IMPEDEMENTS TO THE CONTRIBUTIONS OF SMEs TOWARDS INDUSTRIAL GROWTH IN AFRICA

1. Ijeoma Ojiakor; 2. Chigozie Ozioko; 3. Nmere Nnadi; 4. Charity Ezuwore; 5. Chika Anisiuba

1,2,4,5. University of Nigeria, Enugu Campus

Abstract:
SMEs, meaning Small and Medium Scale Enterprises, is an over-used acronym in the business world. SMEs are non-subsidiary, independent organizations having a specified number of employees that varies from country to country, though with an upper limit of 250 employees, especially in the European Union. The industrialization of the African continent has been greatly impacted by the activities of the SMEs both positively and negatively over time. This paper discusses the enormous impediments that have bedeviled industrialization and industrial growth in Africa despite the contributions of SMEs towards her development. It critically reviews industrialization in Africa with the aim/objective of enhancing industrial growth. It analyses the impediments that have challenged this strategic objective and recommends means of achieving successful industrialization with great industrial growth in Africa, as well as routes through which Africa will emerge as a competitive industrial continent globally.

Key words: African Continent, Impediments, Industrial Growth, Industrialization, SMEs.

INTRODUCTION:
SMEs is an over-used acronym in the business world. It simply means Small and Medium Scale Enterprises. Small and Medium Scale Enterprises are non-subsidiary, independent organizations having a specified number of employees. From country to country, there are variations in the number of employees working for various SMEs, it is like the most frequent upper limit designating an SME across the globe is 250 employees. As a matter of fact, 250 is the limit set by the European Union. Nevertheless, some nations of the world set the limit at 200 employees. On the other hand, the United States considers SMEs to include organizations whose employees are less than 500 persons (OECD, 2005). The range of employees in SMEs in Africa is 5 – 50 persons.

According to Ward (2018), the SME simply means Small to Medium Enterprise. In other words, SME means organizations that do small-scale and medium-scale businesses. Furthermore, Ward makes it clear that a business means a process by which a person or organization profits by providing goods or services in exchange for money. Profits include monetary and non-monetary items such as credits, as well as items and services that are exchanged in lieu of money.

Nevertheless, the meaning of the SME comes out more clearly with many different definitions. There are other variables that determine the meaning of SME. These variables include: the nationality or country where the definition is given; the size of the firms concerned as per the number of persons employed by the firms; the annual sales of the organizations, as well as the value of the assets owned by the firms. (Ward, 2018). In most countries, however, the vast majority of businesses are small to medium enterprises (SMEs).

Furthermore, Ward (2018) makes it clear that SMEs contribute immensely to the growth of the economy, especially in the European Union. According to her, the SMEs are given incentives such as more favorable tax treatment because of a number of reasons: firstly, their immense
contributions to the economy and secondly, their generally greater difficulty in obtaining financial aid. The other reasons are their higher taxation costs and regulatory compliance. Depending on the country, governments may encourage the growth of SMEs using a range of policies.

The economic developments of many nations arising from industrialization is mainly driven by the engine of SMEs. (Muriithi, 2017, Wang, 2016, Eze and Okpalla 2015).

1.2. A STATEMENT OF THE PROBLEM:
There seems to be a pervasiveness of impediments to the contributions made by SMEs towards industrial growth in Africa. Poverty, (economic recession and regression) and lack of funds, among other impediments, have negatively impacted on the contributions made by SMEs towards industrial growth in Africa.

1.3 THE OBJECTIVES OF THE STUDY:
The broad objective of this paper is to examine the impediments to the contributions of SMEs which have bedevilled industrial growth in Africa. The specific objective is to determine the reasons for the pervasiveness of impediments to the contributions of SMEs towards industrial growth in Africa and proffer solutions by which Africa will emerge as a competitive industrial continent in the global world.

1.4 SCOPE OF THE STUDY:
The area of coverage of this study is the continent of Africa with special reference to the developing and underdeveloped countries of the continent, most of which are mostly dominated by SMEs. Nigeria is a case study.

1.5 SIGNIFICANCE OF THE STUDY:
1. The study should be of great help to the management of SMEs so that they will be aware of the impediments facing their organizations and which have hindered them from making reasonable contributions to the growth of the national economy.
2. Secondly, the management of the SMEs might be educated on the various means of handling these impediments so that their negative effects will be reduced to the barest minimum by the recommendations of this study.
3. Thirdly, this study should be of great help to the policy makers of the nation, enabling them to make positive policies that will help the SMEs to progress in their businesses and consequently make reasonable contributions towards the growth of the national economy.
4. Fourthly, this study will be of immense help to the government in making laws and regulations that will positively affect the authorities.
5. Finally, this study should help researchers, both the students and the academics to gather some relevant information to enable them produce their own works that will equally contribute towards the growth of the national economy.

II. REVIEW OF RELATED LITERATURE:

2.1 CONCEPTUAL REVIEW:
Ward (2018), defines SME simply as a Small to Medium Enterprise. In other words, SMEs means organizations that do small and medium-scale enterprises. She furthermore posits that a business is the process by which a person or organization profits by providing goods or services
in exchange for money. Profits include monetary and non-monetary items such as credits, as well as items and services that are exchanged in lieu of money.

There are however many different definitions of the term. There are also other variables that determine the meaning of SME. These variables are, firstly, the nationality or country where the definition is given. Secondly, the size of the firms concerned can be categorized depending on the number of persons employed by the firms. Other variables are the annual sales of the organizations as well as the value of the assets owned by the firms. (Ward, 2018). In most nationalities, however, the vast majority of businesses are small to medium enterprises (SMEs).

2.2 THEORETICAL REVIEW:

2.2.1 The Active Learning Model:
This is a theory propounded by Erickson and Pakes (1995). The theory states that a firm explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and without the firm. This model of learning permits owners or managers of SMEs to raise their efficiency through formal education and training that increases their endowments. The government may also support their activities through the creation of an enabling environment.

There are entrepreneurs or managers of SMEs with higher formal education, work experience, training and also government assistance. These ones are therefore expected to grow faster than those without these qualities. By implication, therefore, SMEs in Nigeria have prospects of experiencing growth and contributing meaningfully to employment generation only when appropriate investments are made in them by the shareholders. Therefore, by government intervention through the provision of financial assistance, social infrastructures, capacity building by SMEs operators and favourable taxation policies, these could best be achieved.

2.2.1 Characteristic features of SMEs in Nigeria:
1. Ownership Structure: According to Onugu (2005), the main characteristic feature of SMEs in Nigeria is the issue of ownership. In other words, who owns the business? Is the business owned by an individual (sole proprietorship) or is it owned by a number of individuals (partnership). Even when the business is a limited liability company, the ownership structure is still traceable to one man, family or a partnership.
2. Production Processes: It is a verifiable fact that the production processes of Nigerian SMEs are labor-intensive.
3. Managerial Concentration is mainly in the hands of one man.
4. Unavailability of funds, especially, long-term financing.
5. Exorbitant costs resulting from high rates of interest and bank charges.
6. High mortality rate, especially within their first two years.
7. Being over-dependent on imported raw materials and spare parts.
8. Economies of scale hardly enjoyed as a result of poor inter and intra sectoral linkages.
9. Lack of managerial skills as a result the of inability to pay for skilled labour.
10. Low quality output.
11. Lack of research and development in the organization.
12. Lack of staff training and development.
13. Poor documentation of relevant information with respect to: policy, strategy, finances, plans and systems.
14. Low quality entrepreneurial skills.
15. Inadequate educational or technical background.
16. Lack of adequate financial record keeping.
17. Low capitalization: low capital structure.
18. Poor management of financial resources and inability to distinguish between personal and business finance.
19. High production costs due to inadequate infrastructure and wastages.
20. Use of rather outdated and inefficient technology especially as it relates to processing, preservation and storage.
21. Lack of access to international market.
22. Lack of a succession plan.
23. Poor access to vital information.
(Adapted and modified from Onugu, 2005).

2.2.2 Policy Thrusts to Improve the SME Subsector by the Federal Government:
According to Onugu (2005), the federal government has enunciated several policy thrusts in the annual budgets, aimed at improving the SME subsector. According to him, the objectives of the Federal Government include the following:
1. Restructuring the Nigerian economy to make it market-oriented, private-sector-led and technology-driven.
2. Reducing unemployment and increasing productivity.
3. Maintaining price and exchange stability and a healthy balance of payments.
4. Reducing lending rates and improving savings.
5. Improving the efficiency of major infrastructural facilities such as power supply, communications and transportation
6. Entrenching probity, transparency and accountability in governance and
7. Improving credit delivery and extension services to small and medium scale enterprises.

Key Strategies. (Adapted and modified from Onugu, 2005)

Towards realizing the above objectives, the Federal Government had adopted the following key strategies:
1. Priority attention to rural and urban water supply nationwide.
2. Increased investments in power generation and implementation of an emergency power programme (EPP), encouragement of the establishment of commercial power plants and focusing on transmission, distribution and rural electrification.
3. Establishment of anti-corruption bodies such as Economic and Financial.
4. Road construction and rehabilitation, and the establishment of a road maintenance agency.
5. Provision of N50 billion for the take-off of the Bank of Industry
6. Implementation of the Small and Medium Industries Equity Investments Scheme (SMIEIS), which requires banks to set aside 10% of their profits before tax to improve availability of funds to SMEs
7. Enactment of the Pensions Act, which could be an additional source of funding for the SMEs It is however important to mention that in spite of the above efforts and programmes, not much benefit has been realized from them. This means that a lot more needs to be done including a paradigm shift in the focus and administration or implementation of the policies and programmes. (Adapted and modified from Onugu, 2005).
2.3 REVIEW OF RELATED EMPIRICAL STUDIES:

2.3.1 Jose Filomeno de Sousa dos Santos (2015), in his work titled “Why SMEs are key to growth in Africa”, stated that the continent was on a course to achieve economic growth of around 4.5% in that year. He stated that this rate of growth was higher than that predicted for the mature economies of the world, pointing out that this was remarkable and unique. Nevertheless, he pointed out that one of the greatest challenges facing SMEs in Africa is having access to funds. He confirmed that for several years, this has been a priority for governments and regional organizations.

2.3.2 Osunde, C (2015), in his work titled “Growth of Small and Medium Enterprises in Nigeria: Challenges of Securing Bank Loans in Nigeria”, discussed the ability of business owners to access bank loans which is an important aspect relating to the sustainability of SMEs. The work examined some factors that contribute to the inability of SME owners to secure bank loans such as gender, age, education and cultural perception. The findings revealed that there is a significant association between the education of SME owners and ability to access credit from financial institutions. This finding agreed with the findings of Sagagi (2006) in her work titled ‘Entrepreneurship development Policy: A renewed perspective for achieving economic development in Nigeria’.

2.3.3 Yao Wang (2017), in his work titled, “What are the biggest obstacles to growth of SMEs in developing countries? An Empirical evidence from an enterprise survey”, made it clear that SMEs are drivers of economic growth and job creation in developing countries. He pointed out that the factors which hinder the growth of SMEs should be determined. He also confirmed from his survey that access to finance has posed a most significant obstacle which hinders the growth of SMEs. His research revealed that the main barriers to external financing are high cost of borrowing and a lack of consultancy support.

2.3.4 Muriithi, (2017), in his work titled “African Small and Medium Enterprises (SMEs) Contributions: Challenges and Solutions”, said that SMEs are notably the engines that drive economic development. He pointed out the fact that SMEs account for almost 90% of businesses in both leading and developing economies through job creation, employment, tax provision and contributions to the Gross Domestic Product (GDP). He enumerated a good number of challenges that face SMEs in Africa despite their critical and positive role in empowering industrial growth in Africa. These challenges are as follows: power shortage, lack of capital, poor management skills and competences, inadequate information and corruption.

2.3.5 Samuel Emezie (2017) in his work titled “Prospects and Challenges of SME in 21st Century Africa” applied the research methodology of qualitative means of data collection, using interviews. He was able to identify the following as the impediments to SMEs contributions to industrial growth in Africa: insufficient funding infrastructural problems. He identified the following prospects: economic growth and development, source of employment, improvement in the welfare of the people and industrial growth.

2.3.6 Funshow Folabi (2015) in his work titled, “Issues, Challenges and Prospects of SMEs in Africa” used the descriptive research approach in carrying out his research. He was able to find the following as the challenges that SMEs encounter in Africa: poor Finances, inadequate social infrastructure, lack of managerial skills and multiple – taxation.

2.3.7 Agwu M. O. and Emeti C. I. (2014) in their work titled “Issues, Challenges and Prospects of Small and Medium Scale Enterprises (SMEs) in Port Harcourt City” (Nigeria) identified the
following challenges as facing SMEs in the society: poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation. They recommended the following towards solving the problems of SMEs in Nigeria generally: soft loans to SME operators, government guaranteed long-term loans to SMEs operators, establishment of SMEs funding agencies, private/public sector partnership in infrastructural provision, capacity building for SME operators and provision of tax incentives for SME operators.

2.3.8 Moses Acquarah & Moses Kigundu (2017) in their work titled “Prospects and challenges in Managing Africa’s Future: An Introduction”, were of the opinion that Africa is on the progressive side despite all odds. According to them, Barton and Leke (2016) have argued that ‘Africa’s economic lions are still moving forward’. They identified three trends which favor Africa’s future: (i) Africa has a young population and a growing labor force which is a valuable asset in a world with an aging population; (ii) Africa is still urbanizing and this has prospects for increasing consumer demand for goods and services by households and businesses; and (iii) Africa is ‘well positioned to benefit from rapidly accelerating technological change that can unlock growth and leapfrog the limitations and costs of physical infrastructure in important areas of economic life’. They are also of the consequent view that, it is imperative that the rich resources (natural, human and capital) of the continent are managed in a sustainable and prudent manner for future generations.

2.3.9 Charles Mather (2005), in his work, The Growth Challenges of Small and Medium Entrepreneurs (SMEs) in South Africa’s Food Processing Complex, saw the growth challenges of the SMEs in the context of restructuring in South Africa’s Agri-food System. He also identified the fact that the super market sourcing practices represent the most significant obstacles to the growth of the SMEs. On the other hand, he identified the fact that the complexity of South Africa’s food retail system offers opportunities for growth. Conclusively, he considered policy options for assisting SMEs, given this growth privilege.

2.3.10 Christian M. Rogerson (2010), in his work titled, “Successful SMEs in South Africa: The case of clothing producers in the Witwatersrand”, identified the secret of the success of the clothing industry as follows, the elements of successful individual enterprise, successful clusters of enterprises and of available research in South Africa. Overall, it is concluded that the South African research confirmed certain of the findings relating to trajectories of successful SMEs development in other parts of Africa.

2.3.11 Dr. Adefolake Adeyeye (2016), in his work titled, “Challenges to SME growth in Kenya”, pointed out that SMEs are engines of growth vital to most economies. The study suggested that micro-businesses and SMEs account for 95% of firms in most countries. He found that SMEs create jobs, contributes to the GDP, aid industrial development, satisfy local demand for services, innovate and support large firms with inputs and services. He further identified the impediments to SME contributions towards industrial growth as lack of electricity and access roads inadequate capital, limited market access, poor infrastructure, inadequate knowledge and skills, and rapid changes in technology. Corruption and an unfavorable regulatory environment are other challenges. Government’s attempts to address these problems include enforcing legislation on local content for public projects. However, funds are being set up to expand access to finances. Women, youth and persons living with a disability are being encouraged too. The Kenyan government is also promoting small and medium scale manufacturing firms and plans to develop SME parks.
2.3.12 Yejoo Kim (2011), in his work titled, “SMEs in Africa: Challenges and the role of Government for the future”, said that in developing African countries, SMEs are considered to be the engines of growth. The fact remains that SMEs have played some vital roles in job creation, encouraging innovation and new products creation, thereby contributing greatly to economic vitality and growth. However, impediments abound which have to be removed in order for SMEs to flourish. Nevertheless, the strong presence of SMEs in Africa, giving rise to increasing competition has negatively affected local SMEs. More impediments include, lack of governmental capacity to support SMEs, harsh governmental regulations on SMEs, difficulty in obtaining licenses to operate (e.g. Ethiopia). Heavy taxation, levies and Governmental support of foreign investments, instead of local ones, also hinder growth. (e.g. Ghana).

2.3.13 Ossai Aber (2017), in his work titled, “The Problems and Prospects of Small and Medium Scale Enterprises (SMEs) Growth and Development in Nigeria: A study of Selected SMEs in Delta State” carried out both theoretical and empirical investigation. The work is both a survey and descriptive research making use of the SPSS version 23 statistical tool. The research findings are as follows: firstly, that the challenges of the SMEs significantly affect their growth and development. Secondly, that governmental influence significantly affects growth and development of SMEs in the nation.

2.4. PRACTICAL IMPERATIVES TO AID FUNDING OF THE SMEs BY THE GOVERNMENT IN AFRICA.
Firstly, the case of the African Development Bank, which developed and runs an SME programme to aid the SMEs in Africa. This initiative has provided $125million to help the funding of SMEs.
Secondly, the Fund for African Private Sector Assistance, an establishment to aid the funding of SMEs provided a $3.98million technical assistance package as a grant.
Thirdly, Angola’s Sovereign wealth fund, FSDEA, also established a $250million equity fund to aid entrepreneurs that are struggling to make their projects bankable. FSDEA of Angola launched its first “Future Leaders” scholarship programme which sent 46 of Angola’s most promising young business graduates to the Zurich University of Applied Sciences to acquire professional investment management skills.
Fourthly, the establishment of Kijinga, a social impact platform set up by FSDEA, has made Angola a case in point. As a matter of fact, Angola’s government and associate bodies have launched many initiatives over recent years to support SMEs and entrepreneurs generally. Kijinga specifically supports start-ups and the expansion of new products and services in the outskirts of its cities.

To summarise, programmes like the above-mentioned among so many others are capable of transforming the dreams and aspirations of less experienced entrepreneurs and SMEs into reality. Invariably, initiatives of this nature are spreading all over the African continent, providing capital support and guidance on how to manage and grow businesses.

III. THE METHODOLOGY:
The main research methodology is the secondary research methodology which is based on the critical and comprehensive analysis of the existing published literature related to the specific
area of research. Books, published research reports, published journal articles, survey reports, organizational records, qualitative research and the internet (websites and search engines) are used to collect secondary data.

IV. ANALYSIS OF DATA:
The deductive method of analysis was adopted for this secondary research. Secondary sources of data collection were used as indicated above from the extensive reviews of related empirical works. The deductive method of analysis was adopted being a more logical and authentic way to prove the validity and authenticity of the data collected.

V. FINDINGS:
The fact remains that SMEs are the major source of industrial growth in Africa despite the devastating impediments. This is as a result of the fact that Africa is rapidly growing economically and it shows no sign of abating despite the economic recession.

Impediments
- lack of funds.
- Infrastructures/ roads in a very poor state.
- Electricity/water problems.
- Lack of Skilled manpower.
- Corruption/financial crimes eating deep into the fabrics of the nation.

VI. CONCLUSION:
The fact that SMEs play significant roles in the industrial growth and economic development in Africa, using Nigeria as a case study, can never be overemphasized. This has been proved by the findings of researchers in several studies. However, SMEs in Nigeria in particular, have performed so badly as a result of many problems and challenges. The major challenges facing SMEs in Nigeria are as follows: poor management, lack of finance, inadequate infrastructure, inconsistency in Government Policy, environmental issues, taxation issues, inadequate technology, unnecessary competitive spirit, marketing issues and unavailability of raw materials. (Onugu, 2005, Eze et al 2016).

VII. RECOMMENDATIONS:
These authors recommend the means by which Africa could achieve successful industrialization with great industrial growth, as well as means whereby Africa would emerge as a competitive industrial continent. These recommendations are itemized below as follows:

1. The government is encouraged to provide loans to SMEs.
2. It is recommended that the government should strive towards solving the problems of electricity and water supply, as well as other infrastructures.
3. Government is advised to make sure that there is a good network of roads in the nation.
4. There should be good training centers for training entrepreneurs.
5. There should be provision of skilled manpower to work in the SMEs.
6. The establishment of SME clusters should be encouraged.
7. The establishment of SME Cooperatives should be encouraged.
8. Aculturalization of SMEs should be encouraged.
9. There should be great sense of Responsiveness on the part of SME managers and staff.
10. Sincerity, honesty, diligence on the part of SME managers and staff should be encouraged.
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