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**Small Business Entrepreneurship Among
Urban Minority Populations in Central
America: An Assessment of Needs, Problems
and Training Requirements of Black Small
Business Entrepreneurs in Limon, Costa Rica**

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Final Report

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en·tre·pre·neur - a person who organizes and manages a business undertaking, assuming the risk for the sake of the profit.

Webster's

Preface

This project received its support from the U.S. Agency for International Development (AID) and represents one of several initiatives undertaken by AID in conjunction with the historically black colleges and universities (HBCUs). The project was undertaken in response to a request for data and analysis on the training needs and requirements of minority small business entrepreneurs in Limon, Costa Rica.

There are several unusual aspects to this project. First, this project is unique in its objectives and outcome. The project sought to undertake an extensive analysis of the needs and problems of black small business entrepreneurs with the view to making policy recommendations to address some of the documented needs. The project was successful in this regard by developing data and analysis hitherto unavailable to AID policy-makers and planners. Second, the project was unique for its methodology and field work. The project employed extensive survey questionnaires supplemented by focus group discussion sessions. This resulted in the collection of empirical data enhanced by in-depth qualitative data from various focus group discussions. The combination of these two methodologies resulted in the generation of high quality data which AID planners and decision-makers can consult in formulating policies.

Third, the project was quite unique in reaching the subjects who were the focus of the study. While most studies aim to sample the population to be investigated, this project was particularly successful in identifying and including the overwhelming majority of all the black small business entrepreneurs in Limon. The project was also fortunate in having interviewers and focus group facilitators who not only knew each and every black small

business entrepreneur in Limon but were also sophisticated enough to enlist such wide participation by these entrepreneurs in the survey. Fourth, the project received wide support from all segments of the Limon community as local political, social, educational, business, labor and religious leaders enthusiastically endorsed the effort and offered their help and assistance during field implementation.

Finally, the project was received by AID/Costa Rica as a complementary effort enhancing the Mission's capability and effectiveness in Costa Rica, particularly in Limon where the Mission's development and technical assistance efforts have in the past been limited due to, among other reasons, lack of organizational structures to jointly undertake appropriate projects. In this regard, the present project makes available to the Mission not only data and analysis but also a listing of black small business entrepreneurs who may be organized for any training, technical assistance or other activities the Mission might wish to undertake in Limon.

Executive Summary

1. Limon, situated in the eastern Caribbean lowlands, is the third major urban center in Costa Rica. With the exception of some port-related activity and petroleum refining on the outskirts of Limon, there are no large-scale industrial or business activities.
2. Small business activity in Limon covers the broad spectrum of business enterprises. However, the largest concentration of small business entrepreneurs in Limon are engaged in the operation of convenience stores, retail stores, vegetable and fruit stands and bars and restaurants.
3. Small business entrepreneurship among blacks in Limon occurs at a substantially lower rate than other ethnic groups and, in fact, black entrepreneurs represent only a small fraction of the total number of commercial license recipients in Limon.
4. The majority of black small business entrepreneurs in Limon were motivated by the quest for personal independence when they decided to start their businesses. Relatively smaller percentages of these entrepreneurs were motivated by the ambition to achieve wealth and prosperity through entrepreneurship.
5. The demographic characteristics of Limon's black small business entrepreneurs show that these entrepreneurs tend to be older, married, with relatively higher educational levels and predominantly male.
6. The majority of black small businesses in Limon were sole proprietorships. The majority of the entrepreneurs had also been in business for over five years and were likely to have leased their business premises. Nearly one-fifth of these entrepreneurs had maintained their present business site between twenty and thirty years and another twenty-two percent had held their present sites between five and ten years.
7. Only sixty percent of Limon's black small businesses maintained any business records at all. The most frequently kept records included cash receipts and merchandise records. Entrepreneurs with no business records relied on their memories to keep track of business transactions. Among the problems faced by Limon's black small business entrepreneurs in the area of recordkeeping included the high cost of recordkeeping, difficulties in keeping records, lack of time and lack of skills.
8. Limon's black small business entrepreneurs reported having major problems in obtaining loans and business financing. Slightly over one-third of these entrepreneurs had ever attempted to obtain loans with only two-thirds of these loan seekers being successful. Among successful applicants, loans were sought for business improvements, purchases of inventory and equipment. While unsuccessful applicants had also sought loans for these purposes, one third of these applicants also sought to use the loan to purchase or remodel their business sites. Interest rates on loans ranged between fifteen and twenty-five percent, some even higher.

9. Limon's black small business entrepreneurs engaged in some elementary forms of budgeting for their business. The monthly budget was the most frequently used type of budgeting among the entrepreneurs. Only a small percentage of the entrepreneurs reported budgeting on a quarterly or annual basis. Sales budgets were maintained by more than one-half of the entrepreneurs while fewer than one-half also kept expense, direct labor and accounts receivable budgets.
10. Financial planning and management was done by slightly over two-thirds of Limon's black small business entrepreneurs. However, the financial planning done was rudimentary in practice. The majority of these entrepreneurs reported doing financial planning by budgeting their available cash over the month and keeping accounts receivable records current.
11. The level of business training among Limon's black small business entrepreneurs was low. Slightly over one half of these entrepreneurs had received any business training at all and most had acquired their training by working for an employer or by means of apprenticeships. The vast majority of respondents with some training reported that their training had helped them get better control of their business operations. While virtually all the entrepreneurs reported that they could benefit from additional business training, there were, however, few business training opportunities for them in Limon.
12. Advertising and business promotions were not actively pursued by Limon's black small business entrepreneurs. Slightly over one-half of these entrepreneurs had ever engaged in promotional activity for their business. Among those entrepreneurs doing advertising, most used flyers and handouts. Entrepreneurs who advertised reported an increase in sales and new customers.
13. The majority of Limon's black small business entrepreneurs were likely to hire employees only on an occasional basis. Only six percent of these entrepreneurs indicated hiring workers on a regular and frequent basis. Employers were likely to complain about their inability to find good help and employee underproductivity.
14. The prevalent perception among Limon's black small business entrepreneurs was that black businesses have special problems not shared by other ethnic groups. Some of these problems were identified to include inability to obtain loans, discrimination, lack of a black business organization and lack of business training opportunity. While Limon's black small business entrepreneurs experienced economic difficulties, ninety-one percent reported that they expected to be in business in the next five years.

Recommendations: Summary

The black small business entrepreneurships in Limon are in dire need of basic business training and credit. The business training needs involve basic, elementary and rudimentary skills in bookkeeping, budgeting, recordkeeping, inventory management and other simple financial management techniques. Similarly, the credit needs and capital requirements of the black small entrepreneurs in Limon are equally severe. Likewise the financial resources required are not substantial and can be measured in terms of a few hundred dollars. Consequently, it is recommended that AID/Costa Rica actively consider implementation of various low-cost training and credit programs for black small business entrepreneurs in Limon.

Chapter I

Introduction and Background of Project Activities

Historically small businesses in free market economies have played a vital role in meeting local demands for goods and services and in generating employment (Gaedeke, 1985:10-11; Steinhoff, 1982:3). In the U.S., for instance, small businesses represent over ninety percent of all businesses (White House Conference, 1980). The existence and growth of a robust small business community in the free market economies has been recognized as a key element in the preservation of competitive capitalism and as a means of providing quality products and competitive prices for the benefit of the largest segment of the population (Seigel and Goldman, 1982:3). Entrepreneurs in the advanced free market economies serve as innovators, risk-takers and creators of new opportunities (Pickle and Abrahamson, 1981:4).

Comparatively, the overwhelming majority of small businesses in the developing free market economies are small in size, volume of business and number of employees. Nonetheless, these businesses do provide the driving force in the national economy by generating a disproportionate amount of national economic activity. In the absence of large manufacturing, industrial or other economic structures, small business enterprises in the developing free market economies serve as effective conduits for the production, distribution, and exchange of a whole range of goods and services while providing much needed employment opportunities at the local level.

Small businesses in free market economies, regardless of national boundaries, share certain common business problems. A partial listing of these problems may include lack of adequate capital, inadequate sales volume, bad debt losses, competitive weakness, heavy operating expenses, ineffective

marketing, low personnel productivity, lack of management experience and managerial incompetence and ineffective financial management practices. Small business entrepreneurs may also lack specific management skills to control costs and run an efficient and profitable business operation (Steinhoff, 1982:117; Gaedeke, 1985:28-35). Consequently, a small business enterprise to be successful and profitable must overcome many of these basic problems; and the small business entrepreneur must develop the various management skills necessary to insure business success.

Project Objectives

This project sought to undertake an assessment of the needs, problems and training requirements of black small business entrepreneurs in Limon, Costa Rica. Specifically, it sought to accomplish three interrelated tasks:

- identify existing problems and issues related to black small business entrepreneurship in Limon;
- identify existing and anticipated training needs and requirements of black small business entrepreneurs; and
- provide a set of policy recommendations to enhance the business skills and capabilities of Limon's black small business entrepreneurs.

A Profile of Small Business Entrepreneurship and Economic Conditions in Costa Rica

Costa Rica represents a unique socioeconomic tradition in Central America (Derton, 1971; Tartter, 1983). Politically, Costa Rica has enjoyed a long tradition of democracy and stability. Economically, it has one of the highest gross domestic products per capita in the region. Educationally, it enjoys the highest percentage of literacy among its sister Central American nations. Demographically, Costa Rica has a highly homogenous population, the vast majority of whom are of Spanish ancestry. The minority population in the country represents fewer than three percent of the population.

The largest concentration of the Costa Rican population resides in the Valle Central. The other major concentration may be found in the Pacific northwest--a region often called the "brown" province. Costarricenses of African ancestry tend to be concentrated in the eastern part of the country--the Caribbean lowlands.

Small business enterprises in Costa Rica play a vital role in national economic activity. They generate substantial employment at the local level and serve as effective conduits for the distribution and exchange of goods and services (Kurian, 1982). These small business enterprises also dominate nearly every aspect of private economic activity in the country including manufacturing, light industry and the services sector. Although small businesses in Costa Rica may be distinguished in terms of relative size (e.g., produce export business vs. a grocery), in terms of output, business volume and number of employees, etc., most small businesses in the country are relatively small-scale operations.

A disproportionate share of industrial activity in Costa Rica is concentrated in Maseta Central where over 80 percent of the manufacturing firms are located. For instance, in 1978 there were 2,780 manufacturing and industrial plants in Costa Rica; only 140 of these establishments reported annual production of more than 1 million colones (1986 U.S. \$18,000). Moreover, there were only 80 establishments reporting more than 50 employees and exactly one-half of these were corporations (Kurian, 1982; Whitaker, 1983).

The principal area of small business activity in Costa Rica is in food processing including beverages which accounts for 42 percent of all industrial production. Textiles and clothing account for 12 percent; machinery and transport 6 percent, and chemicals, 10 percent. The largest share of foreign investments in Costa Rica is held by U.S. firms and tend to be concentrated in agriculture, petroleum refining, utilities, cement, and fertilizer production (Kurian, 1982).

In 1980, the economically active population in Costa Rica reached 719,710 with an average growth factor for the preceding decade of 3.6 percent. Employment in Costa Rica varies seasonally rising at the time of coffee harvest; and beginning in November each year up to 500,000 persons, including farm workers and urban dwellers, work in agriculture for two months (Kurian, 1982).

Nearly one-fifth of the labor force in Costa Rica is reportedly self-employed while 73 percent are reported to be wage and salary earners. The Costa Rican labor force is characterized by a high educational level with a relatively high percentage of professional and skilled personnel. Less than 13 percent of the unemployed are reportedly without schooling.

Blacks as a minority in Costa Rica lag behind the majority population in their participation in the labor market and overall level of economic entrepreneurship. This is particularly evident in the area of small business ownership, management, and operation. Due to problems associated with obtaining financing and capital formation, lack of managerial skills and experience and lack of business training and education, Blacks in Costa Rica have not been able to fully participate in national economic activity; and as a result, they have been unable to make substantial economic gains in Costa Rican society.

Limon

Limon, situated in the eastern Caribbean lowlands, is the third major urban center in Costa Rica. It has an estimated population of 30,208, the majority of whom are of African ancestry whose predecessors immigrated from the West Indies (mainly Jamaica) to help to build rail lines and work on the banana plantations. This black population in Limon is generally bilingual using both Spanish and Jamaican-style English.

One of the three major ports in Costa Rica is located in Limon. Puerto Limon port was founded in the early 1870s and served as a key shipping point for much of Costa Rica's banana exports. Presently, the port in Limon serves as a general cargo port due to its convenient position to markets in the U.S. and Europe.

Limon has been somewhat isolated from the Maesta Central by lack of roads and limited transportation. Until very recently, there was only one main road going to Limon from San Jose, the capital, and construction of new

roads was hampered for a long time by economic, technical, and maintenance problems. Consequently, rail transportation provided the major link between Limon as well as other parts of the Caribbean lowlands and the capital.

The economic status of blacks in Limon has not shown much improvement over the past decade. For a variety of reasons, including historical factors and current economic conditions, the participation of blacks in the mainstream of Costa Rican economic life and activity has been limited. Blacks have tended to be underrepresented both in the ownership of businesses as well as in the skilled and professional occupations; consequently, blacks have been concentrated in traditional occupations with limited prospects for economic mobility.

On the other hand, there exist small enclaves of black small business entrepreneurs in Limon engaged in private small business activities by owning and managing their own shops and stores. These businesses have historically been affected by a wide range of social and economic factors including lack of adequate levels of individual or family income, lack of access to other forms of capital and lack of appropriate occupational and business management training and skills for the owner-managers. These problems have largely handicapped blacks from operating effective and profitable businesses. As a result, the prospects for increased black business entrepreneurship and business expansion in Limon have been severely limited.

Project Activities

Phase I

The work on the present project began in August, 1985. After preliminary preparations at Morgan State University and consultations with the AID Project Officer, Mr. Floyd O'Quinn, an exploratory field trip to Limon and San Jose, Costa Rica was scheduled during the second half of March 1985. This field trip to Costa Rica had two principal objectives. First, the research team* sought to make a formal introduction of the project to the AID Mission in San Jose and further identify research objectives which may be incorporated in the assessment process. A subsidiary objective was to identify available resources and ongoing activities at the mission which may be relevant to and possibly enhance the assessment effort as planned for the project. Secondly, the research team planned to travel to Limon and take a first hand, albeit a preliminary, look at the conditions of small business entrepreneurship in general and black-owned businesses in particular.

There were several principal tasks scheduled for the first trip to Limon. These included: a) meeting with community leaders, b) identifying a pool of potential interviewers, facilitators, and moderators for the individual interviews and focus group sessions, c) undertaking a physical survey of small businesses in Limon and surrounding barrios, d) identifying and contacting existing business associations and groups as well as official government agencies which may be in a position to provide information and other support in developing and implementing a sampling plan, e) randomly contacting a small number of minority business entrepreneurs with the view

*The research team consisted of the author of this report and Mr. Cecilio Young, Project Consultant.

to introduce the project and obtain a sense for the level of cooperation and potential problems which may exist once the project is implemented in the field, f) contacting local public officials, for support and g) making all necessary and foreseeable in-country preparations to facilitate smooth implementation of the project during the second phase of the project.

Meeting With AID Mission Officials (3/17/86)

The first task in our scheduled activities was to meet with the appropriate AID Mission officials in San Jose. Ms. Ann Ferrar, Program Officer, was instrumental in arranging and facilitating the first meeting which was attended by her, Mr. William Binford, Mr. Ray Baum, Mr. Cecilio Young and the Principal Investigator.

This meeting with Mission officials was quite productive. Substantive interaction between the team and Mission officials took place resulting in various suggestions and comments which served to enhance the relevance of the research for mission use as well as for other planning and analysis applications. Several important issues were discussed during the course of this meeting including: a) the theoretical and operational aspects of the study, b) possible areas of cooperation and Mission input in the finalization of project plans, c) current and proposed Mission activities in the area of small business entrepreneurship in Costa Rica, d) availability of studies and other documentary materials at the Mission which may be useful for the project and e) scheduled activities for our first trip in Limon.

A. Theoretical and Operational Aspects of the Study

Mission officials were interested in learning more about the theoretical and operational aspects of the study. Questions were raised as to how the research team proposed to define small business entrepreneurship for purposes

of the study as well as other scholarly discussions on the utility of applying concepts which evolved within the context of small business experience in the U.S. and the need to use concepts which are consistent with local business conditions. Other issues with respect to the operational implementation of the study especially as it related to selection of sample entrepreneurs and sample representativeness in terms of business sector, type and size of business, were raised and discussed. Although the conceptual and operational aspects of the project have been fully documented in the project proposal, the research team expressed its openness and willingness to make appropriate modifications based upon the unique features and characteristics of local business conditions and to resist mechanical application of concepts and analytical frameworks which did not adequately reflect local conditions.

B. Possible Areas of Cooperation and Mission Input in Finalization of Project Plans

The first meeting with Mission officials was a positive one marked by mutual gestures of cooperation and accommodation. The team expressed its eagerness to work closely with Mission officials in all aspects and phases of the project. In fact, the research team continued to actively solicit the views and suggestions of Mission officials in various areas including substantive suggestions for the inclusion of topics and issues and other assistance to expedite the performance of the field work.

The results of the first meeting suggested that there were indeed certain areas in which the research team could work cooperatively with the Mission. Most importantly, the project's focus on identifying the training requirements of minority small businesses complemented the Mission's projected activities in providing short-term training to a cross-section of individuals selected from various occupations. The data which were to be

gathered during the course of the assessment were also viewed as being potentially useful to the Mission for planning purposes, especially in Limon and surrounding areas. Resources and organizations which were to be identified during the course of the project were agreed to be shared with the Mission in order to facilitate future planning and program implementation in Limon.

On the other hand, the Mission was particularly helpful in identifying key individuals and organizations who may be in a position to provide assistance in various aspects and phases of project implementation. For instance, the Mission suggested contacting certain individuals who had extensive experience in working and writing on the history, economy, and social life of the Afro-Caribbean people in the area. Other references were also provided as to particular individuals in Limon who had participated in past AID-sponsored projects in Limon.

C. Current and Proposed Mission Activities in the Area of Small Business Entrepreneurship

The Mission also appeared to have a focused interest in small business development throughout Costa Rica. Mr. Ray Baum from the General Development Division had been involved in much of this activity and was able to share useful information on some recent activities relating to small business development in Costa Rica. Over the past few years, various programs have been supported by the Mission under the auspices of the Coalition of Development Initiatives (CINDE) and the Private Agencies Collaborating Together (PACT) to assist the development of small business in Costa Rica.

A planned mission activity which appeared to relate closely to the assessment effort in Limon involved a general assessment of the economic and social importance of small scale enterprises in Costa Rica. According to a

preliminary Mission planning memorandum, the information gathered by the assessment "...will be used to assure that Mission investments have the greatest positive impact." The present assessment effort was expected to complement the Mission's activities in this area by generating recommendations and strategies which would be useful in the development of small business entrepreneurship in Costa Rica in general as well as in planning and allocating resources in Limon.

**D. Availability of Studies and Other Documentary Materials
at the Mission Which May Be useful for the Current Project**

During the first field trip, which lasted seven days, the research team did not have the time to explore the documentary resources of the Mission, particularly with respect to recent studies and evaluations in Costa Rica. However, the team obtained the Mission's Country Training Plan (CTP) document for 1985-89. This planning document presents in considerable detail the Mission's approach and response to the diverse training needs of various segments of Costa Rican society. Of particular interest to the current project was the Mission's appreciation of the special needs of the black population in Limon particularly in terms of educational and employment needs in the context of those historical factors limiting the full participation of blacks in Costa Rican society and recent declines in banana production and port activity. Elements of the CTP document were to be included in the present project so that relevant data and analysis might be generated to enhance the Mission's projected training activities and plans.

Field Work in Limon

Limon is situated on the Eastern Coast of Costa Rica and is approximately 107 miles by train from San Jose. The train trip takes approximately seven hours with 53 stops along the way.

A. Meetings with Community Leaders

The first task in Limon was to meet with certain key members of the black community in Limon, introduce the project, discuss projected plans and solicit their support in the implementation phase of the project. The Project Consultant had identified in advance and arranged meetings with a number of key individuals, including current and retired teachers, a former consultant to the World Bank and AID project participant, the pastor of the largest Methodist Church in Limon, local lawyers, teachers, politicians and municipal officials and other business leaders.

Meetings with most of these community leaders were held and the results of the discussions were especially fruitful. The planned survey effort was received with considerable enthusiasm by the community leaders. Most expressed the view that such an assessment was long overdue and that the present effort might help focus attention on the problems of black business entrepreneurs and lead to programmatic and policy responses which might serve to restore vitality and dynamism to black business entrepreneurs in Limon. The project's focus on training needs was particularly appreciated since lack of training and business skills were viewed as critical problems in the lagging pattern of small black business development in Limon.

The discussions with the community leaders may be summarized along four consensual themes. First, there was general consensus that small black businesses in Limon were in decline and that serious efforts were needed to

reverse this trend. The need for training and educational services for black small business entrepreneurs were perceived to be particularly acute, as many of the major business problems faced by these entrepreneurs were said to be related to the lack of adequate business training and skills. For instance, the point was repeatedly made that the local educational curriculum had little to offer in the area of business administration or management and that such training was mainly available only in San Jose. On the other hand, it was also pointed out that young black men and women with business training and skills did not return to Limon or left Limon for San Jose and elsewhere to seek better economic opportunities.

The second area of consensus focused on certain "systemic" factors. Community leaders pointed out that black businesses in Limon had difficulty obtaining government loans or securing adequate funds to start or expand their businesses. The loan application process was reported to be cumbersome as was the subsequent maintenance of the debt. To some black business entrepreneurs the application process was believed to be inhibiting. Other "systemic" factors were also identified and included such factors as high business licensing fees, high rents, rising unemployment, high transportation costs, instability in wholesale prices and other national economic policy-related issues.

Thirdly, community leaders expressed concern for the general lack of "entrepreneurial interest" among young black men and women. Many leaders observed that young blacks should be aided to develop interest in business at an early age and that organized programs should be made available for youth participation. It was pointed out that business was as much an attitude as it is an activity and that the spirit of entrepreneurship should be inculcated and nurtured among young blacks early on. A corollary view shared

among the community leaders was that black business entrepreneurs did not have adequate business backgrounds, and as a result many of these businesses suffered from poor recordkeeping, inventory control, bookkeeping, and management skills.

The fourth area of consensus revolved around the perceived "displacement" of black business entrepreneurs in Limon. It was pointed out that Chinese businesses were flourishing partly by buying out businesses owned by black entrepreneurs. This trend is said to have had a serious impact on the viability and growth of black businesses in Limon since an increasing number of black entrepreneurs have shown a tendency to sell their businesses and seek alternative means of livelihood. It was emphasized that this trend alone has resulted in a substantial reduction in the total number of black businesses in Limon.

B. Identification and Screening of Potential Interviewers, Moderators and Facilitators

Another major activity scheduled by the research team in Limon was to undertake the screening of potential interviewers, moderators, and facilitators for the individual and focus group sessions. The Project Consultant had identified and prearranged meetings with fifteen potential interviewers. This group was drawn from a highly desirable group of potential interviewers, as nearly all the candidates worked within the local educational system, had at least some college level education and were bilingual. It was possible to interview and screen all possible candidates with the view to select a core group of six to eight individuals who may best fit the field requirements and have the flexibility to work within our

projected work schedules. Although a final selection of the candidates was delayed until finalization of the project work plan, the research team found the overall caliber of the candidate pool to be highly satisfactory.

C. Survey of Small Business Distribution in Limon City Proper and Environs

The research team devoted considerable effort to the physical examination of the distribution of small businesses in Limon City Proper and its environs. This involved the physical canvassing of businesses in Limon City and the surrounding ten barrios along each street, road, and avenue to determine the total number of businesses and to identify the black small business in particular. The results of the physical survey are displayed in Table 1.

D. Informal Discussions with Small Business Entrepreneurs

As part of the preliminary field work in Limon, the research team had planned on conducting several random informal discussions with small business entrepreneurs in Limon. By conducting the informal discussions, the research team sought to acquire a sense of the general attitude and disposition of small business entrepreneurs towards the planned survey and further gather other relevant information which could enhance the validity of the field survey instrument.

The results of the informal discussions were revealing as there existed a high level of concern and uncertainty over the survivability of black businesses in Limon. It was clear from the discussions that training efforts and other positive policy responses were needed to reverse the declining trend in black small business entrepreneurship in Limon. Based on these discussions the research team anticipated a high level of cooperation in its data collection efforts.

Table 1
Distribution of Small Businesses in Limon Obtained by
Means of Street Canvassing

Area	Approx. No. of Small Businesses Identified	Actual No. of Small Black Businesses Identified
Limón City	1,400	22
Barrios:		
Roosevelt	30	15
Pueblo Nuevo	10	0
Limoncito	15	2
La Colina	15	1
Santa Eduviges	15	5
Congrego	5	0
Corales	10	3
Christobal Colon	40	10
San Juan	30	5
Bella Vista	<u>20</u>	<u>3</u>
N =	1,590	66

Total Registered Businesses in Limon City and Environs = 1, 888^a

^aIncludes all businesses past and present, but excluding street vendors.

Source: Potento de Commercio, Municipalidad de Limon.

Contacting Government Agencies and Business Associations

The research team was successful in meeting with a number of individuals with official positions in local (municipal) government. The team was able to make a presentation on the research objectives of the project and answer questions which were of interest to these individuals. All appropriate cooperation was pledged to help facilitate the assessment effort.

In-Country Preparations for Project Implementation

During the first field trip, the research team also made the appropriate logistical preparations for implementation of the project. These preparations included identification of interviewer/facilitator training sites, suppliers of refreshments for focus group sessions, arrangements for copying, duplication and other related activities.

Implementation of Data Collection Plans

Implementation of Phase II of the project was scheduled following review and evaluation of the results of the first field trip by the project officer and finalization of the data collection instrument. Specifically, the following tasks had to be completed before implementation of Phase II of the project.

First, the research team needed to formally review the results of Phase I with the Project Officer and discuss the theoretical and operational aspects of the project after the first field trip. This review was necessary particularly in terms of harmonizing proposed project plans with Mission interest and observed needs and problems. Secondly, the questionnaires devised for both the individual interviews and focus group sessions needed to be revised within the framework of the preliminary results in the field. The process of revision was expected to enable the research team to devise a more comprehensive and integrated survey instrument. Pretests of the questionnaires also had to be conducted prior to implementation.

Third, final selection of the interview/facilitator pool had to be made after careful discussions with the Project Consultant. Since the project would require substantial time commitments on the part of interviewers/facilitators, flexibility and availability of potential participants were

deemed to be critical. Therefore, individual commitments had to be obtained from each candidate selected to become part of the data collection team. Fourth, plans had to be drawn to carefully train the data collection team in the specific tasks to be accomplished particularly in the administration of the individual interviews.

Project Activities: Phase II

In the second phase of the project, there were extensive consultations between the research team and the AID project officer. During the course of consultations, various suggestions and comments were made to facilitate the final field implementation of the project. Following these consultations, various ongoing project activities related to questionnaire development and administration were finalized. Specifically, the survey instrument was put into final form and the focus group discussion guides and interviewer training manuals were also prepared and reviewed (See Appendix).

Chapter II

Methodology and Sampling

The methodology employed in this study consisted of an extensive survey questionnaire (See Appendix) and focus group discussions (See Appendix) supplemented by personal interviews of local political, community and labor leaders. The survey questionnaire was organized into ten separate sections including: recordkeeping, business finance and loans, budgeting, inventory management, financial management, employee management, business promotions, business training, prospective business outlook, and other relevant demographic data. A pre-survey questionnaire was also prepared to obtain data on the performance of businesses participating in the assessment effort (See Appendix). This pre-survey questionnaire collected such data as length of time in business, number of employees, ownership of business and premises, customer profile, sales profile and business profile.

The focus group method was designed to enhance the survey questionnaire. The central aim in adopting the focus group approach was to extract indepth and detailed qualitative data on the needs, problems, and training requirements of the participating black small business entrepreneurs in Limon. This approach was expected to yield insights and knowledge about various aspects of black small business entrepreneurship in Limon in an informal and relaxed setting. Facilitators and moderators were used to encourage free exchange of views and ideas among discussion participants and insure dynamic interaction by pacing discussions and introducing new topics in a timely and systematic manner.

The focus group discussion sessions were deemed to be appropriate to the particular data collection demands of the study. First, because of the small number of project participants and interaction of these entrepreneurs socially and in business settings, the focus group approach was particularly useful in assembling small cohorts of entrepreneurs to freely discuss their specific problems and needs in a group context. This is particularly advantageous since focus group discussions provide the opportunity for individual entrepreneurs to articulate and share their needs and problems with other entrepreneurs. Secondly, the focus group discussion sessions were uniquely suited to eliciting consensus among participants on problems, needs and issues which are salient and significant to particular entrepreneurs. Third, the focus group discussion sessions provided a basis for the articulation of problems and needs which were representative of group needs and problems in specific occupational and business categories. This was especially important in terms of training programs which may be made available to particular entrepreneurs engaged in certain business activities.

Focus group participants were selected from participants in the individual interviews. Seven cohorts of approximately twelve individuals each were organized for focus group discussions. These cohorts were organized to insure diversity in business composition to foster articulation over a wide range of problems, needs and issues. Focus group discussions were conducted for approximately two to three hours each. The Project Director and the project research assistant took extensive notes while trained focus group facilitators conducted the sessions.

In conducting the focus group sessions, trained facilitators were used and these facilitators closely followed instructions contained in the Focus Group Guide Manual (See Appendix) insuring that the same subject matter was covered in each focus group session. In general, the task of the facilitators was to provide broad and unobtrusive direction while encouraging reticent participants to express their views.

Discussion groups began by welcoming participants and providing explanation as to the aims of the project and the focus group interaction sessions. Following the preliminary introductions, facilitators opened discussions on the various topics as indicated in the Guide Manual (See Appendix). Typically, a facilitator would read the summary statement provided for each of the discussion topics in the Guide and pose an introductory question.

Identification of Study Participants

The black small business entrepreneurships included in the study were those small businesses in which the entrepreneur is black and directly owns, manages and operates the enterprise. These businesses also had to be self-initiated, largely self-financed, and owner-managed and operated. All the entrepreneurships to be included in this study were expected to meet the following five criteria:

- a) that the black small business enterprise be independent with ownership control held by the manager/operator;
- b) that the capital used in the business be supplied by an individual or a small group;
- c) that the business concern serve essentially a local market;
- d) that the owner and employees of the business reside within the immediate locality of the business; and

- e) that the business concern be small in its field of operation in terms of sales, number of employees, volume of business activity, etc.

The foregoing identification criteria were applied in the inclusion of the particular business entrepreneurs in the survey; and fortunately, there were no problems in meeting the established criteria. A sample listing of the participating black small business entrepreneurships included grocery stores, restaurants, bakeries, garages, liquor stores, clothing and shoe stores, tailoring shops, furniture stores, laundries, printing shops, school and business supplies stores, novelty shops, houseware stores, produce stores, electronic stores, television, radio, watch, etc. repair shops, arts and crafts stores, bedding supplies stores, photocopying services, taxi services, auto parts stores, book stores, street vendors and subcontracting businesses (See Appendix).

Sampling

The sampling plan developed after the first field trip called for the inclusion of approximately fifty black small business entrepreneurs in Limon, randomly selected to insure representativeness. The original plan also called for the identification of sample entrepreneurs to be accomplished by utilizing available resources in Limon and San Jose. Specifically, we proposed to utilize any available (small) business listing from the local Chamber of Commerce or similar institutions, small business organizations, trade unions, and other governmental sources (e.g., licensing bureaus).

However, this sampling plan was discarded after a few days of preliminary work with the interviewers. The main reason for abandoning the original sampling plan was the consensus among the interviewers, who knew the vast majority of the black business entrepreneurs in Limon, that the number

of black businessmen in Limon would barely exceed one hundred. A comprehensive listing of all these businesses was immediately drawn-up, yielding a total number of 91 individual business entrepreneurs (See Appendix). An additional 16 business entrepreneurs were identified but could not be interviewed for various reasons including problems in contacting owners who were travelling, lack of cooperation, and difficulties in completing both the pre-survey and the individual interviews. Much effort was devoted to the identification of additional black business entrepreneurs in Limon utilizing municipal licensing lists from the Municipalidad de Limon without further results. The author, therefore, suggests that based on an extensive search effort utilizing multiple sources the present study includes minimally 95 percent of all black business entrepreneurs in Limon and its immediate environs.

Data Analysis

The analysis provided in the study offers a description of the various needs, problems and issues affecting black small businesses in Limon. The analysis is aimed at the identification of specific entrepreneur problems and needs across different categories of small businesses.

Analysis of the data collected during the focus group sessions is presented in the form of supplementary observations. These data serve to enhance the quality of the survey data and should provide a fuller understanding of the problems, issues, needs and concerns of Limon's small black business entrepreneurs. The consensual positions of the cohort groups are presented to elucidate entrepreneurs' priorities in terms of particular training needs and problems and in identifying short-term and long-range training activities which could enhance entrepreneur managerial skills.

Finally, the analysis focuses upon major relevant findings from the individual interviews and focus groups and presents an integrated discussion. This should enable planners to gain a comprehensive understanding of both individual entrepreneur needs and problems and the prevalence of certain needs and problems across business enterprises with similar and differing characteristics.

Chapter III

General Economic, Business and Municipal Activity in Limon

Limon, situated in the eastern Caribbean lowland, is the third major urban center in Costa Rica. One of the three major ports in Costa Rica is located in Limon and serves as a key shipping point for much of Costa Rica's banana exports. The port in Limon also serves as a general cargo port with harbors deep enough to accommodate ocean-going vessels.

Large-scale industrial or business activity is not common in Limon. With the exception of some port-related activity and petroleum refining on the outskirts of Limon, there is not much by way of large-scale enterprises. Consequently, a great deal of the business and economic activity in Limon takes place at the level of small businesses.

Small business entrepreneurship in Limon covers the broad spectrum of business activity. Analysis of the distribution of commercial licenses issued by type of business shows wide diversity in small business activity. Table 2 presents commercial license data extracted from the records of the Municipality of Limon. Table 2 reveals that the major concentration of small business activity in Limon is found in the operation of convenient stores (20.0%), vegetable and fruit sales (8.8%), bar, restaurant and discotheques (15.5%). A secondary group of businesses receiving commercial licenses include general distribution (6.1%), transportation (5.2%), meat sales (4.5%) and port authority-related businesses (4.2%). Sales licenses were issued at a substantially higher rate than any other category of business license

representing 53 percent of all licenses issued, followed by service licenses (27.0%) and entertainment licenses (20.0%). Only a fraction of all licenses were issued for professional, manufacturing or industrial activities.

Small business entrepreneurship among blacks in Limon occurs at a substantially lower rate than other group entrepreneurships. Table 2 shows that black entrepreneurships in general represent a small fraction of the total number of commercial license recipients in Limon. Black entrepreneurs also tend to be concentrated in the services sector and were likely to be owners of bars, restaurants and discotheques. In the area of sales, black entrepreneurs were likely to be engaged in the sale of clothing and food items.

Businesses provide a limited tax base for the City of Limon. Table 3 shows 1986 third trimester pending business taxes by category of business. Table 3 shows that slightly over \$20,000 were pending in taxes from businesses classified as commercial. Pending taxes from enterprises classified as industry were slightly over \$1,000. Nearly \$800 in taxes were pending from restaurants.

The cost of municipal services for the first trimester of 1986 for 11 barrios is shown by type of service provided in Table 4. Garbage collection and street maintenance were the two categories of services over which the city government spent a substantial portion of its revenue. The total cost of municipal services for the first trimester of 1986 was \$62,113. The cost of garbage collection represented 48 percent of the total budget while street maintenance accounted for 45 percent. Only 7 percent of municipal revenues were spent on other city services mainly in the maintenance of empty lots and sidewalks.

Table 2

**Commercial Licenses Issued by the Municipality of Limon
As of August 6, 1985 by Type of Business Enterprise**

<u>Sales</u>	<u>No. of Businesses</u>	<u>% Black*</u>	<u>Entertainment</u>	<u>No. of Businesses</u>	<u>% Black*</u>
Convenient stores	295		Bar/restaurant/disco	227	10.5
Vegetable & fruit sales	129	.9	Dance hall	36	
Meat sales	66	15.0	Billiard & pool	18	
Bazaars	36		Football	5	
Clothing stores/ boutiques	28	17.8	Bingo	2	
Cooperative sales	24		Electronic games	2	
Shoe sales	21	5.0		290	
Boat supplies sales	15		<u>Service</u>		
Furniture/cabinet sales	16		Distribution	90	2.2
Jewelry sales	10	10.0	Transportation	77	1.3
Cosmetic sales	14		Port authority	62	
Bakery	21	38.0	Hotels/room rentals	50	
Fish sales	13	7.7	Shoe repair	13	15.3
Bookstores	11	9.0	Tailor/sewing shops	10	22.2
Lottery sales	5		Truck stop	6	
Hardware store	12		Gasoline stations	7	
Health foods	4		Barber shops	10	10.0
Purchasing & sales	4		Beauty shops	8	62.5
Liquor stores	3		Photo studio	4	50.0
Pizzeria	2		Parking	5	
Supermarkets	4		Air transport	2	
Music stores	3		Laundries	3	
Fried chicken sales	4		Funeral homes	2	50.0
Glass sales	1		Stevedore	2	
Agricultural chemical sales	1		Dry cleaners	1	
Newspaper sales	1		Fumigators	1	
Glass houses	1		Printing shop	1	
Cooked beef sales	1		Garages	15	13.3
Commissary	5		Refrigeration & electrical repair	11	18.1
Ice cream sales	23		Radio/TV repair	10	20.0
	773	.3	Sidewalk repair	4	
				394	
<u>Other</u>					
Coal exports	1				
Vetrenarian clinics	1				
Optician	1				
Handicrafts	1				
	4		Total	1,461	

Source: Municipalidad de Limon.

*Black businesses identified from current Survey.

Table 3

1986 Third Trimester Pending Business Taxes by Type of Business

<u>Type of Business</u>	<u>(U.S. \$1 @ 56¢) Tax Due</u>
Commercial	\$20,455.77
Industry	1,042.51
Restaurants	796.28
Advertising	24.50

Table 4

**Cost of Municipal Services by Barrio
(U.S. \$1 @ 56¢) First Trimester, 1986**

<u>Barrio</u>	<u>Types of Services</u>				
	<u>Garbage</u>	<u>Street Maintenance</u>	<u>Empty Lots</u>	<u>Land Rental</u>	<u>Pavement/ Sidewalk</u>
San Juan	\$ 794	\$ 786	\$ 22	--	--
Christobal Colon	2,274	1,955	25	\$ 23	--
Los Congrejos	446	1,111	39	--	--
Los Corales	2,810	3,796	37	--	--
Bella Vista	830	1,103	45	--	\$ 90
Limoncito	2,181	--	17	--	--
Trinidad	359	413	1	--	--
Roosevelt	3,719	3,877	205	6	559
Limon Centro	11,752	8,352	251	5	2,205
Pueblo Nuevo	3,355	4,676	418	--	--
Santa Eduvigis	1,510	1,929	159	--	--
Total	\$30,030	\$27,998	\$ 1,202	\$ 34	\$ 2,854

Chapter IV.

I. The Entrepreneurship and Demographic Characteristics of Black Small Business Entrepreneurs in Limon, Costa Rica

The Impetus for Starting a Business

The underlying motivation for starting a business varies considerably among entrepreneurs. Existing research points to diverse social and economic factors in explaining the impetus for business entrepreneurship. Among the economic factors held to be important in starting a business are money and the prospects for high income, access to capital and financial independence (Gaedeke and Tootelian, 1985:13; Pickle, et al., 1981:12). On the other hand, the non-economic factors held to be important in motivating an individual to start a business include the psychological satisfaction of being one's own boss, self-confidence in one's own abilities, dissatisfaction with the quality of work life in present employment, emphasis on personal growth and self-fulfillment, need for personal achievement and recognition and the determination to succeed (Lane, 1980:15; Yankelovich, 1978:49; Collins and Moore, 1964:36; Brockhaus, 1982:40).

The data on black small business entrepreneurs in Limon show the preponderance of non-economic factors over economic factors in an entrepreneur's decision to start a business. Table 5 shows that among reporting respondents 43 percent indicated the quest for personal independence as their primary motivation for starting a business. Respondents who sought a better future by starting a business represented 14 percent of those reporting while those seeking to support their families by starting a business constituted 13 percent. An equal percentage of respondents (7.6%) indicated self-improvement, ambition to achieve and economic prosperity as factors leading them to start a business.

While the black small business entrepreneurs in Limon started their businesses for various reasons, the vast majority did not appear to be satisfied with the present condition of their businesses. Table 5 shows that 78 percent of our respondents indicated such lack of satisfaction. The underlying reasons for our respondents' lack of satisfaction varied. By far, the majority of the respondents indicated lack of adequate business financing as their main reason for dissatisfaction. Inability to expand the business was identified as a cause of dissatisfaction by 31 percent of the respondents. Lack of business equipment and general slowness in business were identified as reasons for dissatisfaction by slightly fewer than one-fifth of the respondents.

The Demographic Characteristics of Small Business Entrepreneurs

The demographic profile of small business entrepreneurs in the U.S., for instance, reveals that these entrepreneurs tend to be in their 30s or 40s, married and predominantly white males. These entrepreneurs are also likely to be better educated than the general population although the large majority of them are not likely to have college degrees. Most of these entrepreneurs are also likely to have had work experience in a large corporation or bureaucracy (Mancuso, 1984:3-10; Brockhaus, 1982:55; Roberts, 1968:53; Lane, 1980:16-17; Gaedeke, et al., 1985:13-17).

The demographic data on the black small business entrepreneurs in Limon show this group to be older, predominantly male and married and with relatively higher educational levels. Table 6 presents data on selected demographic characteristics of our respondents. Table 6 shows that nearly one-half of our respondents were between the ages of 31-50. Entrepreneurs under the age of 30 represented only 14 percent of the respondents while

those over age 50 constituted nearly 35 percent. Table 6 further shows that 78 percent of our respondents were male and 22 percent female. Distribution of respondents by marital status shows a disproportionate percentage of married respondents (67%). Fewer than 15 percent of our respondents reported being single. The educational level of our respondents also tended to be relatively high with nearly one-half of the respondents reporting some high school education while 16 percent had received some university level education. Respondents with no formal education represented 3 percent of our respondents.

Table 5

**Reasons for Going Into Business and Current
Business Satisfaction**

<u>Reasons for Going Into Business</u>	<u>Percentage</u>
Self improvement	7.6
My profession paid low	1.3
Better future	13.9
Security for my family	12.7
Keep busy at old age	1.3
Achieve recognition	7.6
Independence	43.0
I like business	5.0
Prosperity	7.6

N = 100.0
79

**Satisfied with Present Condition
of Business**

Yes	22.0
No	78.0

N = 100.0
87

Reasons for Dissatisfaction

Lack of business financing	47.2
Business is slow	8.6
Need more equipment	10.0
Bad health	1.4
Lack of business expansion	31.4
Lack of business training	1.4

N = 100.0
70

Table 6

Demographic Characteristics of Black Small Business Entrepreneurs in Limon

<u>Age</u>	<u>Percentage</u>
20-25	4.3
26-30	11.3
31-35	19.0
36-40	13.5
41-50	17.0
51-60	22.2
Over 60	12.7
N = 90	100.0
<u>Sex</u>	
Male	78.4
Female	21.6
N = 88	100.0
<u>Marital Status</u>	
Single	14.6
Married	67.4
Divorced	11.2
Separated	6.8
N = 89	100.0
<u>Education</u>	
Primary school/elementary	33.0
High school	47.7
University	15.9
None	3.4
N = 88	100.0

Focus Group Observations

The focus group discussions provided deeper insights as to why individual entrepreneurs in our survey chose to engage in business and the underlying motivations for doing so. Perhaps the most common characteristic shared among the entrepreneurs was a pervading sense of entrepreneurship and a perception of business as a way of life. Interestingly, younger entrepreneurs expressed the desire to be independent and their own bosses while older entrepreneurs were more likely to stress the personal satisfaction which comes from successfully operating one's own business.

The hardships and difficulties of going into business were generally shared among all entrepreneurs although the level of difficulty encountered varied somewhat. For those entrepreneurs who had been in business for a long time, starting their businesses was far less difficult than maintaining and expanding them in subsequent years. Many of the older businessmen indicated that when they started their businesses the country's economy was stable, prices remained constant and the cost of business operation remained low. They emphasized the predictability of the economy and their own abilities to plan relative to the overall pace of the economy.

On the other hand, the younger entrepreneurs painted quite a different picture. These entrepreneurs stressed the difficulties a young black person faces in starting a business because of the inavailability of capital, lack of management and business experience, inflation and lack of predictability in the national economy. They viewed their problems in terms of their lack of access to financial resources to stabilize and further consolidate their business. The younger entrepreneurs perceived a constant threat to their survival stemming from rising market costs and fluctuations in the value of the colone.

Both the younger and older entrepreneurs in the focus groups assigned high value to the need for hard work and sacrifices involved in starting and maintaining one's own business. To a certain extent, both groups of entrepreneurs tended to express the general feeling that much more than hardwork was required to succeed in business. Focus group participants constantly emphasized their inability to acquire loans and other financial assistance to operate their businesses in such a manner as to make it fully self-sustaining. Most perceived their present level of performance as not going much beyond a "hand-to-mouth" existence. While none of the focus group participants expressed any regrets or disenchantments with their decision to go into business, most equally felt that by entering business they expected greater rewards than what they had actually achieved.

Black women entrepreneurs appeared to have the most difficult time in starting a business and maintaining it once started. In addition to the common problems of inadequate capital and financing, the women entrepreneurs complained that they were limited in the kinds of business activities they could engage in. Most indicated that they were unable to go beyond certain traditional businesses such as food vending or sales to other more lucrative business enterprises. The women entrepreneurs were also more likely to complain about high rents for their business sites, inability to obtain help and low levels of sales. On the other hand, despite the various problems reportedly experienced by the women entrepreneurs, nearly all showed determination to continue in business regardless of the hardship.

II. Business Ownership Characteristics of Black Small Business Entrepreneurs in Limon

The manner in which businesses are organized and the way in which they utilize available resources is often critical to their viability and survivability. The particular type of business ownership is likely to determine, among other things, the specific resource requirements of and the application of these resources to specific business needs. The most common form of small business ownership in the U.S. and most free market economies is the sole proprietorship. There are said to be several advantages and disadvantages to the sole proprietorship form of business ownership (Siegel and Goldman, 1982:80; Pickle and Abrahamson, 1981:35; Gaedke and Tootelian, 1985:135). Among the most important advantages of sole proprietorship are ease of ownership, retention of profits earned from the business and owner's total authority over the business. The disadvantages of sole proprietorship include limited access to credit and capital, unlimited liability by owner, problems of management and limited business life span.

On the other hand, the partnership form of business ownership is said to have certain advantages over the sole proprietorship. Among these advantages are increased ability to raise more business capital, limited liability of investors and division of labor among partners in carrying out business tasks. The disadvantages of the partnership form of ownership include potential for authority disputes, termination of partnership upon withdrawal or death of partner and unlimited liability of general partners (Pickle and Abrahamson, 1981:39; Seigel and Goldman, 1982:80-81; Gaedke and Tootelian, 1985:135).

Table 7 shows that nearly 60 percent of the businesses owned by black small business entrepreneurs in Limon were sole proprietorships. Nearly 29 percent were family-owned businesses and only 11 percent were partnerships. The majority of the entrepreneur respondents had been in business for over five years. Fully one-quarter of the respondents had been in business between 20-30 years. Twenty-two percent of the respondents had been in business between 5-10 years. Respondents who had been in business for less than 5 years represented slightly less than one-third of all the respondents. Eight percent of our respondents had been in business for over 30 years.

The data further show a proportional distribution in the number of years a business was located at the present site. Table 7 shows that nearly one-fifth of our respondents had been at their present site of business between 20-30 years. Twenty-two percent had been at their present location between 5-10 years, while those under 5 years in their present business site represented slightly less than one-third of our respondents. Fewer than 5 percent had been at the same business site for over 30 years. Table 7 further shows that the majority of our respondents leased their business premises (63%) and only 37 percent owned both business and business premise.

Table 7**Business Ownership Characteristics**

<u>Ownership of Business</u>		<u>Percentage</u>	
Sole proprietor		59.1	
Family ownership		28.8	
Partnership		10.6	
Other		1.5	
		100.0	
N =		66	
<u>Ownership of Business Premises</u>			
Own		37.1	
Lease		62.9	
		100.0	
N =		70	
<u>Years In Business</u>			<u>At Present Location</u>
1	18.3		19.4
2-4	14.1		22.4
5-10	22.5		22.4
11-19	11.3		11.9
20-30	25.3		19.4
Over 30	8.5		4.5
	100.0		100.0
N =	71		67
<u>Reasons for Choice of Location</u>			
Good market place	25.0		
Joins my house	33.4		
Just rented it	8.3		
Necessity	8.3		
Near to baseball/football field	8.3		
Unavailability of locations	16.7		
	100.0		
N =	71		

Focus Group Observations

The preferred mode of business ownership among the focus group participants was the sole proprietorship. This preference is further expressed in terms of the view shared among the majority of the entrepreneurs that in a small business it is the individual who 'makes it or breaks it'. Many discussants felt that the sole proprietor could take sole responsibility and be in a better position to control the business. These entrepreneurs also felt that it was easier to initiate business by oneself rather than trying to coordinate with other partners or associates. It appears that the combination of individual control and direction of the business possible through a sole proprietorship were determinant aspects in the choice of form of business proprietorship among many of the discussants.

Entrepreneurs who had some form of business partnership arrangements emphasized the aspect of pooling capital and skills in a common business purpose. Entrepreneurs in partnership arrangements, however, did not indicate any greater difficulties than those entrepreneur with sole proprietorships. The success of a partnership arrangement was seen in terms of the interaction and interrelationship of the partners. Emphasis was placed on the importance of working for a common purpose and readiness to share both the profits and losses resulting from the business venture.

The issue of ownership and rental of business premises among our respondents had certain dimensions to it. Those entrepreneurs who owned their business premises were more likely to have been in business longer and to have been more stable and established in their business activities. Entrepreneurs who had been in business for at least ten years but had rented their premises were also likely to share the stability characteristics of premises owners. Moreover, entrepreneurs renting their premises felt that as

long as they did not move out, the rental costs for the premises were likely to remain the same over long periods. Because of this, entrepreneurs renting their premises were less likely to change locations even if they may feel that the new location might offer better business opportunities. Thus, the relative advantages of rental property to a large extent determined the location of one's business.

The focus group discussions revealed that most of our respondents gave only minimal consideration to business site selection in their decisions to start a business. Few indicated having seriously considered the potential traffic passing by the business, the competition in adjacent stores or their own vulnerability to unfriendly competition in selecting a particular site for their business. To many, cost was the primary and most significant factor in site selection. Thus, if the available site was affordable then it would be leased and held as long as the rent remained low.

Similarly, few of the entrepreneurs in the focus group discussions indicated that they had seriously considered changing their business sites. The general attitude was that the most lucrative spots were already taken or were too expensive to lease and thus obtaining a new site was considered to be impractical. On the other hand, there was some level of satisfaction with present business sites because of the high level of pedestrian traffic in Limon. Since the vast majority of people in Limon walked in making their daily purchases of goods and services, the discussants indicated that as a matter of course customers would be dropping in, particularly if the location was within the four block central "downtown" area.

The most central location for any retail business in Limon is the central market (Mercado) which is situated in the center of town and owned and maintained by the Municipality of Limon. The central market is over

forty years old, and is in a state of extraordinary disrepair with leaky roofs and apparently major structural weaknesses. However, because of its central location, the stalls inside the market are at a premium with high rents extracted by the municipality. The shops in the market offer an array of merchandise ranging from clothing to food items. A number of stable small black entrepreneurships are located in the central market, and because of the high traffic, they are able to maintain sufficient sales to sustain their businesses. However, due to the unavailability of space, growth and expansion are not feasible for most of the businesses leasing space in the market. Thus, unable to expand and unwilling to move to another location, most of the black entrepreneurs in the central market have remained in the same location for a considerable number of years.

III. Business Recordkeeping Practices Among Black Small Business Entrepreneurs in Limon

The keeping of business records is perhaps the most important activity in any small business. Adequate records are important not only for internal business decision-making purposes but also for tax purposes, bank loans and in obtaining credit from suppliers. The business literature suggests that accurate and complete records are essential to the life of any business. The recordkeeping system for a small business must be simple to use, easy to understand, reliable, accurate, consistent, and designed to provide information on a timely basis (Tate, et al., 1984:228; Lane, 1980:110; Krentzman, 1980:45).

For small businesses, certain types of records are considered indispensable. These include sales and cash records, accounts payable and receivable records, inventory records and other records to keep accurate data on finances and operations. These records provide the entrepreneur with basic information to make decisions and operate the business as well as to evaluate the effectiveness of business decisions and to accurately anticipate revenues and costs.

The data on recordkeeping practices among black small business entrepreneurs in Limon reveal somewhat surprising findings. Table 8 shows that only 60 percent of our respondents maintained any business records at all. Fully 40 percent maintained no business records. Among those entrepreneurs maintaining some business records, certain types of business records were identified most frequently. A substantial percentage of these respondents maintained cash receipts (73%) and merchandise records (71%). Records of cash payments were also kept by 67 percent of these respondents while nearly two-thirds also reported keeping monthly income and expense

records. Slightly over 60 percent of the respondents with any business records also reported keeping records of current business expenses and daily income. Over one-half of these respondents also maintained balance sheets, price lists, payroll and account receivable records as well as profit and loss statements.

Table 9 presents the most useful business records identified by our respondents maintaining business records. The daily cash balance sheet appears to be the most important business record for nearly 30 percent of our respondents keeping records. Nearly 13 percent identified the balance sheet as their most useful business record. Fewer than 10 percent of these respondents identified as most useful such records as daily cash reports, sales tickets, tax records, inventory and credit records.

Entrepreneurs with some recordkeeping system identified various approaches which could aid them in maintaining improved business records. Table 10 shows that proportionally larger percentages of respondents indicated business courses as an important aid to improved business recordkeeping, followed by respondents indicating the need for a bookkeeper and tight control over purchases.

On the other hand, among respondents with no recordkeeping system at all, alternative approaches were used to keep track of business transactions. Table 11 shows that among these respondents, 57 percent reported using their memory to keep records, while 35 percent also indicated doing visual inspections to keep track of their business transactions. Nearly 30 percent used self-reminders as a way of keeping records while 27 percent indicated that their customers were honest or that they did not need to keep records.

Among the problems faced by these respondents include the high cost of the recordkeeping (38%) difficulty in keeping records (22%), lack of time (16%), and lack of skills (11%).

Table 11 also presents data on the perceived solutions to recordkeeping problems among our respondents with no recordkeeping systems. Fully 27 percent indicated that getting technical assistance to develop a recordkeeping system would help them establish a business recording system for their businesses. Nearly 11 percent of these respondents also identified good cash flow, more customers and maintenance of a daily journal of transactions as factors which would serve to solve their recordkeeping problems.

Table 8

**Business Recordkeeping Characteristics of
Black Small Business Entrepreneurs in Limón
(Multiple Responses Possible)***

<u>Maintains Business Records</u>	<u>Percentage</u>
Yes	59.8
No	40.2
N =	100.0 92

Types of Business Records Maintained*

Records of cash received	72.7
Record of accounts receivable	56.4
Balance sheet	54.5
Record of property/equipment	41.8
Invoices	29.1
Current business expenses	60.0
Records of merchandise	70.9
Price lists	54.5
Payroll records	56.4
Family/personal use of merchandise	36.4
Daily income	61.8
Monthly statement of income & expense	65.5
Loan credit records	21.8
Records of cash payments	67.3
Records of accounts payable	43.6
Sales tickets	20.0
Records of assets & liabilities	18.2
Receiving records	23.6
Monthly inventory control	47.3
Petty cash vouchers	34.5
Credit sales	41.8
Daily cash receipts	47.3
Tax records	45.5
Bank records & statements	18.2
Profit & loss statements	54.5
Other	3.6
N =	55

Table 9

**Most Useful Business Records for Improved Recordkeeping
(Multiple Responses Possible)***

<u>Most Useful Business Records</u>	<u>Percentage</u>
Daily balance	29.1
Daily cash report	9.0
Balance sheet	12.7
Sales tickets	3.6
Tax records	7.3
Inventory records	3.6
Credit records	5.5
All are important	7.3
N =	55

Table 10

Most Useful Perceived Aids to Improved Recordkeeping

<u>Perceived Aids to Improved Recordkeeping*</u>	<u>Percentage</u>
Use bookkeeper	10.9
Computerized accounting system	3.6
Business courses	25.5
Business machines	1.8
Better business records	3.6
More employees	1.8
Standard sale form	1.8
Weekly inventory	1.8
Personal dedication in keeping records	3.6
Profit/loss statement	1.8
More sales	3.6
Maintain control over purchases, etc.	10.9
Business is small	1.8
Money	5.5
N =	55

Table 11

Alternative Approaches to Business Recordkeeping and Problems in Developing a Recordkeeping System Among Black Small Business Entrepreneurs in Limon
(Multiple Responses Possible)*

<u>Alternative Approaches*</u>	<u>Purchases</u>
Use memory to keep record	56.8
Customers/suppliers are honest	29.7
Do visual inspection	27.0
Do not need to keep records	35.0
Daily estimate	5.4
N =	37
 <u>Problems in Developing a Recordkeeping System*</u>	
Difficult to keep records	21.6
Lack of skills	10.8
Takes too much time	16.2
Recordkeeping is expensive	37.8
Personal funds not separate	---
Business is slow	5.4
Not necessary	10.8
N =	37
 <u>Perceived Solutions to Recordkeeping Problems*</u>	
Start recordkeeping system	5.4
Get assistance	27.0
More customers to justify recordkeeping	10.8
Keeping daily journal of transactions	10.8
Good cash flow	10.8
More interest in recordkeeping	5.4
Strict control	2.7
Don't keep records	5.4
Have small business	2.7
N =	37

Focus Group Observations

The focus group discussions provided insights on the limited use of business records and lack of systematic recordkeeping practices among the participating entrepreneurs. The most commonly cited reason for not keeping records or for maintaining a minimal amount of business records was the perception that due to the small size of the business operation records were not necessary or important. Focus group participants indicated that it was much easier for them to keep track of the money they used in their businesses in their minds rather than record every transaction which could prove to be a somewhat tedious task. Another related reason for not keeping business records was that the business routine was so predictable that revenues and expenses were regularized, established and known beforehand. Some participants indicated that since they knew the kinds of transactions they had or were likely to have, they could easily remember how much they owed suppliers and creditors and how much they were owed by their customers.

While focus group discussants readily acknowledged that a good record-keeping system could be an important element of a successful business, they also expressed the view that even if they wanted to adopt or improve their recordkeeping system they would not be able to do so because they lacked the resources or skills to implement such a system. It was frequently observed that business training was a prerequisite for good recordkeeping; but most discussants felt that in the absence of training opportunities they had no real choice but to continue doing business the "best way they know how".

In this context, recordkeeping was not a primary task for the focus group discussants. In the same vein, few of the discussants appeared to have seriously thought of their informational needs in operating their businesses

or in making business decisions. Records, where they existed, were used primarily to meet obligations in the short-term and for tax or other official purposes. Few entrepreneurs developed or even conceived of business records as useful devices for business planning, activities control or evaluation of business performance.

Some observations made by focus group participants on business recordkeeping were along the following lines: "I don't need business records because I account only to myself and as long as I know how much I spend, that's all I need." A seamstress noted: "In my business, people bring materials and I give them finished products. Once the job is finished, I do not need records." A cobbler observed: "My business is very small and I know how much I spend." A photographer noted: "I buy what I need with cash. After I give the pictures, that is it. There is no need to keep records. Another businessman observed: "I don't keep records because I forget it most of the time." A businessman with a family business observed: "My mother runs the business and she's old and traditional. It's hard for her to change and accept modern methods of recordkeeping."

Recordkeeping was felt to be important for purposes of tax reporting. The relatively more prosperous businesses indicated that they hired part-time bookkeepers to fulfill tax requirements. Providing accurate financial records was said to be obligatory by the government and this requirement forces some entrepreneurs to keep accurate records on their transactions.

IV. Business Financing and Loans

Bank loans and other business financing are essential to the survival, growth and expansion of all small business enterprises. Success in acquiring loans and other financing depends upon a variety of factors including properly prepared and documented financial statements (Krentzman, 1981:84; Feingold and Perlman, 1981:71; Gaedke and Tootelian, 1985:285).

Bankers and other credit agencies need to examine, among other things, an entrepreneur's balance sheet and income statement in order to decide whether credit should be extended. Access to bank loans and financing is a particularly difficult problem for minority entrepreneurs, and in the absence of appropriate documents the chances of securing a loan prove to be highly remote. On the other hand, the minority entrepreneur must be prepared to demonstrate the purpose for the loan as well as the solvency, profitability and growth potential of the business for which financing is to be secured. Generally, all lending institutions (private and public) in the developed as well as developing societies equally require detailed documentation and information before making a loan or extending credit.

The data on the loan and financing experience of Limon's black small business entrepreneurs show that slightly over one-third of our respondents had ever attempted to obtain loans. Table 12 shows that among respondents seeking loans for their businesses, 66 percent were successful in obtaining loans while 34 percent attempted but were unsuccessful. The sources of possible business financing were diverse. Among respondents who successfully obtained loans, 56 percent identified banks, followed by government sources (26%) and relatives (26%). Among respondents whose attempts at obtaining loans were unsuccessful, the vast majority (91%) had applied to the banks.

Table 12 further shows the purposes for which loans were sought by our respondents. Among respondents who had successfully obtained loans, 35 percent indicated that they sought the money to improve their businesses. Slightly over one-quarter indicated that they needed the loans for the purchase of equipment while an equal percentage indicated seeking the loan for buying inventory and purchase of the business site. On the other hand, among respondents who had attempted unsuccessfully to obtain loans, 25 percent indicated that they sought the loan to improve the business while 17 percent sought to purchase equipment. Among these respondents, one-third indicated that they attempted to obtain loans to buy the business location or remodel their existing site.

The duration of the loans obtained or attempted also showed variation. Among respondents who had successfully obtained loans, 39 percent indicated that the duration of the loan was for over one year while 22 percent indicated that the loan was payable in one year. Short-term loans for 60 days were obtained by 17 percent of our respondents who had successfully obtained loans. Among respondents who had attempted unsuccessfully to obtain loans, 67 percent had sought loans payable in more than one year while 17 percent sought loans payable within one year. Only 8 percent of these respondents sought loans payable in 60 days.

Table 12 further presents data on the amount of loans sought or obtained by the respondents. Among respondents who had successfully obtained loans, 78 percent reported that they obtained loans under \$5,000. Nearly 9 percent indicated obtaining loans between \$5,000-\$10,000 while only 4 percent had obtained loans over \$10,000. On the other hand, among respondents who were unsuccessful in obtaining loans, fully one-half had sought loans under \$5,000, while 17 percent sought loans between \$5,000-\$10,000.

The interest rates for loans showed considerable variation. Table 12 shows among successful loans recipients, 39 percent reported interest rates of up to 15 percent, while 30 percent reported interest rates between 15-25 percent. Nearly 22 percent reported interest rates over 25 percent. Among unsuccessful loan applicants, 42 percent reported seeking loans at interest rates of up to 15 percent, while 25 percent would have accepted interest rates between 15-25 percent. One quarter of these respondents would have accepted interest rates over 25 percent.

In obtaining or seeking to obtain loans, our respondents indicated that they were required to satisfy certain prerequisites established by lenders or potential lenders. Table 13 presents data on various documentary requirements in the loan application process. Among respondents who had successfully obtained loans, 17 percent indicated providing a profit and loss statement with an equal percentage identifying bank statements. Records of accounts receivable were requested of 13 percent of the respondents, while the same percentage of respondents also indicated that they were required to provide a balance sheet. Slightly over one-third of the respondents reported that they were not required to provide any business documents to obtain their loans. Among unsuccessful loan applicants, bank statements (33%), character statements (25%), and tax records (25%) were required relatively more frequently.

Collateral requirements among respondents also showed some variation. Table 13 shows that 55 percent of respondents who had successfully obtained loans also had to provide collateral. On the other hand, 92 percent of unsuccessful loan applicants were required to provide collateral. The type of collateral most required for successful applicants included property and personal guarantor (73%); however, only 40 percent of the unsuccessful

applicants were also required to provide these same types of collateral. Business licenses were also required of unsuccessful applicants as collateral (30%).

Table 12

**Business Financing and Loan Acquisition Experience
Among Black Small Business Entrepreneurs in Limon
(Multiple Responses Possible)***

<u>Business Financing/Loans</u>	<u>Percentage</u>	
Attempted	34.2	
Obtained	65.8	
N =	100.0 35	
<u>Source of Financing*</u>	<u>Attempted</u> (N=12)	<u>Obtained</u> (N=23)
Bank	91.7	56.5
Gov't agency	8.3	26.1
Friends	16.7	13.0
Relatives	---	26.1
<u>Purpose of Loan*</u>	<u>Attempted</u> (N=12)	<u>Obtained</u> (N=23)
Improve business	25.0	34.8
Purchase equipment	16.7	26.1
Buy stock/inventory	8.3	13.0
Buy business location	16.7	13.0
Remodel	16.7	0.0
<u>Term of Loan</u>	<u>Attempted</u> (N=12)	<u>Obtained</u> (N=23)
Payable in 60 days	8.3	17.4
Payable in 6 months	---	4.3
Payable in 1 year	16.7	21.7
Payable in more than 1 year	66.7	39.1
<u>Amount of Loan (U.S. \$)¹</u>	<u>Attempted</u> (N=12)	<u>Obtained</u> (N=23)
Under \$5,000	49.9	77.7
Between \$5,000-\$10,000	16.6	8.7
Over \$10,000	24.9	4.3
<u>Interest Rate</u>	<u>Attempted</u> (N=12)	<u>Obtained</u> (N=23)
Up to 15 percent	41.7	39.0
Between 15-25 percent	25.0	30.4
Over 25 percent	25.0	21.6

¹ -----
Converted at the rate of U.S. (1986) \$1.00 - 56 CR Colones.

Table 13

**Loans and Business Financing Identified by
Black Small Business Entrepreneurs in Limon
(Multiple Responses Possible)***

<u>Business Records Provided With Loan Application*</u>	<u>Percentage</u>	
	<u>Attempted</u> (N=12)	<u>Obtained</u> (N=23)
Balance sheet	8.3	13.0
Accounts receivable	8.3	13.0
Character statement	25.0	4.3
Tax records	25.0	4.3
Profit & loss statement	16.7	17.4
Inventory record	16.7	8.7
Bank statement	33.3	17.4
No financial records	16.7	34.8
<u>Needed Other Collateral*</u>		
Property	50.0	8.7
Guarantor	8.3	4.3
Business license	8.3	---
<u>Collateral Required</u>		
	<u>Attempted</u> (N=12)	<u>Obtained</u> (N=20)
Yes	91.8	55.0
No	8.3	45.0
<u>Type of Collateral Required*</u>		
	<u>Attempted</u> (N=10)	<u>Obtained</u> (N=11)
Friends	20.0	9.1
Machinery	10.0	18.2
Property/guarantor	40.0	72.7
Business license	30.0	---

Focus Group Observation

The issue of obtaining loans and business financing was perhaps the most debated issue among focus group participants. There were generally two views expressed about obtaining loans, particularly from the banks which are the primary sources for loans. The prevalent view was that neither the development nor the other banks were inclined to extend business loans to black owned businesses. A minority view emphasized the tendency among some successful black loan applicants not to use the loan money in a manner consistent with the goals for which the loan was approved.

The prevalent view that the banks were less inclined to loan money to black entrepreneurs is a complex one, often involving allegations of systematic discrimination, nepotism and connections within the banking system and general failure by the government to provide special help to black businesses. Discussants shared personal experiences in seeking bank loans and the difficulties they faced in trying to secure one. One entrepreneur observed that he sought to obtain a bank loan to build modern facilities to improve his business, but that his application had yet to be acted upon even though months had passed since making his application. Another entrepreneur expressed similar difficulties in his group's efforts to obtain a loan to set up a supermarket cooperative.

The problems associated with obtaining loans are seen to be part of an overall problem of the failure of the government's policy to help blacks in Limon. The general view was expressed that the government was not willing to help Limon because Limon allegedly was viewed by the government as a "loss". It was said that other parts of the country got various forms of assistance including loans to businesses and farmers but very little of this effort was said to have taken place in Limon. The problem with the cacao tree disease

situation was cited on numerous occasions suggesting that the government took no action when Limon's cacao trees were affected by disease. In general, the government was viewed as not interested or willing to help Limon in general or blacks in Limon in particular.

There were also focus group discussants who felt that "loans were a dangerous thing." These participants felt that repayment of loans at the high interest rates made it difficult for the small business entrepreneur to make a profit or save enough money to expand the business and still be able to repay the loan. In the same vein, it was also suggested that business in Limon was too uncertain and risky to go out and get a substantial loan. If one could not generate enough business quickly, the interest on the loan would accumulate so high that repayment would be extremely difficult if not altogether impossible.

Another view on obtaining bank loans involves the perception among black entrepreneurs that they are discriminated by local bank officials. Some discussants felt that black entrepreneurs seeking loans, as a group, fared less well than other ethnic groups. It was suggested that Chinese businessmen needed only to ask in order to get loans, with a minimum of paperwork. This was achieved presumably by just talking with the "right" officials. For black entrepreneurs, the situation was perceived to be made doubly difficult by placing various formal requirements into the application process.

There were also discussants who simply did not see the need for obtaining loans. They felt that their businesses were too small and self-sufficient and thus did not feel the need for any loan money for business improvements. These individuals also emphasized the need to be independent and self-reliant, without financial obligations to a creditor or a bank and without "losing sleep" over how to repay a loan.

A major complaint among unsuccessful loan seekers was the existence of a reportedly difficult loan application process required by the banks. Unsuccessful loan applicants complained that the paperwork required for loans from the banks was too much and too cumbersome and even after fulfilling these requirements, decisions on applications were unreasonably delayed.

Observations made by focus group participants in this regard were along the following lines. One businessman observed: "In a small business like mine, I have to put up a lot of collateral and I just can't give the kind of collateral the bank needs." An entrepreneur in the clothing business observed: "I have a small business selling clothes. I cannot borrow with the high interest rates. It will be difficult for me to pay back the bank even if I got a loan because the amount I sell changes day to day." Another businessman observed: "The bank does not mess around. If you don't pay, they come and take everything. You may even have to go to jail." One successful loan applicant noted: "The bank has too many requirements but I was able to meet them. But even though I had a guarantor, the bank gave the loan for an amount far less than I had applied for. It took six months."

V. Budgeting

There is a tendency among small business entrepreneurs to forego the preparation of carefully planned budgets. Budgeting or cash forecasting is not applied consistently to the business and to some extent the entrepreneur is limited in business planning. On the contrary, budgets are a particularly useful tool for business planning and control (Lane, 1980: 120; Steinhoff, : 334; Niswonger and Fess, 1979, Krentzman, 1981: 133). By developing simple budgets, the business entrepreneur can think through business problems and requirements and make critical decisions affecting the current status of the business and its future prospects. Most importantly, preparation of even the simplest budget has a fundamental coordinative effect in the operation of a small business. The budget process brings about order and organization in business activities, enables employees to work towards the same goals and clearly show the owner/manager as to whether or not the business is profitable and viable.

The data on the budgeting practices of Limon's small business entrepreneurs show that the vast majority of the entrepreneurs engaged in some elementary forms of budgeting for their businesses. Table 14 shows that 78 percent of the respondents reported having a business budget. The monthly budget appears to be the most frequently used type of budgeting among the respondents (62%). Quarterly and annual budgets were employed by fewer than 10 percent of the respondents. Nearly 28 percent of the respondents reported using other budgeting periods, mainly daily budgets.

Table 14 further presents data on the type of budgets maintained by the respondents. Sales budgets were kept by 55 percent of the respondents who maintained a budget for their businesses. Fifty-three percent also

maintained a cash budget while 45 percent kept an expense budget. Direct labor budgets were kept by 37 percent of the respondents while 31 percent kept an accounts receivable budget and 28 percent indicated keeping an administrative budget.

Respondents keeping any of the various types of budgets appeared to use the budgeting tool differently in the operation of their businesses. Table 14 further shows that 55 percent of our respondents used budgeting for purposes of purchasing merchandise while fully one-half of the respondents indicated that they used budgeting to plan future sales. Nearly 44 percent indicated using budgets to set profit goals while 42 percent budgeted to estimate labor costs. Nearly one-third of the respondents used their budgets for cost-cutting and projection of cash shortfalls.

Table 14**Business Budgeting Practices
(Multiple Responses Possible)***

<u>Use A Budget</u>	<u>Percentage</u>
Yes	78.0
No	22.0
N =	100.0 82
 <u>Budget Period</u>	
Monthly	62.3
Quarterly	8.2
Annually	1.6
Other	27.9
N =	100.0 61
 <u>Type of Budget Used*</u>	
Sales budget	54.6
Administrative budget	28.1
Expenses budget	45.3
Cash budget	53.1
Accounts receivable budget	31.3
Direct labor budget	37.5
Other types of budget	1.6
N =	64
 <u>Specific Budget Applications*</u>	
Project cash shortfalls	32.8
Merchandise purchases	54.7
Plan future sales	50.0
Estimated labor costs	42.2
Review business activity	40.6
Cost cutting	32.8
Set profit goal	43.8
N =	64

Table 15

**Methods of Estimating Cash to Meet Current Expenses
Among Entrepreneurs With Budgets**

<u>Cash Estimating Method</u>	<u>Percentage</u>
Fixed monthly expenses	1.9
Review profits	3.9
Pay out of pocket	1.9
Check balance sheet	1.9
Check receipts and accounts	3.9
Put away money for rent	1.9
According to money at hand	17.3
Customer demand & sales	46.2
Future sales & profits	7.7
Limiting expenses	9.6
Emergency working account	1.9
Accountant tells me	1.9
	100.0
N =	52

Table 16

Alternative Approaches to a Formal Budget

<u>Alternative Approach Used</u>	<u>Percentage</u>
Sale prospect and projection	5.9
Depends on work load	35.3
Check expenses	5.9
Use available cash	23.5
Personal savings	5.9
Know my daily need	23.5
	100.0
N =	17

Table 17

Reported Problems in Maintaining A Budget System

<u>Specific Problems</u>	<u>Percentage</u>
Business is too slow	31.2
Need more experience	25.0
Need money to budget	12.5
Don't know budgeting	25.0
Expensive merchandise	6.3
	100.0
N =	16

Focus Group Observations

The focus group discussions were revealing about the basic problems faced by Limon's black small business entrepreneurs in setting-up a budgeting system for their businesses and the inefficient uses of the budgeting tool by these entrepreneurs. The focus group discussions revealed that budgeting as a business practice was viewed from somewhat differing perspectives. Some entrepreneurs viewed budgeting as an arithmetic procedure to tally up their basic business expenses. Others indicated that budgeting was a tool useful for buying purposes. Only a small minority of these entrepreneurs thought of budgeting as a business planning tool to monitor daily business activities and to make monthly or extended expense and income forecasting.

The vast majority of the focus group discussants did not maintain a systematic budgeting system for their businesses. Some felt that due to the small size of their businesses they did not need detailed budgeting and they could just as easily keep track of their transactions in memory. Others felt that they simply did not know how to budget for their businesses. Still others indicated that their incomes are so small that there is just no need to keep a budget. A few felt that budgeting took too much time and required careful planning for which they were neither prepared nor equipped. There were also some entrepreneurs who would like to do systematic budgeting for their businesses but did not have the requisite knowledge to do so.

The focus group sessions were particularly useful in gathering in-depth data on the budgeting techniques and approaches employed by the entrepreneurs. The discussions clearly showed that for the most part budgeting was done at the most elementary level using informal means of recordkeeping. For instance, in terms of the mechanics of maintaining a budget system, the majority of the entrepreneurs did not even have elementary budgeting forms to

identify expenses or income. Most of the entrepreneurs were likely to write down their needs and expenses on a piece of paper for a particular purpose. Moreover, the budgeting was not done on a regularized and systematic fashion even though the survey data indicated that 62 percent of the respondents had maintained monthly budgets.

Another significant finding resulting from the focus group discussions was that few of the participating entrepreneurs undertook budget planning for even six months in the future. Most were preoccupied with daily business activities to be concerned with even short-term planning which has a tendency to keep entrepreneurs unaware of actual or potential business problems while also limiting them from planning to avoid such problems from engulfing their businesses. On the other hand, since many of the entrepreneurs did maintain formal budget documents, they were unable to determine their specific financial status at a given time and plan to avoid disastrous cash shortfalls.

Similarly, since most of the entrepreneurs lacked systematic budgeting procedures, they tended to operate on financial and investment assumptions that are inaccurate and clouded by one's own wishful thinking. Thus, discussion participants were likely to express wishful ideas about how business would improve in the next year or how they expect to get something to accomplish a particular objective. There was not likely to be much critical thinking relating overall cash flow to anticipated or expected business objectives.

Some observations in the focus group discussion on budgeting were along the following lines. A bar owner observed: "I know what my expenses are from experience. I just set aside a percentage for basic expenses such as light, water and rent. During the month, I make sure there is enough money

to cover these." Another businessman observed: "I have some fixed expenses and I just save every day to meet these expenses." A somewhat regretful businessman observed: "I don't know how to budget. I just use what I get for my business." An equally unhappy businessman observed: "I also do not know how to budget and sometimes it is hard for me to keep track of my expenses; and at the end of the month I end up borrowing money from my son-in-law. Learning how to budget will really help me in my business."

VI. General Financial and Planning Management Among Black Small Business Entrepreneurs

Lack of financial management and planning have variously been identified as major causes of failure among small business entrepreneurs. There may be a tendency among small business entrepreneurs to believe that if they aspire to "do better next year" or hope that "business will improve" that they have in fact done the "planning" needed for the business. Financial management and planning, however, involves much more than wishful thinking. The business entrepreneur must systematically define his goals and objectives and make financial preparations to guide his business over a given period of time. This is particularly important since the small business entrepreneur must constantly make critical business decisions. With each decision made, the financial situation of the business changes. Thus, as cash is received for sales, income is increased but purchase of inventory depletes the available cash constantly changing the financial position of the business.

The central feature of financial planning for a small business is whether the business can achieve its market objectives and make a profit. In order to accurately determine the prospects of a small business in achieving these goals, the owner must assemble the relevant financial data showing the status of accounts payable, income, expenses and assets and get a complete handle on the financial status of the business (Tate, 1984:215; Krentzman, 1981:64; Markstein, 1974; Gross, 1969).

Table 18 presents data on the financial management and planning practices of Limon's black small business entrepreneurs. Table 18 shows that slightly over two-thirds of our reporting respondents performed any form of financial planning. Among these respondents financial planning approaches varied. Sixty-three percent reported that they did their planning by

budgeting their available cash while 61 percent also indicated that they did their planning by keeping up-to-date their current accounts payable. Financial planning by keeping an efficient inventory system was reported by 40 percent of these respondents and only 31 percent sought to do the same by keeping an efficient accounts receivable system.

Table 18 also presents findings on what the respondents felt were important factors in their financial planning. Improved control of business expenses was an important factor for 21 percent of the reporting respondents while increased sales were important for 10 percent of the respondents. Desire to do better and get more money were reported as important factors in financial planning by 9 percent of these respondents.

Methods of monitoring business financial performance varied among respondents. Table 18 shows that 27 percent of reporting respondents did not do any monitoring at all. However, 27 percent reviewed daily sales followed by those who reviewed general sales and profits in doing financial monitoring (19%). Slightly over one-fifth of the reporting respondents monitored their financial status by looking at their general business needs, expenses and profits.

Table 18

**General Financial Management Among Black Small Business Entrepreneurs
in Limon
(Multiple Responses Possible)***

<u>Do Financial Planning for the Business</u>	<u>Percentages</u>
Yes	67.9
No	32.1
	100.0
N =	84
 <u>Specific Financial Planning Activities*</u>	
Well planned budget	63.2
Efficient accounts receivable	31.6
Efficient inventory system	40.4
Current accounts payable	61.4
N =	57
 <u>Factors Important in Financial Planning*</u>	
Desire to do better	8.8
Increasing sales	10.5
Improved control	21.1
Income/profits	5.3
Getting more money	8.8
Cost/business expense	5.3
Expand business	7.0
Enlarging building	3.5
Follow accountant's advice	5.3
N =	57
 <u>Methods of Financial Monitoring</u>	
According to business needs	11.5
According to business expenses/profits	11.5
According to sales & profits	19.2
Making small purchases	3.9
Daily sales	27.0
Do not monitor	26.9
N =	26

Focus Group Observation

The single most important aspect of financial management and planning which was repeatedly raised by focus group discussants was the lack of sufficient cash to operate the business. Financial constraints were felt to be so tight that few entrepreneurs could even talk about some method of managing their finances for systematic planning. Many discussants mentioned that they had only limited cash which they managed on a day-to-day basis.

To most discussants, financial management meant having enough money by the end of the month to pay expenses and take care of their family's needs. If they could arrange to have expenses met and family needs taken care of, they reported being satisfied with their financial planning. A few discussants, however, indicated having a rigorous financial planning approach. For instance, one baker indicated that his financial planning and management system included the preparation of detailed monthly reports to obtain or extend credit, pay salaries, reduce fixed costs as much as possible and even plan for advertisement of the business.

However, the most important finding in this regard was the fact that the entrepreneurs simply did not have enough cash or assets to engage in any serious financial planning. While many of the entrepreneurs were likely to have liabilities in the form of unpaid credit or fixed costs, they were able to manage these in the routine course of business. Consequently, few of the focus group discussants were able to meaningfully discuss, and perhaps, may even have had some problems understanding some of the more sophisticated concepts involved in financial management and planning. In this regard, it should be noted that while a prerequisite for useful financial planning includes the maintenance of an accurate and complete business recordkeeping

system, the absence of such records among many of the entrepreneurs, make the implementation of a rigorous financial planning system difficult and impractical.

The consequences of not performing financial planning had adverse consequences. For instance, the entrepreneur discussants were less likely to understand the financial structure of their businesses beyond a simple understanding of how much they owe or were owed, assess and determine their short- and long-term potential and in general invest their efforts and limited resources in areas of business activity with a high likelihood of positive returns.

Discussants' observations regarding the problems of financial management were along the following lines. A businessman observed: "The way I manage my cash is by spending it carefully on the most important things I need." Another observed: "I would like to plan so that I can buy the equipment I need and to rent a place at the right location. I can't get money to invest in new items so I use my cash to run my business daily." Similarly, one businesswoman observed: "I buy and sell on a small scale. It is hard for me to do any financial management.

VII. Inventory Management

In many small businesses substantial funds are tied up in inventories. Some businesses, e.g., supermarkets, by their very nature require a large investment in inventory whereas laundromats or barbershops are likely to require little inventory. The small business entrepreneur must operate a tight inventory control system without losing too many sales and utilize any residual capital for other business purposes. On the other hand, lack of inventory control is likely to have serious consequences on the profitability of the business. Without tight control over inventories, the entrepreneur is less likely to know if the investment in inventories is excessive, if there are losses such as spoilage and pilferage or determine the rate of inventory turnover. Through the use of an inventory control system, the proper goods in the right quantities can be made available for sale. Thus, a good inventory control system could mean the difference between profit and loss (Krentzman, 1981: 120; Tootelian, et al., 1980: 608; Hogsett, 1981: 116).

Table 19 presents data on the inventory management and control system of the respondents. Table 19 shows that only 56 percent of the respondents maintained any inventory system at all. Various methods of inventory control were, however, used by these respondents. Stock lists were mentioned by 67 percent of these respondents while 37 percent mentioned card records and 25 percent identified sales slips. Inventory tags were mentioned by 21 percent of respondents and an equal percentage mentioned price tickets as a method of inventory management.

Respondents maintaining an inventory management system appeared to have varied uses of their inventory control process. Table 19 further shows that the majority of our reporting respondents indicated that they used their

inventory control system to maintain good product assortment. Fifty-eight percent of those reporting also indicated that they used inventory control to increase profits while 56 percent indicated that they sought to avoid overstocking. Other uses of inventory included placing orders and determining price (48%), getting rid of obsolete items (42%), making volume purchases (37%) and increasing inventory turnover (35%).

Inventory control and management among respondents without an organized inventory system offers a sharp contrast. Table 20 shows that 60 percent of these respondents only performed visual inspections as a way of inventory control. Proportionally smaller percentages of these respondents indicated that they ordered whatever merchandise they needed as necessary (17%) while 6 percent relied on their memories to manage their inventory system. Respondents' methods of tracking stock or inventory depletion reveals that 45 percent of our respondents waited for the inventory to be exhausted as a way of tracking the merchandise. An equal percentage of respondents indicated that they observed the amount of merchandise used, applied their memory or checked daily sales in keeping track of merchandise sold.

Table 20 also shows respondents' methods of placing new orders and tracking of what suppliers provide. Fifty-six percent of the reporting respondents indicated that they placed new orders after making visual observations while 19 percent reported that they placed new orders when existing stocks were depleted. An equal percentage of respondents indicated that how they placed orders depended upon their workload and whether they had checked their daily sales. Similarly, 51 percent of the reporting respondents indicated that they tracked the supplies they received through

visual observation. Fifteen percent indicated that they kept receipts while the same percentage indicated that they kept track of supplies by recording what they bought.

Table 19

Uses of Inventory Management in Business
(Multiple Responses Possible)*

<u>Maintain Inventory System</u>	<u>Percentages</u>
Yes	55.8
No	44.2
	100.0
N =	86
 <u>Methods of Inventory Management*</u>	
Card records	37.5
Inventory tags	20.8
Stock lists	66.7
Sales slips	25.0
Cash register tape	31.3
Price tickets	20.8
Other	6.3
N =	48
 <u>Uses of Inventory System*</u>	
Maintain good product assortment	68.8
Increase inventory turnover	35.4
Keep stocks low	31.3
Make volume purchases	37.5
Avoid overstocking	56.3
Get rid of old items	41.7
Place orders & determine price	47.9
Increase profit	58.3
Other	4.2
N =	48

Table 20

Alternative Approaches to Inventory Management
(Multiple Responses Possible)*

<u>Alternative Methods of Inventory Control*</u>	<u>Percentage</u>
Rough calculation	2.9
Order whatever is needed	17.1
Visual inspection	60.0
Memory	5.7
Daily sales	11.4
N =	35
<u>Tracking of Merchandise Sold*</u>	
By what customers order	6.9
Observing amount used	13.8
Check sales book	6.9
When goods finish	44.8
Memory	13.3
Daily sale	13.8
N =	29
<u>Placing New Orders*</u>	
Depends on work load	12.5
When inventory exhausted	18.7
Check daily sales	12.5
Observation	46.3
N =	32
<u>Tracking What Supplies Provide*</u>	
By what I buy	15.1
Observation	51.5
Have no suppliers	9.1
Keep receipts	15.2
Daily sales	9.1
N =	33

Focus Group Observations

The focus group discussions were useful in providing a detailed understanding of the type of inventory management system used by the entrepreneurs and the range of problems encountered by these entrepreneurs in developing and using a workable inventory system. Certainly, the most characteristic aspect of the inventory system of our discussants was the general lack of any workable inventory system. While the majority of focus group discussants acknowledged the need and significance of maintaining a systematic inventory of stock items, most nonetheless did no more than perform daily visual inspections of what items they had and what items they should obtain. To some, the small size of their businesses reportedly made a detailed inventory system unnecessary. They felt that they could look at their stock and know what is needed.

In some businesses, such as tailoring/sewing and shoe repair, keeping an inventory system was not thought to be useful since customers bring the materials to be repaired or sewn and take them back after completion. A few businesses, however, did extensive inventory of stock items and these included the larger bars and restaurants which did the inventory on a daily basis since turnover is quite high especially for beverages.

The focus group discussions revealed the basic problems faced by the entrepreneurs in implementing an effective inventory control system. First, most of the participant entrepreneurs did not appear to understand the significance of keeping tight inventory control in their businesses. As a result, basic inventory principles such as minimizing inventory investment, balancing supply of merchandise with customer demand and maintenance of an up-to-date inventory record were rarely applied. Second, since the respondent entrepreneurs maintained largely inadequate business records, they

were also likely to have limited or no inventory records. Even among entrepreneurs with businesses having rapid turnover, e.g., bars and restaurants, there was a tendency to minimize the amount of paperwork required to control inventory. Thus, the focus group discussions revealed that very few entrepreneurs had a systematic handle on which items in their businesses needed to be reordered because of customer demand or which items were slow moving. Similarly, without a systematic inventory control system, entrepreneurs ordered stock after it has been exhausted and could not determine loss due to pilferage or spoilage.

One of the central problems with inventory which emerged during the focus group discussions involved the general issue of inventory valuation. It should be observed that for most of the entrepreneurs the business represents the only source of income. Merchandise and goods are obtained for sale and if the merchandise is not perishable, the entrepreneur must sell it at a profit margin which will enable him to remain in business. This situation creates a problem of inventory valuation particularly for slow moving items which the entrepreneur cannot liquidate at a discount because doing so would have an adverse impact on profits. Thus, for most of the entrepreneurs merchandise once obtained could only be removed through sales. If there is no sale of a particular item, then that item will not be reordered which tends to ultimately stagnate the business. In fact, many of the focus group participants emphasized this aspect of inventory control and their inability to maintain a wide assortment of goods in their business. Thus, if certain items prove to be slow moving, the money tied in those items cannot be liquidated at a sale because that would result in a loss. To avoid such a loss, the item is maintained in stock regardless of how long it takes to sell it, provided it was not perishable. Consequently, most of the

entrepreneurs experienced problems in trying to balance the need for increased inventory turnover with the need to offer an assortment of merchandise to attract more customers.

Some of the observations of the focus group discussants on inventory were along the following lines. One businessman observed: "I don't need to have an inventory system in my store because business is up one day and down another. I just buy what I need as I go along." Another businessman observed: "I should know from experience what I need, so I order when I think I can sell more." A businessman who seemed to have some business problems observed: "When my business was doing good, I kept very good records of everything in my store. Now business is not so good, so I don't need it." A bar owner observed: "The beer truck passes by my business everyday. When I want some, I just order on the day I need it." A butcher similarly observed: "When I need a cow or a half a cow, I just send someone to go get it from the farm. But if I sell all my meat and need more for my customers, I go to the next stall and borrow some."

VIII. Business Training Among Limon's Black Small Business Entrepreneurs

The success of a small business enterprise to a large extent depends upon the business acumen and expertise of the owner/manager. To be successful the small business owners must develop multifaceted skills to run an efficient and profitable entrepreneurship. While the entrepreneur need not be an expert in all areas of management, clearly it is essential that the entrepreneur have sufficient familiarity to understand the strengths and weaknesses of the particular management approach used in the business.

Management skills can be acquired through formal training or through work experience. However, operating a small business without some management skills is likely to have adverse consequence on the long-term viability of the business; and in fact one of the major causes of small business failure includes poor business management. Certainly among the most important management skills an entrepreneur ought to develop are skills related to financial management, employee management and communications with the customer. While the entrepreneur need not be an accountant, it is nonetheless essential that the entrepreneur have a functional understanding of cash flow, balance sheet, profit and loss statement, and if possible, even more sophisticated financial management techniques. The entrepreneur must be able to interpret and apply basic financial records and make decisions based on the results of the records. Similarly, employees must be given assignments and responsibilities with the view toward maximizing their productivity in the business. The entrepreneur must also develop communication skills to effectively deal with the needs of this customers.

Generally, the problem among small business entrepreneurs is that there is likely to be a deficiency in these areas of skills development and as a result the business suffers from poor management. Few small business entrepreneurs are likely to have had advanced or formal training in the multifaceted areas of business management; and the smaller the business, the less likely the entrepreneur is to have developed sophisticated management skills (Krentzman, 1981: 170; Lane, 1979: 144).

Table 21 presents data on the business training characteristics of Limon's black small business entrepreneurs. Table 21 shows that slightly over one-half of the respondents had any business training at all. The sources of business training among those who had received any training were diverse. Thirty-eight percent had acquired their training by working for an employer followed by those who did apprenticeships (36%). Private tutorials were reported by 15 percent of the respondents while 11 percent had received their training from a business school or through correspondence courses. Table 21 further shows that among respondents with some business training, 76 percent indicated that their training was very useful in their businesses and nearly 20 percent felt it was moderately useful.

Virtually all of our respondents indicated that they could benefit from additional business training opportunities: Table 21 shows that nearly 44 percent of the entrepreneurs indicated that additional training would enable them to learn business techniques to improve their business. One-fifth of those reporting also indicated that training may help them gain better control of their businesses while 15 percent felt that additional training could help them in improving productivity.

Table 22 presents data on perceived training needs of the entrepreneurs. The vast majority of our respondents indicated that they would benefit from training if it were available to them. Table 22 shows that the identified areas of training need ranged across the spectrum of business activity. In terms of training areas, 60 percent indicated management training followed by training in finance (36%), sales (33%), bookkeeping (30%), inventory control (30%), budgeting (28%) and accounting (27%). In terms of possible locations where such training may be given, 80 percent of our respondents did not feel that location of the training site mattered at all. Relatively few respondents indicated local high schools or community centers as possible training sites.

Table 22 also shows entrepreneurs' preferences as to possible trainers. By far the majority of the respondents felt that instructors from the U.S. should do the training (65%). Twenty-nine percent reported that successful business entrepreneurs should do the training and 11 percent identified local teachers as possible trainers. The most convenient time for training for the majority of the respondents was 6:00-8:00 p.m. after most businesses close. The time period 8:00-10:00 p.m. was convenient for 15 percent of our respondents while 13 percent indicated the weekends as their best time. Participation in training opportunities away from Limon was indicated only by 55 percent of our respondents.

The most significant finding with respect to entrepreneur training needs and requirements is the fact that Limon's black entrepreneurs are in acute need of basic, rudimentary and elementary skills necessary in the operation of a business enterprise. Specifically these entrepreneurs need to acquire basic skills in simple bookkeeping, budgeting, recordkeeping, inventory control and other elementary financial and business management techniques.

Table 21**Business Training Background Among Black Small Business Entrepreneurs
(Multiple Responses Possible)***

<u>Have Some Business Training</u>	<u>Percentage</u>
Yes	52.2
No	47.8
	100.0
N =	90
 <u>Source of Business Training*</u>	
Apprenticeship	36.2
Correspondence	10.6
Worked for an employer	38.3
Special government training	2.1
Business school	10.6
Business workshop	--
Private tutorials	14.9
Other	4.3
N =	47
 <u>Usefulness of Training to Present Business</u>	
Very use ful	75.6
Moderately use ful	19.6
Somewhat use ful	2.4
Inadequate	2.4
N =	41
 <u>Need for Additional Training</u>	
Yes	97.9
No	2.1
	100.0
N =	47
 <u>Benefits of Additional Training*</u>	
Improve productivity	15.4
Efficient use of equipment	5.0
Become a professional	10.3
Learn business techniques	43.6
Better business control	20.5
Become more competitive	2.6
N =	47

Table 22

**Need for Business Training Among Entrepreneurs
With No Training**

(Multiple responses possible)*

<u>Will Benefit from Training</u>	<u>Percentage</u>
Yes	94.3
No	5.7
N =	100.0 87
 <u>Type of Training Sought*</u>	
Bookkeeping	30.5
Accounting	26.8
Management	59.8
Finance	36.6
Budgeting	28.0
Sales	32.9
Inventory control	30.5
Other	3.7
N =	82
 <u>Possible Training Site*</u>	
Local high school	7.3
Community hall	13.4
Church	1.2
Location does not matter	80.5
Other	1.2
N =	82
 <u>Possible Trainers*</u>	
Selected local teachers	11.0
Business executives	6.1
College professors	2.4
Business specialists	1.4
Successful business owners	29.3
Instructors from U.S.	64.6
Other	12.2
N =	82

Table 22 (continued)

<u>Convenient Time for Training</u>	<u>Percentage</u>
6:00 - 8:00 p.m.	58.6
8:00 - 10:00 p.m.	15.0
Before 9:00 a.m.	8.8
Noon - 2:00 p.m.	3.8
Weekends	12.5
Other	1.3
	100.0
N =	80
 <u>Can Train Away From Limon</u>	
Yes	54.3
No	45.7
	100.0
N =	81

Focus Group Observations

The need and prospects of business training opportunities generated substantial interaction among focus group discussants. The widely shared view among discussants was that they needed business training to improve their overall entrepreneurial skills and capabilities. Business training opportunities in Limon were said to be nonexistent and only a couple of courses were said to be offered to high school students in business. As the survey data showed, the majority of the discussants did not have any formal business training at all. Among the discussants, some indicated learning a few business skills from experience or working as part of the family business. Most, however, obtained their business skills from practical work in their own shops and stores.

Several discussants also observed in a philosophical sense that business training should not only be limited to providing business skills alone. Rather, they suggested that there should be entrepreneurship training for young black men and women to appreciate and be more involved in business. The business acumen and approach of the ethnic Chinese was often mentioned in this regard. It was said that the Chinese have a better time at business because the family environment fosters business activity. Young blacks were said to have neither the family environment conducive to developing business entrepreneurship or successful business role models to look up to.

The need for practical business skills was emphasized throughout the discussions. Most felt that they needed the most basic and elementary courses in business recordkeeping, budgeting, inventory management and other areas of day to day business activities. Since many of these business

entrepreneurs had not received much formal education, they did not feel that advanced accounting techniques were particularly relevant or useful to them in their business activities.

The focus group discussion on training further revealed that training represents a critical area of unmet need among Limon's black small business entrepreneurs. Focus group discussants constantly queried as to the possibility of having training in any of the various areas of business and their eagerness to participate in such training. While the Principal Investigator was repeatedly queried about the prospects of having any training opportunities, he could only assure that he would accurately document their actual and perceived training needs and make a report on it to AID.

Another area of sustained focus group discussion involved the relationship between training and credit. Many discussants repeatedly indicated that training by itself would be inadequate to improve the conditions of their businesses. Training was perceived to be most beneficial if there was some credit to enable the entrepreneur to apply the training and skills acquired. The general feeling was that even the best business manager without resources to manage would not be effective as an entrepreneur.

There were also focus group participants whose primary training interest concerned vocational or trade-related training. To these discussants, training in business management alone would not be sufficient although essential. They indicated their need to learn and be proficient in their respective areas of business, and without such training they did not perceive a positive long-term prospect for their business.

Some observations by discussants on training requirements were along the following lines. One businessman in the construction business observed: "I would like to be a professional builder and have a construction business. But I need to learn more mathematics for my business." Another businessman observed: "I need training in all aspects of business because I have none now." A businessman who prided himself with running a successful enterprise observed: "What we need is not only training, we need also credit to make use of the training. These two have to go hand in hand."

IX. Business Promotions and Advertising Among Limon's Small Black Business Entrepreneurs

Business promotional activity is an important aspect of sales and product marketing. Both small and large businesses must strive to promote their products and services to enhance their competitive edge. Small businesses, however, tend to have problems in advertising and promotions both because of the high cost of advertising as well as the limited scope of business activity. Clearly, for most small businesses big television and newspaper advertising is prohibitively expensive. Yet, a small business entrepreneur can only ignore the importance of advertising at one's own peril.

In the small business context, the demand for goods and services may be viewed from two perspectives. First, there may exist an established demand for the particular merchandise or services. In such instances, there is not much need to engage in having advertising unless competition is keen. As long as there is customer demand, the entrepreneur's task is to make the goods and services available at a competitive price and customers are likely to continue to come. On the other hand, even in the small business context, it may be necessary to create and cultivate consumer demand for particular goods and services. In such circumstances, it is necessary to engage in systematic promotions and advertising to both create and sustain public demand for the particular items. The entrepreneur has to develop innovative ways of attracting and drawing customers into the store and make the sales. There are case studies showing that small businesses fail to succeed or expand by ignoring the advertising and promotional aspect of business. (Steinhoff, 1982:155).

The data on the advertising activities of Limon's small black entrepreneurs reveals that slightly over one-half of the entrepreneurs had engaged in any business promotional activity at all. Table 23 shows among entrepreneurs who had engaged in promotional activity, 54 percent indicated advertising in the local paper while 50 percent had also advertised by distributing flyers and handouts. Slightly over one-third of the entrepreneurs posted signs to promote their businesses while an equal percentage gave special incentives to customers. Twenty-eight percent also indicated using advertising lights while 26 percent offered discounts to promote their businesses. The overwhelming majority of respondents doing business promotions indicated that advertising has been beneficial to their businesses. Table 23 shows that 80 percent reported gaining new customers as a result of advertising activities; and 56 percent also reported increased sales. Another 56 percent indicated that they had become more competitive as a result of business promotions.

Table 23

**Business Promotions and Publicity Among Black Small Business
Entrepreneurs
(Multiple Responses Possible)***

<u>Do Business Promotions</u>	<u>Percentage</u>
Yes	52.3
No	47.7
	100.0
	88
 <u>Methods of Publicity Used*</u>	
Distribute flyers and handouts	50.0
Post signs	34.8
Use advertising lights	28.3
Use loudspeakers	13.0
Give specials	34.8
Advertise in local papers	54.3
Discount offers	26.1
Window displays	15.2
Free samples	6.5
Coupons	6.5
Display advertisement	21.7
Other	17.4
N =	46
 <u>Publicity Has Been Useful</u>	
Yes	97.6
No	2.4
	100.0
N =	42
 <u>Specific Benefits from Publicity*</u>	
Increased sales	56.1
New customers	80.5
Get rid of old merchandise	24.4
Attract more business	39.0
Become more competitive	56.1
Other	4.9
N =	41

Focus Group Observation

The topic of business advertising drew varied reactions from focus group discussants. Most participants did not feel that their businesses really needed substantial advertising other than a sign on their shops and stores. Various reasons were offered for not needing advertising. One view, which was often expressed, was that most of the entrepreneurs served local customers who came to their stores on a regular basis. They have been in the neighborhood for years and people know who they are and thus advertising was not felt to serve any significant purpose.

Other entrepreneurs mentioned that the best publicity for them was word-of-mouth advertising. They tended to feel that if customers felt well treated and got a fair price in their stores that they would become regular customers and tell other friends and relatives. In the same view, these discussants suggested that one effective way to publicize one's business was to be tactful and polite to customers.

There were other entrepreneurs who reported doing relatively extensive advertising. They reported using flyers, radio advertisements and advertising in a local paper devoted to advertising. However, some of these entrepreneurs were dissatisfied with the caliber of professional advertising services in Limon. They felt that while they would like to have quality advertisement for their businesses, there were no services in Limon that can provide them with such services.

Possibly due to the underemphasis placed on advertising by most of the entrepreneurs for the various reasons indicated, there was a similar tendency to underutilize promotional activities even when there are no costs and require minimal effort. Specifically, the focus group discussions did not show that the entrepreneur discussants took advantage of advertising

opportunities within their stores by, for instance, creatively setting in-store or window displays which can be effective means of promoting sales. Passers-by who usually do window shopping can be attracted by an interesting display but few appeared to realize the advertising and sales implications of merchandise arrangements in the store, layout, and in general, making the merchandise arrangements in the store attractive to the customer. There were also few efforts made in terms of product packaging and styling by the participant entrepreneurs.

Discussant entrepreneurs did not indicate engaging in any special events sales promotions. None of the discussants indicated making any special efforts to attract customers on the occasion of major national or religious holidays. Developing personal sales skills as a means of advertising for increased sales was also not mentioned by the participants. Few of the entrepreneurs made special efforts to discover potential customers or sought to acquaint potential customers with goods or services they provided. Few entrepreneurs seemed to realize that as owner/managers they had ample opportunities to promote their businesses with little or no cost.

Some observations by discussants on business publicity were along the following lines. A businessman repairing bicycles observed: "We do our work outside in the open. People see us passing by and when they need to get their bicycles fixed, they know where to come." Another businessman observed: "I have a big sign on the outside of my store. People can see it and come in." A restaurant owner observed: "My food is my best advertisement. People come to eat in my restaurant because they know I have good food." Another businessman observed: "We tried radio and paid 325 colones for four 30 second announcements per day. It helped but I try to improve my products and services to attract more customers in my stores." A more

suspicious businessman observed: "If you put a sign up on your store, the government will know you are there and will come for you. So if you have a small business and want to avoid notice, then put no sign up." Similarly, another observed: "If I put a sign on my store, I have to pay tax on it. So because of this I don't advertise." Another businessman who indicated that he did not need publicity observed: "I am in a good location. I have a lot of customers and I don't need to advertise."

X. Employee Management and Employee Problems

A business entrepreneur should be constantly aware of the activities of his employees and monitor employee output. This requires the owner to periodically analyse the structure and efficiency of the business operation. The first step in analysing the structure of the business is the preparation of job description outlining employee duties, responsibilities, authority and accountability. Such an analysis is important in detecting duplication of effort, excessive accountability, unequal distribution of employee duties and other similar problems.

In managing employees, the entrepreneur must also understand his employees' needs in terms of fair wages, job security, reasonable work hours, safe working conditions, sense of improving status and feeling of contribution. If employees feel that the employer does not regard these issues with some degree of seriousness, they are likely to fall back in productivity and even undermine the activities of the business and the attitudes of other co-workers.

The small business entrepreneur must remain sensitive to these issues, and as the need arises show sufficient flexibility to accommodate the needs and problems of his employees. To promote a conducive work environment and minimize problems, the small business entrepreneur with employees must engage in those same activities utilized in larger businesses, albeit on a smaller scale. For instance, the entrepreneur ought to inform his employees on the work rules including disciplinary actions, promotions, training or other areas of employee activity.

Similarly, it is the responsibility of the entrepreneur employer to identify and remove hinderances from the work place to allow maximum productivity by the employee. The entrepreneur must also anticipate employee problems on the job before they arise and take preventive action. On the other hand, to enable the entrepreneur to become a good and efficient employer, it is necessary that there be some identifiable standards of employee performance measurement instead of irregular verbal appraisals (Steinhoff, 1981:256; Hogsett, 1981:169; Gaedeke and Tootelian, 1980:456).

Table 24A presents data on patterns and problems of employee management among black entrepreneurs in Limon. Table 24A shows that slightly over one-half of the respondents had any employees at all in their businesses. Among these respondents 6 percent indicated hiring frequently while nearly 13 percent reported hiring workers on an occasional basis. The vast majority of the entrepreneurs (79%) hired workers only when they had a special need to do so. However, during the hiring process, these entrepreneurs utilized various techniques. Table 24A shows that 21 percent provided application forms to be filled out by prospective employees and nearly 29 percent interviewed applicants. Thirty-eight percent of employers also indicated that they investigated references while 54 percent provided orientation and training to employees.

The pattern in employer-employee relationship is also shown in Table 24A. Nearly 70 percent of the employers indicated that they helped their employees with their problems. Slightly over two-thirds indicated having a system of employee incentives. In terms of assigning employee responsibility, 56 percent of entrepreneurs with employees reported delegating authority to their employees. The vast majority of employers (77%) also provided regular employee evaluations.

Table 24B presents data on employer perception of problems among employees and methods of improving employee productivity. Table 24B shows that the vast majority (77%) of employers reported having no special problems with their employees. Only 23 percent of employers had any problems with their employees. Among these employers, the employee problems identified included irresponsibility (27%), lack of cooperation (9%), lack of initiative (9%), and misunderstanding (9%). Fully 45 percent of these respondents indicated punctuality as a problem with their employees. Table 24B also presents data on employers' perceptions of activities which can improve employee productivity. Among the reporting employers, 43 percent indicated that better salaries and employer attention to employees were important in improving productivity and fully one-quarter indicated that better treatment of employees and not overworking them would benefit productivity.

Table 24A

Employee Management and Problems with Employees
(Multiple responses possible)*

<u>How Often Employees Hired</u>	<u>Percentage</u>
Frequently	6.4
Occasionally	12.8
When Special Need	78.7
Other	2.1
N =	100.0 47
 <u>Activities During Hiring*</u>	
Application Forms	21.2
Interview Applicants	28.8
Investigate References	38.2
Orientation & Training	54.5
N =	52
 <u>Employer Employee Relations*</u>	
Help Employees With Problems	69.2
Give Incentives	67.3
Give Evaluations	76.9
Delegate Authority	55.8
N =	52

Table 24B

Problems With Employees and Improvement of Employee Productivity

<u>Have Problems With Employees</u>	<u>Percentage</u>
Yes	22.9
No	77.1
N =	100.0 48
 <u>Nature of Problems</u>	
Irresponsibility	27.3
Lack of Cooperation	9.1
Lack of Initiative	9.1
Misunderstanding	9.1
Punctuality	45.4
N =	11
 <u>Perceptions of Things Which Can Improve Employee Productivity</u>	
Make Employees Feel Good in Their Work	7.1
Better Salary & Attention	42.9
Getting Adequate Machinery	3.6
Better Treatment/Not Overworked	25.0
Relate Honesty With Employees	7.1
Give Employees Confidence	3.6
Training	10.7
N =	28

Focus Group Observations

Although the survey data did not suggest any particular employer concerns with employees, the topic of employee management in the focus group sessions sparked spirited discussion. Three views were expressed in the area of employee-employer relations. There was one view which generally suggested that it was difficult to get good help and that the law favored employee rights over that of employers. According to this view, employees gave their employers too much trouble, that they came late and made excuses for not showing up at work; and when they were working, they did as little as possible. These employers lamented what they felt to be a difficult problem of getting good workers. They also expressed their dilemma that it was difficult to fire an employee because the government has strict severance requirements which the employer must pay. This requirement was said to make the work of the employer enormously difficult because if he should fire an employee, he has to spend time defending his actions at the Labor Ministry.

A second view suggests that it was better to employ family members and relatives in the business than outsiders. In this way, it was felt that the employer had better control over employee activities and did not have to risk going before the Labor Ministry. It was generally felt that family members were much easier to manage.

A third view was expressed by employers who provided some technical training to the employees they hired. The complaint was made that after spending time and effort in training new employees in a particular job, e.g., cabinet making, the employees would soon find another job and leave. As a result, these employers were wary of hiring young people because they feel that they would not get a return on the training they give these employees.

Some observations on employee management were along the following lines. One businessman observed: "It is difficult to get good workers these days. If you are lucky, maybe you will find some who fit your needs." Another entrepreneur who operated a bar/restaurant observed: "I have a problem with my employee coming to work on time. Sometimes I have to send someone to call. Otherwise I have to stay and wait." Another businessman who had apparently gone before the Labor Ministry observed: "I went there to explain why I fired my employee. But the law is on the side of the employee and I lost." An entrepreneur with a repair facility observed: "Sometimes I hire an employee and give them some training. But they do not stay. They go somewhere else. Now I work mostly by myself."

XI. Perceptions of Black Business Performance in Limon

The small business entrepreneur is a special individual who is willing to undertake a task which involves substantial initiative and risk. Traditionally, entrepreneurs have tended to be rugged individualists who seek to improve their economic lot by engaging in business which may appear to be risky and uncertain. These entrepreneurs seek out challenges and strive to measure-up by making significant sacrifices in time, effort and energy.

In this project, we sought to obtain a general sense of the fortitude, dedication and outlook of Limon's black small business entrepreneurs over the next five years. Clearly, these entrepreneurs for the most part did have problems in gaining access to business capital and lacked important business skills. Yet, they strive and continue to invest their efforts to make their businesses self-sufficient and self-sustaining. The data accentuate the problems perceived by these entrepreneurs as hindering their business capabilities.

Table 25 presents data on the perceptions of black small business entrepreneurs and the performance of black businesses in Limon. Table 25 shows that the prevalent perception among black entrepreneurs was that black businesses do have special problems in Limon that other groups do not have. An overwhelming 93 percent of the respondents indicated the existence of certain special problems largely affecting black business. The nature of these problems, however, vary. Thus, 57 percent identified inability to obtain loans as a special problem. Discrimination was identified by 16 percent of the respondents followed by lack of black business organizations (10%), bad management (8.9%), and lack of business training opportunity (7.6%).

Table 25 also presents data on respondents' perceptions of trends in black businesses development over the past few years. Nearly two-thirds of the respondents indicated that black businesses had declined over the past several years. The perceived reasons for this decline include lack of finances (69%), bad management (11%), lack of government help (5%), lack of unions (5%), national economic crises (4%), and lack of leadership in the black community (4%). Although black entrepreneurs in Limon experienced economic difficulties, an overwhelming 91 percent felt that they expected to be in business in the next five years.

Table 25

Perceptions of Black Business Performance in Limon
 (Multiple responses possible)*

<u>Black Businesses Have Special Problems in Limon</u>	<u>Percentage</u>
Yes	93.3
No	6.7
N =	100.0 90
<u>Nature of Special Problems*</u>	
Inability to obtain loans	57.0
Discrimination	16.5
Lack of training	7.6
Lack of organization	10.0
Bad management	8.9
N =	79
<u>Black Businesses Have Declined in Limon Over Past Several Years</u>	
Yes	65.2
No	34.8
N =	100.0 89
<u>Perceived Reasons for Decline*</u>	
Lack of finances	69.7
Lack of union	5.3
Lack of government help	5.3
Bad management	10.7
No training	1.8
National economic crises	3.6
No leadership	3.6
N =	56
<u>Expect to Remain in Business Next Five Years</u>	
Yes	90.8
No	9.2
N =	100.0 87

Focus Group Observations

The views shared by Limon's black small business entrepreneurs on their collective business performance were diverse. The focus group discussions revealed that there were, nonetheless, certain generally shared views among many of the participants. According to one view, comparing current black business performance to just 10 years ago, it was argued that there are now fewer black businesses as there are educators and other professionals in Limon. There was the general feeling that blacks have not only failed to make economic gains in Limon but are in fact losing ground fast. Another view suggested that blacks in Limon were not organized and that they spent much effort and energy undermining each other. This view underscored the need to organize the black community in Limon, particularly the entrepreneurs. This was felt to be the key to the collective economic success of blacks in Limon.

In terms of black entrepreneurships in Limon, discussants expressed a spectrum of views. Some felt that the older black businessmen were selling out their businesses to the Chinese who were said to be eager to exploit the business hardships of the older black entrepreneurs. Others suggested that not enough young blacks were going into business for themselves. Still others criticised that black business entrepreneurs were not as dedicated or as aggressive as the others and that they must learn to be rigorous in their business dealings. In the same vein, others suggested that blacks in Limon do not support other black businesses. It was felt that for black businesses to succeed, the black community in Limon must actively support them.

Discussion

The foregoing analysis presents data and findings on the operation and performance of black small businesses in Limon, Costa Rica. In so doing, it documents the range of needs and problems faced by these entrepreneurs. The practical and planning implications of the reported findings are significant. A central finding in this study is that black small businesses in Limon presently face significant problems ranging from lack of business capital to poor management. The data clearly show that Limon's black business entrepreneurs lack both the financial resources and the management skills to operate their businesses in an efficient and profitable manner. In this context, it may be observed that Limon's black entrepreneurs recognize that the survivability of their businesses depends as much on the availability of and their access to business financing as it does on their own development and application of managerial skills to administer their limited resources efficiently to their business needs.

Management experts commonly identify certain pitfalls which afflict small businesses, including such factors as failure to plan, inattention to marketing, lack of adequate recordkeeping and unsound financial management practices. These pitfalls continually threaten the viability of the vast majority of Limon's small black businesses. As the data clearly show, only a small percentage of the business entrepreneurs in the survey maintained systematic business records or employed rigorous management practices in the operation of their businesses.

Recordkeeping

Records are an important requirement in any business. This is particularly true of financial records. An accurate financial recordkeeping system is essential to the survival and success of a small business enterprise. Good recordkeeping practices also increase the likelihood of earning profits; and a carefully maintained recordkeeping system can provide vital information to the entrepreneur in such critical areas as sales declines, sales of unprofitable items, slow collections and rising expenses.

Unfortunately, the data presented in this study show that few of the black small business entrepreneurs in Limon kept any systematic business records at all. The most common approach used in business recordkeeping was an informal and somewhat haphazard mnemonic method, intelligible only to the entrepreneur. While there was general recognition of the need to maintain accurate business records, in practice, the result was quite the contrary. Few of the entrepreneurs surveyed had maintained organized financial records or employed basic bookkeeping and accounting systems to monitor their operations. Even among those entrepreneurs maintaining some business records, few had strict recording and verification procedures or maintained separate ledgers for particular aspects of their businesses.

Loans

The role and impact of local lending institutions on black business entrepreneurships was an issue which raised strong feelings and emotions. While the Popular Community Development Bank (Banco Popular Y Desarrollo Comunal) in Costa Rica has provided loans to small industries and low-cost housing, its involvement with small scale entrepreneurships nationwide has been limited. In 1982, for instance, AID/Costa Rica provided a grant of

\$65,000 to finance a revolving fund with Banco Popular providing the administrative structure for the program. The following year under the Aid to Urban Enterprises Through Solidarity Project (AUETSP) loans averaging \$247 were granted to 83 solidarity groups with 447 members (Ashe, Morales and Ulibarn, 1985). The distribution of the loan, which occurred entirely within San Jose, shows that 37 percent were made to street vendors, 35 percent to owners of very small stores, 34 percent to micro-industries and 4 percent to businesses in other categories.

The AUETSP credit program may provide an appropriate framework to discuss the credit and financing needs of Limon's black business entrepreneurs. A large percentage of the participants in the AUETSP credit program had never used credit for their businesses before and only 6 percent of the 298 recipients had ever received loans from banks, while 2.6 percent had obtained loans from the private sources. However, under the AUETSP program, 83 percent readily sought loans, while 72.5 percent were even willing to pay an interest rate of 24 percent to get them. Loan amounts sought ranged between \$25 - \$6,650. The overwhelming majority (87%) of loan applicants sought the funds for the purchase of raw materials and merchandise. Fewer than 3 percent of the applicants sought loans to start new businesses.

Similar results may be expected from a program aimed at Limon's black small business entrepreneurs and eliminate some of the problems related to capital formation. As the data have shown, those entrepreneurs who have had experience in the loan application process with the government banks complain about excessive delays, insufficient funds and possibly even arbitrary denials of applications. This tends to generate perceptions of discrimination and unfair treatment which inhibits the loan search behavior of the black

business entrepreneurs. In turn, Limon's black entrepreneurs, lacking capital to energize their businesses, remain stagnant and without a serious prospect of improvement.

Budgeting

The results in this study show that Limon's small business entrepreneurs often forego the preparation of carefully planned budgets. Few entrepreneurs recognized and applied budgeting as an essential financial planning tool. Even fewer entrepreneurs had the training or had acquired the assistance of a bookkeeper or accountant to do systematic budgeting for their businesses.

Due to a general lack of business experience and training, the majority of Limon's black business entrepreneurs were unable to formulate or understand and interpret basic types of financial statements necessary to know what is going on in the business and to use that information to make more effective financial decisions. Lacking even the most rudimentary knowledge of budgeting, many of the small business entrepreneurs were unable to recognize their weaknesses or allocate scarce financial resources to improve the outlook of their businesses.

The entrepreneurs participating in the interviews emphasized the need for basic training in financial management to equip them with simple tools to monitor the financial health of their businesses. They were also aware of the fact that the time and effort invested in acquiring and developing financial management skills would ultimately maximize their chances of increased profits and improve their understanding of their businesses' daily cash requirements.

Financial Management

Successful entrepreneurs and business counsellors generally identify the lack of financial planning as a primary cause of failure among small business entrepreneurs. To the vast majority of Limon's black small business entrepreneurs included in the survey, aspiring to do better in the coming year or contemplation of optimism was equated with financial planning. Obviously, neither thinking ahead nor unguided optimism can substitute for systematic financial planning. In this regard, there was a serious problem with entrepreneurs' inability to define the goals and objectives of their businesses within a systematic financial framework. For instance, few of the entrepreneurs interviewed or those in the focus group sessions could provide analyses of the current financial position of their businesses or identify specific weaknesses other than general problems in obtaining business financing.

Inventory Control

Inventory control was a particularly persistent problem with many of the black entrepreneurs included in this survey. The inventory problem was threefold: 1) not having enough merchandise to inventory; 2) inability to systematically control inventory with rapid turnover; and 3) problems in eliminating slow moving or obsolete merchandise. Among entrepreneurs with rapid inventory turnover or obsolete and slow moving inventory, few bothered to regularly appraise the monetary value of the merchandise in stock or find ways to eliminate it. Rather, once the inventory was stocked, it remained on the shelves or racks until it was sold.

Since the entrepreneur could not purchase new inventory until existing stocks were depleted, the particular item tended to remain on the floor until it was sold. Moreover, since the entrepreneur used the revenue from sales of merchandise to obtain new or additional inventory, investments in present stocks tended to limit the entrepreneur's ability to financially operate the business. Consequently, few entrepreneurs could afford to clean out obsolete merchandise at cost if necessary, or eliminate unprofitable items from existing stocks and obtain new ones. On the other hand, for those entrepreneurs who had limited inventory or who provided services instead of merchandise, the need for an elaborate inventory system did not exist.

A related problem to inventory control was pricing of merchandise. The black small business entrepreneurs often complained that because of fluctuations in the national economy, they had problems establishing prices for their merchandise which were both competitive and reasonable for the the ordinary customer, while simultaneously allowing them to recover costs and even make a reasonable profit. Many of these entrepreneurs expressed the view that in order to compensate for wholesale price increases, they either had to increase prices, absorb the loss or, alternatively, lose customers. Consequently, many were forced to maintain higher prices to protect their profit margins which tends to discourage sales and ultimately reduce inventory turnover. Since they could not afford to eliminate the slow moving merchandise, they were in effect "stuck with it".

Training

The success of a small business enterprise depends, among other things, upon the business skills and expertise of the owner. Undoubtedly, the business entrepreneur must develop or acquire various management skills. The

data in this study clearly show that a substantial number of black small business entrepreneurs in Limon lacked basic and rudimentary business training or management skills to operate their businesses. These entrepreneurs have few opportunities to improve their skills by participating in business courses, seminars or workshops. There are as few business organizations in Limon as there are educational facilities with the requisite resources to provide business training services; and training programs tailored to the particular needs of the black English-speaking entrepreneur are non-existent. While alternative training opportunities such as home study courses with audio cassettes, may be quite effective, these are effectively beyond the financial capabilities of most of the entrepreneurs.

Advertising

Business advertising within the context of small businesses in Costa Rica may be a somewhat expensive venture particularly for those businesses with limited sales volume. However, even within the constraints of the local economy and level of consumer sophistication, business promotional activity can have a substantial payoff for the majority of the small black businesses included in the project. The kind of business promotions and advertising with a likelihood of effectiveness is likely to be one which is simple and easily communicable to the individual already in the market to purchase goods and services. This is in contrast to traditional concepts of advertising, where a producer or seller seeks to introduce a product or attract customers by cultivating consumer interest in particular goods and services.

The data in this study show that few of Limon's black business entrepreneurs take advantage of business promotion techniques; and those who had even advertised by simple techniques such as flyers have been able to see

increases in sales. There were also certain misconceptions among Limon's small business entrepreneurs concerning business advertising and promotion. The purpose of advertising did not appear to be well understood and many entrepreneurs were quick to point out that it was expensive to do advertising for their businesses without having tried it. Few seemed to realize that advertising need not be expensive to succeed. Similarly, few appeared to realize that good advertising need only be simple and informative and that it can be managed even on the tightest budget, e.g., simple signs, inexpensively produced flyers and other customer incentives.

Employee Management

The issue of managing employees was somewhat of a controversial issue among business entrepreneurs who employed outside help. The problems of employee undependability and the bureaucratic red tape surrounding employee discharge reportedly produced particularly vexatious situations for entrepreneurs with employees. While these problems tended to preoccupy employers, the underlying problem of ineffective use of available manpower was common to all employing entrepreneurs. The problem of employee management is particularly significant in view of the extraordinarily labor intensive nature of the retail industry in Costa Rica where there appears to be only limited concern on the maximization of employee efficiency and productivity. For instance, it would not be uncommon to find several workers behind the counter of a very small retail store, where one person removes the item from the shelf, another writes up the bill, yet another registers the sale and, finally and usually, the owner executes the purchase.

Those entrepreneurs who had employees, while being aware of employee deficiencies in carrying out specific responsibilities, were not generally aware of basic shortcomings in employee output and could not take appropriate constructive remedial action short of employee discharge. Few of these employers analysed the structure of their operations or deliberately prepared job descriptions identifying the duties and responsibilities, authority and accountability of their employees. In general, employees work at the good will and pleasure of the employer, usually receiving orders haphazardly. Consequently, there tends to be duplication of effort, unequal distribution of employee duties and even confusion as to things that need to be done in the daily operation of the business.

On the other hand, entrepreneurs who employ family members on a regular or occasional basis experience somewhat different problems in allocating manpower. The first major problem has to do with the effective use of time by the entrepreneur himself. For instance, in making the rounds at the various businesses and in talking with the owners, it was quite clear that the individual entrepreneur spent a considerable amount of time at the business as did the family members employed in the business. However, much of the time spent at the business was not used productively because owners were preoccupied with insignificant details while vital tasks went undone. Few of the entrepreneurs interviewed had seriously thought about how they spent the workday other than being at work. The general explanation was that each entrepreneur had a daily routine from which there was little variation and thus the individual would do the same things day after day falling into a stagnant pattern from which it is difficult to escape. On the other hand,

the entrepreneur was reluctant to delegate major responsibility, even to a family member, thus being physically tied to the business and being unable to leave it to perform other vital tasks.

Policy Recommendations

In the field implementation of this project, the Principal Investigator had several meetings with individuals at the AID Mission in Costa Rica concerning possible training and other program possibilities for small black entrepreneurs in Limon. It was clear from the various discussions that the Mission was interested in looking at possible alternatives within the Country Training Plan to support and enhance black small business entrepreneurships in Limon. The prospects of initiating a business training program for the small black business entrepreneurs in Limon appeared to hold particular interest with those individuals at the Mission with whom the Principal Investigator held the various discussions. Nationwide training activities are, of course, anticipated in the Mission's development strategy for Costa Rica.

The recommendations set forth below recognize the fact that AID seeks to encourage and promote the growth and expansion of small business entrepreneurships as an important mechanism of development in the emerging free market economies. In the present context, this translates into an effort aimed at reaching struggling small business entrepreneurships and helping them attain prosperity, generate employment as well as operate as effective mechanisms of economic development.

As observed above, the policy recommendations discussed below reflect much of the the discussion the Principal Investigator had with specific individuals at the Mission. These recommendations seek to generate practical remedial strategies which may be undertaken by the Mission within its own fiscal and programmatic constraints. An attempt is also made to generate

practical and fiscally efficient recommendations which are consistent with the Mission's projected training in Costa Rica as stated in the Country Training Plan.

It may be underscored that the following recommendations are aimed at practical and operational policy responses by the Mission. Consistent with the discussion that the Principal Investigator had with the Mission, the following recommendations also take into consideration existing resources and networks in Limon upon which the Mission can build an effective, enduring and low-cost program of training and development for black small businesses in Limon.

In this context, it should be emphasized that the business training needs of Limon's black small business entrepreneurs involve basic, rudimentary and elementary skills required for the operation of a business enterprise. To be specific; the kinds of training needs that are most acute involve simple bookkeeping, budgeting, recordkeeping, inventory and other elementary business and financial management techniques. Such training can be provided at a very low cost with the prospect of maximum development import.

The recommendation's below are divided into two sections: training and technical assistance and credit and loan programs. As the data in this study have clearly demonstrated, the vast majority of black small businesses in Limon can benefit from both technical assistance as well as credit and loan programs. The need for technical assistance among Limon's black small business entrepreneurs is evident in at least three areas: 1) elementary training in business management and operations; 2) basic and enhanced skills training in specific trades, professions or particular areas of business specialization, and 3) provision of basic educational and informational

resources which may be used by the entrepreneurs on an ongoing basis. On the other hand, in terms of a credit or loan programs, these entrepreneurs are in great need of capital to make their businesses both viable and survivable. Thus, a credit and loan program patterned after similar earlier efforts undertaken by AID in other parts of Costa Rica may prove to be just as effective in enhancing small black business entrepreneurships in Limon.

Recommendation:

AID/COSTA RICA should actively consider implementation of various low-cost training programs for black small business entrepreneurs in Limon.

Discussion**I. Training Alternatives:****A. Business Training - Programmed Instruction**

One of the most critical areas of need among black small business entrepreneurs in Limon involves lack of business training. The data clearly show that the vast majority of the entrepreneurs surveyed had serious problems in the functional management of their businesses on a daily basis. Equally, the data show that nearly all of the entrepreneurs participating in the study can directly and substantially benefit from basic business education and technical assistance. For instance, training in elementary bookkeeping, budgeting, inventory management and other business skills could help transform Limon's black small businesses into dynamic enterprises. Similarly, entrepreneurs having problems staying competitive can benefit from training and assistance in cost-cutting, increasing efficiency and improved marketing techniques. On the other hand, entrepreneurs with problems associated with shortage of working capital can benefit from similar training and technical assistance which maximize their chances of raising funds from local development banks, other private credit institutions and even AID-supported lending programs. Entrepreneurs with employees can also benefit from training in employee management techniques in increasing productivity as well as in budgeting their own work time and delegating responsibility to employees. The range of training requirements of black small business entrepreneurs have been thoroughly documented in this study.

The viability of Limon's black entrepreneurs is likely to depend on their knowledge of certain essential techniques of entrepreneurship and development of relevant managerial skills.

B. Vocational Training for Entrepreneurship

The data in this study show that Limon's black entrepreneurs generally lack the requisite basic technical skills to operate their businesses in an efficient and growth-oriented manner. Few of these entrepreneurs have solid prior work-related training to enable them to fully develop their present businesses. The Mission can play a critical role in this area by meeting this basic need with low-cost vocational training programs.

In this regard, there may exist a number of attractive options. First, the Mission may consider an initiative facilitating apprenticeship programs whereby the younger entrepreneurs and others with limited business experience may work with more experienced and successful business enterprises in Limon or San Jose. Under such an initiative, employers willing to accommodate apprentices may be given financial incentives. Second, with respect to practical vocational training, a similar approach may be followed by placing individual entrepreneurs with specific established businesses which may agree to provide improved skills training in the apprentice entrepreneur's line of business. For instance, an entrepreneur operating an auto repair shop may apprentice with a larger repair facility to learn about complex repair procedures and the application of diagnostic tools.

Entrepreneurship among Limon's black youth may also be encouraged by providing similar opportunities for vocational training and small start-up capital. This type of vocational training may be designed with specific local conditions and demands in mind. Participants in this program, for

instance, may undergo a three to six month program learning about a particular trade, e.g., auto repair, wood working, appliance repair, carpentry, electrical work, sewing, plumbing, etc. Those individuals who complete the training program may be given basic tools needed for their trade and a small loan to actually start up the business. After a certain period, those individuals who remain in their businesses and may further require advance training may be accepted for a more sophisticated training to help them improve and expand their businesses. In the long-term, these very businesses, if successful, could be used to regenerate entrepreneurship for Limon's black youth.

C. Technical Assistance Provider (TAP)

The data in this study have shown that Limon's black small business entrepreneurs have a tremendous need for various types of technical assistance. One possible and low-cost approach to providing such technical assistance may be to make available an individual TAP in Limon who has business expertise to provide management assistance to specific business entrepreneurs. This individual, for instance, may work with individuals or small groups of entrepreneurs helping them develop accounting and record-keeping systems, inventory management, business financing and budgeting systems. Such individualized assistance may be the critical link in bringing to Limon's black business entrepreneurs modern business management techniques. The TAP program may also help monitor the progress of these businesses and further help identify policy options in dealing with the various problems faced by Limon's black entrepreneurs.

D. Provision of Business Education Materials

The data in this study have shown that Limon's black small business entrepreneurs lack not only direct training opportunities but also business education resources for a course of self-instruction. Until very recently, Limon did not even have a public library and thus there were few educational resources which could be used to meet the needs of the business entrepreneur in Limon. Presently, however, this problem could be alleviated in a number of ways. For instance, an effort can be made to acquire educational and practical business instruction pamphlets from the Small Business Administration and make these available through Limon's public library or through the local high schools. Other educational materials in various areas of business may also be purchased and made available through Limon's library. A system could also be developed to obtain surplus books or other books not in demand in business and related areas from libraries in the U.S. and dispatched to Limon's library to develop a strong business section.

E. Business Training Workshops

Training workshops can prove to be an effective means of delivering basic business educational services to Limon's black business entrepreneurs. For instance, workshops may be regularly organized to focus on specific areas of business skills development. Entrepreneurs participating in these workshops may be provided with educational materials to improve their business skills and may actually learn basic bookkeeping and recordkeeping techniques while attending these workshops. In fact, it may be an innovative approach to link attendance of these workshops and demonstration of the business skills acquired with participation in other credit or financial

assistance programs. Thus, those entrepreneurs who participate in the workshops and demonstrate proficiency may be eligible for other AID-supported financial assistance programs.

F. Films, Videotapes and Audio Cassettes

Traditionally, films have been an important educational medium in the developing countries. In fact, AID has in the past employed such films on various development topics in Costa Rica. Presently, with widespread availability of audio cassette players, and videotapes to a much lesser extent, the means for the provision of educational services on an individual basis have been greatly expanded. In this context, therefore, films, video tapes and audio cassettes may be purchased along with the playback devices and made available through Limon's library. Thus, entrepreneurs who wish to learn or improve their skills in a particular area of business may go to the library and review the available tapes or films. Moreover, they can review and learn from these resources at their own pace and in those areas of special interest.

G. Lecture Series

Delivery of business education instruction by means of lectures is a common and traditional training approach. Lectures by business educators and experts are also an appropriate training approach for Limon's black entrepreneurs. For instance, a business educator, successful business entrepreneur, business consultant or an expert in a particular area of business may prepare and deliver lectures with practical business skills in mind. Participants may ask questions based on their own areas of need and interest and may gain insights as to ways of resolving particular business

problems or in redirecting their efforts to areas with the highest returns. The usefulness of the lecture method in the transmission of knowledge is well recognized even though it may be somewhat limited in terms of its utility in skills development. In the present case, however, because of the diversity of sources delivering the lectures and the focus on skills development, the lecture series may be designed to maximize trainee participation.

H. Correspondence Business Education

Another method which could be used in providing business training services to Limon's black entrepreneurs may involve correspondence business education. In this regard, individual entrepreneurs may register for basic business courses with correspondence schools in the U.S. or elsewhere and complete the required instruction. Correspondence education may fit the schedules of the entrepreneurs who could perform their assignments at their own pace.

Recommendation:

AID/Costa Rica should consider using both volunteer and professional trainers in providing business training to Limon's black small business entrepreneurs.

Discussion

II. Alternative Business Training Providers

The prospects of establishing low-cost business training programs in Limon are currently propitious. First, the present project has been instrumental in identifying individuals and resources which may be utilized in any efforts aimed at setting up a training program. For instance, there are a number of capable individuals in the Limon community who have expressed

a willingness to help implement a training program on a volunteer basis. Second, there are a number of sites available to undertake the training programs with little or no rental requirements. Facilities at the local schools, churches and meeting halls are all available for use in any training programs. To a large extent, the initial cost to the Mission in terms of setting up just a basic business training program may involve the cost for a local coordinator and supply of basic instructional materials. The on-site coordinator working with a Mission representative can accelerate the introduction of modern and efficient business practices to Limon's black business entrepreneurs.

A. Local Volunteers

During the course of field implementation of this project, the Principal Investigator had the opportunity to discuss black small business conditions in Limon with retired teachers, local bookkeepers and other successful businessmen. There was considerable support among these individuals for any training opportunity which may help black entrepreneurs; and all were willing to volunteer their time and expertise to insure the success of any training program which may be initiated. This pool of volunteers should be tapped by AID in any future training opportunities to be initiated in Limon.

B. Business Educators

Business educators either from Limon, San Jose or even the U.S. may be recruited to develop appropriate business training programs with local conditions and demands in mind. These educators may subsequently conduct the training programs on a periodic basis.

C. Assistance by the Service Corps of Retired Executives and Active Corps of Executives (SCORE, ACE)

SCORE and ACE are organizations in the U.S. staffed by volunteers and whose experience spans the entire range of business activity. Members have diverse backgrounds with some having business experience abroad. Volunteers from these organizations may be recruited to provide business training and technical assistance to Limon's black entrepreneurs. These organizations have provided useful and much needed service in the U.S. and may be utilized with great success in Limon.

D. Historically Black Colleges and Universities (HBCUS)

The HBCUs can provide important business training services to Limon's black entrepreneurs. For instance, the institution conducting the present study has a well recognized business school capable of designing and implementing a wide range of business training programs suitable to the needs of Limon's black small business entrepreneurs. On the other hand, certain entrepreneurs who may need advanced business training may come to U.S. institutions to receive such training. In a broader sense, the HBCUs may be utilized to coordinate the educational and training requirements of the Mission and therefore should be utilized in future training efforts aimed at the enhancement of the business skills of Limon's black entrepreneurs.

E. University of Costa Rica--Limon (UCR-L)

The University of Costa Rica at Limon is still in a developmental stage and may not have the requisite resources readily available to undertake training programs in the short-term. As this institution develops, and attains maturity it is clear that it will have to play a central role in any training or educational programs in Limon.

While the UCR-L does not have present capability to independently undertake a business training program, it is possible to link UCR-L with one or more of the major historically black institution in the US to undertake cooperative training programs. Such cooperative training programs may involve joint training program administration as well as further research and additional needs assessment. Such a development impact on the growth and expansion of UCR-L.

F. Business Consultants/Experts

Under certain circumstance, it may be appropriate to use the services of business consultants and experts as part of an overall training program. These consultants may be employed to work with individual entrepreneurs or small groups. In this regard, consultants may play a critical role by helping the individual entrepreneur in completely reorganizing the business, identifying particular problems and in advising on particular courses of action to address existing and emerging problems.

Recommendation

AID/COSTA RICA should consider initiating a low-cost lending program for black small business entrepreneurs in Limon.

Discussion

III. Loans and Credits

The data in this study have shown that black entrepreneurs in Limon have serious problems in acquiring or generating capital for their businesses. The success rate of these entrepreneurs in obtaining funds from the banks or other credit sources remains at a low level. Even among successful loan applicants, there exist the problem of insufficient funding or substantial

delays in obtaining approved loans. Moreover, the interest rates charged by the banks are extraordinarily high and place a heavy burden upon the borrowing entrepreneur, limiting the entrepreneur's ability to repay the loan on time or expand the business. A substantial number of Limon's black entrepreneurs were intimidated by the high cost of borrowing money and the consequences of inability to repay the loan which may include both loss of property and liberty.

On the other hand, there are few private credit granting institutions from which Limon's black entrepreneurs may seek to obtain loans or other credits. While a handful of people in Limon have been able to get credit from CINDE, the vast and overwhelming majority of black entrepreneurs in Limon who may be in a position to seek loans have no other alternatives unless they are able to borrow from friends and relatives. The observation that business training without credit is ineffective has direct applicability to the situation of Limon's black small business entrepreneurs. Business management skills acquired through training would not be particularly useful if the entrepreneur manager does not have sufficient resources to manage in accordance with the newly acquired business management principles. In this context, therefore, it is essential to complement any training program with an appropriate credit/loan program to enable Limon's black entrepreneurs to attain a minimum but adequate level of capitalization.

A. Direct Credit or Loans to Black Small Business Entrepreneurs

A commonly employed approach in providing assistance to entrepreneurs who require sufficient capital for their businesses involves the extension of direct loans or credit. As a matter of fact, the support provided by AID/Costa Rica through the Aid to Urban Enterprises Through a Solidarity

Guarantee (AUETS) in the amount of \$65,000 serves an appropriate illustration. Under this program, the Banco Popular provided the administrative support while the Institute for Social Assistance provided social workers and transportation whose cost was covered by another AID-funded program. By 1983, loans averaging \$247 had been granted to 83 solidarity groups with 447 members. These loans were to be paid back in weekly installments over a year. Recipients of these loans included street vendors (27%); owners of very small stores, e.g., fruit stands (35%) and micro-industries and services, e.g., shoemakers and seamstresses (34%).

A loan or credit program patterned after this program could equally prove to be effective with Limon's black small business entrepreneurs. A loan repayment schedule could be drawn up insuring that the loan or credit extended is paid back in small weekly or monthly amounts over a period of one or two years. Certainly, the significance of such a program is that by extending small loans in the amount of a few hundred dollars, AID can produce a fundamental change in the nature and dynamism of black small business entrepreneurships in Limon. Such a program of funding with strict accountability and repayment provision could maximize not only the growth and expansion of black entrepreneurships in Limon but could also serve as a demonstration for minority entrepreneurships in Central America.

B. Matching Funds

An alternative approach to providing financial assistance to Limon's black small entrepreneurs may involve a program of matching funds. Under such a program, loan/credit applicants would be required to generate an amount equivalent to what they are seeking. Appropriate verification methods and accountability procedures may be set up to insure that the combined

resources are applied exclusively for the operation of the business. A repayment schedule beginning immediately following approval of loan/credit may also be made part of this matching funds program.

C. Special Purpose Loans/Credit

The concept of a special purpose loan/credit program involves the provision of funding for particular types of business activities which the Mission may be interested in promoting in Costa Rica. In the past, it appears that individuals in Limon have received financial assistance from AID to purchase sewing machines and other items which promote individual entrepreneurship. A similar program may be reintroduced with an expanded focus whereby eligible applicants may obtain loans and credit to purchase particular types of equipment which may provide a basis for sustained entrepreneurship. Such a program may also have a direct impact on those entrepreneurs currently in operation but have been unable to grow because of the lack of an important piece of equipment. For instance, a shoemaker lacking a machine to sew leather is less likely to increase productivity. Another illustration may be Limon's only dry cleaner, which is owned by a black small business entrepreneur, but has been inoperative due to a burned-out motor. As a result, as of August, 1986, there exists no dry cleaning service in Limon.

D. Business Start-Up Loans

Start-up loans may be provided to eligible young would-be black small business entrepreneurs to form their own business enterprises. Such loans may be used to rent a business site or purchase equipment or inventory. Applicants for such loans may be required to submit a viable business plan systematically showing capitalization requirements, cash flow projections as

well as a management plan. A system of strict accountability may also be required to insure that the loan obtained is used exclusively in the business.

E. Loans for Joint Ventures

Joint business ventures involving two or more entrepreneurs may be provided based upon a sound business plan. Under such an approach, the partners in the venture may put up a certain percentage of the required capital which may be matched by AID. Such ventures may not be limited to small scale enterprises but also include medium sized ones. For instance, a group of entrepreneurs may be in a position to provide partial resources to undertake a relatively medium sized business in the export sector. Such entrepreneurs ought to be encouraged and supported with loans and technical assistance. Since these entrepreneurs would have to produce the initial capital outlay, they may be expected to perform so as to insure the profitability of their enterprises. In this context, existing or newly constituted cooperatives (coopertivas) may be provided assistance.

F. Loan Guarantees

AID may be able to set up a program of limited loan guarantees with Banco Popular to provide loans and credits to Limon's black business entrepreneurs. Under such a program, individual entrepreneurs would apply for these particular funds which would be disbursed in accordance with the rules of Banco Popular. Only in a default situation would AID step in to cover possible losses to the bank. For the most part, it may be expected that the normal debt collection procedures will be used short of the debtor's confiscation of personal property or imprisonment.

Similarly, revolving lines of credit may also be established both with the banks and other private credit institutions to enable particular types of entrepreneurships to flourish. For instance, businesses currently capable of engaging in the export sector, and a number of such entrepreneurships do presently exist with such capability, may take advantage of such credit to fully develop their ability to penetrate foreign markets. These entrepreneurships must, of course, have a reasonably well established record of business performance. Various accountability measures would be built into such a program to insure appropriate utilization of the funds.

6. Loan Assistance Program for Black Women Entrepreneurs

Limon's black women entrepreneurs should also be given special policy attention in their entrepreneurship efforts. In a comparative sense, the problems and needs of Limon's black women entrepreneurs are more acute than their male counterparts. For instance, they are less likely to have business experience in areas other than those traditionally pursued by women. Similarly, they are far less likely to succeed in their loan application efforts or garner support from friends and relatives. This situation may be remedied by a loan or credit program aimed at assisting Limon's black women entrepreneurs. Under such a program, these entrepreneurs may borrow funds for a variety of business purposes within a framework of strict accountability.

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APPENDICES

MORGAN STATE UNIVERSITY
INSTITUTE FOR URBAN RESEARCH
BALTIMORE, MARYLAND

SMALL BUSINESS SURVEY
LIMON, COSTA RICA

PROJECT DIRECTOR: DR. A. G. MARIAM

July 6, 1986

INTERVIEW NO.: _____

INTERVIEWER: _____

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SMALL BUSINESS NEEDS ASSESSMENT SURVEY
LIMON, COSTA RICA

INTERVIEWER: Read the following instruction to the respondent.

We would first like to thank you for your willingness to participate in this survey. Your participation is very important to our efforts in trying to learn about the problems, needs and special requirements of small black businesses in Limon and the surrounding areas. We will therefore be asking you specific questions about various aspects of your business and your special business needs and problems. We feel that the information we gather through this survey will help planners and policy-makers better understand your business problems and situation and develop approaches which may impact positively on your business. Therefore, the central objective of this survey is to gather relevant information which could enable planners and policy-makers fully understand the range of your business needs and problems and address them in a constructive manner. We are thankful to you for agreeing to participate in this interview. If there are any questions you do not wish to answer, you do not have to do so; and you can stop the interview at anytime should you wish to do so. Again, thank you for your cooperation.

Our first set of questions focus on the types of business record you keep and how you use such records in your business operations.

RECORDKEEPING

1. Do you keep any business records which document various aspects of your business activity?

Yes

No → (Go to Question #2)

1a. (If YES) ↓

Do you use any of the following types of records?

INTERVIEWER: Check (X) if respondent indicates use of particular type of business record.

records of cash received

records of cash payments

records of unpaid accounts

records of accounts to be paid

balance sheet

sales tickets

records of property/equipment

records of assets and liabilities

invoices

receiving records

current business expenses

monthly inventory control records

records of merchandise

petty cash vouchers

price lists

credit sales records

payroll records

records of daily cash receipts

records of family or personal use of merchandise or cash

tax records

daily income & expense account

bank records and statements

monthly statements of income and expense

profit and loss statements

loan and credit records

other (specify) _____

INTERVIEWER: Go to Question 3 if you have checked any of the above.

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INTERVIEWER: (ONLY FOR RESPONDENTS WITH LITTLE OR NO RECORDKEEPING SYSTEM)

2. If you do not have a record keeping system, how do you keep track of your financial transactions and business activities?

Have good memory to keep track of transactions

Use self-reminders and other informal means

All my customers and suppliers are honest

Do visual inspection of merchandise

DO NOT need to keep record of transactions

Other (specify) _____

2a. Do you have any particular problems which make it difficult for you to develop a system of recordkeeping for your business?

I find it difficult to keep records up to date

Lack of recordkeeping skills

Recordkeeping takes too much time

Recordkeeping is expensive

My personal funds, income, expenses are not separate from those of my business

Other _____

2b. What do you think can help you the most in setting up or using an effective system of recordkeeping for your business?

INTERVIEWER: Encourage respondent to give as many specific examples as possible.

INTERVIEWER: (Only for respondents with some of the records identified in Question #1) — GO TO QUESTION #3.

INTERVIEWER: Only for respondents who indicated having any records in Question #1.

3. Which ones of the business records that you keep are most useful to you in your business operation?

3a. What do you think can help you improve your recordkeeping practices or maintain better business records?

INTERVIEWER: Read the following instructions to the respondent.

I would now like to move to another aspect of your business activity, namely **BUSINESS FINANCING AND LOANS.**

BUSINESS FINANCING AND LOANS

1. Have you ever attempted to obtain loans or business financing from any of the following sources?

- Bank Government Agency
 Friends Relatives
 other (specify) _____

Interviewer: If you check any of the above, continue. If NOT, go to Question #4

1a. (If YES), What type of loan did you get or tried to get?

- short term (up to 60 days) loan for one year
 loan payable within 6 months other (specify) _____

1b. What was the purpose of the loan you received or attempted to obtain?

1c. How much was the amount of the loan?

1d. At what rate of interest did you borrow the money?

2. Which of the following documents or records did you have to provide before your loan application was approved?

- balance sheet profit and loss statement
 records of accounts receivable inventory records
 character statement bank records
 tax records No financial records were needed

other (specify) _____

3. Did you have ^{to} provide collateral or guarantee for your loan?

Yes

No → GO TO QUESTION #3B

↓
3a. (If Yes), what collateral or guarantee did you provide?

3b. Do you presently need additional financing or loans for your business?

Yes

No

↓
(IF YES), For what specific purposes would you need the financing or loan?

3c. About how much money would you need in loans for your business?

INTERVIEWER: (ONLY FOR RESPONDENTS WHO HAVE NEVER OBTAINED LOANS)

4. If you have never successfully obtained a loan for your business, what do you feel are the main reason for not doing so?

financially self-sufficient

too much paperwork

unable to provide adequate collateral

never tried to get a loan

difficult loan application process

high interest rates

must know the right people to get loans

other (specify) _____

4a. What do ^{you} think can help you the most in successfully obtaining loans for your business?

INTERVIEWER: Read the following instruction to the respondent.
I would now like to move to another aspect of your business activity, namely BUDGETING.

BUDGETING

1. Do you prepare and use a budget in running your business?

Yes

No → Go to Question #6

2. For what period of time do you budget?

Monthly

Quarterly

Annual

Other _____

3. Which of the following types of budgets do you use in your business?

Sales budget

Accounts Receivable budget

Administrative budget

Direct labor budget

Payment of Purchases budget

Other (specify) _____

Cash budget

4. Do you use budgeting for any of the following activities?

Estimate cash shortfalls and requirements

Merchandise purchases

Planning future sales and profits

Estimating labor costs

Periodically reviewing business activity

Cost cutting and expense reduction

Setting a profit goal for the coming year

Other (specify) _____

5. What do you think can help you the most in improving your business budgeting skills and practices?

INTERVIEWER: (ONLY FOR RESPONDENTS WHO DO NOT HAVE ANY BUDGETING SYSTEM)

6. If you do not use a budget, how do you go about making financial plans for your business?

INTERVIEWER: Encourage respondent to provide detailed information.

7. How do you go about determining whether you have ^{an} adequate level of cash to meet current expenses or estimate your cash needs?

8. Do you have particular problems in setting up and using a budgeting system for your business?

Yes No — GO TO NEXT SECTION



8a. What are these particular problems?

INTERVIEWER: Encourage respondent to give specific examples.

INTERVIEWER: Read the following instructions to the respondent.

I would now like to move to another aspect of your business activity, namely INVENTORY MANAGEMENT.

INVENTORY MANAGEMENT

1. Do you keep inventory records of the merchandise and stock items in your business?

Yes

No → GO TO QUESTION #6

↓
1a. Do you use any of the following as part of your inventory record-keeping system?

Card records for different merchandise

Sales slips

Inventory tags

Cash register tape

Merchandise or stock lists

Price tickets

Other (specify) _____

3. For which of the following purposes do you use your inventory recordkeeping system?

Maintain a good assortment of products

Increase inventory turnover

Keep stocks low

Make volume purchases to obtain lower prices

Avoid overbuying/overstocking

Get rid of old items

To place orders and determine price

To increase profit on specific items

Other (specify) _____

4. Do you have problems of lost sales because of inadequate merchandise inventory?

Yes

No → GO TO QUESTION #5.

↓
4a. Specifically, what were these problems?

INTERVIEWER: Encourage respondent to give specific information.

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5. What do you think can help you the most in improving your inventory management system?

INTERVIEWER: Encourage respondent to give as many examples as possible.

INTERVIEWER: (ONLY FOR RESPONDENTS WHO DO NOT HAVE ANY INVENTORY SYSTEM)

6. If you do not have an inventory system:

a. How do you know what merchandise or stock items you have on hand?

b. How do you know what you have sold?

c. How do you know what you need to order?

d. How do you know what you have received from suppliers?

7. Do you have specific problems in setting up or operating an inventory system?

Yes No
↓

7a. What are some of these problems?

INTERVIEWER: Encourage respondent to give specific information.

INTERVIEWER: Read the following instructions to the respondent. I would now like to another aspect of your business activity, namely FINANCIAL MANAGEMENT.

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FINANCIAL MANAGEMENT

1. Do you do financial planning for your business?

Yes

No → Go to Question #4

2. Which of the following apply to your financial planning activities?

Maintain a well planned budgeting system

Maintain an efficient accounts receivable record system

Keep an efficient inventory management system

Keep a current accounts payable system

Other (specify) _____

3. What factors are important to you in making financial plans for your business?

(ONLY TO RESPONDENTS WITH NO FINANCIAL MANAGEMENT OR PLANNING)

4. How do you monitor the financial situation of your business?

INTERVIEWER: Read the following instructions to the respondent.

I would not like to move to another aspect of your business activity, namely **EMPLOYEE MANAGEMENT.**

EMPLOYEE MANAGEMENT

1. How many employees do you have? _____

No Employees → Go to Question #6

2. How many of your employees are:

Family members # _____

Relatives # _____

Friends # _____

Others # _____

3. How often do you hire new employees?

frequently

when there is a special need

occasionally

other _____

4. Do you have any problems with your employees?

Yes

No → GO TO QUESTION #5

↓
4a. What are some of these problems?

INTERVIEWER: Encourage respondent to give specific examples.

5. Do you do any of the following when you hire new employees?

Use application forms for new employees

Interview job applicants

Investigate employee references

Give basic orientation and training to employees

Classify jobs and prepare wages and salary scales

Plan and supervise training programs for employees for better positions

Other _____

5a. Do you do any of the following in your capacity as an employer?

- Help employees with personal problems
- Give recognition and incentives to good employees
- Give employees vacations and time off when needed
- Periodically review employee performance
- Delegate work, responsibility and authority to employees
- Periodically promote and increase wages and salaries for employees
- Other _____

5b. What do you think can help you the most in improving the productivity and performance of employees in your business?

INTERVIEWERS: Encourage respondent to give specific examples.

6. What are some of the reasons for your not hiring workers in your business?

- DO NOT need workers / / Business is small
- Self-sufficient / / Cannot find dependable help
- Business is slow / / Cannot afford to pay workers
- Other (specify) _____

7. Do you presently need employees to help you in your business?

Yes

No

7a. How would you use additional help if you should have it?

INTERVIEWER: Read the following instructions to the respondent. I would now like to move to another aspect of your business activity, namely BUSINESS PROMOTIONS.

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BUSINESS PROMOTIONS

1. Do you do any publicity to get customers into your store?

Yes

No → GO TO QUESTION #2

1a. What are some of the means you use to publicize your business?

- | | |
|---|---------------------------|
| <input type="checkbox"/> distribute flyers, handout | / / window displays |
| <input type="checkbox"/> post signs | / / free samples |
| <input type="checkbox"/> use advertising lights | / / coupons |
| / / use loudspeakers or megaphones | / / display advertisement |
| <input type="checkbox"/> give specials to customers | / / other (specify) _____ |
| <input type="checkbox"/> advertise in local paper | _____ |
| <input type="checkbox"/> discount offers on merchandise | |

1b. Have your publicity efforts been beneficial to your business?

Yes

No → GO TO QUESTION #3

1c. In what ways have these efforts been useful to your business?

- | | |
|---|--|
| <input type="checkbox"/> Increased Sales | <input type="checkbox"/> Attract more business |
| <input type="checkbox"/> New Customers | <input type="checkbox"/> Become more competitive |
| <input type="checkbox"/> Get rid of old merchandise | <input type="checkbox"/> other (specify) _____ |

2. What are some of the reasons that have prevented you from doing publicity for your business?

- Do not know how to do publicity
- Publicity is expensive
- Not necessary for my business
- Have enough business
- other (specify) _____

3. Do you feel advertising efforts could help your business?

Yes

No → GO TO NEXT SECTION

↓
GO TO QUESTION 3a

3a. What publicity approaches do you think will be effective in publicizing your business?

INTERVIEWER: Encourage respondent to give detailed information.

INTERVIEWER: Read the following instructions to the respondent. I would now like to move to another aspect of your business activity, namely BUSINESS TRAINING.

BUSINESS TRAINING

1. Do you have any educational training in business?

Yes

No → GO TO QUESTION #4

↓
1a. How did you get your business training?

apprenticeship

business school

correspondence study

business workshps

worked for an employer

private tutorials

special government
training

other (specify) _____

2. How useful has your training been in running your business?

very useful

moderately useful

somewhat useful

inadequate

3. Do you think additonal business training can improve your business skills?

Yes

No → GO TO QUESTION #3b.

↓
3a. In what ways do you think your business can benefit from additional training?

INTERVIEWER: Encourage respondent to give specific examples.

3b. Do you think you have any need for additional business training?

Yes → GO TO QUESTION #5A

No → GO TO NEXT SECTION

4. What are some of the reasons for your lack of training in business?

cannot afford business school

too busy

training not necessary

inherited business

^{NO}
A training opportunities in
the area

other (specify) _____

INTERVIEWER: Continue with Question #5.

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5. Do you feel that you can presently benefit from business training?

Yes

No → GO TO NEXT SECTION.

5a. What specific kinds of business training would you like to receive?

bookkeeping

budgeting

accounting

sales

management

inventory control

finance

other (specify) _____

6. Where do you think these business training courses should be given?

at a local high school

at a church

at a community hall

location does not matter

other (specify) _____

7. If a business training program could be established, who do you think can best administer it?

selected local teachers

business specialists

business executives

successful business owners

college professors

instructors from the U.S.

other (specify) _____

8. If a business training program could be established in this area, what would be the best time for you to attend?

Between 6:00 - 8:00 pm

Between 8:00 - 10:00 pm

Before 9:00 am

Between ^{12:00}noon and 2:00 pm

Weekends

other (specify) _____

9. If business training opportunities were available to you away from Limon, would you be able to participate in such training for several months?

Yes

No

INTERVIEWER: Read the following to the respondent. I would now like to ask you some questions about BLACK BUSINESSES IN LIMON AND SURROUNDING AREAS.

BLACK BUSINESSES IN LIMON AND SURROUNDING AREAS

1. Do you feel that black businesses in Limon and surrounding areas have problems that other non-black businesses do not have?

Yes No

↓
1a. What do you think are the special problems of black businesses?

INTERVIEWER: Encourage respondent to give specific examples.

2. Do you think that the number of black owned businesses in Limon and surrounding areas has declined in number over the past few years?

Yes No

↓
2a. What do you think are the major reasons for this decline in black business ownership?

INTERVIEWER: Encourage Respondent to give specific examples.

3. Do you think that you will be in business five years from now?

No Yes → Go to Next Section

↓
3a. Why do you not think you will be in business?

INTERVIEWER: Encourage respondent to geive specific information.

INTERVIEWER: Read the following to the respondent. I would now like to obtain some personal and/or demography information about you.

PERSONAL/DEMOGRAPHIC DATA

1. How old are you? _____ Sex Male Female
2. Are you presently
 Married Divorced Separated
 Other _____
3. What is the highest level of education you have attained?

4. What are the main reasons for your going into business for yourself?

5. Are you satisfied with the present condition of your business?
 No Yes
6. What are some of your dissatisfactions?

7. Would you like to make any comment or suggestions about any topics covered in this survey or about the survey itself?

INTERVIEWER: Read the following to the respondent.

This completes our interview. I would like to express our thanks and appreciation for your time and willingness to participate in this survey. The information you have given us shall be very useful in understanding the business needs and training requirements of small black businesses in Limon. After we study the data we have collected, we will be glad to mail you the report of our findings. If you wish to receive this report please give us your address.

Again Thank you!

BLACK BUSINESSES IN LIMON

Black businesses in Limon and surrounding areas do not appear to show the same rate of growth and development as other businesses in the area. Perhaps at this time we can discuss some of the issues affecting black business.

- . Do you feel that black businesses in Limon have problems that other non-black businesses do not have?
- . What are the specific problems of small black businesses?
- . Has the number of small black businesses in this area declined in the past few years? If so, what are some of the reasons for this decline?
- . How many of you expect to be in business five years from now?

FACILITATOR: We now conclude our discussions.

GO TO FINAL REMARKS.

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FINAL REMARKS - APPRECIATION OF PARTICIPANTS

Before we adjourn this group session, I would like to express to you again our deep appreciation and thanks for your attendance and participation. The ideas and views we have exchanged here are very important in an accurate and first-hand understanding of the special problems and needs of black small businesses in Limon and surrounding areas. We hope that our discussions here will offer sufficient data and insights to planners who may be in the best position to respond to the general business management needs of small black businesses in this community. Again, thanks to all of you.

FACILITATOR: Direct participants toward area of refreshments.

MORGAN STATE UNIVERSITY
INSTITUTE FOR URBAN RESEARCH

SMALL BUSINESS SURVEY

Interview # _____ Date of Interview _____

1. Business Name _____ Telephone _____
2. Address _____
3. Business Owner's Name _____
_____ Own or _____ Rent business location
4. Type of Business _____
5. Goods Carried _____

6. Business Ownership: (check One)
_____ Sole Proprietorship _____ Partnership
_____ Family _____ Other
7. Are you a member of the local merchants association? _____, If yes,
Name of Organization: _____
If no, why not? _____

8. How long have you been in business? _____
9. How long has your business been located at this address? _____
10. If less than two years, why did you choose this area? _____

11. How many employees do you have?
Full-time _____ Part-time _____
12. How many of your employees live with you: _____
How many of your employees live in the Neighborhood: _____

Do you OWN or LEASE your business premeses? (circle one)

If, LEASE

13. What is the term of your lease? _____

14. Do you have a renewal option? _____ If yes, do you plan to renew? _____

If not, why not? _____

15. Your monthly rent is: \$ _____

16. Approximate space leased _____ (sq. ft.)

17. Have your business premeses been renovated or painted in the last five years? _____

18. If YES, describe the improvements _____

Customer Profile

19. Approximately what percentage of your customers are:

Your Neighbors in the immediate area _____

Outside the Neighborhood _____

Other (specify) _____

20. Which of the following groups are your most frequent customers?

Black _____ Teenagers _____ Male _____

White _____ Middle age _____ Female _____

Other _____

21. Have you noticed any change over the past few years in the type of customers you are attracting? If yes, describe _____

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Sales Profile

22. Your average annual sales are (check one)

- | | |
|--|--|
| <input type="checkbox"/> up to \$2,000 | <input type="checkbox"/> \$2,000 - 3,000 |
| <input type="checkbox"/> \$4,000 to \$6,000 | <input type="checkbox"/> \$3,000 - 4,000 |
| <input type="checkbox"/> \$6,000 to \$10,000 | <input type="checkbox"/> Over \$10,000 |

23. During the past three years your sales have:

- increased decreased
 remained approximately the same

24. Do you accept:

- Credit sales _____ Approximate % of sales _____
Personal checks _____ Approximate % of sales _____
Lay away _____ Approximate % of sales _____

25. What is your current profit margin? (check one)

- 5% 5 - 10% 10 - 15% 15 - 20%
 20 - 30% 30 - 40% Over 40%

Business Profile

26. Which stores do you consider to be the most competition in your area?

Type of store/business	Location
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

27. What other types of businesses are needed to make this area a better place to shop or to help your business? _____

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28. How would you rate the (Identify Specific Barrio) in terms of the following?

(excellent = 1, good = 2, fair = 3, poor = 4)

- a. variety of businesses _____
- b. quality of goods and services _____
- c. competitive pricing _____
- d. business hours _____
- e. public transportation _____
- f. accessibility by foot _____
- g. security of businesses _____
- h. commercial area identity _____
- i. building conditions _____
- j. pedestrian accommodations _____
- k. street maintenance _____
- l. street cleaning _____
- m. fire protection _____
- n. police protection _____
- o. other _____

29. What are your hours of business?

Monday - Friday _____ Saturday - Sunday _____

Evening _____

30. When do you do your most business? _____

31. What have you recently done to improve your business? _____

32. Would you be willing to participate in group/joint promotions and advertising? _____

33. In which of the following areas would you be interested in receiving information or assistance?

- | | |
|--|-----------------------|
| _____ business training and development | _____ inventory |
| _____ financial planning | _____ working capital |
| _____ merchandising/advertising/marketing | _____ other (specify) |
| _____ business loans for: | |
| _____ acquisition of machinery and equipment | |

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MORGAN STATE UNIVERSITY
INSTITUTE FOR URBAN RESEARCH
BALTIMORE, MARYLAND

SMALL BUSINESS SURVEY
LIMON, COSTA RICA

FOCUS GROUP SESSIONS

- Interviewer Instructions
- Discussion Guides

Date: _____

Beginning Time: _____

No. of Participants:

Location:

Facilitator:

Ending Time:

Focus Group Interaction Guide (FGIG)

Overview

The following Focus Group Interaction Guide is designed to extract indepth and detailed qualitative data on the needs, problems and training requirements of black small business entrepreneurs in Limón, Costa Rica. The focus group interaction approach to be employed in this project is expected to yield insights and knowledge about various aspects of minority small business entrepreneurship in an informal and relaxed setting. Facilitators and discussion moderators should encourage the free exchange of views and ideas by discussion participants. As facilitators and moderators, you should also be alert and capable of directing group discussions without wasting too much time on an issue or a particular problem. You should be able to pace discussions and introduce new topics in a timely and systematic manner.

INSTRUCTIONS TO FACILITATORS

A. Role of Facilitator

The facilitator/moderator plays five important and interrelated roles in conducting the focus group sessions: He/She

- 1) initiates discussion on a topic,
- 2) guides discussion so that the issue at hand is only discussed,
- 3) insures that discussion is sustained by the group and the topic is properly addressed,
- 4) provides overall clarification to group members where necessary, and
- 5) takes notes of the discussion points.

Beyond these five activities, the facilitator/moderator should remain in the background and allow the participants to freely exchange their views, ideas, and perspectives. Where appropriate, the facilitator/moderator should encourage specific participants to engage in discussions and also intervene to avoid excessive participation by an individual participant. In appropriate cases, the facilitator/moderator may ask a participant to explain, give examples, suggestions, and other comments.

B. Conducting Focus Group Discussions

In conducting the focus group discussions, the facilitator should closely follow instructions contained in this guide. Activities should follow the following structure:

- . Welcoming of Participants (See Instruction #1 below)
- . Explanation of the aims of the focus group discussion (See Instruction #2 below)

Effective Tools for Conducting Discussion Group Sessions

- . Courtesy Rules (See Instructions #3 below)
- . Some aids to assist in Discussion Management (See Instruction #4 below)

INSTRUCTION #1

Welcoming of Participants

(To be read by facilitator/moderator to the group)

Before we go forward with our discussions today, I would like to welcome each and every one of you for taking the time to come here today and also extend the gratitude and appreciation of the researchers from Morgan State University.

Our discussions today should be very useful in helping us better understand the problems and needs of small black businesses in Limon and the surrounding area. The ideas, views, and information that you will be exchanging here today will be very useful to us in getting a clear understanding of the issues, needs, and problems that are important to you. We also hope the information will further provide a basis for future planning and action. Again, the researchers from Morgan State University welcome you and extend to you their deep appreciation and thanks for your presence and participation today.

INSTRUCTION #2

Explanation of the Aims of the Focus Group Interaction Sessions

This focus group interaction session has one central purpose: encourage you to interact and exchange views and ideas with other business people on various business issues. In doing so, we hope to collectively identify those needs and problems that are commonly shared among various small business owners. Our initial observations of black small businesses in Limon and surrounding areas suggest to us that many of the issues affecting these businesses, in fact, are not limited to just a few business owners but are common to a larger segment of the black small business community. In our discussions today we will be touching upon many of these issues; and your active participation and comments are very important if this process is to be successful.

INSTRUCTION #3

Courtesy Rules

In order to help us make the best use of our time today, we would like to suggest a few courtesy rules for our discussions. We should try to:

- . freely exchange ideas, views, and perspectives;

- . listen carefully to different viewpoints and what each one of us have to say;
- . allow all participants to state their views;
- . be brief in stating our positions and views;
- . maintain our informality;
- . avoid repetition of things that have already been said;
- . focus on the specific topic under discussion and avoid talking about unrelated issues;
- . avoid side conversations; and
- . give others the opportunity to participate.

Facilitator: We shall now proceed with our first topic which is business recordkeeping.

INSTRUCTION #4

Some Discussion Aids to Facilitator

The following are some aids which the facilitator/moderator may use to effectively manage the focus group discussions.

USE QUESTIONS TO MANAGE DISCUSSIONS. IF YOU WISH TO

A. Stimulate thinking and creativity, you might try the following question formats:

- Have you given thought to (particular aspects of an issue)?
- We need some ideas! Hasn't anyone thought about (particular aspects of an issue)?
- Is there anything we have forgotten about

B. Clarify issues and concerns

- It sounds like the problem is ...
- If we agree (on a particular aspect of an issue) what are some of the consequences?
- Let me see if I understand, are you suggesting ...
- I am not sure everyone understands your point, could you explain further ...

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C. Keep discussion on track

- That is an important fact, but how does it relate to ...
- Are there any questions before we move to the next item ...
- Are we a little off the subject ...

D. Stimulate Interaction

- Do you really think that this is an accurate analysis of the problem especially in view of the fact that ...
- What do you suggest as an alternative to ...
- I think you have an interesting idea, can you go a little further.
- Does everyone share in the views expressed by ...

E. Conclude a section

- Do you feel we have heard enough information about ...
- Does anyone want to ask questions, make final comments before we proceed to the next topic ...
- Since we have covered our immediate objectives in this topic, we can now proceed to ...

F. Encourage quiet or shy participants to speak. Direct a question to a quiet participant:

- How do you feel about ...
- In your business, do you have the same problems, needs, ...
- In your experience, what do you think of ...
- What are some of your views on ... which you would like to share with us based on your experience in business ...

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RECORDKEEPING

INTERVIEWER: Read the following topic introduction before you begin discussions.

Experience shows that a good system of business records helps increase the chances of survival of small businesses. A good recordkeeping system is also one of the important factors for earning larger profits. Because of poor financial records, some small businesses fail.

When we talk about recordkeeping in business, we generally refer to the process in which business activities are documented and recorded so that informed business decisions are made. A good system of recordkeeping, for example, will enable the businessowner to know early on whether or not there are problems in the business. By spotting problems areas promptly, corrections can be made.

Recordkeeping is also important for other business requirements such as negotiating a business loan from a bank. Without good records it is difficult to secure loans and credit from banks and suppliers, and other financial sources. Good records also necessary to meet government tax requirements and to support figures supplied for tax purposes.

Our first topic of discussion is the question of recordkeeping. We are particularly interested in knowing more about your recordkeeping practices, problems, needs, and things which you feel could be done to improve your ability to keep financial records for better business management. We want to direct our attention to such records as cash receipts, cash disbursements, sales, purchases, payroll, equipment, inventory and accounts receivable and payable.

Record Keeping Practices

- . To what extent do you think there is a need to keep accurate and detailed records of transactions in your businesses?
- . What are some of the common forms of records you keep for your various businesses?
- . What are some of the ways in which each one of you use the records that you maintain.
- . How important is recordkeeping as a business practice to each one of you?
- . What do you think are the advantages or disadvantages of the particular recordkeeping practices that you have?
- . What are some of the specific needs that each one of you have in setting up and using a system of recordkeeping.
- . What are some of the problems each one of you have in operating a recordkeeping system?

INTERVIEWER: I think we have adequately discussed the topic of record-keeping. Unless you wish to make some final comments, we can now move to the next section which has to do with **SECURING LOANS AND BUSINESS FINANCING.**

SECURING LOANS AND BUSINESS FINANCING

In many instances small businesses require funds to grow and expand. As a result these businesses must borrow money from banks, government agencies, private lending institutions and other sources.

Experience has shown that some small business owners have difficulty getting loans which often proves to be an aggravating and frustrating problem for the small business owner.

Both small business owners and lenders have their differing views. Lenders, especially bankers, often complain that in a good many cases prospective small business borrowers do not adequately understand the loan process. Bankers, for example, suggest that unsuccessful small business borrowers do not provide adequate financial data, specify the type of funds needed for the business, clearly state the purposes of the loan or the exact amount of money to be borrowed. Further, lack of loan collateral and inability to understand the lender's rules governing repayment are identified by bankers.

On the other hand, unsuccessful small business loan applicants have complained that lending institutions especially banks often have cumbersome application procedures which are confusing and difficult to understand. Banks are said to be insensitive to the needs of the small business owner and do not seek ways to make it easier for them to secure loans without great expenditures in time, labor or aggravation.

In this topic we will discuss the loan application process, some of the different types of loans that a business man can secure, loan collaterals, lenders' rules and limitations, and restrictions set by different lending

institutions. We will pay particular attention to your borrowing experiences, needs, and things which you feel could be done to improve your credit worthiness and ability to secure loans.

Loans and Business Financing

- To what extent is there a need for business financing in your various businesses?
- How many of you have ever attempted to get loans or financing? why do you think you were successful? Unsuccessful?
- What were some of the requirements you had to meet to obtain loans?
- What were the various purposes for which you sought financing?
- Have any of you ever defaulted on a loan?
- Do any of you presently need business loans? From what source? For what purpose?
- What are some of your special problems in getting bank loans and government loans?

FACILITATOR: I think we have adequately discussed the topic of Loans and Business Financing. Unless you wish to make some final comments we can now move to the next section which has to do with BUDGETING.

BUDGETING

Budgeting is a business tool which helps the business owner deal effectively with future business needs and achieve particular business goals. For the small business owner, budgeting is very important since it is likely to determine whether or not the aim of making profit is within reach. As a business tool, budgeting is also important in uncovering business problems and in making choices and business decisions in resolving these problems.

In some instances, small business owners run their businesses without planned goals. Often preoccupied with survival from week to week such owners overlook budgeting as a financial management tool.

Experience has shown that small businesses that use a system of budgeting are best able to set goals and successfully achieve them. By using a budgeting system, successful business owners can project profits and losses, examine expenses and reduce them where necessary, forecast sales and improve the profit potentials of their businesses.

In this section, we shall discuss the various aspects of budget preparation and use, paying particular attention to your budgeting experience and needs. We shall also discuss some of the things you feel could be done to improve and encourage the use of a budget system in your businesses.

Budgeting

- . How many of you use a budgeting system for your businesses?
- . Those of you who do not use a budget, in what ways do you make financial plans for your businesses?
- . In what ways do you as entrepreneurs determine cash levels to meet current expenses?
- . How carefully do you follow your budgets in your businesses?
- . How often do you revise your budgets? Why do you revise them?

- What are some of your specific needs in setting up or operating a budgeting plan for your businesses?
- What are some of your specific problems in implementing and maintaining a budget plan in your businesses?

FACILITATOR: I think we have adequately discussed the topic of budgeting. Unless you wish to make some final comments, we can now move to the next section which has to do with INVENTORY MANAGEMENT.

INVENTORY MANAGEMENT

Inventory management to many small businesses is one of the most important aspects of business. In many small businesses, substantial investments are tied in inventories.

Successful inventory management in small businesses often involves the organization of merchandise and stock items for efficient sales. Business inventory records (such as sales and purchases records) which are accurate and current provide the needed information to make the right purchases and sales decisions.

In this topic we shall discuss some of the different ways in which you manage your inventories, paying particular attention to your experiences, problems and needs. We shall also discuss some of the things you feel could help you in improving your inventory management skills.

Inventory Management

To what extent do each one of you feel the need for an inventory management system in your business?

What kinds of inventory records do you keep?

How often do you go about determining the goods and merchandise you need for sale?

How often do you lose a sale because you do not have a merchandise in stock?

Are there any problems which make it difficult for you to set up an inventory control system?

What are some of your needs in developing an efficient inventory system?

FACILITATOR: I think we have adequately discussed the topic of Inventory Management. Unless you wish to make some final comments, we can now move to the next section which has to do with FINANCIAL MANAGEMENT.

FINANCIAL MANAGEMENT

Systematic financial management is certainly the most important aspect of small business entrepreneurship. To the small business person one area of particular concern lies in the effective management of working capital. Lack of control in this crucial area has been a primary cause of business failure in many small firms. Therefore, the small business manager must continually be alert to changes in working capital accounts, the causes for these changes and what these changes mean to the future of the business.

Generally, in some small businesses financial plans often remain in the mind of the business owner. Few financial reports are prepared at regular intervals and business decisions tend to be made on the basis of gut feeling and hunches.

Financial management is concerned primarily with the commitment of funds to various business uses. Good financial management not only serves to maximize profitability but also helps in increasing the total value of the business firm.

In this section, we shall discuss some specific aspects of financial management, paying particular attention to your financial management experiences, problems and the needs of your businesses. We shall also discuss ways through which your financial management skills could be improved and effective financial management systems maintained.

Financial Management

- . Are you as individual business owners totally responsible for the financial management of your business? Do you delegate responsibility?
- . Are you the sole financial decision-maker in your business?
- . Who handles cash transactions in your businesses?

- . As business owners do you have sole control of cash flow?
- . Who sets product pricing in your business? How do you go about setting prices?
- . Who in your business is responsible for managing accounts receivable?
- . How do you manage and verify inventory?
- . How are credit accounts managed in your business?
- . What are some of your specific needs in improving the financial management of your businesses?
- . What are some of your specific problems in setting up and operating an efficient financial management system?

FACILITATOR: I think we have adequately discussed the topic of Financial Management. Unless you wish to make some final comments, we can now move to the next section, which is **EMPLOYEE MANAGEMENT**.

EMPLOYEE MANAGEMENT

Employee management is concerned with the effective use of the skills of people in a given business. It involves a wide range of activities including such things as anticipating future manpower needs for the business, employee recruitment, hiring and training, employee supervision and motivation and other similar items.

If a small business owner is unable to efficiently use the manpower available to him, he will have problems remaining profitable and competitive. So it is the responsibility of the small business owner who has employees to make the most efficient use possible of the human resources available to him, and in so doing, efficiently operate his business.

In this section, we shall discuss some of the different tasks involved in managing employees, keeping in mind your experiences, problems and needs.

Employee Management

- . How many of you have employees working for you?
- . How did you go about recruiting and hiring your employees?
- . How do you determine the qualifications of your employees?
- . What are your specific recruitment and hiring needs?
- . Do you have specific recruitment and hiring problems?
- . Do you train your employees?
- . Those of you who do not have any employees, what special needs and problems do you face in your business?
- . What types of training do you provide?
- . How do you motivate your employees and improve their productivity?
- . How do you coordinate duties and responsibilities to improve the performance of your employees?

FACILITATOR: I think we have adequately discussed the topic of Employee Management. Unless you wish to make some final comments, we can now move to the next section, which has to do with BUSINESS PROMOTION

BUSINESS PROMOTION

Business promotion (advertising) is concerned with the ways and means through which a business owner informs people about his business and products. It involves such activities as posting of signs about the business, the distribution of handouts and flyers and the use of communication media.

The use of different business promotion techniques by small business owners is useful in increasing sales and profits.

Business promotion not only makes a prospective customer aware of the business establishment and its product offerings but it also creates an interest and cultivates loyalty of customers. Business promotion is particularly important where there is similarity in merchandise or products being offered to consumers by competing businesses. Therefore, by using certain promotional and advertising techniques, a business owner can inform prospective buyers, stimulate interest and desire in a particular product or merchandise.

In this section, we shall discuss some specific aspects of your business promotion activities, paying particular attention to your needs, problems, and experiences in doing any form of business promotion:

Business Promotion

- . How many of you have tried to promote or advertise your businesses to the public?
- . What are some of the promotional techniques you have used to advertise your businesses?
- . Is advertising in any form important or useful to your business?
- . Those of you who have done some advertising, have you experienced increased sales?

• Do you feel that you have any special business promotional or advertising needs in your businesses?

• What are some of the problems which make it difficult for you to advertise? What do you think can help you overcome these problems?

FACILITATOR: I think we have adequately discussed the topic of Business Promotions. Unless you wish to make some final comments, we can now move to the next section, which has to do with **BUSINESS TRAINING.**

BUSINESS TRAINING

Business training refers to various business skills development opportunities in which business owners can participate to obtain specific and practical skills to manage and operate their businesses.

Business training can of course be acquired through formal education in the high schools, technical schools, colleges and universities or informally through training workshops and similar settings. Business training can also take place on the job or off the job.

Off-the Job training usually involve some structured training and may be accomplished through programmed instructions and other formal training aids. On-the-Job training, on the other hand, may involve apprenticeship, job instruction, job rotation, and individual coaching.

To successfully run the day-to-day tasks involved in business management, most small business owners need some sort of business training. In this section, we will discuss some specific aspects of your business training needs, problems, and experiences.

Business Training

- . How many of you have had formal or other business training?
- . What has been the nature of your business training?
- . How useful do you find your training to your business?
- . What specific kinds of business training do you think are needed for your various businesses?
- . Are there adequate business training programs in Limon in which you can participate?
- . How much interest is there among you for new or additional business training programs?

- . If a new business training program could be established, how would you like to see it administered?
- . How many of you could take time off to receive business training away from Limon?
- . What are some of your specific individual business training needs?.
- . What are some of your specific individual business training problems?

FACILITATOR: I think we have discussed the topic of business training adequately. Unless you wish to make final comments, we can now move to our last section which is the general topic of black business development in Limon and surrounding areas.

BLACK BUSINESSES IN LIMON

Black businesses in Limon and surrounding areas do not appear to show the same rate of growth and development as other businesses in the area. Perhaps at this time we can discuss some of the issues affecting black business.

- . Do you feel that black businesses in Limon have problems that other non-black businesses do not have?
- . What are the specific problems of small black businesses?
- . Has the number of small black businesses in this area declined in the past few years? If so, what are some of the reasons for this decline?
- . How many of you expect to be in business five years from now?

FACILITATOR: We now conclude our discussions.

GO TO FINAL REMARKS.

FINAL REMARKS - APPRECIATION OF PARTICIPANTS

Before we adjourn this group session, I would like to express to you again our deep appreciation and thanks for your attendance and participation. The ideas and views we have exchanged here are very important in an accurate and first-hand understanding of the special problems and needs of black small businesses in Limon and surrounding areas. We hope that our discussions here will offer sufficient data and insights to planners who may be in the best position to respond to the general business management needs of small black businesses in this community. Again, thanks to all of you.

FACILITATOR: Direct participants toward area of refreshments.