25% of GDP in 2020.

Despite of the development of small business in Tunisia, many of these small enterprises face significant challenges. First, there is the difficulty of accessing funding sources during the company's long-term operation or after obtaining working capital.

The small business of Tunisian industry is the first major program implemented in Africa. The results of this program are very encouraging, and in Tunisia remains the relatively dynamic economy of Africa [10, pp. 116-125].

In Tunisia, small businesses provide more workplaces than large enterprises. According to the government of Tunisia, small enterprises in the informal sector employ more labor. The development of the informal sector is associated with several problems, such as for example laws on bank financing for small business with the exception of cases of renewed banking credit conditions.

With the discovery of Tunisian economy in the European market small enterprises have proven their role in the development of economic activity, workplaces creation and the reduction of poverty and inequality. Since 1995 Tunisian officials have been trying to promote this role and are now forced to intervene in order to facilitate the receipt of credit by small enterprises, which despite the various mechanisms and institutions created to adapt to their needs remain a very important part of economic life. This means that the fundamental economic role of the bank is not clearly defined in Tunisia. Domestic credit provided to the private sector and non-financial public enterprises accounts for about 70% of Tunisia's GDP, while in the EU it averages 120% [7].

4. Conclusion

The study presented leads to a number of conclusions.

1. In the context of globalization and increasing competition the study of new markets is becoming a necessity especially for small business. In Africa, there are opportunities for the development of small enterprises that they want to export to a number of European countries.

2. In Morocco in order to ensure the efficiency and sustainable development of small business the government is implementing a policy aimed at its support. The state has established institutions and funds designed to assist and modernize small businesses. The Central Guarantee Fund provides access to financing and the National Agency for the Promotion of Small Enterprises – for the pilot implementation of the national program for modernizing small businesses.

3. The national structure of local economic development in South Africa aims to support the development of a sustainable economy by encouraging and supporting small enterprises.

4. The economy of Tunisia is the most diversified in Africa, and therefore small business has great potential for development. The government of Tunisia wants to liberalize the service industry.

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