

## Original Research Article

**Barriers to An Efficient Logistics in Africa: A Direction for Further Studies***Dr Nuraddeen Usman Miko**Department of Procurement and Supply Chain Management, Kaduna State University, Nigeria, nuraumiko@kasu.edu.ng, +2348036691170*

**Abstract:** In the situation where the main credit supply of the country's enterprises is done through the banking system, it is necessary to analyze and explore the defects of the financing and credit supply relationship between banks and enterprises. This study is considered a descriptive-applied research and the required data were collected through library studies, workplace observation, and interviews with process experts. In this research, 37 credit experts from 17 different bank branches were interviewed about the process of granting facilities. Work-Centered Analysis (WCA) framework and conducting audits through questionnaires and related checklists revealed that the structure of Iran's credit supply chain network suffers from such problems as deviation in the appropriate use of allocated credit resources, structural faults of the banking system and lack of administrative health, high bureaucracy, directed facilities, etc. In the end, some suggestions are provided for redesign and optimization of the credit supply network.

**Keywords:** Credit supply chain network; Supply Chain Finance (SCF); Work-Centered Analysis (WCA) methodology; Technology-Based Companies (TBC); Banking industry; Diagnosis

**1. Introduction**

Efficient logistics is a key to trade and development in every aspect in the world. McKinsey guesses \$5.6 trillion in African business investment opportunities by the year 2025, and it is suggested that if "Africa sustains and accelerates structural reforms, some believe the continent can emulate China's rapid rise of the last 50 years" (World Economic Forum, 2020). Furthermore, Africa is the second largest continent, both in terms of land area and population (Excedea, 2020), it accounts for 17% of the world's population (about 1.3 billion people), but only 3% of investment contributed to its GDP (World Economic Forum, 2020); it lags behind in economic development which by implication affects the ability to trade others in Africa and globe.

Trade and investors are seen as major contributors of growth and development in Africa. There is instability in growth in trade on the continent, it is estimated that only 18 of 48 countries have managed to achieve inclusive growth.

Generally, the current growth rate is insufficient to achieve wide-scale in trade development (Getachew & Tessema, 2020). Fox (2019) asserts that much of Africa's growth and development does not progress due to limited businesses and investors which benefit the household to reduce poverty.

Logistics infrastructure is still a major stumbling block to trade in Africa. This refers not only to transport infrastructure, including roads, rail, terminals, border facilities, intermodal facilities, ports, airports and pipelines, but also to power supply and communications infrastructure, which logistics cannot function appropriately without them. It is estimated that, in sub-Saharan Africa, poor infrastructure reduced national economic growth by an estimated 2% and cut business productivity by as much as 40% (Smith, 2020).

A lack of continental connectivity is a feature impeding intra-African trade, particularly as most railway lines were developed to connect hinterlands to ports on the east and west coasts, and where road and rail linkages exist, these are often in very poor condition. The World Bank's Ease of Doing Business 2020 report indicates that it is still very difficult to conduct business in Africa.

From a logistics perspective, issues such as power supply, ease of trading across borders and enforcing contracts are some of the most critical issues that will be looked at before to start business in a particular environment.

The report indicates that some African countries like Nigeria and Togo have shown significant improvements, but some sub-Saharan Africa countries have still weak performance, with an average score of 51.8, below. The OECD high-income economy average of 78.4 and the global average of 63.0. Compared to the previous year, sub-Saharan African economies raised their average ease of doing business score by just 1% point, whereas economies in the Middle East and North Africa region raised their average score by 1.9 (Khoza, et. al., 2020).

The issue of border crossings is a major impediment to trade which, although recognised by the Southern African Development Community (SADC) Protocol on Trade in 1996 (SADC, 1996) (amongst similar findings in other regional agreements) as well as numerous research papers (as identified, amongst others, by Rodrigues (2011)), remains critical.

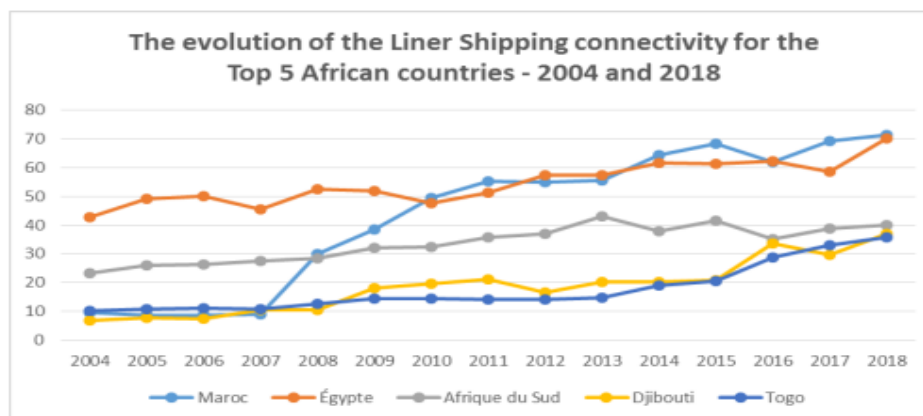
Issues include cumbersome documentary and border compliance procedures (World Bank 2020a), unharmonised procedures and processes between countries, corruption at border posts and the lack of one-stop border posts, all resulting in delays and high costs.

Political instability and conflict remain a threat to Africa's ability to do business, where it is estimated that 18 of the states in sub-Saharan Africa are fragile or conflict affected. A further 13 states are small states with small populations, limited human capital and confined land space (Leke et al., 2018; World Bank 2020b). Corruption remains a part of the business landscape in Africa (Leke et al., 2018).

If challenges bordering Africa (local, regional and national problems from grass root) are identified and dealt with, it will improve business development which will improve GDP of the continent and open doors to investors for logistics and other businesses around the globe.

## 1.1 Problems Statement

African trade in terms of goods represent a value of around \$1200 billion according to world trade organization (2014) (figure 1). Out of these totals, there is about \$644 billion of imports in 2014, and amount to \$553 billion of exports by 2014. The Europe makes around 37% of import and 40% of export, Asia about 42% of importation and 33% of exportation and America about 9% of export. That is means, it is around 72% of exchange are done between Africa, Europe and Asia and about 16% are intra-African. African trade is shaped by low activities due to lack of sophisticated logistics providers in the region. Most African exportation countries are primary product. For example, 40% of goods exported by sea were crude oil in 2017, and around 60% of the importation are dry bulk and containerized cargo (UNCTAD, 2017).



Source: UNCTAD database on the liner shipping connectivity index

Figure 1 The evolution of the Liner Shipping connectivity for the Top 5 African countries-2004 and 2018

In order to address the logistics challenges, there is need to investigate what are the challenges that barriers to have efficient logistics in Africa from grassroot which if deal with, is expected to enhance logistics in Africa. Having efficient logistics in Africa will call for more trade, investors and development for the entire region. This study wanted to find out the barriers to an efficient logistics in Nigeria and Uganda from original players of the industry.

This study is limited Nigeria and Uganda only considering barriers in terms of governance factors, environmental factors, infrastructure factors, educational factors and economic factors. Perception of barriers of efficient logistics from the real players of the industry. This study is important, if successfully carried out it will give out ways to manage barriers that berried out industry players from an efficient logistics in Africa. The study is expected to be beneficial investors, practitioners, governments and Africans. To investors, finding solutions to barriers of an efficient logistics will make the logistics business in Africa a lucrative whereby more investors will be willing to invest. To practitioners, having an efficient logistics in Africa, that will yield more profit that will lead to logistics business expansion. To government, managing barriers to an efficient logistics will make the logistics business to be less risk and make higher return, this will enhance the economic development of the nation. To Africans, an efficient logistics in Africa will shape the social and economic condition of Africans and uplifting the standard of living of Africans, because logistics business has direct effect on all the aspect of human and non-human living in the area.

## 2. Literature Review and Research Framework

There are few literatures that explored the challenges and optimizations of logistics in Africa, such studies include: BOUAZZA, Benmamoun, and Hachimi (2019), which explore the optimasation of logistics in Africa, Dubihlela, and Omoruyi (2014) examines barriers to effective supply chain management, BWANA (2015) examines the economic impact of logistics on time as a barrier to trade, and Luke and Walters (2022) examine the logistics challenges and opportunities in Africa in the 2020s and many more were examined to give empirical based of the study. However, no study was fond that examines the efficient logistic in Africa especially responses from the real customers and grassroot participants. This is what this research paper is proposing to address.

### 2.1 Research Framework

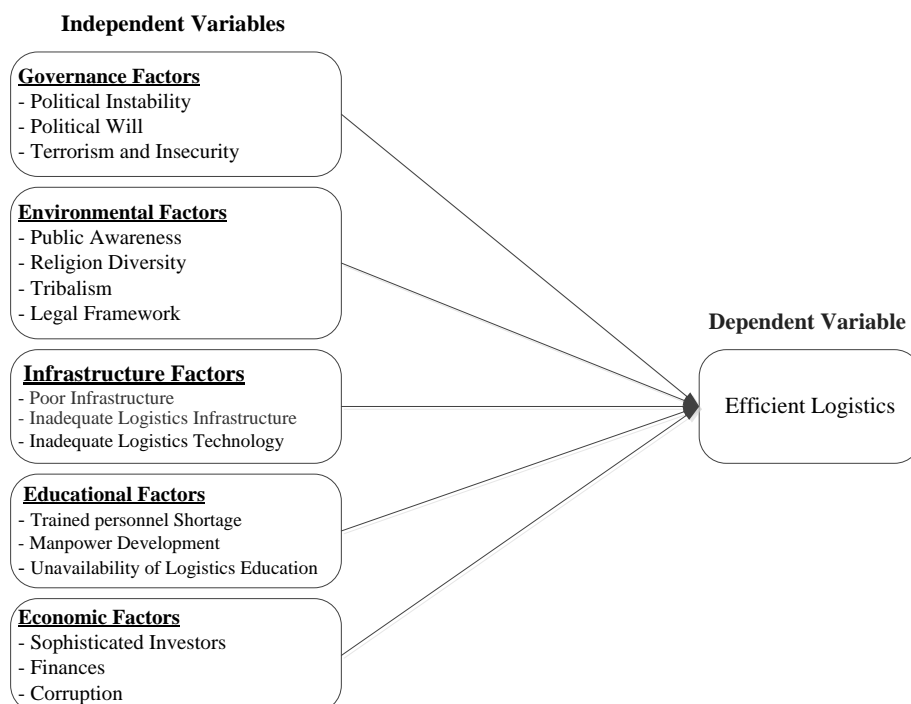


Figure 2 Research Framework

### 3. Conclusion

The research design that will be appropriate for this study is mixed approach (qualitative and quantitative) to examine the perceptions of respondents on the barriers (in terms of Governance, Environmental, Infrastructure, Educational and Economic Factors) of efficient logistics in Africa. This will enable the researchers to find out original perception from grassroots players of logistics and customers.

The research output of this study will provide solutions to barriers of an efficient logistics and will make the logistics business in Africa a lucrative whereby more investors will be willing to invest and yield more profit that will lead to logistics business expansion. This will enhance the economic development of the nations.

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