

Assessing the Impact of MSMEs and Entrepreneurial Policy in Developing Countries

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Presentation

Outline

- Introduction
- Impacts of MSMEs and Entrepreneurial Policy
- The Need for a Vibrant MSME Sector
- Impacts of MSMEs and Entrepreneurial in The Gambia
- Challenges and Way Forward

IMPACTS OF MSMEs AND ENTREPRENEURIAL POLICY

- MSMEs and entrepreneurship are crucial in boosting job creation and promoting economic growth in many developing countries.
- They are visible in the pursuit of putting Developing countries on sustainable economic development
- Over the years, developing countries' governments' work tirelessly on strategies in formulating policies that seek to promote the activities of the MSME and Entrepreneurship which have given rise to rapid development
- Thus, reducing inequality, alleviating poverty, and reducing burden on the poor, particularly the youth and women.

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- MSMEs comprise a significant portion of all private sector organizations in developing nations
- 98% of private businesses in developing countries like Peru are MSMEs, accounting for 60% of employment and 42% of GDP
- Similarly, in Kenya and Cambodia, MSMEs account for over 80% and 50% of all jobs, respectively
- They offer a wide range of products and services, from traditional crafts to cutting-edge technology, creating a vibrant economic landscape.

The Need for a Vibrant MSME Sector

It is accepted that MSMEs are an essential component of any growing and dynamic economy whether developed or developing.

In studies from a broad range of countries the following points are reinforced:

- MSMEs are essential to economic growth, wealth creation and employment in economies both large and small;
- The more vibrant the MSME sector, the healthier the national economy;
- The impacts of the MSME sector go beyond wage creation - they generate employment for poor, low-skilled workers, increase skill development

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- **Entrepreneurship Policy**-aims to support entrepreneurship development by establishing an enabling regulatory and institutional framework for the entrepreneurial spirit to flourish. To create new economic activities improve local productive capacities, provide solutions to environmental and social challenges and generate decent jobs.

Thematic Areas

1. **Optimizing the Regulatory Framework** - To reduce the regulatory and administrative hurdles for business start-ups by streamlining procedures, expanding access to information, reducing costs, increasing the benefits of Formalization.
2. **Enhancing Entrepreneurship Education** - To recognize entrepreneurship as a subject and integrate its teaching across other disciplines at all levels of formal education and technical/vocation training, whilst strengthening non-formal training and skill development systems .

Impacts of MSMEs and Entrepreneurials in The

Gambia

- The Gambian economy is characterized by a pre-eminence of MSMEs engaged across all identified priority sectors although, most of them operate informally
- they constitute 60% of the active labor force and contribute about 20% of the GDP MSME Mapping 2018)
- MSMEs and Entrepreneurs play multiple roles in the economy as labor sponge, skills-building through apprenticeships, and introducing new services and products to the market amongst others.
- The Government of The Gambia having realized the importance of the MSME sector finalized an MSME Policy
- and Strategy in 2019 which provided a comprehensive, targeted and coherent framework to promote the sector
- characterized by innovative and competitive businesses, and to be supported by a very

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- Conducive institutional and regulatory business environment
- In spite of the initiatives undertaken to promote MSMEs and enhance their potential benefits, there still remain both internal and external challenges to their growth
- Most MSMEs still depend on internally generated funds and borrowing from informal sources.
- Credit to the Private Sector represents 14.7% of GDP, which is well below the regional average of 58.7%
- Interest rates charged by financial service providers hover around 18% per annum and require hard collateral.

Challenges

Coherent policy and regulatory frameworks

- Most of the MSMEs in developing countries do not have a clear regulatory policy framework that enhances means to promote sustainable growth.
- This has significantly contributed to the deterioration of my MSMEs in Developing Countries, hence most of them are in the informal sector

Access to finance

- Finance for start-ups is non-existent; because of the high risk banks are not interested.
- Banks are risk averse to MSMEs because of lack of credit history, poor financial records, and lack of credible business plans
- Taxation is a contentious issue

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Imperfect information and capacity gaps

- Entrepreneurs and MSMEs suffer disproportionately from asymmetric information, including lack of market information
- Many entrepreneurs and MSMEs also struggle to find the support needed to strengthen their business management, marketing, record and bookkeeping, strategic and financial planning

Access to basic infrastructure

- Access to a stable electricity supply, road networks, ports and airports, water supply, as well as ICT are challenges these MSMEs are facing
- Broadband internet, is important to fostering private sector development and reducing the challenges that MSMEs already face in growing their businesses

Conclusion or Way Forward

To overcome the challenges and for a vibrant MSME and Entrepreneurship, The Gambia have developed different strategies which include :

Made in Gambia Strategy- 1. Promote policy coherence and build synergies to enhance the production and consumption of locally made goods to improve the country's competitiveness. This will boost the productivity of the local manufacturing sub-sector of the Gambia to become competitive in the region and the international community

The African Continental Free Trade Area (AfCFTA) national Implementation Strategy-This Strategy is aligned to the trade and private sector development priorities in the National Development Plan and will help in repositioning The Gambia to fully implement and take advantage of opportunities offered by the AfCFTA. It will also promote the use of digital technology to facilitate trade and investment through enhanced connectivity and competitiveness of the private sector particularly the MSMEs.

Formalization strategy- this strategy promote MSMEs and entrepreneurs to change towards their mindset to lead them to formalize to enhance them in enjoying the benefits of formalization.

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THANK YOU