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SMALL SCALE ENTERPRISES IN ASIA: EMPIRICAL EVIDENCE
POLICY AND PROJECT IMPLICATIONS

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Not to be cited. For discussion only.

Selected Tables
from
Small Scale Enterprises in Developing Countries:
A Review of the State of the Art

forthcoming

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Small Scale Enterprises in Asia: Empirical Evidence,
Policy and Project Implications

by Carl Liedholm
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I. Introduction

Focus -- primarily on manufacturing firms employing fewer than fifty workers

II. Extent, Composition, and Nature

- A. Are small scale enterprises quantitatively (number, employment, value added) a significant component of Asian economies?
- B. What are the major types of small scale enterprises found in Asia?
- C. Are more of these enterprises located in **rural** rather than urban areas?
- D. Just how tiny are most of these small enterprises?
- E. To what extent do small enterprises in Asia form an important component of Dr. McPherson's private enterprise pillar?
- F. Do many women own and operate small enterprises?
- G. Are the number of small enterprises growing in Asia? Even in relation to large scale enterprises? What segments are growing the most rapidly?

III. Major determinants of the Role of Small Enterprises in Asia

- A. Demand
 1. Does the demand for rural small enterprises increase as rural incomes increase?
 2. What are the backward and forward linkages between small scale enterprises, agriculture and other components of the economy?
 3. How important is foreign demand?

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B. Supply

1. Are small enterprises in Asia more labor-intensive than their larger scale counterparts?
2. Are small enterprises more productive per unit of capital than their larger scale counterpart?
3. Do small enterprises generate more "economic" profit per unit of capital than their larger scale counterparts?

IV. Policy Implications

- A. Are there significant policy biases in Asian countries that tend to favor large over small scale enterprises?
- B. If so, what types of policy reforms might be most effective in creating at least "a level playing field" among firms of all sizes?
 1. What about policy reforms relating to input markets?
 2. What about reforms relating primarily to product markets?
- C. Do agricultural policies and programs have any important influence on small enterprises?
- D. What are some of the difficulties likely to be encountered when engaging in policy dialogues (another of Dr. McPherson's pillars)?

V. Project Implications

- A. What are the primary constraints facing small enterprises that might be overcome by specific project interventions?
- B. What types of small enterprise credit projects appear to have been most successful?
- C. Are there any credit schemes with relatively low delivery costs? If so, what are their characteristics?
- D. Are there any non-financial assistance schemes for small enterprises that have been relatively successful? If so, what are their characteristics?

VI. Summary

Table 1

Distribution of Employment in Manufacturing by Firm Size -- Percentage

Country and date	Per capita Income (\$) 1982	Firm Size (number of workers)		
		Large Scale 50 or more engaged	10-49 engaged	Small Scale below 10 engaged
India-1971	\$260	38%	20%	42%
Tanzania-1967	\$280	37%	7%	56% ^a
Ghana-1970	\$360	15%	1%	84% ^a
Kenya-1969	\$390	41%	10%	49% ^a
Sierra Leone-1974	\$390	5%	5%	90%
Indonesia-1977	\$580	16%	7%	77%
Honduras-1979	\$660	24%	8%	68%
Thailand-1978	\$790	31%	11%	58% ^a
Philippines-1974	\$820	29%	5%	66%
Nigeria-1972	\$860	15%	26%	59% ^a
Jamaica-1978	\$1330	49%	16%	35%
Colombia-1973	\$1460	35%	13%	52%
Korea-1975	\$1910	53%	7%	40%

Note: ^a Computed as a residual, which is the difference between employment recorded in labor force or population surveys (includes all sources) and establishment surveys.

Sources: Africa: computed from Page (1979) and Liedholm and Chuta;
 India: Mazumdar (1980);
 Indonesia: computed from Snodgrass (1979);
 Honduras: Stallmann (1985);
 Thailand: World Bank (1983);
 Philippines: Anderson and Khambata (1981);
 Jamaica: Fisseha (1982);
 Colombia: Berry and Pinell-Siles (1979);
 Korea: Ho (1980).

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Table 3

Composition of Employment in Small Scale Manufacturing Establishments -- Asia

Item	Bangladesh	India	Pakistan	Thailand		Philippines	Korea
	11 Thanas 1980	5 North Indian States 1971	Punjab Province 1975	Provincial Villages 1980	Provincial Towns 1980	Entire Country 1972	1973
Clothing Products	52	38	32	52	25	48	30
Wood Products	21	10	7	37	19	6	8
Metal Products	2	7	22	1	7	16	8
Food/Agri- cultural Processing	20	22	15	2	17	8	28
Other	5	23	24	8	32	22	26
Total	100%	100%	100%	100%	100%	100%	100%

Sources: Bangladesh: Bangladesh Institute of Development Studies (1981) -- all firms employing fewer than fifty workers.

Korea: Ho (1980), p. 14 -- "establishments" with from 1-49 workers.

Pakistan: Amjad (1984), p. 97 -- small establishments (10 or less employees) plus household units.

Thailand: Naronchai et al. (1983), p. 67 -- all household activities in villages and establishments with less than 50 employees in towns.

Philippines: Anderson and Khambatia (1981), pp. 83 and 87 -- households plus establishments with less than 10 employees.

India: Mazumdar (1980), p. 7 -- household units only in five Northern Indian States.

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Table 4

Percentage of Rural Labor Force with Primary Employment
in rural Non-Farm Activities

Country	Year	Coverage	Percentage of Rural Labor Force Primarily Employed in Non-Farm Sector (%)
Guatemala	1964	All Rural	14%
Thailand	1970	All Rural	18
Sierra Leone	1976	Male-Rural	19
South Korea	1970	All Rural	19
Pakistan	1970	Punjab only	19
Nigeria	1966	Male-3dist. W. State	19
India	1966	All Rural	20
Uganda	1967	Four Rural Villages	20
Afghanistan	1971	Male-Paktia Region	22
Mexico	1970	All-Sinaloa State	23
Colombia	1970	All Rural	23
Indonesia	1971	All Rural	24
Venezuela	1969	All Rural	27
Kenya	1970	All Rural	28
Philippines	1971	All Rural	28
W. Malaysia	1970	All Rural	32
Iran	1972	All Rural	33
Zambia	1975	Luapula Province	39
Taiwan	1966	All Rural	49

Sources:

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|--|-------------------------------------|
| 1. Guatemala: World Bank (1978a) | 10. Mexico: World Bank (1978a) |
| 2. Thailand: Thailand (1973) | 11. Colombia: World Bank (1978a) |
| 3. Sierra Leone: Byerlee, <u>et al.</u> (1977) | 12. Indonesia: Leiserson (1974) |
| 4. Korea: Korea (1972) | 13. Venezuela: World Bank (1978a) |
| 5. Pakistan: World Bank (1978a) | 14. Kenya: I.L.O. (1972) |
| 6. Nigeria: Mueller and Zevering (1970) | 15. Philippines: I.L.O. (1974) |
| 7. India: World Bank (1978a) | 16. W. Malaysia: World Bank (1978a) |
| 8. Uganda: Brandt, <u>et al.</u> (1972) | 17. Iran: Dhamija (1976) |
| 9. Afghanistan: Gerken (1973) | 18. Taiwan: Ho (1976) |
| | 19. Zambia: I.L.O. (1976) |

Table 12: Administrative Costs of Small Enterprise Credit Schemes

Credit Organization	Country	Type	Administrative Cost per Loan	Average Loan Value	Administrative Cost (% of loan)	Arrears (% of loans outstanding)
<u>A. Credit Only</u>						
Krishi ¹	Bangladesh	Commercial Bank	\$5.00	\$126	4.0	10.5
Agrani ¹	Bangladesh	Commercial Bank	\$5.27	\$101	5.2	4.3
BKK ²	Indonesia	Government	\$2.37	\$44.43	5.3	6
Janata ¹	Bangladesh	Commercial Bank	\$6.60	\$125	5.3	14.5
Rupali ¹	Bangladesh	Commercial Bank	\$7.33	\$119	6.2	6.2
F.D.R./Peru ⁶	Peru	Development Bank	\$531	\$5961	9.0	8
Banco de Pacifico ⁴	Ecuador	Commercial Bank	\$140	\$1100	13.0	7.0
D. B. Mauritius ⁴	Mauritius	Development Bank	\$108	\$830	13.0	NA
Uttara ¹	Bangladesh	Commercial Bank (cooperative)	\$31.27	\$122	25.6	12.1
Bank Money Shops ³	Philippines	Commercial Bank	\$197	\$687	28.0	NA
SEDCO ⁵	Jamaica	Development Bank	\$343	\$280	275.0	NA
<u>B. Credit and Technical Assistance</u>						
DDF/Solidarity ⁶	Dominican Republic	PVO	\$242	\$1267	19.1	33
IDH ⁶	Honduras	PVO	\$561	\$1724	32.5	42
DDF/"Micro" ⁶	Dominican Republic	PVO	\$739	\$1680	44.0	42
UNO ⁷	Brazil	PVO	\$1700	\$200	85.0	8
PfP/BF ⁶	Burkina Faso	PVO	\$1238	\$670	185.0	23

Sources: ¹J. Brown (1983); the credit organizations listed (e.g., Krishi) are commercial banks; ²S. Goldmark and Rosengard (1983); B.K.K. is the Badan Kredit Kecamatan (the sub-district credit body) program in Central Java; ³M. Farbmán (1981); ⁴V. Raghaven and T. Timberg (1982); ⁵M. Wilson (1981); SEDCO is the Small Enterprise Development Corporation; ⁶P. Kilby and D. D'Zumura (1984); F.D.R./Peru is the Rural Development Fund Program of the Industrial Bank of Peru; DDF/Solidarity is the Solidarity Group component of the Dominican Development Foundation; DDF/"Micro" is the microenterprise component of the Dominican Development Foundation. I.D.H. is the Institute for Honduran Development; PfP/BF is the Partnership for Productivity Project in Burkina Faso; ⁷J. Tendler (1983); UNO is Northeast Union of Assistance to Small Business Project.

Suggestions for Additional Reading

1. E. Chuta and C. Liedholm, "Rural Non-Farm Employment: A Review of the State of the Art," MSU Rural Development Papers, #4, Michigan State University, 1979 [available **free** from the Department of Agricultural Economics, Michigan State University, East Lansing, Michigan 48824].
2. B. Johnston and P. Kilby, Agriculture and Structural Transformation: Economic Strategies in Late-Developing Countries, London, Oxford University Press, 1975.
3. J. Mellor, The New Economics of Growth, Ithaca, Cornell University Press, 1976.
4. Carl Liedholm, "Small Scale Enterprise Credit Schemes: Administrative Costs and the Role of Inventory Norms," MSU International Development Working Paper, 1985 [available **free** from MSU]
5. Don Mead, "Subcontracting Systems and Assistance Programs: Opportunities for Intervention," MSU International Development Working Papers, 1985 [available **free** from MSU]

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