

## *Original Paper*

# Large Enterprises Neglect Supporting SMEs in Mozambique

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### **Abstract**

*It is globally accepted that support to Small and Medium Enterprises (SMEs) at their birth and during growth is essential to nurture them in order to avoid premature deaths. Support to SMEs can come in many forms, but large enterprises support to SMEs, especially manufacturing ones is crucial to enable them to enhance their organizational structure, adoption of new technology and gaining financial stability. The objective of this research was to find out the impact of large firms support to SMEs and how the two sectors interact in the Mozambican economy. Using a sample of SMEs from Greater Maputo to represent the country as a whole, the study was carried out involving three sectors, manufacturing, services and commerce sub-sectors. The research used quantitative methodology applying face-to-face questionnaires, based on structured close ended questions. The study found that there was very little support to SMEs coming from large firm in Mozambique. It was recommended that more incentives and encouragements be given to large firms in order to increase their participation in SMEs development and growth in the country.*

### **Keywords**

*large firms, manufacturing, Small and Medium Enterprises (SMEs), support structures*

## **1. Introduction**

Empirical evidence purports that support is vital for the sustainability of SMEs in order to have the ability to spur economic growth and impact on resolving the problem of unemployment. SMEs need help not just to survive, but also to thrive: SMEs are in fact, the innovative management systems that constantly provide engine for growth in any country. In countries of Asia, particularly Thailand and Malaysia, a series of support structures that are adequately administered have substantially succeeded in promoting and nurturing SMEs, consequently increasing their capacity in employment creation (Ali,

2013). One particular support that is crucial to SMEs development is from large enterprises. Efficiently working SMEs have long proven themselves to be very proficient at forecasting market trends, benefiting from new technologies, and using their smallness to outpace larger enterprises. While their small size enables them to elude the unwieldy bureaucracies that deter firm's manoeuvrability endemic in large enterprises, SMEs are also restricted by undeniable realities that can be easily addressed by the involvement of large enterprises. Badal (2013) supports this premise by mentioning that when small companies work together with large corporations the SMEs reform themselves in a manner that improve their organizational structures, management procedures, and operations. These modifications lead SMEs to upgrade their technologies, increase their competence and most importantly, become financially stable. The objectives of this study is therefore to find out if large firms are actively supporting SMEs in Mozambique, and if not, to find out what measures are necessary to actively promote more large firms and SMEs cooperation in the country.

## **2. Review of the Related Literature**

The following sections will review the literature relating to the definition, structures and challenges that face SMEs in Mozambique, and later on evaluate the worldwide role of large enterprises in supporting SMEs, in so doing comparing the responsibility of these enterprises in Mozambique.

### *2.1 SMEs Definition, Role and Challenges in Mozambique*

SMEs have been defined according to size, turnover, business activity, ownership and legal status (Robu, 2013). Storey (2008) mentions that size, referring to the number of employees may be the most suitable defining term, given the heterogeneity of enterprises operating in this division. SMEs especially in the Mozambican context may be defined as firms employing less than 100 employees, while entities with less than five employees are categorized as micro-enterprises (Zimba, 2013). Compared to larger enterprises, SMEs tend to use less capital per worker and generally have the tendency to use capital productively. According to Hussain (2000), SMEs have significantly higher value-added to fixed assets ratios. SMEs choice of techniques is thus coherent with factor availability in Mozambique, which is a labour-abundant economy. SMEs are not only the fastest growing sectors in Africa and Mozambique—they are also taken as outlets for indigenous entrepreneurship (De Vletter, 1996; cited in Kauffmann & Parlmeyer, 2000). Entrepreneurial attitude and innovation are thus central for nurturing competitiveness and job creation within the SMEs (Fox & Sohnesen, 2013). Yet, there is still little available literature on the role of SMEs in employment creation or contribution to national income in Mozambique. Zimba (2015) maintains that although SMEs represented a larger portion of all businesses in Mozambique employing close to 70 percent of all working population, they contributed to a modest 24.1 percent of the national income.

SMEs employ workers with limited formal training, and use local raw materials that would otherwise be neglected. SMEs also gather together the merger savings of their owner-managers which tend to exist outside the formal banking system. Evidence from studies elsewhere in Africa have shown that

owner-managers of SMEs have amazingly high propensity to save and invest, even at quite low income levels (Nangoli et al., 2013). Many African economies, Mozambique included, are distinguished by the prevalence of a large number of informal SMEs which utilize lower levels of investment and skills, and handle relatively simple products (Fox & Sohnesen, 2013). The informal sector is distinguished by ease of entry, dependence on indigenous resources, family joint ownership of enterprises, small-scale operation, labour-intensive and adapted technology, skills acquired outside the formal school system, and free-for-all competitive markets (Jones & Tarp, 2012). The activities of the majority of SMEs in the informal sector are trade-related, while only a small percentage belongs to the services and manufacturing sectors. In most cases, start-up SMEs are created from personal savings or financed through informal savings schemes (Nangoli et al., 2013). Bank finance plays a very minor role in their operation. SMEs in Maputo are involved in informal lending groups such as the Xitique system prevalent all over Mozambique. About 1.6 percent of both the manufacturing and services sub-sectors had opted for the Xitique schemes compared with 0.9 percent within the commerce sector (Cunha, 2014). The informal lending system levies no interest, unlike loans from micro-financing or commercial banks.

SMEs face a series of challenges from inception, and through the process of growth. Some of the challenges of SMEs development in Mozambique include lack of financial facilities, lack of markets, tight and rigid government taxation systems, inadequate infrastructure, low capacity of research and development in technology, globalization and inadequate managerial knowledge and skills. Other challenges may include, barrier from global sourcing, low productivity and poor enforcement of regulatory legislations (Omar et al., 2009). Carter and Jones-Evans (2012) emphasise that there are five stages of SMEs growth, namely inception, survival, growth, expansion and maturity. SMEs go through a series of challenges when transiting through all these stages. The five stages are however, vital for SMEs development, and have to be well thought-out when any policy that is being construed basing on SMEs support. The five phase growth model has been contested by Storey (2008), who viewed SMEs growth as not a clearly defined and obvious growth path. The author argues that in order to incite the creation of entrepreneurship and tackle the challenges SMEs face, some external intervention are necessary and are advocated by many governments all over the world. Storey (2008) distinguishes between SMEs policy and entrepreneurship policy. The author does it by arguing that because there are different parameters between start-up SMEs and established enterprises, policies aimed at supporting start-up enterprises to overcome the burdening challenges, should differ to those aimed at already established and ongoing SMEs.

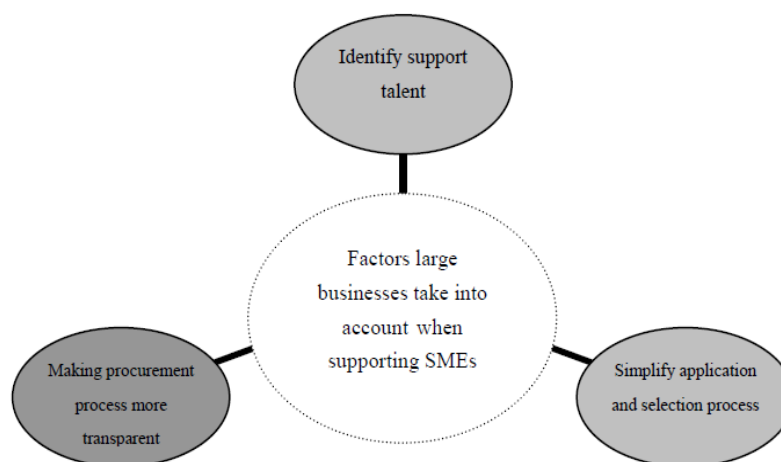
## *2.2 Support to SMEs in Mozambique*

Nangoli et al. (2013) alert that many SMEs do not survive their third year of operation. This might be due to the fact that no structured and holistic support is provided to still young but already established SMEs (i.e., entrepreneurs already operating for more than 2 years). Support to SMEs in Mozambique can be in the form of financial, education and training in business management, mentoring,

improvement in infrastructure and relief from taxations and import duties. Osano and Languitane (2016) argue that support programs in Mozambique should be formulated to empower SMEs so that they can be connected to the larger developmental national objectives with the major focus being poverty reduction and employment creation. Kihimbo et al. (2012) mention that financial institutions may support SMEs by providing finance with limited insistences on collateral, business plans and less bureaucratic paperwork. Government support for SMEs can take numerous forms such as training in business management, mentoring, infrastructure development and services. Muritala et al. (2012) researching government support schemes in Nigeria confirmed that the government offered tax holidays and tariff concessions to SMEs for the first six years of operation. The Mozambican government has also made efforts at tax relief to SMEs, but as Robert (2003) argues, this policy has not been well defined. Corporate Income tax of 30 percent is the same for all businesses regardless of size. Import duties on consumer goods is 20 percent, Value Added Tax is 17 percent, withholding tax at 15 percent, dividends (18 percent) and royalties at 15 percent. In short, these tax-rates do not favour SMEs in any respect. The objective of this paper is to analyse support to SMEs in Mozambique and specifically deliberate on the impact of support rendered by large firms to SMEs.

### 2.3 Large Enterprises Role in Supporting SMEs Worldwide and in Mozambique

Support from large firms is indispensable for SMEs development. As Dowd (2013) explains large businesses could support SMEs in incubation, by funding and training, outsourcing—or by allowing start-up SMEs use of the large companies' offices and workspace. Wilson (2014) argues that one of the main problems for SMEs progress and market ascendancy in Mozambique, is getting their goods and services recognized and appreciated by large companies. According to Badal (2013) when large enterprises decide to choose SMEs as their secure suppliers, they consider the following factors: (i) Identify support talent, (ii) Make the procurement process transparent, (iii) Simplify the application and selection process. These factors are recapitulated in Figure 1 below:



**Figure 1. Factors Large Firms Considers When Choosing to Cooperate with SMEs**

Source: Badal (2013).

Support from large enterprises to SMEs can be viewed as a mutual cooperation between two sectors through a vertical form of cooperation whilst interaction between SMEs themselves or large enterprises on their own is regarded as horizontal cooperation (James et al., 2014). Cooperation between SMEs and large enterprises tend to be of beneficial not only to the two concerns but the ramifications of the cooperation are felt throughout the economy as a whole. The following sections will review different composition of large firm and SMEs cooperation.

#### *2.4 Partnership in Subcontracting and Outsourcing*

Vertical accommodating ties are more significant and beneficial than horizontal co-operative ties in explaining firm levels of innovative performance (Cyhn, 2002). One major benefit of vertical cooperation is in innovation transfers and sharing between SMEs and large enterprises. SMEs are largely thought to be more innovative than larger firms for three reasons: they are characterised with a lack of entrenched bureaucracy, have more competitive markets, and stronger incentives (Edmiston, 2007). From a SMEs perspective, technological collaboration with large firms is a critical method for SMEs to improve innovativeness.

According to James et al. (2014) supply chain relationships are vertical relationships which originate with the flow of material goods, and where opportunities for learning and innovation can arise because of the existing commitment of the two parties (large firms and SMEs) to the trading relationship. At the same time Hussain (2000) argues that subcontracting which is an alliance between large firms and SMEs usually takes the form of vertical connections where inter-firm relationships are forged along the lines of the production and marketing chain within a specific industry. Industries extensively using subcontracting include the ones that have labour-intensive production process such as textiles and clothing and the ones that have multi-layered vertical production flows such as machinery industries (Edmiston, 2007).

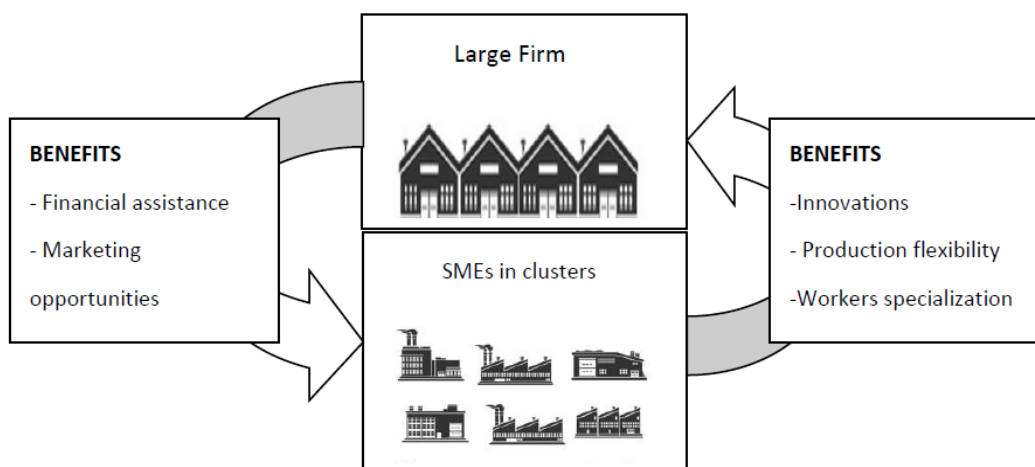
Large enterprises rely on their specialized ancillaries (SMEs) for the timely delivery of high quality components and services, while the SMEs owe their livelihood to regular sub-contracting from large firms (James et al., 2014). To guarantee the quality of the goods and services the larger firm receives, it is sometimes necessary for it to offer financial assistance, operational and managerial expertise to the small firm (Badal, 2013). Conversely, the SMEs strive to accomplish quality-assurance and maintain a technological edge in order to remain within the sub-contracting arrangement (Cyhn, 2002).

Yukins (2010) comments that the United States enacted laws, policies, and practices to encourage large enterprises to subcontract with SMEs. The subcontracting support schemes came in two different forms: (1) Inspirational, being processes and publicity oriented measures designed to make it easier for SMEs to find out about subcontracting opportunities, and (2) accountability, measures intended to make large enterprises responsible for taking unambiguous and significant steps that result in ultimate subcontract awards (Kidalov, 2013). Large enterprises producing complex items do rely on numerous small producers and suppliers to produce and supply specific components for their assembly lines. In addition, Research and Development (R & D) can be cumbersome for some large enterprises, but they can

depend on creative ideas that emerge from SMEs. The ideal situation in this type of vertical cooperation occurs therefore when SMEs contribute with new ideas and large firms carry the task of commercialization and marketing of the end products (Yukins, 2010).

Di Gregorio et al. (2009) alert that large companies are more cautious in dealing with SMEs out of fear of making mistakes that could cost them considerable resources. Templar and Hofmann (2016) advert the fear of large firms arguing that such business cooperation offers a classic win/win situation between large and small companies. In supporting Templar and Hofmann (2016) argument, countries such as France and Netherlands instituted a scheme designated as the Supply Chain Financing (SCF; Steeman, 2014). Under the SCF program SMEs intending to supply large firms obtain advanced funding from financial institutions at the same time the buyer (big businesses) can stretch out their payment terms, permitting both the SMEs and big business to benefit from improvements to their working capital position. The scheme has not escaped criticisms though; Teague (2013) avers that large companies can take advantage of SCF schemes to financially subjugate SMEs they are supposed to support, by not honoring their commitments to the repayment agreements reached with the SMEs.

Hussain (2000) advances the idea of SMEs clusters, as a possible small businesses strategy to cooperate with large firms. The author defines clusters as industrial districts which are locally harmonized and articulated economic systems usually specializing in limited lines of production and supported by local government authorities. Hussain (2000) is adamant that SMEs benefit from both the division of labour and the externalities of spatial agglomeration. The rationale is that SMEs producing the same goods and clustered together may be able to integrate with larger enterprises, for example, in a consortium or an alliance. In this way the SMEs can enjoy the economies of agglomeration from clustering and economies of scale and scope brought about by integration with large firms.



**Figure 2. Vertical Cooperation Large Firms and SMEs in Clusters**

### *2.5 Cooperation in Marketing*

Markets are places where businesses as producers or service providers can purchase their inputs and sell the goods or services they produce (Calice et al., 2012). Literature on marketing strategies has dwelt mostly on larger firms, but as Kiran et al. (2012) assert, marketing management strategy is not only a crucial component to the large firm but to SMEs as well. Markets are of prime importance in the survival of most SMEs (Khattak et al., 2011; Saeed, 2011). Yet, one of the main challenges facing SMEs is the increase of market uncertainty (Calice et al., 2012). However, according to the World Bank (2012) report, in the domestic markets SMEs have restricted access to procurement by government and large companies. This is due to the belief that goods and services by SMEs are of low quality (Hsieh & Olken, 2014). On the other hand, small but growing companies can offer large firms access to new customers. Well-managed SMEs have long proven themselves to be very proficient at foreseeing market trends, apart from capitalizing on new technologies, and using their small postures to outpace larger firms (Edmiston, 2007). But while the SMEs small size allows them to surpass the bureaucracies that hinder the smooth marketing strategies of larger firms, SMEs are also restricted by obvious realities that are easily overcome by larger firms. Saeed (2011) asserts that increasing globalization makes it difficult for SMEs to effectively tackle the obstinate market on their own. Support from large firms in a vertical alliance in accessing complex and especially overseas markets is therefore crucial to tap on the synergies that are embedded in large firms combined with the flexibility and alertness of the SMEs in a joint combination that will result in a win-win scenario for both sectors.

### *2.6 Training Apprenticeship and Manpower Sharing*

Support regarding vocational training for the youth and exposure to apprenticeship according to Holt (2012) and Isaga (2015) is important as vocational training and apprenticeship may spur the youth into forming their own SMEs and enable ongoing SMEs to grow and become sustainable. Dionisius et al. (2008) describe apprenticeship as a training system that produces highly skilled workers who are able to meet the demands of employers in a highly competitive environment. However, Holt (2012) laments that despite 99 percent of all businesses being SMEs, the proportion of take up of apprenticeships in SMEs is, at best, just under 10 percent. Getting ahead of the crowd as an apprentice means taking advantage of every opportunity to increase skills and knowledge of the career of an entrepreneur (Smits, 2006).

SMEs on their own play a limited role in apprenticeship schemes (Cedefop 2012). It appears that even in countries where apprenticeships are common, larger companies host apprentices more often than SMEs. According to Olofsson and Wadensjo (2012) large firms in Finland concentrated on apprenticeship training linked to a regulated system of trade licensing offered by the country. The relatively low level of SMEs hosting apprentices is mainly due to the various barriers that small companies encounter when wishing to become involved in apprenticeship programmes. The barriers SMEs generally identify for not hosting apprentices include: (i) High costs of training activities and financial risk of taking on an apprentice including wages and red tape procedures, (ii) Lack of

awareness about apprenticeship programmes, (iii) Lack of suitable in-house training facilities, equipment or personnel (Cedefop, 2012). Large firms having the advantage of large space, adequate funding, and advanced technological facilities are able to assist especially the youth by allowing them into apprenticeship as a stepping stone to entrepreneurship (Olofsson & Wadensjo, 2012). Jayawarna et al. (2007) mention that youth with some work experience acquired through apprenticeship are more prone to launch successful SMEs and those already in business are able to survive the vagaries of SMEs infant mortality.

There is little evidence of the existence of apprenticeship programs between large firms and SMEs in Mozambique. Manuel (2017) mentions that little vocational training is provided for the youth in Mozambique, and non-formal vocational education and training has been promoted to increase training opportunities for the youth, particularly the most vulnerable groups—the out of school and unemployed. Non-formal vocational education and training in Mozambique becomes an alternative route for many young people who cannot progress through formal education; still, little has been mentioned on the existence of formal apprenticeship programs especially offered by large enterprises.

### *2.7 Large Firms and SMEs Interaction in Mozambique*

Measures are in progress in Mozambique to link SMEs with large enterprises. Some include linking SMEs to the large aluminum processing factory (MOZAL). Currently MOZAL buys about 30 percent of its supplies from local Mozambican SMEs and there are plans to increase that number (Mwanza, 2012). The Center for Investment Promotion (CPI) is working with SASOL (a South African petroleum company) on the same type of initiative (Roberts, 2003). Nonetheless, some researchers have followed the support schemes supposedly rendered by large corporations like MOZAL with disquieting caution. A study by Castel-Branco and Goldin (2003, p. 23) found that from the inception of the supply chain scheme between MOZAL and SMEs, still, few SMEs have benefited. Langa and Mandlate (2013) evaluated about 370 Mozambican SMEs to identify those that could be standardized for outsourcing in accordance to MOZAL's supply chain requirements, and found that 99 percent of SMEs had problems with product quality; 95 percent were not sufficiently organized and had no previous experience working with large companies; 92 percent were equipped with obsolete and malfunctioning machinery and production tools; 90 percent had problem with management structures and their finances were overtly disorganized and 85 percent “had deficiencies in their understanding of the market and sales strategies”.

Conversely, MOZAL itself was not experienced to deal with Mozambican SMEs, whom according to a research by the CPI in 2010, could not be upgraded to MOZAL's standards of procurement (Krause & Kaufmann, 2011). It is argued that many large companies source their inputs from overseas or from South Africa and not from within Mozambique, and still less from SMEs. This creates an unfavorable situation of crowding out of domestic firms (Manndorff, 2005). The blame should not solely be placed on large firms. SMEs in Mozambique have a tendency to regard large firms with suspicion. The myth of total domination by large firms, has created an understandable nervousness amongst SMEs, deterring



them from forming partnerships out of fear of losing autonomy and identity. Edmiston (2007) reckons that any partnership between large firms and SMEs should be examined critically and carefully, and construed in a format that will offer SMEs the advantages that can be mimicked from partnering with big associates, and allow large firms to tap into SMEs flexibility and innovation potential. The main aim of this research is to ponder on the question that support from large enterprises does not have the desired impact of sustaining SMEs in Mozambique. A methodical analysis shows that a study gap really does exist and is identified based on the discrepancies between large enterprises support to SMEs in Mozambique against those identified in developed countries. This analysis illustrates a lack of congruence between the two circumstances.

### 3. Method

The research was carried out in Greater Maputo, the capital of Mozambique with the objective of finding out the impact of large firms support to SMEs. The research strategy separated the SMEs into three categories: manufacturing, services and commerce sub-sectors, so as to study the impact of large firms support to each of the individual sub-sector. As three distinct sub-sectors were involved, the stratified sampling method for sample selection was employed. Data was collected from owner-managers of the SMEs through interviews carried out on the basis of face-to-face approach, using structured, closed ended questionnaires. Data was processed through the SPSS program, with the assumption that it was non-parametric, that entailed less theoretical efforts resulting in the process being faster and more user friendly. The quantitative approach was preferred, employing descriptive statistics, involving frequencies and percentages. The first stage in data analysis was to make a critical examination of the frequencies and percentages results, involving large firms support to SMEs. The second stage was to determine the linear regression between large firms support to SMEs done by testing the null hypothesis that increased in large firms support does not make SMEs sustainable. The alternative or research hypothesis suggested that increase in large firms support to SMEs made them sustainable. The variable “increase sales turnover” by SMEs was taken as an indicator of SMEs growth, sustainability and success.

### 4. Results and Discussions

The following sections analyze the results of the two sets of examination; first, the results from the descriptive analysis involving large firms support to SMEs, and the second assessment involving the testing of hypothesis to determine the participation of large firms in supporting SMEs sustainability. As mentioned earlier, the variable representing SMEs sustainability is the increase in SMEs sales turnover.

#### 4.1 Results of Descriptive Analysis of Large Firms Support to SMEs.

In the study of SMEs around Greater Maputo, sampled SMEs were asked if they were aware of any support from large enterprises. A majority of SMEs responded that they had not received any support from these enterprises. Table 1 depicts the results of large firm’s support to SMEs in Greater Maputo.

**Table 1. SMEs That Received Large Enterprises Support**

SMEs that benefited	Manufacturing		Services		Commerce	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
From Large firm's support	114	88.4	215	88.8	106	93
Received Large Firms support	15	11.6	27	11.2	7	6.1
Missing	0	0	0	0	1	0.9
Total	129	100	242	100	114	100

Results from Table 1 show that only 11.6 percent of manufacturing SMEs, 11.2 percent of services and merely 6.1 percent of the commerce sub-sectors had ever received support from large firms. Of the few SMEs that were supported, the manufacturing sub-section seems to have benefited more from large enterprises support, followed by the services sub-sector and lastly the commerce sub-sector. Two reasons may explain the support of manufacturing firms by large firms when compared with other sub-sectors. First, the manufacturing sector may be finding it more difficult to access support from formal financial institutions or from state institutions, due to the disordered organizational and operative nature of this sub-sector in Mozambique. Second, large corporation give support in the context of sub-contracting or toll manufacturing where small batch manufacturing may not be economic for large industries, as such they are given to those manufacturing SMEs that at least show signs of operational ability. One way large manufacturers sub-contract SMEs is by providing them with material and/or cash advances in order to manufacture products needed by the large industries. Regarding service SMEs, some large conglomerates like insurance or law firms would channel selected cases to be dwelt by smaller firms in similar professions as such offloading their workload, and benefit from the flexibility, attentiveness and rapidity offered by SMEs. The SMEs would benefit from the synergies, financial support, market conveniences and workplace amenities derived from their larger partners. In the case of commercial oriented firms, large stores and merchandize wholesales assist SMEs by replenishing stocks for resale on credit for delayed payment in future. This helps large companies with broadened distribution channels to operate through resellers thus gaining access to wider market shares.

#### 4.2 Testing of Hypothesis

To proceed in determining the relationship between large firms support and sustainability of SMEs, statistical analyses were performed using the linear regression model. The tests that were chosen included the R-squared test, t-test values, the two-tailed tests and the Chi-squared tests. Under normal circumstances, the t-test is applicable when parametric assumptions are valid, implying data is from a population with a normal distribution and there is homogeneity of variance (Driscoll et al., 2007). Although data used in this study assumed non-parametric settings, an exemption for the use of the t-test can be made because the sample size is large enough and according to the principles of the Central

Limit Theorem the variables can be assumed to abide to normal distribution rules (Dehling & Wendler, 2010). The hypothetical question was formulated in the following manner:

**The Hypothesis:**

Ho: Improvement in large firms support to SMEs does not make them sustainable

H1: Improvement in large firms support to SMEs makes them sustainable

After carrying out linear regression examination on the hypothesis, the results were given in the following sub-section.

4.2.1 The Linear Regression between Large Firms Support to SMEs

The regression to test the hypothesis regarding large firms support to SMEs was performed and the results are released in Table 2.

**Table 2. Regression between Large Firm Support and Sales Turnover**

Support	R -	Constant	$\beta$ -	Beta	t -	Two tailed	Chi Squared test		
Variables	Square	-a-intercept	Value	Value	Value	significant test	Pearson $\chi^2$	df	Sign-test
Large Firm Support	0.071	0.961	0.783	0.267	5.993	0.001	36.551	4	0.001

From Tables 2 of the linear regression model, the R-squared value for sales turnover is given as 0.071. The result is weak and indicates very low prediction of the variance of the dependent variable (increase in sales turnover) when changes in variances of large firms support to SMEs are brought about. These results support the observation from the descriptive analysis that there has been very little business interaction between large firms and SMEs in Greater Maputo. Regarding the other test results, the unstandardised  $\beta$ -values for sales turnover is given as 0.783. This implies that for one unit increase in large firms support to SMEs, annual sales turnover would increase by 0.783. In other words the  $\beta$ -values correctly reaffirm that large firms support to SMEs is indispensable for the sustainability and growth of this important sector of the economy.

The t-tests gave a value of 5.993 for sales turnover. The result is significant at  $p \leq 0.001$ , which is less than  $p \leq 0.05$ , (assuming a 95 percent confidence level). The Chi-square results are equivalently significant at 4 degrees of freedom given as 36.551 for sales turnover. The null hypothesis in this case is rejected, as there is no basis to imply that large firms support does not make SMEs sustainable in Greater Maputo. According to existing literature, large business support to SMEs is fundamental for the sustainability and development of this sector.

The reality is that large firms have not done enough to reach out to SMEs in Greater Maputo, and Mozambique as a whole. According to Manndorff (2005) large firm have essentially remained “island ventures” and are geographically highly concentrated. For example, SMEs are complaining that the recently instituted gas exploration consortium Anadarko has imposed stringent outsourcing conditions that virtually no local SMEs can meet (Noticias, 2016). It is not surprising that the results on large

enterprises participation in making SMEs sustainable in Mozambique have been so limited.

The statistical analyses in this section yielded the following inferences:

- a) The very low R-squared values shows that large firms in Mozambique have distanced themselves from supporting SMEs by setting very high outsourcing standards and the general preference for procurement is from other large firms or outside the country.
- b) The strong predictive  $\beta$ -values on sales turnover proves that large firms are vital in supporting SMEs in their operations and sustainability through material and technological support.
- c) The p-test, t-test and chi-square test all gave significant results indication that SMEs in Mozambique would succeed and expand their activities if more cooperation between SMEs and large firms could be established.

## 5. Conclusions and Recommendations

The study of SMEs in Greater Maputo was conducted taking three sub-sectors into consideration namely; manufacturing, services and commerce, to determine the level of support that is available to them from large firms. The study found that there was little involvement of large firms in the growth of SMEs amongst all the three sub-sectors, probably because there are no incentives for large firms to support SMEs in Mozambique. The other reason could be that the SMEs themselves were not adequately organized to meet the standards and exigencies in order to benefit through cooperation with large firms. One primary assumption of this study is that SMEs, although not contributing much to the national income, are the engine for employment creation, indigenous entrepreneurship and appropriate technology and innovations in the country. Support to SMEs, especially from large firms, and especially towards the manufacturing SMEs, would improve their organizational structures, management procedures, leading manufacturing SMEs to upgrade their technologies, increase their competence, and most importantly, become financially stable. The hypothesis analysis has brought up two contrasting, yet complimentary deductions by revealing that there was limited contribution of large firms in supporting SMEs, but at the same time proving that large firms and SMEs cooperation is fundamental for the sustainability and growth of the SMEs sector in Mozambique.

It is recommended that more effort should be made to encourage large enterprises to support SMEs. The existing industrial areas such as the Beluluane industrial zone in Greater Maputo were mainly conceived with larger enterprises in mind. The government could assist by creating the Compacted Manufacturing Parks (CMP), in the same area, a sort of clusters that will aim at the smallest segments of SMEs by offering them infrastructural support, interest free loans, and very lenient tax regimes—for example a three years tax relief program. Such measures will also encourage informal SMEs into legalizing their activities and contribute to paying taxes and provident funds for their workers. These cluster parks should enable manufacturing SMEs to work in close proximity, thus benefit from economies of scope and agglomeration, which individual SMEs cannot achieve. Through vertical integration with larger firms, the clusters can benefit from scale economies enjoyed by the larger firms,

the transfer of technology, the use of large firms' facilities and organizational advantages. The government should give tax incentives to large firms that support SMEs through outsourcing, subcontracting and offering enticements in the form of apprenticeships and training of SMEs staff. Only government policy can achieve the desired effect in the development and growth of SMEs.

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