

The Government's role in filling the gaps of support to SMEs in Mozambique

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Abstract: Government policy in any country is designed to create the appropriate mechanism and leverages for the proper functioning of the economy. One important section of the economy is the Small and Medium Enterprises (SMEs). SMEs are credited for bringing economic growth and alleviating the plight of unemployment. On their own, SMEs face various difficulties and are prone to failure if they don't get the support they merit. Support to SMEs can come from many fonts, such as financial institutions, large enterprises, non-governmental organizations, and so on. The government sector is another, and perhaps the important rear guard of support to SMEs. Besides simply offering support the government is regarded as an arbitrator in supervising the support offered by other institutions. The objective of this research is to evaluate the supervisory role the government plays in overseeing the delivery of support to SMEs in Mozambique. A sample of 485 SMEs was drawn from the population of SMEs in greater Maputo representing Mozambique as a whole, using random sampling methods. A face to face interview was conducted using structured, close-ended questionnaires to collect the primary data. The study found that there was limited support offered to SMEs by all institutions in Mozambique, partly due to the paucity of the government in supervising and coercing these institutions into playing their roles. It was recommended that the government should take a more proactive role in the form of incentives such as tax inducement, to ensure more support is dispensed to SMEs.

Keyword: Government, Maputo, Small and Medium Enterprises (SMEs), Support Structures,

1. Introduction

Globally, the function of governments is to preside over all the issues pertaining to the state. With their linked intermediaries including the judiciary and legislature, executive governments are responsible for galvanizing, uniting, forging stabilization and growth to the society. National governments act basing on legal constitutions, national laws and conventional civil standards to defend the sovereignty and welfare of their inhabitants and the autonomy of their borders. In a focussed sense, the governments' role in the economy is to rectify market failures or situations where private markets cannot manage values that they could otherwise create for society (Eniola & Entebang, 2015). These values could include fermenting creative principles that would galvanize public goods and services, internalizing externalities, and establishing competitive socio-economic ideals in the economy responsible for fostering macroeconomic stability and growth. Effective governance requires promotion of institutional frameworks that make possible competent governance. Other aspects include: cooperation between public and private sectors, encompassing informal sector and communities and cooperation between government and other non state institutions. While these global attributes of governance have been applied for example in Mozambique, they have not been implemented and translated into local policies and laws (Ongolo & Owino 2013).

One area that is desperate for government intervention is the SMEs sector. SMEs are an engine of growth for most economies in the developed and developing countries (Asare, 2014). SMEs encounter lots of challenges from start-up, during the nurturing phase and in later years of growth. SMEs on their own cannot wither the strains and challenges of development without support. One major area that can offer support to SMEs is from the governments. Government policy on business development of SMEs is one important factor determining the survival and growth of SMEs. In order to incite the creation of entrepreneurship and formation of SMEs, some external intervention may be necessary and are advocated by many governments all over the world. Government support to SMEs differs markedly across the world and in the African continent in particular (Asare, 2014). In some countries, excessive regulation and red-tape create barriers to SMEs development and harm the development of this important factor. Harsh regulatory environments and poor infrastructure are some of the constraints that governments have to address if they are serious of taking the challenges that face SMEs (Carstens, 2012). According to Mahembe (2011) there are several reasons for the disappointment of government intervention to support small businesses. Some of the reasons identified include: (1) lack of awareness (outreach); (2) uneven distribution (concentration in metropolitan areas); (3) the high cost of searching for support services which has not been mitigated by effective information on how and where to access support; and

(4) cumbersome administrative requirements of government programs resulting in user fatigue and high levels of disappointments. This study aims at critically evaluating the role of government in managing support to SMEs in Mozambique. In prospective the research will evaluate other supporting agencies to SMEs, including financial institutions, large enterprises and non-governmental organizations, and finds out the level of support each of these sectors render to SMEs. In so doing the study will evaluate the intervention of the government in regulating this type of support, and filling in where it is deemed that not enough efforts and programs are put in place by the chosen agencies in supporting SMEs in Mozambique.

2. The structures and role of SMEs worldwide and in Mozambique

The following sections will evaluate the literature regarding the role and contribution of SMEs globally and in Mozambique in particular. The section will also evaluate the extent at which governments support SMEs internationally, and their role in supervising the compliant responsibility of different supportive sectors to SMEs in Mozambique.

2.1 The role of SMEs internationally

Nkuah et al., (2013) assert that the main factors determining whether a company is an SME include number of employees and either turnover or balance sheet total. SMEs are known globally to be effective in creating employment for young people and further enhancing economic development. Berisha and Pula (2015) report that SMEs account for 90 percent of firms and employ 63 percent of the workforce in the world. In order to understand the crux of the whole notion of SMEs the concept has to be analyzed with reference to selected countries from different continents. In the United States, SMEs make up 98 percent of all firms, employ over 50 percent of private sector employees, and generate 65 percent of net new private sector jobs, yet according to Vuolle (2014), SMEs in the United States accounted for only 13 percent of the total manufactured goods exported. The United States SMEs' export participation is quite limited compared to other advanced nations (Grover & Suominen, 2014). SMEs in Germany provide a large number of jobs and are extremely productive: SMEs make up to what is known as the 'Mittelstand' (Wessner, 2013). An outstanding characteristic of the Germany Mittelstand is their flexibility in the use of the workforce (Federal Ministry for Economic Affairs, 2014). Within the tight, internal structures of the Mittelstands, the same employees working in various other sections such as development, production, sales and provision of services are involved in the innovation processes as well (Federal Ministry for Economic Affairs, 2014). SMEs in India employ about 45 percent of the Indian workforce and contribute to 40 percent of all manufacturing products (Goyal, 2013). SMEs contribute to 40 percent of India's total exports (Uma, 2013). The problem with India's SMEs is their low adoption of technology. Goyal (2013) asserts that Indian SMEs contribute to only 17 percent of the country's GDP besides employing nearly half of the entire workforce. A report by Jagannathan (2014) asserts that in India, the government's inflexible and complicated regulatory policies make starting and running a business complicated. Goyal (2013) asserts that many of these enterprises preferred to remain small and unregistered. In comparison to neighboring Pakistan, SMEs comprise of almost 95 percent of all enterprises and contribute to 80 percent of total employment (Hussain et al., 2012). In short, Pakistan's SMEs contributed to 25 percent of export of manufacturing goods and 30 percent of GDP (Saeed, 2009). This is a remarkable achievement of Pakistan in comparison with a similarly cultural peer country of India. Another credible example of SMEs achievement in Southern Asia, is Sri-Lanka, whereby in an effort to support start-up SMEs, that country's government, extended the government tax holiday periods from 3 years to 4 years and further extended to 6 years based on the level of SME investment (Jayasekara & Thilakarathna, 2013).

SMEs contribution to employment in African countries' is at an average of 78 percent (Ayyagari et al., 2011). In the case of South Africa, SMEs generated more than 55 percent of all jobs and 22 percent of the country's GDP (Kauffmann, 2005). Empirical evidence however, suggests that the best of Africa's optimistic SMEs development has been delivered only from South Africa and perhaps Mauritius, another economic prosperous country (Kauffmann, 2005). In several African countries the SMEs sector has been devastated by prolonged and ongoing civil strives and wars and their contribution to economic growth is limited (Nagler & Naudé, 2014). Ayyagari et al., (2011), argue that while SMEs are tremendous contributors to employment in Africa, they are less productive than larger firms. In Africa, the concentration of business is made up of micro enterprises at the cost of small and medium enterprises (Ayyagari et al. 2011). This concept brings into light the phenomenon of the missing middle (Hsieh & Olken, 2014). The missing middle is a state of affairs in developing countries where there are a large number of micro firms, a few large firms, but limited small and medium-sized firms, which tend to thwart small firms' ability in augmenting the national income. Part of the objectives of this research is to determine the gap in literature that postulates on why SMEs in developing countries like Mozambique, compared to those in developed countries do not adapt to innovation, produce goods of acceptable quality, and do not vastly contribute to economic growth besides the support they receive.

In contrast, the focus will turn to the supporting agencies and prod them to determine the effectiveness of their supportive programs, and if they are not effective in alleviating the problems of SMEs, then determine where they are going wrong.

2.2 The contribution of SMEs in Mozambique

SMEs are recognized as an engine of growth in Mozambique but the number of registered SMEs and their productivity is still low. There is little available literature on the role of SMEs in employment creation or contribution to national income in Mozambique. According to Fox and Sohnesen (2013) out of all registered SMEs in the country, 96 percent are run by a single person with or without family help, while only 4 percent of SMEs reported hiring any worker outside the family. Omar et al., (2009) argue that the main characteristic that distinguishes SMEs from larger firms other than size itself is that of uncertainty. A notable observation by Fox and Sohnesen (2013) revealed that many new jobs come about from start-up micro, small and medium enterprises rather than hiring within the existing SMEs. Zimba (2015) reveals that although SMEs represented a larger portion of all businesses in Mozambique employing close to seventy percent of all working population, they contributed to a modest 24.1 percent of the national income. According to Omar et al., (2009) the challenges of SMEs development in Mozambique include among others, lack of markets, tight and rigid government tax systems, inadequate infrastructure, low capacity of research and development in technology, globalization and inadequate managerial knowledge and skills. Others include, barrier from global sourcing, poor infrastructure, low productivity, lack of managerial competence and poor enforcement of regulatory legislations.

The little support rendered to SMEs in Mozambique has left the SMEs vulnerable to the ills of underemployment and disguised unemployment (Jones & Tarp, 2012). A large number of SMEs are not able to hire full time employees, preferring alternatively to use part-time workers who do not work for full working schedule, or hiring workers who do not use their full potential consequently creating the situation of underemployment (Jones & Tarp, 2012).

2.3 The role of Government support to SMEs world wide.

All over the world policy makers and scholars have recommended the need for external support from both government and other institutions such as financial institutional, big businesses and non-governmental organizations to improve SMEs performance and achieve the needed economic growth. Realizing the significant role external support had on the growth of SMEs, most governments from both developed and developing countries have come out with policy interventions based on the needs of SMEs in their jurisdiction, all with the aim of boosting growth. Eniola and Entebang (2015) argue that government regulations and their bureaucratic procedures can hinder as well as facilitate entrepreneurship activity such as new business origination. Governments can come up with policies that boost and support the growth of novel technologies, products and solutions. Conversely, governments can hinder SME firm performance when introducing policies which restrict the autonomy, as well as the entrepreneurial freedom of the SMEs.

It is generally perceived that, when it comes to SMEs accessing the international market, a variety of problems arise including; ignorance of regulations and standards, lack of financial assistance, foreign exchange fluctuation problems, taxes, weak network linkages and most seriously, the negative perception harbored by overseas market that products from developing countries are inferior. Against this backdrop it is suggested that governments should intervene in the provision and upgrading of business environment conducive for international business (Osei et al., 2016). According to Mahembe (2011) a survey of SMEs in South Africa found that 70 percent of these businesses felt that the government communicated its incentives poorly. A renewed Ghana government policies on SMEs growth was intensified upon the introduction of the second Growth and Policy Reduction Strategy (GPRS II 2006 to 2009), and Growth Agenda (GA III 2010-2013), which saw the state increasing its support to SMEs with the aim of reducing poverty and moving Ghana to the middle-income country status, with SMEs growth as the catalyst (Osei et al., 2016). However, Hsieh and Olken (2014) reveal the existence of institutional environment in poor countries where credit lending, market institutional settings and governments' regulatory schemes favors large enterprises and discriminates against small firms. This state of affairs promoted by governments is remarkably relevant in a majority of African countries, which seem to be trapped in the missing middle position, leaving SMEs without the necessary support they deserved.

2.4 The participation of government in SMEs support in Mozambique

The Youth Challenge International Report (2009) declared that in Mozambique, 39 percent of the over 6 million youth are in a state of non-employment (meaning they are either unemployed or in school. This is largely brought about by government's inability to integrate job creation into the national poverty reduction strategy. The Mozambican government during the 2004-2010 tenure instituted the Action Plan for Extremely Poverty Reduction (PARPA) to oversee the challenges of poverty reduction in the country (AfDB, 2011;

Tekere, 2012). PARPA's strategy was to capitalize on the gains achieved in previous years in both macroeconomic stabilization and economic liberalization to promote rapid private sector growth (AfDB, 2011). The PARPA strategy did not define specifically the SMEs role in poverty reduction, and worse the strategy missed out in detailing what support would be rendered to start-up and surviving SMEs. As a consequence, Reisman and Lalá (2012) claim that the vast majority of the youth were forced into the informal sector, characterized with few support programs. In Mozambique, there are very few government-aligned enterprises that assist SMEs in formation and transfer of technology. The Small Enterprises Consulting and Supporting Cabinet (GAPI), offers business and management training including courses on creating and developing own businesses based on ILO guidelines (Nsabimana, 2010). The unfavourable contribution of SMEs into the national wealth had prompted the Mozambican government to constitute the Institute of Promotion of Small and Medium Enterprises (IPEME) under the Ministry of Industry and Trade, whose main mission was to encourage the deployment, consolidation and development of SMEs (Zimba, 2015). Within the IPEME a specialized institution was established known as the national institute of promotion of SMEs or put simply, the Enterprises Incubator (IE). The aim of the IE is to stimulate entrepreneurship and the formation of preliminary training in business management and development of micro and SMEs through the creation of enterprises incubators (Zimba, 2015). The IE strategy however, does not define in details how the planned incubation would assist particular groups especially manufacturing SMEs. This is a serious gap that has been observed and there is a need to address this important omission in ascertaining the government's role in supporting SMEs development in Mozambique.

Similar to many other countries, the major challenge to SMEs growth and survivability in Mozambique is the lack of financial facilities. In case of insufficient support from financial institutions due to insurances on collateral and business plans, the government could encourage the supply of funds to SMEs through other state institutions. An example of this is the case of South Africa, where the government provides financial support to SMEs through existing agencies like the National Youth Development Agency (NYDA), Khula and other state controlled institutions (Mahembe, 2011). In addition, in the domestic markets SMEs have restricted access to procurement by government departments which tend to prefer larger companies. This is due to the belief that goods and services by SMEs are of low quality (Hsieh & Olken, 2014). Roberts (2003) laments that in Mozambique, bureaucratic bottlenecks do hinder the disbursement of government support to SMEs. The author claims that the total time to register and license a business in Mozambique, involves 19 procedures taking approximately 149 days at a cost of \$256, which is 110 percent of GDP per capita. The cost is at par with countries of similar economic development but the number of procedures and time are both 50 percent above average. Some of the more cumbersome SMEs license registration steps include publishing the articles of agreement, registering with the chamber of commerce, registering for taxes at the finance ministry and notarizing certificates, licenses and inspections (Roberts, 2003). Positive measures were taken between 2010 and 2014 towards relieving the pressure on the registration procedures of new enterprises (Verdade, 2016). Besides these reforms, a potential entrepreneur still needs 10 processes to register a company in Mozambique (Verdade, 2016). This study will endeavor on the handicaps concerning government support and its regulatory role to other supportive programs in Mozambique, underlining the implications of inadequate government support in sustaining SMEs as such delimiting their ability in employment creation.

3. Methodology

The research problem was to find out if the government and its agencies are implementing business friendly policies towards SMEs in Mozambique. In addition the aim was to scrutinize the government's supervisory role in filling the gaps left by other support rendering organizations to SMEs in Mozambique. The study involved 485 SMEs drawn from the city of Maputo, representing Mozambique as a whole. Three other supporting organizations, namely financial institutions, large enterprises and non-governmental organizations were included in the study, in order find the magnitude and effectiveness of support to the SMEs offered by these organizations, and in case of shortfalls, to determine where and how the government stepped in to rectify the deficits. A set of questionnaires were prepared composed of structured, close ended format that could be coded and processed. The interviews were based on face to face method, submitted to owner managers of SMEs in Greater Maputo.

4. Results and discussions.

The following section gives results on the research of the SMEs in Greater Maputo following the face to face interviews and data gathering exercise from the SMEs.

4.1 Inquiry on SMEs to determine if they had received financial support

The first investigation made on the chosen sample involved finding out if the SMEs had received financial support from financial institutions such as commercial banks or micro-financing organizations. The results are given in Table 1.

Table 1: Results on the survey of SMEs regarding financial support

Financial Institutions support to SMEs	Descriptive Analysis	
	Frequency	Percent
Not receive financial support	260	53.6
Received financial support	220	45.36
Missing	5	1.04
Total SMEs Surveyed	485	100

The results show that less than half of those surveyed (45.36 percent), reported to have benefited from financial support from any official financing institutions. Accessing finance in Mozambique is a complicated task, mainly due to the overbearing bureaucracy in processing financial requests and the lack of necessary guiding information. Many SMEs maintain that banks and other financial institutions are reluctant to fund SMEs primarily due to lack of collateral security. The lack of collateral, stringent requirements such as the insistence on account books, business plans and many other bureaucratic hurdles have been prohibitive, as most SMEs are too young and fragile to meet these prerequisites. The criteria used to select SMEs for financial and other institutional support are not immediately clear from the present study. The majority of owner-managers of SMEs in Mozambique preferred informal financial sourcing to the formal services sector. According to Cunha (2014) in Maputo province, an informal lending system known as Xitique, which is considered as an informal saving and credit arrangement based on mutual trust, is preferred over formal financial institutions especially within the women business consortia.

To a certain extent governments agencies are supporting infrastructures development, business incubators, (techno-parks), consulting and training centres, special tax regimes, and outright financial support through loans and grants. Through the IPEME and GAPI in Mozambique, the government offers business and management training including courses on creation and developing own businesses especially aimed at start-ups and the youth. Its main sub-division, the IE, is offering preliminary business management and development of micro and SMEs through specialized enterprises incubators. The IE strategy however, does not outline in details how the planned incubation course of action is aimed at financially empowering the young entrepreneurs who wish to launch their small businesses, or sustain those that are already in operation. The Mozambican government has not positively created alternative state owned funding agencies like in the case of South Africa to financially support SMEs that cannot qualify for funding from formal financial institutions. This is a serious gap that needs to be addresses by the government if it really wished to see the creation of new start-ups and growth of the existing SMEs sector.

4.2 Results on SMEs inquiry on whether they received large firms support

The second examination entailed ascertaining from owner-managers to find out if they had been supported by any large enterprises from start-up and during their phase of growth. The results are in Table 2 below.

Table 2: Results of SMEs regarding large enterprises support

Large firms support to SMEs	Descriptive Analysis	
	Frequency	Percent
Not receive large firm support	435	89.69
Received large firm support	49	10.1
Missing	1	0.21
Total SMEs Surveyed	485	100

The results were disheartening, as only 10.1 percent of SMEs responded to have received any large enterprises support. When asked whether large enterprises support was crucial for their undertakings, many SMEs in Greater Maputo gave a positive rating. Manufacturing SMEs overwhelmingly agreed that they could

have increased production and productivity if large enterprises subcontracted them or shared production techniques, innovations or even allowed the SMEs the use of factory facilities in some of the large industries. Large enterprises can support SMEs in incubation, by funding and training entrepreneurs, in subcontracting SMEs especially manufacturing, or by allowing infant SMEs the use of the large companies' workplaces and offices. Both large enterprises and SMEs can benefit in growth prospective by forming two-way joint ventures that make the most of this partnership at the same time respecting the autonomy of each other. MOZAL buys about one third of their factory inputs from SMEs. Nevertheless, a lot of SMEs have complained that the aluminum smelter could do more to support SMEs through outsourcing, financial support to procure tools and raw material and staff training.

Large enterprises on the other hand complain that local Mozambican SMEs are not efficiently equipped to offer services to large industries. Langa and Mandlate (2013) undertook a study aimed at potential SMEs that could work with large firms. The study found that over ninety percent of these SMEs had problems with product quality, were not financially organized, had deficiencies in their understanding of the market and sales strategies; had no previous experience working with large companies and used obsolete and malfunctioning machinery tools. The government has an onus to intervene and correct this market failure. One reason for low SMEs inability to tap on large firms support can be attributed to the paucity of information relating to training for entrepreneurs in Mozambique. A report on Mozambique by the International Growth Sector - IGS (2016) reveals that the government created the Entrepreneurship Curriculum Programme (ECP). This program was initiated by the Mozambican ministry of education and culture, together with UNIDO and the government of Norway. The programme aimed at promoting entrepreneurship creation. Such noble initiatives nonetheless, may not be known to many budding SMEs in remote areas and ordinary folk due to low publicity.

4.3 Outcome of survey to SMEs that benefited from NGOs support

Further investigations were carried out to find the impact of NGOs to SMEs in Greater Maputo and Mozambique as a whole. The results are outlined in Table 3 below.

Table 3: The results of NGOs role in supporting SMEs

NGOs support to SMEs	Descriptive Analysis	
	Frequency	Percent
Not received NGOs support	446	91.96
Received NGOs support	36	7.42
Missing	3	0.62
Total SMEs Surveyed	485	100

The results show that most SMEs (91.96%) were not aware of the existence of NGOs support, let alone having experienced support from this sector of the economy. Few NGOs reached out to SMEs especially those located in secluded regions and districts of the country. Just to show that they were alive and active, and to impress the government into renewing operating licenses, many NGOs appeared to give token support to very few SMEs that were in close proximity in the Maputo metropolitan. Many respondents in the study lamented that NGOs failed to structure their support strategies to meet training needs or organizing interest free financial assistance to SMEs. The immediate inference is that NGOs are uncoordinated; they create parallel SMEs projects among different establishment to the extent that they put the small business sector away from their routine duties in order to serve the self-centred expectations of the NGOs. Few NGOs formulated support projects to shops, hotels or restaurants belonging to the commerce sub-sector. Even fewer have strategic plans to assist manufacturing SMEs in the quest of improving productivity, understanding market methods, and most importantly adopting appropriate means of organizing accounts and management approaches. The reality in Mozambique is that support from NGOs is channelled to public institutions so as to appease the government that the NGOs were performing a credible role in the country, in order to maintain their survivability. This is clear evidence that the government ministry that is responsible for the development of SMEs is not publicising the information that is vital for SMEs and that it serves no purpose to have NGOs that purport to exist for SMEs yet unknown to the main stakeholders.

Contrasting arguments maintain that the rate of SMEs failures is high and those surviving are plagued with mismanagement. Owner-managers of these enterprises were not preparing accounts; not submitting proper business plans and had no updated tax returns or registered database of workers contributions to provident funds. As a consequence, many NGOs supporting organizations were cautious and weary of ploughing their scarce resources into the small businesses. SMEs needed to research and use their knowledge resources in

society to improve their organizational performance in a competitive environment. The performance of SMEs can vary with the selection of state policy adopted. The reality is that in most developing countries like Mozambique government policy is usually effective for enterprises involved in high volume production rather than SMEs.

If the blame was not on the SMEs themselves then NGOs in Mozambique have exceptionally, become self-centered, inefficient, having unnecessary high costs within their midst, poor human-resources capabilities and are overtly overdependence on foreign donors. The government is expected to play a leading role in supervising the operations of NGOs, insisting on accountability, be adamant on NGOs projected plan of actions to support SMEs, and impose conditions on renewal of operating licences upon demonstration of clear supportive commitment towards the small business sectors.

4.4 The government's participation in supporting SMEs

In an effort of determining how the government can fill in the supportive gaps left out by other institutions, the research prodded the government sector itself, by asking the SMEs if they had experienced any government support either at the time they launched their enterprises, or during the operative period. The responses are shown in Table 4.

Table 4: The level of government support to SMEs

Government support to SMEs	Descriptive Analysis	
	Frequency	Percent
Not receive government support	308	63.5
Received government support	175	36.08
Missing	2	0.42
Total SMEs Surveyed	485	100

The results showed that only 36.08 percent of the SMEs had experienced some sort of direct government support. Although the percentage proportion is higher than the percentage ratios of support SMEs received from large firms and NGOs sectors, it is lower than the percentage ratio of support offered by financial institutions to SMEs. This is not an encouraging sign, because the government is regarded as a reliable arbitrator to fill the gaps left by commercial banks and micro-financing organizations in providing financial support to SMEs. The government should act as a regulatory body that can rectify the weaknesses of large firms and NGOs in rendering assorted types of support to SMEs. A majority of small enterprises in Mozambique do not enjoy property rights, an aspect that dispossess them of access to both capital and credit from financial institutions, in order to raise collateral. This is an area where government support could be of assistance. The government of Mozambique often amends laws in line with its political policies. Hence, SMEs regularly have to be compelled to alterations in the legal framework, to align themselves to the new policies. These policies will cause a considerable impact on the competitiveness, ambitiousness and expediency of SMEs. If the government cannot set up alternative funding organizations, then it would be failing in its duties. The government should link with financial institutions in order to offer guarantees to allow SMEs secure loans. It could establish training divisions to assist SMEs in drafting business plans and organize accounts, to make SMEs credit worthy.

5. Conclusions

It is universally agreed that SMEs are the engines of growth in almost all economies in the worlds, and it is internationally agreed that the sector needs support of all kind at their birth and during growth to nurture them in order to avoid premature termination. This research looked at the role that the government in Mozambique can do to fill the supportive gaps that are not fulfilled by other important sectors of the economy. In so doing the study evaluated support that is rendered by financial institutions, large enterprises, and NGOs amongst others. The research problem was to determine if these sectors rendered important support that allowed entrepreneurial youth launch start-up SMEs, and enable established SMEs to survive and grow in order to curb the endemic problem of unemployment in Mozambique and also contribute to national income. It was found that in general less than half of all SMEs surveyed reported to have received any support from the three agencies under scrutiny. If this was not enough, it was discovered that the government, a body that was regarded as a referee in filling in gaps that were left out by the other sectors was itself not doing enough to sustain SMEs.

It was recommended that the government introduce incentives and concessions to institutions supporting SMEs. Government incentives such as tax rebates to large corporations that subcontract SMEs and outsource from them, and friendly regulatory terms to financial institutions that offer lenient credit facilities to

SMEs are needed. Incubators should be used to promote productivity in manufacturing, innovative skills, negotiations tactics and bargaining powers with buyers and suppliers. Incubators should be restructured to empower SMEs with the instincts of competitiveness rather than emphasizing purely on entrepreneurial promotion. Organised training programmes are necessary for SME development and sustainability. Government can support start-ups and the smallest firms by offering them infrastructural support, interest free loans, and very lenient tax regimes (for example a three years tax relief program) that can benefit especially manufacturing SMEs endowed with limited production facilities. Such measures will also encourage informal businesses into legalizing their activities and contribute to paying taxes and provident funds for their workers. It is the imperative of the government to establish institutional structures that will nurture and support SMEs past the formative years and ensure that they survive the vagaries of metaphorical 'infant mortality'.

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