SMALL SCALE ENTERPRISE DEVELOPMENT

Firsta Jusra Iskandar

ABSTRACT

For some decades, small-scale enterprise has been instrumental for economic growth, poverty alleviation and the promotion of more pluralist societies. For the whole economics system, small-scale enterprise may be regarded as 'safety valve' since it guarantees people feeling of having a job and reduces the level of insecurity. The success of small-scale enterprise development depends on the support from the government and other stakeholders.

I. BACKGROUND

Small-scale enterprise is important for economic growth, poverty alleviation, and the promotion of more pluralist societies. Small-scale enterprise and its capacity to create non-farm activities have been important development issues for the last few decades.

Small-scale enterprise tends to be concentrated in relatively labor-intensive activities, so they play an important role in employing the growing labor force in developing countries, and alleviate the severe unemployment that threatens the survival of the poor. This is particularly of great relevance for developing region, where unemployment has become one of serious economic problem to the country. Development practitioners and social-economic scientists – those who are particularly concerned with region or local development – spend their big part of their time to study this topic. The idea underlying this effort is the facts that small scale substitute economic role of agricultural sector in providing income sources to the population at the region or the local. Providing alternative occupation opportunity means ensuring livelihood and securing survival. Social instability that might be taking place at the absence of other job opportunities may also be minimized. For the whole economics system, small-scale enterprise may as a result be regarded as ‘safety valve’ since it guarantees people feeling of having a job and it reduces the level of insecurity.

Two-inducement mechanisms may be considered to be at work within the productive activities of small-scale enterprise:

- The inputs provision, derived demand, or backward linkage effects, i.e., every non-primary economic activity, will induce attempts to supply through domestic production the inputs needed in that activity.
- The output-utilization or forward linkage effects, i.e., every activity that does not by its nature cater exclusively to final demands, will induce attempts to utilize its outputs as inputs in some new activities.

Small-scale enterprises also have roles in contributing effectively to industrial and economic development. Arguments that have been advanced to justify the development of small-scale enterprises as a development strategy include the following (Steel and Webster in Boapeah 1994: 1):

- Successful industrialization must have an indigenous base and small-scale enterprises to achieve this.
- Small-scale enterprises tend to be labor-intensive and to use the low level of technology. Thus their development would achieve employment and income distribution objectives, and sustained productivity increase through technological innovations.
- Small-scale enterprises can respond flexibly under difficult and changing conditions since they do not depend heavily on infrastructure, and their low
level of technology offers the opportunity for product lines and inputs to be changed at a relatively lost cost.

- Small-scale enterprise tends to serve dispersed local markets, provide differentiated products, and specialize as subcontractors for large firms.

Another effects at the regional/district level of small-scale development in rural areas:
- Regionally balanced development
- Creation of economic growth poles
- Reduction of migration to cities
- Decongestion of cities
- Increased flow of resources to rural areas
- Additional demand for agricultural products
- Promotion of industrial spirit
- Participation in generalized industrialization
- Promotion of skills related to entrepreneurship
- Further development of local technologies
- Intensification of local trade
- Additional income for district administration
- Opportunity for bottom-up development
- Inducing sustained development

In Indonesia, small-scale enterprises are an economic activity dominating more than 95 % of Indonesia’s economic structure (Sjaifudian, 1995: p.5). This sector has both economic and social politic strategic role. The economic functions of this sector are among others: to provide merchandises and service for consumers from low and middle level purchasing power; to contribute more than half of economic growth and is contributive to country’s foreign exchange income. Social politically, the function of this sector is also crucial, especially in labor absorption and in the poverty alleviation efforts.

Small business development is a basic need for Indonesia, which practices a specific economics system, namely people’s economy. The Indonesian economics system prioritizes people’s economic interest that involves public interests.

II. RATIONALITY OF THE PROBLEM

As empirical studies show, the economic policy in developing countries tends to be a hindrance rather than a help to small-scale enterprises, and can partly destroy positive impacts of direct promotion activities.

Small-scale enterprises at the regional or local level should receive specific instruments to develop or promote themselves with a view to a development process that involves all stakeholders. Stakeholders must be taken into account in regional or local development, which largely moulds the framework conditions for these enterprises.

III. GENERAL CHARACTERISTICS OF SMALL SCALE ENTERPRISE

In this article, small-scale enterprises comprise of manufacture industries (food processing, leather processing, furniture, etc) and services industries (trade, auto repair services, etc).

Small-scale enterprises are generally family businesses employing 3-5 people (although they may employ up to 20 in individual cases). It is rare for non-family members to involve. The production unit is often identical with the family home, or is in the same building as the family home.

Primarily, local raw materials are used; (often traditional and modern) waste is recycled (i.e. quilts produced from remnants, sandal manufactured from old tires). The technologies used have generally been developed locally, and are labor-intensive.

The level of formal education of workers is mostly low (workers are often illiterate), which is why agreements are not made in the form of written contract. The knowledge needed for production is acquired on the job. Wages or income may often be below the legal minimum wage, and workers
live below the official poverty line. Employment depends on orders; which makes it irregular; the working day is mostly considerably longer than eight hours. Workers are not entitled to time off (leave) or are not only entitled to take time off to celebrate religious feast-days and social events, such as wedding and funerals.

Not only the working conditions, but also the production conditions tend to be bad in small-scale enterprise. The enterprises have neither security (insurance cover, etc) nor material or financial reserves. Should they obtain larger orders, the customer is generally required to make a part-payment in advance to allow the enterprise to buy the raw materials. Unforeseen interruptions (machinery faults, sickness, etc) mean that the workers must fall back on the (financial) support of friends and relatives; the continued existence of the enterprise may be called into question.

Traditional production activities (i.e. leather production and processing, metalworking) are generally the preserve of certain groups within the society, as a result of social values and norms. There are no such restrictions on "modern" activities. Micro-producers concentrate on cheap mass consumption products for the majority of the population. This sometimes means competing with modern products made by medium and large enterprises and with imports replacing traditional goods (plastic crockery, etc). Small-scale enterprises also offer services and trade. Additional fields in which these enterprises can be found, besides trade, include (Gerold, 1993: p.1):
- Manufacture of high quality artisan products for the wealthy local population, and for export.
- Manufacture of labor-intensive semi-finished products under contract for firms of the formal sector, which take advantage of the low wage/unit costs in the informal sector. Because of their low production capacities, each small-scale enterprise tends to specialize in the manufacture of one product, or few products, working for only one firm.

- Provision services for wealthy population groups, who are generally employed in the formal sector (employees, civil servants, etc).

IV. THE INSTRUMENT OF SMALL SCALE ENTERPRISE DEVELOPMENT

The instruments for small-scale enterprise are mechanisms directed at enhancing the availability of the assorted elements required not only for the creation of new enterprise but for the upgrading, expansion and development of existing ones. Considering the wide diversity of developing countries in terms of politics, economic management and social cultural constitution, no single set of instruments are proposed. Rather this essay presents a catalogue of measurements that can possibly increase the contribution of conventional small-scale enterprise promotion activities to national economic growth.

In this context, the input for small-scale enterprise growth and development are classified as follows (Dinye and Henning 1993: p.15):
- Physical and fiscal input,
- Production technology,
- Physical infrastructure,
- Manpower,
- Market,
- Promotion organization

For convenience, the instruments, which may enhance the availability of these inputs to small-scale enterprise, are presented under the respective headings. As will soon be clear, one particular instrument may be relevant in access of the industrialists to a particular element.

4.1 Physical and Financial Inputs

4.1.1 Physical Productive Inputs

These comprise raw material, tools, equipment and machinery (Dinye and Henning 1993: p.15). They usually are primary or secondary in nature. Primary material inputs are those arising directly from
farmlands, fishing grounds, forest and the wealth of the earth. They are often referred to as the "gift of nature". Secondary materials comprise of those items which man has transformed in order to make them usable by the actors of the small-scale enterprise.

The instruments at the disposal of small-scale enterprise promoters are meant not only to make the physical material accessible to producers but strengthen their capacity to procure the four manufactures. The series of measures involved include (Dinye and Henning 1993: p.15):

- Research and development activities for the identification of the quality and quantity of supply sources and the dissemination of the information,
- Construction or improvement of infrastructure such as roads and other transport facilities for the exploitation and delivery of the materials,
- Provision of storage for stock piling to cater for seasonal glut and shortage,
- Arranging market outlets for physical material producers,
- Granting subsidies, tax concessions, low tariffs at instances of the material importation,
- Hire purchase arrangement,
- Supply of material in kind by customers.

4.1.2 Financial Inputs-Capital

The increased use of capital is an inevitable element in small-scale enterprise development (Dinye and Henning 1993: p.16). Notwithstanding that, capital is rather scarce in almost all developing countries. Many entrepreneurs who would otherwise have started new small-scale enterprise, upgraded and/or expanded their existing enterprises are retarded or prevented from doing so due to lack of capital. The principal sources of fixed and working capital employed in small-scale enterprises are the saving of the investors, of their relatives and friends and credit form moneylenders. Other significant sources are input suppliers as well as the customer of the goods offered. Although the capital resources from these sources are apparently limited, the concern of small-scale enterprise promotion agents is to mobilize and maximize their utilization not only for creation of new businesses but also for the upgrading and expansion of the existing enterprises. In addition, grants from bilateral and multi-lateral development assistance agent which include the World Bank, the ILO and UNO, are used.

The mechanisms employed by small scale enterprise development actors to make capital available to small scale enterprises are various, but conventionally, they comprise of the following ones (Dinye and Henning 1993: p.16):

- Credit guarantee schemes whereby the government takes over the majority of the risks default in return for a premium paid by the borrower,
- The institution of lower or subsidized interest rates for small scale enterprise making provision for less payment for a resource for which larger enterprises have to pay more,
- Influencing the central bank to collaborate with the other banks to soften the rigidity of their processes for appraisal prior land to granting loans,
- The decentralization of financial institutions amounting to the operation of the small banking windows from which small scale enterprises can borrow money at concessional rates,
- The organization of local voluntary organizations which are capable of recycling funds already accessible to them,
- Pursuing enhanced financial and economic policies thereby creating an enabling environment for mobilization and utilization of local capital resources,
- Discouraging capital flight through appropriate interest rates and tax policies,
- Encouraging and assisting promotion agencies towards financial autonomy through technical and financial assistance,
- Deformalizing the traditional saving and lending procedures of the financial
institutions in favor of the small-scale sector.

4.2 Production Technology

Production technology in this context refers to the hardware and know-how employed in the transformation of the raw materials by the small-scale enterprises. The hardware normally referred to as the 'instruments of labor' comprise of the tools, equipment and machinery employed in production. The know how or software stands for a combination of applied science, accumulated experience and skill (Müller in Dinye and Henning, 1993: p.16)

In an attempt to promote industrialization, developing countries encourage the use of technology. The mechanisms used include science and technology councils, productivity centers, technology information services, appropriate/intermediate technology centers, technical advisory services and technical training centers. In addition to the invaluable assistance they render by way of technology information diffusion, they are useful in identifying business opportunities involving technology choice and application. Invariably, this culminates in technology transfer for process change and product development.

The term of technology transfer means the existence of certain types of technology known elsewhere outside a specific locality which can be introduced into it enable certain new small scale enterprise to be established or for the situation of the existing ones to be improved. Applied as an instrument for small-scale enterprise promotion, the promotion agents search for and identify an appropriate technology for transfer from the sources to the local recipient. The mechanisms by which that is done involve academic, scientific, research and development consultancy and extension service institutions. In the developing countries, these are operated and monitored by local authorities through regional, national and international bodies such as the World Bank, The ILO and the UN.

The issue of technology choice brings in focus the concept of appropriate technology refers to a technology that involves the most economic way in which a particular type of small scale enterprises can execute the production of a particular good. The economic considerations are the use of labor, capital and material resources. In addition, some non-economic factors are also taken into account. These include the social institutions and practices which are (Dinye and Henning 1993: p.17):

- Capital and energy saving
- Small scale and employment generating
- Capable of being decentralized so as to provide jobs where people live
- Relatively simple to produce, operate and maintain without placing undue reliance on out capital and skills,
- Utilize local human and physical resources, primarily to produce goods and benefits required by producers.

The above criteria, however, must be treated with caution and therefore are not universally to be applied because in certain cases a sophisticated technology may be the most appropriate one whilst a simple one may be not.

4.3 Physical Infrastructure

The term physical infrastructure has never been clearly defined. In this context, it refers to all the physical and service installations or assets in a given area which are catalytic to the production process of society and therefore small scale enterprises development (Dinye and Henning, 1993: p.17). Infrastructure provides the basic services without which small scale enterprises and the economy as a whole can not operate. These basic services are supposed to be collectively utilized. Generally, they are established, controlled and maintained by the government. They are often referred to as 'the common condition of production'.

In developing countries many existing and prospective entrepreneurs have limited access or totally lack access to infrastructure that inhibits small-scale enterprise growth.
Specific instruments to make infrastructure available to small scale enterprises include (Dinye and Henning 1993: p.17):

- The provision of infrastructure through the development of industrial/enterprises estate,
- The provision of developed sites,
- The development of rural workshops.

They used to be provided free of charge in earlier days, but contemporary strategies for small-scale enterprises promotion recommends payment for the services and facilities that are offered.

4.3.1 Industrial Estates

The objective of developing industrial/enterprises estates is to promote and/or relocate industrial/enterprises. It involves the development of several hectares of land comprising of internal road access, workshops, water and power supplies, repair and services facilities, drainage, sanitary facilities and other common enterprises/industrial utility facilities. The new enterprises/industries can be established and the existing ones can be relocated and improved.

4.3.2 Developed Sites

These are large tracts of land provided with basic technical infrastructure such as roads, sewerage water, power and drainage facilities. Plots are mapped out and are mapped out and are sold or rented to entrepreneurs. The industrialists are supposed to build their own shelters or workshops following the local building codes and regulations.

4.3.3 Industrial Workshops

Standard workshops or worksheets are constructed in selected settlements knowing in advance who is to occupy them. These are rented or sold to users. The clusters of these workshops or sheds including common production facilities are provided to promote the emergence of new industries and the improvement of existing ones after their relocation.

4.4 Manpower

For the growth and development of small-scale enterprise, the skills required are various. Skill training is the main instrument available for small-scale enterprise promotion with regard to manpower supply and utilization (Dinye and Henning 1993: p.18). The specific instruments available in that respects are entrepreneurship development training and technical training.

4.4.1 Entrepreneurship Development

An individual approach to entrepreneurship development that considers the capability of the would be entrepreneurs as the starting point for any promotional measures should be developed along the following basic principles (Poppe in Jensen, 1993: p.170):

1. Assistance in general should be extended only to those who have observable potential. It is necessary to be selective in who is promoted and to clarify why that target group is identified.
2. Services should be designed appropriately. It is important to identify the needs and wants of the target groups as precisely as possible.
3. Delivery of services has to match available resources and power. Only these services should be offered that could be adequately managed by the supporting institution and effectively absorbed by the target group.
4. Institutions should be more facilitative than prescriptive in their activities. Action programmes to promote small-scale industries should build on the entrepreneurs' own energy, creativity and strengths for solving their own problems.

4.4.2 Entrepreneurship Development Training

The environment in which small-scale enterprises operate in developing countries is a rigid situation whereby business relations are intricately knit with socio-cultural rela-
The majority of small-scale enterprises are bound to fail because of their inability to make the right management decisions in commercial sense. Such decisions relate principally to how much, at what time, of what quality and at what cost to produce.

The inability of the actors of small-scale enterprise to take appropriate decisions culminates in the waste of resources opportunities. In most developing countries, colleges, training institutions and other organizations offer very different forms of management training. These training schemes tend to be general and not particularly suited with the actors of small-scale enterprises. Entrepreneur Development Training scheme currently drawn and implemented is target oriented such as being specific to small scale enterprise sector. This includes training existing entrepreneurs (Dinye and Henning 1993: p.18):
- To make optimum use of available resources especially with regard to the use of funds in a profitable way to avoid a recourse to a loan,
- To invest in goods which can readily be sold and repurchased rather than slow moving, high margin stocks,
- To the businessmen how to separate their personal and business transactions, and
- To educate the entrepreneurs to circumvent the informal monopoly of middlemen which inhibit anything but the minimum portion of the final selling price from reaching the manufacturers.

For the persons who intended to establish new businesses, entrepreneur development programs are conducted. The entrepreneurs are trained to acquire the basis principles of the business management with particular emphasis on project preparation and other aspects of starting a business. They are taught how to do business feasibility studies that qualify them for bank credit and other types of financial assistance. Overall, the trainees are taught to think and act in an entrepreneurial manner. The entrepreneurial development training under the reactive approach does not necessarily include follow up and support services as described under the active approach to small-scale promotion.

In many developing countries, the public education system is geared mostly towards fulfilling task in the public supported sectors. There is hardly any room for the inclusion of modules or even the elementary principles of management especially in the primary and secondary levels, the products of which are most likely to take to small-scale enterprises to earn a living. The insertion of lesson on the principles or elements of entrepreneurship into the educational system is now being used and advocated as an instrument supportive to small-scale promotion in developing countries.

4.4.3 Technical Training

For rather long time, apprenticeship remained the only way people could acquire technical skills to start new businesses or improve the existing enterprises in the small-scale enterprises sector. To broaden the scope of technical training many developing countries established a series of technical and vocational institutions. The course offered by these institutions are intended not only to improve existing skills or introduce new skills into existing enterprises but also to train unskilled persons thereby enabling them to be engaged in newly started businesses. The training comprises of non-formal education ranging from extension services and on job training schemes to formal classroom theoretical and practical instruction. In terms of duration the range is from days and weeks to months and years. Some are discontinuous batch instructions whilst other are consistent and have a specific or definite duration. With regard to location, some are mobile or semi-mobile and the rest are static (Austin in Dinye and Henning 1993: p.19).

The institutions in most developing countries cover male and female, employed and unemployed, skilled and unskilled, literate
and illiterate. Invariability, the bills of the training are footed by the central government resulting that people get through such course with little regard to the actual intended objectives. The results have been quite disappointing because only a few people take to employment in small-scale enterprise sector. The scope of training is broad, since it is intended to cater for the need of the entire country for the technical skills in the face of limited resources. Consequently, the general tendency now is, that the courses are (Dinye and Henning 1993: p.19):

- Objective and target group specific to serve the interest of small scale enterprises sector,
- Not generously funded in order to weed out persons who are undecided with regard to entry into the small scale enterprises sector and,
- Entrepreneurs’ development oriented.

4.4.4 Extension Services

It is realized that only a minority of small-scale enterprise actors is able to attend and benefit from classroom instructions or training. The reasons include (Dinye and Henning 1993: p.20):

- The awareness of the need to improve,
- The lack of motivation to learn,
- The inability of the actors to leave their businesses for the duration of training session particularly when the training center far away from their locations,
- The unwillingness to expose personal problems during the group training exercises and,
- Most small-scale actors are unable to comprehend the tuition in the classroom within the few days or weeks and adapt it to what happens to the situation of their businesses.

The purpose of providing extension services therefore are to make the actors aware of their need to improve, to motivate them to want to learn how to improve, to urge them to apply their knowledge gained form the learning process and to enable them realize that they need to adopt that knowledge practically to their specific situations, if it is to be of benefit to them (Dinye and Henning, 1993: p.20).

Extension service rely on the five physical senses of seeing, hearing, touching, smelling and tasting in the delivery knowledge to small scale enterprise actors. Consequently, the models of delivery include films shows, television, the press, radio, exhibitions, circular letters, cine films, individual contacts, group meeting involving group demonstrations, tours, short courses and businesses clinics.

In many developing countries, extension services are offered to small-scale enterprise actors free of charge or at a negligible cost. Of course, any changes they would wish to undertake, however, attracts physical cost, in that, it invariably involves risks. The inertia to change is understandable since the ‘known ability to survive or change is to most people preferable to uncertain ability to prosper through change’ (Harper in Dinye and Henning, 1993: p.20).

4.5 Market

There are four kinds of markets in which small-scale enterprise can sell their products. These comprise of the agrarian rural market, the urban and semi urban cash market, the modern metropolitan market and the export market (Dinye and Henning, 1993: p.20). To operate in any of these markets, small-scale enterprise encounter myriad of problems. Consequently, the instruments invoke are aimed at the alleviation of these problems as well as enhancing the entrepreneurs to utilize the market opportunities that are available.

4.5.1 The Agrarian Rural Market

Generally, rural economics in developing countries are predominantly subsistence and low-income economies. This feature determines the nature, scale, technology and other aspects of any enterprise contemplated. Incomes in rural areas are derived from the sale of agricultural products and occasionally from labor on public work.
Cash incomes are meager, seasonal and uncertain in amount. The market for small-scale enterprise products in this situation is therefore characterized by periodic repayment financing, irrespective of interest rates, big arrears and even default.

The products that can conveniently be marketed are simple agricultural tools, household products, simple furniture and textiles. The opportunities that avail for small-scale enterprises are those using local resources to produce goods and services of a quality and a price acceptable and affordable by the rural population.

Business avenues are limited not only by the low agricultural incomes and earning from other primary occupations, but also by the non-industrial tradition, limited access to material inputs, infrastructure and low quality skills. Small-scale enterprise promotion is therefore a challenge here. The challenge has to do with the people in the traditional non-market oriented background who are unwilling to change their way of life in order to effect the upgrading and/or expansion of their existing enterprise on the one hand. On the other hand it has to do with people who are in the habit of saving and investment and are reluctant in venturing into unknown sources of finance because of the lack of confidence.

4.5.2 The Urban Cash Market

Moving away from the subsistence rural market economies one proceeds to the cash, semi urban and urban ones in the developing countries. Geographically, these are in the form of administrative and trading centers. In these centers the market sources of income are diverse. Here public and civil servants and other salaried workers operate side by side with plantation and estate managers. Alongside are also and vendors who earn better incomes than those in the rural areas.

The urban and sub urban market provides a rather even flow incomes. The interdependencies and gaps in the provisions of goods and services arising from the diverse activities create opportunities for business growth. The upgrading and expansion of existing enterprises and the emergence of new ones are possible. For instance, a carpenter may move into building construction much in the same way as seamstress and a simple metal worker could enter into the manufacture of clothing and agricultural implements respectively. Nevertheless, instead of the emergence of new business, copiers penetrate into the market thereby saturating it. However, better transport and communication network can affect the situation since entrepreneurs can search and serve a larger market area. To survive in business or create a new business or create a new business profitably, feasibility analyses are therefore indispensable.

Empirical research has shown, that in the urban and sub urban markets the following conditions must be brought in place with regard to small scale enterprise promotion:

- High level management skills to control the investment in the expansion and/or upgrading of existing enterprises as well as the creation of new small scale enterprises, and
- Product differentiation to be competitive and to capitalize on that opportunity.

4.5.3 Market Area

In all developing countries, the capital city and other high level urban places offer market opportunities for industrial goods ranging from the most simple to the highly complex ones. It is in these settlements that most of the affluent people live and work. They include the highly salaried civil servants, directors of corporations and business tycoons. The market is competitive one with regard to taste, price, quality and diversity. Both modern and traditional enterprise, large or small in scale can flourish. However, the limitations confronting small scale enterprise development in this market structure include:

- An inadequate knowledge of the nature and the extent of the market by the individual entrepreneur.
• The lack of technical information and skill to identify and evaluate the precision of the market opportunities,
• The lack of financing and scarce foreign exchange for the procurement of non-locally available input, and
• The lack of well-rounded entrepreneurs, although each country produces a certain amount of natural ones.

4.5.4 The Export Market

Developing countries trade among themselves much as they do with the developed nations. The implication is that for each country, the small-scale enterprises can exploit internal and/or external market opportunities. The principal difficulty is how entrepreneurs can profitably penetrate into the various markets.

4.5.5 The Instruments for Market Promotion

A ready market for the products of the small-scale enterprise sector is really a fundamental element for its growth. The instruments available for the improvement and/or expansion of the market for small scale enterprise goods include the following ones:

The creation of a national level marketing research and development to supply marketing services, e.g. identification of proposed products, indication of probable volumes of future sale, geographical distribution of market and the features of the product wanted,
• The establishment of marketing centers to promote common facilities such as product quality testing and control, product advertisement and transport management to facilitate distribution,
• Extension, consultancy and marketing advisory services to entrepreneurs,
• Running exhibitions, participation in trade fairs, and propagation through various forms of mass media,
• Distribution of goods through governmental and non governmental commercial houses,
• Technical and financial assistance for process and product development to meet the tastes and fashions of the various market segments,
• Making analysis as an integral part of entrepreneur development training curricula to equip them to nose and assess the market for the products.

4.6 Institutions for the Promotion of Small Scale Enterprises

Both public and private organizations have roles to play in small-scale enterprise promotion (Dinye and Henning 1993: p.22). The public and private organizations may be a board, a corporation or department or a complete ministry. The promotion tasks of such an agency are various in terms of scope ranging from the improvement through the expansion of existing enterprises to the emergence of new ones. Private organizations include saving credit cooperatives, local and foreign NGOs and voluntary associations. In most cases, their title, responsibility and activities reflect their particular promotion task.

Experience suggests a general unimpressive institutional performance with regard to small-scale enterprise promotion in developing countries. The public agencies have severe limitations in dealing with the small-scale enterprise programs. Their bureaucratic structures, poor services and attitudes restrain the flexibility of the organizations as well as their credibility with small scale enterprises owners and the private sector (Loucks in Dinye and Henning 1993: p.22). The organizations tend to be rather small in terms of budget and staff in comparison to other government activities, making it hard to appoint a head of program of high standing thus commanding the respect of other cooperating government institutions. Government organizations have been mismanaged or at best tailored towards the career objectives of their staff that are hardly responsive to the needs of small-scale enterprises. The private organizations are better in terms of the needs of performance but the unfavorable business environment created for small-scale enterprises by government policies hinders progress.
The instruments to improve the institutional performance in small scale enterprises promotion include (Dinnye and Henning 1993: p.15):

- The creation of a national umbrella organization with autonomous decision making and financial responsibility.
- Encouraging the creation of industrial workers organizations and industrial cooperatives.

4.6.1 National Umbrella Organization

Invariably small-scale enterprise promotion requires organizations with a national status. Contemporary thinking recommended the creation of a separate grant supported body, with board of directors including government representatives, trade associations, chambers of commerce, commercial and development banks, small enterprises associations and the entrepreneurs association. The national umbrella organization requires an effective strategy for the execution of its programs at the regional and/or local level. The delivery agencies that the umbrella agency can work with might differ from community to community. Nevertheless, they must generally be entrepreneurial in culture and outlook. This should not in any case imply that be run on profit basis or commercial lines. According to the Xavier Institute of Social Services, Ranchi, India, they must be (Loucks in Dinnye and Henning 1993: p.23):

- Autonomous and relatively free from outside control,
- Ready to try out new programs and not to be constrained by a formal system of education,
- Able to dispose of their own financial resources and have the discretion about their use,
- Not excessively dependent on donor agencies, and
- Risk bearing and adventurous.

4.6.2 Industrial Worker’s Organization

The organization is formed by the coming together of a number of workers in an association established on continuing, long term and democratic basis (Austin in Dinnye and Henning 1993: p.23). The objective of the organization is to promote and defend the interests of the members (Dinnye and Henning 1993: p.23). In terms of membership, two kinds of such an organization can be identified. One involves full time employed entrepreneurs and the other part time employed enterprises.

In both cases, the area of their services is in the categories of bargaining and pressure group. Pressure group activities may be to obtain action for local authority to install water and power supply plants. It may also be for the international government to facilitate the importation of certain materials, tools, equipment and machinery. In addition, they provide legal services to defend members to take advantage of the law of the country. This includes the settlement of disputes in the event that landlord from his workshop evicts a tenant. Other important services granted by the enterprise actors association are information and educational services. Member are informed and educated on the various aspect of business improvement by mass, group or individual contacts. Information on views, aspirations and reactions of the various members are recycled and passed onto the organization.

The enterprise workers organization is intended to perform certain other functions termed as “special services” (Austin in Dinnye and Henning 1993: p.23). These services can be provided without any pressure group action or are a direct result of such activities. Such special service include (Dinnye and Henning 1993: p.23):

- Running savings and loan schemes by and for the members,
- Purchasing and marketing schemes for the purchase of inputs and the sale of products, and
- Extension services such as health care, child care, social services and community development activities.

4.6.3 Enterprise cooperatives

The grouping together of enterprises forms Enterprise cooperative into a society. The
status ‘co-operative’ is bestowed only on those societies whose by-laws provide for complete freedom from external pressure, for democratic operation and supervision and a decision making process which involves participation by all members. Small scale enterprise can evade the disadvantages they suffer through the economics of scale enjoyed by larger enterprise such as having a strong bargaining position in the market. There are categories of small-scale enterprise co-operative formation. One involves the complete amalgamation of enterprises into one unit whereby their independent production processes and business operation ceases to function individually. The other category is for the individual enterprise that co-operates in a society to use one or more facilities or services only (Dinye and Henning 1993: p.24).

4.6.3.1 The Joint Enterprises Production

The joint enterprise production co-operatives are formed for technical and economics reasons. By coming together, small scale enterprise can make use of large-scale plants in production, which involve the handling of large and/or heavy raw materials and finished heavy products. One example is quarrying for raw material for the production of heavy concrete products. For quality products and a ready market certain enterprises require many and varied hardly attainable by one small-scale industry. Improved technical performance and economics are achieved through specialization within the cooperative effort.

4.6.3.2 Common Facility Co-operative

Individually, small-scale enterprises are unable to justify the provision of one or more facilities or service. Where a large number of small-scale enterprises come together, the formation and operation of a common facility and the provision of the amenity are justified and recommendable. The main types of facilities which are usually taken as basis for the establishment of a common facility co-operative include the following ones:

- **Purchasing and Supply Facilities.** Purchasing facilities comprise of purchase against orders from members and purchase for stock in anticipation of orders from members. Supply facilities involve pre-sales activities consisting of transport from producers, importers, and wholesalers to the cooperative store. After sales services relate to tools, equipment and machinery. These include an adequate stock of spare parts, maintenance and repairs activities. Ad hoc training course may also be included.

- **Credit Facilities.** The facilities may be short or medium term. Short-term credit is normally for working capital such as the purchase of the raw material until the sale of finished products. Medium term credit is up to a few years. The facility is usually for the purchase of capital equipment, tools and other fixed assets. The source of these credit facilities are members own capital or borrowed capital may emanate from bank overdrafts (current liabilities), bank and private loans in the form of fixed liabilities, etc.

- **Marketing Facilities.** Marketing facilities include the following ones:
  - The procurement of orders for fair distribution to members with negligible risk:
  - The purchase of goods for stock in anticipation of orders at agreed prices. Risk are medium,
  - The purchase of goods for stock in anticipation of orders at current prices amounting to high business risks.

Since individual small scale enterprise are usually constrained to have access to such facilities they find it necessary to enter into co-operative action to the benefit of its members. Other facilities whose access to small-scale enterprise requires co-operative action include research and development facilities, maintenance and repair for tools and equipment, training and education.
V. GOVERNMENT STRATEGIES AND PROGRAMS SUPPORTING SMALL SCALE ENTERPRISES

There is an emerging consensus that new approaches are needed to improve the effectiveness of government strategies and programs supporting small-scale enterprise. In the field of micro-finance, new approaches have evolved in recent years, and there is now a well-recognized body of knowledge and practice supporting the delivery of financial services to the poor. The current challenge in small-scale enterprise development is to build on the success of micro-finance, establishing good practices for small scale enterprise financing and for the provision of non-financial services to small-scale enterprises.

Government strategies to assist small-scale enterprises vary, depending upon the country’s stage of development. Nevertheless, there are some basic principles of successful small-scale enterprise development strategies:

5.1. Create a level playing field

The fundamental key to a successful small-scale enterprise development strategy is the establishment of a business environment that helps small-scale enterprises to compete on a more equal basis. To establish a level playing field, governments need to re-evaluate the costs and benefits of regulations that place a disproportionate burden on small scale enterprises, implement regulations with the flexibility needed by small scale enterprises, and place greater emphasis on competition and procurement policies to open small scale enterprises access to markets.

Governments need to design a clear, coordinated strategy for small-scale enterprise development that carefully separates equity and efficiency objectives. Public expenditure should be confined to those services and target groups under serves and for which there is a clear justification based on public goods or equity considerations.

Using the methodology of micro finance, good practice in the delivery of services to small-scale enterprises can be judged according to the performance criteria of coverage, cost effectiveness, financial sustainability, and impact.

Encourage the private provision of a wide array of financial and non-financial services. In most developing countries, small-scale enterprises do not have access to institutions and instruments appropriate to their needs. To ensure small-scale enterprise access to a diverse range of financial and non-financial services, governments should strive to develop private markets for services suitable for small-scale enterprises, stimulating market development on both the demand side and the supply side.

Through its lending operations and non-lending services, the government and another stakeholder in developing countries should support small-scale enterprise development, by:

- recommending necessary policy and institutional reforms to improve the business environment facing small scale enterprises—for example, in the regulatory and legal framework governing competition, investment, commercial transactions, labor regulations, taxes, property rights, and procurement procedures;
- designing and implementing methods of gathering systematic information on small scale enterprises that can be used to determine small scale enterprises opportunities and constraints, identify target groups for assistance, monitor the impact of policy reforms on enterprise performance, and evaluate the impact of interventions;
- developing strategies to reduce the risks and transactions costs associated with lending to small scale enterprises, and to strengthen the capacity of the formal financial system to serve this segment of the market;
developing markets for the private provision of a diverse set of non-financial services by building upon existing private initiatives, and by involving the private sector in the delivery of services supported by the public sector;

improving the performance of publicly provided services, with the objective of achieving high impact as well as financial sustainability over an established period of time.

VI. REFERENCES


