

What is a small enterprise?

Up to present time, there is no unified definition of small-scale enterprise. Actually, there are several ones from one country to another, according to the prevalent economic and social circumstances.

It is important from the outset to be clear what we mean by a "small enterprise". The term can be defined in various ways according to the circumstances in which is being used; the Harvard Business School in the United States offers a course for managers of small businesses and these are defined as having an annual turnover of less than 10 million dollars. In many developing countries there are only one or two businesses which are not small by this definition. Sometimes people classify businesses by the number of employees and maximum numbers 50, 100 or more people have been used to define the point at which a business ceases to be "small".

Yet another way of describing the size of a business is to refer to the way decisions are taken in it. For the purpose of this paper, we may choose this method and say that we are mainly concerned with businesses where the manager is not a specialist in management but is chiefly occupied in carrying out the main function of the business. In a workshop he is a skilled carpenter or a metal worker as well as being the manager, and in a shop he spends most of his time selling goods across the counter.

In India, small-scale enterprise is the unit whose workers per shift do not exceed 50 in case of using motive power or 100 without using motive power. Very recently, the Government of India abandoned the condition of number of workers so as to facilitate absorption of labour force by small enterprises. The most recent definition of a small

enterprise says that it is the unit whose capital does not exceed 750 thousand Rupees regardless the number of workers. Capital, here, means money invested in equipment and machinery excluding land, buildings and operating capital.

In Japan, small-scale enterprise is defined as a company or an individual whose capital does not exceed 50 million Yen and number of workers does not exceed 300. In trade and service sector, small-scale enterprise is that unit whose capital does not exceed 10 million Yen and number of workers does not exceed 50.

In the United States of America, definition of small-scale enterprise says it is the unit that employs less than 100 workers. Small enterprise in trade and service sector is that unit whose retail sales is less one million dollars and wholesale value is 5 million dollars.

1. The definition and the role of SCIs Egypt

Egypt showed little concern of small scale industries (SCI) until at least the 1980's. It promoted industrialization in three main ways: by regulating trade; by using investment incentives; and by undertaking public sector investment, often with foreign aid. All these discriminated against SCIs. Foreign trade regime, that was controlled, always discriminated against small firms, since large firms were better placed to obtain import permits for capital equipments, components, and raw materials and were also better able to obtain tariff rebates intended to alleviate some of the harmful effects of high protection. Investment incentive laws also discriminated against small firms by restricting tax concessions to firms of some minimum size.

When there had been much concern for SCIs, measures might have been found to offset the disadvantages imposed upon them, specially with the large change to a rather free market economy aimed at by all economists and policy makers in Egypt now.

In case of developing countries, small firms generally mean those with fewer than 50 workers, and the very small those with 10 workers, when the firm contains fewer than 5 workers they will be called cottage shop, factories at home (Household manufacturing) (1). Medium-size firms mean those with 50- 99 workers.

The Egyptian data show that total industrial employment has risen from 12.5% to 14.2% between 1982/1983 and 1986/1987 of the total labour force. Household manufacturing has risen only from 3% to 3.7% between 1982/1983 and 1986/1987.

The food product industries represent a small share of all projects covered by the feasibility study as textile industries dominate the concern of people who look at quick profit. From 40 projects, about 35 % represent manufacturing domestic productive units in 1989. The remaining part concerns textile, food, metallic industries (More details are given in the final section of this chapter).

In general, there is no agreement about precise definition of SCIs, in particular small, medium and large size. That is to say, two points must be set: first the main characteristics of SCIs which distinguish SCIs from other, SCIs are those enterprises which take into account the following elements: (a) close personal relationship between the manager and workers; (b) using the domestic raw materials; (c) less use of energy and infrastructure compared with medium and large enterprises; (d) labour intensive rather than capital intensive enterprises; (e) the correlation between society and marketing, second criterion used in defining SCIs (2); these criteria are the number of workers, capital investment, sales, energy consumption. Most studies, either for developing or developed countries, tend to use the first two criteria, this due to the data availability on number of workers and capital investment. Thus, SCIs are said to be labour intensive and not capital intensive enterprises.

Table (1) shows how industrial and developing countries define SCIs.

The meaning of SCIs must take into account those small savers in order to give them an opportunity for investment in projects their capital ranges between 10 and 50 thousand pounds.

Table (1)

Definition of SCIs in Selected Countries

Country	Workers	SCIs	Capital	Hand made industries No of workers
UK	200		-	1-20
Denmark	20		-	1-6
Japan (3)	300	Yen	100m	50
USA	250		-	-
Ethiopia	50	\$	48.000	-
India	50-100	R	93.000	-
Sudan	30	\$	86.000	-
Pakistan	-	\$	2.000.000	-

Source: National Council for Production and Economic Affairs, Cairo, 1986.

Next, we turn to show the experience of some developing countries who applied the SCI model in their first stages of economic growth.

The India model is a pioneering one in which SCIs were considered as a cornerstone in the industrial policy in India. According to 1985-1990 plan, the SCIs contributed in creating job opportunities of some 80 % of the total labour force in the industrial sector, SCI has also contributed by some 50 % of the total industrial production and 33 % of the total Indian exports (4). The Indian experience in developing SCIs depends on some principles: (a) establishing the national organization for small industries which aims at new job opportunity creation in order to solve the chronic unemployment problem; (b) tax exemption system for SCI activities: such system aimed at encouraging industrial pattern depending upon small industries; (c) financing small industries with less capital but with more labour; (d) integration between large and small industries, simulating in this, the UK model.

The Korean experience started with 1962-1966 plan aiming at structural change in the national economy- It succeeded in doubling the GNP in 1982, the reason for this, was establishing national industry depending on the small enterprises on the one hand, and national industry oriented towards exportation on the other hand, (the rate of growth of exports reached some 40 % annually, the exports from some small industries exceed 90 % of their production).

Other experiences are also to be referred to, such as Columbia, Taiwan, Singapore and Malaysia. All these countries have used SCIs as cornerstone in their industrial economic development and have achieved their success in raising economic growth rate.

Supporters of SCIs development in developing countries point to the fact that, SCIs and establishments survive in large numbers and still employ many people in industrial countries. This is true, due to the fact that the average size of a manufacturing plant and firm is much larger in developed countries, both overall and by industry. The reason for this is clear: the size of the market is large, national income is

higher, the smaller developed countries export a high proportion of their manufacturing. These factors permit economies of scale and marketing to be more fully exploited.

The Japanese experience is the most popular one, since the end of World War II Japan has given a great attention to the role of SCI in the economic development process. It provided all requirements for SCIs: technical, financial, managerial and marketing the SCIs in an industrial cluster.

The UK is also a model which promoted SCIs to form a large partion of the British industrial structure. The British governments, after World War II favoured large size and encouraged industrial concentration. Now quite suddenly small industries have become the primary point of preference and there has been a wave of legislation favouring the small size industry (5).

Studying these experiences shed the light to the financial and institutional requirements for SCIs in Egypt to pave the way to social economic development.

Unfortunately, there is no clear ideology for the role of SCIs in the social and economic development program in Egypt, as there are too many obstacles facing the SCI policy in Egypt: financial, managerial, banking, institutional and marketing.