

Micro- and Small and Medium: Beyond the Romanticism!

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I have had an interest in Micro- and Small and Medium Enterprises (M&SMEs) for a number of years and have in the process made many friends among the entrepreneurs. Well if this sounds strange, then you need to ask yourself who all those people you spend your time over weekends with are?

I mean the guy who services your car over the weekend because you cannot afford to take it to the big garages, the painter (if you can still afford to have your house painted), the dressmaker, the plumber, or even the ladies who come home to do your braids (ômadreadsö).

My interest is both academic and personal, as I will demonstrate in this brief article. But, I believe I am not alone in this, for politicians and policy makers also share this interest. Witness the number of government ministries and departments which in one way or another deal with M&SMEs e.g. the Department of Small and Medium Enterprises in the Office of the President, the Ministry of Youth Development, Gender and Employment Creation, the Social Dimensions Fund in the Ministry of Public Service, Labour and Social Welfare, the Small Enterprises Development Corporation, among others. There is also a host of both non-governmental and private sector initiatives all meant to promote M&SMEs.

Added to this, no economic policy blueprint since independence has failed to mention the important role played by M&SMEs in development.

However, it is my contention that sometimes the romantic notions attached to M&SMEs tend to gloss over the reality of these enterprises to such an extent that they eventually fail to realise their full potential. Four arguments are usually advanced in support of M&SMEs.

Employment Creation

Without any doubt the majority of the labour force is employed by these enterprises. This is almost a universal feature of the labour market spanning across as diverse economies as Japan, the U.S.A. and all developing economies, including Zimbabwe.

In Zimbabwe micro-enterprises grew in number and employees since the economic reforms of the early nineties. From 1991, 1993 to 1998 they grew from 867 784 to 941 144 and subsequently falling to 860 329 respectively. The numbers they employ grew during the same years from 1 350 908, 1 546 938 to 1 647 664 (Gemini Study, 1998).

However it ought to be noted that this growth has been most prolific during periods of low economic growth. GDP averaged 1.8% between 1990-1996 and 1.5% in 1998. With the negative real growth we are currently experiencing, it would not be far fetched to suggest that their numbers have since grown beyond the figures of the nineties.

In a study on Zimbabwe, Ghana and Kenya it was observed that 'meeting family needs and securing the families financial future dominate other motivations for establishing small manufacturing operations in Africa'. The study suggested that little wonder then that many of these operations are abandoned when better means of meeting family needs come along' (Mullei, A., 2003).

This is precisely the point we are making, i.e. that policy should not romanticise M&SMEs without looking at the reasons for their existence. Petty trading and production that springs up during economic decline as a survival strategy cannot be the anchor of both an employment policy and development strategy!!! But this is no way meant to denigrate the ingenuity of these entrepreneurs

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Low Capital Costs

Common sense suggests that less financing costs are required to start a small operation in comparison with a large one. However when we disaggregate these enterprises by sector a different picture emerges. A vegetable vendor requires less capital compared to a welder or a mechanic with an 'almost complete' set of spanners.

To get a clearer picture of what I am driving at, let us look at it from a different angle. Most studies on M&SMEs identify access to capital as a major constraint on the growth of these enterprises. It is generally acknowledged in these same studies that self-financing is a major source of start-up. It goes without saying, therefore, that those who have access to self-financing either from previous employment or relatives have an added advantage (Mullei, *ibid.*). This was also our finding in a study on small engineering enterprises in Zimbabwe. In 28 (94%) of the companies who responded to the question on previous employment, the owner or partner had been employed before, while 18 (60%) of these had used 'own savings from previous employment to finance the present operation Halimana' (1993).

The point is that it is a misplaced assumption that because capital outlays are lower for M&SMEs therefore everything is rosy. These have to be looked at against the resource base of the entrepreneurs. To this end there are a number of initiatives to help them overcome this problem.

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The Zimbabwe Association of Micro Finance Institutions (ZAMFI) and its member institutions is a case in point in this respect.

Suitability and Affordability of Products

These two issues are predicated on both ideological and class interests. We need to raise the question of who determines what is consumed in society, by who and how much of each. If the poor rely on the products of small enterprises for survival then this is a 'need' question rather than one of 'suitability'.

Similarly if large industry relies on the products of small enterprises because they are cheaper, we need to ask the question whether this an 'efficiency' consideration or a 'cost' consideration? But, and we emphasise, but, the bottom line of it is that somewhere along the line there must be labour which is being 'squeezed'. This point should never be lost. We would like to contend that this is the hallmark of the existence of M&SMEs. M&MSEs are generally characterised by low levels of unionisation of labour and lack of protection of "minimum labour standards". Labour employed under



such conditions is often subjected to levels of exploitation above what prevails elsewhere.

Simplicity of the technology

We pointed out earlier on that once these enterprises are disaggregated then a different picture emerges. The same example applies i.e. a vegetable vendor and a welder. Their technological requirements are so disparate that there is no way they can be lumped together for any purpose (Jeans et al, 1990).

This is where the North and South East Asian countries established a firm point of departure for their M&SMEs. The



average Japanese small firm has, at least since the post war era, been given state, local authority, research institute and private sector support to upgrade its technology (Itoh and Urata, 1994; Kojima and Okada, 1997). This is specifically so in the metalworking sector. Of special interest is the vehicle manufacturing industry where the bigger firms rely on small firms for components. The former also supply technical information to the smaller firms including training, equipment and financial assistance.

So the bottom line of it is that it is a myth that M&SMEs are or should necessarily be characterised by simple technologies. We need to look at the bigger picture.

Conclusion

We have not delved into the more complex issues on the definition of M&SMEs in this brief discussion. Nor have we touched on the broader question of the role of M&SMEs especially during

the process of industrialisation. However, we hope that we have raised sufficient issues of concern, especially to those interested in this subject as an area of research.

More than anything else, we hope that we have tried to debunk some of the romanticism that goes with the expressed interest in this area.

This, hopefully, should lead to more sober and realistic approaches to M&SMEs.

In future we shall deal with the 'trust mechanism' as an element of growth or failure of M&SMEs. I am sure you know what I am talking about! Do entrepreneurs always deliver on time? What mechanisms exist for contract enforcement? Come to think of it, have you ever asked yourself why relationships with micro-entrepreneurs are characterised by efforts both on your part and on theirs to establish some kinship connection? If this is not the case then why all these terms: *Biggaz! Big Dhava! Malume! Ambuyal! Mkhwenyana!*

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