

The Environment for Small and Medium-Sized Enterprises in Niger

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Abstract: Based on a review of secondary institutional data, the study seeks to analyze the environment of Niger's SMEs in all its dimensions. The analysis focused on the business environment, the economic and political environment, and the institutional framework. The challenges to be met were then examined. In terms of the business environment, the Doing-Business 2020 report shows an improvement in the business climate, with Niger gaining a number of points. From an economic, political and institutional point of view, a great deal of effort has been made, as demonstrated by the setting up of several support and facilitation structures for SMEs. Despite all these improvements, much remains to be done, especially with the recent political and institutional crisis (26/06/2023) with all its consequences. Challenges remain to be met by SMEs and the authorities alike. This study has the merit of having added to our understanding of the SME environment in Niger.

Keywords: SMEs, environment, economic, institutional level

1. Introduction

Today, it is increasingly recognized that SMEs, like large corporations, take their environment into account. The OECD (2000) provides valuable information in this respect. The managers of these companies are said to be constantly on the lookout for information to ensure their survival. 80% of these managers claim to be insufficiently informed about the assistance they can obtain from institutions set up for this purpose.

When the environment is turbulent, SMEs are more willing to make changes, in contrast to the inertia that characterizes large companies (Gueguen, 2001). This perception of SMEs as being able to react to changes in their environment induces an ambivalence between their strategic and internal capacities. This enables this category of company to compensate for its lack of resources by seizing the opportunities offered by proximity. The closer an SME is to its environment, the more power it wields over it. It is in a position to exercise control and has developed a sense of anticipation of environmental changes. Chauvet (2004) believes that the power in question directly links the organization's capacity to adapt and react, i.e. the ability of SMEs to respond to environmental transformations and constraints. According to the World Bank (2011), they can be a crucial factor in a country's economic growth and development.

In Niger, a particularly under-industrialized country, the importance of SMEs for economic growth and the fight against unemployment is paramount. SMEs account for 90% of all businesses in the modern sector. But these entities are struggling to play this role to the full, as they are confronted with a difficult business climate, a restrictive institutional and regulatory framework, a lack of competitiveness, and an entrepreneurial and innovation culture that is insufficiently developed and promoted.

This article proposes a framework for analyzing the environment of Niger's SMEs. To do so, it will first examine the business environment, then the economic and political environment, and finally the institutional environment, before addressing the challenges faced by these companies. The overall aim is to provide an overview of the SME environment in Niger.

2. Definition according to the Niger SME charter

The notion of SME includes that of SMI (Small and Medium-sized Industry). Under the Charter, an SME is defined as any natural or legal person producing goods and/or marketable services; SMEs include micro, small and medium-sized enterprises.

2.1. Micro-business

Micro-businesses are those that meet the following criteria and thresholds:

- From 01 to 03 employees ;
- Streamlined internal accounting ;
- Trade directory registration ;
- Annual sales less than or equal to ten million (10,000,000) CFA francs, excluding taxes.

2.2. Small businesses

Small businesses are those that meet the following criteria and thresholds:

- From 04 to 10 employees ;
- Lean bookkeeping in-house or with the help of a certified professional (Approved Management Center : CGA)
- Be registered with the Commercial and Personal Property Credit Register;
- Annual sales excluding taxes of more than ten million (10,000,000) FCFA and less than or equal to fifty million (50,000,000) FCFA ;
- Minimum investment of 1 million (1,000,000) FCFA.

2.3. Medium-sized enterprises

Medium-sized companies (MSEs) are all those that meet the following criteria and thresholds:

- From eleven (11) to fifty (50) employees;
- Regular bookkeeping according to the standard system in force in Niger and certified by a member of the Order of chartered accountants and chartered accountants, compatible with the provisions of the organization for the harmonization of Business law in Africa (OHADA);
- Registration with the commercial and personal property credit register;
- Minimum investment of five million (5,000,000) FCFA;
- Annual sales excluding tax of more than fifty million (50,000,000) FCFA and less than or equal to Five hundred million (500,000,000) FCFA;

3. Niger's business environment

Despite their demographic growth and economic potential in recent years, Niger's SMEs remain fragile and struggle to fully play their role as the driving force behind the country's economic expansion. These entities face enormous challenges and constraints. According to the World Bank report (2007), the main common constraints to their development are in the manufacturing, trade and hotel sectors.

3.1. The taxation system

Tax rates and their administration are major concerns for managers, for 68.4 and 63.2 percent respectively. The study shows that Niger's tax system is still characterized by relatively heavy taxation, focused mainly on collecting revenue from a limited tax base of formal businesses. The tax system is essentially made up of a cascade of taxes, adding to the burden on businesses. The managers interviewed even consider that certain taxes are excessive, and act as a brake on the promotion of the private sector, both in terms of the nature of the taxes levied (patente, flat-rate minimum tax) and their rates.

3.2. The cost of financing

Access to financing and its corollary, the cost of financing, are also major problems for business owners. SMEs have great difficulty in obtaining bank financing, and Nigerien banks often require substantial guarantees, which they see as the counterpart to a lack of quality projects. This situation is not surprising, given the conservative lending policy focused on certain large companies, the high concentration of financial institutions and relatively high interest rates.

3.3. Corruption

Corruption, which 50% to 61% of managers cite as a major or very severe constraint. Despite the reform of the public procurement code, many SMEs find it difficult to access contracts if the managers are not members of the ruling parties. The rules are often circumvented. This has even prompted the creation of a National Agency for the Regulation of Public Procurement.

3.4. Competition from the informal sector

Competition and processes in the informal sector were cited among the six most important constraints. This comes as no surprise, given the importance and weight of the informal sector in the national economy. It is often difficult to distinguish between the two categories of business, since those that are informal are often perceived as formal. Even if they do not comply with existing regulations, they are perceived as benefiting from cost advantages.

3.5. Energy costs

NIGELEC's electricity supply is not of sufficient quality due to load shedding, especially during hot spells. The cost also remains high for SMEs.

3.6. Doing-Business" ranking

The World Bank's "doing business" rankings show that Niger has made great strides in making it easier to do business. For example, in 2020, Niger was ranked 132nd worldwide and 22nd on the continent. This progress is the result of political will and efforts to support the reforms undertaken by the World Bank. According to the report, Niger has notably improved access to credit information by expanding the activities of the credit bureau and starting to provide data on public utilities.

He points out that the government has adopted various measures to attract more investment. These include revising the process for obtaining building permits, strengthening the system for settling disputes relating to the performance of contracts, improving the performance of the electricity sector, and registering and transferring property titles. In addition, a new investment code has been adopted, the minimum capital required to start a business has been reduced, and access to water has been improved. These efforts were seen by the World Bank as essential to encourage investment, especially in the underground resources sector, the country's main asset.

4. Political and economic environment

4.1. The business environment

Niger's economy is dominated by the agricultural sector, whose contribution to Gross Domestic Product is estimated at nearly 40%, and over 80% of the population lives in rural areas. According to the AfDB (2022), economic growth in Niger in 2021 was weaker than in 2020, mainly due to lower agricultural production as a result of poor rainfall. Economic growth in 2021 was driven by the secondary and tertiary sectors, as well as by an admittedly modest rise in household consumption and investment.

Inflationary pressures have eased, falling from 4.4% in 2020 to 3.19% in 2021, but the inflation rate remains above the WAEMU norm of 3%. The budget deficit stabilized at 5.2% in 2021, with public revenue and expenditure evolving in virtually the same proportions (INS 2021). The budget deficit was 85% financed by external resources, mainly grants. According to the AfDB (2021), economic growth should accelerate in 2022 and 2023 to reach 6.5% and 7.2%, driven by agriculture and supported by the new "3N" agricultural initiative : **Nigériens feed Nigériens**, continued public investment in infrastructure and increased FDI in the extractive sector.

For the World Bank (2022), the pace and trajectory of recovery will depend on climatic shocks, resilience to health shocks and changes in domestic and regional insecurity. The country's economy is vulnerable to climate change, and its population, over 70% of whom work in subsistence agriculture, is affected by volatile weather conditions. In recent years, Niger's economy has returned to growth, thanks to the combined efforts of various governments, the confidence of investors and donors, and a gradual improvement in the security situation.

4.2. The political environment

The relative political and institutional stability regained prior to the July 26, 2023 event¹ ; is not without consequences for private sector development. The recent performance of the Nigerien economy is a favorable factor for the development of the private sector (World Bank 2007). The country's authorities have long seen the private sector as a source of growth, and have implemented various reforms over the years. As a major strategic axis of economic development, the private sector nevertheless contributes less than 10% of GDP, due to persistent difficulties (unfair competition from the informal sector, merchandise smuggling, etc.).

5. At institutional level

SMEs tend to evolve within an institutional context that defines the principles of their operation (Marchesney 2003). This institutional framework is intended to create a climate conducive to the emergence of SMEs and a more competitive environment. In Niger, policies and measures have been implemented to ensure the proper functioning of the SME sector. In addition, texts and support structures have been put in place to facilitate the emergence of these businesses. The SME charter, for example, aims to provide small and medium-sized enterprises (SMEs) with a legal framework, and is part of the process of promoting them and creating a favorable environment to make them more competitive. Among the support structures is the Small and Medium-

¹ An interruption of the constitutional order on July 26, 2023, by the military grouped within the Conseil National pour la Sauvegarde de la Patrie (National Council for Safeguarding the Homeland).

sized Enterprises Department, responsible for implementing government policy on the development of small and medium-sized enterprises, drawing up a strategy for promoting and supporting SMEs, and helping to improve the environment for SMEs by putting in place a legislative, regulatory, fiscal and financial framework to encourage their development. The main mission of the Maison de l'Entreprise is to strengthen the economic fabric through the emergence of competitive companies and the improvement of the business climate in Niger. It also aims to foster the spirit, creation and development of businesses. As for CIPMEN, it was created in 2013 to support businesses related to information and communication technologies (ICT), renewable energy and the environment. While offering the necessary infrastructure and services, it is intended to ensure the sustained and perennial growth of projects from the creation phase through to development (Tahirou et al.2017). Its main mission is to strengthen the growth and improve the survival rate of innovative small businesses.

Also of note is FONAP, a structure attached to the Prime Minister's Office, created in May 2021 with the mission of promoting and financing SMEs. As independent structures, NGOs also provide the assistance and support needed to promote and develop SMEs. For example, the NGO N-Dev seeks to create an ecosystem conducive to the development of small businesses and rural associations in the fields of renewable energies, the environment, agriculture, livestock farming, agri-food processing and conservation.

However, despite these measures, Niger's SMEs still face institutional constraints. These constraints are sometimes inherent to the very structure of these companies. This latter situation is a source of challenges. On an institutional level, the weaknesses of the existing institutional framework explain the predominance and proliferation of several informal structures. Indeed, many SMEs stagnate in informality because they find the institutional constraints unbearable (UMOA 2020). Indeed, the institutional context is often deemed unsuited to the realities of SMEs. Some managers criticize the texts in force and regulating the sector for being even more restrictive and demanding with regard to these companies. And this sometimes translates into cumbersome administrative procedures (bureaucracy).

6. The challenges ahead

SMEs face enormous difficulties. This poses a number of challenges to their long-term survival. One of the first challenges is formality. Indeed, the informal sector occupies a large proportion of the national economic fabric. According to INS (2019), it accounted for 61.3% of Niger's Gross Domestic Product (GDP) in 2017.

The second challenge is access to finance: the inability to access finance remains a major obstacle to the survival and growth of SMEs. It is associated with weak financial markets or unfavorable borrowing conditions.

The third challenge is that of entrepreneurial or managerial competence. Many SMEs suffer from a lack of managerial skills on the part of their executives and employees. In fact, the lack of entrepreneurial or managerial skills can lead to unexpected problems that will reduce the company's chances of survival.

The fourth challenge is that of electricity supply: the lack of electricity or adequate power supply means that some cannot operate at full capacity, or is very costly to run. A World Bank study on enterprises (2010) ranked the electricity problem as one of the most important obstacles facing Niger's SMEs.

The fifth challenge is the mismanagement of resources. This is a common practice in SMEs in Niger, involving owner-managers using company resources and assets for personal gain, often exceeding the budget.

The sixth and by no means least challenge to the development of SMEs in Niger is the lack of liquidity. This is often the result of a persistent imbalance between resources and expenses arising from the operating cycle.

The seventh challenge concerns the lack of information management systems, and more specifically the lack of accounting and financial information, seen as one of the main causes of SME failure in Niger.

7. Conclusion

This article presents an overview of the SME environment in Niger, through an analysis of the business environment, the economic and political environment and the institutional framework. We note that several efforts have been made to make Niger's SME environment more conducive to their growth and emergence.

Despite all these efforts, the environment for SMEs in Niger remains rigid. There are still challenges to be met if SMEs are to play their full role as engines of national economic growth.

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