

The Contribution of Small and Medium Enterprises to the Economy of Swaziland – A Case Study of the Manzini City

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ABSTRACT

This study investigated contribution of small and medium enterprises to the economy of Swaziland. Comprehensive literature was reviewed. A cross-sectional analysis approach has been used. A sample of 80 respondents was selected using cluster random sampling technique. Data were collected using closed ended questionnaires. The reliability of the questionnaires was done using Cronbach Alpha on SPSS version 20. The data were presented in tables and bar graphs. The data were analyzed using SPSS version 20 where simple descriptive statistics, cross tabulations, Pearson correlation and dichotomous tabulation were used. The findings showed that small and medium Enterprises encounter different challenges that hinder their contribution to the economic growth of the country. It was concluded that small and medium-sized businesses are contributing more than big business to the Swaziland economy. It was recommended that the government should also encourage more Swazis to venture into small businesses and also attract more foreign investors into the small and medium Enterprises sector.

Keywords: *small and medium Enterprises (SME), Economy and Investors.*

INTRODUCTION:

This study sought for more information on the contribution of Small and Medium Enterprises to the economy of the country. In order to have a clear understanding the Small and Medium Enterprises in Swaziland it is crucial to mention the vision and the mandate of Small and Medium Enterprises in the country. (Msipa, 2015) The Small and Medium Enterprise Unit's vision is to be a vibrant player in Swaziland's economic development through an enabling environment that encourages small and medium-sized enterprises to establish successful rural families and other communities by creating domestic jobs and competitiveness in the international markets. The mission is to encourage and stimulate the development and growth of Small and Medium Enterprises through effective service delivery and the establishment of legal and institutional structure to achieve competitiveness. The mandate is that the Small and Medium Enterprise Unit has the overall responsibility of coordinating the implementation of the Small and Medium Enterprises Policy Objectives: Foster economic growth and development; increase employment opportunities; alleviate poverty by creating access to sustainable livelihoods; and increase levels of ownership in the economy for indigenous Swazis.

STATEMENT OF THE PROBLEM:

Swaziland is a developing country where much information is needed on how to improve the country's economy. In the recent days much attention has been focused on the Small and Medium Enterprises and

many campaigns have been done on starting small businesses as an effort to eradicate poverty. On the contrary, it was very clear that most of the small businesses starting in Manzini end up failing in a short time while those surviving continue to struggle in their profitability. (Geraldine, 2008) said that in Swaziland Small and medium Enterprises are an important base for economic development in developing countries. It has been argued that they are a seedbed for future development; they provide employment and to a great extent promote the standards of living of the rural communities. There is need to create an understanding on how the Small and Medium Enterprises contribute to the development of the country's economy hence this study.

OBJECTIVES OF THE STUDY:

- a) To investigate the contribution made by Small and Medium Enterprises to the country's economy.
- b) To consider obstacles Small and medium-sized enterprises face as an obstacle to their successful contribution to the economy of the country.
- c) To identify ways to enhance the growth of small and medium-sized enterprises to enhance their successful contribution to the economy of the country.

Significance of the Study:

The results may be useful to the Ministry of Commerce, Industry and Trade to help small and medium-sized enterprises build strong relationships with financial institutions and come with clear ways to obtain funds to develop small and medium-sized enterprises. The findings may also inspire the Ministry of Commerce Industry and Trade to support small businesses and coordinate and open up the international market for small and medium-sized businesses, as well as launch training programs for small and medium-sized businesses on how to increase their production. The findings may help the policy makers to come up with policies that govern the operation of the Small and Medium Enterprises and their involvement in the fast growing market and economy. The findings may also be beneficial to the Small and Medium Enterprises to seek for help on the areas that finding in the management of business and also form associations that would help in supporting each other. The researcher may also benefit from this study by knowing ways to improve productivity of Small and Medium Enterprises that in turn contributes to the growth of the country's economy. The findings may also be beneficial to future researchers to know the areas that need further investigation on the important of Small and Medium Enterprises and also use this study's findings as a guide to their intended researches.

Limitation of the Study:

The study used only questionnaires for collecting data where 80 questionnaires were distributed but only 70 were fully filled. The other 10 were not fully filled or blank; hence the researchers used only those questionnaires that were fully answered. During the study the researchers were not be able to collect as much data as planned because of the in-availability of enough time and funds. The researchers also encountered some resistance from some Small and Medium Enterprises who were not willing to share any information. These limitations were overcome by early planning, budgeting and explaining the purpose and benefits of the study. The use of only quantitative approach also limited the amount of data that were collected. To overcome this limitation the researchers made sure the questions were comprehensive enough to address all the research questions.

Location of the Study:

This research was carried out in Manzini City, where the majority of small and medium-sized enterprises are concentrated. The research was quantitative, covering small and medium-sized enterprises. It took six months for the study.

Contributions to the economy of small and medium-sized enterprises:

(R. Savlovski I., 2011) Point out that for their significant contribution to economic development, the position of small and medium-sized enterprises is recognized worldwide. All developed and developing countries recognize that small and medium-sized businesses and entrepreneurs have a crucial role to play

in a country's industrial development. So there's no wonder the political strategists have often thought the Small and Medium Enterprises could become the "pillar" of economic revival. (Cattaneo, 2011) Small and Medium Enterprises are now recognized worldwide as contributing significantly to the nation as well as to the development of the population as follows: contributing to the economy through the production of goods and services; contributing to the community in various ways; promoting job opportunities and using local resources properly Provide opportunities for qualified and semi-skilled workers to expand; generate diversity by improving entrepreneurial and managerial talent; address income disparity gaps; and incorporate sufficient technological advancement for other small and medium-sized companies to offer new products and services together with the establishment of new businesses and also adds that small and medium-sized enterprises have contributed not only to economic growth, but also to social growth. Some avenues include: encouraging women to run their own business; joining young adults to create business alliances; mushrooming new innovative goods to ease people's lives; People are able to access goods and services near their homes; eventually, people's lifestyles are changing in order to gradually make their lives better.

(Suryahadi, 2011) small and medium-sized businesses have a higher impact on the level of employment in countries with a lower per capita income, around 78% relative to countries with a higher income, where the proportion drops to 59%. Small and medium-sized enterprises provided 67% of jobs in the EU in 2010. Micro-enterprises contribute approximately 30% of that amount, small businesses contribute approximately 20% and mid-sized businesses contribute 17%. (Unit, 2011) in Japan, the degree of employment litigation relative to Small and Medium enterprises was 69%, while in the U.S. of 57,9%. Later reports have presented larger values of this indicator, pointing us to one conclusion: the growth of Small and Medium Enterprises numbers globally has had a positive impact through creating new jobs and lowering unemployment.

The contribution made by Small and Medium Enterprises varies widely between countries and regions, (Niño-Zarazúa, 2011) despite playing particularly important roles in high-income countries, small and medium-sized enterprises are also important for low-income countries, making significant contributions to both GDP and employment. We also contribute significantly to economic growth, partially through cooperation with the larger corporate sector. (Blackburn, 2010) Points out that small and medium-sized companies embedded in the supply chains of larger corporations can be encouraged to develop their own human and technical resources, thus improving their own competitiveness and efficiency. When combining the data for those countries for which reasonably good data are available, Small and Medium Enterprises account for 52% of private sector value added tax, which provides a reasonable estimate for the sector's global economic contribution. The contribution of Small and Medium Enterprises to economic fundamentals nonetheless varies substantially across countries: from 16% of GDP in low-income countries (where the sector is typically large but informal) to 51% of GDP in high-income countries.

Area of the Study:

This study was conducted in the Manzini city which is well known as a commercial and trade city and the hub of the main public transport. The researchers preferred this setting for this study and it was the central place and more familiar to the researchers. The city also has variety of small business entities that were of great help for this study.

Population of the Study:

(Chirisa, 2014) Defines a population of study as usually a broad collection of individuals or artefacts that are the main focus of a scientific question. For this analysis, the population consisted of all the small and medium enterprises in the city of Manzini. Only 40 Small and Medium Enterprises were chosen by the researchers because of time and financial limitations. In the 40 small and medium-sized enterprises.

Sample of the Study:

Defines a sample as a population subset. The main function of the sample is to allow researchers to perform the analysis to population individuals so that the findings of their study can be used to draw conclusions that will apply to the entire population. With this in mind, the researchers selected a group of 80 Small and Medium Enterprises respondents.

Collection of the Data:

The Ministry of Education and Training and the Manzini City Council sought permission to undertake the report. Upon visiting the selected Small and Medium Enterprises, the researchers told them about the study and what they would expect. Arrangements were made on the time and venue of the data collection. An oral informed consent was used. The researchers personally administered the questionnaires, gave all the instruction on how to fill them and gave the respondents enough time to fill out the questionnaires. The researchers collect back the filled in questionnaires and thanked the respondents.

ANALYSIS OF THE DATA:

Data from questionnaire were first be tallied, entered in the SPSS spreadsheets. This was followed by coding where variable were assigned numerical codes. Tables and figures were used for presenting the data. Simple descriptive statistics, cross tabulation, correlation were used for analyzing the data and also dichotomous tabulations were used for analyzing the responses on Likerts scale. In tables and graphs, the data is presented. Starting with demographic data, the data is presented and then the data answering each of the research questions. Simple descriptive statistics, Pearson correlation and dichotomous tabulation are also used to analyze the data. The chapter also addresses the conclusions ' discussions.

Demographic Information

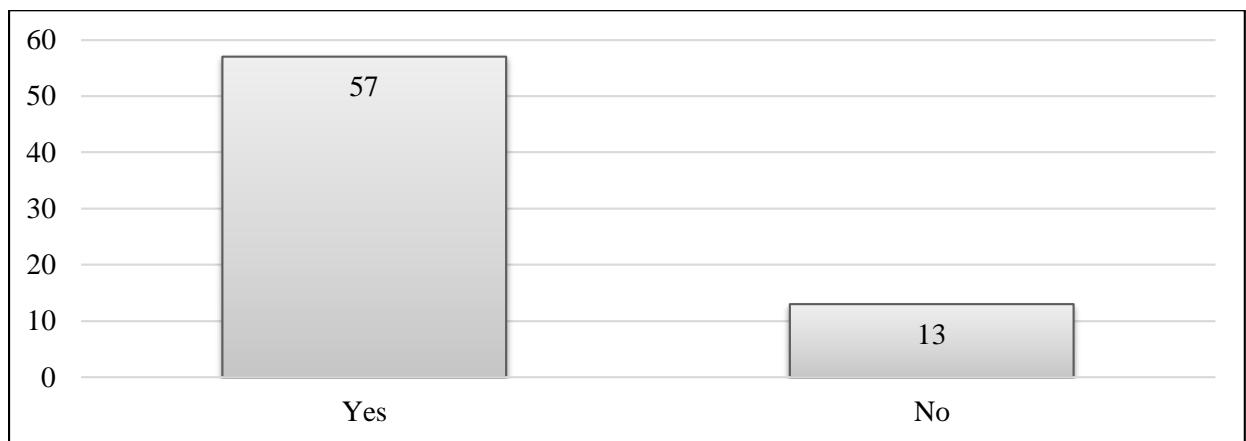
Table 1: Respondents demographic data			
Item	Frequency	Percent	Cumulative Percent
Respondents' gender			
Male	32	45.7	45.7
Female	38	54.3	100.0
Total	70	100.0	
Respondents' age			
Below 20 years	9	12.9	12.9
Above 21 years	61	87.1	100.0
Total	70	100.0	
How long respondent's business has been operating			
Less than five years	30	42.9	42.9
More than five years	40	57.1	100.0
Total	70	70.0	
Respondents' level of education			
Primary	11	15.7	15.7
Secondary	28	40.0	55.7
Tertiary	31	44.3	100.0
Total	70	100.0	
Description of respondents' business			
Sole proprietorship	26	37.1	37.1
Partnership	14	20.0	57.1
Family business	21	30.0	87.1
Others	9	12.9	100.0
Total	70	100.0	

Source of Data: Primary Data

Table 1 is a scientific table showing the respondents’ demographic information. As shown in the table 54.3% of the respondents were female while 45.7% were Male. In terms of age, 87.1% of the respondents were above 21 years old while 12.9% of them were below age 20. The data also shows that 57.1% of the respondents revealed that their business had been operating for more than 5 years while 42.9% revealed that they had been operating for less than 5 years. In terms of level of education it was revealed that 44.3% of the respondents had gone up to tertiary level of education, 40% has gone up to secondary school level while 15.7% had gone up to primary school level. It was further revealed that 37.1% of the respondents were in a sole proprietorship business, 30% of them were in a family business, 20% were in a partnership business while 12.9% of them were in other forms of business.

This demographic data could imply that majority of the respondents above 21 years old and most their businesses had been operating for more than 5 years. This could be interpreted that the respondents were considered mature enough and with good business experience hence information rich for this study.

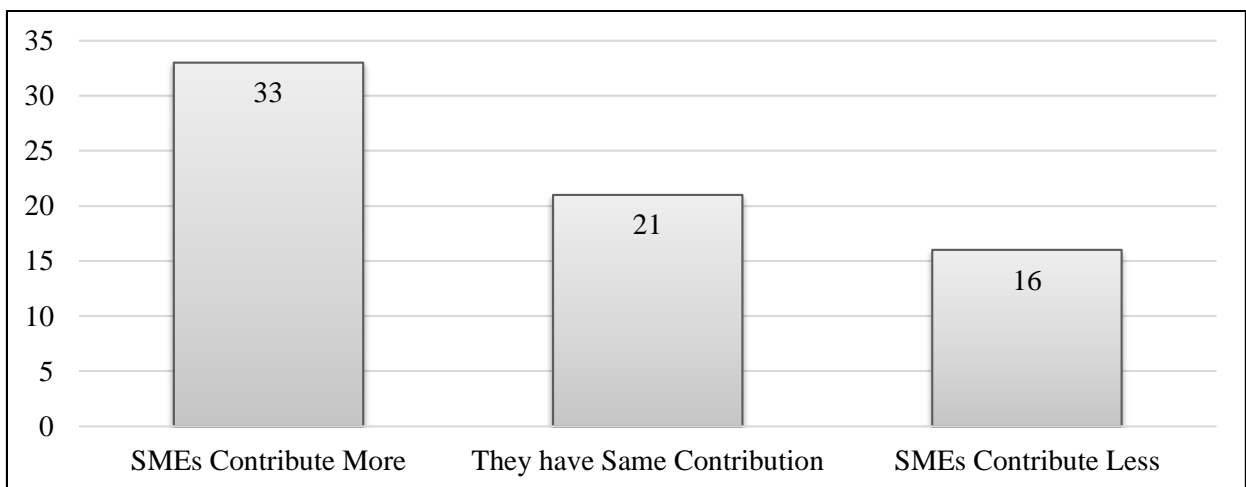
Figure: 1 Responses on Small and Medium Enterprises contributes to the country’s economic growth



Source of Data: Primary Data

Figure 1 Present answers as to whether respondents believed that Small and Medium Enterprise contributed to the economy of the country. The answers showed that 81.4% of respondents said yes and 18.6% said no to most. This means that a large number of respondents believed that Small and Medium Enterprises are contributing to the country's economy.

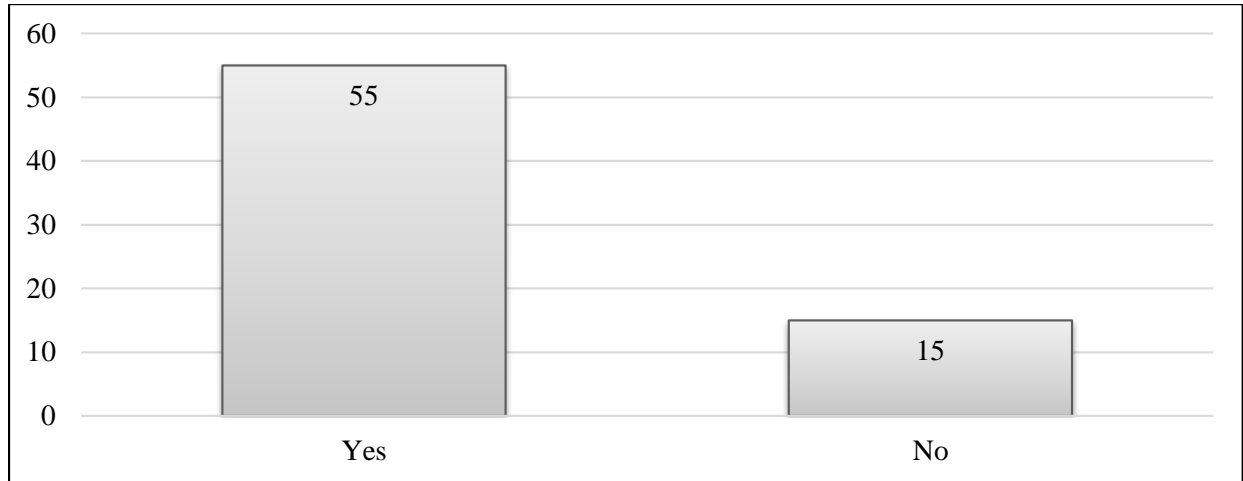
Figure 2: Small and Medium Enterprises to the country’s economy when compared with big companies



Source of Data: Primary Data

Respondents were asked to give their views on how they compared the contribution made to the economy by Small and Medium Enterprises and the big companies. The responses in Figure 2 showed that 47.1 percent of respondents said that Small and Medium Enterprises contributed more, 30 percent said they had the same contribution, while 22.9 percent said that Small and Medium Enterprises contributed less to the economy. This means that a large number of respondents conclude that small and medium-sized businesses contribute more to the economy than the big companies.

Figure 3: Contribution of Small and Medium Enterprise to economy increase when internationalized



Source of Data: Primary Data

Respondents were further asked to tell whether the home economy will increase if the Small and Medium Enterprises were internationalized and start exporting goods and services to foreign markets. The responses showed that 78.6% of the respondents said yes while 21.4% of them said no. This implies that a significant number of respondents were of the idea that if Small and Medium Enterprises are internationalized and start exporting goods and services to foreign markets they will definitely increase their contribution to the home economy.

Table 2: Responses on how Small and Medium Enterprises contribute to the growth of the country’s economy

	Frequency	Percent	Cumulative Percent
Promising a way out of poverty	17	24.3	24.3
Creation of jobs	35	50.0	74.3
Provide money to invest in children’s education	4	5.7	80.0
Improves business skills for lowly educated businessmen	7	10.0	90.0
They provide affordable goods and services to the poor	4	5.7	95.7
They bring new products and services	3	4.3	100.0
Total	70	100.0	

Source of Data: Primary Data.

Table 2 presents the responses on how respondents thought Small and Medium Enterprises contributed to the growth of the country’s economy. The responses show that 50% of the respondents said creation of

employment and 24.3% of them said promising path out of poverty. Certain responses showed that 10% of respondents said Small and Medium Enterprises were developing business skills for low-educated entrepreneurs, 5.7% said Small and Medium Enterprises were providing money to invest in education for children, another 5.7% said they were providing affordable goods and services for the disadvantaged, while 4.3% said they were bringing new products. This implies that according to the respondents Small and Medium Enterprises majorly contribute to economy in two ways which are by creation of employment and eradicating poverty.

RECOMMENDATIONS OF THE STUDY:

Recommendations for Education:

- The government of Swaziland should do more training for Small and Medium Enterprises on how to improve profitability and keeping records.
- The Government of Swaziland should make the study of Business and entrepreneurship subject's compulsory right from primary schools in order equip young people with business skills for economic growth.

Recommendations for practice:

- Small and Medium Enterprises should venture into international profitable businesses. They should also comply with tax payment and also seek for more advice from any relevant organizations on how to improve their businesses.
- The government of Swaziland and policy makers should make policies that will enable Small and Medium Enterprises acquire financial support from financial institutions in order to expand their businesses and also reduce their tax rates.
- In addition, the government will enable more Swazis to join small businesses and draw more foreign investors to the small and medium-sized enterprises market. The government should also create a favourable business environment for small and medium-sized enterprises

Recommendations for further studies:

- A comparative study is needed on the Small and Medium Enterprises and big companies contributions to economic development.
- Further studies needed on the influence of training in Small and Medium Enterprises growth.

CONCLUSIONS OF THE STUDY:

- Small and Medium Enterprises make more contribution to the Swaziland economy more than big businesses. Also if Small and Medium Enterprises are internationalized and start exporting goods and services to foreign markets they will definitely increase their contribution to the home economy by creation of employment and eradicating poverty.
- Financial constraints have always affected the growth of small and medium-sized enterprises, while lack of vision, lack of basic management skills and lack of transparency and accountability also affect the growth of small and medium-sized enterprises.
- Small and medium-sized businesses holders are faced with volatile price changes for their goods and services in fear of borrowing due to high rates and lack of collateral times.
- In order for Small and Medium Enterprise to enhance a quick economic growth there is need for small business tax compliance, more Swazis running/ dominating Small and Medium Enterprises, attracting more foreign investors to run Small and Medium Enterprises and government's efforts to creating a conducive business environment for Small and Medium Enterprises.
- Also in order for Small and Medium Enterprises to increase their contribution to economy there is need for free training on business management skills, financial institutions allow Small and Medium Enterprises access to loans and credit, training on record keeping, the use modern technology in business and prayer.

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