
Profile of SMES in the Union of the Comoros, Perspective of Good Managerial Governance

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Abstract

The structuring of SMEs in the Union of the Comoros can play an important role, as regards the formalisation of management and the use of mandatory general accounting tools. Account verification checks will be obliged. That said, with the implementation of the investment code, of investment, the National Agency for the Promotion of Investments records a record number of creation of companies 1468 (Director of anpi) compared to the previous year. SMEs account for more than 95% of all businesses in OECD¹ countries.

Keywords: profile of SMEs in the Comoros; investment code; managerial governance perspective.

INTRODUCTION

In developing countries, small structures are considerably the backbone of their economic development. India, one of the few countries with reliable data on informal enterprises, reported in 2007 the existence of 17 unregistered SMEs for one registered SME²

In Canada, they were responsible for 85% of net private sector job creation between 2013 and 2017 and employed 89.6% of the private sector workforce in 2017 (PSPE, 2019). Despite many problems on the managerial, financial and structural levels. In the Union of the Comoros it takes time to have to put in place crucial measures to support small and medium-sized enterprises, which operate in a constantly changing regional environment.

¹ OECD: Small and Medium-sized Enterprises: Local Strength, Global Action, OECD Synthesis (Paris, 2000)

² K. Kushnir, M.L. Mirmulstein et R. Ramalho : Micro, small, and medium enterprises around the world : How many are there, and what affects the count ? Indicateurs des MPME par pays de la banque mondiale/SFI (Washington, DC, 2010).

The historian of industrial economics, Alfred Chandler (1988), recalls that any company is ultimately a container of knowledge transformed into know-how to respond in a particular way to the market, often individually, by customer, especially in the case of small businesses. This container must also be able to recognize the evolution of competition and technology and adapt to the economic situation.

It can be concentrated in the management of the company if the employees participate little; but even then, production routines are know-how that must evolve through the sharing of experience between old and new employees and the provision of information and training. This aspect demonstrates the need for a system of control and policy guidance to ensure the flexibility of SMEs (Kolsi and Ghorbel, 2011).

This system by which companies are directed and controlled is called governance (Yassine, 2013). In our country the term governance is far from being a reality given the fact that the sole ownership of the company, spares no effort on the actions to be taken in the management and strategy to be followed, with regard to the orientations of the company. But today with the definition by the National Agency for the Promotion of Investments (ANPI), "SME-SMI":

- Small and Medium-sized Enterprises - Small and Medium-sized Enterprises, for the purposes of this Code, means any economic unit owned by one or more legal or natural persons and having the following characteristics:
- Any enterprise whose investment capital is between twenty million Comorian francs and one billion francs and whose number of employees is greater than or equal to 5.
- Large enterprises (GE), within the meaning of this Code, any enterprise whose investment capital is between one hundred million Comorian francs and one billion Comorian francs and whose number of employees is greater than or equal to 25.

The definition of SMEs often varies from country to country and is generally based on the number of employees, annual turnover or balance sheet total of the enterprise.

According to the most common definition, micro-enterprises have 1 to 10 employees, small enterprises from 10 to 100 and medium-sized enterprises from 100 to 250.

In the Union of the Comoros, entrepreneurship has become a myth imposed by the family environment, often propelled by the Diaspora who reside in countries where the spirit of entrepreneurship anchors in their culture.

But the difficulties in our country, this forcing of entrepreneurship sometimes make responsible ownership stubborn to the flow of funds without any opening of sharing responsibilities. While today in a constantly changing environment imposed by globalization and the pooling of regional partnerships, the success of the company in this battlefield combines managerial practice, insertion of analysis tools and permanent monitoring of the financial relay.

But with the arrival of the investment code, there is a tendency that this culture of obscurantism will change since companies must be followed in

terms of tax taxation. Because according to this code, the company is then in a tax levy range, amount to be paid in the case defined by this code. The self-taught leading property must think about the amount paid, before sinking into a madness of unnecessary waste, which can cause his company to go bankrupt.

Beyond skills, intelligence and talent, the leader must possess required qualities, likewise, one is not born a leader and the charisma that allow them to occupy or get a position of leader, others still have to fight to improve their relationship.

The structure of SMEs in the Comoros, will progress a formalized management?

The objective pursued is twofold: on the one hand, to structure SMEs in the Union of the Comoros and, on the other hand, to explain the typological influence of good managerial governance practices.

METHODOLOGY

This study was carried out within the National Agency for the Promotion of Investments (ANPI), and we had the opportunity to obtain interviews with some officials. They provided us with explanations, digital documents that we used in the drafting of this study process. This work was carried out in the city of Moroni, capital of the Union of the Comoros from 27 January 2021.

The National Agency for the Promotion of Investment is an institution set up by the State to play a locomotor role facilitating in the standard formats of the region, with regard to the support of the creation of companies up to the value chain:

- Tax relief;
- Administrative facility;
- Establishment of a one-stop shop;
- Establishment of several lines of entrepreneurial credit.

This state body brings new development measures, which are perfectly based on the more widespread social show business of our society. This is due to a culture based on traditional festivities activities that is commonly manifested in our community life. Today, developed countries are creating the value chain of their companies on modern strategic show business:

- Marketing, Sponsorship, Patronage;
- Works councils;
- Board of Directors;
- Financial accompanying measures;
- Digital One-Stop Shop;
- Entrepreneurial education;
- Tax relief for export companies.

Unlike ours, in the Union of the Comoros, the value chain of our societies must be distinguished from the social aspect of community gathering of marriage, which is an atmosphere of joy, sharing and reunion.

In our business environment, with this investment code, managerial practice must be established before the company is quickly sunk. This is due to the rules that want to facilitate the business climate, synonymous with the development of our country.

Especially in terms of job creation, wealth, which means that the contribution of SMEs to employment is analyzed in the study by Ayyagari and Coll³.

The ILO and the German Agency for International Cooperation (GIZ⁴) in turn analysed data from Ayyagari and Coll to determine the share of SME employment in developing countries. This will significantly increase the collection of tax revenues. For a long time, tax revenues escaped the authorities in the absence of institutional rules and effective controls on companies.

- Managers are forced to take their entrepreneurial responsibility to avoid a double penalty:
- Sanction issued by the Tax Administrative Authorities for the non-application of the texts in force;
- Constraints of a family dislocation between the provider of funds and the rest of their families who remain fratricide to heal.

Because their responsibility is more and more underlined, on the contrary, their failure is seen by the provider of the funds as premeditated with irresponsibility.

There is a lack of increased consideration of the suffering of obtaining these scarce resources by their colleagues residing abroad.

With the Investment Code, companies must be managed in a transparent and legible manner. Otherwise, failure can become early. With the sanctions envisaged by the texts in force, and the pressure of the provider of funds, the prospects of good managerial governance is on the agenda, this pushes the manager to listen, to inform.

Especially managing with other people including the provider of funds relative to the company manager with regard to decision-making and power sharing. This allows us to say that with this vision, the provider of funds can play the role of advisor, remote manager.

It is him who takes the risk by creating the company because, he wanted obviously to be in the manacles of the daily management of his company in the first rank to know how, its functions. He can not let his company to fail often considered as a family success, social which he is at the origin. Put forward the effort and success instead of insisting on the failures or mistakes.

It is in this aspect, that we can say that this framing of a formalized management, the prospects of practicing good managerial governance will see the light of day in our business community and ration the success of economic development in the Union of Comoros. Yet, these high-growth enterprises create a quarter of all new jobs in SMEs. Therefore, in an environment disrupted by uncertainty following multiple world events, sometimes not unforeseen, it is

³ M. Ayyagari, A. Demirgüç-Kunt, and V. Maksimovic: Small Vs Young firms across the World: contribution to employment, job creation, and growth, World Bank Policy Research Working Paper No. 5631, 2011

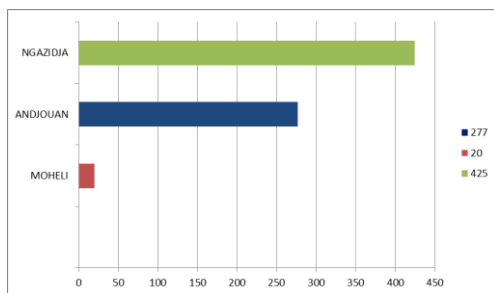
⁴ J. de Kok, C. Deijl et C. Veldhuis- Van Essen : Is small still beautiful ? Litteraturereview of recent empirical evidence on the contribution of SMEs to employment creation

difficult to manage without the use of the most appropriate management tools. However, other companies called "hindered gazelle" do not develop because of lack of access to financing or because of other obstacles to a favorable environment⁵.

Some researchers confirm the existence of formal management control tools in SMEs⁶, while others present more nuanced results. This seems to be true for developed countries as well as for countries in transition (Abi-Azar, J. 2005). Marchesnay, M. (1988) underline the fact that an SME constitutes a being that has its own reality and its own existence. These authors identify five characteristics (modest size, determining role of the owner-manager, simple structure, not very complex information system and lack of strategic vision) that differentiate SMEs from large companies. For this reason, SME managers must be committed to respecting the environmental and quality standards in force in their respective sectors of activity. This means keeping regular and reliable accounts in accordance with the OHADA accounting system in force, to which the Union of the Comoros adheres, which allows them to improve their management methods by accepting to be audited and monitored.

This research is based on exploratory data from field interviews conducted in the Capital of Comoros, Moroni at the National Agency for Investment Promotion (ANPI), from January 27, 2021.

Business creation in the Union of the Comoros during the period 2020-2021



Source: Author

The graphs show that the number of businesses created in the Union of Comoros during the period 2020-2021 is higher than in the rest of the islands. Several factors are perhaps more influential in particular, knowledge of the development of the financial systems, proximity of the Administrative authorities, more diasporas that reside in the developed countries⁷. Other phenomena of the big island compared to the others, family solidarity cultivated by the more common traditional activities. During this period, the Greater Comoros created 425

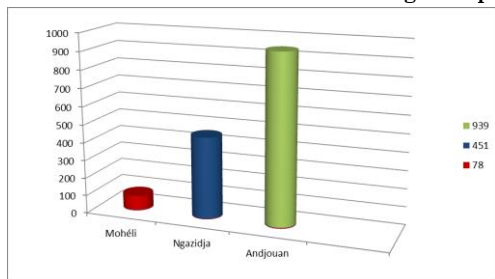
⁵ M. Grimm, P. Knoringa et J. Lay : « constrained gazelle : High potentials in West Africa's informal economy », dans World Development (2012, vol. 40 ; n°7).

⁶ Liedholm et Mead, résumé dans E. Berner, G. Gomez et P. Knoringa : " Helping a large number of people become a little less poor " : " The logic of survival entrepreneurs ", dans European Journal of Development Research (2012, vol. 24.3).

⁷ See Pagés (2010), op. cit

companies, followed by Anjouan which created 277 companies and lastly Mohéli which created 20 companies.

Business creation in the Union of Comoros during the period 2021-2022



Source: Author

It is noted that with the implementation of the investment code, the business climate has improved and there are 1468 registered according to the Director of the National Agency for Investment Promotion (ANPI). But this time the island of Anjouan has created more companies than the other islands, which means that the impact of this investment code is positive, with the establishment of procedural measures, lightened in terms of duration and costs, including the single window. This investment code improves the business climate more favorable to investment and incentives tailored and targeted support. According to World Bank surveys on informal enterprises, productivity and wages of small formal enterprises in Africa are higher, by 120 and 130 percent respectively, than those of informal⁸ enterprises.

Islands	Numbers	Percentage
Ngazidja	451	30,72%
Anjouan	939	64%
Mohéli	78	5,31%

Source : ANPI

According to article 3, new enterprises and existing enterprises that develop a new economic activity are eligible for this investment code. The novelty of this investment code according to Article 21, if the holder of the approval is liable to corporate tax referred to in Articles 4 and following of the General Tax Code of the Union of Comoros:

- Application of a reduced rate of 10% for the first five years and application of a reduced rate of 15% for the following ten years, notwithstanding the provisions of Article 33 of the General Tax Code of the Union of Comoros:
- If the licensee undertakes to create at least 350 jobs before the fifth year: application of a reduced rate of 5% for the first five years, application of a reduced rate of 15% for the last years.

⁸ R. La Porta et A. Shleifer : The unofficial economy in Africa, National Bureau of Economic Research Working paper Series, N°. 16821 (Cambridge, Massachusetts, 2011).

On the fiscal level, the State undertakes to harmonize the taxes of entities, to set up a single window for the collection of taxes relating to Small and Medium-sized Enterprises.

The State is committed to promoting access to financing for SMEs-SMIs by ensuring the simplification and improvement of the various procedural and substantive conditions related to them. It would be the cause of the sluggish productivity and growth of these countries. However, other studies also point out that excessive dependence on large firms has negative effects on growth because of the dominant position that these firms end up occupying on the market⁹.

1- Through the investment code issued for SMEs.

Are subject to the regularization of management accounting. This time, the State structures the companies as defined by the OHADA accounting law. As well as to ensure the financing on which these institutions depend in a crisis environment. Long excluded from the bank financing circuit, this investment code comes at the right time when the Union of Comoros is ratifying several partnership agreements between the islands of the Indian Ocean on the one hand, and the countries of the region on the other. When these exchanges are more regular, they pass through more or less well organized networks¹⁰.

Moroni, October 21, 2019 a national sensitization workshop was organized on October 18 and 19, 2019 in Moroni to support efforts related to the ratification of the agreement establishing the African continental free trade area (FTAA) and strengthen the country's capacity in terms of opportunities offered by a market of 1.2 billion people.

The work of G. Bajan-Banaszak (1993), which focuses on small businesses, shows that the majority of businesses use management-oriented financial accounting and only a few have management tools other than accounting. But for the time being, in our context, we can recommend first the development of the application of general accounting, which is mandatory. In addition, cost accounting, dashboards, global forecasts, variance, budget by activity. Then, as some authors show us, Rowe, Fernandez and Picory (1994), have undertaken to show that the management of SMEs was not due solely to incentive decisions. The tools identified by Rowe et al (1994) were completed by another study by these same authors (Fernandez et al. 1996). The tools identified in this study are: Forecasting tools (sales forecasting plan, product forecasting plan), monitoring tools (turnover, number of orders, supplier lead times, raw material stocks), and analysis tools (manufacturing unit costs and variances on quantity forecasts).

2- Perspective of good managerial governance within SMEs.

SMEs should not apply managerial governance in the opposite direction of the investment code declaration of results, determination of the amount paid to the

⁹ K. Lee et coll : «Big business and economic growth : Identifying a binding constraint for growth with country panel analysis », dans *Journal of Comparative Economics* (2013, vol. 41-2).

¹⁰ The network can be defined as a complex set of exchange relationships between two or more actors (individuals and/or organizations) (Thorelli, 1986; Johanson and Mattsson, 1987; Cook and Emerson, 1978). Lazega (1994, p. 293) analyzes the network as: "a set of relationships of a specific type (collaboration, support, control or influence) between a set of actors"

State on tax taxation sometimes evasive to the State coffers. Another phenomenon that reassures the managerial governance is the pressure maintained by the director creator of the company resident under the name of diaspora. This amplifies beforehand to the responsible director to put all his energy to revive the success of his company in the eyes of his community. This success of the director creator at a distance, the voice as an obligation of distinction and family and social consideration, it earns him a place of esteem towards his family first, and then it reserves him a rank of honor and decision-making within his community. It is in this sense that we can believe that this code of investment outside the sphere of financial profitability, ensures its impact on its social environment, invest in civil society, develops a citizen vision.

3- Prospects for SME growth

The sustainable growth of small and medium-sized enterprises will continue to improve, which will enable the Union of Comoros to assert itself in the face of free trade between the islands of the Indian Ocean and the countries of the continent. This investment code is a mirror to attract potential foreign investors. In the event of a dispute between a foreign investor and the Union of the Comoros, the dispute will be settled, at the request of the injured party, through an arbitration procedure:

- The provisions contained in the agreements and treaties on the promotion and protection of investments concluded between the Union of Comoros and the State of which the investor is a national;
- The Convention of 18 March 1965 on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) ratified by the Union of Comoros on 7 November 1978;
- The regulations of the supplementary mechanism, if the investor does not meet the conditions of his nationality stipulated in article 25 of the ICSID convention

This has helped to promote the Union of Comoros as an attractive investment destination.

The development of entrepreneurship is a vector of economic development of a country. This requires a form of collective intelligence that aims to integrate it into the ecosystem from which the business world emerges. To identify the cultural, social and economic context in which the entrepreneurship is immersed is indeed an asset for the development of wealth.

RESULTS AND DISCUSSION

The implementation of the investment code in the Union of Comoros is a central showcase for investment promotion and governance. This motivates the entrepreneurial spirit and this last year 2021-2021, the National Agency for the Promotion of Investments registers more enterprises created than the previous year. This means that this investment code brings as many opportunities and more advantages in terms of tax relief, facilitated administrative procedures. In particular, the creation of a one-stop shop to reduce the time required to set up a company and the payment of various incorporation fees. Given that the Union of Comoros is composed of islands separated by the sea which sometimes hinders

the mobility of people between them, and whose cost of transport is very exorbitant in average travel. While, until now, the decentralization of public powers between the islands are not equitable, the one-stop shop contributes considerably as an effective solution to shorten the duration of making round trips between Moroni and the islands, as well as reduce the transport costs difficult to bear by the creator of the company. That is why, with the implementation of the investment code, the creation of companies are more encouraging with a figure of 1468 companies created for the year 2021-2022 (Director of ANPI). The creation of companies registered by the National Agency for Investment Promotion differs between the islands. In the past, i.e. in the year 2020, Greater Comoros had created more companies than the other islands, but this time with the investment code the trends have changed. This time Anjouan is creating more companies than the rest of the islands. Even more so in 2020, Mohéli created 20 companies, but now with the new investment code, Mohéli has 78 companies registered with the ANPI. But to optimize more jobs than wealth created, the state must put in place bodies of controls, checks to monitor companies in financial difficulties and others finally, to prevent them from falling into bankruptcy.

Table of company creation according to ANPI for the year 2020-2021

Islands	Numbers	Percent
Ngazidja	425	6%
Anjouan	277	4%
Mohéli	20	0,28%

Source : ANPI

Table of company creation according to ANPI for the year 2021-2022

Islands	Numbers	Percent
Ngazidja	451	30,15%
Anjouan	938	64%
Mohéli	78	5,15%

This time, the companies created must be managed in a formalized manner, given their structuring and registration in the National Agency for Investment Promotion. In return for the control of the tax levy must be imposed according to the category classified by this code. At this time, SMEs must be governed in a formalized manner using the necessary accounting tools for the presentation of results. This allows to keep a transparent communication, impacting to reassure the State, and the financial institutions in resignation of financing decisions. In addition, this investment code allows to attack fraud and tax evasion in several sectors of activity. To this end, a set of measures deserve to be put in place, together with the strengthening of controls, in order to attract these evasive taxpayers towards a better tax transparency.

CONCLUSION

The concepts of the managerial governance perspective of SMEs in the Union of Comoros, asserts a degree of importance to the different facets of economic development. The idea is that, to become competitive and ensure their role as a creator of employment, the state must constantly juggle so that these structuring initiatives lead to convincing results on the management style. The investment code will be then, the beautiful vector is well of the perception of a formalized management, to influence the performance and to identify the capacities of the good governance of the leaders on the preparation of the presentation of documents of syntheses, of the obligatory general accounting. The investment code put in place by the Comorian state can help meet the priorities set out in the new strategic framework of decisive contribution to the creation of jobs and income. According to the speech of the Director of ANPI, 2021-2022, the National Agency for the Promotion of Investments records 1468 enterprises created which vary from one sector to another, from one island to another, and is generally based on the number of employees and the investment capital. Thus, we find Small and Medium Enterprises-Small and Medium Industries, Large Enterprises, in the sense of the present code. However, the State must set up control and verification bodies to ensure that these companies do not experience financial difficulties, which could lead to bankruptcy.

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