

# Contributions of Small & Medium Enterprises to Economic Developments in Sub-Saharan Africa

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**Abstract:** This article investigates the contribution of small and medium enterprises towards the economic development in sub-Saharan African countries. It also examines the SMEs' role in employment creation and the challenges of the sector in accessing credit from most financial institutions. The study collected data from two hundred (200) respondents of SMEs operators in some of the countries (Ghana, Nigeria, and Togo etc.) and the data was analyzed using SPSS with the aid of statistical tools such as tables, pie chart, bar chart, histogram, frequencies and percentages. The research reveal that SME's contribution to the economic developments of Sub-Saharan African countries is overwhelming through the creation of employment, GDP, poverty reduction, empowerment of women, and supporting large companies. However, despite the great contribution of the sector, lack of capital, low level of education, electricity/power issues, and improper records keeping were identified as SME's challenges in the sub-Saharan Africa. The study concludes that: SMEs are very crucial to the development of sub-Saharan African economies so governments and key stakeholders should support their operations to ensure long term sustainability. We recommend that there should be monitoring and supervision by the sectors that provide the SMEs with credit to make sure that SMEs operators use the loans for the intended purposes to reduce default rate and collapse rates for long term existence.

**Keywords—** Small & Medium Enterprises, Economic Development, Sub-Saharan Africa, SPSS

## 1. INTRODUCTION

Small & Medium Enterprises are very important tools that drive the development of an economy. The SME businesses have accounted for almost 90 percent in developed, less developed, and developing countries through employment creation, tax contribution, income-generating activities, and Gross Domestic Product contribution. Kamunge et al., (2014) argued that small & medium enterprises are part of all the industrial development sector ranging from agricultural, mining, fishing, manufacturing, services industry to climate changes. However, the majority of the small enterprises operators are engaged in the services sector and they accounted for two-thirds of employments in sub-Saharan Africa. Small and Medium Enterprises are again linked between simple industrial sectors to highly developed and complex large industries. The sub-sector plays a crucial role in development by providing goods & services for direct consumption and also providing inputs and services for industries. Fjose et al., (2010) concluded that this makes SMEs to continue propelling as the engine for economic development and sustainable development in African countries. Despite the significant and positive contribution of SMEs in sub-Saharan Africa, the sector is also faced with some numerous challenges among which include lack of funds, power/electricity shortage, ineffective management, low-level skills, incompetency, inadequate information dissemination, and corruption. It is believed and discussed in other researches that, most of the African governments/leaders give little or no support to SMEs and so neglecting a very important pillar of economic development in the countries. This article examines SMEs contribution to economic development, small and medium enterprises' contribution to Gross Domestic Product, their challenges and prospects in sub-Saharan African. Small and medium enterprises in Africa ranges from food vendors, kiosks selling, tailoring/seamstresses' shops, poultry & fish businesses, general enterprises, market buying & selling. When there is proper management of small enterprises, the result includes the survival of the business, an increase in employment, an increase in profits, outlets increment, capital size increment, and improvement in business management.

The term small & medium sized enterprises in different parts of Africa and the world in general use certain indicators in defining it. For example Gibson & Vaart, (2008), some of the indicators they used include, total asset number, employee number, capital investments, and the annual total turnover. Small & medium enterprises are the sources of employment and income sources for about eighty (80%) for most of the world's population (Kamunge, Njeru & Tirimba, 2014; Okafor, 2006). Fjose et al., (2010) show that micro-enterprises accounted for thirty (30%) of employment, and small enterprises account for twenty (20%) while the medium businesses provide/offer ten (10%) employment. In Africa, SMEs again accounted for more than ninety (90%) of businesses and contributed like fifty (50%), & Gross Domestic Product (Fjose et al., 2010; Kamunge, Tirimba, & Njeru 2014). Again, Adisa, Abdulraheem & Mordi, (2014) indicated that focusing and devoting of resources/time to addressing small & medium sized enterprises constraints, the governments of Africa will be negatively opening rooms for development and jobs to be created by the small enterprises' thereby increasing the individual country economic development & overall growth, success, profit, &

poverty reduction while giving hope to the majority of low income and poor citizens who are dependents on the small businesses for survival. Similarly, African-countries must create & develop an appropriate regulatory framework and policies that would be favorable and to encourage small enterprises' survival, growth, profitability, and sustainability. The aims and objectives of the research is to investigate the contributions of small & medium enterprises to GDP in Sub-Saharan Africa, to examine the contribution of SMEs to employment creation in Sub-Saharan Africa, to discuss the purpose of SMEs establishment in Sub-Saharan Africa, to expatiate the challenges facing SMEs and their solutions in Sub-Saharan Africa, and to investigate the prospects of Small & Medium Enterprises in Sub-Saharan Africa. With effective laid down strategies to develop enterprises means developing-strategies by helping poverty reduction and GDP improvement, a thing every government is willing to accomplish for the people of their country/citizens.

### 1.1 Research Questions

- What are the contributions of SMEs to Gross Domestic Product in Sub-Saharan Africa?
- What is the contribution of SMEs to Employment creation in Sub-Saharan Africa?
- What is the purpose of SMEs establishment in Sub-Saharan Africa?
- What are the challenges facing SMEs and what are their solutions in Sub-Saharan Africa?
- What are the prospects of Small & Medium Enterprises in Sub-Saharan Africa?

## 2. LITERATURE

### 2.1 Theoretical Review

#### Small & Medium Enterprises

- Micro firms: which comprise from one to nine (1-9) employees.
- Small firms: which comprise from ten to fifty (10-50) employees
- Medium firms: which comprise from fifty to two hundred & fifty (50-250) employees.

#### Patterns of Small & Medium Enterprises in the Economies Representative:

Category	Share of all firms/enterprise	Share of Employment.
Micro	90 percent	30 percent
Small	8 percent	20 percent
Medium	1.5 percent	10 percent
Large	0.5 percent	40 percent

#### Pecking Order Theory

The above theory was postulated by Myers Sanders in 1984. He stated that all small & medium enterprises financial needs are met in an order of hierarchy. SMEs from accessing capital for the effective running of their business first consider internal funding and the businesses grow or increase in size, they focused on external funds. The internal funds could be, own savings, from family/friends while the external financing can be through debt capital. The more the financial needs increase, the more the sources used to raise the funds also increase. SMEs' subsequent needs of funds could be through external equity. The above theory, therefore, states that, SMEs businesses prefer usually to obtain capital internally and if not enough or not available, the enterprise first considers external debt capital financing. If it still needs more, then rely on equity financing as another external source. Holmes discovered and concluded that small businesses or small & medium sized enterprises follow this pecking order theory due to not having easy access to obtain funds externally.

#### Bank Capital-Channel Theory

The theory of bank-capital-channel states that, the borrowing behavior of banks with regards to small & medium businesses is a capital adequacy requirement majorly factor. Obama indicated that the alteration in the rate of interest can affect the banks' capacity to offer loans to SMEs. Thus increases in rate of interest, increase in the banking cost of external borrowing, and rather minimizes the banks' profits & capital. The propensity is to trim down the bank's supply of credit/loans if the capital limit becomes binding. The banks can also be more enthusiastic about issuing loans/credit in situations where the rate of interest is favorable.

### 2.2 Empirical Review of Literature

This section focuses on the related reviews of the studies that are done on and around this topic on the effective contribution of small & medium-sized enterprises in sub-Saharan Africa. Several pieces of research/studies have been conducted worldwide on small and medium enterprises' contributions.

### **SMEs Contributions to GDP and Employment in Some African Countries**

In Ethiopia, small & medium-sized enterprises contributed to GDP 3.4 percent and also contributed to employment in the country by ninety (90) percent. The relevant available sources are the Central Statistical Agency-(CSA), 2003 and Gebrehiwot, 2006. While in Ghana, small & medium enterprises contributed to Gross domestic product seventy (70) percent and also contributed to employment in the country by forty-nine (49) percent. The relevant available sources are the Statistical Service report 2012, Ghana Bank Doing Business Report, 2013, the World Bank Report 2006, and Abor & Quarterly, 2010. Also in Kenya, small & medium enterprises contributed to GDP by forty to fifty (40-50) percent and also contributed to employment in the country by Eighty (80) percent. The relevant available sources are the Kenya Statistical Service, Mwarari & Ngugi, 2013, and the World Bank Report on Kenya and in Nigeria, small & medium enterprises contributed to Gross Domestic Product by fifty (50) percent and also contributed to employment sector by Seventy (70) percent. The relevant available sources are the Statistical Service of Nigeria, Ariyo, 2011, & Kolasiński, 2012. In Rwanda, small & medium enterprises contributed to Gross Domestic Product by twenty point five (20.5) percent and also contributed to employment in Rwanda by sixty (60) percent. The relevant available sources are the Statistical Service of Rwanda, Mukamuganga, 2011.

In South Africa, small & medium enterprises contributed to the Gross Domestic Product by fifty-sixty (50-60) percent and also contributed to the country's employment sector by sixty (60) percent. The relevant available sources are the South Africa Statistical Service report, DTI, 2012, and Willemse, 2010. Similarly, in Tanzania, small & medium enterprises contributed to the Gross Domestic Product by Sixty (60) percent and also contributed to employment in the country by Twenty (20) percent. The relevant available sources are the Statistical Service report of Tanzania, the world-bank report, Echengreen & Tong 2005, and Ngasongwa, 2002.

In Uganda, small & medium enterprises contributed to the Gross Domestic Product by Eighteen (18) percent and also contributed to employment in the country by Ninety (90) percent. The relevant available sources are the Statistical Service report of Uganda, the world-bank report 2010, Uganda Ministry of Trade, Industry & Cooperatives (MTIC), 2015. But in Zambia, small & medium enterprises contributed to Gross Domestic Product by Eight (8) percent and also contributed to employment sector of Zambia by Thirty (30) percent. The relevant available sources are the Statistical Service report of Zambia, the world-bank report 2015, Mbuta, 2007. Finally in Zimbabwe, small & medium enterprises contributed to the Gross Domestic Product by forty (40) percent and also contributed to employment in the country by Fifteen (15) percent. The relevant available sources are the Statistical Service report of Zimbabwe 2012, the world-bank report 2010, Katua, 2014, and Zwinoira, 2015.

### **3. METHODOLOGY**

This study employed a descriptive study and descriptive research purpose is to describe the accuracy of the profile of persons involved, events/situations in the study. The study also used a purely quantitative approach/technique. Saunders et al, (2009) explained quantitative data as any information collection technique like a questionnaire or analysis procedure of data using graphs or statistics which uses numerical data. This article was conducted in a survey research approach. The surveys are information collection procedures used in describing, comparing, or explaining individual, & societal knowledge, feelings, behavior, & preferences (Fink, 2009). The study was conducted among small & medium sized enterprises in few countries in sub-Saharan African due to data problems and other limitations and the population of the study consists of small & medium enterprises operators. Two hundred (200) participants were selected and interviewed through random sampling technique which constituted the sample size of the study and there was only 20 non response rate. Both primary data & secondary data were used in this research. The responses were analyzed using Statistical package for social sciences & Microsoft Excel with the support of statistical tools such as tables, frequencies, percentages, pie chart, bar chart, histogram, and diagrams while conclusions were made based on the responses and results to the research questions. The secondary data of the study was also obtained from a reputable journals, published articles, institutions websites, and the internet. Also other second data was sourced from: the World Bank reports, International Monetary Fund report, Statistical Agency, Statistical Services, Ministry of Trade and Industry, Ministries, Departments, and Agencies of the various countries under study.

### **4. FINDINGS**

#### **Profile of Respondents**

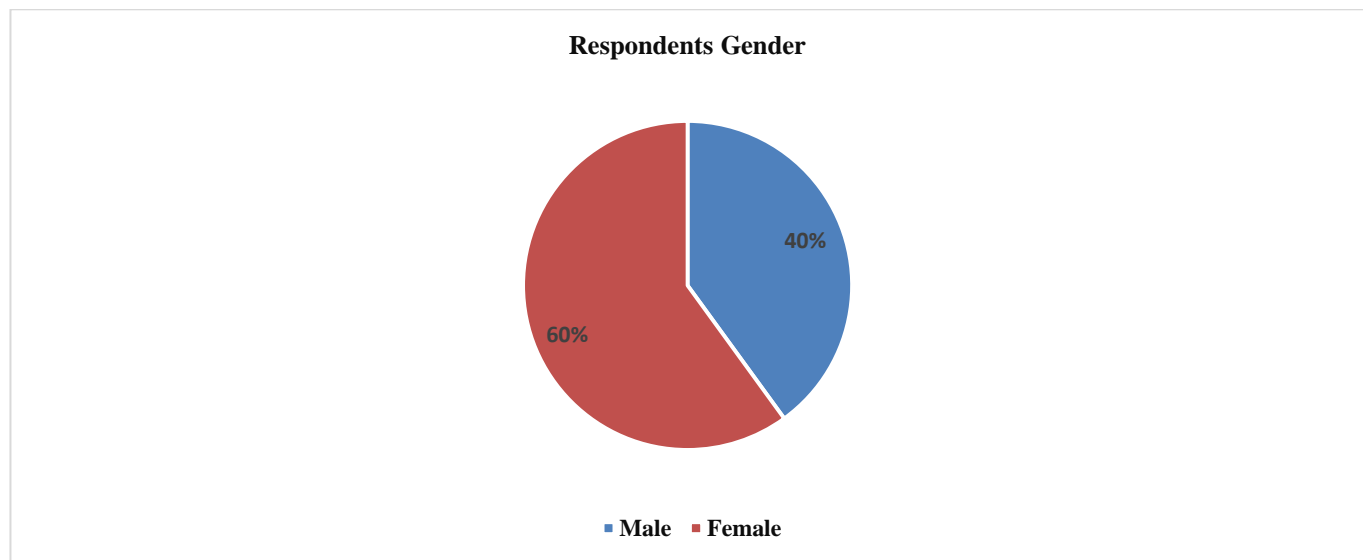
The respondents' profile was analyzed and later presented in the tables below: It contained the gender of the respondents, their age classes, educational background/level, the marital status of the respondents, and their number of years of experience. The profile was illustrated in table 1-5 below.

**Table 1: Gender of Respondents**

Respondents Gender	Frequencies	Percentages
Male	80	40
Female	120	60
Total	200	100

Source: Primary Data, 2019.

The respondents were 80 (40%) male, and 120(60%) female. Therefore, the majority of the respondents were female and they were the SMEs operators in some African countries.



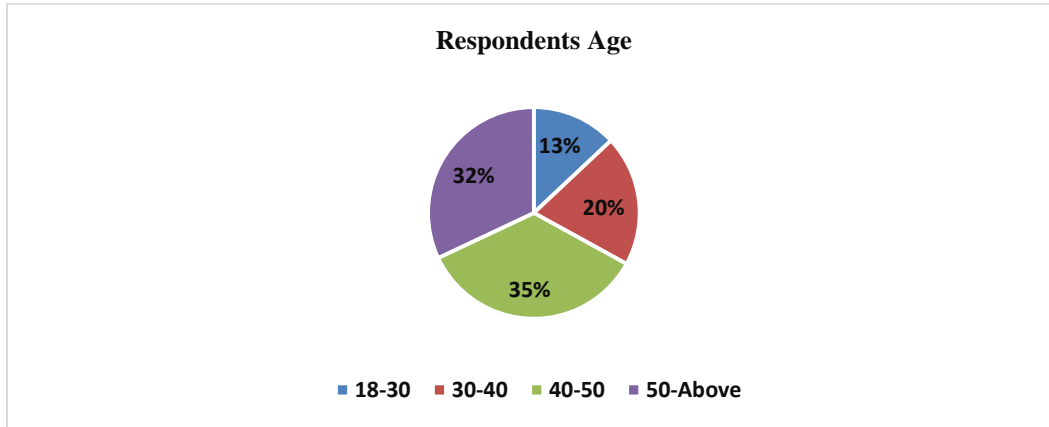
**Table 2: The Respondents Age**

Table 2 below indicates the age group of the respondents and this shows the working age group of SMEs.

Class	Frequency	Percentage
18-30	26	13
30-40	40	20
40-50	70	35
50-Above	64	32
Total	200	100

Source: Primary Data, 2019

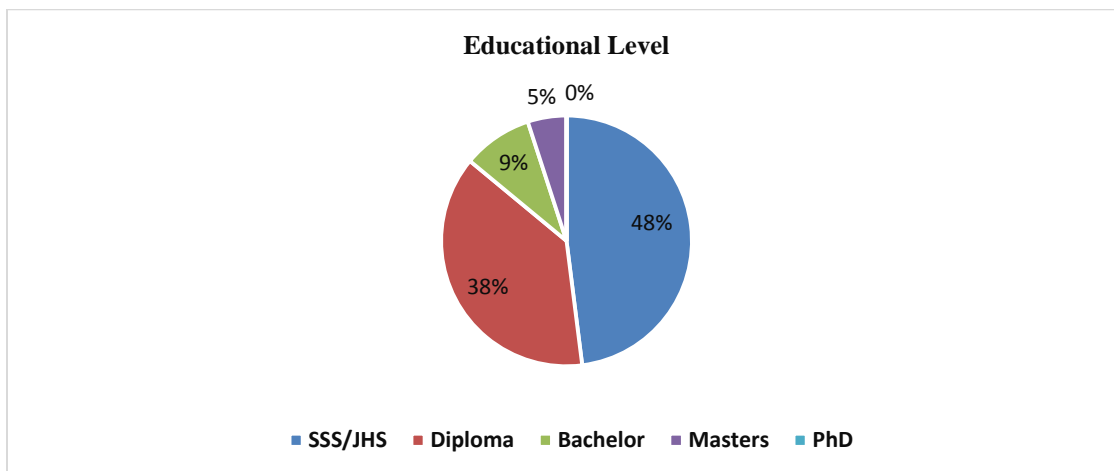
From the responses the age range between 18-30 constitute 13 percent, and age 30-40 represent 20 percent while 40-50 years are 35 percent. 32 percent represent ages 50 years and more.



134 (67 %) of the respondents were aged between 40 years and above which indicated that the majority of the small and medium operators in Africa were aged.

**Table 3. Educational level of respondents**

Level of Education	Frequency	Percentage
SSS/SHS	96	48
Diploma	76	38
Bachelor	18	9
Masters	10	5
PhD	0	0
Total	200	100



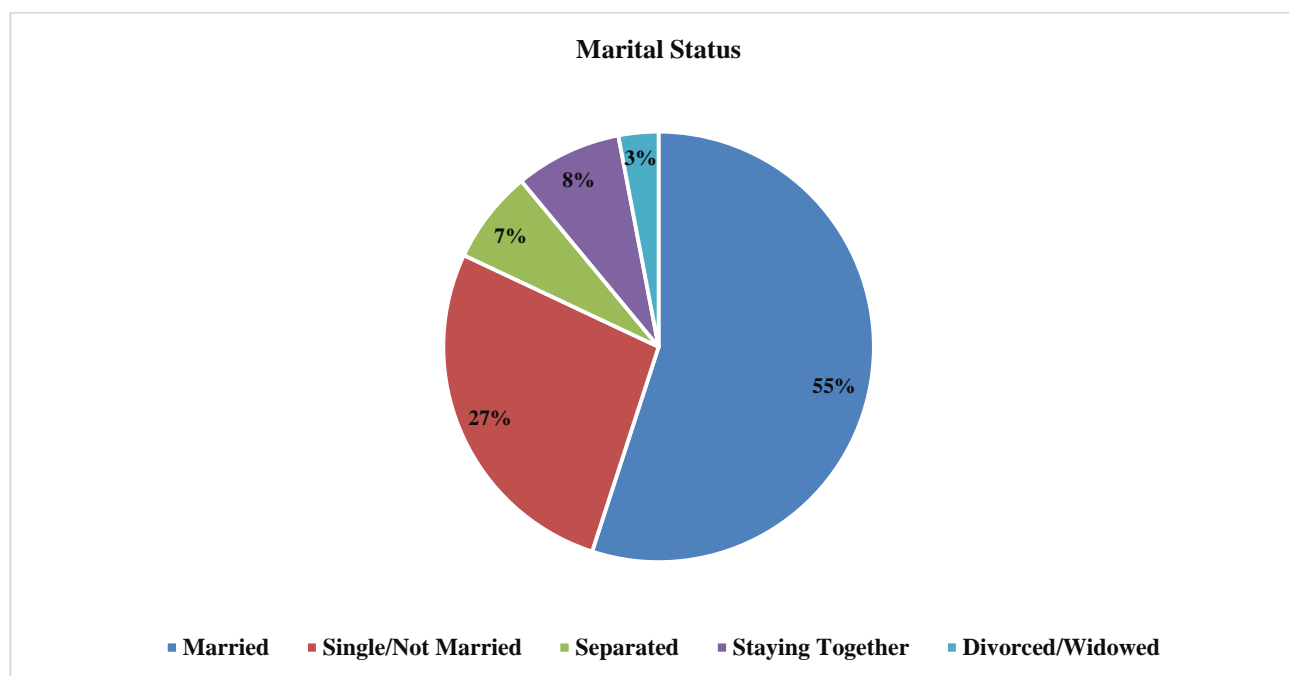
Source: Primary Data, 2019.

The above-given information showed that 48% is Secondary school, 38% Diploma, 9% Bachelor, 5% Master. Therefore, the level of education of the respondents is low. Zero respondents had a Ph.D.

**Table 4: Marital Status**

Marital Status	Frequencies	Percentages
Married	110	55
Singled/Not married	54	27
Separated	14	7
Staying Together	16	8
Divorced/widowed	6	3
Total	200	100

Source: Primary Data, 2019

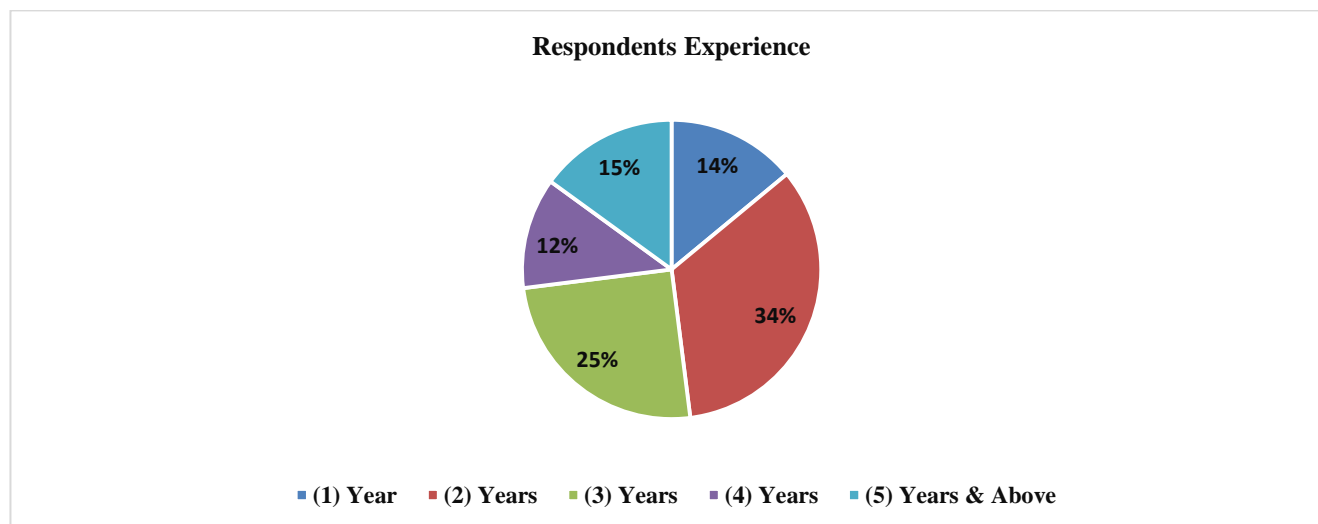


From the respondents' responses, 110(55%) were Married, 54(27%) were Singled/Not married, while 14(7%) were Separated. 16(8%) indicated that they are Staying Together but they are not formally married and 6(3%) were Divorced/widowed.

**Table 5: Respondents Experience**

No. of Years	Frequency	Percentage
One Year	28	14
Two Year	68	34
Three Years	50	25
Four Years	24	12
Five Years & Above	30	15
Total	200	100

Source: Primary Data, 2019.



The table above indicated 28(14%) had one year experience while 68(34%) had two years' experience. Again, 50(25%) had three years of experiences and 24(12%) had four years of working experience as SME operators. Finally, 30(15) had five years and above.

#### 4.2 Findings and Discussions (Objectives)

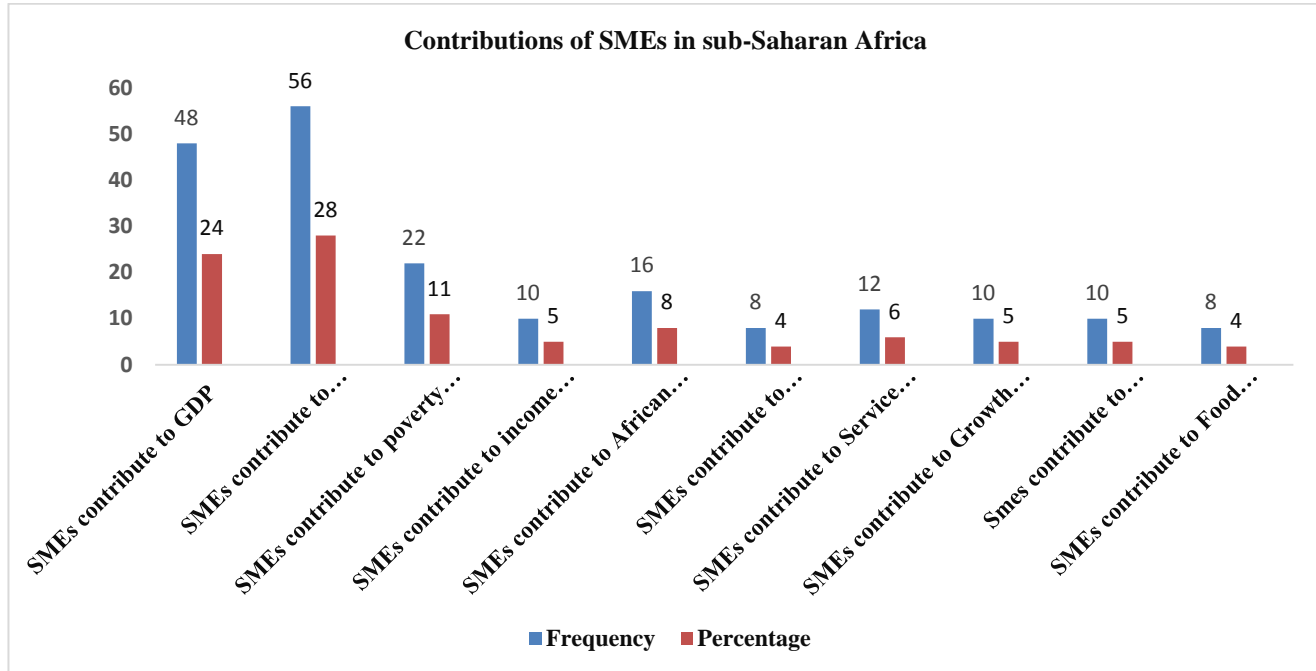
Tables 6-10 discusses the findings on the research objectives and research questions.

**Table 6: Contribution of Small & Medium Enterprises in sub-Saharan Africa**

According to the responses of the participants, SMEs in sub-Saharan Africa plays a great role and contributes so much to the countries' economic growth and development. The below indicated in the table are some of the mentioned contributions of the sector as explained during the field data collection.

No	Contribution of Small and Medium Enterprises	Frequency	Percentage
1	SMEs contribute to Gross Domestic Product	48	24
2	SMEs contribute to Employment in sub-Saharan Africa	56	28
3	SMEs contribute to Poverty Reduction in sub-Saharan Africa	22	11
4	SMEs contribute to Income Generation in sub-Saharan Africa	10	5
5	SMEs contribute to Growth & Development	16	8
6	SMEs contribute to Industrial Dynamics	8	4
7	SMEs contribute to Services Provision	12	6
8	SMEs contribute to Growth & Specialization	10	5
9	SMEs contribute to Competitive Advantage	10	5
10	SMEs contribute to Food Production & Consumption	8	4

Source: Primary Data, 2019



From the discussion, it was indicated that Small & Medium Enterprises contributes to the gross domestic products (GDP) of African by 48(24%) while contributing to Employment creation by 56(28%). Again, the contribution of SMEs to poverty reduction is responded to as 22(11%) and the SMEs' contribution to income generations is 10(5%). The contribution of SMEs to African Growth & development is 16(8%) while SMEs' contribution to Industrial Dynamics is 8(4%). Furthermore, SMEs in African has contributed to Services Provision by 12(6%), Growth & Specialization 10 (5%), contribution to competitive advantage 10 (5), and food production & consumption 8 (4).

**Table 7: Purposes of SMEs Establishment in sub-Saharan Africa**

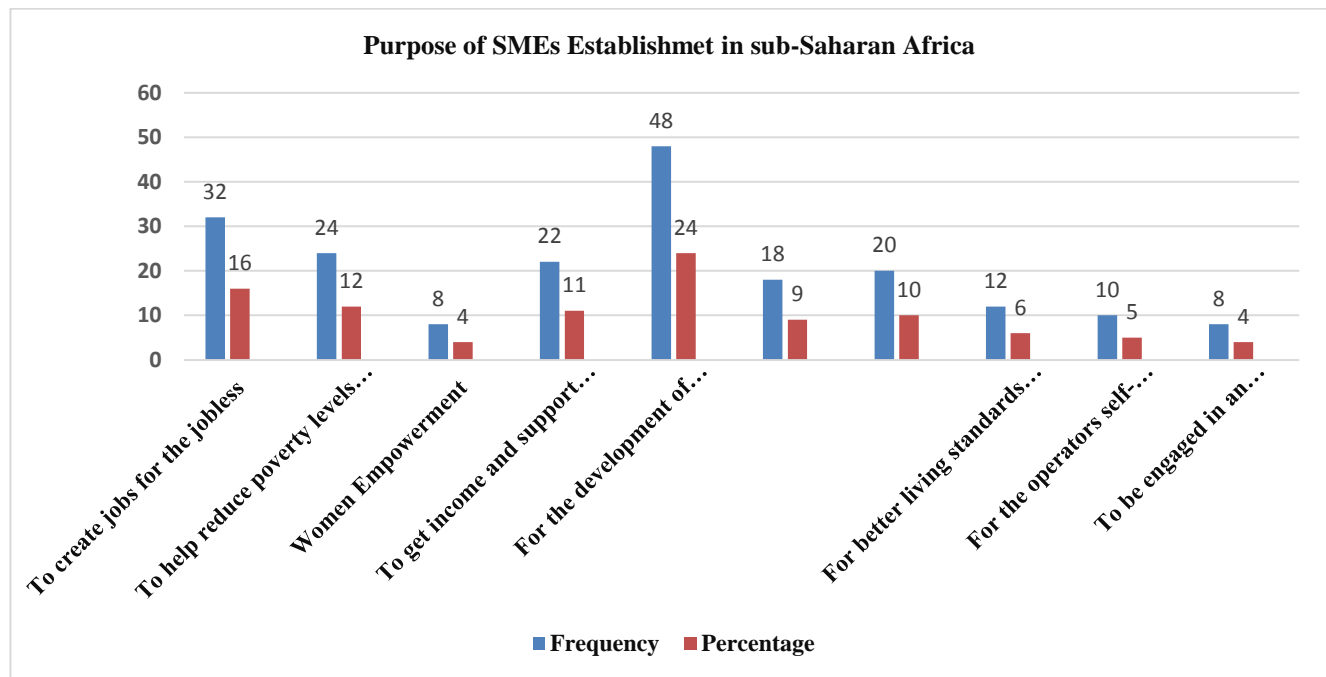
No	Purposes of SMEs Establishment in Sub-Saharan Africa	Frequency	Percentage
1	To create jobs for the jobless	32	16
2	To help reduce the poverty levels in Africa	24	12
3	Women empowerment	8	4
4	To get income and support family members	22	11
5	For the development of African economy	48	24
6	To create goods & services for international markets	18	9
7	To provide resources/materials to large companies	20	10
8	For better living standards & conditions	12	6
9	For the operators self-employment & sufficiency	10	5
10	To be engaged in an economic activity	8	4

Source: Primary Data, 2019

During the data collection, the participants mentioned the purposes of establishing the SME business in Africa. To create jobs for the jobless 32(16%), to help reduce the poverty levels in Africa 24(12%), to empowerment women 8(4%), to get income & support family members 22(11%), for the development of African economy 48(24%), to create goods & services for international



markets 18(9%), to provide resources/materials to large companies 20(10%), For better living standards & conditions 12(6%), for the operators self-employment & sufficiency 10(5%), and to be engaged in economic activity 8(4%).



**Table 8: Challenges of SMEs in Sub-Saharan Africa**

Despite the marvelous contribution of SMEs in the sub-Saharan Africa, the sector still is not without challenges and problems said the SMEs operators who were interviewed. In the table below are the responses:

No	Challenges of SMEs in Sub-Saharan Africa	Frequency	Percentage
1	Problem of Electricity	40	20
2	Lack of funds	48	24
3	Poor management	18	9
4	Low level of education	26	13
5	Inadequate training & capacity building	12	6
6	Lack access to reliable information	6	3
7	Incompetence	10	5
8	Lack of Government support	16	8
9	Poor records keeping and bad reporting standards	20	10
10	Corruption	4	2

Source: Primary Data, 2019

The interviewees responded that, despite the numerous contributions of small & medium enterprises in African economies, yet still, the enterprise has some challenges. Some of the challenges mentioned by them are Problem of Electricity 40(20%), Lack of funds 48(24%), Poor management 18(9%), Low level of education 26(13%), Inadequate training & capacity

building 12(6%), Lack access to reliable information 6(3%), Incompetence 10(5%), Lack of Government support 16(8%), Poor records keeping and bad reporting standards 20(10%), Corruption 4(2%).

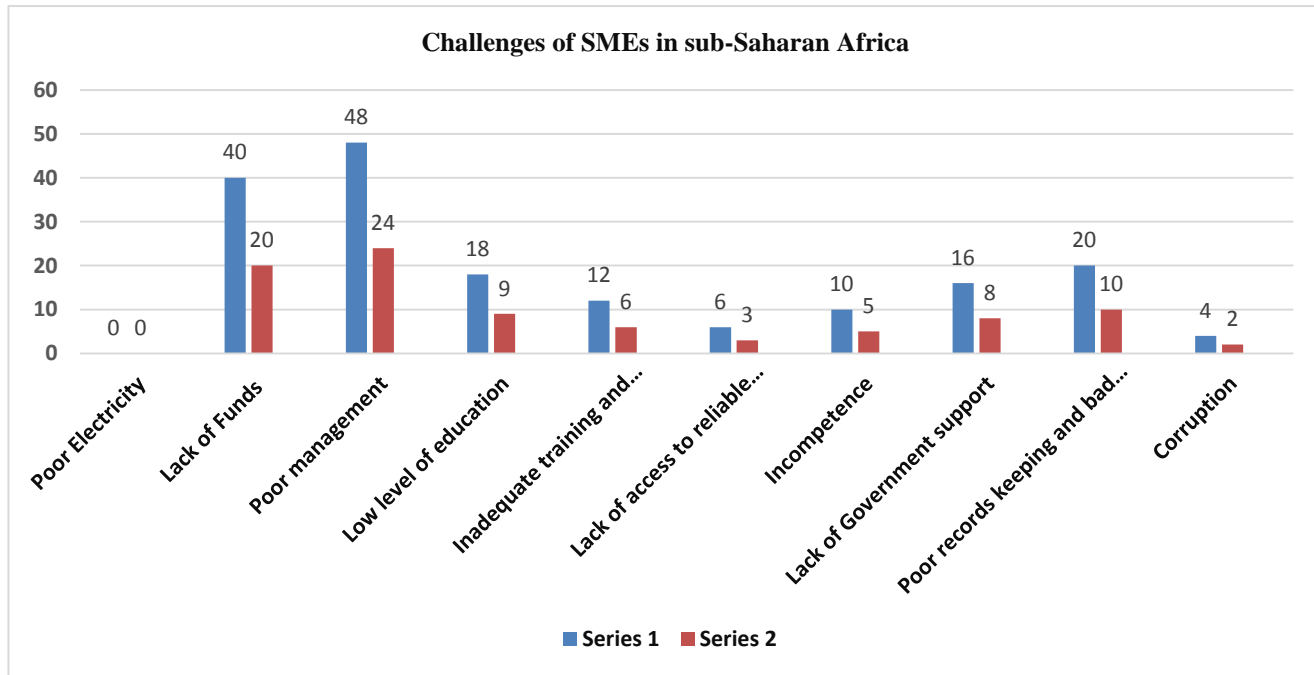


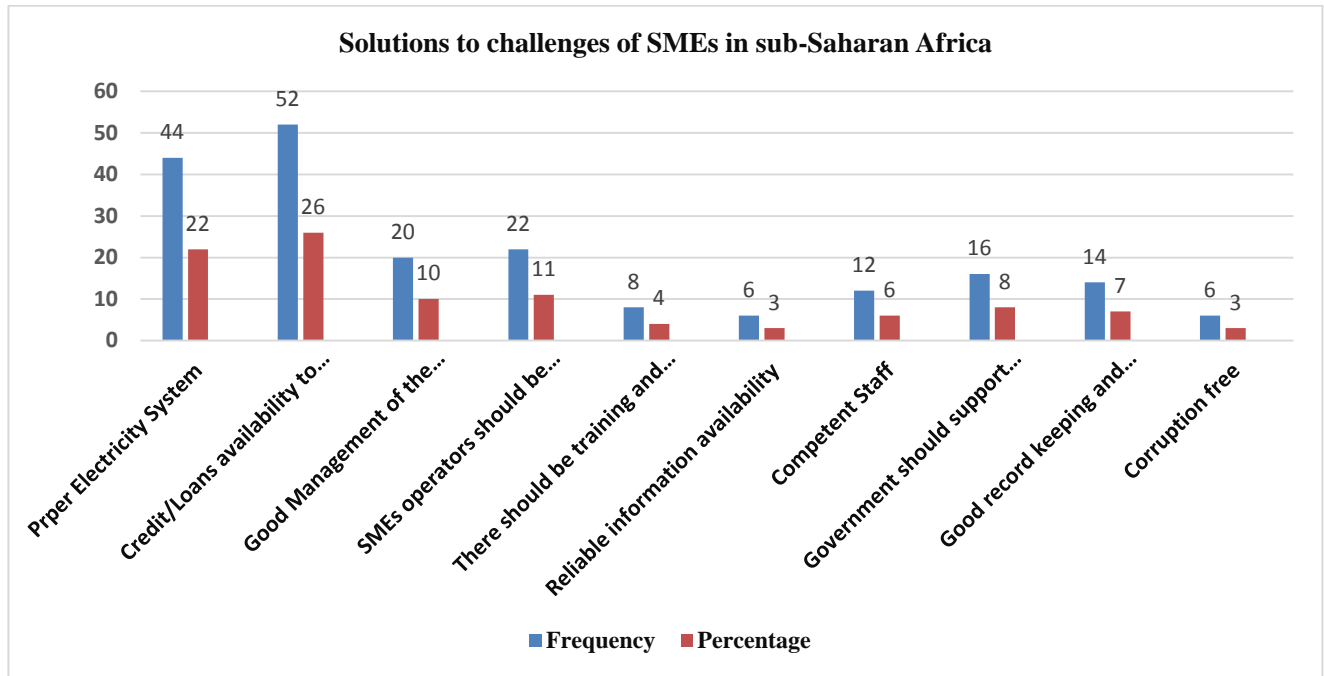
Table 9: Solutions to the Challenges of SMEs in Sub-Saharan Africa

The participants indicated that, if the below factors in table 9 is taken into consideration, the challenges of SMEs would be reduced if and solved completely.

No	Solutions to Challenges of SMEs in Sub-Saharan Africa	Frequency	Percentage
1	Proper Electricity System	44	22
2	Credit /loans availability to SMEs	52	26
3	Good Management of the enterprise	20	10
4	SMEs operators should be educated	22	11
5	There should training & capacity building	8	4
6	Reliable information availability	6	3
7	Competent Staff	12	6
8	Government should support SMEs	16	8
9	Good records keeping, & reporting standards	14	7
10	Corruption Free	6	3

Source: Primary Data, 2019

Solution/remedies were mentioned by the respondents that if taken into consideration, the challenges of SMEs would be reduced. Among them are: Proper Electricity System 44(22%), Credit /loans availability to SMEs 52(26%), Good Management of the enterprise 20(10%), SMEs operators should be educated 22(11%), there should training & capacity building 8(4%), reliable information availability 6(3%), Competent Staff 12(6%), Government should support SMEs 16(8%), Good records keeping, & reporting standards 14(7%), Corruption free 6(3%).



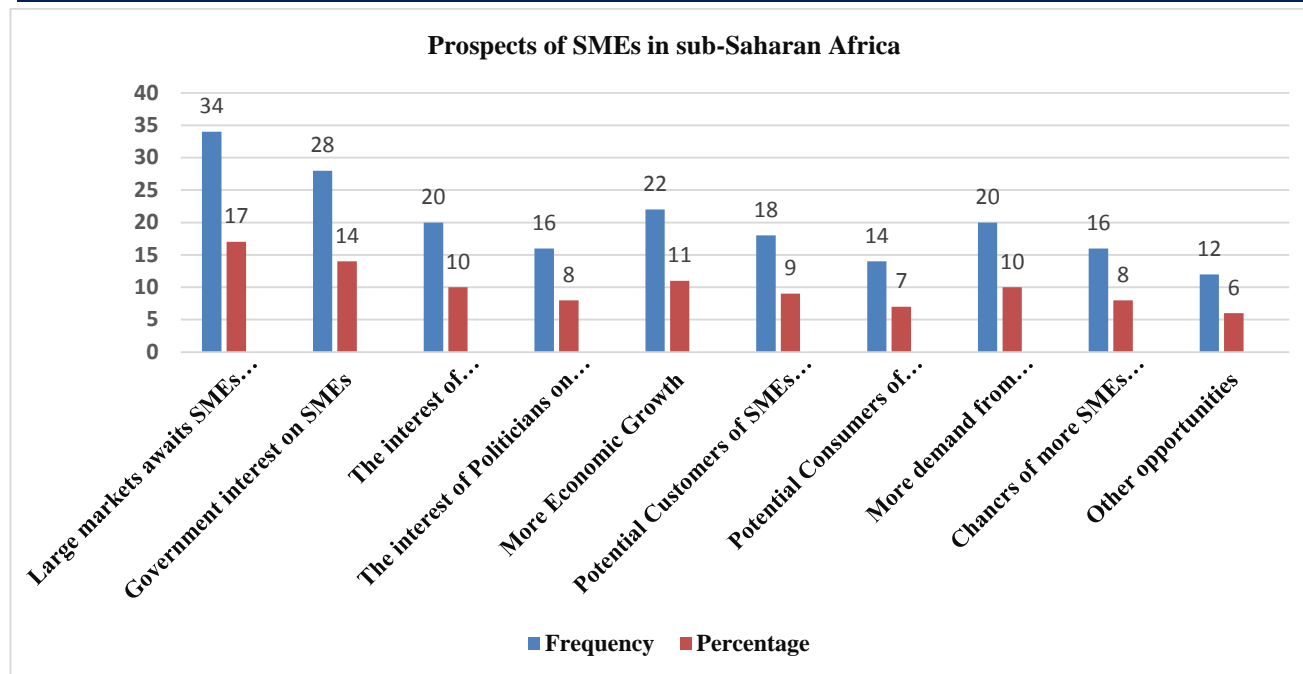
**Table 10: Prospects of SMEs in Sub-Saharan Africa**

The small and medium enterprises operators mentioned that, even though there are a lot of challenges in the sector, there are also many opportunities and prospects for the sub-sector when it is sustained. The following table illustrated their responses during the field data collection.

No	Prospects of SMEs in Sub-Saharan Africa	Frequency	Percentage
1	Large markets awaits SMEs from large companies	34	17
2	Government interest on SMEs	28	14
3	The interest of Entrepreneurs on SMEs	20	10
4	The interest of politicians on SMEs	16	8
5	More Economic Growth	22	11
6	Potential Customers of SMEs Resources/Material	18	9
7	Potential Consumers of SMEs goods/services	14	7
8	More demand from International Markets	20	10
9	Chances of more SMEs operators in future	16	8
10	Other opportunities	12	6

Source: Source: Primary Data, 2019

From the discussions, the below were illustrated to be the prospects awaiting SMEs in Africa said the respondents. Large markets awaits SMEs from large companies 34(17%), Government interest on SMEs 28(14%), the interest of Entrepreneurs on SMEs 20(10%), the interest of politicians on SMEs 16(8%), More Economic Growth 22(11%), Potential Customers of SMEs Resources/Material 18(9%), Potential Consumers of SMEs goods/services 14(7%), More demand from International Markets 20(10%), Chances of more SMEs operators in future 16(8%), Other opportunities 12(6%).

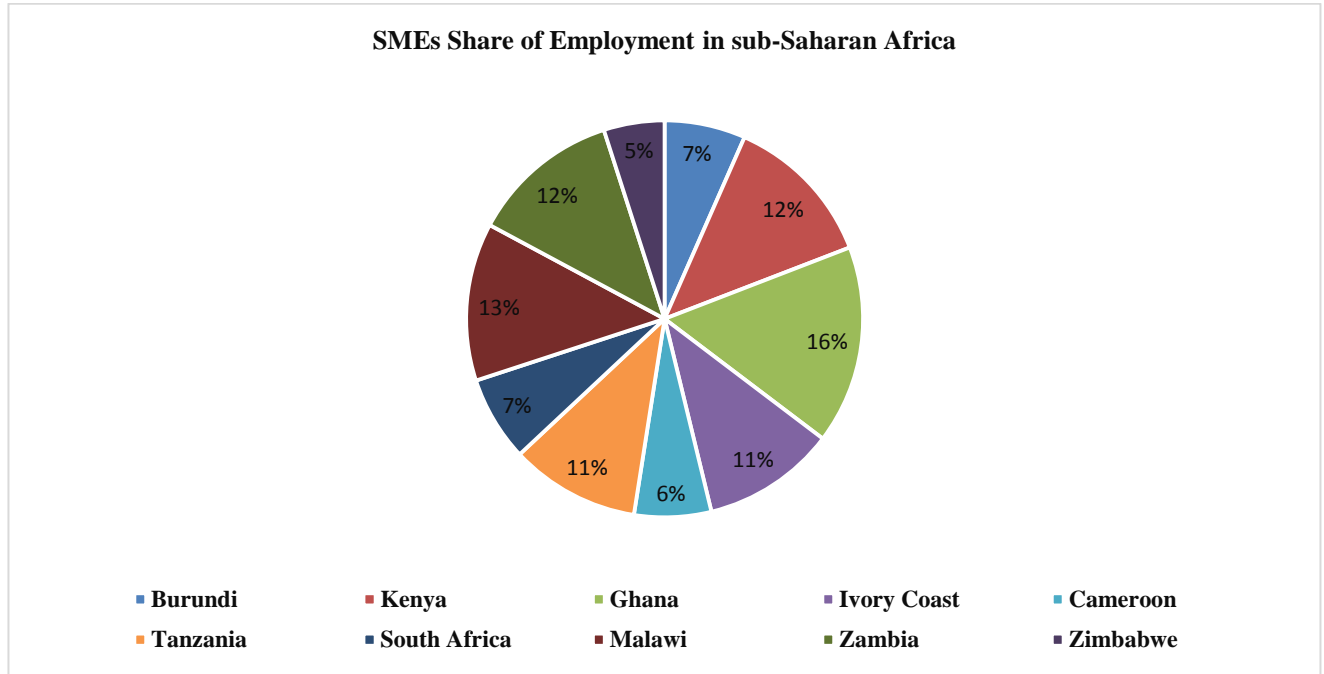


**Table 11: Small & Medium Enterprises Share of Employment in Sub-Saharan Africa**

No	SMEs share of Employment in Sub-Saharan Africa	Frequency	Percentage
1	Burundi	20	20
2	Kenya	38	38
3	Ghana	49	49
4	Ivory Coast	33	33
5	Cameroon	19	19
6	Tanzania	32	32
7	South Africa	21	21
8	Malawi	39	39
9	Zambia	37	37
10	Zimbabwe	15	15

Source: Primary Data, 2019

As indicated in the above table 11, the share of employment in some African countries are: Burundi 20 percent, Kenya 38 percent, Ghana 49 percent, Ivory Coast 33 percent, Cameroon 19 percent, Tanzania 32 percent, South Africa 21percent, Malawi 39 percent Zambia 37 percent, and Zimbabwe 15 percent. These statistics show that SMEs are very important and they contribute significantly to the development of African countries.



**5. DISCUSSIONS**

From the findings, the importance of SMEs to the national economies of sub-Saharan Africa indicated that the sector cannot be ignored. As was demonstrated in this article, SMEs contributed more than 50 percent of most African countries' Gross Domestic Product and with an average of seventy percent employment but, it is a fact that most African leaders/governments pay small attention to small & medium enterprises and no appropriate infrastructure put in place to encourage the sector's growth.

Despite the contributions of SMEs in Africa, the sector has series of challenges which if the Government addressed related to power/electricity shortage, finance accessibility, management of skills & competencies, information dissemination, government support, training & capacity building, corruption the SME sector can continue to put Africa on the map of leadership in terms of innovation and development.

Africa was able to position itself in a competitive giant, transform its economic status to other part of the world through the SMEs' positive role and contributions. The Africa continent is very rich in Agricultural minerals, the human resource that can match most of the challenges arising from the Americas, Asia, and Europe.

Finally, this article found a possible way to help reduce the challenges of small & medium enterprises through having effective communication, creating adequate awareness of the sector, getting support from governments, & international donors to SMEs in Africa.

**6. SUMMARY**

From the finding, SMEs has contributed immensely to the development of African Economies. Among the SMEs contributions are: SMEs contributes to GDP, SMEs contribute to Employment, SMEs contribute to poverty reduction, SMEs contribute to income generation, SMEs contribute to African Growth & development, SMEs contribute to Industrial Dynamics, SMEs contribute to Services Provision, SMEs contribute to Growth & Specialization, SMEs contribute to competitive advantage, SMEs contribute to Food Production & Consumption. While the purpose of establishing SMEs as To create jobs for the jobless, to help reduce the poverty levels in Africa, Women empowerment, to get an income and support family members, For the development of African economy, to create goods & services for international markets, to provide resources/materials to large companies, For better standards & living conditions, For the operators self-employment & sufficiency, and to be engaged in economic activity.

Despite the above contribution of SMEs mentioned by the respondents in Africa, the sector also have some challenges which includes: Problem of Electricity, Lack of funds, Poor management, Low level of education, Inadequate training & capacity

building, Lack access to reliable information, Incompetence, Lack of Government support, Poor records keeping and bad reporting standards, corruption. These challenges are very severe obstacles to the SME growth in the countries.

The stakeholders especially the government should help with appropriate measures to address these problems especially electricity and financial issues. The SMEs also have some prospects to chalk in African and the opportunities include: Large markets await SMEs from large companies, Government interest on SMEs, the interest of Entrepreneurs on SMEs, The interest of politicians on SMEs, More Economic Growth, Potential Customers of SMEs resources/material, Potential consumers of SMEs goods/services, more demand from International Markets, Chances of more SME operators in the future, and other opportunities.

## **7. CONCLUSION**

To conclude, this article's purpose is to examine small & medium enterprises contribution to sub-Saharan African economic development. The purpose of SMEs' establishment, challenges of SMEs and solutions to SMEs and the prospects of in African countries.

The small & medium enterprises contribute immensely to the African economic development through GDP, the creation of employment, increasing income levels. Both the gross domestic product and the GDP indicate a strong and significant positive relationship with the Gross Domestic Product per capita. However, the wealthier a country, the more significant SMEs are in the overall economy.

Again, the results revealed very substantial evidence of the contribution of SMEs in the socio-economic environments and in poverty reduction, provides diversified services, and it creates opportunities for jobs. Therefore, this study of SMEs found that there exist positive impact on GDP per capita, employment, and poverty reduction in the countries.

Also, the results show that: Microfinance institutions in African support SME's by providing them with credit, organizing training programs for them, advising the SMEs on credit utilization, management of risk and how to they can build a savings and investment culture but the traditional banks deny SMEs credit because of collateral issues.

Also, the study reveals the major challenging factors of SMEs in sub-Saharan Africa is the lack of finance and electricity issues. Insufficient government and donor support, and poor management are additional challenges of SMEs.

## **8. RECOMMENDATIONS**

- This article recommends African Governments to help develop important and good policies that are favorable to the development of Small & medium enterprises.
- SMEs should be positioned on Governments agenda so that effective plans would be drawn for its successes and sustainability in the various countries.
- An appropriate regulatory framework, a good infrastructural, continuous electricity supply, and financial support for SMEs in sub-Saharan Africa should be available for the sector to continue creating employment by helping reducing poverty, and incomes provision to the communities.
- The study again recommends the government to give much consideration to SMEs' financing, through substantial budget allocation and donation to these SMEs to boost the conditions & living standards of poor people and to ultimately contribute to the economic development, prosperity and sustainability of the sector in the country.
- The government of the African countries must also encourage donor partners/organizations to aid SMEs financially, they should come up with laws, guidelines, and regulations to prevent default risk from SME operators.

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**Appendix 1**

**Sub-Saharan-Africa Countries from A-Z**

<b>A-E</b>	<b>G-N</b>	<b>R-Z</b>
Angola	Gabon	Rwanda
Benin	Gambia	Sao Tome and Principe
Botswana	Ghana	Senegal
Burkina Faso	Guinea	Seychelles
Burundi	Guinea-Bissau	Sierra Leone
Cameroon	Kenya	Somalia
Cape Verde	Lesotho	South Africa
Central African Rep.	Liberia	Swaziland
Chad	Madagascar	Togo
Comoros	Malawi	Uganda
Congo	Mali	United Rep. of Tanzania
Côte d'Ivoire	Mauritius	Zambia
Dem. Rep. of the Congo	Mozambique	Zimbabwe
Equatorial Guinea	Namibia	
Eritrea	Niger	
Ethiopia	Nigeria	

Source: Primary Data, 2019