



**Investment Climate Reforms and the Development of SMEs: A
comparative analysis of from South Africa, Cameroon and
Nigeria**

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Abstract

It has been observed in fast growing economies that the private sector plays an important role in the domestic mobilisation of resources useful for developmental purposes. Asian economies that experienced tremendous growth in the last three decades identify private sector savings as an important contributor to their growth. This is in sharp contrast with the experience of most African economies that have not fully developed the private sector as a major force for development and continue to operate economies that are mostly driven by public sector savings (Aryeetey, 2004:7). Small and Medium Sized enterprises (SMEs) are an important player among the potentially important private sector players who could bring a significant contribution to Africa's development efforts.. This is because SMEs have been found to play a vital role in the economic growth of developing countries, typically accounting for over 90% of business establishments and about half or more of output and export shares (Pang, 2008). Their entrepreneurship, flexibility and responsiveness to change are an essential driving force of economic development. SMEs are often more labour intensive than larger firms and therefore have lower capital costs associated with the creation of jobs. They consequently play an important role in fostering income stability, growth and employment.

The objective of this study has been to investigate the extent to which the reforms in the investment climate of South Africa, Cameroon and Nigeria have contributed to the growth and development of these countries. This objective was accomplished through the application of a mixed quantitative and qualitative methodology. The quantitative approach entailed the administration of 1200 questionnaires to Small and medium Sized Enterprises² across ten cities in the above mentioned countries with an average of 400 questionnaires per country. The surveyed firms were questioned on their perception of some characteristics of the investment climate and business environment in which their firms operate, as well as the support programs and policies put in place by their respective governments to support SMEs. The research findings reveal that Africa is increasingly recognising the important role of the private sector in supporting economic growth through inter alia job creation, tax revenues. From the policy documents reviewed, it was observed that the governments in the three countries have enacted policies and developed programmes to enhance SMEs start-up and

² Small and Medium Sized Enterprises as defined in the respective countries by the government department with oversight over Smes, which in South Africa entailed a further distinction between Small and Micro Enterprises leading to acronym SMMEs

growth. These programmes are for financial and non-financial support and also at national and provincial or local levels. However, these programmes have failed to achieve to any significant level the purposes for which there were established. A major finding from our study is that there is a high level of unawareness of the various programmes across all three countries and much less use or benefit from these programs. The policy implication of these results is that across all three countries there is therefore a great need for increase awareness of government support programmes and access to relevant market information. Looking at government policies aimed at easing business activity in the three countries, it is important that the Nigerian and Cameroon business policy sectors examine and emulate best practices from South Africa and other performing economies. With the relatively high response rate from South African firms on the benefits derived for government policies, it becomes important for the commissioning of a study of the South African policy system and the good practices in the context of Cameroon and Nigeria.

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Light Africa dedicates this report to the memory of its Co-Founder and Managing Director Mr Marc Etienne Forbah Fohtung, who was the inspiration behind this project, was one of the lead coordinators of the Cameroon Research Team but left this world before the completion of this report while on another assignment in Seoul, South Korea. May your passion for grassroots holistic transformation be realised through upliftment of the Small and Medium Sized Enterprises sector in Africa.

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1.0 Introduction and Background

In an era in which world economies face crises of various kinds, there are increasing constraints on available domestic resource for development purposes. This places an important premium on the need for countries to mobilise all the available economic actors to join in the mobilisation of resources for developmental processes. In the context of African economies, Small and Medium Sized enterprises³ (SMEs) have grown to become significant players in the development discourse for the potential contribution they can bring to a country's developmental efforts. A key factor explaining this interest in SMES is the increasing concerns in recent years about countries growth performances and high levels of structural unemployment, and the realization that SMEs play a significant role in the economies of the OECD and APEC countries (Harvie & Lee (2001:2). Furthermore, SMES are reputed for their entrepreneurship, flexibility and responsiveness to change which are an essential driving force of economic development. They are often more labour intensive than larger firms and therefore have lower capital costs associated with the creation of jobs. They consequently play an important role in fostering income stability, growth and employment. The employment opportunities they create improve the livelihood of millions of poor people and indirectly contribute to the attainment of higher economic growth and hence, poverty reduction. It is against this background that the potential role that SMES can play in uplifting African economies in their development efforts is being investigated in this study.

Considering the widespread presence of SMEs in most African countries and a new found interest in the promotion of the role of SMES across the continent, this study has sort to investigate the factors that promote the growth and development of SMES across three African countries, - Cameroon, Nigeria and South Africa. The countries chosen for this study operate in three regional economic communities (South Africa for SADC, Nigeria for ECOWAS and Cameroon for CEMAC) and possess a host of similarities and unique characteristics that could offer some useful insights for policy formulation aimed at addressing the challenge of developing the private sector in Africa in general.

Taking cognisance of the fact that the size of an enterprise is only defined relative to other enterprises in the same economy, making the possibility of comparisons across economies more challenging, our study opted to function with the operation definitions granted to SMES in each of the three economies under consideration, as defined by the respective government

³ In South Africa it is broken down into Small, Micro and Medium Enterprises. (SMMEs).

departments responsible for SMEs. The development discourse often classifies SMES according to a number of parameters, including the number of people employed, annual turnover, size of capital endowments amongst other factors. The relative definition of each of these elements varies across economies according to their size and stage of development. An absolute comparison of the performance of SMEs was not an objective of this study but rather the enabling environment and policy support framework in which they operate and the resultant impact upon their contribution to their country's economic development. This study therefore has focused on the policy environment in which SMEs operate in these economies by identifying the characteristics of these firms, the factors that characterise their business environment and the extent to which these elements in their business environment hinder or promote their growth and the eventual contribution they can bring to their economy's development. This is achieved by inquiring on the perceptions of the firms on the effectiveness of the support programs and policies in their respective countries. The results obtained from the various countries have been documented in a comprehensive project report but are presented herein in a succinct excerpt.

2.0 Statement of the problem and research objectives

2.1 Statement of the Problem

The main development challenge facing Africa today is how to significantly reduce the extent and depth of poverty in the region while transforming the structure of its economies. Making poverty the focus of current development initiatives is justified by the extent and depth of acute poverty in the region and also by the fact that poverty slows down all manner of social and economic progress. By the early 1990s approximately 51% of the population of Africa lived below the poverty line of \$34 per person per month. Throughout Africa, the current average income of each person is estimated at 84 cents per day (Aryeetey, 2004:1).

In order to address the prevalent poverty on the African continent it is important to examine the different sources of finance for development and the different role players that contribute to these different sources. Financing can be broadly categorised into domestic and external resources. External resources include amongst others, the use of foreign aid or Overseas Development Assistance (ODA), Foreign Direct Investment (FDI) and foreign currency reserves accumulated from trade. Domestic resources are mainly savings generated from private sector and government sources, including revenues from taxes and royalties from

national resources. Each of these sources of financing is important for development and together they should complement each country's pursuit of its development objectives. To the extent that the promotion of one initiative (for example, attraction of foreign investment) is pursued at the expense of the other (such as development of domestic private sector resource mobilization capabilities), the country's development policies would be considered as problematic and unsustainable. Hence, the importance of such a study which seeks to establish the degree of synchronization between SMEs support and investment promotion policies and programmes. In investigating the extent to which the reform of investment climates may have fostered or hindered the development of SMEs in South Africa, Nigeria and Cameroon, we set for ourselves the following objectives.

2.2 Research Objectives

- To carry out a comparative review of investment policies, investment promotion initiatives and facilitation in the three case study countries (Cameroon, Nigeria and South Africa) and to identify the extent to which these policies promote or hinder the development of SMEs;
- To collect through field survey of SMEs operators primary data on their awareness and perception of the effectiveness of government policies aimed at promoting SMEs growth;
- To formulate from the above two objectives, policy recommendations to improve policy formulation aimed at investment climate reforms so as to strengthen the performance of SMEs and help create jobs, contribute to the economic growth and alleviate poverty.

These objectives were thus explored by examining the extent to which policies and programs aimed at the improvement of the investment climate and business environment (investment climate reforms) have taken into consideration the needs of SMEs in the respective countries. In accomplishing these objectives, the report has focused on the following aspects:

- The extent to which government policies aimed at improving the investment climate (Policies concerning tax, regulation and their application) have encouraged or otherwise the emergence and growth of SMEs.

- The different government policies and programs aimed at encouraging the growth of SMEs in these countries and the implementation challenges being faced.
- The impact of the presence and relative importance of other supporting factors to the growth and development of SMEs. These include inter alia, financial support, education and training, commercial and professional infrastructure and access to physical infrastructure amongst others.
- Comparative analyses of the impact of SME support policies and programmes in the case study countries and thus recommendations for best practice.

3.0 Literature Review

The role that can be played by small and medium sized enterprises in the development of a typical African economy is a subject that has raised considerable research interest in the last couple of decades. This interest has been demonstrated by major development organisations such as the World Bank and national governments through funded research initiatives. This interest could on one hand be explained by the fact that small and medium sized enterprises are perceived as potential engines for growth and development, through the creation of employment and the promotion of technology transfer and diffusion. On the other hand with the failure of the public sector in providing needed employment and economic opportunities, SMEs are considered a reliable alternative to state-led economic development approaches. Furthermore, a key factor explaining these developments is the increasing concerns in recent years about countries growth performances and high levels of structural unemployment, and the realization of the significant role SMEs play in the economies of the OECD and APEC countries (Harvie & Lee, 2001:2). SMEs thus have significant attributes which make them able to survive different economic changes. Their entrepreneurship flexibility and responsiveness to change are an essential driving force of economic development. SMEs are often more labour intensive than larger firms and therefore have lower capital costs associated with the creation of jobs. They consequently play an important role in fostering income stability, growth and employment. The employment opportunities they create improve the livelihood of millions of poor people and indirectly contribute to the attainment of higher economic growth and hence, poverty reduction.

Classical economic theory suggests that investment plays a significant role in the promotion of economic growth. With the mainstreaming of the concept of globalization, developed and

developing countries have stepped up their efforts in attracting foreign direct investments (FDI) to supplement domestic resources in the pursuit of development objectives. The recent development experience of East Asian economies seems to justify the place of prominence given to FDI in the current development discourse. Further, the increasing competitiveness of giant economies such as China and India has rendered the global competition for FDI inflows much more intense. As such, many developing countries have come under immense pressure to reform their investment regulations and make their business environments more attractive to foreign investors. This pressure sometimes translates into investment climate reforms aimed at addressing specific constraints that hinder capital inflows.

The World Bank (2005) defines the investment climate as a set of location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs, and expand (*including: stability and security, regulation and taxation, finance and infrastructure, and workers and labour markets*). Reforms to the investment climate can be logically understood to mean a set of policy adjustments aimed at improving the location specific factors shaping the opportunities and incentives for firms to invest productively, expand and create jobs. The specific sets of factors to be adjusted are often identified through systematic and standardized assessments of the investment climates prevalent in different countries.

According to the World Bank Investment Climate Surveys, the main objective of Investment Climate Assessment (ICA) is to develop a better understanding of the constraints to investment and of the key elements that affect sustained productivity growth in a given country. There is now near unanimity on the fact that a sound investment climate is critical for effective private sector participation in economic growth and poverty reduction. This is so because, an accommodating business environment enhances the efficiency, innovative abilities and productivity of firms, which in turn, expands employment opportunities thereby helping to lift people out of poverty. Furthermore, a favourable environment for private sector activity necessarily generates more taxes for public investment in health, education and social services that contribute in bettering the welfare of the poorest of the poor. In contrast, a poor business environment increases the obstacles to private enterprise development, thereby decreasing a country's prospects of reaching its full potential in terms of employment, production and welfare, (Katja, 2005).

Although there is unanimity on the importance of a good investment climate and business environment in enhancing the private sector's role in development, the immense diversity of

private sector players operating in any given economy present significant challenges to policy formulation aimed at reforming the investment climate. The potential private sector role players in a typical African economy include large multinational companies, large domestic companies, small and medium sized enterprises (SMEs), microenterprises and businesses operating in the informal sector. It goes without saying that different constraints of the business environment affect different players in different ways. For instance, major players in the market (whether foreign or domestic) may be better equipped to deal with issues of corruption than SMEs, whilst access to finance might be more problematic to the latter than to the former. This diversity of private sector role players makes a compelling case for a detailed and differentiated study of the challenges and constraints facing business actors in developing countries, notably SMEs in Africa.

4.0 Methodology

Considering the widespread presence of SMEs in most African countries, the present study focuses on an investigation of the extent to which various investment policy reforms have influenced the growth and development of SMEs in three country case studies namely - Cameroon, Nigeria and South Africa. Focusing on the impact of investment climate reforms on SMEs is further justified by the vital role played by these institutions in the economic growth of developing countries, typically accounting for over 90% of business establishments and more than a half of output and export shares (Pang, 2008). The countries chosen for this study operate in three regional economic communities (South Africa in the SADC region, Nigeria for ECOWAS and Cameroon in the CEMAC region) and possess a host of similarities and unique characteristics that could offer some useful insights for policy formulation aimed at addressing the challenge of developing the private sector in Africa in general.

The presence of these factors are examined in each of the countries represented by taking into consideration the specific socio-economic and political contexts of the respective regions under study as well as the level of development and unique the characteristics of each of these countries. To form a reasonably solid basis for comparison a number of similar characteristics were used as guiding factors in the determination of regions to be covered in this study. In each of these countries the administrative capitals were selected (Pretoria, Abuja, Yaoundé), being the seats of government and the geographical base for policy formulation and the location where it would be reasonable to assume that there should be the most information available of all National government SMEs promotion policies and programs. Apart from

administrative or political capitals, the economic capitals were also selected (Johannesburg, Lagos, Douala). These regions were identified as zones with a high business concentration, in all three countries. They represent the regions with the largest concentration of businesses and in Cameroon and Nigeria these happen to be port cities. Regions far from the economic and administrative capitals were also selected as a means of testing in each case the extent of penetration of national government policies and programs. This will make it possible to ascertain if there is a geographical dimension to the diffusion of government policy (are the businesses closest to the policy institutions more informed than those furthest away).

Two principal approaches have been adopted to accomplish the objectives of this study organized in two phases with an extensive literature survey and a primary data collection (field work) phase. In the first phase of the study, an extensive literature review of journal articles, reports and government publications on SMES promotion programs and policies in South Africa, Nigeria and Cameroon was carried out. This literature survey was important in the design of the questionnaire that was administered in these countries. A total of 1200 administered questionnaires have been captured and analyzed for the purpose of this report out of close to 1400 that were prepared and dispatched to these countries. The analyses done from the questionnaires administered to each country took cognisance of the context of their particular regional and national economies. This is done in order to focus on issues pertinent to them within their own environment in order not to lose sight of the specific circumstances in the course of generalization and cross country comparisons. Each of these countries have a different definition for what constitutes a micro, small or medium enterprise and we adopted the definition upheld by the relevant government authority with oversight responsibility over the SME sector. There was no attempt to define a single definition for SMEs that would be applicable across all three countries, we only insisted that they sampled firms should be registered with the company registrar (i.e officially recognised as an established company) as a means of ascertaining that they were visible targets to government SME support policies.

The 1200 administered questionnaires were distributed equally (400 each) between the three countries in the following proportion. For South Africa, 200 questionnaires were obtained from the Gauteng Province (including Pretoria, Centurion, Midrand and Johannesburg), 100 in the Free State Province (including Bloemfontein, Welkom, Thaba Nchu) and 100 in the Western Cape (Mainly in Cape Town). 400 questionnaires were also administered in Nigeria, including 200 in Lagos and surrounds, 100 in the Federal Capital City (Abuja) and 100 in Port Harcourt. 400 were also administered in Cameroon, being 200 for the Centre and North West

region (100 in Yaoundé and 100 in Bamenda) and another 200 for the Littoral and South West Region (100 in Littoral and 100 in South West Province).

As per the objectives of the study, the purpose of this field survey was to establish the extent to which Small and Medium Sized Enterprises in various regions from these three countries were both aware of and appreciated the effectiveness of different government programs and policies aimed at the promotion of SMEs in their respective countries. An attempt was made to document the effectiveness of these policies and to identify the challenges faced in their implementation. The cross sectional survey technique was used to gain the perspective of the SMEs entrepreneurs on the challenges of SMEs development in their respective regions. To elicit the response from the SMEs operators, a questionnaire made up of 30 structured and open ended questions was drawn up and administered. These thirty questions were organized into three sections, A, B and C.

Section A focused on the collection of general information to provide us with the general characteristics of the firms that were involved in the study including their number of years in business, the population of their city of operation, their sector of operation, their current business legal status and annual turnover. This section also sought to collect information about the number of employees, their level of education and gender composition. These characteristics were sought with the same structure maintained for all three countries for ease of comparisons. Section A only differed from one country to the other with respect to their specific sources of start up and growth finances since these related in most cases to some of the programs put in place by the government in these countries to support SME growth and development. For each country and region, this section contained the detailed programs and policies aimed at the promotion of SMEs and a combination of structured and open-ended questions are used to sample the opinion of the respondents on their knowledge of and perception of the effectiveness of the different programs. Respondents were also asked to rate their experience gathered from the use of these programs and asked to provide open ended recommendations on how these programs may be improved.

Section B and C were the same for all countries and regions. Section B focused on characteristics of the business environment identified within the literature as important for the growth and development of SMEs. Respondents were asked to determine the extent to which they considered these factors as problems/obstacles to their operation. The factors identified included the tax rate and administration, access and cost of finances, labour regulations, skills

and the level of education of the available work force amongst other factors. From a set of twenty four factors the respondents were asked to identify the three most important challenges and to provide some justification for their choices. In section C, the respondents were asked to give their impressions about the effectiveness of current government support programs and policies in assisting them as SMEs operators. The data collected from these questionnaires were captured and analyzed per region. After capturing the data into SPSS and Excel, the data was cleaned and coded. It was then analysed using a descriptive approach. Both descriptive and inferential statistics were used for the analysis. The descriptive analysis provide a description of the population state and get an understanding of the situation going on in the SMES sector using charts and graphs.

Using secondary data collected during the regional literature review, the research further sort to determine what has been the link between the investment climate in each of these countries and reforms thereof with the growth and development of SMEs. This is done first on a country by country basis and then on a comparative basis across the three countries. The literature surveyed in the course of the execution of the first phase of the assignment is supplemented by the consultation of reports written from similar or related projects in these countries. These include notably, for Cameroon, the 2009 World Bank's Investment Climate Survey, the 2009 World Bank's Doing Business Survey and the 2008 joint GTZ-SNV-GICAMAGRO-PME National Study on the Business and Investment Climate. For South Africa, the 2007 World Bank's Investment Climate Survey, the 2009 World Bank's Doing Business Survey, the 2010 Second Investment Climate Assessment (Business Environment Issues in Shared Growth) and the 2009 Global Entrepreneurship Monitor (GEM) Tracking Entrepreneurship in South Africa study and for Nigeria the 2007 World Bank's Investment Climate Survey and the 2009 World Bank's Doing Business Survey.

Given the likely difficulty of establishing cause and effect through such an exercise, an emphasis has been placed on examining the characteristics of the business environment in which SMEs operate in these countries while at the same seeking the perception of SME operators as to the effectiveness of government investment climate reform efforts (defined here as changes made to certain elements of the investment climate) and its impact on their growth and development. The results obtained from the analysis of the questionnaire are summarily presented in the section that follows.

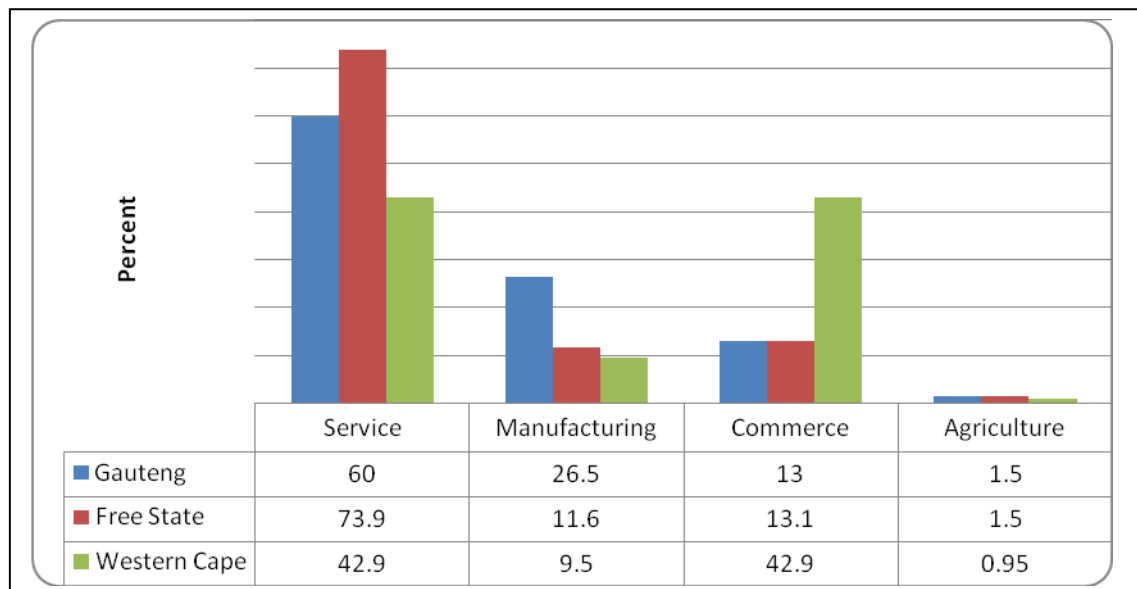
5.0 Presentation of Findings

This section contains results gathered from an analysis of the questionnaires administered in each region. The analysis first focused on the results of each region and then proceeded with a comparison across the regions at the country level and then a comparison across the countries. This section shall proceed by presenting the main results obtained from the combined country analysis and proceed to a combined comparative result from across three countries.

5.1 Key findings from South Africa

The results obtained from all three provinces indicate that most of the SMEs surveyed came from the Service and Commerce sectors. This is clearly indicative of the structure of the South African economy as well as suggestive of the sectors in which SMEs currently operate. The economy receives the largest contribution to its GDP from the tertiary sector dominated by the finance and tourism industries whereas manufacturing comes second and the primary sector made of mining and agriculture is only the third contributor to GDP. Thus the distribution of SMEs reflect this pattern and suggest that the SMEs in South Africa fall within the more active sector of the economy and could hence be seen to be contributing to the growth of the economy.

Figure 1: Graphical presentation of SMMEs surveyed by sectors



There is also evidence that the South African government has recognised the potential contribution that SMEs can bring to the economy and has thus moved to enact various policies for the promotion of SMES and set up major programs across the nation. The major

SMEs support programmes at the national level that formed a part of the investigation in this study included the following:

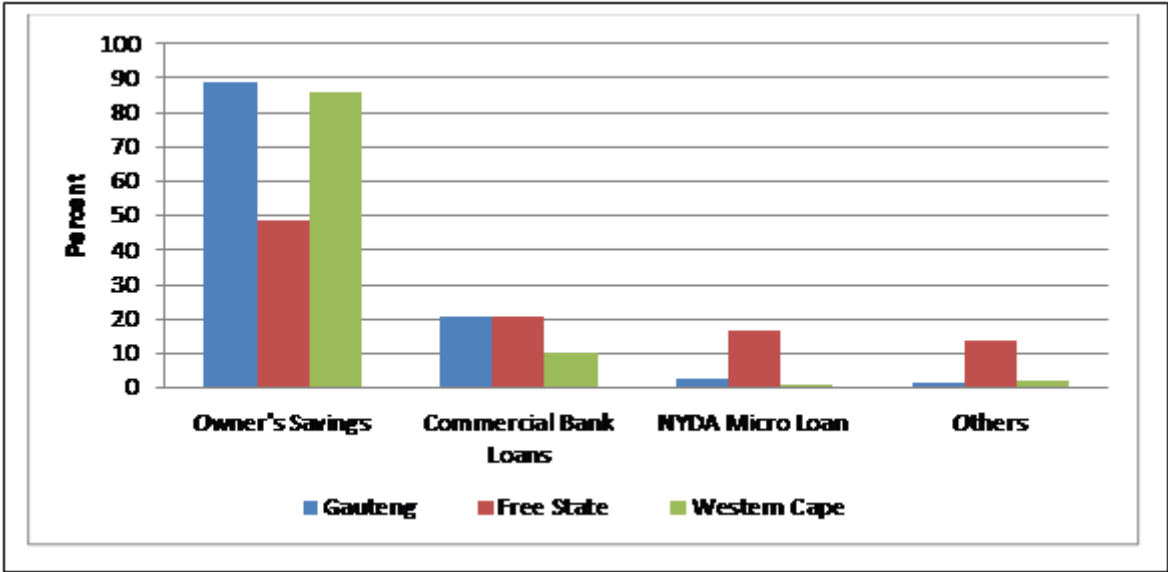
- The Small Enterprise Development Agency (SEDA)
- The Khula Enterprise
- Department of Trade and Industry
- The National Youth Development Agency (NYDA)
- The Ntsika Programme
- Basic Entrepreneur Skills Development (BESD)
- Commercial Banks business support

At the provincial levels, significant programmes included the Free State Development Corporation (FDC), and the Free State Premiers 'Project. In the Western Cape, local business support programmes included the, Real Enterprise Development Initiative (REDI) and The Integrated Tourism Entrepreneurship Support program (ITESP). In the economic heartbeat of the country (Johannesburg), support programmes investigated were the City of Johannesburg SMME Export Promotion Project amongst others. Some of the elements investigated include the source of start-up, growth and expansion finance, characteristics of the business environment amongst others. These are presented in turn in the sub-sections that follow.

5.1.1 Source of Start-up and expansion finance

The data from the three provinces show that more than 70% of all sampled firms started their business with the support of personal or informal saving schemes. In the Gauteng province, close to 90% of all firms surveyed started making use of owners' savings. In the Free State province, the figure is relatively low at nearly 50% of total respondents. However this is due to the significant benefit firms have received from the NYDA microloans in the province which has been comparatively very low in the other two provinces surveyed. Majority of the firms in the Western Cape started on personal savings (86%) followed by commercial bank loans (11%). The analysis of the data provides argument that firms have received very limited financial support/assistance from support programmes. This trend is closely reflected in the expansion and growth finance analysis where more than 70% of all firms have expanded on personal savings in the forms of 'stokvels', and informal support groups. This result is succinctly captured in figure 2 below.

Figure 2: Sources of SMMEs start-up finance



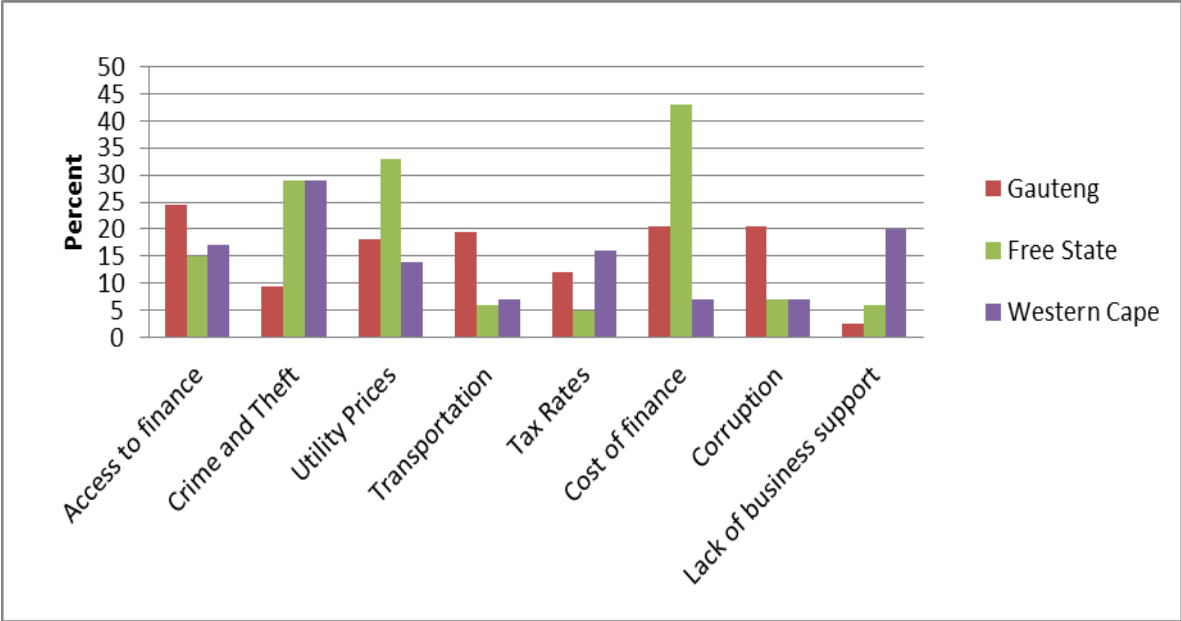
This trend may be explained by the fact that close to 50% of all firms surveyed are sole proprietorship businesses. These kind of small businesses often do not have the collateral or necessary credit record to obtain financing from the mainstream financial institutions. And it has been observed that even where SMES support programs do exist which offer financial support for SMES start up or growth and expansion, these programs often set up requirements that may not be attainable by the average SME, hence the low rate of take up and use of these programs.

5.1.2 Characterising the Business Climate

Besides the challenge of access to and cost of finance limiting SMES growth and development in South Africa, there are other factors related to the business environment in which these SMES operate that impact upon their existence, growth and development. The most important of these elements as captured by the results of the survey have been presented in figure 3 below. The cost of finance remains a major concern for SMMEs in South Africa. This is especially in the Free State province whose business climate can be considered to compare unfavourably with Gauteng and the Western Cape Province. The data from the Free State province reflects findings by Martinez Peria (2009) who argues that access to and cost of finance and electricity prices (utility prices) remain severe obstacles to doing business in low income countries. Access to finance, transportation and corrupt business practices were identified as the major challenges affecting business in the Gauteng SMMEs. There is a

significantly high sense of lack of business support from SMMEs in the Western Cape Province.

Figure 3: Major business and investment climate factors affecting SMMEs

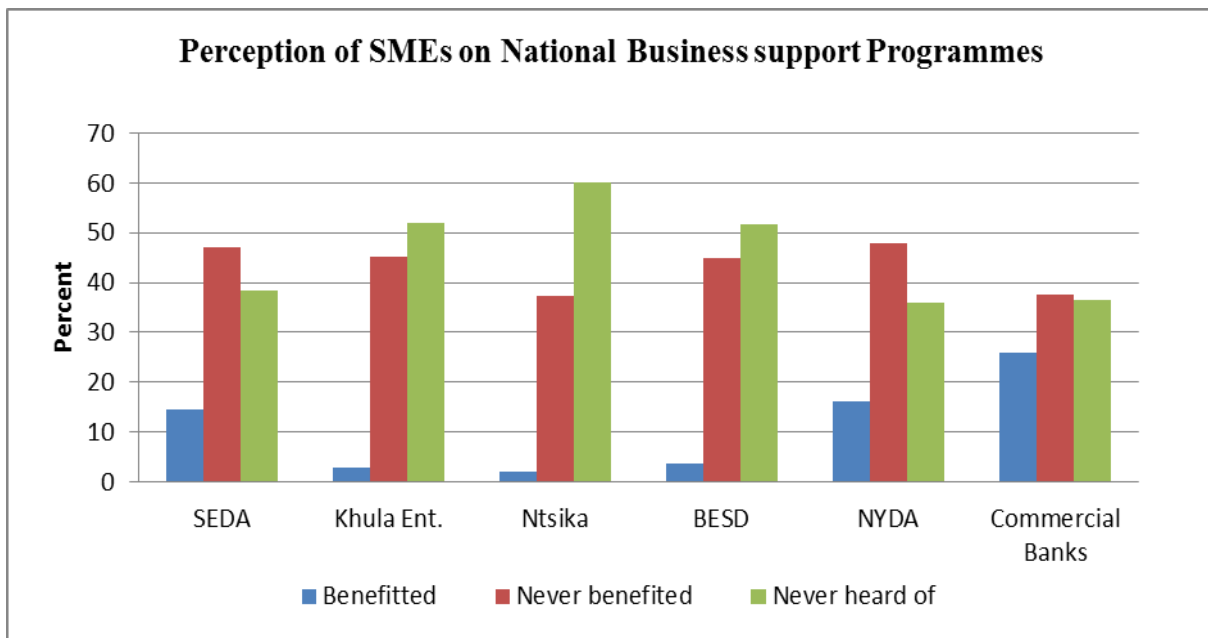


Access to finance, cost of finance and corruption were identified as the three main obstacles to SME growth and development in the Gauteng province, closely followed by utility prices and cost of transportation. Cost of finance, utility prices, and Crime and theft were the main obstacles in the Free State Province closely followed by access to finance. Crime and theft, lack of business support services and access to finance were the three main obstacles in the business environment in the Western Cape, closely followed by tax rates and utility prices. So whereas Transportation is a huge problem in Gauteng, it is less of a problem in the other regions. The lack of business support services emerges as a major challenge in the Western Cape as opposed to the other two provinces. The results from South Africa highlight an important trend, in the first instance it suggest that business support services are very abundant in the political capitals that host the main government departments that promote these programs and less so in far off provinces (western cape). The concentration of business and administrative activities in the capital city comes with problems in transportation and corruption which are less of a concern in the cities further away, which result seems reasonable.

5.1.3 Business Support Programmes

One of the objectives of this study was to assess the level of benefits derived from the various business support programmes initiated by the South African government for SMMEs start-up, growth and development. As can be observed from figure 4 below, more SMMEs have benefitted from commercial banks than from any other form of government initiated SMMEs support. While there is a significantly low percentage of SMMEs who have benefitted from the programmes, what emerges from this figure is the rather high percentage of SMMEs who have never heard of these programmes and initiatives.

Figure 4: Perception of SMEs on National Business Support Programmes



This finding echoes previous research by Mass and Herrington (2006) who argue that most new SMEs in South Africa are not aware of government efforts to assist them such as Khula Finance Enterprise (Khula) and Small Business Development Agency (SEDA) (Olawale & Garwe, 2010:732). Data from the Free State province reveal that only 18% and 11% of surveyed firms have benefitted from the Free State Development Corporation (FDC) and the Free State Premier's Project respectively. These are the two main provincial initiatives aimed at providing support to SMMEs. In the Gauteng province, only 4% of firms have benefitted from the City of Johannesburg SMME Export Promotion Project. In the Western Cape survey, data shows that less than 2% of firms have benefitted from both the Real Enterprise Development Initiative and The Integrated Tourism Entrepreneurship Support program put together. The data further reveal a significant lack of awareness about the support

programmes as well as hampering administrative bottle-necks. This lack of access and benefit has been attributed to the limitation placed on white-owned businesses as revealed in an interview with one of the SMMEs owners in Bloemfontein.

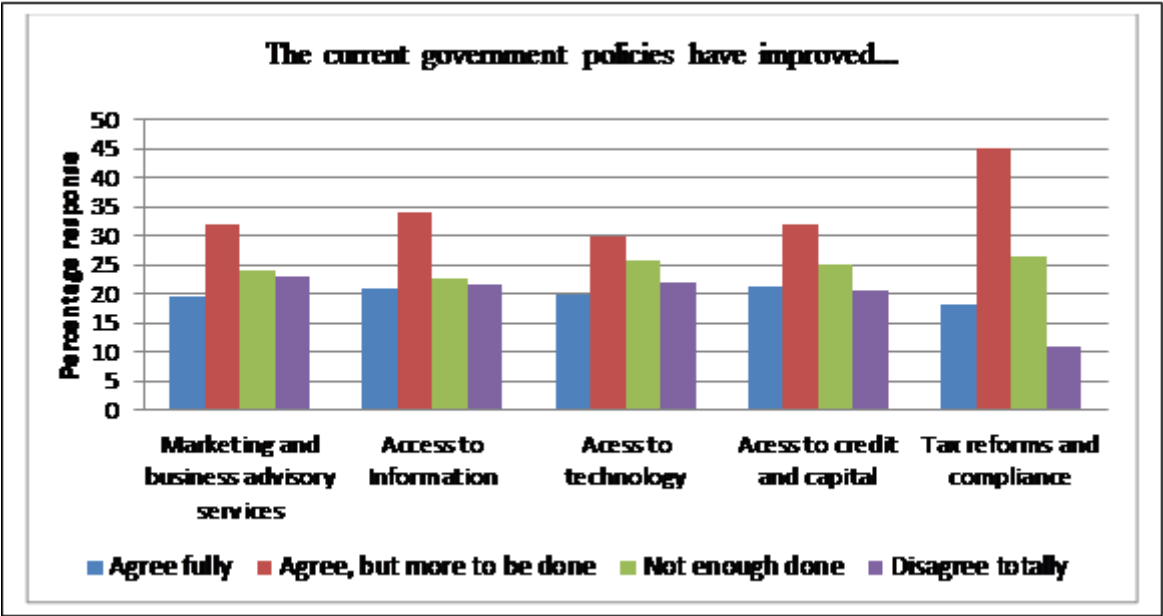
A potentially important aspect in the functioning of these support programmes is the need for synergy and collaboration between the different service providers. With the need to meet stated objectives and ensure self-sustenance, SMMEs are being perceived as clients rather than beneficiaries of the support programmes and hence do not always readily provide SMMEs with relevant information about other service providers who can be of better assistance to particular needs.

5.1.4 Perception of SMMEs on Government Support Policies

The data obtained from the surveyed and analysed statistically presents the rationale for an argument that government policies have not had the intended benefits to SMMEs.

The percentage mean of the data as presented on Figure 5 below reveals that SMMEs are expecting more from the current government SMMEs in addressing relevant challenges such as tax, access to information, technology access to marketing and advisory services and tax reforms to enhance compliance from firms.

Figure 5: SMMEs perceptions on government policies for business



5.1.5 Conclusions and Policy Implications for South Africa

From the three-province survey, there are indications SMMEs in South Africa are faced with enormous practical, structural and institutional challenges in both their internal and external environments. Ranging from limited access to finance, high cost of finance, corruption and lack of sustained government support programmes and policies. The possible policy implications for these results is the need for a rethink in national and regional policy initiatives and programmes aimed at improving the number of SMMEs start-ups, survival and growth. There is an obvious need for current SMMEs support initiatives to be assessed for relevance and effectiveness on an on-going basis, as well as building in monitoring and evaluation systems into the programs to oversee continuous and progressive attainment of desired objectives. Policy action has also to tilt its attention towards the issue of the survival of SMMES. The average number of years for SMMEs in South Africa was indicated as 5-6 years, making a compelling case for policy action to institute and implement policies that would ensure that SMMEs are sustained and ‘graduate’ into bigger businesses, tap from their existing experience to mentor other upcoming SMMEs rather than get out of business after a few years of operation.

The second possible conclusion from the study is that there is a very low level of awareness by SMMEs on the various support programmes that are available for them. There is need for a massive sensitisation campaign on the part of the government through its national offices. This could be supported and sustained by establishing local and regional offices to provide information centres for SMMEs and potential SMMEs should be created and supported.

Though it remains one of the objectives of the current socio-economic policies to address issues of previously disadvantaged economic groups, this study reveals that this policy can be pursued to the peril of the greater economic progress of the economy. The case in point refers to small businesses owned by previously privileged racial groups who though being willing and able to bring a contribution to the government’s efforts in this sector, feel marginalised by existing policies. Hence, business support policies need to reconsider even previously advantaged groups who are able to grow, expand and create other economic opportunities for others through job creation. These support programmes should therefore be opened to all potentially successful entrepreneurs.

At the policy level, the study reveals that there is need for adequate monitoring and evaluation structures to monitor the implementation of current SMMEs support programmes; to assess

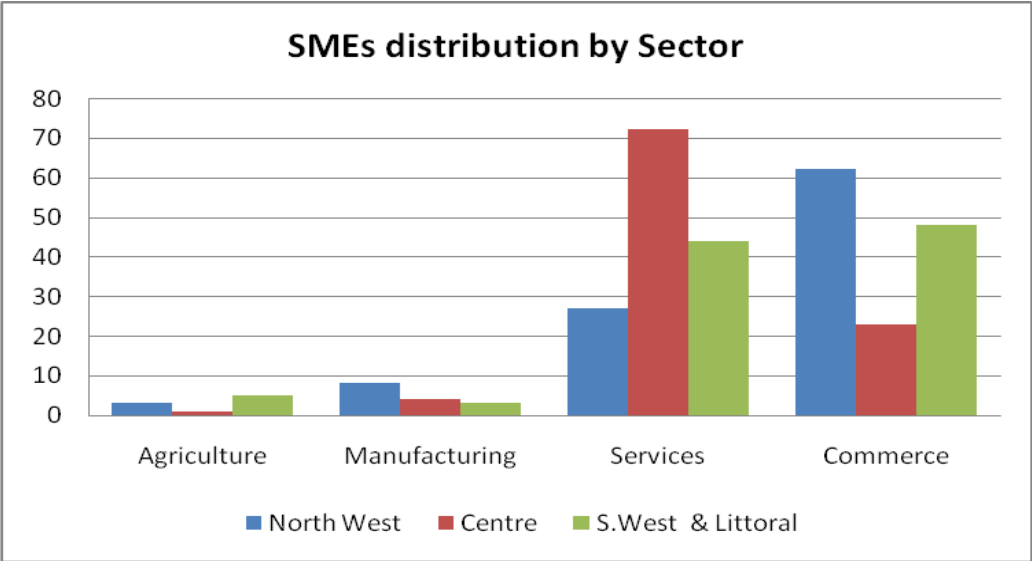
the levels of support to firms and how these programmes can be improved upon. This has been highlighted in a recent study by Mathibe (2010:87) as she argues that “the outcomes of most programmes seem to be limited and in many cases not measurable due to the absence of appropriate M&E systems. Effectively only one of the programmes assessed in this thesis namely BESD had an appropriate M&E system in place”. It is therefore extremely difficult to assess the outcomes of programmes and compare the results of different approaches.

One important aspect in the current economy is the need for more technology use in the business sector. If SMMEs in South Africa are to meet up with the levels of growth of the private sector in countries at the same level of development, then technology transfer policies need to be developed and amplified to ensure that firms are able to do business not only at the local and national levels but be able to move to the international scene. For this to be achieved there is need for new types of skills at both managerial and operational levels.

5.2 Key findings from Cameroon

In the Cameroon case study, the survey covered 400 firms in four provinces: Centre, North West, Littoral and South West. The questionnaires were administered in the major cities in these regions, specifically in Yaounde, Douala, Bamenda, Buea, Tiko and Limbe. As was the case in each of the regions/countries examined in the course of this study, the SMEs operators in Cameroon were also questioned on their knowledge of government programs aimed at supporting SMES. Some of the programs considered in the survey include; the National Employment Fund (NEF), the National Investment Corporation (SNI), Groupement Interpatronal du Cameroun (GICAM), The support program for rural and urban youths (PAJER-U), embassies and international donors, and Development Agencies including the French Development Agency (AFD) in collaboration with MESOFINANCE amongst others. The main objective of this field survey was to sample the opinions of the (potential) beneficiaries of support programs for SMES to assess their awareness of the existence of these programs as well as obtain their perception of the performance of this program. Some of the results obtained from the field survey are presented in this section and we will begin by presenting a picture of the distribution of the surveyed firms into various sectors of the economy as outlined in figure 6 below.

Figure 6: Presentation of SMEs distribution by sector in Cameroon



As can be observed from figure 6 above, the majority of the firms surveyed in Cameroon operate in the services and commerce sector. This is counter-intuitive for an economy at the level of development like the Cameroonian economy but suggests that there is some uniqueness about the Cameroonian economy that is worth examining further. While the distribution of SMEs in Cameroon in the various sectors is fairly reflective of the structure of the economy, it is worth highlighting here that the classification of the operators as members of the service and commerce sector includes trade and small service providers. These are small businesses that link up with agricultural suppliers and make up the linkup between the informal and formal economies, they are representative of visible elements that would likely be recipients of government action. The surprising element of this result is the relatively small percentage of SMEs in the agricultural sector which is atypical of a country like Cameroon. The picture as presented indicate possible directions for policy actions that will see the country investing in an area of its obvious comparative advantage, which will entail supporting the development of SMEs in the agricultural sector while including them in broader scale plans for expanded industrialisation (plans to expand the manufacturing sector).

One other objective of the field survey was to characterise the business environment in which SMEs operate and the major challenges constraining their growth and development. The results obtained from this assessment go a long way to constitute a reflection of the extent to which the various reforms to the investment climate in Cameroon have succeeded in creating a business environment favourable to the growth and development of SMEs. This is treated in some detail in the next section.

5.2.1 Investment climate and business environment challenges

As can be expected in a typical African country like Cameroon, there are common challenges facing businesses across the three provinces as well as peculiar challenges to each province. In the North West, the results suggest that the rate of taxation and the lack of business support services as well as instability of electricity supply are the three major challenges SMEs face. As far as the Centre region is concerned, tax rate, inadequate access to government supports services and lack of access to credit were identified as the major challenges SMES face. As for the South West and Littoral regions, the tax rates is the major challenge alongside tax administration with access to finance having the same impact as electricity effects. These results and more have been succinctly captured in Figure 7 below:

Figure 7: Major challenges facing SMEs in Cameroon

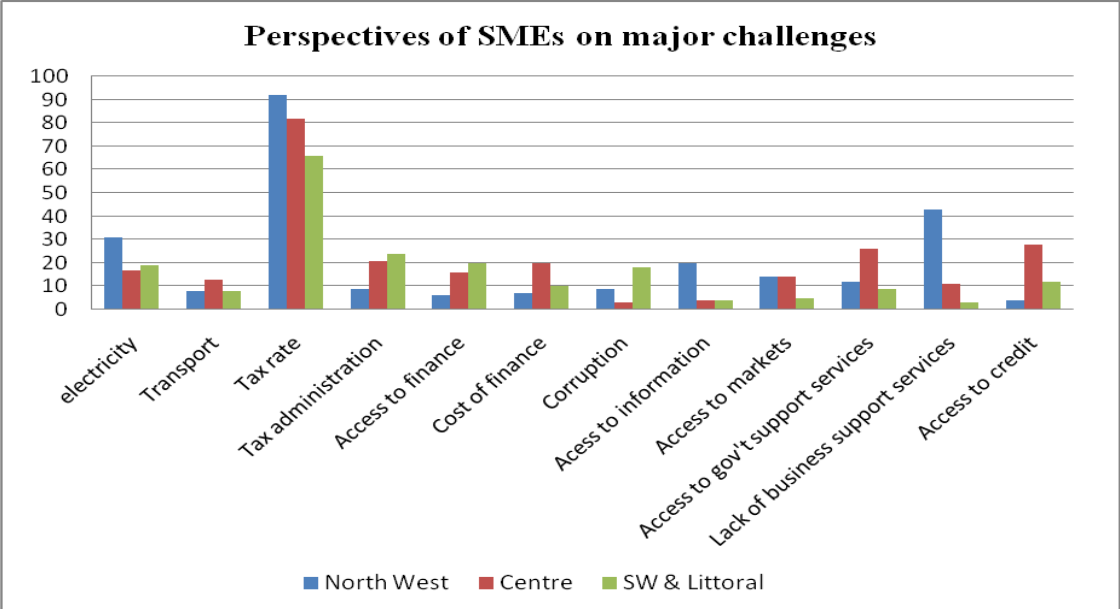


Figure 7 indicates that the rate of taxation was identified as the major obstacle across all three regions in Cameroon. This suggests that the business environment is not adequately conducive for the growth and expansion of SMEs and is an added indication that the efforts at reforming the investment climate in Cameroon have not yet sufficiently translated to creating a suitable business environment for SMEs. Some region specific challenges worth highlighting include the problem of electricity and lack of business support services being more acute in the North West Region than in other regions. Lack of access to government support services and the lack of access to credit seem to be more acute in the Centre region (administrative capital) than in the other sampled regions, while access to finance and tax

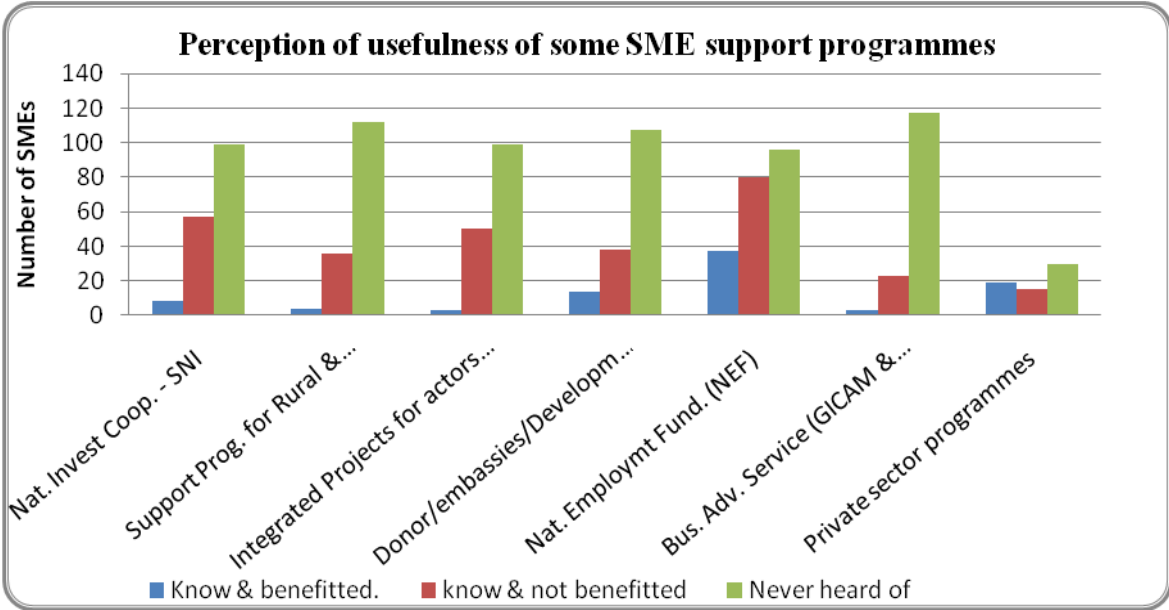
administration where the two challenges peculiar to the littoral and South West regions (economic capital).

The results from the administrative capital seem to be counter intuitive and differs from the experience in South Africa for example in that access to government support services seem to be better in the regions bordering the government departments that provide these services. This may be the result of the effect of too much centralisation of government support services that result to added bureaucracy and reduction in access from potential beneficiaries. This alongside other possible explanations like corruption and inefficiency of the service providers may also explain why this is seen as a major problem, especially if one considers that with centralisation a number of potential beneficiaries need to travel to the administrative capital to lobby for some of these government services. On the other hand the challenge of access to finance and tax administration in the littoral province can be expected because it hosts the economic capital and has a larger concentration of business activities. It consequently receives greater attention from tax authorities who may provide an added layer of difficulty in the administration of the taxes. These elements all contribute to create a difficult business environment that may be hostile for investment and challenging for SMEs. Martinez Peria (2009:6) has observed that “60 per cent of banks in Africa point to the state of the economy as constraining their involvement with these businesses”. There is an obvious case for policy action to focus on a more conducive and less hostile business environment for all businesses in Cameroon but particularly for SMEs. Such a focus will enhance the effectiveness of government support initiatives, which in themselves have not been very successful as discussed in the section that follows.

5.2.2 Government SMEs support initiatives

Overall, more than 60 % of all respondents do not agree with the notion that government programs have been beneficial to them in their growth and expansion. This finding can be interpreted from a number of perspectives. There is a possibility that there is a disconnect between the needs of the SMEs and government initiatives, or that government has not put in place the needed mechanisms to create adequate awareness of the programmes which could benefit the private sector enterprise. Notwithstanding, there is a need for a broad rethink in the conception and implementation of government support policies. Some of the results obtained from an examination of the various government programs are presented in Figure 8 below.

Figure 8: Perception of SMEs on current support programmes



As can be observed from the above figure, most SMES in Cameroon have benefitted from the programs of the National Employment fund and programs organised by development partners and donors. It is however very striking from a policy perspective that most of the SMEs have either never heard of these programs, or have heard about them but have never benefitted from them. It is also clear from the above that more SMES Know and have both used the programs of the NEF than all the other programs in Cameroon, suggesting that there is something about the methodology/approach of the National Employment fund that needs to be adopted by the other programs. This and other possible policy implications from the study are presented in the section that follows.

5.2.3 Conclusions and Policy Implications for Cameroon

Though the findings from the different regions have particular challenges, the general observation is that SMEs in Cameroon are not capacitated enough to make the needed contribution to economic growth. A phenomenon which has been referred to as the ‘missing middle’. This represents a significant lack of a supporting environment necessary for start-up, and growth. The analysis reveals that the business environment in Cameroon remains dissuasive. This paper proposes a few policy issues which will have to be addressed to improve SMEs start-up and growth.

Broader stakeholder engagements: At the planning level, the findings provide arguments that there is need for a more inclusive engagement platform with all stakeholders in designing

policy. This will provide more information for relevant policies to ensure SME start-up and growth. Inclusive planning will provide better platform for communication between government policy makers and SMEs. In such a framework, better best practices can be identified to address challenges faced by the SMEs which will include legal, regulatory and infrastructure bottlenecks (ECA, 2006)⁴.

Target funding intervention: The lack of credibility of most SMEs in Africa has been recognised as a major cause for inadequate finance and credit. For this to be addressed there will be need to provide a framework which separates financial support and service or training. This will provide for better monitoring and evaluation of the different schemes. Funding frameworks designed by governments will need to address tax issues and provide favourable tax holidays for emerging firms and more decentralised tax administration procedures.

Networks between SMEs: Inter-firm relationships and networks remains an important but challenging aspect in strengthening SMEs (Fafchamps, 2001). Networks enhance SME start-up and growth through inter alia, the sharing of information, enhance competition through clusters, gain access to credit, and information on access to markets. This kind of network will establish credibility needed to link emerging entrepreneurs with established businesses.

Align SMEs development to national goals: SMEs growth and expansion has been observed to increase in economies where there is clear cut policy to integrate SMEs into national goals (Albaladejo& Schmitz, 2000; ECA, 2004).

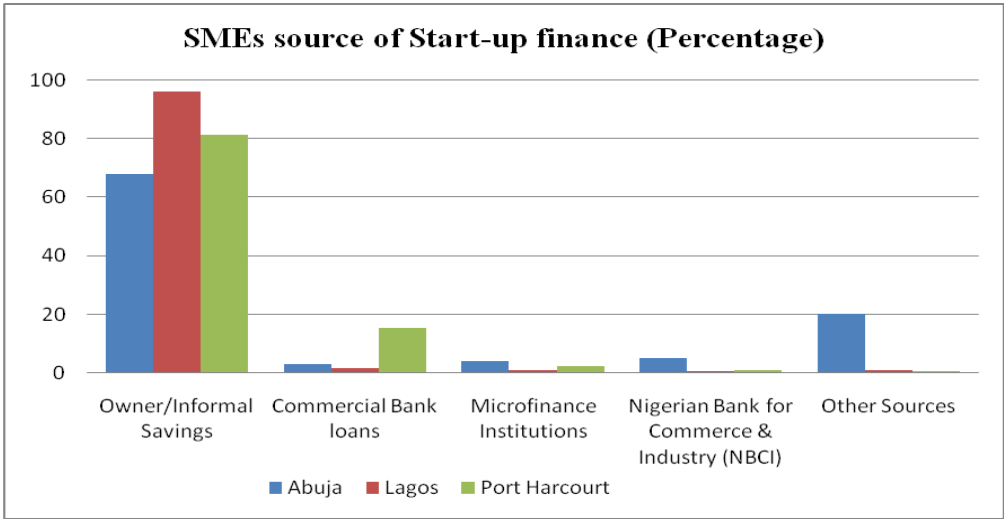
5.3 Key findings from Nigeria

The results presented from Nigeria will include the characteristics of the business environment in which they operate, including their access to start and growth finances, the range of challenges in the environment of operation and their perception about the use and effectiveness of the support programs aimed at the promotion of SMEs. In characterising the businesses by sector, the data revealed that about 5.1% of SMEs in Nigeria operate in the agricultural sector, 25.3% in the manufacturing sector while the service and commerce sectors shared the majority of respondents with 51% and 15% respectively.

As has been the case in the other countries, SMES in Nigeria also found access to finance for start-up a significant challenge. The majority of the SMEs surveyed started up their businesses from informal savings and owner savings as can be seen from figure 9 below.

⁴Economic Commission for Africa.

Figure 9: Sources of Start Finance



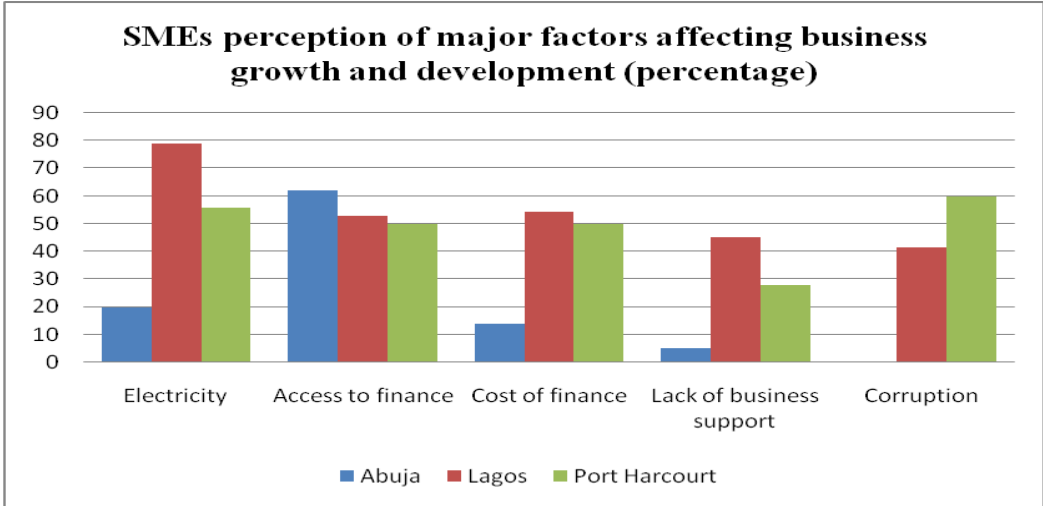
As such, one can conclude that the first major finding from the characteristics of SMEs surveyed is that SMEs find it difficult to get access to start-up finance from formalised institutions. A significant percentage of SMEs reveal that their start-up through finance was raised by personal savings or informal saving schemes. This finding however supports findings from previous studies indicating that SMEs in sub-Saharan economies face significant challenges in getting access to credit and loans – partly due to lack of credibility amongst other factors. The pattern of access to start up finance is replicated with growth and expansion finance as already mentioned in chapter four. This leads to the significant conclusion that access to and cost of finance may be a significant grant to the start-up, growth and expansion of SMEs in Nigeria. This was confirmed after an examination of the challenges of the business environment in which SMEs operate in Nigeria, as presented below:

5.3.1 Challenges in the Business Environment

The survey requested SMEs to identify the challenges in their environment of operation and to classify these according to level of severity. An analysis of the data from the three regions surveyed in Nigeria suggest that while all regions identify electricity, and access to finance as the two major factors hindering business development, SMEs in the Lagos region have other serious factors affecting business development. Factors such cost of finance, lack of business support and corruption were identified as major constraints to growth. Port Harcourt also considers cost of finance and corruption as two more factors seriously hindering business development, while SMEs in Abuja do not see corruption as a major hindrance to business growth. These observations support recent studies (AfDB, 2007; Martinez Peria, 2009) who

also contend that access to finance remains a major concern for SMEs start-up and growth in Africa. This is enhanced on the one hand by a lack of trust from financial institutions towards SMEs and on the other hand high cost for loans and credit by banks and microfinance institutions.

Figure 10: Challenges in business environment in Nigeria



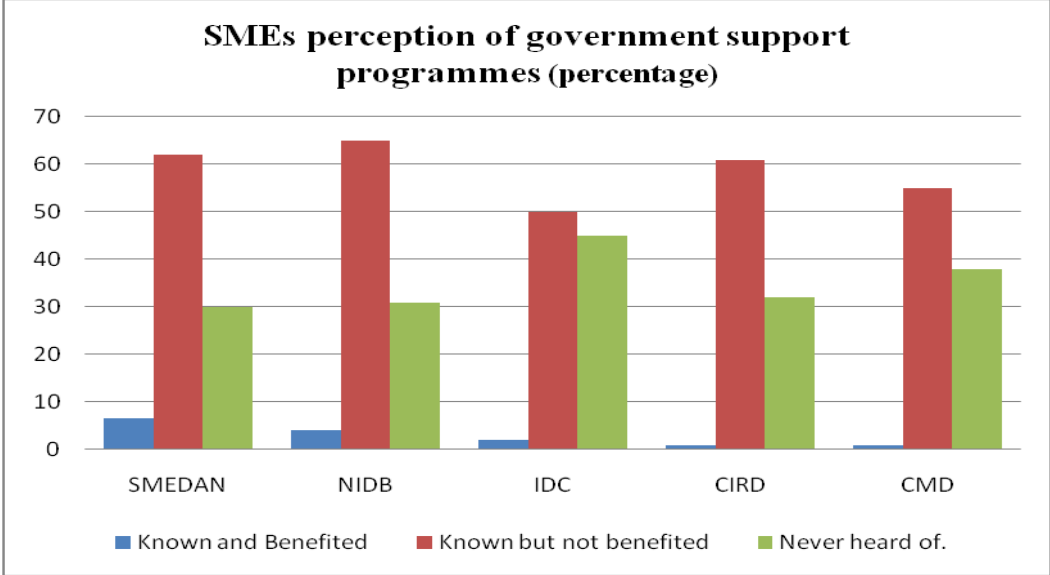
As can be observed above access to finance remains the major hindrance to business growth in the three surveyed regions in Nigeria. Electricity is the next biggest challenge facing all three provinces in Nigeria. A study by the African Development Bank argues that the lack of maintenance of transformers in most parts of Africa significantly hampers electricity generation such that “the transmission is unable to deliver power to major parts of the country and is unreliable because it does not have adequate capacity and backup lines” (AfDB, 2005).

5.3.2 Effectiveness of Government Support Programs

From the results obtained in the course of the survey, there is a strong sense among entrepreneurs surveyed that the government policies (federal and state) have failed to address the major needs of SME start-up, growth and expansion. SMEs thus perceive a strong lack of support from government to SMEs towards their growth. It was also observed from the data that SMEs have hardly benefitted from government policies, and programmes. Programmes investigated included the Small and Medium Scaled Business Development Agency of Nigeria (SMEDAN), the Nigerian Development Bank (NIDB), Industrial Development Centres (IDC), Centres for Industrial Research and Development (CIRD), Centres for Management Development (CMD), the National Economic Reconstruction Fund (NERF) and other regional programmes. The responses of some of the major programmes reveal that a

significant proportion of all sampled firms have not benefitted from government support programmes.

Figure 11: Effectiveness of government support programmes

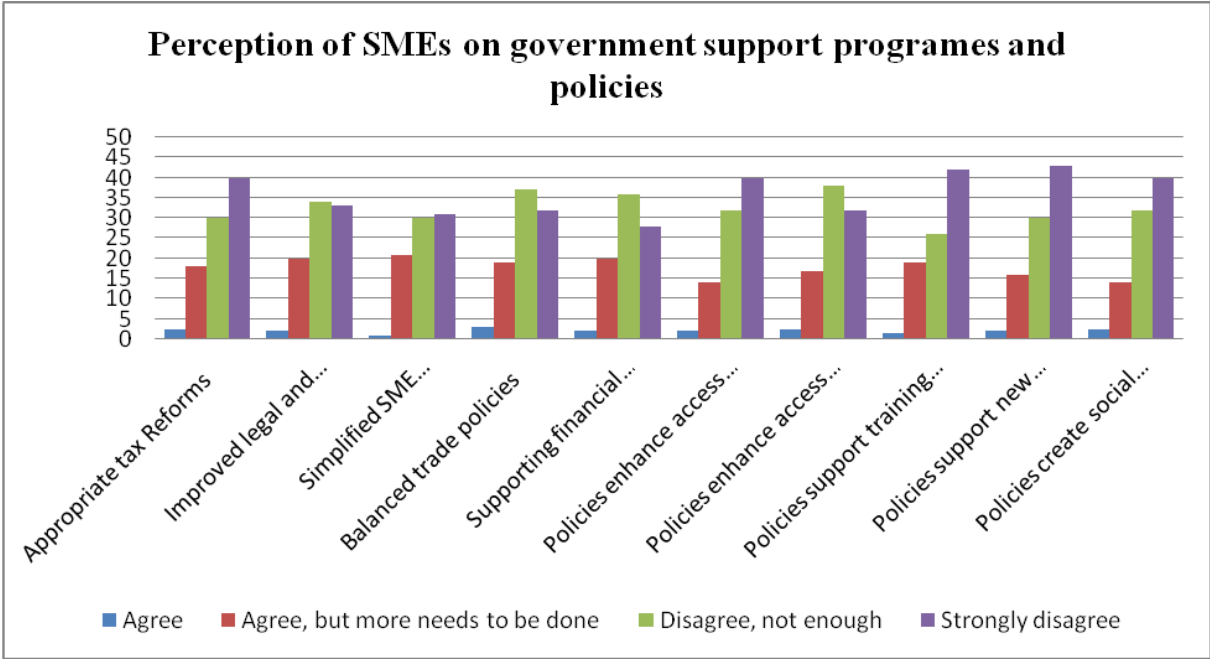


As indicated in the figure above, less than 15 per cent of all firms investigated attest to have benefitted from the programmes while more than 65 per cent argue that even when they know about the programme, accessibility remains a big challenge with stifling compliance demands. Interestingly, it was also observed that the above trends were also true for locally or regionally initiated support programmes. Most SMEs have generally not benefitted from business support programmes. This perhaps explains why most of the SMEs surveyed did that find that existing government policies do sufficiently provide the kind of investment climate and business environment necessary for their growth and development.

5.3.3 Perceptions about Government Policies

There is a strong sense of disagreement among SMEs on the relevance of government support policies and programmes; with close to 40% of all SMEs disagree completely, and an average of about 30% disagree with what has been done, and asking for government to do more. Of those who agreed that government policies are helping SMEs development in one way or the other, less that 10% do agree fully with current policies while about 20% think more needs to be done to have the expected impact. A summary of the results obtained from an assessment of government policies is presented below.

Figure 12: Perceptions on Government Reform Efforts and Policies



From the graph above, SMEs seem to be strongly opposed to the fact that the investment climate in Nigeria has benefited from tax reforms that favour SMEs growth and development and they also greatly oppose the fact that government has done enough to provide support in training and development or to enhance their access to technology. In each of the latter cases, up to 40% strongly disagree that government has done enough, suggesting that more needs to be done.

5.3.4 Conclusions and Policy Implications for Nigeria

From the three regions, the data reveals that key policies needing the most attention according to the data are those relating to tax rates, tax administration, SME support and entrepreneur training, and access to technology. The findings reveal that access to finance remains a major concern for SMEs in Nigeria. There is a weak trust link between commercial banks and microfinance institutions towards financing SMEs and thus most SMEs have been observed to start-up and grow from individual saving schemes. Furthermore, the study also revealed that there are more factors other than access to finance affecting business development in Nigeria. This study also serves to unearth the fact that though there may be many policies initiated by government to address SMEs growth; there is continuous need for monitoring and evaluation of these policies in a systematic way to assess the impact of the policies with respect to the needs of the targeted SMEs. At the level of the government, the study reveals that the federal government has demonstrated a passive attitude in placing the required importance on the role

of SMEs in national and state economic development. It could be argued that more emphasis has been laid on large industries and MNCs at the cost of providing a better investment and business climate for SMEs at federal and state levels. Government policies have not had the required impact on SMEs growth and development. There is need for local, state and federal governments to initiate monitoring and evaluation programmes to monitor and assess the impact of SMEs support programmes.

The absence of adequate support and training programmes has limited skills development of most entrepreneurs and thus the subsequent short life span of most SMEs as observed from the survey. There is a high shortage of business management, planning and financial accounting skills among entrepreneurs. SMEs at state levels will have to initiate SMEs support programmes among themselves through unions; such as trade and labour unions to enhance growth.

The lack of benefit from the SMEs support programmes and policies can also be strongly related to the absence of joint planning in designing policies and structures. Federal and state government will have to consult and concert with businesses and business organisations when enacting programmes and policies for business support. However for this to be attained, SMEs will need to initiate, form and sustain business and labour unions able to protect businesses in particular clusters or sectors.

At the policy level, it remains incumbent on the government to create an enabling environment for business growth and development; devoid of corruption and bottle-neck bureaucracy. This has to be enhanced by a development of an entrepreneurial culture among young Nigerians. For this culture to be initiated and sustained, government policies should address the lack of entrepreneurship courses at primary and secondary education levels. This policy should thrive to make secondary and university education more functional relevant, and need-oriented; emphasising the role of modern technology and access to up-to-date market information. Looking at the toll corruption is taking on the society, moral and civic education should be institutionalised in basic, secondary and even university education.

The government should work hand in gloves with the media to increase the level of awareness of business support programmes and agencies. To enhance awareness, the government should establish a framework which informs SMEs in particular sectors of what kind of support they can get and the different programmes offering such support. This should be followed by a decentralisation of control and monitoring of business support programmes to the local

governments. This could be enhanced by the creation of cells at all levels (state, local and federal levels) to enhance the implementation, monitoring and control of business support programmes.

6.0 Comparative Analysis of Findings

The purpose of this section is to compare the results obtained from the different countries and regions against each other in order to identify similarities and differences in the experience of SMEs across these countries. The intention is not so much to determine how well the respective governments have succeeded in supporting this important private sector player as it is to provide a platform for experience sharing and lessons learned. The analysis shall be distinguished into two broad based on the objectives of the study and research questions.

6.1 Characteristics of the Business sector

From the results obtained from across the three countries, it was observed that the sector of operation of SMEs seem to be similar from one country to the other. It was observed that more SMEs operate in the service and commerce sector. As observed on figure 13 below, more than half of the SMEs surveyed were in the service sector followed by commerce and with less than 10% of all surveyed firms operating in agriculture related activities. While the shift from primary to secondary and tertiary business is important for any economy, the high dependence on agriculture by most African economies demand a support of the agriculture sector through improved, innovative and advanced agricultural practices.

Figure 13: SMEs distribution by sector

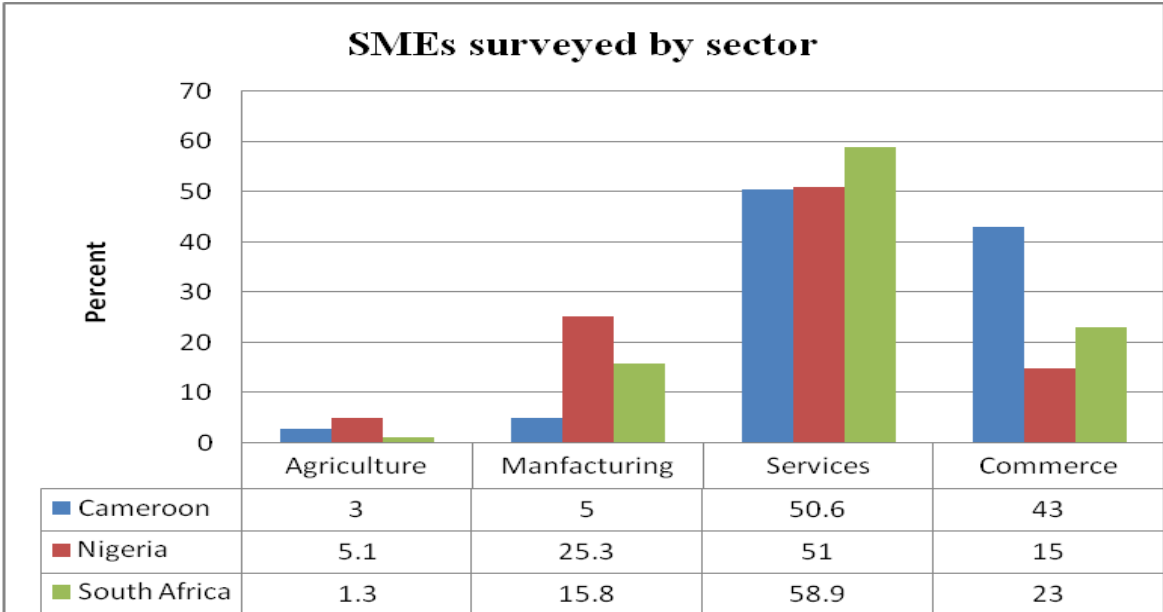


Figure 13 reveals that the majority of the firms operating in the SMME sectors in across all three countries operate in the Services sector. This as can be expected is more the case in South Africa than in the other two countries on an equally distributed sample of 400 firms per country. There were also more firms operating in the manufacturing sector in Nigeria than in South Africa and Cameroon. Though a much more developed economy than Nigeria, South African Manufacturing is more in the hands of large companies than is the case in Nigeria. While there is nothing from this study to suggest which one of these countries is more advanced in manufacturing the study only reveals that there are more small business involved in manufacturing in Nigeria than in South Africa and Cameroon. Thus the South African government would need to encourage more small scale industries to be involved in the manufacturing sector given that this is the trend of technology promoters in developed countries in Europe, Asia and America.

A disturbing trend from the data is the low presence of SMEs in the agricultural sector. This is counter-intuitive for a comparison emerging from Africa because there is an expectation that these economies would focus on their domain of comparative advantage. There is a clear need though not for the same reasons for each of these countries to formulate policies that will see a greater involvement of SMES in the Agricultural sector, especially given its huge employment creation and poverty alleviation potential. Taking Cameroon as a typical example, there is need for government policy to support the development of a vibrant agricultural sector able to initiate the transformation of primary unprocessed agricultural products being sent to the world markets to semi-process goods able to increase the value and hence revenue. This could also have a direct effect on the improvement of the manufacturing and commerce sectors as well.

6.2 Characteristics of the Investment Climate and business environment

An examination of the reforms on the investment climate in these three countries and the business environment in which SMEs operate offer a number of interesting characteristics looking through the analysis of the major challenges affecting SMEs in their business environment across the three countries revealed that cost of finance and access to finance remain significant challenges in all three countries. In Nigeria, electricity was identified as a severe obstacle to business operation. This is characterised by infrequent cuts and high prices. Corruption was also identified by 50.8% of responding firms as a second major challenge to doing business as SMEs. In South Africa, cost of finance and crime featured as the top

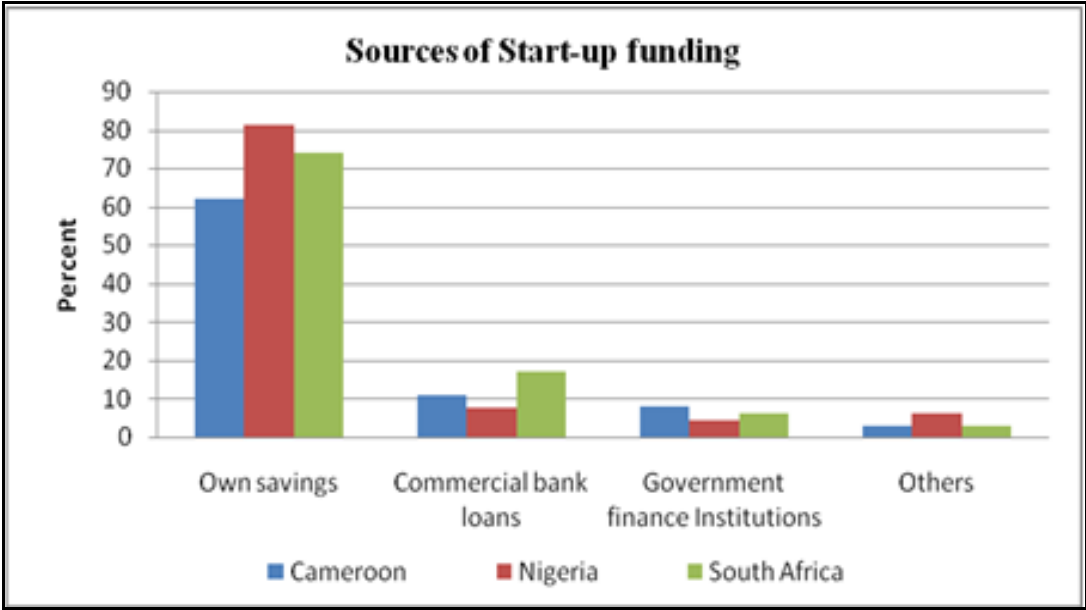
challenges to the business sector. Firms in the Gauteng province further identified corruption and transportation as other major challenge, while in the Western Cape; firms identified lack of business support as another typical challenge.

In Cameroon, more than 70% of all firms surveyed identify tax rates as the most severe problem affecting the business environment. This is followed by lack of business support and access to finance. The above finding on access to finance and credit is reflected in the following argument on a study on South African business climate; “objective measures of financing provide some support for the idea that access to credit is more difficult for African-owned firms. African owned firms were less likely to have ever applied for a loan, were less likely to have a loan, were less likely to have an overdraft facility, were more likely to have been rejected for a loan, and paid higher interest rates on their loans” Clarke et al. (2006).

6.3 Source of finance

A more detailed analysis of the data on the sources of start-up and expansion finance of the firms in the three countries reveals that SMEs have hardly benefited neither from the financial support from government support programmes nor commercial banks. Interviewed on the sources of start-up and growth finance, majority of the firms indicated that their sources of funding were from personal savings and commercial bank loans. This supports findings from previous research (Martinez Peria, 2009; Dti, 2003) which indicate that access to finance has been a major factor affecting business growth and development in the continent. Martinez Peria (2009) further argues that loans for SMEs in Africa are far more costly than in other developing countries. For instance it was found that banks in Africa charge on average close to 15.6 per cent for loans to their best firm borrowers in while interest rates in other developing countries hardly exceed 11%. This makes access to commercial bank loans difficult. With the numerous challenges in gaining access to finance, SMEs are not able to introduce innovative improvements to products and processes which negatively impacts on their ability to take advantage of new market opportunities (Soni, 2005).

Figure 14: Sources of Start-up funding

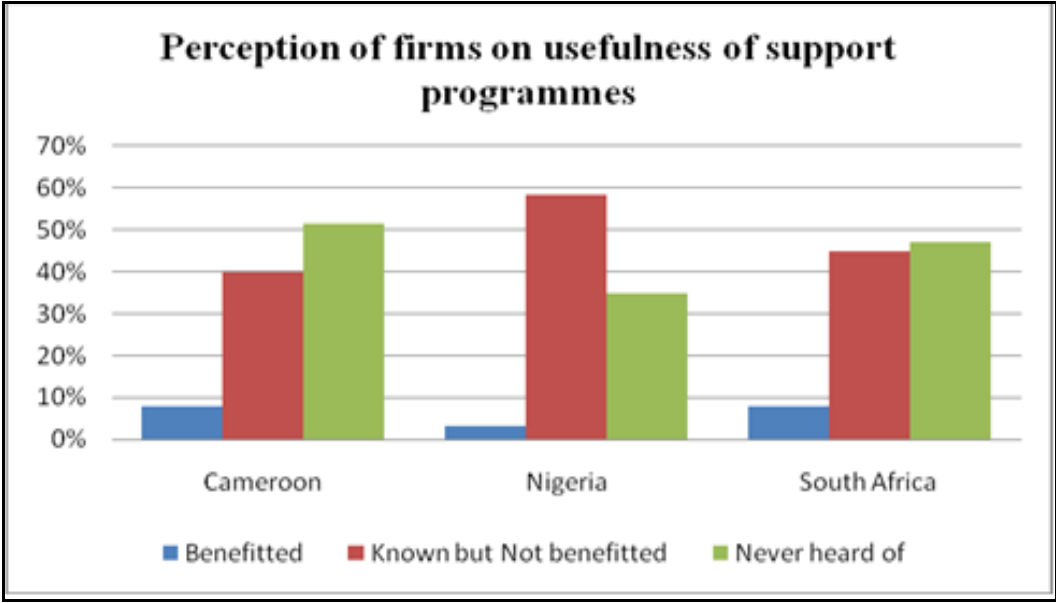


The government in the three countries have recognised the important role played SMEs in the ensuring economic growth; this recognition has been manifested in the establishment of various policies and programmes to support SMEs start-up and growth. In South Africa both financial and non-financial support initiatives have been established.

6.4 Access to business support programmes

An important aspect investigated was the access of firms to business support programmes initiated by local, provincial, federal or national governments aimed at improving the business sector. The figure below represents data from five major government initiated support programme. In South Africa the programmes include the Small Enterprise Development Agency (SEDA), Khula Enterprise finance, Ntsika, BESD, and the National Youth Development Agency (NYDA). It should be noted here that the DTI programme was not surveyed in all three provinces so could not be included in this summary. In Nigeria support programmes included the Small and Medium Scaled Business Development Agency of Nigeria (SMEDAN), the Nigerian Development Bank (NIDB), IDC, CMD and CIRD while in Cameroon they included the National Investment Corporation (SNI), National Employment Fund (NEF), and GICAM among others.

Figure 15: Firm perceptions of support programmes



From the figure it can be observed that less than 10% of all surveyed firms have benefitted from government support programmes. In Cameroon the most benefitted programmes are the SNI and the NEF. In Nigeria, SMEDAN, and NIDB were the most useful programmes while in South Africa, the SEDA and NYDA have been most beneficial to entrepreneurs. The majority of the support programmes according to surveyed firms have failed to provide the expected benefits to business start-up and growth. A possible reason for this is the difference in the level of sensitisation carried out by the respective governments. In South Africa, SEDA has been the most publicised government policy and structure available to SMEs. Similarly, in Cameroon the NEF has been the most accessible structure for emerging entrepreneurs. What this tries to explain is that as seen in the green bars on the chart, about half of all firms surveyed have not heard about government support programmes. There is limited access to relevant information for firms.

7.0 Conclusion and policy implications

The findings show that SMEs in all three countries just as in other parts of the continent are affected by several challenges facing the business climate. However while most of these challenges are faced by firms across the African economic region, there exist country specific aspects which demands context specific policies to address particular challenges in the private sector.

The research findings reveal that Africa is increasingly recognising the important role of the private sector in supporting economic growth through inter alia job creation, tax revenues. From the policy documents reviewed, it was observed that the governments in the three countries have enacted policies and developed programmes to enhance SMEs start-up and growth. These programmes are for financial and non-financial support and also at national and provincial or local levels. However, from empirical studies, these programmes have failed to achieve to any significant level the purposes for which there were established. The findings further reveal that there is a high level of unawareness of the various programmes. These findings to a great extent demand a return to the drawing board for policy makers to address the challenges facing emerging and established SMEs if they are to make the expected contribution to GDP and economic growth.

There is therefore a great need for increase awareness of government support programmes and access to relevant market information. A study by the Economic Commission for Africa reveals that access to quality of credit information in sub-Saharan Africa is generally low. On an index from zero to six the average SSA scores an average of 1.5. Seven countries exceed the average with South Africa providing the best quality credit information, followed by Namibia, Swaziland, Botswana, Egypt, Kenya and Tunisia all having scores of above four points (ECA, 2008). This therefore implies Nigeria and Cameroon need a policy and practical drive to improve quality of credit information to SMEs.

It has been observed from previous research that there is a lack of adequate consultation and concerting between government and businesses when policies aimed at improving business development are established. As argued by Kaufmann et al. (2006) programmes for SMEs should be developed in partnership with firms and businesses as argued so that firms should have a voice in these policies and hence enhance their participation in the implementation of the support policies. This will also ensure more inclusive policy formulation taking cognisance of all stakeholders in the private sector. The high lack of awareness of government policies by firms in the three countries is an indication of a divide.

Looking at government policies aimed at easing business activity in the three countries, it is important that the Nigerian and Cameroon business policy sectors examine and emulate best practices from South Africa and other performing economies. With the relatively high response rate from South African firms on the benefits derived for government policies, it

becomes important for the commissioning of a study of the South African policy system and the good practices in the context of Cameroon and Nigeria.

Conclusively, it has been argued from NEPAD studies that good governance remains a fundamental aspect in creating an enabling business climate. While South Africa has enjoyed a relatively stable governance structure over the past decade or so, Nigeria and Cameroon have been plagued by one form of political unrest. It therefore necessitates that both governments address political governance issues. Cameroon and Nigeria have in recent years been at the upper end of the transparency international list with high levels of corruption and mismanagement. This creates high investment risk and hampers economic growth (UNIDO).

Small and medium sized enterprises hold a huge promise for Sub Saharan Africa's growth and development. For this growth to be achieved, the climate of investment must be addressed and made favourable for business start-up and growth. While policies and structures are being put in place by many African economies, this study has shown that more is yet to be done. South Africa appears to be on an ascending side of the slope, while economies in West and Central Africa seem to yet be plagued by challenges on different fronts and require urgent policy development and implementation.

This study is of particular significance to the development needs of the African continent because it has sought to provide a descriptive evaluation of the business climate in Africa and addresses the challenges related to the growth and development of Small and Medium Sized enterprises. It is expected that the results produced by this study and the proposals made will contribute to the broader discussion on how to improve the investment climate in Africa in a manner that would accelerate growth and empower poor people to contribute to and benefit from this accelerated growth. It is further expected that these research findings will prove useful to African governments, the private sector, researchers, policy advocates civil society, and educational institutions, interested in the opportunities offered by the private sector to economic development.

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