Inhibiting Factors for Small and Medium Scale Enterprise (SMEs) Participation in Anti-Corruption Collective Action

A CASE STUDY OF THE MALAWI SMEs
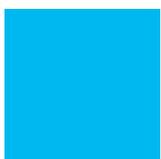
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Abstract

Small and Medium Scale Enterprises (SMEs) contribute significantly to the economic growth and employment creation in most underdeveloped countries. Despite their positive contribution, they are also victims of corruption mainly in environments with pervasive corruption levels. This situation negatively impacts their growth and operations and in turn, affects economic development. SMEs are, however, under-engaged in national efforts to address corruption. Besides, they do not act proactively and collaboratively in addressing corruption which they face albeit the potential benefits of reduced corruption to their sector which such efforts would accrue. This study seeks to identify the factors that inhibit SMEs from engaging in Anti-corruption collective action using Malawi as a case study. The purpose of identifying the factors is to shed light on their policy implications and what can be done to motivate the SME sector to participate in anti-corruption efforts. A qualitative approach was used in this study. Research participants were recruited from six associations representing SMEs. They included leaders and members of these associations. Key informants were also recruited. Purposive sampling was used to select the participants. Data was collected through face to face interviews using interview guides. The results have identified that; a lack of Anti-corruption capacity in both individual SMEs and association leadership, inadequate resources to enable the associations effectively coordinate anti-corruption collective efforts, Some SMEs being beneficiaries of Corruption thus undermining efforts against it, fear of potential retaliation from public officials and agencies, lack of unity and cooperation between SMEs and also the various associations, lack of engagement and external facilitation from key stakeholders particularly anti-corruption authorities, lack of recognition of SMEs and their associations and lack of collaboration between various public agencies critical to fostering collective efforts among SMEs, as factors that are inhibiting SMEs from acting collectively to address corruption. The study has concluded that SMEs in Malawi are willing to engage in collective action to address corruption but require support from a range of other stakeholders mainly Government, development partners, Civil society organization and Anti-corruption authorities to address the range of inhibiting factors and more significantly help their collective action efforts to take off and be sustained.

Key Words: SMEs, Anti-corruption, Collective Action, inhibiting Factors

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Introduction

Small and Medium Enterprises (SME's) can play a strategic role in Anti-corruption efforts. Among other ways, they can collaborate with other stakeholders in efforts to address specific corruption issues that confront businesses in order to improve the general operating environment for businesses. However, presently, this is not the case. There can be many possible factors that inhibit them from collaborating or being involved in efforts to address corruption at all. What if, the risks which SMEs perceive as being involved in fighting corruption undermines their willingness to participate in Anti-corruption collective action? Besides, what if, the paradox that though corruption is a constraint and addressing it would accrue long term benefits to them, it is also beneficial in the short term in getting things done, undermines their willingness to collaborate in opposing corruption. This study sets out to explore factors that inhibit SMEs in Malawi from engaging in Anti-corruption collective action.

Background

SMEs constitute a significant proportion of the business sector in most countries around the globe. Some studies have suggested that SMEs constitute as much as 99% of the sector and employ the majority of the global workforce (The Association of Chartered Certified Accountants, 2013). In Africa, a study by Muriithi, (2017, p 37) suggested that SMEs contribute about 50% to the GNP of most countries. Sveinung and Grünfeld, 2010, estimated that there are over 61,000 SMEs in Malawi. Their share of employment in Malawi was estimated at 39 % in 2010 (Fjose, Grünfeld, Green, 2010, p13). Studies also suggest that SMEs contribute as much as 50% to Malawi's GDP generating annual revenue of about US$2 Billion (World Bank, 2012).

Despite the significance of SMEs' contribution to economic growth, they face a range of challenges which constrain their growth and operations. Studies commonly cite challenges ranging from access to capital and markets, poor governance to capacity challenges to mention a few (Fjose, Grünfeld, Green, 2010, p5). Overcoming challenges which SMEs face, will likely spur the growth of SMEs and further increase their contribution to economic development. Corruption is one of the significant challenges which SMEs confront. Sixty-two percent (62%) of respondents in a global SME survey that was done by the Association for Chartered Certified Accountants cited corruption mainly in the form of bribery as a significant risk which they encounter. The Malawi Governance and Corruption Survey found that 62.9% of businesses which included SMEs cited

Corruption as a significant constraint to growth and business operation (University of Malawi, 2013, p33). Similar findings were established by the Business Climate Survey of 2016 (Malawi Confederation of Chambers of Commerce and Industry, 2016, p 13).

Impact of Corruption on SMEs

Huntington,1968, argues that Corruption is beneficial as it provides a way of surmounting traditional laws or bureaucratic regulations (Huntington, 1968, 68). This may be especially true for SMEs who have to deal with Government administrative and regulatory bureaucracy in doing business which in most of the underdeveloped world is rigid and governed by archaic laws and procedures. This hypothesis which came to be coined as the "grease the wheels" hypothesis, was also supported by leys (1970) and Lui (1985) among others. The hypothesis has, however, over the years been countered by a preponderance of studies, some which have been cited in the preceding section, that concludes that corruption exacts more damage especially on SMEs than benefits.

SMEs just as large businesses deal with public agencies on a range of issues from tax, business registration authorities to regulatory issues. The liability of the size of SMEs, their short-term vision and perspective, restricted financial resources,

failure to exercise a strong influence on government officials and institutions, capital structure and the inability to shun corruption are some of the factors that have been cited as disadvantaging them and make them more susceptible to corruption (UNIDO & UNODC, 2007, pp 9-10).

Corruption lowers SMEs profit margins thereby jeopardizing the sustainability of their business. It also negatively impacts SMEs by hindering their access to permits and licenses and public contracts (UNIDO & UNODC, 2007, p14). Friedman et al. (2000, p 481) in their study established that countries with more corruption have a higher share of the unofficial economy mainly because it drives SMEs out of the formal economy thus impacting on the productivity of their economies. Corruption also acts as a financial limitation on SMEs and increases the cost of doing business (Kanu, 2015, p 15).

SMEs lack the human and financial wherewithal as well as alternatives to effectively counter corrupt behavior in their daily business operations (Egyptian Junior Business Association, October 2018). Being small they are locked in a situation where they cannot act alone to counter corruption. They are also unable to secure change to the systems and the institutions they interface with to conduct their businesses which are also usually the sources of the corruption they face.

Anti-Corruption Collective Action for SMEs and Its benefits

Collective action is a collaborative and sustained process involving cooperation among several stakeholders, designed to achieve a specified goal (World Bank, 2008, p 4). Acting collectively against problems such as corruption offers a range of benefits mainly to the SME sector. It increases the impact and credibility of individual action by among other way bringing vulnerable individual players into an alliance of like-minded organizations (UN Global Compact, 2015, p 23). It also contributes to the leveling of the playing field in doing business amongst the various competitors (World Bank, 2008, p 4). It, ensures that no business has an unfair advantage through bribe giving (Wehrlé, 2014).

Anti-corruption Collective action is often flaunted as one of the most effective approaches which businesses can use to help them address some of the variants of corruption they face. Promoting it is therefore considered as a crucial element in the broader strategy of combating corruption (Pieth, 2012, p14). Anti-corruption Collective action in the business sector can serve as a platform through which businesses that do not have

the power to tackle corruption alone can leverage collective efforts to confront and solve the problem (UNIDO, UNODC, 2007, p 17). SMEs usually fall into this category of businesses. The majority of their owners do not want to participate in corrupt practices, but they lack information and support in avoiding it and view it as a necessary cost of doing business (World Bank Institute, 2006, p 37). Collective action enables businesses to collaborate with civil society and other stakeholders in addressing specific corruption issues which are a constraint mainly to their operations.

Participation in Collective Action therefore potentially offers some specific benefits to SMEs which range from helping them secure an improved business environment (Egyptian Junior Business Association, 2018) to helping them overcome bribery tendencies by public officials and agencies. It also affords them the benefits of a group approach and thereby increasing their clout and bargaining power (Wehrlé, 2014).

Factors that inhibit Anti-corruption collective action amongst SMEs

Existing literature mostly discuss general factors that constrain anti-corruption collective action from happening across a range of groups without specifically

addressing factors that may be unique to SMEs. Wheatland and Chene (2015, p 3-4) for example highlights factors such as lack of political will, lack of incentives, high costs, limited benefits, uncertain outcomes, patron-client relationships, obstructing political environment and funding issues (lack of resources, sustainability, and independence from donors) as barriers to Anti-corruption collective action in most groups. Vanni (2014, p 24), cites higher transaction costs associated with collective action as a constraint.

Perspectives from Collective Action Theories

Mancur Olson (1965) in his logic of collective action discuss some of the factors that also constrain collective action. He begins by arguing that where shared purpose exists and individuals can benefit from cooperating, some individuals will be inclined to free ride and leave others to contribute to the realization of the public good where those individuals feel they can still benefit from the public good without incurring costs. He argues that this is often the case in latent groups which require complex organizational structures to mobilize for collective action. He then argues that collective action can be achieved in such groups if they are provided with incentives to induce participation (Olson, 1965, p71).

Applying this argument to the case of SMEs, it can be argued that collective action among SMEs would seek to realize the public good of securing a corruption-free business environment. This public good would promote the growth of SMEs and their overall contribution to national economic growth and job creation. While this is desirable, the failure by SMEs to collaborate despite this potential benefit may result from among other factors, SMEs being a latent group and thus lacking the capacity to constitute a structure that can effectively bring them together and coordinate as well as sustain their collective efforts over time. Also, even if they can organize such a structure, they may need to have well-defined and credible incentive structures that can appeal to participants and induce contribution towards the realization of the public good.

The Prisoner's Dilemma is also a widely used application in explaining when collective action would occur. It also offers some perspective on what can inhibit Anti-corruption collective action amongst SMEs. It explains why rational individuals do not always cooperate in a situation where cooperation would be beneficial. It demonstrates that in certain circumstances, individuals will opt for a course of action that will bring an outcome that benefits the group but when they do not trust each other, each will opt for their

best personal outcome which can be worse for the whole group. SMEs may be aware of the benefits of acting against corruption, but they may not trust that others especially those benefiting from it in their sector will also desist from corruption. The lack of trust may, therefore, undermine any chances of them coming together to collaborate in opposing corruption.

Bauhr (2016, p 1), also offers a hypothesis that explains what can inhibit or induce anti-corruption collective action. She distinguishes between 'need' and 'greed' corruption and argues that what influences citizens to fight corruption is what motivates them to indulge in it in the first place. She further argues that 'greed corruption' can be associated with reduced civic engagement because they benefit from it while 'need corruption' on the other hand influences citizens' willingness to fight corruption because they feel victimized by it (Bauhr, 2016, p 2). For SMEs, it can be argued that their willingness to act against corruption collectively or not will depend on whether the corruption they face is more of the 'greed' variant and therefore beneficial to them or of the 'need' variant in which case it victimizes them. The relevance and applicability of this hypothesis will be briefly explored and applied later on in this paper.

Evidence of SME-led Anti-Corruption collective action

Evidence from the UN Global Compact 2015 publication among other sources, which profiled some fifteen different Anti-corruption collective action initiatives on the African continent, show an extremely low uptake of collective action by SMEs as a tool to address corruption (UN Global Compact, 2015, p 23). The publication which mapped and profiled Anti-corruption collective action initiatives on the African continent only identified and profiled one initiative which was SME driven out of the fifteen initiatives at various levels. This observation is also corroborated by the database of collective action initiatives published by the International Centre for Collective Action of the Basel Institute on Governance (B20 Collective action hub, 2018). The Integrity Network Initiative advanced by the Egyptian Junior Business Association is the only SME-led Anti-corruption collective action in Africa which is widely cited as an initiative that took off and has so far been sustained.

Involvement of SMEs in Anti-Corruption Collective Action in Malawi

Despite the pervasiveness of corruption and its impact on business, SMEs in Malawi have not been actively involved in

Anti-Corruption efforts in general including collective action. Since 2005 when Anti-corruption collective action started in Malawi with the formation of the Business Action Against Corruption, representation of the business sector in collective efforts has not involved SMEs or their respective associations. Despite the existence of SME associations, the focus of their efforts has not included anti-corruption. No study has explored the factors that are influencing this.

Research question

The study pursued the following key research question:

What factors inhibit Small and Medium Scale Enterprises in Malawi from engaging in Anti-corruption collective action considering how they are negatively impacted by corruption and the potential benefits Anti-corruption collective action offers?

In pursuing this question, the study will also explore whether among the inhibiting factors:

1. The paradox of corruption being sometimes beneficial and in some

cases, an impediment to business operations is a hindrance to SME attempts to mobilize and engage in Anti-corruption collective action?

2. Small and Medium Scale Enterprises in Malawi are dissuaded by the risks associated with fighting corruption from engaging in Anti-corruption collective action.

Specific Objectives

The study specifically sought to:

1. Establish the factors that are inhibiting Anti-Corruption Collective Action amongst SMEs in Malawi.
2. Asses if there are prospects for SMEs in Malawi to engage in Anti-corruption collective action.
3. Ascertain the role which Government and other key stakeholders can play in supporting Anti-corruption collective action amongst SMEs.

Methodology and Selection of Research Participants

A qualitative approach was used in this study. This approach was considered

appropriate due to the phenomena and the subjects under study as well as the context. The research participants were recruited from SME associations. The associations were considered as a target group for this study because by their nature; they represent their members in collective efforts on other issues affecting SMEs excluding Anti-corruption issues. They were considered appropriately placed to shed light on why they can collaborate on other matters but not on Anti-corruption issues.

The study first did a mapping process through consultations with the Ministry of Trade and Industry (SME Department), the Malawi Revenue Authority and the Malawi Confederation of Chambers of Commerce and Industry to identify all the existing SME associations in Malawi that were active. These agencies are key interface points for SMEs on a range of issues mainly of a regulatory and administrative. The study identified Seven SME associations as follows:

1. National Small and Medium Enterprises Association (NASME)
2. National Association for Business Women (NABW)
3. Leather Industry Association of Malawi (LIAM)
4. Small and Medium Enterprises Association (SMEA)

5. Indigenous Businesses Association of Malawi (IBAM)
6. Malawi Building and Civil Engineering Contractors and Allied Traders Association (MABCATA)
7. Cross Border Traders Association of Malawi (CBTAM)

Three of the associations (NASME, SMEA, and NABW) have membership that is drawn from all business sectors. NABW draws its membership from businesswomen in all sectors. The other three associations (LIAM, MABCATA, and CBTAM) draw their membership from specific sectors, i.e. LIAM (Leather manufacturing), MABCATA (construction, engineering, and allied traders) and CBTAM (cross-border businesses). On average, the associations have been in existence for over ten years with some of them mainly NASME, MABCATA and NABW having been existence for over 20 years. Each association has a permanent secretariat with the exception of LIAM, SMEA, and CBTAM. The associations are governed by a national executive committee elected by the membership.

The leadership in each of the associations were contacted, briefed and requested to participate in the study. Six out of the seven associations accepted to participate in the study. One association did not respond despite follow-ups and therefore did not participate in this study. The study

targeted leaders and members in each association as participants. The study recruited five (5) participants from each association. Purposive sampling was used to select the participants. In a few cases, snow bow sampling was also used to identify participants particularly in cases where the association did not have up to date records of its membership. The participants also included representation from their regional structures. The study also recruited some key informants who were also purposively selected. They included representation from Civil Society Organizations, Business, Government Ministry and agencies and the academia. A representative from the Egyptian Junior Business Association also participated in the study as a key informant.

In total, 41 research participants participated in this study. Eighteen were association leaders, 17 were members, and 6 were key informants. Out of the 35 association leaders and members, 17 were from Lilongwe (in the Central Region), 11 were from Blantyre (in the Southern Region), and 7 were Mzuzu (in the Northern Region). Out of the 17 members, 10 of the members were small scale businesses, and 7 were Medium scale businesses drawn from construction, general trading, and manufacturing.

Most of the association members interviewed in this study (88% or 15 out of 17) interact with Government agencies on a regular basis as compared to the other sectors (i.e., Private sector, NGOs). The nature of the interaction involves doing business with Government agencies through mainly supply of goods, works and services and interaction on a range of compliance and regulatory issues such as customs clearance/tax issues, licensing issues and standards regulation issues to mention a few.

Interviews with Research Participants

All the interviews were conducted between 2nd August and 25th September 2018. The interview with the Egyptian Junior Business Association, however, took place in November 2018. Thirty-nine interviews were face to face. Two of the key informants elected to fill out the questionnaire and return it. Consent was obtained from the participants before conducting the interviews. Interviews were conducted mostly at the business premises of the participants or secretariat offices of the association (in the case of leaders) or at other locations suggested by the research participants in cases where privacy could not be guaranteed at their business premises. Some five participants dropped out even after initially agreeing to participate in the study for various reasons

which included unwillingness and busy nature of their business.

Three different interview guides were used, one for each of the three groups of interview targets, i.e. one for association leaders, another for association members and one for key informants. The interview guide for the association leaders contained 19 questions. They ranged from eliciting background information on their associations, challenges which their members, discussion of corruption as a challenge, types of corruption which their members encounter, causes and their view on how to address them, views on collective action as a form of response, what they perceive as barriers to collaboration between them and other association and how to overcome them. The leaders, therefore, gave views that represented their Associations.

The interview guide for association members had 24 questions. The issues ranged from background to their business, challenges they face, discussion on corruption as challenge, typical examples they have faced, how it negatively affects their business, how it can be addressed, a discussion on collaboration as an approach that can be used, how willing they would be to support such an approach to what they think the barriers to collaboration are. The members gave

views from their perspective as first individual businesses and secondly as members of their respective association.

The interview guide for key informants had six questions. The issues raised in the interview guide focused on getting their views on whether SMEs can oppose corruption as individual SMEs or collaboratively, what factors prevent collaboration between SME associations and how they can be motivated to collaborate as well the role of stakeholders such as Civil Society and Donors in achieving that.

The interviewer manually recorded the responses. The sensitivity of some of the issues in the interview guide meant that the interviews were not audio recorded. Each interview lasted on average one hour and thirty minutes. The interview guides were anonymized. Sources which included survey reports and national policy documents provided secondary data for this study.

Data Analysis

Qualitative methods were mainly used to analyze the data. Manual methods of data analysis were employed. The responses to

each question were captured and grouped to enable common themes to be isolated. The analysis identified different categories for the various themes. Close attention was also paid to patterns of responses by various respondents and based on the categorizations, they were grouped and then labeled and interpreted accordingly.

Results of the Study

Factors that are inhibiting SMEs Collaboration?

Most of the participants (89% or 31 out of 35 participants) confirmed that currently there is no collaboration amongst SMEs to address corruption within their associations and between various associations. Participants cited a range of factors both internal and external. These have been highlighted and explained below:

INTERNAL FACTORS

Over half of the responses, (53% or 30 out of the 57 responses) cited by participants, attributed lack of collective action against corruption amongst SMEs to challenges within the associations and its membership. These include:

a) Lack of Anti-corruption capacity

They cited the current lack of sufficient Anti-corruption capacity in the association leadership and its membership which they argued is a result of them having not been empowered enough with adequate knowledge on corruption and how they can confront and address it. One of the participants said, *"The association is not empowered to effectively fight corruption"* (Participant no Q17B, 19th September 2018) Besides, they cited a lack of leadership in the association on the issue of corruption attributing it also to the lack knowledge and empowerment of the association leadership. One participant said, "*We do not know who will lead us because there is a lack of leadership within the SMEs on this issue.*" (Participant no Q9B, 6th August 2018).

Key informants also echoed this observation. They argued that most SMEs are not fully aware of what corruption is or constitutes and as a result, they sometimes take it, as usual, to pay a bribe in order to get a service from a public officer. One key informant, for example, said: "*They do not fully understand the*

role that corruption plays in their business particularly for them to get to understand why it is evil" (Participant no Q1K, 31st August 2018). They further argued that some SMEs feel corruption is part of life without which they cannot survive.

The key informants also observed that the existing business training curriculum which Government agencies use as part of capacity building efforts for SMEs had not integrated anti-corruption issues despite corruption being a significant challenge widely faced by SMEs. They argued that this capacity gap has resulted in SMEs feeling disempowered to effectively confront issues of corruption from a solid Anti-corruption knowledge and skills base.

b) Lack of Resources

Some participants cited the lack of resources by associations as a contributing factor to failure by the associations to effectively coordinate and facilitate collaboration. They argued that financial challenges in their respective associations hinder their capacity to mobilize their members for collective action effectively. One participant cited that "*the association initiatives themselves are under-resourced to do policy research to follow up policy implementation to hold*

duty bearers accountable" (Participant no Q5A, 5th August 2018).

The study observed that the associations rely on funds raised from membership subscription to run their operations. In some associations, activities such as executive meetings are self-financed by the executive members. They do not also hold National Association meetings as regularly as stipulated in the association constitutions. The associations do not have assets to generate income to support their operations and implement other interventions to increase their clout.

c) Some SMEs reaping the benefits from Corruption

Some of the Participants also cited that failure to collaborate against corruption resulted from corruption itself being a collective action problem in that that those amongst them who benefit from it are naturally less willing to collaborate with others to oppose it. One participant, for instance, said *"Amidst SMEs are others who benefit from corruption"* and another said, *"Those who gain from it discourage others"* (Participant no Q10A, 29th August 2018). They also cited that this may partly be the reason why despite the few times they have discussed the issue of

corruption in their association meetings, not much follow up action has been done.

They also cited cultural influences as a factor. They argued that corruption had become part of the business culture in that it is ingrained in the mindset of a significant number of SMEs that corruption is the only way they can get business and things done by public agencies. They argue that with such as mindset it is impossible for the same people to support efforts against it.

d) Fear

Some of the participants cited fear as a contributing factor. They argued that most SMEs fear retaliation from public officials if they are seen to be active in Anti-corruption efforts. They also don't want to report for fear of putting their businesses at risk because they are dependent on the public sector.

They further stated that fear stems from a lack of an effective whistleblowing system which SMEs can easily access. In their contention, they said that existence of effective whistleblowing mechanisms coupled with strong follow up action on reported cases would motivate SME associations to mobilize their membership

to collaborate with law enforcement agencies in reporting cases without fear.

The responses indicated that fear also stemmed from a lack of trust in the justice system. One participant in their comment said "*They fear that even if they report they will end up being losers, i.e., corrupt people even when tried in court will be let off*" (Participant no Q3A, 3rd August 2018). Another association member said, "*There is no evidence of businesses involved in corruption being jailed*" (Participant no Q8A, 13th August 2018).

This point was also stressed by one of the key informants who stated that *"SMEs fear among other things that nothing will happen when they report, and this is made worse by lack of legislation that protects whistle-blowers*" (Participant no Q4K, 18th September 2018).

e) Power and Information asymmetry

Some of the participants cited that there is naturally always asymmetry in the power and information which public officials hold compared to SMEs. This situation they argue has perpetuated a master-slave culture between the SMEs and public officials in which case SMEs feel they are at the mercy of public officials and are dependent on them. Thus, it becomes

difficult to challenge or hold public officials to account. One participant said *"Individual associations do not feel they have the clout to deal with corruption, to speak and be listened to by public officials"* (Participant no Q3A, 3rd August 2018). This situation is exacerbated by an ineffective system of accountability characterized by, among other elements, lack of adequate protection of whistle-blowers in the law and the unreliability of the justice system which was cited earlier.

Some participants also cited the low education levels amongst most SMEs as a contributing factor. They argue that it undermines SMEs capacity to understand and appreciate issues but also claim their rights or challenge public officials even where they are out of line. It also undermines their capacity to effectively lobby for policies that would contribute to creating a corruption-free business environment. One of the participants also argued that *"low education levels means SMEs lack the capacity to document what is happening (such as corruption) and act on it"* (Participant no Q5A, 5th August 20118).

f) Individualism and lack of a sense of responsibility

Some participants cited the tendency by individual SMEs to act alone on some critical issues which require collaboration with fellow SMEs even if they belong to an association. They cited a lack of mutual trust which is also exacerbated by other factors discussed earlier mainly fear of retaliation when seen to be active in efforts against corruption. Others argued that since the SMEs naturally compete with each other for business opportunities to survive often from the same sources, it partly undermines their capacity to have strong collaboration on a range of issues despite benefits that would accrue to them from collaboration. One participant, for example, stated that *"some traders feel they benefit more acting alone than collaborating with others"* (Participant no Q14B, 8th August 2018). The tendency to act alone also stems from a mistrust of each other but also from the failure to appreciate the benefits of cooperating with other SEMs in addressing corruption. One of the key informants, for instance, stated that *"Some SMEs do not see the bigger picture and so do not appreciate the importance of coming together to be part of anti-corruption efforts"* (Participant no Q1K, 31st August 2018). Others raised the issue of SMEs not feeling that they have a responsibility to do something about corruption. This stems from the feeling that tackling corruption is Government's responsibility or from lack of the requisite mechanisms to facilitate SME contribution to addressing corruption through

collective action as one of the key informants also noted that: "*there is a lack of a policy framework that enables SMEs to talk about corruption and discuss its eradication*" (Participant no Q3K, 18th September 2018).

EXTERNAL FACTORS

This category of factors accounted for under half of the responses (47% or 27 out of the 57 responses). They attributed failure for SMEs to collaborate on factors which are mostly external to the associations.

a) Lack of Unity

Participants cited a lack of unity between the various associations. They argued that the various SME associations mostly operate in silos with each operating on their principles despite sharing the common goal of providing a voice for their members in matters of common interest. The lack of cooperation and trust between the associations and makes them more fractured and sometimes compete. They argue that this undermines their capacity to come together and collaborate on such issues like corruption which affects them all.

One participant, for instance, stated that "*there is no cooperation, Sometimes SME associations also look at each other as rivals*" (Participant no Q11A, 7th September 2018). Another participant stated "*Because there has not been networking between associations to agree on one stand on issues*" (Participant no Q7A, 7th August 2018)

b) Lack of Facilitation

Participants also cited the lack of facilitation to bring the SME associations together to cooperate against corruption. This situation is exacerbated presently by a lack of an umbrella body to which all SME associations are affiliated. Participants argued that this could provide a common platform for all associations and a basis for inter-association collaboration.

They suggested a range of possible stakeholders who in their view can play this role. One of the participants said "*There is a lack of unity between associations. Each one is doing their own thing. However, if perhaps CSOs would come in to unite associations, then it can work*" (Participant no Q9A, 29th August 2018). Another participant commented, "*Currently the associations are fractured, if there was a chamber that grouped all the associations*" (Participant no Q12A, 17th

September 2018). Other participants suggested the Ministry of Trade and Industry while others mentioned the Anti-Corruption Bureau as potential external facilitators.

The key informants also highlighted the issue of facilitation. They argued that civil society organizations had not played a facilitating role which they could have ably done by bringing SMEs together to collaborate against corruption. They noted that civil society is more focused on Government when it comes to issues of corruption and not also working with other sectors of society such as SMEs to assist them to define their challenges and facilitate a process of helping them cooperate against the problems such as corruption.

c) Lack of stakeholder engagement

Related to the preceding point, participants also cited that a lack of engagement with them on the issue of corruption from the authorities especially the Anti-corruption authorities. They argued that the engagement of other stakeholders with the SME association was crucial to create collaboration in addressing the problem. They cited Government agencies or civil society organizations as key to bringing SMEs

together to collaborate in anti-corruption efforts. One of the respondents stated that *"The Anti-Corruption Bureau has not engaged with SMEs on issues of addressing corruption as it is the case with other institutions in other areas of interest to SMEs"* (Participant no Q14B, 3rd September 2018).

They further argued that they have for example been more activism by SME associations on other issues that concern them such as access to domestic markets and financing for SMEs because the responsible agencies of Government regularly and proactively engage the associations and its members. They do this by doing a lot of capacity building and awareness initiatives on issues ranging from taxes to trade policies. They argue, however, that on corruption issues, the responsible agency has not proactively engaged with SMEs. There is also no on-going active collaboration with the agency. In their view, empowerment should precede collaboration to oppose corruption. One participant stated that *"Without the Anti-Corruption Bureau being present, SMEs lack courage and confidence to address corruption issues proactively"* (Participant no Q14B, 3rd September 2018).

d) Lack of recognition and attitudes towards SMEs

Participants also cited lack of recognition of SMEs especially attitudes which public officials have towards SMEs as inhibiting factors. They argued that these undermine their capacity to be heard and influence policy. One participant, for instance, said *"We are not recognized as important in the country. We are taken as smugglers"* (Participant no Q3B, 8th August 2018). They also cited political factors as contributing factors to undermining potential collaboration amongst SMEs against corruption. These include a lack of strong political will. They argued that the lack of it deprives the associations with the courage to confront corruption. One respondent stated that *"we do not sense a strong will on the part of Government because of lack of action on those involved in corruption"* (Participant no Q15A, 20th September 2018). This observation was also highlighted by the. One of them said, *"Lack of political will is a critical factor in preventing SMEs from acting effectively again.*

The Key Informants also argued that politicization of corruption issues makes it risky for SMEs to engage in efforts to oppose it. In a situation of lack of political will, those who oppose corruption risk being considered as opposing those in power.

e) Lack of Inter-Agency Collaboration

Participants also cited the lack of interagency collaboration amongst the various line agencies on some of the issues in which SMEs face corruption as contributing to their lack of collaboration. Agencies cited include the Anti-Corruption Bureau, Malawi Revenue Authority, Malawi Police Service, Malawi Bureau of standards, National Construction Industry Council, Public Procurement and Asset Disposal Authority and the Ministry of Trade to mention a few key ones.

They argued that most of the corruption issues they cited touch on these agencies or relate to issues within the jurisdiction of these agencies. They, therefore, argue that there is a lack of an established mechanism which brings these agencies into a collaboration to adequately address the corruption issues SMEs face. As such they contend that this does not create an environment where SMEs can also be motivated to collaborate and effectively link with these agencies in addressing corruption.

Prospects of SMEs Collaboration against Corruption.

All the participants acknowledged that overall, corruption is negatively impacting the sector and stated that they would be

willing to participate in any future collaborative effort involving SMEs to address corruption. However, a few participants (24% or 4 out of the 17 participants) while acknowledging the negative impact of corruption, stated that they would only participate if the collaborative efforts would have recognition from Government and also that a reporting system which allows them to report anonymously would exist.

Over half of the corruption incidents cited by participants (57% or 43 out of 76) are predominantly extortion in nature, and therefore a form of the 'need' variant of corruption using Baur (2016) classification discussed earlier. The other 43% (or 33 out of 76) of the incidents cited, ranged from favoritism, abuse of conflict of interests, Political influence, trading insider information to collusion in nature. These are a form of the 'greed' variant of corruption perpetrated mainly by public officials in agencies which SMEs compete to get business from and benefit the SMEs connected to them.

Participants who therefore favored collaboration stated that they believe collaboration amongst SMEs can help to address the problem of corruption. Most of the comments from participants (43% or 13 out of 30 comments) stated that collaboration amongst SMEs would facilitate the creation of a platform where experiences and knowledge would be shared and encourage openness, resulting in removing fear. They also stated that it could help SMEs to build evidence of what is happening which can inform advocacy and lobbying efforts. One participant commented that *"It can also provide an environment where people can share issues and remain neutral"* (Participant no, Q2A, 3ʳᵈ August 2018) and another said *"It is like peers talking about corruption. They are bound to take it seriously. They would heed the message"* (Participant no Q3A, 3ʳᵈ August 2018).

Others, 37% (or 11 out of 30 comments) stated that collaboration would give more voice to SMEs on the issue of corruption which is a significant challenge. They said that more voice would generate more power and influence and result in more significant impact over time. One of the participants said *"It facilitates them (SMEs) to have more power and voice on issues such as corruption"* (Participant no Q16A, 20ᵗʰ September 2018) and another said, *"Cooperation will bring in ideas and strengthen our hand"* (Participant no Q15A, 20ᵗʰ September 2018).

The remaining 20% (or 6 out 30 comments) did not directly comment on the issue but focused on emphasizing on the need for external facilitation and

support from key stakeholder institutions as a critical consideration to make collaboration amongst SMEs to be effective. One participant commented that *"The ministry of trade should purposely bring together associations to train them in addressing Corruption, they should play a facilitating role"* and another said *"It is difficult for one to do it but if institutions can help SMEs-Government institutions should facilitate SME efforts"* (Participant no Q11A, 7th September 2018).

Key informants also argued that while SMEs can individually oppose some of the corruption which they face, they favored collaboration between the SMEs as being more active and appropriate as a strategy to address corruption.

The Role which the associations and other stakeholders can play in fostering collective efforts

Role which the Association can play
N=32
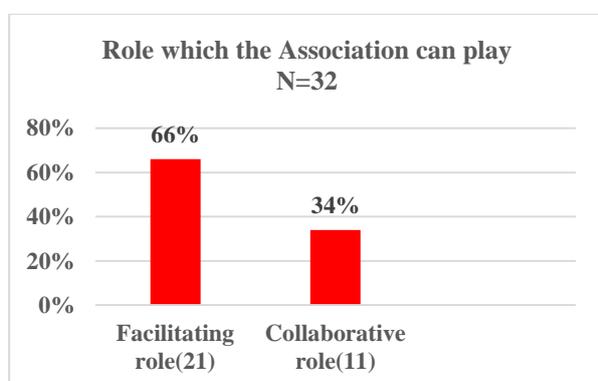
Over two-thirds of the responses (66% or 21 out of 32 responses) stated that the association can facilitate knowledge enhancement of its members on corruption and how to deal with it. They said this would involve Anti-corruption capacity building initiatives for association members in knowledge empowerment. They also suggested that the association can also facilitate advocacy and lobbying efforts with Government to among other things improve transparency in doing business and reform corruption-prone areas. One participant said the association could *"Lobby for measures to improve transparency in doing business, lobbying and advocacy on the issue of corruption as they affect SMEs"* (Participant no Q12A, 17th September 2018).

Other participants, (34% or 11 out of 32 responses), suggested that the association can play a collaborative role on behalf of its members in some areas and issues. They cited collaborating with law enforcement agencies by actively supporting law enforcement efforts. They indicated that this would entail, for instance, working with the agencies to introduce a reporting system with incentives to encourage SMEs to report cases of corruption anonymously. They argued that the association could then channel these reports to appropriate law

enforcement agencies and liaise or follow up with them to act on the reports and give feedback to the association or concerned members.
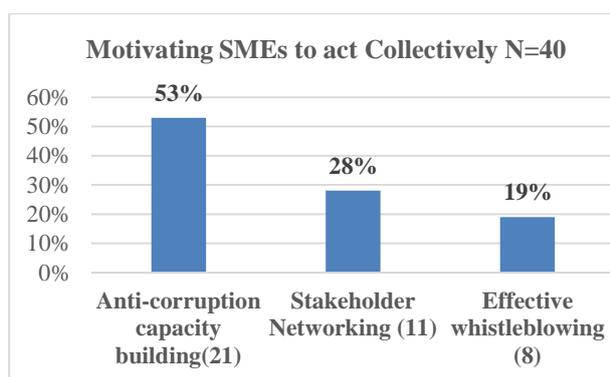
They further suggested that the association can also encourage its members to support other efforts by government agencies being undertaken to reform systems to reduce the occurrence of corruption apart from enforcement efforts. One of the participants suggested, for instance, that the association can encourage and openly support, for instance, *"Businesses who have not paid a bribe to speak about it apart from just acting on it"* (Participant no Q8A, 13th August 2018). They argued that, in doing so, it would expose corruption, break a culture of silence and encourage other members to oppose corruption as well.

They suggested that the association can on an on-going basis proactively engage with stakeholder institutions such as the Ministry of Trade and Industry, the Anti-Corruption Bureau, Malawi Revenue Authority on issues of addressing corruption. One participant suggested *"Inviting institutions like ACB to association meeting to sensitize members and to discuss solutions"* (Participant no Q10B, 16th August 2018). Presently, the invitations are done on an ad hoc basis. They suggested establishing formal

partnerships with such institutions. Some of the key informants also suggested that SME associations could get organized and also lobby with Government to play some role in monitoring public procurements which touch on SMEs since Government is their most significant source of business.

Key informants also suggested that development partners can also play a role considering that they implement some programs aimed at supporting the development of the SME sector. One key informant suggested that *"Development partners should ensure that any support to SMEs has a budget to mainstream fight against corruption"* (Participant no Q5K, 21st September 2018). They also suggested that development partners can even support specific stand-alone projects focused on addressing corruption affecting SMEs. They also cited that the Civil Society can help to mobilize SMEs and to facilitate them to cooperate against corruption.

Motivating SMEs to Collaborate in addressing Corruption

Motivating SMEs to act Collectively N=40

Just over half of the responses from the association leaders (53% or 21 out of 40 responses) stated that Anti-corruption capacity building would be critical to motivating SMEs to act effectively in addressing corruption. They suggested that this can take the form of training, awareness raising, developing specific skills but also empowering the leadership so that they can, in turn, train their members. One of the participants said, *"They (SMEs) need to empowering by being given the right information so that they can act against corruption"* (Participant no Q7A, 7ᵗʰ August 2018). In addition to developing capacity, Key informants suggested developing a policy framework to encourage the involvement of SMEs in anti-corruption. They also suggested that the Anti-Corruption Bureau should not just focus on large companies but deliberately engage with SMEs.

Under a third (28% or 11 out of 40 responses) of the responses, suggested

that, coordination and networking with other stakeholder institutions such as the Anti-Corruption Bureau. They suggested networking through holding joint meetings with the institutions to discuss issues of corruption that affect SMEs, establishing structures with the stakeholder institutions especially law enforcement agencies that would focus on addressing issues specific to SMEs. One participant, for instance, suggested that *"ACB should have a department/desk officer focusing on liaising with our sector"* (Participant no Q2A, 3ʳᵈ August 2018).

Other responses, (19% or 9 out of 40 responses), suggested establishing a proper system to facilitate effective reporting by SMEs as well as guaranteeing the safety of reporters and following through the issues reported. They argued that action on reported cases would motivate SMEs to collaborate more with the institutions and generate trust. One participant said, *"A system that allows them (SMEs) to raise issues and provide feedback"* (Participant no Q10A, 29ᵗʰ August 2018). Key informants suggested among others, establishing an incentive scheme to motivate SMEs to report corruption. They also suggested strengthening the administrative capacity of the association to be able to run the operations of the association more effectively.

DISCUSSION

The results have shown that SMEs participation in Anti-corruption collective action is inhibited by problems with the individual SMEs and their associations (internal factors) as well as to problems beyond them and their associations (external factors). The results have identified that a lack of Anti-corruption capacity in both SMEs and association leadership, inadequate resources to enable the associations effectively coordinate anti-corruption collective efforts, some SMEs being beneficiaries of Corruption thus undermining efforts against it, fear of potential retaliation from public officials and agencies, lack of unity and cooperation between SMEs and also the various associations, lack of engagement and external facilitation from key stakeholders particularly anti-corruption authorities, lack of recognition of SMEs mainly by public officials and lack of collaboration between various public agencies critical to fostering collective efforts among SMEs as factors that are inhibiting SMEs in Malawi from acting collectively to address corruption.

The results have also shown that the risks associated with fighting corruption and the paradox of corruption itself being both sometimes beneficial and also a constraint to SMEs in doing business influences SMEs willingness to collaborate against corruption. The results, however, show that despite the inhibiting factors and the present lack of collective action, SMEs are willing to collaborate and believe that acting collectively would be an effective way to address corruption and accrue a range of benefits to them.

The results vis a vis literature and other existing models of SME Anti-corruption collective action

Most of the inhibiting factors raised by this study agree with those cited in the available literature and models analyzed earlier in this paper though some affect the SMEs in slightly different ways. Wheatland and Chene (2015) in their work discuss the role which resources, capacity, and facilitation play in helping an Anti-corruption collective action take off and be sustained for example. Vanni (2014) also discuss the issue of transaction cost which relates to the lack of resources as a potential barrier to collective action.

The results also highlight additional factors and differing perspectives on some factors that are primarily influenced by the context in which the SMEs are operating. These include:

a) **Lack of collaboration between public agencies.**

The results have shown that, where critical state agencies, mainly those central to issues of corruption that affect SMEs, i.e., regulatory, administrative and law enforcement bodies are not actively cooperating to address issues that are bottlenecks fueling corruption that affects SMEs, it becomes a disincentive to potential SME collaboration in addressing corruption. Furthermore, it increases the risk for SMEs to collaborate to address corruption because they construe lack of such collaboration between these public agencies as lack of commitment on the part of Government to address the problem of corruption which SMEs are facing. Such agencies

b) Lack of Capacity

The results have shown that, for SMEs, lack of individual and association capacity constrains them to engage in Anti-corruption collective action and therefore that building individual and association capacity is key to motivating SMEs and their leadership to engage in Anti-corruption collective action. The results further show that capacity development of SMEs itself can also be a potential issue of focus for Anti-corruption collective action involving SMEs. Wheatland and Chene (2015) discuss capacity mainly from the perspective of it being an intervention that can assist in overcoming the barriers associated with local collective action.

The results have also shown that SME capacity as a constraint is at three levels. Firstly, SMEs have limited knowledge on corruption. Secondly, they lack knowledge on how to individually deal with situations of corruption, and this is exacerbated by a lack of mechanisms to assist them effectively confront corruption, e.g., effective whistleblowing systems and support from law enforcement agencies and their associations. Lastly, they lack the knowledge and skills to collaborate to address the corruption. The findings point to the fact that, collective action efforts will need to focus on developing knowledge and skills in them especially on

how they can individually and collectively address corruption.

c) Fear of Potential Retaliation

Fear of retaliation from either public officials or agencies by SMEs if they engage in anti-corruption efforts such as collective action actively is another critical finding by the study which is not addressed much by Wheatland and Chene (2015). It is, however, not just limited to SMEs but spans across a wide range of stakeholder groups particularly in environments with pervasive corruption and hostility to anti-corruption efforts.

The results have shown that SMEs fear to confront public officials or agencies when they are victims through, for instance, extortive practices, even when laws and regulations empower them with rights to challenge such practices. Secondly, they fear to report corruption to relevant agencies because they feel they may still be discovered and face retaliatory action. The reliance by SMEs on the public sector for business, lack of trust or confidence in the law enforcement agencies to follow through the issues and lack of a reliable reporting system that inspires confidence in SMEs which the study also found, can be attributed to this fear.

The results have also shown that establishing an effective whistleblowing mechanism for SMEs and inclusion of law enforcement agencies such as the Anti-corruption authority on the collective action effort is perceived by SMEs as some of the ways of mitigating the risk of retaliation. The results also suggest that anti-corruption collective action amongst SMEs in Malawi may need to begin with issues or approaches that would not immediately bring SMEs into a confrontation with public officials or agencies, instead, issues that would seek to promote cooperation and build trust. This approach affirms a core principle of collective action that it is not meant to be confrontational, but at its core, it involves cooperation to address a specified objective.

Wheatland and Chene (2015, p 4) also underscores this point in their work in which they argue for adoption of a non-confrontational approach as being appropriate especially in environment with limited political will (Wheatland and Chene, Page 5) a point that Rao (2013, p 8) echoed in his paper in which he noted that confrontational approaches make collective action difficult. The Egyptian Model commenced its collective action with integrity standards for SMEs, i.e., cleaning the company from the inside (Salama, 2018). The content that the Egyptian anti-corruption collective action focussed on, however, varies from that

suggested by the results of this study as will be elaborated later. The common denominator, however, seems to be non-confrontational approaches in both scenarios.

One approach that can be used to forestall confrontation in Anti-corruption collective action is for the Anti-corruption collective action effort to frame the fundamental problems which they intend to focus on in a way that presents them more as joint problems and not as being problems affecting one side. The Egyptian Junior Business Association, for example, identified issues of bribery around taxes as a problem to address through collective action. The problem was, however, looked at and framed as affecting both sides as opposed to framing it in a way that places blame on the Government agencies. It was for instance framed as an issue that is affecting both Government and Business in that corruption was causing avoidance of regulations or procedures and this was ultimately resulting in Government losing revenue (Salama, 2018). The framing can partly dwell on emphasizing on what each party would benefit from the outcome of the efforts to make it appeal to both sides.

d) The role of external facilitation

The findings have also underscored the significance of external facilitation in getting an anti-corruption collective action

off the ground amongst SMEs in Malawi. Wheatland and Chene (2015) address facilitation in their work as an intervention for addressing barriers for citizens' collective action. The Egyptian Model benefitted from the existence of the Egyptian Junior Business Association to launch its Anti-corruption collective action amongst SMEs (Salama, 2018). Malawi as earlier highlighted does not have a similar structure amongst SMEs. The results have further shown that external facilitation has added significance.

Firstly, external facilitation would be critical in filling this void and bringing the associations together to address corruption as a cross-cutting issue. Facilitation is against the backdrop of the fragmented nature of the SME sector in Malawi as shown by the results. External facilitation would also be vital in providing legitimacy and the necessary clout for the coalition and its efforts. It would mitigate the problem of lack of recognition by mainly public officials which are also a constraint for them to collaborate. The results have shown that any facilitator for Anti-corruption collective action amongst SMEs would play a more enhanced role of bringing the various associations together and facilitating the collective efforts to take off. Furthermore, the results show that the external facilitator would also need to facilitate capacity building.

SMEs in Malawi as shown by the study, prefer a range of stakeholders to facilitate Anti-corruption collective efforts. These include the Anti-corruption authority, line ministry, some regulatory agencies, and civil society organizations. They preferred the Anti-corruption authority and the line Ministry to be lead facilitators. They prefer these to work collaboratively.

The suggested choices vary considerably from other models of Anti-corruption collective action attempted in other sectors within Malawi and also the Egyptian Model. In particular, the extent of the role which Government institutions play in helping such a collective action take off and sustained is more enhanced. In the Egyptian Model, Government role was very much to provide to support the idea and initiative, and donors such Siemens Integrity Initiative and others provided technical and financial support (Salama, 2018). Apart from the context, financial resources and other issues that may be key to influencing perceptions as to who should facilitate, the capacity of the SMEs to mobilize on their own with limited support from other stakeholders is a crucial factor. Also, fear and the need for legitimacy of their efforts were also key factors that influenced the perceptions about facilitation which the results have revealed.

The paradox, however, is that while involvement of Government and its agencies in the coalition offers legitimacy and clout, how closely linked to the Government the coalition is seen to be can also beyond a certain point undermine its legitimacy in the perception of other stakeholders. It can also potentially undermine the voice of SMEs.

The results have also shown the critical role that that civil society can play in helping SMEs engage in anti-corruption collective action. In addition to activism around issues of holding duty bearers to account, civil society can also help to address corruption by working with constituencies in the society like SMEs which are victims of corruption by mobilizing them to work with parts of government to address corruption.

a) Lack of Incentive Structures and potential for Free-riding

The results, however, did not specifically highlight the lack of incentives and the potential for free riding as a constraining factor to Anti-corruption collective action amongst SMEs. These factors were discussed by both, Wheatland and Chene (2015). Mancur Olson's (1965) work is primarily centered on these factors as discussed earlier in this paper. What the results show instead is that SMEs mentioned incentives more as an influencing factor for their willingness to participate in Anti-corruption collective action. The results have for instance shown that SMEs are motivated to address corruption because of a range of benefits which they cited in the previous section that would accrue to them. Johnston and Kpundeh (2002) classify these types of benefits cited by SMEs as solidarity incentives.

The results of the study did not also raise the issue of the size of the membership in these associations and how it can affect the organization of an effective Anti-corruption collective action. This issue is also not addressed much by Wheatland and Chene (2015). It is, however, a potential constraint in Anti-corruption collective action. It is a central issue in Olson's logic of Collective action which was discussed at the beginning of this paper. Despite the willingness to engage in collective efforts amongst SMEs, the size of these associations as well as incentive structures that would be established to support the collective efforts could significantly influence success. In Egypt, the Anti-collective action started with a small core group of SMEs and grew from there on. The key, however,

was the incentive structures provided (Salama, 2018).

Considering their weak financial position, which would likely undermine their capacity to support a viable incentive structure mechanism to stimulate and sustain participation of members, other stakeholders particularly Development partners can also play a role in supporting anti-corruption collective action amongst SMEs. They can do this as part of their broad support of Anti-corruption work in Malawi. Their support can focus on general awareness to build a business case amongst SMEs for collective action, strengthening the capacity of SMEs to effectively engage in areas they identify to collaborate on with other stakeholders.

They can also support directly or indirectly a range of other incentives to help sustain the coalition such as supporting schemes aimed at providing professional business support to those SMEs who are actively participating in Anti-corruption collective action, financial and technical support to capacity building incentives to encourage participation by SMEs in anti-corruption collective action efforts. Fayyaz et al. (2015) suggested that donors can be helpful in facilitating multi-stakeholder engagement, providing training and know-how and supporting joint action initiatives

among other areas in SME collective action.

Prospects for organizing anti-corruption collective action among SMEs in Malawi.

The results have shown that despite the range of inhibiting factors that confront SMEs, strong prospects exist that organizers can leverage to build Anti-corruption collective action. The study established that there is a consensus amongst SMEs that corruption is negatively impacting on their businesses and their belief that collaboration among SMEs can help to adequately address corruption provide the foundational strengths upon which organizers can build Anti-corruption collective action.

The results have also shown that proportionally, SMEs in Malawi are confronted more with the 'need' variant of corruption than the 'greed' variant, elaborated earlier in this paper as argued by Baur (2016). The predominance of this variant as Baur (2016) argued is associated with a willingness to engage in collective action because it infuriates the victims (Bauhr, 2016, p8). The form of 'greed' corruption shown by the results of this study despite being substantial, it benefits

a few connected SMEs who monopolize a majority of the business opportunities available. This form of corruption still leaves a considerable section of SMEs victimized. The results only show that SMEs are infuriated by the status quo, but due to some of the inhibiting factors, this anger has not transitioned them to anti-corruption collective action. The existence of this form of corruption, however, provides conditions to make a good business case for collective action amongst SMEs.

Limitations and Further areas of Research

The study was qualitative and therefore limited in how many participants it engaged. While It did not sample the whole range of businesses that SMEs are involved in, the range of business covered included key segments that draw most of the SMEs. Further research would, however, be required to explore deeper some of the issues found by this study such as, the lack of capacity and resources to explore what options can be recommended that can work in the Malawi context. It would also be ideal to probe the influence of incentives on SMEs participation specifically to recommend what incentives would be ideal for the Malawi context to enable Anti-corruption

collective action among SMEs to take off and be sustained.

Conclusion

This study explored inhibiting factors that are constraining SMEs in Malawi from engaging in collective action against corruption against a backdrop of evidence showing that corruption is negatively impacting their growth and operations the potential benefits of collaborating against it. The study has concluded that despite their willingness to engage in collective action to address corruption, there is a range of issues both internal to SMEs and their associations as well as external that are constraining them and will require to be addressed Anti-corruption collective action to take off and be sustained. The study has also observed that support from a range of other stakeholders mainly Government, development partners, civil society organizations and Anti-corruption authorities will be crucial to unlocking SMEs capacity to overcome the inhibiting factors and begin to collaborate against corruption.

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